AMKOR TECHNOLOGY INC
Form 10-K
February 24, 2011

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

Form 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2010

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

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	**Name of Each Exchange on Which Registered**
Common Stock, $0.001 par value	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 such 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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. 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 aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of June 30, 2010, based upon the closing price of the common stock as reported by the NASDAQ Global Select Market on that date, was approximately $599.9 million.

The number of shares outstanding of each of the issuer s classes of common equity, as of January 31, 2011, was as follows: 197,189,515 shares of Common Stock, $0.001 par value.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant s Proxy Statement relating to its 2011 Annual Meeting of Stockholders, to be filed subsequently, are incorporated by reference into Part III of this Report where indicated.

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All references in this Annual Report to Amkor, we, us, our or the company are to Amkor Technology, Inc. and i subsidiaries. We refer to the Republic of Korea, which is also commonly known as South Korea, as Korea . Amkor Amkor Technology®, ChipArray®, FlipStack®, FusionQuad®, *Micro*LeadFrame®, TMV®, and Unitive® are either trademarks or registered trademarks of Amkor Technology, Inc. All other trademarks appearing herein are held by their respective owners. Subsequent use of the above trademarks in this report may occur without the respective superscript symbols (TM or ®) in order to facilitate the readability of the report and are not a waiver of any rights that may be associated with the relevant trademarks.

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PART I

Item 1. *Business*

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This business section contains forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, p potential, continue, intend or the negative of these terms or other comparable terminology. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements. In evaluating these statements, you should specifically consider various factors, including the risks outlined under Risk Factors in Item 1A of this Annual Report. These factors may cause our actual results to differ materially from any forward-looking statement.

OVERVIEW

Amkor is one of the world s leading providers of outsourced semiconductor packaging (sometimes referred to as assembly) and test services. Amkor pioneered the outsourcing of semiconductor packaging and test services through a predecessor corporation in 1968 and over the years we have built a leading position by:

- Designing and developing new package and test technologies;
- Offering a broad portfolio of packaging and test technologies and services;
- Cultivating long-standing relationships with our customers, which include many of the world s leading semiconductor companies, and collaborating with original equipment manufacturers (OEMs) and material suppliers;
- Developing expertise in high-volume manufacturing processes; and
- Having a diversified operational scope, with production capabilities in China, Japan, Korea, the Philippines, Taiwan and the United States (U.S.).

Packaging and test are integral steps in the process of manufacturing semiconductor devices. The semiconductor manufacturing process begins with the fabrication of tiny transistor elements into complex patterns of electronic circuitry on silicon wafers, thereby creating large numbers of individual semiconductor devices or integrated circuits on each wafer (generally referred to as chips or die). Each device on the wafer is tested and the wafer is cut into pieces called chips. The chips are attached through wire bonding to a substrate or leadframe, or to a substrate in the case of flip chip interconnect and then encased in a protective material. For a wafer-level package, the electrical interconnections are created directly on the surface of the wafer without a substrate or leadframe. The packages are then tested using sophisticated equipment to ensure that each packaged chip meets its design and performance specifications.

Our packages are designed based on application and chip specific requirements including the type of interconnection technology employed, size, thickness, and electrical, mechanical and thermal performance. We are able to provide turnkey packaging and test solutions including semiconductor wafer bump, wafer probe, wafer backgrind, package design, assembly, test and drop shipment services.

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

AVAILABLE INFORMATION

Amkor files annual, quarterly and current reports, proxy statements and other information with the U.S. Securities and Exchange Commission (the SEC). You may read and copy any document we file at the SEC s Public Reference Room, 100 F Street, NE, Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for information on the Public Reference Room. The SEC maintains a web site that contains annual, quarterly and

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current reports, proxy statements and other information that issuers (including Amkor) file electronically with the SEC. The SEC s web site is *http://www.sec.gov.*

Amkor s web site is *http://www.amkor.com.* Amkor makes available free of charge through its web site, our annual reports on Form 10-K; quarterly reports on Form 10-Q; current reports on Form 8-K; Forms 3, 4 and 5 filed on behalf of directors and executive officers; and any amendments to those reports filed or furnished pursuant to the Securities Exchange Act of 1934 as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. We also make available, free of charge, through our web site, our Corporate Governance Guidelines, the charters of the Audit Committee, Nominating and Governance Committee and Compensation Committee of our Board of Directors, our Code of Business Conduct and Ethical Guidelines, our Code of Ethics for Directors and other information and materials. The information on Amkor s web site is not incorporated by reference into this report.

INDUSTRY BACKGROUND

Semiconductor devices are the essential building blocks used in most electronic products. As electronic and semiconductor devices have evolved, several important trends have emerged that have fueled the growth of the overall semiconductor industry, as well as the market for outsourced semiconductor packaging and test services. These trends include:

An increasing demand for mobile and internet-connected devices, including world-wide adoption of mobile smart phones that can access the web and provide multimedia capabilities. The demand for digital video content has driven a range of higher performance internet connected home and mobile consumer electronics products including the new and rapidly growing tablet category.

Higher mobility, connectivity and digital content are driving demand for new broadband wired and wireless networking equipment.

The proliferation of semiconductor devices into well established end products such as automotive systems due to increased use of electronics for safety, navigation and entertainment systems.

An overall increase in the semiconductor content within electronic products in order to provide greater functionality and higher levels of performance.

Our business is impacted by market conditions in the semiconductor industry, which is cyclical by nature and impacted by broad economic factors, such as world-wide gross domestic product and consumer spending. Historical trends indicate there has been a strong correlation between world-wide gross domestic product levels and semiconductor industry cycles.

Semiconductor companies outsource their packaging and test needs to contract service providers such as Amkor for the following reasons:

Contract service providers have developed expertise in advanced packaging and test technologies.

Semiconductor packaging and test technologies continue to become more sophisticated, complex and customized due to increasing demands for miniaturization, greater functionality and improved thermal and electrical performance. This trend has led many semiconductor companies to view packaging and test as enabling technologies requiring sophisticated expertise and technological innovation. Many of these companies are also relying on contract service providers of packaging and test services as key sources for new package designs and advanced interconnect technologies, thereby enabling them to reduce their internal research and development costs.

Contract service providers offer a cost effective solution in a highly cyclical, capital intensive industry.

The semiconductor industry is cyclical by nature and impacted by broad economic factors, such as world-wide gross domestic product and consumer spending. Semiconductor packaging and test are complex processes requiring substantial investment in specialized equipment, factories and human resources. As a result of this cyclicality and the large investments required, manufacturing facilities must operate at a high level of utilization for an extended period of time to be cost effective. Shorter product life cycles, coupled with the need to update or replace packaging

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and test equipment to accommodate new package types, makes it more difficult for semiconductor companies to maintain cost effective utilization of their packaging and test assets throughout semiconductor industry cycles. Contract service providers of packaging and test services, on the other hand, can typically use their assets to support a broad range of customers, potentially generating more efficient use of their production assets and a more cost effective solution.

Contract service providers can facilitate a more efficient supply chain and thus help shorten time-to-market for new products.

We believe that semiconductor companies, together with their customers, are seeking to shorten the time-to-market for their new products, and that having an effective supply chain is a critical factor in facilitating timely and successful product introductions. Semiconductor companies frequently do not have sufficient time to develop their packaging and test capabilities or deploy the equipment and expertise to implement new packaging technology in volume. For this reason, semiconductor companies are leveraging the resources and capabilities of packaging and test companies to deliver their new products to market more quickly.

The availability of high quality packaging and test services from contract service providers allows semiconductor manufacturers to focus their resources on semiconductor design and wafer fabrication.

As semiconductor process technology migrates to larger wafers and smaller feature sizes, the cost of building a state-of-the-art wafer fabrication factory has risen significantly and can now be several billions of dollars. The high cost of investing in next generation silicon technology and equipment is causing many semiconductor companies to adopt a fabless or fab-lite strategy in which they reduce or eliminate their investment in wafer fabrication and associated packaging and test assets, thus increasing their reliance on outsourced providers of semiconductor manufacturing services, including packaging and test. Fabless semiconductor companies do not have factories and focus exclusively on the semiconductor design process and outsource virtually every step of the manufacturing process.

COMPETITIVE STRENGTHS AND STRATEGY

We believe we are well-positioned in the outsourced packaging and test market. To build upon our industry position and to remain one of the preferred providers of semiconductor packaging and test services, we are pursuing the following strategies:

Leading Technology Innovator

We are a leader in developing advanced semiconductor packaging and test solutions. We have designed and developed several state-of-the-art package formats and technologies including our Package-on-Package platform with Through Mold Via or TMV technology, FusionQuad, flip chip ball grid array, copper pillar bumping and fine pitch copper pillar flip chip packaging technologies. In addition, we believe that as semiconductor technology continues to achieve smaller device geometries with higher levels of speed and performance, packages will increasingly require flip chip and three dimensional or 3D stacking interconnect solutions. We have been investing in our technology leadership in electroplated wafer bumping, wafer-level processing and 3D packaging technologies. We have also been a leader in developing environmentally friendly integrated circuit packaging, which involves the elimination of lead and certain other materials.

In the area of 3D packaging, Amkor has been a market and technology leader in both stacked die such as stacked chip scale packages and FlipStack and stacked package technologies such as Package-on-Package and TMV. The semiconductor industry is now entering a new period of 3D packaging development where Through Silicon Via or

TSV interconnect technology will be used to create 3D integrated circuits. Amkor continues to invest in developing the key processes and package assembly technologies required for our customers to deliver 3D chip solutions to market. We have established a leadership position in wafer thinning, micro-bumping and TSV-based flip chip stacking technologies, and we are leveraging our technology development relationships with key customers in diverse applications to develop and deploy new 3D packaging technologies with high density TSV interconnections.

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We provide a complete range of test engineering services from test program development to full product characterization for radio frequency mixed signal, logic and memory devices. Amkor is a major provider of radio frequency test services and a leader in strip test, an innovative parallel test solution that offers customers lower cost, faster index time and improved yields.

We have approximately 400 employees engaged in research and development focusing on the design and development of new semiconductor packaging and test technologies.

Long-Standing Relationships and Collaboration with Prominent Semiconductor Companies

Our customers include most of the world s largest semiconductor companies and over the last four decades, Amkor has developed long-standing relationships with many of these companies. We believe that our production excellence has been a key factor in our success in attracting and retaining customers. We work with our customers and our suppliers to develop proprietary process technologies to enhance our existing capabilities, reduce time-to-market, increase quality and lower our costs.

We believe that our focus on research and product development will enable us to enter new markets early, capture market share and promote the adoption of our new package designs as industry standards. We collaborate with customers and leading OEMs to develop comprehensive package solutions that make it easier for next-generation semiconductors to be designed into next-generation end products. By collaborating with leading semiconductor companies and OEM electronic companies, we gain access to technology roadmaps for next generation semiconductor designs and obtain the opportunity to develop new packages that satisfy their future requirements.

Broad Offering of Package Design, Packaging and Test Services

Creating successful interconnect solutions for advanced semiconductor devices often poses unique thermal, electrical and other design challenges, and Amkor employs a large number of package design engineers to solve these challenges. Amkor produces hundreds of package types which encompass more than 1,000 unique products, representing one of the broadest package offerings in the semiconductor industry. These package solutions are driven by the needs of our customers for more electrical connections, enhanced electrical or thermal performance, smaller package size and lower cost.

We provide customers with a wide array of packaging solutions including leadframe and substrate packages, using both wire bond and flip chip interconnect technologies. We are a leading provider of:

Flip chip and wafer level packages where the die is connected directly to the package substrate or system board. These packages deliver improved electrical performance for use in high-power and high-speed applications such as graphics processors and microprocessors;

Three dimensional packages such as package-on-package and stacked chip scale packages, in which the individual chips or individual packages are stacked vertically to provide integration of logic and memory, while preserving space on the system board;

Stacked chip scale packages which include high density memory die stacks, typically with wire bond connections, and flip chip plus wire bond stacks called FlipStack that integrate a wire bond die on top of a flip chip die;

Advanced leadframe packages, such as *Micro*LeadFrame and FusionQuad, which are thinner and smaller than traditional leadframe designs, and provide more leads and better thermal and electrical characteristics.

Multi-chip or system-in-package modules used in mobile phones and other handheld end-products;

Packages for micro-electromechanical system devices, which are used in a variety of end markets including automotive, industrial and consumer electronics;

Through Mold Via technology for higher stacked interconnect densities in Package-on-Package applications that support next-generation high speed memory interface standards; and

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Fine pitch copper pillar flip chip which creates interconnections at fine pad pitches using fine pitch copper pillar bumping and a newly developed assembly process to reduce the number of substrate layers and facilitate very thin packages.

We are expanding our copper wire bond capabilities in support of both advanced and commodity packages, as some customers are migrating to copper wire bond to mitigate their exposure to gold prices. We also offer an extensive line of advanced probe and final test services for analog, digital, logic, mixed signal and radio frequency semiconductor devices. We believe that the breadth of our design, packaging and test services is important to customers seeking to limit the number of their suppliers.

Geographically Diversified Operational Base

We have a broad and geographically diversified operational footprint. Our operations comprise more than five million square feet of manufacturing space strategically located in five countries in many of the world s important electronics manufacturing regions. We believe that our scale and scope allow us to provide cost effective solutions to our customers by:

Offering capacity to absorb large orders and accommodate quick turn-around times;

Obtaining favorable pricing on materials and equipment, where possible, by using our purchasing power and leading industry position;

Qualifying production of customer devices at multiple manufacturing sites to mitigate the risks of supply disruptions; and

Providing capabilities and solutions for customer-specific requirements.

Competitive Cost Structure and Disciplined Capital Investment

We believe that a competitive cost structure and disciplined capital investment decisions are key factors for achieving profitability and generating free cash flow. There has been a continuous push throughout the entire semiconductor supply chain for lower cost solutions. Some of our cost control efforts have included: (1) increasing strip densities to drive higher throughput; (2) developing smaller gold wire diameter solutions; and (3) increasing labor productivity.

We operate in a cyclical industry. During an industry downturn, similar to the downturn in the second half of 2008 and the first half of 2009, we take actions to reduce our costs and drive greater factory and administrative efficiencies. Cost control efforts can include reducing labor costs by temporarily lowering compensation, reducing employee and contractor headcount, shortening work weeks and obtaining labor-related foreign government subsidies.

PACKAGING AND TEST SERVICES

The following table sets forth, for the periods indicated, the amount of packaging and test net sales in millions of dollars and the percentage of such net sales:

	Year Ended December 31,		
	2010	**2009**	**2008**

Packaging services						
Chip scale package	$ 954	32.5%	$ 695	31.9%	$ 697	26.2%
Ball grid array	747	25.4%	500	23.0%	751	28.3%
Leadframe	761	25.9%	587	26.9%	753	28.3%
Other packaging	188	6.4%	152	7.0%	144	5.4%
Total packaging services	2,650	90.2%	1,934	88.8%	2,345	88.2%
Test services	289	9.8%	245	11.2%	314	11.8%
Total net sales	$ 2,939	100.0%	$ 2,179	100.0%	$ 2,659	100.0%

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Packaging Services

We offer a broad range of package formats and services designed to provide our customers with a full array of packaging solutions. Our package services are divided into three families: chip scale package, ball grid array, and leadframe. We also provide other packaging services such as wafer bumping which supports our flip chip and wafer-level packages. The differentiating characteristics of package formats can include: (1) size, (2) number of electrical connections, (3) thermal and electrical characteristics, (4) number of chips incorporated, (5) types of interconnect technologies employed, and (6) integration of active and passive components.

The following table sets forth the various combinations of interconnect technologies and package carriers, and some characteristics, for each package family.

	Chip Scale Package	**Ball Grid Array**	**Leadframe**
Interconnect Technology	Wire Bond Flip Chip	Wire Bond Flip Chip	Wire Bond
Package Carrier	Substrate Wafer Level	Substrate	Leadframe
Characteristics	Small Form Factor Low to High I/O Density Medium to Low Power Consumption 2D and 3D Configurations	Large Form Factor High I/O Density Medium to High Power Consumption	Variety of Form Factors Low to Medium I/O Density Low Cost Low to High Power Consumption 2D and 3D Configurations

Interconnect Technologies

Wire bonding and flip chip are the two interconnect technologies used to connect the die to the package carrier.

Wire Bond: The die is mounted face up on the substrate or leadframe and very fine gold or copper wires are attached from the perimeter of the die to the substrate or leadframe. Wire bonding is generally considered to be the most cost-effective and flexible interconnect technology and is used to assemble the majority of semiconductor packages.

Flip Chip: The interconnection between the die and substrate is made through a conductive bump that is placed directly on the die surface utilizing a process called wafer bumping. The bumped die is then flipped over and placed face down, with the bumps connecting directly to the substrate. Flip chip packages provide a higher density interconnection capability than wire bond, as flip chip technology uses the surface area of the die, and sometimes the perimeter as well, instead of just the perimeter used by wire bond packages. Flip chip technology also provides enhanced thermal and electrical performance, and enables smaller die and thinner and smaller form factors (or physical package dimensions).

Hybrid: Certain 3D and system-in-package applications may contain both wire bond and flip chip die in a single package. These structures are commonly referred to as FlipStack and are supported in both chip scale and ball grid array package structures.

Package Carrier

Leadframe: Leadframe packages utilize metal (typically copper) as the package carrier and typically place the electrical interconnect leads to the system board around the perimeter of the package. Leadframe packages are used in virtually every electronic device and remain the most practical and cost-effective solution for many low to medium pin count applications. Leadframe packages are typically not cost or form factor effective for pin counts above 200. To address this limitation, Amkor developed FusionQuad, a proprietary leadframe package that integrates internal leads with perimeter leads to enable pin counts up to 376.

Substrate: Substrate packages utilize a laminate as the package carrier and have the electrical interconnects to the system board on the bottom of the package in the form of solder balls that are distributed across the bottom surface of the package (called a ball grid array format). The chip is attached to the substrate through either

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wirebond or flip chip technologies. Substrate packages were developed to facilitate the higher number of interconnections required by many advanced semiconductor devices.

Wafer-Level: Wafer-level packages do not use a leadframe or substrate as the chip carrier. The interconnect bumping process is carried out on the entire wafer at the chip level using proprietary process technologies. The bumped wafer is subsequently singulated into individual chips (diced) and the wafer-level package is subsequently attached directly to the system board.

Chip Scale Packages

Chip scale packages are substrate-based packages where the package size is not much larger than the chip itself, and which have very small form factors and fine ball pitches (or distance between balls). The size advantage provided by a chip scale package has made this the package of choice for a wide variety of applications that require very small form factors such as wireless handsets and mobile consumer electronic devices.

Advances in packaging technology now allow the placement of two or more chips on top of each other within a single package. This concept, known as 3D packaging, permits a higher level of semiconductor density and greater functionality. Some of our 3D chip scale packages include:

- Stacked chip scale packages that contain two or more chips placed on top of each other and are ideal for chipsets and memory applications; and

- Package-on-package solutions using extremely thin chip scale packages that are stacked on top of each other, enabling the integration of logic and memory in a single footprint, as well as multiple memory applications.

Our chip scale package family also includes system-in-package modules which integrate two or more chips and passive device elements into a single package, thus enabling space and power efficiency, high performance and lower production costs.

Ball Grid Array Packages

Ball grid array packages are large form factor substrate-based packages which are used where processing power and speed are needed, and small form factors are not required. Ball grid array packages are used for networking, storage, gaming, computing and consumer applications.

Examples of ball grid array packages are:

- Flip chip ball grid array incorporates a face down bumped die onto a substrate using a ball grid array format and is increasingly being used in advanced silicon nodes enabling our customers to implement more powerful new applications and smaller devices; and

- Plastic ball grid array packages use wire bond technology in applications requiring higher pin count than chip scale or leadframe packages, but typically have lower interconnect density than flip chip.

Leadframe Packages

Leadframe packages place the electrical interconnects to the system board around the perimeter of the package. Wire bonding technology is used to interconnect the chip to the leadframe package carrier. Leadframe-based packages are the most widely used package family in the semiconductor industry.

Traditional leadframe-based packages support a wide variety of device types and applications. Two of our most popular traditional leadframe package types are small outline integrated circuit and quad flat package, commonly known as dual or quad products, respectively, based upon the number of sides from which the leads extend. The traditional leadframe package family has evolved from through hole design, where the leads are plugged into holes on the circuit board to surface mount design, where the leads are soldered to the surface of the circuit board. We offer a wide range of lead counts and body sizes to satisfy variations in the size of customers semiconductor devices.

Through a process of continuous engineering and customization, we have designed several advanced leadframe package types that are thinner and smaller than traditional leadframe packages, and which have the

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ability to accommodate more leads on the perimeter of the package. These advanced leadframe packages typically have superior thermal and electrical characteristics, which allow them to dissipate heat generated by high-powered semiconductor devices while providing enhanced electrical connectivity. We are developing increasingly smaller versions of these packages to keep pace with continually shrinking semiconductor device sizes and demand for miniaturization of portable electronic products. One of our most successful advanced leadframe package offerings is the MicroLeadFrame family of quad flat no lead packages. Another is FusionQuad, which has both bottom and peripheral leads that significantly reduce the package size.

Wafer Bumping and Other Packaging Services

The other category of packaging services is largely comprised of wafer bumping services. Wafer bumping is a preliminary step to manufacturing both flip chip and wafer-level packages. Wafer bumping consists of preparing the wafer for bumping and forming or placing the bumps. Preparation may include cleaning, removing insulating oxides, and providing a pad metallurgy that will protect the interconnections while making good mechanical and electrical connection between the bump and the substrate.

Test Services

Amkor provides a complete range of semiconductor testing services including wafer testing or probe, various types of final testing, strip testing and complete end-of-line test services up to and including final shipping. We have testing operations in our facilities in China, Japan, Korea, the Philippines and Taiwan, which enables fast feedback, streamlined logistics and shorter cycle times. We also offer many specialized logistical services including security certification and anti-counterfeit measures. In 2010, we tested 4.4 billion units. We tested 45%, 48% and 49% of the units that we packaged in 2010, 2009 and 2008, respectively.

We test a variety of device types across all of our package families including radio frequency, analog and mixed signal, digital, power management, memory and various combinations such as application-specific integrated circuits, multi chip modules, system-in-package, and stacked chips. Testing solutions vary depending upon the complexity of the device. Specialized solutions are required for packages that also process non-electric stimuli, including sensors, accelerometers, gyrometers, haptics, pressure sensors and various types of micro-electro-mechanical sensor devices.

Test Development Services

We offer a full range of test software, hardware, integration and product engineering services, and we support a range of business models and test capabilities. Some customers develop their test solutions and provide them to us, while other customers need our engineering resources. We support a variety of co-development and collaboration models.

Our test development centers are located in Korea, the Philippines, China and the U.S., and provide complete solutions covering product specific testing software, all necessary hardware for handling and contacting, correlation, release to mass production and post production support. In close proximity to many of our customers design centers, our locations offer same time zone and same language services.

Wafer Test Services

Wafer test, also referred to as wafer probe, is performed after wafer fabrication or wafer bumping to screen out defects prior to packaging. A range of wafer test coverage can be deployed depending on the cost and complexity of the die, the package and the product. The range is from coarse level screening for major defects all the way up to probing at high digital speeds, full radio frequency transmit and receive, and multiple temperatures. Wafer testing can involve a range of wafer mapping and inspections.

Final Test Services

After the assembly process, final test is performed to ensure that the packaged device meets the customer s requirements. Final test spans a range of rigor and complexity depending on the device and end market application. More rigorous types of final test include testing multiple times under different electrical and temperature

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conditions, and before and after device reliability stresses, such as burn-in. In addition to electrical testing, specialized solutions are required for packages that also process non-electric stimuli.

The electrical tests are a mix of functional, structural and system-level tests depending on the customer s requirements and cost and reliability parameters. The electrical test equipment we use includes commercially available automated test equipment, customized and proprietary system level test equipment and innovative types of low cost test equipment developed by Amkor.

Principal End Markets

The following table lists the major end markets that use our products. The table also lists some of our applications and our packages and test services used within these key end markets.

End Market	Applications	Amkor Packages and Test Services
Communications	Handsets (Cell Phones, Feature Phones, Smart Phones) Ethernet WiMax, 3G, 4G Wireless LAN Bluetooth	Stacked Chip Scale Package ChipArray Ball Grid Array Package-on-Package Flip Stack Chip Scale Package Flip Chip Chip Scale Package *Micro*LeadFrame Radio Frequency Probe System-on-Chip Test Distributed Test for System-in-Package System-Level Test
Consumer	Gaming Television Set Top boxes Portable Media Digital Cameras	Flip Chip Ball Grid Array Thin Quad Flat Pack Plastic Ball Grid Array ChipArray Ball Grid Array *Micro*LeadFrame Strip Test
Computing	Desk Top Computer Laptop Computer Notebook Computer Netbook Computer Tablets Hard Disc Drive Computer Server Displays Printers Other Peripherals	*Micro*LeadFrame Plastic Ball Grid Array Thin Quad Flat Pack ChipArray Ball Grid Array Flip Chip Chip Scale Package High-Speed Digital Testing System-Level Test System-on-Chip Test Distributed Test for System-in-Package
Networking	Servers Routers Switches	Flip Chip Ball Grid Array Plastic Ball Grid Array ChipArray Ball Grid Array

		High-Speed Digital Testing
Other	Automotive Industrial	Thin Shrink Small Outline Package Small Outline Integrated Circuit Plastic Ball Grid Array Thin Quad Flat Pack Test Across Temperature Burn-in Test

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For packaging and test segment information, see Note 17 to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report.

RESEARCH AND DEVELOPMENT

Our research efforts focus on developing new package solutions and test services, and improving the efficiency and capabilities of our existing production processes. We believe that technology development is one of the key success differentiators in the semiconductor packaging and test industry. By concentrating our research and development on our customers needs for innovative packages, increased performance and lower cost, we gain opportunities to enter markets early, capture market share and promote our new package offerings as industry standards. In addition, we leverage our research and development by licensing our leading edge technology, such as *Micro*LeadFrame, Fine Pitch Copper Pillar, Through Mold Via, Lead Free Bumping and FusionQuad.

Our key areas for research and development are:

3D packaging;

Advanced flip chip packaging;

Advanced micro-electromechanical system packaging and testing;

Copper Pillar bumping and packaging;

Copper wire interconnects;

Engineering and characterization tools;

Laminate and leadframe packaging;

Manufacturing cost reductions;

Through Mold Via technology;

Through Silicon Via technology;

Wafer Level Fan Out technology; and

Wafer level processing.

We have key development partners within our customer and supplier base. We work with our partners and allocate our resources to develop applications that have promising potential for a healthy return on investment.

As of December 31, 2010, we had approximately 400 employees engaged in research and development activities. In 2010, 2009 and 2008, we spent $47.5 million, $44.5 million and $56.2 million, respectively, on research and development.

MARKETING AND SALES

Our marketing and sales offices are located throughout the world. Our support personnel manage and promote our packaging and test services and provide key customer and technical support.

To provide comprehensive sales and customer service, we typically assign our customers a direct support team consisting of an account manager, technical program manager, test program manager and both field and factory customer support representatives. We also support our largest multinational customers from multiple office locations to ensure that we are aligned with their global operational and business requirements.

Our direct support teams are further supported by an extended staff of product, process, quality and reliability engineers, as well as marketing and advertising specialists, information systems technicians and factory personnel. Together, these direct and extended support teams deliver an array of services to our customers. These services include:

Managing and coordinating ongoing manufacturing activity;

Providing information and expert advice on our portfolio of packaging and test solutions and related trends;

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Managing the start-up of specific packaging and test programs;

Working to improve our customers time-to-market;

Providing a continuous flow of information to our customers regarding products and programs in process;

Partnering with customers on design solutions;

Researching and assisting in the resolution of technical and logistical issues;

Aligning our technologies and research and development activities with the needs of our customers and OEMs;

Providing guidance and solutions to customers in managing their supply chains;

Driving industry standards;

Providing design and simulation services to ensure package reliability; and

Collaborating with our customers on continuous quality improvement initiatives.

Further, we implement direct electronic links with our customers to:

Achieve near real time and automated communications of order fulfillment information, such as inventory control, production schedules and engineering data, including production yields, device specifications and quality indices; and

Connect our customers to our sales and marketing personnel world-wide and to our factories.

SEASONALITY

Our sales have generally been higher in the second half of the year than in the first half due to the effect of consumer buying patterns in the U.S., Europe and Asia. In addition, semiconductor companies in the U.S. generally reduce their production during the holidays at the end of December which results in a decrease in units for packaging and test services during the first quarter. Our business is tied to market conditions in the semiconductor industry which is highly cyclical. The semiconductor industry has experienced significant and sometimes prolonged cyclical downturns in the past. We cannot predict the timing, strength or duration of any economic slowdown or subsequent economic recovery.

CUSTOMERS

As of December 31, 2010, we had approximately 225 customers, including many of the largest semiconductor companies in the world. The table below lists our top 25 customers in 2010 based on net sales:

Altera Corporation
Analog Devices, Inc.
Atheros Communication, Inc.
Atmel Corporation
Nordic Semiconductor ASA
NXP Semiconductors N.V.
ON Semiconductor Corporation
Panasonic Corporation

Avago Technologies Limited
Broadcom Corporation
Entropic Communications, Inc.
Global Unichip Corporation
Infineon Technologies AG
International Business Machines Corporation (IBM)
LSI Corporation
Marvell Technology Group Ltd.
Micron Technology, Inc.
Qualcomm Incorporated
RF Micro Devices, Inc.
Samsung Electronics Co., Ltd
Sony Corporation
ST Microelectronics, Pte
Texas Instruments Incorporated
Toshiba Corporation
Xilinx, Inc.

Our top 25 customers accounted for 80.1% of our net sales in 2010, and our ten largest customers accounted for approximately 54.2%, 53.4% and 49.8% of our net sales for the years ended December 31, 2010, 2009 and 2008,

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respectively. Qualcomm Incorporated accounted for more than 10% of our consolidated net sales in 2009. No customer accounted for more than 10% of our consolidated net sales in 2010 or 2008.

For segment information, see Note 17 to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report.

MATERIALS AND EQUIPMENT

Materials

Our materials are used primarily for packaging activities. Our packaging operations depend upon obtaining adequate supplies of materials on a timely basis. The principal materials used in our packaging process are leadframes, laminate substrates, gold and copper wire, mold compound, epoxy, tubes and trays. The silicon wafer is generally consigned from the customer. We do not take ownership of the customer consigned wafer and title and risk of loss remains with the customer for these materials. Test materials constitute a very small portion of our total test cost. We purchase materials based on customer forecasts and our customers are generally responsible for any unused materials which we purchased based on such forecasts.

We work closely with our primary material suppliers to ensure that materials are available and delivered on time. Moreover, utilizing commodity managers to globally manage specific commodities, we also negotiate world-wide pricing agreements with our major suppliers to take advantage of the scale of our operations. We are not dependent on any one supplier for a substantial portion of our material requirements.

Equipment

Our ability to meet the changing demand from our customers for manufacturing capacity requirements depends upon obtaining packaging and test equipment in a timely manner. We work closely with our main equipment suppliers to coordinate the ordering and delivery of equipment to meet our expected capacity needs.

Packaging Equipment

The primary types of equipment used in providing our packaging services are wire bonders and die bonders. In addition, we maintain a variety of other packaging equipment, including mold, singulation, die attach, ball attach, and wafer backgrind, along with numerous other types of manufacturing equipment. A substantial portion of our packaging equipment base can generally be used and adapted to support the manufacture of many of our packages through the use of relatively low cost tooling.

We also purchase wafer bumping equipment to facilitate our flip chip and wafer level packaging services. Wafer bump equipment includes sputter and spin coaters, electroplating equipment and reflow ovens. This equipment tends to have longer lead times for order and installation than other packaging equipment and is sold in relatively larger increments of capacity.

Test Equipment

The primary equipment used in the testing process includes tester, handler and probe equipment. Handlers are used to transfer individual or small groups of packaged integrated circuits to a tester. Testers are generally a more capital intensive portion of the process and tend to have longer delivery lead times than most other types of packaging and test equipment. We focus our capital additions on standardized tester platforms in order to maximize test equipment utilization.

ENVIRONMENTAL MATTERS

The semiconductor packaging process uses chemicals, materials and gases and generates byproducts that are subject to extensive governmental regulations. For example, we produce liquid waste when semiconductor wafers are diced into chips with the aid of diamond saws, then cooled with running water. In addition, semiconductor packages have historically utilized metallic alloys containing lead (Pb) within the interconnect terminals typically referred to as leads, pins or balls. The usage of lead (Pb) has decreased over the past few years, as we have ramped

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volume production of alternative lead (Pb)-free processes. Federal, state and local regulations in the U.S., as well as environmental regulations internationally, impose various controls on the storage, handling, discharge and disposal of chemicals and materials used in our manufacturing processes and in the factories we occupy.

We are engaged in a continuing program to assure compliance with federal, state and local environmental laws and regulations. We currently do not expect that capital expenditures or other costs attributable to compliance with environmental laws and regulations will have a material adverse effect on our business, liquidity, results of operations, financial condition or cash flows.

COMPETITION

The subcontracted semiconductor packaging and test market is very competitive. We face substantial competition from established packaging and test service providers primarily located in Asia, including companies with significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities. These companies include:

Advanced Semiconductor Engineering, Inc.,

Siliconware Precision Industries Co., Ltd. and

STATS ChipPAC Ltd.

Such companies also have developed relationships with most of the world s largest semiconductor companies, including current or potential customers of Amkor. We also compete with the internal semiconductor packaging and test capabilities of many of our customers. Our integrated device manufacturer customers continually evaluate the outsourced services against their own in-house package and test services and at times decide to shift some or all of their outsourced packaging and test services to internally sourced capacity.

The principal elements of competition in the semiconductor packaging services market include:

technical competence;

quality;

price;

breadth of packaging services offered;

new package design and implementation;

cycle times;

customer service; and

available capacity.

We believe that we generally compete favorably with respect to each of these elements.

INTELLECTUAL PROPERTY

We maintain an active program to protect and derive value from our investment in technology and the associated intellectual property rights. Intellectual property rights that apply to our various products and services include patents, copyrights, trade secrets and trademarks. We have filed and obtained a number of patents in the U.S. and abroad the duration of which varies depending on the jurisdiction in which the patent is filed. While our patents are an important element of our intellectual property strategy, as a whole, we are not materially dependent on any one patent or any one technology. We expect to continue to file patent applications when appropriate to protect our proprietary technologies, but we cannot assure you that we will receive patents from pending or future applications. In addition, any patents we obtain may be challenged, invalidated or circumvented and may not provide meaningful protection or other commercial advantage to us.

We also protect certain details about our processes, products and strategies as trade secrets, maintaining the confidentiality of the information we believe provides us with a competitive advantage. We have ongoing programs

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designed to maintain the confidentiality of such information. Further, to distinguish our products from our competitors products, we have obtained certain trademarks and service marks. We have promoted and will continue to promote our particular brands through advertising and other marketing techniques.

EMPLOYEES

As of December 31, 2010, we had 19,900 full-time employees. Of the total employee population, 14,700 were engaged in manufacturing services, 3,100 were engaged in manufacturing support, 400 were engaged in research and development, 200 were engaged in marketing and sales and 1,500 were engaged in administration, business management and finance. We believe that our relations with our employees are good, and we have never experienced a work stoppage in any of our factories. Our employees in China, France, the Philippines, Taiwan and the U.S. are not represented by any union. Certain employees in our factories in Japan and Korea are members of a union, and those that are members of a union are subject to collective bargaining agreements.

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

The factors discussed below are cautionary statements that identify important factors and risks that could cause actual results to differ materially from those anticipated by the forward-looking statements contained in this report. For more information regarding the forward-looking statements contained in this report, see the introductory paragraph to Part II, Item 7 of this Annual Report. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing Amkor. Additional risks and uncertainties not presently known to us may also impair our business operations. The occurrence of any of the following risks could affect our business, liquidity, results of operations, financial condition or cash flows.

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

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

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

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

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

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semiconductors in late 2008 and in 2009 resulted in significant declines in our operating results and cash flows as capacity utilization declined.

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

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

loss of key personnel or the shortage of available skilled workers;

fluctuations in foreign exchange rates;

delay, rescheduling and cancellation of large orders; and

fluctuations in our manufacturing yields.

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

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our credit ratings which could make it more difficult and expensive for us to raise capital and could adversely affect the price of our securities.

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

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

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

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

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

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

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

results of operations, financial condition and cash flows could be materially adversely affected.

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

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

The reasons IDMs may shift their internal capacity include:

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

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

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

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

We have a significant amount of indebtedness. As of December 31, 2010, our total debt balance was $1,364.3 million, of which $150.1 million was classified as a current liability. In addition, despite current debt levels, the terms of the indentures governing our indebtedness allow us or our subsidiaries to incur more debt, subject to certain limitations. If new debt is added to our consolidated debt level, the related risks that we now face could intensify.

Our substantial indebtedness could:

- make it more difficult for us to satisfy our obligations with respect to our indebtedness, including our obligations under our indentures to purchase notes tendered as a result of a change in control of Amkor;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, research and development and other general corporate requirements;
- require us to dedicate a substantial portion of our cash flow from operations to service payments on our debt;

increase the volatility of the price of our common stock;

limit our flexibility to react to changes in our business and the industry in which we operate;

place us at a competitive disadvantage to any of our competitors that have less debt; and

limit, along with the financial and other restrictive covenants in our indebtedness, among other things, our ability to borrow additional funds.

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We May Have Difficulty Funding Liquidity Needs

We operate in a capital intensive industry. Servicing our current and future customers requires that we incur significant operating expenses and continue to make significant capital expenditures, which are generally made in advance of the related revenues and without any firm customer commitments. During 2010, we had capital additions of $504.5 million and in 2011, we currently expect to make capital additions of approximately $500 million.

In addition, we have a significant level of debt, with $1,364.3 million outstanding at December 31, 2010, $150.1 million of which is current. The terms of such debt require significant scheduled principal payments in the coming years, including $150.1 million due in 2011, $82.1 million due in 2012, $236.1 million due in 2013, $281.6 million due in 2014, $5.1 million due in 2015 and $609.3 million due thereafter. The interest payments required on our debt are also substantial. For example, in 2010, we paid $96.6 million of interest. The sources funding our operations, including making capital expenditures and servicing principal and interest obligations with respect to our debt, are cash flows from our operations, current cash and cash equivalents, borrowings under available debt facilities, or proceeds from any additional debt or equity financing. As of December 31, 2010, we had cash and cash equivalents of $405.0 million and availability of $99.6 million under our $100.0 million senior secured revolving credit facility which matures in April 2015.

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

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

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

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

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

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

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

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

We sponsor an accrued severance plan for our Korean subsidiary, under which we have an accrued liability of $88.6 million as of December 31, 2010. Under the Korean plan, eligible employees are entitled to receive a lump sum payment upon termination of their service based on their length of service, seniority and rate of pay at the time of termination. Since our severance plan obligation is significant, in the event of a significant layoff or other reduction in our labor force in Korea, payments under the plan could have a material adverse effect on our liquidity, financial condition and cash flows. In addition, existing tax laws in Korea limit our ability to currently deduct severance expenses associated with the current plan. These limitations are designed to encourage companies to migrate to a defined contribution or defined benefit plan. If we adopt a new plan retrospectively, we would be required to significantly fund the existing liability, which could have a material adverse effect on our liquidity, financial condition and cash flows. If we do not adopt a new plan, we will have to pay higher taxes which could adversely affect our liquidity, financial condition and cash flows. See Note 13 to our Consolidated Financial Statements in Part II, Item 8 to this Annual Report.

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

Effective internal controls are necessary to provide reliable financial reports and to assist in the effective prevention of fraud. Any inability to provide reliable financial reports or prevent fraud could harm our business. We must annually evaluate our internal procedures to satisfy the requirements of Section 404 of the Sarbanes-Oxley Act of 2002, which requires management and our independent registered public accounting firm to assess the effectiveness of internal control over financial reporting.

As previously reported, we are implementing a new enterprise resource planning (ERP) system in a multi-year program on a world-wide basis. During 2010, we implemented several significant ERP modules and expect to implement additional ERP modules in the future. The implementation of the ERP system represents a change in our internal control over financial reporting. Although we continue to monitor and assess our internal controls in the new ERP system environment as changes are made and new modules are implemented, and have taken additional steps to modify and enhance the design and effectiveness of our internal control over financial reporting, there is a risk that deficiencies may occur that could constitute significant deficiencies or in the aggregate a material weakness.

If we fail to remedy any deficiencies or maintain the adequacy of our internal controls, we could be subject to regulatory scrutiny, civil or criminal penalties or shareholder litigation. In addition, failure to maintain adequate internal controls could result in financial statements that do not accurately reflect our operating results or financial condition.

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

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

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

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

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

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

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

changes in consumer demand resulting from deteriorating conditions in local economies;

regulatory limitations imposed by foreign governments, including limitations or taxes imposed on the payment of dividends and other payments by non-U.S. subsidiaries;

fluctuations in currency exchange rates;

political, military, civil unrest and terrorist risks, particularly an increase in tensions between South Korea and North Korea;

disruptions or delays in shipments caused by customs brokers or government agencies;

changes in regulatory requirements, tariffs, customs, duties and other restrictive trade barriers or policies;

difficulties in staffing, retention and employee turnover and managing foreign operations, including foreign labor disruptions; and

potentially adverse tax consequences resulting from changes in tax laws in the foreign jurisdictions in which we operate.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The loss of a large customer or disruption of our strategic partnerships or other commercial arrangements may result in a decline in our sales and profitability. Although we have approximately 225 customers, we have derived and expect to continue to derive a large portion of our revenues from a small group of customers during any particular period due in part to the concentration of market share in the semiconductor industry. Our ten largest customers together accounted for approximately 54.2%, 53.4% and 49.8% of our net sales in the years ended December 31, 2010, 2009 and 2008, respectively. No customer accounted for greater than 10% of our sales during 2010 or 2008. A single customer accounted for more than 10% of our sales during the year ended December 31, 2009.

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

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

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

Affected.

We make significant capital additions in order to service the demand of our customers. The amount of capital additions depends on several factors, including the performance of our business, our assessment of future industry and customer demand, our capacity utilization levels and availability, our liquidity position and the availability of

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financing. Our ongoing capital addition requirements may strain our cash and short-term asset balances, and, in periods when we are expanding our capital base, we expect that depreciation expense and factory operating expenses associated with our capital additions to increase production capacity will put downward pressure on our gross margin, at least over the near term.

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

our future financial condition, results of operations and cash flows;

general market conditions for financing activities by semiconductor companies;

volatility in fixed income, credit and equity markets; and

economic, political and other global conditions.

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

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

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

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

Litigation Incident to Our Business Could Adversely Affect Us.

We have been a party to various legal proceedings, including those described in Note 15 to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report, and may be a party to litigation in the future. If an unfavorable ruling or outcome were to occur in this or future litigation, there could be a material adverse impact on our business, liquidity, results of operations, financial condition, cash flows and the trading price of our securities.

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

Our corporate structure and operations are based, in part, on interpretations of various tax laws, including withholding tax, compliance with tax holiday requirements, application of changes in tax law to our operations and other relevant laws of applicable taxing jurisdictions. From time to time, the taxing authorities of the relevant jurisdictions may conduct examinations of our income tax returns and other regulatory filings. We cannot assure you that the taxing authorities will agree with our interpretations. To the extent they do not agree, we may seek to enter into settlements with the taxing authorities which require significant payments or otherwise adversely affect

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our results of operations or financial condition. We may also appeal the taxing authorities determinations to the appropriate governmental authorities, but we cannot be sure we will prevail. If we do not prevail, we may have to make significant payments or otherwise record charges (or reduce tax assets) that adversely affect our results of operations, financial condition and cash flows.

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

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

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

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

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

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

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

- discontinue the use of certain processes;
- cease to provide the services at issue;
- pay substantial damages;
- develop non-infringing technologies; or

acquire licenses to the technology we had allegedly infringed.

We may need to enforce our patents or other intellectual property rights, including our rights under patent and intellectual property licenses with third parties, or defend ourselves against claimed infringement of the rights of others through litigation, which could result in substantial cost and diversion of our resources. Furthermore, if we fail to obtain necessary licenses, our business could suffer. We have been involved in legal proceedings involving the acquisition and license of intellectual property rights, the enforcement of our existing intellectual property rights

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or the enforcement of the intellectual property rights of others, including the arbitration proceeding filed against Tessera, Inc. and complaint filed and ongoing proceeding against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc., or collectively Carsem , both of which are described in more detail in Note 15 to the Consolidated Financial Statements in Part II, Item 8 of this Annual Report. Unfavorable outcomes in any litigation matters involving intellectual property could result in significant liabilities and could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows. The potential impact from the legal proceedings referred to in this Annual Report on our results of operations, financial condition and cash flows could change in the future.

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

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

contaminants in the manufacturing environment;

human error;

equipment malfunction;

changing processes to address environmental requirements;

defective raw materials; or

defective plating services.

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

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

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

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

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

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

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

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

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

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

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

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

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

As of February 24, 2011, Mr. James J. Kim, our Executive Chairman of the Board of Directors, members of Mr. Kim s immediate family and affiliates owned approximately 87,899,000 shares, or approximately 44%, of our outstanding common stock. Approximately 13,351,000 of these shares (the 2013 Convert Shares) were acquired upon the conversion in January 2011 of all $100.0 million of our 6.25% Convertible Subordinated Notes due 2013. The Kim family also has options to acquire approximately 903,000 shares and owns $150.0 million of our 6.0% Convertible Senior Subordinated Notes due 2014 (the 2014 Notes) that are convertible into approximately 49,595,000 shares of common stock (the 2014 Convert Shares) at a conversion price of approximately $3.02 per share. If the options are exercised and the 2014 Notes are converted, the Kim family would own an aggregate of approximately 138,397,000 shares, or approximately 56%, of our outstanding common stock.

The 2013 Convert Shares and the 2014 Convert Shares are each subject to separate voting agreements that require the Kim family to vote these respective shares in a neutral manner on all matters submitted to Amkor stockholders for a vote, so that such 2013 Convert Shares and 2014 Convert Shares are voted in the same proportion as all of the other outstanding securities (excluding the other shares owned by the Kim family) that are actually voted on a proposal submitted to Amkor s stockholders for approval. The Kim family is not required to vote in a neutral manner any 2013 Convert Shares or 2014 Convert Shares that, when aggregated with all other voting shares held by the Kim family, represent 41.6% or less of the total then-outstanding voting shares of Amkor common stock. The voting agreement for the 2013 Convert Shares terminates upon the earliest of (i) December 1, 2013, (ii) at such time as no principal amount of the 2013 Notes or any 2013 Convert Shares remain outstanding, (iii) a change of control transaction (as defined in the voting agreement), or (iv) the mutual agreement of the Kim family and Amkor. The voting agreement for the 2014 Convert Shares terminates upon the earliest of (i) such time as no principal amount of the 2014 Notes remains outstanding and the Kim family no longer beneficially own any of the 2014 Convert Shares, (ii) consummation of a change of control (as defined in the voting agreement), or (iii) the mutual agreement of the Kim family and Amkor.

Subject to the requirements imposed by the voting agreements that the Kim family vote in a neutral manner any shares issued upon conversion of their convertible notes, Mr. James J. Kim and his family and affiliates, acting together, have the ability to effectively determine matters (other than interested party transactions) submitted for approval by our stockholders by voting their shares, including the election of all of the members of our Board of Directors. There is also the potential, through the election of members of our Board of Directors, that Mr. Kim s family could substantially influence matters decided upon by the Board of Directors. This concentration of ownership may also have the effect of impeding a merger, consolidation, takeover or other business consolidation involving us, or discouraging a potential acquirer from making a tender offer for our shares, and could also negatively affect our stock s market price or decrease any premium over market price that an acquirer might otherwise pay.

Item 1B. ***Unresolved Staff Comments***

None.

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Item 2. ***Properties***

We provide packaging and test services through our factories in China, Japan, Korea, the Philippines, Taiwan and the U.S. The size, location and manufacturing services provided by each of our factories are set forth in the table below.

Location	Approximate Factory Size (Square Feet)	Services
Korea		
Seoul, Korea(1)	698,000	Packaging services; package and process development
Pupyong, Korea(1)	404,000	Packaging and test services
Gwangju, Korea(1)	1,007,000	Packaging and test services; wafer bump services
Philippines		
Muntinlupa, Philippines(2)	749,000	Packaging and test services; package and process development
Province of Laguna, Philippines(2)	625,000	Packaging and test services
Taiwan		
Lung Tan, Taiwan(1)	417,500	Packaging and test services; wafer bump services
Hsinchu, Taiwan(1)	426,000	Packaging and test services; wafer bump services
China		
Shanghai, China(3)	953,000	Packaging and test services; wafer bump services
Japan		
Kitakami, Japan(4)	211,000	Packaging and test services
United States		
Chandler, AZ(5)	5,000	Test process development; package and process development

(1) Owned facility and land.

(2) As a result of foreign ownership restrictions in the Philippines, the land associated with our Philippine factories is leased from realty companies in which we own a 40% interest. We own buildings comprising 1,223,000 square feet and lease the remaining 151,000 square feet from one of the aforementioned realty companies.

(3) We own buildings comprising 953,000 square feet, of which approximately 530,000 square feet were facilitized with a clean room manufacturing environment and equipment as of December 31, 2010. All land is leased. During 2010, we consolidated our China packaging and test services into one facility and terminated the lease of our other facility. See Note 18 to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report.

(4) Leased facility.

(5) Of the 5,000 square feet in the U.S., 2,000 square feet is owned facility and land, and 3,000 square feet is leased.

We believe that our existing properties are in good condition and suitable for the conduct of our business and that the productive capacity of such properties is substantially being utilized or we have plans to utilize it.

Our principal executive office and operational headquarters is located in Chandler, Arizona. In addition to executive staff, the Chandler, Arizona campus houses sales and customer service for the southwest region, product management, finance, information systems, planning and marketing. Our marketing and sales office locations include sites in the U.S. (Chandler, Arizona; Irvine, San Diego and Santa Clara, California; Boston, Massachusetts; Greensboro, North Carolina; and Dallas, Texas), China, France, Japan, Korea, the Philippines, Singapore and Taiwan.

We also own a 165,000 square foot facility in Singapore (land is leased) that is held for sale following the relocation of operations to other locations in 2010. See Note 18 to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report.

Item 3. ***Legal Proceedings***

From time to time, we are involved in various disputes and litigation matters that arise in the ordinary course of our business. These include disputes and lawsuits related to intellectual property, acquisitions, licensing, contracts, tax, regulatory, employee relations and other matters. For a discussion of Legal Proceedings, see Note 15 to our Consolidated Financial Statements in Part II, Item 8 of this Annual Report.

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

None.

PART II

Item 5. ***Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***

LISTING ON THE NASDAQ GLOBAL SELECT MARKET

Our common stock is traded on the NASDAQ Global Select Market under the symbol AMKR. The following table sets forth, for the periods indicated, the high and low sale prices per share of our common stock as quoted on the NASDAQ Global Select Market.

	High	Low
2010		
First Quarter	$ 7.55	$ 5.47
Second Quarter	8.81	5.45
Third Quarter	6.80	5.05
Fourth Quarter	7.78	6.06
2009		
First Quarter	$ 3.23	$ 1.60
Second Quarter	5.02	2.55
Third Quarter	7.57	4.12
Fourth Quarter	7.70	5.33

There were approximately 331 holders of record of our common stock as of January 31, 2011.

DIVIDEND POLICY

Since our public offering in 1998, we have never paid a dividend to our stockholders and we do not have any present plans for doing so. In addition, our secured bank debt agreements and the indentures governing our senior and senior subordinated notes restrict our ability to pay dividends. Refer to the Liquidity and Capital Resources Section in Item 7 Management s Discussion and Analysis.

RECENT SALES OF UNREGISTERED SECURITIES

None.

EQUITY COMPENSATION PLANS

The information required by this item regarding equity compensation plans is set forth in Part III, Item 12 Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters of this Annual Report on Form 10-K.

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

None.

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PERFORMANCE GRAPH(1)

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Amkor Technology, Inc., The S&P 500 Index
And The PHLX Semiconductor Index

* $100 invested on 12/31/05 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

(1) The preceding Stock Performance Graph is not deemed filed with the Securities and Exchange Commission and shall not be incorporated by reference in any of our filings under the Securities Act of 1933 or the Securities Exchange Act of 1934, whether made before or after the date hereof and irrespective of any general incorporation language in any such filing.

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Item 6. ***Selected Consolidated Financial Data***

The following selected consolidated financial data as of December 31, 2010 and 2009 and for the years ended December 31, 2010, 2009 and 2008 have been derived from our audited Consolidated Financial Statements included in this Annual Report. The following selected consolidated financial data for the years ended December, 31, 2007 and 2006, and as of December 31, 2008, 2007 and 2006, have been derived from audited financial statements not included herein and, where applicable, such data was recast for the retrospective application of new accounting guidance for noncontrolling interests in a consolidated subsidiary, which we became subject to beginning January 1, 2009. You should read the selected consolidated financial data in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our Consolidated Financial Statements, both of which are included in this Annual Report.

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA

	For the Year Ended December 31,				
	2010	**2009**	**2008**	**2007**	**2006**
	(In thousands, except per share data)				
Statement of Operations Data:					
Net sales	$ 2,939,483	$ 2,179,109	$ 2,658,602	$ 2,739,445	$ 2,728,560
Cost of sales(a)	2,275,727	1,698,713	2,096,864	2,057,572	2,053,600
Gross profit	663,756	480,396	561,738	681,873	674,960
Operating expenses:					
Selling, general and administrative	242,424	210,907	251,756	254,365	251,142
Research and development	47,534	44,453	56,227	41,650	38,735
Goodwill impairment(b)			671,117		
Gain on sale of real estate and specialty test operations(c)		(281)	(9,856)	(4,833)	
Total operating expenses	289,958	255,079	969,244	291,182	289,877
Operating income (loss)	373,798	225,317	(407,506)	390,691	385,083
Other expense:					
Interest expense	85,595	102,396	118,729	133,896	161,682
Interest expense, related party	15,250	13,000	6,250	6,250	6,477
Interest income	(2,950)	(2,367)	(8,749)	(9,797)	(6,875)
Foreign currency loss (gain)(d)	13,756	3,339	(61,057)	8,961	13,255
Loss (gain) on debt retirement, net(e)	18,042	(15,088)	(35,987)	15,876	27,389
Equity in earnings of unconsolidated affiliates(f)	(6,435)	(2,373)			
Other (income) expense, net	(619)	(113)	(1,004)	668	661
Total other expense, net	122,639	98,794	18,182	155,854	202,589
Income (loss) before income taxes	251,159	126,523	(425,688)	234,837	182,494

Income tax expense (benefit)(g)	19,012	(29,760)	31,788	12,597	11,208
Net income (loss)	232,147	156,283	(457,476)	222,240	171,286
Net (income) loss attributable to noncontrolling interests	(176)	(303)	781	(2,376)	(1,202)
Net income (loss) attributable to Amkor	$ 231,971	$ 155,980	$ (456,695)	$ 219,864	$ 170,084
Net income (loss) attributable to Amkor per common share:					
Basic	$ 1.26	$ 0.85	$ (2.50)	$ 1.22	$ 0.96
Diluted	$ 0.91	$ 0.67	$ (2.50)	$ 1.11	$ 0.90
Shares used in computing per common share amounts:					
Basic	183,312	183,067	182,734	180,597	177,682
Diluted	282,602	263,379	182,734	208,767	199,556
Other Financial Data:					
Depreciation and amortization	$ 323,608	$ 305,510	$ 309,920	$ 283,267	$ 273,845
Purchases of property, plant and equipment	445,669	173,496	386,239	236,240	315,873
Cash dividends declared					

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	Year Ended December 31,				
	2010	2009	2008	2007	2006
	(In thousands)				
Balance Sheet Data:					
Cash and cash equivalents	$ 404,998	$ 395,406	$ 424,316	$ 410,070	$ 244,694
Working capital	289,859	327,088	306,174	310,341	215,095
Total assets	2,736,822	2,432,909	2,383,993	3,192,606	3,041,264
Total long-term debt	1,214,219	1,345,241	1,438,751	1,611,570	1,819,901
Total debt, including short-term borrowings and current portion of long-term debt	1,364,300	1,434,185	1,493,360	1,764,059	2,005,315
Additional paid-in capital	1,504,927	1,500,246	1,496,976	1,482,186	1,441,194
Accumulated deficit	(890,270)	(1,122,241)	(1,278,221)	(821,526)	(1,041,390)
Total Amkor stockholders equity	630,013	383,209	237,139	654,619	393,920

(a) During 2008, we recorded a charge of $61.4 million for unpaid royalties relating to the resolution of a patent license dispute, of which $49.0 million related to royalties for periods prior to 2008.

(b) At December 31, 2008, we recorded a non-cash charge of $671.1 million to write off our remaining goodwill.

(c) During 2009, we sold land and dormitory buildings in Korea and recorded a gain of $0.3 million. During 2008, we sold land and a warehouse in Korea and recorded a gain of $9.9 million. In 2007, we recorded a gain of $3.1 million in connection with the sale of real property in Korea used for administrative purposes. During 2007, we recognized a gain of $1.7 million related to an earn-out provision on the sale of our Wichita, Kansas specialty test operation.

(d) We recognize foreign currency losses (gains) due to the remeasurement of certain of our foreign currency denominated monetary assets and liabilities. During 2008, the net foreign currency gain of $61.1 million is primarily attributable to the significant depreciation of the Korean won and the impact on the remeasurement of our Korean severance obligation.

(e) During 2010, we recorded a net loss of $18.0 million related to several debt transactions. We recorded a net loss of $17.7 million related to the tender offer to purchase $125.7 million principal amount of our 9.25% Senior Notes due 2016 and the repurchase of an aggregate $411.8 million principal amount of our 7.125% Senior Notes due in 2011 and our 7.75% Senior Notes due in 2013. During 2009, we recorded a net gain of $15.1 million related to the repurchase of an aggregate $289.3 million principal amount of our 7.125% Senior Notes and 2.5% Convertible Senior Subordinated Notes due in 2011 and our 7.75% Senior Notes due in 2013. During 2008, we recorded a gain of $36.0 million related to the repurchase of an aggregate $118.3 million principal amount of our 7.125% senior notes and 2.5% convertible senior subordinated notes due 2011. In 2007, we recorded a loss of $15.9 million related to the refinancing of a second lien term loan. During 2006, we recorded a loss of $27.4 million related to the tender offer to purchase $352.3 million principal amount of our 9.25% senior notes due February 2008 and the repurchase of $178.1 million of our 10.5% senior subordinated notes due May 2009.

(f)

During 2009, we made a 30% equity investment in J-Devices Corporation, which was accounted for using the equity method. We recognized equity in earnings of $6.4 million and $2.4 million during 2010 and 2009, respectively.

(g) Generally, our effective tax rate is substantially below the U.S. federal tax rate of 35% because we have experienced taxable losses in the U.S. and our income is taxed in foreign jurisdictions where we benefit from tax holidays or tax rates lower than the U.S. statutory rate. In 2009, a $25.6 million benefit for the release of a valuation allowance in Korea is included in the income tax benefit. In 2008, the $671.1 million goodwill impairment charge did not have a significant income tax benefit. Also, the 2008 income tax provision included a charge of $8.3 million for the establishment of a valuation allowance in Japan.

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Item 7. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

This report contains forward-looking statements within the meaning of the federal securities laws, including but not limited to statements regarding: (1) the amount and timing of our expected capital investments and focus on customer requirements, investments in technology advancements and cost reduction programs, (2) our ability to fund our operating activities for the next twelve months, (3) the effect of capacity utilization rates on our gross margin, (4) the expiration of tax holidays in jurisdictions in which we operate and expectations regarding our effective tax rate, (5) the release of valuation allowances related to taxes in the future, (6) the expected use of future cash flows, if any, for the expansion of our business, capital expenditures and the repayment of debt, (7) our repurchase or repayment of outstanding debt in the future, (8) payment of dividends, (9) compliance with our covenants, (10) expected contributions to defined benefit pension plans, (11) liability for unrecognized tax benefits, (12) expectations regarding inventory levels and recovery of related costs, (13) the effect of foreign currency exchange rate exposure on our financial results, (14) the volatility of the trading price of our common stock, (15) changes to our internal controls related to implementation of a new enterprise resource planning system, and (16) other statements that are not historical facts. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential, continue, intend or the negative o other comparable terminology. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the following discussion as well as in Part I, Item 1A Risk Factors of this Annual Report. The following discussion provides information and analysis of our results of operations for the three years ended December 31, 2010 and our liquidity and capital resources. You should read the following discussion in conjunction with Item 8, Financial Statements and Supplementary Data in this Annual Report as well as other reports we file with the Securities and Exchange Commission (SEC).

Overview

Amkor is one of the world s leading providers of outsourced semiconductor packaging and test services. Packaging and test are integral steps in the process of manufacturing semiconductor devices. The semiconductor manufacturing process begins with the fabrication of tiny transistor elements into complex patterns of electronic circuitry on silicon wafers, thereby creating large numbers of individual semiconductor devices or integrated circuits on each wafer (generally referred to as chips or die). Each device on the wafer is tested and the wafer is cut into pieces called chips. The chips are attached through wire bonding to a substrate or leadframe, or to a substrate in the case of flip chip interconnect, and then encased in a protective material. For a wafer-level package, the electrical interconnections are created directly on the surface of the wafer without a substrate or leadframe. The packages are then tested using sophisticated equipment to ensure that each packaged chip meets its design and performance specifications.

Our packages are designed based on application and chip specific requirements including the type of interconnection technology employed, size, thickness, and electrical, mechanical and thermal performance. We are able to provide turnkey packaging and test solutions including semiconductor wafer bump, wafer probe, wafer backgrind, package design, assembly, test and drop shipment services.

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

Since the second half of 2009, the semiconductor industry has experienced increased consumer spending principally driven by the recovery from the global economic downturn. Our net sales increased $760.4 million or 34.9% to $2,939.5 million in 2010 from $2,179.1 million in 2009. The growth was driven by strong demand across all of our package families and end markets, particularly in our core markets for wireless communications, gaming and other consumer electronics. Our unit demand increased to 9.8 billion units in 2010 compared to 7.7 billion units in 2009, principally driven by the strength of leadframe and chip scale packaging services.

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Gross margin for 2010 increased to 22.6% from 22.0% in 2009. The increase in gross margin was primarily due to higher levels of utilization and efficiencies driven by increased customer demand for all of our packaging services and the corresponding increase in net sales. Partially offsetting this increase were negative impacts from an increase in manufacturing costs, unfavorable foreign currency movements and higher gold prices. In addition, during 2010 we recorded charges of $4.1 million in cost of sales relating to workforce reduction programs and other restructuring activity compared to $16.9 million during 2009.

Net income for 2010 was $232.0 million, or $0.91 per diluted share, compared with net income in 2009 of $156.0 million, or $0.67 per share. The increase was primarily attributable to increased revenues and gross profit in 2010, and was partially offset by increased income tax expense and a loss on debt retirement.

In 2010, our capital additions totaled $504.5 million or 17% of net sales compared to $197.7 million or 9% of net sales in 2009. We expect our 2011 capital additions to be approximately $500 million. Capital additions are generally focused on specific customer requirements, technology advancements and infrastructure projects. In 2010, 63% of our capital additions spending went toward our packaging capabilities, 19% for test, and 18% for research and development and infrastructure projects.

We generated $96.9 million of free cash flow in the year ended December 31, 2010, an increase of $8.7 million from the prior year. Cash provided by operating activities was $542.6 million for the year ended December 31, 2010, compared with $261.7 million for the year ended December 31, 2009. The increase is primarily attributable to higher levels of demand and gross profit in 2010 as well as payments of $160.8 million in the 2009 period for employee benefit and separation payments and the resolution of a patent license dispute. The increase in operating cash flow was partially offset by higher purchases of property, plant and equipment in 2010. We define free cash flow as net cash provided by operating activities less investing activities related to the acquisition of property, plant and equipment. Free cash flow is not defined by U.S. generally accepted accounting principles (U.S. GAAP) and a reconciliation of free cash flow to net cash provided by operating activities is set forth under the caption Cash Flows below. Please see Liquidity and Capital Resources and Cash Flows below for a further analysis of the change in our balance sheet and cash flows during the year ended December 31, 2010.

We believe our financial position and liquidity are sufficient to fund our operating activities for at least the next twelve months. At December 31, 2010, our cash and cash equivalents totaled approximately $405.0 million, with an aggregate of $150.1 million of debt maturities due through the end of 2011. In May 2010, we issued $345.0 million of our 7.375% Senior Notes due 2018. We used the net proceeds of that note issuance, together with existing cash, to redeem in full the $53.5 million outstanding principal amount of our 7.125% Senior Notes due 2011 and the $358.3 million principal amount of our 7.75% Senior Notes due 2013, and to pay related fees and expenses during the three months ended June 30, 2010. In May 2010, we entered into a $180.0 million, three-year secured term loan in Korea, the proceeds of which were used to purchase $125.7 million of our 9.25% Senior Notes due 2016. In July 2010, we repaid $47.0 million of the Korean term loan. In September 2010, we amended our $100.0 million senior secured revolving credit facility and extended its term by two years to April 2015. In December 2010, we announced a call for redemption of the entire $100.0 million aggregate principal amount of our 6.25% Convertible Subordinated Notes due December 2013 (the December 2013 Notes). Holders of all $100.0 million of the outstanding December 2013 Notes converted their notes into an aggregate of 13,351,131 shares of our common stock in January 2011.

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Results of Operations

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

	Year Ended December 31,		
	2010	2009	2008
Net sales	100.0%	100.0%	100.0%
Gross margin	22.6%	22.0%	21.1%
Depreciation and amortization	11.0%	14.0%	11.7%
Operating income (loss)	12.7%	10.3%	(15.3)%
Income (loss) before income taxes	8.5%	5.8%	(16.0)%
Net income (loss) attributable to Amkor	7.9%	7.2%	(17.2)%

Net Sales

				Change			
	2010	2009	2008	2010 over 2009		2009 over 2008	
	(In thousands, except percentages)						
Net sales	$ 2,939,483	$ 2,179,109	$ 2,658,602	$ 760,374	34.9%	$ (479,493)	(18.0)%
Packaging net sales	2,650,257	1,933,600	2,343,514	716,657	37.1%	(409,914)	(17.5)%
Test net sales	288,871	245,237	314,299	43,634	17.8%	(69,062)	(22.0)%

Net Sales. Net sales in 2010 increased compared to 2009 primarily driven by the recovery of the semiconductor industry and improved consumer spending across all of our end markets, resulting in an increase in demand for substantially all product lines in our packaging and test services. Chip scale packages increased due to demand for flip chip and 3-D stacking technologies that support wireless data and smart phones. Ball grid array packages increased as demand for gaming, HDTVs, other consumer electronics and networking applications increased. Net sales in 2009 decreased compared to 2008 due to the general decline in demand and inventory management efforts by our customers as a result of the global economic recession and weakness in consumer spending. As a result, we experienced a broad-based decline in demand across our packaging and test business.

Packaging Net Sales. Packaging net sales in 2010 increased compared to 2009. Packaging unit volume increased 2.1 billion units in 2010 to 9.8 billion units, compared to 7.7 billion units in 2009, primarily attributable to increased demand for our leadframe and chip scale packaging services. The increase in demand is due to the recovery of the semiconductor industry and improved consumer spending following the recent global economic downturn. Growth in ball grid array and chip scale packaging solutions with higher average sales prices per unit also contributed to the overall growth in net sales from 2009. Packaging net sales in 2009 decreased compared to 2008 because of the broad-based decline in demand across our package offerings. Packaging unit volume decreased 0.9 billion units in 2009 to 7.7 billion units, compared to 8.6 billion units in 2008 due to the same broad-based decline in demand.

Test Net Sales. Test net sales in 2010 increased compared to 2009, while test net sales in 2009 decreased compared to 2008. The financial crisis and global recession that began in 2008 caused a significant decrease in demand for our services, including test, during the second half of 2008 through the first half of 2009. Subsequently, in the second half

of 2009 and in 2010, demand increased due to the recovery of the semiconductor industry and improved consumer spending following the recent global economic downturn.

Cost of Sales

				Change			
	2010	**2009**	**2008**	**2010 over 2009**		**2009 over 2008**	
	(In thousands, except percentages)						
Cost of sales	$ 2,275,727	$ 1,698,713	$ 2,096,864	$ 577,014	34.0%	$ (398,151)	(19.0)%

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

Material costs as a percentage of net sales increased to 42.6% in 2010 from 39.7% in 2009 primarily due to a higher mix of ball grid array packages with higher material content as a percentage of net sales and the increased cost of gold used in many of our wirebond packages. Material costs as a percentage of net sales increased to 39.7% in 2009 from 38.0% in 2008 due to change in mix to packages with higher material content as a percentage of net sales.

As a percentage of net sales, labor costs decreased to 12.7% in 2010 from 13.5% in 2009. The decrease in labor costs as a percentage of net sales was due primarily to higher levels of utilization and efficiencies driven by increased customer demand and the corresponding increase in net sales. Labor costs in absolute dollars increased in 2010 partially due to an increase in our global labor headcount to approximately 19,900 employees at December 31, 2010 compared to 18,200 employees at December 31, 2009, the restoration in 2010 of the compensation cost reductions from 2009 and the expiration of other temporary cost reduction initiatives, such as foreign subsidy programs, which were available and utilized in 2009. As substantially all of our manufacturing operations workforce is paid in local currencies, labor costs were also negatively impacted by foreign currency exchange rate movements in 2010 compared to 2009. Labor costs in 2010 included a charge of $3.7 million related to workforce reduction programs associated with the wind-down and exit of manufacturing operations in Singapore and special termination benefits related to a voluntary early retirement program in Korea compared to a $10.1 million charge in 2009 for workforce reduction programs.

As a percentage of net sales, labor costs decreased to 13.5% in 2009 from 15.3% in 2008. The decrease in labor costs was due primarily to savings from our workforce reduction activities and other cost savings initiatives implemented during 2008 and 2009. We also had a favorable foreign currency effect on labor costs resulting from the depreciation of the Korean won and other currencies against the U.S. dollar in 2008. In addition, labor costs in 2009 included a charge of $10.1 million related to workforce reduction programs and the wind-down and exit of manufacturing operations in Singapore compared to $12.2 million in 2008 for workforce reduction programs.

As a percentage of net sales, other manufacturing costs decreased to 22.1% in 2010 from 24.7% in 2009 due to higher levels of utilization and efficiencies driven by increased customer demand and the corresponding increase in net sales. The increase in other manufacturing costs in absolute dollars was primarily attributable to higher levels of production in our factories, resulting in increased costs for repairs and maintenance, supplies, facilities, and utilities, and to increased depreciation as a result of the higher level of capital spending during 2010. The increase was partially offset by a decrease in charges related to the wind-down and exit of manufacturing operations in Singapore from $6.8 million in 2009 to $0.3 million in 2010, as well as a decrease in asset impairment charges from $6.0 million in 2009 to $1.4 million in 2010.

As a percentage of net sales, other manufacturing costs decreased to 24.7% in 2009 from 25.6% in 2008. In 2009, we had reductions in other manufacturing costs due to cost savings initiatives and lower volumes such as a decrease in factory supplies and repair and maintenance expenses. Included in other manufacturing costs for 2008 is a charge of $61.4 million for royalties related to the resolution of a patent license dispute. Asset impairment charges included in 2009 were $6.0 million compared to $12.1 million in 2008. In 2009, other manufacturing costs also include a charge of $6.8 million related to the wind-down and exit of manufacturing operations in Singapore.

Gross Profit

Change

	2010	2009	2008	2010 over 2009	2009 over 2008
	(In thousands, except percentages)				
Gross profit	$ 663,756	$ 480,396	$ 561,738	$ 183,360	$ (81,342)
Gross margin	22.6%	22.0%	21.1%	0.6%	0.9%

Gross profit and gross margin in 2010 increased compared to 2009. The increase was primarily due to higher levels of utilization and efficiencies driven by increased customer demand for all of our packaging and test services and the corresponding increase in net sales. Several factors partially offset the increase from customer demand. Our

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material costs were impacted by a higher mix of ball grid array packaging services with higher material content and the increased cost of gold used in many of our wirebond packages. We experienced increased labor costs to meet our customer demands, including additional headcount and restoration of compensation costs and other temporary cost reduction initiatives implemented in 2009. Other manufacturing costs increased in support of higher customer demand, including increased depreciation expense resulting from increased investment and capital spending activities. In addition, gross profit and gross margin were negatively impacted by foreign currency exchange rate movements in 2010.

Gross profit in 2009 decreased compared to 2008. Gross margin in 2009 increased from 2008. Included in cost of sales for 2008 are $61.4 million for royalties related to the resolution of a patent license dispute. Gross profit in 2009 included $16.9 million related to workforce reduction programs and the wind-down and exit of manufacturing operations in Singapore compared to $12.2 million in 2008 for workforce reduction programs. The decrease in gross profit due to lower volumes was partially mitigated by cost controls and the favorable foreign currency effect on labor costs due to the depreciation of the Korean won.

				Change	
	2010	2009	2008	2010 over 2009	2009 over 2008
	(In thousands, except percentages)				
Packaging gross profit	$ 584,190	$ 429,295	$ 472,986	$ 154,895	$ (43,691)
Packaging gross margin	22.0%	22.2%	20.2%	(0.2) %	2.0%

Packaging Gross Profit. Gross profit for packaging in 2010 increased compared to 2009. Gross margin for packaging in 2010 remained consistent with 2009. The increase in gross profit was primarily attributable to increased customer demand resulting from the recovery of the semiconductor industry. Gross profit for packaging in 2009 decreased compared to 2008. Packaging gross margin in 2009 increased compared to 2008. Included in cost of sales for 2008 is $61.4 million for royalties related to the resolution of a patent license dispute. The packaging gross profit decrease in 2009 was due to the broad-based decline in product demand across our package offerings partially offset by cost control and a favorable foreign currency effect on labor costs due to the depreciation of the Korean won.

				Change	
	2010	2009	2008	2010 over 2009	2009 over 2008
	(In thousands, except percentages)				
Test gross profit	$ 79,621	$ 57,652	$ 88,645	$ 21,969	$ (30,993)
Test gross margin	27.6%	23.5%	28.2%	4.1%	(4.7) %

Test Gross Profit. Gross profit and gross margin for test in 2010 increased compared to 2009. The increase is attributable to increased customer demand and higher utilization of our test assets. Costs of sales for test are primarily fixed, with low material requirements. As utilization rates increase, we benefit from a higher degree of operating leverage. Gross profit and gross margin for test in 2009 decreased compared to 2008. The decrease was due to lower net sales due to reduced demand partially offset by labor savings from our workforce reduction activities and cost control initiatives.

Selling, General and Administrative Expenses

	2010	2009	2008	Change 2010 over 2009		Change 2009 over 2008	
	(In thousands, except percentages)						
Selling, general and administrative	$ 242,424	$ 210,907	$ 251,756	$ 31,517	14.9%	$ (40,849)	(16.2)%

Selling, general and administrative expenses in 2010 increased compared to 2009. The increase was primarily driven by the reinstatement of employee compensation and benefit costs that had been reduced in 2009 as part of our cost reduction initiatives during the global economic downturn, as well as an increase in depreciation expense associated with the implementation of our global enterprise resource planning information system. Selling, general and administrative expenses in 2009 decreased compared to 2008. The decrease was primarily caused by lower salaries and benefits in both our factories and corporate offices and other cost reduction initiatives.

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Research and Development

	2010	2009	2008	Change 2010 over 2009		Change 2009 over 2008	
	(In thousands, except percentages)						
Research and development	$ 47,534	$ 44,453	$ 56,227	$ 3,081	6.9%	$ (11,774)	(20.9)%

Research and development activities are currently focused on developing new package interconnect solutions and test services and improving the efficiency and capabilities of our existing production processes. Our key areas for research and development initiatives are focused on 3D packaging, advanced flip chip packaging, advanced micro-electromechanical system packaging and testing, fine pitch copper pillar bumping and packaging, laminate and leadframe packaging, Through Mold Via and Through Silicon Via technologies, wafer level fan out technology, wafer level processing, and other manufacturing cost reduction initiatives. Research and development expenses in 2010 increased compared to 2009. As a percentage of net sales, research and development expenses decreased to 1.6% in 2010 compared to 2.0% in 2009. Increased research and development expenses were due to increased activity and reinstatement of employee compensation and benefit costs. During 2009 we recorded an impairment charge of $2.6 million related to certain research and development equipment, which did not recur in 2010.

Despite the global economic recession, we continued to invest in research and development activities focused on advanced laminate, flip chip and wafer level packaging services. Research and development expenses in 2009 decreased compared to 2008. As a percentage of net sales, research and development expenses decreased to 2.0% in 2009 compared to 2.1% in 2008. The decrease was primarily due to lower salaries and benefits partially offset by a $2.6 million impairment charge in 2009 related to certain research and development equipment.

Goodwill Impairment

	2010	2009	2008	Change 2010 over 2009		Change 2009 over 2008	
	(In thousands, except percentages)						
Goodwill impairment	$	$	$ 671,117	$	0.0%	$ (671,117)	(100.0)%

We recorded a goodwill impairment charge in the amount of $671.1 million in 2008 to write off the entire carrying value of our goodwill. This non-cash charge had no impact on liquidity or cash flows from operations.

Gain on Sale of Real Estate

	2010	2009	2008	Change 2010 over 2009		Change 2009 over 2008	
	(In thousands, except percentages)						
Gain on sale of real estate	$	$ (281)	$ (9,856)	$ (281)	(100.0)%	$ (9,575)	(97.1)%

During 2009, we sold land and dormitory buildings in Korea for $0.8 million in proceeds and reported a gain of $0.3 million, with no net tax effect. During 2008, we sold land and a warehouse in Korea for $14.3 million in cash and recorded a gain of $9.9 million, with no net tax effect.

Other Expense, Net

				Change			
	2010	**2009**	**2008**	**2010 over 2009**		**2009 over 2008**	
	(In thousands, except percentages)						
Other expense, net	$ 122,639	$ 98,794	$ 18,182	$ 23,845	24.1%	$ 80,612	443.4%

Other expense, net in 2010 increased compared to 2009. This increase was driven by an increase in debt retirement costs. During 2010, we recorded $18.0 million of debt retirement costs related to the debt transactions described in the Overview. During 2009, we recorded a net gain of $15.1 million related to the repurchase of an aggregate $289.3 million principal amount of our 7.125% Senior Notes due 2011, our 2.5% Convertible Senior Subordinated Notes due 2011 and our 7.75% Senior Notes due in 2013. Also during 2010, we recorded a $13.8 million foreign currency loss from the remeasurement of certain subsidiaries balance sheet items compared to a $3.3 million foreign currency loss in 2009. Partially offsetting the increase is a reduction in net interest expense

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of $15.1 million during 2010 compared with the prior year resulting from our recent financing activities. In addition, during 2010 we recorded $6.4 million in earnings from an unconsolidated affiliate, J-Devices Corporation, compared to $2.4 million during 2009. Our investment in the unconsolidated affiliate was made in October 2009.

Other expense, net in 2009 increased compared to 2008. This increase was primarily the result of a $3.3 million foreign currency loss recorded in 2009 compared to a $61.1 million foreign currency gain recorded in 2008. In addition, in 2009, we recognized a gain of $15.1 million related to the repurchase of debt, compared to a gain of $36.0 million on debt repurchases in 2008. The $9.6 million reduction in interest expense in 2009, including related party interest expense, is due to reduced debt and the refinancing of certain debt with lower rate instruments. Interest expense in 2008 also included $3.3 million of interest related to the resolution of a patent license dispute that did not recur in 2009.

Income Tax Expense (Benefit)

				Change			
	2010	**2009**	**2008**	**2010 over 2009**		**2009 over 2008**	
	(In thousands, except percentages)						
Income tax expense (benefit)	$ 19,012	$ (29,760)	$ 31,788	$ 48,772	163.9%	$ (61,548)	(193.6)%

Generally, our effective tax rate is substantially below the U.S. federal tax rate of 35% because we have experienced taxable losses in the U.S. and our income is taxed in foreign jurisdictions where we benefit from tax holidays or tax rates lower than the U.S. statutory rate. Income tax expense in 2010 is attributable to profits in certain of our taxable foreign jurisdictions, $5.4 million of net additions to estimates of our uncertain tax positions, foreign withholding taxes and minimum taxes partially offset by a $3.0 million income tax benefit from the release of a valuation allowance related to certain deferred tax assets in Taiwan. The income tax benefit for 2009 included a $25.6 million income tax benefit for the release of a valuation allowance on the net deferred tax assets of our Korean subsidiary, $9.4 million of income tax credits, and an income tax benefit of $3.0 million related to changes in estimates of our uncertain tax positions. These benefits were partially offset by $6.2 million of income tax expense attributable to income taxes in certain profitable foreign jurisdictions, foreign withholding taxes and minimum taxes. Income tax expense in 2008 is attributable to profits in certain of our taxable foreign jurisdictions and changes in estimates of our uncertain tax positions, as well as a charge of $8.3 million for the establishment of a valuation allowance related to certain deferred tax assets in Japan.

During 2010, our subsidiaries in China, Korea, the Philippines, Singapore and Taiwan operated under tax holidays which will expire in whole or in part at various dates through 2015. We expect our effective tax rate to increase as the tax holidays expire and income from these jurisdictions is subject to higher statutory income tax rates. See Note 4 to our Consolidated Financial Statements included in Item 8 of this Annual Report for a further discussion of income tax holidays.

At December 31, 2010, we had U.S. net operating loss carryforwards totaling $386.0 million which expire at various times through 2030. Additionally, at December 31, 2010, we had $81.3 million of non-U.S. net operating loss carryforwards, which expire at various times through 2020. We maintain a valuation allowance on all of our U.S. net deferred tax assets, including our net operating loss carryforwards, and on deferred tax assets in certain foreign jurisdictions. We will release such valuation allowances as the related tax benefits are realized on our tax returns or when sufficient positive evidence exists to conclude that it is more likely than not that the deferred tax assets will be realized.

Quarterly Results

The following table sets forth our unaudited consolidated financial data for the last eight quarters ended December 31, 2010. Our results of operations have varied and may continue to vary from quarter to quarter and are not necessarily indicative of the results of any future period. The financial crisis and global recession that began in 2008 caused a significant decrease in demand for our services during the first half of 2009. Since the second half of

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2009, the semiconductor industry has experienced increased consumer spending principally driven by the recovery from the global economic downturn.

We believe that we have included all adjustments, consisting only of normal recurring adjustments necessary for a fair statement of our selected quarterly data. You should read our selected quarterly data in conjunction with our Consolidated Financial Statements and the related notes, included in Item 8 Financial Statements and Supplementary Data of this Annual Report.

Our net sales, gross profit and operating income are generally lower in the first quarter of the year as compared to the fourth quarter of the preceding year primarily due to the effect of consumer buying patterns in the U.S., Europe and Asia. Semiconductor companies in the U.S. generally reduce their production during the holidays at the end of December which results in a decrease in units for packaging and test services during the first two weeks of January.

The calculation of basic and diluted per share amounts for each quarter is based on the weighted average shares outstanding for that period; consequently, the sum of the quarters may not necessarily be equal to the full year basic and diluted net income per share.

	For the Quarter Ended							
	Dec. 31, 2010	**Sept. 30, 2010**	**June 30, 2010**	**March 31, 2010**	**Dec. 31, 2009**	**Sept. 30, 2009**	**June 30, 2009**	**March 31, 2009**
	(In thousands, except per share data)							
Net sales	$ 750,609	$ 793,971	$ 749,165	$ 645,738	$ 667,612	$ 616,205	$ 506,516	$ 388,776
Cost of sales	591,266	605,713	569,966	508,782	492,258	461,589	404,129	340,737
Gross profit	159,343	188,258	179,199	136,956	175,354	154,616	102,387	48,039
Operating expenses:								
Selling, general and administrative	62,037	57,735	66,356	56,296	54,640	53,473	52,445	50,068
Research and development	11,097	12,669	12,095	11,673	10,907	13,364	10,035	10,147
Total operating expenses	73,134	70,404	78,451	67,969	65,547	66,837	62,480	60,215
Operating income (loss)	86,209	117,854	100,748	68,987	109,807	87,779	39,907	(12,176)
Other expense, net	25,390	29,163	43,005	25,081	25,745	37,637	28,710	6,702
Income (loss) before income taxes	60,819	88,691	57,743	43,906	84,062	50,142	11,197	(18,878)
Income tax expense (benefit)	10,058	10,321	(1,200)	(167)	(3,820)	(30,854)	1,833	3,081
Net income (loss)	50,761	78,370	58,943	44,073	87,882	80,996	9,364	(21,959)
Net (income) loss attributable to	(157)	(350)	107	224	104	(133)	(141)	(133)

noncontrolling interests								
Net income (loss) attributable to Amkor	$ 50,604	$ 78,020	$ 59,050	$ 44,297	$ 87,986	$ 80,863	$ 9,223	$ (22,092)
Net income (loss) attributable to Amkor per common share:								
Basic	$ 0.28	$ 0.42	$ 0.32	$ 0.24	$ 0.48	$ 0.44	$ 0.05	$ (0.12)
Diluted	0.20	0.30	0.23	0.18	0.33	0.31	0.05	(0.12)

Liquidity and Capital Resources

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

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business beyond the next twelve months due to a variety of factors, including the cyclical nature of the semiconductor industry and other factors discussed in Part I, Item 1A Risk Factors.

Our primary source of cash and the source of funds for our operations are cash flows from our operations, current cash and cash equivalents, borrowings under available debt facilities, or proceeds from any additional debt or equity financings. As of December 31, 2010, we had cash and cash equivalents of $405.0 million and availability of $99.6 million under our $100.0 million first lien senior secured revolving credit facility. Cash provided by operating activities was $542.6 million for the year ended December 31, 2010 compared to $261.7 million for the year ended December 31, 2009. We expect cash flows to be used in the operation and expansion of our business, making capital expenditures, paying principal and interest on our debt and for other corporate purposes.

We operate in a capital intensive industry. Servicing our current and future customers requires that we incur significant operating expenses and make significant capital expenditures, which are generally made in advance of the related revenues and without any firm customer commitments.

We have a significant amount of indebtedness. Total debt decreased to $1,364.3 million at December 31, 2010 from $1,434.2 million at December 31, 2009. Our indebtedness requires us to dedicate a substantial portion of our cash flow from operations to pay our debt. The interest payments required on our debt are substantial.

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

We sponsor an accrued severance plan for our Korean subsidiary which, under recently enacted tax laws in Korea, limits our ability to currently deduct related severance expenses accrued under that plan. The purpose of these limitations is to encourage companies to migrate to a defined contribution or defined benefit retirement plan. If we decide to adopt a new plan, we would be required to fund a substantial portion of the existing liability. Our Korean severance liability was $88.6 million as of December 31, 2010.

Debt Instruments and Related Covenants

In order to reduce leverage and future cash interest payments, we may from time to time repurchase or call our outstanding notes for cash or exchange shares of our common stock for our outstanding notes. Any such transaction may be made in the open market, through privately negotiated transactions or pursuant to the terms of the indentures, and these transactions, are subject to the terms of our indentures and other debt agreements, market conditions, and other factors.

In March 2010, we entered into two term loans totaling 3.5 billion yen (approximately $39 million at inception) with two Japanese banks. The proceeds of the term loans were used to repay two revolving lines of credit in Japan and for general corporate purposes.

In April 2010, we entered into a 1.5 billion Taiwan dollar (approximately $47 million at inception) term loan with a Taiwanese bank primarily to fund capital expenditures.

In May 2010, we issued $345.0 million of our 7.375% Senior Notes due 2018. We used the proceeds of that note issuance, together with existing cash, to redeem in full the $53.5 million outstanding principal amount of our 7.125% Senior Notes due 2011 and the $358.3 million principal amount of our 7.75% Senior Notes due 2013, and to

pay related fees and expenses during the three months ended June 30, 2010.

In May 2010, we entered into a $180.0 million, three-year secured term loan in Korea, the proceeds of which were used to purchase $125.7 million of our 9.25% Senior Notes due 2016. In July 2010, we repaid $47.0 million of the Korean term loan.

In September 2010, we amended our $100.0 million senior secured revolving credit facility and extended its term by two years to April 2015.

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Our December 2013 Notes became callable in December 2010. In December, 2010, we announced a call for redemption of the entire $100.0 million aggregate principal amount of the December 2013 Notes. Holders of all $100.0 million of the outstanding December 2013 Notes converted their notes into an aggregate of 13,351,131 shares of our common stock in January 2011. Our 9.25% Senior Notes due 2016 will become callable in June 2011.

The interest payments required on our debt are substantial. For example, we paid $96.6 million of interest in 2010. We refer you to Contractual Obligations below for a summary of principal and interest payments.

Certain debt agreements have restrictions on dividend payments and the repurchase of stock and subordinated securities, including our convertible notes. These restrictions are determined by defined calculations which include net income. The $671.1 million write-off of our goodwill at December 31, 2008 impacted these restrictions, which has reduced our ability to pay dividends and repurchase stock and subordinated securities, including our convertible notes. We have never paid a dividend to our stockholders, and we do not have any present plans for doing so. Amkor Technology, Inc. also guarantees certain debt of our subsidiaries.

We were in compliance with all debt covenants at December 31, 2010 and expect to remain in compliance with these covenants for at least the next twelve months. Additional information about our debt is available in Note 12 to our Consolidated Financial Statements included in Item 8 of this Annual Report.

Capital Additions

In 2010, our capital additions totaled $504.5 million or approximately 17% of net sales. Of this total, approximately 63% of our spending went toward our packaging capabilities, 19% for test, and 18% for research and development and infrastructure projects. We expect that our 2011 capital additions will be approximately $500 million. Ultimately, the amount of our 2011 capital additions will depend on several factors including, among others, the performance of our business, the need for additional capacity to service anticipated customer demand and the availability of cash flow from operations or financing.

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

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Property, plant and equipment additions	$ 504,463	$ 197,742	$ 341,734
Net change in related accounts payable and deposits	(58,794)	(24,246)	44,505
Purchases of property, plant and equipment	445,669	173,496	386,239

Cash Flows

Cash provided by operating activities was $542.6 million for the year ended December 31, 2010 compared to $261.7 million for the year ended December 31, 2009. Free cash flow (which we define as net cash provided by operating activities less purchases of property, plant and equipment) increased by $8.7 million to $96.9 million for the year ended December 31, 2010 compared to $88.2 million for the year ended December 31, 2009. Our free cash flow

for the years ended December 31, 2010 and 2009 was predominantly used to reduce debt. Free cash flow is not a U.S. GAAP measure. See below for a further discussion of free cash flow and a reconciliation to U.S. GAAP.

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Net cash provided by (used in) operating, investing and financing activities for each of the three years ended December 31, 2010 was as follows:

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Operating activities	$ 542,595	$ 261,725	$ 605,818
Investing activities	(444,921)	(240,878)	(371,380)
Financing activities	(89,857)	(49,651)	(223,625)

Operating activities: Our cash flow from operating activities in 2010 increased by $280.9 million compared to 2009. Operating income for the year ended December 31, 2010 adjusted for depreciation and amortization, other operating activities and non-cash items increased $195.7 million from 2009, largely as a result of increased net sales. Interest expense, including related party interest expense, for the year ended December 31, 2010 decreased by $14.6 million as compared with the year ended December 31, 2009 as a result of reduced debt levels in 2010 and debt refinanced with lower interest rate instruments. Operating cash flows in 2010 were reduced by $7.5 million for prepayment fees in connection with debt repurchases.

Changes in assets and liabilities reduced operating cash flows during 2010 by $35.2 million principally due to an increase in accounts receivable, inventories, accounts payable and accrued expenses reflecting an increase in customer demand and increased business activity. Payments of $160.8 million for employee benefit separation payments and the resolution of a patent license dispute reduced 2009 operating cash flows.

Investing activities: Our cash flows used in investing activities in 2010 increased by $204.0 million. This increase was primarily due to a $272.2 million increase in purchases of property, plant and equipment from $173.5 million in 2009 to $445.7 million in 2010. Our capital additions were primarily focused on incremental capacity for advanced packaging services including chip scale, ball grid array and bumping, specific customer requirements and other technology advancements. In 2009, we invested $16.7 million in an unconsolidated affiliate, J-Devices Corporation, and purchased $44.7 million of equipment which we leased to them.

Financing activities: Our net cash used in financing activities in 2010 increased by $40.2 million. Cash used in financing activities during 2010 consisted principally of the repurchase of an aggregate $537.5 million principal amount of our senior notes and $99.9 million in repayments of our Korean term loans. Financing cash flows in 2010 also included $6.7 million of debt retirement costs for transactions classified as financing activities. We also incurred $7.5 million in debt issuance costs in 2010, primarily associated with the issuance of our 7.375% Senior Notes due 2018. Cash provided by financing activities during 2010 included the issuance of $345.0 million of our 7.375% Senior Notes due 2018 and proceeds from a $180.0 million Korean term loan and a Taiwanese term loan of approximately $47.0 million.

Cash provided by financing activities during 2009 included the issuance of the $250.0 million convertible senior subordinated notes due April 2014, $15.0 million received from our working capital facility in China, and $31.2 million net borrowings drawn on our revolver facilities in Japan. We used $271.9 million in cash to repurchase senior and convertible senior subordinated notes. With respect to our foreign subsidiaries, we paid $65.8 million in amortizing debt and other debt payments during 2009. During 2009 we also incurred $8.5 million in debt issuance costs related to the issuance of convertible notes and the amendment and extension of our first lien revolving credit facility.

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

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for cash flow measures in accordance with GAAP. We believe free cash flow provides our investors and analysts useful information to analyze our liquidity and capital resources.

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Net cash provided by operating activities	$ 542,595	$ 261,725	$ 605,818
Less purchases of property, plant and equipment	445,669	173,496	386,239
Free cash flow	$ 96,926	$ 88,229	$ 219,579

Contractual Obligations

The following table summarizes our contractual obligations at December 31, 2010, and the effect such obligations are expected to have on our liquidity and cash flow in future periods.

		Payments Due for Year Ending December 31,					
	Total	2011	2012	2013	2014	2015	Thereafter
	(In thousands)						
Total debt(1)	$ 1,364,300	$ 150,081	$ 82,132	$ 236,065	$ 281,636	$ 5,103	$ 609,283
Scheduled interest payment obligations(2)	423,026	83,874	80,208	75,193	57,996	49,922	75,833
Purchase obligations(3)	115,151	115,151					
Operating lease obligations	36,714	5,905	6,624	6,907	6,900	5,593	4,785
Severance obligations(4)	88,899	6,131	5,707	5,312	4,944	4,605	62,200
Total contractual obligations	$ 2,028,090	$ 361,142	$ 174,671	$ 323,477	$ 351,476	$ 65,223	$ 752,101

(1) Total debt decreased $69.9 million from December 31, 2009. In April 2010, we entered into an approximately $47.0 million term loan in Taiwan. In May 2010, we issued $345.0 million of our 7.375% Senior Notes due 2018 and we entered into a $180.0 million, three-year secured term loan in Korea, $47.0 million of which was repaid in July 2010. Also in May 2010, we repurchased an aggregate $537.5 million principal amount of our 7.125% Senior Notes due 2011, 7.75% Senior Notes due 2013, and 9.25% Senior Notes due 2016. We repaid $52.9 million of annual amortizing debt during 2010.

Included in 2013 is $100.0 million of our 6.25% Convertible Subordinated Notes due December 2013, which was converted into common stock in January 2011, as discussed in Note 12 to our Consolidated Financial Statements included in Item 8 of this Annual Report.

(2)

Scheduled interest payment obligations were calculated using stated coupon rates for fixed rate debt and interest rates applicable at December 31, 2010 for variable rate debt.

The table above is inclusive of $6.3 million in annual interest payment obligations in 2011, 2012, and 2013 related to our 6.25% Convertible Subordinated Notes due December 2013. Due to the conversion of the debt in January 2011, as discussed in Note 12, no further interest will be paid to holders of the notes.

(3) Represents capital-related purchase obligations in addition to accounts payable outstanding at December 31, 2010 for 2010 capital additions.

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

In addition to the obligations identified in the table above, other non-current liabilities recorded in our Consolidated Balance Sheet at December 31, 2010 include:

$21.0 million of foreign pension plan obligations for which the timing and actual amount of funding required is uncertain. We expect to contribute $3.5 million to the plans during 2011.

$4.5 million net liability associated with unrecognized tax benefits. Due to the high degree of uncertainty regarding the amount and the timing of any future cash outflows associated with our unrecognized tax benefits, we are unable to reasonably estimate the amount and period of ultimate settlement, if any, with the various taxing authorities.

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Off-Balance Sheet Arrangements

As of December 31, 2010, we had no off-balance sheet guarantees or other off-balance sheet arrangements as defined in Item 303(a)(4)(ii) of SEC Regulation S-K, other than our operating leases. Operating lease commitments are included in the contractual obligations table above.

Other Contingencies

We refer you to Note 15 to our Consolidated Financial Statements in Item 8 of this Annual Report for a discussion of our contingencies related to litigation and other legal matters. If an unfavorable ruling were to occur in these matters, there exists the possibility of a material adverse impact on our business, liquidity, results of operations, financial position and cash flows in the period in which the ruling occurs. The potential impact from the legal proceedings, on our business, liquidity, results of operations, financial position and cash flows, could change in the future.

Critical Accounting Policies and Use of Estimates

We have identified the policies below as critical to our business operations and the understanding of our results of operations. A summary of our significant accounting policies used in the preparation of our Consolidated Financial Statements appears in Note 1 to our Consolidated Financial Statements included in Item 8 of this Annual Report. Our preparation of this Annual Report on Form 10-K requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of our financial statements and the reported amounts of revenue and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates.

We believe the following critical accounting policies, which have been reviewed with the Audit Committee of our board of directors, affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Revenue Recognition. We recognize revenue from our packaging and test services when there is evidence of a fixed arrangement, delivery has occurred or services have been rendered, fees are fixed or determinable and collectibility is reasonably assured. Generally these criteria are met and revenue is recognized upon shipment. If the revenue recognition criteria are not met, we defer the revenue. Deferred revenue generally results from two types of transactions; customer advances and invoicing at interim points prior to shipping. Customer advances represent supply agreements with customers where we commit capacity in exchange for customer prepayment of services. These prepayments are deferred and recorded as customer advances within accrued expenses and other non-current liabilities. Deferred revenue also relates to contractual invoicing at interim points prior to the shipment of the finished product. The invoicing that is completed in advance of our revenue recognition criteria being met is recorded as deferred revenue.

We do not take ownership of customer-supplied semiconductor wafers. Title and risk of loss remain with the customer for these materials. Accordingly, the cost of the customer-supplied materials is not included in the Consolidated Financial Statements.

An allowance for sales credits is recorded as a reduction to sales and accounts receivable during the period of sale such that accounts receivable is reported at its estimated net realizable value. The allowance for sales credits is an estimate of the future credits we will issue for billing adjustments primarily for invoicing corrections and miscellaneous customer claims and is estimated based upon recent credit issuance, historical experience, as well as specific identification of known or expected sales credits at the end of the reporting period. Additionally, provisions

are made for doubtful accounts when there is doubt as to the collectibility of accounts receivable. The allowance for doubtful accounts is recorded as bad debt expense, classified as selling, general and administrative expense. The allowance for doubtful accounts is based upon specification of doubtful accounts considering the age of the receivable balance, the customer s historical payment history and current credit worthiness as well as specific identification of any known or expected collectability issues.

Income Taxes. We operate in and file income tax returns in various U.S. and non-U.S. jurisdictions which are subject to examination by tax authorities. The tax returns for open years in all jurisdictions in which we do business

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are subject to change upon examination. We believe that we have estimated and provided adequate accruals for potential additional taxes and related interest expense that may ultimately result from such examinations. 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. However, resolution of these matters involves uncertainties and there are no assurances that the outcomes will be favorable. In addition, changes in the mix of income from our foreign subsidiaries, expiration of tax holidays and changes in tax laws or regulations could result in increased effective tax rates in the future.

Additionally, we record valuation allowances for deferred tax assets for which it is more likely than not that the related tax benefits will not be realized. U.S. GAAP requires companies to weigh both positive and negative evidence in determining the need for a valuation allowance for deferred tax assets. As a result of net losses experienced in recent years in certain jurisdictions, we have determined that a valuation allowance is required for certain deferred tax assets including those related to all of our net operating loss carryforwards in the U.S. We will release such valuation allowances as the related deferred 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.

Valuation of Inventory. We order raw materials based on customers forecasted demand. If our customers change their forecasted requirements and we are unable to cancel our raw materials order or if our vendors require that we order a minimum quantity that exceeds the current forecasted demand, we will experience a build-up in raw material inventory. We will either seek to recover the cost of the materials from our customers or utilize the inventory in production. However, we may not be successful in recovering the cost from our customers or be able to use the inventory in production and, accordingly, if we believe that it is probable that we will not be able to recover such costs we reduce the carrying value of our inventory. Additionally, we reduce the carrying value of our inventories for the cost of inventory we estimate is excess and obsolete based on the age of our inventories. When a determination is made that the inventory will not be utilized in production or is not saleable, it is written-off.

Inventories are stated at the lower of cost or market (net realizable value). Cost is principally determined by standard cost (on a first-in, first-out basis for raw materials and purchased components and an average cost basis for work-in-process) or by the weighted moving average method (for commodities), both which approximate actual cost. We review and set our standards as needed, but at a minimum on an annual basis.

Long-lived Assets. Property, plant and equipment are stated at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets. Depreciable lives are as follows:

Land use rights	50 years
Buildings and improvements	10 to 25 years
Machinery and equipment	3 to 7 years
Software and computer equipment	3 to 5 years
Furniture, fixtures and other equipment	3 to 10 years

Cost and accumulated depreciation for property retired or disposed of are removed from the accounts and any resulting gain or loss is included in earnings. Expenditures for maintenance and repairs are charged to expense as incurred.

We review long-lived assets, including property, plant and equipment and finite-lived intangible assets, for impairment whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. Recoverability of a long-lived asset group held and used in operations is measured by a comparison of the carrying amount to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset

group. If such asset group is considered to be impaired, the impairment loss is measured as the amount by which the carrying amount of the asset group exceeds its fair value. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. Long-lived assets to be disposed of are carried at the lower of cost or fair value less the costs of disposal.

Legal Contingencies. We are subject to certain legal proceedings, lawsuits and other claims. We assess the likelihood of any adverse judgment or outcome related to these matters, as well as potential ranges of probable

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losses. Our determination of the amount of reserves required, if any, for these contingencies is based on an analysis of each individual issue, often with the assistance of outside legal counsel. We record provisions in our Consolidated Financial Statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated.

Our assessment of required reserves may change in the future due to new developments in each matter. The present legislative and litigation environment is substantially uncertain, and it is possible that our liquidity, results of operations, financial position and cash flows could be materially and adversely affected by an unfavorable outcome or settlement of our pending litigation and other claims.

Recently Adopted and Recently Issued Standards

For information regarding recently adopted and recently issued accounting standards, see Note 2 to our Consolidated Financial Statements included in Item 8 of this Annual Report.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

Market Risk Sensitivity

We are exposed to market risks, primarily related to foreign currency and interest rate fluctuations. In the normal course of business, we employ established policies and procedures to manage the exposure to fluctuations in foreign currency values and changes in interest rates. Our use of derivative instruments, including forward exchange contracts, has historically been insignificant; however, we continue to evaluate the use of hedging instruments to manage market risk. We have not entered into any derivative transactions during the year ended December 31, 2010 and have no outstanding contracts as of December 31, 2010.

Foreign Currency Risks

We currently do not have forward contracts or other instruments to reduce our exposure to foreign currency gains and losses, although we do use natural hedging techniques to reduce foreign currency rate risks.

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

We have foreign currency exchange rate risk associated with the remeasurement of monetary assets and monetary liabilities on our Consolidated Balance Sheet that are denominated in currencies other than the functional currency. We performed a sensitivity analysis of our foreign currency exposure as of December 31, 2010, to assess the potential impact of fluctuations in exchange rates for all foreign denominated assets and liabilities. Assuming a 10% adverse movement for all currencies against the U.S. dollar as of December 31, 2010, our income before income taxes for 2010 would have been approximately $26 million lower.

In addition, we have foreign currency exchange rate exposure on our results of operations. For the year ended December 31, 2010, approximately 89% of our net sales were denominated in U.S. dollars. Our remaining net sales were principally denominated in Japanese yen and Korean won for local country sales. For the year ended December 31, 2010, approximately 58% of our cost of sales and operating expenses were denominated in U.S. dollars and were largely for raw materials and factory supplies. The remaining portion of our cost of sales and operating expenses was principally denominated in the Asian currency where our production facilities are located and largely consisted of labor and utilities. To the extent that the U.S. dollar weakens against these Asian-based currencies,

similar foreign currency denominated transactions in the future will result in higher sales and higher operating expenses, with operating expenses having the greater impact on our financial results. Similarly, our sales and operating expenses will decrease if the U.S. dollar strengthens against these foreign currencies. We performed a sensitivity analysis of our foreign currency exposure as of December 31, 2010 to assess the potential impact of fluctuations in exchange rates for all foreign denominated sales and expenses. Assuming a 10% adverse movement from the year ended December 31, 2010 exchange rates of the U.S. dollar compared to all of these Asian-based currencies as of December 31, 2010, our operating income for 2010 would have been approximately $77 million lower.

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

We have foreign currency exchange rate exposure on our stockholders equity as a result of the translation of our subsidiaries where the Japanese yen is the functional currency. To the extent the U.S. dollar strengthens against the Japanese yen, the translation of these foreign currency denominated transactions will result in reduced sales, operating expenses, assets and liabilities. Similarly, our sales, operating expenses, assets and liabilities will increase if the U.S. dollar weakens against the Japanese yen. The effect of foreign exchange rate translation on our Consolidated Balance Sheet for the years ended December 31, 2010 and 2009 was a net foreign translation gain of $8.2 million and a loss of $0.5 million, respectively, and was recognized as an adjustment to equity through other comprehensive income.

Interest Rate Risks

We have interest rate risk with respect to our long-term debt. As of December 31, 2010, we had a total of $1,364.3 million of debt of which 73.4% was fixed rate debt and 26.6% was variable rate debt. Our variable rate debt is principally related to our foreign borrowings and any amounts outstanding under our $100.0 million revolving line of credit, under which no amounts were drawn as of December 31, 2010. The fixed rate debt consisted of senior notes; senior subordinated notes and subordinated notes. As of December 31, 2009, we had a total of $1,434.2 million of debt of which 83.3% was fixed rate debt and 16.7% was variable rate debt. Changes in interest rates have different impacts on the fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the fair value of the instrument but has no impact on interest expense or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not generally impact the fair value of the instrument. The fair value of the convertible notes is also impacted by changes in the market price of our common stock.

The table below presents the interest rates, maturities and fair value of our fixed and variable rate debt as of December 31, 2010.

	2011	2012	2013(1)	2014	2015	Thereafter	Total	Fair Value
Long term debt:								
Fixed rate debt (In thousands)	$ 42,579	$	$ 100,000	$ 250,000	$	$ 609,283	$ 1,001,862	$ 1,431,057
Average interest rate	2.5%		6.3%	6.0%		8.2%	7.2%	
Variable rate debt (In thousands)	$ 107,502	$ 82,132	$ 136,065	$ 31,636	$ 5,103	$	$ 362,438	$ 375,174
Average interest	3.3%	3.6%	4.4%	3.3%	2.4%		3.8%	

rate

(1) Included in 2013 is $100.0 million of our 6.25% Convertible Subordinated Notes due December 2013, which was converted into common stock in January 2011, as discussed in Note 12 to our Consolidated Financial Statements included in Item 8 of this Annual Report.

See Note 14 to our Consolidated Financial Statements included in Item 8 of this Annual Report for a discussion on the fair valuation of our debt instruments.

Equity Price Risks

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

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

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Item 8. ***Financial Statements and Supplementary Data***

We present the information required by Item 8 of Form 10-K here in the following order:

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Amkor Technology, Inc.:

In our opinion, the consolidated financial statements listed in the accompanying index present fairly, in all material respects, the financial position of Amkor Technology, Inc. and its subsidiaries at December 31, 2010 and 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2010 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2010, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements, on the financial statement schedule, and on the Company s internal control over financial reporting based on our integrated audits. We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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

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

/s/ PricewaterhouseCoopers LLP
Phoenix, Arizona

February 24, 2011

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands, except per share data)		
Net sales	$ 2,939,483	$ 2,179,109	$ 2,658,602
Cost of sales	2,275,727	1,698,713	2,096,864
Gross profit	663,756	480,396	561,738
Operating expenses:			
Selling, general and administrative	242,424	210,907	251,756
Research and development	47,534	44,453	56,227
Goodwill impairment			671,117
Gain on sale of real estate		(281)	(9,856)
Total operating expenses	289,958	255,079	969,244
Operating income (loss)	373,798	225,317	(407,506)
Other (income) expense:			
Interest expense	85,595	102,396	118,729
Interest expense, related party	15,250	13,000	6,250
Interest income	(2,950)	(2,367)	(8,749)
Foreign currency loss (gain)	13,756	3,339	(61,057)
Loss (gain) on debt retirement, net	18,042	(15,088)	(35,987)
Equity in earnings of unconsolidated affiliate	(6,435)	(2,373)	
Other income, net	(619)	(113)	(1,004)
Total other expense, net	122,639	98,794	18,182
Income (loss) before income taxes	251,159	126,523	(425,688)
Income tax expense (benefit)	19,012	(29,760)	31,788
Net income (loss)	232,147	156,283	(457,476)
Net (income) loss attributable to noncontrolling interests	(176)	(303)	781
Net income (loss) attributable to Amkor	$ 231,971	$ 155,980	$ (456,695)
Net income (loss) attributable to Amkor per common share:			
Basic	$ 1.26	$ 0.85	$ (2.50)
Diluted	$ 0.91	$ 0.67	$ (2.50)
Shares used in computing per common share amounts:			

Basic	183,312	183,067	182,734
Diluted	282,602	263,379	182,734

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2010	2009
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 404,998	$ 395,406
Restricted cash	17,782	2,679
Accounts receivable:		
Trade, net of allowances	392,327	328,252
Other	17,970	18,666
Inventories	191,072	155,185
Other current assets	37,918	32,737
Total current assets	1,062,067	932,925
Property, plant and equipment, net	1,537,226	1,364,630
Intangibles, net	13,524	9,975
Investments	28,215	19,108
Restricted cash	1,945	6,795
Other assets	93,845	99,476
Total assets	$ 2,736,822	$ 2,432,909
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 150,081	$ 88,944
Trade accounts payable	443,333	361,263
Accrued expenses	178,794	155,630
Total current liabilities	772,208	605,837
Long-term debt	964,219	1,095,241
Long-term debt, related party	250,000	250,000
Pension and severance obligations	103,543	83,067
Other non-current liabilities	10,171	9,063
Total liabilities	2,100,141	2,043,208
Commitments and contingencies (see Note 15)		
Equity:		
Amkor stockholders equity:		

Preferred stock, $0.001 par value, 10,000 shares authorized, designated Series A, none issued		
Common stock, $0.001 par value, 500,000 shares authorized, 183,467 and 183,171 shares issued, and 183,420 and 183,171 shares outstanding, in 2010 and 2009, respectively	183	183
Additional paid-in capital	1,504,927	1,500,246
Accumulated deficit	(890,270)	(1,122,241)
Accumulated other comprehensive income	15,457	5,021
Treasury stock, at cost, 47 shares in 2010	(284)	
Total Amkor stockholders equity:	630,013	383,209
Noncontrolling interests in subsidiaries	6,668	6,492
Total equity	636,681	389,701
Total liabilities and equity	$ 2,736,822	$ 2,432,909

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

	Common Stock Shares	Common Stock Par Value	Additional Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Cost	Total Amkor Stockholders Equity	Noncontrolling Interest in Subsidiaries	E
					(In thousands)					
t										
r 31, 2007	181,799	$ 182	$ 1,482,186	$ (821,526)	$ (6,223)		$	$ 654,619	$ 7,022	$
e (loss)				(456,695)				(456,695)	(781)	
d loss on for sale ts, net of tax cation					(80)			(80)		
t for losses n income, net					80			80		
ablility t, net of tax					20,623			20,623		
e translation t					3,801			3,801	(217)	
nsive loss								(432,271)	(998)	
f stock mployee stock plan and stock	1,236	1	10,202					10,203		
pensation			4,588					4,588		
t										
r 31, 2008	183,035	$ 183	$ 1,496,976	$ (1,278,221)	$ 18,201		$	$ 237,139	$ 6,024	$
e				155,980				155,980	303	
ablility t, net of tax					(12,632)			(12,632)		
e translation t					(548)			(548)	165	
nsive income								142,800	468	
	136		693					693		

f stock ock options pensation											
			2,577						2,577		
t **r 31, 2009**	183,171	$ 183	$ 1,500,246	$ (1,122,241)	$ 5,021		$	$ 383,209	$ 6,492	$	
e ablility t, net of tax e translation t				231,971	2,270 8,166			231,971 2,270 8,166	176		
nsive income stock acquired rrender of tax ngs or								242,407	176		
						(47)	(284)	(284)			
f stock mployee stock tion plans	296		1,166					1,166			
pensation			3,515					3,515			
t **r 31, 2010**	183,467	$ 183	$ 1,504,927	$ (890,270)	$ 15,457	(47)	$ (284)	$ 630,013	$ 6,668	$	

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Cash flows from operating activities:			
Net income (loss)	$ 232,147	$ 156,283	$ (457,476)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	323,608	305,510	309,920
Goodwill impairment			671,117
Amortization of deferred debt issuance costs and discounts	4,458	4,780	4,717
Provision for accounts receivable	508	(80)	265
Deferred income taxes	4,736	(30,599)	8,811
Equity in earnings of unconsolidated affiliate	(6,435)	(2,373)	
Loss (gain) on debt retirement, net	10,562	(15,088)	(35,987)
Loss on disposal of fixed assets, net	423	7,262	2,887
Stock-based compensation	3,515	2,577	4,588
Other, net	4,317	838	1,243
Changes in assets and liabilities:			
Accounts receivable	(58,225)	(68,912)	144,942
Other receivables	203	(4,338)	(9,070)
Inventories	(34,882)	(20,991)	16,696
Other current assets	6,876	5,173	6,155
Other assets	(1,365)	(1,214)	2,922
Trade accounts payable	18,379	96,854	(81,598)
Accrued expenses	18,019	(108,712)	92,115
Other non-current liabilities	15,751	(65,245)	(76,429)
Net cash provided by operating activities	542,595	261,725	605,818
Cash flows from investing activities:			
Purchases of property, plant and equipment	(445,669)	(173,496)	(386,239)
Proceeds from the sale of property, plant and equipment	3,125	3,116	15,480
Investment in unconsolidated affiliate		(16,735)	
Purchase of equipment leased to unconsolidated affiliate		(44,681)	
Financing lease payment from unconsolidated affiliate	13,384		
Change in restricted cash	(10,253)	(2,898)	(2,242)
Proceeds from sale of securities			2,460
Other investing activities	(5,508)	(6,184)	(839)
Net cash used in investing activities	(444,921)	(240,878)	(371,380)
Cash flows from financing activities:			
Borrowings under revolving credit facilities	3,261	41,410	619

Payments under revolving credit facilities	(34,253)	(10,171)	(633)
Proceeds from issuance of short-term working capital facility	15,000	15,000	
Payments of short-term working capital facility	(15,000)		
Proceeds from issuance of long-term debt	611,007	100,000	
Proceeds from issuance of long-term debt, related party		150,000	
Payments of long-term debt, net of redemption premiums and discounts	(663,433)	(338,104)	(233,814)
Payments for debt issuance costs	(7,487)	(8,479)	
Proceeds from issuance of stock through stock compensation plans	1,048	693	10,203
Net cash used in financing activities	(89,857)	(49,651)	(223,625)
Effect of exchange rate fluctuations on cash and cash equivalents	1,775	(106)	3,433
Net increase (decrease) in cash and cash equivalents	9,592	(28,910)	14,246
Cash and cash equivalents, beginning of period	395,406	424,316	410,070
Cash and cash equivalents, end of period	$ 404,998	$ 395,406	$ 424,316
Supplemental disclosures of cash flow information:			
Cash paid during the period for:			
Interest	$ 96,642	$ 116,223	$ 121,297
Income taxes	5,906	11,991	21,997
Noncash investing activities:			
Receivable for equipment leased to unconsolidated affiliate		44,681	

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements

1. Description of Business and Summary of Significant Accounting Policies

Description of Business

Amkor is one of the world s leading providers of outsourced semiconductor packaging (sometimes referred to as assembly) and test services. Amkor pioneered the outsourcing of semiconductor packaging and test services through a predecessor corporation in 1968 and over the years we have built a leading position by:

Designing and developing new package and test technologies;

Offering a broad portfolio of packaging and test technologies and services;

Cultivating long-standing relationships with our customers, which include many of the world s leading semiconductor companies, and collaborating with original equipment manufacturers (OEMs);

Developing expertise in high-volume manufacturing processes; and

Having a diversified operational scope, with research and development, engineering and production capabilities in China, Japan, Korea, the Philippines, Taiwan and the United States (U.S.).

Basis of Presentation

The Consolidated Financial Statements include the accounts of Amkor Technology, Inc. and our subsidiaries (Amkor). The Consolidated Financial Statements reflect the elimination of all significant inter-company accounts and transactions. Our investments in variable interest entities in which we are the primary beneficiary are consolidated. We reflect the remaining portion of variable interest entities and foreign subsidiaries that are not wholly owned as noncontrolling interests.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Consolidation of Variable Interest Entities

We have variable interests in certain Philippine realty corporations in which we have a 40% ownership and from whom we lease land and buildings in the Philippines, for which we are the primary beneficiary. As of December 31, 2010, the combined book value of the assets and the liabilities associated with these Philippine realty corporations included in our Consolidated Balance Sheet was $18.1 million and $0.5 million, respectively. The impact of consolidating these variable interest entities on our Consolidated Statements of Operations was not significant and other than our lease payments, we have not provided any significant assistance or other financial support to these variable interest entities for the years ended December 31, 2010, 2009 or 2008. The creditors of the Philippine realty corporations have no recourse to our general credit.

Foreign Currency Translation

The U.S. dollar is the functional currency of our subsidiaries in China, Korea, the Philippines, Singapore, and Taiwan, and the foreign currency asset and liability amounts at these subsidiaries are remeasured into U.S. dollars at end-of-period exchange rates, except for nonmonetary items which are remeasured at historical rates. Foreign currency income and expenses are remeasured at average exchange rates in effect during the period, except for expenses related to balance sheet amounts which are remeasured at historical exchange rates. Exchange gains and losses arising from remeasurement of foreign currency-denominated monetary assets and liabilities are included in other income (expense) in the period in which they occur.

The local currency is the functional currency of our subsidiaries in Japan and was the functional currency of our subsidiaries in Taiwan prior to July 1, 2009. The asset and liability amounts of these subsidiaries are translated

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

into U.S. dollars at end-of-period exchange rates. Income and expenses are translated into U.S. dollars at average exchange rates in effect during the period. The resulting asset and liability translation adjustments are reported as a component of accumulated other comprehensive income in the stockholders equity section of the balance sheet. Assets and liabilities denominated in a currency other than the functional currency are remeasured into the functional currency prior to translation into U.S. dollars and the resulting exchange gains or losses are included in other income (expense) in the period in which they occur.

Concentrations and Credit Risk

Financial instruments, for which we are subject to credit risk, consist principally of accounts receivable and cash and cash equivalents. With respect to accounts receivable, we mitigate our credit risk by selling primarily to well established companies, performing ongoing credit evaluations and making frequent contact with customers. We have historically mitigated our credit risk with respect to cash and cash equivalents through diversification of our holdings into various high quality mutual funds and bank deposit accounts. At December 31, 2010, our cash and cash equivalents were invested in U.S. money market funds and various U.S. and foreign bank operating and time deposit accounts.

Risks and Uncertainties

Our future results of operations involve a number of risks and uncertainties. Factors that could affect our business or future results and cause actual results to vary materially from historical results include, but are not limited to, dependence on the highly cyclical nature of the semiconductor industry, fluctuations in operating results, high fixed costs, our failure to meet guidance, declines in average selling prices, decisions by our integrated device manufacturer customers to curtail outsourcing, our substantial indebtedness, our ability to fund liquidity needs, our ability to draw on our current loan facilities, our restrictive covenants contained in the agreements governing our indebtedness, significant severance plan obligations, failure to maintain an effective system of internal controls, product return and liability risks, the absence of significant backlog in our business, our dependence on international operations and sales, proposed changes to U.S. tax laws, our management information systems may prove inadequate, attracting and retaining qualified employees, difficulties consolidating and evolving our operational capabilities, our dependence on materials and equipment suppliers, loss of customers, our need for significant capital expenditures, impairment charges, litigation incident to our business, adverse tax consequences, the development of new proprietary technology and the enforcement of intellectual property rights by or against us, complexity of packaging and test processes, competition, our need to comply with existing and future environmental regulations, fire, flood or other calamity and continued control by existing stockholders.

We believe that our cash flow from operating activities together with existing cash and cash equivalents will be sufficient to fund our working capital, capital expenditure and debt service requirements for at least the next twelve months. Thereafter, our liquidity will continue to be affected by, among other things, volatility in the global economy and credit markets, the performance of our business, our capital expenditure levels and our ability to either repay debt out of operating cash flow or refinance debt at or prior to maturity with the proceeds of debt or equity offerings.

We are subject to certain legal proceedings, lawsuits and other claims, as discussed in Note 15. We assess the likelihood of any adverse judgment or outcome related to these matters, as well as potential ranges of probable losses. Our determination of the amount of reserves required, if any, for these contingencies is based on an analysis of each individual issue, often with the assistance of outside legal counsel. We record provisions in our Consolidated

Financial Statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated.

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

Cash and Cash Equivalents

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Our cash and cash equivalents consist of amounts invested in U.S. money market funds and various U.S. and foreign bank operating and time deposit accounts.

Restricted Cash

Restricted cash, current, consists of short-term cash equivalents used to collateralize our daily banking services, an amount in escrow related to an arbitration proceeding (see Note 15) and foreign trade compliance requirements. Restricted cash, non-current, consists of collateral for foreign tax obligations.

Inventories

Inventories are stated at the lower of cost or market (net realizable value). Cost is principally determined by standard cost (on a first-in, first-out basis for raw materials and purchased components and an average cost basis for work-in-process) or by the weighted moving average method (for commodities), both which approximate actual cost. We review and set our standards as needed, but at a minimum on an annual basis. We reduce the carrying value of our inventories for the cost of inventory we estimate is excess and obsolete based on the age of our inventories. When a determination is made that the inventory will not be utilized in production or is not saleable, it is written-off.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets which are as follows:

Land use rights	50 years
Buildings and improvements	10 to 25 years
Machinery and equipment	3 to 7 years
Software and computer equipment	3 to 5 years
Furniture, fixtures and other equipment	3 to 10 years

Cost and accumulated depreciation for property retired or disposed of are removed from the accounts and any resulting gain or loss is included in earnings. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense was $317.7 million, $298.5 million and $299.8 million for 2010, 2009 and 2008, respectively.

We review long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Recoverability of a long-lived asset group to be held and used in operations is measured by a comparison of the carrying amount to the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the asset group. If such asset group is considered to be impaired,

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

the impairment loss is measured as the amount by which the carrying amount of the asset group exceeds its fair value. Long-lived assets to be disposed of are carried at the lower of cost or fair value less the costs of disposal.

Intangibles and Goodwill

Finite-lived intangible assets include customer relationship and supply agreements as well as patents and technology rights and are amortized on a straight-line basis over their estimated useful lives, generally for periods ranging from 5 to 10 years. We continually evaluate the reasonableness of the useful lives of these assets. Finite-lived intangibles are tested for recoverability whenever events or changes in circumstances indicate the carrying amount may not be recoverable. An impairment loss, if any, would be measured as the excess of the carrying value over the fair value determined by discounted future cash flows. Amortization of finite-lived assets was $5.9 million, $7.0 million and $10.1 million for 2010, 2009 and 2008, respectively.

We previously had goodwill which was fully impaired and written off in 2008.

Investments

On October 30, 2009, we acquired a 30% interest in an assembly and test services business in Japan, J-Devices Corporation (J-Devices). See Note 10 for additional information. Our investment is accounted for as an equity method investment. We evaluate the investment for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. To the extent the book value of the investment exceeds its assessed fair value, we will record an appropriate impairment charge.

Other Non-current Assets

Other non-current assets consist principally of deferred income tax assets, financing lease receivables (see Note 10), deferred debt issuance costs, refundable security deposits and prepaid pension assets.

Other Non-current Liabilities

Other non-current liabilities consist primarily of customer advance payments, deferred revenue and liabilities associated with uncertain income tax positions. See Note 4 for more information.

Accumulated Other Comprehensive Income

The components of accumulated other comprehensive income consist of the following:

	December 31,	
	2010	2009
	(In thousands)	
Unrealized foreign currency translation gains	$ 20,167	$ 12,001
Unrecognized pension costs	(4,710)	(6,980)

Total accumulated other comprehensive income	$ 15,457	$ 5,021

The unrecognized pension costs are net of deferred income tax benefits of $1.0 million and $0.8 million at December 31, 2010 and 2009, respectively. No income taxes are provided on foreign currency translation gains as foreign earnings are considered permanently invested.

Treasury Stock

Treasury stock is acquired by us when certain restricted share awards vest or are forfeited. At the vesting or retirement eligibility date, a participant has a tax liability and, pursuant to the recipient s award agreement, we

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

withhold restricted shares to satisfy statutory minimum tax withholding obligations. The withheld or forfeited restricted shares are accounted for as treasury stock and carried at cost. See Note 3 for more information.

Fair Value Measurements

We apply fair value accounting for all financial assets and liabilities that are recognized or disclosed at fair value in the financial statements on a recurring or nonrecurring basis. We define fair value as the price that would be received from selling an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. See Note 14 for further discussion of fair value measurements.

Revenue Recognition

We recognize revenue from our packaging and test services when there is evidence of a fixed arrangement, delivery has occurred or services have been rendered, fees are fixed or determinable and collectibility is reasonably assured. Generally these criteria are met and revenue is recognized upon shipment. If the revenue recognition criteria are not met, we defer the revenue. Deferred revenue generally results from two types of transactions: customer advances and invoicing at interim points prior to shipment. Customer advances represent supply agreements with customers where we commit capacity in exchange for customer prepayment of services. These prepayments are deferred and recorded as customer advances within accrued expenses and other non-current liabilities. Deferred revenue also relates to contractual invoicing at interim points prior to the shipment of the finished product. The invoicing that is completed in advance of our revenue recognition criteria being met is recorded as deferred revenue.

We generally do not take ownership of customer supplied semiconductor wafers. Title and risk of loss remains with the customer for these materials at all times. Accordingly, the cost of the customer supplied materials is not included in the Consolidated Financial Statements.

An allowance for sales credits is recorded as a reduction to sales and accounts receivable during the period of sale such that accounts receivable is reported at its estimated net realizable value. The allowance for sales credits is an estimate of the future credits we will issue for billing adjustments primarily for invoicing corrections and miscellaneous customer claims and is estimated based upon recent credit issuance, historical experience, as well as specific identification of known or expected sales credits at the end of the reporting period. Additionally, provisions are made for doubtful accounts when there is doubt as to the collectibility of accounts receivable. The allowance for doubtful accounts is recorded as bad debt expense and is classified as selling, general and administrative expense. The allowance for doubtful accounts is based upon specification of doubtful accounts considering the age of the receivable balance, the customer s historical payment history and current credit worthiness as well as specific identification of any known or expected collectability issues.

Shipping and Handling Fees and Costs

Amounts billed to customers for shipping and handling are presented in net sales. Costs incurred for shipping and handling are included in cost of sales.

Research and Development Costs

Research and development expenses include costs attributable to the conduct of research and development programs primarily related to the development of new package designs and improving the efficiency and capabilities of our existing production processes. Such costs include salaries, payroll taxes, employee benefit costs, materials, supplies, depreciation and maintenance of research equipment, services provided by outside contractors and the allocable portions of facility costs such as rent, utilities, insurance, repairs and maintenance, depreciation and general support services. All costs associated with research and development are expensed as incurred.

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

Income Taxes

Income taxes are accounted for using the asset and liability method. Under this method, deferred income tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis as well as net operating loss and tax credit carryforwards. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance is provided for those deferred tax assets for which it is more likely than not that the related benefits will not be realized.

In determining the amount of the valuation allowance, we consider all available evidence of realization, as well as feasible tax planning strategies, in each taxing jurisdiction. If all or a portion of the remaining deferred tax assets will not be realized, the valuation allowance will be increased with a charge to income tax expense. Conversely, if we will ultimately be able to utilize all or a portion of the deferred tax assets for which a valuation allowance has been provided, the related portion of the valuation allowance will be released to income as a credit to income tax expense. We monitor on an ongoing basis our ability to utilize our deferred tax assets and the continuing need for a related valuation allowance.

We recognize in our Consolidated Financial Statements the impact of an income tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. See Note 4 for more information regarding unrecognized income tax benefits.

2. New Accounting Standards

Recently Adopted Standards

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2010-06, *Fair Value Measurements and Disclosures (Topic 820) Improving Disclosures about Fair Value Measurements* (ASU 2010-06). ASU 2010-06 amended ASC 820 to clarify certain existing fair value disclosures and require a number of additional disclosures. The guidance in ASU 2010-06 clarified that disclosures should be presented separately for each class of assets and liabilities measured at fair value and provided guidance on how to determine the appropriate classes of assets and liabilities to be presented. ASU 2010-06 also clarified the requirement for entities to disclose information about both the valuation techniques and inputs used in estimating Level 2 and Level 3 fair value measurements. In addition, ASU 2010-06 introduced new requirements to disclose the amounts (on a gross basis) and reasons for any significant transfers between Levels 1, 2, and 3 of the fair value hierarchy and present information regarding the purchases, sales, issuances, and settlements of Level 3 assets and liabilities on a gross basis. With the exception of the requirement to present changes in Level 3 measurements on a gross basis, which is delayed until 2011, the guidance in ASU 2010-06 became effective for reporting periods beginning after December 15, 2009. Our adoption of ASU 2010-06 on January 1, 2010, did not have a material impact on our financial statements. We are currently assessing the impact the new disclosure guidance may have on our consolidated financial statements upon adoption in 2011.

In December 2009, the FASB issued ASU No. 2009-17, *Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities* (ASU 2009-17). This ASU codified consolidation guidance previously issued

in June 2009 which applies to variable interest entities and will affect the overall consolidation analysis under FASB Interpretation No. 46(R). This standard was effective for fiscal years beginning after November 15, 2009. Our adoption of ASU 2009-17 on January 1, 2010, did not have a material impact on our financial statements.

In December 2009, the FASB issued ASU 2009-16, *Accounting for Transfers of Financial Assets* (ASU 2009-16). This ASU codified guidance previously issued in June 2009 which amends existing derecognition guidance, eliminates the exemption from consolidation for qualifying special-purpose entities, and requires additional disclosures about a transferor s continuing involvement in transferred financial assets. This standard

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

was effective for fiscal years beginning after November 15, 2009, and applies to financial asset transfers occurring on or after the effective date. Our adoption of ASU 2009-16 on January 1, 2010, did not have a material impact on our financial statements.

3. Share-Based Compensation Plans

Beginning in 2006, all of our share-based compensation, including grants of employee stock options, is measured at fair value and expensed over the service period (generally the vesting period). For all grants, the amount of compensation expense to be recognized is adjusted for an estimated forfeiture rate which is based on historical data. The following table presents share-based compensation expense attributable to stock options and restricted shares.

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Stock options	$ 2,473	$ 2,577	$ 4,588
Restricted shares	1,042		
Total share-based compensation expense	$ 3,515	$ 2,577	$ 4,588

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

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Cost of sales	$ 27	$ 81	$ 823
Selling, general, and administrative	3,053	2,097	3,087
Research and development	435	399	678
Total share-based compensation expense	$ 3,515	$ 2,577	$ 4,588

Equity Incentive Plans

2007 Equity Incentive Plan. On August 6, 2007, our shareholders approved the 2007 Equity Incentive Plan, (the 2007 Plan) that provides for the grant of the following types of incentive awards: (i) stock options, (ii) restricted stock, (iii) restricted stock units, (iv) stock appreciation rights, (v) performance units and performance shares and (vi) other stock or cash awards. Those eligible for awards include employees, directors and consultants who provide services to

Amkor and its subsidiaries. The effective date of this plan was January 1, 2008, and there were originally 17,000,000 shares of our common stock reserved for issuance under the 2007 Equity Incentive Plan.

2003 Nonstatutory Inducement Grant Stock Plan. On September 9, 2003, we initiated the 2003 Nonstatutory Inducement Grant Stock Plan (the 2003 Plan). The 2003 Plan generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights and is generally used as an inducement benefit for the purpose of retaining new employees. There is a provision for an annual replenishment to bring the number of shares of common stock reserved for issuance under the plan up to 300,000 as of each January 1.

1998 Director Option Plan. The Director Plan terminated in January 2008. The options granted under the Director Plan were automatic and non-discretionary. Each option granted to a non-employee director vests over a three year period.

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Notes to Consolidated Financial Statements (Continued)

1998 Stock Plan. The 1998 Stock Plan terminated in January 2008. The 1998 Stock Plan generally provided for grants to employees, directors and consultants of stock options and stock purchase rights. The options granted vest over a two to five year period.

A summary of the stock plans, the respective plan termination dates and shares available for grant as of December 31, 2010 is shown below.

Stock Plans	2007 Equity Incentive Plan	2003 Inducement Plan
Contractual life (years)	10	10
Plan termination date	Board of Directors Discretion	Board of Directors Discretion
Shares available for grant at December 31, 2010 (in thousands)	15,823	436

Stock options

Stock options are generally granted with an exercise price equal to the market price of the stock at the date of grant. Substantially all of the options granted are exercisable pursuant to a two to five year vesting schedule and the term of the options granted is no longer than ten years.

In order to calculate the fair value of stock options at the date of grant, we use the Black-Scholes option pricing model. Expected volatilities are based on historical performance of our stock. 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 is a summary of all option activity for the year ended December 31, 2010:

Options

	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, 2009	8,302	$ 10.35		
Granted	120	7.71		

Exercised	(196)		5.34			
Forfeited or expired	(383)		14.01			
Outstanding at December 31, 2010	7,843	$	10.26	3.31	$	3,288
Fully vested and expected to vest at December 31, 2010	7,787	$	10.27	3.28	$	3,273
Exercisable at December 31, 2010	7,108	$	10.40	2.87	$	3,021

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

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

	For the Year Ended December 31,		
	2010	**2009**	**2008**
Expected life (in years)	6.0	5.9	6.0
Risk-free interest rate	3.0%	2.3%	3.3%
Volatility	71%	76%	77%
Dividend yield			
Weighted average grant date fair value per option granted	$ 5.00	$ 2.70	$ 7.85

The intrinsic value of options exercised for the years ended December 31, 2010, 2009 and 2008 was $0.3 million, $0.2 million and $4.1 million, respectively. For the years ended December 31, 2010, 2009 and 2008, cash received under all share-based payment arrangements was $1.0 million, $0.7 million and $10.2 million, respectively. There was no tax benefit realized. The related cash receipts are included in financing activities in the accompanying Consolidated Statements of Cash Flows. Total unrecognized compensation expense from stock options, including any forfeiture estimate, was $3.2 million as of December 31, 2010, which is expected to be recognized over a weighted-average period of 1.6 years beginning January 1, 2011. To the extent that the actual forfeiture rate is different than what we have anticipated, the share-based compensation expense related to these awards will be different from our expectations.

Restricted Shares

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

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

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Notes to Consolidated Financial Statements (Continued)

The following table summarizes our restricted share activity for the year ended December 31, 2010:

Restricted Shares

	Number of Shares (In thousands)	Weighted Average Grant Date Fair Value
Nonvested at December 31, 2009		$
Awards granted	472	5.96
Awards vested	(81)	5.96
Awards forfeited	(19)	5.96
Nonvested at December 31, 2010	372	$ 5.96

Awards vested include 81,000 shares for retirement eligible recipients whose restricted shares are treated for accounting and tax purposes as if vested when they meet the retirement eligible date. The fair value of these shares upon vesting during 2010 was $0.5 million. Of those 81,000 shares, 27,806 shares were withheld to satisfy tax withholding obligations and are treated as treasury stock, at a cost of $0.2 million.

The unrecognized compensation cost, including a forfeiture estimate, was $1.5 million as of December 31, 2010, which is expected to be recognized over a weighted average period of approximately 2.9 years beginning January 1, 2011. To the extent that the actual forfeiture rate is different than what we have anticipated, the share-based compensation expense related to these awards will be different from our expectations.

In February 2011, we granted 805,000 restricted shares to employees under the 2007 Equity Incentive Plan. The restricted shares vest over a four-year period and their valuation is determined based on the fair market value of the underlying shares on the date of grant.

4. Income Taxes

Geographic sources of income (loss) before income taxes are as follows:

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
United States	$ (15,604)	$ (45,512)	$ (19,141)
Foreign	266,763	172,035	(406,547)

Total income (loss) before income taxes	$ 251,159	$ 126,523	$ (425,688)

The provision for income taxes includes federal, state and foreign taxes currently payable and those deferred because of temporary differences between the financial statement and the tax bases of assets and liabilities.

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

The components of the provision (benefit) for income taxes are as follows:

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Current			
Federal	$ 10	$ (1,882)	$ 272
State		316	
Foreign	14,266	2,405	22,705
	14,276	839	22,977
Deferred			
Federal	2,098	2,286	
State	300	119	
Foreign	2,338	(33,004)	8,811
	4,736	(30,599)	8,811
Total provision (benefit)	$ 19,012	$ (29,760)	$ 31,788

The reconciliation between the U.S. federal statutory income tax rate of 35% and our income tax provision (benefit) is as follows:

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
U.S. federal tax at 35%	$ 87,929	$ 44,257	$ (148,951)
State taxes, net of federal benefit	523	884	843
Foreign (loss) income taxed at different rates	(80,461)	(56,301)	10,503
Foreign exchange loss (gain)	3,176	4,926	(54,238)
Goodwill impairment			231,185
Expiration of capital loss carryforward		22,714	34,518
Change in valuation allowance	15,004	(53,722)	(29,165)
Adjustments related to prior years	(4,281)	12,198	(12,555)
Income tax credits generated	(2,765)	(9,377)	(3,312)
Repatriation of foreign earnings and profits	122	4,846	
Other	(235)	(185)	2,960
Total	$ 19,012	$ (29,760)	$ 31,788

In 2008, we recorded a $671.1 million goodwill impairment charge which did not have a significant income tax benefit.

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

The following is a summary of the components of our deferred tax assets and liabilities:

	December 31,	
	2010	2009
	(In thousands)	
Deferred tax assets:		
Net operating loss carryforwards	$ 163,661	$ 154,351
Capital loss carryforwards	18,221	18,221
Income tax credits	22,366	24,582
Property, plant and equipment	20,065	18,253
Accrued liabilities	35,805	24,502
Unrealized foreign exchange loss	6,486	8,355
Other	17,522	22,530
Total deferred tax assets	284,126	270,794
Valuation allowance	(223,612)	(208,925)
Total deferred tax assets net of valuation allowance	60,514	61,869
Deferred tax liabilities:		
Property, plant and equipment	3,460	4,484
Deferred gain	6,899	6,941
Other	7,478	5,642
Total deferred tax liabilities	17,837	17,067
Net deferred tax assets	$ 42,677	$ 44,802
Recognized as:		
Other current assets	$ 8,438	$ 9,677
Other assets	42,750	41,841
Other current liabilities	(5,683)	(6,094)
Other non-current liabilities	(2,828)	(622)
Total	$ 42,677	$ 44,802

In 2010, the valuation allowance on our deferred tax assets increased by $14.7 million primarily as a result of an increase associated with losses incurred in the U.S. and certain foreign jurisdictions offset by a $3.0 million decrease associated with the release of a valuation allowance on certain net deferred tax assets in Taiwan. We released the valuation allowance in Taiwan during the three months ended June 30, 2010 because we believed that sufficient positive evidence existed to support the conclusion that it is more likely than not that we will realize the benefits of these deferred tax assets. The positive evidence we considered was: (i) the consistent profitability of these operations

over a two year period, which included the recent downturn in the semiconductor industry in late 2008 and 2009; (ii) the increase in profitability experienced in the second quarter of 2010 based on demand for the products from these operations; and (iii) our expectation that we will realize substantially all of the deferred tax assets over the next three years for these operations.

In 2009, the valuation allowance on our deferred tax assets decreased by $52.7 million primarily as a result of a $25.6 million decrease associated with the release of a valuation allowance on net deferred tax assets of our subsidiary in Korea and a $22.7 million decrease associated with the expiration of U.S. capital loss carryforwards.

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

In 2008, the valuation allowance on our deferred tax assets decreased by $29.4 million primarily as a result of a $34.5 million decrease associated with the expiration of U.S. capital loss carryforwards, partially offset by an increase of $8.3 million for a valuation allowance established against certain Japanese deferred tax assets.

At December 31, 2010, the valuation allowance included amounts relating to tax benefits of tax deductions associated with employee stock options. If these benefits are subsequently realized, they will be recorded to contributed capital in the amount of $7.0 million. As a result of net operating loss carryforwards, we were not able to recognize the excess tax benefits of stock option deductions in 2010 because the deductions did not reduce income tax payable.

As a result of certain capital investments, export commitments and employment levels, income from operations in Korea, the Philippines, China, Singapore and Taiwan is subject to reduced income tax rates, and in some cases is exempt from income taxes.

Korea

In Korea, we have tax holidays resulting from our investment in the Gwangju, Seoul and Pupyong facilities. The Gwangju tax holiday provides a 100% tax exemption through 2010, followed by a 50% exemption through 2013. The Seoul and Pupyong tax holiday provides a 100% tax exemption through 2011, followed by a 50% exemption through 2014. After the holidays expire we will be subject to the Korean statutory rate which is currently 24% for 2010 and 2011 and 22% after 2011. As a result of net operating losses we did not realize any benefits related to these tax holidays in 2009 and 2008. In 2010 we recognized $25.4 million in tax benefits as a result of the tax holidays on qualifying operations in Korea.

Philippines

In the Philippines, we operate in economic zones and benefit from tax holidays on qualified products, as a result of certain capital investments we have made. For 2006 through 2010, qualifying Philippine operations benefited from a full tax holiday, expiring at various times through 2013, while the remaining operations benefited from a perpetual reduced tax rate of 5%. In 2010, 2009 and 2008, our Philippines operations recognized $5.9 million, $3.4 million and $2.6 million, respectively, in tax benefits as a result of the tax holiday on certain qualifying operations in the Philippines.

China

In China, commencing on January 1, 2008, we have a 100% tax holiday for two years and then a 50% tax holiday for an additional three years. As a result of net operating losses, we did not realize any benefits relating to such tax holidays in 2010, 2009 or 2008 in China. Our statutory tax rate in China is currently 22% for 2010, 24% for 2011 and 25% after 2011.

Singapore

In October 2006, we were granted a ten year pioneer incentive award in Singapore. The 100% tax holiday on Singapore operations commenced on January 1, 2007. As a result of net operating losses we did not realize any benefits relating to such tax holidays in 2010, 2009 or 2008. In 2010, we decided to wind-down and exit our manufacturing operations in Singapore. See Note 18 for more information.

Taiwan

We were granted a five year tax holiday on certain product lines in Taiwan beginning January 1, 2007 and an additional tax holiday on certain product lines beginning January 1, 2010. We did not realize any benefits relating to such tax holidays in 2010. In 2009 and 2008 we recognized less than $0.1 and $0.2 million, respectively, in tax

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

benefits as a result of the tax holiday on certain qualifying operations in Taiwan. Effective January 1, 2010, our statutory tax rate in Taiwan is 17%.

Our net operating loss carryforwards (NOL s) are as follows:

	For the Year Ended December 31,		
	2010	2009	Expiration
	(In thousands)		
U.S. Federal NOL s	$ 386,029	$ 365,485	2019-2030
U.S. State NOL s	251,127	258,725	2011-2030
Foreign NOL s	81,334	53,095	2012-2020

The deferred tax assets associated with approximately $54.0 million of the foreign losses have been reserved with a valuation allowance. We also have U.S. capital loss carryforwards of $45.6 million which will expire in 2013. U.S. capital loss carryforwards of $56.8 million expired as of December 31, 2009. The deferred tax assets associated with our U.S. and state net operating losses and capital losses available for carryforward have been fully reserved with a valuation allowance at December 31, 2010 and 2009. Also, our ability to utilize our U.S. net operating and capital loss carryforwards may be limited in the future if we experience an ownership change as defined by the Internal Revenue Code.

At December 31, 2010, we have various tax credits available to be carried forward including U.S foreign income tax credits totaling $8.1 million, expiring in 2016, Taiwanese income tax credits totaling $4.2 million expiring in varying amounts through 2014 and Korean income tax credits totaling $7.1 million expiring in varying amounts through 2015. The deferred tax assets associated with the U.S. foreign income tax credits have been reserved with a valuation allowance. Income tax credits generated by certain of our foreign subsidiaries in 2010, 2009 and 2008 have been recognized in our income tax provision (benefit).

Income taxes have not been provided on substantially all of the undistributed earnings of our foreign subsidiaries (approximately $547.5 million at December 31, 2010) over which we have sufficient influence to control the distribution of such earnings and have determined that substantially all such earnings have been reinvested indefinitely. These earnings could become subject to either or both federal income tax and foreign withholding tax if they are remitted as dividends, if foreign earnings are loaned to any of our domestic subsidiaries, or if we sell our investment in such subsidiaries. We estimate that repatriation of these foreign earnings would generate additional foreign withholding taxes of approximately $23.7 million and U.S. federal income tax of approximately $9.3 million not offset by foreign tax credits.

In 2009, we provided U.S. income tax on approximately $13.8 million of foreign earnings from two subsidiaries where we made the decision to not reinvest indefinitely based on changed facts and circumstances. The U.S. income tax of $4.8 million on these foreign dividends was fully offset by the benefit of our U.S. net operating losses.

We operate in and file income tax returns in various U.S. and foreign jurisdictions which are subject to examination by tax authorities. In 2010, the Internal Revenue Service notified us of their intention to examine the United States

income tax return for the 2009 tax year. Initial fieldwork started in 2011. The Bureau of Internal Revenue has started examination of our 2007 to 2009 Philippines income tax returns. In 2009, the tax authorities in Korea examined income tax returns of our subsidiary covering the periods from 2004 to 2008. The examination did

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Notes to Consolidated Financial Statements (Continued)

not result in significant additional income tax payments. Our tax returns for open years in all jurisdictions are subject to changes upon examination. Summarized below are the years subject to examination for our largest subsidiaries.

Jurisdiction	Years
United States	2007-2010
Korea	2009-2010
Philippines	2007-2010
Japan	2006-2010
China	2005-2010
Singapore	2004-2010
Taiwan	2004-2010

A reconciliation of the beginning and ending gross amount of unrecognized tax benefits is as follows:

	For the Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Balance at January 1	$ 5,091	$ 20,920	$ 17,663
Additions based on tax positions related to the current year	4,933	1,332	5,341
Additions for tax positions of prior years	2,055	1,243	1,673
Reductions for tax positions of prior years	(557)	(17,456)	(3,341)
Reductions related to settlements with tax authorities		(281)	
Reductions from lapse of statutes of limitations	(1,019)	(667)	(416)
Balance at December 31	$ 10,503	$ 5,091	$ 20,920

Our unrecognized tax benefits increased from $5.1 million at December 31, 2009 to $10.5 million as of December 31, 2010 primarily because of $4.7 million of current year additions related to revenue attribution and $1.9 million of additions for contested prior year deductions in a foreign jurisdiction, partially offset by reductions for expired statutes of limitations. Substantially all of the $5.4 million of net additions of unrecognized tax benefits increased our income tax expense in 2010. At December 31, 2010, substantially all of our gross unrecognized tax benefits would reduce our effective tax rate, if recognized.

The liability related to our unrecognized tax benefits is $4.5 million as of December 31, 2010 and is reported as a component of other non-current liabilities. The unrecognized tax benefits in the table above include the reduction of deferred tax assets, which are not included in the liability reported as a component of other non-current liabilities.

It is reasonably possible that the total amount of unrecognized tax benefits will decrease by up to $7.8 million within 12 months due to the expiration of statutes of limitations related to revenue attribution, an anticipated ruling related to revenue attribution and eligibility for certain tax incentives.

We have recognized $0.1 million of interest and penalties in the Consolidated Statement of Operations for the year ended December 31, 2010 in connection with our unrecognized tax benefits. Interest and penalties are classified as income taxes in the financial statements. The total amount of interest and penalties included in other non-current liabilities in connection with our unrecognized tax benefits is $0.5 million as of December 31, 2010.

Our unrecognized tax benefits are subject to change as examinations of specific tax years are completed in the respective jurisdictions. We believe that any taxes, or related interest and penalties, 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 examinations to be completed in the near term would have a material favorable impact. However, tax return examinations involve uncertainties and there can be no assurances that the outcome of examinations will be favorable.

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Notes to Consolidated Financial Statements (Continued)

5. Earnings Per Share

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

Diluted EPS is computed on the basis of the weighted average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period. Dilutive potential common shares include outstanding stock options, unvested restricted shares and convertible debt. The basic and diluted EPS amounts are the same for the year ended December 31, 2008 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 Year Ended December 31,		
	2010	2009	2008
	(In thousands, except per share data)		
Net income attributable to Amkor	$ 231,971	$ 155,980	$ (456,695)
Income allocated to participating securities	(470)		
Net income available to Amkor common shareholders	231,501	155,980	(456,695)
Adjustment for dilutive securities on net income:			
Net income allocated to participating securities in basic calculation	470		
Interest on 2.5% convertible notes due 2011, net of tax	1,318	2,084	
Interest on 6.25% convertible notes due 2013, net of tax	6,370	6,370	
Interest on 6.0% convertible notes due 2014, net of tax	16,103	12,086	
Net income (loss) attributable to Amkor diluted	$ 255,762	$ 176,520	$ (456,695)
Weighted average shares outstanding basic	183,312	183,067	182,734
Effect of dilutive securities:			
Stock options	299	61	
Unvested restricted shares	64		
2.5% convertible notes due 2011	2,918	4,530	
6.25% convertible notes due 2013	13,351	13,351	
6.0% convertible notes due 2014	82,658	62,370	
Weighted average shares outstanding diluted	282,602	263,379	182,734

Net income (loss) attributable to Amkor per common share:

Basic	$ 1.26	$ 0.85	$ (2.50)
Diluted	0.91	0.67	(2.50)

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AMKOR TECHNOLOGY, INC.

Notes to 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 Year Ended December 31,		
	2010	2009	2008
	(In thousands)		
Stock options	6,585	7,982	9,281
2.5% convertible notes due 2011			12,238
6.25% convertible notes due 2013			13,351
Total potentially dilutive shares	6,585	7,982	34,870
Stock options excluded from diluted EPS because the exercise price was greater than the average market price of the common shares	6,585	7,982	7,230

6. Accounts Receivable, Trade

Accounts receivable, trade consist of the following:

	December 31,	
	2010	2009
	(In thousands)	
Accounts receivable	$ 396,870	$ 331,590
Allowance for sales credits	(3,919)	(2,877)
Allowance for doubtful accounts	(624)	(461)
Total accounts receivable trade, net of allowances	$ 392,327	$ 328,252

7. Inventories

Inventories consist of the following:

	December 31,	
	2010	2009
	(In thousands)	
Raw materials and purchased components	$ 145,043	$ 119,393

Work-in-process	46,029	35,792
Total inventories	$ 191,072	$ 155,185

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

8. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	December 31, 2010	2009
	(In thousands)	
Land	$ 106,338	$ 106,395
Land use rights	19,945	19,945
Buildings and improvements	838,237	832,782
Machinery and equipment	2,749,445	2,382,220
Software and computer equipment	176,376	151,208
Furniture, fixtures and other equipment	20,611	27,030
Construction in progress	50,610	57,775
	3,961,562	3,577,355
Less accumulated depreciation and amortization	(2,424,336)	(2,212,725)
Total property, plant and equipment, net	$ 1,537,226	$ 1,364,630

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

	For the Year Ended December 31, 2010	2009	2008
	(In thousands)		
Property, plant and equipment additions	$ 504,463	$ 197,742	$ 341,734
Net change in related accounts payable and deposits	(58,794)	(24,246)	44,505
Purchases of property, plant and equipment	$ 445,669	$ 173,496	$ 386,239

9. Intangible Assets

Intangibles as of December 31, 2010 consist of the following:

	Gross	Accumulated Amortization	Net

		(In thousands)	
Patents and technology rights	$ 52,587	$ (47,864)	$ 4,723
Customer relationships	16,940	(8,139)	8,801
Total intangibles	$ 69,527	$ (56,003)	$ 13,524

In May 2010, we executed supply and technology development agreements with a customer which require us to make approximately $9.5 million of cash payments of which $5.4 million was paid as of December 31, 2010, and the balance of $4.1 million was recorded as a liability at December 31, 2010. Approximately $8.0 million was recorded as a customer relationship intangible asset, and $1.5 million was recorded as technology rights.

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Notes to Consolidated Financial Statements (Continued)

Intangibles as of December 31, 2009 consist of the following:

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

Amortization of identifiable intangible assets was $5.9 million, $7.0 million and $10.1 million in 2010, 2009 and 2008, respectively. Based on the amortizing assets recognized in our balance sheet at December 31, 2010, amortization for each of the next five years is estimated as follows:

	(In thousands)
2011	$ 5,269
2012	3,713
2013	3,348
2014	636
2015	334
Thereafter	224
Total amortization	$ 13,524

10. Investments

Investments consist of the following:

	December 31,			
	2010		2009	
	Carrying Value	Ownership Percentage	Carrying Value	Ownership Percentage
	(In thousands)			
Investment in unconsolidated affiliate	$ 28,215	30.0%	$ 19,108	30.0%
Total investments	$ 28,215		$ 19,108	

J-Devices Corporation

On October 30, 2009, Amkor and Toshiba Corporation (Toshiba) invested in Nakaya Microdevices Corporation (NMD) and formed a joint venture to provide semiconductor assembly and final testing services in Japan. As a result of the transaction, NMD is now owned 60% by the existing shareholders of NMD, 30% by Amkor and 10% by Toshiba and has changed its name to J-Devices.

J-Devices purchased an assembly and test business from Toshiba. J-Devices has also entered into various other agreements with Toshiba including a supply agreement, license agreement, support services agreements and employee secondment agreements.

We invested 1.5 billion Japanese yen (approximately $16.7 million at inception) for our 30% equity interest and call options to acquire additional equity interest. The call options were valued at $1.7 million, and, at our discretion, permit us to subscribe to new or existing J-Devices shares until our maximum ownership ratio is 60%, 66% and 80% beginning in 2012, 2014 and 2015, respectively. In 2014 and beyond, Toshiba has at its discretion, a put option which allows Toshiba to sell shares to us if we have exercised any of our call options. The exercise price

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AMKOR TECHNOLOGY, INC.

Notes to Consolidated Financial Statements (Continued)

for all options is determined using a contractual pricing formula based primarily upon the financial position of J-Devices at the time of exercise.

J-Devices is a separate business and is not integrated with our existing Japan-based businesses. We account for our investment in J-Devices using the equity method of accounting. J-Devices is a variable interest entity, but we are not the primary beneficiary as of December 31, 2010.

Under the equity method of accounting, we recognize our 30% share of J-Devices net income or loss