AMKOR TECHNOLOGY INC
Form 10-Q
August 05, 2009

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

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

For the Quarterly Period Ended June 30, 2009

or

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

For the transition period from to

Commission File Number 000-29472

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

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

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

(480) 821-5000
(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o Smaller reporting company o

(Do not check if a smaller reporting company)

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

The number of outstanding shares of the registrant s Common Stock as of July 31, 2009 was 183,048,266.

QUARTERLY REPORT ON FORM 10-Q
For the Quarter Ended June 30, 2009

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands, except per share data)			
Net sales	$ 506,516	$ 690,676	$ 895,292	$ 1,390,159
Cost of sales	404,129	531,745	744,866	1,055,076
Gross profit	102,387	158,931	150,426	335,083
Operating expenses:				
Selling, general and administrative	52,445	67,441	102,513	132,890
Research and development	10,035	15,095	20,182	28,951
Gain on sale of real estate		(9,856)		(9,856)
Total operating expenses	62,480	72,680	122,695	151,985
Operating income	39,907	86,251	27,731	183,098
Other (income) expense:				
Interest expense, net	26,826	26,314	52,971	53,747
Interest expense, related party	3,812	1,562	5,374	3,125
Foreign currency loss (gain)	5,970	(11,597)	(6,098)	(21,074)
Gain on debt retirement, net	(7,888)		(16,884)	
Other (income)expense, net	(10)	107	49	(699)
Total other expense, net	28,710	16,386	35,412	35,099
Income (loss) before income taxes	11,197	69,865	(7,681)	147,999
Income tax expense	1,833	4,298	4,914	10,238
Net income (loss)	9,364	65,567	(12,595)	137,761
Net income attributable to noncontrolling interests	141	335	274	533
Net income (loss) attributable to Amkor	$ 9,223	$ 65,232	$ (12,869)	$ 137,228

Net income (loss) attributable to Amkor per common share:								
Basic	$	0.05	$	0.36	$	(0.07)	$	0.75
Diluted	$	0.05	$	0.33	$	(0.07)	$	0.68
Shares used in computing per common share amounts:								
Basic		183,036		182,759		183,036		182,446
Diluted		265,846		210,138		183,036		209,785

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2009	December 31, 2008
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 455,294	$ 424,316
Restricted cash	2,678	4,880
Accounts receivable:		
Trade, net of allowances	264,440	259,630
Other	16,924	14,183
Inventories	118,072	134,045
Other current assets	25,483	23,862
Total current assets	882,891	860,916
Property, plant and equipment, net	1,371,177	1,473,763
Intangibles, net	12,970	11,546
Restricted cash	1,001	1,696
Other assets	39,700	36,072
Total assets	$ 2,307,739	$ 2,383,993
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 69,670	$ 54,609
Trade accounts payable	230,617	241,684
Accrued expenses	137,914	258,449
Total current liabilities	438,201	554,742
Long-term debt	1,234,505	1,338,751
Long-term debt, related party	250,000	100,000
Pension and severance obligations	126,217	116,789
Other non-current liabilities	32,845	30,548
Total liabilities	2,081,768	2,140,830
Commitments and contingencies (see Note 13)		
Equity:		
Amkor stockholders equity:		
Preferred stock, $0.001 par value, 10,000 shares authorized, designated Series A, none issued		
Common stock, $0.001 par value, 500,000 shares authorized, issued and outstanding of 183,039 in 2009 and 183,035 in 2008	183	183

Additional paid-in capital	1,498,331	1,496,976
Accumulated deficit	(1,291,090)	(1,278,221)
Accumulated other comprehensive income	12,231	18,201
Total Amkor stockholders equity	219,655	237,139
Noncontrolling interests in subsidiaries	6,316	6,024
Total equity	225,971	243,163
Total liabilities and equity	$ 2,307,739	$ 2,383,993

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	For the Six Months Ended June 30, 2009	2008
	(In thousands)	
Cash flows from operating activities:		
Net (loss) income	$ (12,595)	$ 137,761
Depreciation and amortization	156,507	150,543
Gain on debt retirement, net	(16,884)	
Other operating activities and non-cash items	5,407	7,694
Changes in assets and liabilities	(99,077)	(11,300)
Net cash provided by operating activities	33,358	284,698
Cash flows from investing activities:		
Purchases of property, plant and equipment	(69,955)	(190,870)
Proceeds from the sale of property, plant and equipment	687	14,968
Proceeds from sale of investment		2,460
Other investing activities	(3,086)	(496)
Net cash used in investing activities	(72,354)	(173,938)
Cash flows from financing activities:		
Borrowings under revolving credit facilities		619
Payments under revolving credit facilities		(633)
Proceeds from issuance of short-term debt	15,000	
Proceeds from issuance of long-term debt	100,000	
Proceeds from issuance of long-term debt, related party	150,000	
Payments of long-term debt	(186,156)	(124,074)
Payments for debt issuance costs	(8,539)	
Proceeds from issuance of stock through stock compensation plans	15	9,776
Net cash provided by (used in) financing activities	70,320	(114,312)
Effect of exchange rate fluctuations on cash and cash equivalents	(346)	2,594
Net increase (decrease) in cash and cash equivalents	30,978	(958)
Cash and cash equivalents, beginning of period	424,316	410,070
Cash and cash equivalents, end of period	$ 455,294	$ 409,112
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		

Interest	$ 60,297	$ 63,541
Income taxes	$ 1,327	$ 13,194

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Financial Statements

Basis of Presentation. The Consolidated Financial Statements and related disclosures as of June 30, 2009 and for the three and six months ended June 30, 2009 and 2008 are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). The December 31, 2008 Consolidated Balance Sheet data was derived from audited financial statements (other than as it relates to the revised presentation of noncontrolling interests, previously referred to as minority interests, as described in Note 2), but does not include all disclosures required by accounting principles generally accepted in the United States of America (U.S.). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) have been condensed or omitted pursuant to such rules and regulations. In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair statement of the results for the interim periods. These financial statements should be read in conjunction with the financial statements included in our Annual Report for the year ended December 31, 2008 filed on Form 10-K with the SEC on February 24, 2009. The results of operations for the three and six months ended June 30, 2009 are not necessarily indicative of the results to be expected for the full year. All references to Amkor, we, us, our or the company are to Amkor Technology, Inc. and its subsidiaries.

Subsequent events have been evaluated up to and including August 5, 2009, which is the date these financial statements were issued.

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

2. New Accounting Standards

Recently Adopted Standards

In May 2009, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 165, *Subsequent Events* (SFAS No. 165). SFAS No. 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. SFAS No. 165 is effective for interim or annual periods ending after June 15, 2009 on a prospective basis.

In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin (ARB) No. 51, Consolidated Financial Statements* (SFAS No. 160). SFAS No. 160 requires that (1) noncontrolling (minority) interests be reported as a component of stockholders equity, (2) net income attributable to the parent and to the noncontrolling interest be separately identified in the consolidated statement of operations, (3) changes in a parent s ownership interest while the parent retains its controlling interest be accounted for as equity transactions, (4) any retained noncontrolling equity investment upon the deconsolidation of a subsidiary be initially measured at fair value and (5) sufficient disclosures are provided that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. SFAS No. 160 is effective for financial statements issued for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We adopted the provisions of SFAS No. 160 on January 1, 2009 and, as required, we have adjusted prior periods for comparative purposes. Minority interests reported in our December 31, 2008 Consolidated Balance Sheet were retrospectively adjusted to comply with SFAS No. 160 and are now reported as a component of equity identified as noncontrolling interests. The caption Net income (loss) in our Consolidated Statements of Operations represents the consolidated operating results for Amkor including noncontrolling interests. In addition, earnings or losses attributable to the minority interests are separately disclosed on the face of the Consolidated Statements of Operations for all periods presented in the manner prescribed by SFAS No. 160. See Note 6 for disclosure of the changes in equity and comprehensive (loss) income attributable to Amkor and our noncontrolling interests.

In April 2009, the FASB issued three FASB Staff Positions (FSPs) related to fair value measurements, disclosures and other-than-temporary impairments. FSP FAS 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4), provides additional guidance for estimating fair value when the volume and level of activity for an asset or liability have significantly decreased. FSP FAS 157-4 also includes guidance on identifying circumstances that indicate a transaction is not orderly. FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2), amends the other-than-temporary impairment guidance in U.S. GAAP to make the guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. Finally, FSP FAS 107-1 and APB 28-1, *Interim Disclosures About Fair Value of Financial Instruments* (FSP FAS 107-1), amends SFAS No. 107, *Disclosures about Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments in interim financial statements as well as in annual financial statements and also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in all interim financial statements. The three FSPs are effective for periods ending after June 15, 2009 with early adoption permitted. We elected to early adopt all three FSPs for our March 31, 2009 interim financial statements. The adoption of FSP FAS 157-4 and FSP FAS 115-2 did not have any impact on our consolidated financial statements. The adoption of FSP FAS 107-1 is disclosure-only in nature (see Note 15).

Recently Issued Standards

In June 2009, the FASB issued SFAS No. 168, *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles, a replacement of FASB Statement No. 162* (SFAS No. 168). SFAS No. 168 officially makes the Accounting Standards Codification (ASC) the source of authoritative U.S. GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the SEC and its staff are not included in the ASC but will continue to apply to SEC registrants. SFAS No. 168 is the final numbered standard to be issued by the FASB under the old numbering system. The ASC is effective for financial statements issued for interim and annual periods ending after September 15, 2009. The adoption of the ASC will not have an effect on our financial position, results of operations or cash flows.

In June 2009, the FASB issued SFAS No. 167, *Amendments to FASB Interpretation No. 46(R)* (SFAS No. 167), which amends the consolidation guidance applicable to variable interest entities. The amendments will significantly affect the overall consolidation analysis under FASB Interpretation No. 46(R). This statement is effective for fiscal years beginning after November 15, 2009. We are assessing the potential impact of adoption.

In June 2009, the FASB issued SFAS No. 166, *Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140* (SFAS No. 166), which amends the derecognition guidance in FASB Statement No. 140, eliminates the exemption from consolidation for qualifying special-purpose entities, and requires additional disclosures about a transferor s continuing involvement in transferred financial assets. This statement is effective for fiscal years beginning after November 15, 2009, and applies to financial asset transfers occurring on or after the effective date. We are assessing the potential impact of adoption.

In December 2008, the FASB issued FSP FAS No. 132(R)-1, *Employers Disclosures about Postretirement Benefit Plan Assets* (FSP FAS No. 132(R)-1). FSP FAS No. 132(R)-1 amends SFAS No. 132(R), *Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106*, to enhance the required disclosures regarding plan assets in an employer s defined benefit pension or other postretirement plan, including investment allocation decisions, inputs and valuation techniques used to measure the fair value of plan assets and significant concentrations of risks within plan assets. The disclosure requirement under FSP FAS No. 132(R)-1 is effective for fiscal years ending after December 15, 2009. The adoption of FSP FAS No. 132(R)-1 will require additional disclosures in the financial statements related to the assets of our foreign defined benefit pension plans and will not impact our financial results.

3. Stock Compensation Plans

All of our share-based payments to employees, including grants of employee stock options, are measured at fair value and expensed over the service period (generally the vesting period).

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

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Cost of sales	$ 38	$ 224	$ 94	$ 520
Selling, general, and administrative	438	777	1,045	1,643
Research and development	83	170	199	361
Stock-based compensation expense	$ 559	$ 1,171	$ 1,338	$ 2,524

The following is a summary of all common stock option activity for the six months ended June 30, 2009:

	Number of Shares (In thousands)	Weighted Average Exercise Price Per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2008	9,282	$ 10.39		
Granted	120	4.07		
Exercised	(4)	4.09		
Forfeited or expired	(502)	10.01		
Outstanding at June 30, 2009	8,896	10.33	4.68	$ 343
Exercisable at June 30, 2009	7,359	10.58	3.86	$ 265
Fully vested and expected to vest at June 30, 2009	8,726	10.35	4.60	$ 334

The following assumptions were used in the Black-Scholes option pricing model to calculate weighted average fair values of the options granted for the three and six months ended June 30, 2009 and 2008.

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
Expected life (in years)	6.0	5.3	5.9	6.0
Risk-free interest rate	2.3%	3.3%	2.3%	3.3%
Volatility	74%	71%	76%	77%
Dividend yield				
Weighted average grant date fair value per option granted	$ 2.96	$ 7.34	$ 2.70	$ 7.85

The intrinsic value of options exercised for the three and six months ended June 30, 2009 was negligible. The intrinsic value of options exercised for the three and six months ended June 30, 2008 was $1.0 million and $3.9 million, respectively.

Total unrecognized compensation expense from stock options, excluding any forfeiture estimate, was $7.7 million as of June 30, 2009, which is expected to be recognized over a weighted-average period of 3.0 years beginning July 1, 2009.

For the six months ended June 30, 2008, we received $9.8 million in cash under all share-based payment arrangements, while a nominal amount of cash was received in the six months ended June 30, 2009. There was no tax benefit realized. The related cash receipts are included in financing activities in the accompanying Condensed Consolidated Statements of Cash Flows.

4. Income Taxes

Our income tax expense of $4.9 million for the six months ended June 30, 2009 reflects income taxes at certain of our profitable foreign operations, foreign withholding taxes, minimum taxes at certain of our operations, and changes in valuation allowances which offset the tax benefits generated on net losses incurred. At June 30, 2009, we had U.S. net operating loss carryforwards totaling $314.2 million, which expire at various times through 2029. Additionally, at June 30, 2009, we had $100.7 million of non-U.S. net operating loss carryforwards, which expire at various times through 2019.

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

Our gross unrecognized tax benefits increased from $20.9 million at December 31, 2008 to $22.9 million as of June 30, 2009 primarily because of changes to estimates related to tax positions taken in prior years. Of the June 30, 2009 balance, $9.5 million, if recognized, would affect the effective tax rate. It is reasonably possible that the total amount of unrecognized tax benefits will decrease by up to $2.6 million within the next twelve months due to the expiration of statutes of limitations related to revenue attribution as well as eligibility for certain tax incentives.

Our unrecognized tax benefits are subject to change as examinations of tax years are completed. Tax return examinations involve uncertainties and there can be no assurances regarding the outcome of examinations.

5. Earnings Per Share

Basic earnings (loss) per share (EPS) is computed by dividing net income (loss) attributable to Amkor by the weighted average number of common shares outstanding during the period. Diluted EPS is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include outstanding employee stock options and convertible debt. The basic and diluted EPS amounts are the same for the six months ended June 30, 2009 as a result of the potentially dilutive securities being antidilutive due to a net loss. The following table summarizes the computation of basic and diluted EPS:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Net income (loss) attributable to Amkor basic	$ 9,223	$ 65,232	$ (12,869)	$ 137,228
Adjustment for dilutive securities on net income:				
Interest on 2.5% convertible notes due 2011, net of tax		1,491		2,982
Interest on 6.25% convertible notes due 2013, net of tax		1,593		3,185
Interest on 6.0% convertible notes due 2014, net of tax	4,032			
Net income (loss) attributable to Amkor diluted	$ 13,255	$ 68,316	$ (12,869)	$ 143,395
Weighted average shares outstanding basic	183,036	182,759	183,036	182,446
Effect of dilutive securities:				
Stock options	29	1,005		965
2.5% convertible notes due 2011		13,023		13,023
6.25% convertible notes due 2013		13,351		13,351
6.0% convertible notes due 2014	82,781			
Weighted average shares outstanding diluted	265,846	210,138	183,036	209,785
Net income (loss) attributable to Amkor per common share:				
Basic	$ 0.05	$ 0.36	$ (0.07)	$ 0.75
Diluted	0.05	0.33	(0.07)	0.68

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

For the Three Months Ended June 30,		For the Six Months Ended June 30,	
2009	2008	2009	2008

	(In thousands)		**(In thousands)**	
Stock options	8,652	8,295	8,896	8,338
2.5% convertible notes due 2011	4,355		6,142	
6.25% convertible notes due 2013	13,351		13,351	
6.0% convertible notes due 2014			41,620	
Total potentially dilutive shares	26,358	8,295	70,009	8,338
Stock options excluded from diluted EPS because the exercise price was greater than the average market price of the common shares	8,652	8,295	8,869	8,338

6. Equity and Comprehensive (Loss) Income

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

	Attributable to Amkor	Attributable to Noncontrolling Interests	Total
	(In thousands)		
Equity at December 31, 2008	$ 237,139	$ 6,024	$ 243,163
Comprehensive (loss) income:			
Net (loss) income	(12,869)	274	(12,595)
Other comprehensive (loss) income:			
Pension liability adjustment, net of tax	(4,389)		(4,389)
Cumulative translation adjustment	(1,581)	18	(1,563)
Total other comprehensive (loss) income	(5,970)	18	(5,952)
Comprehensive (loss) income	(18,839)	292	(18,547)
Issuance of stock through stock options	15		15
Stock compensation expense	1,340		1,340
Equity at June 30, 2009	$ 219,655	$ 6,316	$ 225,971
Equity at December 31, 2007	$ 654,619	$ 7,022	$ 661,641
Comprehensive (loss) income:			
Net income	137,228	533	137,761
Other comprehensive income (loss):			
Unrealized loss on available for sale investments, net of tax	(80)		(80)
Reclassification adjustment for losses included in income, net of tax	80		80
Pension liability adjustment, net of tax	407		407
Cumulative translation adjustment	23,766	639	24,405
Total other comprehensive income	24,173	639	24,812
Comprehensive income	161,401	1,172	162,573
Issuance of stock through stock options	9,776		9,776
Stock compensation expense	2,524		2,524
Equity at June 30, 2008	$ 828,320	$ 8,194	$ 836,514

7. Inventories

Inventories consist of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Raw materials and purchased components	$ 90,715	$ 110,713
Work-in-process	27,357	23,332
Total inventories	$ 118,072	$ 134,045

8. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Land	$ 106,082	$ 104,887
Land use rights	19,945	19,945
Buildings and improvements	838,599	828,108
Machinery and equipment	2,380,169	2,384,342
Software and computer equipment	152,559	150,349
Furniture, fixtures and other equipment	26,981	28,385
Construction in progress	16,690	29,503
	3,541,025	3,545,519
Less accumulated depreciation and amortization	(2,169,848)	(2,071,756)
Total property, plant and equipment, net	$ 1,371,177	$ 1,473,763

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

	For the Six Months Ended June 30,	
	2009	2008
	(In thousands)	
Purchases of property, plant and equipment	$ 69,955	$ 190,870
Net change in related accounts payable and deposits	(18,306)	26,648
Property, plant and equipment additions	$ 51,649	$ 217,518

9. Intangible Assets

Acquired intangibles as of June 30, 2009 consist of the following:

	Gross	Accumulated Amortization	Net

		(In thousands)	
Patents and technology rights	$ 76,604	(70,358)	$ 6,246
Supply agreements	14,483	(7,759)	$ 6,724
Total intangibles	$ 91,087	$ (78,117)	$ 12,970

In January 2009, we purchased from a customer certain machinery and equipment and entered into a three year supply agreement in exchange for $9.9 million in cash. The fair value assigned to the supply agreement was $5.6 million.

Acquired intangibles as of December 31, 2008 consist of the following:

	Gross	Accumulated Amortization (In thousands)	Net
Patents and technology rights	$ 76,246	$ (67,304)	$ 8,942
Supply agreements	8,858	(6,254)	2,604
Total intangibles	$ 85,104	$ (73,558)	$ 11,546

Amortization of identifiable intangible assets for the three months ended June 30, 2009 and 2008 was $1.7 million and $2.5 million, respectively. Amortization of identifiable intangible assets for the six months ended June 30, 2009 and 2008 was $4.5 million and $4.9 million, respectively. Based on the amortizing assets recognized in our balance sheet at June 30, 2009, amortization for each of the next five years is estimated as follows:

	(In thousands)
2009 Remaining	$ 2,478
2010	4,618
2011	2,959
2012	1,096
2013	807
Thereafter	1,012
Total amortization	$ 12,970

10. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2009	December 31, 2008
	(In thousands)	
Payroll and benefits	$ 37,201	$ 70,897
Customer advances and deferred revenue	25,040	28,672
Accrued interest	17,208	17,033
Income taxes payable	9,078	9,287
Accrual for patent license dispute, including interest		64,702
Accrued severance plan obligations (Note 12)		31,584
Other accrued expenses	49,387	36,274
Total accrued expenses	$ 137,914	$ 258,449

In February 2009, we paid $64.7 million in connection with the resolution of a patent license dispute.

In accordance with Korean severance plan regulations, employers may pay employees earned benefits prior to terminating their employment. As a result of a weakened global economy, we have made reductions in labor costs by lowering compensation and shortening work weeks. To mitigate the impact on our employees in Korea and reduce our long-term commitments, we paid $31.6 million of interim benefits in January 2009 using cash on hand (see Note 12).

11. Debt

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

	June 30, 2009	December 31, 2008
	(In thousands)	
Debt of Amkor:		
Senior secured credit facilities:		
$100 million revolving credit facility, LIBOR plus 3.5% 4.0%, due April 2013	$	$
Senior notes:		
7.125% Senior notes due March 2011	101,709	209,641
7.75% Senior notes due May 2013	422,000	422,000
9.25% Senior notes due June 2016	390,000	390,000
Senior subordinated notes:		
2.5% Convertible senior subordinated notes due May 2011	42,579	111,566
6.0% Convertible senior subordinated notes due April 2014, $150 million related party	250,000	
Subordinated notes:		
6.25% Convertible subordinated notes due December 2013, related party	100,000	100,000
Debt of subsidiaries:		
Secured term loans:		
Working capital term loan, LIBOR + 1.7%, due February-March 2010	15,000	
Term loan, Taiwan 90-Day Commercial Paper primary market rate plus 1.2%, due November 2010	16,770	22,310
Term loan, bank base rate plus 0.5% due April 2014	214,280	235,708
Secured equipment and property financing	1,837	2,135
	1,554,175	1,493,360
Less: Short-term borrowings and current portion of long-term debt	(69,670)	(54,609)
Long-term debt (including related party)	$ 1,484,505	$ 1,438,751

In April 2009, we amended our $100.0 million first lien revolving credit facility and extended its term to April 2013. The facility has a letter of credit sub-limit of $25.0 million. Interest is charged under the credit facility at a floating rate based on the base rate in effect from time to time plus the applicable margins which range from 2.0% to 2.5% for base rate revolving loans, or LIBOR plus 3.5% to 4.0% for LIBOR revolving loans. The LIBOR-based interest rate at June 30, 2009 was 3.8%. There have been no borrowings under this credit facility as of June 30, 2009. The borrowing base for the revolving credit facility is based on the amount of our eligible accounts receivable, which exceeded $100.0 million as of June 30, 2009. In connection with amending and extending our $100.0 million facility, we incurred $3.0 million of debt issuance costs in the three and six months ended June 30, 2009.

In April 2009, we issued $250.0 million of our 6.0% Convertible Senior Subordinated Notes due April 2014 (the 2014 Notes). The 2014 Notes are convertible at any time prior to the maturity date into our common stock at a price of

$3.02 per share, subject to adjustment. The 2014 Notes are subordinated to the prior payment in full of all of our senior debt. The 2014 Notes were purchased by certain qualified institutional buyers and Mr. James J. Kim, Amkor s Chairman and Chief Executive Officer and largest shareholder, and an entity controlled by Mr. Kim. Mr. Kim and his affiliate purchased $150.0 million of the 2014 Notes. The net proceeds received of $244.5 million are being used to reduce debt and for general corporate purposes. In connection with the issuance of the 2014 Notes, we incurred $2.9 million and $5.5 million of debt issuance costs in the three and six months ended June 30, 2009, respectively.

In the three and six months ended June 30, 2009, we repurchased in open market transactions $76.2 million and $108.3 million, respectively, in aggregate principal amount of our 7.125% senior notes due March 2011. We recorded a gain on extinguishment of $0.1 million and $8.9 million during the three and six months ended June 30, 2009, respectively, which was partially offset by the write-off of a proportionate amount of our deferred debt issuance costs of $0.4 million and $0.7 million, respectively.

In the three and six months ended June 30, 2009, we repurchased in open market transactions $68.0 million and $69.0 million, respectively, in aggregate principal amount of our 2.5% convertible senior subordinated notes due May 2011. We recorded a gain on extinguishment of $9.1 million and $9.5 million during the three and six months ended June 30, 2009, respectively, which was partially offset during the three and six months ended June 30, 2009, by the write-off of a proportionate amount of our deferred debt issuance costs of $0.9 million.

In January 2009, Amkor Assembly & Test (Shanghai) Co, Ltd., a Chinese subsidiary, entered into a $50.0 million U.S. dollar denominated working capital facility agreement with a Chinese bank maturing in January 2011. Principal amounts borrowed must be repaid within twelve months of the drawdown date and may be prepaid at any time without penalty. All principal and interest must be repaid by January 2011. The working capital facility bears interest at LIBOR plus 1.7% (3.43% as of June 30, 2009), which is payable in semi-annual payments. The facility is collateralized with certain real property and buildings in China.

Interest expense related to short-term borrowings and long-term debt is presented net of interest income in the accompanying Consolidated Statements of Operations. Interest income for the three months ended June 30, 2009 and 2008 was $0.6 million and $2.0 million, respectively. Interest income for the six months ended June 30, 2009 and 2008 was $1.0 million and $4.8 million, respectively.

12. 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 actuarial analyses. The components of net periodic pension cost for these defined benefit plans are as follows:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2009	2008	2009	2008
	(In thousands)		(In thousands)	
Components of net periodic pension cost:				
Service cost	$ 1,069	$ 1,921	$ 2,190	$ 3,875
Interest cost	724	1,134	1,498	2,310
Expected return on plan assets	(322)	(750)	(701)	(1,529)
Amortization of transitional obligation	17	19	34	37
Amortization of prior service cost	16	17	32	35
Recognized actuarial (gain) loss		183	(23)	365
Net periodic pension cost	1,504	2,524	3,030	5,093
Curtailment gain			(1,109)	

Total pension expense	$ 1,504	$ 2,524	$ 1,921	$ 5,093

During the three months ended March 31, 2009, we recognized a curtailment gain of $1.1 million related to the remeasurement of two defined benefit plans due to reductions in force programs (see Note 16). Due to the reduction in our workforce, our service cost and interest cost recognized in the three and six months ended June 30, 2009 has decreased when compared to the three and six months ended June 30, 2008.

For the three and six months ended June 30, 2009, we contributed $0.1 million and $0.2 million to the pension plans, respectively, and we expect to contribute an additional $6.8 million during 2009.

Our Korean subsidiary participates in an accrued severance plan that covers employees and directors with at least one year of service. Eligible employees are entitled to receive a lump-sum payment upon termination of employment, based on their length of service, seniority and average monthly wages at the time of termination. In addition and in accordance with Korean severance plan regulations, employers may pay employees earned benefits prior to terminating their employment. Accrued severance benefits are estimated assuming all eligible employees were to terminate their employment at the balance sheet date. The provision recorded for severance benefits for the three months ended June 30, 2009 and 2008 was $4.6 million and $3.4 million, respectively. The provision recorded for severance benefits for the six months ended June 30, 2009 and 2008 was $6.9 million. The balance recorded in long-term pension and severance obligations for accrued severance at our Korean subsidiary was $103.2 million and $99.6 million at June 30, 2009 and December 31, 2008, respectively. At December 31, 2008, there was an additional $31.6 million classified in current liabilities for voluntary interim accrued severance plan benefits that were paid out in January 2009 to approximately 750 eligible employees. As a result of a weakened global economy, we have made reductions in labor costs by lowering compensation and shortening work weeks. The interim accrued severance plan benefit payments were intended to help mitigate the impact of reduced compensation on our employees and lower our long-term commitments.

13. Commitments and Contingencies

In April 2009, we amended our $100.0 million first lien revolving credit facility and extended the term to April 2013. The facility has a letter of credit sub-limit of $25.0 million. As of June 30, 2009, we have outstanding $0.4 million of standby letters of credit and have available an additional $24.6 million for letters of credit. Such standby letters of credit are used in the ordinary course of our business and are collateralized by our cash balances.

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

Legal Proceedings

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

Tessera, Inc. v. Amkor Technology, Inc.

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

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

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

We are calling royalties under the Agreement for periods subsequent to December 1, 2008 using the same methodology specified in the Panel s interim order for calculating damages for past royalties. Although our royalty payment for the six month period ended June 30, 2009 is not due until August 14, 2009, Tessera has recently advised us that Tessera believes we are in breach of the royalty provisions of the Agreement. Tessera has requested an audit pursuant to the Agreement which is not yet scheduled. We have informed Tessera that we are in full compliance with the Agreement and that we intend to make the royalty payments when due under the Agreement.

Securities Class Action Litigation

On January 23, 2006, a purported securities class action suit entitled *Nathan Weiss et al. v. Amkor Technology, Inc.* et al., was filed in U.S. District Court for the Eastern District of Pennsylvania against Amkor and certain of its current and former officers. Subsequently, other law firms filed two similar cases, which were consolidated with the initial complaint. The plaintiffs amended the complaint to add additional officer, director and former director defendants and alleged improprieties in certain option grants. The amended complaint further alleged that defendants improperly recorded and accounted for the options in violation of generally accepted accounting principles and made materially false and misleading statements and omissions in its disclosures in violation of the federal securities laws, during the period from July 2001 to July 2006. The amended complaint requested certification as a class action pursuant to Fed. R. Civ. Proc. 23, compensatory damages, costs and expenses, and such other further relief as the court deems just and proper. On December 28, 2006, pursuant to motion by defendants, the U.S. District Court for the Eastern District of Pennsylvania transferred this action to the U.S. District Court for the District of Arizona.

On September 25, 2007, the U.S. District Court for the District of Arizona dismissed this case with prejudice. On October 23, 2007, plaintiffs filed an appeal from the dismissal to the U.S. Court of Appeals for the Ninth Circuit.

On December 10, 2008, the parties entered into a memorandum of understanding to settle this case. Under the terms of the proposed settlement, Amkor and the other defendants will receive a full and complete release of all claims in the litigation in exchange for payment of an aggregate amount of $11.3 million. Our directors and officers liability insurance carrier will pay $9.0 million of the settlement amount and we will pay $2.3 million. The full amounts of the proposed settlement and insurance recovery were accrued as of December 31, 2008. The parties have finalized and filed formal settlement documentation with the court. The settlement is subject to review and approval by the court.

We do not expect the outcome in this case to have a material adverse affect on our liquidity, results of operations, financial condition or cash flows. We caution, however, that due to the inherent uncertainty of any litigation, if the court does not approve the settlement, an adverse outcome in this matter could result in material liabilities and could have a material adverse effect on our liquidity, results of operations, financial condition and cash flows.

Securities and Exchange Commission Investigation

In August 2005, the SEC issued a formal order of investigation regarding certain activities with respect to Amkor securities. The investigation related initially to transactions in our securities and was later expanded to include our historical stock option practices. While the SEC s investigation continues and we cannot predict the outcome, we believe that the investigation is now limited to certain securities trading by a former non-executive employee. We have fully cooperated with the SEC throughout this investigation, and intend to continue to do so.

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

In November 2003, we filed a complaint against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc. (collectively Carsem) with the International Trade Commission (ITC) in Washington, D.C., alleging infringement of our United States Patent Nos. 6,433,277; 6,455,356 and 6,630,728 (collectively the Amkor Patents) and seeking, under Section 337 of the Tariff Act of 1930, an exclusionary order barring the importation by Carsem of infringing products. We allege that by making, using, selling, offering for sale, or importing into the U.S. the Carsem Dual and

Quad Flat No-Lead Package, Carsem has infringed on one or more of our *Micro*LeadFrame packaging technology claims in the Amkor Patents.

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, that we have a domestic industry in our patents, and that all of our asserted patent claims are enforceable. However, the ALJ did not find a statutory violation of Section 337 of the Tariff Act.

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

On remand, the ITC had also authorized the ALJ to reopen the record on certain discovery issues related to a subpoena of documents from a third party. Following findings by the ALJ, on November 17, 2005, the Commission filed a second petition in the United States District Court for the District of Columbia to enforce the subpoena issued to the third party. On February 9, 2006, the ITC ordered a delay in issuance of the Final Determination pending resolution of that enforcement action. An order by the District Court enforcing the subpoena became final on January 9, 2009, and the third party has now produced documents pursuant to the subpoena.

On January 28, 2009, the Commission extended the target date for completion of the investigation to May 1, 2009. On April 20, 2009, Carsem filed a renewed motion to extend the target date and to remand the investigation. On April 28, 2009, the Commission extended the target date to July 1, 2009 for completion of the investigation. On July 1, 2009, the Commission remanded the investigation for a second time to the ALJ to reopen the record to admit into evidence documents and related discovery obtained from the enforcement of the above-referenced third-party subpoena. On July 23, 2009, the ALJ issued the procedural schedule, which includes a two-day hearing that starts on September 10, 2009 and sets the deadline for the issuance of the ALJ s Initial Determination on this second remand for November 2, 2009. The ALJ also extended the target date to February 2, 2010 for completion of the investigation.

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

14. Business Segments

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

The accounting policies for segment reporting are the same as those for our Consolidated Financial Statements. We evaluate our operating segments based on gross margin and gross property, plant and equipment. We do not specifically identify and allocate total assets by operating segment. Summarized financial information concerning reportable segments is shown in the following table. The other column reflects other corporate adjustments to net sales and gross profit and the property, plant and equipment of our sales and corporate offices. For

the three and six months ended June 30, 2009, other gross profit includes exit costs associated with contractual obligations for the Singapore land and building leases as well as abandoned leasehold improvements (see Note 16).

	Packaging	Test	Other	Total
		(In thousands)		
Three Months Ended June 30, 2009				
Net sales	$ 448,335	58,152	29	$ 506,516
Gross profit	$ 94,161	13,456	(5,230)	$ 102,387
Three Months Ended June 30, 2008				
Net sales	$ 608,611	81,686	379	$ 690,676
Gross profit	$ 134,315	24,495	121	$ 158,931
Six Months Ended June 30, 2009				
Net sales	$ 787,274	108,027	(9)	$ 895,292
Gross profit	$ 138,030	17,837	(5,441)	$ 150,426
Six Months Ended June 30, 2008				
Net sales	$ 1,226,555	162,941	663	$ 1,390,159
Gross profit	283,651	51,174	258	$ 335,083
Gross Property, Plant and Equipment				
June 30, 2009	$ 2,686,141	717,728	137,156	$ 3,541,025
December 31, 2008	$ 2,664,712	741,860	138,947	$ 3,545,519

15. Fair Value of Financial Instruments

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

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

	Quoted Prices in Active Markets for Identical	Significant Other Observable	Significant Unobservable

	Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)	Total
		(In thousands)		
Cash equivalent money market funds	$ 186,754	$	$	$ 186,754
Restricted cash	2,678			2,678

The following table presents the financial instruments that are not recorded at fair value but which require fair value disclosure as of June 30, 2009 and December 31, 2008:

	June 30, 2009	December 31, 2008
	(In thousands)	
Carrying value of debt	$ 1,554,175	$ 1,493,360
Fair value of debt:		
Publicly quoted trading prices	$ 1,293,937	$ 730,175
Market based assumptions	334,940	176,483
Total fair value of debt	$ 1,628,877	$ 906,658

Publicly quoted trading prices are based on the prices reported on June 30, 2009 and December 31, 2008, respectively. Market based assumptions include current borrowing rates for similar types of borrowing arrangements adjusted for duration, optionality, and risk profile.

16. Exit Activities and Reductions in Force

As part of our ongoing efforts to improve our manufacturing operations and manage costs, we regularly evaluate our staffing levels and facility requirements compared to current business needs. The following table summarizes our exit activities and reduction in force initiatives associated with these activities as of June 30, 2009. Charges represents the initial charge related to the exit activity. Adjustments represent revisions of estimates. Cash payments and non-cash amounts consist of the utilization of the charge.

	Accrual at December 31, 2008	Charges	Adjustments	Cash Payments	Non-Cash Amounts	Accrual at June 30, 2009
	(In thousands)					
Singapore manufacturing operation:(1)						
Employee separation costs	$	$ 1,771	$	$	$	$ 1,771
Contractual obligations	&					