AMKOR IS THE WORLD'S **LARGEST** PROVIDER OF CONTRACT **MICROELECTRONIC** ASSEMBLY & TEST **SOLUTIONS.**

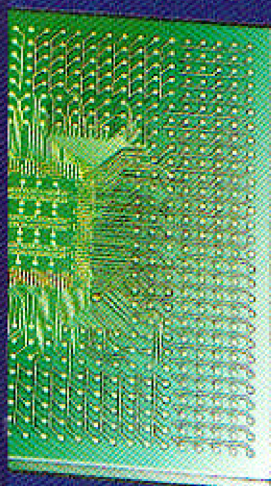
FOR MORE THAN **30 YEARS** WE HAVE BEEN A **STRATEGIC RESOURCE** FOR THE WORLD'S LEADING **SEMICONDUCTOR** COMPANIES AND **ELECTRONICS OEMS.**

OUR **2000 ANNUAL REPORT** HIGHLIGHTS KEY ELEMENTS OF OUR **GROWTH STRATEGY:**

- TECHNOLOGY LEADERSHIP
- WORLD CLASS OPERATIONS
- STRATEGIC RELATIONSHIPS

THESE ARE THE ASSETS THAT DETERMINE OUR **SUCCESS.**

Enabling a Microelectronic World



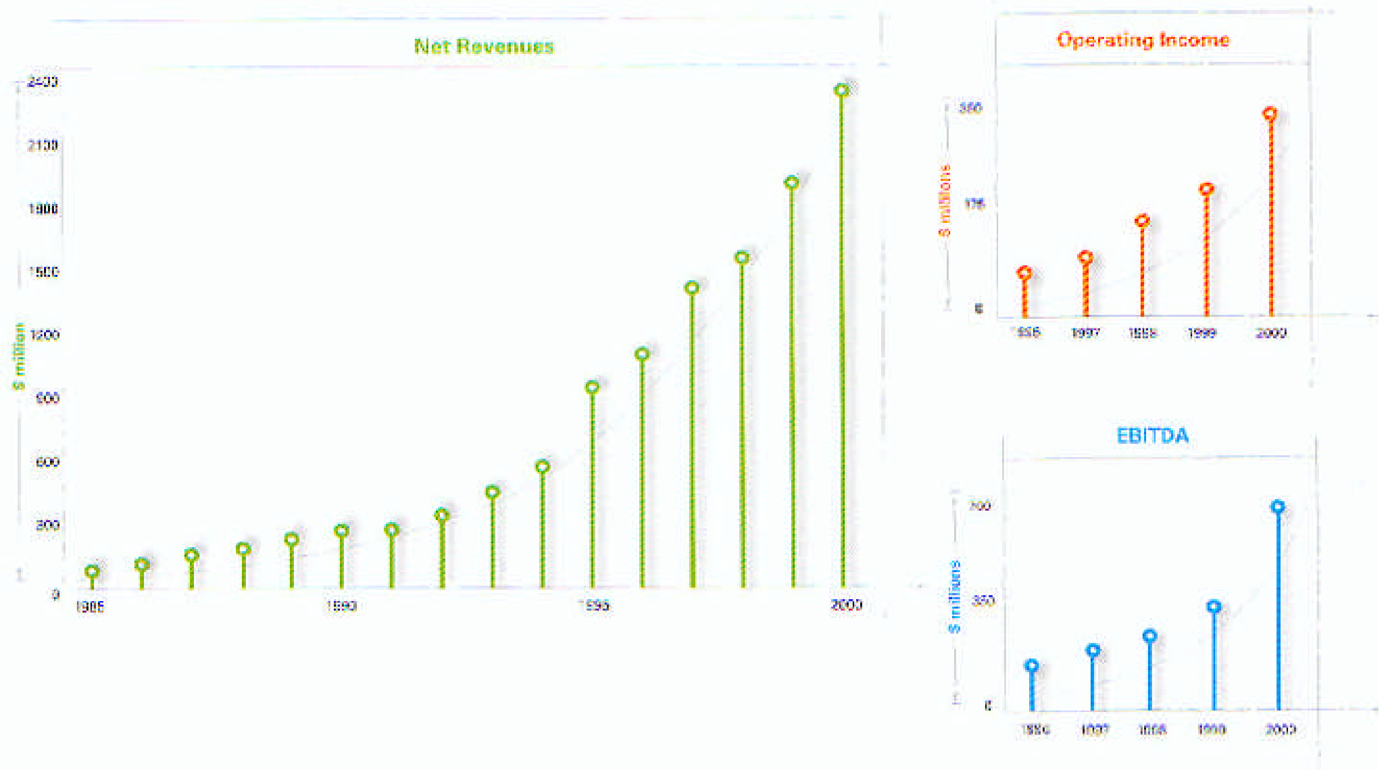
AMKOR TECHNOLOGY, INC.
2000 Annual Report

Amkor Technology, Inc.

(in thousands, except per share data)	2000	1999	1998	1997	1996
Net revenues	$2,387,294	$1,909,972	$1,567,983	$1,455,761	$1,171,001
Gross profit	605,136	349,156	260,833	213,092	148,923
Gross margin	25.3%	18.3%	16.6%	14.6%	12.7%
Operating income	323,376	176,077	132,736	100,841	71,368
Net income (a)	154,153	76,719	70,960	39,668	30,022
Diluted net income per common share	1.02	0.63	0.66	0.48	0.36
EBITDA (b)	648,006	346,495	241,252	174,276	126,043
Cash and short-term investments	93,517	234,640	228,587	93,438	50,545
Working capital (deficit)	102,586	194,352	191,383	(38,219)	36,785
Stockholders' equity	1,314,834	737,741	490,361	90,875	45,812

(a) Prior to April 1998, net income includes a pro forma provision for income taxes to reflect income taxes as if our company's conversion to a C Corporation from an S Corporation occurred as of 1995.

(b) We have calculated EBITDA by adding: (1) income before income taxes, equity in income (loss) of investees and minority interest, (2) foreign currency (gain) loss, (3) interest expense, net, (4) non-cash other (income) expense, net and (5) depreciation and amortization.

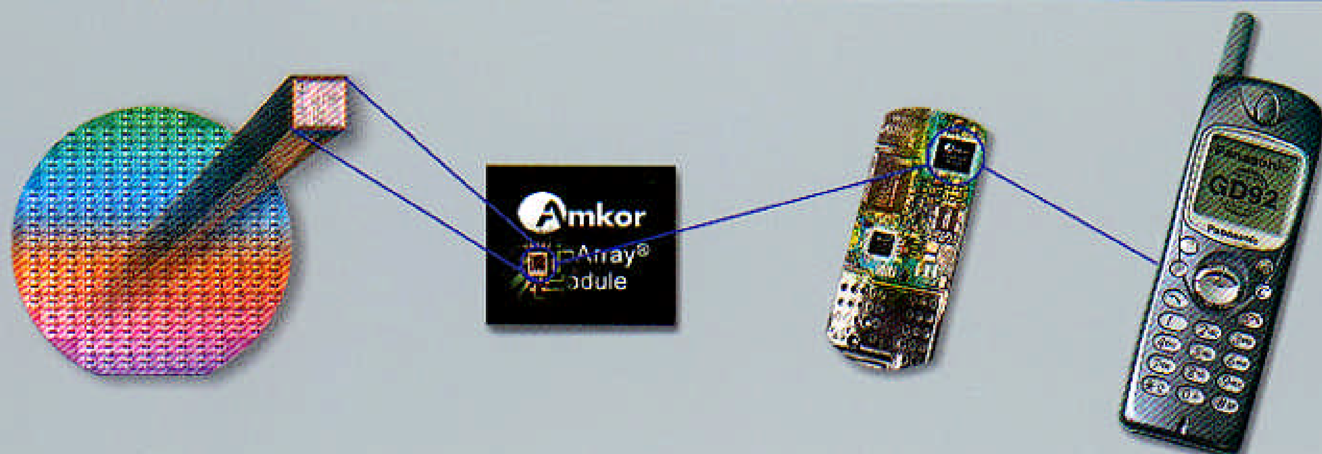


ENABLING A MICROELECTRONIC WORLD

Founded in 1968, Amkor pioneered the outsourcing of semiconductor assembly and test. Today, nearly one fourth of the world's IC's are assembled by specialists like Amkor. Over the past three decades, strong outsourcing trends have enabled our industry to grow at a faster rate than the overall semiconductor industry, and analysts expect this trend to continue.

Semiconductor manufacturing is generally defined in two stages. In the front end, millions of transistors and complex electronic circuitry are deposited onto silicon wafers through a process called wafer fabrication. In the back end, called **packaging, or assembly,** the silicon wafer is cut into individual chips, and each chip is placed in a specially designed environment that allows the chip to properly connect with the system board.

The assembly process is responsible for managing the electrical connections between the very fine pitch of the IC and the larger geometry of the system board. Amkor's industry-leading technology, design, assembly and test capabilities represent critical operational requirements for many the world's leading semiconductor companies.



The Structure of Tomorrow's Electronics Industry . . . *Some thoughts from Prismark Partners*

The semiconductor content of electronic systems has doubled over the past ten years, and by 2005 will account for close to 25% of the value of all hardware produced worldwide. This increase is a direct consequence of the investment and progress in silicon integration, and efficiency improvements in system design and manufacturing.

The exponential growth of Internet use is driving the convergence of communications and computing into a dominant Global Networked Communications infrastructure.

Large, vertically integrated companies are evolving into more horizontal enterprises with a clearer focus on core competencies.

What companies will define tomorrow's Electronics Industry?

- **Systems Houses,** which architect, market and maintain systems.
- **Semiconductor Houses,** which design and fabricate semiconductor devices.
- **Process Providers,** who make possible advanced manufacturing processes.
- **Component Suppliers,** who provide components for electronic assembly.
- **Contract Manufacturers, such as Amkor,** who assemble and test devices, components and micro-systems for others.

An Outstanding Year

The year 2000 was an extraordinary one for Amkor, as we achieved record financial performance and accomplished the following key strategic goals:

- **Assumed direct ownership and operating control of all our assembly and test factories**
- **Opened up the Japanese market for wholesale outsourcing of assembly and test**
- **Significantly enhanced our test organization**
- **Developed plans to enhance our presence in Taiwan**
- **Laid the groundwork for expansion into China**

During the past year the microelectronics industry sharply outperformed the overall economy. This strong performance was driven by the rapidly increasing use of wireless communications, the proliferation of portable electronic devices, and continued, widespread adoption of the Internet and related applications. As the world's leading provider of outsourced microelectronics manufacturing solutions, Amkor was a key beneficiary of this growth.

Strong Financial Performance

For 2000, total company revenues were $2.39 billion, a 25% increase over 1999. Our core business of semiconductor packaging and test contributed $2 billion of this revenue, based on a 30% growth in unit shipments.

For 2000, net income before the amortization of goodwill and acquired intangibles rose to $242 million, or $1.60 per diluted share, from $96 million, or $0.77 per share in 1999. We generated $648 million in EBITDA compared to $346 million in 1999.

Strategic Initiatives

During the year we completed the restructuring of our operational base and undertook four strategic initiatives to accommodate our future growth and solidify our industry leadership.

Acquisition of K1, K2 & K3

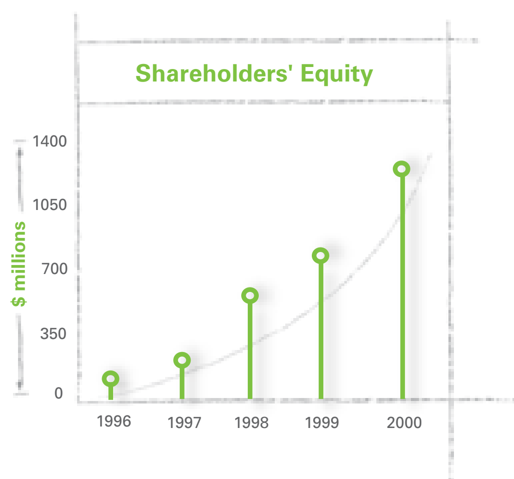
In May 2000 we completed the acquisition of three semiconductor assembly & test factories, known as K1, K2 and K3, from Anam Semiconductor, Inc. Prior to the acquisition, these three factories were owned and operated by Anam, with the output marketed by Amkor. Following this landmark transaction, we now own and operate all of our packaging and test factories. As a result, we have significantly enhanced the operating flexibility and profitability of our core business. In connection with this transaction, we also acquired a 42% interest in Anam.

Toshiba Joint Venture

Late in the year we completed a milestone transaction that fulfilled a key Amkor objective of introducing contract assembly directly into the large Japanese market. As of January 1, 2001 Amkor Iwate Co., a 60% Amkor-owned joint venture with Toshiba Corporation's Semiconductor Company, is now operating the existing assembly facility at Toshiba's Iwate site in Japan. The joint venture will continue to provide assembly and test services to Toshiba under a long-term agreement. It also positions Amkor to capitalize on additional outsourcing opportunities in Japan.

Expansion into China

China has emerged as rapidly developing center for microelectronic manufacturing. Recognizing the increasing role that China plays in the global electronics industry, and the desire to support the growing needs of our customers, Amkor decided to establish our first semiconductor assembly and



test factory in Shanghai. This new facility will be used to support the fast growing cell phone and computing markets in China. We believe that having infrastructure in this large and rapidly growing market will help Amkor maintain our industry leadership position.

Acquisition of Integra Technologies

Already one of the world leaders in semiconductor test, we significantly enhanced our test design and service capabilities with the addition of Integra Technologies in July 2000. Combining the technologies and resources of Integra and Amkor provides our customers with a wider range of critical test solutions for advanced semiconductor applications. With the outsourcing of test services projected to grow at above-market rates, we are well positioned to accommodate the expanding test requirements of our customers.

Building For The Future

During the year we continued to strengthen our microelectronics manufacturing and service capabilities by investing in our engineering, production and service resources.

System-in-Package

In 2000 we made important progress in the development of this new business unit. During the year we transformed development activities with several customers into volume-production programs. We are currently providing turnkey production and test services for RF power amplifier modules used in cell phones, and flash storage cards used in MP3 players and digital cameras. We believe our System-in-Package business has the potential to significantly increase our available market over the next few years.

Flip Chip

Amkor continues to play a leading role in the development of flip chip and wafer-level solutions for contract semiconductor assembly. During the year we substantially increased our capabilities with the addition of key wafer bumping licenses from Flip Chip Technologies and Unitive Electronics. We expect to significantly expand our flip chip business and use this technology as a platform for the continuing development of wafer level assembly solutions.

"Green" Packages

The growing use of microelectronics has heightened sensitivity regarding the materials contained in semiconductors. Recognizing such concerns, Amkor has taken a proactive strategy of developing environmentally friendly alternatives, including lead-free and halide-free IC packages.

Looking Ahead

The microelectronics industry is a key driver of what is becoming a truly global economy, and Amkor is the largest company in a growing segment of this industry. We are ideally positioned to achieve long-term growth, and are fully committed to pursuing a strategy that provides maximum benefit to our shareholders, customers, suppliers, and more than 21,000 employees around the world.

Sincerely,

James J. Kim
Chairman and Chief
Executive Officer

John N. Boruch
President and Chief
Operating Officer

Selected Consolidated Financial Data

(in thousands, except per share data)	Year Ended December 31, 2000	1999	1998	1997	1996
INCOME STATEMENT DATA:					
NET REVENUES	$2,387,294	$1,909,972	$1,567,983	$1,455,761	$1,171,001
COST OF REVENUES — including purchases from ASI	1,782,158	1,560,816	1,307,150	1,242,669	1,022,078
GROSS PROFIT	605,136	349,156	260,833	213,092	148,923
OPERATING EXPENSES:					
Selling, general and administrative	192,623	144,538	118,392	103,021	66,465
Research and development	26,057	11,436	8,251	8,525	10,930
Amortization of goodwill and other acquired intangibles	63,080	17,105	1,454	705	160
Total operating expenses	281,760	173,079	128,097	112,251	77,555
OPERATING INCOME	323,376	176,077	132,736	100,841	71,368
OTHER (INCOME) EXPENSE:					
Interest expense, net	119,840	45,364	18,005	32,241	22,245
Foreign currency (gain) loss	4,812	308	4,493	(835)	2,961
Other (income) expense, net(a)	1,295	25,117	9,503	8,429	3,150
Total other (income) expense	125,947	70,789	32,001	39,835	28,356
INCOME BEFORE INCOME TAXES, EQUITY IN INCOME (LOSS) OF INVESTEES AND MINORITY INTEREST	197,429	105,288	100,735	61,006	43,012
PROVISION FOR INCOME TAXES(b)	22,285	26,600	24,716	7,078	7,876
EQUITY IN INCOME (LOSS) OF INVESTEES(c)	(20,991)	(1,969)	—	(17,291)	(1,266)
MINORITY INTEREST(d)	—	—	559	(6,644)	948
NET INCOME(b)	$ 154,153	$ 76,719	$ 75,460	$ 43,281	$ 32,922
Basic net income per common share	$ 1.06	$ 0.64	$ 0.71	$ 0.52	$ 0.40
Diluted net income per common share	$ 1.02	$ 0.63	$ 0.70	$ 0.52	$ 0.40
PRO FORMA DATA (UNAUDITED)(b):					
Historical income before income taxes, equity in income (loss) of investees and minority interest			$ 100,735	$ 61,006	$ 43,012
Pro forma provision for income taxes			29,216	10,691	10,776
Pro forma income before equity in income (loss) of investees and minority interest			71,519	50,315	32,236
Historical equity in income (loss) of investees(c)			—	(17,291)	(1,266)
Historical minority interest			559	(6,644)	948
Pro forma net income			$ 70,960	$ 39,668	$ 30,022
Basic pro forma net income per common share			$ 0.67	$ 0.48	$ 0.36
Diluted pro forma net income per common share			$ 0.66	$ 0.48	$ 0.36
SHARES USED IN COMPUTING NET INCOME PER SHARE:					
Basic and pro forma basic	145,806	119,341	106,221	82,610	82,610
Diluted and pro forma diluted	153,223	135,067	116,596	82,610	82,610
OTHER FINANCIAL DATA:					
Depreciation and amortization	$ 332,909	$ 180,332	$ 119,239	$ 81,864	$ 57,825
Capital expenditures	480,074	242,390	107,889	178,990	185,112
BALANCE SHEET DATA:					
Cash and cash equivalents	93,517	98,045	227,587	90,917	49,664
Short-term investments	—	136,595	1,000	2,521	881
Working capital (deficit)	102,586	194,352	191,383	(38,219)	36,785
Total assets	3,393,284	1,755,089	1,003,597	855,592	804,864
Total long-term debt	1,585,536	687,456	221,846	346,710	402,338
Total debt, including short-term borrowings and current portion of long-term debt	1,659,122	693,921	260,503	514,027	594,151
Stockholders' equity	1,314,834	737,741	490,361	90,875	45,812

(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 5¾% convertible subordinate notes due 2003.

(b) Prior to our reorganization in April 1998, our predecessor, Amkor Electronics, Inc. ("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"), the predecessor of 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.

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 but not limited to 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) statements regarding the future of our relationship with ASI and (6) other statements that are not historical facts. In some cases, you can identify forward-looking statements by terminology such as "may," "will," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "potential," "continue" or the negative of these terms or other comparable terminology. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors. The following discussion provides information and analysis of our results of operations for the three years ended December 31, 2000 and our liquidity and capital resources. In addition, the information contained herein is provided as of March 30, 2001 and is subject to change. You should read the following discussion in conjunction with "Selected Consolidated Financial Data" and our consolidated financial statements and notes thereto, included elsewhere in this annual report as well as the periodic reports we file with the Securities and Exchange Commission. Copies of these reports are available on our website at www.amkor.com or upon request by contacting our Investor Relations department at Amkor Technology, Inc., 1345 Enterprise Drive, West Chester, PA 19380 (610-431-9600). In addition, copies of reports we file electronically are available from the Securities and Exchange Commission's website at www.sec.gov.

INDUSTRY AND BUSINESS OUTLOOK

Amkor is the world's largest independent provider of semiconductor packaging and test services. The company has built a leading position through: (i) one of the industry's broadest offerings of packaging and test services, (ii) expertise in the development and implementation of packaging and test technology, (iii) long-standing relationships with customers, and (iv) advanced manufacturing capabilities. We also market the wafer fabrication output provided by a foundry owned by Anam Semiconductor, Inc. (ASI). We currently have more than 220 customers and our customers include 46 of the 50 largest semiconductor companies. The semiconductors that we package and test for our customers are ultimately components in communications, computer, industrial, consumer, automotive and military systems.

Our business is tied to market conditions in the semiconductor industry, which is highly cyclical. Based on industry estimates, from 1978 through 2000, there were 10 years when semiconductor industry growth was 10 percent or less and 13 years when growth was 19% or greater. The strength of the semiconductor industry is dependent upon the strength of the computer and communications systems markets. Since 1970, the semiconductor industry declined in 1975, 1985, 1996 and 1998. The semiconductor industry began to expand subsequent to the 1998 downturn with a growth rate of 19% and 36% in 1999 and 2000. Our growth rate in 1999 and 2000 was 22% and 25%, respectively. The historical trends in the semiconductor industry are not necessarily indicative of the results of any future period. The semiconductor industry has weakened significantly during the fourth quarter of 2000 and conditions are expected to remain weak into 2001. Our customers have reduced their forecasts as a result of the broad weakness in the semiconductor industry, uncertainty about end market demand, and excess inventory across the semiconductor industry supply chain. The significant uncertainty throughout the industry is hindering the visibility throughout the supply chain and that lack of visibility makes it difficult to forecast the end of the weakness in the semiconductor industry. The weaker demand is expected to adversely impact our results in 2001.

Prices for packaging and test services and wafer fabrication services have declined over time. We have been able to partially offset the effect of price declines by successfully developing and marketing new packages with higher prices, such as advanced leadframe and laminate packages, negotiating lower prices with our material vendors, and driving engineering and technological changes in our packaging and test processes which resulted in reduced manufacturing costs. We cannot assure you that we will be able to offset any such price declines in the future.

The weakness in the semiconductor industry is also adversely affecting the demand for the wafer output from ASI's foundry. Beginning in the fourth quarter and continuing into the first quarter of 2001, demand for wafers deteriorated as a result of the weakness in the semiconductor industry and uncertainty about end market demand. The capacity utilization of ASI's wafer foundry was approximately 47% in December 2000 as compared with a capacity utilization of approximately 89% for all of 2000. We expect our wafer fabrication services results and ASI's operating results will be adversely impacted in 2001. ASI's results impact us through our recording of our share of their results in accordance with the equity method of accounting.

OVERVIEW OF OUR HISTORICAL RESULTS

Historically we performed packaging and test services at our 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 in May 2000 we acquired ASI's remaining packaging and test facilities, K1, K2 and K3. With the completion of our acquisition of K1, K2 and K3, we no longer depend upon ASI for packaging or test services, but we continue to market ASI's wafer fabrication services.

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. Service charges paid to ASI and our gross margins on sales of services performed by ASI were set in accordance with supply agreements with ASI, which provided for periodic pricing adjustments based on changes in forecasted demand, product mix, capacity utilization and fluctuations in

Management's Discussion and Analysis of Financial Condition and Results of Operations

exchange rates, as well as our mutual long-term strategic interests. Fluctuations in service charges we paid 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 had not previously borne any of ASI's fixed costs. Effective with our May 2000 acquisition of K1, K2 and K3 and May 1999 acquisition of K4, we bear all of the costs associated with these factories, but we 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.

Ongoing Relationship with ASI

Under a wafer fabrication services supply agreement, we have the exclusive right to all of the wafer output of ASI's wafer fabrication facility. Currently we own 42% of ASI's outstanding voting stock. We will continue to report ASI's results in our financial statements through the equity method of accounting.

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

Historically we were very dependent on ASI's packaging and test operations. Our dependence on ASI has decreased subsequent to our 1999 acquisition of the K4 factory, and with our May 2000 acquisition of the K1, K2 and K3 factories. Because we historically sold substantially all of the output of K1, K2 and K3, there was not and will not be a significant change in our revenues as a result of this acquisition. Our gross profits improved since the cost to operate the factories is less than the payments made to ASI under our previous supply agreement with ASI. For the period under our ownership, K1, K2 and K3 generated a combined gross margin comparable to other company owned factories. This represented a significant overall improvement in gross margins as compared with the historical gross margins of approximately 11% generated under the previous ASI assembly and test supply agreement.

The favorable increase in gross profits was offset by increased operating expenses related to the operations of K1, K2 and K3 and the amortization of $555.8 million of goodwill and acquired intangibles over a 10 year period. Our interest expense increased due to the total debt we incurred to finance the $950.0 million acquisition of K1, K2 and K3 and our $459.0 million investment in ASI.

Our overall effective tax rate decreased due to the 100% tax holiday that applies for seven years. We then will have a 50% tax holiday for three additional years.

Our earnings included equity in income of ASI for the year ended December 31, 2000 of $4.9 million excluding $24.9 million of amortization of the excess of the cost of our investment in ASI over our share of the underlying net assets.

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,		
	2000	1999	1998
Net revenues	100.0%	100.0%	100.0%
Gross profit	25.3	18.3	16.6
Operating income	13.5	9.2	8.5
Income before income taxes, equity in income (loss) of investees and minority interest	8.3	5.5	6.4
Net income	6.5	4.0	4.8

YEAR ENDED DECEMBER 31, 2000 COMPARED TO YEAR ENDED DECEMBER 31, 1999

Net Revenues

Net revenues increased $477.3 million, or 25.0%, to $2,387.3 million in 2000 from $1,910.0 million in 1999. Packaging and test net revenues increased 24.3% to $2,009.7 million in 2000 from $1,617.2 million in 1999. Wafer fabrication net revenues increased to $377.6 million in 2000 from $292.7 million in 1999.

The increase in packaging and test net revenues was primarily attributable to a significant increase in unit volumes. Overall unit volume increased approximately 30.3% in 2000 compared to 1999. This overall unit volume increase was driven by a 30.2% unit volume increase for advanced and laminate packages as a result of a broad based demand for such packages. Unit volumes in our traditional lead frame business increased 20.0%. 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. Offsetting the growth in unit volumes and favorable changes in product mix was an erosion of the average selling prices across all product lines of approximately 7% for 2000 as compared to 1999. In addition, we believe revenues for the first half of 2000 were adversely effected by advanced wafer capacity limitations at some of our customer locations, a wafer production shift by one of our largest customers and the loss of business in our P3 factory due to a laminate contamination issue all of which occurred in the second quarter of 2000.

The increase in wafer fabrication net revenues represents the expanded capacity of ASI's wafer fabrication facility from 18,000 wafers per month at the end of 1999 to 26,600 wafers per month by the end of 2000. The capacity utilization of ASI's wafer foundry was approximately 47% in December 2000 as compared with a capacity utilization of approximately 89% for all of 2000.

Management's Discussion and Analysis of Financial Condition and Results of Operations

Gross Profit

Gross profit increased $256.0 million, or 73.3%, to $605.1 million, or 25.3% of net revenues, in 2000 from $349.2 million, or 18.3% of net revenues, in 1999.

Gross margins were positively impacted by:

- Increasing unit volumes in 2000, which permitted better absorption of our factories' substantial fixed costs, resulting in a lower manufacturing cost per unit and improved gross margins; and
- Improved gross margin on revenues from the output of K1, K2 and K3 following our acquisition in May 2000 and the benefit of a full year of improved margin on revenues from the output of K4 following our May 1999 acquisition of K4.

The positive impact on gross margins was partially offset by:

- Average selling price erosion across our product lines; and
- Significant levels of capacity expansion and new product line introductions in the Philippines and Korea that have a tendency to lower the gross margins until a base level of customers are qualified.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $48.1 million, or 33.3%, to $192.6 million, or 8.1% of net revenues, in 2000 from $144.5 million, or 7.6% of net revenues, in 1999. The increase in these costs was due to:

- Increased costs related to our Korean factories primarily as a result of the assumption of the general and administrative expenses of K1, K2 and K3 following our acquisition in May 2000 as well as the assumption of a full year or such expenses for K4 which was acquired in May 1999; and
- Increased headcount and related personnel costs within our sales, engineering support and System-in-Package groups.

Research and Development

Research and development expenses increased $14.6 million to $26.1 million, or 1.1% of net revenues, in 2000 from $11.4 million, or 0.6% of net revenues, in 1999. Increased research and development expenses resulted from increased headcount and general development activities, primarily the expansion of our Chandler, Arizona-based research facility and the acquisition of the packaging and test research and development group within ASI related to the K1, K2 and K3 transaction. Our research and development efforts support our customers needs for smaller packages and increased functionality. We continue to invest our research and development resources to continue the development of our Flip Chip interconnection solutions, our System-in-Package technology, that uses both advanced packaging and traditional surface mount techniques to enable the combination of technologies in a single chip, and our Chip Scale packages that are nearly the size of the semiconductor die.

Amortization of Goodwill and Other Acquired Intangibles

Amortization of goodwill and other acquired intangibles increased $46.0 million to $63.1 million from $17.1 million in 1999. Increased amortization expense is a result of our May 2000 acquisition of K1, K2 and K3.

Other (Income) Expense

Other expenses increased $55.1 million, to $125.9 million, or 5.3% of net revenues, in 2000 from $70.8 million, or 3.7% of net revenues, in 1999. The net increase in other expenses was primarily a result of an increase in interest expense of $74.5 million. The increased interest expense resulted from the issuance of $258.8 million of convertible subordinated notes, $750.0 million of secured bank debt and an additional draw of $50.0 million from the revolving credit line to fund our May 2000 acquisition of K1, K2 and K3 and our investment in ASI. Additionally, the increased interest expense resulted from having a full year of interest expense in 2000 related to the May 1999 issuance of senior and senior subordinated notes to fund the K4 acquisition. During the fourth quarter of 1999 and continuing into 2000, we completed an early conversion of a portion of the debt outstanding under the 5.75% convertible subordinated notes due May 2003. Other expenses in 2000 and 1999 included a $0.3 million and $17.4 million non-cash charge, respectively, associated with the early conversion of that debt. Other expenses were favorably impacted by a savings of $3.1 million in accounts receivable securitization charges as a result of the termination of the agreement at the end of March 2000.

Income Taxes

Our effective tax rate in 2000 and 1999 was 11.3% and 25.3%, respectively. The decrease in the effective tax rate in 2000 was due to the higher operating profits at our factories that operate with tax holidays. 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 in the future.

Equity in Loss of Investees

Our earnings included equity in income of ASI in 2000 and 1999 of $4.9 million and $0.5 million, respectively, excluding the amortization of the excess of the cost of our investment above of our share of the underlying net assets of $24.9 million and $2.2 million in 2000 and 1999, respectively. Our investment in ASI increased to 41.6% as of October 2000 from 40.2% as of September 2000, 38.0% as of May 2000 and 18.0% as of October 1999.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 $88.3 million, or 33.9%, to $349.2 million, or 18.3% 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; and
- 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% 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
- Average selling price erosion across all product lines.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased $26.1 million, or 22.1%, to $144.5 million, or 7.6% of net revenues, in 1999 from $118.4 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.

Amortization of Goodwill and Other Acquired Intangibles

Amortization of goodwill and other acquired intangibles increased to $17.1 million from $1.5 million in 1998. Increased amortization expense is a result of our May 1999 acquisition of K4.

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 24.5%, respectively (29.0% in 1998 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.

Management's Discussion and Analysis of Financial Condition and Results of Operations

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.

QUARTERLY RESULTS

The following table sets forth our unaudited consolidated financial data, including as a percentage of our net revenues, for the last eight fiscal quarters ended December 31, 2000. Our results of operations have varied and may continue to vary from quarter to quarter and are not necessarily indicative of the results of any future period. The results of the K4 packaging and test factory acquired from ASI in May 1999 and the K1, K2 and K3 packaging and test factories acquired from ASI in May 2000 are included in the consolidated financial data from the date of the acquisitions.

We believe that we have included in the amounts stated below all necessary adjustments, consisting only of normal recurring adjustments, for a fair presentation of 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.

We have presented amortization of goodwill and acquired intangibles as a separate line item below gross profit. Previously reported amounts have been reclassified from cost of revenues to conform with the current presentation.

	Quarters Ended							
(in thousands, except per share data)	Dec. 31, 2000	Sept. 30, 2000	June 30, 2000	March 31, 2000	Dec. 31, 1999	Sept. 30, 1999	June 30, 1999	March 31, 1999
Net revenues	$636,871	$648,576	$547,036	$554,811	$538,274	$501,816	$449,925	$419,957
Cost of revenues — including purchases from ASI	465,419	469,518	407,441	439,780	428,367	396,532	379,132	356,785
Gross profit	171,452	179,058	139,595	115,031	109,907	105,284	70,793	63,172
Operating expenses:								
Selling, general and administrative	53,759	50,083	46,884	41,897	39,559	40,202	34,844	29,933
Research and development	8,976	8,838	4,872	3,371	3,352	2,990	2,843	2,251
Amortization of goodwill and other acquired intangibles	20,925	20,353	15,440	6,362	4,163	7,969	4,203	770
Total operating expenses	83,660	79,274	67,196	51,630	47,074	51,161	41,890	32,954
Operating income	87,792	99,784	72,399	63,401	62,833	54,123	28,903	30,218
Net income	$ 40,890	$ 45,171	$ 30,936	$ 37,156	$ 20,186	$ 26,088	$ 11,520	$ 18,925
Basic net income per common share	$ .27	$ .30	$ .21	$ .28	$ 0.16	$ 0.22	$ 0.10	$ 0.16
Diluted net income per common share	$ .26	$ .28	$ .20	$ .27	$ 0.16	$ 0.21	$ 0.10	$ 0.16
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	73.1	72.4	74.5	79.3	79.6	79.0	84.3	85.0
Gross profit	26.9	27.6	25.5	20.7	20.4	21.0	15.7	15.0
Operating expenses:								
Selling, general and administrative	8.4	7.7	8.6	7.6	7.3	8.0	7.7	7.1
Research and development	1.4	1.4	0.9	0.6	0.6	0.6	0.6	0.5
Amortization of goodwill and other acquired intangibles	3.3	3.1	2.8	1.1	0.7	1.6	1.0	0.2
Total operating expenses	13.1	12.2	12.3	9.3	8.6	10.2	9.3	7.8
Operating income	13.8	15.4	13.2	11.4	11.7	10.8	6.4	7.2
Net income	6.4%	7.0%	5.7%	6.7%	3.8%	5.2%	2.6%	4.5%

Management's Discussion and Analysis of Financial Condition and Results of Operations

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 acquisitions and investments.

In February 2001, we sold $500.0 million principal amount of our 9.25% senior notes due 2008 in a private placement. We used $387.5 million of the $490.0 million of the net proceeds of this offering to repay amounts outstanding under our secured bank facilities, and the balance of the net proceeds was available to be used for general corporate and working capital purposes. In March 2001, we amended the secured bank facilities to relax certain of the covenants and to provide us with additional operating flexibility. As of December 31, 2000, our total debt outstanding was $1,659.1 million. The principal payments required under long-term debt borrowings on a pro forma basis as of December 31, 2000 to reflect the incurrence in February 2001 of $500.0 million 9.25% senior notes due 2008 and the application of the net proceeds to repay a portion of the amounts outstanding under the secured bank facilities are as follows: 2001 — $3.6 million, 2002 — $3.6 million, 2003 — $53.7 million, 2004 — $168.1 million, 2005 — $168.9 million and thereafter — $1,383.8 million.

In January 2001, we began operating a joint venture with Toshiba Corporation providing semiconductor packaging and test services in Japan. The joint venture has been named Amkor Iwate Corporation. We own 60% of the joint venture company. Within three years we are required to purchase the remaining 40% of the joint venture operation from Toshiba. The price will be determined based on the performance of the joint venture during the three-year period but cannot exceed 4 billion Japanese Yen (approximately $40 million subject to exchange rate fluctuations). The joint venture took over the operations of the existing packaging and test factory at a Toshiba facility and continues to provide packaging and test services for Toshiba under a long-term supply agreement.

On March 7, 2001, we announced that in separate transactions, that we will acquire Taiwan Semiconductor Corporation (TSTC) and Sampo Semiconductor Corporation (SSC) in Taiwan. Both TSTC and SSC signed letters of intent enabling negotiations to proceed. Both agreements are expected to be finalized in April 2001. The purchase price will be paid principally through the issuance of additional shares of our common stock.

In May 2000 we completed our purchase of ASI's remaining three packaging and test factories, known as K1, K2 and K3 for a purchase price of $950.0 million. In connection with our acquisition of K1, K2 and K3 we made an additional equity investment in ASI of $459.0 million and as of December 31, 2000 we owned 42% of ASI. We financed the acquisition and investment with the proceeds of a $258.8 million convertible subordinated notes offering, a $410.0 million private equity financing, $750.0 million of secured bank debt and approximately $103 million of cash on hand. The secured bank debt consists of a $900.0 million secured bank facility that includes a $200.0 million revolving credit line. As of December 31, 2000, $120.0 million was available under the revolving credit line. The secured bank debt provides for amortization of the drawn amount over a five to a five and one-half year period and quarterly principal and interest payments. In conjunction with the private equity financing, we issued 20.5 million shares of our common stock in the private equity offering and granted warrants to purchase 3.9 million additional shares of our common stock at $27.50 per share.

In connection with the secured bank debt, we terminated a trade receivables securitization agreement and repaid $71.5 million due under this facility. The securitization agreement represented a commitment by a commercial financial institution to purchase, with limited recourse, all right, title and interest in up to $100 million in eligible receivables. In addition, we repaid $11.4 million of additional secured term loans.

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.

We have invested significant amounts of capital to increase our packaging and test services capacity. During the last three years we constructed our P4 facility in the Philippines, added capacity in our other factories in the Philippines and Korea and constructed a new research and development facility in the U.S. During 2000, 1999 and 1998, we made capital expenditures of $480.1 million, $242.4 million and $175.8 million, respectively. We expect to spend approximately $250 million in total capital expenditures in 2001, excluding any capital requirements of the companies we expect to acquire in 2001, primarily to support the development of our Flip Chip, System-in-Package, optic and high-end BGA capabilities, and to build out additional manufacturing capacity at our K4 complex in Korea.

Covenants in the agreements governing our existing debt, and debt we may incur in the future, 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 2000, 1999, and 1998 was $373.8 million, $293.3 million and $238.0 million, respectively. Net cash used in investing activities in 2000, 1999, and 1998 was $1,744.3 million, $996.7 million and $163.3 million, respectively. Net cash provided by financing activities in 2000, 1999 and 1998 was $1,365.9 million, $573.9 million and $62.0 million, respectively.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The weakness in demand expected in 2001 for packaging, test and wafer fabrication services will adversely affect our cash flow from operations. 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 secured bank facility, senior notes and senior subordinated notes 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.

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 are 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.

At December 31, 2000, 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 and liabilities at December 31, 2000, a 20% increase in the Philippine peso to U.S. dollar exchange rate would result in a decrease of approximately $3.8 million, in peso-based net assets.

At December 31, 2000, 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 and liabilities at December 31, 2000, a 20% increase in the Korean won to U.S. dollar exchange rate would result in a decrease of approximately $2.5 million, in won-based net assets.

Interest Rate Risks

Our company has interest rate risk with respect to our long-term debt. As of December 31, 2000, we had a total of $1,659.1 million debt of which 56% was fixed rate debt and 44% was variable rate debt. Our variable rate debt principally consisted of amounts outstanding under our secured bank facilities that included two term loans (Term A and Term B) and a $200.0 million revolving credit line of which $80.0 million was drawn as of December 31, 2000. The fixed rate debt consisted of senior notes, senior subordinated notes and convertible subordinated notes. In February 2001, we sold $500.0 million principal amount of our 9.25% senior notes due 2008 in a private placement. We used $387.5 million of the $490.0 million of the net proceeds to repay amounts outstanding under the Term A loans and revolving credit line. Assuming the incurrence of the 9.25% senior notes due 2008 and the application of a portion of the net proceeds to repay amounts outstanding under the Term A loans and the revolving credit line as of December 31, 2000, we would have had on a pro forma basis $1,781.7 million debt outstanding of which 80% would have been fixed rate debt. Changes in interest rates have different impacts on our fixed and variable rate portions of our debt portfolio. A change in interest rates on the fixed portion of the debt portfolio impacts the fair value of the instrument but has no impact on interest incurred or cash flows. A change in interest rates on the variable portion of the debt portfolio impacts the interest incurred and cash flows but does not impact the fair value of the instrument. 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, maturities and fair value of our fixed and variable rate debt as of December 31, 2000.

	2001	2002	2003	2004	2005	Thereafter	Total	Fair Value
Long-term debt:								
Fixed rate debt	—	—	50,191	—	—	883,750	933,941	831,141
Average interest rate			5.75%			8.25%	7.63%	
Variable rate debt	73,586	73,551	73,556	238,113	266,375	—	725,181	725,181
Average interest rate	10.8%	10.8%	10.8%	10.8%	10.8%		10.8%	

Equity Price Risks

Our outstanding 5.75% and 5% convertible subordinated notes are convertible into common stock at $13.50 per share and $57.34 per share, respectively. 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, our future earnings would benefit from a reduction in interest expense and our earnings on a per share basis would be diluted by the additional common stock issued. Additionally if such conversion were induced by us, our earnings could include an additional charge.

Consolidated Statements of Income

(in thousands, except per share data)	For the Year Ended December 31, 2000	1999	1998
NET REVENUES	$2,387,294	$1,909,972	$1,567,983
COST OF REVENUES — including purchases from ASI	1,782,158	1,560,816	1,307,150
GROSS PROFIT	605,136	349,156	260,833
OPERATING EXPENSES:			
Selling, general and administrative	192,623	144,538	118,392
Research and development	26,057	11,436	8,251
Amortization of goodwill and other acquired intangibles	63,080	17,105	1,454
Total operating expenses	281,760	173,079	128,097
OPERATING INCOME	323,376	176,077	132,736
OTHER (INCOME) EXPENSE:			
Interest expense, net	119,840	45,364	18,005
Foreign currency losses	4,812	308	4,493
Other expense, net	1,295	25,117	9,503
Total other expense	125,947	70,789	32,001
INCOME BEFORE INCOME TAXES, EQUITY IN LOSS OF INVESTEES AND MINORITY INTEREST	197,429	105,288	100,735
PROVISION FOR INCOME TAXES	22,285	26,600	24,716
EQUITY IN LOSS OF INVESTEES	(20,991)	(1,969)	—
MINORITY INTEREST	—	—	559
NET INCOME	$ 154,153	$ 76,719	$ 75,460
Basic net income per common share	$ 1.06	$ 0.64	$ 0.71
Diluted net income per common share	$ 1.02	$ 0.63	$ 0.70
Shares used in computing net income per common share:			
Basic	145,806	119,341	106,221
Diluted	153,223	135,067	116,596
PRO FORMA DATA (UNAUDITED):			
Historical income before income taxes and minority interest			$ 100,735
Pro forma provision for income taxes			29,216
Pro forma income before minority interest			71,519
Historical minority interest			559
Pro forma net income			$ 70,960
Basic pro forma net income per common share			$ 0.67
Diluted pro forma net income per common share			$ 0.66

The accompanying notes are an integral part of these statements.

Consolidated Balance Sheets

(in thousands)	December 31, 2000	1999
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 93,517	$ 98,045
Short-term investments	—	136,595
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $2,426 and $2,443	301,915	157,281
Due from affiliates	1,634	6,278
Other	6,465	6,469
Inventories	108,613	91,465
Other current assets	36,873	11,117
Total current assets	549,017	507,250
PROPERTY, PLANT AND EQUIPMENT, net	1,478,510	859,768
INVESTMENTS	501,254	63,672
OTHER ASSETS:		
Due from affiliates	25,013	27,858
Goodwill and acquired intangibles, net	737,593	233,532
Other	101,897	63,009
	864,503	324,399
Total assets	$ 3,393,284	$ 1,755,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdraft	$ 25,731	$ 16,209
Short-term borrowings and current portion of long-term debt	73,586	6,465
Trade accounts payable	133,047	122,147
Due to affiliates	32,534	37,913
Accrued expenses	129,301	88,577
Accrued income taxes	52,232	41,587
Total current liabilities	446,431	312,898
LONG-TERM DEBT	1,585,536	687,456
OTHER NONCURRENT LIABILITIES	46,483	16,994
Total liabilities	2,078,450	1,017,348
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, $0.001 par value, 10,000 shares authorized designated Series A, none issued	—	—
Common stock, $0.001 par value, 500,000 shares authorized, issued and outstanding of 152,118 in 2000 and 130,660 in 1999	152	131
Additional paid-in capital	975,026	551,964
Retained earnings	343,886	189,733
Receivable from stockholder	(3,276)	(3,276)
Accumulated other comprehensive loss	(954)	(811)
Total stockholders' equity	1,314,834	737,741
Total liabilities and stockholders' equity	$ 3,393,284	$ 1,755,089

The accompanying notes are an integral part of these statements.

Consolidated Statements of Stockholders' Equity

(in thousands)	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Receivable From Stockholder	Accumulated Other Comprehensive Income (Loss)	Total	Comprehensive Income
BALANCE AT DECEMBER 31, 1997	82,610	$ 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								$ 75,567
Distributions	—	—	—	(33,100)	—	—	(33,100)	
Issuance of 35.25 million common shares in public offering, net	35,250	35	360,228	—	—	—	360,263	
Acquisition of AKI	—	(1)	—	(3,243)	—	—	(3,244)	
Change in par value of stock in connection with a reorganization	—	38	(38)	—	—	—	—	
BALANCE AT DECEMBER 31, 1998	117,860	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								$ 76,464
Issuance of stock through employee stock purchase plan and stock options	664	—	3,875	—	—	—	3,875	
Receivable from stockholder	—	—	—	3,276	(3,276)	—	—	
Debt conversion	12,136	13	167,028	—	—	—	167,041	
BALANCE AT DECEMBER 31, 1999	130,660	131	551,964	189,733	(3,276)	(811)	737,741	
Net income	—	—	—	154,153	—	—	154,153	$154,153
Unrealized losses on investments, net of tax	—	—	—	—	—	(143)	(143)	(143)
Comprehensive income								$154,010
Issuance of 20.5 million common stock shares and 3.9 million common stock warrants	20,500	21	409,980	—	—	—	410,001	
Issuance of stock through employee stock purchase plan and stock options	710	—	9,622	—	—	—	9,622	
Debt conversion	248	—	3,460	—	—	—	3,460	
BALANCE AT DECEMBER 31, 2000	152,118	$152	$975,026	$343,886	$(3,276)	$(954)	$1,314,834	

The accompanying notes are an integral part of these statements.

Consolidated Statements of Cash Flows

(in thousands)	For the Year Ended December 31, 2000	1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 154,153	$ 76,719	$ 75,460
Adjustments to reconcile net income to net cash provided by operating activities —			
Depreciation and amortization	325,896	176,866	118,022
Amortization of deferred debt issuance costs	7,013	3,466	1,217
Debt conversion expense	272	17,381	—
Provision for accounts receivable	(17)	(3,500)	1,719
Provision for excess and obsolete inventory	10,000	6,573	7,200
Deferred income taxes	(8,255)	9,418	1,250
Equity in loss of investees	20,991	4,591	—
Loss on sale of fixed assets and investments	1,355	1,805	2,500
Minority interest	—	—	559
Changes in assets and liabilities excluding effects of acquisitions —			
Accounts receivable	(72,914)	(44,526)	4,742
Repurchase of accounts receivable and settlement of security agreement	(71,500)	(2,700)	(16,500)
Other receivables	2,884	(555)	(1,021)
Inventories	(23,871)	(12,063)	23,042
Due to/from affiliates, net	2,110	35,403	(11,117)
Other current assets	(17,977)	1,601	6,709
Other non-current assets	(19,582)	(15,088)	(8,061)
Accounts payable	12,953	27,474	(12,489)
Accrued expenses	32,561	13,117	33,489
Accrued income taxes	10,645	2,695	11,924
Other long-term liabilities	7,108	(5,380)	(685)
Net cash provided by operating activities	373,825	293,297	237,960
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(480,074)	(242,390)	(107,889)
Acquisition of K1, K2 and K3, net of cash acquired	(927,290)	—	—
Investment in ASI	(459,000)	(41,638)	—
Acquisition of Integra Technologies, LLC	(17,602)	—	—
Acquisition of K4	—	(575,000)	—
Acquisition of AAPMC	—	(2,109)	—
Acquisition of minority interest in AAP	—	—	(33,750)
Acquisition of AKI	—	—	(3,244)
Sale of property, plant and equipment	2,823	—	121
Proceeds from the sale (purchase) of investments	136,879	(135,595)	(18,550)
Net cash used in investing activities	(1,744,264)	(996,732)	(163,312)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in bank overdrafts and short-term borrowings	5,975	(24,264)	(173,565)
Net proceeds from issuance of long-term debt	1,027,479	603,569	203,170
Payments of long-term debt	(87,166)	(9,287)	(158,833)
Net proceeds from the issuance of 20.5 million common shares in a private equity offering	410,001	—	—
Net proceeds from issuance of 35.25 million common shares in public offering	—	—	360,263
Proceeds from issuance of stock through employee stock purchase plan and stock options	9,622	3,875	—
Proceeds from issuance of Anam USA, Inc. debt	—	—	522,116
Payments of Anam USA, Inc. debt	—	—	(658,029)
Distributions to stockholders	—	—	(33,100)
Net cash provided by financing activities	1,365,911	573,893	62,022
Net increase (decrease) in cash and cash equivalents	(4,528)	(129,542)	136,670
Cash and cash equivalents, beginning of period	98,045	227,587	90,917
Cash and cash equivalents, end of period	$ 93,517	$ 98,045	$ 227,587
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 111,429	$ 45,500	$ 27,730
Income taxes	$ 18,092	$ 13,734	$ 12,908

The accompanying notes are an integral part of these statements.

Notes to Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION

The consolidated financial statements include the accounts of Amkor Technology, Inc. and its subsidiaries. All of the company's subsidiaries are wholly-owned except for a small number of shares of each of the 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 are included in the consolidated financial statements using the equity method of accounting.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Certain previously reported amounts have been reclassified to conform with the current presentation principally the presentation of the amortization of goodwill and other acquired intangibles.

FOREIGN CURRENCY TRANSLATION

Substantially all of the 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 translation and from transactions denominated in foreign currencies are included in other (income) expense.

CONCENTRATIONS OF CREDIT RISK

Financial instruments, for which we are subject to credit risk, consist principally of accounts receivable, cash and cash equivalents and short-term investments. With respect to accounts receivable, we mitigate our credit risk by selling primarily to well established companies, performing ongoing credit evaluations and making frequent contact with customers. We have mitigated our credit risk with respect to cash and cash equivalents, as well as short-term investments, through diversification of our holdings into various money market accounts, U.S. treasury bonds, federal mortgage backed securities, high grade municipal bonds, commercial paper and preferred stocks.

RISKS AND UNCERTAINTIES

Our future results of operations involve a number of risks and uncertainties. Factors that could affect 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 the semiconductor industry, uncertainty as to the demand from our customers over both the long- and short-term, competitive pricing and declines in average selling prices we experience, our dependence on our relationship with Anam Semiconductor, Inc. (ASI) for all of our wafer fabrication output, our reliance on a relatively small group of principal customers, the timing and volume of orders relative to our production capacity, the absence of significant backlog in our business, availability of manufacturing capacity and fluctuations in manufacturing yields, the availability of financing, our high leverage and the restrictive covenants contained in the agreements governing our indebtedness, our competition, our dependence on international operations and sales, our dependence on raw material and equipment suppliers, exchange rate fluctuations, our dependence on key personnel, our difficulties managing our growth, the enforcement of intellectual property rights by or against us, our need to comply with existing and future environmental regulations and the results of ASI as it impacts our financial results.

CASH AND CASH EQUIVALENTS

We consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

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 $262.0 million, $158.9 million and $116.4 million for 2000, 1999 and 1998, respectively.

GOODWILL AND ACQUIRED INTANGIBLES

Goodwill is recorded when there is an excess of the cost of an acquisition over the fair market value of the net tangible and identifiable intangible assets acquired. Acquired intangibles includes patents and workforce-in-place. Goodwill and acquired intangibles are amortized on a straight-line basis over a period of ten years. The unamortized balances recorded for goodwill and acquired intangibles are evaluated periodically for potential impairment based on the future estimated cash flows of the acquired businesses.

Notes to Consolidated Financial Statements

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.

OTHER NONCURRENT LIABILITIES

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

INCOME TAXES AND PRO FORMA INCOME STATEMENT DATA

Amkor Electronics, Inc. (AEI), which was merged into our company just prior to the initial public offering of our company in May 1998, 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, 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. 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.

REVENUE RECOGNITION AND RISK OF LOSS

Our company does not take ownership of customer-supplied semiconductor wafers. Title and risk of loss remains with the customer for these materials at all times. Accordingly, the cost of the customer-supplied materials is not included in the consolidated financial statements. Revenues from packaging semiconductors and performing test services are recognized upon shipment or completion of the services. We record wafer fabrication services revenues upon shipment of completed wafers. Such policies are consistent with provisions in the Securities and Exchange Commission's Staff Accounting Bulletin No. 101, "Revenue Recognition in Financial Statements."

RESEARCH AND DEVELOPMENT COSTS

Research and development costs are charged to expense as incurred.

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. We will adopt this statement during the first quarter of 2001 and we believe that the impact of adoption on the financial statements will not be material.

2. RELATIONSHIP WITH ANAM SEMICONDUCTOR INC.

On May 1, 2000 we completed our purchase of ASI's three remaining packaging and test factories, known as K1, K2 and K3, for a purchase price of $950.0 million. In addition we made a commitment to a $459.0 million equity investment in ASI. Pursuant to the commitment we made an equity investment in ASI of $309.0 million on May 1, 2000. We fulfilled the remaining equity investment commitment of $150.0 million in three installments of which $30.0 million was invested on June 30, 2000, $60.0 million was invested on August 30, 2000 and October 27, 2000. We financed the acquisition and investment with the proceeds of a $258.8 million convertible subordinated notes offering, a $410.0 million private equity financing, $750.0 million of secured bank debt and approximately $103 million from cash on hand. As of December 31, 2000, we had invested a total of $500.6 million in ASI including an equity investment of $41.6 million made on October 1999. We owned as of December 31, 2000 42% of the outstanding voting stock of ASI. We will continue to report ASI's results in our financial statements through the equity method of accounting.

The amount by which the cost of our investment exceeds our share of the underlying assets of ASI as of the date of our investment is being amortized on a straight-line basis over a five-year period. The amortization is included in our consolidated statement of income within equity in income of investees. As of December 31, 2000, the unamortized excess of the cost of our equity investment in ASI above our share of the underlying net assets is $154.1 million.

The acquisition of K1, K2 and K3 was accounted for as a purchase. Accordingly, the results of K1, K2 and K3 have been included in the accompanying consolidated financial statements since the date of acquisition. Goodwill and acquired intangibles as of the acquisition date were $555.8 million and are being amortized on a straight-line basis over a 10 year period. Acquired intangibles include the value of acquired patent rights and of a workforce-in-place. The fair value of the assets acquired and liabilities assumed was approximately $394 million for fixed assets, $9 million for inventory and other assets, and $9 million for assumed liabilities.

Notes to Consolidated Financial Statements

On May 17, 1999, we purchased ASI's packaging and test business known as K4. The purchase price for K4 was $575.0 million in cash plus the assumption of approximately $7.0 million 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. Goodwill and acquired intangibles as of the acquisition date were $222.9 million and are being amortized on a straight-line basis over a 10 year period. The fair value of the assets acquired and liabilities assumed was approximately $359 million for fixed assets and $7 million for assumed liabilities.

On July 1, 1999, we acquired the stock of Anam/Amkor Precision Machine Company (AAPMC) for $3.8 million, which was paid to ASI during June 1999. AAPMC supplies machine tooling used by us at our Philippine operations. As an interim step to this acquisition, during April 1999, we assumed and repaid $5.7 million 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 $2.0 million was recorded as of the date of acquisition and is being amortized on a straight-line basis over a ten year period. The historical operating results of AAPMC are not material in relation to our operating results.

On June 1, 1998, we purchased ASI's 40% interest in Amkor/Anam Pilipinas, Inc. (AAP) for $33.8 million. 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 $23.9 million of goodwill which is being amortized over 10 years.

PRO FORMA FINANCIAL INFORMATION FOR AMKOR (UNAUDITED)

The unaudited pro forma information below assumes that the May 2000 acquisition of K1, K2 and K3 occurred at the beginning of 2000 and 1999 and the May 1999 acquisition of K4 had occurred at the beginning of 1999. The pro forma adjustments include a provision for amortization of goodwill and other identified intangibles, an adjustment of depreciation expense based on the fair market value of the acquired assets, interest expense on debt issued to finance the acquisitions and income taxes related to the pro forma adjustments. The pro forma results are not necessarily indicative of the results we 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.

	For the Year Ended December 31,	
(in thousands)	**2000**	**1999**
Net revenues	$2,397,515	$1,941,109
Gross profit	675,172	574,265
Operating income	366,686	311,777
Income before income taxes and equity in income (loss) of investees	215,904	147,140
Net income	172,518	126,042
Earnings per share:		
Basic net income per common share	1.14	0.90
Diluted net income per common share	1.10	0.89
Depreciation expense	285,256	238,741
Amortization of goodwill and acquired intangibles	81,607	83,436

The pro forma adjustments exclude the effects of our investments in ASI. Had we included pro forma adjustments for the year ended December 31, 2000 and 1999 related to our investments in ASI, pro forma net income would have been $160.8 million and $64.9 million, respectively, and pro forma earnings per share on a diluted basis would have been $1.02 and $0.46, respectively.

FINANCIAL INFORMATION FOR ASI

The following summary of consolidated financial information was derived from the consolidated financial statements of ASI, reflecting ASI's packaging and test operations as discontinued operations within their results of operations. ASI's net income for the year ended December 31, 2000 includes a $434.2 million gain on sale of K1, K2 and K3, which was eliminated for purposes of calculating our equity in income of ASI.

	For the Year Ended December 31,		
(in thousands)	**2000**	**1999**	**1998**
SUMMARY INCOME STATEMENT INFORMATION FOR ASI			
Net revenues	$344,792	$ 285,925	$ 221,098
Gross profit	38,307	46,293	(9,380)
Loss from continuing operations	(19,703)	(169,759)	(957,165)
Net income	450,641	109,865	(847,533)

	December 31,	
(in thousands)	**2000**	**1999**
SUMMARY BALANCE SHEET INFORMATION FOR ASI		
Cash, including current portion of restricted cash and bank deposits	$215,008	$ 202,969
Property, plant and equipment, net	816,779	1,037,935
Current assets	303,486	311,866
Noncurrent assets (including property, plant and equipment)	966,387	1,175,603
Current liabilities	165,665	301,785
Total debt	294,004	1,447,975
Noncurrent liabilities (including debt)	342,882	1,483,434
Total stockholders' equity (deficit)	761,326	(297,750)

Notes to Consolidated Financial Statements

ASI's business had 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. ASI was part of the Korean financial restructuring program known as "Workout" beginning in October 1998. The Workout program was the result of an accord among Korean financial institutions to assist in the restructuring of Korean business enterprises. The process involved negotiation between the related banks and ASI, and did not involve the judicial system. The Workout process restructured the terms of ASI's bank debt, however, it did not impact debts outstanding with trade creditors, including indebtedness with our company. ASI's operations continued uninterrupted during the process. ASI was released from workout with its Korean creditor banks on July 18, 2000.

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. 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. Beginning in May 2000 with our acquisition of K1, K2 and K3, we no longer receive packaging and test services from ASI. Under the wafer fabrication services supply agreement, we 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. Historically, we have had other relationships with ASI affiliated companies for financial services, construction services, materials and equipment. Total purchases from ASI and its affiliates included in cost of revenue for the years ended December 31, 2000, 1999 and 1998 were $499.8 million, $714.5 million and $573.8 million. Additionally, other services performed by ASI and its affiliates included in interest expense for the years ended December 31, 2000, 1999 and 1998 were $1.6 million, $1.4 million and $2.2 million. Construction services and equipment purchases received from ASI and its affiliates capitalized during the years ended December 31, 2000, 1999 and 1998 were $38.8 million, $18.4 million and $11.1 million.

3. ACCOUNTS RECEIVABLE SALE AGREEMENT

Effective July 1997 we entered into an agreement to sell receivables with certain banks. The transaction qualified 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 participating banks committed to purchase, with limited recourse, all right, title and interest in selected accounts receivable, up to a maximum of $100.0 million. Losses on receivables sold under the agreement were approximately $1.1 million, $4.3 million and $4.7 million in 2000, 1999 and 1998, respectively, and are included in other expense, net. In March 2000, we terminated the agreement and repurchased approximately $71.5 million of accounts receivable.

4. INVENTORIES

Inventories consist of raw materials and purchased components that are used in the semiconductor packaging process. Inventories are located at our facilities in the Philippines and Korea. Components of inventories follow:

	December 31,	
(in thousands)	**2000**	**1999**
Raw materials and purchased components	$ 99,570	$81,379
Work-in-process	9,043	10,086
	$108,613	$91,465

5. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	December 31,	
(in thousands)	**2000**	**1999**
Land	$ 80,048	$ 38,349
Buildings and improvements	445,785	303,077
Machinery and equipment	1,506,774	883,057
Furniture, fixtures and other equipment	79,691	52,866
Construction in progress	70,753	47,393
	2,183,051	1,324,742
Less — Accumulated depreciation and amortization	(704,541)	(464,974)
	$1,478,510	$ 859,768

6. INVESTMENTS

Investments include equity investments in affiliated companies and noncurrent marketable securities as follows:

	December 31,	
(in thousands)	**2000**	**1999**
Equity investments under the equity method:		
ASI (ownership of 42% and 18%, respectively)	$478,943	$39,927
Other equity investments (20% - 50% owned)		
Taiwan Semiconductor Technology Corporation	17,488	18,456
Other	664	860
Total equity investments	497,095	59,243
Marketable securities classified as available for sale	4,159	4,429
	$501,254	$63,672

On October 21, 1998, we 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 packaging services primarily for the Taiwan market and Taiwan foundry output. We committed to invest an estimated total of $40.0 million in TSTC (See Note 16). As of December 31, 2000, we own a 25% interest in TSTC and the total investment we made was $20.0 million of which $10.0 million

Notes to Consolidated Financial Statements

interest was acquired from ASI. Our investment in TSTC is accounted for using the equity method of accounting.

7. DEBT

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

	December 31,	
(in thousands)	**2000**	**1999**
Short-term borrowings	$ —	$ 3,386
$900.0 million secured bank facility:		
Term A loan, LIBOR plus 2.75% due March 2005	297,500	—
Term B loan, LIBOR plus 3% due September 2005	347,375	—
$200.0 million revolving line of credit, LIBOR plus 2.75% due March 2005	80,000	—
Senior notes, 9.25%, due May 2006	425,000	425,000
Senior subordinated notes, 10.5%, due May 2009	200,000	200,000
Convertible subordinated notes, 5.75%, due May 2003	50,191	53,435
Convertible subordinated notes, 5%, due March 2007	258,750	—
Note payable, interest at bank's prime, due in installments with balance due April 2004	—	11,472
Other, primarily capital lease obligations and other debt	306	628
	1,659,122	693,921
Less — Short-term borrowings and current portion of long-term debt	(73,586)	(6,465)
	$1,585,536	$687,456

In March 2000, we issued $258.8 million of convertible subordinated notes due March 2007. The notes accrue interest at a rate of 5% per annum and are convertible into Amkor common stock at any time at a conversion price of $57.34 per share. The 5.75% convertible subordinated notes due May 2003 are convertible into Amkor common stock at any time at a conversion price of $13.50 per share.

In May 2000, we incurred $750.0 million of secured bank debt related to our acquisition of K1, K2 and K3 and investment in ASI. The secured bank debt consists of a $900.0 million secured bank facility that includes a $200.0 million revolving credit line and two term loans with interest rates that vary with LIBOR. The secured bank debt provides for amortization of the drawn amount over a five to a five and one-half year period and quarterly principal and interest payments. Under the terms of the secured bank facility, we are required to make mandatory prepayments out of a portion of any excess cash flow, as defined in the agreement, as well as out of net proceeds of certain asset sales and the net proceeds of certain issuances of debt or equity securities, subject to certain exceptions. The bank facility is secured by our domestic assets, certain intercompany loans and our equity investment in ASI. The bank facility includes 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. Such covenants have been amended in 2000 and January 2001 to provide for greater flexibility in making investments in acquisitions, joint ventures and capital expenditures. The senior notes and senior subordinated notes also contain restrictive covenants.

In connection with our issuance of the convertible notes due March 2007 and our secured bank facility during the year ended December 31, 2000, we incurred debt issuance costs of $9.3 million and $20.2 million. The debt issuance costs have been deferred and amortized over the life of the associated debt and are included, net of amortization, in other noncurrent assets in the consolidated balance sheet.

During the fourth quarter of 1999 and continuing into 2000, we completed an early conversion of the 5.75% convertible subordinated notes due May 2003. During the year ended December 31, 2000, we exchanged approximately 248,000 shares of our common stock for $3.2 million of the convertible subordinated notes. During the year ended December 31, 1999, we exchanged 12.1 million shares of common stock for $153.6 million of convertible subordinated notes. The fair value of the shares of common stock issued in excess of the shares required for conversion of the notes was $0.3 million and $17.4 million for the year ended December 31, 2000 and 1999, respectively, and such amounts were expensed and are included in other expense in the accompanying consolidated statements of income.

At December 31, 1999, short-term borrowings consisted of various operating lines of credit and working capital facilities which were repaid in their entirety and no short-term facilities were outstanding as of December 31, 2000. For 1999, the weighted average interest rate on these borrowings was 11.7%.

Interest expense related to short-term borrowings and long-term debt is presented net of interest income of $14.2 million, $19.9 million and $9.1 million in 2000, 1999 and 1998, respectively, in the accompanying consolidated statements of income. The principal payments required under long-term debt borrowings at December 31, 2000 are as follows: 2001 — $73.6 million, 2002 — $73.6 million, 2003 — $123.7 million, 2004 — $238.1 million, 2005 — $266.4 million and thereafter — $883.8 million.

8. STOCKHOLDERS' EQUITY

In connection with a $410.0 million private equity offering in May 2000, we issued 20.5 million shares of our common stock and granted warrants that expire four years from issuance to purchase 3.9 million additional shares of our common stock at $27.50 per share. The estimated fair value of the stock warrants of $35.0 million is included in additional paid-in capital on our consolidated balance sheet.

9. EMPLOYEE BENEFIT PLANS

U.S. DEFINED CONTRIBUTION PLAN

Our company has a defined contribution benefit plan covering substantially all U.S. employees. Employees can contribute up to

Notes to Consolidated Financial Statements

13% of salary to the plan and the company matches 75% of the employee's contributions up to a defined maximum on an annual basis. The expense for this plan was $1.8 million, $1.8 million and $1.4 million in 2000, 1999 and 1998, respectively.

PHILIPPINE PENSION PLAN

Our 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.

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

	Year Ended December 31,		
(in thousands)	**2000**	**1999**	**1998**
Service cost of current period	$ 1,862	$ 2,153	$1,618
Interest cost on projected benefit obligation	1,468	1,563	1,209
Expected return on plan assets	(1,092)	(1,083)	(879)
Amortization of transition obligation and actuarial gains/losses	66	137	79
Total pension expense	$ 2,304	$ 2,770	$2,027

It is our policy to make contributions sufficient to meet the minimum contributions required by law and regulation. The following table sets forth the funded status of our Philippine defined benefit pension plan and the related changes in the projected benefit obligation and plan assets:

(in thousands)	**2000**	**1999**
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$15,384	$13,567
Service cost	1,862	2,153
Interest cost	1,468	1,563
Actuarial loss (gain)	1,598	(356)
Foreign exchange gain	(2,982)	(388)
Benefits paid	(745)	(1,155)
Projected benefit obligation at end of year	16,585	15,384
Change in plan assets:		
Fair value of plan assets at beginning of year	10,669	8,204
Actual return on plan assets	2,187	2,107
Employer contribution	1,542	1,748
Foreign exchange gain	(2,068)	(235)
Benefits paid	(745)	(1,155)
Fair value of plan assets at end of year	11,585	10,669
Funded status:		
Projected benefit obligation in excess of plan assets	5,000	4,715
Unrecognized actuarial loss	(1,369)	(1,011)
Unrecognized transition obligation	(601)	(826)
Accrued pension costs	$ 3,030	$ 2,878

The discount rate used in determining the projected benefit obligation was 12% as of December 31, 2000, 1999 and 1998. The rates of increase in future compensation levels was and 11% as of December 31, 2000, 1999 and 1998. The expected long-term rate of return on plan assets was 12% as of December 31, 2000, 1999 and 1998. These rates reflect economic and market conditions in the Philippines. The fair value of plan assets include an investment in our common stock of approximately $1.6 million at December 31, 2000.

KOREAN SEVERANCE PLAN

Our Korean subsidiary participates in an accrued severance plan that covers employees and directors with one year or more of service. Eligible plan participants are entitled to receive a lump-sum payment upon termination of their employment, based on their length of service and rate of pay at the time of termination. Accrued severance benefits are estimated assuming all eligible employees were to terminate their employment at the balance sheet date. The contributions to national pension fund made under the National Pension Plan of the Republic of Korea are deducted from accrued severance benefit liabilities. Contributed amounts are refunded from the National Pension Plan to employees on their retirement. Accrued severance benefits are as follows:

	December 31,
(in thousands)	**2000**
Balance at December 31, 1999	$ 1,794
Increase resulting from the acquisition of K1, K2 and K3	23,195
Provision of severance benefits	12,276
Severance payments	(1,894)
Gain on foreign currency translation	(3,925)
	31,446
Payments remaining with the Korean National Pension Fund	(1,941)
Balance at December 31, 2000	$29,505

10. 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,		
(in thousands)	**2000**	**1999**	**1998**
Current:			
Federal	$ 2,149	$ 9,928	$18,316
State	(159)	1,746	4,426
Foreign	28,550	5,508	724
	30,540	17,182	23,466
Deferred:			
Federal	(6,869)	532	282
Foreign	(1,386)	8,886	968
	(8,255)	9,418	1,250
Total provision	$22,285	$26,600	$24,716

Notes to Consolidated Financial Statements

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

(in thousands)	For the Year Ended December 31, 2000	1999	1998
Federal statutory rate	$ 69,101	$ 36,162	$35,257
Deferred taxes established at termination of S Corp. status of AEI	—	—	(1,954)
Income of foreign subsidiaries subject to tax holiday	(43,367)	(14,860)	(9,129)
Foreign exchange (losses) gains recognized for income taxes	(382)	8,023	12,602
Change in valuation allowance	5,898	(11,084)	(8,079)
Difference in rates on foreign subsidiaries	(8,142)	(630)	(3,377)
State taxes, net of federal benefit	(661)	2,028	2,877
Goodwill and other permanent differences	(162)	6,961	1,019
S Corp. status of AEI through April 28, 1998	—	—	(4,500)
Total	$ 22,285	$ 26,600	$24,716

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

(in thousands)	For the Year Ended December 31, 2000	1999	1998
Deferred tax assets (liabilities):			
Retirement benefits	$ 378	$ 463	$ 1,038
Other accrued liabilities	1,934	2,579	4,571
Receivables	517	523	1,717
Inventories	5,762	3,892	2,583
Property, plant and equipment	(3,607)	(2,539)	(2,139)
Unrealized foreign exchange losses	8,535	480	15,805
Unrealized foreign exchange gains	(2,013)	(2,175)	(3,530)
Loss on sale of investment in ASI	861	1,620	1,620
Net operating loss carryforward and carryback	6,457	—	3,646
Minimum corporate income tax	—	—	1,182
Equity in earnings of investees	943	1,148	—
Capital loss carryforward	568	—	—
Other	—	191	191
Net deferred tax asset	20,335	6,182	26,684
Valuation allowance	(8,735)	(2,837)	(13,921)
Net deferred tax asset	$11,600	$ 3,345	$ 12,763

As a result of our 2000 acquisition of K1, K2 and K3, we received the benefit of a 100% tax holiday that applies for seven years from the acquisition and then a 50% tax holiday for three additional years. During 2000 one of our Philippine subsidiaries received a partial tax holiday. The 2000 granted tax holidays are in addition to the previously granted holidays in Korea and the Philippines. The 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. During 2000 our Philippine subsidiary realized net foreign exchange gains and losses for book purposes which are deferred for tax. Our 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 three years. During 2000, our Philippine subsidiary established a valuation allowance for a portion of the related deferred tax assets. During 2000 the company recognized certain reductions in its current liability through additional tax credits including a U.S. research and development credit and recognized certain reductions from prior year tax accruals.

Our company has U.S. net operating losses for tax purposes totaling $16.1 million and $1.8 million for 2000 and 1999, available for carryback up to 2 years and carryforward up to 20 years, expiring in 2019 and 2020. Non-U.S. income before taxes and minority interest was approximately $201 million, $74.0 million and $54.0 million in 2000, 1999 and 1998, respectively. At December 31, 2000, undistributed earnings of non-U.S. subsidiaries totaled approximately $313.5 million. Deferred tax liabilities have not been recognized for these undistributed earnings because it is our intention to reinvest such undistributed earning outside the U.S. An estimated $72.4 million in U.S. income and foreign withholding taxes would be due if these earnings were remitted as dividends.

At December 31, 2000 and 1999 current deferred tax assets of $13.5 million and $5.8 million, respectively, are included in other current assets and noncurrent deferred tax assets of $2.3 million and $2.3 million, respectively, are included in other assets in the consolidated balance sheet. The net deferred tax assets include amounts, which, in our opinion, are more likely than not to be realizable through future taxable income. In addition, at December 31, 2000 and 1999, noncurrent deferred tax liabilities of $4.2 million and $4.8 million, respectively, are included in other noncurrent liabilities in the consolidated balance sheet.

Our tax returns have been examined through 1994 in the Philippines and through 1996 in the U.S. 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 or regulations could result in increased effective tax rates in the future.

11. EARNINGS PER SHARE

Statement of Financial Accounting Standards ("SFAS") No. 128, "Earnings Per Share," requires dual presentation of basic and diluted earnings per share 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. The 5% convertible subordinated notes due 2007 and the warrants issued May 2000 are antidilutive for the periods presented and therefore are not included in the EPS calculation. The basic and diluted per share amounts for the years presented, including unaudited pro forma earnings per share for

Notes to Consolidated Financial Statements

December 31, 1998, are calculated as follows:

(in thousands except per share)	Earnings (Numerator)	Weighted Average Shares (Denominator)	Per Share Amount
Earnings per Share — Year Ended December 31, 2000			
Basic earnings per share	$154,153	145,806	$1.06
Impact of convertible notes	2,414	3,744	
Dilutive effect of options	—	3,673	
Diluted earnings per share	$156,567	153,223	$1.02
Earnings per Share — Year Ended December 31, 1999			
Basic earnings per share	$ 76,719	119,341	$0.64
Impact of convertible notes	8,249	14,228	
Dilutive effect of options	—	1,498	
Diluted earnings per share	$ 84,968	135,067	$0.63
Pro forma Earnings per Share — Year Ended December 31, 1998 (unaudited):			
Basic pro forma earnings per share	$ 70,960	106,221	$0.67
Impact of convertible notes	5,672	10,334	
Dilutive effect of options	—	41	
Diluted pro forma earnings per share	$ 76,632	116,596	$0.66
Earnings per Share — Year Ended December 31, 1998			
Basic earnings per share	$ 75,460	106,221	$0.71
Impact of convertible notes	5,672	10,334	
Dilutive effect of options	—	41	
Diluted earnings per share	$ 81,132	116,596	$0.70

12. STOCK COMPENSATION PLANS

1998 Director Option Plan. 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 when such individual first becomes an Outside Director. In addition, each non-employee director will automatically be granted subsequent options to purchase 5,000 shares of common stock on each date on which such director is re-elected by the stockholders of the company, provided that as of such date such 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. The term of each option is ten years and each option granted to an non-employee director vests over a three year period. The Director Plan will terminate in January 2008 unless sooner terminated by the Board of Directors.

1998 Stock Plan. The 1998 Stock Plan generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. A total of 5,000,000 shares have been reserved for issuance under the 1998 Stock Plan with provision for an annual replenishment to bring the share reserved for issuance under the plan to 5,000,000 shares as of each January 1.

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.

1998 Stock Option Plan for French Employees. Unless terminated sooner, the French Plan will continue in existence until 2003. The French Plan provides for the granting of options to employees of our French subsidiaries. A total of 250,000 shares of common stock have been reserved for issuance under the French Plan with provision for an annual replenishment to bring the share reserved for issuance under the plan to 250,000 shares as of each January 1. 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.

A summary of the status of the stock option plans follows:

(shares in thousands)	Number Of Shares	Weighted Average Exercise Price Per Share
Balance at January 1, 1998	—	—
Granted	3,974	$10.01
Exercised	—	—
Cancelled	150	$11.00
Balance at December 31, 1998	3,824	$ 9.97
Granted	1,468	$10.62
Exercised	76	$10.49
Cancelled	151	$ 9.91
Balance at December 31, 1999	5,065	$10.15
Granted	5,168	$40.15
Exercised	418	$10.32
Cancelled	545	$33.87
Balance at December 31, 2000	9,270	$25.48
Options exercisable at:		
December 31, 1998	—	—
December 31, 1999	1,364	$ 9.82
December 31, 2000	2,827	$10.23

Notes to Consolidated Financial Statements

Significant option groups outstanding at December 31, 2000 and the related weighted average exercise price and remaining contractual life information are as follows:

	Outstanding		Exercisable		
(shares in thousands)	Shares	Weighted Average Price	Shares	Weighted Average Price	Weighted Average Remaining Life (Years)
Options with Exercise Price of:					
$50.438 – $62.75	99	$52.79	—	—	9.3
$33.563 – $49.50	3,761	$42.98	—	—	9.2
$22.125 – $32.31	621	$29.76	10	$28.04	9.5
$14.438 – $21.563	536	$17.83	64	$18.17	9.4
$9.06 – $13.375	3,585	$10.45	2,381	$10.65	7.6
$5.66 – $8.06	668	$ 5.69	372	$ 5.69	7.9
Options outstanding at December 31, 2000	9,270		2,827		

A summary of the weighted average fair value of options at grant date granted during the year ended December 31, 2000, 1999 and 1998 follows:

(shares in thousands)	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Grant Date Fair Values
Options granted during 2000:			
Options whose exercise price equals market price on grant date	5,168	$40.15	$22.46
Options granted during 1999:			
Options whose exercise price equals market price on grant date	1,468	$10.62	$ 6.33
Options granted during 1998:			
Options whose exercise price is greater than the market price on grant date	42	$11.00	$ 2.22
Options whose exercise price equals market price on grant date	3,902	$ 9.99	$ 4.31
Options whose exercise price is less than the market price on grant date	30	$10.34	$ 4.97

In order to calculate the fair value of stock options at date of grant, we used the Black-Scholes option pricing model. The following weighted average assumptions were used:

	For the Year Ended December 31,		
	2000	1999	1998
Expected life (in years)	4	4	4
Risk-free interest rate	6.8%	5.5%	5.4%
Volatility	66%	75%	47%
Dividend yield	—	—	—

1998 Employee Stock Purchase Plan. A total of 1,000,000 shares of common stock have been made available for sale under the Stock 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. The Stock 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. Each participant will be granted an option on the first day of a two year offering period, and shares of common stock will be purchased on four purchase dates within the 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.

For the years ended December 31, 2000, 1999 and 1998, employees purchased common stock shares under the stock purchase plan of 263,498, 586,755 and 0, respectively. The average estimated fair values of the purchase rights granted during the years ended December 31, 2000, 1999 and 1998 based on the Black-Scholes option pricing model were $12.17, $5.65 and $1.38, respectively. The following weighted average assumptions were used:

	For the Year Ended December 31,		
	2000	1999	1998
Expected life (in years)	0.5	0.5	0.6
Risk-free interest rate	6.8%	5.4%	5.5%
Volatility	66%	75%	47%
Dividend yield	—	—	—

We account for our stock-based compensation plans in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" and the Financial Accounting Standards Board Interpretation No. 44, "Accounting for Certain Transactions Involving Stock Compensation, an Interpretation of APB No. 25." Accordingly, compensation cost for stock-based plans is generally measured as the excess, if any, of the quoted market price of our company's stock at the date of the grant over the amount an employee must pay to acquire the stock. Had we recorded compensation expense for our stock compensation plans, as provided by SFAS No. 123, "Accounting for Stock-Based Compensation," our reported net income and basic and diluted earnings per share, which reflects pro forma adjustments for income taxes for 1998, would have been reduced to the pro forma amounts indicated below:

	For the Year Ended December 31,		
(in thousands except per share)	2000	1999	1998
Net income, as reported	$154,153	$76,719	$70,960
Net income, pro forma	127,581	72,033	69,313
Earnings per share:			
Basic, as reported	1.06	0.64	0.67
Basic, pro forma	0.88	0.60	0.65
Diluted, as reported	1.02	0.63	0.66
Diluted, pro forma	0.85	0.59	0.64

Notes to Consolidated Financial Statements

13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined 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 we could realize in a current market exchange. Certain of these financial instruments are with major financial institutions and expose us 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.

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.

Long-term debt. The carrying amount of our total long-term debt as December 31, 2000 was $1,586 million and the fair value based on available market quotes is estimated to be $1,483 million.

14. COMMITMENTS AND CONTINGENCIES

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

We are disputing certain amounts due under a technology license agreement with a third party. To date, this dispute has not involved the judicial systems. We have accrued our estimate of amounts due under this agreement. However, depending on the outcome of this dispute, the ultimate amount payable by us, as of December 31, 2000, could be up to $12.6 million.

Net future minimum lease payments under operating leases that have initial or remaining noncancelable lease terms in excess of one year at December 31, 2000 are:

(in thousands)

2001	$ 14,548
2002	12,627
2003	9,130
2004	5,935
2005	4,817
Thereafter	98,869
Total (net of minimum sublease income of $4,403)	$145,926

Rent expense amounted to $13.7 million, $10.4 million and $7.8 million for 2000, 1999 and 1998, respectively. We lease office space in West Chester, Pennsylvania from certain of our stockholders. The lease expires in 2006. We have the option to extend the lease for an additional 10 years through 2016. Amounts paid for this lease in 2000, 1999 and 1998 were $1.2 million, $1.1 million and $1.1 million, respectively.

We have various purchase commitments for materials, supplies and capital equipment incidental to the ordinary conduct of business. As of December 31, 2000 we had commitments for capital equipment of approximately $63 million. In the aggregate, such commitments are not at prices in excess of current market.

15. SEGMENT INFORMATION

In accordance with SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information," we have two reportable segments, packaging and test services and wafer fabrication services. These segments are managed separately because the services provided by each segment require different technology and marketing strategies.

Packaging and Test Services. Through our four factories located in the Philippines and our four factories located in Korea, we offer 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 our wafer fabrication services division, we provide marketing, engineering and support services of ASI's deep submicron CMOS foundry, under a long-term supply agreement.

We derive substantially all of our wafer fabrication revenues from Texas Instruments (TI). Total net revenues derived from TI accounted for 14.1% and 16.5% of net revenues in 2000 and 1999, respectively. Total net revenues for services provided to TI prior to 1999 were less than 10%. Intel Corporation accounted for approximately 14.1% and 20.6% of net revenues in 1999 and 1998, respectively. Revenues for services provided to Intel for 2000 did not exceed 10%. Our company's five largest customers collectively accounted for 34.8%, 43.6% and 41.6% of net revenues in 2000, 1999 and 1998, respectively. The companies that constitute our five largest customers have varied from year to year.

The accounting policies for segment reporting are the same as those described in Note 1 of Notes to Consolidated Financial Statements. We evaluate our operating segments based on operating income. Summarized financial information concerning our reportable segments is shown in the following table. The "Other" column includes the elimination of inter-segment balances and corporate assets which include cash and cash equivalents, non-operating balances due from affiliates, investment in ASI and TSTC and other investments.

Notes to Consolidated Financial Statements

(in thousands)	Packaging and Test	Wafer Fabrication	Other	Total
2000:				
Net revenues	$2,009,701	$377,593	$ —	$2,387,294
Gross profit	567,381	37,755	—	605,136
Operating income	299,101	24,275	—	323,376
Depreciation and amortization including debt issue costs	330,824	2,085	—	332,909
Capital expenditures including by acquisition	883,752	1,124	—	884,876
Total assets	2,732,733	46,231	614,320	3,393,284
1999:				
Net revenues	$1,617,235	$292,737	$ —	$1,909,972
Gross profit	319,877	29,279	—	349,156
Operating income	158,283	17,794	—	176,077
Depreciation and amortization including debt issue costs	178,771	1,561	—	180,332
Capital expenditures including by acquisition	603,173	2,536	—	605,709
Total assets	1,391,105	37,011	326,973	1,755,089
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 including debt issue costs	118,676	563	—	119,239
Capital expenditures	102,142	5,747	—	107,889
Total assets	655,695	65,941	281,961	1,003,597

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

	Net Revenues		
(in thousands)	2000	1999	1998
United States	$1,280,896	$1,316,147	$1,124,764
Foreign countries	1,106,398	593,825	443,219
Consolidated	$2,387,294	$1,909,972	$1,567,983

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

	Property, Plant and Equipment		
(in thousands)	2000	1999	1998
United States	$ 84,351	$ 48,438	$ 48,851
Philippines	579,619	448,644	366,717
Korea	813,983	362,144	—
Other foreign countries	557	542	543
Consolidated	$1,478,510	$859,768	$416,111

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

	Net Revenues		
(in thousands)	2000	1999	1998
Traditional leadframe	$ 647,872	$ 559,563	$ 603,222
Advanced leadframe	508,544	412,395	342,866
Laminates	719,576	561,181	438,034
Test and other	133,709	84,096	68,163
Consolidated	$2,009,701	$1,617,235	$1,452,285

16. SUBSEQUENT EVENTS (UNAUDITED)

Joint Venture with Toshiba Corporation. In January 2001, we began operating a joint venture with Toshiba Corporation providing semiconductor assembly and test services in Japan. We own 60% of the joint venture company and will acquire the remaining 40% by the end of the third year of the joint venture operation for a price to be determined based on the performance of the joint venture during the three year period but at a purchase price which cannot exceed approximately $40 million subject to exchange rate fluctuations. The joint venture took over the operations of the existing assembly facility at a Toshiba facility and continues to provide packaging and test services for Toshiba under a long-term agreement.

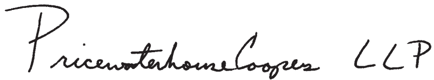
Offering of Senior Notes. In February 2001, we sold $500.0 million principal amount of our 9.25% senior notes due 2008 in a private placement. We used $387.5 million of the $490.0 million of the net proceeds of this offering to repay amounts outstanding under our secured bank facilities, and the balance of the net proceeds was available to be used for general corporate and working capital purposes. In March 2001, we amended the secured bank facilities to relax certain of the covenants and to provide us with additional operating flexibility.

Acquisitions in Taiwan. On March 7, 2001, we announced that in separate transactions, that we will acquire Taiwan Semiconductor Corporation (TSTC) and Sampo Semiconductor Corporation (SSC) in Taiwan. Both TSTC and SSC signed letters of intent enabling negotiations to proceed. Both agreements are expected to be finalized in April 2001. The purchase price will be paid principally through the issuance of additional shares of our common stock.

Report of Independent Accountants

TO THE BOARD OF DIRECTORS AND SHAREHOLDERS OF AMKOR TECHNOLOGY, INC.:

In our opinion, based on our audit and the report of another auditor, the accompanying consolidated balance sheet and the related consolidated statements of income, of stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Amkor Technology, Inc. and its subsidiaries at December 31, 2000, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted 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 audit. We did not audit the financial statements of Amkor Technology Philippines (P1/P2), Inc. and Amkor Technology Philippines (P3/P4), Inc. both wholly owned subsidiaries, collectively referred to herein as ATP, which combined financial statements reflect total assets and operating expenses (including cost of revenues) of 21% and 17%, respectively, of the related consolidated totals at December 31, 2000 and for the year then ended. The combined financial statements of ATP were audited by another auditor whose report thereon has been furnished to us, and our opinion expressed herein, insofar as it relates to the amounts included for ATP, is based solely on the report of the other auditor. We conducted our audit of these statements in accordance with auditing standards generally accepted in the United States of America, which 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, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditor provide a reasonable basis for our opinion. The consolidated financial statements of Amkor Technology, Inc. as of December 31, 1999 and for each of the two years then ended were audited by other independent accountants whose report dated February 3, 2000 expressed an unqualified opinion on those statements.



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