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Amkor, STATS ChipPAC report severe Q4, yearly earnings declines

CHANDLER, Ariz., and SINGAPORE—Two top-five packaging foundries, Amkor Technology Inc. of Arizona and Singapore-based STATS ChipPAC, reported severe earnings declines for their fourth quarters of 2008 this week.



James Kim

Amkor, the second largest packaging foundry after ASE, said its Q4 net sales of \$549 million were down 24% sequentially for the prior quarter and off 27% from the same quarter in 2007. Amkor sustained a Q4 net loss, which included a goodwill impairment charge, of \$623 million, or \$3.40/share.

For the year, Amkor reported sales of \$2.7 billion, but suffered a net loss of \$457 million, or a loss of \$2.50/share. For 2007, Amkor reported net sales of \$2.7 billion with net income of \$220 million, or \$1.11/diluted share.

Competitor STATS ChipPAC reported Q4-2008 of \$324.6 million, a decline of 31.9% over the prior year's Q4 and a decrease of 31.3% sequentially over Q3-2008.

STATS' full year revenues of \$1.6 billion were up fractionally—an increase of only 0.4% over the prior year, and net income for 2008 was \$25.7 million, a decline of 72.6%, compared to 2007.

Dr. James Kim, chairman and CEO, commenting in a news release on Amkor's performance, wrote, "Difficult business conditions continue to challenge our industry, our customers and our company.

"Since early 2008 we have been proactively managing our cost structure while continuing to deliver high-quality services. Our fourth quarter operating results reflect labor and other cost savings of approximately \$18 million from previously implemented cost reduction programs."

Amkor said Q4 unit shipments declined 30% from the prior quarter, while sales declined 24% in the same period. This reflects a shift in Amkor's mix from traditional leadframe packages to more advanced packages, the company maintains.



The wire bonding line at STATS' ChipPAC's Malaysian facility

Joanne Soloman, Amkor's CFO, said, "While the near-term outlook for the semiconductor industry has continued to weaken, our financial position and liquidity remain sound."

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Amkor estimates sales will fall 30-38% in Q1-09 from Q4-08, with gross margin estimated between 5% and (2%). The company predicts a net loss “in the range of \$0.34-\$0.49/share.”

Lay Koon Tan, STATS ChipPAC’s president and CEO, attributed the company’s poor performance to “the contraction in demand for our services as our customers responded to the global economic crisis with sharp reduction in new build orders and aggressively reduced their inventories.

“In response to the severe operating environment, we took aggressive actions to reduce our operating costs, that included reduction in capital expenditures and our global workforce,” Tan added.

[amkor.com]

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