Table of Contents

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

☑ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended September 30, 2006

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 85248
(480) 821-5000
(Address of principal executive offices and zip code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes ☑ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a nonaccelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):
Large accelerated filer ☐ Accelerated filer ☑ Non-accelerated filer ☐

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

The number of outstanding shares of the registrant's Common Stock as of October 31, 2006 was 178,109,034.

QUARTERLY REPORT ON FORM 10-Q
September 30, 2006

TABLE OF CONTENTS

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AMKOR TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005 (As restated)(1)	2006	2005 (As restated)(1)
	(In thousands, except per share data)			
Net sales	$713,829	$ 549,641	$2,045,549	$ 1,456,457
Cost of sales	536,062	459,342	1,543,721	1,256,357
Gross profit	177,767	90,299	501,828	200,100
Operating expenses:				
Selling, general and administrative	68,477	59,633	187,648	187,057
Research and development	9,653	8,870	29,398	27,694
Provision for legal settlements and contingencies	—	—	1,000	50,000
Total operating expenses	78,130	68,503	218,046	264,751
Operating income (loss)	99,637	21,796	283,782	(64,651)
Other (income) expense:				
Interest expense, net	36,573	40,859	118,330	122,767
Interest expense, related party	1,563	—	4,914	—
Foreign currency loss (gain), net	6,465	4,171	11,472	4,630
Debt retirement costs, net	—	—	27,389	—
Other (income) expense, net	(878)	394	1,497	2,635
Total other expense, net	43,723	45,424	163,602	130,032
Income (loss) before income taxes and minority interests	55,914	(23,628)	120,180	(194,683)
Income tax expense (benefit)	2,881	(2,865)	8,465	(325)
Income (loss) before minority interests	53,033	(20,763)	111,715	(194,358)
Minority interests, net of tax	(223)	1,250	(678)	3,187
Net income (loss)	$ 52,810	$ (19,513)	$ 111,037	$ (191,171)
Income (loss) per common share:				
Basic	$ 0.30	$ (0.11)	$ 0.63	$ (1.08)
Diluted	$ 0.27	$ (0.11)	$ 0.60	$ (1.08)
Shares used in computing income (loss) per common share:				
Basic	178,108	176,715	177,537	176,271
Diluted	204,482	176,715	197,539	176,271

(1) See Note 2, "Restatement of Consolidated Financial Statements, Special Committee and Company Findings" of the Notes to "Condensed Consolidated Financial Statements."

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	September 30, 2006	December 31, 2005 (As restated)(1)
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 190,567	$ 206,575
Restricted cash	2,570	—
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $4,775 and $4,947	425,351	381,495
Other	6,557	5,089
Inventories, net	164,404	138,109
Other current assets	38,679	35,222
Total current assets	828,128	766,490
Property, plant and equipment, net	1,456,553	1,419,472
Goodwill	671,534	653,717
Intangibles, net	32,068	38,391
Investments	7,794	9,668
Restricted cash	1,755	1,747
Other assets	49,749	65,606
Total assets	$ 3,047,581	$ 2,955,091
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 200,552	$ 184,389
Trade accounts payable	312,238	326,712
Accrued expenses	170,346	124,027
Total current liabilities	683,136	635,128
Long-term debt	1,727,200	1,856,247
Long-term debt, related party	100,000	100,000
Pension and severance obligations	155,677	129,752
Other non-current liabilities	30,933	6,109
Total liabilities	2,696,946	2,727,236
Commitments and contingencies (see Note 13)		
Minority interests	4,066	3,950
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, issued and outstanding of 178,096 in 2006 and 176,733 in 2005	178	178
Additional paid-in capital	1,440,035	1,431,543
Accumulated deficit	(1,100,437)	(1,211,474)
Accumulated other comprehensive income	6,793	3,658
Total stockholders' equity	346,569	223,905
Total liabilities and stockholders' equity	$ 3,047,581	$ 2,955,091

(1) See Note 2, "Restatement of Consolidated Financial Statements, Special Committee and Company Findings" of the Notes to "Condensed Consolidated Financial Statements."

The accompanying notes are an integral part of these statements.

Table of Contents

AMKOR TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Nine Months Ended September 30,	
	2006	2005 (As restated)(1)
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 111,037	$ (191,171)
Depreciation and amortization	203,065	184,711
Other operating activities and non-cash items	56,889	6,944
Changes in assets and liabilities	9,665	(3,777)
Net cash provided by (used in) operating activities	380,656	(3,293)
Cash flows from investing activities:		
Payments for property, plant and equipment	(252,401)	(226,442)
Proceeds from the sale of property, plant and equipment	2,524	530
Changes in restricted cash	(2,578)	—
Net cash used in investing activities	(252,455)	(225,912)
Cash flows from financing activities:		
Net change in bank overdrafts	—	(102)
Borrowings under revolving credit facilities	143,659	127,494
Payments under revolving credit facilities	(134,419)	(116,811)
Proceeds from issuance of long-term debt	590,000	43,586
Payments for debt issuance costs	(15,087)	—
Payments on long-term debt	(734,861)	(38,036)
Proceeds from issuance of stock through stock compensation plans	4,981	2,738
Net cash provided by (used in) financing activities	(145,727)	18,869
Effect of exchange rate fluctuations on cash and cash equivalents	1,518	(2,430)
Net decrease in cash and cash equivalents	(16,008)	(212,766)
Cash and cash equivalents, beginning of period	206,575	372,284
Cash and cash equivalents, end of period	$ 190,567	$ 159,518
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 121,078	$ 124,825
Income taxes	$ 6,123	$ (501)
Non cash investing and financing activities:		
Application of deposit upon closing of acquisition of minority interest	$ 17,822	$ —

(1) See Note 2, “Restatement of Consolidated Financial Statements, Special Committee and Company Findings” of the Notes to “Condensed Consolidated Financial Statements.”

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Interim Financial Statements

Basis of Presentation. The condensed consolidated financial statements and related disclosures as of September 30, 2006 and for the three and nine months ended September 30, 2006 and 2005 are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the results for the interim periods. These financial statements should be read in conjunction with our latest annual report for the fiscal year ended December 31, 2005 filed on Form 10-K/A with the SEC. The results of operations for the three and nine months ended September 30, 2006 are not necessarily indicative of the results to be expected for the full year. Certain previously reported amounts have been reclassified to conform to the current presentation.

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

Restricted Cash. Restricted cash, current, consists of short-term cash equivalents used to collateralize our daily banking services. Restricted cash, noncurrent, collateralizes foreign tax obligations.

New Accounting Standards.

Recently Issued Standards

In February 2006, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 155, *Accounting for Certain Hybrid Financial Instruments* ("SFAS No. 155"), which amends SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS No. 133") and SFAS No. 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* ("SFAS No. 140"). SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006. Earlier adoption is permitted, provided the Company has not yet issued financial statements, including for interim periods, for that fiscal year. We do not expect the adoption of SFAS No. 155 will have a material impact on our financial statements and disclosures.

In June 2006, the FASB ratified EITF Issue No. 06-03 *How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross Versus Net Presentation)* ("Issue No. 06-03"). Under Issue No. 06-03, a company must disclose its accounting policy regarding the gross or net presentation of certain taxes. If taxes included in gross revenues are significant, a company must disclose the amount of such taxes for each period for which an income statement is presented (i.e., both interim and annual periods). Taxes within the scope of this Issue are those that are imposed on and concurrent with a specific revenue-producing transaction. Taxes assessed on an entity's activities over a period of time, such as gross receipts taxes, are not within the scope of the issue. Issue No. 06-03 is effective for the first annual or interim reporting period beginning after December 15, 2006. We are currently evaluating the impact of Issue No. 06-03 to our financial statements and disclosures.

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

In July 2006, the FASB issued Interpretation No. 48 ("FIN No. 48"), *Accounting for Uncertainty in Income Taxes,* which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes.* FIN No. 48 prescribes a two-step process to determine the amount of tax benefit to be recognized. First, the tax position must be evaluated to determine the likelihood that it will be sustained upon examination. If the tax position is deemed "more-likely-than-not" to be sustained, the tax position is then measured to determine the amount of benefit to recognize in the financial statements. The tax position is measured at the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. FIN No. 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of this standard on our financial statements and disclosures.

The FASB has issued SFAS No. 157, *Fair Value Measurements* ("SFAS No. 157"), which provides guidance for using fair value to measure assets and liabilities. The standard also responds to investors' requests for more information about (1) the extent to which companies measure assets and liabilities at fair value, (2) the information used to measure fair value, and (3) the effect that fair value measurements have on earnings. SFAS No. 157 will apply whenever another standard requires (or permits) assets or liabilities to be measured at fair value. The standard does not expand the use of fair value to any new circumstances. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We are currently evaluating the impact of this standard on our financial statements and disclosures.

In September 2006, the FASB issued SFAS No. 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statements No. 87, 88, 106, and 132(R), which requires recognition of a net liability or asset to report the funded status of defined benefit pension and other postretirement plans on the balance sheet and recognition (as a component of other comprehensive income) of changes in the funded status in the year in which the changes occur. Additionally, SFAS No. 158 requires measurement of a plan's assets and obligations as of the balance sheet date and additional annual disclosures in the notes to the financial statements. The recognition and disclosure provisions of SFAS No. 158 are effective for fiscal years ending after December 15, 2006, while the requirement to measure a plan's assets and obligations as of the balance sheet date is effective for fiscal years ending after December 15, 2008. We are currently evaluating the impact the adoption of SFAS No. 158 will have on our financial statements and disclosures.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108, *Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements* ("SAB No. 108"). SAB No. 108 provides guidance on the consideration of the effects of prior year misstatements in quantifying current year misstatements for the purpose of a materiality assessment. SAB No. 108 establishes an approach that requires quantification of financial statement errors based on the effects of each of the company's balance sheet and statement of operations and the related financial statement disclosures. Under certain circumstances, SAB No. 108 permits existing public companies to record the cumulative effect of initially applying this approach in the first year ending after November 15, 2006 by recording the necessary correcting adjustments to the carrying values of assets and liabilities as of the beginning of that year with the offsetting adjustment recorded to the opening balance of retained earnings. Additionally, the use of the cumulative effect transition method requires detailed disclosure of the nature and amount of each individual error being corrected through the cumulative adjustment and how and when it arose. SAB No. 108 will not have a material impact on our consolidated balance sheet and statement of operations.

Recently Adopted Standards

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an Amendment of ARB No. 43, Chapter 4*. SFAS No. 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance in this Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We adopted the provisions of

SFAS No. 151 on January 1, 2006. The adoption of this Statement did not have a material impact on our financial statements and disclosures.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions*. SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of Accounting Principles Board Opinion No. 29 and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective in fiscal years beginning after June 15, 2005. We adopted the provisions of SFAS No. 153 on January 1, 2006. The adoption of this statement did not have a material impact on our financial statements and disclosures.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 replaces APB No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements* and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and how to report such a change. The reporting of a correction of an error by restating previously issued financial statements is also addressed. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted the provisions of SFAS No. 154 on January 1, 2006.

Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), Share-Based Payments (“SFAS No. 123(R)”), which revises SFAS No. 123, Accounting for Stock-Based Compensation and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees (see Note 4 for further discussion).

In November 2005, FASB issued FASB Staff Position (“FSP”) FAS 115-1/FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (“FSP 115-1/124-1”). FSP 115-1/124-1 provides guidance on determining when investments in certain debt and equity securities are considered impaired, whether that impairment is other-than-temporary, and on measuring such impairment loss. FSP 115-1/124-1 also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. This FSP is required to be applied to reporting periods beginning after December 15, 2005. We adopted the provisions FSP 115-1/124-1 on January 1, 2006. The adoption of this FSP did not have a material impact on our financial statements and disclosures.

2. Restatement of Consolidated Financial Statements, Special Committee and Company Findings

As a result of a report by a third party financial analyst issued on May 25, 2006, we commenced an initial review of our historical stock option granting practices. This review included a review of hard copy documents as well as a limited set of electronic documents. Following this initial review, on July 24, 2006 our Board of Directors established a Special Committee comprised of independent directors to conduct a review of our historical stock option granting practices during the period from our initial public offering in 1998 through the present.

Based on the findings of the Special Committee and our internal review, we identified a number of occasions on which we used an incorrect measurement date for financial accounting and reporting purposes. In accordance with Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees,* and related interpretations (“APB No. 25”), with respect to the period through December 31, 2005, we should have recorded compensation expense in an amount per share subject to each option to the extent that the fair market value of our stock on the correct measurement date exceeded the exercise price of the option. For periods commencing January 1, 2006, compensation expense is recorded in accordance with Statement of Financial Accounting Standards No. 123(R) (revised), *Share-Based Payment* (“SFAS No. 123(R)”). We have also identified a number of other option grants for which we failed to properly apply the provisions of APB No. 25 or Statement of Financial Accounting Standards

No. 123, *Accounting for Stock-Based Compensation* ("SFAS No. 123") and related interpretations of each pronouncement. In considering the causes of the accounting errors set forth below, the Special Committee concluded that the evidence does not support a finding of intentional manipulation of stock option grant pricing by any member of existing management. However, based on its review, the Special Committee identified evidence that supports a finding of intentional manipulation of stock option pricing with respect to annual grants in 2001 and 2002 by a former executive and that other former executives may have been aware of, or participated in this conduct.

In addition, the Special Committee identified a number of other factors related to our internal controls that contributed to the accounting errors that led to the restatement. The financial statement impact of these errors, by type, for the periods indicated is as follows:

	Six Months Ended June 30, 2006	Year Ended December 31, 2005	2004	2003	Cumulative Effect 2002 — 1998	Total Additional Compensation Expense
			(In thousands)			
Improper measurement dates for annual stock option grants	$ 299	$255	$7,577	$6,453	$ 80,984	$ 95,568
Modifications to stock option grants	—	9	(536)	711	9,345	9,529
Improper measurement dates for other stock option grants	80	64	217	102	1,625	2,088
Stock option grants to non-employees	—	—	26	172	1,443	1,641
Additional compensation expense	379	328	7,284	7,438	93,397	108,826
Tax related effects	129	18	144	198	(3,294)	(2,805)
Aggregate restatement of net income (loss)	$ 508	$346	$7,428	$7,636	$ 90,103	$ 106,021

Improper Measurement Dates for Annual Stock Option Grants. We determined that, in connection with our annual stock option grants to employees in 1999, 2000, 2001, 2002 and 2004, the number of shares that an individual employee was entitled to receive was not determined until after the original grant date, and therefore the measurement date for such options was subsequent to the original grant date. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $95.6 million recognized over the applicable vesting periods. For certain of these options forfeited in 2002 in connection with an option exchange program ("2002 Option Exchange Program"), the remaining compensation expense was accelerated into 2002 for those options. For certain other options, compensation expense was accelerated into 2004, in connection with the acceleration of all unvested options as of July 1, 2004 ("2004 Accelerated Vesting"). We undertook the 2004 Accelerated Vesting program for the purpose of enhancing employee morale, helping retain high potential employees in the face of a downturn in industry conditions and to avoid future compensation charges subsequent to the adoption of SFAS No. 123(R).

Modifications to Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for stock options modified for certain individuals who held consulting, transition or advisory roles with us. These included instances of continued vesting after an individual was no longer required to provide substantive services to Amkor after an individual converted from an employee to a consultant or advisory role, and extensions of option vesting and exercise periods. Some of these modifications were not identified in our financial reporting processes and were therefore not properly reflected in our financial statements. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $9.5 million recognized as of the date of the respective modifications.

Improper Measurement Dates for Other Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for certain employee stock options granted prior to obtaining authorization of the grants. These options included those granted as of November 9, 1998 in connection with the settlement of a deferred compensation liability to employees that had not been approved by our Board of Directors until November 10, 1998 as well as stock options granted to new hires and existing employees in recognition of achievements, promotions, retentions and other events. As a result of these errors, we have restated our historical financial statements to increase stock-based compensation expense by a total of $2.1 million recognized over the applicable vesting periods. For certain of these option grants, the recognition of this expense was also accelerated under the 2002 Option Exchange Program or the 2004 Accelerated Vesting, as described under “Improper Measurement Dates for Annual Stock Option Grants.”

Stock Option Grants to Non-employees. We determined that from 1998 to 2004, we had not properly accounted for stock option grants issued to employees of an equity affiliate, consultants, or other persons who did not meet the definition of an employee. We erroneously accounted for such grants in accordance with APB No. 25 rather than SFAS No. 123 and related interpretations. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $1.6 million.

All of the foregoing charges were non-cash and had no impact on our reported net sales or cash or cash equivalents. The aggregate amount of the additional stock-based compensation expense that we identified as a result of the stock option review is approximately $108.8 million through June 30, 2006.

Incremental stock-based compensation charges of $108.8 million resulted in deferred income tax benefits of $3.2 million. Such amount is nominal relative to the amount of the incremental stock-based compensation charges as we maintained a full valuation allowance against our domestic deferred tax assets since 2002 coupled with the fact that incremental stock-based compensation charges relating to our foreign subsidiaries were not deductible for local tax purposes during the relevant periods due to the absence of related re-charge agreements with those subsidiaries. The $3.2 million deferred tax benefit resulted primarily from the write-off of stock-based compensation related deferred tax assets to additional paid-in capital in 2002; such write-off had originally been charged to income tax expense in 2002. We also recorded payroll related taxes totaling $0.4 million primarily relating to certain of our French employees.

As a result of our determination that the exercise prices of certain option grants were below the market price of our stock on the actual grant date, we evaluated whether the affected employees would have any adverse tax consequences under Section 409A of the Internal Revenue Code (the “IRC”). Because Section 409A relates to the employee’s income recognition as stock options vest, when we accelerated the vesting of all unvested options in July 2004 (the “2004 Accelerated Vesting” described under “Improper Measurement Dates for Annual Grants”) the impact of Section 409A was mitigated for substantially all of our outstanding stock grants. For stock options granted subsequent to the 2004 Accelerated Vesting, the impact of Section 409A is not expected to materially impact our employees and financial statements as a result of various transition rules and potential remediation efforts. Further we considered IRC Section 162(m) and its established limitation thresholds relating to total remuneration and concluded, for periods prior to June 30, 2006, that our tax deductions related to stock-based compensation were not materially changed as a result of any employee whose remuneration changed as a result of receiving an option at less than fair value.

As previously disclosed, we are the subject of an SEC investigation concerning matters unrelated to our historical stock option practices. The SEC recently informed us that it is expanding the scope of its investigation and has requested that we provide documentation related to our historical stock option practices. We intend to continue to cooperate with the SEC. As a result of the restatement, the related disclosures included in the Notes to Condensed Consolidated Financial Statements have been revised if indicated as restated.

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our historical financial statements for the three and nine months ended September 30, 2005.

	For the Three Months Ended September 30, 2005			For the Nine Months Ended September 30, 2005		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
Net sales	$ 549,641	—	$ 549,641	$ 1,456,457	$ —	$ 1,456,457
Cost of sales	459,297	45	459,342	1,256,220	137	1,256,357
Gross profit	90,344	(45)	90,299	200,237	(137)	200,100
Operating expenses:						
Selling, general and administrative	59,582	51	59,633	186,913	144	187,057
Research and development	8,870	—	8,870	27,694	—	27,694
Provision for legal settlements and contingencies	—	—	—	50,000	—	50,000
Total operating expenses	68,452	51	68,503	264,607	144	264,751
Operating income (loss)	21,892	(96)	21,796	(64,370)	(281)	(64,651)
Other (income) expense:						
Interest expense, net	40,859	—	40,859	122,767	—	122,767
Foreign currency loss	4,171	—	4,171	4,630	—	4,630
Other (income) expense, net	394	—	394	2,635	—	2,635
Total other expense, net	45,424	—	45,424	130,032	—	130,032
Loss before income taxes and minority interests	(23,532)	(96)	(23,628)	(194,402)	(281)	(194,683)
Income tax expense	(2,865)	—	(2,865)	(325)	—	(325)
Loss before minority interests	(20,667)	(96)	(20,763)	(194,077)	(281)	(194,358)
Minority interests, net of tax	1,250	—	1,250	3,187	—	3,187
Net loss	$ (19,417)	$ (96)	$ (19,513)	$ (190,890)	$ (281)	$ (191,171)
Loss per common share:						
Basic	$ (0.11)	$ —	$ (0.11)	$ (1.08)	$ —	$ (1.08)
Diluted	$ (0.11)	$ —	$ (0.11)	$ (1.08)	$ —	$ (1.08)
Shares used in computing loss per common share:						
Basic	176,715		176,715	176,271		176,271
Diluted	176,715		176,715	176,271		176,271

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our historical financial statements for each of the three years ended December 31, 2005.

	Year Ended December 31,								
	2005			2004			2003		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)								
Statement of Operations Data:									
Net sales	$2,099,949	$ —	$2,099,949	$1,901,279	$ —	$1,901,279	$1,603,768	$ —	$1,603,768
Cost of sales	1,743,996	182	1,744,178	1,533,447	4,562	1,538,009	1,267,302	3,277	1,270,579
Gross profit	355,953	(182)	355,771	367,832	(4,562)	363,270	336,466	(3,277)	333,189
Operating expenses:									
Selling, general and administrative	243,155	164	243,319	221,915	2,866	224,781	183,291	3,963	187,254
Research and development	37,347	—	37,347	36,707	—	36,707	30,167	—	30,167
Provision for legal settlements and contingencies	50,000	—	50,000	—	—	—	—	—	—
Gain on sale of specialty test operations	(4,408)	—	(4,408)	—	—	—	—	—	—
Total operating expenses	326,094	164	326,258	258,622	2,866	261,488	213,458	3,963	217,421
Operating income	29,859	(346)	29,513	109,210	(7,428)	101,782	123,008	(7,240)	115,768
Other (income) expense:									
Interest expense, related party	521	—	521	—	—	—	—	—	—
Interest expense, net	165,351	—	165,351	148,902	—	148,902	140,281	—	140,281
Foreign currency (gain) loss	9,318	—	9,318	6,190	—	6,190	(3,022)	—	(3,022)
Other (income) expense, net	(444)	—	(444)	(24,444)	—	(24,444)	31,052	—	31,052
Total other expense	174,746	—	174,746	130,648	—	130,648	168,311	—	168,311
Loss before income taxes, equity investment losses, minority interests and discontinued operations	(144,887)	(346)	(145,233)	(21,438)	(7,428)	(28,866)	(45,303)	(7,240)	(52,543)
Equity investment losses	(55)	—	(55)	(2)	—	(2)	(3,290)	—	(3,290)
Minority interests	2,502	—	2,502	(904)	—	(904)	(4,008)	—	(4,008)
Loss from continuing operations before income taxes	(142,440)	(346)	(142,786)	(22,344)	(7,428)	(29,772)	(52,601)	(7,240)	(59,841)
Income tax provision (benefit)	(5,551)	—	(5,551)	15,192	—	15,192	(233)	—	(233)
Loss from continuing operations	(136,889)	(346)	(137,235)	(37,536)	(7,428)	(44,964)	(52,368)	(7,240)	(59,608)
Income from discontinued operations, net of tax	—	—	—	—	—	—	54,566	(396)	54,170
Net income (loss)	$ (136,889)	$ (346)	$ (137,235)	$ (37,536)	$ (7,428)	$ (44,964)	$ 2,198	$ (7,636)	$ (5,438)
Basic and diluted income (loss) per common share:									
From continuing operations	$ (0.78)	$ —	$ (0.78)	$ (0.21)	$ (0.05)	$ (0.26)	$ (0.31)	$ (0.04)	$ (0.35)
From discontinued operations	—	—	—	—	—	—	0.32	—	0.32
Income (loss) per common share	$ (0.78)	$ —	$ (0.78)	$ (0.21)	$ (0.05)	$ (0.26)	$ 0.01	$ (0.04)	$ (0.03)
Shares used in computing income (loss) per common share:									
Basic	176,385		176,385	175,342		175,342	167,142		167,142
Diluted	176,385		176,385	175,342		175,342	167,142		167,142

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our consolidated balance sheets as of December 31, 2005 and 2004.

	December 31,					
	2005			2004		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
ASSETS						
Current assets:						
Cash and cash equivalents	$ 206,575	$ —	$ 206,575	$ 372,284	$ —	$ 372,284
Accounts receivable:						
Trade, net of allowance for doubtful accounts of $4,947 and $5,074	381,495	—	381,495	265,547	—	265,547
Other	5,089	—	5,089	3,948	—	3,948
Inventories, net	138,109	—	138,109	111,616	—	111,616
Other current assets	35,222	—	35,222	32,591	—	32,591
Total current assets	766,490	—	766,490	785,986	—	785,986
Property, plant and equipment, net	1,419,472	—	1,419,472	1,380,396	—	1,380,396
Goodwill	653,717	—	653,717	656,052	—	656,052
Intangibles, net	38,391	—	38,391	47,302	—	47,302
Investments	9,668	—	9,668	13,762	—	13,762
Other assets	67,353	—	67,353	81,870	—	81,870
Total assets	$ 2,955,091	$ —	$ 2,955,091	$2,965,368	$ —	$ 2,965,368
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Short-term borrowings and current portion of long-term debt	184,389	—	$ 184,389	$ 52,147	$ —	$ 52,147
Trade accounts payable	326,712	—	326,712	211,808	—	211,808
Accrued expenses	123,631	396	124,027	175,075	378	175,453
Total current liabilities	634,732	396	635,128	439,030	378	439,408
Long-term debt, related party	100,000	—	100,000	—	—	—
Long-term debt	1,856,247	—	1,856,247	2,040,813	—	2,040,813
Other non-current liabilities	135,861	—	135,861	109,317	—	109,317
Total liabilities	2,726,840	396	2,727,236	2,589,160	378	2,589,538
Commitments and contingencies (see Note 14)						
Minority interests	3,950	—	3,950	6,679	—	6,679
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, issued and outstanding of 176,733 in 2005 and 175,718 in 2004	178	—	178	176	—	176
Additional paid-in capital	1,326,426	105,117	1,431,543	1,323,579	104,789	1,428,368
Accumulated deficit	(1,105,961)	(105,513)	(1,211,474)	(969,072)	(105,167)	(1,074,239)
Accumulated other comprehensive income	3,658	—	3,658	14,846	—	14,846
Total stockholders' equity	224,301	(396)	223,905	369,529	(378)	369,151
Total liabilities and stockholders' equity	$ 2,955,091	$ —	$ 2,955,091	$2,965,368	$ —	$ 2,965,368

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The additional non-cash charges for stock-based compensation expense and related tax effects had no impact on our consolidated statements of cash flows. We identified a classification error relating to stock-based compensation in our consolidated statements of cash flows and we increased net cash provided by operating activities by less than $0.1 million and $0.6 million for the year ended December 31, 2005 and 2004, respectively, offset by a similar decrease in net cash used in financing activities.

The cumulative effect of the stock option errors prior to January 1, 2003 increased additional paid-in capital by $90.1 million, increased accumulated deficit by $90.1 million and impacted total stockholders' equity by less than $0.1 million. Incremental stock-based compensation charges, net of tax, totaled $61.6 million, $15.8 million, $9.5 million, and $3.2 million for the years ended December 31, 2002, 2001, 2000 and 1999.

3. Earnings Per Share

Basic earnings per share ("EPS") is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted EPS adjusts net income and the outstanding shares for the dilutive effect of stock options and convertible debt. The basic and diluted EPS amounts are the same for each of the three and nine month periods ended September 30, 2005, as a result of the potentially dilutive securities being antidilutive due to net losses. 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,	
	2006	2005 (As restated)	2006	2005 (As restated)
	(In thousands, except per share data)			
Net income (loss) — basic	$ 52,810	$ (19,513)	$111,037	$ (191,171)
Adjustment for dilutive securities on net income:				
Interest on 2.5% convertible notes due 2011, net of tax	1,187	—	1,636	—
Interest on 6.25% convertible notes due 2013, net of tax	1,563	—	4,913	—
Net income (loss) — diluted	$ 55,560	$ (19,513)	$117,586	$ (191,171)
Weighted average shares outstanding — basic	178,108	176,715	177,537	176,271
Effect of dilutive securities:				
Stock options	—	—	545	—
2.5% convertible notes due 2011	13,023	—	6,106	—
6.25% convertible notes due 2013	13,351	—	13,351	—
Weighted average shares outstanding — diluted	204,482	176,715	197,539	176,271
EPS:				
Basic	$ 0.30	$ (0.11)	$ 0.63	$ (1.08)
Diluted	$ 0.27	$ (0.11)	$ 0.60	$ (1.08)

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,	
	2006	2005	2006	2005
	(In thousands)			
Stock options	14,223	17,051	12,652	17,051
5.0% convertible notes due June 2006	2,484	2,554	2,484	2,554
5.75% convertible notes due March 2007	—	6,657	2,095	6,657
Total potentially dilutive shares	16,707	26,262	17,231	26,262
Stock options excluded from diluted EPS because the exercise price was greater than the average market price of the common shares	14,223	14,376	12,652	16,157

4. Stock Compensation Plans

Effective January 1, 2006, we adopted SFAS No. 123(R)which revises SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) requires that all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed over the service period (generally the vesting period). Upon adoption, we transitioned to SFAS No. 123(R) using the modified prospective method, whereby compensation cost is recognized beginning with the first period that SFAS No. 123(R) is effective and thereafter, with prior periods' stock-based compensation for option and employee stock purchase plan activity still presented on a pro forma basis. We continue to use the Black-Scholes option valuation model to value stock options. Compensation expense is measured and recognized beginning in 2006 as follows:

Awards granted after December 31, 2005 — Awards are measured at their fair value at the date of grant under the provisions of SFAS No. 123(R) with the resulting compensation expense recognized on a straight-line basis over the vesting period of the award. However, if the employee becomes eligible for retirement during the vesting period, the compensation expense is recognized ratably only until the retirement eligibility date. For employees eligible for retirement on the date of grant, compensation expense is recognized immediately.

Awards granted prior to December 31, 2005 — Awards were measured at their fair value at the date of original grant under the original provisions of SFAS No. 123. Compensation expense associated with the unvested portion of these options at January 1, 2006 is recognized ratably over the remaining vesting period without regard to the employee's retirement eligibility. Upon retirement, any unrecognized compensation expense will be recognized immediately.

For all grants, the amount of compensation expense to be recognized is adjusted for an estimated forfeiture rate which is based on historical data. As a result of the adoption of SFAS No. 123(R), we recognized compensation expense of $1.2 million and $3.5 million, with no tax impact, for the three and nine months ended September 30, 2006. The adoption of SFAS No. 123(R) reduced our basic and diluted earnings per share by less than $0.01 and $0.02 for the three and nine months ended September 30, 2006, respectively.

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

The following table presents stock-based employee compensation expense included in the condensed consolidated statement of operations:

	For the Three Months Ended September 30, 2006	For the Three Months Ended September 30, 2005 (As restated)	For the Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005 (As restated)
	(In thousands)		(In thousands)	
Cost of sales	$ 923	$ 45	$1,561	$ 137
Selling, general, and administrative	293	51	1,952	144
Stock-based compensation expense	$1,216	$ 96	$3,513	$ 281

Under FASB Staff Position ("FSP") No. SFAS 123(R)-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, entities may take up to one year from the later of (1) the adoption of SFAS 123(R) or (2) the issuance of the FSP (issued November 10, 2005), to elect whether to use the simplified method, prescribed in the FSP, to compute their beginning balance of the additional paid-in capital pool (APIC pool) as of the adoption date of SFAS 123(R). We are currently evaluating the FSP for purposes of computing our APIC pool.

Prior to January 1, 2006, as permitted under SFAS No. 123, we applied APB Opinion No. 25 and related interpretations in accounting for our stock-based compensation plans. Under APB Opinion No. 25, compensation expense was recognized for stock option grants if the exercise price was below the fair value of the underlying stock at the measurement date.

Had compensation costs been determined consistent with the requirements of SFAS No. 123, pro forma net loss and net loss per common share would have been as follows:

	For the Three Months Ended September 30, 2005 (As restated)	For the Nine Months Ended September 30, 2005 (As restated)
	(In thousands, except per share data)	
Net loss:		
Net loss, as reported	$ (19,513)	$ (191,171)
Add: Stock-based compensation expense included in restated results	96	281
Deduct: Total stock-based employee compensation determined under fair value based method, net of tax	(646)	(1,854)
Net loss, pro forma	$ (20,063)	$ (192,744)
Loss per share:		
Basic and diluted:		
As reported	$ (0.11)	$ (1.08)
Pro forma	$ (0.11)	$ (1.09)

Pro forma compensation expense under SFAS No. 123 does not include an upfront estimate of potential forfeitures, but rather recognizes them as they occur and amortizes the compensation expense for retirement eligible individuals over the vesting period without consideration to acceleration of vesting. These computational differences and the differences in the terms and nature of 2006 stock-based compensation awards create incomparability between the pro forma stock compensation presented above and the stock compensation expense recognized in 2006.

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Stock Option Plans. Substantially all of the options granted are generally exercisable pursuant to a two or four-year vesting schedule and the term of the options granted is no longer than ten years. A summary of the stock option plans and the respective plan termination dates and shares available for grant as of September 30, 2006 is shown below. For additional information about our stock compensation plans, refer to Note 13 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K/A for the year ended December 31, 2005.

Stock Option Plans	1998 Director Option Plan	1998 Stock Plan	2003 Inducement Plan
Contractual Life (yrs)	10	10	10
Plan termination date	January 2008	January 2008	Board of Directors Discretion
Shares available for grant at September 30, 2006	141,666	6,890,183	368,100

In order to calculate the fair value of stock options at the date of grant, we used the Black-Scholes option pricing model. Expected volatilities are weighted based on the historical performance of our stock and implied volatilities. We also use historical data to estimate the timing and amount of option exercises and forfeitures within the valuation model. The expected term of the options is based on evaluations of historical and expected future employee exercise behavior and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The following assumptions were used to calculate weighted average fair values of the options granted:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005 (As restated)	2006	2005 (As restated)
Expected life (in years)	5.8	5.8	5.8	5.8
Risk-free interest rate	4.9%	4.0%	4.6%	4.0%
Volatility	86%	91%	78%	91%
Dividend yield	—	—	—	—
Weighted average grant date fair value per option granted	$4.35	$ 3.84	$ 4.82	$ 3.26
Intrinsic value of options exercised (in thousands)	$ 12	$ 2	$1,500	$ 6

The following is a summary of all option activity for the nine months ended September 30, 2006:

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2005	16,369,994			
Granted	894,475	$ 6.89		
Exercised	(375,660)	$ 5.86		
Forfeited or expired	(1,696,013)	$ 10.84		
Outstanding at September 30, 2006	15,192,796	$ 10.39	6.03	$ 1,281,296
Exercisable at September 30, 2006	12,917,708	$ 11.25	5.56	$ 595,759
Fully vested and expected to vest at September 30, 2006	14,994,863	$ 10.45	5.99	$ 1,847,551

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Total unrecognized compensation expense from stock options was $8.8 million as of September 30, 2006, which is expected to be recognized over a weighted-average period of 1.95 years.

For the nine months ended September 30, 2006 and 2005, cash received from option exercises under all share-based payment arrangements was $5.0 million and $2.7 million, respectively. There was no tax benefit realized. The related cash receipts are included in financing activities in the accompanying Condensed Consolidated Statements of Cash Flows.

Employee Stock Purchase Plan (ESPP). A total of 1,000,000 shares of common stock were available for sale under the ESPP annually until the plan was terminated in April 2006. During 2006, we issued 999,981 shares under the plan at a weighted average price of $2.78 per share.

We value our purchase rights using the Black-Scholes option pricing model, which incorporates the assumptions noted in the table below. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

	For the Three Months Ended September 30, 2005	For the Nine Months Ended September 30, 2005
Expected life (in years)	0.5	0.5
Risk-free interest rate	3.9%	3.9%
Volatility	91%	91%
Dividend yield	—	—

5. Comprehensive Income (Loss)

The components of comprehensive income (loss) are summarized below:

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005 (As restated)	2006	2005 (As restated)
	(In thousands)		(In thousands)	
Net income (loss)	$52,810	$ (19,513)	$111,037	$ (191,171)
Unrealized gain (loss) on investments, net of tax	2,018	(662)	(553)	(3,319)
Reclassification adjustment for investment losses included in net income (loss)	—	672	2,624	2,999
Foreign currency translation adjustment, net of tax	(1,166)	(7,901)	1,064	(9,295)
Total comprehensive income (loss)	$53,662	$ (27,404)	$114,172	$ (200,786)

6. Income Taxes

We operate in and file income tax returns in various U.S. and foreign jurisdictions that are subject to examination by tax authorities. For our larger foreign operations, our tax returns have been examined through 1999 in Korea, through 2001 in the Philippines and through 2002 in Taiwan and Japan. Our U.S. tax returns have been examined through 2003. Tax returns for open years in all jurisdictions are subject to change upon examination.

During 2005, the IRS commenced an examination of our U.S. federal income tax returns for years 2002 and 2003, which primarily focused on inter-company transfer pricing and cost-sharing issues carried over from the 2000 and 2001 examinations. The IRS proposed four adjustments, and in 2005, we agreed to three of them, lowering our

U.S. net operating loss carryforwards at December 31, 2005 by $36.1 million. In May 2006, we reached an agreement with the IRS on the last adjustment, further reducing our net operating loss carryforwards by $10.0 million. Because we maintain a full valuation allowance on our U.S. net operating loss carryforwards, these adjustments had no impact on our consolidated financial condition or results of operations.

Our estimated tax liability is subject to change as examinations of our tax returns are completed by the tax authorities in the respective jurisdictions. We believe that any additional taxes or related interest over the amounts accrued will not have a material effect on our financial condition, results of operations or cash flows, nor do we expect that such examinations will result in a material favorable impact. However, resolution of these matters involves uncertainties and there are no assurances that the outcome will be favorable.

Income tax expense for the three and nine months ended September 30, 2006 and 2005 is attributable to foreign withholding taxes and income taxes at certain of our profitable foreign operations. We anticipate an effective income tax rate of approximately 7.0% for the twelve months ending December 31, 2006, which reflects the utilization of U.S. and foreign net operating loss carryforwards and tax holidays in certain foreign jurisdictions. At September 30, 2006, we had U.S. net operating loss carryforwards totaling $349.8 million, which expire at various times through 2025. Additionally, at September 30, 2006, we had $64.9 million of non-U.S. operating loss carryforwards, which expire at various times through 2011.

We maintain a full valuation allowance on substantially all of our deferred tax assets, including our net operating loss carryforwards, and we will release such valuation allowance as the related tax benefits are realized on our tax returns or once we achieve sustained profitable operations.

7. Inventories

Inventories consist of the following:

	September 30, 2006	December 31, 2005
	(In thousands)	
Raw materials and purchased components, net of reserves of $27.4 million and $23.7 million, respectively	$ 122,173	$ 106,308
Work-in-process	38,453	30,124
Finished goods	3,778	1,677
	$ 164,404	$ 138,109

8. Property, Plant and Equipment

Property, plant and equipment consists of the following:

	September 30, 2006	December 31, 2005
	(In thousands)	
Land	$ 110,595	$ 111,451
Land use rights	19,945	19,945
Buildings and improvements	787,984	655,042
Machinery and equipment	2,073,844	1,958,181
Furniture, fixtures and other equipment	139,747	140,163
Construction in progress	9,004	103,439
	3,141,119	2,988,221
Less — Accumulated depreciation and amortization	(1,684,566)	(1,568,749)
	$ 1,456,553	$ 1,419,472

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Construction in progress at December 31, 2005, includes $95.4 million, related to the facility in Shanghai, China. During the second quarter of 2006, the facility in Shanghai, China was completed and moved out of construction in progress. Associated with this facility, we have rights to use the land on which the building is located for a period of 50 years.

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

	For the Nine Months Ended September 30,	
	2006	2005
	(In thousands)	
Payments for property, plant, and equipment	$252,401	$226,442
Increase (decrease) in property, plant, and equipment in accounts payable, accrued expenses and deposits, net	(8,234)	7,243
Property, plant and equipment additions	$244,167	$233,685

9. Goodwill and Other Intangibles Assets

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

	(In thousands)
Balance as of December 31, 2005	$ 653,717
Additions	17,822
Translation adjustments	(5)
Balance as of September 30, 2006	$ 671,534

In January 2006, we acquired an additional 39.6% of Unitive Semiconductor Taiwan ("UST") for $18.4 million, which was funded out of an escrow set up in December 2005. The majority of the purchase price was allocated to goodwill resulting in $17.8 million in additions during the first quarter of 2006. We acquired additional shares later in the first quarter of 2006 resulting in our combined ownership in UST of 99.86% as of September 30, 2006.

During the second quarter of 2006, in accordance with the provisions of FASB Statement No. 142, *Goodwill and Other Intangible Assets,* we performed the annual impairment test on goodwill and as the fair value of our packaging services segment exceeded its carrying value, we concluded that goodwill was not impaired.

Intangibles as of September 30, 2006 consist of the following:

	Gross	Accumulated Amortization	Net
		(In thousands)	
Patents and technology rights	$74,348	$ (47,989)	$26,359
Customer relationship and supply agreements	8,858	(3,149)	5,709
	$83,206	$ (51,138)	$32,068

Intangibles as of December 31, 2005 consist of the following:

	Gross	Accumulated Amortization	Net
		(In thousands)	
Patents and technology rights	$73,573	$ (41,839)	$31,734
Customer relationship and supply agreements	8,858	(2,201)	6,657
	$82,431	$ (44,040)	$38,391

Amortization of identifiable intangible assets was $2.4 million for the three months ended September 30, 2006 and 2005. Amortization of identifiable intangible assets was $7.1 million for the nine months ended September 30, 2006 and 2005.

Based on the amortizing assets recognized in our balance sheet at September 30, 2006, amortization for each of the next five fiscal years is estimated as follows:

	(In thousands)
2006 Remaining	$ 2,511
2007	9,552
2008	9,426
2009	4,776
2010	2,730

10. Investments

Investments include non-current marketable securities and equity investments as follows:

	September 30, 2006	December 31, 2005
	(In thousands)	
Marketable securities classified as available for sale:		
Dongbu Electronics, Inc. (ownership of 1% at September 30, 2006 and 2% at December 31, 2005)	$ 7,754	$ 8,879
Other marketable securities classified as available for sale	31	714
Total marketable securities	7,785	9,593
Equity method investments	9	75
	$ 7,794	$ 9,668

During the second quarter of 2006, we recognized impairment charges totaling $3.2 million on the investment in Dongbu Electronics, Inc. These charges were recognized as we believed the related decline in value was other than temporary. As of September 30, 2006, the stock price for Dongbu Electronics recovered and we recorded $2.0 million of unrealized gains, which is included in other comprehensive income.

11. Accrued Expenses

Accrued expenses consist of the following:

	September 30, 2006	December 31, 2005 (As restated)
	(In thousands)	
Accrued interest	$ 35,390	$ 34,545
Accrued payroll	43,698	26,339
Customer advances	16,523	2,526
Accrued income taxes	5,122	2,776
Other accrued expenses	69,613	57,841
	$ 170,346	$ 124,027

12. Debt

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

	September 30, 2006	December 31, 2005
	(In thousands)	
Debt of Amkor Technology, Inc.		
Senior secured credit facilities:		
$100.0 million revolving credit facility, LIBOR plus 1.5% — 2.25%, due November 2009	$ —	$ —
Second lien term loan, LIBOR plus 4.5%, due October 2010	300,000	300,000
Senior Notes:		
9.25% Senior notes due February 2008	88,206	470,500
7.125% Senior notes due March 2011	248,821	248,658
7.75% Senior notes due May 2013	425,000	425,000
9.25% Senior notes due June 2016	400,000	—
Senior Subordinated Notes:		
10.5% Senior subordinated notes due May 2009	21,882	200,000
2.5% Convertible senior subordinated notes due May 2011	190,000	—
Subordinated Notes:		
5.75% Convertible subordinated notes due June 2006, convertible at $35.00 per share	—	133,000
5.0% Convertible subordinated notes due March 2007, convertible at $57.34 per share	142,422	146,422
6.25% Convertible subordinated notes due December 2013, convertible at $7.49 per share, related party	100,000	100,000
Notes Payable and Other Debt	—	823
Debt of Subsidiaries		
Secured Term Loans:		
Term loan, Taiwan 90-Day Commercial Paper primary market rate plus 1.2%, due November 2010	50,244	55,586
Term loan, Taiwan 90-Day Commercial Paper secondary market rate plus 2.25%, due June 2008	9,102	11,329
Secured Equipment and Property Financing	14,497	20,454
Revolving Credit Facilities	36,279	26,501
Other Debt	1,299	2,363
Total Debt	2,027,752	2,140,636
Less: Short-term borrowings and current portion of long-term debt	(200,552)	(184,389)
Long-term debt (including related party)	$ 1,827,200	$ 1,956,247

Debt of Amkor Technology Inc.

Senior Secured Credit Facilities

In November 2005, we entered into a $100.0 million first lien revolving credit facility available through November 2009, with a letter of credit sub-limit of $25.0 million. Interest is charged under the credit facility at a floating rate based on the base rate in effect from time to time plus the applicable margins which range from 0.0% to 0.5% for base rate revolving loans, or LIBOR plus 1.5% to 2.25% for LIBOR revolving loans. The interest rate at September 30, 2006, and December 31, 2005, was 6.87% and 5.89%, respectively; however, no borrowings were outstanding under this credit facility. Amkor, along with Unitive Inc. ("Unitive") and Unitive Electronics, Inc. ("UEI"), are co-borrowers and guarantors under the facility and each granted a first priority lien on substantially all of their assets, excluding inter-company loans and the capital stock of foreign subsidiaries and certain domestic subsidiaries. As of September 30, 2006, we had utilized $0.2 million of the available letter of credit sub-limit, and had $99.8 million available under this facility. The borrowing base for the revolving credit facility is based on the valuation of our eligible accounts receivable. We incur commitment fees on the unused amounts of the revolving credit facility ranging from 0.25% to 0.50%, based on our liquidity. The $100.0 million credit facility replaced our prior $30.0 million senior secured revolving credit facility which we entered into in June 2004. This new facility includes a number of affirmative and negative covenants, which could restrict our operations. If we were to default under the first lien revolving credit facility, we would not be permitted to draw additional amounts, and the banks could accelerate our obligation to pay all outstanding amounts.

In October 2004, we entered into a $300.0 million second lien term loan with a group of institutional lenders. The term loan bears interest at a rate of LIBOR plus 450 basis points (9.9% and 8.88% at September 30, 2006 and December 31, 2005, respectively); and matures in October 2010. Guardian Assets, Inc., Unitive, UEI, Amkor International Holdings, LLC ("AIH") are guarantors of the second lien term loan. The second lien term loans are secured by a second lien on substantially all of our U.S. assets, including the shares of certain of our U.S. subsidiaries and a portion of the shares of some of our foreign subsidiaries. We do not have the option to prepay the second lien term loan until October 2006. If we were to elect to prepay the loan, we would be required to pay a prepayment premium, initially set at 3% of the principal amount prepaid. The second lien term loan agreements contain a number of affirmative and negative covenants which could restrict our operations. If we were to default under the facility, the lenders could accelerate our obligation to pay all outstanding amounts.

Senior and Senior Subordinated Notes

In February 2001, we issued $500.0 million of 9.25% Senior Notes due February 2008 (the "2008 Notes"). As of December 31, 2005, we had purchased $29.5 million of these notes. In January 2006, we purchased an additional $30.0 million of these notes and recorded a gain on extinguishment of $0.7 million which is included in debt retirement costs, net, which was partially offset by the write-off of a proportionate amount of our deferred debt issuance costs of $0.2 million. A portion of the 2008 Notes are not redeemable prior to their maturity. In April 2006, we announced a tender offer for the 2008 Notes. We used the net proceeds from the 2016 Notes (described below) to purchase $352.3 million in notes tendered. We recorded a $20.2 million loss on extinguishment related to premiums paid for the purchase of the 2008 Notes and a $2.2 million charge for the associated unamortized deferred debt issuance costs. Both charges are included in debt retirement costs, net.

In March 2004, we issued $250.0 million of 7.125% Senior Notes due March 2011 (the "2011 Notes"). The 2011 Notes were priced at 99.321%, yielding an effective interest rate of 7.25%. The 2011 Notes are redeemable by us at any time provided we pay the holders a "make-whole" premium. Prior to March 15, 2007, we may redeem up to 35% of the aggregate principal amount of the notes from the proceeds of one or more equity offerings at a price of 107.125% of the principal amount plus accrued and unpaid interest.

In May 2003, we issued $425.0 million of 7.75% Senior Notes due May 2013 (the "2013 Notes"). The 2013 Notes are not redeemable at our option until May 2008.

In May 2006, we issued $400.0 million of 9.25% Senior Notes due June 2016 (the "2016 Notes"). The Notes are redeemable by us prior to June 1, 2011 provided we pay the holders a "make-whole" premium. After June 1, 2011, the 2016 Notes are redeemable at specified prices. In addition, prior to June 1, 2009, we may redeem up to 35% of the notes at a specified price with the proceeds of certain equity offerings. After deducting fees to the underwriter, the net proceeds were used to purchase a portion of the 2008 Notes, pay respective accrued interest and tender premiums.

In May 1999, we issued $200.0 million of 10.5% Senior Subordinated Notes due May 2009 (the “2009 Notes”). In June 2006, we used the proceeds from the 2011 Notes (described below) in connection with a partial call of the 2009 Notes for which $178.1 million of the 2009 Notes were repurchased. We recorded a $3.1 million loss on extinguishment related to premiums paid for the purchase of the 2009 Notes and a $2.2 million charge for the associated unamortized deferred debt issuance costs. Both charges are included in debt retirement costs, net. As of September 30, 2006, the 2009 Notes were redeemable at our option at a price of 101.25% of the principal of the notes plus accrued and unpaid interest.

In May 2006, we issued $190.0 million of our 2.5% Convertible Senior Subordinated Notes due 2011 (the “2011 Notes”). The 2011 Notes are convertible into our common stock at a price of $14.59 per share, subject to adjustment. The notes are subordinated to the prior payment in full of all of our senior subordinated debt. After deducting fees to the underwriter, the net proceeds from the issuance of the 2011 Notes were used to repurchase a portion of the 2009 Notes, pay respective accrued interest and call premiums.

The senior and senior subordinated notes contain a number of affirmative and negative covenants, which could restrict our operations. As discussed in Note 17 “Subsidiary Guarantors”, Unitive, UEI and AIH, guarantee the senior and senior subordinated notes. We are in the process of consolidating these subsidiaries, and we expect that, before the end of 2006, all of the guarantees of the senior and senior subordinated notes will terminate or be released in accordance with the terms of the indentures governing the notes in connection with such consolidation, although there can be no assurances that we will accomplish this.

Subordinated Notes

In May 2001, we issued $250.0 million of our 5.75% Convertible Subordinated Notes due June 2006 (the “2006 Notes”). In November 2003, we purchased $17.0 million of the 2006 Notes with the proceeds of an equity offering. In November 2005, we purchased an additional $100.0 million of the 2006 Notes with proceeds from the issuance of $100.0 million of 6.25% Convertible Subordinated Notes due December 2013 described below. We purchased such 2006 Notes on the open market at 99.125% and recorded a gain on extinguishment of $0.9 million which was partially offset by the write-off of a proportionate amount of our deferred debt issuance costs of $0.3 million. In January 2006, we purchased an additional $1.0 million of the 2006 Notes at 99.25%. In June 2006, we repaid the remaining balance of $132.0 million at the maturity date with cash on hand.

In March 2000, we issued $258.8 million of our 5.0% Convertible Subordinated Notes due March 2007 (the “2007 Notes”). The 2007 Notes are convertible into our common stock at any time at a conversion price of $57.34 per share, subject to adjustment. The notes are subordinated to the prior payment in full of all of our senior and senior subordinated debt. In November 2003, we repurchased $112.3 million of our 2007 Notes with the proceeds of an equity offering. In 2003, we recorded a $2.5 million loss on extinguishment related to premiums paid for the purchase of the 2007 Notes and a $2.2 million charge for the associated unamortized deferred debt issuance costs. In June 2006, we repurchased $4.0 million of our 2007 Notes at 99.875%. As of September 30, 2006, the 2007 Notes were redeemable at our option at a price of 100.714% of the principal of the notes plus accrued and unpaid interest.

In November 2005, we issued $100.0 million of our 6.25% Convertible Subordinated Notes due December 2013 (the “2013 Notes”) in a private placement to James J. Kim, Chairman and Chief Executive Officer, and certain Kim family members. The 2013 Notes are convertible into our common stock at an initial price of $7.49 per share (the market price of our common stock on the date of issuance of the 2013 Notes was $6.20 per share), subject to adjustment. The 2013 Notes are subordinated to the prior payment in full of all of our senior and senior subordinated debt. In March 2006, we filed a registration statement with the SEC registering the notes and the shares of common stock issuable upon conversion, pursuant to the requirements of a registration rights agreement. The proceeds from the sale of the 2013 Notes were used to purchase a portion of the 2006 Notes described above. The notes are not redeemable at our option until 2010.

Debt of Subsidiaries

Secured Term Loans

In September 2005, Amkor Technology Taiwan, Inc. ("ATT") entered into a short-term interim financing arrangement with two Taiwanese banks for New Taiwan ("NT") $1.0 billion (approximately $30.0 million) (the "Bridge Loan") in connection with a syndication loan led by the same lenders. In November 2005, ATT finalized the NT$1.8 billion (approximately $53.5 million) syndication loan due November 2010 (the "Syndication Loan"), which accrues interest at the Taiwan 90-Day Commercial Paper Primary Market rate plus 1.2%. At September 30, 2006, and December 31, 2005, the interest rate was 3.18% and 3.0%, respectively. A portion of the Syndication Loan was used to pay off the Bridge Loan. Amkor has guaranteed the repayment of this loan. The agreement governing the Syndication Loan includes a number of affirmative, negative and financial covenants, which could restrict our operations. If we were to default under the facility, the lenders could accelerate our obligation to pay all outstanding amounts.

In June 2005, UST entered into a NT$400.0 million (approximately $12.2 million) term loan due June 20, 2008 (the "UST Note"), which accrues interest at the Taiwan 90-Day Commercial Paper Secondary Market rate plus 2.25% (4.15% and 3.97% as of September 30, 2006 and December 31, 2005). The proceeds of the UST Note were used to satisfy notes previously held by UST. Amkor has guaranteed the repayment of this loan. The agreement governing the UST Note includes a number of affirmative and negative covenants which could restrict our operations. If we were to default under the facility, the lenders could accelerate our obligation to pay all outstanding amounts.

Secured Equipment and Property Financing

Our secured equipment and property financing consists of loans secured with specific assets at our Japanese, Singaporean and Chinese subsidiaries. Our credit facility in Japan provides for equipment financing on a three-year basis for each piece of equipment purchased. The Japanese facility accrues interest at 3.59% on all outstanding balances and has maturities at various times between 2006 and 2008. In December 2005, our Singaporean subsidiary entered into a loan with a finance company for $10.0 million, which accrues interest at 4.86% and is due December 2008. The loan is guaranteed by Amkor and is secured by a security deposit and certain of the subsidiary's equipment. In May 2004, our Chinese subsidiary entered into a $5.5 million financing secured with certain building improvements at one of our Chinese production facilities and is payable ratably through January 2012. The interest rate for the Chinese financing at September 30, 2006, and December 31, 2005, was 6.14%, and 5.58%, respectively. These equipment and property financings contain affirmative and negative covenants, which could restrict our operations, and, if we were to default on our obligations under these financings, the lenders could accelerate our obligation to repay amounts borrowed under such facilities.

Revolving Credit Facilities

Amkor Iwate Corporation, a Japanese subsidiary ("AIC"), has a revolving line of credit with a Japanese bank for 2.5 billion Japanese yen (approximately $21.2 million), maturing in September 2007, that accrues interest at the Tokyo Interbank Offering Rate ("TIBOR") plus 0.6%. The interest rate at September 30, 2006 and December 31, 2005 was 0.97% and 0.66%, respectively. Amounts drawn on the line of credit were $21.3 million and $21.2 million at September 30, 2006 and December 31, 2005, respectively.

Additionally, AIC has a revolving line of credit at a Japanese bank for 300.0 million Japanese yen (approximately $2.5 million), maturing in June 2007, that accrues interest at TIBOR plus 0.5%. The interest rate at

September 30, 2006 and December 31, 2005 was 0.87% and 0.56%, respectively. There were no amounts drawn on the line of credit as of September 30, 2006 and December 31, 2005, respectively.

In September 2005, our Philippine subsidiary entered into a one-year revolving line of credit that accrues interest at LIBOR plus 1.0% (5.2% at December 31, 2005). In January 2006, we repaid all amounts outstanding under the Philippine revolving line of credit, and replaced it with a new revolving line of credit for $5.0 million, maturing in September 2006, that accrues interest at LIBOR plus 1.0%. This line of credit was absorbed by the line of credit entered into in April 2006. In April 2006, our Philippine subsidiary renewed and increased its revolving line of credit from 500.0 million Philippine peso (approximately $9.8 million) to 795.0 million Philippine peso (approximately $15.5 million), maturing March 2007, that accrues interest at LIBOR plus 1.0% (6.32% at September 30, 2006). There were no amounts outstanding at September 30, 2006.

In January 2006, Amkor Assembly & Test (Shanghai) Co. Ltd., a Chinese subsidiary ("AATS"), entered into a $15.0 million working capital facility which bears interest at LIBOR plus 1.25%, maturing in January 2007. The borrowings to date of $15.0 million were used to support working capital. At September 30, 2006, the interest rate ranged from 6.47% to 6.81% based on the dates of borrowing.

These lines of credit contain certain affirmative and negative covenants, which could restrict our operations. If we were to default on our obligations under any of these lines of credit, we would not be permitted to draw additional amounts, and the lenders could accelerate our obligation to pay all outstanding amounts.

Other Debt

Other debt includes debt related to our Taiwanese subsidiaries with fixed and variable interest rates maturing in 2007. Interest rates on this debt ranged from 3.08% to 4.5% as of September 30, 2006 and ranged from 2.67% to 3.10% as of December 31, 2005.

Compliance with Debt Covenants

Due to the delay in filing our Form 10-Q for the quarter ended June 30, 2006, we were not in compliance with our covenants under all of our debt obligations as of September 30, 2006. On August 11, 2006, we received a letter dated August 10, 2006 from U.S. Bank National Association ("US Bank") as trustee for the holders of our 5% Convertible Subordinated Notes due 2007, 10.5% Senior Subordinated Notes due 2009, 9.25% Senior Notes due 2008, 9.25% Senior Notes due 2016, 6.25% Convertible Subordinated Notes Due 2013, 7.75% Senior Notes due 2013 and 2.5% Convertible Senior Subordinated Notes due 2011 stating that US Bank, as trustee, had not received our financial statements for the quarter ended June 30, 2006 and that we had 60 days from the date of the letter to file our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 or it will be considered an "Event of Default" under the indentures governing each of the above-listed notes.

On August 11, 2006, we received a letter dated August 11, 2006 from Wells Fargo Bank National Association ("Wells Fargo"), as trustee for our 7.125% Senior Notes due 2011, stating that we failed to file our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006, demanding that we immediately file such quarterly report and indicating that unless we file a Form 10-Q within 60 days after the date of such letter, it will ripen into an "Event of Default" under the indenture governing our 7.125% Senior Notes due 2011.

If an "Event of Default" were to occur under any of the notes described above, the trustees or holders of at least 25% in aggregate principal amount of such series then outstanding could attempt to declare all related unpaid principal and premium, if any, and accrued interest on such series of notes then outstanding to be immediately due and payable. As of August 31, 2006, there is approximately $1.62 billion of aggregate unpaid principal outstanding of the above mentioned notes.

On September 14, 2006, we commenced the solicitation of consents from the holders of the following series of our notes: (i) $400.0 million aggregate outstanding principal amount of 9.25% Senior Notes due 2016, (ii) $250.0 million aggregate outstanding principal amount of 7.125% Senior Notes due 2011, (iii) $425.0 million aggregate outstanding principal amount of 7.75% Senior Notes due 2013, (iv) approximately $88.2 million aggregate outstanding principal amount of 9.25% Senior Notes due 2008, (v) approximately $21.9 million aggregate outstanding principal amount of 10.5% Senior Subordinated Notes due 2009, (vi) approximately $142.4 million aggregate outstanding principal amount of 5% Convertible Subordinated Notes due 2007, and (vii) $190.0 million aggregate outstanding principal amount of 2.50% Convertible Senior Subordinated Notes due 2011.

In each case, we were seeking consents for a waiver of certain defaults and events of default, and the consequences thereof, that may have occurred or may occur under the indenture governing each series of notes from our failure to file with the Securities and Exchange Commission and deliver to the trustee and the holders of such series of notes any reports or other information, including a quarterly report on Form 10-Q for the quarter ended June 30, 2006, and the waiver of the application of certain provisions of the indentures governing each series of notes. On October 6, 2006, with the filing of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, our Annual Report on Form 10-K/A for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2006, we have cured all alleged defaults outlined in the US Bank and Wells Fargo letters described above. Accordingly, we terminated all consent solicitations with respect to our outstanding notes and did not pay any consent fees under any such consent solicitation.

13. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

	September 30, 2006	December 31, 2005
	(In thousands)	
Customer advances	$ 26,764	$ 714
Other non-current liabilities	4,169	5,395
	$ 30,933	$ 6,109

Customer advances relate to supply agreements with customers that guarantee capacity in exchange for customer prepayment of services.

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

14. Pension and Severance 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 costs computed by independent actuaries. 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,	
	2006	2005	2006	2005
	(In thousands)		(In thousands)	
Components of net periodic pension cost and total pension expense:				
Service cost	$ 1,102	$ 1,395	$ 3,285	$ 4,278
Interest cost	713	507	2,080	1,552
Expected return on plan assets	(405)	(304)	(1,181)	(928)
Amortization of transitional obligation	27	28	83	88
Amortization of prior service cost	7	8	20	25
Recognized actuarial (gain)/loss	—	12	—	38
Total pension expense	$ 1,444	$ 1,646	$ 4,287	$ 5,053

For the three and nine months ended September 30, 2006, $0.6 million and $1.6 million, respectively, was contributed to fund the pension plans. In 2006, we anticipate contributing an additional $6.2 million to fund the pension plans.

Our Korean subsidiary participates in an accrued severance plan that covers employees and directors with one year or more of service. Eligible plan participants are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits are estimated assuming all eligible employees were to terminate their employment at the balance sheet date. The contributions to the national pension fund made under the National Pension Plan of the Republic of Korea are deducted from accrued severance benefit liabilities. For the three months ended September 30, 2006 and 2005, the provision recorded for severance benefits was $7.6 million and $5.9 million, respectively. For the nine months ended September 30, 2006 and 2005, the provision recorded for severance benefits was $24.7 million and $19.6 million, respectively. The balance recorded in other non-current liabilities for accrued severance at our Korean subsidiary was $141.1 million, of which $4.0 million is included in accrued expenses, and $116.4 million at September 30, 2006 and December 31, 2005, respectively.

15. Commitments and Contingencies

Indemnifications and Guarantees

We have indemnified members of our Board of Directors and our corporate officers against any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative by reason of the fact that the individual is or was a director or officer of the company. The individuals are indemnified, to the fullest extent permitted by law, against related expenses, judgments, fines and any amounts paid in settlement. We also maintain directors and officers insurance coverage in order to mitigate our exposure to these indemnification obligations. The maximum amount of future payments is generally unlimited. There is no amount recorded for these indemnifications at September 30, 2006 and December 31, 2005. Due to the nature of these indemnifications, it is not possible to make a reasonable estimate of the maximum potential loss or range of loss. No assets are held as collateral and no specific recourse provisions exist related to these indemnifications.

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

As of September 30, 2006, we have outstanding $0.2 million of standby letters of credit under our $100.0 million first lien revolving credit facility and have available an additional $24.8 million.

Our standard terms and conditions provide for a ninety-day warranty on our services. Our warranty activity has historically been immaterial.

Legal Proceedings

We are currently a party to various legal proceedings, including those noted below. While we currently believe that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows, litigation and other legal proceedings are subject to inherent uncertainties. If an unfavorable ruling or outcome were to occur, there exists the possibility of a material adverse impact on our results of operations, financial condition or cash flows. An unfavorable ruling or outcome could also have a negative impact on the trading price of our securities. The estimate of the potential impact from the following legal proceedings on our financial condition, results of operations or cash flows could change in the future. We record provisions in our consolidated financial statements for pending litigation and other legal proceedings when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. During the three months ended September 30, 2006 and 2005, no provision was recorded related to legal matters. During the nine months ended September 30, 2006 and 2005, we recorded a provision of $1.0 million and $50.0 million, respectively related to the epoxy mold compound litigation discussed below.

Epoxy Mold Compound Litigation

Much of our recent litigation related to an allegedly defective epoxy mold compound, formerly used in some of our packaging services, which was alleged to have been responsible for certain semiconductor chip failures. As previously disclosed, the cases of *Fujitsu Limited v. Cirrus Logic, Inc., et al., Seagate Technology LLC v. Atmel Corporation, et al., Fairchild Semiconductor Corporation v. Sumitomo Bakelite Singapore Pte. Ltd., et al., Maxtor Corporation v. Koninklijke Philips Electronics N.V., et al., and Maxim Integrated Products, Inc. v. Amkor Technology, Inc., et al.* have each been resolved through trial or settlement, with a complete dismissal or release of all claims. Other customers of ours have made inquiries in the past about the epoxy mold compound, which was widely used in the semiconductor industry, and no assurance can be given that claims similar to those already asserted will not be made against us by other customers in the future.

Other Litigation

Amkor Technology, Inc. v. Motorola, Inc.

In August 2002, we filed a complaint against Motorola, Inc. (“Motorola”) seeking declaratory judgment relating to a controversy between us and Motorola concerning: (i) the assignment by Citizen Watch Co., Ltd. (“Citizen”) to us of a Patent License Agreement dated January 25, 1996 between Motorola and Citizen (the “License Agreement”) and concurrent assignment by Citizen to us of Citizen’s interest in U.S. Patents 5,241,133 and 5,216,278 (the “ ’133 and ’278 Patents”) which patents relate to BGA packages; and (ii) our obligation to make certain payments pursuant to an immunity agreement (the “Immunity Agreement”) dated June 30, 1993 between us and Motorola, pending in the Superior Court of the State of Delaware in and for New Castle County.

We and Motorola resolved the controversy with respect to all issues relating to the Immunity Agreement, and all claims and counterclaims filed by the parties in the case relating to the Immunity Agreement were dismissed or otherwise disposed of without further litigation. The claims relating to the License Agreement and the ’133 and ’278 Patents remained pending.

We and Motorola both filed motions for summary judgment on the remaining claims, and oral arguments were heard in September 2003. On October 6, 2003, the Superior Court of Delaware ruled in favor of us and issued an Opinion and Order granting our motion for summary judgment and denying Motorola’s motion for summary judgment. Motorola filed an appeal in the Supreme Court of Delaware. In May 2004, the Supreme Court reversed the Superior Court's decision, and remanded for further development of the factual record. The bench trial in this matter was concluded on January 27, 2006. Post-trial briefs were submitted and post-trial oral arguments were heard by the Court in April 2006. Additional post-trial oral arguments were heard by the Court on September 11, 2006. A decision from the Court is still pending.

Alcatel Business Systems v. Amkor Technology, Inc., Anam Semiconductor, Inc.

On November 5, 1999, we agreed to sell certain semiconductor parts to Alcatel Microelectronics, N.V. ("AME"), a subsidiary of Alcatel S.A. The parts were manufactured for us by Anam Semiconductor, Inc. ("ASI") and delivered to AME. AME transferred the parts to another Alcatel subsidiary, Alcatel Business Systems ("ABS"), which incorporated the parts into cellular phone products. In early 2001, a dispute arose as to whether the parts sold by us were defective.

Paris Commercial Court. On March 18, 2002, ABS and its insurer filed suit against us and ASI in the Paris Commercial Court of France, claiming damages of approximately 50.4 million Euros (approximately $63.9 million based on the spot exchange rate at September 30, 2006.) We have denied all liability and have not established a loss accrual associated with this claim. Additionally, we have entered into a written agreement with ASI whereby ASI has agreed to indemnify us fully against any and all loss related to the claims of AME, ABS and ABS' insurer. The Paris Commercial Court commenced a special proceeding before a technical expert to report on the facts of the dispute. The report of the court-appointed expert was put forth on December 31, 2003. The report does not specifically allocate liability to any particular party. On May 18, 2004, the Paris Commercial Court of France declared that it did not have jurisdiction over the matter. The Court of Appeal of Paris heard the appeal regarding jurisdiction during October 2004, confirmed the first tier ruling and dismissed the appeal on November 3, 2004. A motion was filed by ABS and its insurer before the French Supreme Court to challenge the lack of jurisdiction ruling and a brief was filed by ABS and its insurer in June 2005. We filed a response brief before the French Supreme Court in August 2005.

Arbitration. In response to the French lawsuit described above, on May 22, 2002, we filed a petition to compel arbitration in the United States District Court for the Eastern District of Pennsylvania against ABS, AME and ABS' insurer, claiming that the dispute is subject to the arbitration clause of the November 5, 1999 agreement between us and AME. ABS and ABS' insurer have refused to arbitrate and continue to challenge the lack of jurisdiction ruling. The arbitration proceeding has been stayed pending resolution of the French lawsuit described above.

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

In November 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 an exclusionary order barring the importation by Carsem of infringing products. Subsequently, we filed a complaint in the Northern District of California, alleging infringement of the Amkor Patents and seeking an injunction enjoining Carsem from further infringing the Amkor Patents, treble damages plus interest, costs and attorney's fees. We allege that by making, using, selling, offering for sale, or importing into the U.S. the Carsem Dual and Quad Flat No-Lead Package, Carsem has infringed on one or more of our *Micro*LeadFrame® packaging technology claims in the Amkor Patents. The District Court action had 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 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, and that all of our asserted patent claims are enforceable. However, the ALJ did not find a statutory violation of the Tariff Act.

We filed a petition in November 2004 to have the ALJ's ruling reviewed by the full International Trade Commission. 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 that Carsem infringed some of our patent claims and ruled that Carsem violated Section 337 of the Tariff Act. The ITC subsequently authorized the ALJ to reopen the record on certain discovery issues related to third party conception documents. On February 9, 2006, the ITC ordered a delay in issuance of the Final Determination, pending resolution of the discovery issues related to third party conception documents. The discovery issues are the subject of a subpoena enforcement action which is pending in the District Court for the District of Columbia; a schedule has not yet been established for that action. The case we filed in 2003 in the Northern District of California remains stayed pending completion of the ITC investigation.

Tessera, Inc. v. Amkor Technology, Inc.

On March 2, 2006, Tessera, Inc. filed a Request for Arbitration (the "Request") with the International Court of Arbitration of the International Chamber of Commerce, captioned *Tessera, Inc. v. Amkor Technology, Inc.* The Request seeks substantial monetary damages and claims, among other things, that Amkor is in breach of its license agreement with Tessera as a result of Amkor's failure to pay Tessera royalties allegedly due on certain packages Amkor assembles for some of its customers. The Request seeks monetary damages in the amount of approximately $100 million. We dispute the claims in the Request, and have denied all liability. We believe we have meritorious defenses in this matter, and intend to defend ourselves vigorously and seek judgment in our favor in due course.

Securities Class Action Litigation

On January 23, 2006, a purported securities class action suit entitled *Nathan Weiss et al. v. Amkor Technology, Inc.* et al., was filed in U.S. District Court for the Eastern District of Pennsylvania against Amkor and certain of its current and former officers. Subsequently, other law firms filed two similar cases, which were consolidated with the initial complaint. On August 15, 2006, plaintiffs filed an amended complaint adding additional officer, director and former director defendants and alleging improprieties in certain option grants. The amended complaint further alleges that defendants improperly recorded and accounted for the options in violation of generally accepted accounting principles and made materially false and misleading statements and omissions in its disclosures in violation of the federal securities laws, during the period from July 2001 to July 2006. The amended complaint seeks certification as a class action pursuant to Fed. R. Civ. Proc. 23, compensatory damages, costs and expenses, and such other further relief as the Court deems just and proper.

Shareholder Derivative Lawsuits

On February 23, 2006, a purported shareholder derivative lawsuit entitled *Scimeca v. Kim, et al.* was filed in the U.S. District Court for the District of Arizona against certain of Amkor's current and former officers and directors. Amkor is named as a nominal defendant. The complaint includes claims for breach of fiduciary duty, abuse of control, waste of corporate assets, unjust enrichment and mismanagement, and is generally based on the same allegations as in the securities class action litigation described above. In September 2006, the plaintiff amended the complaint to add allegations relating to option grants and added additional defendants, including the remaining members of the current board, former board members, and former officers.

On March 2, 2006, a purported shareholder derivative lawsuit entitled *Kahn v. Kim, et al.* was filed in the Superior Court of the State of Arizona against certain of Amkor's current and former officers and directors. Amkor is named as a nominal defendant. The complaint includes claims for breach of fiduciary duty and unjust enrichment, and is based on allegations similar to those made in the previously filed federal shareholder derivative action. This action has been stayed pending resolution of the federal derivative suit referenced above.

On or about October 10, 2006, a purported shareholder derivative lawsuit entitled *Feldgus v. Kim, et al.* was filed in the Superior Court of the State of Arizona against certain of Amkor's current and former officers and directors. Amkor is named as a nominal defendant. The complaint includes claims for breach of fiduciary duty and unjust enrichment and contains allegations relating to option grants similar to those made in the previously filed federal shareholder derivative action referred to above.

The derivative complaints seek monetary damages, an order directing the Company to take all necessary actions to improve corporate governance as may be necessary, equitable and/or injunctive relief as permitted by law, disgorgement, restitution, costs, fees, expenses and such other relief as the Court deems just and proper.

Other Legal Matters

Securities and Exchange Commission Investigation

In August 2005, the Securities and Exchange Commission ("SEC") issued a formal order of investigation regarding certain activities with respect to Amkor securities. As previously announced, the primary focus of the investigation appears to be activities during the period from June 2003 to July 2004. Amkor believes that the investigation continues to relate primarily to transactions in the Company's securities by certain individuals, and that the investigation may in part relate to whether tipping with respect to trading in Amkor securities occurred. The matters at issue involve activities with respect to Amkor securities during the subject period by certain insiders or former insiders and persons or entities associated with them, including activities by or on behalf of certain current and former members of the Board of Directors and Amkor's Chief Executive Officer. Amkor has cooperated fully with the SEC on the formal investigation and the informal inquiry that preceded it. Amkor cannot predict the outcome of the investigation.

As described in Note 2, "Restatement of Consolidated Financial Statement, Special Committee and Company Finding", in July 2006, the Board of Directors established a Special Committee to review our historical stock option practices and informed the SEC of these efforts. The SEC informed us that it is expanding the scope of its investigation and has requested that we provide documentation related to these matters. We intend to continue to cooperate with the SEC.

Listing on The NASDAQ Stock Market

On August 14, 2006, we received a written Staff Determination notice from the NASDAQ Stock Market stating that we are not in compliance with NASDAQ's Marketplace Rule 4310(c)(14) because we have not timely filed our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, and that, therefore, Amkor's securities are subject to delisting. On August 21, 2006, we appealed the Staff's delisting determination to the NASDAQ Listings Qualifications Panel ("Panel") and requested an oral hearing before the Panel. On August 24, 2006, the NASDAQ Staff confirmed that our appeal had stayed the delisting action pending a final written decision by the Panel. A hearing before the Panel occurred on September 26, 2006. Subsequent to the filing of our June 30, 2006 Quarterly Report on Form 10-Q, the Panel, on October 18, 2006, informed us of their finding that we are in compliance with all applicable NASDAQ listing standards, and granted our request for continued listing on the NASDAQ Stock Market.

16. Related Party Transactions

In November 2005, we sold $100.0 million of our 6.25% Convertible Subordinated Notes due 2013 in a private placement to James J. Kim, Chairman and Chief Executive Officer, and certain Kim family trusts. The 2013 Notes are convertible into Amkor's common stock and are subordinated to the prior payment in full of all of Amkor's senior and senior subordinated debt. In March 2006, we filed a registration statement with the SEC to affect the registration of the notes and the common stock issuable upon conversion of the notes. See Note 12 for additional information.

Mr. JooHo Kim is an employee of Amkor and a brother of Mr. James J. Kim, our Chairman and CEO. Mr. JooHo Kim owns, together with other Kim family members, 58.11% of Anam Information Technology, Inc., a company that provided computer hardware and software components to Amkor Technology Korea, Inc. (a subsidiary of Amkor). As of September 30, 2006, services are no longer being provided. For the three months ended September 30, 2006 and 2005, purchases from Anam Information Technology, Inc. were less than $0.1 million and $1.0 million, respectively. For the nine months ended September 30, 2006 and 2005, purchases from Anam Information Technology, Inc. were $0.3 million and $1.6 million, respectively. Amounts due to Anam Information Technology, Inc. at September 30, 2006, and December 31, 2005 were less than $0.1 million and $0.3 million, respectively.

Mr. JooHo Kim, together with his wife and children, owns 96.1% of Jesung C&M, a company that provides cafeteria services to Amkor Technology Korea, Inc. For each of the three months ended September 30, 2006 and 2005, purchases from Jesung C&M were $1.6 million. For each of the nine months ended September 30, 2006 and 2005, purchases from Jesung C&M were $4.9 million. Amounts due to Jesung C&M at September 30, 2006 and December 31, 2005 were $0.5 million.

Dongan Engineering Co., Ltd. was 100% owned by Mr. JooCheon Kim, a brother of Mr. James J. Kim, until the third quarter of 2005. There is no longer any related party ownership. Mr. JooCheon Kim is not an employee of Amkor. Dongan Engineering Co., Ltd. provides, construction and maintenance services to Amkor Technology Korea, Inc. and Amkor Technology Philippines, Inc. subsidiaries of Amkor. For the three and nine months ended September 30, 2005, purchases from Dongan Engineering Co., Ltd. were $0.1 million and $0.5 million, respectively.

We purchase leadframe inventory from Acqutek Semiconductor & Technology Co., Ltd. Mr. James J. Kim's ownership in Acqutek Semiconductor & Technology Co., Ltd. is approximately 17.7%. For the three months ended September 30, 2006 and 2005, purchases from Acqutek Semiconductor & Technology Co., Ltd. were $4.3 million and $3.1 million, respectively. For the nine months ended September 30, 2006 and 2005, purchases from Acqutek Semiconductor & Technology Co., Ltd. were $11.7 million and $8.3 million, respectively. Amounts due to Acqutek Semiconductor & Technology Co., Ltd. at September 30, 2006 and December 31, 2005 were $2.0 million and $1.4 million, respectively.

As of September 30, 2006, we were owed $0.3 million from members of the Kim family for reimbursement of personal travel costs.

We lease office space in West Chester, Pennsylvania from trusts related to Mr. James J. Kim. Amounts paid for this lease for the three months ended September 30, 2006 and 2005 were less than $0.1 million. Amounts paid for this lease for the nine months ended September 30, 2006 and 2005 were less than $0.1 million and $1.3 million, respectively. We vacated a portion of this space in connection with the move of our corporate headquarters to Arizona. We currently lease approximately 2,700 square feet of office space from these trusts. The sublease income has been assigned to the trusts as part of vacating the office space effective July 1, 2005. For the three and nine months ended September 30, 2005, our sublease income includes $0.1 million and $0.4 million, respectively, from related parties.

17. Business Segments

In accordance with SFAS No. 131 *Disclosures about Segments of an Enterprise and Related Information*, in the second quarter of 2006 we determined we had two reportable segments, packaging and test. Due to the expansion of our test operations, we no longer met the aggregation criteria under which packaging and test were previously considered a single reportable segment. We have included all prior period comparative information on the basis of the current reportable segments. 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. Our packaging services process creates an electrical interconnect between the semiconductor chip and the system board through wire bonding or bumping technologies. In packaging, individual chips are separated from the fabricated semiconductor wafers, attached to a substrate and then encased in a protective material to

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

provide optimal electrical connectivity and thermal performance. Our test services include the probing of fabricated wafers and testing of packaged chips using sophisticated equipment to ensure that design specifications are satisfied.

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 other corporate adjustments, sales office and corporate property, plant and equipment.

	Packaging	Test	Other	Total
		(In thousands)		
Three Months Ended September 30, 2006				
Net sales	$ 640,885	$ 73,120	$ (176)	$ 713,829
Gross profit	155,144	22,815	(192)	177,767
Three Months Ended September 30, 2005				
Net sales	497,225	52,511	(95)	549,641
Gross profit, as restated	79,488	10,852	(41)	90,299
Nine Months Ended September 30, 2006				
Net sales	1,841,102	205,042	(595)	2,045,549
Gross profit	437,559	64,900	(633)	501,826
Nine Months Ended September 30, 2005				
Net sales	1,320,496	135,963	(2)	1,456,457
Gross profit, as restated	183,681	16,339	80	200,100
Gross Property, Plant and Equipment				
September 30, 2006	2,444,106	584,203	112,810	3,141,119
December 31, 2005	2,363,332	516,883	108,006	2,988,221

18. Subsidiary Guarantors

As of September 30, 2006, payment obligations under our senior and senior subordinated notes, excluding the 2011 Notes (see Note 12), totaling $1,183.9 million are fully and unconditionally guaranteed by certain of our wholly-owned subsidiaries. The subsidiaries that guarantee our senior and senior subordinated notes as of September 30, 2006, consist of Unitive, UEI and AIH. During the second quarter of 2006, we entered into supplemental indentures on our senior and senior subordinated notes that reflect the release from guarantee of P-Four LLC as a result of that entity's liquidation. The supplemental indentures also released Amkor Technology Limited and Amkor Technology Philippines from their prior guarantees. All prior period comparable information has been retrospectively adjusted to reflect the guarantors as defined in the supplemental indenture. We are in the process of consolidating a number of our subsidiaries, and we expect that before the end of 2006, all of the remaining guarantees of the senior and senior subordinated notes will terminate or be released in accordance with the terms of the related indentures governing the notes in connection with such consolidation, although there can be no assurances that we will accomplish this.

Presented below is condensed consolidating financial information for the parent, Amkor Technology, Inc., the currently existing guarantor subsidiaries and the non-guarantor subsidiaries. Investments in subsidiaries are accounted for by the parent and subsidiaries on the equity method of accounting. Earnings of subsidiaries are, therefore, reflected in the parent's and guarantor subsidiaries' investments in subsidiaries' accounts. The elimination columns eliminate investments in subsidiaries and inter-company balances and transactions. Separate financial statements and other disclosures concerning the guarantor subsidiaries are not presented because the

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

guarantor subsidiaries are wholly-owned and have unconditionally guaranteed the senior notes and senior subordinated notes on a joint and several basis. There are no restrictions on the ability of any guarantor subsidiary to directly or indirectly make distributions to us.

**Condensed Consolidating Statement of Operations
For the three months ended September 30, 2006**

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Net sales	$584,172	$ 6,858	$ 457,167	$ (334,368)	$ 713,829
Cost of sales	514,020	8,752	344,367	(331,077)	536,062
Gross profit (loss)	70,152	(1,894)	112,800	(3,291)	177,767
Operating expenses:					
Selling, general and administrative	36,498	1,775	33,495	(3,291)	68,477
Research and development	4,312	166	5,175	—	9,653
Total operating expenses	40,810	1,941	38,670	(3,291)	78,130
Operating income (loss)	29,342	(3,835)	74,130	—	99,637
Other (income) expense:					
Interest expense, net	16,825	169	19,579	—	36,573
Interest expense, related party	1,563	—	—	—	1,563
Foreign currency loss (gain), net	29	—	6,436	—	6,465
Other (income) expense, net	(40,795)	(45,130)	(752)	85,779	(878)
Total other expense, net	(22,378)	(44,961)	25,263	85,779	43,723
Income (loss) before income taxes and minority interests	51,720	41,126	48,867	(85,779)	55,914
Income tax expense (benefit)	(1,090)	(12)	3,983	—	2,881
Income (loss) before minority interests	52,810	41,138	44,884	(85,779)	53,033
Minority interests, net of tax	—	—	(223)	—	(223)
Net income (loss)	$ 52,810	$ 41,138	$ 44,661	$ (85,779)	$ 52,810

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Operations
For the three months ended September 30, 2005

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Net sales	$ 378,005	$ 5,272	$ 434,077	$ (267,713)	$ 549,641
Cost of sales	337,933	6,082	380,062	(264,735)	459,342
Gross profit (loss)	40,072	(810)	54,015	(2,978)	90,299
Operating expenses:					
Selling, general and administrative	23,639	1,794	37,179	(2,979)	59,633
Research and development	(3,286)	77	12,079	—	8,870
Total operating expenses	20,353	1,871	49,258	(2,979)	68,503
Operating income (loss)	19,719	(2,681)	4,757	1	21,796
Other (income) expense:					
Interest expense, net	23,853	170	16,836	—	40,859
Foreign currency loss (gain), net	5,226	2	(1,057)	—	4,171
Other (income) expense, net	11,898	1,313	(368)	(12,449)	394
Total other expense, net	40,977	1,485	15,411	(12,449)	45,424
Income (loss) before income taxes and minority interests	(21,258)	(4,166)	(10,654)	12,450	(23,628)
Income tax expense	(1,745)	41	(1,161)	—	(2,865)
Income (loss) before minority interests	(19,513)	(4,207)	(9,493)	12,450	(20,763)
Minority interests, net of tax	—	—	1,250	—	1,250
Net income (loss)	$ (19,513)	$ (4,207)	$ (8,243)	$ 12,450	$ (19,513)

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Operations
For the nine months ended September 30, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Net sales	$1,672,915	$ 19,604	$ 1,294,209	$ (941,179)	$2,045,549
Cost of sales	1,439,856	22,282	1,011,514	(929,931)	1,543,721
Gross profit (loss)	233,059	(2,678)	282,695	(11,248)	501,828
Operating expenses:					
Selling, general and administrative	104,106	5,429	89,361	(11,248)	187,648
Research and development	4,128	415	24,855	—	29,398
Provision for legal settlements and contingencies	1,000	—	—	—	1,000
Total operating expenses	109,234	5,844	114,216	(11,248)	218,046
Operating income	123,825	(8,522)	168,479	—	283,782
Other (income) expense:					
Interest expense, net	59,440	493	58,397	—	118,330
Interest expense, related party	4,914	—	—	—	4,914
Foreign currency loss (gain), net	(2,183)	—	13,655	—	11,472
Debt retirement costs, net	27,389	—	—	—	27,389
Other (income) expense, net	(78,509)	(61,372)	(3,952)	145,330	1,497
Total other expense, net	11,051	(60,879)	68,100	145,330	163,602
Income (loss) before income taxes and minority interests	112,774	52,357	100,379	(145,330)	120,180
Income tax expense	1,737	—	6,728	—	8,465
Income (loss) before minority interests	111,037	52,357	93,651	(145,330)	111,715
Minority interests, net of tax	—	—	(678)	—	(678)
Net income (loss)	$ 111,037	$ 52,357	$ 92,973	$ (145,330)	$ 111,037

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Operations
For the nine months ended September 30, 2005

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Net sales	$ 989,778	$ 13,887	$ 1,159,179	$ (706,387)	$1,456,457
Cost of sales	886,446	16,250	1,050,834	(697,173)	1,256,357
Gross profit (loss)	103,332	(2,363)	108,345	(9,214)	200,100
Operating expenses:					
Selling, general and administrative	89,909	4,493	101,870	(9,215)	187,057
Research and development	(2,114)	208	29,600	—	27,694
Provision for legal settlements and contingencies	50,000	—	—	—	50,000
Total operating expenses	137,795	4,701	131,470	(9,215)	264,751
Operating loss	(34,463)	(7,064)	(23,125)	1	(64,651)
Other (income) expense:					
Interest expense, net	72,242	430	50,095	—	122,767
Foreign currency loss, net	5,530	65	(965)	—	4,630
Other (income) expense, net	79,788	27,548	23,501	(128,202)	2,635
Total other expense, net	157,560	28,043	72,631	(128,202)	130,032
Income (loss) before income taxes and minority interests	(192,023)	(35,107)	(95,756)	128,203	(194,683)
Income tax expense	(852)	76	451	—	(325)
Income (loss) before minority interests	(191,171)	(35,183)	(96,207)	128,203	(194,358)
Minority interests, net of tax	—	—	3,187	—	3,187
Net income (loss)	$ (191,171)	$ (35,183)	$ (93,020)	$ 128,203	$ (191,171)

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Balance Sheet
September 30, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Current assets:					
Cash and cash equivalents	$ 90,282	$ 3,944	$ 96,341	$ —	$ 190,567
Restricted cash	2,445	125	—	—	2,570
Accounts receivable:					
Trade, net of allowance	316,508	3,373	105,470	—	425,351
Other	2,894	—	3,663	—	6,557
Inventories, net	115,158	975	48,271	—	164,404
Other current assets	6,473	723	31,483	—	38,679
Total current assets	533,760	9,140	285,228	—	828,128
Intercompany	1,078,762	(367)	(1,078,395)	—	—
Property, plant and equipment, net	36,280	21,064	1,399,209	—	1,456,553
Goodwill	37,188	7,905	626,441	—	671,534
Intangibles, net	14,074	3,706	14,288	—	32,068
Investments	753,788	549,625	691,212	(1,986,831)	7,794
Restricted Cash	—	—	1,755	—	1,755
Other assets	31,536	(790)	19,003	—	49,749
Total assets	2,485,388	590,283	1,958,741	(1,986,831)	3,047,581
Current liabilities:					
Short term borrowings and current portion of long-term debt	142,423	—	58,129	—	200,552
Other current liabilities	209,697	4,376	264,918	—	478,991
Total current liabilities	352,120	4,376	323,047	—	679,543
Long-term debt	1,673,909		53,291		1,727,200
Long-term debt, related party	100,000	—	—		100,000
Other noncurrent liabilities	12,790	90	177,323	—	190,203
Total liabilities	2,138,819	4,466	553,661	—	2,696,946
Commitments and contingencies					
Minority interests	—	—	4,066	—	4,066
Total stockholders' equity	346,569	585,817	1,401,014	(1,986,831)	346,569
Total liabilities and stockholders' equity	$2,485,388	$ 590,283	$ 1,958,741	$(1,986,831)	$3,047,581

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Balance Sheet
December 31, 2005

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Current assets:					
Cash and cash equivalents	$ 106,833	$ 3,244	$ 96,498	$ —	$ 206,575
Accounts receivable:					
Trade, net of allowance	263,022	3,279	115,194	—	381,495
Other	4,489	—	600	—	5,089
Inventories, net	94,813	598	42,698	—	138,109
Other current assets	4,049	198	30,975	—	35,222
Total current assets	473,206	7,319	285,965	—	766,490
Intercompany	1,211,929	10,317	(1,222,246)	—	—
Property, plant and equipment, net	41,574	18,453	1,359,445	—	1,419,472
Goodwill	37,188	7,905	608,624	—	653,717
Intangibles, net	16,763	4,059	17,569	—	38,391
Investments	629,599	742,083	846,366	(2,208,380)	9,668
Changes in restricted cash	—	—	1,747	—	1,747
Other assets	45,624	510	19,472	—	65,606
Total assets	2,455,883	790,646	1,916,942	(2,208,380)	2,955,091
Current liabilities:					
Short term borrowings and current portion of long-term debt	133,823	—	50,566	—	184,389
Other current liabilities	206,579	3,040	241,120	—	450,739
Total current liabilities	340,402	3,040	291,686	—	635,128
Long-term debt	1,790,579	—	65,668	—	1,856,247
Long-term debt, related party	100,000	—	—	—	100,000
Other noncurrent liabilities	997	15	134,849	—	135,861
Total liabilities	2,231,978	3,055	492,203	—	2,727,236
Commitments and contingencies Minority interests	—	—	3,950	—	3,950
Total stockholders' equity	223,905	787,591	1,420,789	(2,208,380)	223,905
Total liabilities and stockholders' equity	$2,455,883	$ 790,646	$ 1,916,942	$(2,208,380)	$2,955,091

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2006

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
			(In thousands)		
Net cash flows provided by operating activities	$ 64,287	$ 9,864	$ 285,292	21,213	$ 380,656
Cash flows from continuing investing activities:					
Payments for property, plant and equipment	(8,728)	(5,980)	(237,693)	—	(252,401)
Proceeds from the sale of property, plant and equipment	—	—	2,524	—	2,524
Restricted cash	(2,445)	(133)	—	—	(2,578)
Other investing activities	(21,307)	(3,051)	(98,543)	122,901	—
Net cash used in investing activities	(32,480)	(9,164)	(333,712)	122,901	(252,455)
Cash flows from continuing financing activities:					
Borrowings under revolving credit facilities	—	—	143,659	—	143,659
Payments under revolving credit facilities	—	—	(134,419)	—	(134,419)
Proceeds from issuance of long-term debt	590,000	—	—	—	590,000
Payments for debt issuance costs	(15,048)	—	(39)	—	(15,087)
Payments on long-term debt	(720,214)	—	(14,647)	—	(734,861)
Proceeds from issuance of stock through stock compensation plans	4,981	—	—	—	4,981
Other financing activities	91,907	—	52,207	(144,114)	—
Net cash provided by (used in) financing activities	(48,374)	—	46,761	(144,114)	(145,727)
Effects of exchange rate fluctuations on cash and cash equivalents	16	—	1,502	—	1,518
Net increase (decrease) in cash and cash equivalents	(16,551)	700	(157)	—	(16,008)
Cash and cash equivalents, beginning of period	106,833	3,244	96,498	—	206,575
Cash and cash equivalents, end of period	$ 90,282	$ 3,944	$ 96,341	$ —	$ 190,567

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

Condensed Consolidating Statement of Cash Flows
For the nine months ended September 30, 2005

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Net cash flows provided by (used in) operating activities	$ (47,786)	$ (11,877)	$ 93,540	$ (37,170)	$ (3,293)
Cash flows from continuing investing activities:					
Purchases of plant, property and equipment	(6,041)	(5,328)	(215,073)	—	(226,442)
Proceeds from sale of property, plant and equipment	—	51	479	—	530
Other investing activities	(153,380)	18,369	111,651	23,360	—
Net cash used in investing activities	(159,421)	13,092	(102,943)	23,360	(225,912)
Cash flows from continuing financing activities:					
Net change in bank overdrafts and revolving credit facilities	(102)	—	—	—	(102)
Borrowings under revolving credit facilities	—	—	127,494	—	127,494
Payments under revolving credit facilities	—	—	(116,811)	—	(116,811)
Proceeds from issuance of long-term debt	—	—	43,586	—	43,586
Payments for debt issuance costs	—	—	—	—	—
Payments on long-term debt	(15,516)	(821)	(21,699)	—	(38,036)
Proceeds from issuance of stock through stock compensation plan	2,738	—	—	—	2,738
Other financing activities	24,389	—	(38,199)	13,810	—
Net cash provided by (used in) financing activities	11,509	(821)	(5,629)	13,810	18,869
Effects of exchange rate fluctuations on cash and cash equivalents related	(40)	—	(2,390)	—	(2,430)
Net increase (decrease) in cash and cash equivalents	(195,738)	394	(17,422)	—	(212,766)
Cash and cash equivalents, beginning of period	267,692	2,359	102,233	—	372,284
Cash and cash equivalents, end of period	$ 71,954	$ 2,753	$ 84,811	$ —	$ 159,518

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

The following discussion contains forward-looking statements within the meaning of the federal securities laws, including but not limited to statements regarding: trends in outsourcing and reductions in inventory, demand and selling prices for our services and products; construction of our new facilities in Singapore and China; future capacity utilization rates, revenue, gross margins and operating performance; our ability to focus capital investments on increasing wafer bumping, flip chip, test and advanced laminate packaging capacity; entry into supply agreements with customers and forecast customer demand; anticipated tax rate; sufficient cash flows and liquidity to fund working capital, estimated capital expenditures of $300 million, and debt service requirements; our substantial indebtedness; the continued service of key senior management and technical personnel; increase in the scope and growth of our operations and ability to implement expansion plans; our ability to offset an increase in fixed commodity prices; the favorable outcome of litigation proceedings; our ability to comply with environmental regulations and foreign laws; our ability to quickly respond to a natural disaster or terrorist attack; the condition, growth and cyclical nature of the semiconductor industry; our contractual obligations; and 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 "Risk Factors that May Affect Future Operating Performance" set forth in this quarterly report on Form 10-Q in Part II, Item 1A "Risk Factors." The following discussion provides information and analysis of our results of operations for the three and nine months ended September 30, 2006 and our liquidity and capital resources. You should read the following discussion in conjunction with our condensed consolidated financial statements and the related notes included elsewhere in this quarterly report, as well as other reports we file with the Securities and Exchange Commission.

Restatement of Consolidated Financial Statements, Special Committee and Company Findings

As a result of a report by a third party financial analyst issued on May 25, 2006, we commenced an initial review of our historical stock option granting practices. This review included a review of hard copy documents as well as a limited set of electronic documents. Following this initial review, on July 24, 2006 our Board of Directors established a Special Committee comprised of independent directors to conduct a review of our historical stock option granting practices during the period from our initial public offering in 1998 through the present.

Based on the findings of the Special Committee and our internal review, we identified a number of occasions on which we used an incorrect measurement date for financial accounting and reporting purposes. In accordance with Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees* and related interpretations, with respect to the period through December 31, 2005, we should have recorded compensation expense in an amount per share subject to each option to the extent that the fair market value of our stock on the correct measurement date exceeded the exercise price of the option. For periods commencing January 1, 2006, compensation expense is recorded in accordance with Statement of Financial Accounting Standards No. 123(R)(revised), *Share-Based Payment.* We have also identified a number of other option grants for which we failed to properly apply the provisions of APB No. 25 or SFAS No. 123 and related interpretations of each pronouncement. In considering the causes of the accounting errors set forth below, the Special Committee concluded that the evidence does not support a finding of intentional manipulation of stock option grant pricing by any member of existing management. However, based on its review, the Special Committee identified evidence that supports a finding of intentional manipulation of stock option pricing with respect to annual grants in 2001 and 2002 by a former executive and that other former executives may have been aware of, or participated in this conduct. In addition the Special Committee identified a number of other factors related to our internal controls that contributed to the accounting errors that led to the restatement. The financial statement impact of these errors, by type, for the periods indicated is as follows:

	Six Months Ended June 30, 2006	Year Ended December 31, 2005	2004	2003	Cumulative Effect 2002 — 1998	Total Additional Compensation Expense
			(In thousands)			
Improper measurement dates for annual stock option grants	$ 299	$255	$7,577	$6,453	$ 80,984	$ 95,568
Modifications to stock option grants	—	9	(536)	711	9,345	9,529
Improper measurement dates for other stock option grants	80	64	217	102	1,625	2,088
Stock option grants to non-employees	—	—	26	172	1,443	1,641
Additional compensation expense	379	328	7,284	7,438	93,397	108,826
Tax related effects	129	18	144	198	(3,294)	(2,805)
Aggregate restatement of net income (loss)	$ 508	$346	$7,428	$7,636	$ 90,103	$ 106,021

Improper Measurement Dates for Annual Stock Option Grants. We determined that, in connection with our annual stock option grants to employees in 1999, 2000, 2001, 2002 and 2004, the number of shares that an individual employee was entitled to receive was not determined until after the original grant date, and therefore the measurement date for such options was subsequent to the original grant date. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $95.6 million recognized over the applicable vesting periods. For certain of these options forfeited in 2002 in connection with an option exchange program ("2002 Option Exchange Program"), the remaining compensation expense was accelerated into 2002. For certain other options, compensation expense was accelerated into 2004, in connection with the acceleration of all unvested options as of July 1, 2004 ("2004 Accelerated Vesting"). We undertook the 2004 Accelerated Vesting program for the purpose of enhancing employee morale, helping retain high potential employees in the face of a downturn in industry conditions and to avoid future compensation charges subsequent to the adoption of SFAS No. 123(R).

Modifications to Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for stock options modified for certain individuals who held consulting, transition or advisory roles with us. These included instances of continued vesting after an individual was no longer required to provide substantive services to Amkor after an individual converted from an employee to a consultant or advisory role, and extensions of option vesting and exercise periods. Some of these modifications were not identified in our financial reporting processes and were therefore not properly reflected in our financial statements. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $9.5 million recognized as of the date of the respective modifications.

Improper Measurement Dates for Other Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for certain employee stock options granted prior to obtaining authorization of the grants. These options included those granted as of November 9, 1998 in connection with the settlement of a deferred compensation liability to employees that had not been approved by our Board of Directors until November 10, 1998 as well as stock options granted to new hires and existing employees in recognition of achievements, promotions, retentions and other events. As a result of these errors, we have restated our historical financial statements to increase stock-based compensation expense by a total of $2.1 million recognized over the applicable vesting periods. For certain of these option grants, the recognition of this expense was also accelerated under the 2002 Option Exchange Program or the 2004 Accelerated Vesting, as described under "Improper Measurement Dates for Annual Stock Option Grants."

Stock Option Grants to Non-employees. We determined that from 1998 to 2004, we had not properly accounted for stock option grants issued to employees of an equity affiliate, consultants, or other persons who did not meet the definition of an employee. We erroneously accounted for such grants in accordance with APB No. 25 rather than SFAS No. 123 and related interpretations. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $1.6 million.

All of the foregoing charges were non-cash and had no impact on our reported net sales or cash or cash equivalents. The aggregate amount of the additional stock-based compensation expense that we identified as a result of the stock option review is approximately $108.8 million through June 30, 2006.

Incremental stock-based compensation charges of $108.8 million resulted in deferred income tax benefits of $3.2 million. Such amount is nominal relative to the amount of the incremental stock-based compensation charges as we maintained a full valuation allowance against our domestic deferred tax assets since 2002 coupled with the fact that incremental stock-based compensation charges relating to our foreign subsidiaries were not deductible for local tax purposes during the relevant periods due to the absence of related re-charge agreements with those subsidiaries. The $3.2 million deferred tax benefit resulted primarily from the write-off of stock-based compensation related deferred tax assets to additional paid-in capital in 2002; such write-off had originally been charged to income tax expense in 2002. We also recorded payroll related taxes totaling $0.4 million primarily relating to certain of our French employees.

As a result of our determination that the exercise prices of certain option grants were below the market price of our stock on the actual grant date, we evaluated whether the affected employees would have any adverse tax consequences under Section 409A of the Internal Revenue Code (the "IRC"). Because Section 409A relates to the employee's income recognition as stock options vest, when we accelerated the vesting of all unvested options in July 2004 (the "2004 Accelerated Vesting" described under "Improper Measurement Dates for Annual Grants") the impact of Section 409A was mitigated for substantially all of our outstanding stock grants. For stock options granted subsequent to the 2004 Accelerated Vesting, the impact of Section 409A is not expected to materially impact our employees and financial statements as a result of various transition rules and potential remediation efforts. Further we considered IRC Section 162 (m) and its established limitation thresholds relating to total remuneration and concluded, for periods prior to June 30, 2006, that our tax deductions related to stock-based compensation were not materially changed as a result of any employee whose remuneration changed as a result of receiving an option at less than fair value.

As previously disclosed, we are the subject of an SEC investigation concerning matters unrelated to our historical stock option practices. The SEC recently informed us that it is expanding the scope of its investigation and has requested that we provide documentation related to our historical stock option practices. We intend to continue to cooperate with the SEC. As a result of the restatement, the related disclosures included in Management's Discussion and Analysis of Financial Condition and Results or Operations have been revised if indicated as restated.

As a result of the findings of the Special Committee as well as our internal review, we concluded that we needed to amend our Annual Report on Form 10-K for the year ended December 31, 2005, originally filed on March 16, 2006, to restate our consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related disclosures as well as "Management's Report on Internal Control Over Financial Reporting" as of December 31, 2005. The Annual Report on Form 10-K/A also includes the restatement of selected consolidated financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, and the unaudited quarterly financial data for each of the quarters in the years ended December 31, 2005 and 2004. We also concluded that we needed to amend the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 originally filed on May 9, 2006, to restate our condensed consolidated financial statements for the quarters ended March 31, 2006 and 2005 and the related disclosures. We have restated the June 30, 2005 financial statements in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. We have restated the September 30, 2005 financial statements included in this Form 10-Q. We have not amended and we do not intend to amend any of our other previously filed annual reports on Form 10-K or quarterly reports on Form 10-Q for the periods affected by the restatement or adjustments other than (i) the amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2006 and (ii) the amended Annual Report on Form 10-K/A for the year ended December 31, 2005.

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our historical financial statements for the three and nine months ended September 30, 2005.

	For the Three Months Ended September 30, 2005			For the Nine Months Ended September 30, 2005		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
Net sales	$ 549,641	—	$549,641	$1,456,457	$ —	$1,456,457
Cost of sales	459,297	45	459,342	1,256,220	137	1,256,357
Gross profit	90,344	(45)	90,299	200,237	(137)	200,100
Operating expenses:						
Selling, general and administrative	59,582	51	59,633	186,913	144	187,057
Research and development	8,870	—	8,870	27,694	—	27,694
Provision for legal settlements and contingencies	—	—	—	50,000	—	50,000
Total operating expenses	68,452	51	68,503	264,607	144	264,751
Operating income (loss)	21,892	(96)	21,796	(64,370)	(281)	(64,651)
Other (income) expense:						
Interest expense, net	40,859	—	40,859	122,767	—	122,767
Foreign currency loss	4,171	—	4,171	4,630	—	4,630
Other (income) expense, net	394	—	394	2,635	—	2,635
Total other expense, net	45,424	—	45,424	130,032	—	130,032
Loss before income taxes and minority interests	(23,532)	(96)	(23,628)	(194,402)	(281)	(194,683)
Income tax expense	(2,865)	—	(2,865)	(325)	—	(325)
Loss before minority interests	(20,667)	(96)	(20,763)	(194,077)	(281)	(194,358)
Minority interests, net of tax	1,250	—	1,250	3,187	—	3,187
Net loss	$ (19,417)	$ (96)	$ (19,513)	$ (190,890)	$ (281)	$ (191,171)
Loss per common share:						
Basic	$ (0.11)	$ —	$ (0.11)	$ (1.08)	$ —	$ (1.08)
Diluted	$ (0.11)	$ —	$ (0.11)	$ (1.08)	$ —	$ (1.08)
Shares used in computing loss per common share:						
Basic	176,715		176,715	176,271		176,271
Diluted	176,715		176,715	176,271		176,271

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our historical financial statements for each of the three years ended December 31, 2005.

	Year Ended December 31,								
	2005			2004			2003		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)								
Statement of Operations Data:									
Net sales	$ 2,099,949	$ —	$ 2,099,949	$ 1,901,279	$ —	$ 1,901,279	$ 1,603,768	$ —	$ 1,603,768
Cost of sales	1,743,996	182	1,744,178	1,533,447	4,562	1,538,009	1,267,302	3,277	1,270,579
Gross profit	355,953	(182)	355,771	367,832	(4,562)	363,270	336,466	(3,277)	333,189
Operating expenses:									
Selling, general and administrative	243,155	164	243,319	221,915	2,866	224,781	183,291	3,963	187,254
Research and development	37,347	—	37,347	36,707	—	36,707	30,167	—	30,167
Provision for legal settlements and contingencies	50,000	—	50,000	—	—	—	—	—	—
Gain on sale of specialty test operations	(4,408)	—	(4,408)	—	—	—	—	—	—
Total operating expenses	326,094	164	326,258	258,622	2,866	261,488	213,458	3,963	217,421
Operating income	29,859	(346)	29,513	109,210	(7,428)	101,782	123,008	(7,240)	115,768
Other (income) expense:									
Interest expense, related party	521	—	521	—	—	—	—	—	—
Interest expense, net	165,351	—	165,351	148,902	—	148,902	140,281	—	140,281
Foreign currency (gain) loss	9,318	—	9,318	6,190	—	6,190	(3,022)	—	(3,022)
Other (income) expense, net	(444)	—	(444)	(24,444)	—	(24,444)	31,052	—	31,052
Total other expense	174,746	—	174,746	130,648	—	130,648	168,311	—	168,311
Loss before income taxes, equity investment losses, minority interests and discontinued operations	(144,887)	(346)	(145,233)	(21,438)	(7,428)	(28,866)	(45,303)	(7,240)	(52,543)
Equity investment losses	(55)	—	(55)	(2)	—	(2)	(3,290)	—	(3,290)
Minority interests	2,502	—	2,502	(904)	—	(904)	(4,008)	—	(4,008)
Loss from continuing operations before income taxes	(142,440)	(346)	(142,786)	(22,344)	(7,428)	(29,772)	(52,601)	(7,240)	(59,841)
Income tax provision (benefit)	(5,551)	—	(5,551)	15,192	—	15,192	(233)	—	(233)
Loss from continuing operations	(136,889)	(346)	(137,235)	(37,536)	(7,428)	(44,964)	(52,368)	(7,240)	(59,608)
Income from discontinued operations, net of tax	—	—	—	—	—	—	54,566	(396)	54,170
Net income (loss)	$ (136,889)	$ (346)	$ (137,235)	$ (37,536)	$ (7,428)	$ (44,964)	$ 2,198	$ (7,636)	$ (5,438)
Basic and diluted income (loss) per common share:									
From continuing operations	$ (0.78)	$ —	$ (0.78)	$ (0.21)	$ (0.05)	$ (0.26)	$ (0.31)	$ (0.04)	$ (0.35)
From discontinued operations	—	—	—	—	—	—	0.32	—	0.32
Income (loss) per common share	$ (0.78)	$ —	$ (0.78)	$ (0.21)	$ (0.05)	$ (0.26)	$ 0.01	$ (0.04)	$ (0.03)
Shares used in computing income (loss) per common share:									
Basic	176,385		176,385	175,342		175,342	167,142		167,142
Diluted	176,385		176,385	175,342		175,342	167,142		167,142

Table of Contents

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our consolidated balance sheets as of December 31, 2005 and 2004.

	December 31,					
	2005			2004		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
ASSETS						
Current assets:						
Cash and cash equivalents	$ 206,575	$ —	$ 206,575	$ 372,284	$ —	$ 372,284
Accounts receivable:						
Trade, net of allowance for doubtful accounts of $4,947 and $5,074	381,495	—	381,495	265,547	—	265,547
Other	5,089	—	5,089	3,948	—	3,948
Inventories, net	138,109	—	138,109	111,616	—	111,616
Other current assets	35,222	—	35,222	32,591	—	32,591
Total current assets	766,490	—	766,490	785,986	—	785,986
Property, plant and equipment, net	1,419,472	—	1,419,472	1,380,396	—	1,380,396
Goodwill	653,717	—	653,717	656,052	—	656,052
Intangibles, net	38,391	—	38,391	47,302	—	47,302
Investments	9,668	—	9,668	13,762	—	13,762
Other assets	67,353	—	67,353	81,870	—	81,870
Total assets	$ 2,955,091	$ —	$ 2,955,091	$2,965,368	$ —	$ 2,965,368
LIABILITIES AND STOCKHOLDERS' EQUITY						
Current liabilities:						
Short-term borrowings and current portion of long-term debt	184,389	—	$ 184,389	$ 52,147	$ —	$ 52,147
Trade accounts payable	326,712	—	326,712	211,808	—	211,808
Accrued expenses	123,631	396	124,027	175,075	378	175,453
Total current liabilities	634,732	396	635,128	439,030	378	439,408
Long-term debt, related party	100,000	—	100,000	—	—	—
Long-term debt	1,856,247	—	1,856,247	2,040,813	—	2,040,813
Other non-current liabilities	135,861	—	135,861	109,317	—	109,317
Total liabilities	2,726,840	396	2,727,236	2,589,160	378	2,589,538
Commitments and contingencies (see Note 14)						
Minority interests	3,950	—	3,950	6,679	—	6,679
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, issued and outstanding of 176,733 in 2005 and 175,718 in 2004	178	—	178	176	—	176
Additional paid-in capital	1,326,426	105,117	1,431,543	1,323,579	104,789	1,428,368
Accumulated deficit	(1,105,961)	(105,513)	(1,211,474)	(969,072)	(105,167)	(1,074,239)
Accumulated other comprehensive income	3,658	—	3,658	14,846	—	14,846
Total stockholders' equity	224,301	(396)	223,905	369,529	(378)	369,151
Total liabilities and stockholders' equity	$ 2,955,091	$ —	$ 2,955,091	$2,965,368	$ —	$ 2,965,368

The additional non-cash charges for stock-based compensation expense and related tax effects had no impact on our consolidated statements of cash flows. We identified a classification error relating to stock-based compensation in our consolidated statements of cash flows and we increased net cash provided by operating activities by less than $0.1 million and $0.6 million for the year ended December 31, 2005 and 2004, respectively, offset by a similar decrease in net cash used in financing activities.

Of the aggregate $108.8 million of non-cash charges for additional stock-based compensation expense, approximately $90.1 million relates to fiscal years prior to January 1, 2003. The impact of these charges including the related tax effects, for each of the five years ended December 31, 2002 is as follows:

	Year Ended December 31,				
	2002	2001	2000	1999	1998
	(In thousands, except per share data)				
Net sales					
As previously reported	$1,406,178	$1,336,674	$2,009,701	$1,617,235	$1,452,285
Adjustment	—	—	—	—	—
As restated	1,406,178	1,336,674	2,009,701	1,617,235	1,452,285
Gross profit					
As previously reported	$ 95,615	$ 52,251	$ 567,381	$ 319,877	$ 243,479
Adjustment	(10,316)	(4,820)	(2,540)	(9)	—
As restated	85,299	47,431	564,841	319,868	243,479
Operating income (loss)					
As previously reported	$ (416,920)	$ (277,148)	$ 297,746	$ 156,478	$ 122,625
Adjustment	(52,929)	(22,045)	(13,077)	(4,493)	(24)
As restated	(469,849)	(299,193)	284,669	151,985	122,601
Income (loss) from continuing operations					
As previously reported	$ (835,089)	$ (456,487)	$ 137,801	$ 65,999	$ 70,496
Adjustment	(61,352)	(15,590)	(9,311)	(3,169)	(16)
As restated	(896,441)	(472,077)	128,490	62,830	70,480
Income from discontinued operations, net of tax					
As previously reported	$ 8,330	$ 5,626	$ 16,352	$ 10,720	$ 4,964
Adjustment	(250)	(223)	(185)	(7)	—
As restated	8,080	5,403	16,167	10,713	4,964
Net income (loss)					
As previously reported	$ (826,759)	$ (450,861)	$ 154,153	$ 76,719	$ 75,460
Adjustment	(61,602)	(15,813)	(9,496)	(3,176)	(16)
As restated	(888,361)	(466,674)	144,657	73,543	75,444

	Year Ended December 31,				
	2002	2001	2000	1999	1998
	(In thousands, except per share data)				
Basic income (loss) per common share — as restated					
From continuing operations	$ (5.46)	$ (3.00)	$ 0.88	$ 0.53	$ 0.66
From discontinued operations	0.05	0.03	0.11	0.09	0.05
Net income (loss)	$ (5.41)	$ (2.97)	$ 0.99	$ 0.62	$ 0.71
Diluted income (loss) per common share — as restated					
From continuing operations	$ (5.46)	$ (3.00)	$ 0.85	$ 0.53	$ 0.66
From discontinued operations	0.05	0.03	0.11	0.08	0.04
Net income (loss)	$ (5.41)	$ (2.97)	$ 0.96	$ 0.61	$ 0.70

	December 31,					
	2003	2002	2001	2000	1999	1998
Other Assets (Deferred Tax Assets)						
As previously reported	$ 67,601	$ 114,178	$ 197,186	$ 101,897	$ 63,009	$ 34,932
Adjustment	—	—	13,197	6,881	1,725	8
As restated	$ 67,601	$ 114,178	$ 210,383	$ 108,778	$ 64,734	$ 34,940
Accrued Expenses						
As previously reported	$ 170,145	$ 184,223	$ 145,544	$ 147,352	$ 88,577	$ 77,004
Adjustment	236	38	4	—	(170)	—
As restated	$ 170,381	$ 184,261	$ 145,548	$ 147,352	$ 88,407	$ 77,004
Additional paid-in capital						
As previously reported	$ 1,317,164	$ 1,170,227	$1,123,541	$ 975,026	$551,964	$381,061
Adjustment	97,505	90,067	41,694	19,569	5,087	24
As restated	$ 1,414,669	$ 1,260,294	$1,165,235	$ 994,595	$557,051	$381,085
Accumulated deficit						
As previously reported	$ (931,536)	$ (933,734)	$ (106,975)	$ 343,886	$189,733	$109,738
Adjustment	(97,739)	(90,103)	(28,501)	(12,688)	(3,192)	(16)
As restated	$(1,029,275)	$(1,023,837)	$ (135,476)	$ 331,198	$186,541	$109,722
Stockholders' equity						
As previously reported	$ 401,004	$ 231,367	$1,008,717	$1,314,834	$737,741	$490,361
Adjustment	(234)	(36)	13,193	6,881	1,895	8
As restated	$ 400,770	$ 231,331	$1,021,910	$1,321,715	$739,636	$490,369

Results of Operations

Overview

Amkor is one of the world's largest subcontractors of semiconductor packaging and test services. Packaging and test are integral parts of the process of manufacturing semiconductor devices. This 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 probed to ensure the individual devices meet design specifications. The packaging process creates an electrical interconnect between the semiconductor chip and the system board through wire bonding or bumping technologies. In packaging, individual chips are separated from the fabricated semiconductor wafers, attached to a substrate and then encased in a protective material 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 specifications. Increasingly, packages are custom designed for specific chips and specific end-market applications. We are able to provide turnkey solutions including semiconductor wafer bumping, wafer probe, wafer backgrind, package design, packaging, test and drop shipment services.

Our third quarter net income was $52.8 million, or $0.27 per diluted share, versus a net loss in the third quarter of 2005 of $(19.5) million, or ($0.11) per share. In the three months ended September 30, 2006, sales increased $164.2 million or 29.9% to $713.8 million from $549.6 million in the three months ended September 30, 2005. The sales growth was driven by strong demand for high performance applications, cell phones and other portable devices. During the third quarter of 2006, we experienced strong growth in flip chip and 3D packaging services and test services which is consistent with the investments we made in these areas over the past two years.

Favorable business conditions in our sector have allowed us to improve our product mix, selectively increase prices, and recover increases in commodity costs from some of our customers. These factors, offset by an increase in factory labor and overhead costs, have enabled us to achieve a gross margin for the third quarter of 2006 of 24.9% compared to 16.4% for the third quarter of 2005. Our third quarter performance reflected strength in our core packaging and test operations, successful execution of production ramps, continued strong adoption of flip chip, wafer bumping, other advanced packaging, and a stable pricing environment.

During the quarter we commenced operations in our new Singapore wafer bump factory and our new factory in Shanghai. Fixed costs associated with these new factories should be absorbed as we build revenue over the next several quarters.

Our capacity utilization in the third quarter of 2006 remained high. We have an ongoing effort to manage our production lines, allocate assets and expand capacity in a financially-disciplined manner. For 2006, our product line capital investments have been, and will continue to be, primarily focused on increasing our wafer bumping, flip chip, test and advanced laminate packaging capacity. In addition we continue to make selected investments in our information systems in support of increasingly complex supply chains. Beginning in 2005 and continuing into 2006, we entered into several supply agreements with customers that guarantee capacity in exchange for customer prepayment of services. In most cases, customers forfeit the prepayment if the capacity is not utilized per contract terms. Customer advances of $16.5 million and $26.8 million are included in accrued expenses and other non-current liabilities, respectively, as of September 30, 2006.

Third quarter selling, general and administrative expenses increased by $8.8 million or 14.8%, due to additional costs associated with professional fees incurred for the stock option investigation, financial statement restatement and related financing activities partially offset by our focus on cost reduction initiatives.

Third quarter 2006 capital additions totaled $47.9 million. We expect that our full year 2006 capital additions will be approximately $300 million, which is subject to adjustment based on business conditions. Our 2006 capital additions budget remains focused on strategic growth areas of wafer level processing, test and flip chip packaging and also includes approximately $50 million for facilities equipment, principally for our new facility in China and our new wafer bumping and test facility in Singapore.

Due to improved operating results, cash provided by operating activities increased $384.0 million to $380.7 million for the nine months ended September 30, 2006 as compared to cash used in operating activities during the nine months ended September 30, 2005 of $3.3 million. Cash flow from operations generated during the nine months ended September 30, 2006 funded capital purchases of $252.4 million leaving $128.3 million to repay debt. Please see the Liquidity and Capital Resources section below for a further analysis of the change in our balance sheet and cash flows during the first half of 2006.

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,	
	2006	2005 (As restated)	2006	2005 (As restated)
Net sales	100.0%	100.0%	100.0%	100.0%
Gross profit	24.9%	16.4%	24.5%	13.7%
Operating income (loss)	14.0%	4.0%	13.9%	(4.4)%
Income (loss) before income taxes and minority interests	7.8%	(4.3)%	5.9%	(13.4)%
Net income (loss)	7.4%	(3.6)%	5.4%	(13.1)%

Three Months Ended September 30, 2006 Compared to Three Months Ended September 30, 2005

Net Sales. Sales increased $164.2 million, or 29.9%, to $713.8 million in the three months ended September 30, 2006 from $549.6 million in the three months ended September 30, 2005 principally driven by increased unit volume, product mix, and, to a lesser extent, the impact of favorable pricing discussed above in the Overview.

Packaging Net Sales. Packaging net sales increased $143.7 million, or 28.9%, to $640.9 million in the three months ended September 30, 2006 from $497.2 million in the three months ended September 30, 2005 principally driven by improved product mix, increased volume and, to a lesser extent, the impact of favorable pricing. Packaging unit volume increased to 2.2 billion units in the third quarter of 2006 from 2.0 billion units in the third quarter of 2005. The improvement in product mix is principally driven by our flip chip packaging services. The increase in unit volume is principally attributed to growth in our *Micro*LeadFrame® packages, other Leadframe packages, chip scale packages and System-in-Package modules.

Test Net Sales. Test net sales increased $20.6 million, or 39.2%, to $73.1 million in the three months ended September 30, 2006 from $52.5 million in the three months ended September 30, 2005 principally due to the production ramp of our new test facility in Singapore, an increase in units in our other test facilities, and product mix.

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

Material costs increased due to the volume increase and increasing commodity prices. Material costs as a percent of revenue decreased from 41.3% for the three months ended September 30, 2005 to 39.2% for the three months ended September 30, 2006 due to recovery of increasing commodity prices from some of our customers, improving the product mix, and higher average selling prices on some of our products.

Labor costs in absolute dollars were up due to increased volume, increased headcount at our newer factories, and higher labor and benefit costs at our other factories. However, as a percentage of net sales, labor declined to 14.4% for the three months ended September 30, 2006 from 18.3% for the three months ended September 30, 2005 due to increased labor utilization and productivity.

Other manufacturing costs increased as a result of the increased volume and added costs associated with our newer factories. This includes increased depreciation costs as a result of our capital expenditures, which are focused on increasing our wafer bumping, flip chip, test and advanced laminate packaging capacity. As a percentage of net sales, other manufacturing costs decreased to 21.5% for the three months ended September 30, 2006 from 24.2% for the three months ended September 30, 2005 due to increased overhead utilization and productivity.

Stock-based compensation included in cost of sales was $0.9 million for the three months ended September 30, 2006 due to the adoption of SFAS No. 123(R) compared to less than $0.1 million for the three months ended September 30, 2005 which was accounted for under APB No. 25.

Gross Profit. Gross profit increased $87.5 million to $177.8 million, or 24.9% of net sales in the three months ended September 30, 2006 from $90.3 million, or 16.4% of net sales, in the three months ended September 30, 2005. The increase in gross profit and gross margin was due to higher unit sales, favorable mix, recovery of commodity price increases from some of our customers, improved factory labor and overhead utilization and productivity.

Packaging Gross Profit. Gross profit for packaging increased $75.6 million to $155.1 million, or 24.2% of packaging net sales, in the three months ended September 30, 2006 from $79.5 million, or 16.0% of packaging net sales, in the three months ended September 30, 2005. The packaging gross profit increase was primarily due to favorable product mix, higher unit sales, asset management, recovery of commodity price increases from some of our customers, improved factory labor and overhead utilization and productivity.

Test Gross Profit. Gross profit for test increased $11.9 million to $22.8 million, or 31.2% of test net sales, in the three months ended September 30, 2006 from $10.9 million, or 20.8% of test net sales, in the three months ended September 30, 2005. This increase was primarily due to increased volume, improved labor and overhead utilization, asset management, and greater recovery of ancillary test services from some of our customers.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $8.8 million, or 14.8%, to $68.4 million for the three months ended September 30, 2006, from $59.6 million for the three months ended September 30, 2005. The increase was caused by an additional $10.2 million in costs associated with professional fees incurred for the stock option investigation, financial statement restatement, the consent solicitation and other financing activities. We anticipate incurring an additional $5.0 million in costs related to these matters in the fourth quarter of 2006. Also included is stock-based compensation related to the implementation of SFAS No. 123(R) for $0.3 million and an accrual established for employee incentive and performance bonuses. These additional costs are partially offset by our continued focus on cost reduction initiatives and a reduction in corporate salary costs due to headcount reductions in the third and fourth quarters of 2005.

Other (Income) Expense. Other expenses, net decreased $1.7 million from the three months ended September 30, 2005 to the three months ended September 30, 2006. This decrease is primarily driven by the decrease in interest expense of $2.7 million due to our continued focus to strengthen our liquidity by reducing debt as well as structuring financings to have lower interest rates.

Income Tax Expense. Income tax expense for the three months ended September 30, 2006 and 2005 is attributable to foreign withholding taxes and income taxes at certain of our profitable foreign operations. For the full year of 2006, we anticipate an effective income tax rate of approximately 7.0%, which reflects the utilization of U.S. and foreign net operating loss carryforwards and tax holidays in certain foreign jurisdictions. At September 30, 2006, we had U.S. net operating loss carryforwards totaling $349.8 million, which expire at various times through 2025. Additionally, we had $64.9 million of non-U.S. operating loss carryforwards, which expire at various times through 2011.

We maintain a full valuation allowance on substantially all of our deferred tax assets, including our net operating loss carryforwards, and will release such valuation allowance as the related deferred tax benefits are realized on our tax returns or once we achieve sustained profitable operations.

Nine Months Ended September 30, 2006 Compared to Nine Months Ended September 30, 2005

Net Sales. Net sales increased $589.0 million, or 40.4%, to $2,045.5 million for the nine months ended September 30, 2006 from $1,456.5 million for the nine months ended September 30, 2005, principally driven by increased unit volume and, to a lesser extent, the impact of pricing and mix discussed above in the Overview.

Packaging Net Sales. Packaging net sales increased $520.6 million, or 39.4%, to $1,841.1 million in the nine months ended September 30, 2006 from $1,320.5 million in the nine months ended September 30, 2005 principally driven by increased unit volume and, to a lesser extent, the impact of pricing and mix. Packaging unit volume increased to 6.6 billion units in the nine months ended September 30, 2006 from 5.4 billion units in the 2005 period. The increase in unit volume is principally attributed to growth in our *Micro*LeadFrame® package, other Leadframe packages, 3D packages and System-in-Package products. We also experienced an increase in volume in our wafer bumping facilities in support of the flip chip turnkey solutions provided to customers.

Test Net Sales. Test net sales increased $69.0 million, or 50.7%, to $205.0 million in the nine months ended September 30, 2006 from $136.0 million in the nine months ended September 30, 2005, principally due to the production ramp of our new test facility in Singapore, an increase in test units in our other test facilities, and to a lesser extent, a favorable pricing environment and product mix.

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

Material costs increased due to the volume increase and increasing commodity prices. Material costs as a percent of revenue decreased from 41.0% for the nine months ended September 30, 2005 to 39.2% for the nine months ended September 30, 2006 due to recovery of increasing commodity prices from some of our customers, improving the product mix, and higher average selling prices on some of our products.

Labor costs in absolute dollars were up due to increased volume, increased headcount at our newer factories, and higher labor and benefit costs at our other factories. However, as a percentage of net sales, labor dropped to 14.8% for the nine months ended September 30, 2006, from 19.5% for the nine months ended September 30, 2005, due to increased labor utilization and productivity.

Other manufacturing costs increased as a result of the increased volume and added costs associated with our newer factories. This includes increased depreciation costs as a result of our capital expenditures which are focused on increasing our wafer bumping, flip chip, test and advanced laminate packaging capacity. As a percentage of net revenues, other manufacturing costs decreased to 21.5% for the nine months ended September 30, 2006, from 26.0% for the nine months ended September 30, 2005, due to increased overhead utilization and productivity. This improvement was partially offset by a $4.1 million impairment charge primarily related to our decision to close down a camera module line in Korea, where we have not achieved targeted returns and associated cash flows.

Stock-based compensation included in cost of sales amount to $1.6 million for the nine months ended September 30, 2006 due to the adoption of SFAS No. 123(R), compared to $0.1 million for the nine months ended September 30, 2005 which was accounted for under APB No. 25.

Gross Profit. Gross profit increased $301.7 million to $501.8 million, or 24.5% of net sales in the nine months ended September 30, 2006 from $200.1 million, or 13.7% of net sales, in the nine months ended September 30, 2005. This increase in margin was due to higher unit sales, favorable mix, recovery of commodity price increases from some of our customers, improved factory labor and overhead utilization and productivity.

Packaging Gross Profit. Gross profit for packaging increased $253.9 million to $437.6 million, or 23.8% of packaging net sales, in the nine months ended September 30, 2006 from $183.7 million, or 13.9% of packaging net sales, in the nine months ended September 30, 2005. The packaging gross profit increase was primarily due to increased higher unit sales, favorable product mix to higher margin 3-D advanced packages and flip chip packages, recovery of commodity price increases from some of our customers, improved factory labor and overhead utilization and productivity.

Test Gross Profit. Gross profit for test increased $48.6 million to $64.9 million, or 31.7% of test net sales, in the nine months ended September 30, 2006 from $16.3 million, or 12.0% of test net sales, in the three months ended September 30, 2005. This increase was primarily due to increased volume, improved labor and overhead utilization and asset management, and greater recovery of ancillary test services from some of our customers.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $0.5 million, or 0.3%, to $187.6 million for the nine months ended September 30, 2006, from $187.1 million for the nine months ended September 30 ,2005. The decrease was led by our continued focus on cost reduction initiatives and a reduction in corporate salary costs due to headcount reductions in the third and fourth quarters of 2005. These corporate reductions were offset by $10.2 million in costs associated with professional fees incurred for the stock option investigation, financial statement restatement, the consent solicitation and other financing activities. We anticipate incurring an additional $5.0 million in costs related to these matters in the fourth quarter of 2006. In addition the nine months ended September 30, 2006 includes stock-based compensation related to the implementation of SFAS No. 123(R) of $2.0 million and an accrual established for employee incentive and performance bonuses.

Provision for Legal Settlements and Contingencies. In the first quarter of 2005, we recorded a $50.0 million provision for legal settlements and contingencies related to the mold compound litigation. Of that amount, $48.0 million was paid out in 2005, with the remaining reserved for the last outstanding litigation regarding the allegedly defective epoxy mold. We settled this case on April 27, 2006 for $3.0 million and recorded an additional provision of $1.0 million in our financial statements for the nine months ended September 30, 2006.

Other (Income) Expense. Other expenses, net, increased $33.6 million to $163.6 million, or 8.0% of net sales, for the nine months ended September 30, 2006 from $130.0 million, or 8.9% of net sales, for the nine months ended September 30, 2005. The net increase is primarily driven by the debt retirement costs of $27.4 million (see note 12 to the Condensed Consolidated Financial Statements) and the $6.8 million increase in foreign currency losses from the nine months ended September 30, 2005 to the nine months ended September 30, 2006 primarily in Korea and Taiwan.

Income Tax Expense. The income tax expense for the nine months ended September 30, 2006 and 2005 is attributable to foreign withholding taxes and income taxes at certain of our profitable foreign operations. For the full year 2006, we anticipate an effective income tax rate of approximately 7.0%, which reflects the utilization of U.S. and foreign net operating loss carryforwards and tax holidays in certain foreign jurisdictions. At September 30, 2006, we had U.S. net operating loss carryforwards totaling $349.8 million, which expire at various times through 2025. Additionally, we had $64.9 million of non-U.S. net operating loss carryforwards, which expire at various times through 2011.

We maintain a full valuation allowance on substantially all of our deferred tax assets, including our net operating loss carryforwards, and will release such valuation allowance as the related deferred tax benefits are realized on our tax returns or once we achieve sustained profitable operations.

Liquidity and Capital Resources

We have taken several steps to strengthen our liquidity. In May 2006, we issued $400 million of 9.25% senior notes due June 2016 and $190 million of 2.5% senior subordinated convertible notes due May 2011 to refinance existing indebtedness. The senior notes due June 2016 refinanced the majority of our 9.25% senior notes due February 2008. After deducting fees to the underwriter, the net proceeds were used in connection with the tender offer to repurchase the senior notes due February 2008 for which $352.3 million notes were tendered and repurchased along with payments of $20.2 million for tender premiums and other retirement costs and $9.1 million for accrued interest. The remaining proceeds of $10.9 million increased our cash on hand. The senior subordinated convertible notes due May 2011 refinanced the majority of our 10.5% senior subordinated notes due May 2009. After deducting fees to the underwriter, the net proceeds were used in connection with a partial call of the senior subordinated notes due May 2009 for which $178.1 million notes were repurchased along with payments of $3.1 million for call premiums and $3.1 million for accrued interest. We also repaid $132.0 million of our 5.75% convertible subordinated notes due June 2006.

We have a significant level of debt, with $2,027.8 million outstanding at September 30, 2006, of which $200.6 million is current. The terms of such debt require significant scheduled principal payments in the coming years, including $32.1 million during the remainder of 2006, $176.1 million in 2007, $109.4 million in 2008, $33.7 million in 2009, $311.8 million in 2010 and $1,364.7 million thereafter. The interest payments required on our debt are also substantial. For example, in the nine months ended September 30, 2006, we paid $121.1 million of interest. (See “Capital Additions and Contractual Obligations” below for a summary of principal and interest payments.)

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 2005, we had capital additions of $294.8 million and in 2006 we currently anticipate making capital additions of approximately $300 million, which estimate is subject to adjustment based on business conditions. Our 2006 capital additions budget remains focused on strategic growth areas of wafer level processing, test and flip chip packaging and also includes approximately $50 million for equipment, principally for our new wafer bumping and test facility in Singapore and our new packaging and test factory in China.

In connection with an early retirement program in Korea, we expect to make a cash payment of approximately $9.0 million in the fourth quarter of 2006 of which $4.0 million was accrued as of September 30, 2006 principally as part of the normal and recurring accrual of severance obligations. The majority of the remaining charge will be accrued during the fourth quarter.

The source of funds for 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, 2006, we had cash and cash equivalents of $190.6 million and $99.8 million available under our senior secured revolving credit facility.

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 senior secured revolving credit facility will be sufficient to fund our working capital, capital expenditure and debt service requirements through September 30, 2007, including retiring the remaining $142.4 million of our 5.0% convertible subordinated notes at maturity in March 2007. 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 either repay debt out of operating cash flow or refinance debt with the proceeds of debt or equity offerings at or prior to maturity. If our performance or access to the capital markets differs materially from our expectations, our liquidity may be adversely impacted.

There is no assurance that we will generate the necessary net income or operating cash flows to meet the funding needs of our business in the future 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.” If we are unable to do so, our liquidity would be adversely affected and we would consider taking a variety of actions, including: reducing our operating expenses (including closing facilities and reducing the size of our work force) and capital additions to levels appropriate to support our incoming business, raising additional equity, borrowing additional funds, refinancing existing indebtedness or taking other actions. There can be no assurance, however, that we will be able to successfully take any of these actions, including adjusting our expenses sufficiently or in a timely manner, or raising additional equity, increasing borrowings or completing refinancings on any terms or on terms which are acceptable to us. Our inability to take these actions as and when necessary would materially adversely affect our liquidity, results of operations and financial condition.

Many of our debt agreements restrict our ability to pay dividends. We have never paid a dividend to our shareholders and we do not anticipate paying any cash dividends in the foreseeable future. We expect cash flows, if any, to be used in the operation and expansion of our business and the repayment of debt.

Cash flows

Cash provided by operating activities was $380.7 million for the nine months ended September 30, 2006 compared to cash used in operating activities during the nine months ended September 30, 2005 of $3.3 million. Cash from operations increased by $384.0 million for the nine months ended September 30, 2006 principally as a result of our generating $111.0 million in net income for the nine months ended September 30, 2006 compared to a net loss of $191.2 million in the prior year. Similarly, free cash flow increased by $358.0 million to $128.3 million for the nine months ended September 30, 2006 compared to ($229.7) million for the nine months ended September 30, 2005 (see below). Our free cash flow of $128.3 million for the nine months ended September 30, 2006 was used to repay debt.

Net cash provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2006 and 2005 was as follows:

	For the Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005
	(In thousands)	
Operating activities	$ 380,656	$ (3,293)
Investing activities	(252,455)	(225,912)
Financing activities	(145,727)	18,869

Operating activities: Our cash flows from operating activities for the nine months ended September 30, 2006 increased $383.9 million over the nine months ended September 30, 2005. This increase was primarily a result of an increase in net income of $302.2 million over the comparable prior year period as discussed above in "Results of Operations." Adjustments to reconcile net income to cash flow from operating activities increased by $81.7 million driven by a loss on debt retirement of $27.4 million, $18.4 million increase in depreciation and amortization expenses reflecting higher levels of capital additions, $7.7 million increase in loss on disposal of assets and asset impairments, and $7.0 million increase in provisions for accounts receivable and inventory as a result of higher sales. Cash flows resulting from changes in assets and liabilities increased by $13.3 million during the nine months ended September 30, 2006 compared with the nine months ended September 30, 2005. This increase in changes in assets and liabilities for the nine months ended September 30, 2006 is primarily attributed to a $39.8 million increase in unearned revenue associated with customer advance payments and a $59.0 million increase in accrued expenses and long-term liabilities partially offset by a $34.2 million increase in inventory, a $43.5 million increase in accounts receivable and a $10.1 million decrease in accounts payable.

Investing activities: Our cash flows used in investing activities for the nine months ended September 30, 2006 increased by $26.5 million over the comparable prior year period primarily due to a $26.0 million increase in payments for property, plant and equipment from $226.4 million in the nine months ended September 30, 2005 to $252.4 million in the nine months ended September 30, 2006. The increase is attributable to selective capacity expansion, including the expansion of our facilities in China and Singapore, as described above.

Financing activities: Our net cash used in financing activities for the nine months ended September 30, 2006 was $145.7 million, compared with $(18.9) million for the nine months ended September 30, 2005. The net cash used in financing activities for the nine months ended September 30, 2006 is primarily driven by the repayment of the $132.0 million of our 5.75% convertible subordinated notes at maturity in June 2006. Our refinancing activities are described above in "Liquidity and Capital Resources".

We provide the following supplemental data to assist our investors and analysts in understanding our liquidity and capital resources. Free cash flow represents net cash provided by (used in) operating activities less investing activities related to the acquisition of property, plant and equipment. Free cash flow is not defined by generally accepted accounting principles ("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 GAAP. We believe free cash flow provides our investors and analysts useful information to analyze our liquidity and capital resources.

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
	(In thousands)		(In thousands)	
Net cash provided by (used in) operating activities	$ 140,850	$ 14,420	$ 380,656	$ (3,293)
Less purchases of property, plant and equipment	(82,932)	(102,045)	(252,401)	(226,442)
Free cash flow	$ 57,918	$ (87,625)	$ 128,255	$ (229,735)

Debt Instruments and Related Covenants

We now have, and for the foreseeable future will continue to have, a significant amount of indebtedness. Our indebtedness requires us to dedicate a substantial portion of our cash flow from operations to service payments on our debt. (See table included in "Capital Additions and Contractual Obligations" below). Amkor Technology, Inc. also guarantees certain debt of our subsidiaries. Debt decreased slightly to $2,027.8 million as of September 30, 2006 from $2,140.6 million at December 31, 2005.

Due to the delay in filing our Form 10-Q for the Quarter ended June 30, 2006, we were not in compliance with our debt covenants contained in our loan agreements at September 30, 2006. Additional details about our debt are available in Note 12 accompanying the unaudited condensed consolidating financial statements included within Part I, Item 1 of this quarterly report.

On August 11, 2006, we received a letter dated August 10, 2006 from U.S. Bank National Association ("US Bank") as trustee for the holders of our 5% Convertible Subordinated Notes due 2007, 10.5% Senior Subordinated Notes due 2009, 9.25% Senior Notes due 2008, 9.25% Senior Notes due 2016, 6.25% Convertible Subordinated Notes Due 2013, 7.75% Senior Notes due 2013 and 2.5% Convertible Senior Subordinated Notes due 2011 stating that US Bank, as trustee, had not received our financial statements for the fiscal quarter ended June 30, 2006 and that we have 60 days from the date of the letter to file our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 or it will be considered an "Event of Default" under the indentures governing each of the above-listed notes.

On August 11, 2006, we received a letter dated August 11, 2006 from Wells Fargo Bank National Association ("Wells Fargo"), as trustee for our 7.125% Senior Notes due 2011, stating that we failed to file our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006, demanding that we immediately file such quarterly report and indicating that unless we file a Form 10-Q within 60 days after the date of such letter, it will ripen into an "Event of Default" under the indenture governing our 7.125% Senior Notes due 2011.

If an "Event of Default" were to occur under any of the notes described above, the trustees or holders of at least 25% in aggregate principal amount of such series then outstanding could attempt to declare all related unpaid principal and premium, if any, and accrued interest on such series of notes then outstanding to be immediately due and payable. As of August 31, 2006, there was approximately $1.62 billion of aggregate unpaid principal outstanding of the above mentioned notes.

On September 14, 2006, we commenced the solicitation of consents from the holders of the following series of our notes: (i) $400.0 million aggregate outstanding principal amount of 9.25% Senior Notes due 2016 (issued in May 2006), (ii) $250.0 million aggregate outstanding principal amount of 7.125% Senior Notes due 2011, (iii) $425.0 million aggregate outstanding principal amount of 7.75% Senior Notes due 2013, (iv) approximately $88.2 million aggregate outstanding principal amount of 9.25% Senior Notes due 2008, (v) approximately $21.9 million aggregate outstanding principal amount of 10.5% Senior Subordinated Notes due 2009, (vi) approximately $142.4 million aggregate outstanding principal amount of 5% Convertible Subordinated Notes due 2007, and (vii) $190.0 million aggregate outstanding principal amount of 2.50% Convertible Senior Subordinated Notes due 2011 (issued in May 2006).

In each case, we were seeking consents for a waiver of certain defaults and events of default, and the consequences thereof, that may have occurred or may occur under the indenture governing each series of notes from our failure to file with the Securities and Exchange Commission and deliver to the trustee and the holders of such series of notes any reports or other information, including a quarterly report on Form 10-Q for the quarter ended June 30, 2006, and the waiver of the application of certain provisions of the indentures governing each series of notes. On October 6, 2006, with the filing of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, our Annual Report on Form 10-K/A for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2006, we have cured all alleged defaults outlined in the US Bank and Wells Fargo letters described above. Accordingly, we have terminated all consent solicitations with respect to our outstanding notes and will not be paying any consent fees under any such consent solicitation.

Capital Additions and Contractual Obligations

Our capital additions were $244.2 million for the nine months ended September 30, 2006. We expect that our full year 2006 capital additions will be approximately $300 million, as discussed above in the "Overview." Ultimately, the amount of our 2006 capital additions will depend on several factors including, among others, the performance of our business, the need for additional capacity to service anticipated 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 payments as presented on the cash flow statement to property, plant and equipment additions as reflected in the balance sheets:

	For the Nine Months Ended September 30,	
	2006	2005
	(In thousands)	
Payments for property, plant, and equipment	$252,401	$226,442
Increase (decrease) in property, plant, and equipment in accounts payable, accrued expenses and deposits, net	(8,234)	7,243
Property, plant and equipment additions	$244,167	$233,685

The following table summarizes our contractual obligations at September 30, 2006, and the effect such obligations are expected to have on our liquidity and cash flow in future periods. The following table, as of September 30, 2006, reflects an update of only the material changes to the similar table presented in our Form 10K/A at December 31, 2005.

	Total	2006 — Remaining	2007	2008	2009	2010	Thereafter
			(In thousands)				
Total debt(1)	$2,027,752	$ 32,080	$176,134	$109,391	$ 33,654	$311,810	$1,364,683
Scheduled interest payment obligations(2)	866,245	38,092	141,990	132,453	129,833	123,641	300,236
Purchase obligations(3)	46,852	46,852	—	—	—	—	—
Total contractual obligations	$2,940,849	$ 117,024	$318,124	$241,844	$163,487	$435,451	$1,664,919

(1) The decrease in our total debt from the Annual Report on Form 10-K/A as of December 31, 2005, is primarily driven by the repayment of $132.0 million of our 5.75% convertible subordinated notes at maturity.

(2) Scheduled interest payment obligations were calculated using stated coupon rates for fixed rate debt and interest rates applicable at September 30, 2006 for variable rate debt.

(3) Includes $43.2 million of capital-related purchase obligations.

Off-Balance Sheet Arrangements

We had no off-balance sheet guarantees or other off-balance sheet arrangements as of September 30, 2006.

Contingencies, Indemnifications and Guarantees

Details about the company’s contingencies, indemnifications and guarantees are available in Note 15 and Note 18 accompanying the unaudited condensed consolidating financial statements included within Part I, Item 1 of this report.

Critical Accounting Policies

Our critical accounting policies are disclosed in our Annual Report on Form 10-K/A for the fiscal year ended December 31, 2005. During the nine months ended September 30, 2006, there have been no significant changes in our critical accounting policies.

New Accounting Pronouncements

For information regarding recent accounting pronouncements, see Note 1 to the Condensed Consolidated Financial Statements 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, and it is expected that our use of derivative instruments will continue to be minimal.

Foreign Currency Risks

Our primary exposures to foreign currency fluctuations are associated with transactions and related assets and liabilities denominated in the Philippine peso, Korean won, Japanese yen, Taiwan dollar, Chinese renminbi, Singapore dollar and Euro. The objective in managing these foreign currency exposures is to minimize the risk through minimizing the level of activity and financial instruments denominated in those currencies. Our foreign currency financial instruments primarily consist of cash, trade receivables, investments, deferred taxes, trade payables, accrued expenses and debt.

For an entity with various financial instruments denominated in a foreign currency in a net asset position, an increase in the exchange rate would result in less net assets when converted to U.S. dollars. Conversely, for an entity with various financial instruments denominated in a foreign currency in a net liability position, a decrease in the exchange rate would result in more net liabilities when converted to U.S. dollars. Changes period over period are caused by changes in our net asset or net liability position and changes in currency exchange rates. Based on our portfolio of foreign currency based financial instruments at September 30, 2006 and December 31, 2005, a 20% increase (decrease) in the foreign currency to U.S. dollar spot exchange rate would result in the following foreign currency risk for our entities in a net asset (liability) position:

	Chart of Foreign Currency Risk						
	Philippine Peso	Korean Won	Taiwanese Dollar	Japanese Yen	Chinese Renminbi	Singapore Dollar	Euro
	(In thousands)						
As of September 30, 2006	$ (4,924)	$(6,062)	$(11,327)	$ 1,090	$ (2,667)	$ (1,024)	$ (11)
As of December 31, 2005	(3,817)	(1,989)	(9,310)	1,552	(1,846)	(551)	(246)

Interest Rate Risks

We have interest rate risk with respect to our long-term debt. As of September 30, 2006, we had a total of $2,027.8 million of debt of which 80.1% was fixed rate debt and 19.9% was variable rate debt. Our variable rate debt principally relates to our second lien term loan, 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, 2006 but which had been reduced by $0.2 million related to outstanding letters of credit at that date. The fixed rate debt consists of senior notes, senior subordinated notes, convertible subordinated notes and foreign debt. As of December 31, 2005, we had a total of $2,140.6 million of debt of which 81.9% was fixed rate debt and 18.1% was variable rate debt. Changes in interest rates have different impacts on our fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the fair value of the instrument but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not impact the fair value of the instrument. The fair value of the convertible subordinated notes is also impacted by changes in the market price of our common stock.

The table below presents the average interest rates, maturities and fair value of our fixed and variable rate debt as of September 30, 2006.

	2006	2007	2008	2009	2010	Thereafter	Total	Fair Value
				(In thousands)				
Long term debt:								
Fixed rate debt	$ 853	$145,796	$91,539	$21,882	$ —	$1,363,820	$1,623,890	$1,506,168
Average interest rate	4.7%	5.0%	9.1%	10.5%	—	7.2%	7.2%	
Variable rate debt	$31,227	$ 30,338	$17,852	$11,772	$311,810	$ 863	$ 403,862	$ 412,868
Average interest rate	1.8%	4.9%	3.6%	3.3%	9.6%	6.1%	8.2%	

Equity Price Risks

We have convertible subordinated notes, as described above, that are convertible into our common stock. We currently intend to repay our remaining convertible subordinated notes upon maturity, unless converted, repurchased or refinanced. 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 be increased. 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***

Restatement of Consolidated Financial Statements, Special Committee and Company Findings

As a result of a report by a third party financial analyst issued on May 25, 2006, we commenced an initial review of our historical stock option granting practices. This review included a review of hard copy documents as well as a limited set of electronic documents. Following this initial review, on July 24, 2006 our Board of Directors established a Special Committee comprised of independent directors to conduct a review of our historical stock option granting practices during the period from our initial public offering in 1998 through the present.

Based on the findings of the Special Committee and our internal review, we identified a number of occasions on which we used an incorrect measurement date for financial accounting and reporting purposes. In accordance with Accounting Principles Board No. 25, *Accounting for Stock Issued to Employees* and related interpretations ("APB No. 25"), with respect to the period through December 31, 2005, we should have recorded compensation expense in an amount per share subject to each option to the extent that the fair market value of our stock on the correct measurement date exceeded the exercise price of the option. For periods commencing January 1, 2006, compensation expense is recorded in accordance with Statement of Financial Accounting Standards No. 123(R) (revised), *Share-Based Payment* ("SFAS No. 123(R)"). We have also identified a number of other option grants for which we failed to properly apply the provisions of APB No. 25 or Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS No. 123") and related interpretations of each pronouncement. In considering the causes of the accounting errors set forth below, the Special Committee concluded that the evidence does not support a finding of intentional manipulation of stock option grant pricing by any member of existing management. However, based on its review, the Special Committee identified evidence that supports a finding of intentional manipulation of stock option pricing with respect to the annual grants in 2001 and 2002 by a former executive and that other former executives may have been aware of, or participated in, this conduct. In addition, the Special Committee identified a number of other factors related to our internal controls that contributed to the accounting errors that led to this restatement. The financial statement impact of these errors, by type, for the periods indicated is as follows:

	Six Months Ended June 30, 2006	Year Ended December 31, 2005	2004	2003	Cumulative Effect 2002 - 1998	Total Additional Compensation Expense
			(In thousands)			
Improper measurement dates for annual stock option grants	$ 299	$255	$7,577	$6,453	$ 80,984	$ 95,568
Modifications to stock option grants	—	9	(536)	711	9,345	9,529
Improper measurement dates for other stock option grants	80	64	217	102	1,625	2,088
Stock option grants to non-employees	—	—	26	172	1,443	1,641
Additional compensation expense	379	328	7,284	7,438	93,397	108,826
Tax related effects	129	18	144	198	(3,294)	(2,805)
Aggregate restatement of net income (loss)	$ 508	$346	$7,428	$7,636	$ 90,103	$ 106,021

Improper Measurement Dates for Annual Stock Option Grants. We determined that, in connection with our annual stock option grants to employees in 1999, 2000, 2001, 2002 and 2004, the number of shares that an individual employee was entitled to receive was not determined until after the original grant date, and therefore the measurement date for such options was subsequent to the original grant date. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $95.6 million recognized over the applicable vesting periods. For certain of these options forfeited in 2002 in connection with an option exchange program ("2002 Option Exchange Program"), the remaining compensation expense was accelerated into 2002. For certain other options, compensation expense was accelerated into 2004, in connection with the acceleration of all unvested options as of July 1, 2004 ("2004 Accelerated Vesting"). We undertook the 2004 Accelerated Vesting program for the purpose of enhancing employee morale, helping retain high potential employees in the face of a downturn in industry conditions and to avoid future compensation charges subsequent to the adoption of SFAS No. 123(R).

Modifications to Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for stock options modified for certain individuals who held consulting, transition or advisory roles with us. These included instances of continued vesting after an individual was no longer required to provide substantive services to Amkor after an individual converted from an employee to a consultant or advisory role, and extensions of option vesting and exercise periods. Some of these modifications were not identified in our financial reporting processes and were therefore not properly reflected in our financial statements. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $9.5 million recognized as of the date of the respective modifications.

Improper Measurement Dates for Other Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for certain employee stock options granted prior to obtaining authorization of the grants. These options included those granted as of November 9, 1998 in connection with the settlement of a deferred compensation liability to employees that had not been approved by our Board of Directors until November 10, 1998 as well as stock options granted to new hires and existing employees in recognition of achievements, promotions, retentions and other events. As a result of these errors, we have restated our historical financial statements to increase stock-based compensation expense by a total of $2.1 million recognized over the applicable vesting periods. For certain of these option grants, the recognition of this expense was also accelerated under the 2002 Option Exchange Program or the 2004 Accelerated Vesting, as described under "Improper Measurement Dates for Annual Stock Option Grants."

Stock Option Grants to Non-employees. We determined that from 1998 to 2004, we had not properly accounted for stock option grants issued to employees of an equity affiliate, consultants, or other persons who did not meet the definition of an employee. We erroneously accounted for such grants in accordance with APB No. 25

rather than SFAS No. 123 and related interpretations. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $1.6 million.

All of the foregoing charges were non-cash and had no impact on our reported net sales or cash or cash equivalents. The aggregate amount of the additional stock-based compensation expense that we identified as a result of the stock option review is approximately $108.8 million through June 30, 2006.

As a result of the findings of the Special Committee as well as our internal review, we concluded that we needed to amend our Annual Report on Form 10-K for the year ended December 31, 2005, filed on March 16, 2006, to restate our consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related disclosures. The amended Annual Report on Form 10-K/A also includes the restatement of selected consolidated financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, which is included in Item 6 of the Annual Report, and the unaudited quarterly financial data for each of the quarters in the years ended December 31, 2005 and 2004, which is included in Item 7 of the Annual Report. We also concluded that we needed to amend our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 originally filed on May 9, 2006 to restate our condensed consolidated financial statements for the quarters ended March 31, 2006 and 2005 and the related disclosures. We restated our June 30, 2005 financial statements in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. We have restated the September 30, 2005 financial statements included in this Form 10-Q.

Additionally, in Management's Report on Internal Control Over Financial Reporting included in our original Annual Report on Form 10-K for the year ended December 31, 2005, our management, including our principal executive officer and principal financial officer, concluded that we maintained effective control over financial reporting as of December 31, 2005. Our principal executive officer and principal financial officer subsequently concluded that the material weaknesses described below existed as of December 31, 2005. As a result, we concluded that we did not maintain effective internal control over financial reporting as of December 31, 2005, based on the criteria in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Accordingly, Management's Report on Internal Control Over Financial Reporting has also been restated.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d- 15 (e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of September 30, 2006. As a result of the material weaknesses described below, our principal executive officer and principal financial officer have concluded that our disclosure controls and procedures were not effective as of September 30, 2006.

Internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

A material weakness is a control deficiency, or combination of control deficiencies, that results in more than a remote likelihood that a material misstatement of the annual or interim financial statements will not be prevented or detected. We identified the following material weaknesses in our internal control over financial reporting as of September 30, 2006:

1. We did not maintain effective governance and oversight, controls to prevent or detect instances of management override, and risk assessment procedures. Specifically, we failed to establish effective governance and oversight by the Compensation Committee of the Board of Directors of our activities related to the granting of stock options. Additionally, controls were not effective in adequately identifying, assessing and addressing significant risks associated with the granting of stock options that could impact our financial reporting. Finally, our controls were not adequate to prevent or detect instances of potential misconduct by members of senior management. This control deficiency resulted in the following findings of the Special Committee:

- There is evidence that supports a finding of intentional manipulation of stock option pricing and associated stock-based compensation by a former executive, including the preparation of Compensation Committee meeting minutes that misrepresented the actions taken at certain Compensation Committee meetings. Additionally, there is some evidence that supports a finding that two other former executives may have been aware of, or participated in, this conduct;
- Compensation Committee policies and procedures were inadequate and we failed to verify purported actions of the Compensation Committee and ensure that actions at such meetings were accurately and timely documented and periodically reported to the Board of Directors;
- Our Human Resources personnel were inappropriately allowed to control and administer our stock option grant process without adequate input or supervision;
- We failed to recognize stock option grant practices as a significant risk and to assure that managers and other personnel involved in the stock option grant process understood their appropriate roles and responsibilities and the consequences of their actions; and
- We failed to assure that our personnel received adequate supervision and training on how to comply with the requirements of generally accepted accounting principles applicable to stock options.

There is evidence that Compensation Committee meeting minutes prepared by a former executive misrepresented certain actions taken by the Compensation Committee and that such meeting minutes were provided to our independent registered public accounting firm in connection with their audits of our consolidated financial statements.

This control deficiency, and related findings of the Special Committee, resulted in the restatement of our consolidated financial statements for each of the years ended December 31, 2005, 2004 and 2003, for each of the quarters of 2005 and 2004, as well as for the first quarter of 2006. Additionally, this control deficiency could result in misstatements of our financial statement accounts and disclosures that would result in a material misstatement of the annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness. This material weakness also contributed to the existence of the following additional material weakness.

2. We did not maintain effective controls over our accounting for and disclosure of our stock-based compensation expense. Specifically, effective controls, including monitoring, were not maintained to ensure the existence, completeness, accuracy, valuation and presentation of activity related to our granting and modification of stock options. This control deficiency resulted in the misstatement of our stock-based compensation expense and additional paid-in capital accounts and related disclosures, and in the restatement of our consolidated financial statements for each of the years ended December 31, 2005, 2004 and 2003, for each of the quarters of 2005 and 2004, as well as for the first quarter of 2006. Additionally, this control deficiency could result in misstatements of the aforementioned accounts and disclosures that would result in a material misstatement of our annual or interim consolidated financial statements that would not be prevented or detected. Accordingly, our management has determined that this control deficiency constitutes a material weakness.

Changes in Internal Control Over Financial Reporting

The Special Committee issued a report to our Board of Directors in October 2006 and, while we commenced remediation of the material weaknesses described above, remediation and testing of new control procedures is not complete. However management is committed to remediating the material weaknesses by implementing changes to our internal control over financial reporting. Our Board of Directors has approved additional control procedures to remediate the material weaknesses including the following:

- Creation and implementation of formal, documented stock option grant procedures and practices to ensure systematic approval and execution of stock option grants and the proper recording of such grants in our stock administration records and financial statements;
- Establishment of additional training for personnel and directors in areas associated with the stock option granting processes and other compensation practices to increase competency levels of the personnel involved; and
- Improvement in the manner of documenting the actions of the Compensation Committee and ensuring the timely reporting of Compensation Committee actions to the Board of Directors.

PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

Information about legal proceedings is set forth in Note 15 to the Condensed Consolidated Financial Statements included in this quarterly report.

Item 1A. ***Risk Factors***

RISK FACTORS THAT MAY AFFECT FUTURE OPERATING PERFORMANCE

The factors discussed below are cautionary statements that identify important factors that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this quarterly report on Form 10-Q. 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 quarterly 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 adversely affect our business, financial condition or results of operations.

The matters relating to the Special Committee's review of our historical stock option granting practices and the restatement of our consolidated financial statements has resulted in expanded litigation and regulatory proceedings against us and may result in future litigation, which could have a material adverse effect on us.

On July 24, 2006, we established a Special Committee, consisting of independent members of the Board of Directors, to conduct a review of our historical stock option granting practices during the period from our initial public offering on May 1, 1998 through the present. As described in Part I, Item 2, the Special Committee has identified a number of occasions on which the measurement date used for financial accounting and reporting purposes for stock options granted to certain of our employees was different from the actual grant date. To correct these accounting errors, we amended our Annual Report on Form 10-K for the year ended December 31, 2005 and our Quarterly Report on Form 10-Q for the three months ended March 31, 2006, to restate the consolidated financial statements contained in those reports. The review of our historical stock option granting practices, related activities and the resulting restatements, have required us to incur substantial expenses for legal, accounting, tax and other professional services and have diverted our management's attention from our business and could in the future adversely affect our business, financial condition, results of operations and cash flows.

Our historical stock option granting practices and the restatement of our prior financial statements have exposed us to greater risks associated with litigation and regulatory proceedings. As described in Note 15 to our condensed consolidated financial statements, the complaints in several of our existing litigation matters were recently amended to include allegations relating to stock option grants. In addition, the scope of the existing SEC investigation that began in August 2005 has been expanded to include an investigation into our historical stock option grant practices. We cannot assure you that this current litigation, the SEC investigation or any future litigation or regulatory action will result in the same conclusions reached by the Special Committee. The conduct and resolution of these matters will be time consuming, expensive and distracting from the conduct of our business. Furthermore, if we are subject to adverse findings in any of these matters, we could be required to pay damages or penalties or have other remedies imposed upon us which could have a material adverse effect on our business, financial condition, results of operations and cash flows.

We could also become subject to litigation brought on behalf of purchasers of the debt securities issued in our May 2006 public offering because of the subsequent restatement of the consolidated financial statements contained in the related registration statements as a result of the stock option accounting errors mentioned above.

Finally, as a result of our delayed filing of Form 10-Q for the quarter ended June 30, 2006, we will be ineligible to register our securities on Form S-3 for sale by us or resale by others until we have timely filed all periodic reports under the Securities Exchange Act of 1934 for one year from the date the Form 10-Q for the quarter ended June 30, 2006 was due. We may use Form S-1 to raise capital or complete acquisitions, which could increase transaction costs and adversely impact our ability to raise capital or complete acquisitions of other companies in a timely manner.

Pending SEC Investigation — The Pending SEC Investigation Could Adversely Affect Our Business and the Trading Price of Our Securities.

In August 2005, the SEC issued a formal order of investigation regarding certain activities with respect to Amkor securities. We previously announced that the primary focus of the investigation appears to be activities during the period from June 2003 to July 2004. We believe that the investigation in part relates to transactions in Amkor's securities by certain individuals, and that the investigation may in part relate to whether tipping with respect to trading in Amkor securities occurred. The matters at issue involve activities with respect to Amkor securities during the subject period by certain insiders or former insiders and persons or entities associated with them, including activities by or on behalf of certain current and former members of the Board of Directors and Amkor's Chief Executive Officer.

In July 2006, the Board of Directors established a Special Committee to review Amkor's historical stock option practices and informed the SEC of these efforts. The SEC informed us that it is expanding the scope of its investigation and has requested that Amkor provide documentation related to these matters. We have cooperated fully with the SEC on the formal investigation and the informal inquiry that preceded it. We cannot predict the outcome of the investigation. In the event that the investigation leads to SEC action against any current or former officer or director of Amkor, or Amkor itself, our business (including our ability to complete financing transactions) or the trading price of our securities may be adversely impacted. In addition, if the SEC investigation continues for a prolonged period of time, it may have the same impact regardless of the ultimate outcome of the investigation.

Dependence on the Highly Cyclical Semiconductor and Electronic Products Industries — We Operate in Volatile Industries, and Industry Downturns Harm Our Performance.

Our business is tied to market conditions in the semiconductor industry, which is cyclical by nature. The semiconductor industry has experienced significant, and sometimes prolonged, downturns. Because 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. If current industry conditions deteriorate, we could suffer significant losses, as we have in the past, which could materially impact our business, results of operations and financial condition.

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 products and services, but also on the utilization rates for our testing and packaging equipment, commonly referred to as "capacity utilization rates." In particular, increases or decreases in our capacity utilization rates can significantly affect gross margins since the unit cost of testing and packaging 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 rates in our operations, which lead to reduced margins during that period. During most of 2005, we experienced lower than optimum utilization rates in our operations due to a decline in worldwide demand for our testing and packaging services, which led to significantly reduced margins during that period. Although our capacity utilization rates have improved recently, we cannot assure you that we will be able to continue to achieve or maintain relatively high capacity utilization rates, and if we fail to do so, our gross margins may decrease. If our gross margins decrease, our results of operations and financial condition could be materially adversely affected.

In addition, our fixed operating costs have increased in part as a result of our efforts to expand our capacity through acquisitions, including the acquisition of certain operations and assets in Shanghai, China and Singapore from IBM and Xin Development Co., Ltd. in May 2004, and the acquisition of capital stock of Unitive and UST in August 2004. We are also expending significant capital resources in connection with the opening of a wafer bumping facility in Singapore in 2006, which will further increase our fixed costs. In the event that forecasted customer demand for which we have made and, on a more limited basis, expect to make advance capital expenditures does not materialize, 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 and financial condition. Additionally, we could suffer significant losses if current industry conditions deteriorate, which could materially impact our business including our liquidity.

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 could materially and adversely affect 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 and our ability to control our costs including labor, material, overhead and financing costs.

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 the following factors, many of which we have little or no control over 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;
- 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;
- 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;
- costs associated with litigation judgments and settlements;
- international events or environmental or natural events, such as earthquakes, that impact our operations;
- difficulties integrating acquisitions; and
- our ability to attract qualified employees to support our geographic expansion.

We have historically been unable to accurately predict the impact of these factors upon our results for a particular period. These factors, as well as the factors set forth below which have not significantly impacted our recent historical results, may impair our future business operations and may materially and adversely affect our net sales, gross profit, operating results and cash flows, or lead to significant variability of quarterly or annual operating results:

- loss of key personnel or the shortage of available skilled workers;
- rescheduling and cancellation of large orders; and
- fluctuations in our manufacturing yields.

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 flow vary significantly and are difficult to accurately predict. 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 Products.

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 some of our customers, and by driving engineering and technological changes in our packaging and test processes which resulted in reduced manufacturing costs. Although the average selling prices of some of our products have increased in recent periods, 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, including 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 future operating results will suffer.

Decisions by Our IDM 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 ("IDM"). 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 testing technologies; and
- the guaranteed availability of their own packaging and test capacity.

Furthermore, to the extent we continue to 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, financial condition and results of operations.

In a downturn in the semiconductor industry, IDMs may be especially likely to respond by shifting some outsourced packaging and test services to internally serviced capacity on a short term basis. This would have a material adverse effect on our business, financial condition and results of operations, especially during a prolonged industry downturn.

High Leverage and Restrictive Covenants — Our Substantial Indebtedness Could Adversely Affect Our Financial Condition and Prevent Us from Fulfilling Our Obligations.

Substantial Leverage. We now have, and for the foreseeable future will continue to have, a significant amount of indebtedness. As of September 30, 2006, our total debt balance was $2,027.8 million, of which $200.6 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.

Covenants in the agreements governing our existing debt, and debt we may incur in the future, may materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. The agreements also impose affirmative covenants on us including financial reporting obligations. In addition, financial covenants contained in agreements relating to our existing and future debt could lead to a default in the event our results of operations do not meet our plans and we are unable to amend such financial covenants. Bondholder groups may be aggressive and may attempt to call defaults for technical violations of covenants that have little or nothing to do with our financial performance in an effort to extract consent fees from us or to force a refinancing. A default and acceleration under one debt instrument may also trigger cross-acceleration under our other debt instruments. A default or event of default under one or more of our revolving credit facilities would also preclude us from borrowing additional funds under such facilities. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

For example, on August 11, 2006, we received a letter dated August 10, 2006 from U.S. Bank National Association (“US Bank”) as trustee for the holders of our 5% Convertible Subordinated Notes due 2007, 10.5% Senior Subordinated Notes due 2009, 9.25% Senior Notes due 2008, 9.25% Senior Notes due 2016, 6.25% Convertible Subordinated Notes Due 2013, 7.75% Senior Notes due 2013 and 2.5% Convertible Senior Subordinated Notes due 2011 stating that US Bank, as trustee, had not received our financial statements for the quarter ended June 30, 2006 and that we have 60 days from the date of the letter to file our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006 or it will be considered an “Event of Default” under the indentures governing each of the above-listed notes. On the same day, we received a letter from Wells Fargo Bank National Association (“Wells Fargo”), as trustee for our 7.125% Senior Notes due 2011, stating that we failed to file our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006, demanding that we immediately file such quarterly report and indicating that unless we file a Form 10-Q within 60 days after the date of such letter, it will ripen into an “Event of Default” under the indenture governing our 7.125% Senior Notes due 2011.

We cured the alleged defaults described the US Bank and Wells Fargo letters by filing our Quarterly Report for the quarter ended June 30, 2006 within the 60 day period and avoided the occurrence of an alleged "Event of Default." However, had we not filed on Quarterly Report on Form 10-Q for the quarter ended June 30, 2006 within the requisite period, the bondholders may have been able to accelerate all outstanding amounts under the above listed notes, which could have resulted in a material adverse effect.

Our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness;
- 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;
- 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.

History of Losses.

Although we achieved net income and positive operating cash flow in the first half of 2006, we have had net losses in four of the previous five years and negative operating cash flow in several previous quarters. There is no assurance that we will be able to sustain our current profitability or avoid net losses in the future.

Ability to Fund 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 2005, we had capital additions of $294.8 million and in 2006 we currently anticipate making capital additions of approximately $300 million, which estimate is subject to adjustment based on business conditions. In addition, we have a significant level of debt, with $2,027.8 million outstanding at September 30, 2006, $200.6 million of which is current. The terms of such debt require significant scheduled principal payments in the coming years, including $32.1 million due during the remainder of 2006, $176.1 million due in 2007, $109.4 million due in 2008, $33.7 million due in 2009, $311.8 million due in 2010 and $1,364.7 million due thereafter. The interest payments required on our debt are also substantial. For example, for the nine months ended September 30, 2006, our total interest paid was $121.1 million. (See Part I, Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations — Capital Additions and Contractual Obligations" for a summary of principal and interest payments.) The source of funds to fund 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, 2006, we had cash and cash equivalents of $190.6 million and $99.8 million available under our senior secured revolving credit facility.

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 senior secured revolving credit facility will be sufficient to fund our working capital, capital expenditure and debt service requirements through September 30, 2007, including retiring the remaining $142.4 million of our 5.0% convertible subordinated notes at maturity in March 2007. 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. If our performance or access to the capital markets differs materially from our expectations, our liquidity may be adversely impacted.

There is no assurance that we will generate the necessary net income or operating cash flows to meet the funding needs of our business in the future due to a variety of factors, including the cyclical nature of the semiconductor industry and the other factors discussed in this "Risk Factors" section. If we are unable to do so, our liquidity would be adversely affected and we would consider taking a variety of actions, including: reducing our operating expenses (including closing facilities and reducing the size of our work force) and capital additions to levels appropriate to support our incoming business, raising additional equity, borrowing additional funds, refinancing existing indebtedness or taking other actions. There can be no assurance, however, that we will be able to successfully take any of these actions, including adjusting our expenses sufficiently or in a timely manner, or raising additional equity, increasing borrowings or completing refinancings on any terms or on terms that are acceptable to us. Our inability to take these actions as and when necessary would materially adversely affect our liquidity, results of operations and financial condition.

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. Recently, our customers' demand for our services has increased; however, we cannot predict if this demand trend will continue and the forecasted demand will materialize. Because 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, cash flows and financial condition. If customer demand does not materialize as anticipated, our net sales, margins, operating results, cash flows and financial condition 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 the China, Japan, Korea, the Philippines, Singapore and Taiwan. Moreover, many of our customers' and vendors' operations are located outside the U.S. The following are some of the risks inherent in doing business internationally:

- regulatory limitations imposed by foreign governments;
- fluctuations in currency exchange rates;
- political, military and terrorist risks;
- disruptions or delays in shipments caused by customs brokers or government agencies;
- unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers;
- difficulties in staffing and managing foreign operations; and
- potentially adverse tax consequences resulting from changes in tax laws.

Difficulties Expanding and Evolving Our Operational Capabilities — We Face Challenges as We Integrate New and Diverse Operations and Try to Attract Qualified Employees to Support Our Operations.

We have experienced, and expect to continue to experience, growth in the scope and complexity of our operations. 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. This growth has strained our managerial, financial, plant operations and other resources. Future expansions may result in inefficiencies as we integrate new operations and manage geographically diverse 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. Additionally, as part of our ongoing strategic planning, we evaluate our management team and engage in long-term succession planning in order to ensure orderly replacement of key personnel. We cannot assure you that we will be successful in these efforts 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.

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 need to purchase new packaging and testing equipment if we decide to expand our operations (sometimes in anticipation of expected market demand), to manufacture some new types of packaging, perform some different testing or to replace equipment that breaks down or wears out. 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 lead time frame or increase prices during market upturns for the semiconductor industry. The unavailability of equipment or failures to deliver equipment could delay implementation of our future expansion plans and impair our ability to meet customer orders. If we are unable to implement our future expansion plans or 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, sudden changes in foreign currency exchange rates, particularly the US dollar and Japanese yen, 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 price of gold and other commodities used in our business has been increasing in recent quarters. This price increase may continue. 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. These price increases did, however, adversely impact our gross margin in the quarter ended September 30, 2006 and may continue to do so in future quarters to the extent we are unable to pass along past or future commodity price increases to many of our customers.

Loss of Customers — The Loss of Certain Customers May Have a Significant Adverse Effect on the 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 over 200 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 five largest customers together accounted for approximately 23.8%, 25.2% and 26.0% of our net sales in the first three quarters of 2006, and the fiscal years 2005 and 2004, respectively. No customer accounts for more than 10% of our net sales.

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, have varied, and may vary in the future, order levels significantly from period to period based on industry-, customer- or Amkor-specific factors. We cannot assure you that these 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. 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.

Capital Additions — We Believe We Need To Make Substantial Capital Additions, Which May Adversely Affect Our Business If Our Business Does Not Develop As We Expect.

We believe that our business requires us to make significant capital additions in order to capitalize on what we believe is an overall trend to outsource packaging and test services. The amount of capital additions will depend 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 we expect that depreciation expense and factory operating expenses associated with our recent 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 borrow additional funds to pay for capital additions 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; 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 often 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 margins, liquidity, results of operations and financial condition could be materially adversely affected.

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

Under GAAP, we are required to review our long-lived assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. In addition, goodwill and other intangible assets with indefinite lives are required to be tested for impairment at least annually. 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 a significant adverse impact on our results of operations and financial condition.

Increased Litigation Incident to Our Business — Our Business May Suffer as a Result of Our Involvement in Various Lawsuits.

We are currently a party to various legal proceedings, including those described in note 15 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q. Much of our recent increase in litigation related to an allegedly defective epoxy compound, formerly used in some of our products, which was alleged to have been responsible for certain semiconductor chip failures. We have recently settled the last outstanding mold compound litigation. However, if other customers were to make similar claims, there exists the possibility of a material adverse impact on our operating results in the period in which the ruling occurs. We are engaged in an arbitration proceeding entitled *Tessera, Inc. v. Amkor Technology, Inc.* We were recently named as a party in a purported securities class action suit entitled *Nathan Weiss et al. v. Amkor Technology, Inc. et al.* (and several similar cases which have now been consolidated), and in purported shareholder derivative lawsuits entitled *Scimeca v. Kim, et al. and Kahn v. Kim, et al.* These cases are described in greater detail in Note 15 to the Condensed Consolidated Financial Statements in this quarterly report on Form 10-Q. While we currently believe that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows, litigation and other legal proceedings are subject to inherent uncertainties. If an unfavorable ruling or outcome were to occur, there exists the possibility of a material adverse impact on our results of operations, financial condition or cash flows. An unfavorable ruling or outcome could also have a negative impact on the trading price of our securities. The estimate of the potential impact from the legal proceedings referred to in this quarterly report on our financial condition, results of operations or cash flows could change in the future.

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

The Company's corporate structure and operations are based, in part, on interpretations of various tax laws, including withholding tax 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. 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 can not 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 or financial condition.

For example, during 2003 the Internal Revenue Service ("IRS") conducted an examination of our U.S. federal income tax returns relating to years 2000 and 2001, which resulted in a settlement pursuant to which various adjustments were made, including reductions in our U.S. net operating loss carryforwards. In addition, during 2005, the IRS conducted a limited scope examination of our U.S. federal income tax returns relating to years 2002 and 2003, primarily reviewing inter-company transfer pricing and cost-sharing issues carried over from the 2000 and 2001 examination cycle, as a result of which we agreed to further reductions in our net operating loss carryforwards. Future examinations by the taxing authorities in the United States or other jurisdictions may result in additional adverse tax consequences. Our tax examinations and the related adjustments are described in greater detail in Note 6 to the Condensed Consolidated Financial Statements above.

Rapid Technological Change — Our Business Will Suffer If We Cannot Keep Up With Technological Advances in Our Industry.

The complexity and breadth of semiconductor packaging and test services are rapidly increasing. As a result, we expect that we will need to offer more advanced package designs in order to respond to competitive industry conditions and customer requirements. Our success depends upon our ability to acquire, develop and implement new manufacturing processes and package design technologies and tools. 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.

Technological advances also typically lead to rapid and significant price erosion and may make our existing products 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.

Packaging and Testing — The Packaging and Testing Process Is Complex and Our Production Yields and Customer Relationships May Suffer from Defects in the Services We Provide.

Semiconductor packaging and testing 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 by our employees who operate our testing equipment and related software.

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 expand our capacity or change our processing steps. In addition, to be competitive we must continue to expand our offering of packages. 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, financial condition and results of operations.

In addition, in line with industry practice, new customers usually require us to pass a lengthy and rigorous qualification process that may take as long as six months, at a significant cost to the customer. If we fail to qualify packages with potential customers or customers with which we have recently become qualified do not use our services, our operating results and financial condition 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 to compete with a number of companies that may enter the market and with companies that may offer new or emerging technologies that compete with our products 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 test and packaging services, or that our business, financial condition and results of operations 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 and gases and generates byproducts that are subject to extensive governmental regulations. For example, at our foreign facilities we produce liquid waste when silicon wafers are diced into chips with the aid of diamond saws, then cooled with running water. Federal, state and local regulations in the U.S., as well as international environmental regulations, 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 packaging products.

Increasingly, 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 recently enacted Directives on Waste Electrical and Electronic Equipment ("WEEE"), and Restriction of Use of Certain Hazardous Substances ("RoHS") impose strict restrictions on the use of lead and other hazardous substances in electrical and electronic equipment. WEEE and RoHS became effective on July 1, 2006. In response to these directives, we have implemented changes in a number of our manufacturing processes in an effort to achieve RoHS compliance across all of our package types. Complying with existing and future environmental regulations may impose upon us the need for additional capital equipment or other process requirements, restrict our ability to expand our operations, disrupt our operations, subject us to liability or cause us to curtail our operations.

Intellectual Property — We May Become Involved in Intellectual Property Litigation.

We maintain an active program to protect our investment in technology by augmenting and enforcing our intellectual property rights. Intellectual property rights that apply to our various products and services include patents, copyrights, trade secrets and trademarks. We have filed and obtained a number of patents in the U.S. and abroad the duration of which varies depending on the jurisdiction in which the patent is filed. While our patents are an important element of our intellectual property strategy and our success, as a whole we are not materially dependent on any one patent or any one technology. We expect to continue to file patent applications when appropriate to protect our proprietary technologies, but we cannot assure you that we will receive patents from pending or future applications.

Any patents we do obtain may be challenged, invalidated or circumvented and may not provide meaningful protection or other commercial advantage to us. In fact, 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, 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 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 are currently involved in two legal proceedings involving the acquisition of intellectual property rights, or the enforcement of our existing intellectual property rights. We refer you to the matters of *Amkor Technology, Inc. v. Carsem, et al.,* and *Amkor Technology, Inc. v. Motorola, Inc.,* which are described in more detail in Note 15 to the Condensed Consolidated Financial Statements included in this quarterly report.

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 testing operations at a limited number of facilities. Significant damage or other impediments to any of these facilities, whether as a result of fire, weather, disease, 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.

SARS, Avian Flu and Other Contagious Diseases — Any Recurrence of SARS or Outbreak of Avian Flu or Other Contagious Disease May Have an Adverse Effect on the Economies and Financial Markets of Certain Asian Countries and May Adversely Affect Our Results of Operations.

In the first half of 2003, various countries encountered an outbreak of severe acute respiratory syndrome, or SARS, which is a highly contagious form of atypical pneumonia. In addition, there have been outbreaks of avian flu and other contagious diseases in various parts of the world. There is no guarantee that an outbreak of SARS, avian flu or other contagious disease will not occur again in the future (and maybe with much more widespread and devastating effects) and that any such future outbreak of SARS, avian flu or other contagious disease, or the measures taken by the governments of the affected countries against such potential outbreaks, will not seriously disrupt our production operations or those of our suppliers and customers, including by resulting in quarantines or closures. In the event of such a facility quarantine or closure, if we were unable to quickly identify alternate manufacturing facilities, this would have a material adverse effect on our financial condition and results of operations, as would the inability of our suppliers to continue to supply us and our customers continuing to purchase from us.

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, 2006, Mr. James J. Kim, our Chief Executive Officer and Chairman of the Board, and certain Family trusts beneficially owned approximately 46% of our outstanding common stock. This percentage includes beneficial ownership of the securities underlying our 6.25% convertible subordinated notes due 2013. Mr. James J. Kim's family, 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***

None

Item 4. ***Submission of Matters to a Vote of Security Holders.***

At our Annual Meeting of Stockholders held on August 8, 2006, the following proposals were adopted by the margins indicated.

1. To elect a Board of Directors to hold office until the next Annual Meeting of Stockholders or until their respective successors have been elected or appointed.

	Number of Shares	
	Voted For	Withheld
James J. Kim	156,218,892	1,289,393
Roger A. Carolin	156,626,186	882,099
Winston J. Churchill	156,149,396	1,358,889
Gregory K. Hinckley	156,647,089	861,196
John T. Kim	156,345,755	1,162,530
Constantine N. Papadakis	156,062,846	1,445,439
James W. Zug	156,624,573	883,712

2. To ratify the appointment of PricewaterhouseCoopers LLP as our independent registered public accounting firm for the fiscal year ending December 31, 2006. Votes totaled 156,644,330 for, 168,348 against, and 695,607 abstain.

Item 6. ***Exhibits***

The following exhibits are filed as part of this report:

Exhibit Number	Description of Exhibit
4.1	Supplemental Indenture, dated as of June 30, 2006, among Amkor Technology, Inc. ("Amkor"), Amkor International Holdings ("AIH"), Amkor Technology Limited ("ATL"), Amkor Technology Philippines, Inc. ("ATP") and U.S. Bank National Association ("U.S. Bank"), as Trustee, to Indenture, dated as of May 13, 1999, among Amkor and U.S. Bank (as successor to State Street Bank and Trust Company), regarding Amkor's 10$^{1}/_{2}$% Senior Subordinated Notes due 2009, incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on July 7, 2006.
4.2	Supplemental Indenture, dated as of June 30, 2006, among Amkor, AIH, ATL, ATP and U.S. Bank, as Trustee, to Indenture, dated as of February 20, 2001, among Amkor and U.S. Bank (as successor to State Street Bank and Trust Company), regarding Amkor's 9$^{1}/_{4}$% Senior Notes due 2008, incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on July 7, 2006.
4.3	Supplemental Indenture, dated as of June 30, 2006, among Amkor, AIH, ATL, ATP and U.S. Bank, as Trustee, to Indenture, dated as of May 8, 2003, among Amkor and U.S. Bank, regarding Amkor's 7.75% Senior Notes due 2013, incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on July 7, 2006.
4.4	Supplemental Indenture, dated as of June 30, 2006, among Amkor, AIH, ATL, ATP and Wells Fargo Bank, N.A., as Trustee, to Indenture, dated as of March 12, 2004, among Amkor and Wells Fargo Bank, N.A., regarding Amkor's 7$^{1}/_{8}$% Senior Notes due 2011, incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on July 7, 2006.
4.5	Supplemental Indenture, dated as of June 30, 2006, among Amkor, AIH, ATL, ATP and U.S. Bank, as Trustee, to Indenture, dated as of May 26, 2006, among Amkor and U.S. Bank, regarding Amkor's 9.25% Senior Notes due 2016, incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on July 7, 2006.
10.1	Limited Waiver of Loan and Security Agreement, dated as of September 25, 2006, among Amkor Technology, Inc. and its Subsidiaries party thereto, the Lenders party thereto, and Bank of America, N.A., as Administrative Agent, incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on September 29, 2006.
12.1	Computation of Ratio of Earnings to Fixed Charges.
31.1	Certification of James J. Kim, Chief Executive Officer of Amkor Technology, Inc., pursuant to Rule 13a — 14(a) under the Securities Exchange Act of 1934.
31.2	Certification of Kenneth T. Joyce, Chief Financial Officer of Amkor Technology, Inc., pursuant to Rule 13a — 14(a) under the Securities Exchange Act of 1934.
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.

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 thereto duly authorized.

AMKOR TECHNOLOGY, INC.

By: /s/ KENNETH T. JOYCE
Kenneth T. Joyce
Chief Financial Officer
(Principal Financial, Chief Accounting Officer
and Duly Authorized Officer)

Date: November 8, 2006

EXHIBIT INDEX

Exhibit Number	Description of Exhibit
4.1	Supplemental Indenture, dated as of June 30, 2006, among Amkor Technology, Inc. (“Amkor”), Amkor International Holdings (“AIH”), Amkor Technology Limited (“ATL”), Amkor Technology Philippines, Inc. (“ATP”) and U.S. Bank National Association (“U.S. Bank”), as Trustee, to Indenture, dated as of May 13, 1999, among Amkor and U.S. Bank (as successor to State Street Bank and Trust Company), regarding Amkor’s 10 1/2% Senior Subordinated Notes due 2009, incorporated by reference to the Company’s Current Report on Form 8-K filed with the Commission on July 7, 2006.
4.2	Supplemental Indenture, dated as of June 30, 2006, among Amkor, AIH, ATL, ATP and U.S. Bank, as Trustee, to Indenture, dated as of February 20, 2001, among Amkor and U.S. Bank (as successor to State Street Bank and Trust Company), regarding Amkor’s 9 1/4% Senior Notes due 2008, incorporated by reference to the Company’s Current Report on Form 8-K filed with the Commission on July 7, 2006.
4.3	Supplemental Indenture, dated as of June 30, 2006, among Amkor, AIH, ATL, ATP and U.S. Bank, as Trustee, to Indenture, dated as of May 8, 2003, among Amkor and U.S. Bank, regarding Amkor’s 7.75% Senior Notes due 2013, incorporated by reference to the Company’s Current Report on Form 8-K filed with the Commission on July 7, 2006.
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4.5	Supplemental Indenture, dated as of June 30, 2006, among Amkor, AIH, ATL, ATP and U.S. Bank, as Trustee, to Indenture, dated as of May 26, 2006, among Amkor and U.S. Bank, regarding Amkor’s 9.25% Senior Notes due 2016, incorporated by reference to the Company’s Current Report on Form 8-K filed with the Commission on July 7, 2006.
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Exhibit 12.1

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

	Year Ended December 31, 2001 (As restated)(1)	2002 (As restated)(1)	2003 (As restated)(1)	2004 (As restated)(1)	2005 (As restated)(1)	Nine Months Ended September 30, 2006
Earnings						
Income (loss) before income taxes, equity investment earnings (losses), minority interests and discontinued operations	$ (460,543)	$ (617,238)	$ (52,543)	$ (28,866)	$ (145,233)	$ 120,192
Interest expense	138,629	143,441	138,775	145,897	163,125	122,668
Amortization of debt issuance costs	22,321	8,251	7,428	6,182	7,948	5,457
Interest portion of rent	7,282	4,995	5,463	5,928	6,215	5,157
Less (earnings) loss of affiliates	—	—	—	—	—	—
	$ (292,311)	$ (460,551)	$ 99,123	$ 129,141	$ 32,055	$ 253,474
Fixed Charges						
Interest expense	$ 138,629	$ 143,441	$ 138,775	$ 145,897	$ 163,125	$ 122,668
Amortization of debt issuance costs	22,321	8,251	7,428	6,182	7,948	5,457
Interest portion of rent	7,282	4,995	5,463	5,928	6,215	5,157
	$ 168,232	$ 156,687	$ 151,666	$ 158,007	$ 177,288	$ 133,282
Ratio of earnings to fixed charges	(x)(2)	(x)(2)	(x)(2)	(x)(2)	(x)(2)	1.90

(1) See discussion of restatement in Note 2 “Restatement of Consolidated Financial Statements, Special Committee and Company Findings” of the Notes to the Condensed Consolidated Financial Statements.

(2) The ratio of earnings to fixed charges was less than 1:1 for 2005. In order to achieve a ratio of earnings to fixed charges of 1:1, we would have had to generate an additional $145.2 million of earnings in 2005. The ratio of earnings to fixed charges was less than 1:1 for the year ended December 31, 2004. In order to achieve a ratio of earnings to fixed charges of 1:1, we would have had to generate an additional $28.9 million of earnings for the year ended December 31, 2004. The ratio of earnings to fixed charges was less than 1:1 for the year ended December 31, 2003. In order to achieve a ratio of earnings to fixed charges of 1:1, we would have had to generate an additional $52.5 million of earnings in the year ended December 31, 2003. The ratio of earnings to fixed charges was less than 1:1 for the year ended December 31, 2002. In order to achieve a ratio of earnings to fixed charges of 1:1, we would have had to generate an additional $617.2 million of earnings in the year ended December 31, 2002. The ratio of earnings to fixed charges was less than 1:1 for the year ended December 31, 2001. In order to achieve a ratio of earnings to fixed charges of 1:1, we would have had to generate an additional $460.5 million of earnings in the year ended December 31, 2001.

Exhibit 31.1

SECTION 302(a) CERTIFICATION

I, James J. Kim, 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 we 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.

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.

November 8, 2006

/s/ JAMES J. KIM

James J. Kim
Chief Executive Officer

Exhibit 31.2

SECTION 302(a) 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.
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.

November 8, 2006

/s/ KENNETH T. JOYCE

Kenneth T. Joyce
Chief Financial Officer

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, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James J. Kim, 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.

November 8, 2006

/s/ JAMES J. KIM
James J. Kim
Chief Executive Officer

In connection with the quarterly report of Amkor Technology, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2006 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kenneth T. Joyce, 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.

November 8, 2006

/s/ KENNETH T. JOYCE
Kenneth T. Joyce
Chief Financial Officer