AMKOR TECHNOLOGY INC
Form 10-Q
November 08, 2006

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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 September 30, 2006

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 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 þ No o

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

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

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 October 31, 2006 was 178,109,034.

QUARTERLY REPORT ON FORM 10-Q
September 30, 2006

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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

AMKOR TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

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

Net income (loss)	$ 52,810	$ (19,513)	$ 111,037	$ (191,171)
Income (loss) per common share:				
Basic	$ 0.30	$ (0.11)	$ 0.63	$ (1.08)
Diluted	$ 0.27	$ (0.11)	$ 0.60	$ (1.08)
Shares used in computing income (loss) per common share:				
Basic	178,108	176,715	177,537	176,271
Diluted	204,482	176,715	197,539	176,271

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

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

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

Stockholders equity:		
Preferred stock, $0.001 par value, 10,000 shares authorized, designated Series A, none issued		
Common stock, $0.001 par value, 500,000 shares authorized, issued and outstanding of 178,096 in 2006 and 176,733 in 2005	178	178
Additional paid-in capital	1,440,035	1,431,543
Accumulated deficit	(1,100,437)	(1,211,474)
Accumulated other comprehensive income	6,793	3,658
Total stockholders equity	346,569	223,905
Total liabilities and stockholders equity	$ 3,047,581	$ 2,955,091

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

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

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

Non cash investing and financing activities:				
Application of deposit upon closing of acquisition of minority interest	$	17,822	$	

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

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Interim Financial Statements

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

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

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

New Accounting Standards.

Recently Issued Standards

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

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

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Recently Adopted Standards

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

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

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

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

Improper Measurement Dates for Other Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for certain employee stock options granted prior to obtaining authorization of the

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

Consolidated Financial Statements have been revised if indicated as restated.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Net loss	$	(19,417)	$	(96)	$	(19,513)	$	(190,890)	$	(281)	$	(191,171)
Loss per common share:												
Basic	$	(0.11)	$		$	(0.11)	$	(1.08)	$		$	(1.08)
Diluted	$	(0.11)	$		$	(0.11)	$	(1.08)	$		$	(1.08)
Shares used in computing loss per common share:												
Basic		176,715				176,715		176,271				176,271
Diluted		176,715				176,715		176,271				176,271

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Year Ended December 31,								
	2005			2004			2003		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	Res
	(In thousands, except per share data)								
nt of ns Data:									
	$ 2,099,949	$	$ 2,099,949	$ 1,901,279	$	$ 1,901,279	$ 1,603,768	$	$ 1,6
ales	1,743,996	182	1,744,178	1,533,447	4,562	1,538,009	1,267,302	3,277	1,2
fit	355,953	(182)	355,771	367,832	(4,562)	363,270	336,466	(3,277)	3
g expenses:									
eneral and ative	243,155	164	243,319	221,915	2,866	224,781	183,291	3,963	1
and ent	37,347		37,347	36,707		36,707	30,167		
for legal ts and cies	50,000		50,000						
ale of test s	(4,408)		(4,408)						
rating	326,094	164	326,258	258,622	2,866	261,488	213,458	3,963	2
g income	29,859	(346)	29,513	109,210	(7,428)	101,782	123,008	(7,240)	1
come)									
xpense,	521		521						
xpense, net	165,351		165,351	148,902		148,902	140,281		1
urrency s	9,318		9,318	6,190		6,190	(3,022)		
	(444)		(444)	(24,444)		(24,444)	31,052		

come) net									
er expense	174,746		174,746	130,648		130,648	168,311		
ore income uity nt losses, interests ntinued s	(144,887)	(346)	(145,233)	(21,438)	(7,428)	(28,866)	(45,303)	(7,240)	
vestment	(55)		(55)	(2)		(2)	(3,290)		
interests	2,502		2,502	(904)		(904)	(4,008)		
n continuing s before axes	(142,440)	(346)	(142,786)	(22,344)	(7,428)	(29,772)	(52,601)	(7,240)	
ax provision	(5,551)		(5,551)	15,192		15,192	(233)		
n continuing s	(136,889)	(346)	(137,235)	(37,536)	(7,428)	(44,964)	(52,368)	(7,240)	
rom ued s, net of tax							54,566	(396)	
ne (loss)	$ (136,889)	$ (346)	$ (137,235)	$ (37,536)	$ (7,428)	$ (44,964)	$ 2,198	$ (7,636)	$
l diluted oss) per share: tinuing s	$ (0.78)	$	$ (0.78)	$ (0.21)	$ (0.05)	$ (0.26)	$ (0.31)	$ (0.04)	$
continued s							0.32		
oss) per share	$ (0.78)	$	$ (0.78)	$ (0.21)	$ (0.05)	$ (0.26)	$ 0.01	$ (0.04)	$
ed in g income common									
	176,385		176,385	175,342		175,342	167,142		
	176,385		176,385	175,342		175,342	167,142		

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	December 31,					
	2005			2004		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
ASSETS						
Current assets:						
Cash and cash equivalents	$ 206,575	$	$ 206,575	$ 372,284	$	$ 372,284
Accounts receivable:						
Trade, net of allowance for doubtful accounts of $4,947 and $5,074	381,495		381,495	265,547		265,547
Other	5,089		5,089	3,948		3,948
Inventories, net	138,109		138,109	111,616		111,616
Other current assets	35,222		35,222	32,591		32,591
Total current assets	766,490		766,490	785,986		785,986
Property, plant and equipment, net	1,419,472		1,419,472	1,380,396		1,380,396
Goodwill	653,717		653,717	656,052		656,052
Intangibles, net	38,391		38,391	47,302		47,302
Investments	9,668		9,668	13,762		13,762
Other assets	67,353		67,353	81,870		81,870
Total assets	$ 2,955,091	$	$ 2,955,091	$ 2,965,368	$	$ 2,965,368
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities:						
Short-term borrowings and current portion of long-term debt	184,389		$ 184,389	$ 52,147	$	$ 52,147
Trade accounts payable	326,712		326,712	211,808		211,808
Accrued expenses	123,631	396	124,027	175,075	378	175,453

Total current liabilities	634,732	396	635,128	439,030	378	439,408
Long-term debt, related party	100,000		100,000			
Long-term debt	1,856,247		1,856,247	2,040,813		2,040,813
Other non-current liabilities	135,861		135,861	109,317		109,317
Total liabilities	2,726,840	396	2,727,236	2,589,160	378	2,589,538
Commitments and contingencies (see Note 14)						
Minority interests	3,950		3,950	6,679		6,679
Stockholders equity:						
Preferred stock, $0.001 par value, 10,000 shares authorized designated Series A, none issued						
Common stock, $0.001 par value, 500,000 shares authorized, issued and outstanding of 176,733 in 2005 and 175,718 in 2004	178		178	176		176
Additional paid-in capital	1,326,426	105,117	1,431,543	1,323,579	104,789	1,428,368
Accumulated deficit	(1,105,961)	(105,513)	(1,211,474)	(969,072)	(105,167)	(1,074,239)
Accumulated other comprehensive income	3,658		3,658	14,846		14,846
Total stockholders equity	224,301	(396)	223,905	369,529	(378)	369,151
Total liabilities and stockholders equity	$ 2,955,091	$	$ 2,955,091	$ 2,965,368	$	$ 2,965,368

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

3. Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted EPS adjusts net income and the outstanding shares for the dilutive effect of stock options and convertible debt. The basic and diluted EPS amounts are the same for each of the three and nine month periods ended September 30, 2005, as a result of the potentially dilutive securities being antidilutive due to net losses. The following table summarizes the computation of basic and diluted EPS:

	For the Three Months Ended September 30, 2006	For the Three Months Ended September 30, 2005 (As restated)	For the Nine Months Ended September 30, 2006	For the Nine Months Ended September 30, 2005 (As restated)
	(In thousands, except per share data)			
Net income (loss) basic	$ 52,810	$ (19,513)	$ 111,037	$ (191,171)
Adjustment for dilutive securities on net income:				
Interest on 2.5% convertible notes due 2011, net of tax	1,187		1,636	
Interest on 6.25% convertible notes due 2013, net of tax	1,563		4,913	
Net income (loss) diluted	$ 55,560	$ (19,513)	$ 117,586	$ (191,171)
Weighted average shares outstanding basic	178,108	176,715	177,537	176,271
Effect of dilutive securities:				
Stock options			545	
2.5% convertible notes due 2011	13,023		6,106	
6.25% convertible notes due 2013	13,351		13,351	
Weighted average shares outstanding diluted	204,482	176,715	197,539	176,271

EPS:								
Basic	$	0.30	$	(0.11)	$	0.63	$	(1.08)
Diluted	$	0.27	$	(0.11)	$	0.60	$	(1.08)

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
	(In thousands)			
Stock options	14,223	17,051	12,652	17,051
5.0% convertible notes due June 2006	2,484	2,554	2,484	2,554
5.75% convertible notes due March 2007		6,657	2,095	6,657
Total potentially dilutive shares	16,707	26,262	17,231	26,262
Stock options excluded from diluted EPS because the exercise price was greater than the average market price of the common shares	14,223	14,376	12,652	16,157

4. Stock Compensation Plans

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

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

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

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

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

	For the Three Months Ended September 30, 2005 (As restated)	For the Nine Months Ended September 30, 2005 (As restated)
	(In thousands, except per share data)	
Net loss:		
Net loss, as reported	$ (19,513)	$ (191,171)
Add: Stock-based compensation expense included in restated results	96	281

Deduct: Total stock-based employee compensation determined under fair value based method, net of tax		(646)		(1,854)
Net loss, pro forma	$	(20,063)	$	(192,744)
Loss per share:				
Basic and diluted:				
As reported	$	(0.11)	$	(1.08)
Pro forma	$	(0.11)	$	(1.09)

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

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

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

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

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

5. Comprehensive Income (Loss)

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

	For the Three Months Ended September 30, (In thousands)		For the Nine Months Ended September 30, (In thousands)	
	2006	2005 (As restated)	2006	2005 (As restated)
Net income (loss)	$ 52,810	$ (19,513)	$ 111,037	$ (191,171)
Unrealized gain (loss) on investments, net of tax	2,018	(662)	(553)	(3,319)
Reclassification adjustment for investment losses included in net income (loss)		672	2,624	2,999

Foreign currency translation adjustment, net of tax	(1,166)	(7,901)	1,064	(9,295)
Total comprehensive income (loss)	$ 53,662	$ (27,404)	$ 114,172	$ (200,786)

6. Income Taxes

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

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

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

7. Inventories

Inventories consist of the following:

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

8. Property, Plant and Equipment

Property, plant and equipment consists of the following:

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

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

9. Goodwill and Other Intangibles Assets

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

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

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

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

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

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

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

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

10. Investments

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

	September 30, 2006	December 31, 2005
	(In thousands)	
Marketable securities classified as available for sale:		
Dongbu Electronics, Inc. (ownership of 1% at September 30, 2006 and 2% at December 31, 2005)	$ 7,754	$ 8,879
Other marketable securities classified as available for sale	31	714

Total marketable securities		7,785		9,593
Equity method investments		9		75
	$	7,794	$	9,668

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

11. Accrued Expenses

Accrued expenses consist of the following:

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

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Debt

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

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

Long-term debt (including related party)	$ 1,827,200	$ 1,956,247

Debt of Amkor Technology Inc.

Senior Secured Credit Facilities

In November 2005, we entered into a $100.0 million first lien revolving credit facility available through November 2009, with a letter of credit sub-limit of $25.0 million. Interest is charged under the credit facility at a

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

Senior and Senior Subordinated Notes

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

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

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

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

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AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

underwriter, the net proceeds were used to purchase a portion of the 2008 Notes, pay respective accrued interest and tender premiums.

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

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

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

Subordinated Notes

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

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

In November 2005, we issued $100.0 million of our 6.25% Convertible Subordinated Notes due December 2013 (the 2013 Notes) in a private placement to James J. Kim, Chairman and Chief Executive Officer, and certain Kim family members. The 2013 Notes are convertible into our common stock at an initial price of $7.49 per share (the market price of our common stock on the date of issuance of the 2013 Notes was $6.20 per share), subject to adjustment. The 2013 Notes are subordinated to the prior payment in full of all of our senior and senior subordinated debt. In March 2006, we filed a registration statement with the SEC registering the notes and the shares of common stock issuable upon conversion, pursuant to the requirements of a registration rights agreement. The proceeds from

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

the sale of the 2013 Notes were used to purchase a portion of the 2006 Notes described above. The notes are not redeemable at our option until 2010.

Debt of Subsidiaries

Secured Term Loans

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

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

Secured Equipment and Property Financing

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

Revolving Credit Facilities

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

September 30, 2006 and December 31, 2005, respectively.

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

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

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

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

Other Debt

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

Compliance with Debt Covenants

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

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

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

AMKOR TECHNOLOGY, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

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

13. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

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

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

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

14. Pension and Severance Plans

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

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2006	2005	2006	2005
	(In thousands)		(In thousands)	
Components of net periodic pension cost and total pension expense:				
Service cost	$ 1,102	$ 1,395	$ 3,285	$ 4,278
Interest cost	713	507	2,080	1,552
Expected return on plan assets	(405)	(304)	(1,181)	(928)
Amortization of transitional obligation	27	28	83	88
Amortization of prior service cost	7	8	20	25
Recognized actuarial (gain)/loss		12		38
Total pension expense	$ 1,444	$ 1,646	$ 4,287	$ 5,053

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

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

15. Commitments and Contingencies

Indemnifications and Guarantees

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

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AMKOR TECHNOLOGY, INC.

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

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

Legal Proceedings

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

Epoxy Mold Compound Litigation

Much of our recent litigation related to an allegedly defective epoxy mold compound, formerly used in some of our pa