
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

FOR THE FISCAL YEAR ENDED DECEMBER 31, 1999

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)

1345 ENTERPRISE DRIVE
WEST CHESTER, PA 19380
(610) 431-9600
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES AND ZIP CODE)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT: NONE
SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, \$0.001 PAR VALUE
5 3/4% CONVERTIBLE SUBORDINATED NOTES DUE 2003
10 1/2% SENIOR SUBORDINATED NOTES DUE 2009
9 1/4% SENIOR NOTES DUE 2006

Check whether the issuer (1) filed all reports required to be filed by
Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such
shorter period that the registrant was required to file such reports), and (2)
has been subject to such filing requirements for the past 90 days. Yes [X] No []

Check if there is no disclosure of delinquent filers pursuant to Item 405
of Regulation S-K is contained in this form, and no disclosure will be
contained, to the best of registrant's knowledge, in definitive proxy or
information statements incorporated by reference in Part III of this Form 10-K
or any amendment to this Form 10-K. [X]

The aggregate market value of the voting and non-voting common equity held
by non-affiliates computed by reference to the average bid and asked prices of
such stock, was approximately \$2,879,410,475 as of March 15, 2000.

The number of shares outstanding of each of the issuer's classes of common
equity, as of March 15, 2000, was as follows: 131,010,532 shares of Common
Stock, \$0.001 par value.

Documents Incorporated by Reference: Portions of the definitive Proxy
Statement to be delivered to stockholders in connection with the 2000 Annual
Meeting of Stockholders are incorporated by reference into Part III.

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USE OF CERTAIN TERMS

All references in this annual report to "Amkor," "we," "us," "our" or the "company" are to Amkor Technology, Inc. and its subsidiaries. We refer to the Republic of Korea, which is also commonly known as South Korea, as "Korea."

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PART I

ITEM 1. BUSINESS

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This business section contains forward-looking statements. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially. In evaluating these statements, you should specifically consider various factors, including the risks outlined under "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors that May Affect Future Operating Performance" in Item 7 of this annual report. These factors may cause our actual results to differ materially from any forward-looking statement.

OVERVIEW

Amkor is the world's largest independent provider of semiconductor packaging and test services. We believe that we are also one of the leading developers of advanced semiconductor packaging and test technology. We offer one of the industry's broadest integrated sets of packaging and test services, which are the final procedures necessary to prepare semiconductor devices for further use. Our customers outsource the packaging and testing of semiconductor chips to us in order to benefit from our expertise in the development and implementation of packaging and test technology and our advanced manufacturing capabilities. We also market the wafer fabrication services provided by Anam Semiconductor, Inc. ("ASI"). We have more than 190 customers, including 37 of the world's 40 largest semiconductor companies, for whom we packaged more than 4.1 billion semiconductor devices in 1999. Our customers include, among others, Advanced Micro Devices, Inc., Intel Corporation, International Business Machines Corp., Lucent Technologies, Inc., Motorola, Inc., National Semiconductor Corp., Philips Electronics N.V., ST Microelectronics PTE, Infineon Technologies AG and Texas Instruments, Inc.

We provide packaging and test services through our three factories in the Philippines and our factory in Korea known as K4, which we acquired from ASI in May 1999. We currently source additional packaging and test services from three factories, known as K1, K2 and K3, that are located in Korea and owned by ASI. We intend to purchase the K1, K2 and K3 packaging and test facilities from ASI during the second quarter of 2000 for a purchase price of approximately \$950.0 million. These facilities constitute the remainder of ASI's packaging and test business.

Our proposed acquisition of K1, K2 and K3 would eliminate our dependence on ASI for packaging and test services. In 1999, we derived 45.0% of our net revenues and 29.5% of our gross profit from sales of packaging and test services performed by ASI. Historically, we have earned higher gross margins on the packaging and test services performed by our company-owned facilities than on the packaging and test services which we outsourced to ASI.

Following our acquisition of K1, K2 and K3, ASI's primary asset will be its wafer fabrication facility. We currently purchase all of the output from this wafer fabrication facility pursuant to a supply agreement. In 1999, we derived 15.3% of our net revenues and 8.8% of our gross profit from sales of wafer fabrication services performed for us by ASI. In October 1999, we invested \$41.6 million in ASI. We intend to make an additional investment of \$459.0 million in ASI. We expect ASI will use the proceeds from the sale of K1, K2 and K3 and our

investment to repay outstanding bank debt and for general corporate purposes. We intend to finance the purchase of K1, K2 and K3 and the investment in ASI with approximately \$750.0 million of new secured bank debt, \$410.0 million from a private placement of our Series A preferred stock, cash on hand and the proceeds from an offering of \$225.0 million convertible subordinated notes (\$258.8 million inclusive of the exercised over-allotment option).

Since April 1999, ASI has been subject to a debt restructuring arrangement with its Korean creditor banks known as a "workout." ASI is negotiating with its creditor banks to terminate its workout in connection

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with our proposed acquisition of K1, K2 and K3 and our proposed investment in ASI. ASI currently anticipates that its creditor banks will convert up to W150 billion (approximately \$132 million) of ASI's debt into equity of ASI, in addition to approximately W98 billion (approximately \$82 million) of debt that was converted into equity in October 1999. ASI is negotiating with its creditor banks to obtain further concessions relating to its debt. In October 1999, we purchased 10 million shares of ASI's common stock at a price of W5,000 per share for approximately \$41.6 million. As a result of this investment and the conversion of ASI's debt to equity by the creditor banks, we now own approximately 18% of ASI's voting stock. If our proposed investment in ASI and the additional conversion of debt to equity by ASI's creditor banks are completed, we expect to own approximately 43% of ASI's outstanding voting stock, we expect Mr. James Kim, our Chairman and CEO, and members of his family to beneficially own approximately 6% of ASI's outstanding voting stock and we expect ASI's creditor banks to own approximately 34% of ASI's outstanding voting stock. In addition, Mr. Kim and members of his family will beneficially own approximately 51% of our outstanding common and preferred voting stock.

Through our acquisition of K1, K2 and K3 and our investment in ASI, we expect to be better positioned to capitalize on the anticipated growth in the semiconductor industry and the increasing outsourcing of packaging and test services by semiconductor manufacturers.

INDUSTRY BACKGROUND

Semiconductor devices are the essential building blocks used in most electronic products. As semiconductor devices have evolved, there have been three important consequences: (1) an increase in demand for computers and related products due to declining prices for such products, (2) the proliferation of semiconductor devices into diverse end products such as consumer electronics, communications equipment and automotive systems and (3) an increase in the number of semiconductor devices in electronic products. According to industry estimates, the worldwide semiconductor market has expanded at a compound annual growth rate of 13.0% over a period of six years from \$65.3 billion in 1992 to \$136.2 billion in 1998 and is expected to increase from \$155.4 billion in 1999 to \$250.8 billion by 2002.

TRENDS TOWARD OUTSOURCING

Historically, semiconductor companies packaged semiconductors primarily in their own factories and relied on independent providers to handle overflow volume. Today, semiconductor companies are increasingly outsourcing their packaging and testing to independent providers for the following reasons:

Independent providers have developed expertise in advanced packaging technologies.

Semiconductor companies are facing ever-increasing demands for miniaturization, higher lead counts and improved thermal and electrical performance in semiconductor devices. As a result of this trend, many semiconductor companies view packaging as an enabling technology requiring sophisticated expertise and technological innovation. However, they have had difficulty developing the necessary capabilities with their internal resources and are relying on independent providers of packaging and test services as a key source of new package designs.

Independent providers can offer shorter time to market for new products because their resources are dedicated to packaging and test solutions.

We believe that semiconductor companies are seeking to shorten the time to

market for their new products and that having the right packaging technology and capacity in place is a critical factor in reducing delays for these companies.

Semiconductor companies frequently do not have sufficient time to develop their packaging and test capabilities or the equipment and expertise to implement new packaging technology in volume. For this reason, semiconductor companies are leveraging the resources and capabilities of independent packaging and test companies to deliver their new products to market more quickly.

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Many semiconductor manufacturers do not have the economies of scale to offset the significant costs of building packaging and test factories.

Semiconductor packaging is a complex process requiring substantial investment in specialized equipment and factories. As a result of the large capital investment required, this manufacturing equipment must operate at a high capacity level for an extended period of time to be cost effective. Shorter product life cycles, faster introductions of new products and the need to update or replace packaging equipment to accommodate new products have made it more difficult for semiconductor companies to sustain high levels of capacity utilization. Independent providers of packaging and test services, on the other hand, can use equipment at high utilization levels over a longer period of time for a broad range of customers, effectively extending the life of the equipment.

The availability of high quality independent packaging and testing allows semiconductor manufacturers to focus their resources on semiconductor design and wafer fabrication rather than semiconductor packaging and testing.

As the cost to build a new wafer fabrication facility has increased to over \$1 billion, semiconductor companies are choosing to focus their capital resources on core wafer fabrication activities. As a result, semiconductor companies are outsourcing to independent packaging and test providers who have the ability to invest the capital needed to develop new packaging and test capacity.

There is a growing number of semiconductor companies without factories, known as "fabless" companies, that outsource all of the manufacturing of their semiconductor designs.

Fabless semiconductor companies focus exclusively on the semiconductor design process and outsource virtually every significant step of the semiconductor manufacturing process. According to industry estimates, revenues of fabless semiconductor companies as a percentage of the worldwide semiconductor industry are forecasted to grow from 6.8% in 1998 to 9.8% by 2003. We believe that fabless semiconductor companies will continue to be a significant driver of growth in the independent packaging and test industry.

These outsourcing trends, combined with the growth in the number of semiconductor devices being produced and sold, are increasing demand for independent packaging and test services. Today, nearly all of the world's major semiconductor companies use independent packaging and test service providers for at least a portion, if not all, of their packaging and test needs. According to industry estimates, the worldwide semiconductor packaging and test market was \$21.7 billion in 1999, of which \$6.4 billion, or 29.3% was outsourced. Additionally, industry estimates provide that the worldwide semiconductor packaging and test market will reach \$32.8 billion by 2002, of which \$11.2 billion, or 34.1%, will be outsourced.

Certain of the same forces driving the growth of independent packaging and testing are also driving demand for independent wafer fabrication services. Many semiconductor companies are outsourcing some or all of their wafer fabrication needs because the cost to build new wafer foundries has been rising steadily. This is particularly true for newer, smaller geometry technologies which cannot be produced in many semiconductor companies' existing wafer foundries. As the demand for semiconductor devices with smaller geometries increases, we believe semiconductor companies will increasingly utilize independent wafer manufacturers.

STRATEGY

To build upon our leading industry position and to remain the preferred independent provider of semiconductor packaging and test services, we are

pursuing the following strategies:

Capitalize on Outsourcing Trend. We intend to continue to capitalize on the projected growth of the independent semiconductor packaging and test segment. We believe that semiconductor manufacturers will increasingly outsource packaging and test services to those independent providers who deliver superior quality and value. We work with our customers to quantify the cost savings of our services compared to their in-house capabilities. We believe our leading-edge technologies and manufacturing expertise enable us to optimize production yields, reduce cycle times and lower per unit costs.

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Leverage Scale and Scope of Packaging and Test Capabilities. We are committed to expanding both the scale of our operations and the scope of our packaging and test services. We believe that our scale and scope allow us to provide cost-effective solutions to our customers in the following ways:

- We have the capacity to absorb large orders and accommodate quick turn-around times;
- We use our size and industry position to obtain low pricing on materials and manufacturing equipment; and
- We offer an industry-leading breadth of packaging and test services and can serve as a single source for many of our customers.

Maintain Our Technology Leadership. We intend to continue to develop leading-edge packaging technologies. We believe that our focus on research and product development will enable us to enter new markets early, capture market share and promote the adoption of our new package designs as industry standards. We seek to enhance our in-house research and development capability and joint development activities with ASI in Korea through the following activities:

- We are collaborating with customers to gain access to technology roadmaps for the next generation of semiconductor designs;
- We are collaborating with companies, such as Compaq Computer Corporation, Ericsson Corporation, and Nokia Group, which purchase semiconductor devices from our customers, to design new packages that function with the next generation of electronic products; and
- We are implementing new package designs by entering into technology alliances and by licensing leading-edge designs from others: we and Sharp Corporation have entered into a strategic alliance to promote chip scale packaging with fleXBGA(R). We have licensed from Tessera, Inc. their BGA(R) design. We have also licensed "flip-chip" package technology from LSI Logic Corporation.

Provide an Integrated, Turnkey Solution. We are able to provide a complete turnkey solution comprised of semiconductor wafer fabrication, packaging and test services. We believe that this will enable customers to achieve faster time to market for new products and reduce manufacturing costs.

Strengthen Customer Relationships. We intend to further develop our long-standing customer relationships. We believe that because of today's shortened technology life cycles, integrated communications are crucial to speed time to market. We have customer support personnel located near the facilities of major customers and in acknowledged technology centers. These support personnel work closely with customers to plan production for existing packages as well as to develop requirements for the next generation of packaging technology. In addition, we are implementing direct electronic links with our customers to enhance communication and facilitate the flow of real-time engineering data and order information.

Pursue Selective Acquisitions and Strategic Relationships. We are evaluating candidates for strategic acquisitions and joint ventures to strengthen our core business and expand our geographic reach. We believe that there are many opportunities to acquire the in-house packaging factories of semiconductor manufacturers. We intend to structure any such acquisition to include long-term supply contracts with the seller. In addition, by establishing joint ventures, we intend to enter new markets near clusters of wafer foundries, which are large sources of demand for packaging and test services. For example,

in October 1998, we entered into a joint venture with Taiwan Semiconductor Manufacturing Corporation, Acer Inc., Scientek International Investment Co. Ltd. and Chinfon Semiconductor & Technology Company to build a packaging and test factory in Taiwan, a market with significant demand in which we currently have few customers.

COMPETITIVE STRENGTHS

Leading Industry Position. We are the world's largest independent provider of semiconductor packaging and test services. We have increased our revenues and built our leading position through: (1) one of the industry's broadest offerings of packaging and test services, (2) expertise in the development and implementa-

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tion of packaging and test technology, (3) long-standing relationships with our customers and (4) advanced manufacturing capabilities.

Broad and Integrated Packaging and Test Services. With over 1,000 different package types, we offer one of the semiconductor industry's broadest lines of packaging and test services. We provide customers with a wide array of packaging alternatives including mature leadframe packages and newer advanced leadframe and laminate packages. We also offer an extensive line of services to test digital logic, analog and mixed signal semiconductor devices. We believe that the breadth of our packaging and test services is important to customers seeking to reduce the number of their suppliers.

Leading Technology Innovator. We believe that we are one of the leading providers of advanced semiconductor packaging and test solutions. We have designed and developed state-of-the-art thin package formats and laminate packages including our PowerQuad(R), Super BGA(R), flexBGA(R) and ChipArray(R) BGA packages. To maintain our leading industry position, we have 125 employees engaged in research and development focusing on the design and development of new semiconductor packaging and test technology. We work closely with customers and technology partners to develop new and innovative package designs. We also participate in joint development activities with ASI's research and development staff in Korea.

Long-standing Relationships with Prominent Semiconductor Companies. Our customer base consists of more than 190 companies, including 37 of the world's 40 largest semiconductor companies. In our 32-year operating history, we have developed long-standing relationships with many of our customers. We have served each of our ten largest customers, based on our 1999 net revenues, for more than ten years.

Advanced Manufacturing Capabilities. We believe that our company's and ASI's manufacturing excellence has been a key factor in our success in attracting and retaining customers. We have worked with ASI, our customers and suppliers to develop proprietary process technologies to enhance our existing manufacturing capabilities. These efforts have directly resulted in reduced time to market, increased quality and lower manufacturing costs. We believe our manufacturing cycle times are among the fastest available from any independent provider of packaging and test services.

PACKAGING AND TEST SERVICES

Packaging Services

We offer a broad range of package formats designed to provide our customers with a full array of packaging solutions. Our packages are divided into three families: traditional leadframe, advanced leadframe and laminate, as described below.

Semiconductor packages have evolved from traditional leadframe to advanced leadframe to laminate in response to the increasing demands of today's high-performance electronic products. The differentiating characteristics of these packages include: (1) the size of the package, (2) the number of electrical connections the package can support and (3) the thermal and electrical requirements of the package.

As the size of semiconductor devices shrinks for use in portable computers and wireless telecommunications products, the size of packages must also shrink. In leading-edge packages, the size of the package is reduced to approximately

the size of the individual chip itself, in a process known as chip scale packaging.

The number of electrical connections on a semiconductor device is an important factor in determining its end use in electronic products. As semiconductor devices increase in complexity, the number of electrical connections that is required also increases. Leadframe products have electrical connections from the semiconductor device to the electronic product through leads on the perimeter of the package. Our newer laminate products use balls on the bottom of the package to create the electrical connections and can support larger numbers of electrical connections. These products are called ball grid array or BGA products.

Advanced thermal and electrical characteristics of a particular package improve the functionality and durability of today's high-powered semiconductor devices. For example, a copper layer in a package can help reduce thermal wear on the semiconductor device and improve its electrical conductivity.

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The following table sets forth by product type, for the periods indicated, the amount of our packaging and test net revenues in millions of dollars and the percentage of such net revenues:

	YEAR ENDED DECEMBER 31,					
	1997		1998		1999	
	(DOLLARS IN MILLIONS)					
Traditional leadframe.....	\$ 834	57.3%	\$ 603	41.5%	\$ 560	34.6%
Advanced leadframe.....	312	21.4	343	23.6	412	25.5
Laminate.....	251	17.3	438	30.2	561	34.7
Test and other.....	59	4.0	68	4.7	84	5.2
Total packaging and test net revenues.....	\$1,456	100.0%	\$1,452	100.0%	\$1,617	100.0%

In addition, we had \$116 million and \$293 million of net revenues from wafer fabrication services in 1998 and 1999, respectively.

Traditional Leadframe Packages

Traditional leadframe packages are the most widely used package family and are characterized by a chip encapsulated in a plastic mold compound with metal leads on the perimeter. This package family has evolved from a design where the leads are plugged into holes on the circuit board to a design where the leads are soldered to the surface of the circuit board. We offer a wide range of lead counts and body sizes to satisfy variations in the size of customers' semiconductor devices. Continuous engineering and customization has reduced the footprint of the package on the circuit board and improved the electrical performance of the package. In addition, we have designed package types to dissipate the heat generated by high-powered semiconductor devices. Such "power" designs are advancements on our small outline package (SOP) and metric quad flat package (MQFP) and are called PowerSOP(R) and PowerQuad(R).

The following table presents our traditional leadframe packages, including the number of leads and the description of and end uses for each package format.

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTION	END USES
Plastic Dual In-line Package -- PDIP.....	8-48	General purpose plastic package used in consumer electronic products	Games, telephones, televisions, audio equipment and computer

Shrink PDIP -- SPDIP.....	30-64	General purpose plastic packages used in consumer electronic product	peripherals Games, telephones, televisions, audio equipment and computer peripherals
Hermetic.....	Custom	Ceramic package used in high-reliability applications	Military, space and commercial aviation products
Plastic Leaded Chip Carrier -- PLCC.....	20-84	Package with leads on two sides used in a consumer electronics and products in which the size of the package is not vital	Copiers, printers, scanners, desktop personal computers, electronic games and monitors
Small Outline Integrated Circuit -- SOIC.....	8-44	Small leadframe package designed for applications requiring low height	Pagers, cordless telephones, fax machines, copiers, printers, computer peripherals, audio and video products and automotive systems

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PACKAGE FORMAT -----	NUMBER OF LEADS -----	DESCRIPTION -----	END USES -----
Metric Quad Flat Package -- MQFP.....	44-304	Package with leads on four sides designed for advanced processors, controllers, digital signal processors (DSPs) and application specific integrated circuits (ASICs)	Desktop personal computers, consumer and industrial products, commercial and office equipment and automotive systems
PowerQuad(R).....	64-304	Higher-performance, thermally-enhanced quad flat package (QFPs)	High-performance computers such as workstations and servers, disk drives, central processing units (CPUs), audio telecommunications products,
PowerSOP(R).....	8-36	Higher-performance, thermally-enhanced SOIC package	Pagers, disk drives, wireless telecommunications products, automotive systems and industrial products

Advanced Leadframe Packages

Our advanced leadframe packages are similar in design to our traditional leadframe packages. However, the advanced leadframe packages generally are thinner and smaller, have more leads and have advanced thermal and electrical characteristics.

The thin small outline packages (TSOPs), thin shrink small outline packages (TSSOPs), and shrink small outline packages (SSOPs) are smaller than our traditional small outline integrated circuit (SOIC) package. The thin quad flat package (TQFP) is a smaller version of the metric quad flat package (MQFP). We also offer power versions of these package types to dissipate heat generated by high-powered semiconductor devices. We plan to continue to develop increasingly smaller versions of these packages to keep pace with continually shrinking semiconductor device sizes and demand for miniaturization of portable electronic products.

The following table presents our advanced leadframe packages, including the number of leads and the description of and end uses for each package format.

PACKAGE FORMAT -----	NUMBER OF LEADS -----	DESCRIPTIONS -----	END USES -----
Thin Quad Flat Package -- TQFP.....	32-176	Designed for lightweight, portable electronics requiring broad performance characteristics	Laptop computers, desktop personal computers, disk drives, office equipment, audio and video products and telecommunications and wireless telecommunications products
Thin Small Outline Package -- TSOP.....	28-48	Package designed for high- volume production of low lead-count memory devices such as FLASH, SRAM and DRAM	Laptop computers, desktop personal computers, still and video cameras, and standard connections for peripherals to computers (PCMCIA)
Thin Shrink Small Outline Package -- TSSOP.....	8-80	Smaller version of TSOP designed for logic and analog devices and memory devices such as FLASH, SRAM, EPROM, EEPROM and DRAM	Disk drives, recordable optical disks, audio and video products, consumer electronics and telecommunications products

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PACKAGE FORMAT -----	NUMBER OF LEADS -----	DESCRIPTIONS -----	END USES -----
Shrink Small Outline Package -- SSOP.....	8-56	Smallest of the SOP packages designed for portable products which require reduced size and weight	Pagers, disk drives, portable audio and video products and wireless telecommunications products
MicroLeadframe(TM).....	4-72	Package designed for low lead-count devices requiring reduced size and improved thermal and electrical performance	Telecommunications and wireless telecommunications products and personal digital assistants (PDAs)
ePad(TM), ExposedPad(TM)...	8-208	Thermally and electrically- enhanced TQFP and TSSOP packages	Pagers, disk drives and wireless telecommunications products
Multi-Chip Package -- MCP..	8-44	Package designed to integrate two or more dice to maximize their operating performance	FLASH memory devices, audio and video products, portable consumer electronics, telecommunications and wireless telecommunications products and electronic automotive components

Laminate Packages

The laminate family is our newest package offering. This family employs the ball grid array design which utilizes a plastic or tape laminate substrate rather than a leadframe substrate and places the electrical connections on the bottom of the package rather than around the perimeter.

The ball grid array format was developed to address the need for higher lead counts required by advanced semiconductor devices. As the number of leads surrounding the package increased, packagers increased the proximity of the leads to one another in an attempt to maintain the size of the package. The nearness of one lead to another resulted in electrical shorting problems, and

required the development of increasingly sophisticated and expensive techniques for producing circuit boards to accommodate the high number of leads.

The ball grid array format solved this problem by effectively creating leads on the bottom of the package in the form of small bumps or balls. These balls can be evenly distributed across the entire bottom surface of the package, allowing greater distance between the individual leads. For the highest lead count devices, the ball grid array configuration can be manufactured less expensively and requires less delicate handling at installation.

Our first package format in this family was the plastic ball grid array (PBGA). We have subsequently designed or licensed additional ball grid array package formats that have superior performance characteristics and features that enable low-cost, high-volume manufacturing. These new laminate products include:

- SuperBGA(R), which includes a copper layer to dissipate heat and is designed for low-profile, high-power applications;
- BGA(R), which is designed to be approximately the same size as the chip and uses a thinner tape substrate rather than a plastic laminate substrate; and
- ChipArray(R) BGA, which allows the package to be as small as 1.5 mm larger than the chip itself.

We are currently designing and implementing extensions of existing ball grid array packages, such as ChipArray(R) BGA, TapeSuperBGA(R), TapeArray(TM) BGA and WaferScale Chip Scale Package, to further reduce package size and increase manufacturing efficiency.

The following table presents our laminate packages, including the number of leads and the description of and end uses for each package format.

PACKAGE FORMAT -----	NUMBER OF LEADS -----	DESCRIPTION -----	END USES -----
Plastic Ball Grid Array -- PBGA.....	119-580	Ball grid array package designed for applications which require high performance	Laptop computers, disk drives, video cameras, global positioning systems (GPS), wireless telecommunications products and standard connections for peripherals to computers (PCMCIA)
SuperBGA(R).....	168-600	Higher-performance, thermally-enhanced BGA package designed for digital signal processors (DSPs), application specific integrated (ASICs) and microprocessors	Laptop and palmtop computers, personal digital assistants (PDAs), video graphical user interfaces (video GUI), central processing units (CPUs) and wireless telecommunications products circuits
flexBGA(R).....	132-672	Low-profile package designed to support a densely-packed ball grid array for high lead count devices	Laptop computers, disk drives, pagers, video products and wireless telecommunications products
Micro Ball Grid Array -- BGA(R).....	8-100	Package approximately the size of the die designed for applications which require small size and light weight such as memory devices, including FLASH, SRAM and Rambus DRAM, microprocessors, and	Laptop and palmtop computers, disk drives, personal digital assistants (PDAs), video products, portable consumer products and wireless telecommunications products

PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTION	END USES
		applications specific integrated circuits (ASICs)	
ChipArray(R) BGA.....	8-208	Extension of PBGA package designed for logic, analog and memory devices and application specific integrated circuits (ASICs)	Laptop and palmtop computers, personal digital assistants (PDAs), global positioning systems (GPS), telecommunications and wireless telecommunications products
TapeSuperBGA(R).....	256-696	Extension of SuperBGA(R) package designed for high lead count devices	High-performance computers such as workstations and servers, data communication products and internet routers
TapeArray(TM) BGA.....	48-256	Extension of fleXBGA(R) package designed for logic, analog and memory devices and application specific integrated circuits (ASICs)	Palmtop computers, disk drives, personal digital assistants (PDAs), global positioning systems (GPS), digital consumer electronics and wireless telecommunications products
WaferScale Chip Scale Package -- wsCSP(TM).....	40-200	Extension of BGA(R) package designed for logic and memory devices and other low lead counts devices	Laptop and palmtop computers, personal digital assistants (PDAs) and telecommunications and wireless telecommunications products

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PACKAGE FORMAT	NUMBER OF LEADS	DESCRIPTION	END USES
Flip Chip BGA.....	36-1900	Package with latest interconnect technology that delivers improved electrical performance to devices requiring a large number of leads in a small package	High-performance computers such as workstations and servers, data communications products and internet routers
Multi-Chip Package PBGA -- MCP PBGA.....	119-456	Extension of PBGA package designed to integrate two or more logic, analog and memory devices and application specific integrated circuits (ASICs) to maximize their operating performance	Modems, wireless telecommunications products and electronic automotive components
VisionPak(TM).....	8-48	Ceramic ball grid array package in or which photographic-quality glass is custom mounted above the die	Bar code scanners, digital still cameras, digital video conferencing and electronic toys

Test Services

We also provide our customers with services to test the specifications of semiconductor devices. We have the capability to test digital logic, analog and mixed signal products. The combination of our test operations together with ASI's test operations, which we will acquire when we acquire K1, K2 and K3, comprises one of the largest independent test operations in the world. Although test services accounted for only 4.7% and 5.2% of our net revenues and were performed on only 14% and 17% of the total units shipped in 1998 and 1999, respectively, we believe that our ability to provide both packaging and test services at the same location provides us with a competitive advantage.

WAFER FABRICATION SERVICES

In January 1998, we entered into a supply agreement with ASI to market wafer fabrication services provided by ASI's semiconductor wafer fabrication facility. Using .25 micron and .18 micron CMOS process technology provided by Texas Instruments, this facility currently has a capacity to produce 18,000 eight-inch wafers per month. ASI is in the process of expanding the capacity of the facility to produce 30,000 wafers per month by the end of 2000. The wafer fabrication facility primarily manufactures digital signal processors ("DSPs"), application-specific integrated circuits ("ASICs") and other logic devices, which are found in many advanced electronic products.

We plan to continue to focus our semiconductor technology development efforts to serve the high-performance digital logic market. However, as technological capability evolves and the need for new CMOS designs arises, we anticipate adding embedded memory and special analog functionality to our core CMOS technology.

We can provide a complete turnkey solution comprised of wafer fabrication, packaging and test services. We believe that this will enable customers to achieve faster time to market for new products and reduce manufacturing costs.

Agreements With ASI and Texas Instruments

Texas Instruments and our company have entered into a Manufacturing and Purchase Agreement pursuant to which Texas Instruments has agreed to purchase from us at least 40% of the capacity of ASI's wafer fabrication facility, and under certain circumstances has the right to purchase 70% of the wafer fabrication facility's capacity.

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The Texas Instruments Manufacturing and Purchasing Agreement terminates on December 31, 2007, unless it has been previously terminated. The agreement may be terminated upon, among other things: (1) the consent of ASI, Texas Instruments and our company, (2) a material breach by ASI, Texas Instruments or our company, (3) the failure of ASI to protect Texas Instruments' intellectual property and (4) a change of control, bankruptcy, liquidation or dissolution of ASI. The agreement may also be terminated by ASI or Texas Instruments on two years' notice if they cannot successfully negotiate an agreement to govern ASI's use of Texas Instruments' next-generation CMOS process technology prior to September 30, 2000. During any such two-year notice period, Texas Instruments will only be obligated to purchase a minimum of 20% of the wafer fabrication facility's capacity.

Under the Texas Instruments Technology Agreements, ASI has a license to use Texas Instruments' technology only to provide wafer fabrication services to Texas Instruments. For more information regarding the risks to our company of this relationship and ASI's limited technology license, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors that May Affect Future Operating Performance" in Item 7 of this annual report.

RESEARCH AND DEVELOPMENT

Our research and development efforts focus on developing new package designs and improving the efficiency and capabilities of our existing production processes. We believe that technology development is one of the key success factors in the semiconductor packaging and test market and believe that we have a distinct advantage in this area.

We employ approximately 125 persons in research and development activities. In addition, we involve management and operations personnel in research and development activities. In 1997, 1998 and 1999, we spent \$8.5 million, \$8.3 million and \$11.4 million, respectively, on research and development. We expect to continue to invest in research and development.

In addition to our internal development work and our co-development work with ASI, we also work closely with our packaging equipment and material suppliers in developing advanced processing capabilities and materials for use in our production process. Currently, we are focusing on development programs that extend the capability and applicability of the ball grid array design.

We are implementing new package designs by entering into technology alliances and by licensing leading-edge package designs from others.

- We and Sharp Corporation have entered into a strategic alliance to promote chip scale packaging with fleXBGA(R), a package which is also only slightly larger than the chip itself. The size of this package is ideal for portable electronic products, and the flexible tape substrate enables the package to support a denser ball grid array configuration and thus more complex semiconductor devices.
- We have licensed from Tessera, Inc. the technology for its BGA design, a package which is only slightly larger than the chip itself. Rambus Inc., a fabless semiconductor company, has adopted the BGA(R) package as the preferred package for their Rambus DRAM(R) (RDRAM(R)) designs. Rambus Inc. has developed a technology that increases the speed of semiconductor memory devices and has licensed this technology to leading DRAM manufacturers.
- We have also licensed "flip chip" package design technology from LSI Logic Corporation. Using flip chip technology, we design packages that support the highest number of leads available because we attach the input/output terminals on the chip directly to the leads on the substrate thereby eliminating the need for delicate wire bonds. The flip-chip package can support semiconductor devices with more than 1,000 leads.

MARKETING AND SALES

We sell our packaging and test services and wafer fabrication services to our customers and support them through a network of international offices. To better serve our customers, our offices are located near our

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largest customers or near a concentration of several of our customers. Our office locations include sites in the U.S. (Austin, Texas; Boise, Idaho; Chandler, Arizona; Dallas, Texas; Santa Clara, California; and West Chester, Pennsylvania), France, Singapore, Taiwan, the Philippines, Japan and Korea. We have historically derived a substantial majority of our net revenues from U.S.-based customers.

To provide comprehensive sales and customer service, we assign each of our customers a direct team consisting of an account manager, a technical program manager and one or more customer support representatives. We also typically support our largest multinational customers from multiple offices.

The direct teams are closely supported by an extended staff of product managers, process and reliability engineers, marketing and advertising specialists, information systems technicians and factory personnel. Together, these direct and extended teams deliver an array of services to our customers. These services include: (1) providing information and expert advice on packaging solutions and trends, (2) managing the start-up of specific packaging and test programs, (3) providing a continuous flow of information to the customers regarding products and programs in process and (4) researching and helping to resolve technical and logistical issues.

We are implementing direct electronic links with our customers to enhance communication and facilitate the flow of real-time engineering data and order information. These links connect our customers to our sales and marketing personnel worldwide and to our factories in the Philippines and in Korea (including K1, K2 and K3 following our acquisition of these factories).

CUSTOMERS

We currently have more than 190 customers, and our customers include many of the largest semiconductor companies in the world. The table below lists our top 50 customers in 1999:

Adaptec, Inc.
Advanced Micro Devices, Inc.
Agilent Technologies
Alcatel Mietec
Altera Corporation
American Micro Systems, Inc.

Analog Devices, Inc.
Atmel Corporation
Cirrus Logic
Conexant
Cypress Semiconductor Corp.
Dallas Semiconductor
Ericsson Components AB
Fairchild Semiconductor Corporation
IC Works Inc.
Infineon Technologies AG
Information Storage Devices Inc.
Integrated Circuit Systems, Inc.
Integrated Device Technology, Inc.
Intel Corporation
International Business Machines Corp.
International Rectifier
Intersil Corporation
Lattice Semiconductor Corporation
Level One Communications, Inc.
LSI Logic Corporation
Lucent Technologies, Inc.
Maxim Integrated Circuits
Microchip Technology Inc.
Mitel Semiconductor
Motorola, Inc.
National Semiconductor Corp.
NEC Corporation Ltd.
NeoMagic Corporation
Nortel Networks
Nvidia Corporation
ON Semiconductor
Philips Electronics
R.F. Micro Devices
Robert Bosch GmbH
S3 Incorporated
Siera Semiconductor Corporation
Silicon Storage Technology, Inc.
ST Microelectronics PTE
Taiwan Semiconductor
Texas Instruments, Inc.
Toshiba
VTC Inc.
Xilinx, Inc.
Zilog Electronics

Our five largest packaging and test customers collectively accounted for approximately 40.1%, 35.3% and 30.6% of our net revenues in 1997, 1998 and 1999, respectively. We anticipate that, for the foreseeable future, our top five customers will continue to account for a substantial percentage of our net revenues. In addition,

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during 1998 and 1999, we derived 7.4% and 15.3%, respectively of our net revenues from wafer fabrication services, and we derived all of these revenues from Texas Instruments.

MATERIALS AND EQUIPMENT

Our packaging operations depend upon obtaining adequate supplies of materials and equipment on a timely basis. The principal materials used in our packaging process are leadframes or laminate substrates, gold wire and molding compound. We purchase materials based on customer orders, and our customers are generally responsible for any unused materials in excess of the quantity that they indicated that they would need.

We work closely with our primary material suppliers to insure that materials are available and delivered on time. Moreover, we also negotiate worldwide pricing agreements with our major suppliers to take advantage of the scale of our operations. We are not dependent on any one supplier for a substantial portion of our material requirements.

Our packaging operations and our expansion plans also depend on obtaining adequate supplies of manufacturing equipment on a timely basis. We work closely

with major equipment suppliers to insure that equipment is delivered on time and that the equipment meets our stringent performance specifications.

For a discussion of additional risks associated with our materials and equipment suppliers, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors that May Affect Future Operating Performance" in Item 7 of this annual report.

ENVIRONMENTAL MATTERS

For a discussion of the environmental issues and risks facing us, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors that May Affect Future Operating Performance -- Environmental Regulations" in Item 7 of this annual report.

COMPETITION

The independent semiconductor packaging and test market is very competitive. This sector is comprised of approximately 40 companies.

We face substantial competition from established packaging and test service providers primarily located in Asia, including companies with significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities. These companies include Advanced Semiconductor Engineering, Inc., ASE Test Limited, ASAT Ltd., Hana Microelectronics Public Co. Ltd., Astra International, Carsem Bhd., ChipPAC Incorporated, Siliconware Precision Industries Co., Ltd. and Shinko Electric Industries Co., Ltd. Such companies have also established relationships with many large semiconductor companies that are current or potential customers of our company. On a larger scale, we also compete with the internal semiconductor packaging and test capabilities of many of our customers.

The principal elements of competition in the independent semiconductor packaging market include: (1) breadth of package offering, (2) technical competence, (3) new package design and implementation, (4) manufacturing yields, (5) manufacturing cycle times, (6) customer service and (7) price. We believe that we generally compete favorably with respect to each of these factors.

The independent wafer fabrication business is also highly competitive. Our wafer fabrication services compete primarily with independent semiconductor wafer foundries, including those of Chartered Semiconductor Manufacturing, Inc., Taiwan Semiconductor Manufacturing Company, Ltd. and United Microelectronics Corporation. Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities and has been operating for some time. We also expect to compete with device manufacturers that provide semiconductor wafer fabrication facility services for other semiconductor companies, such as LG Semicon Co., Ltd., Hitachi, Ltd., Toshiba Corp. and Winbond Electronics Corporation. Each of these independent semiconductor wafer foundries, and many of

these companies have also established relationships with many large semiconductor companies that are current or potential customers of our company.

The principal elements of competition in the wafer fabrication facility market include: (1) technical competence, (2) new semiconductor wafer design and implementation, (3) manufacturing yields, (4) manufacturing cycle times, (5) customer service and (6) price. As with the independent semiconductor packaging market, we believe that we generally compete favorably with respect to each of these factors.

INTELLECTUAL PROPERTY

We currently hold 68 U.S. patents, 35 of which are held jointly with ASI, related to various semiconductor packaging technologies. These patents will expire at various dates from 2012 through 2018. We also have 102 pending patent applications and are preparing an additional 27 patent applications for filing. With respect to development work undertaken jointly with ASI, we share intellectual property rights with ASI under the terms of the supply agreements between our company and ASI. The supply agreements provide for the cross-licensing of intellectual property rights between our company and ASI. In connection with the acquisition of K1, K2 and K3 from ASI we will acquire all of

ASI's patents, patent applications and other intellectual property rights related to its packaging and testing business. We also enter into agreements with other developers of packaging technology to license or otherwise obtain certain process or packaging technologies.

We expect to continue to file patent applications when appropriate to protect our proprietary technologies. However, we believe that our continued success depends primarily on factors such as the technological skills and innovation of our personnel rather than on our patents. We may need to enforce our patents or other intellectual property rights or to defend our company against claimed infringement of the rights of others through litigation, which could result in substantial cost and diversion of our resources.

Although we are not currently a party to any material litigation, the semiconductor industry is characterized by frequent claims regarding patent and other intellectual property rights. If a third party were to bring a valid legal claim against our company or ASI, we and ASI could be required to: (1) discontinue the use of certain processes, (2) cease the manufacture, use, import and sale of infringing products, (3) pay substantial damages, (4) develop non-infringing technologies or (5) acquire licenses to the technology that we had allegedly infringed.

EMPLOYEES

As of December 31, 1999, we had approximately 13,285 full-time employees. Of these employees, 11,620 were engaged in manufacturing, 1,060 were engaged in manufacturing support, 125 were engaged in research and development, 270 were engaged in marketing and sales and 210 were engaged in finance, business management and administration. Our employees are not represented by any collective bargaining agreement, and we have never experienced a work stoppage. We believe that our relations with our employees are good. In connection with the acquisition of K1, K2 and K3, we expect to hire an additional 6,600 employees currently working at K1, K2 and K3. Certain of the employees at K1, K2 and K3 are members of a union, and all employees at these factories are subject to collective bargaining agreements.

CORPORATE HISTORY

Amkor Technology Inc. was formed in September 1997 to consolidate the ownership of the following interdependent companies which were involved in the same business under the direction of common management (the "Reorganization"):

- AEI and its subsidiaries Amkor Receivables Corp., which purchases our accounts receivable under an accounts receivable financing arrangement, and Amkor Wafer Fabrication Services SARL, which provides various technical support for CIL Limited's ("CIL") wafer fabrication services customers in Europe and Asia;

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- T.L. Limited ("TLL") and its subsidiary CIL, which markets our services to semiconductor companies in Europe and Asia;
- Amkor/Anam EuroServices S.A.R.L. ("AAES"), which provides various technical and support services for CIL's packaging and test customers;
- Amkor/Anam Advanced Packaging, Inc. ("AAP"), Amkor/Anam Pilipinas, Inc. ("AAP") and AAP's subsidiary Automated MicroElectronics, Inc. ("AMI"), each of which provides manufacturing services; and
- AK Industries, Inc. ("AKI") and its subsidiary, Amkor-Anam, Inc., which provides raw material purchasing and inventory management services.

Subsequent to the Reorganization, we created additional subsidiaries and reorganized the ownership structure of several of our subsidiaries.

OUR ACQUISITION OF ASI'S PACKAGING AND TEST BUSINESS AND INVESTMENT IN ASI

PROPOSED ACQUISITION

We have agreed with ASI, subject to certain conditions, to purchase ASI's packaging and test business, which consists primarily of its K1, K2 and K3 factories. The purchase price for these assets will be approximately \$950.0

million. The table below provides selected information about these factories:

FACTORY -----	LOCATION -----	EMPLOYEES -----	APPROXIMATE FACTORY SIZE (SQUARE FEET) -----	SERVICES -----
K1.....	Seoul, Korea	3,300	646,000	lead frame packaging and package and process development
K2.....	Pucheon, Korea	1,800	264,000	lead frame and laminates packaging services
K3.....	Pupyong, Korea	1,500	404,000	advanced lead frame packaging and test services

In connection with our acquisition of K1, K2 and K3, we will acquire all of ASI's patents, patent applications and other intellectual property rights related to its packaging and test business. We also plan to retain the approximately 6,600 Korean employees currently working at K1, K2 and K3. We intend to complete the acquisition during the second quarter of 2000.

PROPOSED INVESTMENT

In October 1999, we purchased 10 million shares of ASI's common stock at a price of (Won)5,000 per share for approximately \$41.6 million. As a result of this investment and the conversion of ASI's debt to equity by ASI's creditor banks, we now own approximately 18% of ASI's voting stock. We have also agreed to make a \$459.0 million additional investment in ASI, subject to certain conditions. We have agreed to invest \$309.0 million of this additional investment at the time we acquire K1, K2 and K3, with the remaining \$150.0 million to be invested in three installments: \$30.0 million by June 30, 2000, \$60.0 million by August 31, 2000 and \$60.0 million by October 31, 2000. However, we have the right to accelerate this investment. Of this \$459.0 million investment, \$109.0 million will be invested at a purchase price of (Won)8,000 per share and the remaining \$350.0 million will be invested at (Won)18,000 per share. As of February 28, 2000, the closing price of ASI's common stock on the Korea Stock Exchange was (Won)10,100 per share. As of March 16, 2000, the closing price of ASI's common stock on the Korea Stock Exchange was (Won)15,650. Our investment will fulfill our prior obligation to invest \$150.0 million in ASI. Based upon an exchange rate of (Won)1,135 per \$1.00 at December 31, 1999, we would purchase a total of approximately 37.5 million shares for this \$459.0 million investment in ASI. If we acquire this number of shares of ASI's common stock, assuming ASI's creditor banks convert an additional (Won)150 billion (approximately \$132 million) of their ASI debt to equity in connection with our acquisition and investment, we will own approximately 43% of ASI's outstanding voting stock.

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PROPOSED FINANCING

We intend to finance the purchase of K1, K2 and K3 and the investment in ASI with the proceeds of an offering of \$225.0 million convertible subordinated notes, (\$258.8 million inclusive of the exercised over-allotment option) our proposed private placement of Series A preferred stock, approximately \$750.0 million of new secured bank debt and cash on hand.

In November 1999, we secured a commitment from a group of institutional investors to provide \$410.0 million in equity financing for use in connection with our proposed acquisition of K1, K2 and K3. If we consummate our acquisition of K1, K2 and K3, we would issue to these investors a total of 2,050,000 shares of Series A preferred stock, convertible into an aggregate of 20,500,000 shares of our common stock. In addition, we would issue warrants for an aggregate of 3,895,000 shares of our common stock with a strike price of \$27.50 per share to the Series A preferred stock investors. These warrants would expire four years after the date we issue them.

We expect to borrow \$750.0 million under a new \$850.0 million secured credit facility, consisting of \$650.0 million of term loans and \$100.0 million drawn under the \$200.0 million revolving credit line included as part of this credit facility. We are currently in the process of negotiating the terms of the

facility to be provided by a syndicate of institutional lenders. The initial borrowing under the facility will be subject to the consummation of our proposed acquisition of K1, K2 and K3 and other related transactions. The facility will provide for amortization of the drawn amount over a five to five and one-half year period and quarterly principal and interest payments. We will be required to make mandatory prepayments under the facility out of a portion of any excess cash flow, the net proceeds of any asset sales and the net proceeds of any issuance of debt or equity securities, subject to certain exceptions. We expect that the agreement governing the facility will include certain financial covenants, as well as covenants restricting our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. We expect that our obligations under the facility will be guaranteed by certain of our subsidiaries and will be secured by a pledge of the domestic assets of our company and our subsidiaries, a pledge of the shares of certain of our subsidiaries and a pledge of certain intercompany indebtedness.

The closing of our proposed private placement of Series A preferred stock and our proposed new secured bank financing is expected to take place concurrently with, and is conditioned upon, the closing of our acquisition of K1, K2 and K3 and our investment in ASI. We cannot assure you that any of these transactions will occur. For information on the risks we face if these transactions do not occur, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Risk Factors that May Affect Future Operating Performance" in Item 7 of this annual report. If our proposed acquisition is not consummated in all material respects by August 31, 2000, holders of the new convertible subordinated notes will have the right to require us to repurchase their notes.

RELATIONSHIP WITH ASI

ASI is a Korean company engaged primarily in providing semiconductor packaging and test services and wafer fabrication services. ASI currently operates three semiconductor packaging and test factories in Korea, K1, K2 and K3, which we plan to acquire. ASI also operates a semiconductor wafer fabrication facility in Korea. In addition, ASI has a number of direct and indirect subsidiaries, including Anam Engineering and Construction Co., Ltd., which is currently subject to corporate reorganization proceedings in Korea. If we complete our acquisition of K1, K2 and K3 from ASI, ASI's business will consist primarily of, and ASI will derive substantially all of its revenues from, the sale of wafer fabrication services to us. We, in turn, will continue to derive all of our wafer fabrication revenues from wafer fabrication services performed for us by ASI.

We have a long-standing relationship with ASI. ASI was founded in 1956 by Mr. H. S. Kim, the father of Mr. James Kim, our Chairman and Chief Executive Officer. Since January 1992, in addition to his other responsibilities, Mr. James Kim has served as Chairman and a Director of ASI. For the years ended December 31, 1997, 1998 and 1999, we derived 68%, 69%, and 60% of our net revenues and 42%, 49% and 38% of our gross profit from sales of services performed for us by ASI.

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Under our current supply agreements with ASI, we have a first right to substantially all of its packaging and test services and the exclusive right to all of the output of its semiconductor wafer fabrication facility. In May 1999, we purchased the K4 packaging and test factory from ASI for \$575.0 million plus the assumption of approximately \$7.0 million of employee benefit liabilities. Following our acquisition of K1, K2 and K3 from ASI, our supply agreement with ASI relating to packaging and test services will terminate, and we expect to continue to purchase all of ASI's semiconductor wafer output.

ASI DEBT RESTRUCTURING

ASI has been severely affected by the economic crisis in Korea beginning in late 1997. ASI historically operated with a significant amount of debt relative to its equity. The economic crisis in Korea led to sharply higher interest rates and significantly reduced opportunities for refinancing maturing debts. Because ASI maintained a substantial amount of short-term debt, its inability to refinance this debt created a liquidity crisis for ASI. In addition to its own leveraged financial position, ASI guarantees certain debt obligations of its affiliates, many of which have encountered financial difficulties as a result of the Korean economic crisis.

In October 1998, ASI announced that it had commenced negotiations with its Korean creditor banks to enter into a debt restructuring arrangement known as a "workout." ASI's workout was arranged under an accord among Korean creditor banks to assist in the restructuring of Korean businesses and did not involve the judicial system. The workout became effective in April 1999 and includes the following arrangements:

- ASI was permitted to defer repayment on principal of ordinary loans until December 31, 2003.
- ASI was permitted to defer repayment of principal under capital leases until December 31, 1999, with payments of principal to resume under a seven-year installment plan thereafter.
- ASI was permitted to defer the maturity of its won-denominated debentures for an additional three-year term after scheduled maturity dates.
- ASI was permitted to make no interest payments on ordinary loans until December 31, 1999.
- The creditor banks reduced interest rates on ASI's remaining outstanding won-denominated ordinary loans to 10% or the prime rate of each creditor bank, whichever was greater.
- ASI was given a grace period until December 31, 2003 against enforcement of guarantees made by ASI for liabilities of ASI's affiliates. In addition, interest was not to accrue on guaranteed obligations during this period.
- For the duration of the workout, the creditor banks were to be entitled to vote the ASI shares owned by Mr. James Kim and his family.
- The creditor banks agreed to convert (Won)250 billion (approximately \$208 million) of their ASI debt into (1) equity in the amount of (Won)122.3 billion (approximately \$102 million), (2) five-year non-interest bearing convertible debt in the amount of (Won)108.1 billion (approximately \$90 million) and (3) non-interest bearing loans in the amount of (Won)19.6 billion (approximately \$16 million), provided that we made a \$150.0 million equity investment in ASI.

In October 1999, the creditor banks converted (Won)98 billion (approximately \$82 million) of ASI debt held by them into ASI stock. As a result, ASI's creditor banks now own approximately 36% of ASI's voting stock. Also in October 1999, we made a (Won)50 billion (approximately \$41.6 million) equity investment in ASI, fulfilling the first installment of our commitment to invest \$150.0 million in ASI in connection with ASI's workout.

ASI is currently in negotiations with its Korean creditor banks to arrange the termination of its workout in connection with our proposed acquisition of the K1, K2 and K3 factories and our proposed investment in ASI. Specifically, ASI plans to repay (Won)1,088 billion (approximately \$959 million) of its outstanding debt using the proceeds from its sale of K1, K2 and K3 and our investment. ASI currently anticipates that its creditor banks will convert up to an additional (Won)150 billion (approximately \$132 million) of ASI's debt into equity concurrent with our proposed acquisition. ASI is negotiating with its creditor banks to obtain further

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concessions relating to its debt. Following the conversion of ASI's debt to equity by ASI's creditor banks and our investment in ASI, ASI's creditor banks will own approximately 34% of ASI's outstanding voting stock.

RELATIONSHIP WITH ASI FOLLOWING OUR ACQUISITION OF ASI'S PACKAGING AND TEST BUSINESS AND OUR INVESTMENT IN ASI

If we complete our proposed acquisition of K1, K2 and K3 and our proposed investment in ASI, we expect to continue to have certain contractual and other business relationships with ASI, including under our wafer fabrication services supply agreement with ASI. Under this supply agreement, we will continue to have the exclusive right to all of the wafer output of ASI's wafer fabrication facility. The supply agreement has a five-year term, expiring November 1, 2002, and may be terminated by either party upon five years' written notice after completion of the initial five year term. The supply agreement may also be

terminated upon breach or insolvency of either party. The supply agreement generally provides for continued cooperation between our company and ASI in research and development.

Concurrent with the completion of our proposed acquisition of K1, K2 and K3, we will enter into a transition services agreement with ASI. Pursuant to this agreement, we will provide many of the same services to ASI's wafer fabrication business that had been provided by ASI's packaging and test business prior to its acquisition by us, including human resources, accounting and general administrative services and customer services.

Following our proposed investment in ASI and the anticipated conversion of additional ASI debt to equity by ASI's creditor banks, we will own approximately 43% of ASI's outstanding voting stock. Accordingly, we will report ASI's financial results in our financial statements through the equity method of accounting. If ASI's results of operations are adversely affected for any reason, our results of operations will suffer as well. Financial or other problems affecting ASI could also lead to a complete loss of our investment in ASI. In addition, under proposed changes in U.S. GAAP, we could be required to consolidate ASI's financial results with ours. In such an event, adverse changes in any line item of ASI's financial statements would adversely affect the corresponding line items in our consolidated financial statements.

Our company and ASI will also continue to have close ties due to our overlapping ownership and management. We expect that Mr. James Kim will continue to serve as Chairman and as a Director of ASI and as our Chairman and Chief Executive Officer. The Kim family currently beneficially owns approximately 59% of our outstanding common stock and approximately 11% of ASI's voting stock. If we complete our proposed private placement of Series A preferred stock, our proposed investment in ASI and if ASI's creditor banks convert additional ASI debt into equity, the Kim family will beneficially own approximately 51% of our outstanding common and preferred voting stock and approximately 6% of ASI's voting stock. Even though the Kim family's direct ownership of ASI and our company will be reduced, we believe that the Kim family will continue to exercise significant influence over our company, ASI and its affiliates.

We have also entered into agreements with ASI and Texas Instruments relating to our wafer fabrication business. For information on these agreements, see "Wafer Fabrication Services."

We may engage in other transactions with ASI from time to time that are material to us. The indentures governing our senior subordinated notes, our subordinated notes and our convertible subordinated notes, as well as the agreements relating to our new secured bank debt, restrict our ability to enter into transactions with ASI and other affiliates.

ITEM 2. PROPERTIES

We provide packaging and test services through our three factories in the Philippines and our recently acquired factory in Korea. We source additional packaging and test services from K1, K2 and K3 in Korea pursuant to a supply agreement with ASI. We plan to acquire K1, K2 and K3 from ASI in the second quarter of 2000. We also source wafer fabrication services from ASI's semiconductor wafer fabrication facility located in Korea pursuant to another supply agreement. In addition, we have a research and development facility at

our Chandler, Arizona site. For information about our supply agreements with ASI, see "Business -- Our Acquisition of ASI's Packaging and Test Business and Investment in ASI."

We believe that total quality management is a vital component of our advanced manufacturing capabilities. We have established a comprehensive quality operating system designed to: (1) promote continuous improvements in our products and (2) maximize manufacturing yields at high volume production without sacrificing the highest quality standards. Each of our factories and each of ASI's factories is ISO9002 and QS9000 certified. ISO9002 is a worldwide manufacturing quality certification program administered by an independent standards organization. QS9000 is a manufacturing quality certification program administered by an independent standards organization that is used primarily by U.S. automotive manufacturers. We believe that many of our customers prefer to purchase from suppliers who are ISO9002 and QS9000 certified. In addition to

providing world-class manufacturing services, our factories in the Philippines and Korea and ASI's factories in Korea provide purchasing, engineering and customer service support.

The size, location, and manufacturing services provided by each of our company's and ASI's factories, are set forth in the table below.

LOCATION -----	APPROXIMATE FACTORY SIZE (SQUARE FEET) -----	SERVICES -----
OUR FACTORIES		
Muntinlupa, Philippines (P1)	579,000	Packaging and test services Packaging and process development
Muntinlupa, Philippines (P2)	115,000	Packaging services
Province of Laguna, Philippines (P3)	388,000	Packaging and test services
Kwangju, Korea (K4)	782,000	Packaging and test services
ASI'S FACTORIES		
Seoul, Korea (K1)*	646,000	Packaging services Package and process development
Puccheon, Korea (K2)*	264,000	Packaging services
Pupyong, Korea (K3)*	404,000	Packaging and test services
Puccheon, Korea	480,000	Wafer fabrication services

* Proposed to be acquired by us in the second quarter of 2000.

Our operational headquarters is located in Chandler, Arizona, and our administrative headquarters is located in West Chester, Pennsylvania. In addition to an executive staff, the Chandler, Arizona campus houses: (1) sales and customer service for the southwest region, (2) product management planning and marketing and (3) a 121,000 square foot center for technical design and research and development. The West Chester location houses finance and accounting, legal, personnel administration and information systems, and serves as a satellite sales office for our eastern sales region.

ITEM 3. LEGAL PROCEEDINGS

In the ordinary course of business we may be involved in legal proceedings from time to time. As of the date of this annual report, there are no material proceedings pending against us.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

There were no matters submitted to a vote of security holders during the fourth fiscal quarter of the fiscal year ended December 31, 1999.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

Our common stock is traded on the Nasdaq National Market under the symbol "AMKR." Public trading of the common stock began on May 1, 1998. Prior to that, there was no public market for our common stock. The following table sets forth, for the periods indicated, the high and low sale price per share of our common stock as quoted on the Nasdaq National Market.

	HIGH -----	LOW -----
1998		
Second Quarter (from May 1, 1998).....	\$14.0000	\$ 7.0000
Third Quarter.....	9.7500	3.2500
Fourth Quarter.....	10.8750	3.0000

1999

First Quarter.....	12.5625	7.1875
Second Quarter.....	10.6250	7.0938
Third Quarter.....	22.8750	9.1250
Fourth Quarter.....	29.5625	15.6250

There were approximately 477 holders of record as of March 15, 2000 of our Common Stock.

DIVIDEND POLICY

We currently expect to retain future earnings, if any, for use in the operation and expansion of our business and do not anticipate paying any cash dividends in the foreseeable future. In addition, our new secured bank debt agreements and the indentures governing our senior, senior subordinated and convertible subordinated notes restrict our ability to pay dividends.

RECENT SALES OF UNREGISTERED SECURITIES

On March 22, 2000, we issued \$258.75 million of principal of 5% convertible subordinated notes due 2007 to a group of initial purchasers led by Salomon Smith Barney and S.G. Cowen & Company. The notes were issued in reliance on Rule 144A promulgated under the Securities Act of 1933, as amended. The notes will be convertible into Amkor Common Stock at a conversion price of \$57.34 per share. The net proceeds of the offering will be used to partially fund the acquisition of three semiconductor packaging factories from Anam Semiconductor, Inc.

ITEM 6. SELECTED FINANCIAL DATA

SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF AMKOR

We have derived the selected historical consolidated financial data presented below for, and as of the end of, each of the years in the five-year period ended December 31, 1999 from our consolidated financial statements. Arthur Andersen LLP, independent public accountants, has audited the consolidated financial statements as of December 31, 1998 and 1999 and for each of the years in the three-year period ended December 31, 1999. Their report on these consolidated financial statements, together with such consolidated financial statements and the notes thereto, are included elsewhere in this annual report. We have derived the selected consolidated financial data presented below as of December 31, 1995, 1996 and 1997 and for the years ended December 31, 1995 and 1996 from audited consolidated financial statements which are not presented in this annual report. You should read the selected consolidated financial data set forth below in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the related notes, included elsewhere in this annual report.

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
INCOME STATEMENT DATA:					
Net revenues.....	\$932,382	\$1,171,001	\$1,455,761	\$1,567,983	\$1,909,972
Cost of revenues -- including purchases from ASI.....	783,335	1,022,078	1,242,669	1,307,150	1,577,226
Gross profit.....	149,047	148,923	213,092	260,833	332,746
Operating expenses:					
Selling, general and administrative.....	55,459	66,625	103,726	119,846	145,233
Research and development.....	8,733	10,930	8,525	8,251	11,436
Total operating expenses.....	64,192	77,555	112,251	128,097	156,669
Operating income.....	84,855	71,368	100,841	132,736	176,077
Other (income) expense:					
Interest expense, net.....	9,797	22,245	32,241	18,005	45,364
Foreign currency (gain) loss.....	1,512	2,961	(835)	4,493	308
Other (income) expense, net(a).....	6,523	3,150	8,429	9,503	25,117
Total other (income) expense.....	17,832	28,356	39,835	32,001	70,789

Income before income taxes, equity in income (loss) of investees and minority interest...	67,023	43,012	61,006	100,735	105,288
Provision for income taxes(b).....	6,384	7,876	7,078	24,716	26,600
Equity in income (loss) of investees(c).....	2,808	(1,266)	(17,291)	--	(1,969)
Minority interest(d).....	1,515	948	(6,644)	559	--
Net income(b).....	\$ 61,932	\$ 32,922	\$ 43,281	\$ 75,460	\$ 76,719
Basic net income per common share.....	\$.75	\$.40	\$.52	\$.71	\$.64
Diluted net income per common share.....	\$.75	\$.40	\$.52	\$.70	\$.63

Pro Forma Data (Unaudited) (b):

Historical income before income taxes, equity in income (loss) of ASI and minority interest.....	\$ 67,023	\$ 43,012	\$ 61,006	\$ 100,735
Pro forma provision for income taxes.....	16,784	10,776	10,691	29,216
Pro forma income before equity in income (loss) of investees and minority interest...	50,239	32,236	50,315	71,519
Historical equity in income (loss) of investees(c).....	2,808	(1,266)	(17,291)	--
Historical minority interest.....	1,515	948	(6,644)	599
Pro forma net income.....	\$ 51,532	\$ 30,022	\$ 39,668	\$ 70,960
Basic pro forma net income per common share...	\$.62	\$.36	\$.48	\$.67
Diluted pro forma net income per common share.....	\$.62	\$.36	\$.48	\$.66

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YEAR ENDED DECEMBER 31,

	1995	1996	1997	1998	1999
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(IN THOUSANDS, EXCEPT PER SHARE DATA)

Shares used in computing basic pro forma net income per common share.....	82,610	82,610	82,610	106,221	119,341
Shares used in computing pro forma diluted net income per common share.....	82,610	82,610	82,610	116,596	135,067
OTHER FINANCIAL DATA:					
Depreciation and amortization.....	\$ 26,614	\$ 57,825	\$ 81,864	\$ 119,239	\$ 180,332
Capital expenditures.....	123,645	185,112	178,990	107,889	242,390

DECEMBER 31,

	1995	1996	1997	1998	1999
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(IN THOUSANDS)

BALANCE SHEET DATA:

Cash and cash equivalents.....	\$ 91,151	\$ 49,664	\$ 90,917	\$ 227,587	\$ 98,045
Short term investments.....	0	881	2,521	1,000	136,595
Working capital (deficit).....	111,192	36,785	(38,219)	191,383	194,352
Total assets.....	626,379	804,864	855,592	1,003,597	1,755,089
Total long-term debt.....	326,422	402,338	346,710	221,846	687,456
Total debt, including short-term borrowings and current portion of long-term debt.....	411,542	594,151	514,027	260,503	693,921
Stockholders' equity.....	45,289	45,812	90,875	490,361	737,741

(a) In 1999 we recognized a pre-tax loss of \$17.4 million as a result of the early conversion of \$153.6 million principal amount of our 5 3/4% convertible subordinate notes due 2003.

(b) Prior to our reorganization in April 1998, our predecessor, AEI, elected to be taxed as an S Corporation under the Internal Revenue Code of 1986 and comparable state tax laws. As a result AEI did not recognize any provision for federal income tax expense during the periods presented. The pro forma provision for income taxes reflects the U.S. federal income taxes that would have been recorded if AEI had been a C Corporation during these periods.

- (c) In 1997, we recognized a loss of \$17.3 million resulting principally from the impairment of value of our prior investment in ASI, which we sold in February, 1998.
- (d) Represents ASI's 40% interest in the earnings of Amkor/Anam Pilipinas, Inc. ("AAP"), one of our subsidiaries in the Philippines. We purchased ASI's interest in AAP with a portion of the proceeds from our initial public offering in May 1998.

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

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

The following discussion contains forward-looking statements within the meaning of the federal securities laws, including statements regarding: (1) the anticipated growth in the market for our products, (2) our anticipated capital expenditures and financing needs, (3) our expected capacity utilization rates, (4) our belief as to our future operating performance, (5) our proposed acquisition of K1, K2 and K3 and our proposed investment in ASI, including the financing of these transactions, (6) future won/dollar exchange rates, (7) the future of our relationship with ASI and (8) other matters that are not historical facts. 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 "Risk Factors that May Affect Future Operating Performance" and "Business." The following discussion provides information and analysis of our results of operations for the three years ended December 31, 1999 and our liquidity and capital resources. You should read the following discussion in conjunction with "Selected Historical Consolidated Financial Data of Amkor" and our consolidated financial statements and the related notes, included elsewhere in this annual report.

OVERVIEW

From 1995 to 1999, our net revenues increased from \$932.4 million to \$1,910.0 million. We generate revenues primarily from the sale of semiconductor packaging and test services. Historically we performed these services at our three factories in the Philippines and subcontracted for additional services with ASI which operated four packaging and test facilities in Korea. In May 1999, we acquired K4, one of ASI's packaging and test facilities, and we intend to acquire ASI's remaining packaging and test facilities, K1, K2, and K3 during the second quarter of 2000. Since 1998, we have also generated revenue by marketing the wafer fabrication services performed by the wafer fabrication facility owned by ASI. If we complete our proposed acquisition of K1, K2 and K3, we will no longer depend upon ASI for packaging or test services, but we will continue to market ASI's wafer fabrication services.

Historically, prices for our packaging and test services and wafer fabrication services have declined over time. Beginning in 1997, a worldwide slowdown in demand for semiconductor devices led to excess capacity and increased competition. As a result, price declines in 1998 accelerated. From 1996 through 1999, we were able to partially offset the effect of price declines by successfully developing and marketing new packages with higher prices, such as advanced leadframe and laminate packages. We cannot assure you that we will be able to offset any such price declines in the future. In addition, beginning in the third quarter of 1999, demand for packaging and test services increased significantly, which reduced the decline in average selling prices. You should read "Business -- Packaging and Test Services" for more detailed descriptions of our product offerings.

We depend on a small group of customers for a substantial portion of our revenues. In 1997, 1998 and 1999, we derived 40.1%, 35.3% and 30.6%, respectively, of our net revenues from sales to five packaging and test customers, with 23.4%, 20.6% and 14.1% of our net revenues, respectively, derived from sales to Intel Corporation. In addition, during 1998 and 1999, we derived 7.4% and 15.3%, respectively, of our net revenues from wafer fabrication services, and we derived substantially all of these revenues from Texas Instruments.

Historically, our cost of revenues has consisted principally of: (1) service charges paid to ASI for packaging and test services performed for us, (2) costs of materials and (3) labor and other costs at our factories in the Philippines and at K4 after our acquisition of that factory in May 1999. Service charges paid to ASI and our gross margins on sales of services performed by ASI have been set in accordance with our supply agreements with ASI, which provide for periodic pricing adjustments based on changes in forecasted demand, product mix, capacity utilization and fluctuations in exchange rates, as well as our mutual long-term strategic interests. Fluctuations in service charges we pay to ASI have historically had a significant effect on our gross margins. In addition, our gross margins on sales of services performed by ASI have generally been lower than our gross margins on sales of services performed by our factories in the Philippines, but we have not borne any

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of ASI's fixed costs. If we complete our proposed acquisition of K1, K2 and K3 from ASI, we will bear all of the costs associated with these factories, but we will no longer pay service charges to ASI for packaging and test services. We will continue to incur costs of direct materials used in packages that we produce for our customers. Because a portion of our costs at our factories in the Philippines and Korea will remain fixed, increases or decreases in capacity utilization rates may continue to have a significant effect on our gross profit. The unit cost of packaging and test services generally decreases as fixed charges, such as depreciation expense on our equipment, are allocated over a larger number of units produced.

In order to meet customer demand for our laminate packages, we have made significant investments to expand our capacity in the Philippines. In connection with our newest factory in the Philippines, P3, in 1996 we expensed \$15.5 million of pre-operating and start-up costs and in the first six months of 1997 we incurred \$16.6 million of initial operating losses. This factory operated at substantially less than full capacity during these periods while our customers were completing qualification procedures for the production of laminate packages at this factory. During the last six months of 1997 and in 1998 and in 1999, we significantly increased utilization at P3 due to continued growth in demand for laminate packages. As a result, P3 contributed positive gross margins throughout 1998 and 1999.

Relationship with ASI

Through our supply agreements with ASI, we historically have had a first right to substantially all of the packaging and test services capacity of ASI and the exclusive right to all of the wafer output of ASI's wafer fabrication facility. During 1997, 1998 and 1999, we derived approximately 68%, 69% and 60%, respectively, of our net revenues and approximately 42%, 49% and 38%, respectively, of our gross profit from sales of services performed for us by ASI. In addition, ASI has derived nearly all of its revenues from services sold by us. Historically, ASI has directly sold packaging and test services in Japan and Korea. In January 1998, we assumed the marketing rights for packaging and test services in Japan from ASI, and we expect to assume marketing rights for such services in Korea upon completion of our proposed acquisition of K1, K2 and K3. In January 1998, we also began marketing wafer fabrication services provided by ASI's new semiconductor wafer fabrication facility.

Upon completion of our proposed acquisition of K1, K2 and K3, we will no longer receive any packaging and test services from ASI. However, we expect to continue to have certain contractual and other business relationships with ASI, primarily our wafer fabrication services supply agreement. Under this supply agreement, we will continue to have the exclusive right to all of the wafer output of ASI's wafer fabrication facility, and we expect to continue to purchase all of ASI's wafer fabrication services. Furthermore, we will own approximately 43% of ASI's outstanding voting stock after our investment in ASI and the anticipated conversion of an additional (WON)150 billion (approximately \$132.0 million) of ASI's debt to equity by ASI's creditor banks. Accordingly, we will report ASI's results in our financial statements through the equity method of accounting. Our company and ASI will also continue to have close ties due to our overlapping ownership and management.

For more information concerning our relationship with ASI, you should read "Risk Factors that May Affect Future Operating Performance."

Financial Impact of Our Acquisition of K1, K2 and K3 and Investment in ASI on

Our Results of Operations

If we complete our proposed acquisition of K1, K2 and K3 and our proposed investment in ASI, we expect there will be significant changes in our future financial results. Because we already sell substantially all of the output of K1, K2 and K3, there will not be a significant change in our revenues. We expect our gross margin to increase significantly as the K1, K2 and K3 factories would no longer be subject to our supply agreement with ASI. The factories that we currently own operate with gross margins significantly higher than the margins we achieve under our supply agreement with ASI. However, our operating expenses will increase as we will absorb the research and development and general and administrative expenses related to the operations of K1, K2 and K3. Our interest expense will also increase due to the debt we will incur to finance our proposed acquisition and investment. We expect our overall effective tax rate to decrease due to the fact

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that the profits of K1, K2 and K3 will be subject to a tax holiday in Korea. The tax holiday will apply to 100% of the profits of K1, K2 and K3 for seven years and then to 50% of such profits for three additional years. Because of our equity investment in ASI, we will be required to record our increased proportionate share of ASI's net income, net of the amortization of goodwill incurred in the acquisition of our equity interest in ASI.

RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Net revenues.....	100.0%	100.0%	100.0%
Gross profit.....	14.6%	16.6%	17.4%
Operating income.....	6.9%	8.5%	9.2%
Income before income taxes, equity in income (loss) of investees and minority interest.....	4.2%	6.4%	5.5%
Net income.....	3.0%	4.8%	4.0%

Year Ended December 31, 1999 Compared to Year Ended December 31, 1998

Net Revenues. Net revenues increased \$342.0 million, or 21.8%, to \$1,910.0 million in 1999 from \$1,568.0 million in 1998. Packaging and test net revenues increased 11.4% to \$1,617.2 million in 1999 from \$1,452.3 million in 1998. For the same one-year periods, wafer fabrication net revenues increased to \$292.7 million from \$115.7 million.

The increase in packaging and test net revenues was primarily attributable to a significant increase in unit volumes, which more than offset significant average selling price erosion across all product lines. The average selling price erosion was most severe in the second half of 1998 and has slowed during 1999 due to increases in product demand and decreases in excess factory capacity. Offsetting this erosion in average selling prices was an overall unit volume increase of approximately 30%. Growth in demand for our services was driven by our customers in the PC and telecommunications industries. Particularly strong was the demand for packages used in cellular phones and internet enabling equipment. In addition, changes in the mix of products we are selling, to more advanced and laminate packages, also provided an offset to overall price erosion. During 1999, advanced and laminate packages, which have higher average selling prices than traditional leadframe products, accounted for 60.2% of packaging and test net revenues compared to 53.8% in 1998.

The significant increase in wafer fabrication net revenues represents the production ramp-up of the wafer fabrication facility, which began operation in January 1998 and did not commence producing at near full installed capacity until the beginning of 1999. ASI plans to expand the capacity of the wafer fabrication facility from 18,000 wafers to 22,000 wafers per month by the end of

the first quarter of 2000.

Gross Profit. Gross profit increased \$71.9 million, or 27.6%, to \$332.7 million, or 17.4% of net revenues, in 1999 from \$260.8 million, or 16.6% of net revenues, in 1998.

Gross margins were positively impacted by:

- Improved gross margin on the output of K4 following our acquisition of K4 in May 1999.
- Increasing unit volumes during the third and fourth quarter of 1999, which permitted better absorption of our factories' substantial fixed costs, resulting in a lower manufacturing cost per unit and improved gross margins.

The positive impact on gross margins was partially offset by:

- Increasing contribution to total revenues from our low margin wafer fabrication services business. In 1999 wafer fabrication services net revenues represented 15.3% of total net revenues compared to 7.4%

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of total net revenues in 1998. In addition, beginning in 1999, our contractual gross margin for this business under our supply agreement with ASI was reduced to 10% from 15% in 1998; and

- Significant average selling price erosion across all product lines.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$25.4 million, or 21.2%, to \$145.2 million, or 7.6% of net revenues, in 1999 from \$119.8 million, or 7.6% of net revenues, in 1998. The increase in these costs was due to:

- Increased headcount and related personnel costs at our marketing, sales and wafer fabrication departments;
- Increased headcount and related personnel costs at our P3 factory, which continued to increase production capacity; and
- Increased costs related to the consolidation of K4 factory operations during the second quarter of 1999 and general and administrative expenses, including fees paid to ASI under the transition services agreement.

Research and Development. Research and development expenses increased \$3.2 million, or 38.6%, to \$11.4 million, or 0.6% of net revenues, in 1999 from \$8.3 million, or 0.5% of net revenues, in 1998. Increased research and development expenses resulted from increased headcount and general development activities, primarily the expansion of our Chandler, Arizona-based research facility.

Other (Income) Expense. Other expenses increased \$38.8 million, or 121.2%, to \$70.8 million, or 3.7% of net revenues, in 1999 from \$32.0 million, or 2.0% of net revenues, in 1998. The net increase in other expenses was primarily a result of:

- Increase in interest expense of \$27.4 million. The increased interest expense resulted from the May 1999 issuance of senior and senior subordinated notes to fund the K4 acquisition, which more than offset the decrease in interest expense resulting from the application of the proceeds from our initial public offering in May 1998 against outstanding debt;
- Decrease in foreign exchange losses of \$4.2 million resulting from the stabilization of the Philippine peso since the first quarter of 1998; and
- Increase in other expenses, which in 1999 included a \$17.4 million non-cash charge associated with the early conversion of \$153.6 million of our outstanding convertible subordinated notes in the fourth quarter.

Income Taxes. Our effective tax rate in 1999 and 1998 was 25.3% and 29.0%, respectively (after giving effect to the pro forma adjustment for income taxes).

The decrease in the effective tax rate in 1999 was due to the higher operating profits at our factories that operate with tax holidays.

We have structured our global operations to take advantage of lower tax rates in certain countries and tax incentives extended to encourage investment. The tax returns for open years are subject to changes upon final examination. Changes in the mix of income from our foreign subsidiaries, expiration of tax holidays and changes in tax laws and regulations could result in increased effective tax rates for us.

Minority Interest. Minority interest represented ASI's ownership in the consolidated net income of Amkor/Anam Pilipinas, Inc. ("AAP"). Accordingly, until the second quarter of 1998, we recorded a minority interest expense in our consolidated financial statements relating to the minority interest in the net income of AAP. In the second quarter of 1998, we purchased ASI's 40% interest in AAP and, as a result, we now own substantially all of the common stock of AAP. The acquisition of the minority interest resulted in the elimination of the minority interest liability and in additional goodwill amortization of approximately \$2.5 million per year.

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Year Ended December 31, 1998 Compared to Year Ended December 31, 1997

Net Revenues. Net revenues increased \$112.2 million, or 7.7%, to \$1,568.0 million in 1998 from \$1,455.8 million in 1997. Packaging and test net revenues were relatively unchanged in 1998 compared to 1997. However, net revenues from wafer fabrication services have ramped up since operations began in January 1998 and accounted for substantially all of the increase in net revenues. In addition, beginning in January 1998, we assumed marketing rights for packaging and test services in Japan from ASI.

Total unit volumes increased during 1998 compared to 1997. This increase was primarily due to increases in volumes of laminate packages, which more than doubled compared to 1997. Our advanced leadframe packages also increased in volume, but unit volumes for traditional leadframe packages declined. Although traditional leadframe packages accounted for more than 65% of our total unit volume for 1998, the shift to laminate packages significantly impacted revenues because each laminate package had an average selling price significantly higher than the average selling price of a traditional leadframe package. Laminate and advanced leadframe packages accounted for 53.8% of packaging and test net revenues in 1998 compared to 38.7% in 1997. This trend was consistent throughout 1998.

Gross Profit. Gross profit increased \$47.7 million, or 22.4%, to \$260.8 million in 1998 from \$213.1 million in 1997. Gross margin improved to 16.6% in 1998 from 14.6% in 1997. The following factors contributed to higher gross margins in 1998:

- Gross margins on packaging and test services provided by ASI improved as a result of the supply agreements entered into in January 1998;
- Gross margins at P3, which incurred significant pre-operating and start-up costs and initial operating losses in the first half of 1997, improved primarily as a result of increased volumes and better absorption of fixed costs; and
- Gross margins improved as a result of the positive impact from wafer fabrication revenues during 1998 compared to no revenue from wafer fabrication in 1997.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$16.1 million, or 15.5%, to \$119.8 million in 1998 from \$103.7 million in 1997. Selling, general and administrative expenses as a percentage of net revenues increased to 7.6% in 1998 from 7.1% in 1997. The increase was primarily due to: (1) higher administrative expenses at P3 as unit volumes continued to increase and (2) costs related to wafer fabrication services, which began in January 1998.

Research and Development Expenses. Research and development expenses decreased \$0.3 million, or 3.2%, to \$8.3 million in 1998 from \$8.5 million in 1997. Research and development expenses as a percentage of net revenues decreased to 0.5% in 1998 from 0.6% in 1997.

Other (Income) Expense. Other (income) expense decreased \$7.8 million to \$32.0 million in 1998 from \$39.8 million in 1997. The decline was primarily due to a reduction in net interest expense of \$14.2 million to \$18.0 million in 1998 from \$32.2 million in 1997. We used a portion of the proceeds from our initial public offering in May 1998 to repay much of our outstanding debt. Additionally, we accumulated a significant cash balance. An increase in foreign exchange losses, due to fluctuations in the Philippine peso, partly offset lower interest expense.

Income Taxes. Our effective tax rate, after giving effect to the pro forma adjustment for income taxes, was 29.0% in 1998 compared to an effective tax rate of 17.5% in 1997. The lower effective tax rate in 1997 was due to the recognition of deferred tax assets on currency losses for Philippine tax reporting purposes, which are not recognized for financial reporting purposes. This decrease was offset by increases in the effective rate resulting from non-deductible losses at P3 where we have a tax holiday until the end of 2002. To the extent P3 is profitable, our effective tax rate related to our operations in the Philippines during this tax holiday will be less than the statutory rate of 35% in the Philippines. In 1997 we recognized deferred tax benefits from unrealized foreign exchange losses which are recognized in the Philippines for tax reporting purposes and relate to unrecognized net foreign exchange losses on U.S. dollar denominated monetary assets and liabilities. These losses are not recognized for financial reporting purposes because the U.S. dollar is our functional

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currency. These losses will be realized for tax reporting purposes in the Philippines upon settlement of the related asset or liability. The benefit derived from unrealized foreign exchange losses was partially offset by an increase in the valuation allowance. We concluded that it was more likely than not that we could realize a portion of these tax benefits in the Philippines within the three year loss carryforward period. We recorded a valuation allowance for the remaining tax benefits where we could not reach such a conclusion.

Equity in Income (Loss) of Investees. In 1997, we recognized a loss of \$17.3 million resulting principally from the impairment of value in our investment in ASI. In February 1998, we disposed of our investment in ASI's common stock.

Minority Interest. Minority interest represented ASI's ownership in the consolidated net income of AAP, one of our subsidiaries in the Philippines. During 1997, as a result of a settlement of an intercompany loan, which otherwise had no effect on our combined pretax income, AAP reported a net loss as a separate entity. Accordingly, we recorded a minority interest benefit in our consolidated financial statements related to the minority interest in the net loss.

In the second quarter of 1998, we purchased ASI's 40% interest in AAP, and, as a result, we now own substantially all of the common stock of AAP. The purchase of the minority interest resulted in the elimination of the minority interest liability and goodwill amortization of approximately \$2.5 million per year.

QUARTERLY RESULTS

The table below sets forth unaudited consolidated financial data, including as a percentage of net revenues, for the last eight fiscal quarters ended December 31, 1999. Our results of operations have varied and may continue to vary from quarter to quarter and are not necessarily indicative of the results of any future period. In addition, in light of our recent growth, including as a result of our acquisition of the K4 packaging and test factory from ASI in May 1999, we believe that you should not rely on period-to-period comparisons as an indication of our future performance.

We believe that we have included in the amounts stated below all necessary adjustments, consisting only of normal recurring adjustments, to present fairly our selected quarterly data. You should read our selected quarterly data in conjunction with our consolidated financial statements and the related notes, included elsewhere in this annual report.

Our net revenues, gross profit and operating income are generally lower in

the first quarter of the year as compared to the fourth quarter of the preceding year primarily due to the combined effect of holidays in the U.S., the Philippines and Korea. Semiconductor companies in the U.S. generally reduce their production during the holidays at the end of December which results in a significant decrease in orders for packaging and test services during the first two weeks of January. In addition, we typically close our factories in the Philippines for holidays in January, and we and ASI close our factories in Korea for holidays in February.

The semiconductor industry experienced a general slowdown during 1998. As a result, our packaging and test net revenues decreased by 3.5% from the first quarter of 1998 to the fourth quarter of 1998. The decrease in packaging and test net revenue was offset by significant growth in net revenues from wafer fabrication services. Net revenues from wafer fabrication services, which represented less than 1% of net revenues in the first quarter of 1998, increased to 16.4% of net revenues in the fourth quarter of 1998.

In May 1999 we purchased the K4 factory from ASI. The acquisition resulted in improved gross margins due to the difference in margins between company-owned factories and factory services provided by ASI under our supply agreement. To purchase K4, we issued \$625 million of senior and senior subordinated notes. This has resulted in increased interest expense.

	QUARTER ENDED							
	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MARCH 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999
	(IN THOUSANDS EXCEPT PER SHARE DATA)							
Net revenues.....	\$371,733	\$384,724	\$386,718	\$424,808	\$419,957	\$449,925	\$501,816	\$538,274
Cost of revenues -- including purchases from ASI.....	310,056	317,106	321,758	358,230	357,382	383,162	404,327	432,355
Gross profit.....	61,677	67,618	64,960	66,578	62,575	66,763	97,489	105,919
Operating expenses:								
Selling, general and administrative.....	28,715	28,939	30,017	32,175	30,106	35,017	40,376	39,734
Research and development.....	2,057	1,938	2,109	2,147	2,251	2,843	2,990	3,352
Total operating expenses.....	30,772	30,877	32,126	34,322	32,357	37,860	43,366	43,086
Operating income.....	30,905	36,741	32,834	32,256	30,218	28,903	54,123	62,833
Net income.....	\$ 8,812	\$ 26,119	\$ 20,874	\$ 19,655	\$ 18,925	\$ 11,520	\$ 26,088	20,186
Pro forma net income.....	\$ 9,640	\$ 20,791						
Basic net income per common share.....	\$.11	\$.25	\$.18	\$.17	\$.16	\$.10	\$.22	\$.16
Diluted net income per common share.....	\$.11	\$.24	\$.17	\$.16	\$.16	\$.10	\$.21	\$.16
Basic pro forma net income per common share.....	\$.12	\$.20						
Diluted pro forma net income per common share.....	\$.12	\$.19						

	QUARTER ENDED							
	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MARCH 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999
Net revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues -- including purchases from ASI.....	83.4	82.4	83.2	84.3	85.1	85.2	80.6	80.3
Gross profit.....	16.6	17.6	16.8	15.7	14.9	14.8	19.4	19.7
Operating expenses:								
Selling, general and administrative.....	7.7	7.5	7.8	7.6	7.2	7.8	8.0	7.4
Research and development.....	0.6	0.5	0.5	0.5	0.5	0.6	0.6	.6
Total operating expenses.....	8.3	8.0	8.3	8.0	7.7	8.4	8.6	8.0
Operating income.....	8.3	9.6	8.5	7.6	7.2	6.4	10.8	11.7
Net income.....	2.4%	6.8%	5.4%	4.6%	4.5%	2.6%	5.2%	3.8%
Pro forma net income.....	2.6%	5.4%						

Prior to our reorganization in April 1998, our predecessor, AEI, elected to be taxed as an S Corporation under the Code and comparable state tax laws. As a result, AEI did not recognize any provision for federal income tax expense from January 1, 1994 through April 28, 1998. In accordance with applicable SEC regulations, we have provided in our consolidated financial statements the pro forma adjustments for income taxes (unaudited) to reflect the additional U.S. federal income taxes which we would have recorded if AEI had been a C Corporation during these periods.

Our operating results have varied significantly from period to period and may continue to vary in the future due to a variety of factors. For more information on the risks affecting our operating results, see the "Risk Factors that May Affect Future Operating Performance."

LIQUIDITY AND CAPITAL RESOURCES

Our ongoing primary cash needs are for equipment purchases, factory expansions, interest and principal payments on our debt and working capital, in addition to our acquisitions and investments.

In February 2000, we reached an agreement with ASI to acquire K1, K2 and K3 for a purchase price of approximately \$950.0 million and to make a \$459.0 million additional investment in ASI. This agreement supersedes our remaining commitment to invest \$108.4 million in ASI, out of the total \$150 million we committed to invest. We intend to finance our proposed acquisition and investment with the proceeds of an offering of \$225.0 million convertible subordinated notes (\$258.8 million inclusive of the exercised over-allotment option), our proposed \$410.0 million equity financing, \$750.0 million of new secured bank debt and cash on hand. The new secured bank debt will be drawn from a new \$850.0 million secured bank facility which will provide for amortization of the drawn amount over a five to five and one-half year period and quarterly principal and interest payments. See "Business -- Our Acquisition of ASI's Packaging and Test Business and Investment in ASI -- Proposed Financing."

In May 1998, we consummated our initial public offering of 35,250,000 shares of common stock and \$207 million principal amount of convertible subordinated notes due May 1, 2003. We used the net proceeds of approximately \$558 million primarily to repay approximately \$264 million of short-term and long-term debt and approximately \$86 million of amounts due to Anam USA, Inc., a wholly-owned financing subsidiary of ASI, and to purchase for \$34 million ASI's 40% interest in AAP. The remaining amount of net proceeds was available for capital expenditures and working capital.

On May 17, 1999 we completed an asset purchase of ASI's newest and largest packaging and test factory, K4, excluding cash and cash equivalents, notes and accounts receivables, intercompany accounts and existing claims against third parties. The purchase price for K4 was \$575 million, plus the assumption of approximately \$7 million of employee benefit liabilities. In conjunction with our purchase of K4, we completed a private placement in May 1999 to raise \$425 million in senior notes and \$200 million in senior subordinated notes. The senior notes mature in May 2006 and have a coupon rate of 9.25%. The senior subordinated notes mature in 2009, and have a coupon rate of 10.5%. We are required to pay interest semi-annually in May and November for all of the notes.

Under the terms of our trade receivables securitization agreement, a commercial financial institution is committed to purchase, with limited recourse, all right, title and interest in up to \$100 million in eligible receivables, as defined in the agreement. In connection with our proposed incurrence of new secured bank debt for the proposed acquisition of K1, K2 and K3 and the proposed investment in ASI, we plan to terminate this agreement.

We have invested significant amounts of capital to increase our packaging and test services capacity. During the last three years we have constructed our P3 factory, added capacity in our other factories in the Philippines and constructed a new research and development facility in the U.S. In 1997, 1998 and 1999, we made capital expenditures of \$179.0 million, \$107.9 million and \$242.4 million, respectively. We intend to spend up to \$400 million in additional capital expenditures in 2000, primarily for the expansion of our

factories. We believe the increase in capital expenditures is necessary to expand our capacity to meet the growth in demand we expect in 2000. If we acquire the K1, K2 and K3 factories, we could incur significant additional capital expenditures.

During the second quarter of 1999, we executed a letter with ASI committing to make a \$150 million equity investment in ASI. Our commitment required that we invest this amount in installments of approximately \$41 million in each of 1999, 2000 and 2001 and \$27 million in 2002. In October 1999 we made our initial investment in ASI. We purchased 10 million shares of common stock at price of W5,000 per share, or approximately \$41.6 million dollars. As a result of this investment and the conversion of ASI's debt to equity by ASI's creditor banks, we now own approximately 18% of ASI's voting stock. The remaining portion of this commitment has been superseded by our new agreement to invest an additional \$459.0 million in ASI.

At December 31, 1999, our debt consisted of \$625 million of senior and senior subordinated notes, \$6.5 million of borrowings classified as current liabilities, \$9.0 million of long-term debt and capital lease

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obligations and \$53.4 million of 5.75% convertible subordinated notes due 2003. We had \$85.6 million in borrowing facilities with a number of domestic and foreign banks, of which \$82.2 million remained unused. These facilities are typically revolving lines of credit and working capital facilities that are renewable annually and bear interest at rates ranging from 8.0% to 10.75%. Long-term debt and capital lease obligations outstanding have various expiration dates through April 2004 and bear interest at rates ranging from 5.8% to 13.8%.

Covenants in the agreements governing our new \$850 million secured bank facility, our existing \$425 million of senior notes and \$200 million of senior subordinated notes and any future indebtedness may materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments and encumber or dispose of assets. In addition, financial covenants contained in agreements relating to our existing and future debt could lead to a default in the event our results of operations do not meet our plans. A default under one debt instrument may also trigger cross-defaults under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

Net cash provided by operating activities in 1997, 1998 and 1999 was \$250.1 million, \$238.0 million and \$293.3 million, respectively. Net cash provided by (used in) financing activities in 1997, 1998 and 1999 was \$(16.0) million, \$62.0 million and \$573.9 million, respectively.

In the fourth quarter of 1999, the holders of our convertible subordinated notes converted \$153.6 million of such notes into 12.1 million shares of common stock. In the fourth quarter 1999, we incurred a non-cash after-tax charge of approximately \$13.9 million representing the fair market value of the shares of common stock issued in the conversion in excess of the shares required to be issued, which represents a premium for early retirement. In the first quarter of 2000 we expect to incur a similar charge in the amount of \$0.3 million.

Following our proposed acquisition of K1, K2 and K3 and our proposed investment in ASI, we believe that our existing cash balances, available credit lines, cash flow from operations and available equipment lease financing will be sufficient to meet our projected capital expenditures, debt service, working capital and other cash requirements for at least the next twelve months. We may require capital sooner than currently expected. We cannot assure you that additional financing will be available when we need it or, if available, that it will be available on satisfactory terms. In addition, the terms of the senior and senior subordinated notes sold by us in May 1999 significantly reduce our ability to incur additional debt. Failure to obtain any such required additional financing could have a material adverse effect on our company.

In connection with our wafer fabrication facility agreement with Texas Instruments, our company and Texas Instruments agreed to revise certain payment and other terms contained in the Texas Instruments Manufacturing and Purchase Agreement. As part of the revision, Texas Instruments agreed to advance our company \$20 million in June 1998 and another \$20 million in December 1998. These advances represented prepayments of wafer fabrication facility services to be provided in the fourth quarter of 1998 and first quarter of 1999, respectively. We recorded these amounts as accrued expenses. In turn, we advanced these funds

to ASI as prepayment for fabrication facility service charges. We completely offset the first \$20 million advance to ASI against billings for wafer fabrication services performed for us by ASI in the fourth quarter of 1998 and offset the second \$20 million advance to ASI against billings for wafer fabrication services performed for us by ASI in the first quarter of 1999. Under the terms of the revision to the Texas Instruments Manufacturing and Purchase Agreement, we remain ultimately responsible for reimbursing Texas Instruments if ASI fails to comply with the terms of the agreement.

Subchapter S Taxes and Distributions

Prior to our reorganization in April 1998, our predecessor, AEI, elected to be taxed as an S Corporation under the Code and comparable state laws. As a result, ASI did not recognize any provision for federal income tax expense prior to April 28, 1998. Instead, up until the date the S Corporation status of AEI terminated, Mr. and Mrs. James Kim and certain trusts established for the benefit of other members of Mr. and Mrs. James Kim's family (the "Kim Family Trusts") had been obligated to pay U.S. federal and certain state income taxes on their allocable portion of the income of AEI. Under certain tax indemnification agreements, we are

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indemnified by such stockholders with respect to their proportionate share of any U.S. federal or state corporate income taxes attributable to the failure of AEI to qualify as an S Corporation for any period or in any jurisdiction for which S Corporation status was claimed through April 28, 1998. The agreements in turn provide that, under certain circumstances, we will indemnify such stockholders if they are required to pay additional taxes or other amounts attributable to taxable years for which AEI filed tax returns claiming status as an S Corporation. AEI has made various distributions to Mr. and Mrs. Kim and the Kim Family Trusts which have enabled them to pay their income taxes on their allocable portions of the income of AEI. Such distributions totaled approximately \$5.0 million and \$33.1 million in 1997 and 1998, respectively. As a result of the finalization of the AEI tax returns in 1999, approximately \$3.3 million of the 1998 distributions will be refunded to our company.

YEAR 2000 ISSUES

We have been actively engaged in addressing year 2000 issues. These issues occur because many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. As a result, software that records only the last two digits of the calendar year may not be able to distinguish whether "00" means 1900 or 2000. This may result in software failures or the creation of erroneous results.

At the date of this annual report, our systems have not experienced any year 2000 problems. We presently believe that the year 2000 problem will not pose significant operational problems for our business and operations on a going forward basis. While we have contingency plans in place for operational problems which may still arise as a result of year 2000 problems, we cannot assure you that the year 2000 problem will not pose significant operational problems or have a material adverse effect on our business, financial condition and results of operations in the future. Through the date of this annual report, costs incurred for year 2000 compliance have not been material.

We are not aware of any material year 2000 problems encountered by our suppliers to date but have not yet obtained confirmations from our suppliers that they did not experience year 2000 problems. Accordingly, we cannot determine whether our suppliers have experienced year 2000 problems that may impact their ability to supply us with equipment and services. Further, we cannot determine the state of their year 2000 readiness. We cannot assure you that our suppliers will be successful in ensuring that their systems have been and will continue to be or will be year 2000 compliant or that their failure to do so will not harm our business.

MARKET RISK SENSITIVITY

Our company is 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.

Foreign Currency Risks

Our company's primary exposures to foreign currency fluctuations is associated with Philippine peso-based transactions and related peso-based assets and liabilities, as well as Korean-won based transactions and related won-based assets and liabilities. The objective in managing this foreign currency exposure is to minimize the risk through minimizing the level of activity and financial instruments denominated in pesos and won. Although we have selectively hedged some of our currency exposure through short-term (generally not more than 30 to 60 days) forward exchange contracts, the hedging activity to date has been immaterial.

At December 31, 1999, the peso-based financial instruments primarily consisted of cash, non-trade receivables, deferred tax assets and liabilities, non-trade payables, accrued payroll, taxes and other expenses. Based on the portfolio of peso-based assets at December 31, 1999, a 20% increase in the Philippine peso to U.S. dollar exchange rate would result in a decrease of approximately \$3 million, in peso-based net assets.

At December 31, 1999, the won-based financial instruments primarily consisted of cash, non-trade receivables, non-trade payables, accrued payroll, taxes and other expenses. Based on the portfolio of won-

based assets at December 31, 1999, a 20% increase in the Korean won to U.S. dollar exchange rate would result in a decrease of less than \$1 million, in won-based net assets.

Interest Rate Risks

Our company has interest rate risk with respect to our investment in cash and cash equivalents, use of short-term borrowings and long-term debt, including the \$53.4 million of convertible subordinated notes, \$425.0 million of senior notes and \$200.0 million of senior subordinated notes outstanding, and will have such risk with respect to the new convertible subordinated notes. Overall, we mitigate the interest rate risks by investing in short-term investments, which are due on demand or carry a maturity date of less than three months. In addition, both the short-term borrowings and long-term debt, excluding our convertible subordinated notes, senior notes and senior subordinated notes, have variable rates that reflect currently available terms and conditions for similar borrowings. As the convertible subordinated notes, senior notes and senior subordinated notes bear fixed rates of interest, the fair value of these instruments fluctuate with market interest rates. The fair value of the convertible subordinated notes is also impacted by the market price of our common stock.

The table below presents the interest rates, maturity dates, principal cash flows and fair value of our fixed rate debt as of December 31, 1999.

DEBT	FIXED INTEREST RATE	MATURITY DATE	PRINCIPAL	FAIR VALUE
----	-----	-----	-----	-----
(IN THOUSANDS)				
Convertible Notes.....	5.75%	May 2003	\$ 53,435	\$115,420
Senior Notes.....	9.25%	May 2006	\$425,000	\$416,500
Senior Subordinated Notes.....	10.5%	May 2009	\$200,000	\$199,000

Based on our conservative policies with respect to investments in cash and cash equivalents, use of variable rate debt, and the fact we currently intend to repay upon maturity our senior notes, senior subordinated notes the convertible subordinated notes (unless converted), we believe that the risk of potential loss due to interest rate fluctuations is not material.

Equity Price Risks

Our outstanding convertible subordinated notes are convertible into common stock at \$13.50 per share. As stated above, we intend to repay our convertible subordinated notes upon maturity, unless converted. If investors were to decide to convert their convertible subordinated notes to common stock, there would be

no impact on our future earnings, other than a reduction in interest expense, unless such conversion were induced by us.

RISK FACTORS THAT MAY AFFECT FUTURE OPERATING PERFORMANCE

DECLINING AVERAGE SELLING PRICES -- THE SEMICONDUCTOR INDUSTRY PLACES DOWNWARD PRESSURE ON THE PRICES OF OUR PRODUCTS.

Historically, prices for our packaging and test services and wafer fabrication services have declined over time. Beginning in 1997, a worldwide slowdown in demand for semiconductor devices led to excess capacity and increased competition. As a result, price declines in 1998 accelerated. We expect that average selling prices for our packaging and test services will continue to decline in the future. If we cannot reduce the cost of our packaging and test services and wafer fabrication services to offset a decline in average selling prices, our future operating results could suffer.

DEPENDENCE ON THE HIGHLY CYCLICAL SEMICONDUCTOR AND ELECTRONIC PRODUCTS INDUSTRIES -- WE OPERATE IN VOLATILE INDUSTRIES, AND INDUSTRY DOWNTURNS HARM OUR PERFORMANCE.

Our business is tied to market conditions in the semiconductor industry, which is highly cyclical. Because our business is and will continue to be dependent on the requirements of semiconductor companies for

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independent packaging, test and wafer fabrication services, any future downturn in the semiconductor industry or any other industry that uses a significant number of semiconductor devices, such as the personal computer industry, could have a material adverse effect on our business. For example, our operating results for 1998 were adversely affected by downturns in the semiconductor market. See "Management's Discussion and Analysis of Financial Condition and Results of Operations" for a detailed discussion of our operating results in 1998.

HIGH LEVERAGE AND RESTRICTIVE COVENANTS -- OUR SUBSTANTIAL INDEBTEDNESS COULD ADVERSELY AFFECT THE FINANCIAL HEALTH OF OUR COMPANY AND COULD RESTRICT OUR OPERATIONS.

We now have a significant amount of indebtedness, which will increase substantially after the offering of \$225.0 million convertible subordinated notes (\$258.8 million inclusive of the exercised over-allotment option and our proposed incurrence of approximately \$750.0 million of new secured bank debt.

Covenants in the agreements governing the approximately \$750.0 million of new secured bank debt (which will be drawn from a new \$850.0 million credit facility), our existing \$425.0 million of senior notes and \$200.0 million of senior subordinated notes and any future indebtedness may materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. In addition, financial covenants contained in agreements relating to our existing and future debt could lead to a default in the event our results of operations do not meet our plans. A default under one debt instrument may also trigger cross-defaults under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

Our substantial indebtedness could:

- increase our vulnerability to general adverse economic and industry conditions;
- limit our ability to fund future working capital, capital expenditures, acquisitions, research and development and other general corporate requirements;
- limit our ability to obtain additional financing;
- require us to dedicate a substantial portion of our cash flow from operations to service payments on our debt;
- limit our flexibility to react to changes in our business and the industry in which we operate; and

- place us at a competitive disadvantage to any of our competitors that have less debt.

We cannot assure you that our business will generate cash in an amount sufficient to enable us to service our debt or to fund our other liquidity needs. In addition, we may need to refinance all or a portion of our debt on or before maturity. We cannot assure you that we will be able to refinance any of our debt on commercially reasonable terms or at all.

Despite current debt levels, the terms of the instruments governing our debt do not prohibit us or our subsidiaries from incurring substantially more debt. If new debt is added to our consolidated debt level, the related risks that we now face could intensify.

RELATIONSHIP WITH ASI

We will report ASI's financial results in our financial statements, and if ASI encounters financial difficulties, our financial performance could suffer.

If we complete our investment in ASI and ASI's creditor banks convert their debt of ASI to equity, we will own approximately 43% of ASI's outstanding voting stock. Accordingly, we will report ASI's financial results in our financial statements through the equity method of accounting. If ASI's results of operations are adversely affected for any reason (including as a result of losses at its consolidated subsidiaries and equity investees), our results of operations will suffer as well. Financial or other problems affecting ASI could also lead to a complete loss of our investment in ASI. In addition, under proposed changes to U.S. GAAP, we

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could be required to consolidate ASI's financial results with ours. In such an event, adverse changes in any line item of ASI's financial statements would adversely affect the corresponding line items in our consolidated financial statements.

Our wafer fabrication business may suffer if ASI reduces its operations or if our relationship with ASI is disrupted.

Our wafer fabrication business depends on ASI providing wafer fabrication services on a cost effective and timely basis. If ASI were to significantly reduce or curtail its operations for any reason, or if our relationship with ASI were to be disrupted for any reason, our wafer fabrication business would be harmed. We may not be able to identify and qualify alternate suppliers of wafer fabrication services quickly, if at all. In addition, we currently have no other qualified third party suppliers of wafer fabrication services and do not have any plans to qualify additional third party suppliers.

UNCERTAINTY REGARDING OUR PROPOSED TRANSACTIONS WITH ASI -- WE MAY NOT BE ABLE TO COMPLETE OUR PROPOSED ACQUISITION OF K1, K2 AND K3 AND OUR OTHER PROPOSED TRANSACTIONS WITH ASI ON THE TERMS DESCRIBED IN THIS ANNUAL REPORT, OR AT ALL, WHICH MAY HARM OUR BUSINESS.

In 1999, we derived 45.0% of our net revenues and 29.5% of our gross profit from sales of packaging and test services provided by ASI. If we complete our proposed acquisition of K1, K2 and K3 from ASI, we will no longer be dependent on ASI for packaging and test services. Our ability to consummate the proposed acquisition of K1, K2 and K3 and other transactions related to that acquisition is subject to a number of uncertainties, some of which are outside our control. For example, the acquisition and our proposed investment in ASI are subject to the approval of our stockholders and the shareholders of ASI (including the Korean creditor banks of ASI), the completion of our proposed equity and secured debt financings with third parties and Korean regulatory approvals. As a result, we cannot assure you that we will be able to consummate these transactions on the terms described in this annual report, or at all.

If we fail to complete our proposed acquisition of K1, K2 and K3, we will remain dependent on ASI for packaging and test services and will be unable to achieve any improvements in our results of operations that direct ownership of these facilities may bring. In connection with ASI's workout arrangement with its creditor banks, we may still be required to make an additional \$108.4 million investment in ASI through 2002. If our proposed acquisition and

investment are not consummated, ASI will continue to have a substantial amount of debt, as well as significant contingent liabilities under guarantees of affiliate debt, and will remain subject to the workout arrangement with its creditor banks. This in turn may adversely affect ASI's ability to continue to provide us with the packaging and test services, as well as wafer fabrication services, that we require for our business.

In addition, if our proposed acquisition of K1, K2 and K3 is not consummated in all material respects by August 31, 2000, or should the asset purchase agreement relating to that acquisition be terminated at any time prior to such date, holders of the new convertible subordinated notes will have the right to require us to redeem their notes at a premium to their principal amount, plus accrued interest and liquidated damages.

POTENTIAL CONFLICTS OF INTEREST WITH ASI -- MEMBERS OF THE KIM FAMILY OWN SUBSTANTIAL PORTIONS OF, AND HAVE ACTIVE MANAGEMENT ROLES IN, BOTH OUR COMPANY AND ASI. THIS COULD LEAD TO CONFLICTS OF INTEREST IN OUR BUSINESS DEALINGS WITH ASI.

Mr. James Kim, the founder of our company and currently our Chairman, Chief Executive Officer and largest shareholder, is the eldest son of Mr. H.S. Kim, the founder of ASI. Mr. H.S. Kim is currently the honorary Chairman and a Director of ASI. Since January 1992, in addition to his other responsibilities, Mr. James Kim has served as Chairman and a Director of ASI. The Kim family, which collectively owned approximately 11% of the outstanding voting stock of ASI as of February 29, 2000, significantly influences the management of ASI. Mr. James Kim and members of his family beneficially own approximately 59% of our outstanding common stock.

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In October 1999, we purchased 10 million shares of ASI's voting stock at a price of (Won)5,000 per share for approximately \$41.6 million. As a result of this investment and the conversion of (Won)98 billion (approximately \$82 million) of ASI debt to equity by ASI's creditor banks, we now own approximately 18% of ASI's voting stock. If we complete our proposed private placement of Series A preferred stock and our proposed equity investment in ASI and ASI's creditor banks convert up to an additional (Won)150 billion (approximately \$132 million) of their ASI debt into common stock, our company will own approximately 43% of ASI's outstanding voting stock, and the Kim family's direct ownership of ASI's and our outstanding common and preferred voting stock will be reduced to approximately 6% and 51%, respectively. Even though the Kim family's ownership of our company and ASI will be reduced, we believe that the Kim family will continue to exercise significant influence over our company and ASI and its affiliates. This could lead to conflicts of interest between our company and ASI or its affiliates. You should read "Business -- Our Acquisition of ASI's Packaging and Test Business and Investment in ASI" for more information on our relationship with ASI.

ABSENCE OF BACKLOG -- OUR NET REVENUES IN ANY QUARTER DEPEND ON OUR CUSTOMERS' DEMAND FOR PACKAGING AND TEST SERVICES IN THAT QUARTER, AND WE MAY NOT BE ABLE TO ADJUST COSTS QUICKLY IF OUR CUSTOMERS' DEMAND FALLS SUDDENLY.

Our packaging and test business does not typically operate with any material backlog. We expect that in the future our packaging and test net revenues in any quarter will continue to be substantially dependent upon our customers' demand in that quarter. None of our customers have committed to purchase any amount of packaging or test services or to provide us with binding forecasts of demand for packaging and test services for any period. In addition, our customers could reduce, cancel or delay their purchases of packaging and test services. Because a large portion of our costs is fixed and our expense levels are based in part on our expectations of future revenues, we may be unable to adjust costs in a timely manner to compensate for any revenue shortfall.

CUSTOMER CONCENTRATION -- WE GENERATE A LARGE PERCENTAGE OF OUR NET REVENUES FROM A SMALL GROUP OF CUSTOMERS WHO HAVE NO MINIMUM PURCHASE OBLIGATIONS.

We depend on a small group of customers for a substantial portion of our net revenues. In 1997, 1998 and 1999, we derived 40.1%, 35.3% and 30.6%, respectively, of our net revenues from sales to our five largest packaging and test customers, with 23.4%, 20.6% and 14.1% of our net revenues, respectively, derived from sales to Intel Corporation. In addition, during 1998 and 1999, we derived 7.4% and 15.3%, respectively, of our net revenues from wafer fabrication

services, and we derived substantially all of these revenues from Texas Instruments, Inc. Our ability to maintain close, satisfactory relationships with these customers is important to the ongoing success and profitability of our business. We expect that we will continue to be dependent upon a small number of customers for a significant portion of our revenues in future periods.

For additional information regarding terms of our agreements with Texas Instruments and ASI, including ASI's rights with respect to future transfers of technology from Texas Instruments and Texas Instruments' obligations to buy wafers from us, see "Business -- Wafer Fabrication Services."

RISKS ASSOCIATED WITH INTERNATIONAL OPERATIONS -- WE DEPEND ON OUR FACTORIES IN KOREA AND THE PHILIPPINES. MANY OF OUR CUSTOMERS' OPERATIONS ARE ALSO LOCATED OUTSIDE OF THE U.S.

We provide packaging and test services through our three factories located in the Philippines and our one factory in Korea. We source additional packaging and test services from the K1, K2 and K3 factories located in Korea which are owned by ASI and which we intend to acquire. We also source wafer fabrication services from a wafer fabrication facility located in Korea and owned by ASI. In addition, many of our customers' operations are located outside the U.S. The following are risks inherent in doing business internationally:

- regulatory limitations imposed by foreign governments;
- fluctuations in currency exchange rates;
- political risks;

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- disruptions or delays in shipments caused by customs brokers or government agencies;
- unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers;
- difficulties in staffing and managing foreign operations; and
- potentially adverse tax consequences resulting from changes in tax laws.

In addition to the risks listed above, our operations in Korea and the Philippines are subject to certain country-specific risks described below.

Risks Associated with Our Operations in Korea

Our operations in Korea, as well as ASI's operations, are subject to risks inherent to operating in Korea. While our revenues in Korea will be denominated in U.S. dollars, our labor costs and some of our operating costs will be denominated in won. Substantially all of ASI's revenues and a significant portion of its debt and capital lease obligations are denominated in U.S. dollars, while its labor and some operating costs are denominated in won. Fluctuations in the won-dollar exchange rate will affect both our company's and ASI's financial results. When we make our investment in ASI and report ASI's results in our financial statements using the equity method of accounting, our financial results will be further affected by exchange rate fluctuations.

Beginning in late 1997 and continuing into 1998, Korea experienced a severe foreign currency liquidity crisis that resulted in a significantly adverse economic environment and a material depreciation in the value of the Korean won relative to the U.S. dollar. The exchange rate as of December 31, 1996 was (Won)844 to \$1.00 as compared to (Won)1,695 to \$1.00 as of December 31, 1997, (Won)1,195 to \$1.00 as of December 31, 1998, (Won)1,135 to \$1.00 as of December 31, 1999 and (Won)1,132 to \$1.00 as of February 29, 2000. The depreciation of the won relative to the U.S. dollar increased the cost of importing goods and services into Korea. In addition, the value in won of Korea's public and private sector debt denominated in U.S. dollars and other foreign currencies also increased significantly. These developments in turn led to sharply higher domestic interest rates and reduced opportunities for refinancing or refunding maturing debts. As a result of these difficulties, financial institutions in Korea have limited their lending, particularly to highly leveraged companies. Future economic instability in Korea could have a material adverse effect on our company's and ASI's business and financial condition.

Relations between Korea and the Democratic People's Republic of Korea ("North Korea") have been tense over most of Korea's history. Incidents affecting relations between the two Koreas continually occur. If the level of tensions with North Korea increases or changes abruptly, both our company's and ASI's businesses could be harmed.

Risks Associated with Our Operations in the Philippines

Although the political situation and the general state of the economy in the Philippines have stabilized in recent years, each has historically been subject to significant instability. Most recently, the devaluation of the Philippine peso relative to the U.S. dollar beginning in July 1997 led to economic instability in the Philippines. Any future economic or political disruptions or instability in the Philippines could have a material adverse effect on our business.

Because the functional currency of our operations in the Philippines is the U.S. dollar, we have recently benefited from cost reductions relating to peso-denominated expenditures, primarily payroll costs. We believe that any future devaluations of the Philippine peso will eventually lead to inflation in the Philippines, which could offset any savings achieved to date.

RISKS ASSOCIATED WITH OUR PROPOSED ACQUISITION OF ASI'S PACKAGING AND TEST BUSINESS -- THE ACQUISITION OF THIS BUSINESS REPRESENTS A MAJOR COMMITMENT OF OUR CAPITAL AND MANAGEMENT RESOURCES.

We intend to conduct due diligence and obtain representations from ASI in connection with our proposed acquisition of K1, K2 and K3. However, there may be additional hidden or contingent liabilities of K1, K2 and K3, relating to matters such as environmental problems, taxation, employee obligations, fraudulent convey-

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ance and others, that will not have come to our attention prior to our acquisition. If such liabilities exist, our business and financial performance may suffer after the acquisition.

Our acquisition of ASI's packaging and test factories will require our management to devote a significant portion of its resources to the maintenance and operation of factories in Korea. We have limited experience in owning and operating a business in Korea. It may take time for us to learn how to comply with relevant Korean regulations, including tax, environmental and labor laws. During the transition period in which we will integrate ASI's packaging and test business into our company, our management may not have adequate time and attention to devote to other aspects of our business, and those parts of our business could suffer.

If the acquisition is completed, we plan to retain the approximately 6,600 Korean employees currently working in ASI's packaging and test business into our workforce, and we may face cultural difficulties until we learn how to interact with these new employees. If these employees become dissatisfied working for a U.S. company, they may leave us. If we cannot find new employees to replace departing ones, our new operations could suffer.

MANAGEMENT OF GROWTH -- WE FACE CHALLENGES AS WE INTEGRATE NEW AND DIVERSE OPERATIONS AND TRY TO ATTRACT QUALIFIED EMPLOYEES TO SUPPORT OUR EXPANSION PLANS.

We have experienced, and may continue to experience, growth in the scope and complexity of our operations and in the number of our employees. This growth has strained our managerial, financial, manufacturing and other resources. Future acquisitions may result in inefficiencies as we integrate new operations and manage geographically diverse operations.

In order to manage our growth, we must continue to implement additional operating and financial controls and hire and train additional personnel. We cannot assure you that we will continue to be successful in hiring and properly training sufficient numbers of qualified personnel and in effectively managing our growth. If we fail to: (1) properly manage growth, (2) improve our operational, financial and management systems as we grow or (3) integrate new factories and employees into our operations, our financial performance could be materially adversely affected.

Our success depends to a significant extent upon the continued service of our key senior management and technical personnel, any of whom would be difficult to replace. In addition, in connection with our expansion plans, our company and ASI will be required to increase the number of qualified engineers and other employees at our respective factories in the Philippines and Korea. 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. Our inability to attract, retain and motivate qualified new personnel could have a material adverse effect on our business.

RISKS ASSOCIATED WITH OUR WAFER FABRICATION BUSINESS -- OUR WAFER FABRICATION BUSINESS IS SUBSTANTIALLY DEPENDENT ON TEXAS INSTRUMENTS.

Our wafer fabrication business, which commenced operations in January 1998, depends significantly upon Texas Instruments. An agreement with ASI and Texas Instruments (the "Texas Instruments Manufacturing and Purchasing Agreement") requires Texas Instruments to purchase from us at least 40% of the capacity of ASI's wafer fabrication facility, and under certain circumstances, Texas Instruments has the right to purchase from us up to 70% of this capacity. We cannot assure you that Texas Instruments will meet its purchase obligations in the future. If Texas Instruments fails to meet its purchase obligations, our company's and ASI's businesses could be harmed. For example, Texas Instruments' orders in the first half of 1998 were below required minimum purchase commitments due to market conditions and issues encountered by Texas Instruments in the transition of its products to new technology.

Texas Instruments has transferred certain of its complementary metal oxide silicon ("CMOS") process technology to ASI, and ASI is dependent upon Texas Instruments' assistance for developing other state-of-the-art wafer manufacturing processes. In addition, ASI's technology agreements with Texas Instruments (the "Texas Instruments Technology Agreements") only cover .25 micron and .18 micron CMOS process

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technology. Texas Instruments has not granted ASI a license under Texas Instruments' patents to manufacture semiconductor wafers for third parties. Moreover, Texas Instruments has no obligation to transfer any next-generation technology to ASI. Our company's and ASI's businesses could be harmed if ASI cannot obtain new technology on commercially reasonable terms or ASI's relationship with Texas Instruments is disrupted for any reason.

DEPENDENCE ON MATERIALS AND EQUIPMENT SUPPLIERS -- OUR BUSINESS MAY SUFFER IF THE COST OR SUPPLY OF MATERIALS OR EQUIPMENT ADVERSELY CHANGES.

We obtain from 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 and laminate substrates, from a limited group of suppliers. Furthermore, we purchase all of our materials on a purchase order basis and have no long-term contracts with any of our suppliers. Our business may be harmed if we cannot obtain materials and other supplies from our vendors: (1) in a timely manner, (2) in sufficient quantities, (3) in acceptable quality and (4) at competitive prices.

RAPID TECHNOLOGICAL CHANGE -- OUR BUSINESS WILL SUFFER IF WE CANNOT KEEP UP WITH TECHNOLOGICAL ADVANCES IN OUR INDUSTRY.

The complexity and breadth of both semiconductor packaging and test services and wafer fabrication are rapidly changing. As a result, we expect that we will need to offer more advanced package designs and new wafer fabrication technology in order to respond to competitive industry conditions and customer requirements. Our success depends upon the ability of our company and ASI to develop and implement new manufacturing process and package design technologies. The need to develop and maintain advanced packaging and wafer fabrication capabilities and equipment could require significant research and development and capital expenditures in future years. In addition, converting to new package designs or process methodologies could result in delays in producing new package types or advanced wafer designs that could adversely affect our ability to meet customer orders.

Technological advances also typically lead to rapid and significant price erosion and may make our existing products less competitive or our existing

inventories obsolete. If we cannot achieve advances in package design and wafer fabrication technology or obtain access to advanced package designs and wafer fabrication technology developed by others, our business could suffer.

COMPETITION -- WE MUST COMPETE AGAINST LARGE AND ESTABLISHED COMPETITORS IN BOTH THE PACKAGING AND TEST BUSINESS AND THE WAFER FABRICATION BUSINESS.

The independent semiconductor packaging and test market is very competitive. This sector is comprised of approximately 40 companies. We face substantial competition from established packaging and test service providers primarily located in Asia, including companies with significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities. Such companies have also established relationships with many large semiconductor companies that are current or potential customers of our company. On a larger scale, we also compete with the internal semiconductor packaging and test capabilities of many of our customers.

The independent wafer fabrication business is also highly competitive. Our wafer fabrication services compete primarily with independent semiconductor wafer foundries, including those of Chartered Semiconductor Manufacturing, Inc., Taiwan Semiconductor Manufacturing Company, Ltd. and United Microelectronics Corporation. Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities and has been operating for some time. Many of these companies have also established relationships with many large semiconductor companies that are current or potential customers of our company. If we cannot compete successfully in the future against existing or potential competitors, our operating results would suffer.

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ENVIRONMENTAL REGULATIONS -- FUTURE ENVIRONMENTAL REGULATIONS COULD PLACE ADDITIONAL BURDENS ON THE MANUFACTURING OPERATIONS OF OUR COMPANY OR ASI.

The semiconductor packaging process uses chemicals and gases and generates byproducts that are subject to extensive governmental regulations. For example, we produce liquid waste when silicon wafers are diced into chips with the aid of diamond saws, then cooled with running water. Federal, state and local regulations in the United States, as well as environmental regulations in Korea and the Philippines, impose various controls on the storage, handling, discharge and disposal of chemicals used in our company's and ASI's manufacturing processes and on the factories occupied by our company and ASI.

Increasingly, public attention has focused on the environmental impact of semiconductor manufacturing operations and the risk to neighbors of chemical releases from such operations. In the future, applicable land use and environmental regulations may: (1) impose upon our company the need for additional capital equipment or other process requirements, (2) restrict our company's ability to expand our respective operations, (3) subject our company to liability or (4) cause our company to curtail our operations.

PROTECTION OF INTELLECTUAL PROPERTY -- WE MAY BECOME INVOLVED IN INTELLECTUAL PROPERTY LITIGATION.

We currently hold 68 U.S. patents, and we also have 102 pending patents and are preparing an additional 57 patent applications for filing. In connection with our proposed acquisition of K1, K2 and K3 from ASI, we plan to acquire all of ASI's patents, patent applications and other intellectual property rights related to its packaging and test business. We expect to continue to file patent applications when appropriate to protect our proprietary technologies, but we cannot assure you that we will receive patents from pending or future applications. In addition, any patents we obtain may be challenged, invalidated or circumvented and may not provide meaningful protection or other commercial advantage to us.

We may need to enforce our patents or other intellectual property rights or to defend our company against claimed infringement of the rights of others through litigation, which could result in substantial cost and diversion of our resources. If we fail to obtain necessary licenses or if we face litigation relating to patent infringement or other intellectual property matters, our business could suffer.

Although we are not currently a party to any material litigation, the

semiconductor industry is characterized by frequent claims regarding patent and other intellectual property rights. If any third party makes a valid claim against our company or ASI, our company or ASI could be required to: (1) discontinue the use of certain processes, (2) cease the manufacture, use, import and sale of infringing products, (3) pay substantial damages, (4) develop non-infringing technologies or (5) acquire licenses to the technology we had allegedly infringed. Our business, financial condition and results of operations could be materially and adversely affected by any of these negative developments.

In addition, Texas Instruments has granted ASI very limited licenses under the Texas Instruments Technology Agreements, including a license under Texas Instruments' trade secret rights to use Texas Instruments' technology in connection with ASI's provision of wafer fabrication services. However, Texas Instruments has not granted ASI a license under Texas Instruments' patents to manufacture semiconductor wafers for third parties. Furthermore, Texas Instruments has reserved the right to bring infringement claims against customers of our company or customers of ASI with respect to semiconductor wafers purchased from our company or ASI. Such customers and others could in turn subject our company or ASI to litigation in connection with the sale of semiconductor wafers produced by ASI.

CONTINUED CONTROL BY EXISTING STOCKHOLDERS -- MR. JAMES KIM AND MEMBERS OF HIS FAMILY CAN DETERMINE THE OUTCOME OF ALL MATTERS REQUIRING STOCKHOLDER APPROVAL.

As of February 29, 2000, Mr. James Kim and members of his family beneficially owned approximately 59% of our outstanding common stock. Mr. James Kim's family, acting together, will effectively control all

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matters submitted for approval by our stockholders. These matters include the approval of the acquisition of K1, K2 and K3 and could include:

- the election of all of the members of our Board of Directors;
- proxy contests;
- approvals of transactions between our company and ASI or other entities in which Mr. James Kim and members of his family have an interest, including transactions which may involve a conflict of interest;
- mergers involving our company;
- tender offers; and
- open market purchase programs or other purchases of our common stock.

STOCK PRICE VOLATILITY

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 in response to factors such as:

- actual or anticipated quarter-to-quarter variations in operating results;
- announcements of technological innovations or new products and services by Amkor or our competitors;
- general conditions in the semiconductor industry;
- changes in earnings estimates or recommendations by analysts;
- developments affecting ASI;
- or other events or factors, many of which are out of our control

In addition, the stock market in general, and the Nasdaq National Market and the markets for technology companies in particular, have experienced extreme price and volume fluctuations. This volatility has affected the market prices of securities of companies like ours for that have often been unrelated or disproportionate to the operating performance. These broad market fluctuations may adversely affect the market price of our common stock.

OUR CHARTER DOCUMENTS AND DELAWARE LAW COULD DELAY OR PREVENT A TAKEOVER.

Certain provisions of our Certificate of Incorporation, Bylaws and Delaware law could make it more difficult for a third party to acquire us, even if that change of control would be beneficial to our stockholders. For example, our Board of Directors has the authority to issue up to 10,000,000 shares of Preferred Stock with rights, preferences and privileges that could be superior to Common Stock; this would make it more difficult for a potential acquiror to obtain a majority of our voting stock. We are also subject to Section 203 of the Delaware General Corporation Law, which prohibits us from entering into certain "business combinations" with an "interested stockholder" for three years after the transaction in which that person becomes an interested stockholder unless the transaction were to be approved in a prescribed manner. This too could delay or prevent a change of control that could be beneficial to our stockholders. In addition, our Certificate of Incorporation does not provide for cumulative voting. This provision, and other provisions of the Certificate of Incorporation, our Bylaws and Delaware corporate law, may have the effect of deterring hostile takeovers or delaying or preventing changes in control or our management, including transactions in which stockholders might otherwise receive a premium for their shares over then current market prices.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For a discussion of information regarding quantitative and qualitative disclosures about market risk, see "Management's Discussion and Analysis of Financial Condition and Results of Operations -- Market Risk Sensitivity" in Item 7 of this annual report.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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

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Report of Independent Accountants (Samil Accounting Corporation) with respect to the Financial Statement of Anam Semiconductor, Inc. as of and for the years ended December 31, 1999, 1998 and 1997.....	77
Independent Auditor's Report (Ahn Kwon & Co.) with respect to the Financial Statements of Anam Engineering & Construction Co., Ltd. as of and for the years ended December 31, 1999, 1998 and 1997.....	79
Independent Auditor's Report (Siana Carr & O'Connor, LLP) with respect to the Financial Statements of Anam USA, Inc. as of December 31, 1999 and 1998 and for the three years ended December 31, 1999.....	80
Report of Independent Public Accountants (Arthur Anderson LLP) with respect to Schedule II -- Valuation and Qualifying Accounts.....	87
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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amkor Technology, Inc.:

We have audited the accompanying consolidated balance sheets of Amkor Technology, Inc. and its subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Anam Semiconductor, Inc. ("ASI") (See Note 3), the investment in which is reflected in the accompanying 1997 and 1999 financial statements using the equity method of accounting. The investment in ASI represents 2% of total assets at December 31, 1997 and 1999 and the equity in its net loss represents 29% and 2% of net income before the equity in loss of investees in 1997 and 1999, respectively. In addition, we did not audit the financial statements of Amkor Technology Korea, Inc., ("ATK"), a wholly-owned subsidiary, which statements reflect total assets and total operating income of 35% and 6%, respectively, of the related consolidated totals in 1999. The statements of ASI and ATK were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to amounts included for ASI and ATK, is based solely on the reports of the other auditors.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based upon our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Amkor Technology, Inc. and its subsidiaries as of December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1999, in conformity with generally accepted accounting principles.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania

February 3, 2000

(except as discussed in Note 21 with respect to the Company's proposed acquisition of ASI's packaging and test facilities and its investment in ASI, as to which the date is February 28, 2000, and the related proposed financing, as to which the date is March 16, 2000)

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF INCOME

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)		
NET REVENUES.....	\$1,455,761	\$1,567,983	\$1,909,972
COST OF REVENUES -- including purchases from ASI (Note 3).....	1,242,669	1,307,150	1,577,226
GROSS PROFIT.....	213,092	260,833	332,746
OPERATING EXPENSES:			
Selling, general and administrative.....	103,726	119,846	145,233
Research and development.....	8,525	8,251	11,436

Total operating expenses.....	112,251	128,097	156,669
OPERATING INCOME.....	100,841	132,736	176,077
OTHER (INCOME) EXPENSE:			
Interest expense, net.....	32,241	18,005	45,364
Foreign currency (gain) loss.....	(835)	4,493	308
Other expense, net.....	8,429	9,503	25,117
Total other expense.....	39,835	32,001	70,789
INCOME BEFORE INCOME TAXES, EQUITY IN LOSS OF INVESTEES AND MINORITY INTEREST.....	61,006	100,735	105,288
PROVISION FOR INCOME TAXES.....	7,078	24,716	26,600
EQUITY IN LOSS OF INVESTEES.....	(17,291)	--	(1,969)
MINORITY INTEREST.....	(6,644)	559	--
NET INCOME.....	\$ 43,281	\$ 75,460	\$ 76,719
PRO FORMA DATA (UNAUDITED):			
Historical income before income taxes, equity in loss of investees and minority interest.....	\$ 61,006	\$ 100,735	
Pro forma provision for income taxes.....	10,691	29,216	
Pro forma income before equity in loss of investees and minority interest.....	50,315	71,519	
Historical equity in loss of investees.....	(17,291)	--	
Historical minority interest.....	(6,644)	559	
Pro forma net income.....	\$ 39,668	\$ 70,960	
PER SHARE DATA:			
Basic net income per common share.....	\$.52	\$.71	\$.64
Diluted net income per common share.....	\$.52	\$.70	\$.63
Basic pro forma net income per common share (unaudited).....	\$.48	\$.67	
Diluted pro forma net income per common share (unaudited).....	\$.48	\$.66	
Shares used in computing basic (proforma for 1997 and 1998) net income per common share.....	82,610	106,221	119,341
Shares used in computing diluted (proforma for 1997 and 1998) net income per common share.....	82,610	116,596	135,067

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS

	DECEMBER 31,	
	1998	1999
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents.....	\$ 227,587	\$ 98,045
Short-term investments.....	1,000	136,595
Accounts receivable --		
Trade, net of allowance for doubtful accounts of \$5,952 and \$2,443.....	109,243	157,281
Due from affiliates.....	25,990	6,278
Other.....	5,900	6,469
Inventories.....	85,628	91,465
Other current assets.....	16,687	11,117

Total current assets.....	472,035	507,250
PROPERTY, PLANT AND EQUIPMENT, net.....	416,111	859,768
INVESTMENTS.....	25,476	63,672
OTHER ASSETS:		
Due from affiliates.....	28,885	27,858
Intangible assets.....	26,158	233,532
Other.....	34,932	63,009
	89,975	324,399
Total assets.....	\$1,003,597	\$1,755,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdraft.....	\$ 13,429	\$ 16,209
Short-term borrowings and current portion of long-term debt.....	38,657	6,465
Trade accounts payable.....	96,948	122,147
Due to affiliates.....	15,722	37,913
Accrued expenses.....	77,004	88,577
Accrued income taxes.....	38,892	41,587
Total current liabilities.....	280,652	312,898
LONG-TERM DEBT.....	14,846	9,021
SENIOR AND SENIOR SUBORDINATED NOTES.....	--	625,000
CONVERTIBLE SUBORDINATED NOTES.....	207,000	53,435
OTHER NONCURRENT LIABILITIES.....	10,738	16,994
COMMITMENTS AND CONTINGENCIES (Note 17)		
STOCKHOLDERS' EQUITY:		
Common stock.....	118	131
Additional paid-in capital.....	381,061	551,964
Retained earnings.....	109,738	189,733
Receivable from stockholder (Note 12).....	--	(3,276)
Accumulated Other Comprehensive Income:		
Unrealized losses on investments.....	(556)	(811)
Total stockholders' equity.....	490,361	737,741
Total liabilities and stockholders' equity.....	\$1,003,597	\$1,755,089

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	RECEIVABLE FROM STOCKHOLDER	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL	COMPREHENSIVE INCOME
	-----	-----	-----	-----	-----	-----	-----
	(IN THOUSANDS)						
BALANCE AT JANUARY 1, 1997.....	\$ 46	\$ 16,770	\$ 32,340	\$	\$ (3,344)	\$ 45,812	
Net income.....	--	--	43,281	--	--	43,281	\$43,281
Unrealized gains on investments.....	--	--	--	--	1,586	1,586	1,586
Currency translation adjustments.....	--	--	--	--	1,095	1,095	1,095
Comprehensive income (Note 12).....							45,962
Distributions.....	--	--	(5,000)	--	--	(5,000)	
Change in division equity account...	--	4,101	--	--	--	4,101	
BALANCE AT DECEMBER 31, 1997.....	46	20,871	70,621	--	(663)	90,875	
Net income.....	--	--	75,460	--	--	75,460	75,460
Unrealized losses on investments.....	--	--	--	--	(556)	(556)	(556)
Currency translation adjustments, reclassification for loss included							

in net income.....	--	--	--	--	663	663	663
Comprehensive income (Note 12).....	--	--	--	--	--	--	75,567
Distributions.....	--	--	(33,100)	--	--	(33,100)	
Issuance of 35,250,000 common shares in public offering, net.....	35	360,228	--	--	--	360,263	
Acquisition of AKI.....	(1)	--	(3,243)	--	--	(3,244)	
Change in par value of stock in connection with Company Reorganization.....	38	(38)	--	--	--	--	
BALANCE AT DECEMBER 31, 1998.....	118	381,061	109,738	--	(556)	490,361	
Net income.....	--	--	76,719	--	--	76,719	76,719
Unrealized (losses) on investments, net of tax.....	--	--	--	--	(255)	(255)	(255)
Comprehensive income (Note 12).....							\$76,464
Issuance of stock through employee stock purchase plan and stock options.....	--	3,875	--	--	--	3,875	
Receivable from Stockholder (Note 12).....	--	--	3,276	(3,276)	--	--	
Debt conversion (Note 9).....	13	167,028	--	--	--	167,041	
BALANCE AT DECEMBER 31, 1999.....	\$131	\$551,964	\$189,733	\$(3,276)	\$(811)	\$737,741	

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income.....	\$ 43,281	\$ 75,460	\$ 76,719
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization.....	81,864	118,022	176,866
Amortization of deferred debt issuance costs.....	--	1,217	3,466
Debt conversion expense.....	--	--	17,381
Provision for accounts receivable.....	3,490	1,719	(3,500)
Provision for excess and obsolete inventory.....	12,659	7,200	6,573
Deferred income taxes.....	(11,715)	1,250	9,418
Equity in loss of investees.....	16,779	--	4,591
(Gain) loss on sale of fixed assets and investments.....	(239)	2,500	1,805
Minority interest.....	(6,644)	559	--
Changes in assets and liabilities excluding effects of acquisitions --			
Accounts receivable.....	(19,802)	4,742	(44,526)
Proceeds from sale/(repurchase of) accounts receivable.....	90,700	(16,500)	(2,700)
Other receivables.....	1,547	(1,021)	(555)
Inventories.....	(26,609)	23,042	(12,063)
Due to/from affiliates, net.....	(19,138)	(11,117)	35,403
Other current assets.....	(7,239)	6,709	1,601
Other non-current assets.....	3,322	(8,061)	(15,088)
Accounts payable.....	60,939	(12,489)	27,474
Accrued expenses.....	13,817	33,489	13,117
Accrued income taxes.....	14,130	11,924	2,695
Other long-term liabilities.....	(1,089)	(685)	(5,380)
Net cash provided by operating activities.....	250,053	237,960	293,297
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment.....	(178,990)	(107,889)	(242,390)
Acquisition of K4.....	--	--	(575,000)
Acquisition of minority interest in AAP.....	--	(33,750)	--
Acquisition of AKI.....	--	(3,244)	--
Acquisition of AAPMC.....	--	--	(2,109)
Sale of property, plant and equipment.....	1,413	121	--
Proceeds from the sale/(purchase) of investments.....	(15,187)	(18,550)	(135,595)
Investment in ASI.....	--	--	(41,638)

Net cash used in investing activities.....	(192,764)	(163,312)	(996,732)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in bank overdrafts and short-term borrowings...	52,393	(173,565)	(24,264)
Net proceeds from issuance of 35,250,000 common shares in public offering.....	--	360,263	--
Proceeds from issuance of stock through employee stock purchase plan and stock options.....	--	--	3,875
Proceeds from issuance of Anam USA, Inc. debt.....	1,408,086	522,116	--
Payments of Anam USA, Inc. debt.....	(1,443,464)	(658,029)	--
Net proceeds from issuance of long-term debt.....	11,389	203,170	603,569
Payments of long-term debt.....	(43,541)	(158,833)	(9,287)
Distributions to stockholders.....	(5,000)	(33,100)	--
Change in division equity account.....	4,101	--	--
Net cash provided by (used in) financing activities...	(16,036)	62,022	573,893
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	41,253	136,670	(129,542)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD.....	49,664	90,917	227,587
CASH AND CASH EQUIVALENTS, END OF PERIOD.....	\$ 90,917	\$ 227,587	\$ 98,045
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest.....	\$ 37,070	\$ 27,730	\$ 45,500
Income taxes.....	\$ 3,022	\$ 12,908	\$ 13,734

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND DOLLAR PER SHARE DATA)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

The consolidated financial statements include the accounts of Amkor Technology, Inc. and its subsidiaries (the "Company"). All of the Company's subsidiaries are wholly owned except for a small number of shares of each of the Company's Philippine subsidiaries which are required to be owned by directors of these companies pursuant to Philippine law.

The consolidated financial statements reflect the elimination of all significant intercompany accounts and transactions.

The investments in, and the operating results of, 20% to 50% owned companies, as well as the Company's investment in Anam Semiconductor Inc. ("ASI") (see Note 7), are included in the consolidated financial statements using the equity method of accounting.

Prior to the Reorganization (as defined below), the Company's financial statements were presented on a combined basis as a result of common ownership and business operations of all the Amkor Companies (as defined below), including AK Industries, Inc. ("AKI"). The Reorganization was treated similar to a pooling of interests as it represented an exchange of equity interests among companies under common control, except for the acquisition of AKI which was accounted for as a purchase transaction. The purchase price for the AKI stock, which represented the fair value of those shares, approximated the book value of AKI.

Reorganization

Prior to the Reorganization (as defined herein) the combined financial statements of Amkor Technology, Inc. ("ATI") and its subsidiaries and AKI and its subsidiary included the accounts of the following based on the ownership structure prior to the Reorganization (these companies are referred to as the "Amkor Companies"):

- Amkor Electronics, Inc. ("AEI"), (a U.S. S Corporation) and its wholly-owned subsidiaries, Amkor Receivables Corp (a U.S. Corporation) and Amkor Wafer Fabrication Services SARL (a French Limited Company)

("AWFS");

- T.L. Limited ("TLL") (a British Cayman Island Corporation) and its Philippine subsidiaries, Amkor Anam Advanced Packaging, Inc. ("AAP") (wholly-owned) and Amkor/Anam Pilipinas, Inc. ("AAP"), which was owned 60% by TLL and 40% by ASI (which changed its name in 1998 from Anam Industrial Co., Ltd.) (-- see Note 3), and its wholly-owned subsidiary Automated MicroElectronics, Inc. ("AMI");
- C.I.L., Limited ("CIL") (a British Cayman Islands Corporation) and its wholly-owned subsidiary Amkor/Anam Euroservices S.A.R.L. ("AAES") (a French Corporation);
- Amkor Anam Test Services, Inc. (a U.S. Corporation);
- The semiconductor packaging and test business unit of Chamterry Enterprises, Ltd. ("Chamterry"). During 1997 Chamterry transferred its customers to AEI and CIL and ceased operations of its semiconductor and test business unit; and
- AKI (a U.S. Corporation) and its wholly-owned subsidiary, Amkor-Anam, Inc. (a U.S. Corporation).

Prior to the Reorganization, all of the Amkor Companies were substantially wholly owned by Mr. and Mrs. James Kim or entities controlled by members of Mr. James Kim's immediate family (the "Founding Stockholders"), except for AAP which was 40% owned by ASI and one third of AEI and all of AKI which were owned by trusts established for the benefit of other members of Mr. James Kim's family ("Kim Family

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Trusts"). The Amkor Companies were an interdependent group of companies involved in the same business under the direction of common management. ATI was formed in September 1997 to facilitate the Reorganization and consolidate the ownership of the Amkor Companies. In connection with the Reorganization, AEI was merged into ATI. Amkor International Holdings ("AIH"), a Cayman Islands holding company, became a wholly owned subsidiary of ATI. AIH was formed to hold the following entities: First Amkor Caymans, Inc. ("FACI"), which was formed to hold AAP, AAP and its subsidiary AMI, TLL and its subsidiary CIL and CIL's subsidiary AAES. The relative number of shares of common stock issued by the Company in connection with each of the transactions comprising the Reorganization was based upon the relative amounts of stockholders' equity at December 31, 1997. On April 14, 1998, Mr. and Mrs. James Kim and the Kim Family Trusts received two-thirds (9,746,760 shares) and one-third (4,873,380 shares) of the ATI common stock then outstanding, respectively. On April 29, 1998, ATI issued 67,989,851 shares of common stock, representing approximately 82% of its shares immediately after the Reorganization, in exchange for all of the outstanding shares of AIH and its subsidiaries. Of such shares, 27,528,234 shares and 36,376,617 shares were gifted to Mr. and Mrs. James Kim and the Kim Family Trusts, respectively, such that Mr. and Mrs. James Kim and the Kim Family Trusts owned 45.1% and 49.9%, respectively, of the ATI common shares outstanding after the Reorganization. Following such transactions the Founding Stockholders beneficially owned a majority of the outstanding shares of ATI common stock. In addition, ATI acquired all of the stock of AKI from the Kim Family Trusts for approximately \$3,000. The merger of AEI and ATI, the creation of AIH and FACI, the issuance of ATI common stock for AIH and the acquisition of AKI are collectively referred to as the Reorganization.

Nature of Operations

The Company provides semiconductor packaging and test services as well as wafer fabrication services to semiconductor manufacturing and semiconductor design companies located in strategic markets throughout the world. Such services are provided by the Company and by ASI under a long-standing arrangement (see Note 3). Approximately 68%, 67%, and 53% of the Company's packaging and test revenues in 1997, 1998 and 1999, respectively, relate to the packaging and test services provided by ASI. In addition, 100% of the Company's wafer fabrication revenues relate to the wafer fabrication services provided by ASI under a long-term agreement (see Note 3).

Concentrations of Credit Risk

Financial instruments, for which the Company is subject to credit risk, consist principally of accounts receivable, cash and cash equivalents and short-term investments. With respect to accounts receivable, the Company has mitigated its credit risk by selling primarily to well established companies, performing ongoing credit evaluations and making frequent contact with customers.

During 1999, the Company has invested in high grade municipal bonds, commercial loans and preferred stocks. These investments are classified in the consolidated balance sheets either as cash and cash equivalents for securities that have an underlying maturity date of less than three months, or as short-term investments for securities that have an underlying maturity date in excess of three months and are being held for trading purposes ("Trading Securities"). As of December 31, 1999, the Company held approximately \$137,000 in Trading Securities. These investments are carried at fair market value based on market quotes and recent offerings of similar securities.

The Company has mitigated its credit risk with respect to cash and cash equivalents, as well as Trading Securities, through diversification of its portfolio of holdings into various money market accounts, U.S. treasury bonds, federal mortgage backed securities, high grade municipal bonds, commercial loans and preferred stocks. At December 31, 1998 and 1999, the Company maintained approximately \$35,000 and

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

\$183,000, respectively, in high grade municipal bonds, commercial loans and preferred stocks, with the largest individual investment balance of approximately \$10,000 and \$12,000, respectively.

In addition, at December 31, 1998 and 1999, the Company maintained approximately \$29,000 and \$11,000, respectively, in deposits and certificates of deposits at foreign owned banks and approximately \$4,000 and \$13,000 respectively, in deposits at U.S. banks which exceeded federally insured limits, of which, approximately \$5,000 was maintained in one bank at December 31, 1999.

Significant Customers

The Company has a number of major customers in North America, Asia and Europe. The Company's largest customer, Texas Instruments, Inc. ("TI"), accounted for 16.5% of net revenues in 1999. Revenues for services provided to TI prior to 1999 were less than 10%. In addition, the Company's second largest customer, Intel Corporation, accounted for approximately 23.4%, 20.6% and 14.1% of net revenues in 1997, 1998 and 1999, respectively. The Company's five largest customers collectively accounted for 40.1%, 41.6%, and 43.6% of net revenues in 1997, 1998, and 1999, respectively. The Company anticipates that significant customer concentration will continue for the foreseeable future, although the companies which constitute the Company's largest customers may change.

Risks and Uncertainties

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect the Company's future operating results and cause actual results to vary materially from historical results include, but are not limited to, dependence on the highly cyclical nature of both the semiconductor and the personal computer industries, competitive pricing and declines in average selling prices, dependence on the Company's relationship with ASI (see Note 3), reliance on a small group of principal customers, timing and volume of orders relative to the Company's production capacity, availability of manufacturing capacity and fluctuations in manufacturing yields, availability of financing, competition, dependence on international operations and sales, dependence on raw material and equipment suppliers, exchange rate fluctuations, dependence on key personnel, difficulties in managing growth, enforcement of intellectual property rights, environmental regulations and the results of ASI on an equity method of accounting basis.

Foreign Currency Translation

Substantially all of the Company's foreign subsidiaries and investee companies use the U.S. dollar as their functional currency. Accordingly, monetary assets and liabilities which were originally denominated in a foreign currency are translated into U.S. dollars at month-end exchange rates. Non-monetary items which were originally denominated in foreign currencies are translated at historical rates. Gains and losses from such remeasurement and from transactions denominated in foreign currencies are included in other (income) expense. The cumulative translation adjustment reflected in accumulated other comprehensive income in stockholders' equity in the consolidated balance sheets related primarily to investments in unconsolidated companies which used the local currency as the functional currency (see Note 7).

Cash and Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Accounts Receivable

At December 31, 1998 and 1999, trade accounts receivable represent the Company's interest in receivables in excess of amounts purchased by banks under an accounts receivable sale agreement (see

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Note 4). Of the total net trade accounts receivable amount at December 31, 1998 and 1999, \$22,488 and \$36,880, respectively, relates to the trade accounts receivable of CIL which were not sold under the accounts receivable sale agreement.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined principally by using a moving average method.

Property, Plant and Equipment

Property, plant and equipment are stated at cost. Depreciation is calculated by the straight-line method over the estimated useful lives of depreciable assets. Accelerated methods are used for tax purposes. Depreciable lives follow:

Buildings and improvements.....	10 to 30 years
Machinery and equipment.....	3 to 5 years
Furniture, fixtures and other equipment.....	3 to 10 years

Cost and accumulated depreciation for property retired or disposed of are removed from the accounts and any resulting gain or loss is included in earnings. Expenditures for maintenance and repairs are charged to expense as incurred. Depreciation expense was \$81,159, \$116,424 and \$158,938 for 1997, 1998 and 1999, respectively.

Intangible Assets

Intangible assets consist principally of goodwill. The Company recorded goodwill representing the excess of cost over the recorded minority interest in Amkor/Anam Pilipinas, Inc., one of its Philippine subsidiaries ("AAP"). In addition, the Company recorded goodwill representing the excess of the cost over the fair market value of the net assets acquired of ASI's packaging and test business located in Kwangju, Korea ("K4") (See Note 3) and the excess of the cost over the fair market value of the net assets acquired of Anam/Amkor Precision Machine Company, Inc. ("AAPMC"), an affiliate of ASI. (See Note 18)

Goodwill is amortized on a straight-line basis over a period of ten years which is the estimated future period to be benefited by the acquisitions. The unamortized balance of goodwill at December 31, 1998 and 1999 was \$24,596 and

\$232,350, respectively.

Other Noncurrent Assets

Other noncurrent assets consist principally of deferred debt issuance costs, security deposits, the cash surrender value of life insurance policies, deferred income taxes and tax credits.

In connection with the \$207,000 offering of Convertible Notes (see Note 2), and the \$625,000 offering of Senior and Senior Subordinated Notes (See Note 3) the Company incurred approximately \$30,500 of debt issuance costs which have been deferred and are amortized and reflected as interest expense over the life of the Notes.

Other Noncurrent Liabilities

Other noncurrent liabilities consist primarily of pension obligations and noncurrent income taxes payable.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Stock Compensation Plans

The Company accounts for its stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, compensation cost for stock based plans is generally measured as the excess, if any, of the quoted market price of the Company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Disclosures required by Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock Based Compensation," are presented in Note 14.

Income Taxes

The Company accounts for income taxes following the provisions of SFAS No. 109, "Accounting for Income Taxes," which requires the use of the liability method. If it is more likely than not that some portion or all of a deferred tax asset will not be realized, a valuation allowance is provided.

The Company reports certain income and expense items for income tax purposes on a basis different from that reflected in the accompanying consolidated financial statements. The principal differences relate to the timing of the recognition of accrued expenses which are not deductible for federal income tax purposes until paid, the use of accelerated methods of depreciation for income tax purposes and unrecognized foreign exchange gains and losses.

AEI, which was merged into ATI just prior to the Initial Public Offering (See Note 2), elected to be taxed as an S Corporation under the provisions of the Internal Revenue Code of 1986 and comparable state tax provisions. As a result, AEI did not recognize U.S. federal corporate income taxes. Instead, the stockholders of AEI were taxed on their proportionate share of AEI's taxable income. Accordingly, no provision for U.S. federal income taxes was recorded for AEI. The accompanying consolidated statements of income include an unaudited pro forma adjustment to reflect income taxes which would have been recorded if AEI had not been an S Corporation, based on the tax laws in effect during the respective periods.

Just prior to the Initial Public Offering (see Note 2), AEI terminated its S Corporation status at which point the profits of AEI became subject to federal and state income taxes at the corporate level.

Revenue Recognition and Risk of Loss

The Company does not take ownership of customer-supplied semiconductors. Title and risk of loss remains with the customer for these materials at all times. Accordingly, the cost of the customer-supplied materials is not included in the consolidated financial statements. Risk of loss for the Company's packaging costs passes upon completion of the packaging process. The Company generally records revenues upon shipment of packaged semiconductors to its

customers. The Company records wafer fabrication services revenues upon shipment of completed wafers to its customers.

Research and Development Costs

Research and development costs are charged to expense as incurred.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Recently Issued Accounting Standards

In June 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument (including certain derivative instruments embedded in other contracts) be recorded on the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge accounting criteria are met. Special accounting for qualifying hedges allows a derivative's gains and losses to offset related results on the hedged item in the income statement, and requires that a company must formally document, designate, and assess the effectiveness of transactions that receive hedge accounting.

SFAS No. 133, as amended by SFAS No. 137, is effective for fiscal years beginning after June 15, 2000. Early adoption at the beginning of any quarter after issuance is permitted, but cannot be applied retroactively. The provisions of the statement must be applied to derivative instruments and certain derivative instruments embedded in hybrid contracts that were issued, acquired, or substantively modified after December 31, 1997, or December 31, 1998, as selected at the transition date.

The Company believes that the impact of adopting SFAS No. 133 on its financial statements will not be material and has not determined the timing of adoption.

Reclassifications

Certain previously reported amounts have been reclassified to conform with the current presentation.

2. INITIAL PUBLIC OFFERING

On May 6, 1998, the Company completed its Initial Public Offering of 30,000,000 shares of its common stock at a price to the public of \$11.00 per share and \$180,000 aggregate principal amount of Convertible Notes ("Initial Public Offering"). Also, on May 8, 1998, the Company sold 5,250,000 additional shares of its common stock and \$27,000 additional principal amounts of Convertible Notes in conjunction with the underwriters' over-allotment options. The net proceeds were approximately \$558,121, after deducting the underwriter discounts and offering expenses. The convertible notes 1) are convertible into the Company's common stock at \$13.50 per share; 2) are callable in certain circumstances after three years; 3) are unsecured and subordinate to senior debt; 4) carry a coupon rate of 5 3/4%; and 5) mature at the end of five years. Approximately \$264,000 of the proceeds were used to reduce short-term and long-term borrowings. Approximately \$86,000 of the proceeds were used to reduce amounts due to Anam USA, Inc., ASI's wholly owned financing subsidiary ("AUSA"). Approximately \$34,000 of the proceeds was used to purchase ASI's 40% interest in AAP (see Note 18.) In connection with the Offerings, one existing stockholder sold approximately 5,000,000 of his shares.

3. RELATIONSHIP WITH ANAM SEMICONDUCTOR INC.

In December 1999 the Company announced that it was in discussions with ASI to purchase its three remaining packaging and test factories, known as K1, K2 and K3 combined with an additional equity investment in ASI. In February 2000, the Company announced that it had reached an agreement with ASI to purchase K1, K2 and K3 for \$950,000 and committed to make an additional equity investment in ASI of approximately \$459,000. The commitment to make this equity investment supersedes the existing commitment to ASI to purchase \$150,000 in equity, previously agreed to as part of the terms of ASI's Workout (as defined below) excluding the \$41,600 already invested in October 1999. The Company expects to complete the purchase of K1, K2 and K3 and investment in ASI during the second quarter of 2000. To complete the transaction with ASI, the Company intends to use existing cash and raise approximately \$750,000 in secured bank debt, \$410,000 in private equity financing and \$225,000 in convertible subordinated notes. If we make the additional \$459,000 investment in the common stock of ASI and the Creditor banks convert (Won)150 billion

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(approximately \$132,000) of debt to common stock of ASI, the Company's and the Creditor banks' ownership in ASI voting stock will be approximately 43% and 34%, respectively.

If the transaction with ASI is completed as described above, ASI will emerge from its Workout with its Korean Creditor Banks. ASI has indicated that they expect the net proceeds from the sale of K1, K2 and K3 and our additional equity investment to be used to repay a substantial amount of debt, provide funding to expand the capacity of their wafer foundry and provide general working capital.

In October 1999, the Company acquired 10,000,000 shares of ASI common stock for approximately \$41,600 ((Won)50,000,000,000) representing the Company's first installment of its commitment to invest in ASI over a four year period in connection with ASI's Workout. The remaining portion of the obligation will be canceled under the terms of the agreement to purchase K1, K2 and K3. The Company owns 18% of ASI's common stock and members of the Kim family own 11%. As a result of this ownership, and the relationship with ASI, the Company follows the equity method of accounting for its investment in ASI.

Because the Company and ASI have reached agreement on terms to purchase K1, K2 and K3, ASI's consolidated financial statements have been prepared to reflect the packaging and test operations of ASI as discontinued operations. If the Company is successful in acquiring K1, K2 and K3 and making our planned additional equity investment in ASI, ASI will exit from the Workout program.

The following summary of consolidated financial information pertaining to ASI for 1997, 1998 and 1999, reflecting the packaging and test operations of ASI as discontinued operations, was derived from the consolidated financial statements of ASI.

	1997	1998	1999
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SUMMARY INCOME STATEMENT INFORMATION:			
Sales.....	\$ 406,937	\$ 221,098	\$ 285,925
Income (loss) from continuing operations.....	\$ (102,039)	\$ (957,165)	\$ (169,759)
Net income (loss).....	\$ 41,430	\$ (847,533)	\$ 109,865
SUMMARY BALANCE SHEET INFORMATION:			
Total assets.....	\$2,922,114	\$1,878,950	\$1,487,469
Total liabilities.....	\$2,662,612	\$2,477,323	\$1,785,219

On May 17, 1999, the Company purchased certain assets and liabilities of ASI's packaging and test business located in Kwangju, Korea ("K4"). The purchase price for K4 was \$575,000 in cash plus the assumption of approximately \$7,000 of employee benefit liabilities. The acquisition was accounted for as a purchase. Accordingly, the results of K4 have been included in the accompanying

consolidated financial statements since the date of acquisition. The purchase price of \$582,000 was allocated to the fair value of the assets acquired, principally property plant and equipment, of approximately \$358,000 and liabilities assumed of approximately \$7,000. Goodwill resulting from the transaction of approximately \$223,000 will be amortized on a straight line basis over a 10 year period, and is included in intangible assets in the Company's consolidated balance sheets at December 31, 1999.

This acquisition was financed through a private placement completed by the Company in May 1999 which raised approximately \$603,600, net of debt issuance costs of \$21,400, through the issuance of \$425,000 of senior notes and \$200,000 in senior subordinated notes. The senior notes mature in May 2006 and have a coupon rate of 9.25%. The senior subordinated notes mature in May 2009 and have a coupon rate of 10.50%. The Company is required to pay interest semi-annually in May and November for all of the notes. Subsequent to the purchase of K4 and payment of related offering costs, the Company had approximately \$29,714 of proceeds remaining for working capital. The debt issuance costs have been deferred and are included, net of amortization, in other non-current assets in the Company's consolidated balance sheet at December 31, 1999. These deferred costs are amortized over the life of the related notes.

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In connection with the acquisition of K4, the Company has entered into a transition services agreement with ASI. Pursuant to this agreement, ASI will continue to provide many of the same non-manufacturing related services to K4 that it provided prior to the acquisition, including transportation and shipping, human resources, and accounting and general administrative services. The Company has incurred approximately \$5,800 of costs during the year ended December 31, 1999 for the services provided under this agreement. In addition, the Company has also entered into an intellectual property license agreement with ASI that was effective upon the closing of the acquisition.

To encourage the investment in K4, the Korean government has granted a tax holiday on K4's operations. The tax holiday expires ten years after the earlier of the first year K4 has taxable income or five years.

The following table displays unaudited pro forma consolidated results of operations as though the acquisition of K4 had occurred as of the beginning of the periods presented:

	YEAR ENDED DECEMBER 31,	
	1998	1999
Net revenues.....	\$1,577,594	\$1,913,201
Net income.....	\$ 18,119	\$ 62,388
Pro forma net income.....	\$ 13,619	
Basic net income per common share.....	\$.17	\$.52
Diluted net income per common share.....	\$.17	\$.52
Basic pro forma net income per common share.....	\$.13	
Diluted pro forma net income per common share.....	\$.13	

The pro forma results include adjustments for goodwill amortization, depreciation, interest expense on debt issued to finance the purchase of K4, and income taxes. The pro forma results are not necessarily indicative of the results the Company would actually have achieved if the acquisition had been completed as of the beginning of each of the periods presented, nor are they necessarily indicative of future consolidated results.

In 1997, 1998, and 1999, approximately 68%, 67% and 53%, respectively, of the Company's packaging and test revenues as well as 100% of the Company's wafer fabrication revenues in 1998 and 1999 (see Note 1) were derived from services performed for the Company by ASI. By the terms of a long-standing agreement, the Company has been responsible for marketing and selling ASI's semiconductor packaging and test services, except to customers in Korea and Japan to whom ASI

has historically sold such services directly. During 1998, the Company became responsible for marketing and selling ASI's semiconductor packaging and test services to the majority of ASI's customers in Japan. The Company has worked closely with ASI in developing new technologies and products. Effective January 1, 1998, the Company entered into five-year supply agreements with ASI giving the Company the first right to market and sell substantially all of ASI's packaging and test services and the exclusive right to market and sell all of the wafer output of ASI's new wafer foundry, both of which have negotiable pricing terms. These agreements are cancellable by either party upon five years prior written notice at any time after the fifth anniversary of the effective date. The Company's business, financial condition and operating results have been and will continue to be significantly dependent on the ability of ASI to effectively provide the contracted services on a cost-efficient and timely basis. The termination of the Company's relationship with ASI for any reason, or any material adverse change in ASI's business resulting from underutilization of its capacity, the level of its debt and its guarantees of affiliate debt, labor disruptions, fluctuations in foreign exchange rates, changes in governmental policies, economic or political conditions in Korea or any other change could have a material adverse effect on the Company's business, financial condition and results of operations.

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As of December 31, 1999, ASI was contingently liable under guarantees in respect of debt of its non-consolidated subsidiaries and affiliates in the aggregate amount of approximately \$322 million.

Prior to the Initial Public Offering, (see Note 2), the Company met a significant portion of its financing needs through financing arrangements obtained by AUSA for the benefit of the Company based on guarantees provided by ASI. The Company currently does not depend on such financing arrangements.

ASI's business has been severely affected by the economic crisis in Korea. ASI has traditionally operated with a significant amount of debt relative to its equity and has contractually guaranteed the debt obligations of certain affiliates and subsidiaries. These significant uncertainties may affect ASI's future operations and its ability to maintain or refinance certain debt obligations as they mature. ASI's plans to address these matters, which are disclosed in ASI's financial statements, include entering into the Korean financial restructuring program known as "Workout" in October 1998.

The Workout program is the result of an accord among Korean financial institutions to assist in the restructuring of Korean business enterprises. This process involves negotiation between the related banks and ASI, and does not involve the judicial system. The Workout process also does not impact debts outstanding with trade creditors, including balances due to/or from the Company. ASI's operations have continued uninterrupted during the process, and we expect ASI's operations to continue uninterrupted for the duration of the process.

The Workout as approved by the creditor banks in February 1999 contains the following relief provisions for ASI:

- The creditor banks will allow ASI to defer repayment on principal of ordinary loans until December 31, 2003. After December 31, 2003, bank loans with repayment terms will be payable through readjustment of repayment schedules on the basis of the repayment period as of October 24, 1998. For loans without repayment terms the schedule to repay principal amounts will be determined by ASI and the creditor banks at the end of such period.
- The creditor banks will allow ASI to defer repayment of principal under capital leases until December 31, 1999, with payments of principal to resume under a 7 year installment plan thereafter.
- The creditor banks will allow ASI to roll over the maturity of its Won-denominated debentures held by the creditor banks for an additional three year term after currently scheduled maturity dates.
- The creditor banks will allow ASI to make no interest payments on ordinary loans until December 31, 1999. The creditor banks will add

accrued interest to the principal amounts of these loans every three months.

- The creditor banks will reduce interest rates on ASI's remaining outstanding Won-denominated ordinary bank loans to 10% or the prime rate of each creditor bank, whichever is greater. This would reduce ASI's weighted average interest rate from 12.9% before the Workout to 10.5% after the Workout.
- The creditor banks will give ASI a five year grace period until December 31, 2003 against enforcement of guarantees made by ASI for liabilities of ASI's affiliates. In addition, interest will not accrue on guaranteed obligations during the five year period.
- The creditor banks will provide to ASI a short-term loan of W50 billion at the prime rate plus 1%, to be repaid with proceeds from the sale of K4.
- The creditor banks will convert (Won)250 billion (\$208,000, using the December 31, 1998 exchange rate of (Won)1,207 to \$1.00) of ASI debt held by the creditor banks into: (1) (Won)122.3 billion (\$102,000 using the December 31, 1998 exchange rate) in equity shares of ASI, (2) (Won)108.1 billion (\$90,000 using the

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

December 31, 1998 exchange rate) in five-year non-interest bearing convertible debt and (3) (Won)19.6 billion (\$16,000) in non-interest bearing loans. The conversion would take place in installments over four years and at a conversion rate equal to (Won)5,000 per share, the par value of ASI's common stock. In order for the initial conversion of debt to take place in accordance with the terms of the Workout, ASI will have to undergo a series of corporate actions, including a reverse stock split to bring the fair market value of its equity shares to a price at least equal to the par value of such shares. The creditor banks would time their conversions of ASI debt to coincide with equity investments made in ASI by a third-party foreign investor company, in the aggregate amount of \$150,000 over a four year period.

The conversion of debt by the creditor banks was contingent on the Company's commitment to invest \$150,000 in ASI equity over a four-year period. The Company has agreed to make an investment of \$41,000 in 1999 and, assuming certain additional conditions are met, invest an additional \$109,000 between years 2000 and 2002. As a result of the commitment to invest, ASI agreed to reduce the K4 purchase price from \$607,000 to \$582,000. The Company's commitment to ASI's creditor banks committing to an investment in ASI is contingent upon the continuation of the Workout plan as approved, the continued effectiveness of the Supply Agreements with ASI and coordination of proposed equity investments with the conversion by the creditor banks of their ASI debt to equity. The commitment letter provides that upon meeting these conditions, the Company would invest \$41,000 in 1999, 2000, and 2001 with a final investment of \$27,000 in 2002. The Company would purchase the ASI shares at (Won)5,000 per share. Since the commitment is in U.S. dollars, the number of shares the Company would purchase will vary based on the exchange rate of Korean won to U.S. dollars.

Assuming the creditor banks and ASI finalize and implement the Workout under its original terms, the relative equity of ownership of ASI among the creditor banks, the Kim family and the Company would be approximately 45%, 6% and 32%, respectively (assuming an exchange rate of (Won)1,135 to \$1.00 and without any future sales of ASI stock by these parties).

The creditor banks have the right to terminate the Workout if ASI fails to meet the conditions of the Workout, which includes conditions related to ASI's financial performance. The Company believes that if the Workout is not finalized by the creditor banks and ASI or if the creditor banks subsequently terminate the Workout, the debt relief afforded to ASI pursuant to the Workout would be terminated, and the creditor banks could reinstate and enforce the original terms of ASI's debt, including accelerating ASI's obligations. If this were to occur, ASI's and the Company's businesses could be harmed.

There can be no assurance that ASI will be able to satisfy the terms of the proposed Workout agreement. Any inability of ASI to comply with the terms of the proposed Workout agreement, generate cash flow from operations sufficient to fund its capital expenditures and other working capital and liquidity requirements could have a material adverse effect on ASI's ability to continue to provide services and otherwise fulfill its obligations to the Company. The ultimate outcome of these uncertainties cannot be determined presently and ASI's financial statements do not include any adjustments that might result from these uncertainties.

4. ACCOUNTS RECEIVABLE SALE AGREEMENT

Effective July 7, 1997, the Company entered into an agreement to sell receivables (the "Agreement") with certain banks (the "Purchasers"). The transaction qualifies as a sale under the provisions of SFAS No. 125 "Accounting For Transfers and Servicing of Financial Assets and Extinguishments of Liabilities." Under the Agreement, the Purchasers have committed to purchase, with limited recourse, all right, title and interest in selected accounts receivable of the Company, up to a maximum of \$100,000. In connection with the Agreement, the Company established a wholly owned, bankruptcy remote subsidiary, Amkor Receivables Corp., to purchase accounts receivable at a discount from the Company on a continuous basis, subject to certain limitations as described in the Agreement. Amkor Receivables Corp. simultaneously sells the accounts

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

receivable at the same discount to the Purchasers. The Agreement is structured as a three year facility subject to annual renewals based upon the mutual consent of the Company and purchasers.

The Agreement was renewed effective December 30, 1998 and December 29, 1999 with the next renewal date scheduled March 29, 2000. ASI had guaranteed the Company's obligations under the agreement (See Note 3), however, ASI was released from its obligations as guarantor effective December 30, 1998.

Proceeds, net of reduction in selected accounts receivable from the sale of receivables were \$84,400 in 1997 which has decreased by \$12,900 and \$2,200 during 1998 and 1999, respectively, due to a further reduction in selected accounts receivable. Losses on receivables sold under the Agreement were approximately \$2,414, \$4,693 and \$4,280 in 1997, 1998 and 1999, respectively, and are included in other expense, net. As of December 31, 1998 and 1999, approximately \$2,700 and \$2,200, respectively, are included in current liabilities for amounts to be refunded to the Purchasers as a result of a reduction in selected accounts receivable.

5. INVENTORIES

Inventories consist of raw materials and purchased components which are used in the semiconductor packaging process. The Company's inventories are located at its facilities in the Philippines and Korea, or at ASI on a consignment basis. Components of inventories follow:

	DECEMBER 31,	
	----- 1998	1999 -----
Raw materials and purchased components.....	\$77,351	\$81,379
Work-in-process.....	8,277	10,086
	-----	-----
	\$85,628	\$91,465
	=====	=====

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	DECEMBER 31,	
	1998	1999
Land.....	\$ 2,346	\$ 38,349
Buildings and improvements.....	142,252	303,077
Machinery and equipment.....	534,314	883,057
Furniture, fixtures and other equipment.....	40,502	52,866
Construction in progress.....	8,282	47,393
	727,696	1,324,742
Less -- Accumulated depreciation and amortization....	311,585	464,974
	\$416,111	\$ 859,768

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

7. INVESTMENTS

The Company's investments include investments in affiliated companies which provide services to the Company (see Note 3) and certain other technology based companies. Investments are summarized as follows:

	DECEMBER 31,	
	1998	1999
Equity Investment in ASI (18% at December 31, 1999).....	\$ --	\$39,927
Other Equity Investments (20%-50% owned)		
Taiwan Semiconductor Technology Corporation.....	20,052	18,456
Other.....	738	860
	20,790	19,316
Total other equity investments.....	20,790	19,316
Available for Sale.....	4,686	4,429
	\$25,476	\$63,672

In October, 1999, the Company acquired 10,000,000 shares of ASI common stock for approximately \$41,600 ((Won)50,000,000,000) representing the Company's first installment of its planned investments in ASI over a four year period in connection with ASI's Workout (see Note 3).

In 1997, the Company recognized a loss of \$17,291, resulting principally from the impairment of value of its investment in ASI as well as the Company's equity in loss of ASI for the year ended December 31, 1997. The amount of the impairment loss was determined based upon the market value of the ASI shares on the Korean Stock Exchange on February 16, 1998, the date that the Company sold its investment in ASI common stock to AK Investments, Inc., an entity owned by James J. Kim. In exchange for the shares, AK Investments, Inc. assumed \$13,863 of the Company's long-term borrowings from AUSA.

The following summary of consolidated financial information pertaining to ASI for 1997 was derived from the consolidated financial statements (see Note 3). No amounts are presented for 1998 as the investment was sold in February 1998.

SUMMARY INCOME STATEMENT INFORMATION:

Sales.....	\$ 406,937
Net income.....	\$ 41,430

SUMMARY BALANCE SHEET INFORMATION:

Total assets.....	\$2,922,114
Total liabilities.....	\$2,662,612

On October 21, 1998, the Company announced that it entered into a joint venture, Taiwan Semiconductor Technology Corporation ("TSTC"), with Taiwan Semiconductor Manufacturing Corporation, Acer Inc., United Test Center and Chinfon Semiconductor & Technology Company. TSTC, which commenced operations in 1999, provides independent advanced integrated circuit ("IC") packaging services primarily for the Taiwan market and Taiwan foundry output. The Company has committed to invest an estimated total of \$40,000 in TSTC. In October 1998, the Company invested \$10,000 as part of the second round of joint venture financing. In December 1998, the Company purchased additional TSTC shares from ASI for \$10,000 which represented ASI's investment as part of the joint venture's initial round of financing in which ATI did not participate. ASI did not participate in the joint venture's second round of financing. No capital contributions were required during 1999. As of December 31, 1999 the Company owns approximately a 25%

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

interest in TSTC and accordingly, the Company's investment in TSTC is accounted for using the equity method of accounting.

8. SHORT-TERM CREDIT FACILITIES

At December 31, 1998 and 1999, short-term borrowings consisted of various operating lines of credit and working capital facilities maintained by the Company. These borrowings are secured by receivables, inventories or property. These facilities, which are typically for one-year renewable terms, generally bear interest at current market rates appropriate for the country in which the borrowing is made (ranging from 10% to 11% at December 31, 1999). For 1998 and 1999, the weighted average interest rate on these borrowings was 11.9% and 11.7%, respectively. The unused portion of lines of credit was approximately \$82,000 at December 31, 1999.

9. DEBT

Following is a summary of the Company's short-term borrowings and long-term debt:

	DECEMBER 31,	
	1998	1999
Short-term borrowings (see Note 8).....	\$ 30,430	\$ 3,386
Senior notes, 9.25%, due May 2006 (See Note 3).....	--	425,000
Senior subordinated notes, 10.5%, due May 2009 (See Note 3).....	--	200,000
Convertible subordinated notes, 5.75%, due May 2003 (See Note 2).....	207,000	53,435
Note payable, interest at bank's prime (8.8% at December 31, 1999), due in installments with balance due April 2004....	12,747	11,472
Note payable, interest at LIBOR plus annual spread (10.25% at December 31, 1998), due in installments with balance due November 1999.....	7,000	--
Other, primarily capital lease obligations and other debt...	3,326	628
	-----	-----
	260,503	693,921

Less -- Short-term borrowings and current portion of

long-term debt.....	(38,657)	(6,465)
	-----	-----
	\$221,846	\$687,456
	=====	=====

In the fourth quarter of 1999, the Company completed an early conversion of convertible subordinated notes. As a result, the Company exchanged 12.1 million shares of the Company's common stock for \$153,565 of the Company's convertible notes. The fair value of the shares of common stock issued in the exchanges in excess of the shares required for conversion was \$17,381, and was expensed during the fourth quarter of 1999. This amount is included in other expense in the accompanying consolidated statements of income.

Interest expense related to short-term borrowings and long-term debt is presented net of interest income of \$5,752, \$9,072, and \$19,905 in 1997, 1998 and 1999, respectively, in the accompanying consolidated statements of income.

The \$53,435 of convertible notes mature in May 2003, the \$425,000 of senior notes mature in May 2006 and the \$200,000 of senior subordinated notes mature in May 2009. The senior notes and senior subordinated notes contain certain covenants that could restrict the Company's ability and the ability of the Company's subsidiaries to: incur additional indebtedness; pay dividends, repurchase stock, prepay subordinate debt and make investments and other restricted payments; create restrictions on the ability of the Company's subsidiaries to pay dividends or make other payments; engage in sale and leaseback transactions; create liens; enter into transactions with affiliates; and sell assets or merge with or into other companies. These covenants are subject to certain exceptions. The Company was in compliance with these covenants as of December 31,

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

1999. The principal payments required under other long-term debt borrowings at December 31, 1999 are as follows:

	AMOUNT

2000.....	\$ 3,079
2001.....	2,647
2002.....	2,549
2003.....	2,549
2004.....	1,276
Thereafter.....	--

Total.....	\$12,100
	=====

10. EMPLOYEE BENEFIT PLANS

U.S. Defined Contribution Plan

ATI has a defined contribution benefit plan covering substantially all U.S. employees. Employees can contribute up to 13% of salary to the plan and ATI matches 75% of the employee's contributions up to a defined maximum on an annual basis. The expense for this plan was \$959, \$1,394 and \$1,828 in 1997, 1998 and 1999, respectively.

Philippine Pension Plan

The Company's Philippine subsidiaries sponsor a defined benefit plan that covers substantially all employees who are not covered by statutory plans. Charges to expense are based upon costs computed by independent actuaries.

During 1998, the Company adopted SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits." The provisions of SFAS No. 132

revise employers' disclosures about pensions and other postretirement benefit plans. It does not change the measurement or recognition of this plan.

The components of net periodic pension cost for the Company's Philippine defined benefit plan are as follows:

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Service cost of current period.....	\$1,274	\$1,618	\$ 2,153
Interest cost on projected benefit obligation.....	957	1,209	1,563
Expected return on plan assets.....	(534)	(879)	(1,083)
Amortization of transition obligation and actuarial gains/losses.....	81	79	137
Total pension expense.....	\$1,778	\$2,027	\$ 2,770

It is the Company's policy to make contributions sufficient to meet the minimum contributions required by law and regulation.

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following table sets forth the funded status of the Company's Philippine defined benefit pension plan and the related changes in the projected benefit obligation and plan assets:

	1998	1999
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year.....	\$10,428	\$13,567
Service cost.....	1,618	2,153
Interest cost.....	1,209	1,563
Actuarial loss/(gain).....	194	(356)
Foreign exchange (gain)/loss.....	348	(388)
Benefits paid.....	(230)	(1,155)
Projected benefit obligation at end of year.....	13,567	15,384
Change in plan assets:		
Fair value of plan assets at beginning of year.....	6,614	8,204
Actual return on plan assets.....	(461)	2,107
Employer contribution.....	2,137	1,748
Foreign exchange (gain)/loss.....	144	(235)
Benefits paid.....	(230)	(1,155)
Fair value of plan assets at end of year.....	8,204	10,669
Funded status:		
Projected benefit obligation in excess of plan assets.....	5,363	4,715
Unrecognized actuarial loss.....	(2,546)	(1,011)
Unrecognized transition obligation.....	(906)	(826)
Accrued pension costs.....	\$ 1,911	\$ 2,878

The discount rate used in determining the projected benefit obligation was 12% as of December 31, 1998 and 1999. The rates of increase in future compensation levels was 11% as of December 31, 1998 and 1999. The expected long-term rate of return on plan assets was 12% as of December 31, 1998 and 1999. These rates reflect economic and market conditions in the Philippines.

The fair value of plan assets include an investment in our Company's common stock of approximately \$2,800 at December 31, 1999.

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

11. INCOME TAXES

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

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Current:			
Federal.....	\$ 16,126	\$18,316	\$ 9,928
State.....	2,639	4,426	1,746
Foreign.....	28	724	5,508
	-----	-----	-----
	18,793	23,466	17,182
	-----	-----	-----
Deferred:			
Federal.....	(4,991)	282	532
Foreign.....	(6,724)	968	8,886
	-----	-----	-----
	(11,715)	1,250	9,418
	-----	-----	-----
Total provision.....	\$ 7,078	\$24,716	\$26,600
	=====	=====	=====

The reconciliation between the taxes payable based upon the U.S. federal statutory income tax rate and the recorded provision follows:

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Federal statutory rate.....	\$ 21,352	\$35,257	\$ 36,162
State taxes, net of federal benefit.....	1,285	2,877	2,028
S Corp. status of AEI through April 28, 1998.....	(3,613)	(4,500)	--
Deferred taxes established at termination of S Corp. status of AEI.....	--	(1,954)	--
Income of foreign subsidiaries subject to tax holiday.....	(5,106)	(9,129)	(14,860)
Foreign exchange (losses)/gains recognized for income taxes.....	(21,147)	12,602	8,023
Change in valuation allowance.....	22,000	(8,079)	(11,084)
Difference in rates on foreign subsidiaries.....	(7,693)	(3,377)	(630)
Goodwill and other permanent differences.....	--	1,019	6,961
	-----	-----	-----
Total.....	\$ 7,078	\$24,716	\$ 26,600
	=====	=====	=====

The Company has structured its global operations to take advantage of lower tax rates in certain countries and tax incentives extended to encourage investment. AAAP has a tax holiday in the Philippines which expires at the end of 2002. Foreign exchange (losses)/gains recognized for income taxes relate to unrecognized net foreign exchange (losses)/gains on U.S. dollar denominated monetary assets and liabilities. These (losses)/gains, which are not recognized for financial reporting purposes as the U.S. dollar is the functional currency (see Note 1), result in deferred tax assets that will be realized, for

Philippine tax reporting purposes, upon settlement of the related asset or liability. The net deferred tax asset related to these losses increased in 1997 as a result of the dramatic devaluation of the Philippine peso relative to the U.S. dollar. These assets decreased in 1998 and 1999 as they were realized for Philippine tax reporting purposes. The Company's ability to utilize these assets depends on the timing of the settlement of the related assets or liabilities and the amount of taxable income recognized within the Philippine statutory carryforward limit of

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

three years. During 1999, AAP reversed a valuation allowance established in prior years for a portion of the related deferred tax assets. During 1999, AAP realized all foreign net operating loss carryforwards established in 1998. In addition, minimum corporate income tax credits of \$1,182 reversed to offset current foreign tax obligations.

The following is a summary of the significant components of the Company's deferred tax assets and liabilities:

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Deferred tax assets (liabilities):			
Retirement benefits.....	\$ 816	\$ 1,038	\$ 463
Other accrued liabilities.....	100	4,571	2,579
Receivables.....	227	1,717	523
Inventories.....	6,509	2,583	3,892
Property, plant and equipment.....	--	(2,139)	(2,539)
Unrealized foreign exchange losses.....	37,447	15,805	480
Unrealized foreign exchange gains.....	(9,084)	(3,530)	(2,175)
Loss on sale of investment in ASI.....	--	1,620	1,620
Net foreign operating loss carryforward.....	--	3,646	--
Minimum corporate income tax.....	--	1,182	--
Equity in earnings of investees.....	--	--	1,148
Other.....	(2)	191	191
Net deferred tax asset.....	36,013	26,684	6,182
Valuation allowance.....	(22,000)	(13,921)	(2,837)
Net deferred tax asset.....	\$ 14,013	\$ 12,763	\$ 3,345

Non-U.S. income before taxes and minority interest of the Company was approximately \$33,000, \$54,000 and \$74,000 in 1997, 1998 and 1999, respectively.

The company does not pay or record U.S. income taxes on the undistributed earnings of its foreign subsidiaries as long as those earnings are permanently reinvested in the companies that produced them. These cumulative undistributed earnings are included in consolidated retained earnings on the balance sheet and amounted to approximately \$112,000 as of December 31, 1999. An estimated \$27,000 in U.S. income and foreign withholding taxes would be due if these earnings were remitted as dividends.

At December 31, 1998 and 1999 current deferred tax assets of \$9,838 and \$5,793, respectively, are included in other current assets and noncurrent deferred tax assets of \$2,925 and \$2,324, respectively, are included in other assets in the consolidated balance sheet. The Company's net deferred tax assets include amounts which, in the opinion of management, are more likely than not to be realizable through future taxable income. In addition, at December 31, 1999, noncurrent deferred tax liabilities of \$4,772 are included in other noncurrent liabilities in the consolidated balance sheet.

The Company's tax returns have been examined through 1995 in the Philippines and through 1994 in the U.S. The tax returns for open years are subject to changes upon final examination. Changes in the mix of income from the

Company's foreign subsidiaries, expiration of tax holidays and changes in tax laws or regulations could result in increased effective tax rates for the Company.

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

12. STOCKHOLDERS' EQUITY

The common stock and additional paid-in capital of the Company are reflected at the original cost of the Amkor Companies. In connection with the Reorganization (see Note 1), the Company has authorized 500,000,000 shares of \$.001 par value common stock, of which 117,860,000 and 130,659,772 were issued and outstanding at December 31, 1998 and 1999, respectively. In addition, the Company has authorized 10,000,000 shares of \$.001 par value preferred stock, designated as Series A.

At the date of the Reorganization consolidated retained earnings included \$3,243 related to AKI. This amount is reflected as a reduction in retained earnings in 1998 as a result of the purchase of AKI by the Company.

The receivable from stockholder included in stockholders equity represents the balance due from Mr. & Mrs. Kim and the Kim Family Trusts related to the finalization of AEI's tax returns (See Note 11).

Changes in the division equity account reflected in the consolidated statement of stockholders' equity represent the net cash flows resulting from the operations of the Chamterry semiconductor packaging and test business for 1997. Such cash flows have been presented as distributions or capital contributions since these amounts were retained in Chamterry Enterprises, Ltd. for the benefit of the owners.

The line items included in other comprehensive income, prior to 1999, as presented in the consolidated statements of stockholders' equity, relate to S Corporation activity prior to 1998. Accordingly, the related amounts reflected in other comprehensive income and accumulated other comprehensive income in the consolidated statements of stockholders' equity and the consolidated balance sheets are net of taxes at an effective tax rate of 0%. Unrealized losses on investments during 1998 and 1999 have been tax effected at the applicable statutory rates.

13. EARNINGS PER SHARE

Net income per common share was calculated by dividing net income and pro forma net income by the weighted average number of shares outstanding for the respective periods, adjusted for the effect of the Reorganization (see Note 1) and the Initial Public Offering (see Note 2).

In 1997, the Company adopted SFAS No. 128, "Earnings Per Share," which requires dual presentation of basic and diluted earnings per share ("EPS") on the face of the income statement. Basic EPS is computed using only the weighted average number of common shares outstanding for the period while diluted EPS is computed assuming conversion of all dilutive securities, such as options. Both the Company's basic and diluted as well as the Company's basic pro forma and diluted pro forma per share amounts are the same for the year ended December 31, 1997. The Company's basic and diluted per share amounts for the years ended December 31, 1998 and 1999 as well as the Company's basic proforma and diluted proforma per share amounts for the year ended December 31, 1998 are calculated as follows:

	EARNINGS (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
	-----	-----	-----
Earnings per Share -- Year Ended December 31, 1998			
Basic earnings per share.....	\$75,460	106,221,000	\$0.71
Impact of Convertible Notes.....	5,672	10,334,000	

Dilutive effect of options.....	--	41,000	----
Diluted earnings per share.....	\$81,132	116,596,000	\$0.70
	=====	=====	=====

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

	EARNINGS (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
	-----	-----	-----
Pro forma Earnings per Share -- Year Ended			
December 31, 1998 (unaudited)			
Basic pro forma earnings per share.....	\$70,960	106,221,000	\$0.67
Impact of Convertible Notes.....	5,672	10,334,000	
Dilutive effect of options.....	--	41,000	
	-----	-----	-----
Diluted pro forma earnings per share.....	\$76,632	116,596,000	\$0.66
	=====	=====	=====
Earnings per Share -- Year Ended December 31,			
1999			
Basic earnings per share.....	\$76,719	119,341,000	\$0.64
Impact of Convertible Notes.....	8,249	14,228,000	
Dilutive effect of options.....	--	1,498,000	
	-----	-----	-----
Diluted earnings per share.....	\$84,968	135,067,000	\$0.63
	=====	=====	=====

14. STOCK COMPENSATION PLANS

1998 Director Option Plan. The Company's 1998 Director Option Plan (the "Director Plan") was adopted by the Board of Directors in January 1998 and was approved by the Company's stockholders in April 1998. A total of 300,000 shares of Common Stock have been reserved for issuance under the Director Plan. The option grants under the Director Plan are automatic and non-discretionary. Generally, the Director Plan provides for an initial grant of options to purchase 15,000 shares of Common Stock to each new non-employee director of the Company (an "Outside Director") when such individual first becomes an Outside Director. In addition, each Outside Director will automatically be granted subsequent options to purchase 5,000 shares of Common Stock on each date on which such Outside Director is re-elected by the stockholders of the Company, provided that as of such date such Outside Director has served on the Board of Directors for at least six months. The exercise price of the options is 100% of the fair market value of the Common Stock on the grant date, except that with respect to initial grants to directors on the effective date of the Director Plan the exercise price was 94% of the Initial Public Offering price per share of Common Stock in the Initial Public Offering. The term of each option is ten years and each option granted to an Outside Director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the Board of Directors. As of December 31, 1999, there were 90,000 options outstanding under the Director Plan.

1998 Stock Plan. The Company's 1998 Stock Plan (the "1998 Plan") generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. The 1998 Plan was adopted by the Board of Directors in January 1998 and was approved by the Company's stockholders in April 1998. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. The maximum aggregate number of shares which may be optioned and sold under the 1998 Plan is 5,000,000 plus an annual increase to be added on each anniversary date of the adoption of the 1998 Plan.

Unless determined otherwise by the Board of Directors or a committee appointed by the Board of Directors, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee. Generally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant. In general,

the options granted will vest over a four year period and the term of the options granted under the 1998 Plan may not exceed ten years. As of December 31, 1999, there were 4,775,098 options outstanding under the 1998 Plan.

1998 Stock Option Plan for French Employees. The 1998 Stock Option Plan for French Employees (the "French Plan") was approved by the Board of Directors in April 1998. Unless terminated sooner, the French Plan will continue in existence for 5 years. The French Plan provides for the granting of options to

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

employees of the Company's French subsidiaries (the "French Subsidiaries"). A total of 250,000 shares of Common Stock have been reserved for issuance under the French Plan plus an annual increase to be added on each anniversary date of the adoption of the French Plan. In general, stock options granted under the French Plan vest over a four year period, the exercise price for each option granted under the French Plan shall be 100% of the fair market value of the shares of Common Stock on the date the option is granted and the maximum term of the option must not exceed ten years. Shares subject to the options granted under the French Plan may not be transferred, assigned or hypothecated in any manner other than by will or the laws of descent or distribution before the date which is five years after the date of grant. As of December 31, 1999, there were 200,450 options outstanding under the French Plan.

A summary of the status of the Company's stock option plans follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE
	-----	-----
Balance at January 1, 1998.....	--	\$ --
Granted.....	3,974,200	\$10.01
Exercised.....	--	\$ --
Cancelled.....	150,300	\$11.00
	-----	-----
Balance at December 31, 1998.....	3,823,900	\$ 9.97
	-----	-----
Exercisable at December 31, 1998.....	--	\$ --
	=====	=====
Balance at January 1, 1999.....	3,823,900	\$ 9.97
Granted.....	1,468,450	\$10.62
Exercised.....	75,534	\$10.49
Cancelled.....	151,268	\$ 9.91
	-----	-----
Balance at December 31, 1999.....	5,065,548	\$10.15
	-----	-----
Exercisable at December 31, 1999.....	1,363,644	\$ 9.82
	=====	=====

Significant option groups outstanding at December 31, 1999 and the related weighted average exercise price and remaining contractual life information are as follows:

	OUTSTANDING		EXERCISABLE		WEIGHTED AVERAGE REMAINING LIFE (YEARS)
	SHARES	WEIGHTED AVERAGE PRICE	SHARES	WEIGHTED AVERAGE PRICE	
	-----	-----	-----	-----	-----
Options with Exercise Price of:					
\$16.56 - \$28.25.....	223,950	\$18.73	--	--	9.79
\$10.00 - \$11.00.....	3,035,405	\$10.98	1,148,538	\$11.00	8.37
\$8.06 - \$9.63.....	1,083,050	\$ 9.06	10,000	\$ 9.14	9.33

\$5.66 - \$7.97.....	723,143	\$ 5.67	205,106	\$ 5.66	8.85
	-----	-----	-----	-----	-----
Options outstanding at December 31, 1999.....	5,065,548		1,363,644		
	=====		=====		

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

A summary of the weighted average fair value of options at grant date granted during the year ended December 31, 1998 and 1999 follows:

	NUMBER OF SHARES	WEIGHTED AVERAGE EXERCISE PRICE PER SHARE	WEIGHTED AVERAGE GRANT DATE FAIR VALUES
	-----	-----	-----
Options granted during 1998:			
Options whose exercise price is greater than the market price on grant date.....	42,600	\$11.00	\$2.22
	-----	-----	-----
Options whose exercise price equals market price on grant date.....	3,901,600	\$ 9.99	\$4.31
	-----	-----	-----
Options whose exercise price is less than the market price on grant date.....	30,000	\$10.34	\$4.97
	=====	=====	=====
Options granted during 1999:			
Options whose exercise price equals market price on grant date.....	1,468,450	\$10.62	\$6.33
	=====	=====	=====

In order to calculate the fair value of stock options at date of grant, the Company used the Black-Scholes option pricing model. The following assumptions were used: expected option term -- 4 years, stock price volatility factor -- 47% and 75% for 1998 and 1999 respectively, dividend yield -- 0%, and risk free interest rate -- 5.38% and 5.52% for 1998 and 1999, respectively.

1998 Employee Stock Purchase Plan. The Company's 1998 Employee Stock Purchase Plan (the "Purchase Plan") was adopted by the Board of Directors in January 1998 and was approved by the stockholders in April 1998. A total of 1,000,000 shares of common stock have been made available for sale under the Purchase Plan and an annual increase is to be added on each anniversary date of the adoption of the Purchase Plan. Employees (including officers and employee directors of the Company but excluding 5% or greater stockholders) are eligible to participate if they are customarily employed for at least 20 hours per week and for more than five months in any calendar year. The Purchase Plan permits eligible employees to purchase common stock through payroll deductions, which may not exceed 15% of the compensation an employee receives on each payday. The initial offering period began on October 1, 1998 with a seven-month offering period. All subsequent offering periods will be consecutive six-month periods beginning on May 1, 1999, subject to change by the Board of Directors. Each participant will be granted an option on the first day of an offering period, and shares of Common Stock will be automatically purchased on the last date of each offering period. The purchase price of the Common Stock under the Purchase Plan will be equal to 85% of the lesser of the fair market value per share of Common Stock on the start date of the offering period or on the purchase date. Employees may end their participation in an offering period at any time, and participation ends automatically on termination of employment with the Company. The Purchase Plan will terminate in January 2008, unless sooner terminated by the Board of Directors.

Under the Purchase Plan, for the offering periods ending April 30, 1999 and October 31, 1999, the Company sold 399,310 and 187,445 shares, respectively. In addition, the Company has withheld \$540 through payroll deductions as of December 31, 1999. The fair market value per share of the Company's common stock was \$4.56 on October 1, 1998, the start date of the first offering period, \$9.53 on May 1, 1999 and \$21.31 on November 1, 1999. The fair values of the purchase

rights granted for the offering periods beginning October 1, 1998, May 1, 1999 and November 1, 1999 were \$1.29, \$3.21, and \$6.99 respectively, which was estimated using the Black Scholes option pricing model with the following assumptions: expected option term -- 7 months for the offering period beginning October 1, 1998 and 6 months for the other offering periods; stock price volatility factor -- 47% and 75% for the offering period beginning October 1, 1998 and the other offering

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

periods, respectively; dividend yield for all offering periods -0%; risk-free interest rate -5.38% and 5.52% for the offering period beginning October 1, 1998 and the other offering periods, respectively.

The Company accounts for its stock compensation plans as prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations. Accordingly, no compensation cost has been recognized in the Consolidated Statements of Income. Had the Company recorded compensation expense for its stock compensation plans, as provided by SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's reported net income and basic and diluted earnings per share, which reflects pro forma adjustments for income taxes for 1997 and 1998 (see Note 20), would have been reduced to the pro forma amounts indicated below:

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Net Income:			
As reported.....	\$39,668	\$70,960	\$76,719
Pro forma.....	\$39,668	\$69,313	\$72,033
Earnings per share:			
Basic:			
As reported.....	\$ 0.48	\$ 0.67	\$ 0.64
Pro forma.....	\$ 0.48	\$ 0.65	\$ 0.60
Diluted:			
As reported.....	\$ 0.48	\$ 0.66	\$ 0.63
Pro forma.....	\$ 0.48	\$ 0.64	\$ 0.59

15. RELATED-PARTY TRANSACTIONS

At December 31, 1997, the Company owned 8.1% of the outstanding stock of ASI (see Note 7), and ASI owned 40% of AAP. On February 16, 1998, the Company sold its investment in ASI common stock for \$13,863 to AK Investments, Inc. based on the market value of ASI shares on the Korean Stock Exchange. On June 1, 1998 the Company purchased ASI's interest in AAP for approximately \$34,000 (see Note 18).

The Company previously met a significant portion of its financing from financing arrangements provided by AUSA. A majority of the amount due to AUSA represented outstanding amounts under financing obtained by AUSA for the benefit of the Company with the balance representing payables to AUSA for packaging and test service charges and wafer fabrication service charges from ASI. Based on guarantees provided by ASI, AUSA obtained for the benefit of the Company a continuous series of short-term financing arrangements which generally were less than six months in duration, and typically were less than two months in duration. Because of the short-term nature of these loans, the flows of cash to and from AUSA under this arrangement were significant. Purchases from ASI through AUSA were \$527,858, \$573,791 and \$714,475 for 1997, 1998 and 1999, respectively. Charges from AUSA for interest and bank charges were \$6,002, \$2,215 and \$1,416 for 1997, 1998 and 1999, respectively. Excluding the \$20,000 balance due from ASI at December 31, 1998 for prepaid wafer foundry service charges (see discussion below), the net amounts payable to ASI and AUSA were \$8,357 and \$28,301 at December 31, 1998 and 1999, respectively.

To facilitate capacity expansion for new product lines, certain customers

advanced the Company funds to purchase certain equipment to fulfill such customers forecasts. In certain cases, the customer has requested that the equipment be installed in the ASI factories. In these cases, the Company receives funds from the customer and advances the funds to ASI. ASI in turn purchases the necessary equipment. ASI repays the Company through a reduction of the monthly processing charges related to the customer product being assembled. The Company will reduce its obligation to the customer through a reduction in the accounts

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

receivable, due from the customer, at the time services are billed. As of December 31, 1998 and 1999 this amount was approximately \$2,600 and \$1,141, respectively.

On August 1, 1997, the Company sold its equity investment in Anam Semiconductor & Technology Co., Ltd. ("AST"), an affiliate of ASI, and certain investments and notes receivable from companies unrelated to the semiconductor packaging and test business to AK Investments, Inc., at cost (\$49,740) and AK Investments, Inc. assumed \$49,740 of the Company's long-term borrowings from Anam USA, Inc. Management estimates that the fair value of these investments and notes receivable approximated the carrying value at August 1, 1997. Subsequent to the sale on August 1, 1997 the Company loaned AK Investments, Inc. \$12,800 for the purchase of additional investments. The amount outstanding on this loan at December 31, 1998 and 1999 was \$59 and \$0, respectively.

The Company utilizes AST as a key supplier of leadframes. Historically, the Company has paid AST for these services on net 30-day terms. Effective at the end of July 1998, the Company changed its payment policy from net 30-days, to paid-in advance. Accordingly the Company now pays for its materials before shipment. This change in payment policy resulted in an advance to AST which is reflected in the current portion of Due from Affiliate. As of December 31, 1998 and 1999, the balance paid in advance to AST was approximately \$3,500 and \$1,500, respectively. Payments to AST were approximately \$26,000, \$32,500 and \$33,000 during 1997, 1998 and 1999, respectively.

Anam Engineering and Construction, an affiliate of ASI, built the packaging facility for AAP in the Philippines. Payments to Anam Engineering and Construction were \$3,844, \$869 and \$3,881 in 1997, 1998 and 1999, respectively. Anam Precision Equipment and Anam Instruments manufacture certain equipment used by the Philippine operations. Payments to Anam Precision Equipment and Anam Instruments were \$4,211, \$10,272 and \$14,610 in 1997, 1998 and 1999, respectively.

A principal stockholder of the Company has extended guarantees on behalf of the Company in the amount of \$91,000 and \$16,000 at December 31, 1998 and 1999, respectively. Also in 1997, a company controlled by this stockholder purchased investments in the amount of \$49,740 (see Note 7).

The Company leases office space in West Chester, Pennsylvania from certain stockholders of the Company. The lease expires in 2006. The Company has the option to extend the lease for an additional 10 years through 2016. On September 11, 1997, the office previously being leased in Chandler, Arizona was purchased from certain stockholders of the Company. The total purchase price of the building (\$5,710) represented the carrying value to the stockholders. Amounts paid for these leases in 1997, 1998 and 1999 were \$1,458, \$1,118 and \$1,140, respectively.

At December 31, 1998 and 1999, the Company had net balances due from affiliates other than ASI and AUSA of \$27,510 and \$24,524, respectively. Realization of these balances is dependent upon the ability of the affiliates to repay the amounts due. In management's opinion, these receivables are recorded at the net realizable value.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate methodologies; however, considerable judgment is required in interpreting market data to develop the estimates for fair value. Accordingly, these estimates are not

necessarily indicative of the amounts that the Company could realize in a current market exchange. Certain of these financial instruments are with major financial institutions and expose the Company to market and credit risks and may at times be concentrated with certain counterparties or groups of counterparties. The creditworthiness of counterparties is continually reviewed, and full performance is anticipated.

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The carrying amounts reported in the balance sheet for short-term investments, due from affiliates, other accounts receivable, due to affiliates, accrued expenses and accrued income taxes approximate fair value due to the short-term nature of these instruments. The methods and assumptions used to estimate the fair value of other significant classes of financial instruments is set forth below:

Cash and Cash Equivalents. Cash and cash equivalents are due on demand or carry a maturity date of less than three months when purchased. The carrying amount of these financial instruments is a reasonable estimate of fair value.

Available for sale investments. The fair value of these financial instruments was estimated based on market quotes, recent offerings of similar securities, current and projected financial performance of the company and net asset positions.

Short-term borrowings. Short-term borrowings have variable rates that reflect currently available terms and conditions for similar borrowings. The carrying amount of this debt is a reasonable estimate of fair value.

Long-term debt. Long-term debt balances have variable rates that reflect currently available terms and conditions for similar debt. The carrying amount of this debt is a reasonable estimate of fair value.

Senior Notes. The fair value of these financial instruments at December 31, 1999 is estimated to be \$416,500 based on available market quotes.

Senior Subordinated Notes. The fair value of these financial instruments at December 31, 1999 is estimated to be \$199,000 based on available market quotes.

Convertible Subordinated Notes. The fair value of these financial instruments at December 31, 1999 is estimated to be \$115,420 based on available market quotes.

17. COMMITMENTS AND CONTINGENCIES

The Company is involved in various claims incidental to the conduct of its business. Based on consultation with legal counsel, management does not believe that any claims, either individually or in the aggregate, to which the Company is a party will have a material adverse effect on the Company's financial condition or results of operations.

The Company is currently engaged in negotiations regarding amounts due under a technology license agreement with a third party. To date, this dispute has not involved the judicial systems. The Company has accrued its estimate of amounts due under this agreement. However, depending on the results of the negotiations, the ultimate amount payable could be less than the amount accrued or exceed the amount accrued by up to \$7,700.

Net future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 1999, are:

2000.....	\$	9,736
2001.....		8,633

2002.....	5,966
2003.....	5,139
2004.....	3,940
Thereafter.....	77,312

Total (net of minimum sublease income of \$3,862).....	\$110,726
	=====

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

Rent expense, net of sublease income of \$366, \$575 and \$578 for 1997, 1998 and 1999, respectively, amounted to \$6,709, \$7,751 and \$10,443 for 1997, 1998 and 1999, respectively.

The Company has various purchase commitments for materials, supplies and capital equipment incidental to the ordinary conduct of business. As of December 31, 1999 the Company had commitments for capital equipment of approximately \$48,524. In the aggregate, such commitments are not at prices in excess of current market.

18. ACQUISITIONS

On July 1, 1999, the Company acquired the stock of AAPMC for \$3,800, which was paid to ASI during June 1999. AAPMC supplies machine tooling used by the Company at its Philippine operations. As an interim step to this acquisition, during April 1999, the Company assumed and repaid \$5,700 of AAPMC's debt. The acquisition was financed through available working capital and was accounted for as a purchase. Accordingly, the results of AAPMC have been included in the accompanying consolidated financial statements since the date of acquisition and goodwill of approximately \$2,000 was recorded as of the date of acquisition and will be amortized on a straight line basis over a ten year period. Goodwill, net of amortization, is included in intangible assets in the Company's consolidated balance sheets at December 31, 1999. The historical operating results of AAPMC are not material in relation to the Company's operating results.

On June 1, 1998, the Company purchased ASI's 40% interest in AAP for \$33,750. The acquisition was accounted for using the purchase method of accounting which resulted in the elimination of the minority interest liability reflected on the consolidated balance sheet and the recording of approximately \$23,910 of goodwill which is being amortized over 10 years.

19. SEGMENT INFORMATION

The Company adopted SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," during the fourth quarter of 1998. The Company has identified two reportable segments (packaging and test services and wafer fabrication services) that are managed separately because the services provided by each segment require different technology and marketing strategies.

Packaging and test services: Through its three factories located in the Philippines, its Korean Factory, K4, as well as the three ASI factories in Korea, under contract, the Company offers a complete and integrated set of packaging and test services including IC packaging design, leadframe and substrate design, IC package assembly, final testing, burn-in, reliability testing and thermal and electrical characterization.

Wafer fabrication services: Through its wafer fabrication services division, the Company provides marketing, engineering, and support services for ASI's deep submicron CMOS foundry, under a long-term supply agreement.

Sales to Intel Corporation for packaging and test accounted for approximately \$340,000, \$324,000 and \$269,000 for the years ended December 31, 1997, 1998 and 1999, respectively. In addition, TI accounted for approximately \$25,000 of packaging and test revenues and \$291,000 of wafer fabrication service revenues during the year ended December 31, 1999. Revenues for services provided to TI prior to 1999 were less than 10% of total revenue.

The accounting policies for segment reporting are the same as those described in Note 1 of Notes to Consolidated Financial Statements. The Company

evaluates its operating segments based on operating income.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes the elimination of inter-segment balances and corporate assets

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

which include cash and cash equivalents, non-operating balances due from affiliates, investment in ASI and TSTC (see Note 6) and other investments.

	PACKAGING AND TEST	WAFER FABRICATION	OTHER	TOTAL
	-----	-----	-----	-----
Year ended December 31, 1999:				
Net Revenues.....	\$1,617,235	\$292,737	\$ --	\$1,909,972
Gross Profit.....	\$ 303,467	\$ 29,279	\$ --	\$ 332,746
Operating Income.....	\$ 158,283	\$ 17,794	\$ --	\$ 176,077
Depreciation and Amortization.....	\$ 178,771	\$ 1,561	\$ --	\$ 180,332
Capital Expenditures.....	\$ 603,173	\$ 2,536	\$ --	\$ 605,709
Total Assets.....	\$1,391,105	\$ 37,011	\$326,973	\$1,755,089
Year ended December 31, 1998:				
Net Revenues.....	\$1,452,285	\$115,698	\$ --	\$1,567,983
Gross Profit.....	\$ 243,479	\$ 17,354	\$ --	\$ 260,833
Operating Income.....	\$ 124,462	\$ 8,274	\$ --	\$ 132,736
Depreciation and Amortization.....	\$ 118,676	\$ 563	\$ --	\$ 119,239
Capital Expenditures.....	\$ 102,142	\$ 5,747	\$ --	\$ 107,889
Total Assets.....	\$ 655,695	\$ 65,941	\$281,961	\$1,003,597
Year ended December 31, 1997:				
Net Revenues.....	\$1,455,761	\$ --	\$ --	\$1,455,761
Gross Profit.....	\$ 213,092	\$ --	\$ --	\$ 213,092
Operating Income.....	\$ 104,903	\$ (4,062)	\$ --	\$ 100,841
Depreciation and Amortization.....	\$ 81,770	\$ 94	\$ --	\$ 81,864
Capital Expenditures.....	\$ 176,858	\$ 2,132	\$ --	\$ 178,990
Total Assets.....	\$ 703,662	\$ 2,068	\$149,862	\$ 855,592

The following table presents net revenues by country based on the location of the customer:

	NET REVENUES		
	1997	1998	1999
	-----	-----	-----
United States.....	\$1,050,048	\$1,124,764	\$1,316,147
Foreign countries.....	405,713	443,219	593,826
Consolidated.....	\$1,455,761	\$1,567,983	\$1,909,972
	=====	=====	=====

The following table presents property, plant and equipment based on the location of the asset:

	PROPERTY, PLANT AND EQUIPMENT		
	1997	1998	1999
	-----	-----	-----
United States.....	\$ 37,845	\$ 48,851	\$ 48,438
Philippines.....	388,653	366,717	448,644
Korea.....	--	--	362,144
Other foreign countries.....	563	543	542

Consolidated.....	----- \$427,061 =====	----- \$416,111 =====	----- \$859,768 =====
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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS -- (CONTINUED)

The following supplementary information presents net revenues allocated by product family for the packaging and test segment:

	NET REVENUES		
	1997	1998	1999
Traditional Leadframe.....	\$ 833,527	\$ 603,222	\$ 559,563
Advanced Leadframe.....	311,988	342,866	412,395
Laminates.....	251,257	438,034	561,181
Test and Other.....	58,989	68,163	84,096
Consolidated.....	=====	=====	=====
	\$1,455,761	\$1,452,285	\$1,617,235

20. PRO FORMA ADJUSTMENTS (UNAUDITED)

Statement of Income

Pro forma adjustments are presented for 1997 and 1998 to reflect a provision for income taxes as if AEI had not been an S Corporation for all of the periods presented. Pro forma net income per common share is based on the weighted average number of shares outstanding as if the Reorganization had occurred at the beginning of the period presented.

21. SUBSEQUENT EVENT

On February 28, 2000 the company announced a definitive agreement with ASI to acquire ASI's three remaining packaging and test facilities and to make additional equity investments in ASI. On March 16, 2000, the Company agreed to privately place \$225,000 aggregate principal amount (excluding any over-allotments) of 5% convertible subordinated notes due 2007. The notes will be convertible into the Company's common stock at a conversion price of \$57.34 per share. The Company intends to finance the remainder of the purchase price and investment with \$750,000 of secured bank debt under an \$850,000 bank credit facility, \$410,000 of Series A Preferred Stock and existing cash and short-term investments. See Note 3.

REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholder and Board of Directors of Amkor Technology Korea, Inc.

We have audited the accompanying balance sheet of Amkor Technology Korea, Inc. (the "Company") as of December 31, 1999, and the related statements of operations, stockholder's equity, and cash flows for the period from February 19 (date of incorporation) to December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and

significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Amkor Technology Korea, Inc. as of December 31, 1999, and the results of its operations and its cash flows for the period from February 19 (date of incorporation) to December 31, 1999 in conformity with generally accepted accounting principles in the United States of America.

/s/ SAMIL ACCOUNTING CORPORATION

Seoul, Korea
January 15, 2000

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REPORT OF INDEPENDENT ACCOUNTANTS

To the Shareholders and Board of Directors of
Anam Semiconductor, Inc.

We have audited the accompanying consolidated balance sheets of Anam Semiconductor, Inc. and its subsidiaries (the "Company") as of December 31, 1999 and 1998 and the related consolidated statements of operations, stockholders' deficit and cash flows for each of the three years in the period ended December 31, 1999 as prepared under generally accepted accounting principles in the United States of America. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit 1) the financial statements of Anam Engineering and Construction Co., Ltd. ("Anam Construction"), the investment in which is reflected in the consolidated financial statements referred to above using the equity method of accounting in 1999 and 1998 and consolidated in 1997, and 2) the financial statements of Anam USA, Inc. ("Anam USA") a wholly owned subsidiary. The financial statements of Anam Construction reflect total revenues of \$ 387,946 thousand for the year ended December 31, 1997. The Company's net investment in Anam Construction was \$0 at December 31, 1999 and 1998 and the equity in its net loss were \$29,937 and \$56,884 in 1999 and 1998. The financial statements of Anam USA reflect total assets of \$124,442 thousand and \$235,343 thousand at December 31, 1999 and 1998, respectively, and total revenues of \$715,756 thousand, \$576,130 thousand and \$544,148 thousand for the years ended December 31, 1999, 1998 and 1997, respectively. Those statements referred to above were audited by other auditors whose reports thereon have been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for Anam Construction and Anam USA, is based solely on the report of the other auditors. The report of the auditor of Anam Construction contained an informative disclosure paragraph relating to uncertainties about Anam Construction's ability to continue as a going concern.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of the other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Anam Semiconductor, Inc. and its subsidiaries as of December 31, 1999 and 1998, and the results of their operations, stockholders' deficit and their cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 3 to the accompanying financial statements, Anam Semiconductor, Inc.'s revenues are generated primarily from semiconductor packaging and test services provided to Amkor Technology Inc. ("Amkor") pursuant to supply agreements. As described in Note 30 to the accompanying financial statements, on May 17, 1999, Anam Semiconductor, Inc. has sold to Amkor all the

assets of one of the four its packaging and test facilities located in Kwangju city, the Republic of Korea ("K4"). As described in Note 31 to the accompanying financial statements, on February 28, 2000, Anam Semiconductor, Inc. made a decision to sell to Amkor all of the remaining operating assets related to the remaining three packaging and testing facilities excluding K2 land in accordance with the approval of a board of directors' meeting.

As discussed in Note 4 to the accompanying financial statements, the operations of the Anam Semiconductor, Inc. and its affiliates in the Republic of Korea, have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic condition in the Republic of Korea and in the Asia Pacific region.

As more fully described in Note 5 to the accompanying financial statements, on October 23, 1998, Anam Semiconductor, Inc. entered into the Korean financial restructuring program known as the "Workout

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Program". The Workout Program is the result of an accord among financial institutions to assist in the restructuring of Korean business enterprises and does not involve the judicial system. On February 23, 1999, Anam Semiconductor, Inc. was granted certain economic concessions through the Workout Program which was approved by its creditors committee.

/s/ SAMIL ACCOUNTING CORPORATION

Seoul, Korea
February 28, 2000

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
Anam Engineering & Construction Co., Ltd.
Seoul, Korea

We have audited the consolidated balance sheets of Anam Engineering & Construction Co., Ltd. and its subsidiary as of December 31, 1999, 1998 and 1997, the related consolidated statements of operations, shareholders' deficit, and cash flows for the years then ended, all expressed in Korean Won (not separately included herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements (not separately included herein) present fairly, in all material respects, the financial position of Anam Engineering & Construction Co., Ltd. and its subsidiary as of December 31, 1999, 1998 and 1997, the results of their operations, the changes in their shareholders' deficit and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, the Company has filed a voluntary petition for reorganization under the Corporate Reorganization Act in the Republic of Korea. The financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or

contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

The financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, the Company's recurring losses from operations, negative working capital, and shareholders' capital deficiency raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ AHN KWON & CO.

February 9, 2000

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Anam USA, Inc.
West Chester, Pennsylvania

We have audited the balance sheets of Anam USA Inc. (a Pennsylvania Corporation and a wholly-owned subsidiary of Anam Semiconductor, Inc., Seoul, ROK) (ASI) as of December 31, 1999 and 1998 and the related statements of income, stockholder's equity and cash flows for each of the three years in the period ended December 31, 1999 (not separately included herein). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above (not separately included herein) present fairly, in all material respects, the financial position of Anam USA, Inc. as of December 31, 1999 and 1998 and the results of its operations and its cash flows for each of the three years in the period ended December 31, 1999 in conformity with generally accepted accounting principles.

All of the Company's outstanding notes payable and letters of credit are guaranteed by ASI. ASI has a significant amount of debt relative to its equity. ASI's business has been significantly affected by the economic crisis in Korea. In October 23, 1998, ASI entered into a Korean financial restructuring program known as "Workout Program." On February 23, 1999, ASI was granted certain economic concessions through the Workout Program which was approved by the Korean Financial Supervisory Committee. The effects of the "Workout Program" and its impact on the Company are disclosed in Note 5.

/s/ SIANA CARR & O'CONNOR, LLP

January 31, 2000

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ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CONTROL PERSONS; COMPLIANCE WITH SECTION 16(a) OF THE EXCHANGE ACT

DIRECTORS AND EXECUTIVE OFFICERS

Reference is made to the information regarding our directors and officers under the heading "Directors and Officers" in our proxy statement for the 2000 annual meeting of stockholders, which information is hereby incorporated by reference.

COMPLIANCE WITH SECTION 16(a) OF THE SECURITIES EXCHANGE ACT OF 1934

Section 16(a) of the Securities Exchange Act of 1934 requires a company's officers and directors, and persons who own more than ten percent of a registered class of the company's equity securities, to file reports of ownership on Form 3 and changes in ownership on Form 4 or 5 with the Securities and Exchange Commission (the "SEC") and the National Association of Securities Dealers, Inc. Such officers, directors and ten-percent stockholders are also required by SEC rules to furnish the company with copies of all forms that they file pursuant to Section 16(a). Based solely on our review of the copies of such forms received by us, or written representations from certain reporting persons that no other reports were required for such persons, we believe that all Section 16(a) filing requirements applicable to our officers, directors and ten-percent stockholders were complied with in a timely fashion.

ITEM 11. EXECUTIVE COMPENSATION

Reference is made to the information regarding executive compensation appearing under the heading "Executive Compensation" in our proxy statement for the 2000 annual meeting of stockholders, which information is hereby incorporated by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Reference is made to the information regarding security ownership under the heading "Security Ownership of Certain Beneficial Owners and Management" in our proxy statement for the 2000 annual meeting of stockholders, which information is hereby incorporated by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Reference is made to the information regarding relationships and related transactions under the heading "Certain Relationships and Related Transactions" in our proxy statement for the 2000 annual meeting of stockholders, which information is hereby incorporated by reference.

PART IV

ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) Financial Statements and Financial Statement Schedules. The financial statements and schedule filed as part of this Annual Report on Form 10-K are listed in the index under Item 8.

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(b) REPORTS ON FORM 8-K

We filed with the Securities and Exchange Commission the following reports on Form 8-K during the fourth quarter of the fiscal year ended December 31, 1999:

Current Report on Form 8-K dated October 26, 1999 (filed November 12, 1999), as amended on December 7, 1999 related to the completion of a \$41.6 million investment in Anam Semiconductor, Inc. on October 28, 1999 and a press release dated October 26, 1999 announcing our financial results for the third quarter ended September 30, 1999.

Current Report on Form 8-K dated November 29, 1999 (filed November 30, 1999) related to a press release issued November 29, 1999 announcing that Amkor

entered into negotiations with Anam Semiconductor, Inc. to acquire its three remaining packaging and test facilities, known as K1, K2 and K3, located in Korea.

(c) EXHIBITS

- 2.1 Letter of Commitment by and between Amkor Technology, Inc. and Anam Semiconductor, Inc., dated April 9, 1999.(4)
- 3.1 Certificate of Incorporation.(1)
- 3.2 Certificate of Correction to Certificate of Incorporation.(2)
- 3.3 Restated Bylaws.(2)
- 4.1 Specimen Common Stock Certificate.(1)
- 4.2 Convertible Subordinated Notes Indenture dated as of May 6, 1998 between the Registrant and State Street Bank and Trust Company, including form of 5 3/4% Convertible Subordinated Notes due 2003.(1)
- 4.3 Senior Notes Indenture dated as of May 6, 1999 between the Registrant and State Street Bank and Trust Company, including form of 9 1/4% Senior Note Due 2006.(5)
- 4.4 Senior Subordinated Notes Indenture dated as of May 6, 1999 between the Registrant and State Street Bank and Trust Company, including form of 10 1/2% Senior Subordinated Note Due 2009.(5)
- 4.5 Convertible Subordinated Notes Indenture dated as of March 22, 2000 between the Registrant and State Street Bank and Trust Company, including form of 5% Convertible Subordinated Notes due 2007.
- 4.6 Registration Agreement between the Registrant and the Initial Purchasers named therein dated as of March 22, 2000.
- 10.1 Form of Indemnification Agreement for directors and officers.(1)
- 10.2 1998 Stock Plan and form of agreement thereunder.(1)
- 10.3 Receivables Purchase Agreement between Amkor Electronics, Inc. and Amkor Receivables Corp., dated June 20, 1997.(1)
- 10.4 Form of Tax Indemnification Agreement between Amkor Technology, Inc., Amkor Electronics, Inc. and certain stockholders of Amkor Technology, Inc.(1)
- 10.8 Commercial Office Lease between Chandler Corporate Center Phase II, G.P. and Amkor Electronics, Inc., dated September 6, 1993.(1)
- 10.9 Commercial Office Lease between the 12/31/87 Trusts of Susan Y., David D. and John T. Kim and Amkor Electronics, Inc., dated October 1, 1996.(1)
- 10.10 Commercial Office Lease between the 12/31/87 Trusts of Susan Y., David D., and John T. Kim and Amkor Electronics, Inc., dated June 14, 1996.(1)
- 10.11 Contract of Lease between Corinthian Commercial Corporation and Amkor/Anam Pilipinas Inc., dated October 1, 1990.(1)

- 10.12 Contract of Lease between Salcedo Sunvar Realty Corporation and Automated Microelectronics, Inc., dated May 6, 1994.(1)
- 10.13 Lease Contract between AAP Realty Corporation and Amkor/Anam Advanced Packaging, Inc., dated November 6, 1996.(1)
- 10.14 Immunity Agreement between Amkor Electronics, Inc. and Motorola, Inc., dated June 30, 1993.(1)
- 10.15 Assembly Agreement between Amkor Electronics, Inc. and Intel Corporation, dated July 17, 1991.(1)
- 10.16 1998 Director Option Plan and form of agreement thereunder.(1)
- 10.17 1998 Employee Stock Purchase Plan.(1)
- 10.18 Amendment No. 1 dated December 31, 1998 to the Receivables Purchase Agreement between Amkor Electronics, Inc. and Amkor Receivables Corp., dated June 20, 1997.(3)
- 10.19 Packaging and Test Services Agreement by and among Amkor Technology, Inc., Amkor Electronics, Inc., C.I.L. Limited,

- Anam USA, Inc. and Anam Industrial Co., Ltd. dated January 1, 1998.(1)
- 10.20 Foundry Services Agreement by and among Amkor Electronics, Inc., C.I.L. Limited, Anam Industries Co., Ltd. and Anam USA dated as of January 1, 1998.(1)
- 10.21 Amendment to Technical Assistance Agreement dated as of September 29, 1997 between Texas Instruments Incorporated and Anam Industrial Co., Ltd. and related portions of Technical Assistance Agreement dated as of January 28, 1997.(1)
- 10.22 Manufacturing and Purchase Agreement between Texas Instruments Incorporated, Anam Industrial Co., Ltd. and Amkor Electronics, Inc., dated as of January 1, 1998.(1)
- 10.23 1998 Stock Option Plan for French Employees.(1)
- 10.24 Loan Agreement between Amkor Electronics, Inc. and John Boruch dated January 30, 1998.(3)
- 10.25 Shareholders Agreement, dated April 10, 1998, by and among Amkor Electronics, Inc., Anam Industrial Co. Ltd., Scientek International Investment Co. Ltd., Chinfon Semiconductor & Technology Co., Ltd., Taiwan Semiconductor Manufacturing Company Ltd., and Acer Incorporated.+
- 10.26 Technical Assistance Agreement, dated as of January 1, 1998 between Texas Instruments Incorporated and Anam Industrial Co., Ltd.+
- 10.27 Intellectual Property Transfer and License Agreement by and between Amkor Technology, Inc. and Anam Semiconductor, Inc.(6)
- 10.28 Transition Services Agreement by and between Amkor Technology, Inc. and Anam Semiconductor, Inc.(6)
- 21.1 List of Subsidiaries of the Registrant.(3)
- 23.1 Consent of Arthur Andersen LLP.
- 23.2 Consent of Samil Accounting Corporation.
- 23.3 Consent of Ahn Kwon & Co.
- 23.4 Consent of Siana Carr & O'Connor, LLP.
- 27.1 Financial Data Schedule.
- 99.1 Translation of the Principle Terms of the ASI Workout.(3)

-
- (1) Incorporated by reference to the Company's Registration Statement on Form S-1 filed October 6, 1997, as amended (File No. 333-37235).
- (2) Incorporated by reference to the Company's Registration Statement on Form S-1 filed August 26, 1998, as amended (File No. 333-49645).

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- (3) Incorporated by reference to the Company's Annual Report on Form 10-K filed March 31, 1999, as amended.
- (4) Incorporated by reference to the Company's Report on Form 8-K dated April 21, 1999, as amended.
- (5) Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed May 17, 1999.
- (6) Incorporated by reference to the Company's Report on Form 8-K dated October 26, 1999.

+ Confidential Treatment requested as to certain portions of this exhibit.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this Annual Report on Form 10-K to be signed, on its behalf by the undersigned, thereunto duly authorized.

AMKOR TECHNOLOGY, INC.

By: /s/ JAMES J. KIM

James J. Kim
Chairman and Chief Executive Officer

Date: March 29, 2000

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints James J. Kim and Kenneth Joyce, and each of them, his attorneys-in-fact, and agents, each with the power of substitution, for him and in his name, place and stead, in any and all capacities, to sign any and all amendments to this Report on Form 10-K, and all documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as he might or could do in person, hereby ratifying and conforming all that said attorneys-in-fact and agents of any of them, or his or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

NAME ----	TITLE -----	DATE ----
/s/ JAMES J. KIM ----- James J. Kim	Chief Executive Officer and Chairman	March 29, 2000
/s/ JOHN N. BORUCH ----- John N. Boruch	President and Director	March 29, 2000
/s/ KENNETH JOYCE ----- Kenneth Joyce	Chief Financial Officer (Principal Financial and Accounting Officer)	March 29, 2000
/s/ WINSTON J. CHURCHILL ----- Winston J. Churchill	Director	March 29, 2000
/s/ THOMAS D. GEORGE ----- Thomas D. George	Director	March 29, 2000

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NAME ----	TITLE -----	DATE ----
/s/ GREGORY K. HINCKLEY ----- Gregory K. Hinckley	Director	March 29, 2000
/s/ JOHN B. NEFF ----- John B. Neff	Director	March 29, 2000

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amkor Technology, Inc.:

We have audited in accordance with generally accepted auditing standards, the Consolidated Financial Statements of Amkor Technology, Inc. and its subsidiaries included in this Form 10-K and have issued our report thereon dated February 3, 2000 (except as discussed in Note 21 with respect to the Company's proposed acquisition of ASI's packaging and test facilities and its investment in ASI, as to which the date is February 28, 2000, and the related proposed financing, as to which the date is March 16, 2000). Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedule listed in the index above is the responsibility of the Company's management and is presented for the purpose of complying with the Securities an Exchange Commission's rules and is not part of the basic financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, fairly states in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
 February 3, 2000 (except as discussed in Note 21 with respect to the Company's proposed acquisition of ASI's packaging and test facilities and its investment in ASI, as to which the date is February 28, 2000, and the related proposed financing, as to which the date is March 16, 2000)

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AMKOR TECHNOLOGY, INC. AND SUBSIDIARIES

SCHEDULE II -- VALUATION AND QUALIFYING ACCOUNTS

	BALANCE AT BEGINNING OF PERIOD	ADDITIONS CHARGED TO EXPENSE	WRITE-OFFS	OTHER	BALANCE AT END OF PERIOD
	-----	-----	-----	----	-----
	(IN THOUSANDS)				
Year ended December 31, 1997:					
Allowance for doubtful accounts.....	\$1,179	\$ 3,490	\$ (435)	--	\$4,234
Year ended December 31, 1998:					
Allowance for doubtful accounts.....	\$4,234	\$ 1,720	\$ (2)	--	\$5,952
Year ended December 31, 1999:					
Allowance for doubtful accounts.....	\$5,952	\$ (3,500)	\$ (9)	--	\$2,443

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EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION OF DOCUMENT	SEQUENTIALLY NUMBERED PAGE
-----	-----	-----
2.1	Letter of Commitment by and between Amkor Technology, Inc. and Anam Semiconductor, Inc., dated April 9, 1999.(4).....	
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- (6) Incorporated by reference to the Company's Report on Form 8-K dated October 26, 1999.

+ Confidential Treatment requested as to certain portions of this exhibit.

AMKOR TECHNOLOGY, INC.

AND

STATE STREET BANK AND TRUST COMPANY

AS TRUSTEE

\$225,000,000

5% Convertible Subordinated Notes due 2007*

INDENTURE

Dated as of March 22, 2000

* Plus an over-allotment option to purchase up to \$33,750,000 principal amount of 5% Convertible Subordinated Notes due 2007.

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THIS INDENTURE, dated as of March 22, 2000, is between Amkor Technology, Inc., a Delaware corporation (the "Company"), and State Street Bank and Trust Company, a trust company duly organized and existing under laws of the Commonwealth of Massachusetts (the "Trustee"). The Company has duly authorized the creation of its 5% Convertible Subordinated Notes due 2007 (the "Convertible Subordinated Notes") and to provide therefor the Company and the Trustee have duly authorized the execution and delivery of this Indenture. Each party agrees as follows for the benefit of the other party and for the equal and ratable benefit of the holders from time to time of the Convertible Subordinated Notes:

ARTICLE 1

DEFINITIONS

SECTION 1.01 Definitions.

"Acquiring Person" means any person (as defined in Section 13(d)(3) of the Exchange Act) who or which, together with all affiliates and associates (each as defined in Rule 12b-2 under the Exchange Act), becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act and as further defined below) of shares of Common Stock or other voting securities of the Company having more than 50% of the total voting power of the Voting Stock of the Company; provided, however, that an Acquiring Person shall not include (i) the Company, (ii) any subsidiary of the Company, (iii) any Permitted Holder, (iv) an underwriter engaged in a firm commitment underwriting in connection with a public offering of the Voting Stock of the Company or (v) any current or future employee or director benefit plan of the Company or any subsidiary of the Company or any entity holding Common Stock of the Company for or pursuant to the terms of any such plan. For purposes hereof, a person shall not be deemed to be the beneficial owner of (A) any securities tendered pursuant to a tender or

exchange offer made by or on behalf of such person or any of such person's affiliates until such tendered securities are accepted for purchase or exchange thereunder, or (B) any securities if such beneficial ownership (1) arises solely as a result of a revocable proxy delivered in response to a proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act, and (2) is not also then reportable on Schedule 13D (or any successor schedule) under the Exchange Act.

"Affiliate" means, when used with reference to any person, any other person directly or indirectly controlling, controlled by, or under direct or indirect common control of, the referent person. For the purposes of this definition, "control" when used with respect to any specified person means the power to direct or cause the direction of management or policies of the referent person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise. The terms "controlling" and "controlled" have meanings correlative of the foregoing.

"Agent" means any Registrar, Paying Agent, Conversion Agent or co-registrar.

"Agent Member" means any member of, or participant in, the Depositary.

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"Applicable Procedures" means, with respect to any transfer or transaction involving a Global Security or beneficial interest therein, the rules and procedures of the Depositary for such Global Security to the extent applicable to such transaction and as in effect from time to time.

"ASI" means Anam Semiconductor, Inc.

"Board of Directors" means the Board of Directors of the Company or any authorized committee of the Board of Directors.

"Capital Stock" of any person means any and all shares, interests, rights to purchase, warrants, options, participations or other equivalents of or interests in (however designated) equity of such person, but excluding any debt securities convertible into such equity.

"Change of Control" means the occurrence of one or more of the following events: (a) any person has become an Acquiring Person, (b) the Company consolidates with or merges into any other corporation, or conveys, transfers or leases all or substantially all of its assets to any person, or any other corporation merges into the Company, and, in the case of any such transaction, the outstanding Common Stock of the Company is changed or exchanged as a result, unless the stockholders of the Company immediately before such transaction own, directly or indirectly immediately following such transaction, at least a majority of the combined voting power of the outstanding voting securities of the corporation resulting from such transaction in substantially the same proportion as their ownership of the Voting Stock of the Company immediately before such transaction, or (c) any time the Continuing Directors do not constitute a majority of the Board of Directors of the Company (or, if applicable, a successor corporation to the Company); provided, that a Change of Control shall not be deemed to have occurred if either (y) the last sale price of the Common Stock for any five trading days during the ten trading days immediately preceding the Change of Control is at least equal to 105% of the Conversion Price in effect on the date of such Change of Control or (z) at least 90% of the consideration (excluding cash payments for fractional shares) in the transaction or transactions constituting the Change of Control consists of shares of common stock that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States.

"Commission" means the Securities and Exchange Commission.

"Common Stock" means any stock of any class of the Company which has no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Company and which is not subject to redemption by the Company. Subject to the provisions of Section 12.06, however, shares issuable on conversion of Convertible Subordinated Notes shall include only shares of the class designated as Common Stock of the Company at the date of this Indenture or shares of any class or classes resulting from any reclassification or reclassifications thereof and which have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation, dissolution or winding up of

the Company and which are not subject to redemption by the Company; provided that if at any time there shall be more than one such resulting class, the shares of each such class then so issuable

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shall be substantially in the proportion which the total number of shares of such class resulting from all such reclassifications bears to the total number of shares of all such classes resulting from all such reclassifications.

"Company" means the party named as such above until a successor replaces it in accordance with Article 5 and thereafter means the successor.

A "consolidated subsidiary" of any person means a subsidiary which for financial reporting purposes is or, in accordance with GAAP, should be, accounted for by such person as a consolidated subsidiary.

"Continuing Directors" means, as of any date of determination, any member of the Board of Directors who (i) was a member of such Board of Directors on the date of this Indenture or (ii) was nominated for election or elected to such Board of Directors with the approval of a majority of the Continuing Directors who were members of such Board at the time of such nomination or election.

"Convertible Subordinated Notes" means the 5% Convertible Subordinated Notes due 2007 issued, authenticated and delivered under this Indenture.

"Conversion Price" means the initial conversion price specified in the form of Convertible Subordinated Note in Paragraph 16 of such form, as adjusted in accordance with the provisions of Article 12.

"Corporate Trust Office" means the corporate trust office of the Trustee at which at any particular time the trust created by this Indenture shall principally be administered; as of the date hereof, the Corporate Trust Office is located at Two International Place, 4th Floor, Boston, MA 02110.

"Default" means any event that is, or after notice or passage of time, or both, would be, an Event of Default.

"Depository" means, with respect to any Global Securities, a clearing agency that is registered as such under the Exchange Act and is designated by the Company to act as Depository for such Global Securities (or any successor securities clearing agency so registered), which shall initially be DTC.

"Designated Event" means the occurrence of a Change of Control or a Termination of Trading.

"Designated Senior Debt" means any particular Senior Debt if the instrument creating or evidencing the same or the assumption or guarantee thereof (or related agreements or documents to which the Company is a party) expressly provides that such Indebtedness shall be "Designated Senior Debt" for purposes of the Indenture (provided that such instrument, agreement or other document may place limitations and conditions on the right of such Senior Debt to exercise the rights of Designated Senior Debt.)

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"DTC" means The Depository Trust Company, a New York corporation.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

"GAAP" means generally accepted accounting principles set forth in the opinions and pronouncements of the Accounting Principles Board of the American Institute of Certified Public Accountants and statements and pronouncements of the Financial Accounting Standards Board or in such other statements by such other entity as may be approved by a significant segment of the accounting profession of the United States, which are in effect from time to time.

"Global Security" means a Convertible Subordinated Note that is registered in the Register.

"Global Securities Legend" means the legend labeled as such and that is set forth in Exhibit A hereto.

"Indebtedness" means, with respect to any person, all obligations, whether or not contingent, of such person (i) (a) for borrowed money (including, but not limited to, any indebtedness secured by a security interest, mortgage or other lien on the assets of the Company that is (1) given to secure all or part of the purchase price of property subject thereto, whether given to the vendor of such property or to another, or (2) existing on property at the time of acquisition thereof), (b) evidenced by a note, debenture, bond or other written instrument, (c) under a lease required to be capitalized on the balance sheet of the lessee under GAAP or under any lease or related document (including a purchase agreement) that provides that the Company is contractually obligated to purchase or cause a third party to purchase and thereby guarantee a minimum residual value of the lease property to the lessor and the obligations of the Company under such lease or related document to purchase or to cause a third party to purchase such leased property, (d) in respect of letters of credit, bank guarantees or bankers' acceptances (including reimbursement obligations with respect to any of the foregoing), (e) with respect to Indebtedness secured by a mortgage, pledge, lien, encumbrance, charge or adverse claim affecting title or resulting in an encumbrance to which the property or assets of such person are subject, whether or not the obligation secured thereby shall have been assumed by or shall otherwise be such person's legal liability, (f) in respect of the balance of deferred and unpaid purchase price of any property or assets, (g) under interest rate or currency swap agreements, cap, floor and collar agreements, spot and forward contracts and similar agreements and arrangements; (ii) with respect to any obligation of others of the type described in the preceding clause (i) or under clause (iii) below assumed by or guaranteed in any manner by such person through an agreement to purchase (including, without limitation, "take or pay" and similar arrangements), contingent or otherwise (and the obligations of such person under any such assumptions, guarantees or other such arrangements); and (iii) any and all deferrals, renewals, extensions, refinancings and refundings of, or amendments, modifications or supplements to, any of the foregoing.

"Indenture" means this Indenture as amended or supplemented from time to time.

"Initial Purchasers" means Salomon Smith Barney Inc., SG Cowen Securities Corporation, Deutsche Bank Securities Inc., FleetBoston Robertson Stephens Inc., Prudential Securities

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Incorporated, Thomas Weisel Partners LLC, Banc of America Securities LLC, CIBC Oppenheimer Corp. and Soundview Technology Group, Inc.

"Interest Payment Date" means March 15 and September 15 of each year.

"Issue Date" means the date on which Convertible Subordinated Notes are first issued and authenticated under this Indenture.

"Liquidated Damages" has the meaning specified in paragraph 18 of the form of Convertible Subordinated Note which is attached as Exhibit A hereto.

"Material Subsidiary" means any subsidiary of the Company which at the date of determination is a "significant subsidiary" as defined in Rule 1-02(w) of Regulation S-X under the Securities Act and the Exchange Act.

"Maturity Date" means March 15, 2007.

"Note Custodian" means State Street Bank and Trust Company, as custodian with respect to any Global Security, or any successor entity thereto.

"Obligations" means any principal, interest, penalties, fees, indemnifications, reimbursements, damages and other liabilities payable under the documentation governing any Indebtedness.

"Officer" means the Chairman of the Board, the Chief Executive Officer, the President, the Chief Financial Officer, the Chief Accounting Officer, any Executive Vice President, Senior Vice President or Vice President (whether or not designated by a number or numbers or word or words before or after the title "Vice President"), the Treasurer, any other executive officer, the Secretary and any Assistant Treasurer or any Assistant Secretary of the Company.

"Officers' Certificate" means a certificate signed by the principal executive officer, principal financial officer or principal accounting officer of the Company.

"Opinion of Counsel" means a written opinion from legal counsel who may be an employee of or counsel to the Company or the Trustee except to the extent otherwise indicated in this Indenture.

A "person" means any individual, corporation, partnership, joint venture, trust, estate, unincorporated organization, limited liability company or government or any agency or political subdivision thereof.

"Permitted Holders" means James J. Kim and his estates, spouses, ancestors and lineal descendants (and spouses thereof), the legal representatives of any of the foregoing, and the trustee of any bona fide trust of which one or more of the foregoing are the sole beneficiaries or the grantors, or any person of which any of the foregoing, individually or collectively, beneficially own

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(as defined in Rules 13d-3 and 13d-5 under the Exchange Act) voting securities representing at least a majority of the total voting power of all classes of Capital Stock of such person (exclusive of any matters as to which class voting rights exist).

"Put Expiration Date" means the earlier of (i) to the extent such date does not occur after August 31, 2000, the date the Related Transactions are consummated in all material respects, and (ii) 30 days following the Related Transactions Payment Date.

"Redemption date" when used with respect to any of the Convertible Subordinated Notes to be redeemed, means the date fixed by the Company for such redemption pursuant to Article 3 of this Indenture and the Convertible Subordinated Notes.

"Redemption price" when used with respect to any of the Convertible Subordinated Notes to be redeemed, means the price fixed for such redemption pursuant to Article 3 of this Indenture and the Convertible Subordinated Notes.

"Registration Agreement" means the Registration Agreement relating to the Convertible Subordinated Notes and Common Stock issuable upon conversion of such Convertible Subordinated Notes dated March 22, 2000, between the Company and the Initial Purchasers, as such agreement may be amended, modified or supplemented from time to time.

"Regular Record Date" means the March 1 or September 1 immediately preceding each Interest Payment Date.

"Related Agreement" means the asset purchase agreement between ASI and the Company dated as of January 14, 2000 relating to the Related Transactions, as such agreement may be amended or restated from time to time.

"Related Transactions" means the acquisition by the Company or any of its subsidiaries from ASI of three of ASI's facilities known as K1, K2 and K3.

"Related Transactions Event" shall have the meaning given thereto in Section 4.09.

"Representative" means (a) the indenture trustee or other trustee, agent or representative for any Senior Debt or (b) with respect to any Senior Debt that does not have any such trustee, agent or other representative, (i) in the case of such Senior Debt issued pursuant to an agreement providing for voting arrangements as among the holders or owners of such Senior Debt, any holder or owner of such Senior Debt acting with the consent of the required persons necessary to bind such holders or owners of such Senior Debt and (ii) in the case of all other such Senior Debt, the holder or owner of such Senior Debt.

"Restricted Common Stock Legend" means the legend labeled as such and that is set forth in Exhibit D hereto.

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"Restricted Securities Legend" means the legend labeled as such and that is set forth in Exhibit A hereto.

"Securities Act" means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

"Senior Debt" means the principal of, premium, if any, and interest on, rent under, and any other amounts payable on or in respect of any Indebtedness of the Company (including, without limitation, any Obligations in respect of such Indebtedness and, in the case of Designated Senior Debt, any interest accruing after the filing of a petition by or against the Company under any bankruptcy law, whether or not allowed as a claim after such filing in any proceeding under such bankruptcy law), whether outstanding on the date of this Indenture or thereafter created, incurred, assumed, guaranteed or in effect guaranteed by the Company (including all deferrals, renewals, extensions or refundings of, or amendments, modifications or supplements to the foregoing); provided, however, that Senior Debt does not include (v) Indebtedness evidenced by the Convertible Subordinated Notes, (w) any liability for federal, state, local or other taxes owed or owing by the Company, (x) Indebtedness of the Company to any Subsidiary of the Company except to the extent such Indebtedness is of a type described in clause (ii) of the definition of Indebtedness, (y) trade payables of the Company for goods, services or materials purchased in the ordinary course of business (other than, to the extent they may otherwise constitute trade payables, any obligations of the type described in clause (ii) of the definition of Indebtedness), and (z) any particular Indebtedness in which the instrument creating or evidencing the same expressly provides that such Indebtedness shall not be senior in right of payment to, or is pari passu with, or is subordinated or junior to, the Convertible Subordinated Notes.

"Shelf Registration Statement " shall have the meaning set forth in the Registration Agreement.

A "subsidiary" means, with respect to any person, (i) any corporation, association or other business entity of which more than 50% of the total voting power of shares of capital stock entitled (without regard to the occurrence of any contingency) to vote in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by such person or one or more of the other subsidiaries of that person (or a combination thereof) and (ii) any partnership (a) the sole general partner or managing general partner of which is such person or a Subsidiary of such person or (b) the only general partners of which are such person or of one or more Subsidiaries of such person (or any combination thereof).

"Termination of Trading" will be deemed to have occurred if the Common Stock (or other common stock into which the Convertible Subordinated Notes are then convertible) is neither listed for trading on a United States national securities exchange nor approved for trading on an established automated over-the-counter trading market in the United States.

"TIA" means the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbb) as in effect on the date of execution of this Indenture, except as provided in Sections 9.03 and 12.06.

"Trustee" means the party named as such above until a successor replaces it in accordance with the applicable provisions of this Indenture and thereafter means the successor.

"Trust Officer" means an officer in the Corporate Trust Office of the Trustee.

"U.S. Government Obligations" means direct obligation of the United States of America for the payment of which the full faith and credit of the United States of America is pledged. In order to have money available on a payment date to pay principal or interest on the Convertible Subordinated Notes, the U.S. Government Obligations shall be payable as to principal or interest on or before such payment date in such amounts as will provide the necessary money. U.S. Government Obligations shall not be callable at the issuer's option.

"Voting Stock" of a corporation means all classes of Capital Stock of

such corporation then outstanding and normally entitled to vote in the election of directors.

SECTION 1.02 Other Definitions.

	Defined in Section
"Bankruptcy Law".....	6.01
"business day".....	10.07
"Current Market Price".....	12.05
"closing price".....	12.05
"Conversion Agent".....	2.03
"Custodian".....	6.01
"Definitive Securities".....	2.01
"Designated Event Date".....	4.06
"Designated Event Offer".....	4.06
"Designated Event Offer Termination Date".....	4.06
"Designated Event Payment".....	4.06
"Designated Event Payment Date".....	4.06
"Event of Default".....	6.01
"Expiration Time".....	12.05
"fair market value".....	12.05
"Legal Holiday".....	10.07
"New Rights Plan".....	12.05
"non-electing share".....	12.06
"Paying Agent".....	2.03
"Payment Blockage Notice".....	10.04
"Purchased Shares".....	12.05
"Record Date".....	12.05
"Registrar".....	2.03
"Related Transactions Offer".....	4.09
"Related Transactions Offer Termination Date".....	4.09

"Related Transactions Payment".....	4.09
"Related Transactions Payment Date".....	4.09
"Securities".....	12.05
"trading day".....	12.05
"Trigger Event".....	12.05

SECTION 1.03 Incorporation by Reference of Trust Indenture Act.

Whenever this Indenture refers to a provision of the TIA, the provision is incorporated by reference in and made a part of this Indenture.

The following TIA terms used in this Indenture have the following meanings:

"Commission" means the Commission;

"indenture securities" means the Convertible Subordinated Notes;

"indenture security holder" means a holder of a Convertible Subordinated Note;

"indenture to be qualified" means this Indenture;

"indenture trustee" or "institutional trustee" means the Trustee; and

"obligor" on the Convertible Subordinated Notes means the Company or any other obligor on the Convertible Subordinated Notes.

All other terms in this Indenture that are defined by the TIA, defined by TIA reference to another statute or defined by Commission rule under the TIA have the meanings so assigned to them.

SECTION 1.04 Rules of Construction.

Unless the context otherwise requires:

- (1) a term has the meaning assigned to it;
- (2) an accounting term not otherwise defined has the meaning

assigned to it in accordance with GAAP;

(3) "or" is not exclusive;

(4) words in the singular include the plural, and in the plural include the singular; and

(5) the male, female and neuter genders include one another.

ARTICLE 2

THE CONVERTIBLE SUBORDINATED NOTES

SECTION 2.01 Form and Dating.

(a) GLOBAL SECURITIES. The Convertible Subordinated Notes are being offered and sold by the Company pursuant to a Purchase Agreement relating to the Convertible Subordinated Notes, dated March 16, 2000, among the Company and the Initial Purchasers (the "Purchase Agreement").

Convertible Subordinated Notes offered and sold (i) in reliance on Regulation S under the Securities Act ("Regulation S") or (ii) to "qualified institutional buyers" as defined in Rule 144A ("QIBs") in reliance on Rule 144A under the Securities Act ("Rule 144A"), each as provided in the Purchase Agreement, shall be issued in the form of one or more permanent global securities in definitive, fully registered form without interest coupons with the Global Securities Legend and Restricted Securities Legend set forth in Exhibit A hereto (each, a "Global Security"). Any Global Security shall be deposited on behalf of the purchasers of the Convertible Subordinated Notes represented thereby with the Trustee, at its New York office, as custodian for the Depository, and registered in the name of the Depository or a nominee of the Depository for the accounts of participants in the Depository (and, in the case of Convertible Subordinated Notes held in accordance with Regulation S, registered with the Depository for the accounts of designated agents holding on behalf of the Euroclear System ("Euroclear") or Clearstream Banking, societe anonyme ("Clearstream")), duly executed by the Company and authenticated by the Trustee as hereinafter provided. The aggregate principal amount of a Global Security may from time to time be increased or decreased by adjustments made on the records of the Trustee and the Depository or its nominee as hereinafter provided.

(b) BOOK-ENTRY PROVISIONS. This Section 2.01(b) shall apply only to a Global Security deposited with or on behalf of the Depository.

The Company shall execute and the Trustee shall, in accordance with this Section 2.01(b) and the written order of the Company, authenticate and deliver initially one or more Global Securities that (i) shall be registered in the name of Cede & Co. or other nominee of such Depository and (ii) shall be delivered by the Trustee to such Depository or pursuant to such Depository's instructions or held by the Trustee as custodian for the Depository pursuant to a FAST Balance Certificate Agreement between the Depository and the Trustee.

Members of, or participants in, the Depository ("Agent Members") shall have no rights under this Indenture with respect to any Global Security held on their behalf by the Depository or by the Trustee as the custodian of the Depository or under such Global Security, and the Depository may be treated by the Company, the Trustee and any agent of the Company or the Trustee as the absolute owner of such Global Security for all purposes whatsoever. Notwithstanding the foregoing, nothing herein shall prevent the Company, the Trustee or any agent of the Company or the Trustee from

giving effect to any written certification, proxy or other authorization furnished by the Depository or impair, as between the Depository and its Agent Members, the operation of customary practices of such Depository governing the exercise of the rights of a holder of a beneficial interest in any Global Security.

The provisions of the "Operating Procedures of the Euroclear System" and "Terms and Conditions Governing Use of Euroclear" and the "Management Regulations and Instructions to Participants" of Cedel shall be applicable to interests in any Global Securities that are held by participants through Euroclear or Cedel. The Trustee shall have no obligation to notify holders of any such procedures or to monitor or enforce compliance with the same.

(c) DEFINITIVE SECURITIES. Except as provided in Section 2.06 and 2.10, owners of beneficial interests in Global Securities will not be entitled to receive physical delivery of certificated Convertible Subordinated Notes in definitive form. Purchasers of Securities who are not QIBs and did not purchase Convertible Subordinated Notes sold in reliance on Regulation S under the Securities Act (referred to herein as the "Non-Global Purchasers") will receive certificated Convertible Subordinated Notes in definitive form bearing the Restricted Securities Legend set forth in Exhibit A hereto ("Definitive Securities"). Definitive Securities will bear the Restricted Securities Legend set forth on Exhibit A unless removed in accordance with Section 2.06(b).

SECTION 2.02 Execution and Authentication.

One Officer shall sign the Convertible Subordinated Notes for the Company by manual or facsimile signature. The Company's seal shall be reproduced on the Convertible Subordinated Notes.

If an Officer whose signature is on a Convertible Subordinated Note no longer holds that office at the time the Convertible Subordinated Note is authenticated, the Convertible Subordinated Note shall nevertheless be valid.

A Convertible Subordinated Note shall not be valid until authenticated by the manual signature of the Trustee. The signature shall be conclusive evidence that the Convertible Subordinated Note has been authenticated under this Indenture.

Upon a written order of the Company signed by an Officer of the Company, the Trustee shall authenticate Convertible Subordinated Notes for original issue up to an aggregate principal amount of \$225,000,000 (plus up to \$33,750,000 aggregate principal amount of Convertible Subordinated Notes that may be sold by the Company pursuant to the over-allotment option granted pursuant to the Purchase Agreement). Purchasers. The aggregate principal amount of Convertible Subordinated Notes outstanding at any time may not exceed that amount except as provided in Section 2.07.

The Convertible Subordinated Notes shall be issuable only in registered form without coupons and only in denominations of \$1,000 or any integral multiple thereof.

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The Trustee may appoint an authenticating agent acceptable to the Company to authenticate Convertible Subordinated Notes. An authenticating agent may authenticate Convertible Subordinated Notes whenever the Trustee may do so. Each reference in this Indenture to authentication by the Trustee includes authentication by such agent. An authenticating agent has the same right as an Agent to deal with the Company or an Affiliate of the Company.

SECTION 2.03 The Trustee Registrar, Paying Agent and Conversion Agent.

The Company shall maintain or cause to be maintained in such locations as it shall determine, which may be the Corporate Trust Office, an office or agency: (i) where securities may be presented for registration of transfer or for exchange ("Registrar"); (ii) where Convertible Subordinated Notes may be presented for payment ("Paying Agent"); (iii) an office or agency where Convertible Subordinated Notes may be presented for conversion (the "Conversion Agent"); and (iv) where notices and demands to or upon the Company in respect of Convertible Subordinated Notes and this Indenture may be served by the holders of the Convertible Subordinated Notes. The Registrar shall keep a Register ("Register") of the Convertible Subordinated Notes and of their transfer and exchange. The Company may appoint one or more co-registrars, one or more additional paying agents and one or more additional conversion agents. The term "Paying Agent" includes any additional paying agent and the term "Conversion Agent" includes any additional Conversion Agent. The Company may change any Paying Agent, Registrar, Conversion Agent or co-registrar without prior notice. The Company shall notify the Trustee of the name and address of any Agent not a

party to this Indenture and shall enter into an appropriate agency agreement with any Registrar, Paying Agent, Conversion Agent or co-registrar not a party to this Indenture. The agreement shall implement the provisions of this Indenture that relate to such Agent. The Company or any of its subsidiaries may act as Paying Agent, Registrar, Conversion Agent or co-registrar, except that for purposes of Articles 3 and 8 and Section 4.06, neither the Company nor any of its subsidiaries shall act as Paying Agent. If the Company fails to appoint or maintain another entity as Registrar, or Paying Agent or Conversion Agent, the Trustee shall act as such, and the Trustee shall initially act as such.

SECTION 2.04 Paying Agent To Hold Money in Trust.

The Company shall require each Paying Agent (other than the Trustee, who hereby so agrees), to agree in writing that the Paying Agent will hold in trust for the benefit of holders of the Convertible Subordinated Notes or the Trustee all money held by the Paying Agent for the payment of principal or interest (including Liquidated Damages) on the Convertible Subordinated Notes, and will notify the Trustee of any default by the Company in respect of making any such payment. While any such default continues, the Trustee may require a Paying Agent to pay all money held by it to the Trustee. The Company at any time may require a Paying Agent to pay all money held by it to the Trustee. Upon payment over to the Trustee, the Paying Agent (if other than the Company or a subsidiary of the Company) shall have no further liability for the money. If the Company or a subsidiary of the Company acts as Paying Agent, it shall segregate and hold in a separate trust fund for the benefit of the holders of the Convertible Subordinated Notes all money held by it as Paying Agent.

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SECTION 2.05 Holder Lists.

The Trustee shall preserve in as current a form as is reasonably practicable the most recent list available to it of the names and addresses of holders of Convertible Subordinated Notes and shall otherwise comply with TIA Section 312(a). If the Trustee is not the Registrar, the Company shall furnish to the Trustee at least seven business days before each Interest Payment Date, and as the Trustee may request in writing within fifteen (15) days after receipt by the Company of any such request (or such lesser time as the Trustee may reasonably request in order to enable it to timely provide any notice to be provided by it hereunder), a list in such form and as of such date as the Trustee may reasonably require of the names and addresses of holders of Convertible Subordinated Notes.

SECTION 2.06 Transfer and Exchange.

When Convertible Subordinated Notes are presented to the Registrar or a co-registrar with a request to register a transfer or to exchange them for an equal principal amount of Convertible Subordinated Notes for other denominations, the Registrar shall register the transfer or make the exchange if its requirements for such transactions are met. To permit registrations of transfers and exchanges, the Company shall issue and the Trustee shall authenticate Convertible Subordinated Notes at the Registrar's request, bearing registration numbers not contemporaneously outstanding. No service charge shall be made to a holder for any registration of transfer or exchange (except as otherwise expressly permitted herein), but the Company may require payment of a sum sufficient to cover any transfer tax or other governmental charge payable upon exchanges pursuant to Sections 2.10, 3.07, 9.05 or 12.02.

The Company or the Registrar shall not be required (i) to issue, register the transfer of or exchange Convertible Subordinated Notes during a period beginning at the opening of business fifteen (15) days before the day of any selection of Convertible Subordinated Notes for redemption under Section 3.03 and ending at the close of business on the day of selection, (ii) to register the transfer or exchange of any Convertible Subordinated Note so selected for redemption in whole or in part, except the unredeemed portion of any Convertible Subordinated Note being redeemed in part or (iii) to register the transfer of any Convertible Subordinated Notes surrendered for repurchase pursuant to Section 4.06 or Section 4.09.

All Convertible Subordinated Notes issued upon any transfer or exchange of Convertible Subordinated Notes in accordance with this Indenture shall be the valid obligations of the Company, evidencing the same debt, and entitled to the same benefits under this Indenture as the Convertible Subordinated Notes

surrendered upon such registration of transfer or exchange.

(a) Notwithstanding any provision to the contrary herein, so long as a Global Security remains outstanding and is held by or on behalf of the Depository, transfers of a Global Security, in whole or in part, or of any beneficial interest therein, shall only be made in accordance with Sections 2.01(b) and 2.10 and this Section 2.06(a); provided, however, that beneficial interests in a Global Security may be transferred to persons who take delivery thereof in the form of a beneficial interest in the Global Security in accordance with the transfer restrictions set forth under the heading "Notice to Investors" in the Offering Memorandum and, if applicable, in the Restricted Securities Legend.

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Except for transfers or exchanges made in accordance with paragraphs (i) through (iv) of this Section 2.06(a) and Section 2.10, transfers of a Global Security shall be limited to transfers of such Global Security in whole, but not in part, to nominees of the Depository or to a successor of the Depository or such successor's nominee.

(i) GLOBAL SECURITY TO DEFINITIVE SECURITY. If an owner of a beneficial interest in a Global Security deposited with the Depository or with the Trustee as custodian for the Depository wishes at any time to transfer its interest in such Global Security to a Person who is required to take delivery thereof in the form of a Definitive Security, such owner may, subject to the rules and procedures of Euroclear or Clearstream, if applicable, and the Depository, cause the exchange of such interest for one or more Definitive Securities of any authorized denomination or denominations and of the same aggregate principal amount. Upon receipt by the Registrar of (1) instructions from Euroclear or Clearstream, if applicable, and the Depository directing the Trustee to authenticate and deliver one or more Definitive Securities of the same aggregate principal amount as the beneficial interest in the Global Security to be exchanged, such instructions to contain the name or names of the designated transferee or transferees, the authorized denomination or denominations of the Definitive Securities to be so issued and appropriate delivery instructions, (2) a certificate substantially in the form of Exhibit B attached hereto given by the owner of such beneficial interest, (3) a certificate substantially in the form of Exhibit C attached hereto given by the person acquiring the Definitive Securities for which such interest is being exchanged, to the effect set forth therein, and (4) such other certifications or other information and, in the case of transfers pursuant to Rule 144 under the Securities Act, legal opinions as the Company may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, then Euroclear or Clearstream, if applicable, or the Registrar, as the case may be, will instruct the Depository to reduce or cause to be reduced such Global Security by the aggregate principal amount of the beneficial interest therein to be exchanged and to debit or cause to be debited from the account of the Person making such transfer the beneficial interest in the Global Security that is being transferred, and concurrently with such reduction and debit the Company shall execute, and the Trustee shall authenticate and deliver, one or more Definitive Securities of the same aggregate principal amount in accordance with the instructions referred to above.

(ii) DEFINITIVE SECURITY TO DEFINITIVE SECURITY. If a holder of a Definitive Security wishes at any time to transfer such Definitive Security (or portion thereof) to a Person who is required to take delivery thereof in the form of a Definitive Security, such holder may, subject to the restrictions on transfer set forth herein and in such Definitive Security, cause the transfer of such Definitive Security (or any portion thereof in a principal amount equal to an authorized denomination) to such transferee. Upon receipt by the Registrar of (1) such Definitive Security, duly endorsed as provided herein, (2) instructions from such holder directing the Trustee to authenticate and deliver one or more Definitive Securities of the same aggregate principal amount as the Definitive Security (or portion thereof) to be transferred, such instructions to contain the name or names of the designated transferee or transferees, the authorized denomination or denominations of the Definitive Securities to be so issued and appropriate delivery instructions, (3) a certificate from the holder of the Definitive Security to be transferred in substantially the form of Exhibit B attached

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hereto, (4) a certificate substantially in the form of Exhibit C attached hereto given by the person acquiring the Definitive Securities (or portion thereof), to the effect set forth therein, and (5) such other certifications or other information and, in the case of transfers pursuant to Rule 144 under the Securities Act, legal opinions as the Company may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, then the Registrar, shall cancel or cause to be canceled such Definitive Security and concurrently therewith, the Company shall execute, and the Trustee shall authenticate and deliver, one or more Definitive Securities in the appropriate aggregate principal amount, in accordance with the instructions referred to above and, if only a portion of a Definitive Security is transferred as aforesaid, concurrently therewith Company shall execute and the Trustee shall authenticate and deliver to the transferor a Definitive Security in a principal amount equal to the principal amount which has not been transferred. A holder of a Definitive Security may at any time exchange such Definitive Security for one or more Definitive Securities of other authorized denominations and in the same aggregate principal amount and registered in the same name by delivering such Definitive Security, duly endorsed as provided herein, to the Trustee together with instructions directing the Trustee to authenticate and deliver one or more Definitive Securities in the same aggregate principal amount and registered in the same name as the Definitive Security to be exchanged, and the Registrar thereupon shall cancel or cause to be canceled such Definitive Security and concurrently therewith the Company shall execute and Trustee shall authenticate and deliver, one or more Definitive Securities in the same aggregate principal amount and registered in the same name as the Definitive Security being exchanged.

(iii) DEFINITIVE SECURITY TO GLOBAL SECURITY. If a holder of a Definitive Security wishes at any time to transfer such Definitive Security (or portion thereof) to a Person who is not required to take delivery thereof in the form of a Definitive Security, such holder shall, subject to the restrictions on transfer set forth herein and in such Definitive Security and the rules of the Depository and Euroclear and Clearstream, as applicable, cause the exchange of such Definitive Security for a beneficial interest in the Global Security. Upon receipt by the Registrar of (1) such Definitive Security, duly endorsed as provided herein, (2) instructions from such holder directing the Trustee to increase the aggregate principal amount of the Global Security deposited with the Depository or with the Trustee as custodian for the Depository by the same aggregate principal amount at maturity as the Definitive Security to be exchanged, such instructions to contain the name or names of a member of, or participant in, the Depository that is designated as the transferee, the account of such member or participant and other appropriate delivery instructions, (3) the assignment form on the back of the Definitive Security completed in full (certifying in effect that such transfer complies with Rule 144A or Regulation S under the Securities Act or is otherwise being made to a Person who is not required to take delivery of the Convertible Subordinated Notes in the form of a Definitive Security) and (4) such other certifications or other information and, in the case of transfers pursuant to Rule 144 under the Securities Act, legal opinions as the Company may reasonably require to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, then the Trustee shall cancel or cause to be canceled such Definitive Security and concurrently therewith shall increase the aggregate principal amount of the Global Security by the same aggregate principal amount as the Definitive Security canceled.

(iv) OTHER EXCHANGES. In the event that a Global Security is exchanged for Convertible Subordinated Notes in definitive registered form pursuant to Section 2.10 prior to the effectiveness of a Shelf Registration Statement with respect to such Convertible Subordinated Notes, such Convertible Subordinated Notes may be exchanged only in accordance with such procedures as are substantially consistent with the provisions of clauses (ii) and (iii) above (including the certification requirements intended to ensure that such transfers comply with Rule 144A or Regulation S under the Securities Act, as the case may be) and such other procedures as may from time to time be adopted by the Company.

(b) Except in connection with a Shelf Registration Statement contemplated by and in accordance with the terms of the Registration Agreement, if Convertible Subordinated Notes are issued upon the registration of transfer,

exchange or replacement of Convertible Subordinated Notes bearing a Restricted Securities Legend, or if a request is made to remove such a Restrictive Securities Legend on Convertible Subordinated Notes, the Convertible Subordinated Notes so issued shall bear the Restricted Securities Legend, or a Restricted Securities Legend shall not be removed, as the case may be, unless there is delivered to the Company such satisfactory evidence, which, in the case of a transfer made pursuant to Rule 144 under the Securities Act, may include an opinion of counsel given in accordance with the laws in the State of New York, as may be reasonably required by the Company, that neither the legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such Convertible Subordinated Notes are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision to the Company of such satisfactory evidence, the Trustee, at the written direction of the Company, shall authenticate and deliver Convertible Subordinated Notes that do not bear the legend. The Company shall not otherwise be entitled to require the delivery of a legal opinion in connection with any transfer or exchange of Securities.

(c) Neither the Trustee nor any Agent shall have any responsibility for any actions taken or not taken by the Depository.

(d) The Trustee shall have no obligation or duty to monitor, determine or inquire as to compliance with any restrictions on transfer imposed under this Indenture or under applicable law with respect to any transfer of any interest in any Convertible Subordinated Notes (including any transfers between or among Depository's participants or beneficial owners of interests in any Global Security) other than to require delivery of such certificates and other documentation as is expressly required by, and to do so if and when expressly required by, the terms of this Indenture and to examine the same to determine substantial compliance as to form with the express requirements hereof.

SECTION 2.07 Replacement Convertible Subordinated Notes.

If the holder of a Convertible Subordinated Note claims that the Convertible Subordinated Note has been lost, destroyed or wrongfully taken, the Company shall issue and the Trustee shall authenticate a replacement Convertible Subordinated Note if the Trustee's requirements are met. If required by the Trustee or the Company as a condition of receiving a replacement Convertible

Subordinated Note, the holder of a Convertible Subordinated Note must provide a certificate of loss and an indemnity and/or an indemnity bond sufficient, in the judgment of both the Company and the Trustee, to fully protect the Company, the Trustee, any Agent and any authenticating agent from any loss, liability, cost or expense which any of them may suffer or incur if the Convertible Subordinated Note is replaced. The Company and the Trustee may charge the relevant holder for their expenses in replacing any Convertible Subordinated Note.

The Trustee or any authenticating agent may authenticate any such substituted Convertible Subordinated Note, and deliver the same upon the receipt of such security or indemnity as the Trustee, the Company and, if applicable, such authenticating agent may require. Upon the issuance of any substituted Convertible Subordinated Note, the Company may require the payment of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses connected therewith. In case any Convertible Subordinated Note which has matured or is about to mature, or has been called for redemption pursuant to Article 3, submitted for repurchase pursuant to Section 4.06 or Section 4.09 or is about to be converted into Common Stock pursuant to Article 12, shall become mutilated or be destroyed, lost or stolen, the Company may, instead of issuing a substitute Convertible Subordinated Note, pay or authorize the payment of or convert or authorize the conversion of the same (without surrender thereof except in the case of a mutilated Convertible Subordinated Note), as the case may be, if the applicant for such payment or conversion shall furnish to the Company, to the Trustee and, if applicable, to the authenticating agent such security or indemnity as may be required by them to save each of them harmless for any loss, liability, cost or expense caused by or connected with such substitution, and, in case of destruction, loss or theft, evidence satisfactory to the Company, the Trustee and, if applicable, any paying agent or conversion agent of the destruction, loss or theft of such Convertible Subordinated Note and of the ownership thereof.

Every replacement Convertible Subordinated Note is an additional obligation of the Company and shall be entitled to all the benefits provided under this Indenture equally and proportionately with all other Convertible Subordinated Notes duly issued, authenticated and delivered hereunder.

SECTION 2.08 Outstanding Convertible Subordinated Notes.

The Convertible Subordinated Notes outstanding at any time are all the Convertible Subordinated Notes properly authenticated by the Trustee except for those canceled by the Trustee, those delivered to it for cancellation, and those described in this Section as not outstanding.

If a Convertible Subordinated Note is replaced pursuant to Section 2.07, it ceases to be outstanding unless the Trustee receives proof satisfactory to it that the replaced Convertible Subordinated Note is held by a bona fide purchaser.

If Convertible Subordinated Notes are considered paid under Section 4.01 or converted under Article 12, they cease to be outstanding and interest (and Liquidated Damages, if any) on them ceases to accrue.

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Subject to Section 2.09 hereof, a Convertible Subordinated Note does not cease to be outstanding because the Company or an Affiliate of the Company holds the Convertible Subordinated Note.

SECTION 2.09 When Treasury Convertible Subordinated Notes Disregarded.

In determining whether the holders of the required principal amount of Convertible Subordinated Notes have concurred in any direction, waiver or consent, Convertible Subordinated Notes owned by the Company or an Affiliate of the Company shall be considered as though they are not outstanding except that for the purposes of determining whether the Trustee shall be protected in relying on any such direction, waiver or consent, only Convertible Subordinated Notes which the Trustee knows are so owned shall be so disregarded.

SECTION 2.10 Temporary Convertible Subordinated Notes.

(a) Until definitive Convertible Subordinated Notes are ready for delivery, the Company may prepare and the Trustee shall authenticate temporary Convertible Subordinated Notes. Temporary Convertible Subordinated Notes shall be substantially in the form of definitive Convertible Subordinated Notes but may have variations that the Company considers appropriate for temporary Convertible Subordinated Notes and shall be reasonably acceptable to the Trustee. Without unreasonable delay, the Company shall prepare and the Trustee shall authenticate definitive Convertible Subordinated Notes in exchange for temporary Convertible Subordinated Notes.

(b) Except for transfers made in accordance with Section 2.06(a), a Global Security deposited with the Depository or with the Trustee as custodian for the Depository pursuant to Section 2.01 shall be transferred to the beneficial owners thereof in the form of certificated Convertible Subordinated Notes in definitive form only if such transfer complies with Section 2.06 and (i) the Depository notifies the Company that it is unwilling or unable to continue as Depository for such Global Security or if at any time such Depository ceases to be a "clearing agency" registered under the Exchange Act and a successor Depository is not appointed by the Company within 90 days of such notice, or (ii) an Event of Default has occurred and is continuing.

(c) Any Global Security or interest thereon that is transferable to the beneficial owners thereof in the form of certificated Convertible Subordinated Notes in definitive form shall, if held by the Depository, be surrendered by the Depository to the Trustee, without charge, and the Trustee shall authenticate and deliver, upon such transfer of each portion of such Global Security, an equal aggregate principal amount of Convertible Subordinated Notes of authorized denominations in the form of certificated Convertible Subordinated Notes in definitive form. Any portion of a Global Security transferred pursuant to this Section shall be executed, authenticated and delivered only in denominations of \$1,000 and any integral multiple thereof and registered in such names as the Depository shall direct. Any Convertible Subordinated Notes in the form of certificated Convertible Subordinated Notes in

definitive form delivered in exchange for an interest in the Global Security shall, except as otherwise provided by Section 2.06(b), bear the Restricted Securities Legend set forth in Exhibit A hereto.

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(d) Prior to any transfer pursuant to Section 2.10(b), the registered holder of a Global Security may grant proxies and otherwise authorize any Person, including Agent Members and Persons that may hold interests through Agent Members, to take any action which a holder is entitled to take under this Indenture or the Convertible Subordinated Notes.

(e) The Company will make available to the Trustee a reasonable supply of certificated Convertible Subordinated Notes in definitive form without interest coupons.

SECTION 2.11 Cancellation.

The Company at any time may deliver Convertible Subordinated Notes to the Trustee for cancellation. The Registrar and Paying Agent shall forward to the Trustee any Convertible Subordinated Notes surrendered to them for registration of transfer, exchange or payment. The Trustee and no one else may cancel Convertible Subordinated Notes surrendered for registration of transfer, exchange, payment, replacement, conversion, redemption, repurchase or cancellation. Upon written instructions of the Company, the Trustee shall destroy and dispose of canceled Convertible Subordinated Notes as the Company directs and, after such destruction, shall deliver a certificate of destruction to the Company. The Company may not issue new Convertible Subordinated Notes to replace Convertible Subordinated Notes that it has paid, redeemed or repurchased or that have been delivered to the Trustee for cancellation or that any holder has (i) converted pursuant to Article 12 hereof, (ii) submitted for redemption pursuant to Article 3 hereof or (iii) submitted for repurchase pursuant to Section 4.06 hereof (unless revoked).

SECTION 2.12 Defaulted Interest.

If the Company fails to make a payment of interest on the Convertible Subordinated Notes, it shall pay such defaulted interest plus, to the extent lawful, any interest payable on the defaulted interest. It may pay such defaulted interest, plus any such interest payable on it, to the persons who are holders of Convertible Subordinated Notes on a subsequent special record date. The Company shall fix any such record date and payment date. At least 15 days before any such record date, the Company shall mail to holders of the Convertible Subordinated Notes a notice that states the record date, payment date and amount of such interest to be paid.

SECTION 2.13 CUSIP Number.

The Company in issuing the Convertible Subordinated Notes may use a "CUSIP" number, and if so, such CUSIP number shall be included in notices of redemption, repurchase or exchange as a convenience to holders of Convertible Subordinated Notes; provided, however, that any such notice may state that no representation is made as to the correctness or accuracy of the CUSIP number printed in the notice or on the Convertible Subordinated Notes and that reliance may be placed only on the other identification numbers printed on the Convertible Subordinated Notes. The Company will promptly notify the Trustee of any change in the CUSIP number.

SECTION 2.14 Regulation S.

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The Company agrees that it will refuse to register any transfer of Convertible Subordinated Notes or any shares of Common Stock issued upon conversion of Convertible Subordinated Notes that is not made in accordance with the provisions of Regulation S under the Securities Act, pursuant to a registration statement which has been declared effective under the Securities Act or pursuant to an available exemption from the registration requirements of the Securities Act; provided that the provisions of this paragraph shall not be applicable to any Convertible Subordinated Notes which do not bear a Restricted Securities Legend or to any shares of Common Stock evidenced by certificates

which do not bear a Restricted Common Stock Legend.

ARTICLE 3

REDEMPTION

SECTION 3.01 Optional and Provisional Redemption.

The Company may redeem all or any portion of the Convertible Subordinated Notes upon the terms and at the redemption prices set forth in each of the Convertible Subordinated Notes. Any redemption shall be made pursuant to Paragraph 5 of the Convertible Subordinated Notes and this Article 3.

SECTION 3.02 Notices to Trustee.

If the Company elects to redeem Convertible Subordinated Notes pursuant to the optional redemption provisions of paragraph 5 of the Convertible Subordinated Notes, it shall furnish to the Trustee, at least 15 (20 if less than all of the then outstanding Convertible Subordinated Notes are to be redeemed or if the Company requests the Trustee to give notice of redemption pursuant to Section 3.04 and 30 in the case of a Provisional Redemption (as defined in Paragraph 5 of the Convertible Subordinated Notes)) days but not more than 60 days before a redemption date (unless a shorter period shall be satisfactory to the Trustee), an Officers' Certificate setting forth (i) the Section of this Indenture pursuant to which the redemption shall occur, (ii) the redemption date, (iii) the principal amount of Convertible Subordinated Notes (if less than all) to be redeemed, (iv) the redemption price and (v) the CUSIP number of the Convertible Subordinated Notes being redeemed.

SECTION 3.03 Selection of Convertible Subordinated Notes To Be Redeemed.

If less than all the Convertible Subordinated Notes are to be redeemed, the Trustee shall select the Convertible Subordinated Notes to be redeemed by a method that complies with the requirements of the principal national securities exchange, if any, on which the Convertible Subordinated Notes are listed or quoted or, if the Convertible Subordinated Notes are not so listed, on a pro rata basis by lot or by any other method that the Trustee considers fair and appropriate. The Trustee shall make the selection not more than 60 days and not less than 15 days before the redemption date from Convertible Subordinated Notes outstanding and not previously called for redemption. The Trustee may select for redemption a portion of the principal of any Convertible

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Subordinated Notes that has a denomination larger than \$1,000. Convertible Subordinated Notes and portions thereof will be redeemed in the amount of \$1,000 or integral multiples of \$1,000.

Provisions of this Indenture that apply to Convertible Subordinated Notes called for redemption also apply to portions of Convertible Subordinated Notes called for redemption. The Trustee shall notify the Company promptly of the Convertible Subordinated Notes or portions of Convertible Subordinated Notes to be called for redemption.

If any Convertible Subordinated Note selected for partial redemption is converted in part after such selection, the converted portion of such Convertible Subordinated Note shall be deemed (so far as may be) to be the portion to be selected for redemption. The Convertible Subordinated Notes (or portion thereof) so selected shall be deemed duly selected for redemption for all purposes hereof, notwithstanding that any such Convertible Subordinated Note is converted in whole or in part before the mailing of the notice of redemption. Upon any redemption of less than all the Convertible Subordinated Notes, the Company and the Trustee may treat as outstanding any Convertible Subordinated Notes surrendered for conversion during the period of 15 days next preceding the mailing of a notice of redemption and need not treat as outstanding any Convertible Subordinated Note authenticated and delivered during such period in exchange for the unconverted portion of any Convertible Subordinated Note converted in part during such period.

SECTION 3.04 Notice of Redemption.

At least 15 (30 in the case of a Provisional Redemption) days but not more than 60 days before a redemption date, the Company shall mail by first class mail a notice of redemption to each holder whose Convertible Subordinated

Notes are to be redeemed.

The notice shall identify the Convertible Subordinated Notes to be redeemed and shall state:

(1) the redemption date;

(2) the redemption price;

(3) if any Convertible Subordinated Note is being redeemed in part, the portion of the principal amount of such Convertible Subordinated Note to be redeemed and that, after the redemption date, upon surrender of such Convertible Subordinated Note, a new Convertible Subordinated Note or Convertible Subordinated Notes in principal amount equal to the unredeemed portion will be issued in the name of the holder thereof;

(4) that Convertible Subordinated Notes called for redemption must be surrendered to the Paying Agent to collect the redemption price;

(5) that interest and Liquidated Damages, if applicable, on Convertible Subordinated Notes called for redemption and for which funds have been set apart for payment, ceases to accrue on and after the redemption date (unless the Company defaults in the payment of

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the redemption price or the Paying Agent is prohibited from making such payment pursuant to the terms of this Indenture);

(6) the paragraph of the Convertible Subordinated Notes pursuant to which the Convertible Subordinated Notes called for redemption are being redeemed;

(7) the aggregate principal amount of Convertible Subordinated Notes (if less than all) that are being redeemed;

(8) the CUSIP number of the Convertible Subordinated Notes (provided that the disclaimer permitted by Section 2.13 may be made);

(9) the name and address of the Paying Agent;

(10) that Convertible Subordinated Notes called for redemption may be converted at any time prior to the close of business on the last trading day immediately preceding the redemption date and if not converted prior to the close of business on such date, the right of conversion will be lost; and

(11) that in the case of Convertible Subordinated Notes or portions thereof called for redemption on a date that is also an Interest Payment Date, the interest payment and Liquidated Damages, if any, due on such date shall be paid to the person in whose name the Convertible Subordinated Note is registered at the close of business on the relevant Regular Record Date.

The notice if mailed in the manner herein provided shall be conclusively presumed to have been given, whether or not the holder receives such notice. In any case, failure to give such notice by mail or any defect in the notice to the holder of any Convertible Subordinated Note designated for redemption as a whole or in part shall not affect the validity of the proceedings for the redemption of any Convertible Subordinated Note.

At the Company's request, the Trustee shall give notice of redemption in the Company's name and at its expense.

SECTION 3.05 Effect of Notice of Redemption.

Once notice of redemption is mailed, Convertible Subordinated Notes called for redemption become due and payable on the redemption date at the redemption price set forth in the Convertible Subordinated Note.

SECTION 3.06 Deposit of Redemption Price.

On or before the redemption date, the Company shall deposit with the Trustee or with the Paying Agent money in immediately available funds sufficient to pay the redemption price of and accrued interest (including Liquidated Damages) on all Convertible Subordinated Notes to be

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redeemed on that date. The Trustee or the Paying Agent shall return to the Company any money not required for that purpose.

On and after the redemption date, unless the Company shall default in the payment of the redemption price, interest and Liquidated Damages, if applicable, will cease to accrue on the principal amount of the Convertible Subordinated Notes or portions thereof called for redemption and for which funds have been set apart for payment and such Convertible Subordinated Notes, or portions thereof, shall cease after the close of business on the business day immediately preceding the redemption date to be convertible into Common Stock and, except as provided in this Section 3.06 and 8.4, to be entitled to any benefit or security under this Indenture, and the holders thereof shall have no right in respect of such Convertible Subordinated Notes, or portions thereof, except the right to receive the Redemption price thereof and unpaid interest and Liquidated Damages, if any, to (but excluding) the redemption date. In the case of Convertible Subordinated Notes or portions thereof redeemed on a redemption date which is also an Interest Payment Date, the interest payment and Liquidated Damages, if any, due on such date shall be paid to the person in whose name the Convertible Subordinated Note is registered at the close of business on the relevant Regular Record Date.

SECTION 3.07 Convertible Subordinated Notes Redeemed in Part.

Upon surrender of a Convertible Subordinated Note that is redeemed in part only, the Company shall issue and the Trustee shall authenticate and deliver to the holder of a Convertible Subordinated Note a new Convertible Subordinated Note equal in principal amount to the unredeemed portion of the Convertible Subordinated Note surrendered, at the expense of the Company, except as specified in Section 2.06.

SECTION 3.08 Conversion Arrangement on Call for Redemption.

In connection with any redemption of Convertible Subordinated Notes, the Company may arrange for the purchase and conversion of any Convertible Subordinated Notes by an arrangement with one or more investment bankers or other purchasers to purchase such Convertible Subordinated Notes by paying to the Trustee in trust for the holders, on or before the date fixed for redemption, an amount not less than the applicable redemption price, together with interest and Liquidated Damages, if any, accrued to the date fixed for redemption, of such Convertible Subordinated Notes. Notwithstanding anything to the contrary contained in this Article 3, the obligation of the Company to pay the redemption price of such Convertible Subordinated Notes, together with interest and Liquidated Damages, if any, accrued to the date fixed for redemption, shall be deemed to be satisfied and discharged to the extent such amount is so paid by the purchasers. If such an agreement is entered into, a copy of which will be filed with the Trustee prior to the date fixed for redemption, any Convertible Subordinated Notes not duly surrendered for conversion by the holders thereof may, at the option of the Company, be deemed, to the fullest extent permitted by law, acquired by such purchasers from such holders and (notwithstanding anything to the contrary contained in Article 12) surrendered by such purchasers for conversion, all as of immediately prior to the close of business on the date fixed for redemption (and the right to convert any such Convertible Subordinated Notes shall be deemed to have been extended through such time), subject to payment of the above amount

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as aforesaid. At the direction of the Company, the Trustee shall hold and dispose of any such amount paid to it in the same manner as it would monies deposited with it by the Company for the redemption of Convertible Subordinated Notes. Without the Trustee's prior written consent, no arrangement between the Company and such purchasers for the purchase and conversion of any Convertible Subordinated Notes shall increase or otherwise affect any of the powers, duties, responsibilities or obligations of the Trustee as set forth in this Indenture, and the Company agrees to indemnify the Trustee from, and hold it harmless against, any loss, liability or expense arising out of or in connection with any such arrangement for the purchase and conversion of any Convertible Subordinated Notes between the Company and such purchasers to which the Trustee has not consented in writing, including the costs and expenses incurred by the Trustee in the defense of any claim or liability arising out of or in connection with

the exercise or performance of any of its powers, duties, responsibilities or obligations under this Indenture.

ARTICLE 4

COVENANTS

SECTION 4.01 Payment of Convertible Subordinated Notes.

The Company shall pay the principal of and interest (including Liquidated Damages) on the Convertible Subordinated Notes on the dates and in the manner provided in the Convertible Subordinated Notes. Principal, interest, the redemption price and the Designated Event Payment and the Related Transactions Payment shall be considered paid on the date due if the Trustee or Paying Agent (other than the Company or a subsidiary of the Company) holds as of 10:00 a.m. New York City time on that date immediately available funds designated for and sufficient to pay all principal, interest (including Liquidated Damages), the redemption price and the Designated Event Payment or the Related Transactions Payment then due, provided, however, that money held by the Agent for the benefit of holders of Senior Debt pursuant to the provisions of Article 11 hereof or the payment of which to the holders of the Convertible Subordinated Notes is prohibited by Article 11 shall not be considered to be designated for the payment of any principal of or interest on the Convertible Subordinated Notes within the meaning of this Section 4.01.

To the extent lawful, the Company shall pay interest (including post-petition interest in any proceeding under any Bankruptcy Law) on (i) overdue principal, at the rate borne by Convertible Subordinated Notes, compounded semiannually; and (ii) overdue installments of interest (without regard to any applicable grace period) at the same rate, compounded semiannually.

SECTION 4.02 Commission Reports.

The Company shall comply with Section 314(a) of the TIA.

SECTION 4.03 Compliance Certificate.

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The Company shall deliver to the Trustee within 120 days after the end of each fiscal year of the Company, an Officers' Certificate stating that a review of the activities of the Company and its subsidiaries during the preceding fiscal year has been made under the supervision of the signing Officers with a view to determining whether the Company has fully performed its obligations under this Indenture and further stating, as to each such Officer signing such certificate, that to the best of his or her knowledge, the Company is not in default in the performance or observance of any of the terms and conditions hereof (or, if any Default or Event of Default shall have occurred, describing all such Defaults or Events of Default of which he or she may have knowledge) and, that to the best of his or her knowledge, no event has occurred and remains in existence by reason of which payments on account of the principal of or interest (including Liquidated Damages) on the Convertible Subordinated Notes are prohibited.

The Company shall, so long as any of the Convertible Subordinated Notes are outstanding, deliver to the Trustee, forthwith upon becoming aware of any Default or Event of Default, an Officers' Certificate specifying such Default or Event of Default.

SECTION 4.04 Maintenance of Office or Agency.

The Company shall maintain or cause to be maintained the office or agency required under Section 2.03. The Company shall give prompt written notice to the Trustee of the location, and any change in the location, of such office or agency not maintained by the Trustee. If at any time the Company shall fail to maintain any such required office or agency or shall fail to furnish the Trustee with the address thereof, presentations, surrenders, notices and demands with respect to the Convertible Subordinated Notes may be made or served at the Corporate Trust Office of the Trustee.

The Company may also from time to time designate one or more other offices or agencies where the Convertible Subordinated Notes may be presented or surrendered for any or all such purposes and may from time to time rescind such designation.

SECTION 4.05 Continued Existence.

Subject to Article 5, the Company shall do or cause to be done all things necessary to preserve and keep in full force and effect its corporate existence.

SECTION 4.06 Repurchase Upon Designated Event.

Following a Designated Event (the date of each such occurrence being the "Designated Event Date"), the Company shall notify the holders of Convertible Subordinated Notes in writing of such occurrence and shall make an offer (the "Designated Event Offer") to repurchase all Convertible Subordinated Notes then outstanding at a repurchase price in cash (the "Designated Event Payment") equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to, but excluding, the Designated Event Payment Date (as defined below).

Notice of a Designated Event shall be mailed by or at the direction of the Company to the holders of Convertible Subordinated Notes as shown on the Register of such holders maintained by

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the Registrar not more than 20 days after the applicable Designated Event Date at the addresses as shown on the Register of holders maintained by the Registrar, with a copy to the Trustee and the Paying Agent. The Designated Event Offer shall remain open until a specified date (the "Designated Event Offer Termination Date") which is at least 20 business days from the date such notice is mailed. During the period specified in such notice, holders of Convertible Subordinated Notes may elect to tender their Convertible Subordinated Notes in whole or in part in integral multiples of \$1,000 in exchange for cash. Payment shall be made by the Company in respect of Convertible Subordinated Notes properly tendered pursuant to this Section on a specified business day (the "Designated Event Payment Date") which shall be no earlier than five business days after the applicable Designated Event Offer Termination Date and no later than 60 days after the applicable Designated Event.

The notice, which shall govern the terms of the Designated Event Offer, shall include such disclosures as are required by law and shall state:

(a) that a Designated Event Offer is being made pursuant to this Section 4.06 and that all Convertible Subordinated Notes will be accepted for payment;

(b) the transaction or transactions that constitute the Designated Event;

(c) the Designated Event Payment for each Convertible Subordinated Note, the Designated Event Offer Termination Date and the Designated Event Payment Date;

(d) that any Convertible Subordinated Note not accepted for payment will continue to accrue interest and Liquidated Damages, if applicable, in accordance with the terms thereof;

(e) that, unless the Company defaults on making the Designated Event Payment, any Convertible Subordinated Note accepted for payment pursuant to the Designated Event Offer shall cease to accrue interest and Liquidated Damages, if applicable, on the Designated Event Payment Date and no further interest or Liquidated Damages shall accrue on or after such date;

(f) that holders electing to have Convertible Subordinated Notes repurchased pursuant to a Designated Event Offer will be required to surrender their Convertible Subordinated Notes to the Paying Agent at the address specified in the notice prior to 5:00 p.m., New York City time, on the Designated Event Offer Termination Date and must complete any form letter of transmittal proposed by the Company and acceptable to the Trustee and the Paying Agent;

(g) that holders of Convertible Subordinated Notes will be entitled to withdraw their election if the Paying Agent receives, not later than 5:00 p.m., New York City time, on the Designated Event Offer Termination Date, a facsimile transmission or letter setting forth the name of the holder, the principal amount of Convertible Subordinated Notes the holder delivered for purchase, the Convertible Subordinated Note certificate number (if any) and a statement that such holder is withdrawing his election to have such Convertible Subordinated Notes purchased;

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(h) that holders whose Convertible Subordinated Notes are repurchased only in part will be issued Convertible Subordinated Notes equal in principal amount to the unpurchased portion of the Convertible Subordinated Notes surrendered;

(i) the instructions that holders must follow in order to tender their Convertible Subordinated Notes; and

(j) that in the case of a Designated Event Offer Termination Date that is also an interest payment date, the interest payment and Liquidated Damages, if any, due on such date shall be paid to the person in whose name the Convertible Subordinated Note is registered at the close of business on the relevant Designated Event Offer Termination Date.

On the Designated Event Offer Termination Date the Company shall (i) accept for payment all Convertible Subordinated Notes or portions thereof properly tendered pursuant to the Designated Event Offer, (ii) deposit with the Paying Agent money sufficient to pay the Designated Event Payment with respect to all Convertible Subordinated Notes or portions thereof so tendered and accepted and (iii) deliver or cause to be delivered to the Trustee the Convertible Subordinated Notes so accepted together with an Officers' Certificate setting forth the aggregate principal amount of Convertible Subordinated Notes or portions thereof tendered to and accepted for payment by the Company. On the Designated Event Payment Date, the Paying Agent shall mail or deliver to the holders of Convertible Subordinated Notes so accepted, the Designated Event Payment, and the Trustee shall promptly authenticate and mail or cause to be transferred by book entry to such holders a new Convertible Subordinated Note equal in principal amount to any unpurchased portion of the Convertible Subordinated Note surrendered, if any; provided that such new Convertible Subordinate Notes will be in a principal amount of \$1,000 or an integral multiple thereof. Any Convertible Subordinated Notes not so accepted shall be promptly mailed or delivered by the Company to the holder thereof.

In the case of any reclassification, change, consolidation, merger, combination or sale or conveyance to which Section 12.06 applies, in which the Common Stock of the Company is changed or exchanged as a result into the right to receive stock, securities or other property or assets (including cash) which includes shares of common stock of the Company or another person that are, or upon issuance will be, traded on a United States national securities exchange or approved for trading on an established automated over-the-counter trading market in the United States and such shares constitute at the time such change or exchange becomes effective in excess of 50% of the aggregate fair market value of such stock, securities other property and assets (including cash) (as determined by the Company, which determination shall be conclusive and binding), then the person formed by such consolidation or resulting from such merger or which acquires such assets, as the case may be, shall execute and deliver to the Trustee a supplemental indenture (which shall comply with the TIA as in force at the date of execution of such supplemental indenture) modifying the provisions of this Indenture relating to the right of holders of Convertible Subordinated Notes to cause the Company to repurchase Convertible Subordinated Notes following a Designated Event, including the applicable provisions of this Section 4.06 and the definitions of Designated Event, Change of Control and Termination of Trading, as appropriate, as determined in good faith by the

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Company (which determination shall be conclusive and binding), to make such

provision apply to such common stock and the issuer thereof if different from the Company and Common Stock of the Company (in lieu of the Company and the Common Stock of the Company).

The Designated Event Offer shall be made by the Company in compliance with all applicable provisions of the Exchange Act, and all applicable tender offer rules promulgated thereunder, to the extent such laws and regulations are then applicable and shall include all instructions and materials that the Company shall reasonably deem necessary to enable such holders of Convertible Subordinated Notes to tender their Convertible Subordinated Notes.

SECTION 4.07 Appointments to Fill Vacancies in Trustee's Office.

The Company, whenever necessary to avoid or fill a vacancy in the office of Trustee, will appoint, in the manner provided in Section 7.08, a Trustee, so that there shall at all times be a Trustee hereunder.

SECTION 4.08 Stay, Extension and Usury Laws.

The Company covenants (to the extent that it may lawfully do so) that it shall not at any time insist upon, plead or in any manner whatsoever claim or take the benefit or advantage of, any stay, extension or usury law wherever enacted, now or at any time hereafter enforced, that may affect the Company's obligation to pay the Convertible Subordinated Notes; and the Company (to the extent that it may lawfully do so) hereby expressly waives all benefit or advantage of any such law insofar as such law applies to the Convertible Subordinated Notes, and covenants that it shall not, by resort to any such law, hinder, delay or impede the execution of any power herein granted to the Trustee, but will suffer and permit the execution of every such power as though no such law has been enacted.

SECTION 4.09 Repurchase Upon Related Transactions Event.

If the Related Transactions are not consummated in all material respects by August 31, 2000, or should the Related Agreement be terminated at any time prior to such date (a "Related Transactions Event"), the Company shall notify the holders of Convertible Subordinated Notes in writing of such occurrence and shall make an offer (the "Related Transactions Offer") to repurchase all Convertible Subordinated Notes then outstanding at a repurchase price in cash (the "Related Transactions Payment") equal to 101% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to, but excluding, the Related Transactions Payment Date (as defined below).

Notice of a Related Transactions shall be mailed by or at the direction of the Company to the holders of Convertible Subordinated Notes as shown on the Register of such holders maintained by the Registrar not more than 10 days after the occurrence of the Related Transactions Event at the addresses as shown on the Register of holders maintained by the Registrar, with a copy to the Trustee and the Paying Agent. The Related Transactions Offer shall remain open until a specified date (the "Related Transactions Offer Termination Date") which is at least 30 business days from the

date such notice is mailed. During the period specified in such notice, beneficial holders of Convertible Subordinated Notes may elect to tender their Convertible Subordinated Notes in whole, but not in part, in exchange for cash (it being understood that the Depository and any direct or indirect participants who hold interests in Convertible Subordinated Notes on behalf of beneficial holders may tender their Convertible Subordinated Notes in part to reflect elections to redeem in whole by some but not all of the beneficial holders of Convertible Subordinated Notes held through such direct or indirect participant in the Depository or the Depository). Payment shall be made by the Company in respect of Convertible Subordinated Notes properly tendered pursuant to this Section on a specified business day (the "Related Transactions Payment Date") which shall be no earlier than five business days after the applicable Related Transactions Offer Termination Date and no later than 40 days after the applicable Related Transactions Event.

The notice, which shall govern the terms of the Related Transactions Offer, shall include such disclosures as are required by law and shall state:

(a) that a Related Transactions Offer is being made pursuant to this Section 4.09 and that all Convertible Subordinated Notes will be accepted for payment;

(b) the Related Transactions Payment for each Convertible Subordinated Note, the Related Transactions Offer Termination Date and the Related Transactions Payment Date;

(c) that any Convertible Subordinated Note not accepted for payment will continue to accrue interest and Liquidated Damages, if applicable, in accordance with the terms thereof;

(d) that, unless the Company defaults on making the Related Transactions Payment, any Convertible Subordinated Note accepted for payment pursuant to the Related Transactions Offer shall cease to accrue interest and Liquidated Damages, if applicable, on the Related Transactions Payment Date and no further interest or Liquidated Damages shall accrue on or after such date;

(e) that holders electing to have Convertible Subordinated Notes repurchased pursuant to a Related Transactions Offer will be required to surrender their Convertible Subordinated Notes to the Paying Agent at the address specified in the notice prior to 5:00 p.m., New York City time, on the Related Transactions Offer Termination Date and must complete any form letter of transmittal proposed by the Company and acceptable to the Trustee and the Paying Agent;

(f) that holders of Convertible Subordinated Notes will be entitled to withdraw their election if the Paying Agent receives, not later than 5:00 p.m., New York City time, on the Related Transactions Offer Termination Date, a facsimile transmission or letter setting forth the name of the holder, the principal amount of Convertible Subordinated Notes the holder delivered for purchase, the Convertible Subordinated Note certificate number (if any) and a statement that such holder is withdrawing his election to have such Convertible Subordinated Notes purchased;

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(g) that holders may elect to tender their Convertible Subordinated Notes in the Related Transactions Offer in whole, but not in part;

(h) the instructions that holders must follow in order to tender their Convertible Subordinated Notes; and

(i) that in the case of a Related Transactions Offer Termination Date that is also an interest payment date, the interest payment and Liquidated Damages, if any, due on such date shall be paid to the person in whose name the Convertible Subordinated Note is registered at the close of business on the relevant Related Transactions Offer Termination Date.

On the Related Transactions Offer Termination Date the Company shall (i) accept for payment all Convertible Subordinated Notes properly tendered pursuant to the Related Transactions Offer, (ii) deposit with the Paying Agent money sufficient to pay the Related Transactions Payment with respect to all Convertible Subordinated Notes so tendered and accepted and (iii) deliver or cause to be delivered to the Trustee the Convertible Subordinated Notes so accepted together with an Officers' Certificate setting forth the aggregate principal amount of Convertible Subordinated Notes tendered to and accepted for payment by the Company. On the Related Transactions Payment Date, the Paying Agent shall mail or deliver to the holders of Convertible Subordinated Notes so accepted, the Related Transactions Payment. Any Convertible Subordinated Notes not so accepted shall be promptly mailed or delivered by the Company to the holder thereof.

In the event that, after the Related Payment Redemption Date, less than 10% of the aggregate principal amount of the Convertible Subordinated Notes remain outstanding, the Company may, at its option, redeem the remaining Convertible Subordinated Notes, in whole, but not in part, at a price equal to the Related Transaction Payment, plus accrued and unpaid interest and Liquidated Damages, if any, to the date fixed for their redemption by the Company (such date to be a date no later than 30 days following the Related Transactions Payment Date). The provisions of Sections 3.02, 3.04, 3.05 and 3.06 shall apply

to any such redemption.

The Related Transactions Offer shall be made by the Company in compliance with all applicable provisions of the Exchange Act, and all applicable tender offer rules promulgated thereunder, to the extent such laws and regulations are then applicable and shall include all instructions and materials that the Company shall reasonably deem necessary to enable such holders of Convertible Subordinated Notes to tender their Convertible Subordinated Notes.

If the Related Transactions occur on or prior to August 31, 2000, the Company shall furnish to the Trustee an Officers' Certificate specifying the occurrence of such event.

SECTION 4.10 Taxes.

The Company shall, and shall cause each of its subsidiaries to, pay prior to delinquency all taxes, assessments and government levies; provided, however, that the Company shall not be required to pay or cause to be paid any such tax, assessment or levy (A) if the failure to do so will not, in the aggregate, have a material adverse impact on the Company and its subsidiaries taken as a

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36 whole, or (B) if the amount, applicability or validity is being contested in good faith by appropriate proceedings.

SECTION 4.11 Cash Maintenance.

During the period from the Issue Date to and including the Put Expiration Date, the Company shall maintain cash and cash equivalents in an aggregate amount equal to or greater than 103% of the aggregate principal amount of the outstanding Convertible Subordinated Notes.

ARTICLE 5

SUCCESSORS

SECTION 5.01 When the Company May Merge, Etc.

The Company may not, in a single transaction or series of related transactions, consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets to, any person as an entirety or substantially as an entirety unless:

(a) either

(i) the Company shall be the surviving or continuing corporation or

(ii) the person formed by or surviving any such consolidation or into which the Company is merged (if other than the Company) or the person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company substantially as an entirety

(1) shall be a corporation organized and validly existing under the laws of the United States or any State thereof or the District of Columbia and

(2) shall expressly assume, by indenture in form reasonably satisfactory to the Trustee, executed and delivered to the Trustee, the due and punctual payment of the principal of, and premium, if any, and interest and Liquidated Damages, if any, on all of the Convertible Subordinated Notes and the performance of every covenant of the Convertible Subordinated Notes and this Indenture and the Registration Agreement on the part of the Company to be performed or observed, including, without limitation, modifications to rights of holders to cause the repurchase of Convertible Subordinated Notes upon a Designated Event in accordance with the penultimate paragraph of Section 4.06 and conversion rights in accordance with Section 12.06 to the extent required by such Sections;

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(b) immediately after giving effect to such transaction no Default and no Event of Default shall have occurred and be continuing; and

(c) the Company or such person shall have delivered to the Trustee an Officers' Certificate and an Opinion of Counsel each stating that such consolidation, merger, conveyance, transfer or lease and, if a supplemental indenture is required in connection with such transaction, such supplemental indenture, comply with this provision of this Indenture and that all conditions precedent in this Indenture relating to such transaction have been satisfied.

For purposes of this Section 5.01, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more subsidiaries of the Company, the capital stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

SECTION 5.02 Successor Corporation Substituted.

Upon any such consolidation, merger, sale, assignment, conveyance, lease, transfer or other disposition in accordance with Section 5.01, the successor person formed by such consolidation or into which the Company is merged or to which such assignment, conveyance, lease, transfer or other disposition is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under this Indenture with the same effect as if such successor had been named as the Company therein, and thereafter (except in the case of a sale, assignment, transfer, lease, conveyance or other disposition) the predecessor corporation will be relieved of all further obligations and covenants under this Indenture and the Convertible Subordinated Notes.

SECTION 5.03 Purchase Option on Change of Control.

This Article 5 does not affect the obligations of the Company (including without limitation any successor to the Company) under Section 4.06.

ARTICLE 6

DEFAULTS AND REMEDIES

SECTION 6.01 Events of Default.

An "Event of Default" with respect to any Convertible Subordinated Notes occurs if:

(a) the Company defaults in the payment (whether or not such payment is prohibited by the subordination provisions set forth in Article 11 of this Indenture) of principal of, or premium, if any, on the Convertible Subordinated Notes when due at maturity, upon repurchase, upon acceleration or otherwise, including, without limitation, failure of the Company to make any optional redemption payment when required pursuant to Article 3; or

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(b) the Company defaults in the payment (whether or not such payment is prohibited by the subordination provisions set forth in Article 11 of this Indenture) of any installment of interest or Liquidated Damages on the Convertible Subordinated Notes when due (including any interest or Liquidated Damages payable in connection with a repurchase pursuant to Section 4.06 or in connection with any optional redemption payment pursuant to Article 3) and continuance of such default for 30 days or more; or

(c) the Company defaults (other than a default set forth in clauses (a) and (b) above and clauses (d) and (e) below) in the performance of, or breaches, any other covenant or warranty of the Company set forth in this

Indenture or the Convertible Subordinated Notes and fails to remedy such default or breach within a period of 60 days after the receipt of written notice from the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Convertible Subordinated Notes; or

(d) the Company defaults in the payment of the Designated Event Payment or the Related Transactions Payment in respect of the Convertible Subordinated Notes on the date therefor, whether or not such payment is prohibited by the subordination provisions set forth in Article 11 of this Indenture; or

(e) the Company fails to comply with Section 4.11 or to provide timely notice of any Designated Event in accordance with Section 4.06 or any Related Transactions Event in accordance with Section 4.09; or

(f) failure of the Company or any Material Subsidiary to make any payment at maturity, including any applicable grace period, in respect of indebtedness for borrowed money of, or guaranteed or assumed by, the Company or any Material Subsidiary, which payment is in an amount in excess of \$20,000,000, and continuance of such failure for 30 days after notice thereof from the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Convertible Subordinated Notes; or

(g) default by the Company or any Material Subsidiary with respect to any indebtedness referred to in clause (f) above, which default results in the acceleration of any such indebtedness of an amount in excess of \$20,000,000 without such indebtedness having been paid or discharged or such acceleration having been cured, waived, rescinded or annulled for 30 days after notice thereof from the Trustee or the holders of at least 25% in aggregate principal amount of the then outstanding Convertible Subordinated Notes; or

(h) the Company or any Material Subsidiary, pursuant to or within the meaning of any Bankruptcy Law:

- (i) commences a voluntary case,
- (ii) consents to the entry of an order for relief against it in an involuntary case,

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- (iii) consents to the appointment of a Custodian of it or for all or substantially all of its property,
- (iv) makes a general assignment for the benefit of its creditors;
- (v) makes the admission in writing that it generally is unable to pay its debts as the same become due; or

(i) a court of competent jurisdiction enters a judgment, order or decree under any Bankruptcy Law that:

- (i) is for relief against the Company or any Material Subsidiary in an involuntary case,
- (ii) appoints a Custodian of the Company or any Material Subsidiary, and the order or decree remains unstayed and in effect for 90 days.
- (iii) orders the liquidation of the Company or any Material Subsidiary, and the order or decree remains unstayed and in effect for 90 days.

The term "Bankruptcy Law" means Title 11, U.S. Code or any similar Federal or state law for the relief of debtors. The term "Custodian" means any receiver, trustee, assignee, liquidator or similar official under any Bankruptcy Law.

In the case of any Event of Default, pursuant to the provisions of this Section 6.01, occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium which the Company would have had to pay if the Company then had elected to redeem the Convertible Subordinated Notes pursuant to Paragraph 5 of the Convertible Subordinated Notes, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law, upon the acceleration of the Convertible Subordinated Notes notwithstanding anything contained in this Indenture or in the Convertible Subordinated Notes to the contrary.

If an Event of Default occurs prior to any date on which the Company is prohibited from redeeming the Convertible Subordinated Notes, pursuant to Paragraph 5 of the Convertible Subordinated Notes, by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Convertible Subordinated Notes prior to such date, then the premium specified in this Indenture shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Convertible Subordinated Notes.

SECTION 6.02 Acceleration.

If an Event of Default (other than an Event of Default with respect to the Company specified in clauses (h) and (i) of Section 6.01) occurs and is continuing, then and in every such case the

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Trustee, by written notice to the Company, or the holders of at least 25% in aggregate principal amount of the then outstanding Convertible Subordinated Notes, by written notice to the Company and the Trustee, may declare the unpaid principal of, premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on all the Convertible Subordinated Notes to be due and payable. Upon such declaration such principal amount, premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, shall become immediately due and payable, notwithstanding anything contained in this Indenture or the Convertible Subordinated Notes to the contrary, but subject to the provisions of Article 11 hereof. If any Event of Default with respect to the Company specified in clauses (h) or (i) of Section 6.01 occurs, all unpaid principal of and premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on the Convertible Subordinated Notes then outstanding shall become automatically due and payable subject to the provisions of Article 11 hereof, without any declaration or other act on the part of the Trustee or any holder of Convertible Subordinated Notes.

The holders of a majority in aggregate principal amount of the then outstanding Convertible Subordinated Notes by notice to the Trustee may rescind an acceleration of the Convertible Subordinated Notes and its consequences if all existing Events of Default (other than nonpayment of principal of or premium, if any, and interest and Liquidated Damages, if any, on the Convertible Subordinated Notes which has become due solely by virtue of such acceleration) have been cured or waived and if the rescission would not conflict with any judgment or decree of any court of competent jurisdiction. No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

SECTION 6.03 Other Remedies.

If an Event of Default occurs and is continuing, the Trustee may pursue any available remedy by proceeding at law or in equity to collect the payment of principal of or interest or Liquidated Damages, if applicable, on the Convertible Subordinated Notes or to enforce the performance of any provision of the Convertible Subordinated Notes or this Indenture. The Trustee may maintain a proceeding even if it does not possess any of the Convertible Subordinated Notes or does not produce any of them in the proceeding. A delay or omission by the Trustee or any holder of a Convertible Subordinated Note in exercising any right or remedy occurring upon an Event of Default shall not impair the right or remedy or constitute a waiver of or acquiescence in the Event of Default. All remedies are cumulative to the extent permitted by law.

SECTION 6.04 Waiver of Past Defaults.

The holders of a majority in aggregate principal amount of the Convertible Subordinated Notes then outstanding may, on behalf of the holders of all the Convertible Subordinated Notes, waive an existing Default or Event of Default and its consequences, except a Default or Event of Default in the payment of the principal of, premium, if any, or interest or Liquidated Damages, if applicable, on the Convertible Subordinated Notes (other than the non-payment of principal of and premium, if any, and interest and Liquidated Damages, if any, on the Convertible Subordinated Notes which has become due solely by virtue of an acceleration which has been duly rescinded as provided above), or in respect of a covenant or provision of this Indenture which cannot be modified

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or amended without the consent of all holders of Convertible Subordinated Notes. When a Default or Event of Default is waived, it is cured and stops continuing. No waiver shall extend to any subsequent or other Default or Event of Default or impair any right consequent thereon.

SECTION 6.05 Control by Majority.

The holders of a majority in aggregate principal amount of the then outstanding Convertible Subordinated Notes may direct the time, method and place of conducting any proceeding for any remedy available to the Trustee or exercising any trust or power conferred on it. However, the Trustee may refuse to follow any direction that conflicts with law or this Indenture that the Trustee determines may be unduly prejudicial to the rights of other holders of Convertible Subordinated Notes or that may involve the Trustee in personal liability; provided that the Trustee shall have no duty or obligation (subject to Section 7.01) to ascertain whether or not such actions of forbearances are unduly prejudicial to such holders; provided, further, that the Trustee may take any other action the Trustee deems proper that is not inconsistent with such directions.

SECTION 6.06 Limitation on Suits.

A holder of a Convertible Subordinated Note may not pursue any remedy with respect to this Indenture or the Convertible Subordinated Notes unless:

(1) the holder gives to the Trustee notice of a continuing Event of Default;

(2) the holders of at least 25% in principal amount of the then outstanding Convertible Subordinated Notes make a request to the Trustee to pursue the remedy;

(3) such holder or holders offer and, if requested, provide to the Trustee indemnity satisfactory to the Trustee against any loss, liability or expense;

(4) the Trustee does not comply with the request within 60 days after receipt of the request and the offer and, if requested, the provision of indemnity; and

(5) during such 60-day period the holders of a majority in principal amount of the then outstanding Convertible Subordinated Notes do not give the Trustee a direction inconsistent with the request.

A holder of a Convertible Subordinated Note may not use this Indenture to prejudice the rights of another holder or to obtain a preference or priority over another holder.

SECTION 6.07 Rights of Holders To Receive Payment.

Subject to the provisions of Article 11 hereof, notwithstanding any other provision of this Indenture, the right of any holder of a Convertible Subordinated Note to receive payment of principal, premium, if any, and interest and Liquidated Damages, if any, on the Convertible Subordinated Note, on or after the respective due dates expressed in the Convertible Subordinated

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Note, or to bring suit for the enforcement of any such payment on or after such respective dates, or to bring suit for the enforcement of the right to convert the Convertible Subordinated Note shall not be impaired or affected without the consent of the holder of a Convertible Subordinated Note.

SECTION 6.08 Collection Suit by Trustee.

If an Event of Default specified in Section 6.01(a), (b) or (d) occurs and is continuing, the Trustee may recover judgment in its own name and as trustee of an express trust against the Company for the whole amount of principal and interest and Liquidated Damages, if any, remaining unpaid on the Convertible Subordinated Notes and interest on overdue principal and interest and Liquidated Damages, if any, and such further amount as shall be sufficient to cover the costs and, to the extent lawful, expenses of collection, including the reasonable compensation, expenses, disbursements and advances of the Trustee, its agents and counsel.

SECTION 6.09 Trustee May File Proofs of Claim.

The Trustee may file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee and the holders of Convertible Subordinated Notes allowed in any judicial proceedings relative to the Company, its creditors or its property. Nothing contained herein shall be deemed to authorize the Trustee to authorize or consent to or accept or adopt on behalf of any holder of a Convertible Subordinated Note any plan of reorganization, arrangement, adjustment or composition affecting the Convertible Subordinated Notes or the rights of any holder thereof, or to authorize the Trustee to vote in respect of the claim of any holder in any such proceeding.

SECTION 6.10 Priorities.

If the Trustee collects any money pursuant to this Article, it shall pay out the money in the following order:

First: to the Trustee for amounts due under Section 7.07, including payment of all compensation, expenses and liabilities incurred, and all advances made, by the Trustee, and the costs and expenses of collection;

Second: to holders of Senior Debt to the extent required by Article 11;

Third: to holders of Convertible Subordinated Notes for amounts due and unpaid on the Convertible Subordinated Notes for principal, premium, if any, and interest and Liquidated Damages, if any, ratably, without preference or priority of any kind, according to the amounts due and payable on the Convertible Subordinated Notes for principal, premium, if any, and interest and Liquidated Damages, if any, respectively; and

Fourth: to the Company.

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Except as otherwise provided in Section 2.012, the Trustee may fix a record date and payment date for any payment to holders of Convertible Subordinated Notes.

SECTION 6.11 Undertaking for Costs.

In any suit for the enforcement of any right or remedy under this Indenture or in any suit against the Trustee for any action taken or omitted by it as a Trustee, a court in its discretion may require the filing by any party litigant in the suit, other than the Trustee, of an undertaking to pay the costs of the suit, and the court in its discretion may assess reasonable costs, including reasonable attorneys fees, against any party litigant in the suit, having due regard to the merits and good faith of the claims or defenses made by

the party litigant. This Section does not apply to a suit by the Trustee, a suit by a holder pursuant to Section 6.07 or a suit by holders of more than 10% in principal amount of the then outstanding Convertible Subordinated Notes.

ARTICLE 7

THE TRUSTEE

The Trustee hereby accepts the trust imposed upon it by this Indenture and covenants and agrees to perform the same, as herein expressed. Whether or not herein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article 7.

SECTION 7.01 Duties of the Trustee.

(a) If an Event of Default known to the Trustee has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Except during the continuance of an Event of Default known to the Trustee:

(1) The duties of the Trustee shall be determined solely by the express provisions of this Indenture and the Trustee need perform only those duties that are specifically set forth in this Indenture and no others and no implied covenants or obligations shall be read into this Indenture against the Trustee; and

(2) In the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any statements, certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture. However, the Trustee shall examine the certificates and opinions to determine whether or not they conform to the form required by this Indenture.

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(c) The Trustee may not be relieved from liability for its own negligent action, its own negligent failure to act or its own willful misconduct, except that:

(1) This paragraph does not limit the effect of paragraph (b) of this Section;

(2) The Trustee shall not be liable for any error of judgment made in good faith by a Trust Officer, unless it is proved that the Trustee was negligent in ascertaining the pertinent facts; and

(3) The Trustee shall not be liable with respect to any action it takes or omits to take in good faith in accordance with a direction received by it pursuant to Section 6.05.

(d) Whether or not therein expressly so provided, every provision of this Indenture that is in any way related to the Trustee is subject to paragraphs (a), (b) and (c) of this Section 7.01.

(e) No provision of this Indenture shall require the Trustee to expend or risk its own funds or incur any financial liability in the performance of any of its duties or the exercise of any of its rights and powers hereunder, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk of liability is not reasonably assured to it.

(f) The Trustee shall not be liable for interest on any money received by it except as the Trustee may agree with the Company. Money held in trust by the Trustee need not be segregated from other funds except to the extent required by law.

SECTION 7.02 Rights of the Trustee.

(a) The Trustee may rely on and shall be protected in acting or refraining from acting upon any resolution, Officers' Certificate, or any other certificate, statement, instrument, opinion, report, notice, request, consent, order, security or other document believed by it to be genuine and to have been signed or presented by the proper person. The Trustee need not investigate any fact or matter contained therein.

(b) Any request, direction, order or demand of the Company mentioned herein shall be sufficiently evidenced by an Officers' Certificate (unless other evidence in respect thereof is herein specifically prescribed). In addition, before the Trustee acts or refrains from acting, it may require an Officers' Certificate, an Opinion of Counsel or both. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such Officers' Certificate or Opinion of Counsel. The Trustee may consult with counsel and the written advice of such counsel or any Opinion of Counsel shall be full and complete authorization and protection from liability in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon.

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(c) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through its attorneys and agents and other persons not regularly in its employ and shall not be responsible for the misconduct or negligence of any attorney or agent appointed with due care.

(d) The Trustee shall not be liable for any action it takes or omits to take in good faith without negligence or willful misconduct which it believes to be authorized or within its discretion, rights or powers.

(e) Unless otherwise specifically provided in this Indenture, any demand, request, direction or notice from the Company shall be sufficient if signed by Officers of the Company.

(f) The Trustee shall not be required to give any bond or surety in respect of the performance of its powers and duties hereunder.

(g) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or discretion of any of the holders of Convertible Subordinated Notes pursuant to the provisions of this Indenture, unless such holders have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which might be incurred therein or thereby.

(h) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, security or other document unless requested in writing to do so by the holders of not less than a majority in aggregate principal amount of the Convertible Subordinated Notes then outstanding, provided that if the Trustee determines in its discretion to make any such investigation, then it shall be entitled, upon reasonable prior notice and during normal business hours, to examine the books and records and the premises of the Company, personally or by agent or attorney, and the reasonable expenses of every such examination shall be paid by the Company or, if paid by the Trustee or any predecessor Trustee, shall be reimbursed by the Company upon demand.

(i) The permissive rights of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and the Trustee shall not be answerable for other than its negligence or willful misconduct

(j) The Trustee shall not be responsible for the computation of any adjustment to the Conversion Price or for any determination as to whether an adjustment is required and shall not be deemed to have knowledge of any adjustment unless and until it shall have received the notice from the Company contemplated by Section 12.05(j).

SECTION 7.03 Individual Rights of the Trustee.

Subject to Sections 7.10 and 7.11, the Trustee in its individual or any

other capacity may become the owner or pledgee of Convertible Subordinated Notes with the same rights it would have if it were not the Trustee and may otherwise deal with the Company or an Affiliate of the Company

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and receive, collect, hold and retain collections from the Company with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 7.04 Trustee's Disclaimer.

The Trustee shall not be responsible for and makes no representation as to the validity or adequacy of this Indenture or the Convertible Subordinated Notes. It shall not be accountable for the Company's use of the proceeds from the Convertible Subordinated Notes or any money paid to the Company or upon the Company's direction under any provision of this Indenture. It shall not be responsible for the use or application of any money received by any Paying Agent other than the Trustee, and it shall not be responsible for any statement or recital herein or any statement in the Convertible Subordinated Notes or any other document in connection with the sale of the Convertible Subordinated Notes or pursuant to this Indenture other than its certificate of authentication.

SECTION 7.05 Notice of Defaults.

If a Default or Event of Default occurs and is continuing and if it is known to the Trustee, the Trustee shall mail to each holder of a Convertible Subordinated Note a notice of the Default or Event of Default within 60 days after it occurs. A Default or an Event of Default shall not be considered known to the Trustee unless it is a Default or Event of Default in the payment of principal or interest when due under Section 6.01(a), (b) or (d) or the Trustee shall have received notice thereof, in accordance with this Indenture, from the Company or from the holders of a majority in principal amount of the outstanding Convertible Subordinated Notes. Except in the case of a Default or Event of Default in payment of principal of, premium, if any, or interest or Liquidated Damages, if any, on any Convertible Subordinated Note, the Trustee may withhold the notice if and so long as a committee of its Trust Officers in good faith determines that withholding the notice is in the interest of the holders of the Convertible Subordinated Notes.

SECTION 7.06 Reports by the Trustee to Holders.

Within 60 days after the reporting date stated in Section 10.10, the Trustee shall mail to holders of Convertible Subordinated Notes a brief report dated as of such reporting date that complies with TIA Section 313(a) (but if no event described in TIA Section 313(a) has occurred within twelve months preceding the reporting date, no report need be transmitted). The Trustee also shall comply with TIA Section 313(b)(2). The Trustee shall also transmit by mail all reports as required by TIA Section 313(c).

A copy of each report at the time of its mailing to holders of Convertible Subordinated Notes shall be filed, at the expense of the Company, by the Trustee with the Commission and each stock exchange or securities market, if any, on which the Convertible Subordinated Notes are listed. The Company shall timely notify the Trustee when the Convertible Subordinated Notes are listed or quoted on any stock exchange or securities market.

SECTION 7.07 Compensation and Indemnity.

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The Company shall pay to the Trustee from time to time and the Trustee shall be entitled to reasonable compensation for its acceptance of this Indenture and its services hereunder. The Trustee's compensation shall not be limited by any law on compensation of a trustee of an express trust. The Company shall reimburse the Trustee promptly upon request for all reasonable disbursements, advances and expenses incurred or made by or on behalf of it in addition to the compensation for its services. Such expenses may include the reasonable compensation, disbursements and expenses of the Trustee's agents, counsel and other persons not regularly in its employ.

The Company shall indemnify the Trustee against any loss, liability or expense incurred by it arising out of or in connection with the acceptance or administration of its duties under this Indenture and the trusts hereunder, including the costs and expenses of defending itself against or investigating any claim of liability in the premises, except as set forth in the next paragraph. The Trustee shall notify the Company promptly of any claim for which it may seek indemnity. Failure by the Trustee to so notify the Company shall not relieve the Company of its obligations hereunder. The Company shall defend the claim with counsel designated by the Company, who may be outside counsel to the Company but shall in all events be reasonably satisfactory to the Trustee, and the Trustee shall cooperate in the defense. In addition, the Trustee may retain one separate counsel and, if deemed advisable by such counsel, local counsel, and the Company shall pay the reasonable fees and expenses of such separate counsel and local counsel. The indemnification herein extends to any settlement, provided that the Company will not be liable for any settlement made without its consent, provided, further, that such consent will not be unreasonably withheld.

The Company need not reimburse any expense or indemnify against any loss or liability incurred by the Trustee through its own negligence or willful misconduct.

The Trustee shall have a lien prior to the Convertible Subordinated Notes on all money or property held or collected by the Trustee to secure the Company's payment obligations in this Section 7.07, except that held in trust to pay principal and interest and Liquidated Damages, if any, on Convertible Subordinated Notes. Such liens and the Company's obligations under this Section 7.07 shall survive the satisfaction and discharge of this Indenture.

When the Trustee incurs expenses or renders services after an Event of Default specified in Section 6.01(h) or (i) occurs, the expenses and the compensation for the services (including the fees and expenses of its agents and counsel) are intended to constitute expenses of administration under any Bankruptcy Law.

SECTION 7.08 Replacement of the Trustee.

A resignation or removal of the Trustee and appointment of a successor Trustee shall become effective only upon the successor Trustee's acceptance of appointment as provided in this Section 7.08.

The Trustee may resign at any time and be discharged from the trust hereby created by so notifying the Company. The holders of a majority in principal amount of the then outstanding

Convertible Subordinated Notes may remove the Trustee by so notifying the Trustee and the Company in writing and may appoint a successor Trustee. The Company may remove the Trustee if:

- (1) the Trustee fails to comply with Section 7.10;
- (2) the Trustee is adjudged a bankrupt or an insolvent or an order for relief is entered with respect to the Trustee under any Bankruptcy Law;
- (3) a Custodian or public officer takes charge of the Trustee or its property; or
- (4) the Trustee becomes incapable of acting.

If the Trustee resigns or is removed or if a vacancy exists in the office of Trustee for any reason, the Company shall promptly appoint a successor Trustee. Within one year after the successor Trustee takes office, the holders of a majority in principal amount of the then outstanding Convertible Subordinated Notes may appoint a successor Trustee to replace the successor Trustee appointed by the Company.

If a successor Trustee does not take office within 60 days after the retiring Trustee resigns or is removed, the retiring Trustee, the Company or the holders of at least 10% in principal amount of the then outstanding Convertible Subordinated Notes may petition any court of competent jurisdiction for the appointment of a successor Trustee.

If the Trustee after written request by any holder of a Convertible Subordinated Note who has been a holder for at least six months fails to comply with Section 7.10, such holder may petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor Trustee.

A successor Trustee shall deliver a written acceptance of its appointment to the retiring Trustee and to the Company. Thereupon the resignation or removal of the retiring Trustee shall become effective, and the successor Trustee shall have all the rights, powers and duties of the Trustee under this Indenture. The successor Trustee shall mail a notice of its succession to holders of Convertible Subordinated Notes. The retiring Trustee shall promptly transfer all property held by it as Trustee to the successor Trustee, provided that all sums owing to the retiring Trustee hereunder have been paid and subject to the lien provided for in Section 7.07. Notwithstanding the replacement of the Trustee pursuant to this Section 7.08, the Company's obligations under Section 7.07 shall continue for the benefit of the retiring Trustee with respect to expenses and liabilities incurred by it prior to such replacement.

Upon request of any such successor Trustee, the Company shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and trusts referred to in the preceding paragraph.

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SECTION 7.09 Successor Trustee by Merger, etc.

If the Trustee consolidates with, merges or converts into, or transfers all or substantially all of its corporate trust business (including the trust created by this Indenture) to, another corporation or national banking association, the resulting, surviving or transferee corporation or national banking association without any further act shall be the successor Trustee with the same effect as if the successor Trustee had been named as the Trustee herein.

SECTION 7.10 Eligibility, Disqualification.

This Indenture shall always have a Trustee who satisfies the requirements of TIA Section 310(a)(1). The Trustee shall always have a combined capital and surplus as stated in Section 10.10. The Trustee is subject to TIA Section 310(b) regarding the disqualification of a trustee upon acquiring a conflicting interest.

SECTION 7.11 Preferential Collection of Claims Against Company.

The Trustee shall comply with TIA Section 311(a), excluding any creditor relationship set forth in TIA Section 311(b). A Trustee who has resigned or been removed shall be subject to TIA Section 311(a) to the extent indicated therein.

ARTICLE 8

SATISFACTION AND DISCHARGE OF INDENTURE

SECTION 8.01 Discharge of Indenture.

When (a) the Company delivers to the Trustee for cancellation all Convertible Subordinated Notes theretofore authenticated (other than any other Convertible Subordinated Notes which have been destroyed, lost or stolen and in lieu of or in substitution for which other Convertible Subordinated Notes have been authenticated and delivered) and not theretofore canceled, or (b) all the Convertible Subordinated Notes not theretofore canceled or delivered to the Trustee for cancellation have become due and payable, or are by their terms will become due and payable within one year or are to be called for redemption within one year under arrangements satisfactory to the Trustee for the giving of notice of redemption, and the Company deposits with the Trustee, in trust, amounts sufficient to pay at maturity or upon redemption of all of the Convertible Subordinated Notes (other than any Convertible Subordinated Notes which have been mutilated, destroyed, lost or stolen and in lieu of or in substitution for which other Convertible Subordinated Notes have been authenticated and delivered) not theretofore canceled or delivered to the Trustee for

cancellation, including principal and premium, if any, and interest and Liquidated Damages, if any, due or to become due to such date of maturity or redemption date, as the case may be, and if in either case the Company also pays, or causes to be paid, all other sums payable hereunder by the Company, then this Indenture shall cease to be of further effect (except as to (i) rights of registration of transfer, substitution, replacement and exchange and conversion of Convertible Subordinated Notes,

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(ii) rights hereunder of holders of Convertible Subordinated Notes to receive payments of principal of and premium, if any, and interest, and Liquidated Damages, if any, on, the Convertible Subordinated Notes, (iii) the obligations under Sections 2.03 and 8.05 hereof and (iv) the rights, obligations and immunities of the Trustee hereunder), and the Trustee, on demand of the Company accompanied by an Officers' Certificate and an Opinion of Counsel as required by Section 10.04 and at the Company's cost and expense, shall execute proper instruments acknowledging satisfaction of and discharging this Indenture; the Company, however, hereby agrees to reimburse the Trustee for any costs or expenses thereafter reasonably and properly incurred by the Trustee and to compensate the Trustee for any services thereafter reasonably and properly rendered by the Trustee in connection with this Indenture or the Convertible Subordinated Notes.

SECTION 8.02 Deposited Monies to be Held in Trust by Trustee.

Subject to Section 8.04, all monies deposited with the Trustee pursuant to Section 8.01 shall be held in trust and applied by it to the payment, notwithstanding the provisions of Article 11, either directly or through the Paying Agent, to the holders of the particular Convertible Subordinated Notes for the payment or redemption of which such monies have been deposited with the Trustee, of all sums due and to become due thereon for principal and interest, and Liquidated Damages, if any, and premium, if any.

SECTION 8.03 Paying Agent to Repay Monies Held.

Upon the satisfaction and discharge of this Indenture, all monies then held by any Paying Agent (other than the Trustee) shall, upon the Company's demand, be repaid to it or paid to the Trustee, and thereupon such Paying Agent shall be released from all further liability with respect to such monies.

SECTION 8.04 Return of Unclaimed Monies.

Subject to the requirements of applicable law, any monies deposited with or paid to the Trustee for payment of the principal of, premium, if any, or interest (including Liquidated Damages) on Convertible Subordinated Notes and not applied but remaining unclaimed by the holders thereof for two years after the date upon which the principal of, premium, if any, or interest (including Liquidated Damages) on such Convertible Subordinated Notes, as the case may be, have become due and payable, shall be repaid to the Company by the Trustee on demand; provided, however, that the Company, or the Trustee at the request of the Company, shall have first caused notice of such payment to the Company to be mailed to each holder of a Convertible Subordinated Note entitled thereto no less than 30 days prior to such payment and all liability of the Trustee shall thereupon cease with respect to such monies; and the holder of any of the Convertible Subordinated Notes shall thereafter look only to the Company for any payment which such holder may be entitled to collect unless an applicable abandoned property law designates another person.

SECTION 8.05 Reinstatement.

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If the Trustee or the Paying Agent is unable to apply any money in accordance with Section 8.02 by reason of any order or judgment of any court or governmental authority enjoining, restraining or otherwise prohibiting such application, the Company's obligations under this Indenture and the Convertible Subordinated Notes shall be revived and reinstated as though no deposit had

occurred pursuant to Section 8.01 until such time as the Trustee or the Paying Agent is permitted to apply all such money in accordance with Section 8.02; provided, however, that if the Company makes any payment of interest (including Liquidated Damages) on or principal of any Convertible Subordinated Note following the reinstatement of its obligations, the Company shall be subrogated to the rights of the holders thereof to receive such payment from the money held by the Trustee or Paying Agent.

ARTICLE 9

AMENDMENTS

SECTION 9.01 Without the Consent of Holders.

The Company and the Trustee may amend this Indenture or the Convertible Subordinated Notes without notice to or the consent of any holder of a Convertible Subordinated Note for the purposes of:

(a) curing any ambiguity or correcting or supplementing any defective or inconsistent provision contained in this Indenture or making any other changes in the provisions of this Indenture which the Company and the Trustee may deem necessary or desirable provided such amendment does not materially and adversely affect the legal rights under the Indenture of the holders of Convertible Subordinated Notes.

(b) providing for uncertificated Convertible Subordinated Notes in addition to or in place of certificated Convertible Subordinated Notes;

(c) evidencing the succession of another person to the Company and providing for the assumption by such successor of the covenants and obligations of the Company thereunder and in the Convertible Subordinated Notes as permitted by Section 5.01;

(d) providing for conversion rights and/or repurchase rights of holders of Convertible Subordinated Notes in the event of consolidation, merger or sale of all or substantially all of the assets of the Company as required to comply with Sections 5.01 and/or 12.06;

(e) reducing the Conversion Price;

(f) making any changes that would provide the holders of the Convertible Subordinated Notes with any additional rights or benefits or that does not adversely affect the legal rights under this Indenture of any such holder; or

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(g) complying with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA.

SECTION 9.02 With the Consent of Holders.

Subject to Section 6.07, the Company and the Trustee may amend this Indenture or the Convertible Subordinated Notes with the written consent of the holders of at least a majority in principal amount of the then outstanding Convertible Subordinated Notes (including consents obtained in connection with a tender offer or exchange offer for Convertible Subordinated Notes).

Subject to Sections 6.04 and 6.07, the holders of a majority in principal amount of the Convertible Subordinated Notes then outstanding may also waive compliance in a particular instance by the Company with any provision of this Indenture or the Convertible Subordinated Notes.

However, without the consent of each holder of a Convertible Subordinated Note affected, an amendment or waiver under this Section may not (with respect to any Convertible Subordinated Notes held by a non-consenting holder):

(a) reduce the principal amount of Convertible Subordinated Notes whose holders must consent to an amendment, supplement or waiver;

(b) reduce the principal of or premium on or change the fixed maturity of any Convertible Subordinated Note or, except as permitted pursuant

to Section 9.01(a), alter the redemption provisions with respect thereto;

(c) reduce the rate of, or change the time for payment of, interest, including defaulted interest, or Liquidated Damages on any Convertible Subordinated Note;

(d) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest or Liquidated Damages on the Convertible Subordinated Notes (except a rescission of acceleration of the Convertible Subordinated Notes by the holders of at least a majority in aggregate principal amount of the Convertible Subordinated Notes then outstanding and a waiver of the payment default that resulted from such acceleration);

(e) make the principal of, or premium, if any, or interest or Liquidated Damages on, any Convertible Subordinated Note payable in money other than as provided for herein and in the Convertible Subordinated Notes;

(f) make any change in the provisions of this Indenture relating to waivers of past Defaults or Events of Default or the rights of holders of Convertible Subordinated Notes to receive payments of principal of, premium, if any, or interest or Liquidated Damages on the Convertible Subordinated Notes;

(g) waive a redemption payment with respect to any Convertible Subordinated Notes;

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(h) except as permitted herein (including Section 9.01(a)), increase the Conversion Price or modify the provisions contained herein relating to conversion of the Convertible Subordinated Notes in a manner adverse to the holders thereof; or

(i) make any change to the abilities of holders of Convertible Subordinated Notes to enforce their rights hereunder or the provisions of clauses (a) through (i) of this Section 9.02.

To secure a consent of the holders of Convertible Subordinated Notes under this Section, it shall not be necessary for such holders to approve the particular form of any proposed amendment or waiver, but it shall be sufficient if such consent approves the substance thereof.

After an amendment or waiver under this Section becomes effective, the Company shall mail to holders of Convertible Subordinated Notes a notice briefly describing the amendment or waiver.

In order to amend any provisions of Article 11, holders of at least 75% in aggregate principal amount of Convertible Subordinated Notes then outstanding must consent to such amendment if such amendment would adversely affect the rights of holders of Convertible Subordinated Notes.

SECTION 9.03 Compliance with the Trust Indenture Act.

Every amendment to this Indenture or the Convertible Subordinated Notes shall be set forth in a supplemental indenture that complies with the TIA as then in effect.

SECTION 9.04 Revocation and Effect of Consents.

Until an amendment or waiver becomes effective, a consent to it by a holder of a Convertible Subordinated Note is a continuing consent by the holder and every subsequent holder of a Convertible Subordinated Note or portion of a Convertible Subordinated Note that evidences the same debt as the consenting holder's Convertible Subordinated Note, even if notation of the consent is not made on any Convertible Subordinated Note. However, any such holder or subsequent holder may revoke the consent as to his or her Convertible Subordinated Note or portion of a Convertible Subordinated Note if the Trustee receives the notice of revocation before the date on which the Trustee receives an Officers' Certificate certifying that the holders of the requisite principal amount of Convertible Subordinated Notes have consented to the amendment or waiver.

The Company may, but shall not be obligated to, fix a record date for the purpose of determining the holders of Convertible Subordinated Notes entitled to consent to any amendment or waiver. If a record date is fixed, then notwithstanding the provisions of the immediately preceding paragraph, those persons who were holders of Convertible Subordinated Notes at such record date (or their duly designated proxies), and only those persons, shall be entitled to consent to such amendment or waiver or to revoke any consent previously given, whether or not such persons continue to be holders after such record date. No consent shall be valid or effective for more than 90 days after such record date unless consents from holders of the principal amount of Convertible Subordinated Notes required hereunder for such amendment or waiver to be effective shall have also been given and not revoked within such 90-day period.

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After an amendment or waiver becomes effective it shall bind every holder of a Convertible Subordinated Note, unless it is of the type described in clauses (a) - (i) of Section 9.02. In such case, the amendment or waiver shall bind each holder of a Convertible Subordinated Note who has consented to it and every subsequent holder of a Convertible Subordinated Note or portion of a Convertible Subordinated Note that evidences the same debt as the consenting holder's Convertible Subordinated Note.

SECTION 9.05 Notation on or Exchange of Convertible Subordinated Notes.

Convertible Subordinated Notes authenticated and delivered after the execution of any supplemental indenture pursuant to this Article 9 may, and shall if required by the Trustee, bear a notation in the form approved by the Trustee as to any matter provided for in such supplemental indenture. If the Company shall so determine, new Convertible Subordinated Notes so modified as to conform, in the opinion of the Company and the Trustee, to any such supplemental indenture may be prepared and executed by the Company and authenticated and delivered by the Trustee in exchange for outstanding Convertible Subordinated Notes without charge to the holders of the Convertible Subordinated Notes, except as specified in Section 2.06.

SECTION 9.06 Trustee Protected.

The Trustee shall sign any amendment or supplemental indenture authorized pursuant to this Article 9 if such amendment or supplemental indenture does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If it does, the Trustee may, but need not, sign it. In signing such amendment or supplemental indenture, the Trustee shall be entitled to receive, and shall be fully protected in relying upon, an Officers' Certificate and an Opinion of Counsel as conclusive evidence that such amendment or supplemental indenture is authorized or permitted by this Indenture, that it is not inconsistent herewith, and that it will be valid and binding upon the Company in accordance with its terms.

ARTICLE 10

GENERAL PROVISIONS

SECTION 10.01 Trust Indenture Act Controls.

If any provision of this Indenture limits, qualifies or conflicts with the duties imposed by TIA Section 318(c), such duties imposed by such section of the TIA shall control. If any provision of this Indenture expressly modifies or excludes any provision of the TIA that may be so modified or excluded, the Indenture provision so modifying or excluding such provision of the TIA shall be deemed to apply.

SECTION 10.02 Notices.

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Any notice or communication by the Company or the Trustee to the other is duly given if in writing and delivered in person or mailed by first-class mail, with postage prepaid (registered or certified, return receipt requested),

or sent by facsimile or overnight air couriers guaranteeing next day delivery, to the other's address as stated in Section 10.10. The Company or the Trustee by notice to the other may designate additional or different addresses for subsequent notices or communications.

All notices and communications (other than those sent to holders of Convertible Subordinated Notes) shall be deemed to have been duly given at the time delivered by hand, if personally delivered; five business days after being deposited in the mail, postage prepaid, if mailed; when transmission is confirmed, if transmitted by facsimile; and the next business day after timely delivery to the courier, if sent by overnight air courier guaranteeing next day delivery. Notwithstanding the foregoing, all notices to the Trustee shall be effective only upon receipt by a Trust Officer.

Any notice or communication to a holder of a Convertible Subordinated Note shall be mailed by first-class mail, with postage prepaid, to his or her address shown on the Register kept by the Registrar. Failure to mail a notice or communication to a holder or any defect in it shall not affect its sufficiency with respect to other holders.

If a notice or communication is sent in the manner provided above within the time prescribed, it is duly given, whether or not the addressee receives it.

If the Company sends a notice or communication to holders of Convertible Subordinated Notes, it shall send a copy to the Trustee and each Agent at the same time.

All notices or communications shall be in writing.

SECTION 10.03 Communication by Holders With Other Holders.

Holders may communicate pursuant to TIA Section 312(b) with other holders with respect to their rights under this Indenture or the Convertible Subordinated Notes. The Company, the Trustee, the Registrar and anyone else shall have the protection of TIA Section 312(c).

SECTION 10.04 Certificate and Opinion as to Conditions Precedent.

Upon any request or application by the Company to the Trustee to take any action under this Indenture, the Company shall furnish to the Trustee:

(1) an Officers' Certificate in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05) stating that, in the opinion of such person, all conditions precedent and covenants, if any, provided for in this Indenture relating to the proposed action have been complied with; and

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(2) an Opinion of Counsel in form and substance reasonably satisfactory to the Trustee (which shall include the statements set forth in Section 10.05) stating that, in the opinion of such counsel, all such conditions precedent and covenants have been complied with.

SECTION 10.05 Statements Required in Certificate or Opinion.

Each certificate or opinion with respect to compliance with a condition or covenant provided for in this Indenture (other than a certificate provided pursuant to TIA Section 314(a)(4)) shall include:

(1) a statement that the person making such certificate or opinion has read such covenant or condition;

(2) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based;

(3) a statement that, in the opinion of such person, he or she has made such examination or investigation as is necessary to enable him or her to express an informed opinion as to whether or not such covenant or condition has been complied with; and

(4) a statement as to whether or not, in the opinion of such person, such condition or covenant has been complied with.

Any Officers' Certificate may be based, insofar as it relates to legal matters, upon an Opinion of Counsel, unless such Officer knows that the opinion with respect to the matters upon which his or her certificate may be based as aforesaid is erroneous. Any Opinion of Counsel may be based, insofar as it relates to factual matters, upon certificates, statements or opinions of, or representations by an officer or officers of the Company, or other persons or firms deemed appropriate by such counsel, unless such counsel knows that the certificates, statements or opinions or representations with respect to the matters upon which his or her opinion may be based as aforesaid are erroneous.

Any Officers' Certificate, statement or Opinion of Counsel may be based, insofar as it relates to accounting matters, upon a certificate or opinion of or representation by an accountant (who may be an employee of the Company), or firm of accountants, unless such Officer or counsel, as the case may be, knows that the certificate or opinion or representation with respect to the accounting matters upon which his or her certificate, statement or opinion may be based as aforesaid is erroneous.

SECTION 10.06 Rules by Trustee and Agents.

The Trustee may make reasonable rules for action by, or a meeting of, holders of Convertible Subordinated Notes. The Registrar or Paying Agent may make reasonable rules and set reasonable requirements for its functions.

SECTION 10.07 Legal Holidays.

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A "Legal Holiday" is a Saturday, a Sunday or a day on which banking institutions in the City of New York, the city in which the Corporate Trust Office of the Trustee is located or the City of San Jose, California are not required to be open, and a "business day" is any day that is not a Legal Holiday. If a payment date is a Legal Holiday at a place of payment, payment may be made at that place on the next succeeding day that is not a Legal Holiday, and no interest shall accrue for the intervening period. If any date specified in this Indenture, including, without limitation, a redemption date under Paragraph 5 of Convertible Subordinated Notes, is a Legal Holiday, then such date shall be the next succeeding business day.

SECTION 10.08 No Recourse Against Others.

No director, officer, employee or stockholder, as such, of the Company from time to time shall have any liability for any obligations of the Company under the Convertible Subordinated Notes or this Indenture or for any claim based on, in respect of, or by reason of such obligations or their creation. Each holder by accepting a Convertible Subordinated Note waives and releases all such liability. This waiver and release are part of the consideration for the Convertible Subordinated Notes. Each of such directors, officers, employees and stockholders is a third party beneficiary of this Section 10.08.

SECTION 10.09 Counterparts.

This Indenture may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

SECTION 10.10 Other Provisions.

The Company initially appoints the Trustee as Paying Agent, Registrar and authenticating agent.

The reporting date for Section 7.06 is March 1 of each year. The first reporting date is the March 1 following the issuance of Convertible Subordinated Notes hereunder.

The Trustee shall always have, or shall be a subsidiary of a bank or bank holding company which has, a combined capital and surplus of at least \$50,000,000 as set forth in its most recent published annual report of condition.

The Company's address is:

Amkor Technology, Inc.
1345 Enterprise Drive
West Chester, PA 19380
Attention: General Counsel's Office
Facsimile: (610) 431-9967
Telephone: (610) 431-9600

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The Trustee's address is:

State Street Bank and Trust Company
Two International Place, 4th Floor
Boston, MA 02110
attention: Corporate Trust Department (Amkor Technology, Inc.
5% Convertible Notes due 2007)
Facsimile: (617) 664-5372
Telephone: (617) 664-5635

SECTION 10.11 Governing Law.

The internal laws of the State of New York shall govern this Indenture and the Convertible Subordinated Notes, without regard to the conflict of laws provisions thereof.

SECTION 10.12 No Adverse Interpretation of Other Agreements.

This Indenture may not be used to interpret another indenture, loan or debt agreement of the Company or a subsidiary. Any such other indenture, loan or debt agreement may not be used to interpret this Indenture.

SECTION 10.13 Successors.

All agreements of the Company in this Indenture and the Convertible Subordinated Notes shall bind its successor. All agreements of the Trustee in this Indenture shall bind its successor.

SECTION 10.14 Severability.

In case any provision in this Indenture or in the Convertible Subordinated Notes shall be invalid, illegal or unenforceable, the validity, legality and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

SECTION 10.15 Table of Contents, Headings, Etc.

The Table of Contents, Cross-Reference Table and headings of the Articles and Sections of this Indenture have been inserted for convenience of reference only, are not to be considered a part hereof and shall in no way modify or restrict any of the terms or provisions hereof.

ARTICLE 11

SUBORDINATION

SECTION 11.01 Agreement to Subordinate.

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The Company agrees, and each holder of Convertible Subordinated Notes by accepting a Convertible Subordinated Note agrees, that the indebtedness evidenced by the Convertible Subordinated Note is subordinated in right of payment, to the extent and in the manner provided in this Article 11, to the prior payment in full in cash or payment satisfactory to holders of Senior Debt of all Senior Debt (whether outstanding on the date hereof or hereafter created, incurred, assumed or guaranteed), and that the subordination is for the benefit of the holders of Senior Debt.

SECTION 11.02 Liquidation; Dissolution; Bankruptcy.

Upon any distribution to creditors of the Company in a liquidation or dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, in an assignment for the benefit of creditors or any marshaling of the Company's assets and liabilities:

(1) holders of Senior Debt shall be entitled to receive payment in full of all Obligations due in respect of such Senior Debt (including interest and Liquidated Damages, if any, after the commencement of any such proceeding at the rate specified in the applicable Senior Debt) in cash or other payment satisfactory to the holders of the Senior Debt before holders of Convertible Subordinated Notes shall be entitled to receive any payment with respect to the Convertible Subordinated Notes; and

(2) until all Senior Debt is paid in full in cash or other payment satisfactory to the holders of the Senior Debt, any distribution to which holders of Convertible Subordinated Notes would be entitled but for this Article 11 shall be made to holders of Senior Debt, as their interests may appear.

SECTION 11.03 Default on Senior Debt and/or Designated Senior Debt.

The Company may not make any payment or distribution to the Trustee or any holder of Convertible Subordinated Notes in respect of Obligations with respect to the Convertible Subordinated Notes and may not acquire from the Trustee or any holder of Convertible Subordinated Notes any Convertible Subordinated Notes until all Senior Debt has been paid in full in cash or other payment satisfactory to the holders of the Senior Debt if:

(i) a default in the payment of any principal of, premium, if any, interest, rent or other Obligations in respect of Senior Debt occurs and is continuing beyond any applicable grace period in the agreement, indenture or other document governing such Senior Debt; or

(ii) a default, other than a payment default, on Designated Senior Debt occurs and is continuing that then permits holders of such Designated Senior Debt to accelerate its maturity and the Trustee receives a notice of the default (a "Payment Blockage Notice") from a person who may give it pursuant to Section 11.11 hereof.

If the Trustee receives any Payment Blockage Notice pursuant to Section 11.03 (ii) hereof, no subsequent Payment Blockage Notice shall be effective for purposes of such Section unless and

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until at least 365 days shall have elapsed since the effectiveness of the immediately prior Payment Blockage Notice. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice.

The Company may and shall resume payments on and distributions in respect of the Convertible Subordinated Notes and may acquire them upon the earlier of:

(1) in the case of a payment default, upon the date upon which the default is cured or waived or ceases to exist, or

(2) in the case of a nonpayment default referred to in Section 11.03(ii) hereof, the earlier of the date upon which the default is cured or waived ceases to exist or 179 days after notice is received if the maturity of such Designated Senior Debt has not been accelerated,

if this Article otherwise permits the payment, distribution or acquisition at the time of such payment or acquisition.

SECTION 11.04 Acceleration of Convertible Subordinated Notes

In the event of the acceleration of the Convertible Subordinated Notes because of an Event of Default, the Company may not make any payment or

distribution to the Trustee or any holder of Convertible Subordinated Notes in respect of Obligations with respect to Convertible Subordinated Notes and may not acquire or purchase from the Trustee or any holder of Convertible Subordinated Notes any Convertible Subordinated Notes until all Senior Debt has been paid in full in cash or other payment satisfactory to the holders of Senior Debt or such acceleration is rescinded in accordance with the terms of this Indenture.

If payment of the Convertible Subordinated Notes is accelerated because of an Event of Default, the Company or the Trustee shall promptly notify holders of Senior Debt or trustee(s) of such Senior Debt of the acceleration.

SECTION 11.05 When Distribution Must Be Paid Over.

In the event that the Trustee, any holder of Convertible Subordinated Notes or any other person receives any payment or distributions of assets of the Company of any kind with respect to the Convertible Subordinated Notes in contravention of any terms contained in this Indenture, whether in cash, property or securities, including, without limitation by way of set-off or otherwise, then such payment shall be held by the recipient in trust for the benefit of holders of Senior Debt, and shall be immediately paid over and delivered to the holders of Senior Debt or the representative(s), to the extent necessary to make payment in full of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution or provision therefor, to or for the holders of Senior Debt; provided that the foregoing shall apply to the Trustee only if the Trustee

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has actual knowledge (as determined in accordance with Section 11.11) that such payment or distribution is prohibited by this Indenture.

With respect to the holders of Senior Debt, the Trustee undertakes to perform only such obligations on the part of the Trustee as are specifically set forth in this Article 11, and no implied covenants or obligations with respect to the holders of Senior Debt shall be read into this Indenture against the Trustee. The Trustee shall not be deemed to owe any fiduciary duty to the holders of Senior Debt, and shall not be liable to any such holders if the Trustee shall pay over or distribute to or on behalf of holders of Convertible Subordinated Notes or the Company or any other person money or assets to which any holders of Senior Debt shall be entitled by virtue of this Article 11, except if such payment is made as a result of the willful misconduct or gross negligence of the Trustee.

SECTION 11.06 Notice by Company.

The Company shall promptly notify the Trustee of any facts known to the Company that would cause a payment of any Obligations with respect to the Convertible Subordinated Notes or the purchase of any Convertible Subordinated Notes by the Company to violate this Article, but failure to give such notice shall not affect the subordination of the Convertible Subordinated Notes to the Senior Debt as provided in this Article.

SECTION 11.07 Subrogation.

After all Senior Debt is paid in full and until the Convertible Subordinated Notes are paid in full, holders of Convertible Subordinated Notes shall be subrogated (equally and ratably with all other indebtedness *pari passu* with the Convertible Subordinated Notes) to the rights of holders of Senior Debt to receive distributions applicable to Senior Debt to the extent that distributions otherwise payable to the holders of Convertible Subordinated Notes have been applied to the payment of Senior Debt. A distribution made under this Article to holders of Senior Debt that otherwise would have been made to holders of Convertible Subordinated Notes is not, as between the Company and holders of Convertible Subordinated Notes, a payment by the Company on the Convertible Subordinated Notes.

SECTION 11.08 Relative Rights.

This Article defines the relative rights of holders of Convertible Subordinated Notes and holders of Senior Debt. Nothing in this Indenture shall:

- (1) impair, as between the Company and holders of Convertible

Subordinated Notes, the obligation of the Company, which is absolute and unconditional, to pay principal of, premium, if any, and interest (including Liquidated Damages) on the Convertible Subordinated Notes in accordance with their terms;

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(2) affect the relative rights of holders of Convertible Subordinated Notes and creditors (other than with respect to Senior Debt) of the Company, other than their rights in relation to holders of Senior Debt; or

(3) prevent the Trustee or any holder of Convertible Subordinated Notes from exercising its available remedies upon a Default or Event of Default, subject to the rights of holders and owners of Senior Debt to receive distributions and payments otherwise payable to holders of Convertible Subordinated Notes.

If the Company fails because of this Article to pay principal of or interest (including Liquidated Damages) on a Convertible Subordinated Note on the due date, the failure is still a Default or Event of Default.

SECTION 11.09 Subordination May Not Be Impaired by Company.

No right of any holder of Senior Debt to enforce the subordination of the indebtedness evidenced by the Convertible Subordinated Notes shall be impaired by any act or failure to act by the Company or any holder of Convertible Subordinated Notes or by the failure of the Company or any such holder to comply with this Indenture.

SECTION 11.10 Distribution or Notice to Representative.

Whenever a distribution is to be made or a notice given to holders of Senior Debt, the distribution may be made and the notice given to their Representative.

Upon any payment or distribution of assets of the Company referred to in this Article 11, the Trustee and the holders of Convertible Subordinated Notes shall be entitled to rely upon any order or decree made by any court of competent jurisdiction or upon any certificate of such Representative or of the liquidating trustee or agent or other person making any distribution to the Trustee or to the holders of Convertible Subordinated Notes for the purpose of ascertaining the persons entitled to participate in such distribution, the holders of the Senior Debt and other indebtedness of the Company, the amount thereof or payable thereon, the amount or amounts paid or distributed thereon and all other facts pertinent thereto or to this Article 11.

SECTION 11.11 Rights of Trustee and Paying Agent.

Notwithstanding the provisions of this Article 11 or any other provision of this Indenture, the Trustee shall not be charged with knowledge of the existence of any facts that would prohibit the making of any payment or distribution by the Trustee (other than pursuant to Section 11.04), and the Trustee may continue to make payments on the Convertible Subordinated Notes, unless a Trust Officer shall have received at least two business days prior to the date of such payment or distribution written notice of facts that would cause such payment or distribution with respect to the Convertible Subordinated Notes to violate this Article. Only the Company or a Representative may give the notice.

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Nothing in this Article 11 shall impair the claims of, or payments to, the Trustee under or pursuant to Section 7.07 hereof.

The Trustee in its individual or any other capacity may hold Senior Debt with the same rights it would have if it were not Trustee. Any Agent may do the same with like rights.

SECTION 11.12 Authorization to Effect Subordination.

Each holder of a Convertible Subordinated Note by the holder's

acceptance thereof authorizes and directs the Trustee on the holder's behalf to take such action as may be necessary or appropriate to effectuate the subordination as provided in this Article 11, and appoints the Trustee to act as the holder's attorney-in-fact for any and all such purposes. If the Trustee does not file a proper proof of claim or proof of debt in the form required in any proceeding referred to in Section 6.09 hereof at least 30 days before the expiration of the time to file such claim, the holders of any Senior Debt or their Representatives are hereby authorized to file an appropriate claim for and on behalf of the holders of the Convertible Subordinated Notes.

SECTION 11.13 Article Applicable to Paying Agents.

In case at any time any Paying Agent other than the Trustee shall have been appointed by the Company and be then acting hereunder, the term "Trustee" as used in this Article shall in such case (unless the context otherwise requires) be construed as extending to and including such Paying Agent within its meaning as fully for all intents and purposes as if such Paying Agent were named in this Article in addition to or in place of the Trustee; provided, however, that the second and third paragraphs of Section 11.11 shall not apply to the Company or any subsidiary of the Company if it or such subsidiary acts as Paying Agent.

SECTION 11.14 Senior Debt Entitled to Rely.

The holders of Senior Debt shall have the right to rely upon this Article 11, and no amendment or modification of the provisions contained herein shall diminish the rights of such holders unless such holders shall have agreed in writing thereto.

SECTION 11.15 Permitted Payments.

Notwithstanding anything to the contrary in this Article 11, the holders of Convertible Subordinated Notes may receive and retain at any time on or prior to the Maturity Date (i) securities that are subordinated to at least the same extent as the Convertible Subordinated Notes to (a) Senior Debt and (b) any securities issued in exchange for Senior Debt and (ii) payments and other distributions made from any trust created pursuant to Section 8.01 hereof.

SECTION 11.16 Seniority Prior to Put Expiration Date.

Notwithstanding anything to the contrary in this Article 11, on or prior to the Put Expiration Date, the Convertible Subordinated Notes shall be senior debt of the Company and shall rank equally

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in right of payment to all of the Company's existing and future unsecured Senior Debt and senior in right of payment to all of the Company's existing and future debt that provides that it is subordinated to the Convertible Subordinated Notes. Without limiting the generality of the foregoing, payments made by the Company to repurchase Convertible Subordinated Notes pursuant to a Related Transactions Offer shall not be subordinated in right of payment to the prior payment of Senior Debt.

ARTICLE 12

CONVERSION OF CONVERTIBLE SUBORDINATED NOTES

SECTION 12.01 Right to Convert.

Subject to and upon compliance with the provisions of this Indenture, each holder of Convertible Subordinated Notes shall have the right, at his or her option, at any time on or before the close of business on the last trading day prior to the Maturity Date (except that, (a) with respect to any Convertible Subordinated Note or portion thereof which is called for redemption prior to such date, such right shall terminate, except as provided in the fourth paragraph of Section 12.02, before the close of business on the last trading day preceding the date fixed for redemption (unless the Company defaults in payment of the redemption price in which case the conversion right will terminate at the close of business on the date such default is cured) and (b) with respect to any Convertible Subordinated Note or portion thereof subject to a duly completed election for repurchase, such right shall terminate on or before the close of business on the Designated Event Offer Termination Date or the Related

Transactions Offer Termination Date (unless the Company defaults in the payment due upon repurchase or such holder elects to withdraw the submission of such election to repurchase)) to convert the principal amount of any Convertible Subordinated Note held by such holder, or any portion of such principal amount which is \$1,000 or an integral multiple thereof, into that number of fully paid and non-assessable shares of Common Stock (as such shares shall then be constituted) obtained by dividing the principal amount of the Convertible Subordinated Note or portion thereof to be converted by the Conversion Price in effect at such time, by surrender of the Convertible Subordinated Note so to be converted in whole or in part in the manner provided in Section 12.02. A holder of Convertible Subordinated Notes is not entitled to any rights of a holder of Common Stock until such holder of Convertible Subordinated Notes has converted his or her Convertible Subordinated Notes to Common Stock, and only to the extent such Convertible Subordinated Notes are deemed to have been converted to Common Stock under this Article 12.

SECTION 12.02 Exercise of Conversion Privilege; Issuance of Common Stock on Conversion; No Adjustment for Interest or Dividends.

To exercise, in whole or in part, the conversion privilege with respect to any Convertible Subordinated Note, the holder of such Convertible Subordinated Note shall surrender such Convertible Subordinated Note, duly endorsed, at an office or agency maintained by the Company pursuant to Section 4.04, accompanied by the funds, if any, required by the penultimate paragraph of this Section 12.02, and shall give written notice of conversion in the form provided on the

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Convertible Subordinated Notes (or such other notice which is acceptable to the Company) to the office or agency that the holder of Convertible Subordinated Notes elects to convert such Convertible Subordinated Note or such portion thereof specified in said notice. Such notice shall also state the name or names (with address or addresses) in which the certificate or certificates for shares of Common Stock which are issuable on such conversion shall be issued, and shall be accompanied by transfer taxes, if required pursuant to Section 12.07. Each such Convertible Subordinated Note surrendered for conversion shall, unless the shares issuable on conversion are to be issued in the same name as the registration of such Convertible Subordinated Note, be duly endorsed by, or be accompanied by instruments of transfer in form satisfactory to the Company duly executed by, the holder of Convertible Subordinated Notes or his or her duly authorized attorney. The holder of such Convertible Subordinated Notes will not be required to pay any tax or duty which may be payable in respect of the issue or delivery of Common Stock on conversion, but will be required to pay any tax or duty which may be payable in respect of any transfer involved in the issue or delivery of Common Stock in a name other than the same name as the registration of such Convertible Subordinated Note.

As promptly as practicable after satisfaction of the requirements for conversion set forth above, the Company shall issue and shall deliver to such holder at the office or agency maintained by the Company for such purpose pursuant to Section 4.04, a certificate or certificates for the number of full shares of Common Stock issuable upon the conversion of such Convertible Subordinated Note or portion thereof in accordance with the provisions of this Article 12 and a check or cash in respect of any fractional interest in respect of a share of Common Stock arising upon such conversion, as provided in Section 12.03 (which payment, if any, shall be paid no later than five business days after satisfaction of the requirements for conversion set forth above). Certificates representing shares of Common Stock will not be issued or delivered unless all taxes and duties, if any, payable by the holder have been paid. In case any Convertible Subordinated Note of a denomination of an integral multiple greater than \$1,000 is surrendered for partial conversion, and subject to Section 2.02, the Company shall execute, and the Trustee shall authenticate and deliver to the holder of the Convertible Subordinated Note so surrendered, without charge to him or her, a new Convertible Subordinated Note or Convertible Subordinated Notes in authorized denominations in an aggregate principal amount equal to the unconverted portion of the surrendered Convertible Subordinated Note.

Each conversion shall be deemed to have been effected as to any such Convertible Subordinated Note (or portion thereof) on the date on which the requirements set forth above in this Section 12.02 have been satisfied as to such Convertible Subordinated Note (or portion thereof), and the person in whose

name any certificate or certificates for shares of Common Stock are issuable upon such conversion shall be deemed to have become on said date the holder of record of the shares represented thereby; provided, however, that any such surrender on any date when the Company's stock transfer books are closed shall constitute the person in whose name the certificates are to be issued as the record holder thereof for all purposes on the next succeeding day on which such stock transfer books are open, but such conversion shall be at the Conversion Price in effect on the date upon which such Convertible Subordinated Note is surrendered.

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Any Convertible Subordinated Note or portion thereof surrendered for conversion during the period from the close of business on the record date for any interest payment through the close of business on the last trading day immediately preceding such interest payment date shall (unless such Convertible Subordinated Note or portion thereof being converted has been called for redemption pursuant to a notice of redemption mailed by the Company to the holders in accordance with the provisions of Section 3.04) be accompanied by payment, in funds acceptable to the Company, of an amount equal to the interest and Liquidated Damages, if any, otherwise payable on such interest payment date on the principal amount being converted; provided however, that no such payment need be made if there exists at the time of conversion a default in the payment of interest or Liquidated Damages, if applicable, on the Convertible Subordinated Notes. An amount equal to such payment shall be paid by the Company on such interest payment date to the holder of such Convertible Subordinated Note at the close of business on such record date; provided, however, that if the Company defaults in the payment of interest or Liquidated Damages, if applicable, on such interest payment date, such amount shall be paid to the person who made such required payment. Except as provided above in this Section 12.02, no adjustment shall be made for interest and Liquidated Damages, if any, accrued on any Convertible Subordinated Note converted or for dividends on any shares issued upon the conversion of such Convertible Subordinated Note as provided in this Article 12.

SECTION 12.03 Cash Payments in Lieu of Fractional Shares.

No fractional shares of Common Stock or scrip representing fractional shares shall be issued upon conversion of Convertible Subordinated Notes. If more than one Convertible Subordinated Note shall be surrendered for conversion at one time by the same holder, the number of full shares which shall be issuable upon conversion shall be computed on the basis of the aggregate principal amount of the Convertible Subordinated Notes (or specified portions thereof to the extent permitted hereby) so surrendered for conversion. If any fractional share of stock otherwise would be issuable upon the conversion of any Convertible Subordinated Note or Convertible Subordinated Notes, the Company shall make an adjustment therefor in cash based upon the Current Market Price of the Common Stock on the last trading day prior to the date of conversion.

SECTION 12.04 Conversion Price.

The conversion price shall be as specified in the form of Convertible Subordinated Note attached as Exhibit A hereto, subject to adjustment as provided in this Article 12.

SECTION 12.05 Adjustment of Conversion Price.

The Conversion Price shall be adjusted from time to time by the Company as follows:

(a) If the Company shall hereafter pay a dividend or make a distribution to all holders of the outstanding Common Stock in shares of Common Stock, the Conversion Price in effect at the opening of business on the date following the date fixed for the determination of stockholders entitled to receive such dividend or other distribution shall be reduced by multiplying such Conversion Price by a fraction of which the numerator shall be the number of shares of

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Common Stock outstanding at the close of business on the Record Date (as defined

in Section 12.05(g)) fixed for such determination and the denominator shall be the sum of such number of shares and the total number of shares constituting such dividend or other distribution, such reduction to become effective immediately after the opening of business on the day following the Record Date. If any dividend or distribution of the type described in this Section 12.05(a) is declared but not so paid or made, the Conversion Price shall again be adjusted to the Conversion Price which would then be in effect if such dividend or distribution had not been declared.

(b) If the outstanding shares of Common Stock shall be subdivided into a greater number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such subdivision becomes effective shall be proportionately reduced, and, conversely, if the outstanding shares of Common Stock shall be combined into a smaller number of shares of Common Stock, the Conversion Price in effect at the opening of business on the day following the day upon which such combination becomes effective shall be proportionately increased, such reduction or increase, as the case may be, to become effective immediately after the opening of business on the day following the day upon which such subdivision or combination becomes effective.

(c) If the Company shall issue rights or warrants to all or substantially all holders of its outstanding shares of Common Stock entitling them to subscribe for or purchase shares of Common Stock at a price per share less than the Current Market Price (as defined in Section 12.05(g)) on the Record Date fixed for the determination of stockholders entitled to receive such rights or warrants, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect at the opening of business on the date after such Record Date by a fraction of which the numerator shall be the number of shares of Common Stock outstanding at the close of business on the Record Date plus the number of shares which the aggregate offering price of the total number of shares so offered would purchase at such Current Market Price, and of which the denominator shall be the number of shares of Common Stock outstanding on the close of business on the Record Date plus the total number of additional shares of Common Stock so offered for subscription or purchase. Such adjustment shall become effective immediately after the opening of business on the day following the Record Date fixed for determination of stockholders entitled to receive such rights or warrants. To the extent that shares of Common Stock are not delivered pursuant to such rights or warrants, upon the expiration or termination of such rights or warrants the Conversion Price shall be readjusted to be the Conversion Price which would then be in effect had the adjustments made upon the issuance of such rights or warrants been made on the basis of delivery of only the number of shares of Common Stock actually delivered. If such rights or warrants are not so issued, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such date fixed for the determination of stockholders entitled to receive such rights or warrants had not been fixed. In determining whether any rights or warrants entitle the holders to subscribe for or purchase shares of Common Stock at less than such Current Market Price, and in determining the aggregate offering price of such shares of Common Stock, there shall be taken into account any consideration received for such rights or warrants, with the value of such consideration, if other than cash, to be determined by the Board of Directors.

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(d) If the Company shall, by dividend or otherwise, distribute to all holders of its Common Stock shares of any class of capital stock of the Company (other than any dividends or distributions to which Section 12.05(a) applies) or evidences of its indebtedness, cash or other assets (including securities, but excluding (i) any rights or warrants of a type referred to in Section 12.05(c) and (ii) dividends and distributions paid exclusively in cash) (the foregoing hereinafter in this Section 12.05(d) called the "Securities"), then, in each such case, the Conversion Price shall be reduced so that the same shall be equal to the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on the Record Date (as defined in Section 12.05(g)) with respect to such distribution by a fraction of which the numerator shall be the Current Market Price (determined as provided in Section 12.05(g)) on such date less the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) on such date of the portion of the Securities so distributed applicable to one share of Common Stock and the denominator shall be such Current Market Price, such reduction to become

effective immediately prior to the opening of business on the day following the Record Date; provided, however, that in the event the then fair market value (as so determined) of the portion of the Securities so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of Convertible Subordinated Notes shall have the right to receive upon conversion of a Convertible Subordinated Note (or any portion thereof) the amount of Securities such holder would have received had such holder converted such Convertible Subordinated Note (or portion thereof) immediately prior to such Record Date. If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared. If the Board of Directors determines the fair market value of any distribution for purposes of this Section 12.05(d) by reference to the actual or when issued trading market for any securities comprising all or part of such distribution, it must in doing so consider the prices in such market over the same period used in computing the Current Market Price pursuant to Section 12.05(g) to the extent possible.

Notwithstanding any other provision of this Section 12.05(d) to the contrary, rights, warrants, evidences of indebtedness, other securities, cash or other assets (including, without limitation, any rights distributed pursuant to any stockholder rights plan) shall be deemed not to have been distributed for purposes of this Section 12.05(d) if the Company makes proper provision so that each holder of Convertible Subordinated Notes who converts a Convertible Subordinated Note (or any portion thereof) after the date fixed for determination of stockholders entitled to receive such distribution shall be entitled to receive upon such conversion, in addition to the shares of Common Stock issuable upon such conversion, the amount and kind of such distributions that such holder would have been entitled to receive if such holder had, immediately prior to such determination date, converted such Convertible Subordinated Note into Common Stock.

Rights or warrants distributed by the Company to all holders of Common Stock entitling the holders thereof to subscribe for or purchase shares of the Company's capital stock (either initially or under certain circumstances), which rights or warrants, until the occurrence of a specified event or events ("Trigger Event"): (i) are deemed to be transferred with such shares of Common Stock;

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(ii) are not exercisable; and (iii) are also issued in respect of future issuances of Common Stock, shall be deemed not to have been distributed for purposes of this Section 12.05(d) (and no adjustment to the Conversion Price under this Section 12.05(d) shall be required) until the occurrence of the earliest Trigger Event, whereupon such rights and warrants shall be deemed to have been distributed and an appropriate adjustment to the Conversion Price under this Section 12.05(d) shall be made. If any such rights or warrants, including any such existing rights or warrants distributed prior to the date of this Indenture, are subject to subsequent events, upon the occurrence of each of which such rights or warrants shall become exercisable to purchase different securities, evidences of indebtedness or other assets, then the occurrence of each such event shall be deemed to be such date of issuance and record date with respect to new rights or warrants (and a termination or expiration of the existing rights or warrants without exercise by the holder thereof). In addition, in the event of any distribution (or deemed distribution) of rights or warrants, or any Trigger Event with respect thereto, that was counted for purposes of calculating a distribution amount for which an adjustment to the Conversion Price under this Section 12.05 was made, (1) in the case of any such rights or warrants which shall all have been redeemed or repurchased without exercise by any holders thereof, the Conversion Price shall be readjusted upon such final redemption or repurchase to give effect to such distribution or Trigger Event, as the case may be, as though it were a cash distribution, equal to the per share redemption or repurchase price received by a holder or holders of Common Stock with respect to such rights or warrants (assuming such holder had retained such rights or warrants), made to all holders of Common Stock as of the date of such redemption or repurchase, and (2) in the case of such rights or warrants which shall have expired or been terminated without exercise by any holders thereof, the Conversion Price shall be readjusted as if such rights and warrants had not been issued.

For purposes of this Section 12.05(d) and Sections 12.05(a) and (c),

any dividend or distribution to which this Section 12.05(d) is applicable that also includes shares of Common Stock, or rights or warrants to subscribe for or purchase shares of Common Stock to which Section 12.05(c) applies (or both), shall be deemed instead to be (1) a dividend or distribution of the evidences of indebtedness, assets, shares of capital stock, rights or warrants other than such shares of Common Stock or rights or warrants to which Section 12.05(c) applies (and any Conversion Price reduction required by this Section 12.05(d) with respect to such dividend or distribution shall then be made) immediately followed by (2) a dividend or distribution of such shares of Common Stock or such rights or warrants (and any further Conversion Price reduction required by Sections 12.05(a) and (c) with respect to such dividend or distribution shall then be made, except that (A) the Record Date of such dividend or distribution shall be substituted as "the date fixed for the determination of stockholders entitled to receive such dividend or other distribution", "Record Date fixed for such determination" and "Record Date" within the meaning of Section 12.05(a) and as "the date fixed for the determination of stockholders entitled to receive such rights or warrants", "the Record Date fixed for the determination of the stockholders entitled to receive such rights or warrants" and "such Record Date" within the meaning of Section 12.05(c) and (B) any shares of Common Stock included in such dividend or distribution shall not be deemed "outstanding at the close of business on the date fixed for such determination" within the meaning of Section 12.05(a)).

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(e) If the Company shall, by dividend or otherwise, distribute cash to all holders of its Common Stock (excluding any cash that is distributed upon a merger or consolidation to which Section 12.06 applies or as part of a distribution referred to in Section 12.05(d)) in an aggregate amount that, combined together with (1) the aggregate amount of any other such all-cash distributions to all holders of its Common Stock within the 12 months preceding the date of payment of such distribution, and in respect of which no adjustment pursuant to this Section 12.05(e) has been made, and (2) the aggregate of any cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors) of consideration payable in respect of any tender offer by the Company or any of its subsidiaries for all or any portion of the Common Stock concluded within the 12 months preceding the date of payment of such distribution, and in respect of which no adjustment pursuant to Section 12.05(f) has been made, exceeds 15% of the product of the Current Market Price (determined as provided in Section 12.05(g)) on the Record Date with respect to such distribution times the number of shares of Common Stock outstanding on such date, then, and in each such case, immediately after the close of business on such date, the Conversion Price shall be reduced so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to the close of business on such Record Date by a fraction (i) the numerator of which shall be equal to the Current Market Price on the Record Date less an amount equal to the quotient of (x) the excess of such combined amount over such 15% and (y) the number of shares of Common Stock outstanding on the Record Date and (ii) the denominator of which shall be equal to the Current Market Price on such Record Date; provided, however, that if the portion of the cash so distributed applicable to one share of Common Stock is equal to or greater than the Current Market Price of the Common Stock on the Record Date, in lieu of the foregoing adjustment, adequate provision shall be made so that each holder of Convertible Subordinated Notes shall have the right to receive upon conversion of a Convertible Subordinated Note (or any portion thereof) the amount of cash such holder would have received had such holder converted such Convertible Subordinated Note (or portion thereof) immediately prior to such Record Date. If such dividend or distribution is not so paid or made, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such dividend or distribution had not been declared. Any cash distribution to all holders of Common Stock as to which the Company makes the election permitted by Section 12.05(m) and as to which the Company has complied with the requirements of such Section shall be treated as not having been made for all purposes of this Section 12.05(e).

(f) If a tender offer made by the Company or any of its subsidiaries for all or any portion of the Common Stock expires and such tender offer (as amended upon the expiration thereof) requires the payment to stockholders (based on the acceptance (up to any maximum specified in the terms of the tender offer) of Purchased Shares (as defined below)) of an aggregate consideration having a fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution

of the Board of Directors) that, combined together with (1) the aggregate of the cash plus the fair market value (as determined by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors), as of the expiration of such tender offer, of consideration payable in respect of any other tender offers, by the Company or any of its subsidiaries for all or any portion of the Common Stock, expiring within the 12 months preceding the expiration of such tender offer and in

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respect of which no adjustment pursuant to this Section 12.05(f) has been made and (2) the aggregate amount of any such all-cash distributions to all holders of the Common Stock within 12 months preceding the expiration of such tender offer and in respect of which no adjustment pursuant to Section 12.05(e) has been made, exceeds 15% of the product of the Current Market Price (determined as provided in Section 12.05(g)) as of the last time (the "Expiration Time") tenders could have been made pursuant to such tender offer (as it may be amended) times the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time, then, and in each such case, immediately prior to the opening of business on the day after the date of the Expiration Time, the Conversion Price shall be adjusted so that the same shall equal the price determined by multiplying the Conversion Price in effect immediately prior to close of business on the date of the Expiration Time by a fraction of which the numerator shall be the number of shares of Common Stock outstanding (including any tendered shares) on the Expiration Time multiplied by the Current Market Price of the Common Stock on the trading day next succeeding the Expiration Time and the denominator shall be the sum of (x) the fair market value (determined as aforesaid) of the aggregate consideration payable to stockholders based on the acceptance (up to any maximum specified in the terms of the tender offer) of all shares validly tendered and not withdrawn as of the Expiration Time (the shares deemed so accepted, up to any such maximum, being referred to as the "Purchased Shares") and (y) the product of the number of shares of Common Stock outstanding (less any Purchased Shares) on the Expiration Time and the Current Market Price of the Common Stock on the Trading Day next succeeding the Expiration Time, such reduction (if any) to become effective immediately prior to the opening of business on the day following the Expiration Time. If the Company is obligated to purchase shares pursuant to any such tender offer, but the Company is permanently prevented by applicable law from effecting any such purchases or all such purchases are rescinded, the Conversion Price shall again be adjusted to be the Conversion Price which would then be in effect if such tender offer had not been made. If the application of this Section 12.05(f) to any tender offer would result in an increase in the Conversion Price, no adjustment shall be made for such tender offer under this Section 12.05(f).

(g) For purposes of this Section 12.05, the following terms shall have the meaning indicated:

(1) "closing price" with respect to any securities on any day means the closing price on such day or, if no such sale takes place on such day, the average of the reported high and low prices on such day, in each case on the Nasdaq National Market or New York Stock Exchange, as applicable, or, if such security is not listed or admitted to trading on such national market or exchange, on the principal national securities exchange or quotation system on which such security is quoted or listed or admitted to trading, or, if not quoted or listed or admitted to trading on any national securities exchange or quotation system, the average of the high and low prices of such security on the over-the-counter market on the day in question as reported by the National Quotation Bureau Incorporated, or a similar generally accepted reporting service, or, if not so available, in such manner as furnished by any New York Stock Exchange member firm selected from time to time by the Board of Directors for that purpose, or a price determined in good faith by the Board of Directors, whose determination shall be conclusive and described in a resolution of the Board of Directors.

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(2) "Current Market Price" means the average of the daily closing prices per share of Common Stock for the 10 consecutive trading days immediately prior to the date in question; provided, however, that (1) if the "ex" date (as hereinafter defined) for any event (other than the issuance or

distribution requiring such computation) that requires an adjustment to the Conversion Price pursuant to Sections 12.05(a), (b), (c), (d), (e) or (f) occurs during such 10 consecutive trading days, the closing price for each trading day prior to the "ex" date for such other event shall be adjusted by multiplying such closing price by the same fraction by which the Conversion Price is so required to be adjusted as a result of such other event, (2) if the "ex" date for any event (other than the issuance or distribution requiring such computation) that requires an adjustment to the Conversion Price pursuant to Section 12.05(a), (b), (c), (d), (e) or (f) occurs on or after the "ex" date for the issuance or distribution requiring such computation and prior to the day in question, the closing price for each trading day on and after the "ex" date for such other event shall be adjusted by multiplying such closing price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event, and (3) if the "ex" date for the issuance or distribution requiring such computation is prior to the day in question, after taking into account any adjustment required pursuant to clause (1) or (2) of this proviso, the closing price for each trading day on or after such "ex" date shall be adjusted by adding thereto the amount of any cash and the fair market value (as determined by the Board of Directors in a manner consistent with any determination of such value for purposes of Sections 12.05(d) or (f), whose determination shall be conclusive and described in a resolution of the Board of Directors) of the evidences of indebtedness, shares of capital stock or assets being distributed applicable to one share of Common Stock as of the close of business on the day before such "ex" date. For purposes of any computation under Section 12.05(f), the Current Market Price on any date shall be deemed to be the average of the daily closing prices per share of Common Stock for such day and the next two succeeding trading days; provided, however, that if the "ex" date for any event (other than the tender offer requiring such computation) that requires an adjustment to the Conversion Price pursuant to Section 12.05(a), (b), (c), (d), (e) or (f) occurs on or after the Expiration Time for the tender or exchange offer requiring such computation and prior to the day in question, the closing price for each trading day on and after the "ex" date for such other event shall be adjusted by multiplying such Closing Price by the reciprocal of the fraction by which the Conversion Price is so required to be adjusted as a result of such other event. For purposes of this paragraph, the term "ex" date, (1) when used with respect to any issuance or distribution, means the first date on which the Common Stock trades regular way on the relevant exchange or in the relevant market from which the closing price was obtained without the right to receive such issuance or distribution, (2) when used with respect to any subdivision or combination of shares of Common Stock, means the first date on which the Common Stock trades regular way on such exchange or in such market after the time at which such subdivision or combination becomes effective, and (3) when used with respect to any tender or exchange offer means the first date on which the Common Stock trades regular way on such exchange or in such market after the Expiration Time of such offer. Notwithstanding the foregoing, whenever successive adjustments to the Conversion Price are called for pursuant to this Section 12.05, such adjustments shall be made to the Current Market Price as may be necessary or appropriate to effectuate the intent of this Section 12.05 and to avoid unjust or inequitable results as determined in good faith by the Board of Directors.

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(3) "fair market value" shall mean the amount which a willing buyer would pay a willing seller in an arm's length transaction.

(4) "Record Date" shall mean, with respect to any dividend, distribution or other transaction or event in which the holders of Common Stock have the right to receive any cash, securities or other property or in which the Common Stock (or other applicable security) is exchanged for or converted into any combination of cash, securities or other property, the date fixed for determination of stockholders entitled to receive such cash, securities or other property (whether such date is fixed by the Board of Directors or by statute, contract or otherwise).

(5) "trading day" shall mean (x) if the applicable security is listed or admitted for trading on the New York Stock Exchange or another national securities exchange, a day on which the New York Stock Exchange or another national securities exchange is open for business or (y) if the applicable security is quoted on the Nasdaq National Market, a day on which trades may be made thereon or (z) if the applicable security is not so listed, admitted for trading or quoted, any day other than a Saturday or Sunday or a day on which banking institutions in the State of New York are authorized or

obligated by law or executive order to close.

(h) The Company may make such reductions in the Conversion Price, in addition to those required by Sections 12.05(a), (b), (c), (d), (e) and (f), as the Board of Directors considers to be advisable to avoid or diminish any income tax to holders of Common Stock or rights to purchase Common Stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

The Company from time to time may, to the extent permitted by law, reduce the Conversion Price by any amount for any period of at least 20 days, if the Board of Directors has made a determination that such reduction would be in the Company's best interests, which determination shall be conclusive and described in a resolution of the Board of Directors. The reduction in Conversion Price shall be irrevocable during this period. Whenever the Conversion Price is reduced pursuant to the preceding sentence, the Company shall mail to the holders of Convertible Subordinated Notes at his or her last address appearing on the Register of holders maintained for that purpose a notice of the reduction at least 15 days prior to the date the reduced Conversion Price takes effect, and such notice shall state the reduced Conversion Price and the period during which it will be in effect.

(i) No adjustment in the Conversion Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such price; provided, however, that any adjustments which by reason of this Section 12.05(i) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Article 12 shall be made by the Company and shall be made to the nearest cent or to the nearest one hundredth of a share, as the case may be.

No adjustment need be made for a change in the par value or no par value of the Common Stock.

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(j) Whenever the Conversion Price is adjusted as herein provided, the Company shall promptly file with the Trustee and any Conversion Agent other than the Trustee an Officers' Certificate setting forth the Conversion Price after such adjustment and setting forth a brief statement of the facts requiring such adjustment. Promptly after delivery of such certificate, the Company shall prepare a notice of such adjustment of the Conversion Price setting forth the adjusted Conversion Price and the date on which each adjustment becomes effective and shall mail such notice of such adjustment of the Conversion Price to each holder of Convertible Subordinated Notes at his or her last address appearing on the Register of holders maintained for that purpose within 20 days of the effective date of such adjustment. Failure to deliver such notice shall not affect the legality or validity of any such adjustment.

(k) In any case in which this Section 12.05 provides that an adjustment shall become effective immediately after a Record Date for an event, the Company may defer until the occurrence of such event issuing to the holder of any Convertible Subordinated Note converted after such Record Date and before the occurrence of such event the additional shares of Common Stock issuable upon such conversion by reason of the adjustment required by such event over and above the Common Stock issuable upon such conversion before giving effect to such adjustment.

(l) For purposes of this Section 12.05, the number of shares of Common Stock at any time outstanding shall not include shares held in the treasury of the Company but shall include shares issuable in respect of scrip certificates issued in lieu of fractions of shares of Common Stock. The Company shall not pay any dividend or make any distribution on shares of Common Stock held in the treasury of the Company.

(m) In lieu of making any adjustment to the Conversion Price pursuant to Section 12.05(e), the Company may elect to reserve an amount of cash for distribution to the holders of Convertible Subordinated Notes upon the conversion of the Convertible Subordinated Notes so that any such holder converting Convertible Subordinated Notes will receive upon such conversion, in addition to the shares of Common Stock and other items to which such holder is entitled, the full amount of cash which such holder would have received if such holder had, immediately prior to the Record Date for such distribution of cash,

converted its Convertible Subordinated Notes into Common Stock, together with any interest accrued with respect to such amount, in accordance with this Section 12.05(m). The Company may make such election by providing an Officers' Certificate to the Trustee to such effect on or prior to the payment date for any such distribution and depositing with the Trustee on or prior to such date an amount of cash equal to the aggregate amount that the holders of Convertible Subordinated Notes would have received if such holders had, immediately prior to the Record Date for such distribution, converted all of the Convertible Subordinated Notes into Common Stock. Any such funds so deposited by the Company with the Trustee shall be invested by the Trustee in U.S. Government Obligations with a maturity not more than three (3) months from the date of issuance. Upon conversion of Convertible Subordinated Notes by a holder thereof, such holder shall be entitled to receive, in addition to the Common Stock issuable upon conversion, an amount of cash equal to the amount such holder would have received if such holder had, immediately prior to the Record Date for such distribution, converted its Convertible Subordinated Note into Common Stock, along with such holder's pro-rata share of any accrued

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interest earned as a consequence of the investment of such funds. Promptly after making an election pursuant to this Section 12.05(m), the Company shall give or shall cause to be given notice to all holders of Convertible Subordinated Notes of such election, which notice shall state the amount of cash per \$1,000 principal amount of Convertible Subordinated Notes such holders shall be entitled to receive (excluding interest) upon conversion of the Convertible Subordinated Notes as a consequence of the Company having made such election.

SECTION 12.06 Effect of Reclassification, Consolidation, Merger or Sale.

If any of the following events occur: (i) any reclassification or change of the outstanding shares of Common Stock (other than a change in par value, or from par value to no par value, or from no par value to par value, or as a result of a subdivision or combination), (ii) any consolidation, merger or combination of the Company with another corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, or (iii) any sale or conveyance of the properties and assets of the Company as an entirety or substantially as an entirety to any other corporation as a result of which holders of Common Stock shall be entitled to receive stock, securities or other property or assets (including cash) with respect to or in exchange for such Common Stock, then the Company or the successor or purchasing corporation, as the case may be, shall execute with the Trustee a supplemental indenture (which shall comply with the TIA as in force at the date of execution of such supplemental indenture if such supplemental indenture is then required to so comply) providing that the Convertible Subordinated Notes shall be convertible into the kind and amount of shares of stock and other securities or property or assets (including cash) receivable upon such reclassification, change, consolidation, merger, combination, sale or conveyance by a holder of a number of shares of Common Stock issuable upon conversion of the Convertible Subordinated Notes (assuming, for such purposes, a sufficient number of authorized shares of Common Stock available to convert all such Convertible Subordinated Notes) immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance assuming such holder of Common Stock did not exercise his or her rights of election, if any, as to the kind or amount of securities, cash or other property receivable upon such consolidation, merger, statutory exchange, sale or conveyance (provided that, if the kind or amount of securities, cash or other property receivable upon such consolidation, merger, statutory exchange, sale or conveyance is not the same for each share of Common Stock in respect of which such rights of election have not been exercised ("non-electing share"), then, for the purposes of this Section 12.06, the kind and amount of securities, cash or other property receivable upon such consolidation, merger, statutory exchange, sale or conveyance for each non-electing share shall be deemed to be the kind and amount so receivable per share by a plurality of the non-electing shares). Such supplemental indenture shall provide for adjustments which shall be as nearly equivalent as may be practicable to the adjustments provided for in this Article 12. If, in the case of any such reclassification, change, consolidation, merger, combination, sale or conveyance, the stock or other securities and assets receivable thereupon by a holder of shares of Common Stock includes shares of stock or other securities and assets of a corporation other than the successor or purchasing corporation, as the case may be, in such reclassification, change, consolidation, merger, combination, sale or conveyance, then such supplemental

indenture shall also be executed by such other corporation and shall contain such

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additional provisions to protect the interests of the holders of the Convertible Subordinated Notes as the Board of Directors shall reasonably consider necessary by reason of the foregoing.

The Company shall cause notice of the execution of such supplemental indenture to be mailed to each holder of Convertible Subordinated Notes at his or her address appearing on the Register of holders for that purpose within 20 days after execution thereof. Failure to deliver such notice shall not affect the legality or validity of such supplemental indenture.

The above provisions of this Section 12.06 shall similarly apply to successive reclassifications, changes, consolidations, mergers, combinations, sales and conveyances.

If this Section 12.06 applies to any event or occurrence, Section 12.05 shall not apply.

SECTION 12.07 Taxes on Shares Issued.

The issue of stock certificates on conversions of Convertible Subordinated Notes shall be made without charge to the converting holder for any tax in respect of the issue thereof. The Company shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issue and delivery of stock in any name other than that of the holder of any Convertible Subordinated Note converted, and the Company shall not be required to issue or deliver any such stock certificate unless and until the person or persons requesting the issue thereof shall have paid to the Company the amount of such tax or shall have established to the satisfaction of the Company that such tax has been paid.

SECTION 12.08 Reservation of Shares; Shares to Be Fully Paid; Listing of Common Stock.

The Company shall provide, free from preemptive rights, out of its authorized but unissued shares or shares held in treasury, sufficient shares to provide for the conversion of the Convertible Subordinated Notes from time to time as such Convertible Subordinated Notes are presented for conversion.

Before taking any action which would cause an adjustment reducing the Conversion Price below the then par value, if any, of the shares of Common Stock issuable upon conversion of the Convertible Subordinated Notes, the Company shall take all corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue shares of such Common Stock at such adjusted Conversion Price.

The Company covenants that all shares of Common Stock issued upon conversion of Convertible Subordinated Notes will be fully paid and non-assessable by the Company and free from all taxes, liens and charges with respect to the issue thereof.

The Company further covenants that as long as the Common Stock is quoted on the Nasdaq National Market, or its successor, the Company shall cause all Common Stock issuable upon conversion of the Convertible Subordinated Notes to be eligible for such quotation in accordance with, and at the times required under, the requirements of such market, and if at any time the

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Common Stock becomes listed on the New York Stock Exchange or any other national securities exchange, the Company shall cause all Common Stock issuable upon conversion of the Convertible Subordinated Notes to be so listed and kept listed.

SECTION 12.09 Responsibility of Trustee.

The Trustee shall not at any time be under any duty of responsibility

to any holders of Convertible Subordinated Notes to determine whether any facts exist which may require any adjustment of the Conversion Price, or with respect to the nature or extent or calculation of any such adjustment when made, or with respect to the method employed, or herein or in any supplemental indenture provided to be employed, in making the same. The Trustee shall not be accountable with respect to the validity or value (or the kind or amount) of any shares of Common Stock, or of any securities or property, which may at any time be issued or delivered upon the conversion of any Convertible Subordinated Note; and the Trustee makes no representations with respect thereto. Subject to the provisions of Section 7.01, the Trustee shall not be responsible for any failure of the Company to issue, transfer or deliver any shares of Common Stock or stock certificates or other securities or property or cash upon the surrender of any Convertible Subordinated Note for the purpose of conversion or to comply with any of the duties, responsibilities or covenants of the Company contained in this Article 12. Without limiting the generality of the foregoing, the Trustee shall not have any responsibility to determine the correctness of any provisions contained in any supplemental indenture entered into pursuant to Section 12.06 relating either to the kind or amount of shares of stock or securities or property (including cash) receivable by holders of Convertible Subordinated Notes upon the conversion of their Convertible Subordinated Notes after any event referred to in such Section 12.06 or to any adjustment to be made with respect thereto, but, subject to the provisions of Section 7.01, may accept as conclusive evidence of the correctness of any such provisions, and shall be protected in relying upon, the Officers' Certificate and Opinion of Counsel (which the Company shall be obligated to file with the Trustee prior to the execution of any such supplemental indenture) with respect thereto.

SECTION 12.10 Notice to Holders Prior to Certain Actions.

If

(a) the Company declares a dividend (or any other distribution) on its Common Stock (other than in cash out of retained earnings or other than a dividend that results in an adjustment in the Conversion Price pursuant to Section 12.05 as to which the Company has made an election in accordance with Section 12.05(m)); or

(b) the Company authorizes the granting to the holders of its Common Stock of rights or warrants to subscribe for or purchase any share of any class of Common Stock or any other rights or warrants; or

(c) there is any reclassification of the Common Stock (other than a subdivision or combination of outstanding Common Stock, or a change in par value, or from par value to no par value, or from no par value to par value), or of any consolidation or merger to which the Company is

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a party and for which approval of any stockholders of the Company is required, or of the sale or transfer of all or substantially all of the assets of the Company; or

(d) there is any voluntary or involuntary dissolution, liquidation or winding-up of the Company;

then the Company shall cause to be filed with the Trustee and to be mailed to each holder of Convertible Subordinated Notes at his or her address appearing on the Register maintained for that purpose as promptly as possible but in any event at least 15 days prior to the applicable date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution or rights or warrants, or, if a record is not to be taken, the date as of which the holders of Common Stock of record to be entitled to such dividend, distribution or rights are to be determined, or (y) the date on which such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up is expected to become effective or occur, and the date as of which it is expected that holders of Common Stock of record shall be entitled to exchange their Common Stock for securities or other property deliverable upon such reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up. Failure to give such notice, or any defect therein, shall not affect the legality or validity of such dividend, distribution, reclassification, consolidation, merger, sale, transfer, dissolution, liquidation or winding-up.

SECTION 12.11 Restriction on Common Stock Issuable Upon Conversion

(a) Shares of Common Stock to be issued upon conversion of Convertible Subordinated Notes prior to the effectiveness of a Shelf Registration Statement shall be physically delivered in certificated form to the holders converting such Securities and the certificate representing such shares of Common Stock shall bear the Restricted Common Stock Legend unless removed in accordance with section 12.11(c).

(b) If (i) shares of Common Stock to be issued upon conversion of a Convertible Subordinated Note prior to the effectiveness of a Shelf Registration Statement are to be registered in a name other than that of the holder of such Convertible Subordinated Note or (ii) shares of Common Stock represented by a certificate bearing the Restricted Common Stock Legend are transferred subsequently by such holder, then, unless the Shelf Registration Statement has become effective and such shares are being transferred pursuant to the Shelf Registration Statement, the holder must deliver to the transfer agent for the Common Stock a certificate in substantially the form of Exhibit E as to compliance with the restrictions on transfer applicable to such shares of Common Stock and neither the transfer agent nor the registrar for the Common Stock shall be required to register any transfer of such Common Stock not so accompanied by a properly completed certificate.

(c) Except in connection with a Shelf Registration Statement, if certificates representing shares of Common Stock are issued upon the registration of transfer, exchange or replacement of any other certificate representing shares of Common Stock bearing the Restricted Common Stock Legend, or if a request is made to remove such Restricted Common Stock Legend from certificates representing shares of Common Stock, the certificates so issued shall bear the Restricted Common Stock Legend, or the Restricted Common Stock Legend shall not be removed,

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as the case may be, unless there is delivered to the Company such satisfactory evidence, which, in the case of a transfer made pursuant to Rule 144 under the Securities Act, may include an opinion of counsel pursuant to the laws in the State of New York, as may be reasonably required by the Company, that neither the legend nor the restrictions on transfer set forth therein are required to ensure that transfers thereof comply with the provisions of Rule 144A, Rule 144 or Regulation S under the Securities Act or that such shares of Common Stock are securities that are not "restricted" within the meaning of Rule 144 under the Securities Act. Upon provision to the Company of such reasonably satisfactory evidence, the Company shall cause the transfer agent for the Common Stock to countersign and deliver certificates representing shares of Common Stock that do not bear the legend.

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IN WITNESS WHEREOF, the parties have caused this Indenture to be duly executed and attested, all as of the date first above written, signifying their agreements contained in this Indenture.

AMKOR TECHNOLOGY, INC.

By /s/ Kenneth Joyce

Name: Kenneth T. Joyce
Title: Chief Financial Officer

STATE STREET BANK AND TRUST COMPANY

By /s/ Michael D'Angelo

Name: Michael D'Angelo
Title: Vice President

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EXHIBIT A

(Face of Security)

[Global Securities Legend]

[The following legend shall appear on the face of each Global Security:

THIS CONVERTIBLE SUBORDINATED NOTE IS A GLOBAL SECURITY WITHIN THE MEANING OF THE INDENTURE HEREINAFTER REFERRED TO AND IS REGISTERED IN THE NAME OF THE DEPOSITARY OR A NOMINEE OF THE DEPOSITARY, WHICH MAY BE TREATED BY THE COMPANY, THE TRUSTEE AND ANY AGENT THEREOF AS OWNER AND HOLDER OF THIS CONVERTIBLE SUBORDINATED NOTE FOR ALL PURPOSES.]

[The following legend shall appear on the face of each Global Security for which The Depository Trust Company is to be the Depository:

UNLESS THIS CERTIFICATE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITARY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE COMPANY OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY CERTIFICATE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY THE AUTHORIZED REPRESENTATIVE OF DTC (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OR DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

UNLESS AND UNTIL IT IS EXCHANGED IN WHOLE OR IN PART FOR REGISTERED CONVERTIBLE SUBORDINATED NOTES IN DEFINITIVE REGISTERED FORM IN THE LIMITED CIRCUMSTANCES REFERRED TO IN THE INDENTURE, THIS GLOBAL SECURITY MAY NOT BE TRANSFERRED EXCEPT AS A WHOLE BY THE DEPOSITARY TO A NOMINEE OF THE DEPOSITARY OR BY A NOMINEE OF THE DEPOSITARY TO THE DEPOSITARY OR ANOTHER NOMINEE OF THE DEPOSITARY OR BY THE DEPOSITARY OR ANY SUCH NOMINEE TO A SUCCESSOR DEPOSITARY OR A NOMINEE OR SUCH SUCCESSOR DEPOSITARY.]

[Restricted Securities Legend]

THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE COMPANY THAT

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THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED (X) PRIOR TO THE SECOND ANNIVERSARY OF THE ISSUE HEREOF (OR ANY PREDECESSOR SECURITY HEREOF) OR (Y) BY ANY HOLDER THAT WAS AN "AFFILIATE" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY AT ANY TIME DURING THE THREE MONTHS PRECEDING THE DATE OF SUCH TRANSFER, IN EITHER CASE OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATIONS UNDER THE SECURITIES ACT, (4) TO AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE TRUSTEE), (5) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF APPLICABLE) UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR AND THAT IT IS HOLDING THIS SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION OR (3) NOT A U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2) OF RULE 902 UNDER)

REGULATION S UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTIONS WITH REGARD TO THIS SECURITY OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT.

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No. _____

\$ _____

CUSIP _____*

AMKOR TECHNOLOGY, INC.

5% CONVERTIBLE SUBORDINATED NOTE DUE 2007

promises to pay to

or registered assigns,

the principal sum of _____ Dollars on March 15, 2007

Interest Payment Dates: March 15 and September 15, commencing September 15, 2000

Regular Record Dates: March 1 and September 1

Certificate of Authentication

This is one of the Convertible Subordinated Notes

described in the within-mentioned Indenture.

State Street Bank and Trust Company,
as Trustee

AMKOR TECHNOLOGY,

By
Authorized Signatory
Dated:

By
Title:

(SEAL)

*Global Security: 031652 AF7
Definitive Security: 031652 AG5

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(Back of Security)

AMKOR TECHNOLOGY, INC.

5% CONVERTIBLE SUBORDINATED NOTE DUE 2007

1. INTEREST. Amkor Technology, Inc., a Delaware corporation (the "Company"), promises to pay interest on the principal amount of this Convertible Subordinated Note at the rate per annum shown above. The Company will pay interest semi-annually in arrears on March 15 and September 15 of each year, beginning September 15, 2000. Interest on the Convertible Subordinated Notes will accrue from the most recent interest payment date to which interest has been paid or, if no interest has been paid, from March 22, 2000. Interest (including any Liquidated Damages) will be computed on the basis of a 360-day year composed of twelve 30-day months.

2. METHOD OF PAYMENT. The Company will pay interest (and Liquidated Damages, if any) on the Convertible Subordinated Notes (except defaulted interest) to the person in whose name each Convertible Subordinated Note is registered at the close of business on the March 1 or September 1 immediately preceding the relevant interest payment date (each a "Regular Record Date") (other than with respect to a Convertible Subordinated Note or portion thereof called for redemption on a redemption date, or repurchased in connection with a

Designated Event on a repurchase date, during the period from the close of business on a Regular Record Date to (but excluding) the next succeeding interest payment date, in which case accrued interest (and Liquidated Damages, if any) shall be payable (unless such Convertible Subordinated Note or portion thereof is converted) to the holder of the Convertible Subordinated Note or portion thereof redeemed or repurchased in accordance with the applicable redemption or repurchase provisions of the Indenture). Holder must surrender Convertible Subordinated Notes to a Paying Agent to collect principal payments. The Company will pay the principal of, premium, if any, and interest (including Liquidated Damages, if any) on the Convertible Subordinated Notes at the office or agency of the Company maintained for such purpose, in money of the United States that at the time of payment is legal tender for payment of public and private debts. Until otherwise designated by the Company, the Company's office or agency maintained for such purpose will be the principal Corporate Trust Office of the Trustee (as defined below). However, the Company may pay principal, premium, if any, and interest (including Liquidated Damages, if any) by check payable in such money, and may mail such check to the holders of the Convertible Subordinated Notes at their respective addresses as set forth in the Register of holders of Convertible Subordinated Notes.

3. PAYING AGENT AND REGISTRAR. State Street Bank and Trust Company (together with any successor Trustee under the Indenture referred to below, the "Trustee"), will act as Paying Agent and Registrar. The Company may change the Paying Agent, Registrar or co-registrar without prior notice. Subject to certain limitations in the Indenture, the Company or any of its subsidiaries may act in any such capacity.

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4. INDENTURE. The Company issued the Convertible Subordinated Notes under an Indenture dated as of March 22, 2000 (the "Indenture") between the Company and the Trustee. The terms of the Convertible Subordinated Notes include those stated in the Indenture and those made part of the Indenture by reference to the Trust Indenture Act of 1939 (15 U.S. Code Sections 77aaa-77bbbb) (the "TIA") as in effect on the date of the Indenture. The Convertible Subordinated Notes are subject to, and qualified by, all such terms, certain of which are summarized hereon, and holders are referred to the Indenture and the TIA for a statement of such terms. The Convertible Subordinated Notes are unsecured general obligations of the Company limited to (except as otherwise provided in the Indenture) up to \$225,000,000 in aggregate principal amount, unless an election has been made as set forth in Article 2 of the Indenture to increase such aggregate principal amount by an amount not to exceed \$33,750,000. Capitalized terms not defined below have the same meaning as is given to them in the Indenture.

5. OPTIONAL AND PROVISIONAL REDEMPTION. On or after March 20, 2003, the Company shall have the option to redeem the Convertible Subordinated Notes, in whole or from time to time in part, at the following redemption prices (expressed as percentages of principal amount), if redeemed during the twelve month period beginning March 15 of each year indicated (March 20, 2003 through March 14, 2004, in the case of the first such year) plus accrued and unpaid interest (and Liquidated Damages, if any) to, but excluding, the date fixed for redemption:

Year ----	Redemption Price -----
2003.....	102.857%
2004.....	102.143%
2005.....	101.429%
2006.....	100.714%

and 100% at March 15, 2007.

After September 20, 2001 and prior to March 20, 2003, the Company may redeem the Convertible Subordinated Notes at the Company's option in whole or in part (in any integral multiple of \$1,000), at any time from time to time (a "Provisional Redemption") at a redemption price equal to 103.571% of the

principal amount of the Convertible Subordinated Notes redeemed plus accrued and unpaid interest (including Liquidated Damages), if any, to but excluding the date of redemption (the "Provisional Redemption Date") if the closing price of the Common Stock has equaled or exceeded 150% of the Conversion Price then in effect for at least 20 trading days within a period of 30 consecutive trading days prior to the date of mailing of the notice of Provisional Redemption (the "Notice Date").

Upon any such Provisional Redemption, the Company shall make an additional payment in cash (the "Make-Whole Payment") with respect to the Convertible Subordinated Notes called for

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redemption in an amount equal to the present value of the aggregate value of the interest payments and Liquidated Damages, if any, that would thereafter have been payable on the Convertible Subordinated Notes from the Provisional Redemption Date to but excluding March 20, 2003 (the "Additional Period"). The present value will be calculated by the Company (which determination shall be conclusive absent manifest error) using the bond equivalent yield on U.S. Treasury notes or bills having a term nearest in length to that of the Additional Period as of the day immediately preceding Notice Date. The Company shall make the Make-Whole Payment on all Convertible Subordinated Notes called for Provisional Redemption, including those Convertible Subordinated Notes converted into Common Stock between the Notice Date and the Provisional Redemption Date.

Notice of redemption will be mailed by first class mail at least 15 days (in the case of a Provisional Redemption at least 30 days) but not more than 60 days before the date fixed for redemption to each holder of Convertible Subordinated Notes to be redeemed at his or her registered address. Convertible Subordinated Notes in denominations larger than \$1,000 may be redeemed in part but only in integral multiples of \$1,000. If less than all the Convertible Subordinated Notes are to be redeemed, the Trustee shall select the Convertible Subordinated Notes to be redeemed by a method that complies with the requirements of the principal national securities exchange, if any, on which the Convertible Subordinated Notes are listed or quoted, or, if the Convertible Subordinated Notes are not so listed, on a pro rata basis by lot or by any other method that the Trustee considers fair and appropriate. On and after the redemption date, interest (and Liquidated Damages, if any) ceases to accrue on Convertible Subordinated Notes or portions thereof called for redemption (unless the Company defaults in the payment of the redemption price). If this Convertible Subordinated Note is redeemed on a date which is also an Interest Payment Date, the interest payment (and Liquidated Damages, if any) due on such date will be paid to the person in whose name this Convertible Subordinated Note is registered at the close of business on such record date.

6. DESIGNATED EVENT. Upon a Designated Event, the Company shall make a Designated Event Offer to repurchase all outstanding Convertible Subordinated Notes at a price equal to 101% of the aggregate principal amount of the Convertible Subordinated Notes, plus accrued and unpaid interest (and Liquidated Damages, if any) to, but excluding, the date of repurchase, such offer to be made as provided in the Indenture. To accept the Designated Event Offer, the holder hereof must comply with the terms thereof, including surrendering this Convertible Subordinated Note, with the "Option of Holder to Elect Repurchase" portion hereof completed, to the Company, a depository, if appointed by the Company, or a Paying Agent, at the address specified in the notice of the Designated Event Offer mailed to holders as provided in the Indenture, prior to termination of the Designated Event Offer.

7. RELATED TRANSACTIONS EVENT. Upon a Related Transactions Event, the Company shall make a Related Transactions Offer to repurchase all outstanding Convertible Subordinated Notes at a price equal to 101% of the aggregate principal amount of the Convertible Subordinated Notes, plus accrued and unpaid interest (and Liquidated Damages, if any) to, but excluding, the date of repurchase, such offer to be made as provided in the Indenture. To accept the Related Transactions Offer, the holder hereof must comply with the terms thereof, including surrendering this Convertible Subordinated Note, with the "Option of Holder to Elect Repurchase"

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portion hereof completed, to the Company, a depository, if appointed by the Company, or a Paying Agent, at the address specified in the notice of the Related Transactions Offer mailed to holders as provided in the Indenture, prior to termination of the Related Transactions Offer.

8. SUBORDINATION. The Company's payment of the principal of, premium, if any, and interest (including Liquidated Damages, if any) on the Convertible Subordinated Notes is subordinated to the prior payment in full of the Company's Senior Debt as set forth in the Indenture. Each holder of Convertible Subordinated Notes by his or her acceptance hereof covenants and agrees that all payments of the principal of, premium, if any, and interest (including Liquidated Damages, if any) on the Convertible Subordinated Notes by the Company shall be subordinated in accordance with the provisions of Article 11 of the Indenture, and each holder of Convertible Subordinated Notes accepts and agrees to be bound by such provisions.

9. DENOMINATIONS, TRANSFER, EXCHANGE. The Convertible Subordinated Notes are in registered form without coupons in denominations of \$1,000 and integral multiples of \$1,000. The transfer of Convertible Subordinated Notes may be registered and Convertible Subordinated Notes may be exchanged as provided in the Indenture. As a condition of transfer, the Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a holder to pay any taxes and fees required by law or permitted by the Indenture. The Company or the Registrar need not exchange or register the transfer of any Convertible Subordinated Note or portion of a Convertible Subordinated Note selected for redemption or submitted for repurchase. Also, the Company or the Registrar need not exchange or register the transfer of any Convertible Subordinated Note for a period of 15 days before a selection of Convertible Subordinated Notes to be redeemed.

10. PERSONS DEEMED OWNERS. The registered holder of a Convertible Subordinated Note may be treated as its owner for all purposes.

11. AMENDMENTS AND WAIVERS. Subject to certain exceptions, the Indenture or the Convertible Subordinated Notes may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the then outstanding Convertible Subordinated Notes and any existing default may be waived with the consent of the holders of a majority in principal amount of the then outstanding Convertible Subordinated Notes.

Without the consent of any holder, the Indenture or the Convertible Subordinated Notes may be amended to: (a) cure any ambiguity or correct or supplement any defective or inconsistent provision contained in the Indenture, or make any other changes in the provisions of the Indenture which the Company and the Trustee may deem necessary or desirable provided such amendment does not materially and adversely affect the legal rights under the Indenture of the holders of Convertible Subordinated Notes; (b) provide for uncertificated Convertible Subordinated Notes in addition to or in place of certificated Convertible Subordinated Notes; (c) evidence the succession of another person to the Company and providing for the assumption by such successor of the covenants and obligations of the Company thereunder and in the Convertible Subordinated Notes as permitted by Section 5.01 of the Indenture; (d) provide for conversion rights and/or repurchase rights of holders of Convertible Subordinated Notes in the event of consolidation, merger or sale of all or

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substantially all of the assets of the Company as required to comply with Sections 5.01 and/or 12.06 of the Indenture; (e) reduce the Conversion Price; (f) make any change that would provide any additional rights or benefits to the holders of Convertible Subordinated Notes or that does not adversely affect the legal rights under the Indenture of any such holder; or (g) comply with the requirements of the Commission in order to effect or maintain the qualification of the Indenture under the TIA.

Without the consent of each holder affected, an amendment or waiver may not (with respect to any Convertible Subordinated Notes held by a non-consenting holder): (a) reduce the principal amount of Convertible Subordinated Notes whose holders must consent to an amendment, supplement or waiver; (b) reduce the principal of, or premium on, or change the fixed maturity of any Convertible Subordinated Note or, except as permitted pursuant to clause (a) of the immediately preceding paragraph, alter the provisions with respect to the

redemption of the Convertible Subordinated Notes; (c) reduce the rate of or change the time for payment of interest, including defaulted interest, or Liquidated Damages on any Convertible Subordinated Notes; (d) waive a Default or Event of Default in the payment of principal of or premium, if any, or interest or Liquidated Damages on the Convertible Subordinated Notes (except a rescission of acceleration of the Convertible Subordinated Notes by the holders of at least a majority in aggregate principal amount of the Convertible Subordinated Notes and a waiver of the payment default that resulted from such acceleration); (e) make the principal of, or premium, if any, or interest or Liquidated Damages on, any Convertible Subordinated Note payable in money other than as provided for in the Indenture and in the Convertible Subordinated Notes; (f) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Convertible Subordinated Notes to receive payments of principal of, premium, if any, or interest or Liquidated Damages on the Convertible Subordinated Notes; (g) waive a redemption payment with respect to any Convertible Subordinated Note; (h) make any change in the foregoing amendment and waiver provisions, or (i) except as permitted by the Indenture (including Section 9.01(a)), increase the Conversion Price or modify the provisions of the Indenture relating to conversion of the Convertible Subordinated Notes in a manner adverse to the holders thereof. In addition, any amendment to the provisions of Article 11 of the Indenture (which relate to subordination) will require the consent of the holders of at least 75% in aggregate principal amount of the Convertible Subordinated Notes then outstanding if such amendment would adversely affect the rights of holders of Convertible Subordinated Notes.

12. DEFAULTS AND REMEDIES. An Event of Default is: (a) default in payment of the principal of, or premium, if any, on the Convertible Subordinated Notes, when due at maturity, upon repurchase, upon acceleration or otherwise, whether or not such payment is prohibited by the subordination provisions of the Indenture; (b) default for 30 days or more in payment of any installment of interest or Liquidated Damages on the Convertible Subordinated Notes, whether or not such payment is prohibited by the subordination provisions of the Indenture; (c) default by the Company for 60 days or more after notice in the observance or performance of any other covenants in the Indenture; (d) default in the payment of the Designated Event Payment or the Related Transactions Payment in respect of the Convertible Subordinated Notes on the date therefor, whether or not such payment is prohibited by the subordination provisions of the Indenture; (e) failure to maintain cash and cash equivalents in accordance with the Indenture or to provide timely notice of a

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Designated Event or a Related Transactions Event; (f) failure of the Company or any Material Subsidiary to make any payment at maturity, including any applicable grace period, in respect of indebtedness for borrowed money of, or guaranteed or assumed by, the Company or any Material Subsidiary which payment is in an amount in excess of \$20,000,000 and continuance of such failure for 30 days after notice; (g) default by the Company or any Material Subsidiary with respect to any such indebtedness, which default results in the acceleration of such indebtedness of an amount in excess of \$20,000,000 without such indebtedness having been paid or discharged or such acceleration having been cured, waived, rescinded, or annulled for 30 days after notice; or (h) certain events involving bankruptcy, insolvency or reorganization of the Company or any Material Subsidiary. If an Event of Default occurs and is continuing, the Trustee or the holders of at least 25% in principal amount of the then outstanding Convertible Subordinated Notes may declare the unpaid principal of, premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on all Convertible Subordinated Notes then outstanding to be due and payable immediately, except that in the case of an Event of Default arising from certain events of bankruptcy, insolvency, or reorganization with respect to the Company all outstanding Convertible Subordinated Notes become due and payable without further action or notice. Holders of Convertible Subordinated Notes may not enforce the Indenture or the Convertible Subordinated Notes except as provided in the Indenture. The Trustee may require an indemnity satisfactory to it before it enforces the Indenture or the Convertible Subordinated Notes. Subject to certain limitations, holders of a majority in principal amount of the then outstanding Convertible Subordinated Notes may direct the Trustee in its exercise of any trust or power. The Trustee may withhold from holders notice of any continuing default (except a default in payment of principal, premium, if any, or interest or Liquidated Damages, if applicable) if it determines that withholding notice is in their interests. The Company must furnish annual compliance certificates to the Trustee.

13. TRUSTEE DEALINGS WITH THE COMPANY. The Trustee or any of its Affiliates, in their individual or any other capacities, may make or continue loans to or guaranteed by, accept deposits from and perform services for the Company or its Affiliates and may otherwise deal with the Company or its Affiliates as if it were not Trustee.

14. NO RECOURSE AGAINST OTHERS. No director, officer, employee or stockholder, as such, of the Company shall have any liability for any obligations of the Company under the Convertible Subordinated Notes or the Indenture or for any claim based on, in respect of or by reason of such obligations or their creation. Each holder by accepting a Convertible Subordinated Note waives and releases all such liability. The waiver and release are part of the consideration for the Convertible Subordinated Notes.

15. AUTHENTICATION. This Convertible Subordinated Note shall not be valid until authenticated by the manual signature of the Trustee or an authenticating agent.

16. ABBREVIATIONS. Customary abbreviations may be used in the name of a holder or an assignee, such as: TEN CO = tenants in common, TEN ENT = tenants by the entireties, JT TEN = joint tenants with right of survivorship and not as tenants in common, CUST = Custodian and U/G/M/A = Uniform Gifts to Minors Act.

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17. CONVERSION. Subject to and upon compliance with the provisions of the Indenture, the registered holder of this Convertible Subordinated Note has the right at any time on or before the close of business on the last trading day prior to the Maturity Date (or in case this Convertible Subordinated Note or any portion hereof is (a) called for redemption prior to such date, before the close of business on the last trading day preceding the date fixed for redemption (unless the Company defaults in payment of the redemption price in which case the conversion right will terminate at the close of business on the date such default is cured) or (b) subject to a duly completed election for repurchase, on or before the close of business on the Designated Event Offer Termination Date (unless the Company defaults in payment due upon repurchase or such holder elects to withdraw the submission of such election to repurchase) to convert the principal amount hereof, or any portion of such principal amount which is \$1,000 or an integral multiple thereof, into that number of fully paid and non-assessable shares of common stock of the Company ("Common Stock") obtained by dividing the principal amount of the Convertible Subordinated Note or portion thereof to be converted by the conversion price of \$57.34 per share, as adjusted from time to time as provided in the Indenture (the "Conversion Price"), upon surrender of this Convertible Subordinated Note to the Company at the office or agency maintained for such purpose (and at such other offices or agencies designated for such purpose by the Company), accompanied by written notice of conversion duly executed (and if the shares of Common Stock to be issued on conversion are to be issued in any name other than that of the registered holder of this Convertible Subordinated Note by instruments of transfer, in form satisfactory to the Company, duly executed by the registered holder or its duly authorized attorney) and, in case such surrender shall be made during the period from the close of business on the Regular Record Date immediately preceding any Interest Payment Date through the close of business on the last trading day immediately preceding such Interest Payment Date (unless this Convertible Subordinated Note or the portion thereof being converted has been called for redemption on a date in such period), also accompanied by payment, in funds acceptable to the Company, of an amount equal to the interest and Liquidated Damages, if any, otherwise payable on such Interest Payment Date on the principal amount of this Convertible Subordinated Note then being converted. Subject to the aforesaid requirement for a payment in the event of conversion after the close of business on a Regular Record Date immediately preceding an Interest Payment Date, no adjustment shall be made on conversion for interest or Liquidated Damages accrued hereon or for dividends on Common Stock delivered on conversion. The right to convert this Convertible Subordinated Note is subject to the provisions of the Indenture relating to conversion rights in the case of certain consolidations, mergers, or sales or transfers of substantially all the Company's assets.

The Company shall not issue fractional shares or scrip representing fractions of shares of Common Stock upon any such conversion, but shall make an adjustment therefor in cash based upon the current market price of the Common Stock on the last trading day prior to the date of conversion.

18. REGISTRATION AGREEMENT. The holder of this Convertible Subordinated Note is entitled to the benefits of a Registration Agreement, dated March 22, 2000, between the Company and the Initial Purchasers (the "Registration Agreement"). Pursuant to the Registration Agreement the Company has agreed for the benefit of the holders of the Convertible Subordinated Notes and the Common Stock issued and issuable upon conversion of the Convertible Subordinated Notes, that

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(i) it will, at its cost, within 90 days after the Issue Date, file a shelf registration statement (the "Shelf Registration Statement") with the Securities and Exchange Commission (the "Commission") with respect to resales of the Convertible Subordinated Notes and the Common Stock issuable upon conversion thereof, (ii) the Company will use its best efforts to cause such Shelf Registration Statement to be declared effective by the Commission under the Securities Act within 180 days after the Issue Date and (iii) the Company will keep such Shelf Registration Statement continuously effective under the Securities Act until the earliest of (a) the second anniversary of the Issue Date or, if later, the second anniversary of the last date on which any Convertible Subordinated Notes are issued upon exercise of the Initial Purchasers' over-allotment option, (b) the date on which the Convertible Subordinated Notes or the Common Stock issuable upon conversion thereof may be sold to Persons who are not "affiliates" (as defined in Rule 144) of the Company pursuant to paragraph (k) of Rule 144 (or any successor provision) promulgated by the Commission under the Securities Act, (c) the date as of which the Convertible Subordinated Notes or the Common Stock issuable upon conversion thereof have been transferred pursuant to Rule 144 under the Securities Act (or any similar provision then in force) and (d) the date as of which all the Convertible Subordinated Notes or the Common Stock issuable upon conversion thereof have been sold pursuant to such Shelf Registration Statement.

If the Shelf Registration Statement (i) is not filed with the Commission on or prior to 90 days, or has not been declared effective by the Commission within 180 days, after the Issue Date or (ii) is filed and declared effective but shall thereafter cease to be effective (without being succeeded immediately by a replacement shelf registration statement filed and declared effective) or cease to be usable (including, without limitation, as a result of a Suspension Period as defined below) for the offer and sale of Transfer Restricted Securities (as defined below) for a period of time (including any Suspension Period) which shall exceed 60 days in the aggregate in any 12-month period during the period beginning on the Issue Date and ending on the second anniversary of the Issue Date or, if later, the second anniversary of the last date on which any Convertible Subordinated Notes are issued upon exercise of the Initial Purchasers' over-allotment option (each such event referred to in clauses (i) and (ii) being referred to herein as a "Registration Default"), the Company will pay liquidated damages ("Liquidated Damages") to each holder of Transfer Restricted Securities which has complied with its obligations under the Registration Agreement. The amount of Liquidated Damages payable during any period in which a Registration Default shall have occurred and be continuing is that amount which is equal to one-quarter of one percent (25 basis points) per annum per \$1,000 principal amount of Securities and \$2.50 per annum per 17.4398 shares of Common Stock (subject to adjustment from time to time in the event of a stock split, stock recombination, stock dividend and the like) constituting Transfer Restricted Securities for the first 90 days during which a Registration Default has occurred and is continuing and one-half of one percent (50 basis points) per annum per \$1,000 principal amount of Securities and \$5.00 per annum per 17.4398 shares of Common Stock (subject to adjustment as set forth above) constituting Transfer Restricted Securities for any additional days during which such Registration Default has occurred and is continuing. The Company will pay all accrued Liquidated Damages by wire transfer of immediately available funds or by federal funds check on each Damages Payment Date (as defined in the Registration Agreement), and Liquidated Damages will be calculated on the basis of a 360-day year

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consisting of twelve 30-day months. Following the cure of a Registration Default, Liquidated Damages will cease to accrue with respect to such Registration Default.

"Transfer Restricted Securities" means each Convertible Subordinated Note and each share of Common Stock issued on conversion thereof until the date on which such Convertible Subordinated Note or share, as the case may be, (i) has been transferred pursuant to the Shelf Registration Statement or another registration statement covering such Convertible Subordinated Note or share which has been filed with the Commission pursuant to the Securities Act, in either case after such registration statement has become and while such registration statement is effective under the Securities Act, (ii) has been transferred pursuant to Rule 144 under the Securities Act (or any similar provision then in force), or (iii) may be sold or transferred pursuant to Rule 144(k) under the Securities Act (or any similar provision then in force).

Pursuant to the Registration Agreement, the Company may suspend the use of the prospectus which is a part of the Shelf Registration Statement for a period not to exceed 30 days in any three-month period or for three periods not to exceed an aggregate of 90 days in any twelve-month period under certain circumstances (each, a "Suspension Period"); provided that the existence of a Suspension Period will not prevent the occurrence of a Registration Default or otherwise limit the obligation of the Company to pay Liquidated Damages.

The above description of certain provisions of the Registration Agreement is qualified by reference to, and is subject in its entirety to, the more complete description thereof contained in the Registration Agreement.

The Company will furnish to any holder upon written request and without charge a copy of the Indenture and the Registration Agreement. Requests may be made to: Corporate Secretary, Amkor Technology, Inc., 1345 Enterprise Drive, West Chester, PA 19380.

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FORM OF CONVERSION NOTICE

To: AMKOR TECHNOLOGY, INC.

The undersigned registered owner of the Convertible Subordinated Note hereby irrevocably exercises the option to convert this Convertible Subordinated Note, or portion hereof (which is \$1,000 or an integral multiple thereof) below designated, into shares of Common Stock of Amkor Technology, Inc. in accordance with the terms of the Indenture referred to in this Convertible Subordinated Note, and directs that the shares issuable and deliverable upon the conversion, together with any check in payment for fractional shares and Convertible Subordinated Notes representing any unconverted principal amount hereof, be issued and delivered to the registered holder hereof unless a different name has been indicated below. If shares or any portion of this Convertible Subordinated Note not converted are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Any amount required to be paid by the undersigned on account of interest, Liquidated Damages and taxes accompanies this Convertible Subordinated Note.

Dated:

Fill in for registration of shares if to be delivered, and Convertible Subordinated Notes if to be issued, other than to and in the name of the registered holder (Please Print):

(Name)

(Street Address)

(City, State and Zip Code)

Signature Guarantee: _____

Signature(s)

Principal amount to be converted (if less than all):

\$____,000

Social Security or other Taxpayer Identification Number

[Signatures must be guaranteed by an eligible Guarantor Institution (banks, brokers, dealers, savings and loan associations and credit unions) with membership in an approved signature guarantee medallion program pursuant to Securities and Exchange Commission Rule 17Ad-15 if shares are to be issued, or Convertible Subordinated Notes are to be delivered, other than to and in the name of the registered holder(s).]

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ASSIGNMENT FORM

To assign this Convertible Subordinated Note, fill in the form below:

(I) or (we) assign and transfer this Convertible Subordinated Note to

(Insert assignee's social security or tax I.D. no.)

(Print or type assignee's name, address and zip code)

and irrevocably appoint _____ agent to transfer this Convertible Subordinated Note on the books of the Company. The agent may substitute another to act for him.

Your Signature: _____
(Sign exactly as your name appears on the other side of this Convertible Subordinated Note)

Date: _____

Medallion Signature Guarantee: _____

[FOR INCLUSION ONLY IF THIS CONVERTIBLE SUBORDINATED NOTE BEARS A RESTRICTED SECURITIES LEGEND] In connection with any transfer of any of the Convertible Subordinated Notes evidenced by this certificate which are "restricted securities" (as defined in Rule 144 (or any successor thereto) under the Securities Act), the undersigned confirms that such Convertible Subordinated Notes are being transferred:

CHECK ONE BOX BELOW

- (1) to the Company; or
- (2) pursuant to and in compliance with Rule 144A under the Securities Act of 1933; or

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- (3) pursuant to and in compliance with Regulation S under the Securities Act of 1933; or
- (4) to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933) that has furnished to the Trustee a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Trustee); or
- (5) pursuant to an exemption from registration under the Securities Act of 1933 provided by Rule 144 thereunder.

Unless one of the boxes is checked, the Registrar will refuse to register any of the Convertible Subordinated Notes evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (3), (4) or (5) is checked, the Trustee may require, prior to registering any such transfer of the Convertible Subordinated Notes, such certifications and other information, and if box (5) is checked such legal opinions, as the Company has reasonably requested in writing, by delivery to the Trustee of a standing letter of instruction, to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933; provided that this paragraph shall not be applicable to any Convertible Subordinated Notes which are not "restricted securities" (as defined in Rule 144 (or any successor thereto) under the Securities Act).

Your Signature: _____
(Sign exactly as your name appears on the other side of this Convertible Subordinated Note)

Date: _____

Medallion Signature Guarantee: _____

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OPTION OF HOLDER TO ELECT REPURCHASE

If you wish to have this Convertible Subordinated Note repurchased by the Company pursuant to Section 4.06 or 4.09 of the Indenture, as the case may be, check the Box:

If you wish to have a portion of this Convertible Subordinated Note purchased by the Company pursuant to Section 4.06 of the Indenture, state the amount (in multiples of \$1,000): \$_____.

Date: _____ Your Signature: _____
(Sign exactly as your name appears on the other side of this Convertible Subordinated Note)

Medallion Signature Guarantee: _____

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EXHIBIT B

FORM OF TRANSFER CERTIFICATE FOR TRANSFER
FROM GLOBAL SECURITY OR DEFINITIVE SECURITY

TO DEFINITIVE SECURITY

(Transfers pursuant to ss. 2.06(a)(i) or ss. 2.06(a)(ii) of the Indenture)

State Street Bank and Trust Company, as Registrar
Attn: Corporate Trust Department

Re: Amkor Technology, Inc. 5% Convertible Subordinated Notes
Due 2007 (the "Convertible Subordinated Notes")

Reference is hereby made to the Indenture dated as of March 22, 2000 (the "Indenture") between Amkor Technology, Inc. and State Street Bank and Trust Company, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to U.S. \$ _____ aggregate principal amount of Convertible Subordinated Notes which are held [in the form of a [Definitive] [Global Security (CUSIP No. _____)]* in the name of [name of transferor] (the "Transferor") to effect the transfer of the Convertible Subordinated Notes.

In connection with such request, and in respect of such Convertible Subordinated Notes, the Transferor does hereby certify that such Convertible Subordinated Notes are being transferred in accordance with (i) the transfer restrictions set forth in the Convertible Subordinated Notes and the Indenture and (ii) to a transferee that the Transferor reasonably believes is an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D under the U.S. Securities Act of 1933, as amended) (an "Institutional Accredited Investor") which is acquiring such Convertible Subordinated Notes for its own account or for one or more accounts, each of which is an Institutional Accredited Investors, over which it exercises sole investment discretion and (iii) in accordance with applicable securities laws of any state of the United States.

[Name of Transferor],

By:
Name:
Title:
Dated:

*Insert, if appropriate.

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EXHIBIT C

FORM OF ACCREDITED INVESTOR TRANSFEREE CERTIFICATE
(Transfers pursuant to ss. 2.06(a)(i) and ss. 2.06(a)(ii))

State Street Bank and Trust Company, as Registrar

Attn: Corporate Trust Department

Re: Amkor Technology, Inc. 5% Convertible Subordinated Notes
Due 2007 (the "Convertible Subordinated Notes")

Reference is hereby made to the Indenture dated as of March 22, 2000 (the "Indenture") between Amkor Technology, Inc., a Delaware corporation (the "Company"), and State Street Bank and Trust Company, as Trustee (the "Trustee"). Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

In connection with our proposed purchase of \$ _____ aggregate principal amount of the Convertible Subordinated Notes, which are convertible into shares of common stock ("Common Stock") of the Company, we confirm that:

We understand that the Convertible Subordinated Notes and the Common Stock issuable upon conversion thereof have not been registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be sold except as

permitted in the following sentence. We understand and agree, on our own behalf and on behalf of any accounts for which we are acting as hereinafter stated, (x) that such Convertible Subordinated Notes are being transferred to us in a transaction not involving any public offering within the meaning of the Securities Act, (y) that if we should resell, pledge or otherwise transfer any such Convertible Subordinated Notes or any shares of Common Stock issuable upon conversion thereof prior to the later of (I) the expiration of the holding period under Rule 144(k) (or any successor thereto) under the Securities Act which is applicable to such Convertible Subordinated Notes or shares of Common Stock, as the case may be, or (II) within three months after we cease to be an affiliate (within the meaning of Rule 144 under the Securities Act) of the Company, such Convertible Subordinated Notes or the Common Stock issuable upon conversion thereof may be resold, pledged or transferred only (i) to the Company, (ii) so long as such Convertible Subordinated Notes are eligible for resale pursuant to Rule 144A under the Securities Act ("Rule 144A"), to a person whom we reasonably believe is a "qualified institutional buyer" (as defined in Rule 144A) ("QIB") that purchases for its own account or for the account of a QIB to whom notice is given that the resale, pledge or transfer is being made in reliance on Rule 144A (as indicated by the box checked by the transferor on the Assignment Form on the reverse of the certificate for the Convertible Subordinated Notes), it being understood that the Common Stock is not eligible for resale pursuant to Rule 144A, (iii) in an offshore transaction (as defined in Regulation S under the Securities Act) in accordance with Regulation S under the Securities Act (as indicated by the box checked by the transferor on the Assignment Form on the reverse of the certificate for the Convertible Subordinated Notes or on a comparable Assignment Form for the Common Stock issuable upon conversion thereof), (iv) to an institution that is an

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"accredited investor" as defined in Rule 501 (a) (1), (2), (3) or (7) under the Securities Act (an "Institutional Accredited Investor") (as indicated by the box checked by the transferor on the Assignment Form on the reverse of the certificate for the Convertible Subordinated Notes or on a comparable Assignment Form for the Common Stock issuable upon conversion thereof) that is acquiring the securities for its own account or for the account of one or more other Institutional Accredited Investors over which it exercises sole investment discretion and that prior to such transfer, delivers a signed letter to the Company and the Trustee (or the transfer agent in the case of Common Stock issuable upon conversion thereof) certifying that it and each such account is such an Institutional Accredited Investor and is acquiring the Convertible Subordinated Notes or the Common Stock issuable upon conversion thereof for investment purposes and not for distribution and agreeing to the restrictions on transfer of the Convertible Subordinated Notes or the Common Stock issuable upon conversion thereof, (v) pursuant to an exemption from registration under the Securities Act provided by Rule 144 (if applicable) under the Securities Act (as indicated by the box checked transferor on the Assignment Form on the reverse of the certificate for the Convertible Subordinated Notes or a comparable Assignment Form for the Common Stock issuable upon conversion thereof), or (vi) pursuant to an effective registration statement under the Securities Act, in each case in accordance with any applicable securities laws of any state of the United States, and we will notify any purchaser of the Convertible Subordinated Notes or the Common Stock issuable upon conversion thereof from us of the above resale restrictions, if then applicable. We further understand that in connection with any transfer of the Convertible Subordinated Notes or the Common Stock issuable upon conversion thereof (other than a transfer pursuant to clause (vi) above) by us that the Company and the Trustee (or the transfer agent in the case of Common Stock issuable upon conversion thereof) may request, and if so requested we will furnish, such certificates and other information and, in the case of a transfer pursuant to clause (v) above, a legal opinion as they may reasonably require to confirm that any such transfer complies with the foregoing restrictions. Finally, we understand that in any case we will not directly or indirectly engage in any hedging transactions with regard to the Convertible Subordinated Notes or the Common Stock issuable upon conversion of the Convertible Subordinated Notes except as permitted by the Securities Act.

2. We are able to fend for ourselves in connection with our purchase of the Convertible Subordinated Notes, we have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of our investment in the Convertible Subordinated Notes, and we and any accounts for which we are acting are each able to bear the economic risk of our or its investment and can afford the complete loss of such investment.

3. We understand that the Company and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, agreements and warranties and we agree that if any of the acknowledgments, representations, agreements or warranties made or deemed to have been made by us by our purchase of the Convertible Subordinated Notes, for our own account or for one or more accounts as to each of which we exercise sole investment discretion, are no longer accurate, we shall promptly notify the Company.

4. With respect to the certificates representing Convertible Subordinated Notes we are purchasing, we understand that such certificates will be in definitive registered form and that the

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notification requirement referred to in 1 above requires that, until the expiration of the holding period with respect to sales of the Convertible Subordinated Notes under clause (k) of Rule 144 under the Securities Act, such Convertible Subordinated Notes will bear a legend substantially to the following effect:

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED (X) PRIOR TO THE EXPIRATION OF THE SECOND ANNIVERSARY OF THE ISSUANCE HEREOF (OR ANY PREDECESSOR SECURITY HERETO) OR (Y) BY ANY HOLDER THAT WAS AN "AFFILIATE" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY AT ANY TIME DURING THE THREE MONTHS PRECEDING THE DATE OF SUCH TRANSFER, IN EITHER CASE OTHER THAN (1) TO THE COMPANY, (2) SO LONG AS THIS SECURITY IS ELIGIBLE FOR RESALE PURSUANT TO RULE 144A UNDER THE SECURITIES ACT ("RULE 144A"), TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A, PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER TO WHOM NOTICE IS GIVEN THAT THE RESALE, PLEDGE OR OTHER TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A, (3) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (4) TO AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE TRUSTEE A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE TRUSTEE), (5) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF APPLICABLE) UNDER THE SECURITIES ACT OR (6) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER OR (2) AN INSTITUTIONAL ACCREDITED INVESTOR AND THAT IT IS HOLDING THIS SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION OR (3) NOT A U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTIONS WITH REGARD TO THIS

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SECURITY OR ANY COMMON STOCK ISSUABLE UPON CONVERSION OF THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT."

5. With respect to certificates representing shares of Common Stock issuable upon conversion of the Convertible Subordinated Notes, we understand that the notification requirement referred to in 1 above requires that, until the expiration of the holding period with respect to sales of such Common Stock under clause (k) of Rule 144 under the Securities Act, such certificates will bear a legend substantially to the effect set forth as Exhibit D to the Indenture and that a copy of such legend may be obtained from the Trustee.

6. We are acquiring the Convertible Subordinated Notes purchased by us for investment purposes, and not for distribution, for our own account or for one or more accounts as to each of which we exercise sole investment discretion

and we are and each such account is an Institutional Accredited Investor.

7. You and the Company are entitled to rely on this letter and you and the Company are irrevocably authorized to produce this letter or a copy hereof to any interested party in any administrative or legal proceeding or official inquiry with respect to the matters covered hereby.

Very truly yours,

(Name of Purchaser)

By:

Dated:

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EXHIBIT D

FORM OF RESTRICTED COMMON STOCK LEGEND

"THIS SECURITY HAS NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"). THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, AGREES FOR THE BENEFIT OF THE COMPANY THAT THIS SECURITY MAY NOT BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED (X) PRIOR TO THE EXPIRATION OF THE SECOND ANNIVERSARY OF THE ISSUANCE HEREOF (OR ANY PREDECESSOR SECURITY HERETO) OR (Y) BY ANY HOLDER THAT WAS AN "AFFILIATE" (WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT) OF THE COMPANY AT ANY TIME DURING THE THREE MONTHS PRECEDING THE DATE OF SUCH TRANSFER, IN EITHER CASE, OTHER THAN (1) TO THE COMPANY, (2) IN AN OFFSHORE TRANSACTION (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT) IN ACCORDANCE WITH REGULATION S UNDER THE SECURITIES ACT, (3) TO AN INSTITUTION THAT IS AN "ACCREDITED INVESTOR" AS DEFINED IN RULE 501(a)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT (AN "INSTITUTIONAL ACCREDITED INVESTOR") THAT IS ACQUIRING THIS SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION, AND THAT, PRIOR TO SUCH TRANSFER, DELIVERS TO THE COMPANY AND THE TRANSFER AGENT A SIGNED LETTER CONTAINING CERTAIN REPRESENTATIONS AND AGREEMENTS RELATING TO THE RESTRICTIONS ON TRANSFER OF THE SECURITY EVIDENCED HEREBY (THE FORM OF WHICH LETTER MAY BE OBTAINED FROM THE COMPANY OR THE TRANSFER AGENT), (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 (IF APPLICABLE) UNDER THE SECURITIES ACT OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT, IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE COMPANY THAT IT IS (1) AN INSTITUTIONAL ACCREDITED INVESTOR AND THAT IT IS HOLDING THIS SECURITY FOR INVESTMENT PURPOSES AND NOT FOR DISTRIBUTION OR (2) NOT A U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (k)(2) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT."

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EXHIBIT E

FORM OF TRANSFER CERTIFICATE FOR TRANSFER
OF RESTRICTED COMMON STOCK

(Transfers pursuant to ss. 12.11(c) of the Indenture)

[NAME AND ADDRESS OF COMMON STOCK TRANSFER AGENT]

Re: Amkor Technology, Inc. 5% Convertible Subordinated Notes
Due 2007 (the "Convertible Subordinated Notes")

Reference is hereby made to the Indenture dated as of March 22, 2000 (the "Indenture") between Amkor Technology, Inc. and State Street Bank and Trust Company, as Trustee. Capitalized terms used but not defined herein shall have the meanings given them in the Indenture.

This letter relates to _____ shares of Common Stock represented by

the accompanying certificate(s) that were issued upon conversion of Convertible Subordinated Notes and which are held in the name of [name of transferor] (the "Transferor") to effect the transfer of such Common Stock.

In connection with the transfer of such shares of Common Stock, the undersigned confirms that such shares of Common Stock are being transferred:

CHECK ONE BOX BELOW

- (1) to the Company; or
- (2) pursuant to and in compliance with Regulation S under the Securities Act of 1933; or
- (3) to an institutional "accredited investor" (as defined in Rule 501(a)(1), (2), (3) or (7) under the Securities Act of 1933) that has furnished to the transfer agent a signed letter containing certain representations and agreements (the form of which letter can be obtained from the Company or transfer agent); or
- (4) pursuant to an exemption from registration under the Securities Act of 1933 provided by Rule 144 thereunder.

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Unless one of the boxes is checked, the transfer agent will refuse to register any of the Common Stock evidenced by this certificate in the name of any person other than the registered holder thereof; provided, however, that if box (2), (3) or (4) is checked, the transfer agent may require, prior to registering any such transfer of the Common Stock such certifications and other information, and if box (4) is checked such legal opinions, as the Company has reasonably requested in writing, by delivery to the transfer agent of a standing letter of instruction, to confirm that such transfer is being made pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act of 1933.

[Name of Transferor],

By

Name:

Title:

Dated:

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AMKOR TECHNOLOGY, INC.

5% Convertible Subordinated Notes due 2007

REGISTRATION AGREEMENT

New York, New York
March 22, 2000

Salomon Smith Barney Inc.
As Representative of the Initial Purchasers Named in
Schedule I to the Purchase Agreement (as defined below)
388 Greenwich Street
New York, New York 10003

Ladies and Gentlemen:

Amkor Technology, Inc., a Delaware corporation (the "Company"), proposes to issue and sell (such issuance and sale, the "Initial Placement") to the several parties named in Schedule I to the Purchase Agreement (the "Initial Purchasers") for whom you (the "Representative") are acting as representative, upon the terms set forth in a purchase agreement dated March 16, 2000 (the "Purchase Agreement"), \$225,000,000 aggregate principal amount (plus up to an additional \$33,750,000 aggregate principal amount to cover over-allotments, if any) of its 5% Convertible Subordinated Notes due 2007 (the "Securities"). The Securities will be convertible into shares of Common Stock (as defined herein), at the conversion price set forth in the Offering Memorandum (as defined herein), as the same may be adjusted from time to time pursuant to the Indenture (as defined herein) referred to below. As an inducement to you to enter into the Purchase Agreement and in satisfaction of a condition to your obligations thereunder, the Company agrees with you, (i) for your benefit and (ii) for the benefit of the holders from time to time of the Securities and the Common Stock issuable upon conversion of the Securities (including you), as follows:

1. Definitions. Capitalized terms used herein without definition shall have the respective meanings set forth in the Purchase Agreement. As used in this Agreement, the following capitalized terms shall have the following meanings:

"Act" means the Securities Act of 1933, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Affiliate" of any specified person means any other person, directly or indirectly, controlling or controlled by or under direct or indirect common control with such specified person. For the purposes of this definition, "control" (including, with correlative meanings, the terms "controlling", "controlled by" and "under common control

with"), as used with respect to any person, shall mean the possession, directly or indirectly, of the power either (a) to direct or cause the direction of the management or policies of such person, whether in the case of each of (a) and (b), through the ownership of voting securities or by agreement or otherwise or (b) to vote 10% or more of the securities having ordinary voting power for the election of director of such person.

"Business Day" has the meaning set forth in the Indenture.

"Closing Date" means March 22, 2000.

"Common Stock" means the common stock, par value \$.001 per share, of the Company, as it exists on the date of this Agreement and any other shares of capital stock or other securities of the Company into which such Common Stock may be reclassified or changed, together with any and all other securities which may from time to time be issuable upon conversion of Securities.

"Damages Payment Date" means, with respect to the Securities or the Common Stock issuable upon conversion thereof, as applicable, each Interest Payment Date; and in the event that any Security, or portion thereof, is called

for redemption or surrendered for purchase by the Company and not withdrawn pursuant to a Designated Event Offer (as defined in the Indenture), a Provisional Redemption (as defined in the Indenture) or a Special Event Redemption (as defined in the Indenture), the relevant redemption date, Designated Event Payment Date (as defined in the Indenture), Provisional Redemption Date (as defined in the Indenture) or Special Redemption Date (as defined in the Indenture) as the case may be, shall also be a Damages Payment Date with respect to such Security, or portion thereof, unless the Indenture provides that accrued and unpaid interest on the Security (or portion thereof) to be redeemed or repurchased, as the case may be, is to be paid to the person who was the Holder thereof on a record date prior to such redemption date, Provisional Redemption Date, Special Redemption Date or Designated Event Payment Date, as the case may be, in which case the Damages Payment Date shall be the date on which interest is payable to such Record Holder.

"Default Rate" means the rate of interest payable with respect to overdue amounts on the Securities pursuant to Section 4.01 of the Indenture.

"DTC" has the meaning set forth in Section 3(k) hereof.

"Exchange Act" means the Securities Exchange Act of 1934, as amended, and the rules and regulations of the SEC promulgated thereunder.

"Final Maturity Date" means March 15, 2007.

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"Holder" means a person who is a holder or beneficial owner (including the Initial Purchasers) of any Securities or shares of Common Stock issued upon conversion of Securities; provided that, unless otherwise expressly stated herein, only registered holders of Securities or Common Stock issued upon conversion thereof shall be counted for purposes of calculating any proportion of holders entitled to take any action or give notice pursuant to this Agreement.

"Indenture" means the Indenture relating to the Securities dated as of March 22, 2000, between the Company and State Street Bank and Trust Company, as trustee, as the same may be amended from time to time in accordance with the terms thereof.

"Initial Placement" has the meaning set forth in the preamble hereto.

"Initial Purchasers" has the meaning set forth in the preamble hereto.

"Interest Payment Date" shall mean each September 15 and March 15.

"Liquidated Damages" has the meaning set forth in Section 2(e) hereof.

"Majority Holders" means the Holders of a majority of the then outstanding aggregate principal amount of Securities registered under a Shelf Registration Statement; provided that Holders of Common Stock issued upon conversion of Securities shall be deemed to be Holders of the aggregate principal amount of Securities from which such Common Stock was converted; and provided, further, that Securities or Common Stock which have been sold or otherwise transferred pursuant to the Shelf Registration Statement shall not be included in the calculation of Majority Holders.

"Majority Underwriting Holders" means, with respect to any Underwritten Offering, the Holders of a majority of the then outstanding aggregate principal amount of Securities registered under any Shelf Registration Statement whose Securities are or are to be included in such Underwritten Offering; provided that Holders of Common Stock issued upon conversion of Securities shall be deemed to be Holders of the aggregate principal amount of Securities from which such Common Stock was converted.

"Managing Underwriters" means the Underwriter or Underwriters that shall administer an Underwritten Offering.

"NASD" has the meaning set forth in Section 3(i) hereof.

"Notice and Questionnaire" means a Notice of Registration Statement and Selling Securityholder Questionnaire substantially in the form of Exhibit A hereto.

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"Offering Memorandum" means the Final Memorandum as defined in the Purchase Agreement.

"Person" and "person" have the meaning set forth in the Indenture.

"Prospectus" means the prospectus included in any Shelf Registration Statement (including, without limitation, a prospectus that discloses information previously omitted from a prospectus filed as part of an effective registration statement in reliance upon Rule 430A under the Act), as amended or supplemented by any prospectus supplement, with respect to the terms of the offering of any portion of the Securities or Common Stock issuable upon conversion thereof covered by such Shelf Registration Statement, and all amendments and supplements to such prospectus, including all documents incorporated or deemed to be incorporated by reference in such prospectus.

"Purchase Agreement" has the meaning set forth in the preamble hereto.

"Record Holder" means (i) with respect to any Damages Payment Date which occurs on an Interest Payment Date, each person who is registered on the books of the registrar as the holder of Securities at the close of business on the record date with respect to such Interest Payment Date and (ii) with respect to any Damages Payment Date relating to the Common Stock issued upon conversion thereof, each person who is a holder of record of such Common Stock fifteen days prior to the Damages Payment Date.

"Registration Default" has the meaning set forth in Section 2(e) hereof.

"Representative" has the meaning set forth in the preamble thereto.

"Rule 144" means Rule 144 (or any successor provision) under the Act.

"SEC" means the Securities and Exchange Commission.

"Securities" has the meaning set forth in the preamble hereto.

"Shelf Registration" means a registration effected pursuant to Section 2 hereof.

"Shelf Registration Period" has the meaning set forth in Section 2(c) hereof.

"Shelf Registration Statement" means a "shelf" registration statement of the Company pursuant to the provisions of Section 2 hereof which covers all of the Securities and the Common Stock issuable upon conversion thereof, as applicable, on Form S-3 or on another appropriate form for an offering to be made on a delayed or continuous basis pursuant to Rule 415 under the Act, or any similar rule that may be adopted by the SEC,

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and all amendments and supplements to such registration statement, including post-effective amendments, in each case including the Prospectus contained therein, all exhibits thereto and all documents incorporated or deemed to be incorporated by reference therein.

"Suspension Period" has the meaning set forth in Section 2(d) hereof.

"Transfer Restricted Securities" means each Security and each share of Common Stock issuable or issued upon conversion thereof until the date on which such Security or share of Common Stock, as the case may be, (i) has been transferred pursuant to the Shelf Registration Statement or another registration statement covering such Security or share of Common Stock which has been filed with the SEC pursuant to the Act, in either case after such registration statement has become effective and while such registration statement is effective under the Act, (ii) has been transferred pursuant to Rule 144 under the Act (or any similar provision then in force) or (iii) may be sold or transferred pursuant to Rule 144(k) under the Act (or any successor provision then in force).

"Trustee" means the trustee with respect to the Securities under the

Indenture.

"Underwriter" means any underwriter of Securities or Common Stock issuable upon conversion thereof in connection with an offering thereof under a Shelf Registration Statement.

"Underwritten Offering" means an offering in which the Securities or Common Stock issued upon conversion thereof are sold to an Underwriter or with the assistance of an Underwriter for reoffering to the public.

All references in this Agreement to financial statements and schedules and other information which is "contained", "included", or "stated" in the Shelf Registration Statement, any preliminary Prospectus or Prospectus (and all other references of like import) shall be deemed to mean and include all such financial statements and schedules and other information which is incorporated or deemed to be incorporated by reference in such Shelf Registration Statement, preliminary Prospectus or Prospectus, as the case may be; and all references in this Agreement to amendments or supplements to the Shelf Registration Statement, any preliminary Prospectus or Prospectus shall be deemed to mean and include the filing of any document under the Exchange Act, after the date of such Shelf Registration Statement, preliminary Prospectus or Prospectus, as the case may be, which is incorporated or deemed to be incorporated by reference therein.

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2. Shelf Registration Statement.

(a) The Company shall prepare and, not later than 90 days following the Closing Date, shall file with the SEC a Shelf Registration Statement with respect to resales of the Securities and the Common Stock issuable upon conversion thereof by the Holders from time to time in accordance with the methods of distribution elected by such Holders and set forth in such Shelf Registration Statement and thereafter shall use its best efforts to cause such Shelf Registration Statement to be declared effective under the Act within 180 days after the Closing Date; provided that if any Securities are issued upon exercise of the over-allotment option granted to the Initial Purchasers in the Purchase Agreement and the date on which such Securities are issued occurs after the Closing Date, the Company will take such steps, prior to the effective date of the Shelf Registration Statement, to ensure that such Securities and Common Stock issuable upon conversion thereof are included in the Shelf Registration Statement on the same terms as the Securities issued on the Closing Date. The Company shall supplement or amend the Shelf Registration Statement if required by the rules, regulations or instructions applicable to the registration form used by the Company for the Shelf Registration Statement, if required by the Act, the Exchange Act or the SEC.

(b) (1) Not less than 30 calendar days prior to the effectiveness of the Shelf Registration Statement, the Company shall mail the Notice and Questionnaire to the Holders of Securities and Common Stock issued upon conversion thereof. No Holder shall be entitled to be named as a selling securityholder in the Shelf Registration Statement, and no Holder shall be entitled to use the Prospectus forming a part thereof for resales of Securities or Common Stock issued upon conversion thereof at any time, unless such Holder has returned a completed and signed Notice and Questionnaire to the Company by the deadline for responses set forth therein; provided, however, that Holders of Securities or Common Stock issued upon conversion thereof shall have at least 20 calendar days from the date on which the Notice and Questionnaire is first mailed to such Holders to return a completed and signed Notice and Questionnaire to the Company.

(2) After the Shelf Registration Statement has become effective, the Company shall, upon the request of any Holder of Securities or Common Stock issued or issuable upon conversion thereof that has not returned a completed Notice and Questionnaire, promptly send a Notice and Questionnaire to such Holder. The Company shall not be required to take any action to name such Holder as a selling securityholder in the Shelf Registration Statement or to enable such Holder to use the Prospectus forming a part thereof for resales of Securities or Common Stock issued or issuable upon conversion thereof until such Holder has returned a completed and signed Notice and Questionnaire to the Company, whereupon the Company will be required to take such action.

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(c) The Company shall keep the Shelf Registration Statement continuously effective under the Act in order to permit the Prospectus forming a part thereof to be usable by all Holders until the earliest of (i) the second anniversary of the Closing Date or, if later, the second anniversary of the last date on which any Securities are issued upon exercise of the Initial Purchasers' over-allotment option, (ii) the date on which all the Securities and Common Stock issued or issuable upon conversion thereof may be sold by non-affiliates ("affiliates" for such purpose having the meaning set forth in Rule 144) of the Company pursuant to paragraph (k) of Rule 144 (or any successor provision) promulgated by the SEC under the Act, (iii) the date as of which all the Securities and Common Stock issued or issuable upon conversion thereof have been transferred pursuant to Rule 144 under the Securities Act (or any similar provision then in force) and (iv) such date as of which all the Securities and the Common Stock issued or issuable upon conversion thereof have been sold pursuant to the Shelf Registration Statement (in any such case, such period being called the "Shelf Registration Period"). The Company will, subject to Section 2(d), prepare and file with the SEC such amendments and post-effective amendments to the Shelf Registration Statement as may be necessary to keep the Shelf Registration Statement continuously effective for the Shelf Registration Period; subject to Section 2(d), cause the related Prospectus to be supplemented by any required supplement, and as so supplemented to be filed pursuant to Rule 424 (or any similar provisions then in force) under the Act; and, comply in all material respects with the provisions of the Act with respect to the disposition of all securities covered by the Shelf Registration Statement during the applicable period in accordance with the intended methods of disposition by the sellers thereof set forth in such Shelf Registration Statement as so amended or such Prospectus as so supplemented.

(d) The Company may suspend the use of the Prospectus for a period not to exceed 30 days in any three-month period or for three periods not to exceed an aggregate of 90 days in any 12-month period (the "Suspension Period") for valid business reasons, to be determined by the Company in its sole reasonable judgment (not including avoidance of the Company's obligations hereunder), including, without limitation, the acquisition or divestiture of assets, public filings with the SEC, pending corporate developments and similar events; provided that the Company promptly thereafter complies with the requirements of Section 3(j) hereof, if applicable; provided, that the existence of a Suspension Period will not prevent the occurrence of a Registration Default or otherwise limit the obligation of the Company to pay Liquidated Damages. The Company shall provide notice to the Holders of a Suspension Period as required under Section 3(c)(1)(iv) hereof.

(e) If (i) the Shelf Registration Statement is not filed with the SEC on or prior to 90 days after the Closing Date, (ii) the Shelf Registration Statement has not been declared effective by the SEC within 180 days after the Closing Date, or (iii) the Shelf Registration Statement is filed and declared effective but shall thereafter cease to be

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effective (without being succeeded immediately by a replacement shelf registration statement filed and declared effective) or usable (including as a result of a Suspension Period) for the offer and sale of Transfer Restricted Securities for a period of time (including any Suspension Period) which shall exceed 60 days in the aggregate in any 12-month period during the period beginning on the Closing Date and ending on the second anniversary of the Closing Date or, if later, the second anniversary of the last date on which any Securities are issued upon exercise of the Initial Purchasers' over-allotment option (each such event referred to in clauses (i) through (iii), a "Registration Default"), the Company will pay liquidated damages ("Liquidated Damages") to each Holder of Transfer Restricted Securities who has complied with such Holder's obligations under this Agreement. The amount of Liquidated Damages payable during any period in which a Registration Default has occurred and is continuing is the amount which is equal to one-quarter of one percent (25 basis points) per annum per \$1,000 principal amount of Securities and \$2.50 per annum per 17.4398 shares of Common Stock (subject to adjustment in the event of a stock split, stock recombination, stock dividend and the like) constituting Transfer Restricted Securities for the first 90 days during which a Registration Default has occurred and is continuing and one-half of one percent (50 basis points) per annum per \$1,000 principal amount of Securities and \$5.00 per annum per 17.4398 shares of Common Stock (subject to adjustment as set forth above) constituting Transfer Restricted Securities for any additional days during which a Registration Default has occurred and is continuing (in each case subject to further adjustment from time to time in the event of a stock split, stock

recombination, stock dividend and the like), it being understood that all calculations pursuant to this and the preceding sentence shall be carried out to five decimals. Following the cure of all Registration Defaults, Liquidated Damages will cease to accrue with respect to such Registration Default. All accrued Liquidated Damages shall be paid by wire transfer of immediately available funds or by federal funds check by the Company on each Damages Payment Date and Liquidated Damages will be calculated on the basis of a 360-day year consisting of twelve 30-day months. In the event that any Liquidated Damages are not paid when due, then to the extent permitted by law, such overdue Liquidated Damages, if any, shall bear interest until paid at the Default Rate, compounded semi-annually. The parties hereto agree that the Liquidated Damages provided for in this Section 2(e) constitute a reasonable estimate of the damages that may be incurred by Holders by reason of a Registration Default.

(f) All of the Company's obligations (including, without limitation, the obligation to pay Liquidated Damages) set forth in the preceding paragraph which are outstanding or exist with respect to any Transfer Restricted Security at the time such security ceases to be a Transfer Restricted Security shall survive until such time as all such obligations with respect to such security shall have been satisfied in full.

(g) Immediately upon the occurrence or the termination of a Registration Default, the Company shall give the Trustee, in the case of notice with respect to the

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Securities, and the transfer and paying agent for the Common Stock, in the case of notice with respect to Common Stock issued or issuable upon conversion thereof, notice of such commencement or termination, of the obligation to pay Liquidated Damages with regard to the Securities and Common Stock and the amount thereof and of the event giving rise to such commencement or termination (such notice to be contained in an Officers' Certificate (as such term is defined in the Indenture)), and prior to receipt of such Officers' Certificate the Trustee and such transfer and paying agent shall be entitled to assume that no such commencement or termination has occurred, as the case may be.

(h) All Securities which are redeemed, purchased or otherwise acquired by the Company or any of its subsidiaries or affiliates (as defined in Rule 144 (or any successor provision) under the Act) prior to the Final Maturity Date shall be delivered to the Trustee for cancellation and the Company may not hold or resell such Securities or issue any new Securities to replace any such Securities or any Securities that any Holder has converted pursuant to the Indenture. All shares of Common Stock issued upon conversion of the Securities which are repurchased or otherwise acquired by the Company or any of its subsidiaries or affiliates (as defined in Rule 144 (or any successor provision) under the Act) at any time while such shares are "restricted securities" within the meaning of Rule 144 shall not be resold or otherwise transferred except pursuant to a registration statement which has been declared effective under the Act.

3. Registration Procedures. In connection with any Shelf Registration Statement, the following provisions shall apply:

(a) The Company shall furnish to you, prior to the filing thereof with the SEC, a copy of any Shelf Registration Statement, and each amendment thereof (excluding amendments caused by the filing by the Company with the SEC of a report required by the Exchange Act), a copy of any Prospectus, and each amendment or supplement, if any, to the Prospectus included therein and shall use its reasonable efforts to reflect in each such document, when so filed with the SEC, such comments as Salomon Smith Barney Inc. reasonably may propose. Salomon Smith Barney Inc. shall promptly furnish to the Company any comments it may have to such documents mentioned in the foregoing sentence.

(b) The Company shall ensure that (i) any Shelf Registration Statement and any amendment thereto and any Prospectus forming part thereof and any amendment or supplement thereto comply in all material respects with the Act and the rules and regulations thereunder, (ii) any Shelf Registration Statement and any amendment thereto does not, when it becomes effective, contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and (iii) any Prospectus forming part of any Shelf Registration Statement, and any

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or supplement to such Prospectus, does not include an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading; provided that the Company makes no representation or agreement with respect to information with respect to you, any Underwriter or any Holder required to be included in any Shelf Registration or Prospectus pursuant to the Act or the rules and regulations thereunder and which information is included therein in reliance upon and in conformity with information furnished to the Company in writing by you, any Underwriter or any such Holder.

(c) (1) The Company, as promptly as reasonably practicable, shall advise you and each Holder that has returned a completed and signed Notice and Questionnaire to the Company and, if requested by you or any such Holder, confirm such advice in writing:

(i) when a Shelf Registration Statement and any amendment thereto has been filed with the SEC and when the Shelf Registration Statement or any post-effective amendment thereto has become effective;

(ii) of any request by the SEC for amendments or supplements to the Shelf Registration Statement or the Prospectus or for additional information;

(iii) of the determination by the Company that a post-effective amendment to the Shelf Registration Statement would be appropriate; and

(iv) of the commencement or termination of any Suspension Period.

(2) The Company shall advise you and each Holder that has returned a completed and signed Notice and Questionnaire to the Company and, if requested by you or any such Holder, confirm such advice in writing:

(i) of the issuance by the SEC of any stop order suspending the effectiveness of the Shelf Registration Statement or the initiation of any proceedings for that purpose;

(ii) of the receipt by the Company of any notification with respect to the suspension of the qualification of the Securities included in any Shelf Registration Statement for sale in any jurisdiction or the initiation or threat of any proceeding for such purpose; and

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(iii) of the suspension of the use of the Prospectus pursuant to Section 2(d) hereof or of the happening of any event that requires the making of any changes in the Shelf Registration Statement or the Prospectus so that, as of such date, the statements therein are not misleading and the Shelf Registration Statement or the Prospectus, as the case may be, does not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein (in the case of the Prospectus, in light of the circumstances under which they were made) not misleading (which advice shall be accompanied by an instruction to suspend the use of the Prospectus until the requisite changes have been made).

(d) The Company shall use its reasonable best efforts to obtain the withdrawal of any order suspending the effectiveness of any Shelf Registration Statement or the lifting of any suspension of the qualification (or exemption from qualification) of any of the Securities for offer or sale in any jurisdiction at the earliest

possible time.

(e) The Company shall furnish to each Holder of Securities and the Common Stock issued upon conversion thereof included within the coverage of any Shelf Registration Statement, without charge, at least one copy of such Shelf Registration Statement and any post-effective amendment thereto, including financial statements and schedules, and, if the Holder so requests in writing, all exhibits (including those incorporated by reference).

(f) The Company shall, during the Shelf Registration Period, deliver to each Holder of Securities or the Common Stock issued upon conversion thereof included within the coverage of any Shelf Registration Statement, without charge, as many copies of the Prospectus (including each preliminary Prospectus) included in such Shelf Registration Statement and any amendment or supplement thereto as such Holder may reasonably request; and, except during the continuance of any Suspension Period, the Company consents to the use of the Prospectus or any amendment or supplement thereto by each of the selling Holders in connection with the offering and sale of the Securities or the Common Stock issued upon conversion thereof covered by the Prospectus or any amendment or supplement thereto.

(g) Prior to any offering of Securities or the Common Stock issued upon conversion thereof pursuant to any Shelf Registration Statement, the Company shall register or qualify or cooperate with the Holders of Securities and the Common Stock issued upon conversion thereof included therein and their respective counsel in connection with the registration or qualification (or

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exemption from such registration or qualification) of such Securities or Common Stock for offer and sale, as the case may be, under the securities or blue sky laws of such jurisdictions as any such Holders reasonably request in writing and do any and all other acts or things necessary or advisable to enable the offer and sale in such jurisdictions of the Securities and the Common Stock issued upon conversion thereof covered by such Shelf Registration Statement; provided, however, that the Company will not be required to (A) qualify generally to do business as a foreign corporation or as a dealer in securities in any jurisdiction where it is not then so qualified or to (B) take any action which would subject it to general service of process or to taxation in any such jurisdiction where it is not then so subject.

(h) The Company shall cooperate with the Holders to facilitate the timely preparation and delivery of certificates representing Securities or the Common Stock issued upon conversion thereof to be sold pursuant to any Shelf Registration Statement free of any restrictive legends and in such denominations and registered in such names as Holders may request prior to sales of Securities or the Common Stock issued upon conversion thereof pursuant to such Shelf Registration Statement.

(i) Subject to the exceptions contained in (A) and (B) of subsection (g) hereof, the Company shall use its best efforts to cause the Securities and Common Stock issued upon conversion thereof covered by the applicable Shelf Registration Statement to be registered with or approved by such other federal, state and local governmental agencies or authorities, and self-regulatory organizations in the United States as may be necessary to enable the Holders to consummate the disposition of such Securities and Common Stock issued upon conversion thereof as contemplated by the Shelf Registration Statement; without limitation to the foregoing, the Company shall make all filings and provide all such information as may be required by the National Association of Securities Dealers, Inc. (the "NASD") in connection with the offering under the Shelf Registration Statement of the Securities and Common Stock issued upon conversion thereof (including, without limitation, such as may be required by NASD Rule 2710 or 2720), and shall cooperate with each Holder in connection with any filings required to be made with the NASD by such Holder in that regard.

(j) Upon the occurrence of any event contemplated by paragraph

3(c)(2)(iii) above and subject to Section 3(a) hereof, the Company shall promptly prepare and file with the SEC a post-effective amendment to any Shelf Registration Statement or an amendment or supplement to the related Prospectus or any document incorporated therein by reference or file a document which is

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incorporated or deemed to be incorporated by reference in such Shelf Registration Statement or Prospectus, as the case may be, so that, as thereafter delivered to purchasers of the Securities or the Common Stock issued upon conversion thereof included therein, the Shelf Registration Statement and the Prospectus, in each case as then amended or supplemented, will not include an untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein (in the case of the Prospectus in light of the circumstances under which they were made) not misleading and in the case of a post-effective amendment, use reasonable efforts to cause it to become effective as promptly as practicable; provided that the Company's obligations under this paragraph (j) shall be suspended if the Company has suspended the use of the Prospectus in accordance with Section 2(d) hereof and given notice of such suspension to Holders, it being understood that the Company's obligations under this Subsection (j) shall be automatically reinstated at the end of such Suspension Period.

(k) The Company shall use its reasonable best efforts to cause The Depository Trust Company ("DTC") on the first Business Day following the effective date of any Shelf Registration Statement hereunder or as soon as possible thereafter to remove (i) from any existing CUSIP number assigned to the Securities any designation indicating that the Securities are "restricted securities", which efforts shall include delivery to DTC of a letter executed by the Company substantially in the form of Exhibit B hereto and (ii) any other stop or restriction on DTC's system with respect to the Securities. In the event the Company is unable to cause DTC to take actions described in the immediately preceding sentence, the Company shall take such actions as Salomon Smith Barney Inc. may reasonably request to provide, as soon as practicable, a CUSIP number for the Securities registered under such Shelf Registration Statement and to cause such CUSIP number to be assigned to such Securities (or to the maximum aggregate principal amount of the Securities to which such number may be assigned). Upon compliance with the foregoing requirements of this Section 3(k), the Company shall provide the Trustee with global certificates for such Securities in a form eligible for deposit with DTC.

(l) The Company shall use its best efforts to comply with all applicable rules and regulations of the SEC and shall make generally available to its security holders as soon as practicable but in any event not later than 15 months after (i) the effective date of the applicable Shelf Registration Statement, (ii) the effective date of each post-effective amendment to any Shelf Registration Statement, and (iii) the date of each filing by the Company with the SEC of an Annual Report on Form 10-K that is incorporated by reference or deemed to be incorporated by reference in the Shelf Registration Statement, an earnings

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statement satisfying the provisions of Section 11(a) of the Act and Rule 158 promulgated by the SEC thereunder.

(m) The Company shall use reasonable efforts to cause the Indenture to be qualified under the TIA (as defined in the Indenture) in a timely manner.

(n) The Company shall cause all Common Stock issued or issuable upon conversion of the Securities to be listed on each securities exchange or quotation system on which the Common Stock is then listed no later than the date the applicable Shelf Registration Statement is declared effective and, in connection therewith, to make such filings as may be required under the Exchange Act and to have such

filings declared effective as and when required thereunder.

(o) The Company may require each Holder of Securities or the Common Stock issued upon conversion thereof to be sold pursuant to any Shelf Registration Statement to furnish to the Company such information regarding the Holder and the distribution of such Securities or Common Stock sought by the Notice and Questionnaire and such additional information as may, from time to time, be required by the Act and the rules and regulations promulgated thereunder, and the obligations of the Company to any Holder hereunder shall be expressly conditioned on the compliance of such Holder with such request.

(p) The Company shall, if reasonably requested, use reasonable efforts to promptly incorporate in a Prospectus supplement or post-effective amendment to a Shelf Registration Statement (i) such information as the Majority Holders provide or, if the Securities or Common Stock are being sold in an Underwritten Offering, as the Managing Underwriters or the Majority Underwriting Holders reasonably agree should be included therein and provide to the Company in writing for inclusion in the Shelf Registration Statement or Prospectus, and (ii) such information as a Holder may provide from time to time to the Company in writing for inclusion in a Prospectus or any Shelf Registration Statement concerning such Holder and the distribution of such Holder's Securities and Common Stock and, in either case, shall make all required filings of such Prospectus supplement or post-effective amendment as soon as practicable after being notified in writing of the matters to be incorporated in such Prospectus supplement or post-effective amendment, provided that the Company shall not be required to take any action under this Section 3(p) that is not, in the reasonable opinion of counsel for the Company, in compliance with applicable law.

(q) The Company shall enter into such customary agreements (including underwriting agreements) and take all other appropriate actions as may be reasonably requested in order to expedite or facilitate the registration or the

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disposition of the Securities or the Common Stock issued or issuable upon conversion thereof, and in connection therewith, if an underwriting agreement is entered into, cause the same to contain indemnification and contribution provisions and procedures no less favorable than those set forth in Section 5 (or such other reasonable and customary provisions and procedures acceptable to the Majority Underwriting Holders and the Managing Underwriters, if any, with respect to all parties to be indemnified pursuant to Section 5). The plan of distribution in the Shelf Registration Statement and the Prospectus included therein shall permit resales of the Securities or Common Stock issuable upon conversion thereof to be made by selling security holders through underwriters, brokers and dealers, and shall also include such other information as Salomon Smith Barney Inc. may reasonably request.

(r) The Company shall (i) make reasonably available for inspection by any Underwriter participating in any disposition pursuant to such Shelf Registration Statement, and any attorney, accountant or other agent retained by any such Underwriter all relevant financial and other records, pertinent corporate documents and properties of the Company and its subsidiaries as is customary for due diligence examinations in connection with public offerings; (ii) cause the Company's officers, directors and employees to supply all relevant information reasonably requested by any such Underwriter, attorney, accountant or agent in connection with any such Shelf Registration Statement as is customary for similar due diligence examinations; provided, however, that any information that is designated in writing by the Company, in its sole discretion, as confidential at the time of delivery of such information shall be kept confidential by the Holders or any such Underwriter, attorney, accountant or agent, unless disclosure thereof is made in connection with a court, administrative or regulatory proceeding or required by law, or such information has become available to the public generally through the Company or through a third party without an accompanying obligation of confidentiality; provided, further, that if the foregoing inspection and information

gathering specified in subsections (i) and (ii) would, in the Company's reasonable judgment, disrupt the Company's conduct of business, such inspections and information gathering shall be coordinated on behalf of the Holders and the other parties entitled thereto by one counsel designated by or on behalf of the Majority Holders (or, in the case of an Underwritten Offering, the Majority Underwriting Holders and the Managing Underwriters); (iii) deliver a letter, addressed to the Holders of Securities and Common Stock issued upon conversion thereof and the Underwriters, if any, in which the Company shall make such representations and warranties in form, substance and scope as are customarily made by issuers to Underwriters; (iv) obtain opinions of counsel to the Company and updates thereof (which counsel and opinions, in form, scope and substance, shall be reasonably satisfactory to the Managing Underwriters, if

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any) addressed to each selling Holder and the Underwriters, if any, covering such matters as are customarily covered in opinions requested in public offerings; (v) obtain "cold comfort" letters and updates thereof from the independent certified public accountants of the Company (and, if necessary, any other independent certified public accountants of any subsidiary of the Company or of any business acquired by the Company for which financial statements and financial data are, or are required to be, included in the Shelf Registration Statement), addressed to each selling Holder of Securities and Common Stock issued upon conversion thereof registered thereunder (provided such Holder furnishes the accountants, prior to the date such "cold comfort" letter is required to be delivered, with such representations as the accountants customarily require in similar situations) and the Underwriters, if any, in customary form and covering matters of the type customarily covered in "cold comfort" letters in connection with primary underwritten offerings; and (vi) deliver such documents and certificates as may be reasonably requested by the Majority Holders or, in the case of an Underwritten Offering, the Majority Underwriting Holders, and the Managing Underwriters, if any, including those to evidence compliance with Section 3(j) and with any customary conditions contained in the underwriting agreement or other agreement entered into by the Company. The foregoing actions set forth in clauses (iii), (iv), (v) and (vi) of this Section 3(r) shall be performed at (A) the effectiveness of such Shelf Registration Statement and each post-effective amendment thereto and (B) each closing under any underwriting or similar agreement as and to the extent required thereunder.

(s) Each Holder agrees that, upon receipt of notice of the happening of an event described in Sections 3(c)(1)(ii) through and including 3(c)(1)(iv) and Sections 3(c)(2)(i) through and including 3(c)(2)(iii), each Holder shall forthwith discontinue (and shall cause its agents and representatives to discontinue) disposition of the Securities and the Common Stock issuable upon conversion thereof and will not resume disposition of such Securities or the Common Stock until such Holder has received copies of an amended or supplemented Prospectus contemplated by Section 3(j) hereof, or until such Holder is advised in writing by the Company that the use of the Prospectus may be resumed or that the relevant Suspension Period has been terminated, as the case may be, provided that, the foregoing shall not prevent the sale, transfer or other disposition of Securities or Common Stock issuable upon conversion thereof by a Holder in a transaction which is exempt from, or not subject to, the registration requirements of the Act, so long as such Holder does not and is not required to deliver the applicable Prospectus or Shelf Registration Statement in connection with such sale, transfer or other disposition, as the case may be; and provided, further, that the provisions of this paragraph (s) shall not prevent the occurrence of a Registration Default or otherwise limit the obligation of the Company to pay Liquidated Damages.

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4. Registration Expenses. The Company shall bear all expenses incurred in connection with the performance of its obligations under Sections 2 and 3 hereof and shall reimburse the Holders for the reasonable fees and disbursements of one firm or counsel designated by the Majority Holders to act as counsel for

the Holders in connection therewith. Notwithstanding the provisions of this Section 4, each Holder shall bear the expense of any broker's commission, agency fee or Underwriter's discount or commission.

5. Indemnification and Contribution.

(a) The Company agrees to indemnify and hold harmless each Holder of Securities and each Holder of Common Stock issued upon conversion thereof covered by any Shelf Registration Statement (including the Initial Purchasers), the directors, officers, employees and agents of each such Holder and each person who controls any such Holder within the meaning of either the Act or the Exchange Act against any and all losses, claims, damages or liabilities, joint or several, to which they or any of them may become subject under the Act, the Exchange Act or other Federal or state law or regulation, at common law or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in the Shelf Registration Statement as originally filed or in any amendment thereof, or in any preliminary Prospectus or Prospectus, or in any amendment thereof or supplement thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, and agrees to reimburse each such indemnified party, as incurred, for any legal or other expenses reasonably incurred by any of them in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon (A) any such untrue statement or alleged untrue statement or omission or alleged omission made therein in reliance upon and in conformity with written information furnished to the Company by or on behalf of any such Holder or any Initial Purchaser specifically for inclusion therein, (B) use of a Shelf Registration Statement or the related Prospectus during a period when a stop order has been issued in respect of such Shelf Registration or any proceedings for that purpose have been initiated or use of a Prospectus when use of such Prospectus has been suspended pursuant to Section 2(d) or Section 3(s); provided, further, in each case, that Holders received prior notice of such stop order, initiation of proceedings or suspension, or (C) if the Holder fails to deliver a Prospectus, as

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then amended or supplemented, provided that the Company shall have delivered to such Holder such Prospectus, as then amended or supplemented. This indemnity agreement will be in addition to any liability which the Company may otherwise have.

(b) Each Holder of Securities or Common Stock issued upon conversion thereof covered by a Shelf Registration Statement (including the Initial Purchasers) severally and not jointly agrees to indemnify and hold harmless (i) the Company, (ii) each of its directors, (iii) each of its officers and (iv) each person who controls the Company within the meaning of either the Act or the Exchange Act to the same extent as the foregoing indemnity from the Company to each such Holder, but only with reference to written information relating to such Holder furnished to the Company by or on behalf of such Holder specifically for inclusion in the documents referred to in the foregoing indemnity. This indemnity agreement will be in addition to any liability which any such Holder may otherwise have.

(c) Promptly after receipt by an indemnified party under this Section 5 of notice of the commencement of any action, such indemnified party will, if a claim in respect thereof is to be made against the indemnifying party under this Section 5, notify the indemnifying party in writing of the commencement thereof; but the failure so to notify the indemnifying party will not relieve it from liability under paragraph (a) or (b) above unless and to the extent it did not otherwise learn of such action and such failure results in the forfeiture by the indemnifying party of substantial rights and defenses. The indemnifying party shall be entitled to appoint counsel of the indemnifying party's choice at the indemnifying party's expense

to represent the indemnified party in any action for which indemnification is sought (in which case the indemnifying party shall not thereafter be responsible for the fees and expenses of any separate counsel retained by the indemnified party or parties except as set forth below); provided, however, that such counsel shall be reasonably satisfactory to the indemnified party. Notwithstanding the indemnifying party's election to appoint counsel to represent the indemnified party in an action, the indemnified party shall have the right to employ separate counsel (including local counsel), and the indemnifying party shall bear the reasonable fees, costs and expenses of such separate counsel if (i) the use of counsel chosen by the indemnifying party to represent the indemnified party would present such counsel with a conflict of interest; (ii) the actual or potential defendants in, or targets of, any such action include both the indemnified party and the indemnifying party and the indemnified party shall have reasonably concluded that there may be legal defenses available to it and/or other indemnified parties which are different from or additional to those available to the indemnifying party; (iii) the indemnifying party shall not have employed counsel

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reasonably satisfactory to the indemnified party to represent the indemnified party within a reasonable time after notice of the institution of such action; or (iv) the indemnifying party shall authorize the indemnified party to employ separate counsel at the expense of the indemnifying party. Notwithstanding the foregoing, the indemnifying party shall not, in the connection with any one action or proceeding or separate but substantially similar or related actions or proceedings in the same jurisdiction arising out of the same general allegations or circumstances, be liable for the reasonable fees and expenses of more than one separate counsel (in addition to one separate local counsel) at any time for the indemnified party or parties, unless (x) the employment of more than one counsel has been authorized in writing by the indemnifying party or parties or (y) a conflict or potential conflict exists or may exist (based on advice of counsel to an indemnified party) between such indemnified party and any other indemnified parties or (z) an indemnified party has reasonably concluded (based on advice of counsel) that there may be legal defenses available to it that are different from or in addition to those available to the other indemnified parties, in each of which cases the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel or counsels. Neither an indemnifying party nor an indemnified party will, without the prior written consent of the other parties, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not such other parties are actual or potential parties to such claim or action) unless such settlement, compromise or consent includes an unconditional release of such other parties from all liability arising out of such claim, action, suit or proceeding.

(d) In the event that the indemnity provided in paragraph (a) or (b) of this Section 5 is unavailable to or insufficient to hold harmless an indemnified party for any reason, then each applicable indemnifying party, in lieu of indemnifying such indemnified party, shall have an obligation to contribute to the aggregate losses, claims, damages and liabilities (including legal or other expenses reasonably incurred in connection with investigating or defending same) (collectively "Losses"), as incurred, to which such indemnified party may be subject in such proportion as is appropriate to reflect the relative benefits received by such indemnifying party, on the one hand, and such indemnified party, on the other hand, from the Initial Placement and any sales of Securities under the Shelf Registration Statement; provided, however, that in no case shall the Initial Purchasers be responsible, in the aggregate, for any amount in excess of the purchase discount or commission applicable to the Securities, as set forth in the Purchase Agreement. If the allocation provided by the immediately preceding sentence is unavailable for any reason, the indemnifying party and the indemnified party shall contribute in such proportion as is appropriate to reflect not only such

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relative benefits but also the relative fault of such indemnifying party, on the one hand, and such indemnified party, on the other hand, in connection with the statements or omissions which resulted in such Losses as well as any other relevant equitable considerations. Relative fault shall be determined by reference to whether any untrue statement or omission or alleged untrue statement or omission relates to information provided by the indemnifying party, on the one hand, or by the indemnified party, on the other hand. The parties agree that it would not be just and equitable if contribution were determined by pro rata allocation or any other method of allocation which does not take account of the equitable considerations referred to above.

Notwithstanding the provisions of this paragraph (d), no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. For purposes of this Section 5, each person who controls a Holder within the meaning of either the Act or the Exchange Act and each director, officer, employee and agent of such Holder shall have the same rights to contribution as such Holder, and each person who controls the Company within the meaning of either the Act or the Exchange Act, each officer of the Company and each director of the Company shall have the same rights to contribution as the Company, and each person who controls an Underwriter within the meaning of either the Act or the Exchange Act and each officer and director of each Underwriter shall have the same rights to contribution as such Underwriter, subject in each case to the applicable terms and conditions of this paragraph (d).

(e) The provisions of this Section 5 will remain in full force and effect, regardless of any investigation made by or on behalf of any Holder, any Underwriter or the Company or any of the officers, directors or controlling persons referred to in Section 5 hereof, and will survive the sale by a Holder of Securities or shares of Common Stock covered by a Shelf Registration Statement.

6. Miscellaneous.

(a) No Inconsistent Agreements. The Company has not, as of the date hereof, entered into nor shall it, on or after the date hereof, enter into, any agreement with respect to its securities that is inconsistent with the rights granted to the Holders herein or otherwise conflicts with the provisions hereof.

(b) Amendments and Waivers. The provisions of this Agreement, including the provisions of this sentence, may not be amended, qualified, modified or supplemented, and waivers or consents to departures from the provisions hereof may not be given, unless the Company has obtained the written consent of the Majority Holders; provided that with respect to any matter that

directly or indirectly affects the rights of the Initial Purchasers hereunder, the Company shall obtain the written consent of each of the Initial Purchasers against which such amendment, qualification, supplement, waiver or consent is to be effective. Notwithstanding the foregoing (except the foregoing proviso), a waiver or consent to departure from the provisions hereof with respect to a matter that relates exclusively to the rights of Holders whose Securities or Common Stock are being sold pursuant to a Shelf Registration Statement and that does not directly or indirectly affect the rights of other Holders may be given by the Majority Holders, determined on the basis of Securities or Common Stock issued upon conversion thereof being sold rather than registered under such Shelf Registration Statement.

(c) Notices. All notices and other communications provided for or permitted hereunder shall be made in writing by hand-delivery, first-class mail, telecopier, or air courier guaranteeing overnight delivery:

(1) if to you, initially at the address set forth in the Purchase Agreement;

(2) if to any other Holder, at the most current address given

by such Holder to the Company in accordance with the provisions of this Section 6(c), which address initially is, with respect to each Holder, the address of such Holder maintained by the Registrar under the Indenture or, in the case of Common Stock, the address maintained by the registrar of the Common Stock, with a copy in like manner to Salomon Smith Barney Inc.; and

(3) if to the Company, initially at its address set forth in the Purchase Agreement.

All such notices and communications shall be deemed to have been duly given when received, if delivered by hand or air courier, and when sent, if sent by first-class mail or telecopier.

The Initial Purchasers or the Company by notice to the other may designate additional or different addresses for subsequent notices or communications.

(d) Successors and Assigns. This Agreement shall inure to the benefit of and be binding upon the successors and assigns of each of the parties, including, without the need for an express assignment or any consent by the Company thereto, subsequent Holders. The Company hereby agrees to extend the benefits of this Agreement to any Holder and Underwriter and any such Holder and Underwriter may specifically enforce the provisions of this Agreement as if an original party hereto. In the event that any other person shall succeed to the Company under the Indenture as provided in Article VII

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thereof, then such successor shall enter into an agreement, in form and substance reasonably satisfactory to the Initial Purchasers, whereby such successor shall assume all of the Company's obligations under this Agreement.

(e) Counterparts. This agreement may be executed in any number of counterparts and by the parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

(f) Headings. The headings in this Agreement are for convenience of reference only and shall not limit or otherwise affect the meaning hereof.

(g) GOVERNING LAW. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK APPLICABLE TO AGREEMENTS MADE AND TO BE PERFORMED IN SAID STATE, WITHOUT REGARD, TO THE EXTENT PERMITTED BY APPLICABLE LAW, TO THE CONFLICTS OF LAW RULES THEREOF.

(h) Severability. In the event that any one of more of the provisions contained herein, or the application thereof in any circumstances, is held invalid, illegal or unenforceable in any respect for any reason, the validity, legality and enforceability of any such provision in every other respect and of the remaining provisions hereof shall not be in any way impaired or affected thereby, it being intended that all of the rights and privileges of the parties shall be enforceable to the fullest extent permitted by law.

(i) Securities Held by the Company, etc. Whenever the consent or approval of Holders of a specified percentage of principal amount of Securities or the Common Stock issuable upon conversion thereof is required hereunder, Securities or the Common Stock issued upon conversion thereof held by the Company or its Affiliates (other than subsequent Holders of Securities or the Common Stock issued upon conversion thereof if such subsequent Holders are deemed to be Affiliates solely by reason of their holdings of such Securities) shall not be counted in determining whether such consent or approval was given by the Holders of such required percentage.

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Please confirm that the foregoing correctly sets forth the agreement between the Company and you.

Very truly yours,

AMKOR TECHNOLOGY, INC.

/s/ Kenneth Joyce

Name: Kenneth T. Joyce
Title: Chief Financial Officer

The foregoing Agreement is hereby confirmed and accepted as of the date first above written.

SALOMON SMITH BARNEY INC.

By /s/ Kevin S. Tice

Name: Kevin S. Tice
Title: Managing Director

For itself and the other Initial Purchasers named in Schedule I to the Purchase Agreement.

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EXHIBIT A

Amkor Technology, Inc.

Notice of Registration Statement

and

Selling Securityholder Questionnaire

Reference is hereby made to the Registration Agreement (the "Registration Agreement") between Amkor Technology, Inc., a Delaware corporation (the "Company"), and the Initial Purchasers named therein. Pursuant to the Registration Agreement, the Company has filed or will file with the United States Securities and Exchange Commission (the "Commission") a registration statement on Form S-3 (the "Shelf Registration Statement") for the registration and resale under Rule 415 of the Securities Act of 1933, as amended (the "Securities Act"), of the Company's 5% Convertible Subordinated Notes due 2007 (the "Securities"), and the shares of the Company's common stock, par value \$.001 per share (the "Common Stock"), issuable upon conversion thereof. A copy of the Registration Agreement is attached hereto. All capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Registration Agreement.

Each holder and beneficial owner of Transfer Restricted Securities is entitled to have its Transfer Restricted Securities included in the Shelf Registration Statement. In order to have Transfer Restricted Securities included in the Shelf Registration Statement, this Notice of Registration Statement and Selling Securityholder Questionnaire ("Notice and Questionnaire") must be completed, executed and delivered to the Company's counsel at the following address, for receipt ON OR BEFORE [DEADLINE FOR RESPONSE]: [NAME AND ADDRESS OF COUNSEL]. Holders or beneficial owners of Transfer Restricted Securities who do not complete, execute and return this Notice and Questionnaire by such date (i) will not be named as selling securityholders in the Shelf Registration Statement and (ii) may not use the Prospectus forming a part thereof for resales of Transfer Restricted Securities, subject, however, to the Company's obligations under Section 2(b)(2) of the Registration Agreement.

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Certain legal consequences arise from being named as a selling securityholder in the Shelf Registration Statement and related Prospectus. Accordingly, holders and beneficial owners of Transfer Restricted Securities are advised to consult their own securities law counsel regarding the consequences of being named or not being named as a selling securityholder in the Shelf

Registration Statement and related Prospectus.

ELECTION

The undersigned (the "Selling Securityholder") hereby elects to include in the Shelf Registration Statement the Transfer Restricted Securities held or beneficially owned by it and listed below in Item (3)(b). The undersigned, by signing and returning this Notice and Questionnaire, agrees to be bound with respect to such Transfer Restricted Securities by the terms and conditions of this Notice and Questionnaire and the Registration Agreement, including, without limitation, the indemnification set forth in Section 5 of the Registration Agreement, as if the undersigned Selling Securityholder were an original party thereto.

QUESTIONNAIRE

(1) (a) Full legal name of Selling Securityholder:

(b) Full legal name of registered holder (if not the same as in (a) above) of Transfer Restricted Securities listed in (3) below (if the Transfer Restricted Securities are held through a broker-dealer or other third party and, as a result, you do not know the legal name of the registered holder, please complete Item (1)(c) below):

(c) Full legal name of broker-dealer or other third party through which Transfer Restricted Securities listed in (3) below are held:

(2) Address for notices to Selling Securityholder:

Telephone:
Fax:
Contact Person:

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(3) Beneficial ownership of Transfer Restricted Securities.

Except as set forth below in this Item (3), the undersigned does not beneficially own any Securities or shares of Common Stock which constitute Transfer Restricted Securities.

(a) Principal amount of Securities constituting Transfer Restricted Securities beneficially owned:

Number of shares of Common Stock, if any, constituting Transfer Restricted Securities (include only shares of Common Stock which have actually been issued, not shares issuable upon future conversion of Securities):

The undersigned also may be deemed to beneficially own such number of shares of Common Stock as may be issued from time to time upon conversion of the Securities listed in Item (3)(a) above.

(b) Principal amount of Securities and number of shares of outstanding Common Stock constituting Transfer Restricted Securities which the undersigned wishes to be included in the Shelf Registration Statement:

Unless otherwise indicated in the space provided below, all Securities, all shares of Common Stock listed in response to Item (3)(a) above, and all shares of Common Stock issuable upon conversion of the Securities listed in response to Item (3)(b) above, will be included in the Shelf Registration Statement. If the undersigned does not wish all such Securities or shares of Common Stock to be so included, please indicate below the number of such shares to be included:

(4) Beneficial ownership of other securities of the Company:

Except as set forth below in this item (4), the undersigned Selling Securityholder is not the beneficial or registered owner of any shares of Common Stock or any other securities of the Company, other than Securities and shares of Common Stock listed above in Item (3).

State any exceptions here:

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(5) Relationships with the Company:

Except as set forth below, neither the Selling Securityholder nor any of its officers, directors or 5% or greater stockholders has held any position or office or has had any other material relationship with the Company (or its predecessors or affiliates) during the past three years.

State any exceptions here:

(6) Plan of Distribution:

Except as set forth below, the undersigned Selling Securityholder intends to distribute the Transfer Restricted Securities listed above in Item (3) only as follows (if at all): Such Transfer Restricted Securities may be sold from time to time by the undersigned Selling Securityholder (i) to or through underwriters, brokers or dealers; (ii) directly to one or more other purchasers; (iii) through agents on a best-efforts basis or otherwise; or (iv) through a combination of any such methods of sale. Such Transfer Restricted Securities may be sold from time to time in one or more transactions at a fixed price or prices, which may be changed, at market prices prevailing at the time of sale, at prices related to such prevailing market prices, at varying prices determined at the time of sale, or at negotiated prices. Such sales may be effected in transactions (which may involve crosses or block transactions) (i) on any national securities exchange or quotation service on which the Transfer Restricted Securities may be listed or quoted at the time of sale, (ii) in the over-the-counter market, (iii) in transactions otherwise than on such exchanges or services or in the over-the-counter market, or (iv) through the writing of options. In connection with sales of the Transfer Restricted Securities or otherwise, the Selling Securityholder may enter into hedging transactions with brokers-dealers or others, which may in turn engage in short sales of the Transfer Restricted Securities in the course of hedging the positions they assume. The Selling Securityholder may also sell Transfer Restricted Securities short and deliver Transfer Restricted Securities to close out such short positions, or loan or pledge Transfer Restricted Securities to brokers-dealers or others that in turn may sell such securities. The Selling Securityholder may pledge or grant a security interest in some or all of the Transfer Restricted Securities owned by it and, if it defaults in the performance of its secured obligations, the pledgees or secured parties may offer and sell the Transfer Restricted Securities from time to time pursuant to the Prospectus. The Selling Securityholder also may transfer and donate shares in other circumstances in which case the transferees, donees, pledgees or other successors in interest will be the selling stockholders for purposes of the Prospectus. The Selling Securityholder may sell short the Common Stock and may deliver the Prospectus

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in connection with such short sales and use the shares covered by the Prospectus to cover such short sales.

State any exceptions here:

By signing below, the Selling Securityholder acknowledges that it understands its obligation to comply, and agrees that it will comply, with the provisions of the Securities Exchange Act of 1934, as amended, and the rules and regulations thereunder, particularly Regulation M and the prospectus delivery requirements under the Securities Act.

In the event that the Selling Securityholder transfers all or any portion of the Transfer Restricted Securities listed in Item (3) above after the date on which such information is provided to the Company (other than a transaction as a result of which such securities shall no longer be Transfer Restricted Securities), the Selling Securityholder agrees to notify the transferees at the time of the transfer of its rights and obligations under this

Notice and Questionnaire and the Registration Agreement.

By signing below, the Selling Securityholder consents to the disclosure of the information contained herein in its answers to Items (1) through (6) above and the inclusion of such information in the Shelf Registration Statement and related Prospectus. The Selling Securityholder understands that such information will be relied upon by the Company in connection with the preparation of the Shelf Registration Statement and related Prospectus.

The Selling Securityholder agrees to promptly notify the Company of any inaccuracies or changes in the information provided herein which may occur subsequent to the date hereof at any time while the Shelf Registration Statement remains in effect. All notices hereunder and pursuant to the Registration Agreement shall be made in writing, by hand-delivery, first-class mail, or air courier guaranteeing overnight delivery as follows:

Amkor Technology, Inc.
1345 Enterprise Drive
West Chester, PA 19380
Attention: Ken Joyce

Once this Notice and Questionnaire is executed by the Selling Securityholder and received by the Company, the terms of this Notice and Questionnaire, and the representations and warranties contained herein, shall be binding on, shall inure to the

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benefit of and shall be enforceable by the respective successors, heirs, personal representatives, and assigns of the Company and the Selling Securityholder (with respect to the Transfer Restricted Securities beneficially owned by such Selling Securityholder and listed in Item (3)(b) above). This Agreement shall be governed by and construed in accordance with the internal laws of the State of New York.

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IN WITNESS WHEREOF, the undersigned, by authority duly given, has caused this Notice and Questionnaire to be executed and delivered either in person or by its duly authorized agent.

Dated:

Selling Securityholder
(Print/type full legal name of beneficial owner of Transfer Restricted Securities).

By: _____

Name:
Title:

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EXHIBIT B

FORM OF LETTER TO BE PROVIDED BY ISSUER TO
THE DEPOSITORY TRUST COMPANY

The Depository Trust Company
55 Water Street
New York, NY 10041

Re: 5% Convertible Subordinated Notes due 2007(the "Securities")
of Amkor Technology, Inc.

Ladies and Gentlemen:

Please be advised that the Securities and Exchange Commission has declared effective a Registration Statement on Form S-3 under the Securities Act of 1933, as amended, with regard to all of the Securities referenced above. Any restrictions on the CUSIP designation are no longer appropriate and may be removed. I understand that upon receipt of this letter, DTC will remove any stop or restriction on its system with respect to this issue.

As always, please do not hesitate to call if we can be of further assistance.

Very truly yours,

By:
Authorized Officer

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A LIST OF OUR SUBSIDIARIES

- A. Amkor Receivables Corp., a Delaware corporation;
- B. Wafer Fabrication Services SARL, a corporation organized under the laws of France;
- C. Guardian Assets, Inc., a Delaware corporation, and its wholly owned subsidiaries:
 - 1. Amkor Technology Euroservices SARL, a corporation organized under the laws of France;
 - 2. AK Industries, Inc., and its wholly owned subsidiary, Amkor Technology Inventory Co., each a Texas corporation;
 - 3. Amkor Technology Japan, KK, A Corporation Organized under the laws of Japan (Incorporated 07/23/99)
 - 4. Amkor International Holdings, a corporation organized under the laws of the British Cayman Islands, and its wholly owned subsidiary:
 - (a) First Amkor Caymans, Inc., a corporation organized under the laws of the British Cayman Islands, and its wholly owned subsidiaries:
 - (i) Second Amkor Caymans, Inc., a corporation organized under the laws of the British Cayman Islands;
 - (ii) P-Four, Inc., and its subsidiary
 - (A) (60% ownership) Amkor/Anam Advanced Packaging, Inc., both of which are corporations organized under the laws of the Philippines;
 - (B) 60% ownership of Amkor/Anam Pilipinas Inc., organized under the laws of the Philippines from FACI in 1999 by P-Four (40% ownership by CIL, Limited) - effective 05/11/99
 - (iii) T.L. Limited, a corporation organized under the laws of the British Cayman Islands, and its subsidiaries:
 - (A) C.I.L. Limited (100% wholly owned), a corporation organized under the laws of the British Cayman Islands;
 - (1) AT Korea (100% wholly owned), a corporation organized under the laws of the Republic of Korea;
 - (2) Amkor/Anam Advanced Packaging, Inc. (40% ownership by Amkor/Anam Advanced Packaging, Inc. and 60% ownership by P-Four, Inc.) a corporation organized under the laws of the Philippines.
 - a. Amkor Anama Precision Machine Corporation, a corporation organized under the laws of Philippines-effective 07/01/99
 - (3) 40% ownership Amkor/Anam Pilipinas Inc., a corporation organized under the laws of the Philippines, from FACI in 1999 by CIL, Limited (60% ownership by P-Four, Inc.) - effective 05/11/99

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation of our reports dated February 3, 2000 (except as discussed in Note 21 with respect to the Company's proposed acquisition of ASI's packaging and test facilities and its investment in ASI, as to which the date is February 28, 2000, and the related proposed financing, as to which the date is March 16, 2000) included in this Form 10-K, into the Company's previously filed Form S-8 Registration Statements File Numbers 333-62891 and 333-86161.

/s/ Arthur Andersen LLP
Philadelphia, Pennsylvania
March 27, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-62891 and No. 333-86161) of Amkor Technology, Inc. of our following reports which appear in the Annual Report on Form 10-K of Amkor Technology, Inc.:

- dated February 28, 2000 relating to the consolidated financial statements of Anam Semiconductor, Inc. and its subsidiaries;
- dated January 15, 2000 relating to the financial statements of the Amkor Technology Korea, Inc.

/s/ Samil Accounting Corporation

Seoul, Korea
March 27, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this Annual Report on Form 10-K by Amkor Technology, Inc.

/s/ Ahn Kwon & Co.

Ahn Kwon & Co.

Seoul, Korea
March 28, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report and to all references to our Firm included in or made a part of the Amkor Technology, Inc. Annual Report on Form 10-K.

/s/ Siana Carr & O'Connor, LLP

Siana Carr & O'Connor, LLP

Paoli, Pennsylvania
March 27, 2000

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