

AMKOR TECHNOLOGY INC
Form 10-Q
August 02, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the Quarterly Period Ended June 30, 2013

or
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
ACT OF 1934
For the transition period from to

Commission File Number 000-29472
AMKOR TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State of incorporation)

23-1722724
(I.R.S. Employer
Identification Number)

1900 South Price Road
Chandler, AZ 85286
(Address of principal executive offices and zip code)
(480) 821-5000
(Registrant's telephone number, including area code)

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

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 Accelerated filer Non-accelerated filer Smaller reporting company
(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 No

The number of outstanding shares of the registrant's Common Stock as of July 26, 2013 was 217,856,441.

QUARTERLY REPORT ON FORM 10-Q

For the Quarter Ended June 30, 2013

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This report contains forward-looking statements within the meaning of the federal securities laws, including but not limited to statements regarding: (1) the amount, timing and focus of our expected capital investments in 2013 including expenditures for a new facility in Korea, (2) our ability to fund our operating activities for the next twelve months, (3) the effect of net sales or capacity utilization on our gross profit and gross margin, (4) the focus of our research and development activities, (5) the expiration of tax holidays in jurisdictions in which we operate and expectations regarding our effective tax rate, (6) the release of valuation allowances related to taxes in the future, (7) the expected use of future cash flows, if any, for the expansion of our business, capital expenditures, the repayment of debt and other corporate purposes, (8) our repurchase or repayment of outstanding debt or the conversion of debt in the future, (9) payment of dividends, (10) compliance with our covenants, (11) expected contributions to foreign pension plans, (12) liability for unrecognized tax benefits, (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 our enterprise resource planning (“ERP”) system and other systems, (16) funding for any payments due in conjunction with our litigation with Tessera and (17) other statements that are not historical facts. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue,” “intend” or the negative of these terms or other comparable terminology. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the following discussion as well as in Part II, Item 1A of this Quarterly Report. You should read the following discussion in conjunction with Item 1 in this Quarterly Report as well as other reports we file with the Securities and Exchange Commission (“SEC”).

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

AMKOR TECHNOLOGY, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(In thousands, except per share data)			
Net sales	\$746,059	\$686,527	\$1,433,588	\$1,341,537
Cost of sales	607,680	597,207	1,180,256	1,147,236
Gross profit	138,379	89,320	253,332	194,301
Operating expenses:				
Selling, general and administrative	65,618	53,489	125,177	110,744
Research and development	14,308	13,867	28,614	27,292
Total operating expenses	79,926	67,356	153,791	138,036
Operating income	58,453	21,964	99,541	56,265
Other expense (income):				
Interest expense	23,739	22,452	45,817	41,038
Interest expense, related party	3,192	3,492	6,684	6,984
Interest income	(676)	) (828)	) (1,503)	) (1,717)
Foreign currency loss, net	2,041	1,277	875	2,067
Loss on debt retirement, net	11,619	—	11,619	—
Equity in earnings of unconsolidated affiliate	(1,445)	) (892)	) (1,500)	) (2,880)
Other income, net	(108)	) (518)	) (337)	) (1,152)
Total other expense, net	38,362	24,983	61,655	44,340
Income (loss) before income taxes	20,091	(3,019)	) 37,886	11,925
Income tax benefit	(10,238)	) (3,891)	) (6,209)	) (529)
Net income	30,329	872	44,095	12,454
Net income attributable to noncontrolling interests	(602)	) (291)	) (986)	) (99)
Net income attributable to Amkor	\$29,727	\$581	\$43,109	\$12,355
Net income attributable to Amkor per common share:				
Basic	\$0.18	\$—	\$0.27	\$0.07
Diluted	\$0.14	\$—	\$0.21	\$0.07
Shares used in computing per common share amounts:				
Basic	160,886	165,956	156,672	166,911
Diluted	235,111	166,009	235,099	167,012

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Net income	\$30,329	\$872	\$44,095	\$12,454
Other comprehensive (loss) income, net of tax:				
Adjustments to unrealized components of defined benefit pension plans, net of tax of (\$9), (\$8), \$49 and (\$43)	75	36	217	1,383
Cumulative translation adjustment, net of tax of (\$1,087), (\$586), \$202 and \$329	(2,899	) 1,659	(7,151	) (1,110
Total other comprehensive (loss) income	(2,824	) 1,695	(6,934	) 273
Comprehensive income	27,505	2,567	37,161	12,727
Comprehensive income attributable to noncontrolling interests	(602	) (291	) (986	) (99
Comprehensive income attributable to Amkor	\$26,903	\$2,276	\$36,175	\$12,628

The accompanying notes are an integral part of these statements.

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CONSOLIDATED BALANCE SHEETS
(Unaudited)

	June 30, 2013	December 31, 2012
	(In thousands, except per share data)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$636,007	\$413,048
Restricted cash	2,681	2,680
Accounts receivable:		
Trade, net of allowances	411,699	389,699
Other	4,463	13,098
Inventories	231,974	227,439
Other current assets	50,331	45,444
Total current assets	1,337,155	1,091,408
Property, plant and equipment, net	1,885,203	1,819,969
Intangibles, net	5,009	4,766
Investments	103,308	38,690
Restricted cash	2,209	2,308
Other assets	83,449	68,074
Total assets	\$3,416,333	\$3,025,215
LIABILITIES AND EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	\$56,350	\$—
Trade accounts payable	499,508	439,663
Accrued expenses	217,845	212,964
Total current liabilities	773,703	652,627
Long-term debt	1,519,661	1,320,000
Long-term debt, related party	75,000	225,000
Pension and severance obligations	137,115	139,379
Other non-current liabilities	10,855	21,415
Total liabilities	2,516,334	2,358,421
Commitments and contingencies (Note 16)		
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, 261,835 and 197,709 shares issued, and 216,486 and 152,397 shares outstanding, in 2013 and 2012, respectively	262	198
Additional paid-in capital	1,810,295	1,614,143
Accumulated deficit	(713,535)	(756,644)
Accumulated other comprehensive income	4,307	11,241
Treasury stock, at cost, 45,349 and 45,312 shares in 2013 and 2012, respectively	(211,155)	(210,983)
Total Amkor stockholders' equity	890,174	657,955

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Noncontrolling interests in subsidiaries	9,825	8,839
Total equity	899,999	666,794
Total liabilities and equity	\$3,416,333	\$3,025,215

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)

	For the Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Cash flows from operating activities:		
Net income	\$44,095	\$12,454
Depreciation and amortization	195,785	179,182
Loss on debt retirement, net	11,619	—
Other operating activities and non-cash items	(13,947)	) (1,881
Changes in assets and liabilities	(36,702)	) (47,292
Net cash provided by operating activities	200,850	142,463
Cash flows from investing activities:		
Purchases of property, plant and equipment	(222,674)	) (232,682
Proceeds from the sale of property, plant and equipment	25,093	998
Payments from unconsolidated affiliate	8,843	9,688
Investment in unconsolidated affiliate	(67,372)) —
Other investing activities	(2,032)	) 1,533
Net cash used in investing activities	(258,142)	) (220,463
Cash flows from financing activities:		
Borrowings under revolving credit facilities	5,000	—
Payments under revolving credit facilities	(5,000)) —
Borrowings under short-term debt	—	30,000
Payments of short-term debt	—	(20,000
Proceeds from issuance of long-term debt	293,000	187,528
Payments of long-term debt, net	—	(165,165
Payments for debt issuance costs	(3,357)	) (823
Payments for the retirement of debt	(11,619)) —
Payments for repurchase of common stock	—	(35,652
Proceeds from the issuance of stock through share-based compensation plans	—	162
Payments of tax withholding for restricted shares	(172)	) (446
Net cash provided by (used in) financing activities	277,852	(4,396
Effect of exchange rate fluctuations on cash and cash equivalents	2,399	(1,052
Net increase (decrease) in cash and cash equivalents	222,959	(83,448
Cash and cash equivalents, beginning of period	413,048	434,631
Cash and cash equivalents, end of period	\$636,007	\$351,183
Non cash investing and financing activities:		
Common stock issuance for exchange of 6.0% convertible senior subordinated notes due April 2014, \$150 million related party	\$193,650	\$—

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Interim Financial Statements

Basis of Presentation. The Consolidated Financial Statements and related disclosures as of June 30, 2013 and for the three and six months ended June 30, 2013 and 2012, are unaudited, pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). The December 31, 2012, Consolidated Balance Sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America (“U.S.”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“U.S. GAAP”) have been condensed or omitted pursuant to such rules and regulations. In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair statement of the results for the interim periods. These financial statements should be read in conjunction with the financial statements included in our Annual Report for the year ended December 31, 2012, filed on Form 10-K with the SEC on March 8, 2013. The results of operations for the three and six months ended June 30, 2013, are not necessarily indicative of the results to be expected for the full year. Unless the context otherwise requires, all references to “Amkor,” “we,” “us,” “our” or the “company” are to Amkor Technology, Inc. and our subsidiaries.

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

2. New Accounting Standards

Recently Adopted Standards

In February 2013, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (Topic 220). ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income (“AOCI”) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. This ASU is effective for reporting periods beginning after December 15, 2012. ASU 2013-02 was adopted on January 1, 2013 and did not have a significant impact on our financial statements.

Recently Issued Standards

In March 2013, the FASB issued ASU 2013-04, Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date (Topic 405). ASU 2013-04 provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability

arrangements for which the total amount of the obligation is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in ASU 2013-04 also requires an entity to disclose the nature and amount of the obligation as well as other information about those obligations. This ASU is effective for reporting periods beginning after December 15, 2013. ASU 2013-04 is not expected to have a significant effect on our financial statements.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

In March 2013, the FASB issued ASU 2013-05, Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity (Topic 830). ASU 2013-05 provides guidance to resolve the diversity in practice regarding the release into net income of the cumulative translation adjustment when a company sells or ceases to hold a controlling interest in a subsidiary or group of assets within a foreign entity. This ASU is effective for reporting periods beginning after December 15, 2013. ASU 2013-05 may affect our financial statements to the extent we sell or cease to hold a controlling interest in subsidiaries or groups of assets within a foreign entity.

In July 2013, the FASB issued ASU 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (Topic 740). ASU 2013-11 requires that unrecognized tax benefits be presented in the financial statements as a reduction to a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except in certain circumstances. When those circumstances exist, the unrecognized tax benefit should be presented in the financial statements as a liability and should not be combined with deferred tax assets. This ASU is effective prospectively for reporting periods beginning after December 15, 2013. Early adoption is permitted. ASU 2013-11 is not expected to have a significant impact on our financial statement presentation.

3. Share-Based Compensation Plans

The following table presents share-based compensation expense attributable to stock options and restricted shares.

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(In thousands)			
Stock options	\$ 151	\$ 267	\$ 255	\$ 657
Restricted shares	497	368	927	780
Total share-based compensation expense	\$ 648	\$ 635	\$ 1,182	\$ 1,437

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

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(In thousands)			
Selling, general and administrative	\$ 565	\$ 552	1,030	1,251
Research and development	83	83	152	186
Total share-based compensation expense	\$ 648	\$ 635	\$ 1,182	\$ 1,437

There is no corresponding deferred income tax benefit for stock options or restricted shares.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Stock Options

The following table summarizes our stock option activity for the six months ended June 30, 2013:

	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, 2012	4,893	\$9.52		
Granted	870	4.50		
Exercised	—	—		
Forfeited or expired	(1,875	) 11.72		
Outstanding at June 30, 2013	3,888	\$7.33	4.76	\$43
Fully vested at June 30, 2013 and expected to vest thereafter	3,869	\$7.35	4.74	\$43
Exercisable at June 30, 2013	2,918	\$8.25	3.12	\$43

The following assumptions were used to calculate weighted average fair values of the options granted in the three and six months ended June 30, 2013 and 2012:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,		
	2013	2012	2013	2012	
Expected life (in years)	6.2	6.0	6.2	6.0	
Risk-free interest rate	1.0	% 1.0	% 1.0	% 1.0	%
Volatility	60	% 65	% 60	% 65	%
Dividend yield	—	—	—	—	
Weighted average grant date fair value per option granted	\$2.53	\$2.68	\$2.53	\$2.68	

The intrinsic value of options exercised for the three and six months ended June 30, 2012, was less than \$0.1 million and \$0.1 million, respectively. For the six months ended June 30, 2012, cash received under all share-based payment arrangements was \$0.2 million. The related cash receipts are included in financing activities in the accompanying Condensed Consolidated Statements of Cash Flows. Total unrecognized compensation expense from stock options, net of a forfeiture estimate, was approximately \$2.3 million as of June 30, 2013, which is expected to be recognized over a weighted-average period of 3.5 years beginning July 1, 2013. To the extent the actual forfeiture rate is different than what we have anticipated, share-based compensation expense related to these options will be different from our expectations.

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AMKOR TECHNOLOGY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
 (Unaudited)

Restricted Shares

The following table summarizes our restricted share activity for the six months ended June 30, 2013:

	Number of Shares (In thousands)	Weighted Average Grant-Date Fair Value (Per share)
Nonvested at December 31, 2012	816	\$5.61
Awards granted	750	4.50
Awards vested	(99)	) 7.13
Awards forfeited	(95)	) 4.80
Nonvested at June 30, 2013	1,372	\$4.95

The fair value of shares vested during the six months ended June 30, 2013, was \$0.5 million.

Unrecognized compensation cost, net of a forfeiture estimate, was \$5.5 million as of June 30, 2013, which is expected to be recognized over a weighted average period of approximately 3.3 years beginning July 1, 2013. 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.

4. Income Taxes

Our income tax benefit of \$6.2 million for the six months ended June 30, 2013, primarily reflects \$9.6 million of expense related to income taxes at certain of our foreign operations and foreign withholding taxes incurred by both our U.S. and foreign operations offset by a \$9.2 million benefit for the reversal of a deferred tax liability associated with the undistributed earnings from our investment in J-Devices Corporation (“J-Devices”) and by a \$6.6 million release of a valuation allowance on deferred tax assets at one of our foreign jurisdictions. Our income tax expense also reflects income taxed in foreign jurisdictions where we benefit from tax holidays. At June 30, 2013, we had U.S. net operating loss carryforwards totaling \$336.9 million, which expire at various times through 2031. Additionally, at June 30, 2013, we had \$90.5 million of non-U.S. net operating loss carryforwards, which expire at various times through 2023.

During the three months ended June 30, 2013, we recognized an \$8.6 million tax benefit from the reversal of a deferred tax liability as a result of a change in the ownership structure of our investment in J-Devices. We also recognized a \$0.6 million tax benefit as a result of revaluing the deferred tax liability associated with our investment in J-Devices during the three months ended March 31, 2013.

We maintain a valuation allowance on all of our U.S. net deferred tax assets, including our net operating loss carryforwards. We also have valuation allowances on deferred tax assets in certain foreign jurisdictions. Such valuation allowances are released as the related tax benefits are realized or when sufficient net positive evidence exists to conclude it is more likely than not that the deferred tax assets will be realized. During the three months ended June 30, 2013, we concluded that sufficient net positive evidence existed to release the valuation allowance against the deferred tax assets at one of our foreign jurisdictions. The recent trend of improving taxable operating results in this

jurisdiction continued in the three months ended June 30, 2013, and we now believe this recent history of earnings is sustainable and sufficient to fully realize the deferred tax assets in this jurisdiction. We had \$10.6 million of net deferred tax assets at June 30, 2013, in this jurisdiction, \$4.0 million of which we estimate will be realized in the current year and \$6.6 million we estimate will be realized after December 31, 2013. The release of the valuation allowance related to this \$6.6 million net deferred tax asset is included as a discrete tax benefit for the three months ended June 30, 2013.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

Our gross unrecognized tax benefits increased from \$8.2 million at December 31, 2012, to \$9.4 million as of June 30, 2013, primarily because of a \$2.5 million addition related to the application of a law change in a foreign jurisdiction. This addition was partially offset by \$1.3 million of net reductions related to the settlement of contested prior year deductions in a foreign jurisdiction. At June 30, 2013, all of our unrecognized tax benefits would reduce our effective tax rate, if recognized. Our unrecognized tax benefits are subject to change as examinations of tax years are completed. Tax return examinations involve uncertainties, and there can be no assurances that the outcome of examinations will be favorable.

5. Earnings Per Share

Basic earnings per share (“EPS”) is computed by dividing net income 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 is reduced for treasury stock. Unvested share-based compensation awards that contain nonforfeitable rights to dividends or dividend equivalents are considered participating securities and are included in the computation of EPS pursuant to the two-class method. We grant 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 EPS.

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 following table summarizes the computation of basic and diluted EPS:

	For the Three Months Ended		For the Six Months Ended	
	June 30,	2012	June 30,	2012
	2013		2013	
	(In thousands, except per share data)			
Net income attributable to Amkor	\$29,727	\$581	\$43,109	\$12,355
Income allocated to participating securities	(251)	(2)	(374)	(33)
Net income available to Amkor common stockholders	29,476	579	42,735	12,322
Adjustment for dilutive securities on net income:				
Net income reallocated to participating securities	58	2	80	33
Interest on 6.0% convertible notes due 2014, net of tax	3,609	—	7,626	—
Net income attributable to Amkor — diluted	\$33,143	\$581	\$50,441	\$12,355
Weighted average shares outstanding — basic	160,886	165,956	156,672	166,911
Effect of dilutive securities:				
Stock options and restricted share awards	10	53	14	101
6.0% convertible notes due 2014	74,215	—	78,413	—
Weighted average shares outstanding — diluted	235,111	166,009	235,099	167,012
Net income attributable to Amkor per common share:				
Basic	\$0.18	\$—	\$0.27	\$0.07
Diluted	0.14	—	0.21	0.07

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

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

	For the Three Months Ended		For the Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
	(In thousands)			
Stock options and restricted share awards	4,092	4,737	4,165	4,506
6.0% convertible notes due 2014	—	82,658	—	82,658
Total potentially dilutive shares	4,092	87,395	4,165	87,164

6. Equity and Accumulated Other Comprehensive Income

The following table reflects the changes in equity attributable to both Amkor and the noncontrolling interests:

	Attributable	Attributable to	Total
	to Amkor	Noncontrolling Interests	
	(In thousands)		
Equity at December 31, 2012	\$657,955	\$ 8,839	\$666,794
Net income	43,109	986	44,095
Other comprehensive loss	(6,934)	—	(6,934)
Treasury stock acquired through surrender of shares for tax withholding	(172)	—	(172)
Share-based compensation expense	1,182	—	1,182
Exchange of debt for common stock	195,034	—	195,034
Equity at June 30, 2013	\$890,174	\$ 9,825	\$899,999
	Attributable	Attributable to	Total
	to Amkor	Noncontrolling Interests	
	(In thousands)		
Equity at December 31, 2011	\$693,266	\$ 7,955	\$701,221
Net income	12,355	99	12,454
Other comprehensive income	273	—	273
Issuance of stock through employee share-based compensation plans	162	—	162
Treasury stock acquired through surrender of shares for tax withholding	(446)	—	(446)
Share-based compensation expense	1,437	—	1,437
Repurchase of common stock	(37,834)	—	(37,834)
Equity at June 30, 2012	\$669,213	\$ 8,054	\$677,267

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

The following table reflects the changes in accumulated other comprehensive income, net of tax:

	Defined Benefit Pension (In thousands)	Foreign Currency	Total
Accumulated other comprehensive (loss) income at December 31, 2012	\$(5,373)	\$16,614	\$11,241
Other comprehensive loss before reclassifications	—	(7,151)	(7,151)
Amounts reclassified from accumulated other comprehensive (loss) income	217	—	217
Other comprehensive income (loss)	217	(7,151)	(6,934)
Accumulated other comprehensive (loss) income at June 30, 2013	\$(5,156)	\$9,463	\$4,307
	Defined Benefit Pension (In thousands)	Foreign Currency	Total
Accumulated other comprehensive (loss) income at December 31, 2011	\$(10,510)	\$21,359	\$10,849
Other comprehensive income (loss) before reclassifications	1,294	(1,110)	184
Amounts reclassified from accumulated other comprehensive (loss) income	89	—	89
Other comprehensive income (loss)	1,383	(1,110)	273
Accumulated other comprehensive (loss) income at June 30, 2012	\$(9,127)	\$20,249	\$11,122

Amounts reclassified out of accumulated other comprehensive income are included as a component of net periodic pension cost (Note 13).

7. Inventories

Inventories consist of the following:

	June 30, 2013	December 31, 2012
	(In thousands)	
Raw materials and purchased components	\$171,607	\$166,691
Work-in-process	60,367	60,748
Total inventories	\$231,974	\$227,439

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AMKOR TECHNOLOGY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
 (Unaudited)

8. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	June 30, 2013	December 31, 2012
	(In thousands)	
Land	\$ 103,992	\$ 106,338
Land use rights	19,945	19,945
Buildings and improvements	887,420	904,919
Machinery and equipment	3,499,724	3,332,855
Software and computer equipment	191,680	191,132
Furniture, fixtures and other equipment	17,241	19,194
Construction in progress	32,525	24,670
	4,752,527	4,599,053
Less accumulated depreciation and amortization	(2,867,324)	(2,779,084)
Total property, plant and equipment, net	\$ 1,885,203	\$ 1,819,969

In January 2013, we sold office space and land located in Chandler, Arizona for \$22.8 million, net of selling costs of \$1.2 million.

The following table presents depreciation expense as included in the Consolidated Statements of Income:

	For the Three Months Ended June 30,		For the Six Months Ended June 30,	
	2013	2012	2013	2012
	(In thousands)			
Cost of sales	\$90,805	\$81,891	\$ 179,973	\$ 161,988
Selling, general and administrative	3,860	5,289	7,995	10,396
Research and development	3,114	2,697	6,109	4,777
Total depreciation expense	\$97,779	\$89,877	\$ 194,077	\$ 177,161

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

	For the Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Property, plant and equipment additions	\$283,124	\$273,350
Net change in related accounts payable and deposits	(60,450)	(40,668)
Purchases of property, plant and equipment	\$222,674	\$232,682

In February 2013, we entered into an agreement for the purchase of land for a factory and research and development center in Korea. The agreement to purchase the land for the facility is subject to our compliance with various construction, investment, hiring, regulatory and other requirements. We made a non-refundable deposit of 10.9 billion

(approximately \$10 million) at signing and have two remaining payments of 43.4 billion (approximately \$38 million) and 54.2 billion (approximately \$47 million) due in August 2013 and November 2013, respectively. As of June 30, 2013, the deposit is recorded in other assets on our Consolidated Balance Sheets.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

9. Intangible Assets

Intangibles as of June 30, 2013, consist of the following:

	Gross	Accumulated Amortization	Net
	(In thousands)		
Patents and technology rights	\$24,114	\$(20,221)	\$3,893
Customer relationships	8,000	(6,884)	1,116
Total intangibles	\$32,114	\$(27,105)	\$5,009

Intangibles as of December 31, 2012, consist of the following:

	Gross	Accumulated Amortization	Net
	(In thousands)		
Patents and technology rights	\$22,169	\$(19,636)	\$2,533
Customer relationships	8,000	(5,767)	2,233
Total intangibles	\$30,169	\$(25,403)	\$4,766

Amortization of identifiable intangible assets for the three and six months ended June 30, 2013, was \$0.9 million and \$1.7 million, respectively. Amortization of identifiable intangible assets for the three and six months ended June 30, 2012, was \$0.8 million and \$2.0 million, respectively. Based on the amortizing assets recognized in our balance sheet at June 30, 2013, amortization for each of the next five years is estimated as follows:

	Amortization (In thousands)
2013 remaining	\$1,967
2014	1,230
2015	938
2016	466
2017	178
Thereafter	230
Total amortization	\$5,009

10. Investments

Investments consist of the following:

	June 30, 2013 Carrying Value (In thousands)	Ownership Percentage	December 31, 2012 Carrying Value (In thousands)	Ownership Percentage
Investment in unconsolidated affiliate	\$103,308	60.0	% \$38,690	30.0 %

J-Devices Corporation

In October 2009, Amkor and Toshiba Corporation (“Toshiba”) invested in Nakaya Microdevices Corporation (“NMD”) and formed a joint venture to provide semiconductor packaging and test services in Japan. As a result of the transaction, NMD changed its name to J-Devices Corporation. In April 2013, we completed the exercise of our option to increase our ownership

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

interest in J-Devices from 30% to 60% for an aggregate purchase price of ¥6.7 billion (\$67.4 million). J-Devices is now owned 60% by Amkor, 34% by the former shareholders of NMD and 6% by Toshiba.

At June 30, 2013, our investment includes our 60% equity interest and options to acquire additional equity interests. The options are exercisable at our discretion and permit us to increase our ownership interest in J-Devices up to 66% in 2014 by purchasing shares owned by Toshiba and up to 80% in 2015 by purchasing shares owned by the other shareholders. In 2014 and beyond, Toshiba has the option, at its discretion, to sell shares it owns to us. If we decline Toshiba's offer to sell their shares to us, then J-Devices shall have the obligation to purchase the shares. If J-Devices fails to purchase the shares offered by Toshiba, then we will be obligated to purchase the shares offered by Toshiba. The options in 2014 and 2015 become exercisable in the fourth quarter of such year, and if exercised, we would expect closing to occur in the first half of the following year, subject to regulatory approval. After we own 80% or more shares, the original shareholders of NMD have a put option which allows them to sell their shares to us. The exercise price for all options is payable in cash and is determined using a formula based upon the net book value and a multiple of earnings before interest, taxes, depreciation and amortization of J-Devices.

J-Devices is a separate business and is not integrated with our Japan-based businesses. The governance provisions currently applicable to J-Devices restrict our ability, even with our majority ownership, to cause J-Devices to take certain actions without the consent of the other investors. Accordingly, we account for our investment in J-Devices using the equity method of accounting. Under the equity method of accounting, we recognize our proportionate share of J-Devices' net income or loss, which is after J-Devices' income taxes in Japan, during each accounting period as a change in our investment in unconsolidated affiliate. In addition, we record equity method adjustments as a change in our investment in unconsolidated affiliate. Because our incremental proportionate share of J-Devices' equity exceeded the cost of our additional investment, these adjustments include the amortization of a \$5.1 million basis difference. For the three and six months ended June 30, 2013, our equity in earnings in J-Devices, net of J-Devices' income taxes in Japan, was \$1.4 million and \$1.5 million, respectively. For the three and six months ended June 30, 2012, our equity in earnings in J-Devices, net of J-Devices' income taxes in Japan, was \$0.9 million and \$2.9 million, respectively.

In conjunction with entering into the joint venture, one of our subsidiaries in Japan purchased packaging and test equipment from Toshiba and leased the equipment to J-Devices under an agreement which was accounted for as a direct financing lease. At the end of the lease in October 2012, J-Devices exercised an option to purchase the remaining packaging and test equipment for ¥761.4 million. In January 2013, we received payment of ¥761.4 million (approximately \$8.8 million) for the purchased equipment.

11. Accrued Expenses

Accrued expenses consist of the following:

	June 30, 2013	December 31, 2012
	(In thousands)	
Payroll and benefits	\$60,907	\$56,651
Deferred revenue and customer advances	48,637	52,773
Accrued royalties (Note 16)	33,324	33,324
Accrued interest	20,837	19,048

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Income taxes payable	10,565	8,341
Accrued severance plan obligations (Note 13)	9,468	9,516
Other accrued expenses	34,107	33,311
Total accrued expenses	\$217,845	\$212,964

Accrued royalties relate to our estimate of royalties due as a result of our pending patent license arbitration (Note 16).

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AMKOR TECHNOLOGY, INC.
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
 (Unaudited)

12. Debt

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

	June 30, 2013 (In thousands)	December 31, 2012
Debt of Amkor Technology, Inc.:		
Senior secured credit facilities:		
\$150 million revolving credit facility, LIBOR plus 1.5%-2.25%, due June 2017	\$—	\$—
Senior notes:		
7.375% Senior notes, due May 2018	345,000	345,000
6.625% Senior notes, due June 2021, \$75 million related party	400,000	400,000
6.375% Senior notes, due October 2022 (1)	525,000	300,000
Senior subordinated notes:		
6.0% Convertible senior subordinated notes (2)	56,350	250,000
Debt of subsidiaries:		
Amkor Technology Korea, Inc.:		
\$41 million revolving credit facility, foreign currency funding-linked base rate plus 2.00%, due June 2016 (3)	—	—
Term loan, foreign currency funding-linked base rate plus 2.30%, due March 2015	100,000	100,000
Term loan, LIBOR plus 3.80%, due June 2016 (4)	10,000	—
Term loan, LIBOR plus 3.90% or 3.94%, due July 2017	150,000	137,000
Term loan, foreign currency funding-linked base rate plus 1.75%, due September 2017 (5)	10,000	—
Term loan, LIBOR plus 3.70%, due December 2019 (6)	48,000	13,000
Other:		
Revolving credit facility, TAIFX plus a bank-determined spread, due April 2015 (Taiwan) (7)	—	—
	1,644,350	1,545,000
Add: Unamortized premium (1)	6,661	—
Less: Short-term borrowings and current portion of long-term debt	(56,350)	—
Long-term debt (including related party)	\$1,594,661	\$1,545,000

(1) In September 2012, ATI issued \$300.0 million of 6.375% Senior Notes due October 2022 (the “2022 Notes”). The 2022 Notes were issued at par and are senior unsecured obligations. Interest is payable semi-annually on April 1 and October 1 of each year, and commenced April 1, 2013. In May 2013, we issued an additional \$225.0 million of (1) 6.375% Senior Notes due October 2022 (the “Additional 2022 Notes”) under the same terms as the 2022 Notes. The Additional 2022 Notes were issued at a premium of 103% or \$6.8 million. The net proceeds from the issuance of the Additional 2022 Notes were designated for general corporate purposes. We incurred \$3.4 million of debt issuance costs associated with the Additional 2022 Notes.

(2) In April 2009, we issued \$250 million of our 6.0% Convertible Senior Subordinated Notes due April 2014 (the “2014 Notes”). The 2014 Notes are convertible at any time prior to the maturity date into our common stock at a price of approximately \$3.02 per share, subject to adjustment. The 2014 Notes are subordinated to the prior payment in full of all of our senior debt. The 2014 Notes were purchased by certain qualified institutional buyers and an entity controlled by Mr. James J. Kim, our Executive Chairman of the Board of Directors. Mr. Kim's

affiliate

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

purchased \$150.0 million of the 2014 Notes. In June 2013, we completed a tender offer for the 2014 Notes and exchanged \$193.7 million of the 2014 Notes, including the \$150.0 million held by Mr. Kim's affiliate, for an aggregate 64.0 million shares of our common stock and a cash payment of \$11.6 million. The cash payment was equivalent to the remaining coupons for the tendered notes and was recorded as a charge in our Consolidated Statements of Income for the three and six months ended June 30, 2013.

(3) In June 2012, Amkor Technology Korea, Inc., a Korean subsidiary ("ATK") entered into a \$41.0 million revolving credit facility with a Korean Bank with a term of 12 months. Principal is payable upon maturity and interest is paid monthly. The loan is collateralized with substantially all the land, factories and equipment at our ATK facilities. In June 2013, the facility was amended by extending the term by three years to June 2016. The facility now bears interest at the foreign currency funding-linked base rate plus 2.00% (3.97% as of June 30, 2013). As of June 30, 2013, \$41.0 million was available to be borrowed for general working capital purposes.

(4) In April 2013, ATK entered into a loan agreement with a Korean bank pursuant to which ATK may borrow up to \$150.0 million for a term of three years. The loan is collateralized by substantially all the land, factories and equipment located at our ATK facilities. Principal is payable at maturity. Interest is due quarterly beginning three months after the first draw down date. Interest is payable at a rate of LIBOR plus 3.80% (4.07% as of June 30, 2013). As of June 30, 2013, \$140.0 million was available to be borrowed for general working capital purposes and the repayment of inter-company debt.

(5) In March 2013, ATK entered into a loan agreement with a Korean bank pursuant to which ATK may borrow up to \$150.0 million for a term of four and a half years. The loan is collateralized by substantially all the land, factories and equipment located at our ATK facilities. Principal is payable in quarterly installments of \$5.0 million each starting in December 2014, with the remaining balance due at maturity. Interest is paid quarterly, at a foreign currency funding-linked base rate plus 1.75% (3.85% as of June 30, 2013). As of June 30, 2013, \$140.0 million was available to be borrowed for capital expenditures.

(6) In November 2012, ATK entered into a loan agreement with a Korean Bank pursuant to which ATK may borrow up to \$100.0 million by November 2013 for a term of seven years. The loan is collateralized by substantially all the land, factories and equipment located at our ATK facilities. Principal is payable upon maturity. Interest is payable quarterly in arrears, at LIBOR plus 3.70% (3.98% as of June 30, 2013). As of June 30, 2013, \$52.0 million was available to be borrowed for capital expenditures.

(7) In September 2012, Amkor Technology Taiwan Ltd, a subsidiary in Taiwan, entered into a revolving credit facility. The credit facility bears interest at the Taipei Foreign Exchange ("TAIFX") six month U.S. dollar rate plus a bank-determined spread. Availability under the revolving credit facility was originally \$44.0 million and subsequent availability steps down \$5.0 million every six months from the original available balance. Principal is payable at maturity. As of June 30, 2013, \$34.0 million was available to be drawn for general corporate purposes and capital expenditures.

The debt of Amkor Technology, Inc. is structurally subordinated in right of payment to all existing and future debt and other liabilities of our subsidiaries. Our collateralized bank debt agreements and the indentures governing our senior and senior subordinated notes contain a number of affirmative and negative covenants which could restrict our operations. We were in compliance with all of our covenants as of June 30, 2013.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

13. Pension and Severance Plans

Foreign Defined Benefit Pension Plans

Our subsidiaries in Japan, the Philippines and Taiwan sponsor defined benefit pension plans that cover substantially all of their respective employees who are not covered by statutory plans. Charges to expense are based upon actuarial analyses. The components of net periodic pension cost for these defined benefit plans are as follows:

	For the Three Months Ended		For the Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
	(In thousands)			
Components of net periodic pension cost and total pension expense:				
Service cost	\$ 1,399	\$ 1,528	\$ 2,873	\$ 3,229
Interest cost	746	802	1,521	1,622
Expected return on plan assets	(883	) (787	) (1,794	) (1,570
Amortization of transition obligation	2	2	4	4
Amortization of prior service cost	49	54	98	125
Recognized actuarial loss	33	52	66	103
Net periodic pension cost	1,346	1,651	2,768	3,513
Curtailement loss	—	—	—	1,089
Settlement gain	—	—	—	(100
Total pension expense	\$ 1,346	\$ 1,651	\$ 2,768	\$ 4,502

During the six months ended June 30, 2012, we recognized net curtailment and settlement losses of \$1.0 million, resulting from the remeasurement of our defined benefit plan in Japan due to reductions in workforce (Note 18).

For the three and six months ended June 30, 2013, we contributed \$0.1 million and \$0.2 million to the defined benefit pension plans, respectively. We expect to contribute approximately \$2.1 million to the pension plans during the remainder of 2013. For the three and six months ended June 30, 2012, we contributed \$0.1 million and \$0.2 million to the defined benefit pension plans, respectively.

Korean Severance Plan

Our subsidiary in Korea participates in an accrued severance plan that covers employees with at least one year of service. To the extent eligible employees are terminated, our subsidiary in Korea would be required to make lump-sum severance payments on behalf of these eligible employees based on their length of service, seniority and rate of pay at the time of termination. Accrued severance benefits are estimated assuming all eligible employees were to terminate their employment at the balance sheet date. Our contributions to the National Pension Plan of the Republic of Korea are deducted from accrued severance benefit liabilities.

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The provision recorded for severance benefits for the three and six months ended June 30, 2013, was \$7.3 million and \$12.8 million, respectively. The provision recorded for severance benefits for the three and six months ended June 30, 2012, was \$7.2 million and \$7.6 million, respectively. The balance of our Korean severance obligation consists of the following:

	June 30, 2013	December 31, 2012
	(In thousands)	
Current (Accrued expenses)	\$9,468	\$9,516
Non-current (Pension and severance obligations)	115,141	116,997
Total Korean severance obligation	\$124,609	\$126,513

14. Treasury Stock

Stock Repurchase Program

Our Board of Directors previously authorized the repurchase of up to \$300.0 million of our common stock, exclusive of any fees, commissions or other expenses. The purchase of stock under the program may be made in the open market or through privately negotiated transactions. Since inception of the program, we have purchased a total of 45.0 million shares at an aggregate purchase price of \$208.4 million, net of \$0.9 million of commissions. The timing, manner, price and amount of any repurchases will be determined by us at our discretion and will depend upon a variety of factors including economic and market conditions, the cash needs and investment opportunities for the business, price, applicable legal requirements and other factors. Our stock repurchase program has been and is expected to be funded with available cash and may be suspended or discontinued at any time.

During the three and six months ended June 30, 2013, we made no purchases under the stock repurchase program. During the three and six months ended June 30, 2012, we purchased 7.1 million and 8.1 million shares of common stock for an aggregate purchase price of \$33.2 million and \$37.7 million, respectively, net of \$0.1 million and \$0.2 million of commissions, respectively, for an average price of \$4.66 and \$4.65, respectively. At June 30, 2013, there were no unsettled shares, and there was approximately \$91.6 million available to repurchase common stock pursuant to the stock repurchase program.

15. Fair Value Measurements

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

Our assets and liabilities recorded at fair value on a recurring basis include cash equivalent money market funds, restricted cash money market funds and foreign currency forward contracts. Cash equivalent money market funds and

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

Our forward contracts are not traded on an exchange and are therefore valued using conventional calculations or models that are primarily based on observable inputs such as foreign currency exchange rates. During the six months ended June 30, 2013, we entered into foreign currency forward contracts to serve as an economic hedge for the payments related to the agreement to purchase land in Korea (see Note 8). The forward contracts are not designated as hedges for accounting

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purposes and changes in the fair value of these forward contracts are recorded immediately in earnings in foreign currency loss, net in our Consolidated Statements of Income. As of June 30, 2013, the total notional value was \$88.7 million. The fair value of the forward contracts at June 30, 2013, results in a liability of \$3.8 million and is recorded in accrued expenses in our Consolidated Balance Sheets.

We also measure certain assets and liabilities, including property, plant and equipment, intangible assets and an equity investment, at fair value on a nonrecurring basis. For the three and six months ended June 30, 2013 and 2012, such measurements included the consideration of third party valuation reports based on a combination of market and cost approach valuation techniques. The valuation reports contained various inputs including semiconductor industry data, replacement costs, price lists and general information regarding the assets being evaluated. Nonrecurring fair value measurements related to property, plant and equipment impairments reflect the fair value of the assets at the dates the impairments were taken during the period. Our fair value measurements consist of the following:

	June 30, 2013	December 31, 2012		
	(In thousands)			
Recurring fair value measurements:				
Assets:				
Cash equivalent money market funds (Level 1)	\$372,417	\$151,066		
Restricted cash money market funds (Level 1)	2,681	2,680		
Liabilities:				
Foreign currency forward contracts (Level 2)	3,843	—		
Nonrecurring fair value measurements:				
Long-lived assets held for use or disposal (Level 3)	\$199	\$868		
	For the Three Months Ended June 30, 2013	For the Six Months Ended June 30, 2013	For the Three Months Ended June 30, 2012	For the Six Months Ended June 30, 2012
	(In thousands)			
Nonrecurring fair value measurements:				
Losses on long-lived assets held for use or disposal (Level 3)	\$388	\$101	\$868	\$336

For the three and six months ended June 30, 2013 and 2012, impairment losses on property, plant and equipment were recorded in cost of sales with the exception of \$0.3 million recorded in research and development expenses for the three and six months ended June 30, 2013.

We measure the fair value of our debt on a quarterly basis for disclosure purposes. The following table presents the fair value of financial instruments that are not recorded at fair value on a recurring basis:

	June 30, 2013		December 31, 2012	
	Fair Value	Carrying Value	Fair Value	Carrying Value
	(In thousands)			
Senior notes (Level 1)	\$1,272,962	\$1,270,000	\$1,061,945	\$1,045,000
Convertible senior subordinated notes (Level 1)	82,423	56,350	371,975	250,000

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Subsidiary revolvers and term loans (Level 2)	302,349	318,000	269,200	250,000
Total debt	\$1,657,734	\$1,644,350	\$1,703,120	\$1,545,000

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The estimated fair value of the debt is based primarily on quoted market prices reported on or near the respective balance sheet dates for our senior and senior subordinated notes. The estimated fair value for the debt of our subsidiaries was calculated using a discounted cash flow analysis, which utilized market based assumptions including bond and credit default swap indices and was adjusted for credit risk.

16. Commitments and Contingencies

We have a letter of credit sub-facility of \$25.0 million under our \$150.0 million senior secured revolving credit facility that matures in June 2017. As of June 30, 2013, we had \$0.3 million of standby letters of credit outstanding and had an additional \$24.7 million available for letters of credit. Such standby letters of credit are used in the ordinary course of our business and are collateralized by our cash balances.

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

Legal Proceedings

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

In accordance with the accounting guidance for loss contingencies, including legal proceedings, lawsuits, pending claims and other legal matters, we accrue for a loss contingency when we conclude that the likelihood of a loss is probable and the amount of the loss can be reasonably estimated. When the reasonable estimate of the loss is within a range of amounts, and no amount in the range constitutes a better estimate than any other amount, we accrue for the amount at the low end of the range. We adjust our accruals from time to time as we receive additional information, but the loss we incur may be significantly greater than or less than the amount we have accrued. We disclose loss contingencies if there is at least a reasonable possibility that a loss has been incurred. Attorney fees related to legal matters are expensed as incurred.

Arbitration Proceedings with Tessera, Inc.

On March 2, 2006, Tessera, Inc. ("Tessera") filed a request for arbitration with the International Court of Arbitration of the International Chamber of Commerce (the "ICC"), captioned Tessera, Inc. v. Amkor Technology, Inc. (the "First Tessera Arbitration"). The subject matter of the arbitration was a license agreement ("License Agreement") entered into between Tessera and our predecessor in 1996. In its rulings in 2008 and 2009, the arbitration panel in the First Tessera Arbitration found that most of the packages accused by Tessera were not subject to the patent royalty provisions of the License Agreement, awarded Tessera \$60.6 million as damages for some infringing packages for the period March 2, 2002, through December 1, 2008, and denied Tessera's request to terminate the License Agreement. The final award,

plus interest and the royalties through December 2008 amounting to \$64.7 million, was expensed in 2008 and paid when due in February 2009.

Following Tessera's favorable decision in the U.S International Trade Commission (the "ITC") in May 2009 against some of our customers, Tessera began making repeated statements to customers and others claiming that we were in breach of the royalty provisions of the License Agreement. We informed Tessera that we believed we were in full compliance with the License Agreement and of our intent to continue making the royalty payments when due in accordance with the terms of the License Agreement.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

On August 7, 2009, we filed a request for arbitration in the ICC against Tessera, captioned Amkor Technology, Inc. v. Tessera, Inc. (the "Second Tessera Arbitration"). We instituted the action in order to obtain declaratory relief confirming that we were a licensee in good standing under our 1996 License Agreement with Tessera and that the License Agreement remained in effect.

On November 2, 2009, Tessera filed an answer to our request for arbitration and counterclaims in the ICC. In the answer and counterclaims, Tessera denied Amkor's claims, alleged breach of contract, sought termination of the License Agreement and asserted that Amkor owed Tessera additional royalties under the License Agreement, including royalties for use of thirteen U.S. and six foreign patents that Tessera did not assert in the First Tessera Arbitration. Tessera later dropped its claims on five of those patents. On February 17, 2011, Tessera sent Amkor a notice of termination of the License Agreement.

In May 2011, Tessera filed a new request for arbitration against Amkor with the ICC captioned Tessera, Inc. v. Amkor Technology, Inc. (the "Third Tessera Arbitration") seeking undisclosed damages and a declaration that the License Agreement had been terminated.

In July 2011, the panel issued its decision in the first phase of the Second Tessera Arbitration. The panel found that we did not owe any of the approximately \$18 million of additional royalties claimed by Tessera for packages assembled by us for customers who had been involved in proceedings with Tessera before the ITC. Our request for a declaration confirming that we were in compliance with the License Agreement and that our royalty calculations from the First Tessera Arbitration were correct was denied. The panel found that we had materially breached the License Agreement by not paying the full amount of royalties due and by failing to satisfy the audit provisions of the License Agreement. The final amount of royalties and interest owed relating to the first phase of the Second Tessera Arbitration was approximately \$0.5 million, which has been fully paid.

In July 2012, the panel issued an interim order in the second phase of the Second Tessera Arbitration finding that royalties are due to Tessera on three of the ten asserted U.S. patents remaining at issue but not on the other seven, royalties are due on four foreign patents related to U.S. patents that the panel found to be royalty bearing in the First Tessera Arbitration and that the License Agreement was terminated by Tessera as of February 17, 2011. We do not believe the termination of the License Agreement will interfere in any significant way with our ability to use our technology, conduct our business or service our customers. The panel also raised the question of whether Tessera intends to pursue its allegations regarding other patents which have not yet been addressed by the panel, and in July 2012, Tessera informed the panel that it intends to proceed on its claims related to three additional U.S. patents.

In February 2013, the panel issued another interim order in the second phase of the Second Tessera Arbitration. In the latest ruling, the panel determined that flip chip only packages and pin grid array only packages are not royalty bearing but that certain other packages, principally certain wirebond and combination flip chip wirebond packages are royalty bearing. The panel reserved for later decision the issues of the amount of royalties and pre-judgment interest due, and the allocation of costs. In February 2013, Tessera publicly announced its intention to seek an amount in excess of \$150 million in the arbitration.

As a result of the interim orders issued by the panel, we recorded a charge in 2012 of \$56.0 million based on our estimates of the damages and interest due to date in respect of the Second Tessera Arbitration. We believe that \$56.0 million of damages and interest is a reasonable estimate of the low end of the possible range of loss up to the amount

claimed by Tessera. Because we believe that no amount in the range constitutes a better estimate than any other amount, we recorded the \$56.0 million estimate. Of the total charge, \$50.0 million was recorded as cost of goods sold and \$6.0 million was recorded as interest expense. The ultimate amount of damages and interest is subject to determination by the panel based on a number of complex factors, including the panel's determination of which package families the patents apply to, whether those packages meet criteria previously laid out by the panel, overlaps among the packages, the final date through which royalties are applicable and other factors. The final award could be more than the amount recognized, and we expect to record our estimate of interest accruing with the passage of time and may record additional charges as information develops or upon the issuance of the final award.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

In August 2012, we paid \$19.9 million to Tessera representing the undisputed amount and related interest that we owe in connection with the Second Tessera Arbitration.

In July 2012, Tessera filed a complaint in the U.S. District Court for the District of Delaware. The complaint seeks injunctive relief and damages with respect to Amkor's alleged infringement of one of the U.S. patents that the panel found to be royalty bearing in the Second Tessera Arbitration. We strongly dispute Tessera's claims and intend to vigorously defend against them. However, the outcome of this matter is uncertain, and an adverse decision could have a material adverse effect on our results of operations, financial condition and cash flows.

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

On November 17, 2003, we filed a complaint against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc. (collectively "Carsem") with the ITC in Washington, D.C., alleging infringement of our United States Patent Nos. 6,433,277; 6,455,356 and 6,630,728 (collectively the "Amkor Patents") and seeking, under Section 337 of the Tariff Act of 1930, an exclusion order barring the importation by Carsem of infringing products. We allege that by making, using, selling, offering for sale or importing into the U.S. the Carsem Dual and Quad Flat No-Lead Packages, Carsem has infringed on one or more of our MicroLeadFrame packaging technology claims in the Amkor Patents.

On November 18, 2003, we also filed a complaint in the U.S. District Court for the Northern District of California, alleging infringement of the Amkor Patents and seeking an injunction enjoining Carsem from further infringing the Amkor Patents, compensatory damages and treble damages due to willful infringement plus interest, costs and attorney's fees. This District Court action has been stayed pending resolution of the ITC case.

The ITC Administrative Law Judge ("ALJ") conducted an evidentiary hearing during July and August of 2004 in Washington D.C. and, on November 18, 2004, issued an Initial Determination that Carsem infringed some of our patent claims relating to our MicroLeadFrame package technology, that some of our 21 asserted patent claims are valid, that we have a domestic industry in our patents and that all of our asserted patent claims are enforceable. However, the ALJ did not find a statutory violation of Section 337 of the Tariff Act.

We filed a petition in November 2004 to have the ALJ's ruling reviewed by the full ITC. On March 31, 2005, the ITC ordered a new claims construction related to various disputed claim terms and remanded the case to the ALJ for further proceedings. On November 9, 2005, the ALJ issued an Initial Determination on remand finding that Carsem infringed some of our patent claims and that Carsem had violated Section 337 of the Tariff Act.

On remand, the ITC had also authorized the ALJ to reopen the record on certain discovery issues related to a subpoena of documents from a third party. An order by the U.S. District Court for the District of Columbia enforcing the subpoena became final on January 9, 2009, and the third party produced documents pursuant to the subpoena.

On July 1, 2009, the ITC remanded the investigation for a second time to the ALJ to reopen the record to admit into evidence documents and related discovery obtained from the enforcement of the above-referenced third-party subpoena.

Following a two-day hearing, on October 30, 2009, the ALJ issued an Initial Determination reaffirming his prior ruling that the Carsem Dual and Quad Flat No-Lead Packages infringe some of Amkor's patent claims relating to

MicroLeadFrame package technology, that all of Amkor's asserted patent claims are valid and that Carsem violated Section 337 of the Tariff Act.

On December 16, 2009, the ITC ordered a review of the ALJ's Initial Determination. On February 18, 2010, the Commission reversed a finding by the ALJ on the issue of whether a certain invention constitutes prior art to Amkor's asserted patents. The ITC remanded the investigation to the ALJ to make further findings in light of the ITC's ruling. On March 22, 2010, the ALJ issued a Supplemental Initial Determination. Although the ALJ's ruling did not disturb the prior finding that certain Carsem Dual and Quad Flat No-Lead Packages infringe some patent claims of Amkor's U.S. Patent No. 6,433,277 (the "277 Patent"), the ALJ found that these infringed claims are invalid and, as a result, the ALJ did not find a statutory violation of the Tariff Act. On July 20, 2010, the ITC issued a Notice of Commission Final Determination, in which the ITC determined

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

that there is no violation of Section 337 of the Tariff Act and terminated the investigation. We appealed the ITC's ruling of invalidity for the claims of the 277 Patent to the U.S. Court of Appeals for the Federal Circuit (the "Federal Circuit"), and oral arguments were heard in November 2011.

On August 22, 2012, the Federal Circuit issued a favorable ruling in Amkor's appeal in its patent infringement case against Carsem before the ITC. In its ruling, the Federal Circuit reversed the ITC's determination of invalidity on the 277 Patent, and remanded the matter to the ITC for further proceedings consistent with its opinion. On October 5, 2012, Carsem filed a Petition for Rehearing requesting the Federal Circuit to vacate its decision and affirm the ITC's determination of no violation of Section 337 of the Tariff Act. The Federal Circuit denied Carsem's petition on December 7, 2012, and remanded the matter to the ITC for further action consistent with its August 22, 2012 ruling.

In September 2012, Carsem, Inc. filed requests for Inter Partes Reexamination of the 277 Patent with the United States Patent and Trademark Office ("Patent Office"). In December 2012, the Patent Office granted the requests for Reexamination. On January 10, 2012, the Patent Office issued an Office Action rejecting all of the 277 Patent claims over certain prior art references. Amkor believes that all of the 277 Patent claims are valid and filed a response to the Office Action in March 2013.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

17. Business Segments

We have two reportable segments, packaging and test. Packaging and test are integral steps in the process of manufacturing semiconductor devices, and our customers may engage with us for both packaging and test services, or for packaging or test services individually. We have concluded that our packaging and test services constitute a group of similar services within each reportable segment.

The accounting policies for segment reporting are the same as those for our Consolidated Financial Statements as a whole. We evaluate our operating segments based on gross profit and gross property, plant and equipment. We do not specifically identify and allocate total assets by operating segment. Summarized financial information concerning reportable segments is shown in the following table. The “other” column includes corporate adjustments, gross property, plant and equipment of our corporate and sales offices and capital additions that do not directly support manufacturing operations, such as research and development and infrastructure projects.

	Packaging (In thousands)	Test	Other	Total
Three months ended June 30, 2013				
Net sales	\$646,793	\$99,266	\$—	\$746,059
Depreciation expense	62,711	28,094	—	90,805
Gross profit	107,207	31,172	—	138,379
Capital additions	106,243	39,681	12,930	158,854
Three months ended June 30, 2012				
Net sales	\$610,667	\$75,860	\$—	\$686,527
Depreciation expense	58,881	23,010	—	81,891
Gross profit	67,998	21,322	—	89,320
Capital additions	67,303	35,147	46,965	149,415
Six months ended June 30, 2013				
Net sales	\$1,240,168	\$193,420	\$—	\$1,433,588
Depreciation expense	124,364	55,609	—	179,973
Gross profit	190,708	62,624	—	253,332
Capital additions	169,906	79,847	33,371	283,124
Six months ended June 30, 2012				
Net sales	\$1,192,178	\$149,359	\$—	\$1,341,537
Depreciation expense	116,801	45,187	—	161,988
Gross profit	155,301	39,000	—	194,301
Capital additions	120,854	84,229	68,267	273,350
Gross property, plant and equipment				
June 30, 2013	\$3,499,459	\$1,136,553	\$116,515	\$4,752,527
December 31, 2012	3,372,071	1,076,513	150,469	4,599,053

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)

(Unaudited)

18. Exit Activities and Reductions in Force

As part of our ongoing efforts to improve our manufacturing operations and manage costs, we regularly evaluate our staffing levels and facility requirements compared to business needs. The following table summarizes our exit activities and reduction in force initiatives associated with these efforts. “Charges” represents the initial charge related to the exit activity. “Cash Payments” consists of the utilization of “Charges.” “Non-cash Amounts” consists of asset impairments, pension plan curtailments and settlements and foreign currency adjustments.

	Employee Separation Costs (In thousands)
Accrual at December 31, 2012	\$1,607
Charges	5,988
Cash Payments	(7,609)
Non-cash Amounts	14
Accrual at June 30, 2013	\$—
	Employee Separation Costs (In thousands)
Accrual at December 31, 2011	\$—
Charges	7,160
Cash Payments	(6,112)
Non-cash Amounts	(951)
Accrual at June 30, 2012	\$97

Reductions in Force

During the three and six months ended June 30, 2013, we reduced our workforce through voluntary retirement and other workforce reduction programs. During the three months ended June 30, 2013, we recorded \$2.0 million in charges for termination benefits, of which \$1.7 million and \$0.3 million were charged to cost of sales and selling, general and administrative expenses, respectively. During the six months ended June 30, 2013, we recorded \$6.0 million in charges for termination benefits, of which \$5.2 million, \$0.5 million and \$0.3 million were charged to cost of sales; selling, general and administrative expenses and research and development expenses, respectively. All amounts were paid as of June 30, 2013.

During the six months ended June 30, 2012, we reduced our workforce at one of our manufacturing operations. We recorded \$7.2 million in charges for termination benefits including \$1.0 million in net curtailment and settlement charges, of which \$5.5 million, \$1.6 million and \$0.1 million were charged to cost of sales; selling, general and administrative expenses and research and development expenses, respectively. All amounts were paid as of December 31, 2012.

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AMKOR TECHNOLOGY, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS — (Continued)
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19. Subsequent Event

On July 31, 2013, we completed the purchase of 100% of the shares of Toshiba Electronics Malaysia Sdn. Bhd. (“TEM”), Toshiba’s power discrete semiconductor packaging and test operation in Malaysia. The total price for the shares was approximately \$60 million, based on the estimated net asset value of TEM at closing. The price for the shares is subject to adjustment to the extent the actual net asset value of TEM at closing was more or less than the estimate. We paid \$43 million at closing and are obligated to pay the remaining \$17 million by March 31, 2014. In connection with the purchase of TEM, we were also granted a non-exclusive, royalty bearing license by Toshiba to certain intellectual property rights for providing packaging and test services for power discrete and certain other semiconductor products, subject to a royalty cap of ¥1.5 billion (approximately \$15 million).

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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 individual transistors, or multiple transistors and other electronic elements combined into an integrated circuit (generally known as a "chip" or "die"), onto semiconductor material such as a silicon wafer. Each chip on the wafer is probe tested. The good chips are identified and the wafer is then separated into individual die. Each good die is then assembled into a package that typically encapsulates the die for protection and creates the electrical connections used to connect the package to a printed circuit board, module or other part of the electronic device. In some packages, chips are attached to a substrate or leadframe carrier through wirebonding or flip chip interconnects and then encased in a protective material. Or, for a wafer-level package, the electrical interconnections are created directly on the surface of the die (while the wafer is still intact) so that the chip may be attached directly to other parts of an electronic device 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. The test services we offer include probe testing and final testing.

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

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, consumer spending and semiconductor industry cycles. 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.

Our net sales, gross profit, operating income, cash flows, liquidity and capital resources have historically fluctuated significantly from quarter to quarter as a result of many factors, including the seasonality of our business, the cyclical nature of the semiconductor industry and other factors discussed in Part II, Item 1A of this Quarterly Report.

Our net sales increased \$59.5 million or 8.7% to \$746.1 million for the three months ended June 30, 2013, from \$686.5 million for the three months ended June 30, 2012. The increase was driven by a \$36.1 million or 5.9% increase in packaging net sales as well as a \$23.4 million or 30.9% increase in test net sales. The increases in packaging and test net sales were driven by strong demand for flip chip and wafer-level processing and test services supporting mobile communications products and our continued investments in support of this end market. This increase was partially offset by a decrease in net sales of packaging services related to products for the consumer and computing end markets.

Gross margin for the three months ended June 30, 2013, increased to 18.5% from 13.0% for the three months ended June 30, 2012. The increase was mainly attributable to the \$30.0 million charge related to our pending patent license arbitration that was recorded during the three months ended June 30, 2012. The increase was also driven by higher net sales of wafer-level processing and test services supporting mobile communications products, partially offset by weakness in demand for products for the consumer and computing end markets.

We operate in a capital intensive industry and have a significant level of debt. 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. We fund our operations, including capital expenditures and debt service requirements, with cash flows from operations, existing cash and cash equivalents, borrowings under available credit facilities and proceeds from any additional financing. Maintaining an appropriate level of liquidity is important to our business and depends on, among other things, the performance of our business, our capital expenditure levels and our ability to repay debt out of our operating cash flows or proceeds from debt or equity financings.

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Driven by continued customer demand for services supporting mobile communications products, our capital additions totaled \$283.1 million or 19.7% of net sales for the six months ended June 30, 2013, compared to \$273.4 million or 20.4% of net sales for the six months ended June 30, 2012. During the six months ended June 30, 2013, 60.0% of our capital additions were made in packaging, 28.2% in test and 11.8% in research and development and infrastructure projects. During the six months ended June 30, 2012, 44.2% of our capital additions were made in packaging, 30.8% in test and 25.0% in research and development and infrastructure projects.

Net cash provided by operating activities was \$200.9 million for the six months ended June 30, 2013, compared to \$142.5 million for the six months ended June 30, 2012. For the six months ended June 30, 2013, we experienced negative free cash flow of \$21.8 million, primarily due to our capital purchases to support anticipated customer demand for packaging and test services related to mobile communications. We define free cash flow as net cash provided by operating activities less purchases 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.

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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:

	For the Three Months Ended		For the Six Months Ended		
	June 30,		June 30,		
	2013	2012	2013	2012	
Net sales	100.0	% 100.0	% 100.0	% 100.0	%
Materials	41.7	% 43.2	% 42.1	% 44.0	%
Labor	14.0	% 14.4	% 14.4	% 14.2	%
Other manufacturing costs	25.8	% 29.4	% 25.8	% 27.3	%
Gross margin	18.5	% 13.0	% 17.7	% 14.5	%
Depreciation and amortization	13.2	% 13.2	% 13.7	% 13.4	%
Operating income	7.8	% 3.2	% 6.9	% 4.2	%
Income (loss) before income taxes	2.7	% (0.4)	)% 2.6	% 0.9	%
Net income attributable to Amkor	4.0	% 0.1	% 3.0	% 0.9	%

Net Sales

	For the Three Months Ended				For the Six Months Ended					
	June 30,				June 30,					
	2013	2012	Change		2013	2012	Change			
	(In thousands, except percentages)									
Net sales	\$746,059	\$686,527	\$59,532	8.7	%	\$1,433,588	\$1,341,537	\$92,051	6.9	%
Packaging net sales	646,793	610,667	36,126	5.9	%	1,240,168	1,192,178	47,990	4.0	%
Test net sales	99,266	75,860	23,406	30.9	%	193,420	149,359	44,061	29.5	%

Net Sales. Net sales in the three and six months ended June 30, 2013, increased compared to the three and six months ended June 30, 2012, as a result of higher net sales of our packaging and test services.

Packaging Net Sales. The increase in packaging net sales for the three and six months ended June 30, 2013 was primarily driven by strong demand for flip chip, wafer-level processing and certain wirebond services supporting mobile communications products, such as 28 nanometer chipsets and NAND memory. Our continued investments supporting mobile communications have provided opportunities for growth in this end market. These increases in net sales were partially offset by weakness in demand for products in the consumer end market, including gaming and home electronics, and by a decrease in the computing end market as net sales in the prior year benefitted from incremental demand from customers whose supply chains were disrupted by the flooding in Thailand.

Packaging unit volume increased to 2.7 billion units during the three months ended June 30, 2013, compared to 2.1 billion units during the three months ended June 30, 2012. Packaging unit volume increased to 5.0 billion units during the six months ended June 30, 2013, compared to 4.0 billion units during the six months ended June 30, 2012. The increase for the three and six months ended June 30, 2013, was primarily due to an increase in wafer-level processing services for mobile communications.

Test Net Sales. The increase in test net sales in the three and six months ended June 30, 2013 was primarily attributable to higher demand for test services for mobile communications products and our continued investments in support of this end market as many of our mobile communications customers require turnkey packaging and test solutions.

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Cost of Sales

	For the Three Months Ended				For the Six Months Ended			
	June 30,		Change		June 30,		Change	
	2013	2012			2013	2012		
	(In thousands, except percentages)							
Cost of sales	\$607,680	\$597,207	\$10,473	1.8 %	\$1,180,256	\$1,147,236	\$33,020	2.9 %

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 decreased to 41.7% and 42.1% for the three and six months ended June 30, 2013, from 43.2% and 44.0% for the three and six months ended June 30, 2012. The decrease as a percentage of sales was primarily due to increased net sales related to wafer-level processing and test services, which have lower material costs as a percentage of net sales. Material costs in absolute dollars for the three and six months ended June 30, 2013, increased compared to the three and six months ended June 30, 2012, as a result of the increased net sales of packaging services.

Labor costs as a percentage of net sales of 14.0% and 14.4% for the three and six months ended June 30, 2013, remained consistent with labor costs as a percentage of net sales of 14.4% and 14.2% for the three and six months ended June 30, 2012. Labor costs in absolute dollars increased primarily due to increased compensation expense and headcount at certain foreign manufacturing locations along with unfavorable foreign currency exchange rate movements as substantially all of our manufacturing operations' workforce is paid in local currencies.

Other manufacturing costs as a percentage of net sales decreased to 25.8% for the three and six months ended June 30, 2013, from 29.4% and 27.3% for the three and six months ended June 30, 2012. The decrease in other manufacturing costs as a percentage of sales, and in absolute dollars, was attributable to the \$30.0 million charge relating to our pending patent license arbitration that was recorded during the three months ended June 30, 2012. This decrease was partially offset by increased depreciation expense due to our continued investments in property, plant and equipment to service the demand of our customers.

Gross Profit

	For the Three Months Ended				For the Six Months Ended			
	June 30,		Change		June 30,		Change	
	2013	2012			2013	2012		
	(In thousands, except percentages)							
Gross profit	\$138,379	\$89,320	\$49,059		\$253,332	\$194,301	\$59,031	
Gross margin	18.5 %	13.0 %	5.5 %		17.7 %	14.5 %	3.2 %	

Gross profit and gross margin for the three and six months ended June 30, 2013, increased compared to the three and six months ended June 30, 2012. The increase in gross profit and gross margin was primarily the result of the \$30.0 million charge relating to our pending patent license arbitration that was recorded during the three months ended June 30, 2012. The increase was also the result of higher net sales of wafer-level processing and test services supporting mobile communications, partially offset by weakness in demand for products in the consumer and computing end markets.

	For the Three Months Ended			For the Six Months Ended		
	June 30,		Change	June 30,		Change
	2013	2012		2013	2012	

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	(In thousands, except percentages)						
Packaging gross profit	\$107,207	\$67,998	\$39,209	\$190,708	\$155,301	\$35,407	
Packaging gross margin	16.6	% 11.1	% 5.5	% 15.4	% 13.0	% 2.4	%

Packaging Gross Profit. Gross profit and gross margin for packaging net sales for the three and six months ended June 30, 2013, increased compared to the three and six months ended June 30, 2012. The increase in gross profit and gross margin

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was primarily attributable to the pending patent license arbitration charge discussed above, which relates entirely to the packaging segment. The increase in gross profit and gross margin was also the result of higher net sales of wafer-level processing services supporting mobile communications. These increases were partially offset by weakness in demand for products in the consumer end market as well as lower demand for products in the computing end market as net sales in the prior year benefitted from incremental demand from customers whose supply chains were disrupted by the flooding in Thailand.

	For the Three Months Ended			For the Six Months Ended			
	June 30, 2013	2012	Change	June 30, 2013	2012	Change	
	(In thousands, except percentages)						
Test gross profit	\$31,172	\$21,322	\$9,850	\$62,624	\$39,000	\$23,624	
Test gross margin	31.4	% 28.1	% 3.3	% 32.4	% 26.1	% 6.3	%

Test Gross Profit. Gross profit and gross margin for test net sales for the three and six months ended June 30, 2013, increased compared to the three and six months ended June 30, 2012. The increase in gross profit and margin was driven by higher test net sales in support of mobile communications. Costs of sales for test services are primarily fixed in nature and have relatively low material content. Accordingly, increases in net sales or utilization generally result in increased gross profit and gross margin due to the high degree of operating leverage for these services.

Selling, General and Administrative Expenses

	For the Three Months Ended			For the Six Months Ended					
	June 30, 2013	2012	Change	June 30, 2013	2012	Change			
	(In thousands, except percentages)								
Selling, general and administrative	\$65,618	\$53,489	\$12,129	22.7	% \$125,177	\$110,744	\$14,433	13.0	%

Selling, general and administrative expenses for the three and six months ended June 30, 2013, increased compared to the three and six months ended June 30, 2012. The increase for the three and six months ended June 30, 2013, was attributable to higher professional fees associated with acquisitions, investments and pending litigation. The increase was also attributable to the additional costs associated with our CEO succession.

Research and Development

	For the Three Months Ended			For the Six Months Ended					
	June 30, 2013	2012	Change	June 30, 2013	2012	Change			
	(In thousands, except percentages)								
Research and development	\$14,308	\$13,867	\$441	3.2	% \$28,614	\$27,292	\$1,322	4.8	%

Research and development activities are focused on developing new packaging interconnect and test services and improving the efficiency and capabilities of our existing production processes. Areas of focus include 3D packaging, including embedded die, silicon interposers and Through Silicon Via technologies, fine pitch copper pillar packaging and wafer-level processing. The increase in research and development expenses for the three and six months ended June 30, 2013, compared to the three and six months ended June 30, 2012, was primarily attributable to increased depreciation as a result of our continued investments in research and development initiatives.

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Other Expense, Net

	For the Three Months Ended				For the Six Months Ended			
	June 30,		Change		June 30,		Change	
	2013	2012			2013	2012		
	(In thousands, except percentages)							
Interest expense, net	\$26,255	\$25,116	\$1,139	4.5 %	\$50,998	\$46,305	\$4,693	10.1 %
Foreign currency loss, net	2,041	1,277	764	(59.8)%	875	2,067	(1,192)	(57.7)%
Loss on debt retirement, net	11,619	—	11,619	100.0 %	11,619	—	11,619	100.0 %
Equity in earnings of unconsolidated affiliate	(1,445)	(892)	(553)	62.0 %	(1,500)	(2,880)	1,380	(47.9)%
Other income, net	(108)	(518)	410	(79.2)%	(337)	(1,152)	815	(70.7)%
Total other expense, net	\$38,362	\$24,983	\$13,379	53.6 %	\$61,655	\$44,340	\$17,315	39.1 %

Interest expense for the three and six months ended June 30, 2013, increased compared to the three and six months ended June 30, 2012, due to additional interest expense from higher levels of long-term debt. In June 2013, we completed a tender offer for our Convertible Senior Subordinated Notes due 2014 and exchanged \$193.7 million of these notes for shares of our common stock. As a result of this transaction, we recorded a charge of \$11.6 million related to the cash payment we made to holders of the notes.

During the three months ended June 30, 2013, we increased our ownership interest in J-Devices Corporation ("J-Devices") from 30% to 60%, and J-Devices completed its acquisition of three packaging and test factories from Renesas. J-Devices experienced lower customer demand during the three months ended June 30, 2013, as well as increased costs related to these acquisitions and ongoing integration efforts. These factors constrained J-Devices' profitability and lowered our equity in earnings during the six months ended June 30, 2013.

Income Tax Benefit

	For the Three Months Ended				For the Six Months Ended			
	June 30,		Change		June 30,		Change	
	2013	2012			2013	2012		
	(In thousands, except percentages)							
Income tax benefit	\$(10,238)	\$(3,891)	\$(6,347)	163.1 %	\$(6,209)	\$(529)	\$(5,680)	1,073.7 %

Generally, our effective tax rate is 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. Our income tax benefits for the three and six months ended June 30, 2013 and 2012, were attributable to income tax on profits earned in certain foreign jurisdictions and foreign withholding taxes fully offset by discrete income tax benefits. During the three and six months ended June 30, 2013, we recorded a discrete income tax benefit of \$8.6 million for the reversal of a deferred tax liability associated with the undistributed earnings from our investment in J-Devices and a discrete income tax benefit of \$6.6 million for the release of a valuation allowance on deferred tax assets at one of our foreign jurisdictions. During the three and six months ended June 30, 2012, we recorded discrete income tax benefits consisting primarily of a \$4.0 million reduction in unrecognized tax benefits associated with a favorable ruling related to revenue attribution.

During 2013, our subsidiaries in Korea, the Philippines and Taiwan have operated under tax holidays which will continue to expire in whole or in part at various dates through 2017. We expect our effective tax rate to increase as the tax holidays expire as income earned in these jurisdictions will be subject to higher statutory income tax rates.

At June 30, 2013, we had U.S. net operating loss carryforwards totaling \$336.9 million, which expire at various times through 2031. Additionally, at June 30, 2013, we had \$90.5 million of non-U.S. net operating loss carryforwards, which expire at various times through 2023. 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 or when sufficient net positive evidence exists to conclude that it is more likely than not that the deferred tax assets will be realized.

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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 facilities, 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, other uses of our cash including the final amount of payments due in our disputes with Tessera, any purchases of stock under our stock repurchase program, any investments in joint ventures or acquisitions 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 can be no assurance that we will 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 other factors discussed in Part II, Item 1A of this Quarterly Report.

Our primary source of cash and the source of funds for our operations are cash flows from operations, current cash and cash equivalents, borrowings under available debt facilities and proceeds from any additional debt or equity financings. As of June 30, 2013, we had cash and cash equivalents of \$636.0 million, \$1,651.0 million of debt and availability of \$149.7 million under our \$150.0 million first lien senior secured revolving credit facility. Additionally, our foreign subsidiaries had \$75.0 million available to be drawn under secured revolving credit facilities for general corporate purposes, general working capital purposes and capital expenditures and \$332.0 million available to be borrowed under secured term loan credit facilities for general working capital purposes, capital expenditures and the repayment of inter-company debt.

Included in our cash balance as of June 30, 2013, is \$260.8 million held offshore by our foreign subsidiaries. If we were to distribute this offshore cash to the U.S. as repatriated earnings of our foreign subsidiaries, we would incur foreign withholding taxes; however, we would not incur a significant amount of U.S. federal income taxes, due to the availability of tax loss carryovers and foreign tax credits.

We sponsor an accrued severance plan for our subsidiary in Korea, which under existing 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 plan. If we retain our existing severance plan, the deduction for severance expenses will be limited to severance payments made to retired employees, which results in a larger current income tax liability in Korea. If we decide to adopt a new plan, we would be required to fund a significant portion of the existing liability, which would provide a current tax deduction upon funding. Our Korean severance liability was \$124.6 million as of June 30, 2013.

We refer you to Note 16 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report for a discussion of the pending arbitration relating to Amkor's license agreement with Tessera. We expect to use cash on hand, proceeds from borrowings under our existing lines of credit or other sources to make any payments due in connection with our litigation with Tessera.

We operate in a capital intensive industry. Servicing our current and future customers may require that we incur significant operating expenses and make significant investments in equipment and facilities, which are generally made in advance of the related revenues and without any firm customer commitments. Additionally, in April 2013 we completed the exercise of our option to increase our ownership interest of J-Devices, and in July 2013, we acquired Toshiba Electronics Malaysia Sdn. Bhd. We refer you to "Investments" below for further discussion.

In January 2013, we sold office space and land located in Chandler, Arizona for \$22.8 million, net of selling costs of \$1.2 million.

In May 2013, we issued an additional \$225.0 million of 6.375% Senior Notes due October 2022 (the “Additional 2022 Notes”) under the same terms as the original \$300.0 million of 6.375% Senior Notes due October 2022. The Additional 2022 Notes were issued at a premium of 103% or \$6.8 million. The net proceeds from the issuance of the Additional 2022 Notes were designated for general corporate purposes.

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In June 2013, we completed a tender offer for the 6.0% Convertible Senior Subordinated Notes due April 2014 (the “2014 Notes”) and exchanged \$193.7 million of the 2014 Notes, including the \$150.0 million held by Mr. Kim's affiliate, for an aggregate 64.0 million shares of our common stock and a cash payment of \$11.6 million. The cash payment was equivalent to the remaining coupons for the tendered notes.

Our scheduled principal repayments on debt include \$61.4 million due in 2014, \$105.0 million due in 2015, \$10.0 million due in 2016, \$150.0 million due in 2017 and \$1,318.0 million due thereafter. We were in compliance with all of our debt covenants at June 30, 2013, and expect to remain in compliance with these covenants for at least the next twelve months.

In order to reduce leverage and future cash interest payments, we may from time to time repurchase 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 otherwise and is subject to the terms of our indentures and other debt agreements, market conditions and other factors.

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 calculations based upon cumulative net income. 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.

Our Board of Directors previously authorized the repurchase of up to \$300.0 million of our common stock, exclusive of any fees, commissions or other expenses. We did not purchase any stock under the plan for the three months ended June 30, 2013. Since inception of the program, we have purchased a total of 45.0 million shares at an aggregate purchase price of \$208.4 million, net of \$0.9 million of commissions. At June 30, 2013, approximately \$91.6 million was available to repurchase common stock pursuant to the stock repurchase program. The purchase of stock may be made in the open market or through privately negotiated transactions. The timing, manner, price and amount of any repurchases will be determined by us at our discretion and will depend upon a variety of factors including economic and market conditions, the cash needs and investment opportunities for the business, price, applicable legal requirements and other factors. Our stock repurchase program may be suspended or discontinued at any time.

Investments

We expect that our 2013 capital additions will be approximately \$450 million, in addition to \$140 million of spending for the acquisition of land and preparation for construction relating to our new factory and research and development center in Korea. We refer you below for further discussion. Our expected capital additions for 2013 primarily support customer demand for packaging and test services related to mobile communications. During the six months ended June 30, 2013, our capital additions were \$283.1 million. Of this total, approximately 60.0% of our capital additions were made in packaging, 28.2% in test and 11.8% in research and development and infrastructure projects. Ultimately, the amount of our 2013 capital additions will depend on several factors including, among others, the timing and implementation of any capital projects under review, the performance of our business, economic and market conditions, the cash needs and investment opportunities for the business, the need for additional capacity to service anticipated customer demand and the availability of cash flows from operations or financing.

In February 2013, we entered into an agreement for the purchase of land for a factory and research and development center in Korea. The land purchase price was 108.5 billion (approximately \$95 million), payable in installments over ten months. We made a nonrefundable deposit of 10.9 billion (approximately \$10 million) at signing and have two remaining payments of 43.4 billion (approximately \$38 million) and 54.2 billion (approximately \$47 million) due in August 2013 and November 2013, respectively. The agreement to purchase the land for the facility is subject to our

compliance with various construction, investment, hiring, regulatory and other requirements. There can be no assurance that the new facility project will proceed at all, or that the actual scope, costs, timeline or benefits of the project will be consistent with our current expectations.

In April 2013, we completed the exercise of our option to increase our ownership interest of J-Devices, a joint venture to provide semiconductor packaging and test services in Japan, from 30% to 60% for an aggregate purchase price of ¥6.7 billion (\$67.4 million). J-Devices is now owned 60% by Amkor, 34% by the former shareholders of NMD and 6% by Toshiba. We also have options to acquire additional equity interests in J-Devices. The options are exercisable at our

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discretion and permit us to increase our ownership interest in J-Devices up to 66% in 2014 and up to 80% in 2015. The exercise price for all options is payable in cash and is determined using a formula based upon the net book value and a multiple of earnings before interest, taxes, depreciation and amortization of J-Devices.

On July 31, 2013, we completed the purchase of 100% of the shares of Toshiba Electronics Malaysia Sdn. Bhd. (“TEM”), Toshiba’s power discrete semiconductor packaging and test operation in Malaysia. The total price for the shares was approximately \$60 million, based on the estimated net asset value of TEM at closing. The price for the shares is subject to adjustment to the extent the actual net asset value of TEM at closing was more or less than the estimate. We paid \$43 million at closing and are obligated to pay the remaining \$17 million by March 31, 2014. In connection with the purchase of TEM, we were also granted a non-exclusive, royalty bearing license by Toshiba to certain intellectual property rights for providing packaging and test services for power discrete and certain other semiconductor products, subject to a royalty cap of ¥1.5 billion (approximately \$15 million).

We are subject to risks associated with our capital additions, including those discussed in Part II, Item 1A of this Quarterly Report. The following table reconciles our activity related to property, plant and equipment additions as presented on the Consolidated Balance Sheets to purchases of property, plant and equipment as presented on the Condensed Consolidated Statements of Cash Flows:

	For the Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Property, plant and equipment additions	\$283,124	\$273,350
Net change in related accounts payable and deposits	(60,450)	(40,668)
Purchases of property, plant and equipment	\$222,674	\$232,682

Contractual Obligations

The following table summarizes our contractual obligations at June 30, 2013, 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	2013 - Remaining	2014	2015	2016	2017	Thereafter
	(In thousands)						
Total debt	\$1,644,350	\$—	\$61,350	\$105,000	\$10,000	\$150,000	\$1,318,000
Scheduled interest payment obligations (1)	707,347	51,039	100,388	95,025	93,836	90,477	276,582
Purchase obligations (2)	123,214	123,214	—	—	—	—	—
Operating lease obligations	26,667	5,750	9,161	6,254	1,327	1,217	2,958
Severance obligations (3)	124,609	9,353	8,649	8,003	7,396	6,848	84,360
Total contractual obligations	\$2,626,187	\$189,356	\$179,548	\$214,282	\$112,559	\$248,542	\$1,681,900

(1) Scheduled interest payment obligations were calculated using stated coupon rates for fixed rate debt and interest rates applicable at June 30, 2013, for variable rate debt.

(2) Represents capital-related purchase obligations outstanding at June 30, 2013.

(3) 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 Sheets at June 30, 2013, include:

\$22.0 million of net foreign pension plan obligations for which the timing and actual amount of funding required is uncertain. We expect to contribute approximately \$2.1 million to the defined benefit pension plans during the

remainder of 2013.

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\$0.8 million net liability associated with unrecognized tax benefits. Due to the 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.

Off-Balance Sheet Arrangements

As of June 30, 2013, 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 lease obligations described above in “Contractual Obligations.”

Contingencies, Indemnifications and Guarantees

We refer you to Note 16 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly 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 legal proceedings on our business, liquidity, results of operations, financial position and cash flows could change in the future.

Critical Accounting Policies

Our critical accounting policies are disclosed in our Annual Report on Form 10-K for the year ended December 31, 2012. During the three months ended June 30, 2013, there have been no significant changes in our critical accounting policies as reported in our 2012 Annual Report on Form 10-K.

New Accounting Pronouncements

For information regarding recent accounting pronouncements, we refer you to Note 2 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report.

Cash Flows

Cash provided by operating activities was \$200.9 million for the six months ended June 30, 2013, compared to cash provided by operating activities of \$142.5 million for the six months ended June 30, 2012. We experienced negative free cash flow of \$21.8 million for the six months ended June 30, 2013, primarily due to our capital purchases to support customer demand for packaging and test services related to mobile communications.

Net cash provided by (used in) operating, investing and financing activities for the six months ended June 30, 2013 and 2012, were as follows:

	For the Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Operating activities	\$200,850	\$142,463
Investing activities	(258,142)	(220,463)
Financing activities	277,852	(4,396)

Operating activities: Our cash flow provided by operating activities for the six months ended June 30, 2013, increased by \$58.4 million compared to the six months ended June 30, 2012. Operating income for the six months ended June 30, 2013, adjusted for depreciation and amortization, other operating activities and non-cash items,

increased by \$47.8 million compared to the six months ended June 30, 2012. The increase is primarily attributable to increased gross profit and the related increase in operating income.

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Changes in assets and liabilities decreased operating cash flow by \$36.7 million for the six months ended June 30, 2013, primarily as a result of an increase in accounts receivable. For the six months ended June 30, 2012, changes in assets and liabilities decreased operating cash flows by \$47.3 million due to an increase in accounts receivable offset by an increase in accrued expenses primarily attributable to the accrual of \$34.0 million for estimated royalties and interest relating to our pending patent license arbitration.

Investing activities: Our cash flows used in investing activities for the six months ended June 30, 2013, increased by \$37.7 million compared to the six months ended June 30, 2012. The increase in the six months ended June 30, 2013, was primarily due to a payment for an investment in J-Devices of \$67.4 million offset by an increase in proceeds from the sale of property, plant and equipment relating to the sale of office space and land located in Chandler, Arizona in January 2013 for \$22.8 million and a decrease in purchases of property, plant and equipment.

Financing activities: Our cash flows provided by financing activities for the six months ended June 30, 2013, increased by \$282.2 million compared to the six months ended June 30, 2012. The net cash provided by financing activities for the six months ended June 30, 2013 resulted from the issuance of the Additional 2022 Notes for \$225.0 million and borrowings of \$68.0 million in accordance with the loan agreements at our subsidiary in Korea.

The net cash used in financing activities for the six months ended June 30, 2012, primarily resulted from the repurchase of \$35.7 million of common stock under our authorized stock repurchase program and foreign amortizing debt repayments partially offset by additional foreign borrowings.

We provide the following supplemental data to assist our investors and analysts in understanding our liquidity and capital resources. We define free cash flow as net cash provided by operating activities less purchases of property, plant and equipment. Free cash flow is not defined by U.S. GAAP. We believe free cash flow to be relevant and useful information to our investors because it provides them with additional information in assessing our liquidity, capital resources and financial operating results. Our management uses free cash flow in evaluating our liquidity, our ability to service debt and our ability to fund capital additions. However, free cash flow has certain limitations, including that it does not represent the residual cash flow available for discretionary expenditures since other, non-discretionary expenditures, such as mandatory debt service, are not deducted from the measure. The amount of mandatory versus discretionary expenditures can vary significantly between periods. This measure should be considered in addition to, and not as a substitute for, or superior to, other measures of liquidity or financial performance prepared in accordance with U.S. GAAP, such as net cash provided by operating activities. Furthermore, our definition of free cash flow may not be comparable to similarly titled measures reported by other companies.

	For the Six Months Ended June 30,	
	2013	2012
	(In thousands)	
Net cash provided by operating activities	\$200,850	\$142,463
Purchases of property, plant and equipment	(222,674)	(232,682)
Free cash flow	\$(21,824)	\$(90,219)

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Market Risk Sensitivity

We are exposed to market risks, primarily related to foreign currency and interest rate fluctuations. In the normal course of business, we employ established policies and procedures to manage the exposure to fluctuations in foreign currency values and changes in interest rates. Our use of derivative instruments, including forward exchange contracts,

has been historically insignificant; however, we continue to evaluate the use of hedging instruments to manage currency and other risks.

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Foreign Currency Risk

In order to reduce our exposure to foreign currency gains and losses, we generally use natural hedging techniques to reduce foreign currency rate risk.

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 J-Devices in Japan, the local currency is the functional currency.

We have foreign currency exchange rate risk associated with the remeasurement of monetary assets and liabilities on our Consolidated Balance Sheets that are denominated in currencies other than the functional currency. We performed a sensitivity analysis of our foreign currency exposure as of June 30, 2013, 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 June 30, 2013, our income before income taxes would have been approximately \$11 million lower.

In addition, we have foreign currency exchange rate exposure on our results of operations. For the six months ended June 30, 2013, approximately 94% 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 six months ended June 30, 2013, approximately 62% 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 June 30, 2013, to assess the potential impact of fluctuations in exchange rates for all foreign denominated sales and expenses. Assuming a 10% adverse movement from the six months ended June 30, 2013, exchange rates of the U.S. dollar compared to all of these Asian-based currencies as of June 30, 2013, our operating income would have been approximately \$44 million lower.

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 and J-Devices in Japan where the local currency is the functional currency. To the extent the U.S. dollar strengthens against the local currency, the translation of these foreign currency denominated balances 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 local currencies. The effect of foreign exchange rate translation on our Consolidated Balance Sheets for the six months ended June 30, 2013 and 2012, was a net foreign translation loss of \$7.2 million and \$1.1 million, respectively, and was recognized as an adjustment to equity through other comprehensive (loss) income.

During the six months ended June 30, 2013, we entered into foreign currency forward contracts to serve as an economic hedge for the payments related to the agreement to purchase land in Korea (See Note 8 and Note 15). We

performed a sensitivity analysis of our foreign currency forward contracts to assess the potential impact of fluctuations in exchange rates. Assuming a 10% adverse movement in the exchange rates as of June 30, 2013, our income before income taxes would have been approximately \$5 million lower.

Interest Rate Risk

We have interest rate risk with respect to our long-term debt. As of June 30, 2013, we had a total of \$1,644.4 million of debt of which 80.7% was fixed rate debt and 19.3% was variable rate debt. The fixed rate debt consists of senior notes and senior subordinated notes. Our variable rate debt principally relates to our foreign borrowings and revolving lines of credit and any amounts outstanding under our \$150.0 million senior secured revolving credit facility, of which no amounts were drawn

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as of June 30, 2013. As of December 31, 2012, we had a total of \$1,545.0 million of debt of which 83.8% was fixed rate debt and 16.2% 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 debt 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 senior subordinated 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 June 30, 2013:

	2013 - Remaining	2014	2015	2016	2017	Thereafter	Total	Fair Value
Long term debt:								
Fixed rate debt (In thousands)	\$—	\$56,350	\$—	\$—	\$—	\$1,270,000	\$1,326,350	\$1,355,385
Average interest rate	— %	6.0	% —	% —	% —	% 6.7	% 6.7	%
Variable rate debt (In thousands)	\$—	\$5,000	\$105,000	\$10,000	\$150,000	\$48,000	\$318,000	\$302,349
Average interest rate	— %	3.9	% 4.3	% 4.1	% 4.2	% 4.0	% 4.2	%

For information regarding the fair value of our long-term debt, see Note 15 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report.

Equity Price Risk

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.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our periodic reports to the SEC is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure, based on the definition of "disclosure controls and procedures" in Rule 13a-15(e) and Rule 15d-15(e) under the Securities Exchange Act of 1934, as amended. In designing and evaluating the disclosure controls and procedures, management recognizes that any disclosure controls and procedures, no matter how well

designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management necessarily is required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures.

We carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2013 and concluded those disclosure controls and procedures were effective as of that date.

Changes in Internal Control Over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the three months ended June 30, 2013, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

As previously reported, we continue to implement an enterprise resource planning system over a multi-year program on a company-wide basis. In addition, we are also implementing a new shop floor system in certain of our factories.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information about legal proceedings is set forth in Note 16 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report.

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 I, Item 2 of this Quarterly Report. You should carefully consider the risks and uncertainties described below, together with all of the other information included in this 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 financial crisis and global recession in 2008 and 2009 resulted in a downturn in the semiconductor industry that adversely affected our business and results of operations during those periods. Although the world economy recovered somewhat in 2010, economic growth slowed in 2011 and 2012 in the U.S. and internationally. In view of this slow growth and the current economic uncertainty worldwide, consumer demand in the U.S. and globally may be adversely impacted which may harm the semiconductor industry and our business.

Since our business is, and will continue to be, dependent on the requirements of semiconductor companies for outsourced 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 downturn in demand for semiconductors in late 2008 and in 2009 resulted in significant declines in our operating results and cash flows as capacity utilization declined.

Although the world economy recovered somewhat in 2010, the recent slow rate of economic growth in the U.S. and elsewhere and economic uncertainty worldwide, or the negative impact on economic growth resulting from the action or inaction of the U.S. government relating to federal income tax increases, the federal debt ceiling, the federal deficit and government spending restrictions, could adversely affect consumer demand in the U.S. and globally, which may negatively impact our operating results.

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Our net sales, gross profit, operating income and cash flows have historically fluctuated significantly from quarter to quarter 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, such as inventory corrections by our customers impacting demand in key market segments;
- changes in our capacity utilization rates;
- changes in average selling prices;
- changes in the mix of semiconductor packages;
- evolving packaging 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 and the cost of materials used in our packaging services such as gold and copper;
- delay, rescheduling and cancellation of large orders;
 - fluctuations in our manufacturing yields and
- dependence on key customers or concentration of customers in certain market segments, such as mobile communications.

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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. Although the world economy recovered somewhat in 2010, the recent slow rate of economic growth in the U.S. and elsewhere and economic uncertainty worldwide could continue to cause volatility in customer forecasts and reduce our visibility regarding future demand in the semiconductor industry. 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 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 efficient 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 leads to reduced margins during that period. For example, we experienced lower than optimum utilization in late 2008 and in 2009 due to a decline in world-wide demand for our packaging and test services which impacted our gross margin. Transitions between different packaging technologies, such as the transition from gold wirebond to flip chip and copper wirebond packages, can also impact our capacity utilization if we do not efficiently redeploy our equipment assets. For example, in 2011 the migration of some customer demand from wirebond to flip chip packages resulted in under-utilized wirebond assets which negatively impacted our capacity utilization and 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 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 business, 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, if analysts and investors do not react favorably, or if analysts were to discontinue

providing coverage of our company, 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 margins, by negotiating lower prices with our material vendors, recovering material cost increases from our customers and by driving engineering

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and technological changes in our packaging and test processes, which resulted in reduced manufacturing costs. We expect downward pressure on average selling prices for our packaging and test services to continue 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.

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 ("IDM"). Our IDM customers continually evaluate the need for 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 packaging and test 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.

In addition, to the extent we limit capacity commitments for certain customers, these customers may increase their level of in-house packaging and test capabilities, which could make it more difficult for us to regain their business when we have available capacity.

In a downturn in the semiconductor industry, IDMs could respond by shifting some or all outsourced packaging and test services to internally serviced capacity on a short term basis. Also, the IDMs could curtail or reverse the trend of outsourcing packaging and test services. 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 June 30, 2013, our total debt balance was \$1,651.0 million, of which \$56.4 million was classified as a current liability. As of June 30, 2013, we had availability of \$149.7 million under our \$150.0 million first lien senior secured revolving credit facility. Additionally, our foreign subsidiaries had \$75.0 million available to be drawn under revolving credit facilities for general corporate purposes, general working capital purposes and capital expenditures and \$332.0 million available to be borrowed under term loans maturing between June 2016 and December 2019 for general working capital purposes, capital expenditures and the repayment of inter-company debt. Despite current debt levels, the terms of the agreements governing our indebtedness allow us and our subsidiaries to incur more debt, subject to certain limitations. We may consider investments in joint ventures, acquisitions or increased capital additions, which may increase our indebtedness. If new debt is added to our consolidated debt level, the related risks that we 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 business opportunities;

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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.

We May Have Difficulty Funding Liquidity Needs.

We assess our liquidity based on our current expectations regarding sales, operating expenses, capital spending and debt service requirements. Our liquidity is 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 flows or with the proceeds of debt or equity financings.

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 the six months ended June 30, 2013, we had capital additions of \$283.1 million. In 2013, we expect to make capital additions of approximately \$450 million and are also planning an additional \$140 million of spending for the acquisition of land and preparation for construction related to our previously announced new factory and research and development center in Korea. Ultimately the actual amount of our capital additions for 2013 and thereafter may vary materially and will depend on several factors. These factors include, among others, the amount, timing and implementation of our capital projects, including those under review and not yet planned, the performance of our business, economic and market conditions, the cash needs and investment opportunities for the business, the need for additional capacity and facilities and the availability of cash flows from operations or financing.

In addition, we have a significant level of debt, with \$1,644.4 million outstanding, excluding an unamortized premium at June 30, 2013, \$56.4 million of which is current. The terms of such debt require significant scheduled principal payments in the coming years, including none due in 2013, \$61.4 million due in 2014, \$105.0 million due in 2015, \$10.0 million due in 2016, \$150.0 million due in 2017 and \$1,318.0 million due thereafter. The interest payments required on our debt are also substantial. For example, in 2012, we paid \$86.1 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, existing cash and cash equivalents, borrowings under available debt facilities or proceeds from any additional debt or equity financing. As of June 30, 2013, we had cash and cash equivalents of \$636.0 million and availability of \$149.7 million under our \$150.0 million senior secured revolving credit facility which matures in June 2017. Our foreign subsidiaries had \$75.0 million available to be drawn under revolving credit facilities for general corporate purposes, general working capital purposes and capital expenditures and \$332.0 million available to be borrowed in accordance with the loan agreements at our subsidiary in Korea, maturing between June 2016 and December 2019 for general working capital purposes, capital expenditures and the repayment of inter-company debt.

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.

In addition, there is a risk that we could fail to generate the necessary net income or operating cash flows to meet the funding needs of our business due to a variety of factors, including the cyclical nature of the semiconductor industry and the other factors discussed in this “Risk Factors” section. If we fail to generate the necessary cash flows or we are unable to access the capital markets when needed, our liquidity may be adversely impacted.

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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 have a \$150.0 million senior secured revolving credit facility with three banks in the U.S., in addition to availability under facilities with banks in other countries. 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. In addition, our future debt agreements may contain financial covenants and ratios.

The breach of any of these covenants by us or the failure by us to meet any of the 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 \$124.6 million as of June 30, 2013. Existing tax laws in Korea limit our ability to 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, we may fund a significant portion of 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, our ability to deduct accrued severance will continue to be limited, and as a result we will have to pay higher taxes, which could adversely affect our liquidity, financial condition and cash flows.

Under the existing Korean plan, to the extent eligible employees are terminated, our Korean subsidiary would be required to make lump-sum severance payments on behalf of these eligible employees 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. See Note 13 to our Consolidated Financial Statements in Part I, Item 1 to this Quarterly Report on Form 10-Q.

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.

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As previously reported, we are implementing a new enterprise resource planning (“ERP”) system in a multi-year program on a world-wide basis. We have recently 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 Warranty Claims, 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 warranty claims, product return and liability risks, the risk of economic damage claims and the risk of negative publicity if our packages fail.

We receive warranty claims from our customers which occur from time to time in the ordinary course of our business. If we were to experience an unusually high incidence of warranty claims, we could incur significant costs and our business could be adversely affected. 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 or 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-specific 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 adjust costs in a timely manner, our margins, operating results, financial condition and cash flows would be 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;
- regulations 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 North Korea and South Korea;

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• 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;
• difficulty in enforcing contractual rights and protecting our intellectual property rights 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 any of these proposals might be enacted into law, if adopted they could have a material adverse impact on our liquidity, results of operations, financial condition and cash flows.

We Face Risks in Connection with the Continuing Development and Implementation of Changes to, and Maintenance and Security of, Our Management Information Systems.

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. Our systems may be susceptible to damage, disruptions or shutdowns due to failures during the process of upgrading, replacing or maintaining software, databases or components thereof, power outages, hardware failures, computer viruses, attacks by computer hackers, telecommunication failures, user errors, malfeasance or catastrophic events. In addition, security breaches could result in unauthorized disclosure of confidential information. We have made and continue to make significant investments to implement and evolve our management information systems. In addition, we are implementing a new shop floor system in certain of our factories. We face risks in connection with current and future projects to install new management information systems or upgrade our existing systems. 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 successfully install new systems or improve, upgrade, integrate or expand upon our existing systems.

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, sales 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 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.

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Difficulties Consolidating and Integrating Our Operations - 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 resulting primarily from existing and future facility consolidations, strategic acquisitions, joint ventures and other partnering arrangements. Some of the risks from these activities include those associated with the following:

- increasing the scope, geographic diversity and complexity of our operations;
- conforming an acquired company's standards, practices, systems and controls with our operations;
- increasing complexity from combining recent acquisitions of an acquired business;
- unexpected losses of key employees or customers of an acquired business; other difficulties in the assimilation of acquired operations, technologies or products and
- diversion of management and other resources from other parts of our operations and adverse effects on existing business relationships with customers.

In connection with these activities, we may;

- use a significant portion of our available cash;
- issue equity securities, which may dilute the ownership of current stockholders;
- incur substantial debt;
- incur or assume known or unknown contingent liabilities and
- incur large, immediate accounting write offs and face antitrust or other regulatory inquiries or actions.

For example, the businesses we have acquired had, at the time of acquisition, multiple systems for managing their own production, sales, inventory and other operations. Migrating these businesses to our systems typically is a slow, expensive process requiring us to divert significant resources from other parts of our operations. We may continue to face these challenges in the future. For example, on July 31, 2013, we completed the purchase of 100% of the shares of Toshiba Electronics Malaysia Sdn. Bhd. ("TEM") and we have exercised our option to increase our ownership interest in J-Devices from 30% to 60%, which we completed in April 2013, and we have additional options to increase our ownership over time to as much as 80%. As a result we anticipate that we will need to integrate the TEM and J-Devices operations with our existing operations. In addition, J-Devices will need to integrate with its operations the acquisitions it has recently completed. Furthermore, the governance provisions applicable to J-Devices restrict our ability to cause J-Devices to take certain actions without the consent of the other investors. As a result of the risks discussed above, the anticipated benefits of the increase in our investment in J-Devices or other future acquisitions, consolidations and partnering arrangements may not be fully realized, if at all, and these activities could have a material adverse effect on our business, financial condition and results of 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. A disruption to the operations of one or more of our suppliers could have a negative impact on our business. For example, the severe earthquake and tsunami in Japan in 2011 had a significant adverse effect on the electronic industry supply chain impacting the supply of specialty chemicals, substrates, silicon wafers, equipment and other supplies to the electronics industry. In addition, we purchase the majority of our materials on a purchase order basis. Our business may be harmed if we cannot obtain materials and other supplies from our vendors in a timely manner, in sufficient quantities, at acceptable quality or at competitive prices. Some of our customers are also dependent on a limited number of suppliers for certain materials and silicon wafers. Shortages or disruptions in our customers' supply channels could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example,

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the shortage in the supply of 28 nanometer wafers to some of our customers in 2012 delayed or otherwise adversely impacted the demand for certain of our advanced packaging and test services.

The Dodd-Frank Wall Street Reform and Consumer Protection Act imposes new requirements regarding the supply of minerals originating from the conflict zones of the Democratic Republic of Congo and adjoining countries. Industry associations and some of our customers are also implementing initiatives to improve transparency and accountability concerning the supply of these materials and, in some cases, requiring us to certify that the covered materials we use in our packages do not come from the conflict areas. We may incur additional costs associated with complying with the new requirements and customer initiatives. These new requirements and customer initiatives could affect the sourcing and availability of metals used in the manufacture of semiconductor devices, and we cannot assure you that we will be able to obtain conflict-free materials in sufficient quantities and at competitive prices or that we will be able to verify the origin of all of the metals we use in our manufacturing process. If we are unable to certify that the metals we use in our packages are conflict-free, it could adversely affect our business as some customers may move their business to other suppliers. Our reputation could also be adversely affected.

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 on a timely basis 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 acquire our equipment on a purchase order basis and do not enter into long-term equipment agreements. As a result, we could experience adverse changes in pricing, currency risk and potential shortages in equipment in a strong market, 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 that reduce the material content and cost, such as the use of shorter, thinner, gold wire and migration to copper wire. However, we typically do not have long-term contracts that permit us to impose price adjustments, and market conditions may limit our ability to do so. Significant price increases may adversely impact our gross margin in future periods 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 or Reduced Orders from Existing Customers May Have a Significant Adverse Effect on Our Operations and Financial Results.

The loss of a significant customer, a reduction in orders from a significant customer or disruption in any of our significant strategic partnerships or other commercial arrangements may result in a decline in our sales and profitability. Although we have approximately 200 customers, we have derived and expect to continue to derive a large portion of our revenues from a small group of customers during any particular period due in part to the concentration of market share in the semiconductor industry. Our ten largest customers together accounted for approximately 62.9%, 62.2% and 61.0% of our net sales in the six months ended June 30, 2013, and the years ended December 31, 2012 and 2011, respectively. One customer accounted for more than 10% of our consolidated net sales during the six months ended June 30, 2013. One customer accounted for more than 10% of our consolidated net sales in 2012, and two customers each accounted for more than 10% of our consolidated net sales in 2011.

The demand for our services from each customer is directly dependent upon that customer's level of business activity, the quality and price of our services, our cycle time and delivery performance, the customer's qualification of

additional competitors on products we package or test and a number of other factors. Each of these factors could vary significantly from year to year resulting in the loss or reduction of customer orders. Our business is likely to remain subject to this variability in order levels, and we cannot assure you that our key customers or any other customers will continue to place orders with us in the future at the same levels as in past periods.

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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 sales and profitability. During the six months ended June 30, 2013, one customer accounted for 25.3% of our consolidated net sales, representing approximately 23.6% of our packaging net sales and 35.9% of our test net sales. If we were to lose our largest customer, or if it significantly reduced its level of business with us, the loss could have a material adverse effect on our business, liquidity, results of operations, financial condition and cash flows.

Capital Additions - We Make Substantial Investments in Equipment and Facilities 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 investments in equipment and facilities in order to service the demand of our customers. For example, we expect that our 2013 capital additions will be approximately \$450 million, in addition to \$140 million of spending for the acquisition of land and preparation for construction relating to our new factory and research and development center in Korea. The amount of our 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 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. From time to time, we also make significant capital additions based on specific business opportunities with one or a few key customers, and the additional equipment purchased may not be readily usable to support other customers. If demand is insufficient to fill our capacity, or we are unable to efficiently redeploy such equipment, our capacity utilization and gross margin could be negatively impacted. Our capital additions may increase as we transition to new packaging and test technologies because, among other things, new equipment used for these technologies is generally more expensive and often our existing equipment cannot be redeployed in whole or part for these technologies.

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 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;
- 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 additional equipment or facilities 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 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 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

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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 16 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report, and may be a party to litigation in the future. If an unfavorable ruling or outcome were to occur in these legal proceedings 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.

For example, the final award pending in the arbitration with Tessera could be more than the amount accrued, and we expect to record our estimate of interest accruing with the passage of time and may record additional charges as information develops or upon the issuance of the final award. Tessera publicly announced its intention to seek an amount in excess of \$150 million. In addition, Tessera recently filed a complaint against Amkor in the U.S. District Court for the District of Delaware. There can be no assurance that the termination of the Tessera license agreement will not have a material impact on our ongoing business and customer relationships, including any supply arrangements with customers formerly benefiting from our rights under the terminated license agreement; that the U.S. District Court complaint filed by Tessera will not result in an unfavorable outcome for our company, including an injunction and significant damage award or that there will not be any further disputes with Tessera or others involving our company's technology or business.

We Could Suffer Adverse Tax and Other Financial Consequences if Taxing Authorities Do Not Agree with Our Interpretation of Applicable Tax Laws, Including Whether We Continue to Qualify for Our Tax Holidays.

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, including whether we continue to qualify for our tax holidays. To the extent they do not agree, we may seek to enter into settlements with the taxing authorities which require significant payments or otherwise adversely affect our results of operations or financial condition. We may also appeal the taxing authorities' determinations to the appropriate governmental authorities, but we 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. Additionally, certain of our subsidiaries operate under tax holidays, which will expire in whole or in part at various dates in the future. As those tax holidays expire, our tax expenses will increase as income from those jurisdictions become subject to higher statutory income tax rates, thereby reducing our liquidity and cash flow.

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 packaging 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 packaging design or obtain

access to advanced packaging 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, capital expenditures and acquisitions in future years. In addition, converting to new packaging 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.

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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 will eventually expire, 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 the infringement of 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 such technology.

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 or the enforcement of the intellectual property rights of others, including the legal proceeding filed by and against Tessera, Inc. and the complaint filed and ongoing proceeding against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc., or collectively “Carsem”, which are described in more detail in Note 16 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report. Unfavorable outcomes in any legal proceedings 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 Quarterly 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. 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.

Test is also complex and involves sophisticated equipment and software. Similar to many software programs, these software programs are complex and may contain programming errors or “bugs.” The test equipment is also subject to

malfunction. In addition, the test process is subject to operator error.

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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 existing customers, such failure could have a material adverse effect on our business, results of operations, financial condition and cash flows.

Competition - We Compete Against Established Competitors in the Packaging and Test Business as Well as Internal Customer Capabilities and May Face Competition from New Competitors.

The outsourced 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 compete with companies (including semiconductor foundries) that provide wafer bumping and other advanced packaging solutions that compete with our packaging and test services. For example, one of the major semiconductor foundries, which is substantially larger and has greater financial resources than we do, has expanded, and may continue to expand its operations to include packaging and test services.

We cannot assure you that we will be able to compete successfully in the future against our existing or potential competitors or that our customers will not rely on internal sources for 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 liquid chemicals, gases and materials. These processes generate 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

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our ability to expand our operations, disrupt our operations, increase costs, subject us to liability or cause us to curtail our operations.

Our Business and Financial Condition Could be Adversely Affected by Natural Disasters.

We have significant packaging and test and other operations in locations which are subject to natural disasters such as earthquakes, tsunamis, typhoons, floods and other severe weather and geological events that could disrupt our operations. In addition, our suppliers and customers also have significant operations in such locations. A natural disaster that results in a prolonged disruption to our operations, or the operations of our customers or suppliers, could have a material adverse effect on our business, financial condition, results of operations and cash flows. For example, Japan experienced a severe earthquake and tsunami in 2011 that resulted in significant disruption in the electronics industry supply chain and adversely affected Japan's economy and consumer spending. In addition, in October 2011, Thailand experienced substantial flooding which affected the facilities and operations of customers and suppliers in our industry. As a result, our business, financial condition, results of operations and cash flows could be adversely affected by events such as those in Japan, Thailand or future natural disasters of a similar nature.

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, flood, 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 we 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.

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

As of June 30, 2013, Mr. James J. Kim, our Executive Chairman of the Board of Directors, members of Mr. Kim's immediate family and affiliates owned approximately 137.5 million shares, or approximately 63%, of our outstanding common stock. The Kim family also has options to acquire approximately 0.5 million shares. Pursuant to the 2014 Notes exchange offer, the Kim family exchanged their 2014 Notes into approximately 49.6 million shares of common stock (the "2014 Convert Shares"). If the options are exercised, the Kim family's total ownership would be an aggregate of approximately 138.0 million shares of our outstanding common stock or approximately 63% of our outstanding common stock.

The 2014 Convert Shares and the approximately 13.4 million shares issued upon conversion of the \$100.0 million of our 6.25% Convertible Subordinated Notes due 2013 (the "2013 Convert Shares") are each subject to separate voting agreements. The agreements require the Kim family to vote these respective shares in a "neutral manner" on all matters

submitted to our 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 our 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

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family no longer beneficially owns 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.

Mr. James J. Kim and his family and affiliates, acting together, have the ability to effectively determine or substantially influence matters submitted for approval by our stockholders by voting their shares or otherwise acting by written consent, including the election of our Board of Directors. There is also the potential, through the election of members of our Board of Directors, that the Kim family could substantially influence matters decided upon by our Board of Directors. This concentration of ownership may also have the effect of impeding a merger, consolidation, takeover or other business consolidation involving us, or discouraging a potential acquirer from making a tender offer for our shares, and could also negatively affect our stock's market price or decrease any premium over market price that an acquirer might otherwise pay.

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

Issuer Repurchase of Equity Securities

The following table provides information regarding repurchases of our common stock during the three months ended June 30, 2013. We refer you to Note 14 to our Consolidated Financial Statements in Part I, Item 1 of this Quarterly Report for further discussion.

Period	Total Number of Shares Purchased (a)	Average Price Paid Per Share (\$)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (\$) (b)
April 1 - April 30	1,868	\$3.80	—	\$91,586,032
May 1 - May 31	13,864	4.56	—	91,586,032
June 1 - June 30	2,588	4.46	—	91,586,032
Total	18,320	\$4.47	—	

(a) Represents shares of common stock surrendered to us to satisfy tax withholding obligations associated with the vesting of restricted shares issued to employees.

(b) Our Board of Directors previously authorized the repurchase of up to \$300.0 million of our common stock, \$150.0 million in August 2011 and \$150.0 million in February 2012, exclusive of any fees, commissions or other expenses. For the three months ended June 30, 2013, no common stock purchases were made and there is approximately \$91.6 million available pursuant to the stock repurchase program.

Item 6. Exhibits

The exhibits required by Item 601 of Regulation S-K which are filed with this report are set forth in the Exhibit Index.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AMKOR TECHNOLOGY, INC.

By: /s/ Joanne Solomon
Joanne Solomon
Executive Vice President and
Chief Financial Officer, Chief
Accounting Officer and Duly
Authorized Officer

Date: August 2, 2013

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EXHIBIT INDEX

Exhibit Number	Description of Exhibit
4.1	Registration Rights Agreement, dated May 20, 2013, by and between Amkor Technology, Inc., Deutsche Bank Securities Inc. and Credit Suisse Securities (USA) LLC. (1)
10.1	Employment Offer Letter, dated April 30, 2013, between Amkor Technology, Inc. and Stephen D. Kelley. (2)*
10.2	Retirement Agreement and Release, dated May 8, 2013, between Amkor Technology, Inc. and Kenneth T. Joyce. (3)*
10.3	Separation and Consulting Agreement, dated July 17, 2013, between Amkor Technology, Inc. and Michael J. Lamble.*
10.4	Loan Agreement, dated April 29, 2013, by and between Amkor Technology Korea, Inc. and The Korea Development Bank.
10.5	Amendment to Factory Mortgage Agreement, dated April 29, 2013, by and between Amkor Technology Korea, Inc. and The Korea Development Bank.
10.6	Guarantee, dated April 29, 2013, by and between Amkor Technology, Inc. and The Korea Development Bank.
10.7	Amendment to Kun Mortgage Agreement, dated April 19, 2013, by and between Amkor Technology Korea, Inc. and Woori Bank.
31.1	Certification of Stephen D. Kelley, President and Chief Executive Officer of Amkor Technology, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Joanne Solomon, Executive Vice President and Chief Financial Officer of Amkor Technology, Inc., pursuant to Rule 13a-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
*	Indicates management compensation plan, contract or arrangement.
(1)	Incorporated by reference to the Company's Current Report on Form 8-K filed May 20, 2013.
(2)	Incorporated by reference to the Company's Current Report on Form 8-K filed May 3, 2013.
(3)	Incorporated by reference to the Company's Current Report on Form 8-K filed May 10, 2013.