Table of Contents

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

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

**For the Quarterly Period Ended September 30, 2005**

**or**

☐ **TRANSITION REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**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 an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☑ No ☐

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 November 1, 2005 was 176,715,732.

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**QUARTERLY REPORT ON FORM 10-Q**

**September 30, 2005**

**TABLE OF CONTENTS**

**PART I. FINANCIAL INFORMATION**

**ITEM 1. Financial Statements**

**AMKOR TECHNOLOGY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**
**(In thousands, except per share data)**
**(unaudited)**

| | For the Three Months Ended September 30, 2005 | For the Three Months Ended September 30, 2004 | For the Nine Months Ended September 30, 2005 | For the Nine Months Ended September 30, 2004 |
|---|---|---|---|---|
| Net sales | $ 549,641 | $ 490,843 | $ 1,456,457 | $ 1,448,025 |
| Cost of sales | 459,297 | 403,076 | 1,256,220 | 1,153,635 |
| Gross profit | 90,344 | 87,767 | 200,237 | 294,390 |
| Operating expenses: | | | | |
| Selling, general and administrative | 59,582 | 55,103 | 186,913 | 164,525 |
| Research and development | 8,870 | 8,664 | 27,694 | 27,541 |
| Provision for legal settlements and contingencies (Note 12) | — | — | 50,000 | 1,500 |
| Total operating expenses | 68,452 | 63,767 | 264,607 | 193,566 |
| Operating income (loss) | 21,892 | 24,000 | (64,370) | 100,824 |
| Other expense (income): | | | | |
| Interest expense, net | 40,859 | 38,075 | 122,767 | 107,725 |
| Foreign currency exchange loss | 4,171 | 1,503 | 4,630 | 4,213 |
| Other expense (income), net (Note 6) | 394 | (838) | 2,635 | (24,582) |
| Total other expense | 45,424 | 38,740 | 130,032 | 87,356 |
| Income (loss) before income taxes and minority interest | (23,532) | (14,740) | (194,402) | 13,468 |
| Minority interest | 1,250 | (1,266) | 3,187 | (1,621) |
| Income (loss) before income taxes | (22,282) | (16,006) | (191,215) | 11,847 |
| Provision (benefit) for income taxes | (2,865) | 6,328 | (325) | 13,291 |
| Net loss | $ (19,417) | $ (22,334) | $ (190,890) | $ (1,444) |
| Per share data: | | | | |
| Basic and diluted net loss per common share | $ (0.11) | $ (0.13) | $ (1.08) | $ (0.01) |
| Shares used in computing basic loss per common share | 176,715 | 175,717 | 176,271 | 175,216 |
| Shares used in computing diluted loss per common share | 176,715 | 175,717 | 176,271 | 175,216 |

The accompanying notes are an integral part of these statements.

Table of Contents

**AMKOR TECHNOLOGY, INC.**
**CONDENSED CONSOLIDATED BALANCE SHEETS**
**(In thousands)**
**(unaudited)**

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 159,518 | $ 372,284 |
| Accounts receivable: | | |
| Trade, net of allowance of $6,342 in 2005 and $5,074 in 2004 | 325,117 | 265,547 |
| Other | 6,336 | 3,948 |
| Inventories, net (Note 3) | 133,370 | 111,616 |
| Other current assets | 33,885 | 32,591 |
| Total current assets | 658,226 | 785,986 |
| Property, plant and equipment, net (Note 4) | 1,424,727 | 1,380,396 |
| Goodwill (Note 5) | 653,955 | 656,052 |
| Intangibles, net (Note 5) | 40,574 | 47,302 |
| Investments (Note 6) | 10,439 | 13,762 |
| Other assets | 48,139 | 81,870 |
| Total assets | $ 2,836,060 | $ 2,965,368 |
| **Liabilities and Stockholders' Equity** | | |
| Current liabilities: | | |
| Bank overdraft | $ — | $ 102 |
| Short-term borrowings and current portion of long-term debt (Note 9) | 303,349 | 52,147 |
| Trade accounts payable | 287,745 | 211,706 |
| Accrued expenses (Note 7) | 130,979 | 175,075 |
| Total current liabilities | 722,073 | 439,030 |
| Long-term debt (Note 9) | 1,807,834 | 2,040,813 |
| Other non-current liabilities | 131,168 | 109,317 |
| Total liabilities | 2,661,075 | 2,589,160 |
| Commitments and contingencies (Note 12) | | |
| Minority interest | 3,223 | 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 176,716 in 2005 and 175,718 in 2004 | 178 | 176 |
| Additional paid-in capital | 1,326,315 | 1,323,579 |
| Accumulated deficit | (1,159,962) | (969,072) |
| Accumulated other comprehensive income | 5,231 | 14,846 |
| Total stockholders' equity | 171,762 | 369,529 |
| Total liabilities and stockholders' equity | $ 2,836,060 | $ 2,965,368 |

The accompanying notes are an integral part of these statements.

**AMKOR TECHNOLOGY, INC.**
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**
**(In thousands)**
**(unaudited)**

| | For the Nine Months Ended September 30, 2005 | 2004 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net loss | $ (190,890) | $ (1,444) |
| Depreciation and amortization | 184,711 | 169,164 |
| Other non-cash items | 6,663 | (6,198) |
| Changes in assets and liabilities excluding effects of acquisitions | (3,777) | 70,685 |
| Net cash (used in) provided by operating activities | (3,293) | 232,207 |
| Cash flows from investing activities: | | |
| Payments for property, plant and equipment | (226,442) | (406,229) |
| Acquisition, net of cash acquired | — | (63,538) |
| Proceeds from the sale of property, plant and equipment | 530 | 7,023 |
| Proceeds from the sale of investments | — | 49,409 |
| Proceeds from note receivable | — | 18,627 |
| Net cash used in investing activities | (225,912) | (394,708) |
| Cash flows from financing activities: | | |
| Net change in bank overdrafts | (102) | 4,115 |
| Borrowings under a revolving credit facility | 127,494 | 190,900 |
| Payments under a revolving credit facility | (116,811) | (189,907) |
| Proceeds from the issuance of debt and capital leases | 43,586 | 252,175 |
| Payments for debt issuance costs | — | (4,059) |
| Payments on long-term debt, including redemption premium payment in 2004 | (38,036) | (178,103) |
| Proceeds from issuance of stock through stock compensation plans | 2,738 | 6,394 |
| Net cash provided by financing activities | 18,869 | 81,515 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (2,430) | (962) |
| Net decrease in cash and cash equivalents | (212,766) | (81,948) |
| Cash and cash equivalents, beginning of period | 372,284 | 313,259 |
| Cash and cash equivalents, end of period | $ 159,518 | $ 231,311 |
| Supplemental disclosures of cash flow information: | | |
| Cash paid (received) during the period for: | | |
| Interest | $ 124,825 | $ 96,210 |
| Income taxes | $ (501) | $ 22,114 |

The accompanying notes are an integral part of these statements.

**AMKOR TECHNOLOGY, INC.**
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Interim Financial Statements**

*Basis of Presentation.* The condensed consolidated financial statements and related disclosures as of September 30, 2005 and for the three and nine months ended September 2005 and 2004 are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission. 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 as of December 31, 2004 filed on Form 10-K/A with the Securities and Exchange Commission. The results of operations for the three and nine months ended September 30, 2005 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 the 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.

*Income Taxes.* For the three and nine months ended September 30, 2005, our income tax benefit was ($2.9 million) and ($0.3 million), reflecting an effective tax rate of (12.2%) and (0.2%), respectively. For the three and nine months ended September 30, 2004, our income tax expense was $6.3 million and $13.3 million, reflecting an effective tax rate of 42.9% and 98.7%, respectively. Our effective tax rates for the three and nine months ended September 30, 2005 and 2004 differ significantly from the U.S. statutory tax rate of 35% primarily due to net operating losses in the U.S. and in certain foreign jurisdictions which we can not use to offset taxable income in other foreign jurisdictions. The tax benefit for the three and nine months ended September 30, 2005 is driven by a $2.4 million net tax benefit realized as a result of finalization of the Internal Revenue Service's ("IRS") audits of our U.S. federal income tax returns for the years 2000 and 2001 and lower forecasted taxes in Japan due principally to charges related to manufacturing overhead reductions. These benefits are partially offset by foreign withholding taxes and income taxes at our profitable foreign locations. Our tax expense for the three and nine months ended September 30, 2004 related primarily to foreign withholding taxes, income taxes at our profitable foreign locations, and a tax provision of $6.5 million recorded in connection with new guidance issued by tax authorities in the third quarter of 2004 relating to certain of our foreign operations.

We operate in and file income tax returns in various U.S. and foreign jurisdictions which are subject to examination by tax authorities. Our tax returns have been examined by the applicable tax authorities through 1998 in the Philippines, through 2000 in Taiwan, through 2001 in the U.S., and through 2002 in Japan. The tax returns for open years in all jurisdictions in which we do business are subject to changes upon examination.

During 2003, the IRS commenced an examination of our U.S. federal income tax returns relating to years 2000 and 2001. In September 2005, the Congressional Joint Committee on Taxation approved the settlement of our IRS examination of the years 2000 and 2001. As a component of the settlement, we agreed to make certain income adjustments to our U.S. federal income tax returns in the years 2000 through 2003 for local attribution of income resulting from inter-company transactions, including ownership and use of intellectual property, in various U.S. and foreign jurisdictions. The IRS' adjustments for the years 2000 and 2001 lowered our U.S. net operating loss carry-forwards at December 31, 2004 by $29.2 million. As a result of the finalization of this IRS examination, we reduced our U.S. deferred tax assets by $25.0 million and our U.S. accrued income taxes by $27.4 million, resulting in a net tax benefit of $2.4 million during the three months ended September 30, 2005.

During 2005, the IRS also commenced an examination of our U.S. federal income tax returns relating to years 2002 and 2003. The IRS is performing a limited scope examination, primarily reviewing inter-company transfer pricing and cost-sharing issues carried over from the 2000 and 2001 examination cycle. There will be no impact to our consolidated statements of operations as a result of decreasing our U.S. net operating loss carry-forwards as we carry a full valuation allowance against our deferred tax assets.

Our estimated tax liability is subject to change as examinations of specific tax years are completed in the respective jurisdictions. We believe that any additional taxes or related interest over the amounts accrued will not have a material adverse effect on our financial condition or results of operations or cash flows. Additionally, we do not expect that examinations to be completed in the near term would have a material favorable impact. Changes in the mix of income from our foreign subsidiaries, expiration of tax holidays and changes in tax laws or regulations could result in increased effective tax rates in the future.

*Recent Accounting Pronouncements.* In May 2005, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 154, "Accounting Changes and Error Corrections". SFAS No. 154 replaces Accounting Principles Board ("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 for reporting a change when retrospective application is impracticable. 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 do not anticipate that the adoption of SFAS No. 154 will have a material impact on our consolidated balance sheet, statements of operations or shareholders' equity.

In March 2005, the FASB issued FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations" ("FIN 47"), which is an interpretation of SFAS No. 143, "Accounting for Asset Retirement Obligations." FIN 47 clarifies terminology within SFAS No. 143 and requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation when incurred if the liability's fair value can be reasonably estimated. FIN 47 is effective for fiscal years ending after December 15, 2005. We do not anticipate that the adoption of FIN 47 will have a material impact on our consolidated balance sheet, statements of operations or shareholders' equity.

In December 2004, the FASB issued SFAS No. 123R, *Share-Based Payment*. SFAS No. 123R is a revision of SFAS No. 123, *Accounting for Stock Based Compensation* and supersedes APB No. 25. Among other items, SFAS No. 123R eliminates the use of APB No. 25 and the intrinsic value method of accounting and requires companies to recognize the cost of employee services received in exchange for awards of equity instruments, based on the grant date fair value of those awards, in the financial statements. On April 14, 2005, the Securities and Exchange Commission amended the effective date of SFAS No. 123R to January 1, 2006 for calendar year companies. We intend to adopt this statement on the new effective date and have not yet determined the method of adoption.

We currently utilize a standard option pricing model (Black-Scholes) to measure the fair value of stock options granted to employees. While SFAS No. 123R permits entities to continue to use such a model, the standard also permits the use of a "lattice" model. We have not yet determined which model we will use to measure the fair value of employee stock options upon the adoption of SFAS No. 123R.

SFAS No. 123R also requires the benefits associated with the tax deductions in excess of recognized compensation cost be reported as a financing cash flow, rather than as an operating cash flow as required under current literature. This requirement will reduce net operating cash flows and increase net financing cash flows in periods after the effective date. These future amounts cannot be estimated because they depend on when the employees exercise stock options, among other things.

We are currently reviewing the effect SFAS No. 123R will have on our financial statements; however, we believe the impact to our net income (loss) may be material and will be determined by the number of options that we grant in the future. In August 2004 we accelerated the vesting of all outstanding employee stock options, thereby eliminating charges to our future statements of operations related to these stock options. We undertook the acceleration to enhance employee morale and to help retain high-potential individuals in the face of a downturn in our industry conditions.

*Stock Compensation.* We apply APB No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations, to our stock option plans. No compensation expense has been recognized for our employee stock options that have been granted. If compensation costs for our stock option plans had been determined using the fair value method of accounting as set forth in SFAS No. 123, *Accounting for Stock-Based Compensation*, our reported net loss and per share amounts would have been increased. The following table illustrates the effect on net loss and per share amounts if the fair value based method had been applied to all outstanding and unvested awards in each period.

| | For the Three Months Ended September 30, 2005 | For the Three Months Ended September 30, 2004 | For the Nine Months Ended September 30, 2005 | For the Nine Months Ended September 30, 2004 |
|---|---|---|---|---|
| | (In thousands, except per share data) | | | |
| Net loss: | | | | |
| Net loss, as reported | $ (19,417) | $ (22,334) | $ (190,890) | $ (1,444) |
| Deduct: Total stock-based employee compensation determined under fair value based method, net of tax | (1,181) | (47,280) | (2,266) | (62,737) |
| Pro forma net loss | $ (20,598) | $ (69,614) | $ (193,156) | $ (64,181) |
| Loss per share: | | | | |
| Basic and diluted: | | | | |
| As reported | $ (0.11) | $ (0.13) | $ (1.08) | $ (0.01) |
| Pro forma | $ (0.12) | $ (0.40) | $ (1.10) | $ (0.37) |

In order to calculate the fair value of stock options at date of grant, we used the Black-Scholes option pricing model. The following assumptions were used to calculate weighted average fair values of the options granted:

| | For the Three and Nine Months Ended September 30, 2005 | For the Three and Nine Months Ended September 30, 2004 |
|---|---|---|
| Expected life (in years) | 4 | 4 |
| Risk-free interest rate | 4.1% | 3.2% |
| Volatility | 86.9% | 97.0% |
| Dividend yield | — | — |

**2. Comprehensive Loss**

| | For the Three Months Ended September 30, 2005 | For the Three Months Ended September 30, 2004 | For the Nine Months Ended September 30, 2005 | For the Nine Months Ended September 30, 2004 |
|---|---|---|---|---|
| | (In thousands) | | | |
| Net loss | $ (19,417) | $ (22,334) | $ (190,890) | $ (1,444) |
| Unrealized loss on investments, net of tax | (662) | (2,302) | (3,319) | (11,741) |
| Adjustment for losses included in net loss | 672 | — | 2,999 | — |
| Foreign currency translation gain (loss), net of tax | (7,901) | (338) | (9,295) | 778 |
| Total comprehensive loss | $ (27,308) | $ (24,974) | $ (200,505) | $ (12,407) |

**3. Inventories**

Inventories consist of the following:

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| | (In thousands) | |
| Raw materials and purchased components | $ 124,652 | $ 114,808 |
| Work-in-process | 32,116 | 21,150 |
| Finished goods | 653 | 960 |
| | 157,421 | 136,918 |
| Inventory reserve | (24,051) | (25,302) |
| | $ 133,370 | $ 111,616 |

**4. Property, Plant and Equipment**

Property, plant and equipment consist of the following **:**

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| | (In thousands) | |
| Land | $ 111,361 | $ 112,009 |
| Land use rights | 19,945 | 19,945 |
| Buildings and improvements | 651,444 | 633,528 |
| Machinery and equipment | 2,091,906 | 1,953,392 |
| Furniture, fixtures and other equipment | 166,214 | 165,446 |
| Construction in progress | 107,389 | 102,952 |
| | 3,148,259 | 2,987,272 |
| Less: Accumulated depreciation and amortization | (1,723,532) | (1,606,876) |
| | $ 1,424,727 | $ 1,380,396 |

The following table reconciles our payments for property, plant and equipment as presented on the condensed consolidated statements of cash flows to property, plant and equipment additions as reflected in the balance sheets:

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2005 | 2004 |
| | (In thousands) | |
| Payments for property, plant and equipment | $ 226,442 | $ 406,229 |
| Increase (decrease) in property, plant and equipment accounts payable and accrued liabilities, net | 7,243 | (38,151) |
| Property, plant and equipment additions | $ 233,685 | $ 368,078 |

**5. Goodwill and Intangibles**

The change in the carrying value of goodwill is as follows:

| | (In thousands) |
|---|---|
| Balance as of December 31, 2004 | $ 656,052 |
| Translation adjustments | (2,097) |
| Balance as of September 30, 2005 | $ 653,955 |

Intangibles as of September 30, 2005 consist of the following:

| | Gross | Accumulated Amortization | Net |
|---|---|---|---|
| | | (In thousands) | |
| Patents and technology rights | $ 73,357 | $ (39,757) | $ 33,600 |
| Customer relationship and supply agreement | 8,858 | (1,884) | 6,974 |
| | $ 82,215 | $ (41,641) | $ 40,574 |

Intangibles as of December 31, 2004 consist of the following:

| | Gross | Accumulated Amortization | Net |
|---|---|---|---|
| | | (In thousands) | |
| Patents and technology rights | $ 72,973 | $ (33,595) | $ 39,378 |
| Customer relationship and supply agreement | 8,858 | (934) | 7,924 |
| | $ 81,831 | $ (34,529) | $ 47,302 |

Amortization expense was $2.4 million and $1.8 million for the three months ended September 30, 2005 and 2004, respectively. Amortization expense was $7.1 million and $4.8 million for the nine months ended September 30, 2005 and 2004, respectively.

Based on the amortizing assets recognized in our balance sheet at September 30, 2005, amortization expense for each of the next five fiscal years is estimated as follows:

| | (In thousands) |
|---|---|
| 2005 (remaining) | $ 2,354 |
| 2006 | 9,458 |
| 2007 | 9,455 |
| 2008 | 9,455 |
| 2009 | 4,548 |

**6. Investments**

Investments consist of the following:

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| | (In thousands) | |
| Marketable securities classified as available for sale: | | |
| DongbuAnam Semiconductor, Inc. (ownership of 2% at September 30, 2005 and December 31, 2004) | $ 9,615 | $ 12,940 |
| Other marketable securities classified as available for sale | 727 | 722 |
| Total marketable securities | 10,342 | 13,662 |
| Other investments | 97 | 100 |
| | $ 10,439 | $ 13,762 |

During the second quarter and third quarter of 2005 we recorded an impairment of $2.3 million and $0.7 million, respectively, associated with our investment in DongbuAnam Semiconductor Inc., formerly Anam Semiconductor, Inc. (“ASI”), as the decline in value of this investment was considered to be other than temporary.

We currently expect to record, in the fourth quarter, an additional impairment in our equity investment in ASI in connection with the decline in ASI’s market value subsequent to September 30, 2005 following ASI’s announced proposal to restructure its capitalization. At the end of the fourth quarter we will make a final determination as to the extent of this impairment.

During the second quarter of 2004, we sold 10.1 million shares of ASI common stock for approximately $49.7 million, or $4.91 per share. The pre-tax gain related to this transaction was $21.6 million, net of $0.3 million of transaction costs.

**7. Accrued Expenses**

Accrued expenses consist of the following:

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| | (In thousands) | |
| Accrued income taxes | $ 12,993 | $ 35,387 |
| Accrued payroll | 28,727 | 25,648 |
| Accrued interest | 33,214 | 34,547 |
| Other accrued expenses | 56,045 | 79,493 |
| | $ 130,979 | $ 175,075 |

**8. Restructuring**

During the third quarter of 2004, we commenced efforts to relocate certain corporate functions from our West Chester, Pennsylvania location to our Chandler, Arizona location. In connection with these efforts, we recorded $1.2 million in severance and related costs. Of this $1.2 million, we recorded a charge of $0.9 million to selling, general and administrative expenses during 2004, and we charged the remaining $0.3 million to selling, general and administrative expenses during the first quarter of 2005. During the nine months ended September 30, 2005, we paid out $1.2 million in severance benefits.

During the third quarter of 2005, we terminated the operations of Semisys, a Korean-based subsidiary which produced molds and other equipment used in semiconductor packaging. We recorded a charge of $3.5 million related to this shut-down, of which $3.0 million impacted gross margin and $0.5 million was recorded in selling, general and administrative expenses. The charges were related to the write-down of assets and the accrual of shut-down costs and severance benefits in excess of the severance plan descried in Footnote 10, Pension and Severance Plans. All severance benefits were paid in October 2005.

Also during the third quarter of 2005, we seconded (temporarily assigned) excess manufacturing labor force at our Japanese subsidiary to one of our customers. This resulted in a charge of $3.8 million, with $3.4 million charged to cost of goods sold and the remaining $0.4 million charged to selling, general and administrative expenses. The charge represents wage and benefit costs in excess of the reimbursement from the customer.

**9. Debt**

The major components of debt consist of the following:

| | September 30, 2005 | December 31, 2004 |
|---|---|---|
| | (In thousands) | |
| Senior secured credit facilities: | | |
| $30.0 million revolving line of credit, LIBOR plus 3.5% due June 2007 | $ — | $ — |
| Second Lien Term loan, LIBOR plus 4.5% due October 2010 | 300,000 | 300,000 |
| 9.25% Senior notes due February 2008 | 470,500 | 470,500 |
| 7.75% Senior notes due May 2013 | 425,000 | 425,000 |
| 7.125% Senior notes due March 2011 | 248,606 | 248,454 |
| 10.5% Senior subordinated notes due May 2009 | 200,000 | 200,000 |
| 5.75% Convertible subordinated notes due June 2006, convertible at $35.00 per share | 233,000 | 233,000 |
| 5% Convertible subordinated notes due March 2007, convertible at $57.34 per share | 146,422 | 146,422 |
| Notes payable | — | 15,675 |
| Other debt | 87,655 | 53,909 |
| | 2,111,183 | 2,092,960 |
| Less: Short-term borrowings and current portion of long-term debt | (303,349) | (52,147) |
| | $ 1,807,834 | $ 2,040,813 |

We have a significant amount of indebtedness and expect this will continue for the foreseeable future. Our indebtedness requires us to dedicate a substantial portion of our cash flow from operations to service debt and interest payments.

On October 23, 2005, our board of directors authorized management to proceed with several financing initiatives:

- We are working to place $100.0 million of convertible subordinated notes entirely subscribed by Amkor's chairman and chief executive officer, Mr. James J. Kim, on terms to be approved by a majority of the independent members of the board of directors, and subject to a fairness opinion by a recognized investment banking firm. The entire proceeds will be used to purchase a portion of our 5.75% Convertible Subordinated Notes due June 1, 2006 ("2006 Convertible Subordinated Notes").

- We are in negotiations to replace our existing $30.0 million revolving credit facility with a $100.0 million first-lien revolving lending facility. The new revolver would be contingent upon completion of the private financing with Mr. James J. Kim and would be available, if needed, to retire our 2006 Convertible Subordinated Notes at maturity.

- We are in negotiations to raise approximately $100 million in Asia to support our operating cash requirements, including capital expenditures, in that region. During the third quarter, we received NT$1.0 billion (approximately $31.0 million), included in Other Debt in the table above, from an interim financing with a group of Taiwanese banks in connection with the syndication of a NT$1.8 billion (approximately $53.0 million) secured term loan. The syndication should be completed by early December, at which point the interim financing would be repaid.

Our 2006 Convertible Subordinated Notes mature on June 1, 2006 at which time we will be required to repay the principal amount. Assuming we are able to successfully complete the financing initiatives described above that would partially be used to repay the 2006 Convertible Subordinated Notes, we believe that our existing cash balances, available credit lines, cash flow from operations and available equipment lease financing will be sufficient to fund our debt service, working capital and equipment purchases over the next twelve months.

If we are not able to complete the contemplated financing transactions, we cannot assure you that funds to repay or refinance the 2006 Convertible Subordinated Notes or our other outstanding debt will be available when we need it or, if available, that it will be available on satisfactory terms. In addition, the terms of the senior notes and senior subordinated notes significantly reduce our ability to incur additional debt. Failure to obtain any such required additional financing could have a material adverse effect on us. In May, August, and November 2005 our liquidity and debt ratings were lowered reflecting heightened liquidity concerns and weak operating results. In addition, the sufficiency of our available cash is dependent on our business performing in line with our current expectations. The performance of our business is dependent on many factors and subject to risks and uncertainties as discussed under Risk Factors that May Affect Future Operating Performance (see Part I, Item 3. – Quantitative and Qualitative Disclosures about Market Risk).

On April 22, 2003, we entered into a $200.0 million senior secured credit facility consisting of a $170.0 million term loan maturing January 31, 2006 (the "2006 Term Loan") and a $30.0 million revolving line of credit that was available through October 2005. The funds available under this credit facility were used to repay a $96.9 million term loan previously outstanding and for general corporate purposes. In March 2004, with the proceeds from our 7.125% senior notes (discussed further below), we satisfied in full the 2006 Term Loan, which carried a balance of $168.7 million. In connection with the satisfaction of the 2006 Term Loan, we recorded charges during the first quarter of 2004 of $1.7 million for the associated premiums paid and $1.0 million for the write-off of associated unamortized deferred debt issuance costs.

In June 2004, we entered into a new $30.0 million senior secured revolving credit facility (the "Facility"). The Facility, which is available through June 2007, replaced our prior $30.0 million secured revolving line of credit which was scheduled to mature on October 31, 2005. At September 30, 2005, there was $29.7 million available under this Facility. As of September 30, 2005, we have outstanding $0.3 million of standby letters of credit. Such standby letters of credit are used in our ordinary course of business and are collateralized by our cash balances. This facility will be replaced with a $100.0 million revolving lending facility described above if we complete the contemplated transactions.

In October 2004, we entered into a $300.0 million senior secured second lien term loan credit facility with a group of institutional lenders. The term loan bears interest at a rate of LIBOR plus 450 basis points and matures in October 2010. The net proceeds of $288.8 million from the term loan were used for working capital and general corporate purposes.

In March 2004, we sold $250.0 million of 7.125% senior notes due March 2011. The notes were priced at 99.321% of the $250.0 million face value, yielding an effective interest rate of 7.25%. We sold these notes in a private placement and the notes were resold to qualified institutional investors. We used the net proceeds of the issuance to satisfy in full our outstanding term loan due 2006 of $168.7 million and used the remainder of the proceeds for general corporate purposes, including working capital and capital expenditures. The notes have a coupon rate of 7.125% annually and interest payments are due semi-annually. In connection with the offering of these notes, we entered into a registration rights agreement with the purchasers. The registration rights agreement entitled the purchasers, within 210 days from the original issuance, to exchange their notes for registered notes with substantially identical terms as the original notes. We filed a registration statement with the Securities and Exchange Commission for the exchange of the notes, and the exchange was completed in July 2004.

At September 30, 2005 we were in compliance with all debt covenants contained in our loan agreements and have met all debt payment obligations.

At September 30, 2005 our other debt primarily relates to the debt of our foreign subsidiaries in the amount of $82.8 million. The significant components of other debt include term debt, a bridge loan and revolving lines of credit which are on par with our senior unsubordinated debt. During the third quarter, we received NT$1.0 billion (approximately $31.0 million) from an interim financing with a group of Taiwanese banks in connection with the syndication of a NT$1.8 billion (approximately $53.0 million) secured term loan. The syndication should be completed by early December, at which point the interim financing would be repaid. Our Taiwanese subsidiaries have various amounts of term debt maturing between 2007 and 2010. These debt instruments do not include significant financial covenants. During the second quarter of 2005 one of our Taiwanese subsidiaries entered into a one year revolving line of credit agreement for borrowings up to approximately $1.9 million and a new term debt agreement in the amount of $12.7 million which was used to refinance existing term debt. The term loan is due in the fourth quarter of 2010 and is collateralized by real property and capital equipment. The term loan requires monthly interest payments and 10 equal semi-annual payments of principal starting in May 2006. The interest rate on the term loan is 1.2% over the Primary Market Commercial Paper fixed rate as defined by the terms of the agreement. As of November 1, 2005 the interest rate was 2.8%.

One of our Japanese subsidiaries utilizes revolving lines of credit for working capital purposes and term debt for equipment financing. These revolving lines of credit are due in the fourth quarter of 2005 and the first quarter of 2006 and we expect to extend the agreement, repay or refinance the amount owed. As of September 30, 2005 there was $24.7 million outstanding under the revolving line of credit.

In September 2005 our Philippine subsidiary entered into a one year revolving line of credit for general working capital purposes. The revolving line of credit is due in the third quarter of 2006 and we expect to extend the agreement, repay or refinance the amount owed. As of September 30, 2005 there was $5.3 million outstanding under the revolving line of credit.

**10. 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, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | (In thousands) | | | |
| Service cost | $ 1,934 | $ 1,143 | $ 5,041 | $ 3,436 |
| Interest cost on projected benefit obligation | 566 | 418 | 1,617 | 1,253 |
| Expected return on plan assets | (362) | 166 | (999) | 638 |
| Amortization of transition obligation | 41 | 26 | 119 | 77 |
| Recognized gain (loss) | 12 | (407) | 36 | (1,361) |
| Total pension expense | $ 2,191 | $ 1,346 | $ 5,814 | $ 4,043 |

For the three and nine months ended September 30, 2005, $0.3 million and $0.8 million, respectively, was contributed to fund the pension plans. We presently anticipate contributing $4.4 million in 2005 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, 2005 and 2004, the provision recorded for severance benefits was $5.9 million and $5.6 million, respectively. For the nine months ended September 30, 2005 and 2004, the provision recorded for severance benefits was $19.6 million and $15.3 million, respectively. The balance recorded in long-term liabilities for accrued severance was $110.6 million and $92.0 million at September 30, 2005 and December 31, 2004, respectively. During September 2005, the $1.3 million of severance benefits due to Semisys employees was reclassified to accounts payable. This amount was paid in October 2005.

## 11. Earnings Per Share

SFAS No. 128, "Earnings Per Share," requires dual presentation of basic and diluted earnings per share on the face of the income statement. Basic EPS is computed using only the weighted average number of common shares outstanding for the period, while diluted EPS is computed assuming conversion of all dilutive securities, such as options, convertible debt and warrants. For the three and nine months ended September 30, 2005, we excluded from the computation of diluted earnings per share 17.1 million and 9.2 million of outstanding options and convertible notes for common stock, respectively, potentially dilutive securities which would have an antidilutive effect on EPS due to our net loss for the periods. For the three and nine months ended September 30, 2004, we excluded from the computation of diluted earnings per share 15.8 million and 9.2 million of outstanding options and convertible notes for common stock, respectively, potentially dilutive securities which would have an antidilutive effect on EPS.

| | For the Three Months Ended September 30, | | For the Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| | (In thousands) | | | |
| Weighted average common shares | 176,715 | 175,717 | 176,271 | 175,216 |
| Effect of dilutive stock options | — | — | — | — |
| Weighted average shares applicable to diluted earnings per share | 176,715 | 175,717 | 176,271 | 175,216 |

## 12. Indemnifications, Guarantees 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 indemnitee is or was a director or officer of the company. These officers and directors 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. Due to the nature of this indemnification, 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 this indemnification.

We generally provide a standard ninety-day warranty on our services. Our warranty activity has historically been immaterial and is expected to continue to be immaterial in the foreseeable future.

***Litigation***

We are currently a party to various legal proceedings, including those noted below. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on our net results in the period in which the ruling occurs. The estimate of the potential impact from the following legal proceedings on our financial position or overall results of operations could change in the future. Attorney fees related to legal matters are expensed as incurred.

*Epoxy Mold Compound Litigation*

We have become party to an increased number of litigation matters relative to our historic levels. Much of our recent litigation relates to an allegedly defective epoxy mold compound, formerly used in some of our packaging services, which is alleged to be responsible for certain semiconductor chip failures. In the case of the pending matter, we believe we have meritorious defenses, as well as valid third-party claims against Sumitomo Bakelite Co., Ltd. ("Sumitomo Bakelite"), the manufacturer of the challenged epoxy product, should the epoxy mold compound be found to be defective. We cannot be certain, however, that we will be able to recover any amount from Sumitomo Bakelite if we are held liable in this matter, or that any adverse result would not have a material impact upon us. Moreover, other customers of ours have made inquiries 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.

*Resolved Epoxy Mold Compound Litigation*

*Fujitsu Limited v. Cirrus Logic, Inc., et al.*

On April 16, 2002, we were served with a third-party complaint in an action entitled Fujitsu Limited v. Cirrus Logic, Inc., in the United States District Court for the Northern District of California, San Jose Division. Subsequently, substantially the same case was filed in the Superior Court of California, Santa Clara County, and the United States District Court case was stayed. In this action, Fujitsu Limited ("Fujitsu") alleged that semiconductor devices it purchased from Cirrus Logic, Inc. ("Cirrus Logic") were defective in that a certain epoxy mold compound manufactured by Sumitomo Bakelite and Sumitomo Plastics America, Inc. ("Sumitomo Plastics" and collectively with Sumitomo Bakelite, the "Sumitomo Bakelite Parties") and used by us in the manufacture of the chip caused a short circuit which rendered Fujitsu disk drive products inoperable. Cirrus Logic, in response, denied the allegations of the complaint, cross-complained against Fujitsu for unpaid invoices, and filed its cross-complaint against us alleging that any liability for chip defects should be assigned to us because we assembled the subject semiconductor devices. We filed a cross-complaint against Sumitomo Bakelite asserting claims for breach of warranties and indemnification.

On April 18 and 19, 2005, we participated in a private mediation with all parties involved. As a result of the mediation, on April 28, 2005 an agreement was reached among Fujitsu, Cirrus Logic, the Sumitomo Bakelite Parties and ourselves to settle this litigation and the parties entered the agreement into the record in Superior Court; thereafter, the parties memorialized and executed their settlement agreement in written form. Pursuant to the settlement agreement, we paid $40.0 million to Fujitsu in consideration of a release from and dismissal of all claims related to this litigation. We also agreed to dismiss our claims against Sumitomo Bakelite as part of the parties' settlement agreement. The $40.0 million is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005. The $40.0 million was paid during the second quarter of 2005.

*Seagate Technology LLC v. Atmel Corporation, et al.*

In March 2003, we were served with a cross-complaint in an action between Seagate Technology LLC and Seagate Technology International ("Seagate") and Atmel Corporation and Atmel Sarl ("Atmel") in the Superior Court of California, Santa Clara County. Atmel's cross-complaint seeks indemnification from us for any damages incurred from the claims by Seagate involving the allegedly defective epoxy mold compound manufactured by Sumitomo Bakelite. We answered Atmel's cross-complaint, denying all liability, and filed a cross-complaint against Sumitomo Bakelite seeking indemnification. Atmel later amended its cross-complaint to include claims for negligence and negligent misrepresentation against us and added ChipPAC Inc. ("ChipPAC") and Sumitomo Bakelite as cross-defendants. ChipPAC filed a cross-complaint against Sumitomo Bakelite and us.

On April 14, 2005 an agreement was reached among Seagate, Atmel, ChipPAC, Sumitomo Bakelite and ourselves to settle this litigation. We agreed to pay $5.0 million to Seagate in consideration of a release from and dismissal of all claims related to this litigation. We also agreed to dismiss our claims against Sumitomo Bakelite as part of the parties' settlement agreement. The $5.0 million is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005. The $5.0 million was paid during the second quarter of 2005.

*Fairchild Semiconductor Corporation v. Sumitomo Bakelite Singapore Pte. Ltd., et al.*

In September 2003, we were served with an amended complaint filed by Fairchild Semiconductor Corporation ("Fairchild") against us, the Sumitomo Bakelite Parties and Sumitomo Bakelite Singapore Pte. Ltd. (collectively with the Sumitomo Bakelite Parties, the "Sumitomo Bakelite Defendants") in the Superior Court of California, Santa Clara County. The amended complaint seeks damages related to our use of Sumitomo Bakelite's epoxy mold compound in assembling Fairchild's semiconductor packages. We answered Fairchild's amended complaint, denying all liability, and filed a cross-complaint against Sumitomo Bakelite seeking indemnification.

In August 2005, we reached an agreement with Fairchild and the Sumitomo Bakelite Defendants to settle all claims involving us in this litigation. We agreed to pay $3.0 million to Fairchild and release our claims against Sumitomo Bakelite in consideration of a release from and dismissal of all claims against us. The $3.0 million is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005. The $3.0 million was paid during the third quarter of 2005.

*Maxtor Corporation v. Koninklijke Philips Electronics N.V., et al.*

In April 2003, we were served with a cross-complaint in an action between Maxtor Corporation ("Maxtor") and Koninklijke Philips Electronics ("Philips") in the Superior Court of California, Santa Clara County. Philips' cross-complaint sought indemnification from us for any damages incurred from the claims by Maxtor involving the allegedly defective epoxy mold compound manufactured by Sumitomo Bakelite. Philips subsequently filed a cross-complaint directly against the Sumitomo Bakelite Parties, alleging, among other things, that the Sumitomo Bakelite Parties breached their contractual obligations to both us and Philips by supplying a defective mold compound resulting in the failure of certain Philips semiconductor devices. We denied all liability in this matter and also asserted a cross-complaint against Sumitomo Bakelite. The Sumitomo Bakelite Parties denied any liability. Maxtor and Philips reached a settlement of Maxtor's claims against Philips on or about April 28, 2004 in which, reportedly, Philips agreed to pay Maxtor $24.8 million. On October 15, 2004, we and Sumitomo Bakelite reached a settlement agreement whereby Sumitomo Bakelite agreed to indemnify us for any damages awarded to Philips in excess of $3.5 million. In exchange, we dismissed our cross-claims against Sumitomo Bakelite. Trial of this matter before a jury began on October 18, 2004 and closing arguments were heard on November 29, 2004. On December 1, 2004, the Court and the jury rendered verdicts in our favor related to all of Philips' claims against us. By those verdicts, we were exonerated of all alleged liability. The jury's verdict further determined the Sumitomo Bakelite Parties' share of liability to be 57% and Philips' share to be 43%. Philips has agreed not to appeal the judgment in our favor in return for our agreement not to seek costs of suit from Philips.

We recorded a charge of $1.5 million related to the above matter during the three months ended March 31, 2004. However, in response to the December 1, 2004 verdict, we reversed this charge during the three months ended December 31, 2004.

Pending Epoxy Mold Compound Litigation

While the ultimate outcome is uncertain, as a result of the previously discussed epoxy mold compound litigation settlements, we have established a loss accrual related to the following pending claim. This amount is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005.

*Maxim Integrated Products, Inc. v. Amkor Technology, Inc., et al.*

In August 2003, we were served with a complaint filed by Maxim Integrated Products, Inc. ("Maxim") against us and the Sumitomo Bakelite Parties in the Superior Court of California, Santa Clara County. The complaint seeks damages related to our use of Sumitomo Bakelite's epoxy mold compound in assembling Maxim's semiconductor packages. We have asserted cross-claims against Sumitomo Bakelite for indemnification. Written discovery is ongoing, with depositions and expert discovery to follow. The Court has set a trial date of April 24, 2006. We have denied all liability. We intend to defend ourselves vigorously, pursue our cross-claims against Sumitomo Bakelite and seek judgment in our favor.

*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. A trial date has been set for December 5, 2005. We believe it is likely that we will prevail on the merits at the Superior Court level. In addition, should Motorola prevail, we believe we will have recourse in the Delaware Supreme Court.

*Citizen Watch Co. Ltd. v. Amkor Technology, Inc.*

We entered into an Intellectual Property Assignment Agreement ("IPAA") with Citizen with an effective date of March 28, 2002, pursuant to which Citizen assigned to us (i) its rights under the License Agreement and (ii) Citizen's interest in the '133 and '278 patents. The parties entered into the IPAA in conjunction with having entered into a Master Purchase Agreement under which we purchased substantially all of the assets of a division of Citizen in April 2002. The IPAA provided for a deferred payment of 1.4 billion yen (the "Deferred Payment"). Subsequent to that transaction, Motorola challenged the validity of Citizen's assignment of its rights under the License Agreement to us, which resulted in our litigation with Motorola, Inc., which is described above (the "Motorola case"). Pending resolution of the Motorola case, and in accordance with the terms of the IPAA, we were withholding final payment of the Deferred Payment ($12.6 million based on the spot exchange rate at September 30, 2005).

In March 2004, Citizen submitted a Demand for Arbitration in the International Chamber of Commerce ("ICC"), claiming breach of our obligation to make the Deferred Payment. We contended that we were rightfully withholding payment of the Deferred Payment in accordance with the terms of the IPAA.

The arbitration hearing before the ICC on this matter was held in May 2005. In September 2005, the ICC ruled in favor of Citizen, and as a result we were required to pay Citizen the Deferred Payment, plus interest of approximately $300,000. We made payment to Citizen on September 30, 2005. The Deferred Payment was accrued as part of the purchase accounting.

*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. 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 $60.8 million based on the spot exchange rate at September 30, 2005). We have denied all liability and intend to vigorously defend ourselves 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 recently 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.

In response to the French lawsuit, 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.

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

In November 2003, we filed complaints against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc. (collectively “Carsem”) with the International Trade Commission (“ITC”) in Washington, D.C. and subsequently in the Northern District of California. The complaints allege infringement of our United States Patent Nos. 6,433,277, 6,455,356, and 6,630,728 (collectively the “Amkor Patents”). 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 has ordered a new claims construction related to various disputed claim terms and has remanded the case to the ALJ for further proceedings. The ITC has subsequently authorized the ALJ to reopen the record on certain discovery issues related to third party conception documents. The ITC has ordered the ALJ to issue the final Initial Determination by November 9, 2005 and has set a new date of February 9, 2006 for completion of the investigation. The District court action remains stayed pending completion of the ITC investigation.

***Other Matters***

*SEC Investigation*

The Securities and Exchange Commission (“SEC”) has 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 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 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. The SEC has not informed Amkor of any conclusions of wrong doing by any person or entity. Amkor cannot predict the outcome of the investigation. In the event that the investigation leads to SEC action against an officer or director of the Company, our business or the trading price of our common stock may be adversely impacted.

**13. Related Party Transactions**

We are working to place $100.0 million of convertible subordinated notes entirely subscribed by Amkor's chairman and chief executive officer, Mr. James J. Kim, on terms to be approved by a majority of the independent members of the board of directors, and subject to a fairness opinion by a recognized investment banking firm. The entire proceeds will be used to purchase a portion of our 5.75% Convertible Subordinated Notes due June 1, 2006.

Mr. JooHo Kim is an executive officer of Amkor and a brother of Mr. James J. Kim, our Chairman and CEO. Mr. JooHo Kim owns with his children 19.2%, at September 30, 2005, of Anam Information Technology, Inc., a company that provides computer hardware and software components to Amkor Technology Korea, Inc. (a subsidiary of Amkor). For the three months ended September 30, 2005 and 2004, purchases from Anam Information Technology, Inc. were $1.0 million and $0.0 million, respectively. For the nine months ended September 30, 2005 and 2004, purchases from Anam Information Technology, Inc. were $1.6 million and $1.2 million, respectively. Amounts due to Anam Information Technology, Inc. at September 30, 2005, and December 31, 2004 were not significant.

Mr. JooHo Kim, together with his wife and children, own 96.1%, at September 30, 2005, of Jesung C&M, a company that provides cafeteria services to Amkor Technology Korea, Inc. For the three months ended September 30, 2005 and 2004, purchases from Jesung C&M were $1.6 million and $1.6 million, respectively. For the nine months ended September 30, 2005 and 2004, purchases from Jesung C&M were $4.9 million and $4.8 million, respectively. Amounts due to Jesung C&M at September 30, 2005 and December 31, 2004 were $0.5 million and $0.5 million, respectively.

Dongan Engineering Co., Ltd. is 100% owned by Mr. JooCheon Kim, a brother of Mr. James J. Kim. 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., both subsidiaries of Amkor. For the three months ended September 30, 2005 and 2004, purchases from Dongan Engineering Co., Ltd were $0.1 million and $0.4 million, respectively. For the nine months ended September 30, 2005 and 2004, purchases from Dongan Engineering Co., Ltd were $0.5 million and $2.3 million, respectively. Amounts due to Dongan Engineering Co., Ltd. at September 30, 2005 and December 31, 2004 were not significant.

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% at September 30, 2005. For the three months ended September 30, 2005 and 2004, purchases from Acqutek Semiconductor & Technology Co., Ltd. were $3.1 million and $2.2 million, respectively. For the nine months ended September 30, 2005 and 2004, purchases from Acqutek Semiconductor & Technology Co., Ltd. were $8.3 million and $10.2 million, respectively. Amounts due to Acqutek Semiconductor & Technology Co., Ltd. at September 30, 2005 and December 31, 2004 were $1.4 million and $0.0 million, respectively.

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, 2005 and 2004 were $0.0 million and $0.3 million, respectively. Amounts paid for this lease for the nine months ended September 30, 2005 and 2004, were $1.3 million and $0.8 million, respectively. For the three months ended September 30, 2005 and 2004, our sublease income includes $0.1 million and $0.1 million respectively, from related parties. For the nine months ended September 30, 2005 and 2004, our sublease income includes $0.4 million and $0.4 million respectively, from related parties. We vacated a portion of this space in connection with the move of our corporate headquarters to Arizona. In the second quarter of 2005 we paid a lease termination fee of approximately $0.7 million. The sublease income has been assigned to the trusts as part of vacating the office space. We currently lease approximately 2,700 square feet of office space from these trusts.

Table of Contents

### 14. Subsidiary Guarantors

Payment obligations under our senior and senior subordinated notes (see Note 9), totaling $1,344.0 million, are fully and unconditionally guaranteed by certain of our wholly-owned subsidiaries. The subsidiaries that guarantee our senior and senior subordinated notes consist of Unitive, Inc., Unitive Electronics, Inc., Amkor International Holdings, L.L.C., Amkor Technology Limited, P-Four, L.L.C. and Amkor/Anam Pilipinas, L.L.C.

Presented below is condensed consolidating financial information for the parent, Amkor Technology, Inc., the 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 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 significant restrictions on the ability of any guarantor subsidiary to directly or indirectly make distributions to us.

**Condensed Consolidating Balance Sheet**
**September 30, 2005**
**(In thousands)**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash and cash equivalents | $ 71,954 | $ 13,867 | $ 73,697 | $ — | $ 159,518 |
| Accounts receivable | 172,256 | 54,216 | 104,981 | — | 331,453 |
| Inventories | 92,242 | 7,788 | 33,340 | — | 133,370 |
| Other current assets | 4,533 | 1,584 | 27,768 | — | 33,885 |
| Total current assets | 340,985 | 77,455 | 239,786 | — | 658,226 |
| Inter-company | 1,312,160 | (187,156) | (1,125,004) | — | — |
| Property, plant and equipment, net | 44,201 | 312,401 | 1,068,125 | — | 1,424,727 |
| Investments | 597,100 | 224,531 | 823,127 | (1,634,319) | 10,439 |
| Goodwill | 37,188 | 24,288 | 592,479 | — | 653,955 |
| Intangible and other assets | 45,866 | 3,245 | 39,602 | — | 88,713 |
| Total assets | $2,377,500 | $ 454,764 | $ 1,638,115 | $(1,634,319) | $2,836,060 |
| Current liabilities: | | | | | |
| Short term borrowings and current portion of long-term debt | $ 233,867 | $ 5,445 | $ 64,037 | $ — | $ 303,349 |
| Other current liabilities | 180,680 | 50,307 | 187,737 | — | 418,724 |
| Total current liabilities | 414,547 | 55,752 | 251,774 | — | 722,073 |
| Long-term debt | 1,790,479 | — | 17,355 | — | 1,807,834 |
| Other non-current liabilities | 712 | 13,270 | 117,186 | — | 131,168 |
| Total liabilities | 2,205,738 | 69,022 | 386,315 | — | 2,661,075 |
| Minority interest | — | — | 3,223 | — | 3,223 |
| Total stockholders equity | 171,762 | 385,742 | 1,248,577 | (1,634,319) | 171,762 |
| Total liabilities and stockholders equity | $2,377,500 | $ 454,764 | $ 1,638,115 | $(1,634,319) | $2,836,060 |

Table of Contents

**14. Subsidiary Guarantors — (continued)**

**Condensed Consolidating Balance Sheet**
**December 31, 2004**
**(In thousands)**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Current assets: | | | | | |
| Cash and cash equivalents | $ 267,692 | $ 26,217 | $ 78,375 | $ — | $ 372,284 |
| Accounts receivable | 125,927 | 30,835 | 112,733 | — | 269,495 |
| Inventories | 76,162 | 7,614 | 27,840 | — | 111,616 |
| Other current assets | 3,445 | 2,601 | 26,545 | — | 32,591 |
| Total current assets | 473,226 | 67,267 | 245,493 | — | 785,986 |
| Inter-company | 1,163,793 | (88,206) | (1,075,587) | — | — |
| Property, plant and equipment, net | 51,912 | 336,438 | 992,046 | — | 1,380,396 |
| Investments | 776,393 | 355,828 | 860,960 | (1,979,419) | 13,762 |
| Goodwill | 37,188 | 24,280 | 594,584 | — | 656,052 |
| Intangible and other assets | 84,436 | 6,888 | 37,848 | — | 129,172 |
| Total assets | $ 2,586,948 | $ 702,495 | $ 1,655,344 | $ (1,979,419) | $ 2,965,368 |
| Current liabilities: | | | | | |
| Short term borrowings and current portion of long-term debt | $ 14,965 | $ 965 | $ 36,217 | $ — | $ 52,147 |
| Other current liabilities | 177,339 | 32,680 | 176,864 | — | 386,883 |
| Total current liabilities | 192,304 | 33,645 | 213,081 | — | 439,030 |
| Long-term debt | 2,024,244 | — | 16,569 | — | 2,040,813 |
| Other non-current liabilities | 871 | 10,307 | 98,139 | — | 109,317 |
| Total liabilities | 2,217,419 | 43,952 | 327,789 | — | 2,589,160 |
| Minority interest | — | — | 6,679 | — | 6,679 |
| Total stockholders equity | 369,529 | 658,543 | 1,320,876 | (1,979,419) | 369,529 |
| Total liabilities and stockholders equity | $ 2,586,948 | $ 702,495 | $ 1,655,344 | $ (1,979,419) | $ 2,965,368 |

**14. Subsidiary Guarantors — (continued)**

**Condensed Consolidating Statement of Operations**
**For the three months ended September 30, 2005**
**(In thousands)**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 378,005 | $ 141,913 | $ 297,436 | $ (267,713) | $ 549,641 |
| Cost of sales | 337,933 | 125,537 | 260,562 | (264,735) | 459,297 |
| Gross profit (loss) | 40,072 | 16,376 | 36,874 | (2,978) | 90,344 |
| Operating expenses: | | | | | |
| Selling, general and administrative | 23,590 | 16,477 | 22,494 | (2,979) | 59,582 |
| Research and development | (3,286) | 3,207 | 8,949 | — | 8,870 |
| Total operating expenses | 20,304 | 19,684 | 31,443 | (2,979) | 68,452 |
| Operating income (loss) | 19,768 | (3,308) | 5,431 | 1 | 21,892 |
| Other expense (income): | | | | | |
| Interest expense, net | 23,853 | 1,718 | 15,288 | — | 40,859 |
| Foreign currency loss (gain) | 5,226 | (343) | (712) | — | 4,171 |
| Other expense (income), net | 11,851 | (468) | 1,507 | (12,496) | 394 |
| Total other expense (income) | 40,930 | 907 | 16,083 | (12,496) | 45,424 |
| Income (loss) before income taxes and minority interest | (21,162) | (4,215) | (10,652) | 12,497 | (23,532) |
| Minority interest | — | — | 1,250 | — | 1,250 |
| Income (loss) before income taxes | (21,162) | (4,215) | (9,402) | 12,497 | (22,282) |
| Provision (benefit) for income taxes | (1,745) | 80 | (1,200) | — | (2,865) |
| Net income (loss) | $ (19,417) | $ (4,295) | $ (8,202) | $ 12,497 | $ (19,417) |

**14. Subsidiary Guarantors — (continued)**

**Condensed Consolidating Statement of Operations**
**For the three months ended September 30, 2004**
**(In thousands)**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 333,188 | $ 147,834 | $ 244,719 | $ (234,898) | $ 490,843 |
| Cost of sales | 296,535 | 121,591 | 217,296 | (232,346) | 403,076 |
| Gross profit (loss) | 36,653 | 26,243 | 27,423 | (2,552) | 87,767 |
| Operating expenses: | | | | | |
| Selling, general and administrative | 22,432 | 17,435 | 17,787 | (2,551) | 55,103 |
| Research and development | (1,909) | 2,578 | 7,996 | (1) | 8,664 |
| Total operating expenses | 20,523 | 20,013 | 25,783 | (2,552) | 63,767 |
| Operating income (loss) | 16,130 | 6,230 | 1,640 | — | 24,000 |
| Other expense (income): | | | | | |
| Interest expense, net | 23,000 | 707 | 14,368 | — | 38,075 |
| Foreign currency loss (gain) | 975 | (1) | 529 | — | 1,503 |
| Other expense (income), net | 9,472 | 12,190 | (5,496) | (17,004) | (838) |
| Total other expense (income) | 33,447 | 12,896 | 9,401 | (17,004) | 38,740 |
| Income (loss) before income taxes and minority interest | (17,317) | (6,666) | (7,761) | 17,004 | (14,740) |
| Minority interest | — | 9 | (1,275) | — | (1,266) |
| Income (loss) before income taxes | (17,317) | (6,657) | (9,036) | 17,004 | (16,006) |
| Provision (benefit) for income taxes | 5,017 | 1,624 | (313) | — | 6,328 |
| Net income (loss) | $ (22,334) | $ (8,281) | $ (8,723) | $ 17,004 | $ (22,334) |

**14. Subsidiary Guarantors — (continued)**

**Condensed Consolidating Statement of Operations**
**For the nine months ended September 30, 2005**
**(In thousands)**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 989,778 | $ 376,416 | $ 796,650 | $ (706,387) | $ 1,456,457 |
| Cost of sales | 886,446 | 357,350 | 709,597 | (697,173) | 1,256,220 |
| Gross profit (loss) | 103,332 | 19,066 | 87,053 | (9,214) | 200,237 |
| Operating expenses: | | | | | |
| Selling, general and administrative | 89,771 | 40,906 | 65,450 | (9,214) | 186,913 |
| Research and development | (2,114) | 7,553 | 22,255 | — | 27,694 |
| Provision for legal settlements and contingencies | 50,000 | — | — | — | 50,000 |
| Total operating expenses | 137,657 | 48,459 | 87,705 | (9,214) | 264,607 |
| Operating income (loss) | (34,325) | (29,393) | (652) | — | (64,370) |
| Other expense (income): | | | | | |
| Interest expense, net | 72,242 | 4,199 | 46,326 | — | 122,767 |
| Foreign currency loss (gain) | 5,530 | 22 | (922) | — | 4,630 |
| Other expense (income), net | 79,645 | 22,301 | 25,086 | (124,397) | 2,635 |
| Total other expense (income) | 157,417 | 26,522 | 70,490 | (124,397) | 130,032 |
| Income (loss) before income taxes and minority interest | (191,742) | (55,915) | (71,142) | 124,397 | (194,402) |
| Minority interest | — | — | 3,187 | — | 3,187 |
| Income (loss) before income taxes | (191,742) | (55,915) | (67,955) | 124,397 | (191,215) |
| Provision (benefit) for income taxes | (852) | 1,065 | (538) | — | (325) |
| Net income (loss) | $ (190,890) | $ (56,980) | $ (67,417) | $ 124,397 | $ (190,890) |

Table of Contents

**14. Subsidiary Guarantors — (continued)**

**Condensed Consolidating Statement of Operations**
**For the nine months ended September 30, 2004**
**(In thousands)**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $954,937 | $ 465,769 | $ 742,106 | $ (714,787) | $ 1,448,025 |
| Cost of sales | 864,400 | 366,779 | 629,156 | (706,700) | 1,153,635 |
| Gross profit (loss) | 90,537 | 98,990 | 112,950 | (8,087) | 294,390 |
| Operating expenses: | | | | | |
| Selling, general and administrative | 88,661 | 31,534 | 52,416 | (8,086) | 164,525 |
| Research and development | 3,004 | 5,470 | 19,068 | (1) | 27,541 |
| Provision for legal settlements and contingencies | 1,500 | — | — | — | 1,500 |
| Total operating expenses | 93,165 | 37,004 | 71,484 | (8,087) | 193,566 |
| Operating income (loss) | (2,628) | 61,986 | 41,466 | — | 100,824 |
| Other expense (income): | | | | | |
| Interest expense, net | 64,440 | 1,814 | 41,471 | — | 107,725 |
| Foreign currency loss (gain) | 1,962 | (89) | 2,340 | — | 4,213 |
| Other expense (income), net | (75,545) | 13,911 | (59,161) | 96,213 | (24,582) |
| Total other expense (income) | (9,143) | 15,636 | (15,350) | 96,213 | 87,356 |
| Income (loss) before income taxes and minority interest | 6,515 | 46,350 | 56,816 | (96,213) | 13,468 |
| Minority interest | — | 9 | (1,630) | — | (1,621) |
| Income (loss) before income taxes | 6,515 | 46,359 | 55,186 | (96,213) | 11,847 |
| Provision (benefit) for income taxes | 7,959 | 3,374 | 1,958 | — | 13,291 |
| Net income (loss) | $ (1,444) | $ 42,985 | $ 53,228 | $ (96,213) | $ (1,444) |

**14. Subsidiary Guarantors — (continued)**

**Condensed Consolidating Statement of Cash Flows**
**For the nine months ended September 30, 2005**
**(In thousands)**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash flows (used in) provided by operating activities | $ (47,786) | $ (58,212) | $ 102,705 | $ — | $ (3,293) |
| Cash flows from investing activities: | | | | | |
| Payments for plant, property and equipment | (6,041) | (27,734) | (192,667) | — | (226,442) |
| Other investing activities | (153,379) | (2,585) | (21,096) | 177,590 | 530 |
| Net cash used in investing activities | (159,420) | (30,319) | (213,763) | 177,590 | (225,912) |
| Cash flows from financing activities: | | | | | |
| Net change in bank overdrafts and revolving credit facility | (102) | 5,300 | 5,383 | — | 10,581 |
| Proceeds from issuance of long-term debt | — | — | 43,586 | — | 43,586 |
| Payments on long-term debt | (15,517) | (819) | (21,700) | — | (38,036) |
| Net proceeds from issuance of common stock | 2,738 | — | — | — | 2,738 |
| Other financing activities | 24,389 | 71,700 | 81,501 | (177,590) | — |
| Net cash provided by (used in) financing activities | 11,508 | 76,181 | 108,770 | (177,590) | 18,869 |
| Effect of exchange rate fluctuations on cash and cash equivalents | (40) | — | (2,390) | — | (2,430) |
| Net change in cash and cash equivalents | (195,738) | (12,350) | (4,678) | | (212,766) |
| Cash and cash equivalents, beginning of period | 267,692 | 26,217 | 78,375 | — | 372,284 |
| Cash and cash equivalents, end of period | $ 71,954 | $ 13,867 | $ 73,697 | $ — | $ 159,518 |

Table of Contents

**14. Subsidiary Guarantors — (continued)**

**Condensed Consolidating Statement of Cash Flows**
**For the nine months ended September 30, 2004**
**(In thousands)**

| | Parent | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net cash flows (used in) provided by operating activities | $(191,410) | $ 181,528 | $ 242,089 | $ — | $ 232,207 |
| Cash flows from investing activities: | | | | | |
| Payments for plant, property and equipment | (8,572) | (119,451) | (278,206) | — | (406,229) |
| Acquisitions, net of cash acquired | (13,963) | (11,603) | (37,972) | — | (63,538) |
| Proceeds from sale of investments | 49,409 | — | | — | 49,409 |
| Proceeds from note receivable | — | — | 18,627 | — | 18,627 |
| Other investing activities | (84,519) | (34,559) | (13,027) | 139,128 | 7,023 |
| Net cash used in investing activities | (57,645) | (165,613) | (310,578) | 139,128 | (394,708) |
| Cash flows from financing activities: | | | | | |
| Net change in bank overdraft and revolving credit facility | 4,115 | — | 993 | — | 5,108 |
| Proceeds from issuance of long-term debt | 263,771 | (14,640) | 3,044 | — | 252,175 |
| Payments for debt issuance costs | (4,059) | — | — | — | (4,059) |
| Payments on long-term debt, including redemption premium payment | (170,445) | (292) | (7,366) | — | (178,103) |
| Net proceeds from issuance of common stock | 6,394 | — | — | — | 6,394 |
| Other financing activities | 49,351 | 3,000 | 86,777 | (139,128) | — |
| Net cash provided by (used in) financing activities | 149,127 | (11,932) | 83,448 | (139,128) | 81,515 |
| Effects of exchange rate fluctuations on cash and cash equivalents | — | — | (962) | — | (962) |
| Net change in cash and cash equivalents | (99,928) | 3,983 | 13,997 | — | (81,948) |
| Cash and cash equivalents, beginning of period | 203,840 | 26,190 | 83,229 | — | 313,259 |
| Cash and cash equivalents, end of period | $ 103,912 | $ 30,173 | $ 97,226 | $ — | $ 231,311 |

**15. Subsequent Events**

In October 2005, we sold Amkor Test Services, a specialty test operation based in Wichita, Kansas. The selling price was $8.2 million, which included a $6.9 million cash payment at closing and a note in the amount of $1.3 million. We will recognize a pre-tax gain of approximately $4.4 million in the fourth quarter in connection with this sale.

**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: (1) the condition and growth of the industry in which we operate, including trends toward increased outsourcing, reductions in inventory and demand and selling prices for our services, (2) our anticipated capital expenditures and financing needs, (3) our belief as to our future capacity utilization rates, revenue, gross margins, operating performance and liquidity, (4) our contractual obligations and (5) 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," 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." The following discussion provides information and analysis of our results of operations for the three and nine months ended September 30, 2005 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.

### Company Overview

Amkor is one of the world's largest subcontractors of semiconductor packaging and test services. The company has built a leading position by:

- Providing a broad portfolio of packaging and test technologies and services;
- Maintaining a leading role in the design and development of new package and test technologies;
- Cultivating long-standing relationships with customers, including many of the world's leading semiconductor companies;
- Developing expertise in high-volume manufacturing; and
- Diversifying our operational scope by establishing production capabilities in China, Japan, Taiwan and Singapore, in addition to long-standing capabilities in Korea and the Philippines.

The semiconductors that we package and test for our customers ultimately become components in electronic systems used in communications, computing, and consumer, industrial, automotive and military applications. Our customers include, among others, Agilent Technologies, Altera Corp., Freescale Semiconductor, Inc., IBM Corporation, Intel Corporation, Samsung Electronics Corporation LTD, Sony Corporation, ST Microelectronics PTE, Texas Instruments Inc. and Toshiba Corporation. The outsourced semiconductor packaging and test market is very competitive. We also compete with the internal semiconductor packaging and test capabilities of many of our customers, some of whom can use us as a source of overflow capacity.

Packaging and test are an integral part of the semiconductor manufacturing process. Semiconductor manufacturing begins with silicon wafers and involves the fabrication of electronic circuitry into complex patterns, thus creating individual chips on the wafers. The packaging process creates an electrical interconnect between the semiconductor chip and the system board. In packaging, the fabricated semiconductor wafers are cut into individual chips which are then attached to a substrate and encased in a protective material to provide optimal electrical and thermal performance. Increasingly, packages are custom designed for specific chips and specific end-market applications. The packaged chips are then tested using sophisticated equipment to ensure that each packaged chip meets its design specifications.

**Risk Factors That May Affect Future Operating Performance**

Our future results of operations involve a number of risks and uncertainties. Factors that could affect future results and cause actual results to vary materially from historical results include, but are not limited to, dependence on the highly cyclical nature of the semiconductor industry, fluctuation in operating results, the decline in average selling prices, our high leverage and the restrictive covenants contained in the agreements governing our indebtedness, the absence of significant backlog in our business, our dependence on international operations and sales, difficulties integrating acquisitions, our dependence on materials and equipment suppliers, capital expenditure requirements, the increased litigation incident to our business, rapid technological change, competition, our need to comply with existing and future environmental regulations, the enforcement of intellectual property rights by or against us and continued control by existing stockholders.

Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. We cannot assure you that any of the events contemplated by the risks above will not occur. If they do, our business, financial condition, results of operations or cash flows could be materially adversely affected (see Part I, Item 3. - Quantitative and Qualitative Disclosures about Market Risk).

**Results of Operations**

**Overview**

Sales for the third quarter of 2005 were up 12.3% sequentially and up 12.0% from the third quarter of 2004. Gross margin for the three months ended September 30, 2005 was lower than the prior periods of 2004 due to the impact of an increased fixed cost structure attributable to our 2004 capacity expansion and growth initiatives, and higher labor and utility costs. Our average selling prices in the third quarter of 2005 increased over the second quarter of 2005, as compared to our normal quarter-to-quarter decline, as the tightened industry capacity has allowed us to pass on cost increases to our customers and we've experienced an improved product mix. Third quarter margins rose to 16.4% from 13.6% in the second quarter, however, the increase in gross margins was partially offset by $7.3 million in charges in the third quarter associated with manufacturing cost reductions in Japan and the closing of a Korean subsidiary that supplied packaging equipment to our Korean and Philippine operations. We expect these cost reduction actions to result in savings of around $3.0 million per quarter over the next four quarters. The benefits from the cost reductions will be offset by the continued effects of the increased cost structure until we realize the revenue growth we anticipate from these investments.

Third quarter SG&A expenses decreased by $7.3 million over the second quarter. This decrease is due to a significant reduction in legal and professional fees and other expenses, partially offset by $0.7 million in severance related costs for corporate staff reductions. We anticipate these reductions to result in annual savings of around $3.0 million. SG&A expenses for 2005 are higher than 2004 due to the inclusion of locations acquired late in the third quarter of 2004 and the ramp of operations at the acquired businesses and existing factories to meet customer demand.

Our 2005 first quarter results were significantly impacted by $50.0 million in charges related to the settlements of two mold compound litigation cases and the establishment of a loss provision for the remaining two cases, one of which was settled in the third quarter of 2005. As part of a broader settlement agreement reached among Fujitsu, Cirrus Logic Inc. and Sumitomo Bakelite Co., we agreed to pay Fujitsu $40.0 million in consideration of a release of all claims. In addition, as part of a broader settlement reached among all parties in the Seagate case, and in consideration of a release of all claims, we agreed to pay Seagate $5.0 million. In August 2005, we reached an agreement with Fairchild and the Sumitomo Bakelite Defendants to settle all claims involving us in this litigation. We agreed to pay $3.0 million to Fairchild and to release our claims against Sumitomo Bakelite in consideration of a release from and dismissal of all claims against us. The $3.0 million is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005. The $3.0 million payment was made during the third quarter of 2005. A $2.0 million loss contingency remains in connection with the final epoxy mold litigation case which we believe involves substantially smaller damage claims than the Fujitsu case. We will not realize any tax benefit from these charges as we currently establish a full valuation allowance for our domestic net operating loss carry-forwards and other deferred tax assets.

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, | |
|---|---|---|---|---|
| | 2005 | 2004 | 2005 | 2004 |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Gross profit | 16.4 | 17.9 | 13.8 | 20.3 |
| Operating income (loss) | 4.0 | 4.9 | (4.4) | 7.0 |
| Income (loss) before income taxes and minority interest | (4.3) | (3.0) | (13.3) | .9 |
| Net loss | (3.5) | (4.6) | (13.1) | (0.1) |

Our board of directors has authorized management to proceed with several financing initiatives to address liquidity requirements. Please refer to the Liquidity and Resources section below.

**Three Months Ended September 30, 2005 Compared to Three Months Ended September 30, 2004**

*Net sales*: Sales increased $58.8 million or 12.0% to $549.6 million in the three months ended September 30, 2005 from $490.8 million in the three months ended September 30, 2004. Approximately 74.2% of the increase was attributed to a increase in overall unit volume. In addition, average selling prices for the three months ended September 30, 2005 increased approximately 3.8% as compared to average selling prices in the three months ended September 30, 2004 due to the constraints on industry capacity.

*Gross Profit:* Gross profit increased $2.5 million, or 2.9% to a gross profit of $90.3 million in the three months ended September 30, 2005 from $87.8 million in the three months ended September 30, 2004. Our cost of sales consists principally of costs of materials, labor and manufacturing overhead.

Gross margin decreased to 16.4% in the three months ended September 30, 2005 from 17.9% in the three months ended September 30, 2004. The decrease in gross profit margin of 1.5% is due to the increased fixed cost structure attributable to the capacity expansion and higher manufacturing labor and utility costs. Cost of sales increased 13.9% for the three months ended September 30, 2005 versus the three months ended September 30, 2004. Material costs rose 12.6% due to increased costs for gold, oil, copper and other components used in our operations. Manufacturing overhead increased 12.7% due to increased depreciation expense associated with the significant capital additions in 2004 and 2005, higher repair and maintenance charges and higher utility costs. Labor increased approximately 18.8% due to higher factory wages, increased headcount, increased use of overtime to manage production peaks and the charges for cost reductions in Japan and the closing of a Korean subsidiary described above. In addition, both labor and manufacturing overhead include costs associated with the ramp of the businesses acquired in 2004 in preparation for anticipated increasing production volumes in the fourth quarter of 2005.

*Selling, General and Administrative Expense:* Selling, general and administrative expenses increased $4.5 million, or 8.1%, to $59.6 million or 10.8% of net sales, in the three months ended September 30, 2005 from $55.1 million or 11.2% of net sales, in the three months ended September 30, 2004. For the three months ended September 30, 2005 salaries increased $2.5 million due to merit raises and increased headcount at our factories. The remaining increase is due to inclusion of a full quarter of entities acquired late in the third quarter of 2004.

*Research and Development:* Research and development expenses were $8.9 million for the three months ended September 30, 2005 and $8.7 million for the three months ended September 30, 2004, or 1.6% and 1.8% of net sales, respectively. We continue to invest our research and development resources to further the development of flip chip interconnection solutions, chip scale packages, MEMS-based packages, stacked chip packages and System-in-Package technology.

*Other Expense:* Other expense increased $6.7 million to $45.4 million for the three months ended September 30, 2005 from $38.7 million for the three months ended September 30, 2004. Interest expense, net of interest income, increased by $2.8 million due to higher interest rates on our variable rate debt. In addition, we realized a net foreign currency loss of $4.2 million during the three months ended September 30, 2005 due to the strengthening of the U.S. dollar against the various Asian currencies as compared to a loss of $1.5 million for the three months ended September 30, 2004.

*Income Taxes:* For the three months ended September 30, 2005, our income tax benefit was ($2.9 million) reflecting an effective tax rate of (12.2%), compared to $6.3 million of income tax expense for the three months ended September 30, 2004, reflecting an effective tax rate of 42.9%. The income tax benefit for the three months ended September 30, 2005 was driven by a $2.4 million net tax benefit realized as a result of finalization of our Internal Revenue Service (“IRS”) audits of our U.S. federal income tax returns for the years 2000 and 2001 and lower forecasted taxes in Japan due principally to charges related to manufacturing overhead reductions. These benefits are partially offset by foreign withholding taxes and income taxes at our profitable foreign locations. Our tax expense for the three months ended September 30, 2004 was driven primarily by a tax provision of $6.5 million recorded in connection with new guidance issued by tax authorities in the third quarter of 2004 relating to certain of our foreign operations.

We recorded a valuation allowance for substantially all of our deferred tax assets, including net operating losses generated in the U.S. and certain foreign jurisdictions during the three months ended September 30, 2005, as we do not believe that we will be able to realize the related income tax benefits. We will begin to reverse the related valuation allowance once profitable operations resume at our various locations. As of September 30, 2005, we had U.S. net operating loss carry-forwards totaling $453.4 million expiring through 2025. Additionally, as of September 30, 2005, our Taiwan, Singapore, and Philippines operations had $74.1 million, $8.2 million, and $4.2 million respectively, of net operating losses available for carry-forward, expiring through 2010.

The tax returns for open years in all jurisdictions in which we do business are subject to changes upon examination. During 2003, the IRS commenced an examination related of our U.S. federal income tax returns to years 2000 and 2001. In September 2005, the Congressional Joint Committee on Taxation approved the settlement of our IRS examination of the years 2000 and 2001. As a component of the settlement, we agreed to make certain income adjustments to our U.S. federal income tax returns in the years 2000 through 2003 for local attribution of income resulting from inter-company transactions, including ownership and use of intellectual property, in various U.S. and foreign jurisdictions. The IRS' adjustments for the years 2000 and 2001 lowered our U.S. net operating loss carry-forwards at December 31, 2004 by $29.2 million. As a result of the finalization of this IRS examination, we reduced our U.S. deferred tax assets by $25.0 million and our U.S. accrued income taxes by $27.4 million, resulting in a tax benefit of $2.4 million during the three months ended September 30, 2005.

During 2005, the IRS also commenced an examination of our U.S. federal income tax returns relating to years 2002 and 2003. The IRS is performing a limited scope examination, primarily reviewing inter-company transfer pricing and cost-sharing issues carried over from the 2000 and 2001 examination cycle. There will be no impact to our consolidated statements of operations as a result of decreasing our U.S. net operating loss carry-forwards as we carry a full valuation allowance against our deferred tax assets.

Our estimated tax liability is subject to change as examinations of specific tax years are completed in the respective jurisdictions. We believe that any additional taxes or related interest over the amounts accrued will not have a material adverse effect on our financial condition or results of operations or cash flows. Additionally, we do not expect that examinations to be completed in the near term would have a material favorable impact. Changes in the mix of income from our foreign subsidiaries, expiration of tax holidays and changes in tax laws or regulations could result in increased effective tax rates in the future.

**Nine Months Ended September 30, 2005 Compared to Nine Months Ended September 30, 2004**

*Net Sales*: Sales increased $8.5 million or 0.6% to $1,456.5 million in the nine months ended September 30, 2005 from $1,448.0 million in the nine months ended September 30, 2004. Average selling prices for the nine months ended September 30, 2005 declined 4.0% as compared to average selling prices in the nine months ended September 30, 2004 and volume dropped 4.2% for the nine months ended September 30, 2005 as compared to volume for the nine months ended September 30, 2004. The decrease in sales volume and average selling prices was offset by a favorable product mix.

*Gross Profit:* Gross profit decreased $94.2 million, or 32.0% to a gross profit of $200.2 million in the nine months ended September 30, 2005 from $294.4 million in the nine months ended September 30, 2004. Our cost of sales consists principally of costs of materials, labor and manufacturing overhead.

Gross margin decreased to 13.8% in the nine months ended September 30, 2005 from 20.3% in the nine months ended September 30, 2004. The decrease in gross profit margin of 6.6% is due to the decrease in overall unit volume, erosion in average selling prices and higher manufacturing costs. Cost of sales increased 8.9% for the nine months ended September 30, 2005 versus the nine months ended September 30, 2004. Manufacturing overhead increased due to increased depreciation expense associated with the significant capital additions in 2004 and 2005 and higher utility costs. Labor costs were impacted by higher factory wages and increased overtime in the second and third quarter of 2005. In addition, both labor and manufacturing overhead include costs associated with the ramp of the businesses acquired in 2004 in preparation for anticipated increasing production volumes in the fourth quarter of 2005.

*Selling, General and Administrative Expenses*: Selling, general and administrative expenses increased $22.4 million, or 13.6%, to $186.9 million, or 12.8% of net sales, in the nine months ended September 30, 2005 from $164.5 million, or 11.4% of net sales, in the nine months ended September 30, 2004. Compensation costs increased $13.7 million due to additional headcount to support increased production capacity, merit raises as well as foreign exchange. In addition, we paid $0.7 million to settle our remaining lease obligation for office space we vacated in the second quarter of 2005 which supported our former corporate offices and accrued $1.3 million for foreign business taxes. The remaining increase of approximately $6.7 million is due to general business activity to support our overall business growth.

*Provision for Legal Settlements and Contingencies:* For the nine months ended September 30, 2005 we recorded a $50.0 million provision for legal settlements and contingencies related to the mold compound litigation, as discussed in the Overview above. For the nine months ended September 30, 2004, we recorded a provision of $1.5 million related to a tentative settlement on a mold compound litigation case (see Part II, Item 1. — Legal Proceedings for further discussion).

*Research and Development:* Research and development expenses were $27.7 million for the nine months ended September 30, 2005 and $27.6 million for the nine months ended September 30, 2004, or 2.0% of net sales for both periods. We continue to invest our research and development resources to further the development of flip chip interconnection solutions, chip scale packages, MEMS-based packages, stacked chip packages and System-in-Package technology.

*Other Expense:* Other expense increased $42.6 million to $130.0 million for the nine months ended September 30, 2005 from $87.4 million for the nine months ended September 30, 2004. Interest expense, net of interest income, increased $15.0 million as a result of additional debt in 2005, higher interest rates on our variable rate debt and a reduction of interest earning cash deposits and investments. Other expense (income), net, was $2.6 million in expense for the nine months ended September 30, 2005 as compared to $24.6 million of income for the nine months ended September 30, 2004. Other expense, net for nine months ended September 30, 2005 reflects a $3.0 million impairment of our ASI investment as the decline in value was considered to be other than temporary. Other income, net for the nine months ended September 30, 2004 reflects a $21.6 million gain on the sale of ASI shares and a $3.4 million legal settlement gain related to our claims against a software vendor. In addition, we incurred $2.7 million of debt retirement costs associated with our refinancing in the first quarter of 2004.

*Income Taxes:* For the nine months ended September 30, 2005, we recorded income tax benefit of ($0.3 million) reflecting an effective tax rate of (0.2%), as compared to an income tax expense of $13.3 million for the nine months ended September 30, 2004, reflecting an effective tax rate of 98.7%. The income tax benefit for the nine months ended September 30, 2005 was driven by a $2.4 million net tax benefit relating to the finalization of our Internal Revenue Service audits of our U.S. federal income tax returns for the years 2000 and 2001, offset by foreign withholding taxes and income taxes at our profitable foreign locations. Our tax expense for the nine months ended September 30, 2004 related primarily to foreign withholding taxes, income taxes at our profitable foreign locations, and a tax provision of $6.5 million recorded in connection with new guidance issued by tax authorities in the third quarter of 2004 relating to certain of our foreign operations.

We recorded a valuation allowance for substantially all of our deferred tax assets, including net operating losses generated in the U.S. and certain foreign jurisdictions during the nine months ended September 30, 2005, as we do not believe that we will be able to realize the related income tax benefits. We will begin to reverse the related valuation allowance once profitable operations resume at out various locations.

**Liquidity and Capital Resources**

Our primary cash needs are for debt service, capital expenditures and working capital. Our cash and cash equivalents balance as of September 30, 2005 was $159.5 million, and we had $29.7 million available under our $30.0 million senior secured revolving credit facility. The amount available under our senior secured revolving credit facility at September 30, 2005 was reduced by $0.3 million related to outstanding letters of credit. The cash balance at September 30, 2005 reflects the increased liquidity associated with approximately $31.0 million of proceeds from an interim financing deal with a group of Taiwanese banks in connection with a syndication loan discussed above. Cash flows from operations for the nine months ended September 30, 2005 were negative due to the fact that gross profit generated during this period was inadequate to cover operating expenses which included the $48.0 million in legal settlements we paid during the second and third quarters of 2005, as described in the Results of Operations above.

In order to improve liquidity, our board of directors has authorized management to proceed with several financing initiatives:

- We are working to place $100.0 million of convertible subordinated notes entirely subscribed by Amkor's chairman and chief executive officer, Mr. James J. Kim, on terms to be approved by a majority of the independent members of the board of directors, and subject to a fairness opinion by a recognized investment banking firm. The entire proceeds will be used to purchase a portion of our 5.75% Convertible Subordinated Notes due June 1, 2006.

- We are in negotiations to replace our existing $30.0 million revolving credit facility with a $100.0 million first-lien revolving lending facility. The new revolver would be contingent upon completion of the private financing with Mr. James J. Kim and would be available, if needed, to retire our 2006 convertible notes at maturity.
- We are in negotiations to raise approximately $100.0 million in Asia to support our cash requirements, including capital expenditures, in that region. During the third quarter, we received NT$1.0 billion (approximately $31.0 million) from an interim financing with a group of Taiwanese banks in connection with the syndication of a NT$1.8 billion (approximately $53.0 million) secured term loan. The syndication should be completed by early December, at which point the interim financing would be repaid.

Our $233.0 million of 5.75% Convertible Subordinated Notes mature on June 1, 2006 at which time we will be required to repay the principal amount outstanding at that time. Assuming we are able to successfully complete the financing initiatives described above that would partially be used to repay the 2006 notes, we believe that our existing cash balances, available credit lines, cash flow from operations and available equipment lease financing will be sufficient to fund our debt service, working capital and equipment purchases over the next twelve months.

If we are not able to complete the contemplated financing transactions, we cannot assure you that funds to refinance the 5.75% Convertible Subordinated Notes or our other outstanding debt will be available when we need it or, if available, that it will be available on satisfactory terms. In addition, the terms of the senior notes and senior subordinated notes significantly reduce our ability to incur additional debt. Failure to obtain any such required additional financing could have a material adverse effect on us. In May, August and November 2005 our liquidity and debt ratings were lowered reflecting heightened liquidity concerns and weak operating results. In addition, the sufficiency of our available cash is dependent on our business performing in line with our current expectations. The performance of our business is dependent on many factors and subject to risks and uncertainties as discussed under Risk Factors that May Affect Future Operating Performance (see Part I, Item 3. — Quantitative and Qualitative Disclosures about Market Risk).

In the first quarter of 2006, we intend to exercise our option to purchase the remaining interest of approximately 40.0% in Unitive Semiconductor Taiwan Corporation ("UST") that we do not currently own. The price is determined by a formula in the original purchase contract that is based on UST's balance sheet as of December 31, 2005 and is capped at approximately $18.0 million.

**Cash Flows**

Net cash provided by (used in) operating, investing and financing activities for the nine months ended September 30, 2005 and 2004 were as follows:

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2005 | 2004 |
| | (In thousands) | |
| Operating activities | $ (3,293) | $ 232,207 |
| Investing activities | (225,912) | (394,708) |
| Financing activities | 18,869 | 81,515 |

*Operating activities:* Our cash flows from operating activities for the nine months ended September 30, 2005 decreased $235.5 million. Our cash flows from operating activities decreased as a result of a decrease in net income of $189.5 million over the comparable prior year period as discussed above in Results of Operations. Our trade receivables increased by $59.5 million due to the increase in sales as compared to the fourth quarter of 2004 and our days sales outstanding increased by 2 days due to slower payments by our customers. In addition, our accounts payable increased by $76.0 million as a result of extending payment terms with our suppliers to more closely align our payment terms with payments from our customers. Accrued liabilities decreased by $44.1 million primarily as a result of reversing accrued income taxes associated with an IRS settlement, a $17.3 million final installment payment for a manufacturing facility in Taiwan which we purchased in 2004 and the $12.5 million final payment in connection with our 2002 acquisition of the BGA assembly division of Citizen Watch Co., Ltd.

*Investing activities:* Our cash flows used in investing activities for the nine months ended September 30, 2005 decreased by $168.8 million over the comparable prior year period primarily due to a $179.8 million decrease in payments for property, plant and equipment from $406.2 million in the nine months ended September 30, 2004 to $226.4 million in the nine months ended September 30, 2005 as 2004 included the acquisition of the IBM and Unitive business assets as described in our Form 10-K/A for year ended December 31,2004. In addition, during the nine months ended September 30, 2004 we paid $34.0 million related to business acquisitions. The cash outflows during the nine months ended September 30, 2004 were offset by cash proceeds from the collection of an $18.6 million note receivable and an increase of proceeds from our net sales of investments and fixed assets of $56.4 million.

*Financing activities:* Our net cash provided by financing activities for the nine months ended September 30, 2005 was $18.9 million, as compared to $81.5 million of cash provided by financing activities for the nine months ended September 30, 2004. The net cash flows from financing activities for 2004 reflect the March 2004 issuance of $250.0 million of senior notes due 2011. The net proceeds to us were $245.2 million and these proceeds were used to repay the balance outstanding under our senior secured term loan of $168.7 million. During the third quarter of 2005, we received NT$1.0 billion (approximately $31.0 million) in proceeds of the Taiwanese bridge loan discussed above.

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 and our definition of free cash flow may not be comparable to similar companies. We believe free cash flow provides our investors and analysts useful information to analyze our liquidity and capital resources.

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2005 | 2004 |
| | (In thousands) | |
| Net cash (used in) provided by operating activities | $ (3,293) | $ 232,207 |
| Less: Payments for property, plant and equipment | (226,442) | (406,229) |
| Free cash flow | $ (229,735) | $ (174,022) |

**Debt and Related Covenants**

Debt remained relatively flat at $2,111.2 million as of September 30, 2005 compared to $2,093.0 million at December 31, 2004. During the second quarter of 2005 one of our Taiwanese subsidiaries entered into a one year revolving line of credit agreement for borrowings up to NT$60.0 million (approximately $1.9 million) and a new term debt agreement in the amount of NT$400.0 million (approximately $12.7 million) which was used to repay existing term debt. In addition, we received NT$1.0 billion (approximately $31.0 million) in proceeds from a group of Taiwanese banks representing interim financing in connection with the syndication of a NT$1.8 billion (approximately $53.0 million) secured term loan. The syndication should be completed by early December, at which point the interim financing would be repaid.

In September 2005 our Philippine subsidiary entered into a one year revolving line of credit for general working capital purposes. The revolving line of credit is due in the third quarter of 2006 and we expect to extend the agreement or refinance the amount owed. As of September 30, 2005 there was $5.3 million outstanding under the revolving line of credit.

We were in compliance with all debt covenants contained in our loan agreements at September 30, 2005, and have met all debt payment obligations. Additional details about our debt are available in Note 9 accompanying the unaudited condensed consolidating financial statements included within Part I, Item 1 of this report.

**Capital Additions**

Our third quarter capital additions were $71.0 million and we have budgeted fourth quarter capital additions of approximately $65.0 million. We expect that our full year 2005 capital additions will be approximately $300.0 million. Ultimately, the amount of our 2005 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 financing. The following table reconciles our activity related to property, plant and equipment payments as presented on the condensed consolidated statements of cash flows to property, plant and equipment additions as reflected in the balance sheets:

| | For the Nine Months Ended September 30, | |
|---|---|---|
| | 2005 | 2004 |
| | (In thousands) | |
| Payments for property, plant and equipment | $ 226,442 | $ 406,229 |
| Increase (decrease) in property, plant and equipment accounts payable and accrued liabilities, net | 7,243 | (38,151) |
| Property, plant and equipment additions | $ 233,685 | $ 368,078 |

**Off-Balance Sheet Arrangements**

We had no off-balance sheet guarantees or other off-balance sheet arrangements as of September 30, 2005.

**Contingencies, Indemnifications and Guarantees**

Details about the company's contingencies, indemnifications and guarantees are available in Note 12 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, 2004. During the nine months ended September 30, 2005, 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 unaudited condensed consolidated financial statements within Part I, Item 1 of this report.

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

**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 report. For more information regarding the forward-looking statements contained in this report, see the introductory paragraph to Part I, Item 2 of this report. You should carefully consider the risks and uncertainties described below together with all of the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing Amkor. Additional risks and uncertainties not presently known to us also may impair our business operations. The occurrence of any of the following risks could affect our business, financial condition or results of operations.*

**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 highly cyclical. 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 the personal computer and telecommunication devices industries, could have a material adverse effect on our business and operating results. We recently experienced a downturn in the semiconductor industry, which negatively impacted our revenues and margins causing net losses. A significant portion of our operating expenses is relatively fixed in nature, and planned expenditures are based in part on anticipated customer orders, which are difficult to estimate. 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, Inc. and Unitive Semiconductor Taiwan Corporation in August 2004. Our customers' aggregate forecasts have strengthened for the remainder of 2005; however we cannot predict if this forecasted demand will materialize. If industry conditions do not improve, we could sustain significant losses, 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 revenues, 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 dependent upon 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. During the nine months ended September 30, 2005 our revenues, gross margins, operating income and cash flows have fluctuated significantly as a result of the following factors over which we have little or no control and which we expect to continue to impact our business:

- fluctuation in demand for semiconductors and conditions in the semiconductor industry;
- changes in our capacity utilization;
- declines 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 that impact our operations and environmental events such as earthquakes; and
- 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 revenues, 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.

**Declining Average Selling Prices — The Semiconductor Industry Places Downward Pressure on the Prices of Our Products.**

Prices for packaging and test services have 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 and by driving engineering and technological changes in our packaging and test processes which resulted in reduced manufacturing costs. During 2004, as compared to 2003, the decline in average selling prices eroded margins by 7.0%. We experienced additional erosion in average selling prices of 4.0% during the nine months ended September 30, 2005. We expect continued downward pressure on average selling prices for our packaging and test services in the future partially offset by selective price increases in the near term. If our semiconductor package mix does not shift to new technologies with higher prices or we cannot reduce the cost of our packaging and test services to offset a decline in average selling prices, our future operating results will suffer. In addition, we cannot predict customer response to attempts to raise prices to cover additional costs and we may lose business.

**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, 2005, our total debt balance was $2,111.2 million. In addition, despite current debt levels, the terms of the indentures governing our indebtedness do not prohibit us or our subsidiaries from incurring substantially more debt. 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. 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 prior to default. A default under one debt instrument may also trigger cross-defaults under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

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.

*Ability to Service Debt and Fund Other Liquidity Needs*. We cannot assure you that our business will generate cash in an amount sufficient to enable us to service our debt or to fund our other liquidity needs, and if we fail to do so, our business could be materially and adversely affected. Our cash and cash equivalents balance as of September 30, 2005 was $159.5 million. Of our total debt balance as of September 30, 2005 of $2,111.2 million, $303.3 million represented short-term borrowings and the current portion of long-term debt. We have $233.0 million and $146.4 million of debt due in 2006 and 2007, respectively. We are pursuing alternatives authorized by our board of directors to repay or refinance these specific obligations. If we are unable to complete the contemplated financings, and if we are unable to generate sufficient cash to service our existing or new debt or to fund our other liquidity needs, we may need to raise additional financing. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all.

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

Our packaging and test business does not typically operate with any material backlog. Our quarterly net revenues 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 addition, our customers often reduce, cancel or delay their purchases of packaging and test services. Recently, our customers' demand for our services has increased and their forecasts have strengthened for the remainder of 2005; 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 have been unable to adjust costs in a timely manner to compensate for the revenue shortfall, which has adversely affected our margins, operating results and cash flows. If customer demand does not materialize, our revenues, margins, operating results and cash flows will be materially and adversely affected.

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

We provide packaging and test services through our factories and other operations located in 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 manufacturing, 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, manufacturing 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 would 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. 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. Such agreements may be terminated at the option of either party with 90-days written notice. Our business may be harmed if we cannot obtain materials and other supplies from our vendors: (1) in a timely manner, (2) in sufficient quantities, (3) in acceptable quality or (4) at competitive prices.

The average price of gold and other commodities used in our processes have been increasing over the past few years. Although we have been able to partially offset the effect of these price increases through price adjustments to customers and changes in our product designs, prices may continue to increase. To the extent that we are unable to offset these increases in the future, our gross margins could be negatively impacted.

**Capital Additions — We Believe We Need To Make Substantial Capital Additions, Which May Adversely Affect Our Business.**

We believe that our business requires us to make significant capital additions in order to address what we believe is an overall trend in outsourcing of packaging and test services The amount of 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 financing. Our ongoing capital additions requirements may strain our cash and short-term asset balances, and we expect that depreciation expense and factory operating expenses associated with our capital additions to increase production capacity, will put downward pressure on our near-term gross margin. In addition, there can be no assurance that we will be able to recover these additions with future demand for our services.

**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 Part II, Item 1. Legal Proceedings in this Quarterly Report on Form 10-Q. As more fully described therein, recently we have become party to an increased number of litigation matters relative to our historic levels. Much of our recent increase in litigation relates to an allegedly defective epoxy compound, formerly used in some of our products, which is alleged to be responsible for certain semiconductor chip failures. We have recently settled all but one of the outstanding mold compound litigation matters. If an unfavorable ruling were to occur in the remaining legal proceeding or 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. The estimate of the potential impact from these legal proceedings on our financial position or results of operations could change in the future.

**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 changing. 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 develop and implement new manufacturing processes and package design technologies. The need to develop and maintain advanced packaging capabilities and equipment could require significant research and development and capital expenditures 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.

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.

**Competition — We Compete Against Established Competitors in the Packaging and Test Business.**

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 manufacturing 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. On a larger scale, we also compete with the internal semiconductor packaging and test capabilities of many of our customers.

**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 manufacturing 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 United States, as well as international environmental regulations, impose various controls on the storage, handling, discharge and disposal of chemicals used in our manufacturing processes and on the factories we occupy.

Increasingly, public attention has focused on the environmental impact of semiconductor manufacturing operations and the risk to neighbors of chemical releases from such operations. In the future, applicable land use and environmental regulations may: (1) impose upon us the need for additional capital equipment or other process requirements, (2) restrict our ability to expand our operations, (3) subject us to liability or (4) cause us to curtail our operations.

**Protection of Intellectual Property — We May Become Involved in Intellectual Property Litigation.**

We maintain an active program to protect our investment in technology by acquiring intellectual property protection 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 United States and abroad. 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. In addition, any patents we obtain may be challenged, invalidated or circumvented and may not provide meaningful protection or other commercial advantage to us.

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. We have initiated a patent infringement claim which is described in Part II, Item 1. Legal Proceedings in this Quarterly Report on Form 10-Q.

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 the manufacture, use, import and sale of infringing products;
- pay substantial damages;

- develop non-infringing technologies; or
- acquire licenses to the technology we had allegedly infringed.

If we fail to obtain necessary licenses or if we are subjected to litigation relating to patent infringement or other intellectual property matters, our business could suffer.

**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, 2005, Mr. James J. Kim and members of his family beneficially owned approximately 42.5% of our outstanding common stock. Mr. James J. Kim's family, acting together, substantially control all matters submitted for approval by our stockholders. These matters could include:

- the election of all of the members of our board of directors;
- proxy contests;
- mergers and acquisitions involving our company;
- tender offers; and
- open market purchase programs or other purchases of our common stock.

**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 derivatives instruments, including forward exchange contracts, has been insignificant throughout 2005 and 2004, 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 Philippine pesos, Korean won, Japanese yen, Taiwan dollar, Chinese renminbi and Singapore dollar. 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. Based on our portfolio of foreign currency based financial instruments at September 30, 2005 and December 31, 2004, 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 | Taiwan Dollar | Japanese Yen | Chinese Renminbi | Singapore Dollar |
| | (In thousands) | | | | | |
| As of September 30, 2005 | $ (3,750) | $ 1,154 | $ (8,654) | $ (36) | $ (2,105) | $ (1,085) |
| As of December 31, 2004 | $ (2,266) | $ 1,878 | $ (2,740) | $ 304 | $ (1,980) | $ (693) |

***Interest Rate Risks***

Our company has interest rate risk with respect to our long-term debt. As of September 30, 2005, we had a total of $2,111.2 million of debt of which 82.7% was fixed rate debt and 17.3% was variable rate debt. Our variable rate debt principally relates to our second lien term loan, foreign borrowings and any amounts outstanding under our $30.0 million revolving line of credit; of which no amounts were drawn as of September 30, 2005, but which had been reduced by $0.3 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, 2004, we had a total of $2,093.0 million of debt of which 84.2% was fixed rate debt and 15.8% 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 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, 2005.

| | 2005 | 2006 | 2007 | 2008 | 2009 | Thereafter | Total | Fair Value |
|---|---|---|---|---|---|---|---|---|
| | | | | (In thousands) | | | | |
| Long-term debt: | | | | | | | | |
| Fixed rate debt | $ 7,366 | $235,773 | $151,545 | $476,816 | $200,000 | $673,606 | $1,745,106 | $1,559,676 |
| Average interest rate | 3.7% | 5.7% | 5.0% | 9.2% | 10.5% | 7.5% | 7.8% | |
| Variable rate debt | $ 56,800 | $ 5,804 | $ 787 | $ 571 | $ 607 | $301,508 | $ 366,077 | $ 373,577 |
| Average interest rate | 1.9% | 5.1% | 4.7% | 5.6% | 5.6% | 8.7% | 7.6% | |

***Equity Price Risks***

Our outstanding 5.75% Convertible Subordinated Notes due 2006 and 5% Convertible Subordinated Notes due 2007 are convertible into common stock at $35.00 per share and $57.34 per share, respectively. We currently intend to repay our convertible subordinated notes upon maturity, unless earlier converted, repurchased or refinanced by the contemplated financing transactions discussed in the Liquidity and Capital Resources section of Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations. 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 would 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

*Disclosure Controls and Procedures*

Amkor maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in our filings with the Securities and Exchange Commission ("SEC") is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to management, including our principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure based on the definition of "disclosure controls and procedures" in Rule 13a-15(e) and 15d-15(e) promulgated under the Exchange Act. In designing and evaluating the disclosure controls and procedures, management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply judgment in evaluating our controls and procedures. Based on this evaluation and solely because of the material weakness described below the principal executive officer and principal financial officer have concluded that Amkor's disclosure controls and procedures were not effective as of September 30, 2005.

*Changes in Internal Control over Financial Reporting*

To remediate the material weakness in Amkor's internal control over financial reporting disclosed in Form 10-Q/A for the period ended March 31, 2005, management implemented a process to identify the amount of unpaid capital expenditures at the end of the reporting period to ensure payments for capital expenditures are properly reflected in the condensed consolidated statement of cash flows in accordance with SFAS No. 95. We believe these changes will be effective in remediating the material weakness by December 31, 2005.

We are implementing a new Enterprise Resource Planning ("ERP") system at certain locations, and in that process, we expect there could be future changes at these locations that will materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. *Legal Proceedings*

We are currently a party to various legal proceedings, including those noted below. If an unfavorable ruling were to occur, there exists the possibility of a material adverse impact on our net results in the period in which the ruling occurs. The estimate of the potential impact from the following legal proceedings on our financial position or overall results of operations could change in the future. Attorney fees related to legal matters are expensed as incurred.

*Epoxy Mold Compound Litigation*

We have become party to an increased number of litigation matters relative to our historic levels. Much of our recent litigation relates to an allegedly defective epoxy mold compound, formerly used in some of our packaging services, which is alleged to be responsible for certain semiconductor chip failures. In the case of the pending matter, we believe we have meritorious defenses, as well as valid third-party claims against Sumitomo Bakelite Co., Ltd. ("Sumitomo Bakelite"), the manufacturer of the challenged epoxy product, should the epoxy mold compound be found to be defective. We cannot be certain, however, that we will be able to recover any amount from Sumitomo Bakelite if we are held liable in this matter, or that any adverse result would not have a material impact upon us. Moreover, other customers of ours have made inquiries 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.

*Resolved Epoxy Mold Compound Litigation*

*Fujitsu Limited v. Cirrus Logic, Inc., et al.*

On April 16, 2002, we were served with a third-party complaint in an action entitled Fujitsu Limited v. Cirrus Logic, Inc., in the United States District Court for the Northern District of California, San Jose Division. Subsequently, substantially the same case was filed in the Superior Court of California, Santa Clara County, and the United States District Court case was stayed. In this action, Fujitsu Limited ("Fujitsu") alleged that semiconductor devices it purchased from

Cirrus Logic, Inc. ("Cirrus Logic") were defective in that a certain epoxy mold compound manufactured by Sumitomo Bakelite and Sumitomo Plastics America, Inc. ("Sumitomo Plastics" and collectively with Sumitomo Bakelite, the "Sumitomo Bakelite Parties") and used by us in the manufacture of the chip caused a short circuit which rendered Fujitsu disk drive products inoperable. Cirrus Logic, in response, denied the allegations of the complaint, cross-complained against Fujitsu for unpaid invoices, and filed its cross-complaint against us alleging that any liability for chip defects should be assigned to us because we assembled the subject semiconductor devices. We filed a cross-complaint against Sumitomo Bakelite asserting claims for breach of warranties and indemnification.

On April 18 and 19, 2005, we participated in a private mediation with all parties involved. As a result of the mediation, on April 28, 2005 an agreement was reached among Fujitsu, Cirrus Logic, the Sumitomo Bakelite Parties and ourselves to settle this litigation and the parties entered the agreement into the record in Superior Court; thereafter, the parties memorialized and executed their settlement agreement in written form. Pursuant to the settlement agreement, we paid $40 million to Fujitsu in consideration of a release from and dismissal of all claims related to this litigation. We also agreed to dismiss our claims against Sumitomo Bakelite as part of the parties' settlement agreement. The $40.0 million is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005. The $40.0 million was paid during the second quarter of 2005.

*Seagate Technology LLC v. Atmel Corporation, et al.*

In March 2003, we were served with a cross-complaint in an action between Seagate Technology LLC and Seagate Technology International ("Seagate") and Atmel Corporation and Atmel Sarl ("Atmel") in the Superior Court of California, Santa Clara County. Atmel's cross-complaint seeks indemnification from us for any damages incurred from the claims by Seagate involving the allegedly defective epoxy mold compound manufactured by Sumitomo Bakelite. We answered Atmel's cross-complaint, denying all liability, and filed a cross-complaint against Sumitomo Bakelite seeking indemnification. Atmel later amended its cross-complaint to include claims for negligence and negligent misrepresentation against us and added ChipPAC Inc. ("ChipPAC") and Sumitomo Bakelite as cross-defendants. ChipPAC filed a cross-complaint against Sumitomo Bakelite and us.

On April 14, 2005 an agreement was reached among Seagate, Atmel, ChipPAC, Sumitomo Bakelite and ourselves to settle this litigation. We agreed to pay $5.0 million to Seagate in consideration of a release from and dismissal of all claims related to this litigation. We also agreed to dismiss our claims against Sumitomo Bakelite as part of the parties' settlement agreement. The $5.0 million is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005. The $5.0 million was paid during the second quarter of 2005.

*Fairchild Semiconductor Corporation v. Sumitomo Bakelite Singapore Pte. Ltd., et al.*

In September 2003, we were served with an amended complaint filed by Fairchild Semiconductor Corporation ("Fairchild") against us, the Sumitomo Bakelite Parties and Sumitomo Bakelite Singapore Pte. Ltd. (collectively with the Sumitomo Bakelite Parties, the "Sumitomo Bakelite Defendants") in the Superior Court of California, Santa Clara County. The amended complaint seeks damages related to our use of Sumitomo Bakelite's epoxy mold compound in assembling Fairchild's semiconductor packages. We answered Fairchild's amended complaint, denying all liability, and filed a cross-complaint against Sumitomo Bakelite seeking indemnification.

In August 2005, we reached an agreement with Fairchild and the Sumitomo Bakelite Defendants to settle all claims involving us in this litigation. We agreed to pay $3.0 million to Fairchild and release our claims against Sumitomo Bakelite in consideration of a release from and dismissal of all claims against us. The $3.0 million is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005. The $3.0 million was paid during the third quarter of 2005.

*Maxtor Corporation v. Koninklijke Philips Electronics N.V., et al.*

In April 2003, we were served with a cross-complaint in an action between Maxtor Corporation ("Maxtor") and Koninklijke Philips Electronics ("Philips") in the Superior Court of California, Santa Clara County. Philips' cross-complaint sought indemnification from us for any damages incurred from the claims by Maxtor involving the allegedly defective epoxy mold compound manufactured by Sumitomo Bakelite. Philips subsequently filed a cross-complaint directly against the Sumitomo

Bakelite Parties, alleging, among other things, that the Sumitomo Bakelite Parties breached their contractual obligations to both us and Philips by supplying a defective mold compound resulting in the failure of certain Philips semiconductor devices. We denied all liability in this matter and also asserted a cross-complaint against Sumitomo Bakelite. The Sumitomo Bakelite Parties denied any liability. Maxtor and Philips reached a settlement of Maxtor's claims against Philips on or about April 28, 2004 in which, reportedly, Philips agreed to pay Maxtor $24.8 million. On October 15, 2004, we and Sumitomo Bakelite reached a settlement agreement whereby Sumitomo Bakelite agreed to indemnify us for any damages awarded to Philips in excess of $3.5 million. In exchange, we dismissed our cross-claims against Sumitomo Bakelite. Trial of this matter before a jury began on October 18, 2004 and closing arguments were heard on November 29, 2004. On December 1, 2004, the Court and the jury rendered verdicts in our favor related to all of Philips' claims against us. By those verdicts, we were exonerated of all alleged liability. The jury's verdict further determined the Sumitomo Bakelite Parties' share of liability to be 57% and Philips' share to be 43%. Philips has agreed not to appeal the judgment in our favor in return for our agreement not to seek costs of suit from Philips.

We recorded a charge of $1.5 million related to the above matter during the three months ended March 31, 2004. However, in response to the December 1, 2004 verdict, we reversed this charge during the three months ended December 31, 2004.

*Pending Epoxy Mold Compound Litigation*

While the ultimate outcome is uncertain, as a result of the previously discussed epoxy mold compound litigation settlements, we have established a loss accrual related to the following pending claim. This amount is reflected as part of the provision for legal settlements and contingencies in our Statement of Operations for the nine months ended September 30, 2005.

*Maxim Integrated Products, Inc. v. Amkor Technology, Inc., et al.*

In August 2003, we were served with a complaint filed by Maxim Integrated Products, Inc. ("Maxim") against us and the Sumitomo Bakelite Parties in the Superior Court of California, Santa Clara County. The complaint seeks damages related to our use of Sumitomo Bakelite's epoxy mold compound in assembling Maxim's semiconductor packages. We have asserted cross-claims against Sumitomo Bakelite for indemnification. Written discovery is ongoing, with depositions and expert discovery to follow. The Court has set a trial date of April 24, 2006. We have denied all liability. We intend to defend ourselves vigorously, pursue our cross-claims against Sumitomo Bakelite and seek judgment in our favor.

*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. A trial date has been set for December 5, 2005. We believe it is likely that we will prevail on the merits at the Superior Court level. In addition, should Motorola prevail, we believe we will have recourse in the Delaware Supreme Court.

*Citizen Watch Co. Ltd. v. Amkor Technology, Inc.*

We entered into an Intellectual Property Assignment Agreement ("IPAA") with Citizen with an effective date of March 28, 2002, pursuant to which Citizen assigned to us (i) its rights under the License Agreement and (ii) Citizen's interest in the '133 and '278 patents. The parties entered into the IPAA in conjunction with having entered into a Master Purchase Agreement under which we purchased substantially all of the assets of a division of Citizen in April 2002. The IPAA provided for a deferred payment of 1.4 billion yen (the "Deferred Payment"). Subsequent to that transaction, Motorola challenged the validity of Citizen's assignment of its rights under the License Agreement to us, which resulted in our litigation with Motorola, Inc., which is described above (the "Motorola case"). Pending resolution of the Motorola case, and in accordance with the terms of the IPAA, we were withholding final payment of the Deferred Payment ($12.6 million based on the spot exchange rate at September 30, 2005).

In March 2004, Citizen submitted a Demand for Arbitration in the International Chamber of Commerce ("ICC"), claiming breach of our obligation to make the Deferred Payment. We contended that we were rightfully withholding payment of the Deferred Payment in accordance with the terms of the IPAA.

The arbitration hearing before the ICC on this matter was held in May 2005. In September 2005, the ICC ruled in favor of Citizen, and as a result we were required to pay Citizen the Deferred Payment, plus interest of approximately $300,000. We made payment to Citizen on September 30, 2005. The Deferred Payment was accrued in the purchase accounting.

*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. 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 $60.8 million based on the spot exchange rate at September 30, 2005). We have denied all liability and intend to vigorously defend ourselves 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 recently 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.

In response to the French lawsuit, 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.

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

In November 2003, we filed complaints against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc. (collectively "Carsem") with the International Trade Commission ("ITC") in Washington, D.C. and subsequently in the Northern District of California. The complaints allege infringement of our United States Patent Nos. 6,433,277, 6,455,356, and 6,630,728 (collectively the "Amkor Patents"). 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 has ordered a new claims construction related to various disputed claim terms and has remanded the case to the ALJ for further proceedings. The ITC has subsequently authorized the ALJ to reopen the record on certain discovery issues related to third party conception documents. The ITC has ordered the ALJ to issue the final Initial Determination by November 9, 2005 and has set a new date of February 9, 2006 for completion of the investigation. The District court action remains stayed pending completion of the ITC investigation.

***Other Matters***

*SEC Investigation*

The Securities and Exchange Commission ("SEC") has 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 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 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. The SEC has not informed Amkor of any conclusions of wrong doing by any person or entity. Amkor cannot predict the outcome of the investigation. In the event that the investigation leads to SEC action against an officer or director of the Company, our business or the trading price of our common stock may be adversely impacted.

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

None.

**Item 3. Defaults Upon Senior Securities**

None.

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

At our Annual Meeting of Stockholders held on August 24, 2005, 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 | 158,904,036 | 671,474 |
| John N. Boruch | 110,627,352 | 48,948,158 |
| Winston J. Churchill | 158,470,859 | 1,104,651 |
| Gregory K. Hinckley | 159,017,519 | 557,991 |
| Juergen Knorr | 158,069,490 | 1,506,020 |
| James W. Zug | 159,043,746 | 531,764 |
| Albert J. Hugo-Martinez | 159,018,229 | 557,281 |
| John T. Kim | 158,959,455 | 616,055 |
| Constantine N. Papadakis | 159,024,369 | 551,141 |

2. To ratify the appointment of the accounting firm of PricewaterhouseCoopers LLP as registered public accountants for the company for the current year. Votes totaled 158,115,414 for, 1,430,351 against and 29,745 abstain.

**Item 5. Other Information**

None.

**Item 6. Exhibits**

The following exhibits are filed as part of this report:

| Exhibit Number | Description of Exhibit |
|---|---|
| 10.1 | Settlement Agreement, dated as of August 5, 2005, by Fairchild Semiconductor Corporation and Amkor Technology, Inc. |
| 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, 2005

**Exhibit 10.1**

**SETTLEMENT AGREEMENT**

1. This Settlement Agreement is made by and between Fairchild Semiconductor Corporation ("Fairchild") and Amkor Technology, Inc. ("Amkor").

2. Fairchild filed an action against Amkor in the Superior Court of California, County of Santa Clara, Case No. 1-02-CV-810034 (the "Action"). Fairchild and Amkor hereby agree that they will execute and file all papers necessary to accomplish the dismissal with prejudice of all claims by Fairchild against Amkor in the Action within five (5) business days of the execution of this Agreement. Each party will bear its own attorney's fees and costs incurred in the Action.

3. Fairchild, for itself and its legal successors and assigns, agents, employees, representatives, officers, directors, parent, subsidiary or affiliated corporations, and each of them, hereby releases Amkor and its legal successors and assigns, agents, employees, representatives, officers, directors, parent, subsidiary or affiliated corporations, and each of them, from and against any and all claims, actions, causes of action, liabilities and demands, whether known or unknown, that were raised or could have been raised in the Action, or in any way relate to the Action, or relate in any manner to the use of a phosphorus-containing epoxy molding compound in any product assembled by Amkor for Fairchild (collectively the "Fairchild Claims").

4. Amkor, for itself and its legal successors and assigns, agents, employees, representatives, officers, directors, parent, subsidiary or affiliated corporations, and each of them, hereby releases Fairchild and its legal successors and assigns, agents, employees, representatives, officers, directors, parent, subsidiary or affiliated corporations, and each of them, from and against any and all claims, actions, causes of action, liabilities and demands, whether known or unknown, that were raised or could have been raised in the Action, or in any way relate to the

Action, or relate in any manner to the use of a phosphorus-containing epoxy molding compound in any product assembled by Amkor for Fairchild.

5. The parties acknowledge that both known and unknown claims are covered by this Settlement Agreement, and waive any rights or benefits that may arise under California Civil Code § 1542, which provides as follows:

> ***A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor.***

6. Amkor shall pay to Fairchild within thirty (30) days of the date of execution of this Agreement the sum of three million dollars (USD $3,000,000). Said payment shall be made by wire transfer to the following account:

| | |
|---|---|
| Beneficiary Bank: | [****] |
| ABA: | [****] |
| Beneficary Name: | Fairchild Semiconductor |
| Beneficiary Account: | [****] |

7. This Settlement Agreement does not address or affect Fairchild's claims against Sumitomo Bakelite Singapore Pte. Ltd., Sumitomo Plastics America, Inc. or Sumitomo Bakelite Co., Ltd. (collectively "Sumitomo Bakelite").

8. Fairchild warrants and represents that it has not assigned and that it will not assign any Fairchild Claim it has or may have against Amkor to any other party.

9. Concurrent with the execution of this Settlement Agreement, Amkor will enter into a written agreement with Sumitomo Bakelite in which Sumitomo Bakelite agrees not to remove the Action to federal court by reason of this Settlement Agreement. The terms of this Settlement Agreement are not operable unless Sumitomo agrees in writing not to remove the

Action. Amkor shall provide Fairchild with a copy of the fully-executed agreement with Sumitomo.

10. Nothing in this Settlement Agreement shall constitute or be treated as an admission of liability or wrongdoing by any party. Nothing in this Settlement Agreement shall be admissible in any future dispute, except in an action to enforce this Settlement Agreement.

11. The parties agree that they will not issue any press release disclosing this settlement or its terms, and will in good faith refrain from disclosing the terms of the settlement to anyone other than their attorneys, insurance carriers, accountants, or other persons in the business or financial community with whom the party has regular communications regarding the party's financial condition. Each party is specifically permitted to disclose the settlement and its terms in a Form 8-K, 10-Q or 10-K filing or other financial disclosure required by law. Fairchild and Amkor agree that they shall each have an opportunity to review and comment upon any Form 8-K to be issued by the other regarding the settlement memorialized in this Settlement Agreement.

12. This Settlement Agreement shall be governed, construed and enforced in accordance with the laws of the State of California without regard to principles of choice of law or conflicts of law.

13. The Parties agree that the Honorable Jack Komar of the Santa Clara County Superior Court, or such other judge as may be assigned from the Santa Clara County Superior Court, shall retain jurisdiction for purposes of enforcement and/or dispute resolution concerning this Settlement Agreement.

14. This Settlement Agreement is an integrated document which states the entire agreement between Fairchild and Amkor. Each of Fairchild and Amkor affirms and

acknowledges that it has executed this Settlement Agreement voluntarily and without coercion, that it has not relied on any prior or contemporaneous written or oral representations extrinsic or collateral to the terms of this Settlement Agreement, and that it has obtained legal advice from its attorneys in entering into this Settlement Agreement. This Settlement Agreement shall be deemed to have been drafted jointly by Fairchild and Amkor, and neither Fairchild nor Amkor shall be treated as having drafted the agreement for purposes of construction.

15. Each of Fairchild and Amkor warrants that the individual signing this Settlement Agreement on its behalf has full authority to do so and that it intends to be bound by the signature of the individual it designates to sign this Settlement Agreement.

16. This Settlement Agreement may be executed in counterparts, but all such counterparts shall constitute but one agreement. In addition, this Settlement Agreement may be executed via signatures transmitted by facsimile, and such signatures shall be deemed in all respects the same as original signatures.

IN WITNESS WHEREOF, the undersigned have executed this Settlement Agreement on the day and the year written below.

| | |
|---|---|
| Dated: August 5, 2005 | FAIRCHILD SEMICONDUCTOR CORPORATION |
| | By: /s/ |
| | Name: Paul D. Delva |
| | Title: Vice President, General Counsel |
| Dated: August 5, 2005 | AMKOR TECHNOLOGY, INC. |
| | By: /s/ |
| | Name: Jerry C. Allison |
| | Title: Vice President and Asst. General Counsel |

**Exhibit 12.1**

**AMKOR TECHNOLOGY, INC.**
**COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**
**(In thousands, except ratio data)**

| | Year Ended December 31, | | | | Nine Months Ended September 30, | |
|---|---|---|---|---|---|---|
| | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
| Earnings | | | | | | |
| Income (loss) before income taxes, equity in income (loss) of investees, minority interest and discontinued operations | $173,154 | $(438,498) | $(564,309) | $ (45,303) | $ (21,438) | $(194,359) |
| Interest expense | 127,027 | 138,629 | 143,441 | 138,775 | 145,897 | 120,945 |
| Amortization of debt issuance costs | 7,013 | 22,321 | 8,251 | 7,428 | 6,182 | 5,977 |
| Interest portion of rent | 4,567 | 7,282 | 4,995 | 5,463 | 5,928 | 5,558 |
| | $311,761 | $(270,266) | $(407,622) | $106,363 | $136,569 | $ (61,879) |
| Fixed Charges | | | | | | |
| Interest expense | $127,027 | $ 138,629 | $ 143,441 | $138,775 | $145,897 | $ 120,945 |
| Amortization of debt issuance costs | 7,013 | 22,321 | 8,251 | 7,428 | 6,182 | 5,977 |
| Interest portion of rent | 4,567 | 7,282 | 4,995 | 5,463 | 5,928 | 5,558 |
| | $138,607 | $ 168,232 | $ 156,687 | $151,666 | $158,007 | $ 132,480 |
| Ratio of earnings to fixed charges | 2.2x | —x[1] | —x[1] | —x[1] | —x[1] | —x[1] |

1. The ratio of earnings to fixed charges was less than 1:1 for the nine months ended September 30, 2005. In order to achieve a ratio of earnings to fixed charges of 1:1, we would have had to generate an additional $194.4 million of earnings for the nine months ended September 30, 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 $21.4 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 $45.3 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 $564.3 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 $438.5 million of earnings in the year ended December 31, 2001.

**Exhibit 31.1**

SECTION 302(a) CERTIFICATION

I, James J. Kim, Chief Executive Officer, 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.

/s/ JAMES J. KIM

James J. Kim
Chief Executive Officer
November 8, 2005

**Exhibit 31.2**

SECTION 302(a) CERTIFICATION

I, Kenneth T. Joyce, Chief Financial Officer 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.

/s/ KENNETH T. JOYCE

Kenneth T. Joyce
Chief Financial Officer
November 8, 2005

**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, 2005 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.

/s/ JAMES J. KIM

James J. Kim
Chief Executive Officer
November 8, 2005

In connection with the quarterly report of Amkor Technology, Inc. (the "Company") on Form 10-Q for the period ended September 30, 2005 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.

/s/ KENNETH T. JOYCE

Kenneth T. Joyce
Chief Financial Officer
November 8, 2005