AMKOR TECHNOLOGY INC
Form 10-Q/A
October 06, 2006

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

Form 10-Q/ A

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 31, 2006

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

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

Delaware	**23-1722724**
(State of incorporation)	*(I.R.S. Employer Identification Number)*

1900 South Price Road
Chandler, AZ 85248
(480) 821-5000
(Address of principal executive offices and zip code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b 2 of the Exchange Act). Yes o No þ

The number of outstanding shares of the registrant s Common Stock as of April 30, 2006 was 176,981,486.

QUARTERLY REPORT ON FORM 10-Q/ A
March 31, 2006
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Explanatory Note

We are amending our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006 filed on May 9, 2006 (the Original Filing) to restate our condensed consolidated financial statements for the quarters ended March 31, 2006 and 2005 and the related disclosures. See Note 2, Restatement of Consolidated Financial Statements, Special Committee and Company Findings of the Notes to Condensed Consolidated Financial Statements. for a detailed discussion of the effect of the restatement.

The restatement of the Original Filing reflected in this amended Quarterly Report on Form 10-Q/ A includes adjustments arising from the determinations of a Special Committee, consisting of independent members of the Board of Directors, which was formed on July 24, 2006 to conduct an internal investigation into the Company s past stock option practices, as well as our internal review relating to our historical financial statements.

For more information on these matters, please refer to Management s Discussion and Analysis of Financial Condition and Results of Operations Restatement of Consolidated Financial Statements, Special Committee and Company Findings , Note 2 of the Notes to the Condensed Consolidated Financial Statements, and Item 4, Controls and Procedures .

As a result of the findings of the Special Committee as well as our internal review, we concluded that we needed to amend our Annual Report on Form 10-K for the year ended December 31, 2005, originally filed on March 16, 2006, to restate our consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related disclosures as well as Management s Report on Internal Control Over Financial Reporting as of December 31, 2005. The Annual Report on Form 10-K/ A also includes the restatement of selected consolidated financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, and the unaudited quarterly financial data for each of the quarters in the years ended December 31, 2005 and 2004. We also concluded that we needed to amend the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, originally filed on May 9, 2006, to restate our condensed consolidated financial statements for the quarters ended March 31, 2006 and 2005 and the related disclosures. We have restated the June 30, 2005 financial statements included in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. We will restate the September 30, 2005 financial statements with the filing of our September 30, 2006 Form 10-Q. We have not amended and we do not intend to amend any of our other previously filed annual reports on Form 10-K or quarterly reports on Form 10-Q for the periods affected by the restatement or adjustments other than (i) this amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2006 and (ii) the amended Annual Report on Form 10-K/A for the year ended December 31, 2005.

All of the information in this amended Quarterly Report on Form 10-Q/A is as of March 31, 2006 and does not reflect events occurring after the date of the Original Filing, other than the restatement, or modify or update disclosures (including, the exhibits to the Original Filing, except for the updated Exhibits 31.1, 31.2, 32.1, and 32.2 described below) affected by subsequent events. For the convenience of the reader, this amended Quarterly Report on Form 10-Q/ A sets forth the Original Filing in its entirety, as amended by, and to reflect, the restatement. The following sections of this Form 10-Q/A were adjusted to reflect the findings of the Special Committee as well as our internal review:

Part I Item 1 Unaudited Financial Statements;

Part I Item 2 Management s Discussion and Analysis of Financial Condition and Results of Operations;

Part I Item 4 Controls and Procedures;

Part II Item 1A Risk Factors; and

Part II Item 6 Exhibits

This amended Quarterly Report on Form 10-Q/A should be read in conjunction with our amended Annual Report on Form 10-K/A for the year ended December 31, 2005, our periodic filings made with the SEC subsequent to the date of the Original Filing and any Current Reports filed on Form 8-K subsequent to the date of the Original Filing. In addition, in accordance with applicable SEC rules, this amended Quarterly Report on Form 10-Q/A includes updated certifications from our Chief Executive Officer (CEO) and Chief Financial Officer (CFO) as Exhibits 31.1, 31.2, 32.1, and 32.2.

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PART I. FINANCIAL INFORMATION

ITEM 1. ***Financial Statements***

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

	For the Three Months Ended March 31,	
	2006 (As restated)(1)	2005 (As restated)(1)
	(In thousands, except per share data)	
Net sales	$ 645,089	$ 417,481
Cost of sales	490,352	374,132
Gross profit	154,737	43,349
Operating expenses:		
Selling, general and administrative	60,204	60,513
Research and development	9,430	8,900
Provision for legal settlements and contingencies	1,000	50,000
Total operating expenses	70,634	119,413
Operating income (loss)	84,103	(76,064)
Other (income) expense:		
Interest expense, net	41,157	40,513
Interest expense, related party	1,788	
Foreign currency loss	3,928	2,232
Other (income) expense, net	(936)	178
Total other expense, net	45,937	42,923
Income (loss) before income taxes and minority interests	38,166	(118,987)
Income tax expense	3,612	1,187
Income (loss) before minority interest income (expense)	34,554	(120,174)
Minority interest income (expense), net of tax	(115)	1,011
Net income (loss)	$ 34,439	$ (119,163)
Income (loss) per common share:		
Basic	$ 0.19	$ (0.68)
Diluted	$ 0.19	$ (0.68)

Shares used in computing income (loss) per common share:		
Basic	176,801	175,718
Diluted	190,764	175,718

(1) See Note 2, Restatement of Consolidated Financial Statements, Special Committee and Company Findings of the Notes to Condensed Consolidated Financial Statements.

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

	March 31, 2006 (As restated)(1)	December 31, 2005 (As restated)(1)
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 226,243	$ 206,575
Accounts receivable:		
Trade, net of allowance for doubtful accounts of $4,995 and $4,947	381,011	381,495
Other	9,600	5,089
Inventories, net	148,253	138,109
Other current assets	30,414	35,222
Total current assets	795,521	766,490
Property, plant and equipment, net	1,454,674	1,419,472
Goodwill	672,007	653,717
Intangibles, net	36,421	38,391
Investments	6,350	9,668
Other assets	44,930	67,353
Total assets	$ 3,009,903	$ 2,955,091
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings and current portion of long-term debt	$ 339,146	$ 184,389
Trade accounts payable	346,831	326,712
Accrued expenses	130,927	124,027
Total current liabilities	816,904	635,128
Long-term debt	1,678,801	1,856,247
Long-term debt, related party	100,000	100,000
Other non-current liabilities	150,576	135,861
Total liabilities	2,746,281	2,727,236
Commitments and contingencies (see Note 14)		
Minority interests	3,622	3,950
Stockholders equity:		
Preferred stock, $0.001 par value, 10,000 shares authorized, designated Series A, none issued		
	178	178

Common stock, $0.001 par value, 500,000 shares authorized, issued and outstanding of 176,905 in 2006 and 176,733 in 2005				
Additional paid-in capital		1,433,468		1,431,543
Accumulated deficit		(1,177,035)		(1,211,474)
Accumulated other comprehensive income		3,389		3,658
Total stockholders equity		260,000		223,905
Total liabilities and stockholders equity	$	3,009,903	$	2,955,091

(1) See Note 2, Restatement of Consolidated Financial Statements, Special Committee and Company Findings of the Notes to Condensed Consolidated Financial Statements.

The accompanying notes are an integral part of these statements.

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

	For the Three Months Ended March 31,	
	2006 (As restated)(1)	2005 (As restated)(1)
	(In thousands)	
Cash flows from operating activities:		
Net income (loss)	$ 34,439	$ (119,163)
Depreciation and amortization	66,061	60,858
Other non-cash items	15,007	1,475
Changes in assets and liabilities, excluding effects of acquisitions	3,462	50,388
Net cash provided by (used in) operating activities	118,969	(6,442)
Cash flows from investing activities:		
Payments for property, plant and equipment	(79,098)	(66,712)
Proceeds from the sale of property, plant and equipment	923	156
Net cash used in investing activities	(78,175)	(66,556)
Cash flows from financing activities:		
Net change in bank overdrafts		(102)
Borrowings under revolving credit facilities	63,092	55,603
Payments under revolving credit facilities	(52,628)	(63,813)
Payments for debt issuance costs	(485)	
Payments on long-term debt	(32,742)	(3,504)
Proceeds from issuance of stock through stock compensation plans	832	
Net cash used in financing activities	(21,931)	(11,816)
Effect of exchange rate fluctuations on cash and cash equivalents	805	(710)
Net increase (decrease) in cash and cash equivalents	19,668	(85,524)
Cash and cash equivalents, beginning of period	206,575	372,284
Cash and cash equivalents, end of period	$ 226,243	$ 286,760
Supplemental disclosures of cash flow information:		
Cash paid during the period for:		
Interest	$ 40,400	$ 40,170
Income taxes	$ 1,508	$ 2,733
Non cash investing and financing activities:		
Application of deposit upon closing of acquisition of minority interest	$ 17,822	$

(1) See Note 2, Restatement of Consolidated Financial Statements, Special Committee and Company Findings of the Notes to Condensed Consolidated Financial Statements.

The accompanying notes are an integral part of these statements.

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

1. Interim Financial Statements

Basis of Presentation. The condensed consolidated financial statements and related disclosures as of March 31, 2006 and for the three months ended March 31, 2006 and 2005 are unaudited, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In our opinion, these financial statements include all adjustments (consisting only of normal recurring adjustments) necessary for the fair presentation of the results for the interim periods. These financial statements should be read in conjunction with our latest annual report as of December 31, 2005 filed on Form 10-K/ A with the Securities and Exchange Commission. The results of operations for the three months ended March 31, 2006 are not necessarily indicative of the results to be expected for the full year. Certain previously reported amounts have been reclassified to conform to the current presentation.

Use of Estimates. The condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (U.S.), using management s best estimates and judgments where appropriate. These estimates and judgments affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. The estimates and judgments will also affect the reported amounts for certain revenues and expenses during the reporting period. Actual results could differ materially from these estimates and judgments.

Income Taxes. We operate in and file income tax returns in various U.S. and foreign jurisdictions which are subject to examination by tax authorities. For our larger foreign operations, our tax returns have been examined through 1999 in Korea, through 2001 in the Philippines and through 2002 in Taiwan and Japan. Our U.S. tax returns have been examined through 2003. Tax returns for open years in all jurisdictions are subject to change upon examination.

During 2005, the IRS commenced an examination of our U.S. federal income tax returns for years 2002 and 2003, which primarily focused on inter-company transfer pricing and cost-sharing issues carried over from 2000 and 2001 examination. The IRS proposed four adjustments, and in 2005, we agreed to three of them, lowering our U.S. net operating loss carryforwards at December 31, 2005 by $36.1 million. In April 2006, we reached an agreement-in-principle with the IRS on the last adjustment, further reducing our net operating loss carryforwards by $10 million. Because we maintain a full valuation allowance on our U.S. net operating loss carryforwards, these adjustments had no impact on our consolidated financial condition or results of operations.

Our estimated tax liability is subject to change as examinations of our tax returns are completed by the tax authorities in the respective jurisdictions. We believe that any additional taxes or related interest over the amounts accrued will not have a material effect on our financial condition, results of operations or cash flows, nor do we expect that such examinations will result in a material favorable impact. However, resolution of these matters involves uncertainties and there are no assurances that the outcome will be favorable.

Income tax expense for the three months ended March 31, 2006 and 2005 is attributable to foreign withholding taxes and income taxes at our profitable foreign operations. For the remainder of 2006, we anticipate an effective income tax rate of approximately 7.5%, which reflects the utilization of U.S. and foreign net operating loss carryforwards and tax holidays in certain foreign jurisdictions. At March 31, 2006, we had U.S. net operating loss carryforwards totaling $363.6 million which expire at various times through 2025. Additionally, at March 31, 2006, we had $85.0 million of non-U.S. operating loss carryforwards, which expire at various times through 2011.

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

We maintain a full valuation allowance on substantially all of our deferred tax assets, including our net operating loss carryforwards, and we will release such valuation allowance as the related tax benefits are realized on our tax returns or once we achieve sustained profitable operations.

New Accounting Standards.

Recently Issued Standards

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 155, Accounting for Certain Hybrid Financial Instruments (SFAS No. 155), which amends SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS No. 133) and SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities (SFAS No. 140). SFAS No. 155 simplifies the accounting for certain derivatives embedded in other financial instruments by allowing them to be accounted for as a whole if the holder elects to account for the whole instrument on a fair value basis. SFAS No. 155 also clarifies and amends certain other provisions of SFAS No. 133 and SFAS No. 140. SFAS No. 155 is effective for all financial instruments acquired, issued or subject to a remeasurement event occurring in fiscal years beginning after September 15, 2006. Earlier adoption is permitted, provided the Company has not yet issued financial statements, including for interim periods, for that fiscal year. We do not expect the adoption of SFAS No. 155 to have a material impact on our Condensed Consolidated Financial Statements.

Recently Adopted Standards

In November 2004, the FASB issued SFAS No. 151, *Inventory Costs, an Amendment of ARB No. 43, Chapter 4*. SFAS No. 151 clarifies that abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) should be recognized as current-period charges and requires the allocation of fixed production overheads to inventory based on the normal capacity of the production facilities. The guidance in this Statement is effective for inventory costs incurred during fiscal years beginning after June 15, 2005. We adopted the provisions of SFAS No. 151 on January 1, 2006. The adoption of this Statement did not have a material impact on our financial statements and disclosures.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets, an Amendment of APB Opinion No. 29, Accounting for Nonmonetary Transactions*. SFAS No. 153 eliminates the exception from fair value measurement for nonmonetary exchanges of similar productive assets in paragraph 21(b) of APB Opinion No. 29 and replaces it with an exception for exchanges that do not have commercial substance. SFAS No. 153 specifies that a nonmonetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. SFAS No. 153 is effective in fiscal years beginning after June 15, 2005. We adopted the provisions of SFAS No. 153 on January 1, 2006. The adoption of this statement did not have a material impact on our financial statements and disclosures.

In May 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*. SFAS No. 154 replaces APB No. 20, *Accounting Changes* and SFAS No. 3, *Reporting Accounting Changes in Interim Financial Statements* and establishes retrospective application as the required method for reporting a change in accounting principle. SFAS No. 154 provides guidance for determining whether retrospective application of a change in accounting principle is impracticable and how to report such a change. The reporting of a correction of an error by restating previously issued financial statements is also addressed. SFAS No. 154 is effective for accounting changes and corrections of errors made in fiscal years beginning after December 15, 2005. We adopted the provisions of SFAS No. 154 on January 1, 2006.

Effective January 1, 2006, we adopted SFAS No. 123 (revised 2004), *Share-Based Payments* (SFAS No. 123R), which revises SFAS No. 123, *Accounting for Stock-Based Compensation* and supersedes Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (See Note 4 for further discussion).

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

In November 2005, FASB issued FSP FAS 115-1/ FAS 124-1, *The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments* (FSP 115-1/124-1). FSP 115-1/124-1 provides guidance on determining when investments in certain debt and equity securities are considered impaired, whether that impairment is other-than-temporary, and on measuring such impairment loss. FSP 115-1/124-1 also includes accounting considerations subsequent to the recognition of an other-than-temporary impairment and requires certain disclosures about unrealized losses that have not been recognized as other-than-temporary impairments. This FSP is required to be applied to reporting periods beginning after December 15, 2005. We adopted the provisions FSP 115-1/124-1 on January 1, 2006. The adoption of this FSP did not have a material impact on our financial statements and disclosures.

2. Restatement of Consolidated Financial Statements, Special Committee and Company Findings

As a result of a report by a third party financial analyst issued on May 25, 2006, we commenced an initial review of our historical stock option granting practices. This review included a review of hard copy documents as well as a limited set of electronic documents. Following this initial review, on July 24, 2006 our Board of Directors established a Special Committee comprised of independent directors to conduct a review of our historical stock option granting practices during the period from our initial public offering in 1998 through the present.

Based on the findings of the Special Committee and our internal review, we identified a number of occasions on which we used an incorrect measurement date for financial accounting and reporting purposes. In accordance with Accounting Principles Board No. 25, Accounting for Stock Issued to Employees and related interpretations (APB No. 25) , with respect to the period through December 31, 2005, we should have recorded compensation expense in an amount per share subject to each option to the extent that the fair market value of our stock on the correct measurement date exceeded the exercise price of the option. For periods commencing January 1, 2006, compensation expense is recorded in accordance with Statement of Financial Accounting Standards No. 123(R) (revised) Share-Based Payment (SFAS No. 123(R)). We have also identified a number of other option grants for which we failed to properly apply the provisions of APB No. 25 or Statement of Financial Accounting Standards No. 123 Accounting for Stock-Based Compensation (SFAS No. 123) and related interpretations of each pronouncement. In considering the causes of the accounting errors set forth below, the Special Committee concluded that the evidence does not support a finding of intentional manipulation of stock option grant pricing by any member of existing management. However, based on its review, the Special Committee identified evidence that supports a finding of intentional manipulation of stock option pricing with respect to annual grants in 2001 and 2002 by a former executive and that other former executives may have been aware of, or participated in this conduct. In addition the Special Committee identified a number of other factors related to our internal controls that

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

contributed to the accounting errors that led to the restatement. The financial statement impact of these errors, by type, for the periods indicated is as follows:

	Six Months Ended June 30, 2006	Year Ended December 31, 2005	2004	2003	Cumulative Effect 2002-1998	Total Additional Compensation Expense
	(In thousands)					
Improper measurement dates for annual stock option grants	$ 299	$ 255	$ 7,577	$ 6,453	$ 80,984	$ 95,568
Modifications to stock option grants		9	(536)	711	9,345	9,529
Improper measurement dates for other stock option grants	80	64	217	102	1,625	2,088
Stock option grants to non-employees			26	172	1,443	1,641
Additional compensation expense	379	328	7,284	7,438	93,397	108,826
Tax related effects	129	18	144	198	(3,294)	(2,805)
Aggregate restatement of net income (loss)	$ 508	$ 346	$ 7,428	$ 7,636	$ 90,103	$ 106,021

Improper Measurement Dates for Annual Stock Option Grants. We determined that, in connection with our annual stock option grants to employees in 1999, 2000, 2001, 2002 and 2004, the number of shares that an individual employee was entitled to receive was not determined until after the original grant date, and therefore the measurement date for such options was subsequent to the original grant date. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $95.6 million recognized over the applicable vesting periods. For certain of these options forfeited in 2002 in connection with an option exchange program (2002 Option Exchange Program), the remaining compensation expense was accelerated into 2002 for those options. For certain other options, compensation expense was accelerated into 2004, in connection with the acceleration of all unvested options as of July 1, 2004 (2004 Accelerated Vesting). We undertook the 2004 Accelerated Vesting program for the purpose of enhancing employee morale, helping retain high potential employees in the face of a downturn in industry conditions and to avoid future compensation charges subsequent to the adoption of SFAS No. 123(R).

Modifications to Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for stock options modified for certain individuals who held consulting, transition or advisory roles with us. These included instances of continued vesting after an individual was no longer required to provide substantive services to Amkor after an individual converted from an employee to a consultant or advisory role, and extensions of option vesting and exercise periods. Some of these modifications were not identified in our financial reporting processes and were therefore not properly reflected in our financial statements. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $9.5 million recognized as of the date of the respective modifications.

Improper Measurement Dates for Other Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for certain employee stock options granted prior to obtaining authorization of the grants. These options included those granted as of November 9, 1998 in connection with the settlement of a deferred compensation liability to employees that had not been approved by our Board of Directors until November 10, 1998 as well as stock options granted to new hires and existing employees in recognition of achievements, promotions, retentions and other events. As a result of these errors, we have restated our historical financial statements to increase stock-based compensation expense by a total of $2.1 million recognized over the applicable vesting periods. For certain of these option grants, the recognition of this expense was also accelerated under the 2002 Option Exchange Program or the 2004 Accelerated Vesting, as described under Improper Measurement Dates for Annual Stock Option Grants.

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

Stock Option Grants to Non-employees. We determined that from 1998 to 2004, we had not properly accounted for stock option grants issued to employees of an equity affiliate, consultants, or other persons who did not meet the definition of an employee. We erroneously accounted for such grants in accordance with APB No. 25 rather than SFAS No. 123 and related interpretations. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $1.6 million.

All of the foregoing charges were non-cash and had no impact on our reported net sales or cash or cash equivalents. The aggregate amount of the additional stock-based compensation expense that we identified as a result of the stock option review is approximately $108.8 million through June 30, 2006.

Incremental stock-based compensation charges of $108.8 million resulted in deferred income tax benefits of $3.2 million. Such amount is nominal relative to the amount of the incremental stock-based compensation charges as we maintained a full valuation allowance against our domestic deferred tax assets since 2002 coupled with the fact that incremental stock-based compensation charges relating to our foreign subsidiaries were not deductible for local tax purposes during the relevant periods due to the absence of related re-charge agreements with those subsidiaries. The $3.2 million deferred tax benefit resulted primarily from the write-off of stock-based compensation related deferred tax assets to additional paid-in capital in 2002; such write-off had originally been charged to income tax expense in 2002. We also recorded payroll related taxes totaling $0.4 million primarily relating to certain of our French employees.

As a result of our determination that the exercise prices of certain option grants were below the market price of our stock on the actual grant date, we evaluated whether the affected employees would have any adverse tax consequences under Section 409A of the Internal Revenue Code (the IRC). Because Section 409A relates to the employee s income recognition as stock options vest, when we accelerated the vesting of all unvested options in July 2004 (the 2004 Accelerated Vesting described under Improper Measurement Dates for Annual Grants) the impact of Section 409A was mitigated for substantially all of our outstanding stock grants. For stock options granted subsequent to the 2004 Accelerated Vesting, the impact of Section 409A is not expected to materially impact our employees and financial statements as a result of various transition rules and potential remediation efforts. Further we considered IRC Section 162(m) and its established limitation thresholds relating to total remuneration and concluded, for periods prior to June 30, 2006, that our tax deductions related to stock-based compensation were not materially changed as a result of any employee whose remuneration changed as a result of receiving an option at less than fair value.

As previously disclosed, we are the subject of an SEC investigation concerning matters unrelated to our historical stock option practices. The SEC recently informed us that it is expanding the scope of its investigation and has requested that we provide documentation related to our historical stock option practices. We intend to continue to cooperate with the SEC. As a result of the aforementioned restatement, the related disclosures included in the Notes to Condensed Consolidated Financial Statements have been revised if indicated as restated.

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

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our historical financial statements for the three months ended March 31, 2006 and 2005.

	For the Three Months Ended March 31,					
	2006			2005		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
Net sales	$ 645,089	$	$ 645,089	$ 417,481	$	$ 417,481
Cost of sales	490,071	281	490,352	374,086	46	374,132
Gross profit	155,018	(281)	154,737	43,395	(46)	43,349
Operating expenses:						
Selling, general and administrative	60,251	(47)	60,204	60,466	47	60,513
Research and development	9,430		9,430	8,900		8,900
Provision for legal settlements and contingencies	1,000		1,000	50,000		50,000
Total operating expenses	70,681	(47)	70,634	119,366	47	119,413
Operating income (loss)	84,337	(234)	84,103	(75,971)	(93)	(76,064)
Other (income) expense:						
Interest expense, net	41,157		41,157	40,513		40,513
Interest expense, related party	1,788		1,788			
Foreign currency loss	3,928		3,928	2,232		2,232
Other (income) expense, net	(936)		(936)	178		178
Total other expense, net	45,937		45,937	42,923		42,923
Income (loss) before income taxes and minority interests	38,400	(234)	38,166	(118,894)	(93)	(118,987)
Income tax expense	3,612		3,612	1,187		1,187
Income (loss) before minority interest income (expense)	34,788	(234)	34,554	(120,081)	(93)	(120,174)

Minority interest income (expense), net of tax	(115)		(115)	1,011		1,011
Net income (loss)	$ 34,673	$ (234)	$ 34,439	$ (119,070)	$ (93)	$ (119,163)
Income (loss) per common share:						
Basic	$ 0.20	$ (0.01)	$ 0.19	$ (0.68)	$	$ (0.68)
Diluted	$ 0.19	$	$ 0.19	$ (0.68)	$	$ (0.68)
Shares used in computing income (loss) per common share:						
Basic	176,801		176,801	175,718		175,718
Diluted	191,015		190,764	175,718		175,718

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

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our consolidated balance sheet as of March 31, 2006.

	March 31, 2006		
	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)		
ASSETS			
Current assets:			
Cash and cash equivalents	$ 226,243	$	$ 226,243
Accounts receivable:			
Trade, net of allowance for doubtful accounts of $4,995	381,011		381,011
Other	9,600		9,600
Inventories, net	148,253		148,253
Other current assets	30,414		30,414
Total current assets	795,521		795,521
Property, plant and equipment, net	1,454,674		1,454,674
Goodwill	672,007		672,007
Intangibles, net	36,421		36,421
Investments	6,350		6,350
Other assets	44,930		44,930
Total assets	$ 3,009,903	$	$ 3,009,903
LIABILITIES AND STOCKHOLDERS EQUITY			
Current liabilities:			
Short-term borrowings and current portion of long-term debt	339,146		339,146
Trade accounts payable	346,831		346,831
Accrued expenses	130,529	398	130,927
Total current liabilities	816,506	398	816,904
Long-term debt, related party	100,000		100,000
Long-term debt	1,678,801		1,678,801
Other non-current liabilities	150,576		150,576
Total liabilities	2,745,883	398	2,746,281
Commitments and contingencies (see Note 14)			
Minority interests	3,622		3,622
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 176,733 in 2005 and 175,718 in 2004	178		178
Additional paid-in capital	1,328,119	105,349	1,433,468
Accumulated deficit	(1,071,288)	(105,747)	(1,177,035)
Accumulated other comprehensive income	3,389		3,389
Total stockholders equity	260,398	(398)	260,000
Total liabilities and stockholders equity	$ 3,009,903	$	$ 3,009,903

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

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our historical financial statements for each of the three years ended December 31, 2005.

	Year Ended December 31,								
	2005			2004			2003		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)								
Statement of Operations Data:									
Net sales	$ 2,099,949	$	$ 2,099,949	$ 1,901,279	$	$ 1,901,279	$ 1,603,768	$	$ 1,603,768
Cost of sales	1,743,996	182	1,744,178	1,533,447	4,562	1,538,009	1,267,302	3,277	1,270,579
Gross profit	355,953	(182)	355,771	367,832	(4,562)	363,270	336,466	(3,277)	333,189
Operating expenses:									
Selling, general and administrative	243,155	164	243,319	221,915	2,866	224,781	183,291	3,963	187,254
Research and development	37,347		37,347	36,707		36,707	30,167		30,167
Provision for legal settlements and contingencies	50,000		50,000						
Gain on sale of specialty test operations	(4,408)		(4,408)						
Total operating expenses	326,094	164	326,258	258,622	2,866	261,488	213,458	3,963	217,421
	29,859	(346)	29,513	109,210	(7,428)	101,782	123,008	(7,240)	115,768

Operating income									
Other (income) expense:									
Interest expense, related party	521		521						
Interest expense, net	165,351		165,351	148,902		148,902	140,281		140,281
Foreign currency (gain) loss	9,318		9,318	6,190		6,190	(3,022)		(3,022)
Other (income) expense, net	(444)		(444)	(24,444)		(24,444)	31,052		31,052
Total other expense	174,746		174,746	130,648		130,648	168,311		168,311
Loss before income taxes, equity investment losses, minority interests and discontinued operations	(144,887)	(346)	(145,233)	(21,438)	(7,428)	(28,866)	(45,303)	(7,240)	(52,543)
Equity investment losses	(55)		(55)	(2)		(2)	(3,290)		(3,290)
Minority interests	2,502		2,502	(904)		(904)	(4,008)		(4,008)
Loss from continuing operations before income taxes	(142,440)	(346)	(142,786)	(22,344)	(7,428)	(29,772)	(52,601)	(7,240)	(59,841)
Income tax provision (benefit)	(5,551)		(5,551)	15,192		15,192	(233)		(233)

Loss from continuing operations	(136,889)	(346)	(137,235)	(37,536)	(7,428)	(44,964)	(52,368)	(7,240)	(59,608)
Income from discontinued operations, net of tax							54,566	(396)	54,170
Net income (loss)	$ (136,889)	$ (346)	$ (137,235)	$ (37,536)	$ (7,428)	$ (44,964)	$ 2,198	$ (7,636)	$ (5,438)
Basic and diluted income (loss) per common share:									
From continuing operations	$ (0.78)	$	$ (0.78)	$ (0.21)	$ (0.05)	$ (0.26)	$ (0.31)	$ (0.04)	$ (0.35)
From discontinued operations							0.32		0.32
Income (loss) per common share	$ (0.78)	$	$ (0.78)	$ (0.21)	$ (0.05)	$ (0.26)	$ 0.01	$ (0.04)	$ (0.03)
Shares used in computing income (loss) per common share:									
Basic	176,385		176,385	175,342		175,342	167,142		167,142
Diluted	176,385		176,385	175,342		175,342	167,142		167,142

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

The following table sets forth the impact of the additional non-cash charges for stock-based compensation expense and related tax effects on our consolidated balance sheets as of December 31, 2005 and 2004.

	December 31,					
	2005			2004		
	As Previously Reported	Adjustments	As Restated	As Previously Reported	Adjustments	As Restated
	(In thousands, except per share data)					
ASSETS						
Current assets:						
Cash and cash equivalents	$ 206,575	$	$ 206,575	$ 372,284	$	$ 372,284
Accounts receivable:						
Trade, net of allowance for doubtful accounts of $4,947 and $5,074	381,495		381,495	265,547		265,547
Other	5,089		5,089	3,948		3,948
Inventories, net	138,109		138,109	111,616		111,616
Other current assets	35,222		35,222	32,591		32,591
Total current assets	766,490		766,490	785,986		785,986
Property, plant and equipment, net	1,419,472		1,419,472	1,380,396		1,380,396
Goodwill	653,717		653,717	656,052		656,052
Intangibles, net	38,391		38,391	47,302		47,302
Investments	9,668		9,668	13,762		13,762
Other assets	67,353		67,353	81,870		81,870
Total assets	$ 2,955,091	$	$ 2,955,091	$ 2,965,368	$	$ 2,965,368
LIABILITIES AND STOCKHOLDERS EQUITY						
Current liabilities:						
Short-term borrowings and current portion of long-term debt	$ 184,389	$	$ 184,389	$ 52,147	$	$ 52,147
Trade accounts payable	326,712		326,712	211,808		211,808
Accrued expenses	123,631	396	124,027	175,075	378	175,453
Total current liabilities	634,732	396	635,128	439,030	378	439,408
	100,000		100,000			

Long-term debt, related party						
Long-term debt	1,856,247		1,856,247	2,040,813		2,040,813
Other non-current liabilities	135,861		135,861	109,317		109,317
Total liabilities	2,726,840	396	2,727,236	2,589,160	378	2,589,538
Commitments and contingencies (see Note 14)						
Minority interests	3,950		3,950	6,679		6,679
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 176,733 in 2005 and 175,718 in 2004	178		178	176		176
Additional paid-in capital	1,326,426	105,117	1,431,543	1,323,579	104,789	1,428,368
Accumulated deficit	(1,105,961)	(105,513)	(1,211,474)	(969,072)	(105,167)	(1,074,239)
Accumulated other comprehensive income	3,658		3,658	14,846		14,846
Total stockholders equity	224,301	(396)	223,905	369,529	(378)	369,151
Total liabilities and stockholders equity	$ 2,955,091	$	$ 2,955,091	$ 2,965,368	$	$ 2,965,368

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

The additional non-cash charges for stock-based compensation expense and related tax effects had no impact on our consolidated statements of cash flows. We identified a classification error relating to stock-based compensation in our consolidated statements of cash flows and we increased net cash provided by operating activities by less than $0.1 million and $0.6 million for the year ended December 31, 2005 and 2004, respectively, offset by a similar decrease in net cash used in financing activities.

The cumulative effect of the stock option errors prior to January 1, 2003 increased additional paid-in capital by $90.1 million, increased accumulated deficit by $90.1 million and impacted total stockholders equity by less than $0.1 million. Incremental stock-based compensation charges, net of tax, totaled $61.6 million, $15.8 million, $9.5 million, and $3.2 million for the years ended December 31, 2002, 2001, 2000 and 1999.

3. Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income (loss) by the weighted average number of common shares outstanding during the period. Diluted EPS adjusts net income and the outstanding shares for the dilutive effect of stock options and convertible debt. The basic and diluted EPS amounts are the same for the first quarter of 2005 due to net losses. The following table summarizes the computation of basic and diluted EPS:

	For the Three Months Ended March 31,	
	2006 (As restated)	2005 (As restated)
	(In thousands, except per share data)	
Net income (loss)	$ 34,439	$ (119,163)
Adjustment for dilutive securities on net income:		
Interest on 6.25% convertible notes due 2013, net of tax	1,788	
Net income (loss) - diluted	$ 36,227	$ (119,163)
Weighted average shares outstanding - basic	176,801	175,718
Effect of dilutive securities:		
Stock options		
Employee stock purchase plan	612	
6.25% convertible notes due 2013	13,351	
Weighted average shares outstanding - diluted	190,764	175,718
EPS:		
Basic	$ 0.19	$ (0.68)
Diluted	$ 0.19	$ (0.68)

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

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

	For the Three Months Ended March 31,	
	2006	2005
	(In thousands)	
Stock options	15,065	17,432
5% convertible notes	2,554	2,554
5.75% convertible notes	3,781	6,657
Total potentially dilutive shares	21,400	26,643
Stock options excluded from diluted EPS because the exercise price was greater than the average market price of the common shares	15,065	16,697

4. Stock Compensation Plans

Effective January 1, 2006, we adopted SFAS No. 123(R) which revises SFAS No. 123 and supersedes APB Opinion No. 25. SFAS No. 123(R) requires that all share-based payments to employees, including grants of employee stock options, be measured at fair value and expensed in the Condensed Consolidated Statement of Operations over the service period (generally the vesting period). Upon adoption, we transitioned to SFAS No. 123(R) using the modified prospective method, whereby compensation cost is recognized in the Condensed Consolidated Statements of Operations beginning with the first period that SFAS No. 123(R) is effective and thereafter, with prior periods stock-based compensation for option and employee stock purchase plan activity still presented on a pro forma basis. We continue to use the Black-Scholes option valuation model to value stock options. Compensation expense is measured and recognized beginning in 2006 as follows:

Awards granted after December 31, 2005 Awards are measured at their fair value at date of grant under the provisions of SFAS No. 123(R). The resulting compensation expense is recognized in the Condensed Consolidated Statement of Operations ratably over the vesting period of the award. However, if the employee becomes eligible for retirement during the vesting period, the compensation expense is recognized ratably only until the retirement eligibility date. For employees eligible for retirement on the date of grant, compensation expense is recognized immediately.

Awards granted prior to December 31, 2005 Awards were measured at their fair value at the date of original grant. Compensation expense associated with the unvested portion of these options at January 1, 2006 is recognized in the Condensed Consolidated Statement of Operations ratably over the remaining vesting period without regard to the employee s retirement eligibility. Upon retirement, any unrecognized compensation expense will be recognized immediately.

For all grants, the amount of compensation expense to be recognized is adjusted for an estimated forfeiture rate which is based on historical data. As a result of the adoption of SFAS No. 123(R), we recognized incremental expense of $1.1 million, with no tax impact, or less than $0.01 per diluted common share, in the three months ended March 31, 2006, associated with the expensing of stock options and employee stock purchase plan activity.

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

The following table presents stock-based compensation expense included in the condensed consolidated statements of operations:

	Three Months Ended	
	March 31, 2006 (As restated)	March 31, 2005 (As restated)
	(In thousands)	
Cost of sales	$ 281	$ 46
Selling, general, and administrative	814	47
Stock-based compensation expense	$ 1,095	$ 93

In November 2005, the FASB issued FASB Staff Position (FSP) No. 123R-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards.* This pronouncement provides an alternative method of calculating the excess tax benefit pool available to absorb any tax deficiencies recognized subsequent to the adoption of SFAS No. 123(R). We have until November 2006 to make a one-time election to adopt the transition method. We are currently evaluating FSP 123R-3; this one-time election will not affect our Condensed Consolidated Statement of Operations in the period of adoption.

Prior to January 1, 2006, as permitted under SFAS No. 123, we applied APB Opinion No. 25 and related interpretations in accounting for our stock-based compensation plans. Under APB Opinion No. 25, compensation expense was recognized for stock option grants if the exercise price was below the fair value of the underlying stock at the measurement date.

Had compensation costs been determined consistent with the requirements of SFAS No. 123, pro forma net loss and net loss per common share would have been as follows:

	For the Three Months Ended March 31, 2005 (As restated)
	(In thousands, except per share data)
Net loss:	
Net loss, as reported	$ (119,163)
Add: Stock-based compensation expense included in restated results	93
Deduct: Total stock-based employee compensation determined under fair value based method, net of tax	(595)
Net loss, pro forma	$ (119,665)

Loss per share:		
Basic and diluted:		
As reported	$	(0.68)
Pro forma	$	(0.68)

Pro forma compensation expense under SFAS No. 123 does not include an upfront estimate of potential forfeitures, but rather recognizes them as they occur and amortizes the compensation expense for retirement eligible individuals over the vesting period without consideration to acceleration of vesting. These computational differences and the differences in the terms and nature of 2006 stock-based compensation awards create incomparability between the pro forma stock compensation presented above and the stock compensation expense recognized in 2006.

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

Stock Option Plans. Substantially all of the options granted are exercisable pursuant to a two or four-year vesting schedule and the term of the options granted is ten years. A summary of the stock option plans and the respective plan termination dates and shares available for grant as of March 31, 2006 is shown below. For additional information about our stock compensation plans, refer to Note 12 of the Notes to Consolidated Financial Statements in our Annual Report on Form 10-K/ A for the year ended December 31, 2005.

Stock Option Plans	1998 Director Option Plan	1998 Stock Plan	2003 Inducement Plan
Contractual Life (yrs)	10	10	10
Plan termination date	January 2008	January 2008	Board of Directors Discretion
Shares available for grant at March 31, 2006	111,666	6,215,386	339,600

In order to calculate the fair value of stock options at date of grant, we used the Black-Scholes option pricing model. Expected volatilities are weighted based on the historical performance of our stock and implied volatilities. We also use historical data to estimate the timing and amount of option exercises and forfeitures within the valuation model. The expected term of the options is based on evaluations of historical and expected future employee exercise behavior and represents the period of time that options granted are expected to be outstanding. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The following assumptions were used to calculate weighted average fair values of the options granted:

	For the Three Months Ended March 31,	
	2006	2005
		(As restated)
Expected life (in years)	5.8	5.8
Risk-free interest rate	4.6%	4.0%
Volatility	77%	91%
Dividend yield		

The following is a summary of all option activity for the three months ended March 31, 2006:

	Number of Shares	Weighted Average Exercise Price per Share	Weighted Average Remaining Contractual Term (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2005	16,369,994	$ 10.53		
Granted	821,975	$ 6.95		

Exercised	(171,927)	$ 4.84		
Cancelled	(890,216)	$ 10.80		
Outstanding at March 31, 2006	16,129,826	$ 10.39	6.5	$ 12,799,968
Exercisable at March 31, 2006	13,430,361	$ 11.40	6.0	$ 3,942,448

For the three months ended March 31, 2006 and 2005, the weighted average grant date fair value of an option granted was $4.83 per common share and $3.41 per common share, respectively. The total intrinsic value, the difference between the exercise price and the market price on the date of exercise, of all options exercised during the three months ended March 31, 2006 and 2005 was $0.6 million and $0, respectively. Total unrecognized compensation expense from stock options was $9.5 million as of March 31, 2006, which is expected to be recognized over a weighted-average period of 2.5 years.

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

Employee Stock Purchase Plan (ESPP). A total of 1,000,000 shares of common stock were available for sale under the ESPP annually through April 2006. The Board of Directors resolved to terminate the ESPP in April 2006, subsequent to the final purchase. There were no new ESPP purchase rights granted during the three months ended March 31, 2006 and 2005.

We value our ESPP using the Black-Scholes option pricing model which incorporates the assumptions noted in the table below. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

	For the Three Months Ended March 31,	
	2006	**2005**
Expected life (in years)	0.5	0.5
Risk-free interest rate	4.4%	3.8%
Volatility	64%	96%
Dividend yield		

For the three months ended March 31, 2006 and 2005, cash received from option exercises under all share-based payment arrangements was $0.8 million and $0 million, respectively. There was no tax benefit realized. The impact of these cash receipts is included in financing activities in the accompanying Condensed Consolidated Statements of Cash Flows.

5. Comprehensive Income (Loss)

The components of comprehensive income (loss) are summarized below:

	For the Three Months Ended March 31,	
	2006 (As restated)	**2005 (As restated)**
	(In thousands)	
Net income (loss)	$ 34,439	$ (119,163)
Unrealized gain (loss) on investments, net of tax	(2,570)	(2,108)
Foreign currency translation adjustment, net of tax	2,301	(1,383)
Total comprehensive income (loss)	$ 34,170	$ (122,654)

6. Inventories

Inventories consist of the following:

	March 31, 2006	December 31, 2005

	(In thousands)	
Raw materials and purchased components, net of reserves of $27.7 million and $23.7 million, respectively	$ 109,694	$ 106,308
Work-in-process	36,529	30,124
Finished goods	2,030	1,677
	$ 148,253	$ 138,109

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

7. Property, Plant and Equipment

Property, plant and equipment consist of the following:

	March 31, 2006	December 31, 2005
	(In thousands)	
Land	$ 111,711	$ 111,451
Land use rights	19,945	19,945
Buildings and improvements	655,424	655,042
Machinery and equipment	2,022,615	1,958,181
Furniture, fixtures and other equipment	146,784	140,163
Construction in progress	123,823	103,439
	3,080,302	2,988,221
Less Accumulated depreciation and amortization	(1,625,628)	(1,568,749)
	$ 1,454,674	$ 1,419,472

Construction in progress at March 31, 2006 and December 31, 2005, includes $112.5 million and $95.4 million, respectively, related to our facility in Shanghai, China. Associated with this facility, we have rights to use the land on which the building is located for a period of 50 years.

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

	For the Three Months Ended March 31,	
	2006	2005
	(In thousands)	
Payments for property, plant, and equipment	$ 79,098	$ 66,712
Increase (decrease) in property, plant, and equipment in accounts payable, accrued expenses and deposits, net	23,854	(19,681)
Property, plant and equipment additions	$ 102,952	$ 47,031

8. Goodwill and Other Intangibles Assets

The change in the carrying value of goodwill, all of which relates to our packaging services segment, is as follows:

	(In thousands)
Balance as of December 31, 2005	$ 653,717

Additions		17,822
Translation adjustments		468
Balance as of March 31, 2006	$	672,007

In January 2006, we acquired an additional 39.6% of Unitive Semiconductor Taiwan for $18.4 million which was funded out of escrow set up in December 2005. The majority of the purchase price was allocated to goodwill resulting in $17.8 million in additions during the three months ended March 31, 2006. Additional shares were acquired later in the first quarter of 2006 resulting in a combined ownership of 99.86% as of March 31, 2006.

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

Intangibles as of March 31, 2006 consist of the following:

	Gross	Accumulated Amortization	Net
		(In thousands)	
Patents and technology rights	$ 73,866	$ (43,786)	$ 30,080
Customer relationship and supply agreements	8,858	(2,517)	6,341
	$ 82,724	$ (46,303)	$ 36,421

Intangibles as of December 31, 2005 consist of the following:

	Gross	Accumulated Amortization	Net
		(In thousands)	
Patents and technology rights	$ 73,573	$ (41,839)	$ 31,734
Customer relationship and supply agreements	8,858	(2,201)	6,657
	$ 82,431	$ (44,040)	$ 38,391

Amortization expense was $2.3 million and $2.4 million for the three months ended March 31, 2006 and 2005, respectively.

Based on the amortizing assets recognized in our balance sheet at March 31, 2006, amortization expense for each of the next five fiscal years is estimated as follows:

	(In thousands)
2006 Remaining	$ 7,276
2007	$ 9,548
2008	$ 9,548
2009	$ 4,790
2010	$ 2,473

9. Investments

Investments include noncurrent marketable securities and equity investments as follows:

	March 31, 2006	December 31, 2005
	(In thousands)	
Marketable securities classified as available for sale:		
DongbuAnam Semiconductor, Inc. (ownership of 1% at March 31, 2006 and 2% at December 31, 2005)	$ 6,255	$ 8,879

Other marketable securities classified as available for sale		32		714
Total marketable securities		6,287		9,593
Equity method investments		63		75
	$	6,350	$	9,668

As of March 31, 2006 and December 31, 2005, gross unrealized losses of $2.6 million and $0 million, respectively are reported as a separate component of accumulated other comprehensive income in stockholders equity.

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

10. Accrued Expenses

Accrued expenses consist of the following:

	March 31, 2006 (As restated)	December 31, 2005 (As restated)
	(In thousands)	
Accrued interest	$ 35,001	$ 34,545
Accrued payroll	27,186	26,339
Customer advances	8,969	2,526
Accrued income taxes	4,557	2,776
Other accrued expenses	55,214	57,841
	$ 130,927	$ 124,027

11. Debt

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

	March 31, 2006	December 31, 2005
	(In thousands)	
Debt of Amkor Technology, Inc.		
Senior secured credit facilities:		
$100.0 million revolving credit facility, LIBOR plus 1.5% - 2.25%, due November 2009	$	$
Second lien term loan, LIBOR plus 4.5%, due October 2010	300,000	300,000
Senior Notes:		
9.25% Senior notes due February 2008	440,500	470,500
7.125% Senior notes due March 2011	248,711	248,658
7.75% Senior notes due May 2013	425,000	425,000
Senior Subordinated Notes:		
10.5% Senior subordinated notes due May 2009	200,000	200,000
Convertible Subordinated Notes:		
5.75% Convertible subordinated notes due June 2006, convertible at $35.00 per share	132,000	133,000
5.0% Convertible subordinated notes due March 2007, convertible at $57.34 per share	146,422	146,422
Convertible Subordinated Notes, Related Party:		
6.25% Convertible subordinated notes due December 2013, convertible at $7.49 per share	100,000	100,000
Notes Payable and Other Debt		823

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

	March 31, 2006	December 31, 2005
	(In thousands)	
Debt of subsidiaries		
Secured Term Loans:		
Term loan, Taiwan 90-Day Commercial Paper primary market rate plus 1.2%, due November 2010	56,445	55,586
Term loan, Taiwan 90-Day Commercial Paper secondary market rate plus 2.25%, due June 2008	10,737	11,329
Secured Equipment and Property Financing	18,463	20,454
Revolving Credit Facilities	38,265	26,501
Other Debt	1,404	2,363
Total Debt	2,117,947	2,140,636
Less: Short-term borrowings and current portion of long-term debt	(339,146)	(184,389)
Long-term debt (including related party)	$ 1,778,801	$ 1,956,247

Debt of Amkor Technology Inc.

<u>*Credit Facilities*</u>

In November 2005, we entered into a $100.0 million first lien revolving credit facility available through November 2009, with a letter of credit sub-limit of $25.0 million. Interest is charged under the credit facility at a floating rate based on the base rate in effect from time to time plus the applicable margins which range from 0.0% to 0.5% for base rate revolving loans, or LIBOR plus 1.5% to 2.25% for LIBOR revolving loans. The interest rate at March 31, 2006, and December 31, 2005, was 6.33% and 5.89%, respectively; however, no borrowings were outstanding under this credit facility. Amkor, along with Unitive Inc. (Unitive) and Unitive Electronics, Inc. (UEI), are co-borrowers and guarantors under the facility and each granted a first priority lien on substantially all of their assets, excluding inter-company loans and the capital stock of foreign subsidiaries and certain domestic subsidiaries. As of March 31, 2006, we had utilized $2.5 million of the available letter of credit sub-limit, and had $97.5 million available under this facility. The borrowing base for the revolving credit facility is based on the valuation of our eligible accounts receivable. We incur commitment fees on the unused amounts of the revolving credit facility ranging from 0.25% to 0.50%, based on our liquidity. The $100.0 million credit facility replaces our prior $30.0 million senior secured revolving credit facility which we entered into in June 2004. This new facility includes a number of affirmative and negative covenants, which could restrict our operations. If we were to default under the first lien revolving credit facility, we would not be permitted to draw additional amounts, and the banks could accelerate our obligation to pay all outstanding amounts.

In October 2004, we entered into a $300.0 million second lien term loan with a group of institutional lenders. The term loan bears interest at a rate of LIBOR plus 450 basis points (9.27% and 8.88% at March 31, 2006 and December 31, 2005, respectively); and matures in October 2010. Guardian Assets, Inc., Unitive, UEI, Amkor International Holdings, LLC (AIH), Amkor Technology Limited (ATL), P-Four, LLC (P-Four) and Amkor/ Anam Pilipinas, Inc. (AAP) are guarantors of the second lien term loan. The second lien term loans are secured by a second lien on substantially all of our U.S. assets, including the shares of certain of our U.S. subsidiaries and a portion of the shares of some of our foreign subsidiaries. We do not have the option to prepay the second lien term loan until October 2006. If we were to elect to prepay the loan, we would be required to pay a prepayment premium, initially set at 3% of the principal amount prepaid. The second lien term loan agreements contain a number of affirmative and negative covenants which could restrict

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

our operations. If we were to default under the facility, the lenders could accelerate our obligation to pay all outstanding amounts.

Senior and Senior Subordinated Notes

In February 2001, we issued $500.0 million of 9.25% Senior Notes due February 2008 (the 2008 Notes). As of December 31, 2005, we had purchased $29.5 million of these notes. In January 2006, we purchased an additional $30.0 million of these notes and recorded a gain on extinguishment of $0.7 million which is included in other (income) expense, which was partially offset by the write-off of a proportionate amount of our deferred debt issuance costs of $0.2 million. The 2008 Notes are not redeemable prior to their maturity.

In March 2004, we issued $250.0 million of 7.125% Senior Notes due March 2011 (the 2011 Notes). The 2011 Notes were priced at 99.321%, yielding an effective interest rate of 7.25%. The 2011 Notes are redeemable by us at any time provided we pay the holders a make-whole premium and, prior to March 15, 2007, we may redeem up to 35% of the aggregate principal amount of the notes from the proceeds of one or more equity offerings at a price of 107.125% of the principal amount plus accrued and unpaid interest.

In May 2003, we issued $425.0 million of 7.75% Senior Notes due May 2013 (the 2013 Notes). The 2013 Notes are not redeemable at our option until May 2008.

In May 1999, we issued $200.0 million of 10.5% Senior Subordinated Notes due May 2009 (the 2009 Notes). As of March 31, 2006, the 2009 Notes were redeemable at our option at a price of 103.5% of the principal of the notes plus accrued and unpaid interest, which percentage was reduced to 101.25% starting May 1, 2006.

The senior and senior subordinated notes contain a number of affirmative and negative covenants, which could restrict our operations. As discussed in Note 16 Subsidiary Guarantors , Unitive, UEI, AIH, ATL, P-Four and AAP became guarantors of the senior and senior subordinated notes in 2005 as a result of our acquisition of Unitive and UEI, and the U.S. domestication of AIH, ATL, P-Four and AAP for U.S. federal income tax purposes. We are in the process of consolidating a number of our subsidiaries, and we expect that, before the end of 2006, all of the guarantees of the senior and senior subordinated notes will terminate or be released in accordance with the terms of the indentures governing the notes in connection with such consolidation, although there can be no assurances that we will accomplish this.

Convertible Subordinated Notes

In May 2001, we issued $250.0 million of our 5.75% Convertible Subordinated Notes due June 2006 (the 2006 Notes). The 2006 Notes are convertible into our common stock at a price of $35.00 per share, subject to adjustment. The notes are subordinated to the prior payment in full of all of our senior and senior subordinated debt. In November 2003, we purchased $17.0 million of the 2006 Notes with the proceeds of an equity offering. In November 2005, we purchased an additional $100.0 million of the 2006 Notes with proceeds from the issuance of $100.0 million of 6.25% Convertible Subordinated Notes due December 2013 described below. We purchased such 2006 Notes on the open market at 99.125% and recorded a gain on extinguishment of $0.9 million which is included in other (income) expense. The gain on extinguishment was partially offset by the write-off of a proportionate amount of our deferred debt issuance costs of $0.3 million. In January 2006, we purchased an additional $1.0 million of the 2006 Notes at 99.25%. As of March 31, 2006, the 2006 Notes were redeemable at our option at a price of 101.15% of the principal of the notes plus accrued and unpaid interest.

In March 2000, we issued $258.8 million of our 5.0% Convertible Subordinated Notes due March 2007 (the 2007 Notes). The 2007 Notes are convertible into our common stock at any time at a conversion price of $57.34 per share, subject to adjustment. The notes are subordinated to the prior payment in full of all of our

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

senior and senior subordinated debt. In November 2003, we repurchased $112.3 million of our 2007 Notes with the proceeds of an equity offering. We recorded a $2.5 million loss on extinguishment related to premiums paid for the purchase of the 2007 Notes and a $2.2 million charge for the associated unamortized deferred debt issuance costs. These amounts were included in other (income) expense. As of March 31, 2006, the 2007 Notes were redeemable at our option at a price of 100.714% of the principal of the notes plus accrued and unpaid interest

Convertible Subordinated Notes, Related Party

In November 2005, we issued $100.0 million of our 6.25% Convertible Subordinated Notes due December 2013 (the 2013 Notes) in a private placement to James J. Kim, Chairman and Chief Executive Officer, and certain Kim family trusts. The 2013 Notes are convertible into our common stock at an initial price of $7.49 per share (the market price of our common stock on the date of issuance of the 2013 Notes was $6.20 per share), subject to adjustment. The 2013 Notes are subordinated to the prior payment in full of all of our senior and senior subordinated debt. In March 2006, we filed a registration statement with the SEC registering the notes and the shares of common stock issuable upon conversion, pursuant to the requirements of a registration rights agreement. The proceeds from the sale of the 2013 Notes were used to purchase a portion of the 2006 Notes described above. The notes are not redeemable at our option until 2010.

Debt of Subsidiaries

Secured Term Loans

In September 2005, Amkor Technology Taiwan, Inc. (ATT) entered into a short-term interim financing arrangement with two Taiwanese banks for New Taiwan (NT) $1.0 billion (approximately $30.0 million) (the Bridge Loan) in connection with a syndication loan led by the same lenders. In November 2005, ATT finalized the NT$1.8 billion (approximately $53.5 million) syndication loan due November 2010 (the Syndication Loan), which accrues interest at the Taiwan 90-Day Commercial Paper Primary Market rate plus 1.2%. At March 31, 2006, and December 31, 2005, the interest rate was 3.05% and 3.0%, respectively. A portion of the Syndication Loan was used to pay off the Bridge Loan. Amkor has guaranteed the repayment of this loan. The documentation governing the Syndication Loan includes a number of affirmative, negative and financial covenants, which could restrict our operations. If we were to default under the facility, the lenders could accelerate our obligation to pay all outstanding amounts.

In June 2005, UST entered into a NT$400.0 million (approximately $12.2 million) term loan due June 20, 2008 (the UST Note), which accrues interest at the Taiwan 90-Day Commercial Paper Secondary Market rate plus 2.25% (4.0% and 3.97% as of March 31, 2006, and December 31, 2005). The proceeds of the UST Note were used to satisfy notes previously held by UST. Amkor has guaranteed the repayment of this loan. The documentation governing the UST Note includes a number of affirmative and negative covenants which could restrict our operations. If we were to default under the facility, the lenders could accelerate our obligation to pay all outstanding amounts.

Secured Equipment and Property Financing

Our secured equipment and property financing consists of loans secured with specific assets at our Japanese, Singaporean and Chinese subsidiaries. Our credit facility in Japan provides for equipment financing on a three-year basis for each piece of equipment purchased. The Japanese facility accrues interest at 3.59% on all outstanding balances and has maturities at various times between 2006 and 2008. In December 2005, our Singaporean subsidiary entered into a loan with a finance company for $10.0 million, which accrues interest at 4.86% and is due December 2008. The loan is guaranteed by Amkor and is secured by a monetary security deposit and certain of the subsidiary s equipment. In May 2004, our Chinese subsidiary entered into a $5.5 million credit facility secured with buildings at one of our Chinese production facilities and is payable

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

ratably through January 2012. The interest rate for the Chinese credit facility at March 31, 2006, and December 31, 2005, was 5.58%. These equipment and property financings contain affirmative and negative covenants, which could restrict our operations, and, if we were to default on our obligations under these financings, the lenders could accelerate our obligation to repay amounts borrowed under such facilities.

Revolving Credit Facilities

Amkor Iwate Corporation, a Japanese subsidiary (AIC), has a revolving line of credit with a Japanese bank for 2.5 billion Japanese yen (approximately $21.2 million), maturing in September 2006, that accrues interest at the Tokyo Interbank Offering Rate (TIBOR) plus 0.6%. The interest rate at March 31, 2006, and December 31, 2005 was 0.67% and 0.66%, respectively, and the line of credit was fully drawn. Amkor has guaranteed the repayment of this line of credit.

Additionally, AIC has a revolving line of credit at a Japanese bank for 300.0 million Japanese yen (approximately $2.5 million), maturing in June 2006, that accrues interest at TIBOR plus 0.5%. The interest rate at March 31, 2006 and December 31, 2005 was 0.56% and there was $2.5 million and $0.0 million drawn as of March 31, 2006 and December 31, 2005, respectively.

In September 2005, our Philippine subsidiary entered into a 300.0 million Philippine peso (approximately $5.3 million) one-year revolving line of credit that accrues interest at LIBOR plus 1.0% (5.2% at December 31, 2005). In January 2006, we repaid all amounts outstanding under the Philippine revolving line of credit, and replaced it with a new revolving line of credit for $5.0 million, maturing in September 2006, that accrues interest at LIBOR plus 1.0% (5.72% at March 31, 2006), and the line was fully drawn as of March 31, 2006.

In January 2006, Amkor Assembly & Test (Shanghai) Co. Ltd., a Chinese subsidiary (AATS), entered into a $15.0 million working capital facility which bears interest at LIBOR plus 1.25%, maturing in January 2007. The borrowings to date of $9.5 million were used to support working capital. At March 31, 2006, the interest rate ranged from 5.99% to 6.31% based on the dates of borrowing.

These lines of credit contain certain affirmative and negative covenants, which could restrict our operations. If we were to default on our obligations under any of these lines of credit, we would not be permitted to draw additional amounts, and the lenders could accelerate our obligation to pay all outstanding amounts.

Other Debt

Other debt includes debt related to our Taiwanese subsidiaries with fixed and variable interest rates maturing in 2007. Interest rates on this debt ranged from 2.67% to 3.10% as of March 31, 2006, and December 31, 2005.

Covenants

We were in compliance with all of our covenants under all of our debt obligations as of March 31, 2006. See Subsequent Events Related to the Review of Stock Option Practices (Note 18) for discussion of defaults that occurred subsequent to March 31, 2006.

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

12. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

	March 31, 2006	December 31, 2005
	(In thousands)	
Accrued Korean severance (see Note 12)	$ 125,709	$ 116,423
Customer advances	4,321	714
Other non-current liabilities	20,546	18,724
	$ 150,576	$ 135,861

13. Pension and Severance Plans

Our Philippine, Taiwanese and Japanese subsidiaries sponsor defined benefit plans that cover substantially all of their respective 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 these defined benefit plans are as follows:

	For the Three Months Ended March 31,	
	2006	2005
	(In thousands)	
Components of net periodic pension cost and total pension expense:		
Service cost	$ 1,157	$ 1,417
Interest cost	684	517
Expected return on plan assets	(841)	(309)
Amortization of transitional obligation	35	36
Recognized actuarial (gain)/loss	451	12
Total pension expense	$ 1,486	$ 1,673

For the three months ended March 31, 2006, $0.6 million was contributed to fund the pension plans. We presently anticipate contributing $7.2 million in 2006 to fund the pension plans.

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 the national pension fund made under the National Pension Plan of the Republic of Korea are deducted from accrued severance benefit liabilities. For the three months ended March 31, 2006 and 2005, the provision recorded for severance benefits was $9.3 million and $7.1 million, respectively. The balance recorded in other non-current liabilities (see Note 11) for accrued severance was $125.7 million and $116.4 million at March 31, 2006 and December 31, 2005, respectively.

14. Commitments and Contingencies

Indemnifications and Guarantees

We have indemnified members of our Board of Directors and our corporate officers against any threatened, pending or completed action or proceeding, whether civil, criminal, administrative or investigative

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

by reason of the fact that the individual is or was a director or officer of the company. The individuals are indemnified, to the fullest extent permitted by law, against related expenses, judgments, fines and any amounts paid in settlement. We also maintain directors and officers insurance coverage in order to mitigate our exposure to these indemnification obligations. The maximum amount of future payments is generally unlimited. There is no amount recorded for these indemnifications at March 31, 2006 and December 31, 2005. Due to the nature of these indemnifications, it is not possible to make a reasonable estimate of the maximum potential loss or range of loss. No assets are held as collateral and no specific recourse provisions exist related to these indemnifications.

As of March 31, 2006, we have outstanding $2.5 million of standby letters of credit and have available an additional $24.4 million. Such standby letters of credit are used in our ordinary course of business and are collateralized by our cash balances.

We generally provide a standard ninety-day warranty on our services. Our warranty activity has historically been immaterial.

Legal Proceedings

We are currently a party to various legal proceedings, including those noted below. While we currently believe that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows, litigation and other legal proceedings are subject to inherent uncertainties. If an unfavorable ruling or outcome were to occur, there exists the possibility of a material adverse impact on our results of operations, financial condition or cash flows. An unfavorable ruling or outcome could also have a negative impact on the trading price of our securities. The estimate of the potential impact from the following legal proceedings on our financial condition, results of operations or cash flows could change in the future. We record provisions in our consolidated financial statements for pending litigation and other legal proceedings when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated. During the three months ended March 31, 2006 and 2005, we recorded a provision of $1.0 million and $50.0 million, respectively related to the legal matters discussed below.

Epoxy Mold Compound Litigation

Much of our recent litigation relates to an allegedly defective epoxy mold compound, formerly used in some of our packaging services, which is alleged to be responsible for certain semiconductor chip failures. As previously disclosed, the cases of *Fujitsu Limited. v. Cirrus Logic, Inc., et al., Seagate Technology LLC v. Atmel Corporation, et al., Fairchild Semiconductor Corporation v. Sumitomo Bakelite Singapore Pte. Ltd., et al., and Maxtor Corporation v. Koninklijke Philips Electronics N.V., et al.*, have each been resolved through trial or settlement, with a complete dismissal or release of all claims. We have recently reached agreement to settle the last pending matter, described more fully below. Other customers of ours have made inquiries in the past about the epoxy mold compound, which was widely used in the semiconductor industry, and no assurance can be given that claims similar to those already asserted will not be made against us by other customers in the future.

Maxim Integrated Products, Inc. v. Amkor Technology, Inc., et al.

In August 2003, we were served with a complaint filed by Maxim Integrated Products, Inc. (Maxim) against us and Sumitomo Bakelite Co., Ltd. and Sumitomo Plastics America, Inc. (collectively Sumitomo) in the Superior Court of California, Santa Clara County. The complaint seeks damages related to our use of Sumitomo Bakelite s epoxy mold compound in assembling Maxim s semiconductor packages. We denied all liability and asserted cross-claims against Sumitomo Bakelite for indemnification.

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On April 27, 2006, all parties reached agreement to settle this litigation. We have agreed to pay Maxim $3.0 million of the total settlement, and release our claims against Sumitomo in consideration of a release from all claims against Amkor related to this litigation. We had previously reserved $2.0 million for this settlement and have recorded a charge of $1.0 million in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2006.

Other Litigation

Amkor Technology, Inc. v. Motorola, Inc.

In August 2002, we filed a complaint against Motorola, Inc. (Motorola) seeking declaratory judgment relating to a controversy between us and Motorola concerning: (i) the assignment by Citizen Watch Co., Ltd. (Citizen) to us of a Patent License Agreement dated January 25, 1996 between Motorola and Citizen (the License Agreement) and concurrent assignment by Citizen to us of Citizen s interest in U.S. Patents 5,241,133 and 5,216,278 (the 133 and 278 patents) which patents relate to BGA packages; and (ii) our obligation to make certain payments pursuant to an immunity agreement (the Immunity Agreement) dated June 30, 1993 between us and Motorola, pending in the Superior Court of the State of Delaware in and for New Castle County.

We and Motorola resolved the controversy with respect to all issues relating to the Immunity Agreement, and all claims and counterclaims filed by the parties in the case relating to the Immunity Agreement were dismissed or otherwise disposed of without further litigation. The claims relating to the License Agreement and the 133 and 278 Patents remained pending.

We and Motorola both filed motions for summary judgment on the remaining claims, and oral arguments were heard in September 2003. On October 6, 2003, the Superior Court of Delaware ruled in favor of us and issued an Opinion and Order granting our motion for summary judgment and denying Motorola s motion for summary judgment. Motorola filed an appeal in the Supreme Court of Delaware. In May 2004, the Supreme Court reversed the Superior Court s decision, and remanded for further development of the factual record. The bench trial in this matter was concluded on January 27, 2006. Post-trial briefs have been submitted and post-trial oral arguments have been heard by the Court; a decision is currently expected mid to late 2006.

Alcatel Business Systems v. Amkor Technology, Inc., Anam Semiconductor, Inc.

On November 5, 1999, we agreed to sell certain semiconductor parts to Alcatel Microelectronics, N.V. (AME), a subsidiary of Alcatel S.A. The parts were manufactured for us by Anam Semiconductor, Inc. (ASI) and delivered to AME. AME transferred the parts to another Alcatel subsidiary, Alcatel Business Systems (ABS), which incorporated the parts into cellular phone products. In early 2001, a dispute arose as to whether the parts sold by us were defective.

Paris Commercial Court. On March 18, 2002, ABS and its insurer filed suit against us and ASI in the Paris Commercial Court of France, claiming damages of approximately 50.4 million Euros (approximately $59.7 million based on the spot exchange rate at December 31, 2005.) We have denied all liability and have not established a loss accrual associated with this claim. Additionally, we have entered into a written agreement with ASI whereby ASI has agreed to indemnify us fully against any and all loss related to the claims of AME, ABS and ABS insurer. The Paris Commercial Court commenced a special proceeding before a technical expert to report on the facts of the dispute. The report of the court-appointed expert was put forth on December 31, 2003. The report does not specifically allocate liability to any particular party. On May 18, 2004, the Paris Commercial Court of France declared that it did not have jurisdiction over the matter. The Court of Appeal of Paris heard the appeal regarding jurisdiction during October 2004, confirmed the first tier ruling and dismissed the appeal on November 3, 2004. A motion was recently filed by ABS and its insurer

AMKOR TECHNOLOGY, INC.
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before the French Supreme Court to challenge the lack of jurisdiction ruling and a brief was filed by ABS and its insurer in June 2005. We filed a response brief before the French Supreme Court in August 2005.

Arbitration. In response to the French lawsuit described above, on May 22, 2002, we filed a petition to compel arbitration in the United States District Court for the Eastern District of Pennsylvania against ABS, AME and ABS insurer, claiming that the dispute is subject to the arbitration clause of the November 5, 1999 agreement between us and AME. ABS and ABS insurer have refused to arbitrate and continue to challenge the lack of jurisdiction ruling. The arbitration proceeding has been stayed pending resolution of the French lawsuit described above.

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

In November 2003, we filed a complaint against Carsem (M) Sdn Bhd, Carsem Semiconductor Sdn Bhd, and Carsem Inc. (collectively Carsem) with the International Trade Commission (ITC) in Washington, D.C., alleging infringement of our United States Patent Nos. 6,433,277; 6,455,356 and 6,630,723 (collectively the Amkor Patents) and seeking an exclusionary order barring the importation by Carsem of infringing products. Subsequently, we filed a complaint in the Northern District of California, alleging infringement of the Amkor Patents and seeking an injunction enjoining Carsem from further infringing the Amkor Patents, treble damages plus interest, costs and attorney s fees. We allege that by making, using, selling, offering for sale, or importing into the U.S. the Carsem Dual and Quad Flat No-Lead Package, Carsem has infringed on one or more of our *Micro* LeadFrame® packaging technology claims in the Amkor Patents. The District Court action had been stayed pending resolution of the ITC case. The ITC Administrative Law Judge (ALJ) conducted an evidentiary hearing during July and August of 2004 in Washington D.C. and issued an initial determination that Carsem infringed some of our patent claims relating to our *Micro*LeadFrame® package technology, that some of our 21 asserted patent claims are valid, and that all of our asserted patent claims are enforceable.

However, the ALJ did not find a statutory violation of the Tariff Act. We filed a petition in November 2004 to have the ALJ s ruling reviewed by the full International Trade Commission. The ITC ordered a new claims construction related to various disputed claim terms and remanded the case to the ALJ for further proceedings. The ITC subsequently authorized the ALJ to reopen the record on certain discovery issues related to third party conception documents. The ITC previously ordered the ALJ to issue the final Initial Determination by November 9, 2005 and set a date of February 9, 2006 for completion of the investigation.

On February 9, 2006, the ITC ordered a delay in issuance of the Final Determination, pending resolution of the discovery issues related to third party conception documents. The discovery issues are the subject of a subpoena enforcement action which is pending in the District Court for the District of Columbia; a schedule has not yet been established for that action. The case we filed in 2003 in the Northern District of California remains stayed pending completion of the ITC investigation.

Tessera, Inc. v. Amkor Technology, Inc. On March 2, 2006, Tessera, Inc. filed a Request for Arbitration with the International Court of Arbitration of the International Chamber of Commerce, captioned *Tessera, Inc. v. Amkor Technology, Inc*. The Request for Arbitration seeks substantial monetary damages and claims, among other things, that Amkor is in breach of its license agreement with Tessera as a result of Amkor s failure to pay Tessera royalties allegedly due on certain packages Amkor assembles for some of its customers.

Securities Class Action Litigation

On January 23, 2006, a purported securities class action suit entitled *Nathan Weiss et al. v. Amkor Technology, Inc. et al.*, was filed in U.S. District Court for the Eastern District of Pennsylvania against Amkor and certain of its current and former officers. Subsequently, other law firms have filed similar cases, which we expect to be consolidated with the initial complaint. The complaints allege, among other things, that Amkor made certain materially false and misleading statements and omissions in its disclosures in violation of the federal securities laws during the putative class period of October 2003 to July 2004. The complaints seek certification as a class action pursuant to Fed. R. Civ. Proc. 23, appointment of lead counsel, compensatory damages, costs and expenses, equitable and injunctive relief as permitted by law and such other further relief as the Court deems just and proper.

Shareholder Derivative Lawsuits

On February 23, 2006, a purported shareholder derivative lawsuit entitled *Scimeca v. Kim, et al.* was filed in the U.S. District Court for the District of Arizona against certain of Amkor s officers, former officers and directors. Amkor is named as a nominal defendant. The complaint includes claims for breach of fiduciary duty, abuse of control, waste of corporate assets, unjust enrichment and mismanagement, and is generally based on the same allegations as in the securities class action litigation described above.

On March 2, 2006 a purported shareholder derivative lawsuit entitled *Kahn v. Kim, et al*. was filed in the Superior Court of the State of Arizona against certain of Amkor s current and former officers and directors. Amkor is named as a nominal defendant. The complaint includes claims for breach of fiduciary duty and unjust enrichment, and is based on allegations similar to those made in the previously filed federal shareholder derivative action.

The derivative complaints seek monetary damages, an order directing the Company to take all necessary actions to improve corporate governance as may be necessary, equitable and/or injunctive relief as permitted by law, disgorgement, restitution, costs, fees, expenses and such other relief as the Court deems just and proper.

Other Legal Matters

Securities and Exchange Commission Investigation

In August 2005, the Securities and Exchange Commission (SEC) issued a formal order of investigation regarding certain activities with respect to Amkor securities. As previously announced, the primary focus of the investigation appears to be activities during the period from June 2003 to July 2004. Amkor believes that the investigation continues to relate primarily to transactions in the Company s securities by certain individuals, and that the investigation may in part relate to whether tipping with respect to trading in Amkor securities occurred. The matters at issue involve activities with respect to Amkor securities during the subject period by certain insiders or former insiders and persons or entities associated with them, including activities by or on behalf of certain current and former members of the Board of Directors and Amkor s Chief Executive Officer. Amkor has cooperated fully with the SEC on the formal investigation and the informal inquiry that preceded it. Amkor cannot predict the outcome of the investigation. In the event that the investigation leads to SEC action against any current or former officer or director of the Company, or the Company itself, our business (including our ability to complete financing transactions) or the trading price of our securities may be adversely impacted. In addition, if the SEC investigation continues for a prolonged period of time, it may have the same impact regardless of the ultimate outcome of the investigation.

15. Related Party Transactions

In November 2005, we sold $100.0 million of our 6.25% Convertible Subordinated Notes due 2013 in a private placement to James J. Kim, Chairman and Chief Executive Officer, and certain Kim family trusts. The 2013 Notes are convertible into Amkor s common stock and are subordinated to the prior payment in full of all of Amkor s senior and senior subordinated debt. In March 2006, we filed a registration statement with the SEC to effect the registration of the notes and the common stock issuable upon conversion of the notes. See Note 10 for additional information.

Mr. JooHo Kim is a corporate officer of Amkor and a brother of Mr. James J. Kim, our Chairman and CEO. Mr. JooHo Kim owns, with his children, 19.2% of Anam Information Technology, Inc., a company that

AMKOR TECHNOLOGY, INC.
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provides computer hardware and software components to Amkor Technology Korea, Inc. (a subsidiary of Amkor). For the three months ended March 31, 2006 and 2005, purchases from Anam Information Technology, Inc. were $0.2 million and $0.1 million, respectively. Amounts due to Anam Information Technology, Inc. at March 31, 2006, and December 31, 2005 were $0.2 million and $0.3 million, respectively.

Mr. JooHo Kim, together with his wife and children, owns 96.1% of Jesung C&M, a company that provides cafeteria services to Amkor Technology Korea, Inc. For the three months ended March 31, 2006 and 2005, purchases from Jesung C&M were $1.6 million and $1.6 million, respectively. Amounts due to Jesung C&M at March 31, 2006 and December 31, 2005 were $0.6 million and $0.5 million, respectively.

Dongan Engineering Co., Ltd. is 100% owned by Mr. JooCheon Kim, a brother of Mr. James J. Kim. Mr. JooCheon Kim is not an employee of Amkor. Dongan Engineering Co., Ltd. provides, directly or through affiliate entities, construction and maintenance services to Amkor Technology Korea, Inc., Amkor Technology Philippines, Inc. and Amkor Assembly and Test (Shanghai) Co. Ltd., all of which are subsidiaries of Amkor. For the three months ended March 31, 2006 and 2005, purchases from Dongan Engineering Co., Ltd. were $0.0 million and $0.2 million, respectively. Amounts due to Dongan Engineering Co., Ltd. at March 31, 2006 and December 31, 2005 were not significant.

We purchase leadframe inventory from Acqutek Semiconductor & Technology Co., Ltd. Mr. James J. Kim s ownership in Acqutek Semiconductor & Technology Co., Ltd. is approximately 17.7%. For the three months ended March 31, 2006 and 2005, purchases from Acqutek Semiconductor & Technology Co., Ltd. were $2.7 million and $2.9 million, respectively. Amounts due to Acqutek Semiconductor & Technology Co., Ltd. at March 31, 2006 and December 31, 2005 were $2.7 million and $1.4 million, respectively.

We lease office space in West Chester, Pennsylvania from trusts related to Mr. James J. Kim. Amounts paid for this lease for the three months ended March 31, 2006 and 2005 were less than $0.1 million and $0.3 million, respectively. We vacated a portion of this space in connection with the move of our corporate headquarters to Arizona. We currently lease approximately 2,700 square feet of office space from these trusts. The sublease income has been assigned to the trusts as part of vacating the office space effective July 1, 2005.

For the three months ended March 31, 2006 and 2005, our sublease income includes $0.0 million and $0.1 million respectively, from related parties.

16. Subsidiary Guarantors

As of March 31, 2006, payment obligations under our senior and senior subordinated notes (see Note 11), totaling $1,314.2 million, are fully and unconditionally guaranteed by certain of our wholly-owned subsidiaries. The subsidiaries that guarantee our senior and senior subordinated notes consist of: Unitive, UEI, AIH, ATL, P-Four and AAP. We are in the process of consolidating a number of our subsidiaries, and we expect that, before the end of 2006, all of the guarantees of the senior and senior subordinated notes will terminate or be released in accordance with the terms of the indentures governing the notes in connection with such consolidation, although there can be no assurances that we will accomplish this.

Presented below is condensed consolidating financial information for the parent, Amkor Technology, Inc., the guarantor subsidiaries and the non-guarantor subsidiaries. Investments in subsidiaries are accounted for by the parent and subsidiaries on the equity method of accounting. Earnings of subsidiaries are, therefore, reflected in the parent s and guarantor subsidiaries investments in subsidiaries accounts. The elimination columns eliminate investments in subsidiaries and inter-company balances and transactions. Separate financial statements and other disclosures concerning the guarantor subsidiaries are not presented because the guarantor subsidiaries are wholly-owned and have unconditionally guaranteed the senior notes and senior subordinated notes on a joint and several basis. There are no restrictions on the ability of any guarantor subsidiary to directly or indirectly make distributions to us.

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AMKOR TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Condensed Consolidating Statement of Operations
For the three months ended March 31, 2006

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Net sales	$ 528,274	$ 85,770	$ 322,578	$ (291,533)	$ 645,089
Cost of sales	445,202	73,712	259,805	(288,367)	490,352
Gross profit	83,072	12,058	62,773	(3,166)	154,737
Operating expenses:					
Selling, general and administrative	33,287	7,045	23,038	(3,166)	60,204
Research and development	423	1,482	7,525		9,430
Provision for legal settlements and contingencies	1,000				1,000
Total operating expenses	34,710	8,527	30,563	(3,166)	70,634
Operating income	48,362	3,531	32,210		84,103
Other (income) expense:					
Interest expense, net	21,711	2,447	16,999		41,157
Interest expense, related party	1,788				1,788
Foreign currency (gain) loss	(2,065)	1,263	4,730		3,928
Other (income) expense, net	(8,549)	(10,176)	(2,094)	19,883	(936)
Total other expense, net	12,885	(6,466)	19,635	19,883	45,937
Income (loss) before income taxes and minority interests	35,477	9,997	12,575	(19,883)	38,166
Income tax expense	1,038	1,512	1,062		3,612
Income (loss) before minority interest income (expense)	34,439	8,485	11,513	(19,883)	34,554
Minority interest income (expense), net of tax			(115)		(115)
Net income (loss)	$ 34,439	$ 8,485	$ 11,398	$ (19,883)	$ 34,439

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AMKOR TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Condensed Consolidating Statement of Operations
For the three months ended March 31, 2005

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Net sales	$ 280,912	$ 111,445	$ 229,021	$ (203,897)	$ 417,481
Cost of sales	249,396	113,329	212,512	(201,105)	374,132
Gross profit	31,516	(1,884)	16,509	(2,792)	43,349
Operating expenses:					
Selling, general and administrative	31,006	11,699	20,600	(2,792)	60,513
Research and development	1,068	1,869	5,963		8,900
Provision for legal settlements and contingencies	50,000				50,000
Total operating expenses	82,074	13,568	26,563	(2,792)	119,413
Operating loss	(50,558)	(15,452)	(10,054)		(76,064)
Other (income) expense:					
Interest expense, net	24,543	1,019	14,951		40,513
Interest expense, related party					
Foreign currency loss	650	820	762		2,232
Other (income) expense, net	43,103	17,661	13,788	(74,374)	178
Total other expense, net	68,296	19,500	29,501	(74,374)	42,923
Income (loss) before income taxes and minority interests	(118,854)	(34,952)	(39,555)	74,374	(118,987)
Income tax expense (benefit)	309	(26)	904		1,187
Income (loss) before minority interest income (expense)	(119,163)	(34,926)	(40,459)	74,374	(120,174)
Minority interest income (expense), net of tax			1,011		1,011
Net income (loss)	$ (119,163)	$ (34,926)	$ (39,448)	$ 74,374	$ (119,163)

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AMKOR TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Condensed Consolidating Balance Sheet
March 31, 2006

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Current assets:					
Cash and cash equivalents	$ 125,930	$ 7,640	$ 92,673	$	$ 226,243
Accounts receivable:					
Trade, net of allowance	284,622	2,634	93,755		381,011
Other	5,155	1,474	2,971		9,600
Inventories, net	99,204	9,081	39,968		148,253
Other current assets	4,570	1,166	24,678		30,414
Total current assets	519,481	21,995	254,045		795,521
Intercompany	1,146,144	(117,148)	(1,028,996)		
Property, plant and equipment, net	40,640	295,591	1,118,443		1,454,674
Goodwill	37,188	24,287	610,532		672,007
Intangibles, net	15,994	3,941	16,486		36,421
Investments	677,343	368,253	828,240	(1,867,486)	6,350
Other assets	24,944	5,744	14,242		44,930
Total assets	2,461,734	602,663	1,812,992	(1,867,486)	3,009,903
Current liabilities:					
Short term borrowings and current portion of long-term debt	278,422	5,000	55,724		339,146
Other current liabilities	204,562	52,795	220,401		477,758
Total current liabilities	482,984	57,795	276,125		816,904
Long-term debt	1,614,211		64,590		1,678,801
Long-term debt, related party	100,000				100,000
Other noncurrent liabilities	4,539	13,127	132,910		150,576
Total liabilities	2,201,734	70,922	473,625		2,746,281
Commitments and contingencies					
Minority interests			3,622		3,622

Total stockholders equity	260,000	531,741	1,335,745	(1,867,486)	260,000
Total liabilities and stockholders equity	$ 2,461,734	$ 602,663	$ 1,812,992	$ (1,867,486)	$ 3,009,903

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AMKOR TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Condensed Consolidating Balance Sheet
December 31, 2005

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Current assets:					
Cash and cash equivalents	$ 106,833	$ 10,432	$ 89,310	$	$ 206,575
Accounts receivable:					
Trade, net of allowance	263,022	3,346	115,127		381,495
Other	4,489	1,492	(892)		5,089
Inventories, net	94,813	8,463	34,833		138,109
Other current assets	4,049	1,035	30,138		35,222
Total current assets	473,206	24,768	268,516		766,490
Intercompany	1,211,929	(106,643)	(1,105,286)		
Property, plant and equipment, net	41,574	299,915	1,077,983		1,419,472
Goodwill	37,188	24,288	592,241		653,717
Intangibles, net	16,763	4,059	17,569		38,391
Investments	629,599	338,801	845,900	(1,804,632)	9,668
Other assets	45,624	(190)	21,919		67,353
Total assets	2,455,883	584,998	1,718,842	(1,804,632)	2,955,091
Current liabilities:					
Short term borrowings and current portion of long-term debt	133,823	5,302	45,264		184,389
Other current liabilities	206,579	46,470	197,690		450,739
Total current liabilities	340,402	51,772	242,954		635,128
Long-term debt	1,790,579		65,668		1,856,247
Long-term debt, related party	100,000				100,000
Other noncurrent liabilities	997	11,771	123,093		135,861
Total liabilities	2,231,978	63,543	431,715		2,727,236
Commitments and contingencies					
Minority interests			3,950		3,950
Total stockholders equity	223,905	521,455	1,283,177	(1,804,632)	223,905

Total liabilities and stockholders equity	$ 2,455,883	$ 584,998	$ 1,718,842	$ (1,804,632)	$ 2,955,091

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AMKOR TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Condensed Consolidating Statement of Cash Flows
For the three months ended March 31, 2006

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Net cash flows provided by operating activities	$ 13,943	$ 19,386	$ 85,640	$	$ 118,969
Cash flows from continuing investing activities:					
Purchases of plant, property and equipment	(5,218)	(9,879)	(64,001)		(79,098)
Other investing activities	(6,400)	(11,997)	(33,779)	53,099	923
Net cash used in investing activities	(11,618)	(21,876)	(97,780)	53,099	(78,175)
Cash flows from continuing financing activities:					
Net change in bank overdrafts and revolving credit facilities		(300)	10,764		10,464
Payments on long-term debt and debt issuance costs	(30,775)	(1)	(2,451)		(33,227)
Other financing activities	47,531		6,400	(53,099)	832
Net cash provided by (used in) financing activities	16,756	(301)	14,713	(53,099)	(21,931)
Effects of exchange rate fluctuations on cash and cash equivalents	16	(1)	790		805
Net increase (decrease) in cash and cash equivalents	19,097	(2,792)	3,363		19,668
Cash and cash equivalents, beginning of period	106,833	10,432	89,310		206,575
Cash and cash equivalents, end of period	$ 125,930	$ 7,640	$ 92,673	$	$ 226,243

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AMKOR TECHNOLOGY, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
Condensed Consolidating Statement of Cash Flows
For the three months ended March 31, 2005

	Parent (As restated)	Guarantor Subsidiaries (As restated)	Non-Guarantor Subsidiaries (As restated)	Eliminations (As restated)	Consolidated (As restated)
			(In thousands)		
Net cash flows provided by (used in) operating activities	$ (26,435)	$ 1,671	$ 18,322	$	$ (6,442)
Cash flows from continuing investing activities:					
Purchases of plant, property and equipment	(2,503)	(7,762)	(56,447)		(66,712)
Other investing activities	(40,053)	480	(293)	40,022	156
Net cash used in investing activities	(42,556)	(7,282)	(56,740)	40,022	(66,556)
Cash flows from continuing financing activities:					
Net change in bank overdrafts and revolving credit facilities	(102)		(8,210)		(8,312)
Payments of long-term debt,		(456)	(3,048)		(3,504)
Other financing activities		1,500	38,522	(40,022)	
Net cash provided by (used in) financing activities	(102)	1,044	27,264	(40,022)	(11,816)
Effects of exchange rate fluctuations on cash and cash equivalents related			(710)		(710)
Net increase (decrease) in cash and cash equivalents	(69,093)	(4,567)	(11,864)		(85,524)
Cash and cash equivalents, beginning of period	267,692	26,217	78,375		372,284
Cash and cash equivalents, end of period	$ 198,599	$ 21,650	$ 66,511	$	$ 286,760

17. Subsequent Events

On April 27, 2006, Amkor and Sumitomo Bakelite Co., Ltd. and Sumitomo Plastics America, Inc. (collectively Sumitomo) reached resolution with Maxim Integrated Products, Inc. (Maxim) with respect to pending litigation involving allegedly defective epoxy mold compound. Amkor has agreed to pay Maxim $3.0 million of the total settlement and release its claims against Sumitomo in consideration of a release from all claims against Amkor related to this litigation. We had previously reserved $2.0 million for this matter and recorded a charge of $1.0 million in the Condensed Consolidated Statement of Operations for the three months ended March 31, 2006. The settlement of this case resolves the last pending litigation regarding the allegedly defective epoxy mold compound, as discussed in our Annual Report on Form 10-K/ A for the year ended December 31, 2005.

On April 28, 2006, we announced that we have commenced a cash tender offer for up to $200 million aggregate principal amount of our outstanding 9.25% Senior Notes due 2008, subject to completing the contemplated financing thereof.

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

18. Subsequent Events Related to the Review of Stock Option Practices (Discussed in Note 2)

Events of Default

On August 11, 2006, we received a letter dated August 10, 2006 from U.S. Bank National Association (US Bank) as trustee for the holders of our 5% Convertible Subordinated Notes due 2007, 10.5% Senior Subordinated Notes due 2009, 9.25% Senior Notes due 2008, 9.25% Senior Notes due 2016 (issued in May 2006), 6.25% Convertible Subordinated Notes Due 2013, 7.75% Senior Notes due 2013 and 2.5% Convertible Senior Subordinated Notes due 2011 (issued in May 2006) stating that US Bank, as trustee, had not received our financial statements for the fiscal quarter ended June 30, 2006 and that we have 60 days from the date of the letter to file our Quarterly Report on From 10-Q for the fiscal quarter ended June 30, 2006 or it will be considered an Event of Default under the indentures governing each of the above-listed notes.

On August 11, 2006, we received a letter dated August 11, 2006 from Wells Fargo Bank National Association (Wells Fargo), as trustee for our 7.125% Senior Notes due 2011, stating that we failed to file our Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2006, demanding that we immediately file such quarterly report and indicating that unless we file a Form 10-Q within 60 days after the date of such letter, it will ripen into an Event of Default under the indenture governing our 7.125% Senior Notes due 2011.

If an Event of Default were to occur under any of the notes described above, the trustees or holders of at least 25% in aggregate principal amount of such series then outstanding could attempt to declare all related unpaid principal and premium, if any, and accrued interest on such series of notes then outstanding to be immediately due and payable. As of August 31, 2006, there is approximately $1.62 billion of aggregate unpaid principal outstanding of the above mentioned notes.

On September 14, 2006, we commenced the solicitation of consents from the holders of the following series of our notes: (i) $400.0 million aggregate outstanding principal amount of 9.25% Senior Notes due 2016 (issued in May 2006), (ii) $250.0 million aggregate outstanding principal amount of 7.125% Senior Notes due 2011, (iii) $425.0 million aggregate outstanding principal amount of 7.75% Senior Notes due 2013, (iv) approximately $88.2 million aggregate outstanding principal amount of 9.25% Senior Notes due 2008, (v) approximately $21.9 million aggregate outstanding principal amount of 10.5% Senior Subordinated Notes due 2009, (vi) approximately $142.4 million aggregate outstanding principal amount of 5% Convertible Subordinated Notes due 2007, and (vii) $190.0 million aggregate outstanding principal amount of 2.50% Convertible Senior Subordinated Notes due 2011 (issued May 2006).

In each case, we were seeking consents for a waiver of certain defaults and events of default, and the consequences thereof, that may have occurred or may occur under the indenture governing each series of notes from our failure to file with the Securities and Exchange Commission and deliver to the trustee and the holders of such series of notes any reports or other information, including a quarterly report on Form 10-Q for the quarter ended June 30, 2006, and the waiver of the application of certain provisions of the indentures governing each series of notes. With the filing of our Quarterly Report on Form 10-Q for the quarter ended June 30, 2006, concurrent with the filing of our Annual Report on Form 10-K/ A for the year ended December 31, 2005 and this Quarterly Report on Form 10-Q/ A, we have cured all alleged defaults outlined in the US Bank and Wells Fargo letters described above. Accordingly, we have terminated all consent solicitations with respect to our outstanding notes and will not be paying any consent fees under any such consent solicitation.

Listing on The Nasdaq Stock Market

On August 14, 2006, we received a written Staff Determination notice from the Nasdaq Stock Market stating that we are not in compliance with Nasdaq s Marketplace Rule 4310(c)(14) because we have not timely filed our Quarterly Report on Form 10-Q for the Quarter ended June 30, 2006, and that, therefore, Amkor s securities are subject to delisting. On August 21, 2006, we appealed the Staff s delisting determination to the Nasdaq Listings Qualifications Panel (Panel) and requested an oral hearing before the Panel. On August 24, 2006, the Nasdaq Staff confirmed that our appeal had stayed the delisting action pending a final written decision

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

by the Panel. A hearing before the Panel occurred on September 26, 2006 and the Panel s decision is still pending. There can be no assurances that the Panel will grant our request for continued listing.

Litigation and Other Legal Matters

We are currently a party to various legal proceedings and other legal matters, including those noted below. While we currently believe that the ultimate outcome of these matters, individually and in the aggregate, will not have a material adverse effect on our financial position, results of operations or cash flows, these matters are subject to inherent uncertainties. If an unfavorable ruling or event were to occur, there exists the possibility of a material adverse impact on our net results in the period in which the ruling or event occurs. The estimate of the potential impact from the following legal proceedings and other legal matters on our financial position, results of operations or cash flows could change in the future. We record provisions in our consolidated financial statements for pending litigation when we determine that an unfavorable outcome is probable and the amount of the loss can be reasonably estimated.

Update Regarding SEC Investigation

As previously disclosed, we are the subject of an SEC investigation concerning matters unrelated to our historical stock option practices. In July 2006, the Board of Directors established a Special Committee to review our historical stock option practices and informed the SEC of these efforts. The SEC recently informed us that it is expanding the scope of its investigation and has requested that we provide documentation related to these matters. We intend to continue to cooperate with the SEC.

Securities Class Action Litigation

On January 23, 2006, a purported securities class action suit entitled Nathan Weiss et al. v. Amkor Technology, Inc. et al., was filed in U.S. District Court for the Eastern District of Pennsylvania against Amkor and certain of its current and former officers. Subsequently, other law firms filed two similar cases, which were consolidated with the initial complaint. On August 15, 2006, plaintiffs filed an amended complaint adding additional officer, director and former director defendants and alleging improprieties in certain option grants. The amended complaint further alleges that defendants improperly recorded and accounted for stock options in violation of generally accepted accounting principles and made materially false and misleading statements and omissions in its disclosures in violation of the federal securities laws, during the period from July 2001 to July 2006. The amended complaint seeks certification as a class action pursuant to Fed. R. Civ. Proc. 23, compensatory damages, costs and expenses, and such other further relief as the Court deems just and proper.

Shareholder Derivative Lawsuits

On February 23, 2006, a purported shareholder derivative lawsuit entitled Scimeca v. Kim, et al. was filed in the U.S. District Court for the District of Arizona against certain of our current and former officers and directors. Amkor is named as a nominal defendant. The complaint includes claims for breach of fiduciary duty, abuse of control, waste of corporate assets, unjust enrichment and mismanagement, and is generally based on the same allegations as in the securities class action litigation described above. In September 2006, the plaintiff amended the complaint to add allegations relating to option grants and added additional defendants, including the remaining members of the current board, former board members, and former officers.

On March 2, 2006, a purported shareholder derivative lawsuit entitled Kahn v. Kim, et al. was filed in the Superior Court of the State of Arizona against certain of our current and former officers and directors. Amkor is named as a nominal defendant. The complaint includes claims for breach of fiduciary duty and unjust enrichment, and is based on allegations similar to those made in the previously filed federal shareholder derivative action. This action has been stayed pending resolution of the federal derivative suit referenced above.

The derivative complaints seek monetary damages, an order directing the Company to take all necessary actions to improve corporate governance as may be necessary, equitable and/or injunctive relief as permitted by law, disgorgement, restitution, costs, fees, expenses and such other relief as the Court deems just and proper.

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ITEM 2. ***Management s Discussion and Analysis of Financial Condition and Results of Operations***

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

The following discussion contains forward-looking statements within the meaning of the federal securities laws, including but not limited to statements regarding: (1) the condition and growth of the industry in which we operate, including trends toward increased outsourcing, reductions in inventory and demand and selling prices for our services, (2) our anticipated capital expenditures and financing needs, (3) our belief as to our future capacity utilization rates, revenue, gross margins, operating performance and liquidity, (4) our contractual obligations and (5) other statements that are not historical facts. In some cases, you can identify forward-looking statements by terminology such as may, will, should, expects, plans, anticipates, believes, estimates, predicts, potential, continue, intend these terms or other comparable terminology. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the following discussion as well as in Risk Factors that May Affect Future Operating Performance set forth in this Form 10-Q/ A in Part II Item 1A Risk Factors. The following discussion provides information and analysis of our results of operations for the three months ended March 31, 2006 and our liquidity and capital resources. You should read the following discussion in conjunction with our condensed consolidated financial statements and the related notes, included elsewhere in this quarterly report as well as other reports we file with the Securities and Exchange Commission.

Restatement of Consolidated Financial Statements, Special Committee and Company Findings

As a result of a report by a third party financial analyst issued on May 25, 2006, we commenced an initial review of our historical stock option granting practices. This review included a review of hard copy documents as well as a limited set of electronic documents. Following this initial review, on July 24, 2006 our Board of Directors established a Special Committee comprised of independent directors to conduct a review of our historical stock option granting practices during the period from our initial public offering in 1998 through the present.

Based on the findings of the Special Committee and our internal review, we identified a number of occasions on which we used an incorrect measurement date for financial accounting and reporting purposes. In accordance with Accounting Principles Board No. 25, Accounting for Stock Issued to Employees and related interpretations, with respect to the period through December 31, 2005, we should have recorded compensation expense in an amount per share subject to each option to the extent that the fair market value of our stock on the correct measurement date exceeded the exercise price of the option. For periods commencing January 1, 2006, compensation expense is recorded in accordance with Statement of Financial Accounting Standards No. 123(R) (revised) Share-Based Payment. We have also identified a number of other option grants for which we failed to properly apply the provisions of APB No. 25 or SFAS No. 123 and related interpretations of each pronouncement. In considering the causes of the accounting errors set forth below, the Special Committee concluded that the evidence does not support a finding of intentional manipulation of stock option grant pricing by any member of existing management. However, based on its review, the Special Committee identified evidence that supports a finding of intentional manipulation of stock option pricing with respect to annual grants in 2001 and 2002 by a former executive and that other former executives may have been aware of, or participated in this conduct. In addition the Special Committee identified a

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number of other factors related to our internal controls that contributed to the accounting errors that led to the restatement. The financial statement impact of these errors, by type, for the periods indicated is as follows:

	Six Months Ended June 30, 2006	Year Ended December 31, 2005	2004	2003	Cumulative Effect 2002-1998	Total Additional Compensation Expense
	(In thousands)					
Improper measurement dates for annual stock option grants	$ 299	$ 255	$ 7,577	$ 6,453	$ 80,984	$ 95,568
Modifications to stock option grants		9	(536)	711	9,345	9,529
Improper measurement dates for other stock option grants	80	64	217	102	1,625	2,088
Stock option grants to non-employees			26	172	1,443	1,641
Additional compensation expense	379	328	7,284	7,438	93,397	108,826
Tax related effects	129	18	144	198	(3,294)	(2,805)
Aggregate restatement of net income (loss)	$ 508	$ 346	$ 7,428	$ 7,636	$ 90,103	$ 106,021

Improper Measurement Dates for Annual Stock Option Grants. We determined that, in connection with our annual stock option grants to employees in 1999, 2000, 2001, 2002 and 2004, the number of shares that an individual employee was entitled to receive was not determined until after the original grant date, and therefore the measurement date for such options was subsequent to the original grant date. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $95.6 million recognized over the applicable vesting periods. For certain of these options forfeited in 2002 in connection with an option exchange program (2002 Option Exchange Program), the remaining compensation expense was accelerated into 2002. For certain other options, compensation expense was accelerated into 2004, in connection with the acceleration of all unvested options as of July 1, 2004 (2004 Accelerated Vesting). We undertook the 2004 Accelerated Vesting program for the purpose of enhancing employee morale, helping retain high potential employees in the face of a downturn in industry conditions and to avoid future compensation charges subsequent to the adoption of SFAS No. 123(R).

Modifications to Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for stock options modified for certain individuals who held consulting, transition or advisory roles with us. These included instances of continued vesting after an individual was no longer required to provide substantive services to Amkor after an individual converted from an employee to a consultant or advisory role, and extensions of option vesting and exercise periods. Some of these modifications were not identified in our financial reporting processes and were therefore not properly reflected in our financial statements. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $9.5 million recognized as of the date of the respective modifications.

Improper Measurement Dates for Other Stock Option Grants. We determined that from 1998 through 2005, we had not properly accounted for certain employee stock options granted prior to obtaining authorization of the grants. These options included those granted as of November 9, 1998 in connection with the settlement of a deferred compensation liability to employees that had not been approved by our Board of Directors until November 10, 1998 as well as stock options granted to new hires and existing employees in recognition of achievements, promotions, retentions and other events. As a result of these errors, we have restated our historical financial statements to increase stock-based compensation expense by a total of $2.1 million recognized over the applicable vesting periods. For certain of these option grants, the recognition of this expense was also accelerated under the 2002 Option Exchange Program or the 2004 Accelerated Vesting, as described under Improper Measurement Dates for Annual Stock Option Grants.

Stock Option Grants to Non-employees. We determined that from 1998 to 2004, we had not properly accounted for stock option grants issued to employees of an equity affiliate, consultants, or other persons who did not meet the definition of an employee. We erroneously accounted for such grants in accordance with APB

No. 25 rather than SFAS No. 123 and related interpretations. As a result, we have restated our historical financial statements to increase stock-based compensation expense by a total of $1.6 million.

All of the foregoing charges were non-cash and had no impact on our reported net sales or cash or cash equivalents. The aggregate amount of the additional stock-based compensation expense that we identified as a result of the stock option review is approximately $108.8 million through June 30, 2006.

Incremental stock-based compensation charges of $108.8 million resulted in deferred income tax benefits of $3.2 million. Such amount is nominal relative to the amount of the incremental stock-based compensation charges as we maintained a full valuation allowance against our domestic deferred tax assets since 2002 coupled with the fact that incremental stock-based compensation charges relating to our foreign subsidiaries were not deductible for local tax purposes during the relevant periods due to the absence of related re-charge agreements with those subsidiaries. The $3.2 million deferred tax benefit resulted primarily from the write-off of stock-based compensation related deferred tax assets to additional paid-in capital in 2002; such write-off had originally been charged to income tax expense in 2002. We also recorded payroll related taxes totaling $0.4 million primarily relating to certain of our French employees.

As a result of our determination that the exercise prices of certain option grants were below the market price of our stock on the actual grant date, we evaluated whether the affected employees would have any adverse tax consequences under Section 409A of the Internal Revenue Code (the IRC). Because Section 409A relates to the employee s income recognition as stock options vest, when we accelerated the vesting of all unvested options in July 2004 (the 2004 Accelerated Vesting described under Improper Measurement Dates for Annual Grants) the impact of Section 409A was mitigated for substantially all of our outstanding stock grants. For stock options granted subsequent to the 2004 Accelerated Vesting, the impact of Section 409A is not expected to materially impact our employees and financial statements as a result of various transition rules and potential remediation efforts. Further we considered IRC Section 162(m) and its established limitation thresholds relating to total remuneration and concluded, for periods prior to June 30, 2006, that our tax deductions related to stock-based compensation were not materially changed as a result of any employee whose remuneration changed as a result of receiving an option at less than fair value.

As previously disclosed, we are the subject of an SEC investigation concerning matters unrelated to our historical stock option practices. The SEC recently informed us that it is expanding the scope of its investigation and has requested that we provide documentation related to our historical stock option practices. We intend to continue to cooperate with the SEC. As a result of the restatement, the related disclosures included in Management s Discussion and Analysis of Financial Condition and Results of Operations have been revised if indicated as restated.

As a result of the findings of the Special Committee as well as our internal review, we concluded that we needed to amend our Annual Report on Form 10-K for the year ended December 31, 2005, originally filed on March 16, 2006, to restate our consolidated financial statements for the years ended December 31, 2005, 2004 and 2003 and the related disclosures as well as Management s Report on Internal Control Over Financial Reporting as of December 31, 2005 . The Annual Report on Form 10-K/ A also includes the restatement of selected consolidated financial data as of and for the years ended December 31, 2005, 2004, 2003, 2002 and 2001, and the unaudited quarterly financial data for each of the quarters in the years ended December 31, 2005 and 2004. We also concluded that we needed to amend the Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, originally filed on May 9, 2006, to restate our condensed consolidated financial statements for the quarters ended March 31, 2006 and 2005 and the related disclosures. We have restated the June 30, 2005 financial statements included in the Quarterly Report on Form 10-Q for the quarter ended June 30, 2006. We will restate the September 30, 2005 financial statements with the filing of our September 30, 2006 Form 10-Q. We have not amended and we do not intend to amend any of our other previously filed annual reports on Form 10-K or quarterly reports on Form 10-Q for the periods affected by the restatement or adjustments other than (i) this amended Quarterly Report on Form 10-Q/A for the quarter ended March 31, 2006 and (ii) the amended Annual Report on Form 10-K/A for the year ended December 31, 2005.

The following t