SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

Amendment No. 1 to

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(D) OF
THE SECURITIES EXCHANGE ACT OF 1934

March 10, 2000

Date of Report (Date of earliest event reported)

AMKOR TECHNOLOGY, INC.

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation)

0-29472	23-1722724
(Commission File No.)	(IRS Employer Identification Number)

1345 Enterprise Drive
West Chester, PA 19380
(610) 431-9600

(Address of Principal Executive Offices)

(Former name or former address, if changed since last report)

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References in this report to "won" or "W" are to the currency of the Republic of Korea. The won has historically fluctuated significantly against the U.S. dollar and other foreign currencies in recent years. Unless otherwise indicated, all conversions of U.S. dollars to won and vice versa have been made at an exchange rate of W1,135 to $1.00, the base rate under the market average exchange rate system, as announced by the Korea Financial Telecommunications and Clearing Institute in Seoul, Korea (the "Market Average Exchange Rate"), on December 31, 1999. On February 29, 2000, the Market Average Exchange Rate was W1,132 to U.S.$1.00. No representation is made that the won or U.S. dollar amounts referred to herein could have been or could be converted into U.S. dollars or won, as the case may be, at any particular rate or at all.

a) Our Proposed Acquisition of ASI's Packaging and Test Business and Investment in ASI

PROPOSED ACQUISITION

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

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

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

PROPOSED INVESTMENT

In October 1999, we purchased 10 million shares of ASI's common stock at a price of W5,000 per share, for approximately $41.6 million. As a result of this investment and the conversion of ASI's debt to equity by ASI's creditor banks, we now own approximately 18% of ASI's voting stock. We have also agreed to make a $459.0 million additional investment in ASI, subject to certain conditions. We have agreed to invest $309.0 million of this additional investment at the time we acquire K1, K2 and K3, with the remaining $150.0 million to be invested in three installments: $30.0 million by June 30, 2000, $60.0 million by August 31, 2000 and $60.0 million by October 31, 2000. However, we have the right to accelerate this investment. Of this $459.0 million investment, $109.0 million will be invested at a purchase price of W8,000 per share and the remaining $350.0 million will be invested at W18,000 per share. As of February 28, 2000, the closing price of ASI's common stock on the Korea Stock Exchange was W10,100 per share. As of March 10, 2000, the closing price of ASI's common stock on the Korea Stock Exchange was W14,200. Our investment will fulfill our prior obligation to invest $150.0 million in ASI. Based upon an exchange rate of W1,135 per $1.00 at December 31, 1999, we would purchase a total of approximately 37.5 million shares for this $459.0 million investment in ASI. If we acquire this number of shares of ASI's common stock, assuming ASI's creditor banks convert an additional W150 billion (approximately $132.0 million) of their ASI debt to equity in connection with our acquisition and investment, we will own approximately 43% of ASI's outstanding voting stock.

PROPOSED FINANCING

We intend to finance the purchase of K1, K2 and K3 and the investment in ASI with our proposed private placement of Series A preferred stock, approximately $600.0 million of new secured bank debt, a proposed issuance of $425.0 million of convertible subordinated notes and cash on hand.

In November 1999, we secured a commitment from a group of institutional investors to provide $410.0 million in equity financing for use in connection with our proposed acquisition of K1, K2 and K3.

If we consummate our acquisition of K1, K2 and K3, we would issue to these investors a total of 2,050,000 shares of Series A preferred stock, convertible into an aggregate of 20,500,000 shares of our common stock. In addition, we would issue warrants for an aggregate of 3,895,000 million shares of our common stock with a strike price of $27.50 per share to the Series A preferred stock investors. These warrants would expire four years after the date we issue them. For a more complete description of the rights and privileges of the Series A preferred stock, as well as a description of ancillary agreements that we would enter into with the Series A preferred stock investors, see "Proposed Private Placement of Series A Preferred Stock."

We expect to borrow $600.0 million in term loans under a new $800.0 million secured credit facility, which will include a $200.0 million revolving credit line to be provided by a syndicate of institutional lenders. We are currently in the process of negotiating the terms of the facility to be provided by a syndicate of institution lenders. The initial borrowing under the facility will be subject to the consummation of our proposed acquisition of K1, K2 and K3 and other related transactions. The facility will provide for amortization of the drawn amount over a five-year period and quarterly principal and interest payments. We will be required to make mandatory prepayments under the facility out of a portion of any excess cash flow, the net proceeds of any asset sales and the net proceeds of any issuance of debt or equity securities, subject to certain exceptions. We expect that the agreement governing the facility will include certain financial covenants, as well as covenants restricting our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. We expect that our obligations under the facility will be guaranteed by certain of our subsidiaries and will be secured by a pledge of the domestic assets of our company and our subsidiaries, a pledge of the shares of certain of our subsidiaries and a pledge of certain intercompany indebtedness.

The closing of our proposed private placement of Series A preferred stock and our proposed new secured bank financing is expected to take place concurrently with, and is conditioned upon, the closing of our acquisition of K1, K2 and K3 and our investment in ASI. We cannot assure you that any of these transactions will occur.

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

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

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

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

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

We have also entered into agreements with ASI and Texas Instruments relating to our wafer fabrication business. For information on these agreements, see "Business -- Wafer Fabrication Services" in our report on Form 10-K for the year ended December 31, 1998.

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

PROPOSED PRIVATE PLACEMENT OF SERIES A PREFERRED STOCK

In November, 1999 we secured a commitment from a group of investors to provide $410.0 million in equity financing for use in connection with our proposed acquisition of K1, K2 and K3 and proposed investment in ASI. The following discussion assumes that we have consummated these transactions.

SERIES A PREFERRED STOCK

We would issue to these investors 2,050,000 shares of Series A preferred stock, convertible into an aggregate of 20,500,000 shares of our common stock. The Series A preferred stock would be convertible at any time at the election of the holder, and would convert automatically upon the earlier of (i) such time that the fair market value of our common stock exceeded predetermined levels for 30 consecutive trading days or (ii) five years after the first issue date of the Series A preferred stock. Holders of the Series A preferred stock would be entitled to receive dividends as may from time to time be declared by the Board of Directors out of funds legally available therefor and prior to payment of dividends to holders of common stock. In the event of a liquidation, dissolution or winding up of our Company, holders of Series A preferred stock would be entitled to receive $200 per share, or an aggregate of $410.0 million (assuming issuance of 2,050,000 shares of Series A preferred stock) prior to and in preference of the holders of common stock. After the Series A preferred stock liquidation preference is paid, the holders of common stock would be entitled to share equally and ratably in the remaining assets of the Company, if any.

Holders of Series A preferred stock would be entitled to vote on all matters on which the holders of common stock are entitled to vote and have the number of votes equal to the number of shares of common stock into which their shares of Series A preferred stock are convertible. In addition, the holders of the Series A preferred stock would be entitled to a class vote to approve (i) changes to our Certificate of Incorporation or Bylaws if such change would directly and adversely affect the rights of the Series A preferred stock or (ii) authorization of any class of stock having preference or priority to the rights of the Series A preferred stock. Finally, for so long as at least 500,000 shares of Series A preferred stock remain outstanding, the holders of the Series A preferred stock will be entitled to elect one member of our Board of Directors.

WARRANTS

We would issue warrants for an aggregate of 3,895,000 shares of common stock with a strike price of $27.50 per share to the Series A preferred stock investors. These warrants would expire four years after the date we issue them.

STOCKHOLDER RIGHTS AGREEMENT

We would enter into an agreement with the Series A preferred stock investors relating to their rights and obligations as stockholders. The agreement would include the following provisions:

- Registration Rights: Holders of the Series A preferred stock and warrants issued with respect thereto would be entitled to certain rights with respect to the registration of the resale of shares of common stock issued on conversion or exercise thereof (the "Registrable Securities") under the Securities Act. We will have an obligation to register part or all of these shares after the first anniversary of the date we first issue the Series A preferred stock on up to four occasions if the holders of at least 20% of the Registrable Securities request that we do so, provided that we have not already caused a registration statement to go effective within the last nine months. In addition, we shall extend to the holders of Registrable Securities the right to include their securities in registrations initiated by us. These registration rights would expire six years after we issue the Series A preferred stock.

- Preemptive Rights: We would extend to the holders of at least 750,000 shares of Registrable Securities the right to purchase up to their pro-rata amount of new securities that we issue, subject to various exceptions, until five years after we issue the Series A preferred stock.

- Board Observation Rights: We would extend to two investors observation rights to Board of Directors meetings for so long as each investor holds at least 1,250,000 Registrable Securities.

- Restrictions on Transfer: The holders of Registrable Securities would agree to limitations on their ability to transfer our securities under certain circumstances.

- Company Right of First Refusal: The holders of Registrable Securities would agree to grant us a right of first refusal to acquire shares of our capital stock held by them on the terms they would propose to transfer such securities to third parties.

CO-SALE AGREEMENT

We would enter into an agreement with the Series A preferred stock investors and certain of our existing stockholders to provide the Series A preferred stock investors with co-sale rights with respect to prospective transfers of our securities by the existing stockholders.

b) Financial Data of Amkor and ASI

1) Unaudited Pro Forma Consolidated Financial Data of Amkor

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA OF AMKOR

The unaudited pro forma consolidated balance sheet as of December 31, 1999 appearing below gives effect to the following proposed transactions as if they had occurred on December 31, 1999:

- our proposed $410.0 million private placement of our Series A preferred stock;

- our proposed incurrence of $600.0 million of new secured bank debt;

- our proposed issuance of $425.0 million of convertible subordinated notes;

- our proposed acquisition of K1, K2 and K3 for $950.0 million;

- our proposed $459.0 million equity investment in ASI;

- ASI's use of the net proceeds from its proposed sale of K1, K2 and K3 and our proposed investment, principally to repay outstanding debt; and

- the proposed conversion of W150 billion (approximately $132 million) of ASI's debt to equity by ASI's creditor banks.

The unaudited pro forma, consolidated income statement for the year ended December 31, 1999 appearing below gives effect to the above proposed and the following historical transactions for the year ended December 31, 1999 appearing below as if they occurred on January 1, 1999:

- our acquisition of K4 in May 1999 for $582.0 million and our incurrence of $625.0 million of long-term debt in connection with that acquisition;

- our W50 billion (approximately $41.6 million) equity investment in ASI in October 1999;

- the conversion of W98 billion (approximately $82 million) of ASI's debt into equity by ASI's creditor banks in October 1999; and

- ASI's use of the net proceeds from its sale of K4, principally to repay outstanding debt.

The unaudited pro forma consolidated financial information appearing below is not necessarily indicative of the results of operations and financial condition that we would have achieved if the completed and proposed transactions described above had actually been consummated on such dates, nor are they necessarily indicative of the future results and financial condition we will achieve if the proposed transactions are consummated. In addition, while we expect that the proposed transactions described above will be consummated on the terms described in this report, these transactions may not be consummated on those terms, or at all. Accordingly, our future results and financial condition could vary significantly from the unaudited pro forma consolidated financial information appearing below.

We have used the purchase method of accounting in accordance with APB Opinion No. 16 "Business Combinations" to prepare the accompanying unaudited pro forma consolidated financial information. Under this method of accounting, we allocated (1) the $575.0 million aggregate purchase price of K4, plus $7.0 million of assumed employee benefit liabilities and (2) the $950.0 million aggregate purchase price of K1, K2 and K3, to specific assets acquired based on their estimated fair values. The purchase price does not include $20.3 million of transaction expenses incurred in connection with the acquisition of K4 or the $30.0 million of estimated transaction fees and expenses expected to be incurred in connection with our proposed acquisition of K1, K2 and K3 and related financing. The balance of the purchase price both of K4 and of K1, K2 and K3 represents the excess of cost over net assets acquired. We have estimated the preliminary fair value of K1, K2 and K3 assets based primarily on our knowledge of this business and on information furnished by ASI. We will determine the final allocation of the purchase price after the consummation of the acquisition of K1, K2 and K3 based upon the receipt of an appraisal. We will not complete all of the work required to fully evaluate the assets acquired by the time of the closing of the acquisitions. Accordingly, we may not finalize purchase accounting adjustments for up to one year after the closing of our acquisition of K1, K2 and K3.

We have used the equity method of accounting in accordance with APB Opinion No. 18 to prepare the accompanying unaudited pro forma financial information to give effect to our investment in ASI. Under this method of accounting, our investment in ASI is carried at cost plus or minus our equity in all increases or decreases in the investee's net assets after the date of investment. Under the equity method, net income and stockholders' equity of the investor should be the same as if the investor fully consolidated the investee. Accordingly, we have included in the unaudited pro forma consolidated income statement for the year ended December 31, 1999 the equity in the loss of ASI, including amortization of the excess of the cost of our investment over the underlying equity in the net assets at the date of investment.

We have prepared the unaudited pro forma consolidated financial information in accordance with U.S. GAAP. These principles require us to make extensive use of estimates and assumptions that affect: (1) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and (2) the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 1999

	AMKOR HISTORICAL	K1, K2 AND K3 HISTORICAL	PRO FORMA ADJUSTMENTS FOR ACQUISITION OF K1, K2 AND K3 AND OUR INVESTMENT IN ASI	PRO FORMA ADJUSTMENTS FOR PROPOSED FINANCING	PRO FORMA AS ADJUSTED
			(IN THOUSANDS)		
ASSETS					
Cash and cash equivalents	$ 98,045	$ --	$ --	$ (90,986)(a)	$ 7,059
Short-term investments	136,595	--	--	--	136,595
Accounts receivable:					
Trade	157,281	3,416	(3,416)(b)	71,500(e)	228,781
Due from affiliates	6,278	304,762	(304,762)(b)	--	6,278
Other	6,469	3,653	(3,653)(b)	--	6,469
Inventories	91,465	7,984	--	--	99,449
Other current assets	11,117	2,666	(2,666)(b)	--	11,117
Total current assets	507,250	322,481	(314,497)	(19,486)	495,748
Property, plant and equipment, net	859,768	404,384	20,616(c)	--	1,284,768
Investments	63,672	--	459,000(j)	--	522,672
Other assets:					
Due from affiliates	27,858	277	(277)(b)	--	27,858
Excess of cost over net assets acquired	233,532	--	517,016(d)	--	750,548
Deferred income taxes	--	41,656	(41,656)(b)	--	--
Other	63,009	4,953	(4,953)(b)	30,000(f)	93,009
Total other assets	324,399	46,886	470,130	30,000	871,415
Total assets	$1,755,089	$ 773,751	$ 635,249	$ 10,514	$3,174,603
LIABILITIES AND STOCKHOLDERS' EQUITY					
Bank overdraft	$ 16,209	$ --	$ --	$ --	$ 16,209
Short-term borrowings and current portion of long-term debt	6,465	--	--	(6,465)(k)	--
Trade accounts payable	122,147	51,360	(51,360)(b)	--	122,147
Due to affiliates	37,913	14,788	(14,788)(b)	--	37,913
Accrued expenses	88,577	13,845	(13,845)(b)	--	88,577
Accrued income taxes	41,587	--	--	--	41,587
Total current liabilities	312,898	79,993	(79,993)	(6,465)	306,433
Long-term debt	9,021	--	--	600,000(g)	600,000
				(9,021)(k)	--
Due to affiliates	--	124,294	(124,294)	--	--
Senior and senior subordinated notes	625,000	--	--	--	625,000
Convertible subordinated notes	53,435	--	--	425,000(h)	478,435
Other noncurrent liabilities	16,994	45,122	(45,122)(b)	--	16,994
Total liabilities	1,017,348	249,409	(249,409)	1,009,514	2,026,862
Stockholders' equity:					
Common stock	131	--	--	--	131
Preferred stock	--	--	--	2(i)	2
Warrants to purchase common stock	--	--	--	35,000(i)	35,000
Additional paid-in capital	551,964	--	--	374,998(i)	926,962
Receivable from stockholders	(3,276)	--	--	--	(3,276)
Retained earnings	189,733	--	--	--	189,733
Unrealized losses	(811)	--	--	--	(811)
Net assets (liabilities)	--	524,342	(524,342)(b)	--	--
Total stockholders' equity	737,741	524,342	(524,342)	410,000	1,147,741
Total liabilities and stockholders' equity	$1,755,089	$ 773,751	$(773,751)	$1,428,535	$3,174,603

(a) Represents net cash to be used to acquire K1, K2 and K3, to make the additional investment in ASI and to pay transaction fees and expenses.

(b) Represents the elimination of those assets and liabilities of K1, K2 and K3 that we will not acquire or assume as part of our proposed acquisition of K1, K2 and K3.

(c) Represents the excess of the fair value over the book value of the property, plant and equipment acquired.

(d) Represents the excess of the purchase price for K1, K2 and K3 over the estimated fair values of the net assets acquired.

(e) Represents the repurchase of accounts receivable to retire our accounts receivable sales agreement.

(f) Represents transaction fees and expenses, which have been recorded as deferred financing costs and will be amortized over the debt's term.

(g) Represents the financing of the transactions with $600.0 million of new secured bank debt.

(h) Represents the proposed issuance of $425.0 million of convertible subordinated notes.

(i) Represents the issuance of 2,050,000 shares of Series A preferred stock at $200 per share (convertible into 20,500,000 shares of common stock at $20.00 per share) and the fair value of the related warrants to purchase 3,895,000 shares of common stock at $27.50 per share.

(j) Represents our additional $459.0 million investment in ASI.

(k) Represents the paydown of existing debt.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 1999
(DOLLARS IN THOUSANDS)

	AMKOR HISTORICAL	K4 HISTORICAL	PRO FORMA ADJUSTMENT FOR ACQUISITION OF K4	K1, K2 AND K3 HISTORICAL	PRO FORMA ADJUSTMENTS FOR ACQUISITION OF K1, K2 AND K3 AND OUR INVESTMENT IN ASI	PRO FORMA ADJUSTMENT FOR PROPOSED FINANCING	PRO FORMA AS ADJUSTED
				(IN THOUSANDS)			
Net revenues..............	$1,909,972	$ 42,582	$(39,353)(a)	$435,659	$(407,751)(a)	$ --	$1,941,109
Cost of revenues -- including purchases from ASI.................	1,577,226	30,725	(39,353)(a)	289,233	(407,751)(a)	--	1,472,235
			10,751(b)		51,881(b)	--	
			(4,792)(c)		(35,685)(c)	--	
Gross profit...........	332,746	11,857	(5,959)	146,426	(16,196)	--	468,874
Operating expenses:							
Selling, general and administrative..........	145,233	2,344	--	16,120	--	--	163,697
Research and development............	11,436	536	--	3,383	--	--	15,355
Total operating expenses............	156,669	2,880	--	19,503	--	--	179,052
Operating income........	176,077	8,977	(5,959)	126,923	(16,196)	--	289,822
Other (income) expense:							
Interest expense, net.....	45,364	24,492	(1,319)(d)	(19,091)	19,091(d)	79,420(g)	152,690
	--	--	--	--	--	1,733(h)	--
						4,549(h)	--
						(1,549)(h)	--
Foreign currency (gain) loss....................	308	(16,665)	16,665(d)	(582)	582(d)	--	308
Other (income) expense, net.....................	25,117	113	--	1,449	--	(4,280)(i)	22,399
Total other (income) expense............	70,789	7,940	15,346	(18,224)	19,673	79,873	175,397
Income (loss) before income taxes and minority interest.....	105,288	1,037	(21,305)	145,147	(35,869)	(79,873)	114,425
Provision for (benefit from) income taxes........	26,600	--	(5,937)(e)	46,376	(46,376)(f)	(182)	20,481
Equity in loss of investees................	(1,969)	--	--	--	(69,971)(j)	--	(71,940)
Net income.............	$ 76,719	$ 1,037	$(15,368)	$ 98,771	$ (59,464)	$(79,691)	$ 22,004
Basic net income per common share........	$ .64						$ .18

Diluted net income per common share........	$ .63	$ .16
	=========	=========
Shares used in computing basic net income per common share...........	119,341	119,341
Shares used in computing diluted net income per common share(k)..........	135,067	141,339

(a) We have eliminated the processing charges that we have paid to ASI for services performed for us at the K4 and the K1, K2 and K3 facilities under our supply agreements. Because we currently sell substantially all of K4's and K1, K2 and K3's services, the net revenue from the sale of these services to our customers is already reflected in our historical net revenues.

(b) Represents the amortization of goodwill related to our acquisition of K4 and our acquisition of K1, K2 and K3, assuming a ten-year life.

(c) Represents change in depreciation expense based on adjusted book values of acquired property, plant and equipment of K4 and of K1, K2 and K3.

(d) Represents the elimination of interest expense and foreign currency losses related to the debt of K4 and of K1, K2 and K3 which we have not assumed as part of the acquisition of K4 and will not assume as part of our acquisition of K1, K2 and K3. As it relates to the Acquisition of K4, interest expense, net includes (1) interest expense of $22.2 million on $625 million of senior and senior subordinated notes at an assumed weighted average interest rate of 9.65%, (2) $1.0 million of amortization of debt issuance costs, which are amortized over the life of the respective debt, and (3) net of $24.5 million of the K4 interest eliminated.

(e) Represents an income tax benefit due to the pro forma adjustments for interest expense.

(f) Represents the elimination of income tax expenses at K1, K2 and K3 due to the fact that profits of K1, K2 and K3 will be subject to a tax holiday in Korea.

(g) Represents (1) interest expense on $600.0 million of new secured bank debt and on $425.0 million of convertible notes at an assumed weighted average interest rate of 7.23% and (2) $5.3 million of amortization of debt issuance costs, which are amortized over the life of the respective debt.

(h) Represents the net interest on funds used to finance the following: (1) our $41.6 million investment in ASI made in October 1999; (2) cash used to pay down $15.5 million of our existing debt offset by interest expense foregone on the same debt and (3) cash used to repurchase accounts receivable of $71.5 million and to fund transaction costs and expenses.

(i) Represents fees paid by us under our accounts receivable sale agreement.

(j) Represents our equity in the loss of ASI, including $51.5 million of amortization of the difference between the cost of our investment over the underlying equity in net assets of ASI, assuming that the investment occurred on January 1, 1999.

(k) Shares used in computing the diluted pro forma as adjusted net income per common share for the year ended December 31, 1999 give effect to the conversion into common stock of our Series A preferred stock we intend to issue in a private placement and the exercise of outstanding stock options. On a pro forma as adjusted basis, the conversion of convertible subordinated notes is not dilutive.

2) SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF AMKOR

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

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
INCOME STATEMENT DATA:					
Net revenues	$932,382	$1,171,001	$1,455,761	$1,567,983	$ 1,909,972
Cost of revenues -- including purchases from ASI	783,335	1,022,078	1,242,669	1,307,150	1,577,226
Gross profit	149,047	148,923	213,092	260,833	332,746
Operating expenses:					
Selling, general and administrative	55,459	66,625	103,726	119,846	145,233
Research and development	8,733	10,930	8,525	8,251	11,436
Total operating expenses	64,192	77,555	112,251	128,097	156,669
Operating income	84,855	71,368	100,841	132,736	176,077
Other (income) expense:					
Interest expense, net	9,797	22,245	32,241	18,005	45,364
Foreign currency (gain) loss	1,512	2,961	(835)	4,493	308
Other (income) expense, net(a)	6,523	3,150	8,429	9,503	25,117
Total other (income) expense	17,832	28,356	39,835	32,001	70,789
Income before income taxes, equity in income (loss) of investees and minority interest	67,023	43,012	61,006	100,735	105,288
Provision for income taxes(b)	6,384	7,876	7,078	24,716	26,600
Equity in income (loss) of interests(c)	2,808	(1,266)	(17,291)	--	(1,969)
Minority interest(d)	1,515	948	(6,644)	559	--
Net income(b)	$ 61,932	$ 32,922	$ 43,281	$ 75,460	$ 76,719
Basic net income per common share	$ .75	$ .40	$ .52	$ .71	.64
Diluted net income per common share	$ .75	$ .40	$ .52	$ .70	.63
Pro Forma Data (Unaudited)(b):					
Historical income before income taxes, equity in income (loss) of ASI and minority interest	$ 67,023	$ 43,012	$ 61,006	$ 100,735	
Pro forma provision for income taxes(b)	16,784	10,776	10,691	29,216	
Pro forma income before equity in income (loss) of investees and minority interest	50,239	32,236	50,315	71,519	
Historical equity in income (loss)of investees(c)	2,808	(1,266)	(17,291)	--	
Historical minority interest	1,515	948	(6,644)	599	
Pro forma net income	$ 51,532	$ 30,022	$ 39,668	$ 70,960	
Basic pro forma net income per common share	$ .62	$ .36	$ .48	$ .67	
Diluted pro forma net income per common share	$ .62	$ .36	$ .48	$ .66	

	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT RATIO AND PER SHARE DATA)				
Shares used in computing basic pro forma net income per common share	82,610	82,610	82,610	106,221	119,341
Shares used in computing pro forma diluted net income per common share	82,610	82,610	82,610	116,596	135,067
OTHER FINANCIAL DATA:					
EBITDA(e)	$104,946	$ 126,043	$ 174,276	$ 241,252	$ 346,495
Depreciation and amortization	26,614	57,825	81,864	119,239	180,332
Capital expenditures	123,645	185,112	178,990	107,889	242,390
Ratio of earnings to fixed charges(f)	4.6x	2.4x	2.5x	4.4x	2.6x

	DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS)				
BALANCE SHEET DATA:					
Cash and cash equivalents	$ 91,151	$ 49,664	$ 90,917	$ 227,587	$ 98,045
Short term investments	0	881	2,521	1,000	136,595
Working capital (deficit)	111,192	36,785	(38,219)	191,383	194,352
Total assets	626,379	804,864	855,592	1,003,597	1,755,089
Total long-term debt	326,422	402,338	346,710	221,846	687,456
Total debt, including short-term borrowings and current portion of long-term debt	411,542	594,151	514,027	260,503	693,921
Stockholders' equity	45,289	45,812	90,875	490,361	737,741

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

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

(c) In 1997, we recognized a loss of $17.3 million resulting principally from the impairment of value of our prior investment in ASI, which we sold in February, 1998.

(d) Represents ASI's 40% interest in the earnings of Amkor/Anam Pilipinas, Inc. ("AAP"), one of our subsidiaries in the Philippines. We purchased ASI's interest in AAP with a portion of the proceeds from our initial public offering in May 1998.

(e) We have calculated EBITDA by adding: (1) income before income taxes, equity in income (loss) of investees and minority interest, (2) foreign currency (gain) loss, (3) interest expense, net; (4) non-cash other (income) expense, net and (5) depreciation and amortization. We have included data concerning EBITDA because we understand that investors use it to evaluate our historical ability to service debt. EBITDA is not determined in accordance with U.S. GAAP. EBITDA is not indicative of cash flows from operating activities, and you should not consider EBITDA in isolation, or as an alternative to, or more meaningful than, measures of performance determined in accordance with U.S. GAAP. In addition, EBITDA, as defined here, may not be comparable to similarly titled measures used by other companies.

(f) We have calculated the ratio of earnings to fixed charges by dividing (1) the sum of (x) income (loss) before income taxes, equity in income (loss) of investees and minority interest plus (y) fixed charges by (2) fixed charges. Fixed charges consist of interest expense plus one-third of rental expense. We believe that one-third of rental expense is representative of the interest factor of rental payments under our operating leases.

3) SELECTED HISTORICAL FINANCIAL DATA OF K1, K2 AND K3

The following table sets forth selected historical income statement and other financial data of K1, K2 and K3 determined in accordance with U.S. GAAP. We have derived the selected financial data of K1, K2 and K3 presented below for each of the years in the three-year period ended December 31, 1999 and as of the end of each of the years in the three-year period ended December 31, 1999, from the financial statements of K1, K2 and K3. Samil Accounting Corporation, independent public accountants, has audited the financial statements as of December 31, 1997, 1998 and 1999 and for each of the years in the three-year period ended December 31, 1999. Their report on these financial statements together with such audited financial statements and the related notes, are included elsewhere in this report under the title "Seongsu, Pucheon and Pupyong Packaging Business of Anam Semiconductor, Inc."

You should read the following table in conjunction with the financial statements of K1, K2 and K3 and the related notes, included elsewhere in this report.

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS)		
INCOME STATEMENT DATA:			
Net revenues(a)	$ 599,575	$409,929	$435,659
Cost of revenues	408,435	283,995	289,233
Gross profit	191,140	125,934	146,426
Operating expenses:			
Selling, general and administrative	45,850	34,567	16,120
Research and development	1,894	1,267	3,383
Total operating expenses	47,744	35,834	19,503
Operating income	143,396	90,100	126,923
Other (income) expense:			
Interest expense (income), net(b)	5,508	15,882	(19,091)
Foreign currency (gain) loss(c)	70,470	(2,396)	(582)
Other (income) expense, net	(4,987)	(7,541)	1,449
Total other (income) expense	70,991	5,945	(18,224)
Income before income taxes	72,405	84,155	145,147
Provision for (benefit from) income taxes	(50,452)	30,289	46,376
Net income	$ 122,857	$ 53,866	$ 98,771
OTHER FINANCIAL DATA:			
EBITDA(d)	$ 264,917	$234,822	$258,926
Depreciation and amortization	116,534	137,181	133,452
Capital expenditures	145,642	24,345	39,281

	DECEMBER 31,		
	1997	1998	1999
	(IN THOUSANDS)		
BALANCE SHEET DATA:			
Working capital (deficit)	$(151,903)	$ 6,485	$242,488
Total assets	830,633	661,471	773,751
Long-term debt	181,214	160,032	124,294
Total debt, including short-term borrowings and current maturities of long-term debt	341,203	197,285	139,082
Net assets	317,698	365,325	524,342

(a) Substantially all of K1, K2 and K3's net revenues represent processing charges that we have paid to K1, K2 and K3 for services performed under our supply agreements. Because we currently sell substantially all of K1, K2 and K3's services, the net revenues from the sale of K1, K2 and K3 services to our customers are already reflected in our historical net revenues.

(b) Represents interest expense (income), net on debt of ASI attributable to K1, K2 and K3's business, based on assumptions deemed reasonable by ASI's management.

(c) The foreign currency gain in 1997 and foreign currency loss in 1998 are primarily attributable to the effects of fluctuations in the Korean won relative to the U.S. dollar on Korean won denominated debt and on foreign currency forward contracts.

(d) EBITDA is calculated by adding: (1) income before income taxes, (2) foreign currency (gain) loss, (3) interest expense, net; (4) non-cash other (income) expense, net and (5) depreciation and amortization. We have included data concerning EBITDA because we understand that investors use it to evaluate historical ability to service debt. EBITDA is not determined in accordance with U.S. GAAP. EBITDA is not indicative of cash flows from operating activities, and you should not consider EBITDA in isolation, or as an alternative to, or more meaningful than, measures of performance determined in accordance with U.S. GAAP. In addition, EBITDA, as defined here, may not be comparable to similarly titled measures used by other companies.

4) SELECTED HISTORICAL FINANCIAL DATA OF ASI

The following table sets forth the selected historical consolidated financial data of ASI determined in accordance with U.S. GAAP. We have derived the selected financial data of ASI presented below for each of the years in the three-year period ended December 31, 1999 and as of the end of each of the years in the three-year period ended December 31, 1999, from the consolidated financial statements of ASI. Samil Accounting Corporation, independent public accountants, has audited the consolidated financial statements of ASI as of December 31, 1997, 1998 and 1999 and for each of the years in the three-year period ended December 31, 1999. Their report on these consolidated financial statements, which is based in part on the reports of other independent accountants, together with such audited consolidated financial statements and the related notes, are included elsewhere in this report.

The selected income statement data of ASI appearing below, as well as ASI's consolidated income statements included in this report, present the packaging and test business of ASI on a discontinued operations basis to reflect the sale of K4 and the proposed sale of K1, K2 and K3 to our company.

You should read the following table in conjunction with the consolidated financial statements of ASI and the related notes, included elsewhere in this report.

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
		(IN THOUSANDS)	
INCOME STATEMENT DATA:			
Net revenues(a)	$ 406,937	$ 221,098	$ 285,925
Cost of revenues(b)	314,666	230,478	239,632
Gross profit (loss)	92,271	(9,380)	46,293
Operating expenses:			
Selling, general and administrative	84,564	27,328	25,168
Impairment of long-lived assets(c)	15,942	273,937	--
Research and development	--	2,064	87
Total operating expenses	100,506	303,329	25,255
Operating income (loss)	(8,235)	(312,709)	21,038
Other (income) expense:			
Interest expense, net	123,781	207,084	179,413
Foreign currency (gain) loss(d)	(159,897)	142,605	33,198
Impairment loss on loans to affiliates(e)	--	122,188	22,646
Guarantee obligation loss(f)	--	97,344	--
Loss on valuation of inventories	543	15,140	2,041
Loss (gain) from disposal of investments	(4,972)	(23,082)	601
Other (income) expense, net	4,598	12,808	(24,889)
Total other (income) expense	(35,947)	574,087	213,010
Income (loss) from continuing operations before income taxes, equity in loss of affiliates and minority interest	27,712	(886,796)	(191,972)
Equity in loss of unconsolidated affiliates	(18,137)	(66,792)	(31,787)
Minority Interest	(1,720)	(2,035)	--

Income (loss) from continuing operations before income taxes	7,855	(955,623)	(223,759)
Provision (benefit) for income taxes	109,894	1,542	(54,000)
Income (loss) from continuing operations	(102,039)	(957,165)	(169,759)
Discontinued Operations:			
Income from discontinued packaging and test operations (net of income taxes of $0, $0, $12,408)(g)	143,469	109,632	130,064
Gain on sale of K4 (net of income taxes of $0, $0, $14,268)	--	--	149,560
Net income (loss)	$ 41,430	$ (847,533)	$ 109,865

	DECEMBER 31,		
	1997	1998	1999
		(IN THOUSANDS)	
BALANCE SHEET DATA:			
Working capital (deficit)	$ (984,190)	$ (221,798)	$ 10,081
Total assets	2,922,114	1,878,950	1,487,469
Long-term debt(e)	1,096,398	1,892,428	1,304,765
Total debt, including short-term borrowings and current maturities of long-term debt	2,336,674	2,134,494	1,447,975
Net assets (liabilities)	248,795	(615,806)	(297,750)

(a) In 1997, ASI's revenues included approximately $232.6 million from construction services related to Anam Engineering and Construction Co., Ltd. ("Anam Construction"). Anam Construction became insolvent in 1998 and filed for corporate reorganization. Consequently, ASI deconsolidated Anam Construction starting in 1998. Revenues related to CMOS wafers manufactured by ASI were $97.1 million in 1998 and $264.2 million in 1999. Remaining revenues in 1998 related principally to Anam Instruments Co., Ltd., which was accounted for using the equity method in 1999 as a result of a decrease in ASI's ownership percentage.

(b) In January 1998, ASI commenced commercial operations in its wafer fabrication facility and ramped up operations during that year. As a result, ASI was not able to fully absorb its fixed manufacturing costs and realized a $38.9 million loss at the gross profit line.

(c) ASI recognized an impairment loss of $273.9 million related to the wafer fabrication facility in 1998.

(d) The foreign currency gain in 1997 and loss in 1998 are primarily attributable to the effects of fluctuations in the Korean won relative to the U.S. dollar on Korean won denominated debt and on foreign currency forward contracts.

(e) In 1998 ASI determined that several affiliated companies facing financial difficulties would not be able to satisfy their obligations to ASI and an impairment loss was recognized in the amount of $122.2 million and $22.6 million in 1998 and 1999, respectively.

(f) In 1998 ASI recognized a loss related to guarantees provided to affiliated companies in the amount of $97.3 million.

(g) Represents income from discontinued packaging and test operations (K4 and K1, K2 and K3).

5) Unaudited Pro Forma Consolidated Financial Data of ASI

UNAUDITED PRO FORMA CONSOLIDATED FINANCIAL DATA OF ASI

The unaudited pro forma consolidated balance sheet of ASI as of December 31, 1999 appearing below gives effect to the following proposed transactions as if they had occurred on December 31, 1999:

- ASI's proposed sale of K1, K2 and K3 for $950.0 million;

- our proposed $459.0 million equity investment in ASI;

- ASI's use of the net proceeds from its proposed sale of K1, K2 and K3 and our proposed investment, principally to repay outstanding debt; and

- the proposed conversion of W150 billion (approximately $132 million at the exchange rate in effect as of December 31, 1999) of ASI's debt to equity by ASI's creditor banks:

In addition, the unaudited pro forma consolidated income statement of ASI for the year ended December 31, 1999 appearing below gives effect to the above proposed and the following historical transactions as if they had occurred on January 1, 1999:

- ASI's sale of K4 to our company in May 1999 for $582.0 million;

- our W50 billion (approximately $41.6 million) equity investment in ASI in October 1999;

- the conversion of W98 billion (approximately $82 million) of ASI's debt into equity by ASI's creditor banks in October 1999; and

- ASI's use of the net proceeds from its sale of K4, principally to repay outstanding debt.

The unaudited pro forma consolidated financial information of ASI appearing below is not necessarily indicative of the results of operations and financial condition that ASI would have achieved if the completed and proposed transactions described above had actually been consummated on such dates, nor are they necessarily indicative of the future results and financial condition ASI will achieve if the proposed transactions are consummated. In addition, while ASI expects that the proposed transactions described above will be consummated on the terms described in this offering memorandum, these transactions may not be consummated on those terms, or at all. Accordingly, ASI's future results and financial condition could vary significantly from the unaudited pro forma consolidated financial information appearing below.

The unaudited pro forma consolidated financial information of ASI appearing below is based on financial statements prepared in accordance with U.S. GAAP. These principles require the extensive use of estimates and assumptions that affect: (1) the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and (2) the reported amounts of revenues and expenses during the reporting periods. Actual results could differ from those estimates.

UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT OF ASI
FOR THE YEAR ENDED DECEMBER 31, 1999

	ASI HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA AS ADJUSTED
INCOME STATEMENT DATA:			
Sales	$ 285,925	$	$ 285,925
Cost of sales	239,632		239,632
Gross profit	46,293	--	46,293
Operating expenses			
Research and development	87		87
Provision for doubtful accounts	901		901
Selling and administrative expenses	24,267		24,267
Total operating expenses	25,255	--	25,255

Operating income	21,038	--	21,038
Other (income) expense			
Interest income	(5,902)		(5,902)
Interest expense	185,315	(150,657)(a)	34,658
Foreign currency (gains) loss	33,198	(25,972)(b)	7,226
Loss (gain) from disposal of investments	601		601
Loss on valuation of inventories	2,041		2,041
Impairment loss on loans to affiliates	22,646		22,646
Other, net	(24,889)		(24,889)
Total other (income) expense	213,010	(176,629)	36,381
Income (loss) from continuing operations before income taxes, equity in loss of affiliates	(191,972)	176,629	(15,343)
Equity in loss of unconsolidated affiliates	31,787	--	31,787
Income (loss) from continuing operations before income taxes	(223,759)	176,629	(47,130)
Provision (benefit) for income taxes	(54,000)	54,402(c)	402
Income (loss) from continuing operations	$ (169,759)	$ 122,227	$ (47,532)
PER SHARE DATA:			
Basic income (loss) from continuing operations per common share	$ (5.82)		$ (0.43)
Diluted income (loss) from continuing operation per common share	$ (5.82)		$ (0.43)
Shares used in computing basic net income (loss) per common share	29,208,739	81,007,520(d)	110,216,259
Shares used in computing diluted net income (loss) per common share	32,444,636	81,007,520(d)	113,452,206

(a) Represents the elimination of interest expense related to debt which was assumed to be paid off and the conversion of debt to equity as follows:

Conversion of debt to equity in October 1999	$ 82,200
Net cash proceeds from sale of K4 used for debt payment in May 1999	520,100
Proposed conversion of debt to equity by ASI's creditor banks	125,400
Portion of proposed equity investment by Amkor to be used to repay debt	309,000
Net cash proceeds from the proposed sale of K1, K2 and K3 available for debt payment	650,000
Total debt assumed to be paid on January 1, 1999	$1,686,700

(b) Represents the elimination of foreign currency (gain) loss related to won currency debt which is assumed to be paid off.

(c) Represents income tax expense due to the pro forma adjustments.

(d) Represents adjustments for the number of common shares as follows:

Proposed equity investment by Amkor	37,708,974
Proposed debt to equity conversion by creditor banks	18,750,000
Increase in the number of shares related to Amkor's equity investment in October 1999	8,273,973
Increase in the number of shares related to debt to equity	

conversion in October 1999	16,274,573
Total number of shares adjusted	81,007,520

UNAUDITED PRO FORMA CONSOLIDATED BALANCE SHEET OF ASI
AS OF DECEMBER 31, 1999

	ASI HISTORICAL	PRO FORMA ADJUSTMENTS	PRO FORMA AS ADJUSTED
		(IN THOUSANDS)	
BALANCE SHEET DATA:			
Current assets:			
Cash and cash equivalents	$ 56,469	$ 184,900(a)	$ 241,369
Restricted cash	41,086	(2,881)(b)	38,205
Bank deposits	105,414		105,414
Accounts and notes receivable			
Trade, net of allowance for doubtful accounts	3,416		3,416
Due from affiliates, net of allowance for doubtful accounts	29,377		29,377
Other	22,797		22,797
Short-term loans to affiliates, net	4,464		4,464
Inventories	41,949	(7,984)(b)	33,965
Other current assets	6,894		6,894
Total current assets	311,866	174,035	485,901
Non-current bank deposits	204		204
Restricted cash	73		73
Investments			
Available for sale	28,128		28,128
Affiliated companies	18,550		18,550
Long-term receivables			
Due from affiliate	250		250
Others	2,906		2,906
Property, plant and equipment, less accumulated depreciation	1,037,935	(398,932)(b)	639,003
Deferred tax asset-noncurrent	53,212		53,212
Other assets	34,345	(5,690)(b)	28,655
Total assets	$1,487,469	$ (230,587)	$1,256,882
Current liabilities:			
Short-term borrowings	$ 69,328	$	$ 69,328
Current portion of long-term debt	73,882	(73,882)(d)	--
Trade accounts and notes payable	48,902		48,902
Other accounts payable	77,141		77,141
Accrued expenses	3,850		3,850
Forward contract liability	15,364		15,364
Other current liabilities	13,318		13,318
Total current liabilities	301,785	(73,882)	227,903
Long-term debt, net of current portion and discounts on debentures	875,175	(606,911)(d)	268,264
Long-term obligations under capital leases, net of current portion	429,590	(410,207)(d)	19,383
Accrued severance benefits, net	48,757	(45,100)(c)	3,657
Liability for loss contingency	129,912	(117,000)(e)	12,912
Other long-term liabilities	--		--
Total liabilities	1,785,219	(1,253,100)	532,119
Total stockholders' equity	(297,750)	1,022,513(f)	724,763
Total liabilities and stockholders' equity	$1,487,469	$ (230,587)	$1,256,882

(a) Represents the amount to be used for purposes other than the repayment of debt (see note (d) below).

(b) Represents the assets of K1, K2 and K3 to be sold.

(c) Represents severance benefits to be paid upon sale of K1, K2 and K3.

(d) Represents payment of debt and the proposed conversion of debt to equity as follows:

Proposed conversion of debt to equity by ASI's creditor banks	$ 132,000
Portion of proposed equity investment by Amkor to be used to repay debt	309,000
Net cash proceeds from the proposed sale of K1, K2 and K3 available for debt payment	650,000*
Total debt assumed to be paid on December 31, 1999	$1,091,000

(*) Proposed sale price	$ 950,000
Less:	
- Related taxes	(103,000)
- Severance payment	(45,100)
- Payment for guarantee obligation (see (e) below)	(117,000)
- Other operational needs	(34,900)
	$ 650,000

(e) Represents the amount to be used for the payment to eliminate guarantee obligations provided for Anam Construction and Anam Electronics Co., Ltd.

(f) Represents the proposed conversion of approximately $132 million of ASI's debt to equity by ASI's creditor banks, our proposed $459.0 million equity investment in ASI and a remainder which is principally comprised of gain on the proposed sale of K1, K2 and K3, net of related tax expense.

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

The following discussion contains forward-looking statements within the meaning of the federal securities laws, including statements regarding: (1) the anticipated growth in the market for our products, (2) our anticipated capital expenditures and financing needs, (3) our expected capacity utilization rates, (4) our belief as to our future operating performance, (5) statements regarding future won/dollar exchange rates, (6) statements regarding the future of our relationship with ASI and (7) other statements that are not historical facts. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the following discussion as well as in "Risk Factors" and "Business." The following discussion provides information and analysis of our results of operations for the three years ended December 31, 1999 and our liquidity and capital resources. You should read the following discussion in conjunction with "Selected Historical Consolidated Financial Data of Amkor" and our consolidated financial statements and the related notes, included elsewhere in this report.

OVERVIEW

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

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

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

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

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

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

Relationship with ASI

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

Upon completion of our proposed acquisition of K1, K2 and K3, we will no longer receive any packaging and test services from ASI. However, we expect to continue to have certain contractual and other business relationships with ASI, primarily our wafer fabrication services supply agreement. Under this supply agreement, we will continue to have the exclusive right to all of the wafer output of ASI's wafer fabrication facility, and we expect to continue to purchase all of ASI's wafer fabrication services. Furthermore, we will own approximately 43% of ASI's outstanding voting stock after our investment in ASI and the anticipated conversion of an additional W150 billion (approximately $132.0 million) of ASI's debt to equity by ASI's creditor banks. Accordingly, we will report ASI's results in our financial statements through the equity method of accounting. Our company and ASI will also continue to have close ties due to our overlapping ownership and management.

For more information concerning our relationship with ASI, you should read "Risk Factors -- Relationship with ASI," "Risk Factors -- Potential Conflicts of Interest with ASI," "Our Acquisition of ASI's Packaging and Test Business and Investment in ASI" and "-- Liquidity and Capital Resources."

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

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

related to the operations of K1, K2 and K3. Our interest expense will also increase due to the debt we will incur to finance our proposed acquisition and investment. We expect our overall effective tax rate to decrease due to the fact that the profits of K1, K2 and K3 will be subject to a tax holiday in Korea. The tax holiday will apply to 100% of the profits of K1, K2 and K3 for seven years and then to 50% of such profits for three additional years. Because of our equity investment in ASI, we will be required to record our increased proportionate share of ASI's net income, net of the amortization of goodwill incurred in the acquisition of our equity interest in ASI.

RESULTS OF OPERATIONS

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

	YEAR ENDED DECEMBER 31,		
	1997	1998	1999
Net revenues	100.0%	100.0%	100.0%
Gross profit	14.6%	16.6%	17.4%
Operating income	6.9%	8.5%	9.2%

Income before income taxes, equity in income (loss) of investees and minority interest	4.2%	6.4%	5.5%
Net income	3.0%	4.8%	4.0%
EBITDA	12.1%	15.5%	18.1%

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

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

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

The significant increase in wafer fabrication net revenues represents the production ramp-up of the wafer fabrication facility, which began operation in January 1998 and did not commence producing at near full installed capacity until the beginning of 1999. ASI plans to expand the capacity of the wafer fabrication facility from 18,000 wafers to 22,000 wafers per month by the end of the first quarter of 2000.

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

Gross margins were positively impacted by:

- Improved gross margin on the output of K4 following our acquisition of K4 in May 1999.

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

The positive impact on gross margins was partially offset by:

- Increasing contribution to total revenues from our low margin wafer fabrication services business. In 1999 wafer fabrication services net revenues represented 15.3% of total net revenues compared to 7.4% of total net revenues in 1998. In addition, beginning in 1999, our contractual gross margin for this business under our supply agreement with ASI was reduced to 10% from 15% in 1998; and

- Significant average selling price erosion across all product lines.

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

- Increased headcount and related personnel costs at our marketing, sales and wafer fabrication departments;

- Increased headcount and related personnel costs at our P3 factory, which continued to increase production capacity; and

- Increased costs related to the consolidation of K4 factory operations during the second quarter of 1999 and general and administrative expenses, including fees paid to ASI under the transition services agreement.

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

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

- Increase in interest expense of $27.4 million. The increased interest expense resulted from the May 1999 issuance of senior and senior subordinated notes to fund the K4 acquisition, which more than offset the decrease in interest expense resulting from the application of the proceeds from our initial public offering in May 1998 against outstanding debt;

- Decrease in foreign exchange losses of $4.2 million resulting from the stabilization of the Philippine peso since the first quarter of 1998; and

- Increase in other expenses, which in 1999 included a $17.4 million non-cash charge associated with the early conversion of $153.6 million of our outstanding convertible subordinated notes in the fourth quarter.

Income Taxes. Our effective tax rate in 1999 and 1998 was 25.3% and 29.0%, respectively (after giving effect to the pro forma adjustment for income taxes). The decrease in the effective tax rate in 1999 was due to the higher operating profits at our factories that operate with tax holidays.

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

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

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

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

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

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

- Gross margins on packaging and test services provided by ASI improved as a result of the supply agreements entered into in January 1998;

- Gross margins at P3, which incurred significant pre-operating and start-up costs and initial operating losses in the first half of 1997, improved primarily as a result of increased volumes and better absorption of fixed costs; and

- Gross margins improved as a result of the positive impact from wafer fabrication revenues during 1998 compared to no revenue from wafer fabrication in 1997.

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

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

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

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

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

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

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

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

QUARTERLY RESULTS

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

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

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

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

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

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

share	$ .11	$ .24	$ .17	$ .16	$ .16	$ .10	$ .21	$ .16
Basic pro forma net income per common share	$ .12	$ .20						
Diluted pro forma net income per common share	$ .12	$ .19						
EBITDA	$ 53,955	$ 63,820	$ 61,854	$ 61,628	$ 61,700	$ 67,504	$102,855	$114,436

	QUARTER ENDED							
	MARCH 31, 1998	JUNE 30, 1998	SEPT. 30, 1998	DEC. 31, 1998	MARCH 31, 1999	JUNE 30, 1999	SEPT. 30, 1999	DEC. 31, 1999
Net revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of revenues -- including purchases from ASI	83.4	82.4	83.2	84.3	85.1	85.2	80.6	80.3
Gross profit	16.6	17.6	16.8	15.7	14.9	14.8	19.4	19.7
Operating expenses:								
Selling, general and administrative	7.7	7.5	7.8	7.6	7.2	7.8	8.0	7.4
Research and development	0.6	0.5	0.5	0.5	0.5	0.6	0.6	.6
Total operating expenses	8.3	8.0	8.3	8.0	7.7	8.4	8.6	8.0
Operating income	8.3	9.6	8.5	7.6	7.2	6.4	10.8	11.7
Net income	2.4%	6.8%	5.4%	4.6%	4.5%	2.6%	5.2%	3.8%
Pro forma net income	2.6%	5.4%						
EBITDA	14.5%	16.6%	16.0%	14.5%	14.7%	15.0%	20.5%	21.3%

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

Our operating results have varied significantly from period to period and may continue to vary in the future due to a variety of factors. For more information on the risks affecting our operating results, see the

risk factors entitled "Declining Average Selling Prices," "Dependence on Highly Cyclical Semiconductor and Electronic Products Industries," "Relationship with ASI," "Absence of Backlog," "Customer Concentration," "Risks Associated with Our Wafer Fabrication Business," "Rapid Technological Change," "Competition" and "Protection of Intellectual Property."

LIQUIDITY AND CAPITAL RESOURCES

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

In February 2000, we reached an agreement with ASI to acquire K1, K2 and K3 for a purchase price of approximately $950.0 million and to make a $459.0 additional investment in ASI. This agreement supersedes our remaining commitment to invest $108.4 million in ASI, out of the total $150 million we committed to invest. We intend to finance our proposed acquisition and investment with the proceeds of this offering, our proposed $410.0 million equity financing, $600.0 million of new secured bank debt and cash on hand. The new secured bank debt will be drawn from a new $800.0 million secured bank facility (which will include a $200.0 million unused revolving credit line), which will provide for amortization of the drawn amount over a five-year period and quarterly principal and interest payments. See "Our Acquisition of ASI's Packaging and Test Business and Investment in ASI -- Proposed Financing."

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

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

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

We have invested significant amounts of capital to increase our packaging and test services capacity. During the last three years we have constructed our P3 factory, added capacity in our other factories in the Philippines and constructed a new research and development facility in the U.S. In 1997, 1998 and 1999, we made capital expenditures of $179.0 million, $107.9 million and $242.4 million, respectively. We intend to spend approximately $300 million in additional capital expenditures in 2000, primarily for the expansion of our factories. We believe the increase in capital expenditures is necessary to expand our capacity to meet the growth in demand we expect in 2000. If we acquire the K1, K2 and K3 factories, we could incur significant additional capital expenditures.

During the second quarter of 1999, we executed a letter with ASI committing to make a $150 million equity investment in ASI. Our commitment required that we invest this amount in installments of approximately $41 million in each of 1999, 2000 and 2001 and $27 million in 2002. In October, 1999 we made our initial investment in ASI. We purchased 10 million shares of common stock at price of W5,000 per share, or approximately $41.6 million dollars. As a result of this investment and the conversion of

ASI's debt to equity by ASI's creditor banks, we now own approximately 18% of ASI's voting stock. The remaining portion of this commitment has been superseded by our new agreement to invest an additional $459.0 million in ASI.

At December 31, 1999, our debt consisted of $625 million of senior and senior subordinated notes, $6.5 million of borrowings classified as current liabilities, $9.0 million of long-term debt and capital lease obligations and $53.4 million of 5.75% convertible subordinated notes due 2003. We had $85.6 million in borrowing facilities with a number of domestic and foreign banks, of which $82.2 million remained unused. These facilities are typically revolving lines of credit and working capital facilities that are renewable annually and bear interest at rates ranging from 8.0% to 10.75%. Long-term debt and capital lease obligations outstanding have various expiration dates through April 2004 and bear interest at rates ranging from 5.8% to 13.8%.

Covenants in the agreements governing our new $800 million secured bank facility, our existing $425 million of senior notes and $200 million of senior subordinated notes and any future indebtedness may materially restrict our operations, including our ability to incur debt, pay dividends, make certain investments and payments and encumber or dispose of assets. In addition, financial covenants contained in agreements relating to our existing and future debt could lead to a default in the event our results of operations do not meet our plans. A default under one debt instrument may also trigger cross-defaults under our other debt instruments. An event of default under any debt instrument, if not cured or waived, could have a material adverse effect on us.

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

million and $573.9 million, respectively.

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

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

In connection with our wafer fabrication facility agreement with Texas Instruments, our company and Texas Instruments agreed to revise certain payment and other terms contained in the Texas Instruments Manufacturing and Purchase Agreement. As part of the revision, Texas Instruments agreed to advance our company $20 million in June 1998 and another $20 million in December 1998. These advances represented prepayments of wafer fabrication facility services to be provided in the fourth quarter of 1998 and first quarter of 1999, respectively. We recorded these amounts as accrued expenses. In turn, we advanced these funds to ASI as prepayment for fabrication facility service charges. We completely offset the first $20 million advance to ASI against billings for wafer fabrication services performed for us by ASI in the fourth quarter of 1998 and offset the second $20 million advance to ASI against billings for wafer fabrication services performed for us by ASI in the first quarter of 1999. Under the terms of the revision to the Texas Instruments Manufacturing and Purchase Agreement, we remain ultimately responsible for reimbursing Texas Instruments if ASI fails to comply with the terms of the agreement.

Subchapter S Taxes and Distributions

Prior to our reorganization in April 1998, our predecessor, AEI, elected to be taxed as an S Corporation under the Code and comparable state laws. As a result, ASI did not recognize any provision for federal income tax expense prior to April 28, 1998. Instead, up until the date the S Corporation status of AEI terminated, Mr. and Mrs. James Kim and certain trusts established for the benefit of other members of Mr. and Mrs. James Kim's family (the "Kim Family Trusts") had been obligated to pay U.S. federal and certain state income taxes on their allocable portion of the income of AEI. Under certain tax indemnification agreements, we are indemnified by such stockholders with respect to their proportionate share of any U.S. federal or state corporate income taxes attributable to the failure of AEI to qualify as an S Corporation for any period or in any jurisdiction for which S Corporation status was claimed through April 28, 1998. The agreements in turn provide that, under certain circumstances, we will indemnify such stockholders if they are required to pay additional taxes or other amounts attributable to taxable years for which AEI filed tax returns claiming status as an S Corporation. AEI has made various distributions to Mr. and Mrs. Kim and the Kim Family Trusts which have enabled them to pay their income taxes on their allocable portions of the income of AEI. Such distributions totaled approximately $5.0 million and $33.1 million in 1997 and 1998, respectively. As a result of the finalization of the AEI tax returns in 1999, approximately $3.3 million of the 1998 distributions will be refunded to our company.

YEAR 2000 ISSUES

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

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

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

MARKET RISK SENSITIVITY

Our company is exposed to market risks, primarily related to foreign currency and interest rate fluctuations. In the normal course of business, we employ established policies and procedures to manage the exposure to fluctuations in foreign currency values and changes in interest rates.

Foreign Currency Risks

Our company's primary exposures to foreign currency fluctuations is associated with Philippine peso-based transactions and related peso-based assets and liabilities, as well as Korean-won based transactions and related won-based assets and liabilities. The objective in managing this foreign currency exposure is to minimize the risk through minimizing the level of activity and financial instruments denominated in pesos and won. Although we have selectively hedged some of our currency exposure through short-term

(generally not more than 30 to 60 days) forward exchange contracts, the hedging activity to date has been immaterial.

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

At December 31, 1999, the won based financial instruments primarily consisted of cash, non-trade receivables, non-trade payables, accrued payroll, taxes and other expenses. Based on the portfolio of won-based assets at December 31, 1999, a 20% increase in the Korean won to U.S. dollar exchange rate would result in a decrease of less than $1 million, in won-based net assets.

Interest Rate Risks

Our company has interest rate risk with respect to our investment in cash and cash equivalents, use of short-term borrowings and long-term debt, including the $206.9 million of convertible subordinated notes, $425.0 million of senior notes and $200.0 million of senior subordinated notes outstanding, and will have such risk with respect to the additional $425.0 million of convertible notes that we propose to issue in connection with our proposed acquisition of K1, K2, and K3 and proposed investment in ASI. Overall, we mitigate the interest rate risks by investing in short-term investments, which are due on demand or carry a maturity date of less than three months. In addition, both the short-term borrowings and long-term debt, excluding our convertible subordinated notes, senior notes and senior subordinated notes, have variable rates that reflect currently available terms and conditions for similar borrowings. As the convertible subordinated notes, senior notes and senior subordinated notes bear fixed rates of interest, the fair value of these instruments fluctuate with market interest rates. The fair value of the convertible subordinated notes is also impacted by the market price of our common stock.

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

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

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

Equity Price Risks

Our outstanding convertible subordinated notes are convertible into common stock at $13.50 per share. As stated above, we intend to repay our convertible subordinated notes upon maturity, unless converted. If investors were to decide to convert their convertible subordinated notes to common stock, there would be no impact on our future earnings, other than a reduction in interest expense, unless such conversion were induced by us.

d) RISK FACTORS

You should carefully consider the risks described below and other information contained in this report. Additional risks and uncertainties not presently known to us, or that we currently deem immaterial, may also impair our business operations. We cannot assure you that any of the events discussed in the risk factors below will not occur. If they do, our business, financial condition or results of operations could be materially adversely affected. In such case, the trading price of our securities could decline.

This report contains forward-looking statements made as of the date of this report regarding our expected performance that involve risks and uncertainties. Our actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks faced by us described below and elsewhere in this report.

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

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

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

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

RELATIONSHIP WITH ASI

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

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

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

Our wafer fabrication business depends on ASI providing wafer fabrication services on a cost effective and timely basis. If ASI were to significantly reduce or curtail its operations for any reason, or if our relationship with ASI were to be disrupted for any reason, our wafer fabrication business would be

harmed. We may not be able to identify and qualify alternate suppliers of wafer fabrication services quickly, if at all. In addition, we currently have no other qualified third party suppliers of wafer fabrication services and do not have any plans to qualify additional third party suppliers.

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

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

If we fail to complete our proposed acquisition of K1, K2 and K3, we will remain dependent on ASI for packaging and test services and will be unable to achieve any improvements in our results of operations that direct ownership of these facilities may bring. In connection with ASI's workout arrangement with its creditor banks, we may still be required to make an additional $108.4 million investment in ASI through 2002. If our proposed acquisition and investment are not consummated, ASI will continue to have a substantial amount of debt, as well as significant contingent liabilities under guarantees of affiliate debt, and will remain subject to the workout arrangement with its creditor banks. This in turn may adversely affect ASI's ability to continue to provide us with the packaging and test services, as well as wafer fabrication services, that we require for our business.

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

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

In October 1999, we purchased 10 million shares of ASI's voting stock at a price of W5,000 per share for approximately $41.6 million. As a result of this investment and the conversion of W98 billion (approximately $82 million) of ASI debt to equity by ASI's creditor banks, we now own approximately 18% of ASI's voting stock. If we complete our proposed private placement of Series A preferred stock and our proposed equity investment in ASI and ASI's creditor banks convert up to an additional W150 billion (approximately $132 million) of their ASI debt into common stock, our company will own approximately 43% of ASI's outstanding voting stock, and the Kim family's direct ownership of ASI's and our voting stock will be reduced to approximately 6% and 51%, respectively. Even though the Kim family's ownership of our company and ASI will be reduced, we believe that the Kim family will continue to exercise significant influence over our company and ASI and its affiliates. This could lead to conflicts of interest between our company and ASI or its affiliates. You should read "Our Acquisition of ASI's Packaging and Test Business and Investment in ASI" for more information on our relationship with ASI.

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

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

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

We depend on a small group of customers for a substantial portion of our net revenues. In 1997, 1998 and 1999, we derived 40.1%, 35.3% and 30.6%, respectively, of our net revenues from sales to our five largest packaging and test customers, with 23.4%, 20.6% and 14.1% of our net revenues, respectively, derived from sales to Intel Corporation. In addition, during 1998 and 1999, we derived 7.4% and 15.3%, respectively, of our net revenues from wafer fabrication services, and we derived substantially all of these revenues from Texas Instruments, Inc. Our ability to maintain close, satisfactory relationships with these customers is important to the ongoing success and profitability of our business. We expect that we will continue to be dependent upon a small number of customers for a significant portion of our revenues in future periods.

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

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

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

- regulatory limitations imposed by foreign governments;

- fluctuations in currency exchange rates;

- political risks;

- disruptions or delays in shipments caused by customs brokers or government agencies;

- unexpected changes in regulatory requirements, tariffs, customs, duties and other trade barriers;

- difficulties in staffing and managing foreign operations; and

- potentially adverse tax consequences resulting from changes in tax laws.

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

Risks Associated with Our Operations in Korea

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

Beginning in late 1997 and continuing into 1998, Korea experienced a severe foreign currency liquidity crisis that resulted in a significantly adverse economic environment and a material depreciation in the value of the Korean won relative to the U.S. dollar. The exchange rate as of December 31, 1996 was W844 to $1.00 as compared to W1,695 to $1.00 as of December 31, 1997, W1,195 to $1.00 as of December 31, 1998, W1,135 to $1.00 as of December 31, 1999 and W1,132 to $1.00 as of February 29, 2000. The depreciation of the won relative to the U.S. dollar increased the cost of importing goods and services into Korea. In addition, the value in won of Korea's public and private sector debt denominated in U.S. dollars and other foreign currencies also increased significantly. These developments in turn led to sharply higher domestic interest rates and reduced opportunities for refinancing or refunding maturing debts. As a result of these difficulties, financial institutions in Korea have limited their lending, particularly to highly leveraged companies. Future economic instability in Korea could have a material adverse effect on our company's and ASI's business and financial condition.

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

Risks Associated with Our Operations in the Philippines

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

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

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

OUR CAPITAL AND MANAGEMENT RESOURCES.

We intend to conduct due diligence and obtain representations from ASI in connection with our proposed acquisition of K1, K2 and K3. However, there may be additional hidden or contingent liabilities of K1, K2 and K3, relating to matters such as environmental problems, taxation, employee obligations, fraudulent conveyance and others, that will not have come to our attention prior to our acquisition. If such liabilities exist, our business and financial performance may suffer after the acquisition.

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

have adequate time and attention to devote to other aspects of our business, and those parts of our business could suffer.

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

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

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

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

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

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

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

Texas Instruments has transferred certain of its complementary metal oxide silicon ("CMOS") process technology to ASI, and ASI is dependent upon Texas Instruments' assistance for developing other state-of-the-art wafer manufacturing processes. In addition, ASI's technology agreements with Texas Instruments (the "Texas Instruments Technology Agreements") only cover .25 micron and .18 micron CMOS process technology. Texas Instruments has not granted ASI a license under Texas Instruments' patents to manufacture semiconductor wafers for third parties. Moreover, Texas Instruments has no obligation to transfer any next-generation technology to ASI. Our company's and ASI's businesses could be harmed if ASI cannot obtain new technology on commercially reasonable terms or ASI's relationship with Texas Instruments is disrupted for any reason.

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

We obtain from vendors the materials and equipment required for the packaging and test services performed by our factories. We source most of our materials, including critical materials such as leadframes and laminate substrates, from a limited group of suppliers. Furthermore, we purchase all of our materials on a purchase order basis and have no long-term contracts with any of our suppliers. Our business may be harmed if we cannot obtain materials and other supplies from our vendors: (1) in a timely manner, (2) in sufficient quantities, (3) in acceptable quality and (4) at competitive prices.

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

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

Technological advances also typically lead to rapid and significant price erosion and may make our existing products less competitive or our existing inventories obsolete. If we cannot achieve advances in package design and wafer fabrication technology or obtain access to advanced package designs and wafer fabrication technology developed by others, our business could suffer.

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

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

The independent wafer fabrication business is also highly competitive. Our wafer fabrication services compete primarily with independent semiconductor wafer foundries, including those of Chartered Semiconductor Manufacturing, Inc., Taiwan Semiconductor Manufacturing Company, Ltd. and United Microelectronics Corporation. Each of these companies has significant manufacturing capacity, financial resources, research and development operations, marketing and other capabilities and has been operating for some time. Many of these companies have also established relationships with many large semiconductor companies that are current or potential customers of our company.

If we cannot compete successfully in the future against existing or potential competitors, our operating results would suffer.

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

The semiconductor packaging process uses chemicals and gases and generates byproducts that are subject to extensive governmental regulations. For example, we produce liquid waste when silicon wafers are diced into chips with the aid of diamond saws, then cooled with running water. Federal, state and local

regulations in the United States, as well as environmental regulations in Korea and the Philippines, impose various controls on the storage, handling, discharge and disposal of chemicals used in our company's and ASI's manufacturing processes and on the factories occupied by our company and ASI.

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

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

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

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

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

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

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

As of February 29, 2000, Mr. James Kim and members of his family beneficially owned approximately 59% of our outstanding common stock. Mr. James Kim's family, acting together, will effectively control all matters submitted for approval by our stockholders. These matters include the approval of the acquisition of K1, K2 and K3 and could include:

- the election of all of the members of our Board of Directors;

- proxy contests;

- approvals of transactions between our company and ASI or other entities in which Mr. James Kim and members of his family have an interest, including transactions which may involve a conflict of interest;

- mergers involving our company;

- tender offers; and

- open market purchase programs or other purchases of our common stock.

e) CONSOLIDATED FINANCIAL STATEMENTS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amkor Technology, Inc.:

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

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

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

ARTHUR ANDERSEN LLP

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

AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT PER SHARE DATA)

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1998	1999

NET REVENUES	$1,455,761	$1,567,983	$1,909,972
COST OF REVENUES -- including purchases from ASI (Note 3)	1,242,669	1,307,150	1,577,226
GROSS PROFIT	213,092	260,833	332,746
OPERATING EXPENSES:			
Selling, general and administrative	103,726	119,846	145,233
Research and development	8,525	8,251	11,436
Total operating expenses	112,251	128,097	156,669
OPERATING INCOME	100,841	132,736	176,077
OTHER (INCOME) EXPENSE:			
Interest expense, net	32,241	18,005	45,364
Foreign currency (gain) loss	(835)	4,493	308
Other expense, net	8,429	9,503	25,117
Total other expense	39,835	32,001	70,789
INCOME BEFORE INCOME TAXES, EQUITY IN LOSS OF INVESTEES AND MINORITY INTEREST	61,006	100,735	105,288
PROVISION FOR INCOME TAXES	7,078	24,716	26,600
EQUITY IN LOSS OF INVESTEES	(17,291)	--	(1,969)
MINORITY INTEREST	(6,644)	559	--
NET INCOME	$ 43,281	$ 75,460	$ 76,719
PRO FORMA DATA (UNAUDITED):			
Historical income before income taxes, equity in loss of investees and minority interest	$ 61,006	$ 100,735	
Pro forma provision for income taxes	10,691	29,216	
Pro forma income before equity in loss of investees and minority interest	50,315	71,519	
Historical equity in loss of investees	(17,291)	--	
Historical minority interest	(6,644)	559	
Pro forma net income	$ 39,668	$ 70,960	
PER SHARE DATA:			
Basic net income per common share	$ .52	$ .71	$ .64
Diluted net income per common share	$ .52	$ .70	$ .63
Basic pro forma net income per common share (unaudited)	$ .48	$ .67	
Diluted pro forma net income per common share (unaudited)	$ .48	$ .66	
Shares used in computing basic (proforma for 1997 and 1998) net income per common share	82,610	106,221	119,341
Shares used in computing diluted (proforma for 1997 and 1998) net income per common share	82,610	116,596	135,067

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS)

	DECEMBER 31,	
	1998	1999

ASSETS

CURRENT ASSETS:		
Cash and cash equivalents	$ 227,587	$ 98,045
Short-term investments	1,000	136,595
Accounts receivable --		
Trade, net of allowance for doubtful accounts of $5,952 and $2,443	109,243	157,281
Due from affiliates	25,990	6,278
Other	5,900	6,469
Inventories	85,628	91,465
Other current assets	16,687	11,117
Total current assets	472,035	507,250
PROPERTY, PLANT AND EQUIPMENT, net	416,111	859,768
INVESTMENTS	25,476	63,672
OTHER ASSETS:		
Due from affiliates	28,885	27,858
Intangible assets	26,158	233,532
Other	34,932	63,009
	89,975	324,399
Total assets	$1,003,597	$1,755,089
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Bank overdraft	$ 13,429	$ 16,209
Short-term borrowings and current portion of long-term debt	38,657	6,465
Trade accounts payable	96,948	122,147
Due to affiliates	15,722	37,913
Accrued expenses	77,004	88,577
Accrued income taxes	38,892	41,587
Total current liabilities	280,652	312,898
LONG-TERM DEBT	14,846	9,021
SENIOR AND SENIOR SUBORDINATED NOTES	--	625,000
CONVERTIBLE SUBORDINATED NOTES	207,000	53,435
OTHER NONCURRENT LIABILITIES	10,738	16,994
COMMITMENTS AND CONTINGENCIES (Note 17)		
STOCKHOLDERS' EQUITY:		
Common stock	118	131
Additional paid-in capital	381,061	551,964
Retained earnings	109,738	189,733
Receivable from stockholder (Note 12)	--	(3,276)
Accumulated Other Comprehensive Income:		
Unrealized losses on investments	(556)	(811)
Total stockholders' equity	490,361	737,741
Total liabilities and stockholders' equity	$1,003,597	$1,755,089

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS)

	COMMON STOCK	ADDITIONAL PAID-IN CAPITAL	RETAINED EARNINGS	RECEIVABLE FROM STOCKHOLDER	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL	COMPREHENSIVE INCOME

BALANCE AT JANUARY 1, 1997	$ 46	$ 16,770	$ 32,340	$	$(3,344)	$ 45,812	
Net income	--	--	43,281	--	--	43,281	$43,281
Unrealized gains on investments	--	--	--	--	1,586	1,586	1,586
Currency translation adjustments	--	--	--	--	1,095	1,095	1,095
Comprehensive income (Note 12)							45,962
Distributions	--	--	(5,000)	--	--	(5,000)	
Change in division equity account	--	4,101	--	--	--	4,101	
BALANCE AT DECEMBER 31, 1997	46	20,871	70,621	--	(663)	90,875	
Net income	--	--	75,460	--	--	75,460	75,460
Unrealized losses on investments	--	--	--	--	(556)	(556)	(556)
Currency translation adjustments, re-classification for loss included in net income	--	--	--	--	663	663	663
Comprehensive income (Note 12)	--	--	--	--	--	--	75,567
Distributions	--	--	(33,100)	--	--	(33,100)	
Issuance of 35,250,000 common shares in public offering, net	35	360,228	--	--	--	360,263	
Acquisition of AKI	(1)	--	(3,243)	--	--	(3,244)	
Change in par value of stock in connection with Company Reorganization	38	(38)	--	--	--	--	
BALANCE AT DECEMBER 31, 1998	118	381,061	109,738	--	(556)	490,361	
Net income	--	--	76,719	--	--	76,719	76,719
Unrealized (losses) on investments, net of tax	--	--	--	--	(255)	(255)	(255)
Comprehensive income (Note 12)							$76,464
Issuance of stock through employee stock purchase plan and stock options	--	3,875	--	--	--	3,875	
Receivable from Stockholder (Note 12)	--	--	3,276	(3,276)	--	--	
Debt conversion (Note 9)	13	167,028	--	--	--	167,041	
BALANCE AT DECEMBER 31, 1999	$131	$551,964	$189,733	$(3,276)	$ (811)	$737,741	

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)

	FOR THE YEAR ENDED DECEMBER 31,		
	1997	1998	1999
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 43,281	$ 75,460	$ 76,719
Adjustments to reconcile net income to net cash provided by operating activities --			
Depreciation and amortization	81,864	118,022	176,866
Amortization of deferred debt issuance costs	--	1,217	3,466
Debt conversion expense	--	--	17,381
Provision for accounts receivable	3,490	1,719	(3,500)
Provision for excess and obsolete inventory	12,659	7,200	6,573
Deferred income taxes	(11,715)	1,250	9,418
Equity in loss of investees	16,779	--	4,591
(Gain) loss on sale of fixed assets and investments	(239)	2,500	1,805
Minority interest	(6,644)	559	--
Changes in assets and liabilities excluding effects of acquisitions --			
Accounts receivable	(19,802)	4,742	(44,526)
Proceeds from sale/(repurchase of) accounts receivable	90,700	(16,500)	(2,700)
Other receivables	1,547	(1,021)	(555)
Inventories	(26,609)	23,042	(12,063)
Due to/from affiliates, net	(19,138)	(11,117)	35,403
Other current assets	(7,239)	6,709	1,601
Other non-current assets	3,322	(8,061)	(15,088)
Accounts payable	60,939	(12,489)	27,474
Accrued expenses	13,817	33,489	13,117
Accrued income taxes	14,130	11,924	2,695
Other long-term liabilities	(1,089)	(685)	(5,380)

Net cash provided by operating activities	250,053	237,960	293,297
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property, plant and equipment	(178,990)	(107,889)	(242,390)
Acquisition of K4	--	--	(575,000)
Acquisition of minority interest in AAP	--	(33,750)	--
Acquisition of AKI	--	(3,244)	--
Acquisition of AAPMC	--	--	(2,109)
Sale of property, plant and equipment	1,413	121	--
Proceeds from the sale/(purchase) of investments	(15,187)	(18,550)	(135,595)
Investment in ASI	--	--	(41,638)
Net cash used in investing activities	(192,764)	(163,312)	(996,732)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net change in bank overdrafts and short-term borrowings	52,393	(173,565)	(24,264)
Net proceeds from issuance of 35,250,000 common shares in public offering	--	360,263	--
Proceeds from issuance of stock through employee stock purchase plan and stock options	--	--	3,875
Proceeds from issuance of Anam USA, Inc. debt	1,408,086	522,116	--
Payments of Anam USA, Inc. debt	(1,443,464)	(658,029)	--
Net proceeds from issuance of long-term debt	11,389	203,170	603,569
Payments of long-term debt	(43,541)	(158,833)	(9,287)
Distributions to stockholders	(5,000)	(33,100)	--
Change in division equity account	4,101	--	--
Net cash provided by (used in) financing activities	(16,036)	62,022	573,893
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,253	136,670	(129,542)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	49,664	90,917	227,587
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 90,917	$ 227,587	$ 98,045
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid during the period for:			
Interest	$ 37,070	$ 27,730	$ 45,500
Income taxes	$ 3,022	$ 12,908	$ 13,734

The accompanying notes are an integral part of these statements.

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND DOLLAR PER SHARE DATA)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

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

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

Reorganization

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

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

- T.L. Limited ("TLL") (a British Cayman Island Corporation) and its Philippine subsidiaries, Amkor Anam Advanced Packaging, Inc. ("AAAP") (wholly-owned) and Amkor/Anam Pilipinas, Inc. ("AAP"), which was owned 60% by TLL and 40% by ASI (which changed its name in 1998 from Anam Industrial Co., Ltd.) (-- see Note 3), and its wholly-owned subsidiary Automated MicroElectronics, Inc. ("AMI");

- C.I.L., Limited ("CIL") (a British Cayman Islands Corporation) and its wholly-owned subsidiary Amkor/Anam Euroservices S.A.R.L. ("AAES") (a French Corporation);

- Amkor Anam Test Services, Inc. (a U.S. Corporation);

- The semiconductor packaging and test business unit of Chamterry Enterprises, Ltd. ("Chamterry"). During 1997 Chamterry transferred its customers to AEI and CIL and ceased operations of its semiconductor and test business unit; and

- AKI (a U.S. Corporation) and its wholly-owned subsidiary, Amkor-Anam, Inc. (a U.S. Corporation).

Prior to the Reorganization, all of the Amkor Companies were substantially wholly owned by Mr. and Mrs. James Kim or entities controlled by members of Mr. James Kim's immediate family (the

"Founding Stockholders"), except for AAP which was 40% owned by ASI and one third of AEI and all of AKI which were owned by trusts established for the benefit of other members of Mr. James Kim's family ("Kim Family Trusts"). The Amkor Companies were an interdependent group of companies involved in the same business under the direction of common management. ATI was formed in September 1997 to facilitate the Reorganization and consolidate the ownership of the Amkor Companies. In connection with the Reorganization, AEI was merged into ATI. Amkor International Holdings ("AIH"), a Cayman Islands holding company, became a wholly owned subsidiary of ATI. AIH was formed to hold the following entities: First Amkor Caymans, Inc. ("FACI"), which was formed to hold AAAP, AAP and its subsidiary AMI, TLL and its subsidiary CIL and CIL's subsidiary AAES. The relative number of shares of common stock issued by the Company in connection with each of the transactions comprising the Reorganization was based upon the relative amounts of stockholders' equity at December 31, 1997. On April 14, 1998, Mr. and Mrs. James Kim and the Kim Family Trusts received two-thirds (9,746,760 shares) and one-third (4,873,380 shares) of the ATI common stock then outstanding, respectively. On April 29, 1998, ATI issued 67,989,851 shares of common stock, representing approximately 82% of its shares immediately after the Reorganization, in exchange for all of the outstanding shares of AIH and its subsidiaries. Of such shares, 27,528,234 shares and 36,376,617 shares were gifted to Mr. and Mrs. James Kim and the Kim Family Trusts, respectively, such that Mr. and Mrs. James Kim and the Kim Family Trusts owned 45.1% and 49.9%, respectively, of the ATI common shares outstanding after the Reorganization. Following such transactions the Founding Stockholders beneficially owned a majority of the outstanding shares of ATI common stock. In addition, ATI acquired all of the stock of AKI from the Kim Family Trusts for approximately $3,000. The merger of AEI and ATI, the creation of AIH and FACI, the issuance of ATI common stock for AIH and the acquisition of AKI are collectively referred to as the Reorganization.

Nature of Operations

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

Concentrations of Credit Risk

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

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

The Company has mitigated its credit risk with respect to cash and cash equivalents, as well as Trading Securities, through diversification of its portfolio of holdings into various money market accounts, U.S. treasury bonds, federal mortgage backed securities, high grade municipal bonds, commercial loans and preferred stocks. At December 31, 1998 and 1999, the Company maintained approximately $35,000 and $183,000, respectively, in high grade municipal bonds, commercial loans and preferred stocks, with the largest individual investment balance of approximately $10,000 and $12,000, respectively.

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

Significant Customers

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

Risks and Uncertainties

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

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

Foreign Currency Translation

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

Cash and Cash Equivalents

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

Accounts Receivable

At December 31, 1998 and 1999, trade accounts receivable represent the Company's interest in receivables in excess of amounts purchased by banks under an accounts receivable sale agreement (see Note 4). Of the total net trade accounts receivable amount at December 31, 1998 and 1999, $22,488 and $36,880, respectively, relates to the trade accounts receivable of CIL which were not sold under the accounts receivable sale agreement.

Inventories

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

Property, Plant and Equipment

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

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

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

Intangible Assets

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

Goodwill is amortized on a straight-line basis over a period of ten years which is the estimated future period to be benefited by the acquisitions. The unamortized balance of goodwill at December 31, 1998 and 1999 was $24,596 and $232,350, respectively.

Other Noncurrent Assets

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

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

Other Noncurrent Liabilities

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

Stock Compensation Plans

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

Income Taxes

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

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

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

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

Revenue Recognition and Risk of Loss

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

Research and Development Costs

Research and development costs are charged to expense as incurred.

Use of Estimates in the Preparation of Financial Statements

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

Recently Issued Accounting Standards

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

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

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

Reclassifications

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

2. INITIAL PUBLIC OFFERING

On May 6, 1998, the Company completed its Initial Public Offering of 30,000,000 shares of its common stock at a price to the public of $11.00 per share and $180,000 aggregate principal amount of Convertible Notes ("Initial Public Offering"). Also, on May 8, 1998, the Company sold 5,250,000 additional shares of its common stock and $27,000 additional principal amounts of

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

3. RELATIONSHIP WITH ANAM SEMICONDUCTOR INC.

In December 1999 the Company announced that it was in discussions with ASI to purchase it's three remaining packaging and test factories, known as K1, K2 and K3 combined with an additional equity investment in ASI. In February 2000, the Company announced that it had reached an agreement with ASI to purchase K1, K2 and K3 for $950,000 and committed to make an additional equity investment in ASI of approximately $459,000. The commitment to make this equity investment supersedes the existing commitment to ASI to purchase $150,000 in equity, previously agreed to as part of the terms of ASI's Workout (as defined below) excluding the $42,600 already invested in October 1999. The Company expects to complete the purchase of K1, K2 and K3 and investment in ASI during the second quarter of 2000. To complete the transaction with ASI, the Company intends to use existing cash and raise approximately $425,000 in convertible subordinated notes, $600,000 in secured bank term debt and $410,000 in private equity financing. If we make the additional $459,000 investment in the common stock of ASI and the Creditor banks convert W150 billion (approximately $132,000) of debt to common stock of ASI, the Company's and the Creditor banks' ownership in ASI voting stock will be approximately 43% and 34%, respectively.

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

In October 1999, the Company acquired 10,000,000 shares of ASI common stock for approximately $41,600 (W50,000,000,000) representing the Company's first installment of its commitment to invest in ASI over a four year period in connection with ASI's Workout. The remaining portion of the obligation will be canceled under the terms of the agreement to purchase K1, K2 and K3. The Company owns 18% of ASI's common stock and members of the Kim family own 11%. As a result of this ownership, and the relationship with ASI, the Company follows the equity method of accounting for its investment in ASI.

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

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

	1997	1998	1999
SUMMARY INCOME STATEMENT INFORMATION:			
Sales..	$ 406,937	$ 221,098	$ 285,925
Income (loss)from continuing operations..........	$ (102,039)	$ (957,165)	$ (169,759)
Net income (loss)...............................	$ 41,430	$ (847,533)	$ 109,865

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

SUMMARY BALANCE SHEET INFORMATION:			
Total assets	$2,922,114	$1,878,950	$1,487,469
Total liabilities	$2,662,612	$2,477,323	$1,785,219

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- The creditor banks will allow ASI to defer repayment on principal of ordinary loans until December 31, 2003. After December 31, 2003, bank loans with repayment terms will be payable through readjustment of repayment schedules on the basis of the repayment period as of October 24, 1998. For loans without repayment terms the schedule to repay principal amounts will be determined by ASI and the creditor banks at the end of such period.

- The creditor banks will allow ASI to defer repayment of principal under capital leases until December 31, 1999, with payments of principal to resume under a 7 year installment plan thereafter.

- The creditor banks will allow ASI to roll over the maturity of its Won-denominated debentures held by the creditor banks for an additional three year term after currently scheduled maturity dates.

- The creditor banks will allow ASI to make no interest payments on ordinary loans until December 31, 1999. The creditor banks will add accrued interest to the principal amounts of these loans every three months.

- The creditor banks will reduce interest rates on ASI's remaining outstanding Won-denominated ordinary bank loans to 10% or the prime rate of each creditor bank, whichever is greater. This would reduce ASI's weighted average interest rate from 12.9% before the Workout to 10.5% after the Workout.

- The creditor banks will give ASI a five year grace period until December 31, 2003 against enforcement of guarantees made by ASI for liabilities of ASI's affiliates. In addition, interest will not accrue on guaranteed obligations during the five year period.

- The creditor banks will provide to ASI a short-term loan of W50 billion at the prime rate plus 1%, to be repaid with proceeds from the sale of K4.

- The creditor banks will convert W250 billion ($208,000, using the December 31, 1998 exchange rate of W1,207 to $1.00) of ASI debt held by the creditor banks into: (1) W122.3 billion ($102,000 using the December 31, 1998 exchange rate) in equity shares of ASI, (2) W108.1 billion ($90,000 using the December 31, 1998 exchange rate) in five-year non-interest bearing convertible debt and (3) W19.6 billion ($16,000) in non-interest bearing loans. The conversion would take place in installments over four years and at a conversion rate equal to W5,000 per share, the par value of ASI's common stock. In order for the initial conversion of debt to take place in accordance with the terms of the Workout, ASI will have to undergo a series of corporate actions, including a reverse stock split to bring the fair market value of its equity shares to a price at least equal to the par value of such shares. The creditor banks would time their conversions of ASI debt to coincide with equity investments made in ASI by a third-party foreign investor company, in the aggregate amount of $150,000 over a four year period.

The conversion of debt by the creditor banks was contingent on the Company's commitment to invest $150,000 in ASI equity over a four-year period. The Company has agreed to make an investment of $41,000 in 1999 and, assuming certain additional conditions are met, invest an additional $109,000 between years 2000 and 2002. As a result of the commitment to invest, ASI agreed to reduce the K4 purchase price from $607,000 to $582,000. The Company's commitment to ASI's creditor banks committing to an investment in ASI is contingent upon the continuation of the Workout plan as approved, the continued effectiveness of the Supply Agreements with ASI and coordination of proposed equity investments with the conversion by the creditor banks of their ASI debt to equity. The commitment letter provides that upon meeting these conditions, the Company would invest $41,000 in 1999, 2000, and 2001 with a final investment of $27,000 in 2002. The Company would purchase the ASI shares at W5,000 per share. Since the commitment is in U.S. dollars, the number of shares the Company would purchase will vary based on the exchange rate of Korean won to U.S. dollars.

Assuming the creditor banks and ASI finalize and implement the Workout under its original terms, the relative equity of ownership of ASI among the creditor banks, the Kim family and the Company would be approximately 45%, 6% and 32%, respectively (assuming an exchange rate of W1,135 to $1.00 and without any future sales of ASI stock by these parties).

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

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

4. ACCOUNTS RECEIVABLE SALE AGREEMENT

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

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

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

5. INVENTORIES

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

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

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

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

7. INVESTMENTS

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

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

In October, 1999, the Company acquired 10,000,000 shares of ASI common stock for approximately $41,600 (W50,000,000,000) representing the Company's first installment of its planned investments in ASI over a four year period in connection with ASI's Workout (see Note 3).

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

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

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

	1997
SUMMARY INCOME STATEMENT INFORMATION:	
Sales	$ 406,937
Net income	$ 41,430
SUMMARY BALANCE SHEET INFORMATION:	
Total assets	$2,922,114
Total liabilities	$2,662,612

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

8. SHORT-TERM CREDIT FACILITIES

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

9. DEBT

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

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

	DECEMBER 31,	
	1998	1999
Short-term borrowings (see Note 8)	$ 30,430	$ 3,386
Senior notes, 9.25%, due May 2006 (See Note 3)	--	425,000
Senior subordinated notes, 10.5%, due May 2009 (See Note 3)	--	200,000
Convertible subordinated notes, 5.75%, due May 2003 (See Note 2)	207,000	53,435
Note payable, interest at bank's prime (8.8% at December 31, 1999), due in installments with balance due April 2004	12,747	11,472
Note payable, interest at LIBOR plus annual spread (10.25% at December 31, 1998), due in installments with balance due November 1999	7,000	--
Other, primarily capital lease obligations and other debt	3,326	628
	260,503	693,921
Less -- Short-term borrowings and current portion of long-term debt	(38,657)	(6,465)
	$221,846	$687,456

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

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

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

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

	AMOUNT
2000	$ 3,079
2001	2,647
2002	2,549
2003	2,549

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

2004	1,276
Thereafter	--
Total	$12,100

10. EMPLOYEE BENEFIT PLANS

U.S. Defined Contribution Plan

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

Philippine Pension Plan

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

During 1998, the Company adopted SFAS No. 132 "Employers' Disclosures about Pensions and Other Postretirement Benefits." The provisions of SFAS No. 132 revise employers' disclosures about pensions and other postretirement benefit plans. It does not change the measurement or recognition of this plan.

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

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

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

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

	1998	1999
Change in projected benefit obligation:		
Projected benefit obligation at beginning of year	$10,428	$13,567
Service cost	1,618	2,153
Interest cost	1,209	1,563
Actuarial loss/(gain)	194	(356)
Foreign exchange(gain)/loss	348	(388)
Benefits paid	(230)	(1,155)

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

Projected benefit obligation at end of year	13,567	15,384
Change in plan assets:		
Fair value of plan assets at beginning of year	6,614	8,204
Actual return on plan assets	(461)	2,107
Employer contribution	2,137	1,748
Foreign exchange (gain)/loss	144	(235)
Benefits paid	(230)	(1,155)
Fair value of plan assets at end of year	8,204	10,669
Funded status:		
Projected benefit obligation in excess of plan assets	5,363	4,715
Unrecognized actuarial loss	(2,546)	(1,011)
Unrecognized transition obligation	(906)	(826)
Accrued pension costs	$ 1,911	$ 2,878

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

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

11. INCOME TAXES

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

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

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

FOR THE YEAR ENDED DECEMBER 31,

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

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

The Company has structured its global operations to take advantage of lower tax rates in certain countries and tax incentives extended to encourage investment. AAAP has a tax holiday in the Philippines which expires at the end of 2002. Foreign exchange (losses)/gains recognized for income taxes relate to unrecognized net foreign exchange (losses)/gains on U.S. dollar denominated monetary assets and liabilities. These (losses)/gains, which are not recognized for financial reporting purposes as the U.S. dollar is the functional currency (see Note 1), result in deferred tax assets that will be realized, for Philippine tax reporting purposes, upon settlement of the related asset or liability. The net deferred tax asset related to these losses increased in 1997 as a result of the dramatic devaluation of the Philippine peso relative to the U.S. dollar. These assets decreased in 1998 and 1999 as they were realized for Philippine tax reporting purposes. The Company's ability to utilize these assets depends on the timing of the

settlement of the related assets or liabilities and the amount of taxable income recognized within the Philippine statutory carryforward limit of three years. During 1999, AAP reversed a valuation allowance established in prior years for a portion of the related deferred tax assets. During 1999, AAP realized all foreign net operating loss carryforwards established in 1998. In addition, minimum corporate income tax credits of $1,182 reversed to offset current foreign tax obligations.

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

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

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

Net deferred tax asset..............................	$ 14,013	$ 12,763	$ 3,345
	========	========	=======

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

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

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

The Company's tax returns have been examined through 1995 in the Philippines and through 1994 in the U.S. The tax returns for open years are subject to changes upon final examination. Changes in the mix of income from the Company's foreign subsidiaries, expiration of tax holidays and changes in tax laws or regulations could result in increased effective tax rates for the Company.

12. STOCKHOLDERS' EQUITY

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

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

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

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

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

13. EARNINGS PER SHARE

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

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

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

amounts for the years ended December 31, 1998 and 1999 as well as the Company's basic proforma and diluted proforma per share amounts for the year ended December 31, 1998 are calculated as follows:

	EARNINGS (NUMERATOR)	WEIGHTED AVERAGE SHARES (DENOMINATOR)	PER SHARE AMOUNT
Earnings per Share -- Year Ended December 31, 1998			
Basic earnings per share	$75,460	106,221,000	$0.71
Impact of Convertible Notes	5,672	10,334,000	
Dilutive effect of options	--	41,000	
Diluted earnings per share	$81,132	116,596,000	$0.70
Pro forma Earnings per Share -- Year Ended December 31, 1998 (unaudited)			
Basic pro forma earnings per share	$70,960	106,221,000	$0.67
Impact of Convertible Notes	5,672	10,334,000	
Dilutive effect of options	--	41,000	
Diluted pro forma earnings per share	$76,632	116,596,000	$0.66
Earnings per Share -- Year Ended December 31, 1999			
Basic earnings per share	$76,719	119,341,000	$0.64
Impact of Convertible Notes	8,249	14,228,000	
Dilutive effect of options	--	1,498,000	
Diluted earnings per share	$84,968	135,067,000	$0.63

14. STOCK COMPENSATION PLANS

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

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

1998 Stock Plan. The Company's 1998 Stock Plan (the "1998 Plan") generally provides for the grant to employees, directors and consultants of stock options and stock purchase rights. The 1998 Plan was adopted by the Board of Directors in January 1998 and was approved by the Company's stockholders in April 1998. Unless terminated sooner, the 1998 Plan will terminate automatically in January 2008. The

maximum aggregate number of shares which may be optioned and sold under the 1998 Plan is 5,000,000 plus an annual increase to be added on each anniversary date of the adoption of the 1998 Plan.

Unless determined otherwise by the Board of Directors or a committee appointed by the Board of Directors, options and stock purchase rights granted under the 1998 Plan are not transferable by the optionee. Generally, the exercise price of all stock options granted under the 1998 Plan must be at least equal to the fair market value of the shares on the date of grant. In general, the options granted will vest over a four year period and the term of the options granted under the 1998 Plan may not exceed ten years. As of December 31, 1999, there were 4,775,098 options outstanding under the 1998 Plan.

1998 Stock Option Plan for French Employees. The 1998 Stock Option Plan for French Employees (the "French Plan") was approved by the Board of Directors in April 1998. Unless terminated sooner, the French Plan will continue in existence for 5 years. The French Plan provides for the granting of options to employees of the Company's French subsidiaries (the "French Subsidiaries"). A total of 250,000 shares of Common Stock have been reserved for issuance under the French Plan plus an annual increase to be added on each anniversary date of the adoption of the French Plan. In general, stock options granted under the French Plan vest over a four year period, the exercise price for each option granted under the French Plan shall be 100% of the fair market value of the shares of Common Stock on the date the option is granted and the maximum term of the option must not exceed ten years. Shares subject to the options granted under the French Plan may not be transferred, assigned or hypothecated in any manner other than by will or the laws of descent or distribution before the date which is five years after the date of grant. As of December 31, 1999, there were 200,450 options outstanding under the French Plan.

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

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

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

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

	OUTSTANDING		EXERCISABLE		
	SHARES	WEIGHTED AVERAGE PRICE	SHARES	WEIGHTED AVERAGE PRICE	WEIGHTED AVERAGE REMAINING LIFE (YEARS)
Options with Exercise Price of:					
$16.56 - $28.25	223,950	$18.73	--	--	9.79
$10.00 - $11.00	3,035,405	$10.98	1,148,538	$11.00	8.37
$ 8.06 - $ 9.63	1,083,050	$ 9.06	10,000	$9.14	9.33
$ 5.66 - $ 7.97	723,143	$ 5.67	205,106	$5.66	8.85
Options outstanding at December 31, 1999	5,065,548		1,363,644		

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

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

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

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

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

an option on the first day of an offering period, and shares of Common Stock will be automatically purchased on the last date of each offering period. The purchase price of the Common Stock under the Purchase Plan will be equal to 85% of the lesser of the fair market value per share of Common Stock on the start date of the offering period or on the purchase date. Employees may end their participation in an offering period at any time, and participation ends automatically on termination of employment with the Company. The Purchase Plan will terminate in January 2008, unless sooner terminated by the Board of Directors.

Under the Purchase Plan, for the offering periods ending April 30, 1999 and October 31, 1999, the Company sold 399,310 and 187,445 shares, respectively. In addition, the Company has withheld $540 through payroll deductions as of December 31, 1999. The fair market value per share of the Company's common stock was $4.56 on October 1, 1998, the start date of the first offering period, $9.53 on May 1, 1999 and $21.31 on November 1, 1999. The fair values of the purchase rights granted for the offering periods beginning October 1, 1998, May 1, 1999 and November 1, 1999 were $1.29, $3.21, and $6.99 respectively, which was estimated using the Black Scholes option pricing model with the following assumptions: expected option term -- 7 months for the offering period beginning October 1, 1998 and 6 months for the other offering periods; stock price volatility factor -- 47% and 75% for the offering period beginning October 1, 1998 and

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

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

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

15. RELATED-PARTY TRANSACTIONS

At December 31, 1997, the Company owned 8.1% of the outstanding stock of ASI (see Note 7), and ASI owned 40% of AAP. On February 16, 1998, the Company sold its investment in ASI common stock for $13,863 to AK Investments, Inc.

based on the market value of ASI shares on the Korean Stock

Exchange. On June 1, 1998 the Company purchased ASI's interest in AAP for approximately $34,000 (see Note 18).

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

To facilitate capacity expansion for new product lines, certain customers advanced the Company funds to purchase certain equipment to fulfill such customers forecasts. In certain cases, the customer has requested that the equipment be installed in the ASI factories. In these cases, the Company receives funds from the customer and advances the funds to ASI. ASI in turn purchases the necessary equipment. ASI repays the Company through a reduction of the monthly processing charges related to the customer product being assembled. The Company will reduce its obligation to the customer through a reduction in the accounts receivable, due from the customer, at the time services are billed. As of December 31, 1998 and 1999 this amount was approximately $2,600 and $1,141, respectively.

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

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

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

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

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

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

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate methodologies; however, considerable judgment is required in interpreting market data to develop the estimates for fair value. Accordingly, these estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Certain of these financial instruments are with major financial institutions and expose the Company to market and credit risks and may at times be concentrated with certain counterparties or groups of counterparties. The creditworthiness of counterparties is continually reviewed, and full performance is anticipated.

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

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

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

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

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

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

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(U.S. DOLLAR AMOUNTS IN THOUSANDS, EXCEPT SHARE AND DOLLAR PER SHARE DATA)

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

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

17. COMMITMENTS AND CONTINGENCIES

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

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

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

2000	$ 9,736
2001	8,633
2002	5,966
2003	5,139
2004	3,940
Thereafter	77,312
Total (net of minimum sublease income of $3,862)	$110,726

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

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

18. ACQUISITIONS

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

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

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

19. SEGMENT INFORMATION

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

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

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

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

The accounting policies for segment reporting are the same as those described in Note 1 of Notes to Consolidated Financial Statements. The Company evaluates its operating segments based on operating income.

Summarized financial information concerning the Company's reportable segments is shown in the following table. The "Other" column includes the elimination of inter-segment balances and corporate assets which include cash and cash equivalents, non-operating balances due from affiliates, investment in ASI and TSTC (see Note 6) and other investments.

	PACKAGING AND TEST	WAFER FABRICATION	OTHER	TOTAL
Year ended December 31, 1999:				
Net Revenues	$1,617,235	$292,737	$ --	$1,909,972
Gross Profit	$ 303,467	$ 29,279	$ --	$ 332,746
Operating Income	$ 158,283	$ 17,794	$ --	$ 176,077
Depreciation and Amortization	$ 178,771	$ 1,561	$ --	$ 180,332
Capital Expenditures	$ 603,173	$ 2,536	$ --	$ 605,709
Total Assets	$1,391,105	$ 37,011	$326,973	$1,755,089
Year ended December 31, 1998:				
Net Revenues	$1,452,285	$115,698	$ --	$1,567,983
Gross Profit	$ 243,479	$ 17,354	$ --	$ 260,833
Operating Income	$ 124,462	$ 8,274	$ --	$ 132,736
Depreciation and Amortization	$ 118,676	$ 563	$ --	$ 119,239
Capital Expenditures	$ 102,142	$ 5,747	$ --	$ 107,889
Total Assets	$ 655,695	$ 65,941	$281,961	$1,003,597

	PACKAGING AND TEST	WAFER FABRICATION	OTHER	TOTAL

Year ended December 31, 1997:				
Net Revenues..........................	$1,455,761	$ --	$ --	$1,455,761
Gross Profit..........................	$ 213,092	$ --	$ --	$ 213,092
Operating Income......................	$ 104,903	$ (4,062)	$ --	$ 100,841
Depreciation and Amortization.........	$ 81,770	$ 94	$ --	$ 81,864
Capital Expenditures..................	$ 176,858	$ 2,132	$ --	$ 178,990
Total Assets..................	$ 703,662	$ 2,068	$149,862	$ 855,592

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

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

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

	PROPERTY, PLANT AND EQUIPMENT		
	1997	1998	1999
United States..	37,845	48,851	48,438
Philippines..	388,653	366,717	448,644
Korea..	--	--	362,144
Other foreign countries..................................	563	543	542
Consolidated...	427,061	416,111	859,768

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

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

20. PRO FORMA ADJUSTMENTS (UNAUDITED)

Statement of Income

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

AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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21. SUBSEQUENT EVENT

On February 28, 2000 the company announced a definitive agreement with ASI to acquire ASI's three remaining packaging and test facilities and to make additional equity investments in ASI. See Note 3.

REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

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

/s/ SAMIL ACCOUNTING CORPORATION

Seoul, Korea
January 15, 2000

REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying statements of net assets of the Seongsu, Pucheon and Pupyong Packaging Businesses of Anam Semiconductor, Inc. (the "Seongsu, Pucheon and Pupyong Packaging Businesses" and "Anam") as of December 31, 1999 and 1998 and the related statements of operations, changes in net assets and cash flows for the years ended December 31, 1999, 1998 and 1997. These financial statements are the responsibility of the Seongsu, Pucheon and Pupyong Packaging Businesses' management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Seongsu, Pucheon and Pupyong Packaging Businesses as of December 31, 1999 and 1998 and the results of their operations and their cash flows for the years ended December 31, 1999, 1998 and 1997, in conformity with generally accepted accounting principles in the United States of America.

As discussed in Note 1 to the accompanying financial statements, the Seongsu, Pucheon and Pupyong Packaging Businesses' revenues are generated primarily from semiconductor packaging and test services provided to Amkor Technology Inc. ("Amkor") pursuant to supply agreements. The Seongsu, Pucheon and Pupyong Packaging Businesses are dependent upon this support from Amkor.

As discussed in Note 3 to the accompanying financial statements, the operations of the Seongsu, Pucheon and Pupyong Packaging Business, and those of similar companies in the Republic of Korea, have been significantly affected, and may continue to be affected for the foreseeable future, by the general adverse economic condition in the Republic of Korea and in the Asia Pacific region.

As more fully described in Note 4 to the accompanying financial statements, on October 23, 1998, Anam entered into the Korean financial restructuring program known as the "Workout Program". The Workout Program is the result of an accord among financial institutions to assist in the restructuring of Korean business enterprises and does not involve the judicial system. On February 23, 1999, Anam was granted certain economic concessions through the Workout Program which was approved by its creditors committee.

/s/ SAMIL ACCOUNTING CORPORATION

Seoul, Korea
January 25, 2000, except as to Note 14,
which is as of February 28, 2000

SEONGSU, PUCHEON AND PUPYONG PACKAGING BUSINESSES
OF ANAM SEMICONDUCTOR, INC.

STATEMENTS OF NET ASSETS

	THOUSANDS OF U.S. DOLLARS	
	AS OF DECEMBER 31,	
	1999	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ --	$ --
Due from corporate, current	277,918	70,151
Accounts and notes receivable		
Trade, net of allowance for doubtful accounts	3,416	4,907
Due from affiliates, net of allowance for doubtful accounts	26,844	5,826
Other	3,653	3,480
Inventories	7,984	6,190
Advances	1,281	1,113
Prepaid expenses and other current assets	1,154	601
Deferred taxes, current	231	1,482

Total current assets	322,481	93,750
Property, plant and equipment, net	404,384	498,555
Due from corporate, non-current	277	1,622
Deferred taxes, non-current	41,656	60,531
Other	4,953	7,013
Total assets	773,751	661,471

LIABILITIES

CURRENT LIABILITIES:		
Corporate borrowings, current	14,788	37,253
Trade accounts payable	28,298	9,557
Other accounts payable	23,062	3,467
Accrued expenses	11,098	33,112
Other current liabilities	2,747	3,876
Total current liabilities	79,993	87,265
Corporate borrowings, non-current	124,294	160,032
Accrued severance benefits, net	45,122	48,849
Total liabilities	249,409	296,146
Commitments and contingencies		
NET ASSETS	$524,342	$365,325

The accompanying notes are an integral part of these financial statements.

SEONGSU, PUCHEON AND PUPYONG PACKAGING BUSINESSES
OF ANAM SEMICONDUCTOR, INC.

STATEMENTS OF OPERATIONS

	THOUSANDS OF U.S. DOLLARS		
	FOR THE YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Sales	$435,659	$409,929	$599,575
Cost of sales	289,233	283,995	408,435
Gross profit	146,426	125,934	191,140
Operating expenses:			
Selling and administrative	16,120	34,567	45,850
Research and development	3,383	1,267	1,894
Operating income	126,923	90,100	143,396
Non-operating income (expense):			
Interest income (expense), net	19,091	(15,882)	(5,508)
Foreign exchange gains (losses), net	(3,235)	(26,860)	26,249
Gains (losses) from forward contracts	3,817	29,256	(96,719)
Other, net	(1,449)	7,541	4,987
	18,224	(5,945)	(70,991)
Income before income tax provision	145,147	84,155	72,405
Income tax (provision) benefit	(46,376)	(30,289)	50,452
Net income	$ 98,771	$ 53,866	$122,857

The accompanying notes are an integral part of these financial statements.

SEONGSU, PUCHEON AND PUPYONG PACKAGING BUSINESSES
OF ANAM SEMICONDUCTOR, INC.

STATEMENTS OF CHANGES IN NET ASSETS
(IN THOUSANDS U.S. DOLLARS)

BALANCE AT JANUARY 1, 1997	$189,595
Net income	122,857
Net capital contribution	5,246
BALANCE AT DECEMBER 31, 1997	317,698
Net income	53,866
Net capital distribution	(6,239)
BALANCE AT DECEMBER 31, 1998	365,325
Net income	98,771
Net capital contribution	60,246
BALANCE AT DECEMBER 31, 1999	$524,342

The accompanying notes are an integral part of these financial statements.

SEONGSU, PUCHEON AND PUPYONG PACKAGING BUSINESSES
OF ANAM SEMICONDUCTOR, INC.

STATEMENTS OF CASH FLOWS

	THOUSANDS OF U.S. DOLLARS		
	FOR THE YEARS ENDED DECEMBER 31,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income	$ 98,771	$ 53,866	$ 122,857
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	133,452	137,181	116,534
Provision for severance benefits, net	(3,727)	17,107	(8,705)
Foreign exchange losses (gains), net	3,235	26,860	(26,249)
Losses (Gains) from forward contracts	(3,817)	(29,256)	96,719
Deferred income taxes	20,126	30,289	(50,452)
Changes in operating assets and liabilities:			
Decrease (Increase) in trade accounts receivable	(19,527)	7,768	(483)
Decrease (Increase) in other accounts receivable	(173)	24,260	(18,266)
Decrease (Increase) in inventories	(1,794)	9,051	7,109
Decrease (Increase) in advances	(168)	2,831	2,628
Decrease (Increase) in prepaid expenses	(595)	83	1,785
Decrease in due from corporate	32	1,131	5,705
Decrease (Increase) in other current assets	42	(42)	--
Increase (Decrease) in trade accounts payable	18,741	(6,719)	(23,640)
Increase (Decrease) in other accounts payable	19,595	(1,122)	(2,517)
Decrease in accrued expenses	(18,197)	(49,109)	(8,653)
Decrease in other current liabilities	(1,129)	(3,826)	(14,174)
Net cash provided by operating activities	244,867	220,353	200,198
CASH FLOWS FROM INVESTING ACTIVITIES:			
Advance from (to) corporate	(193,111)	(208)	20,940
Acquisition of property, plant and equipment	(39,281)	(24,345)	(145,642)
Decrease in other assets	2,060	19	2,322
	(230,332)	(24,534)	(122,380)
CASH FLOWS FROM FINANCING ACTIVITIES:			

Corporate borrowings, net	(58,203)	(174,194)	(66,137)
Net capital contribution (distribution)	60,246	(6,239)	5,246
Net cash provided by (used in) financing activities	2,043	(180,433)	(60,891)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(16,578)	(17,705)	(15,042)
INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS	--	(2,319)	1,885
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	--	2,319	434
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ --	$ --	$ 2,319
SUPPLEMENTAL DISCLOSURES:			
Interest paid	$ 13,568	$ 12,842	$ 26,508

The accompanying notes are an integral part of these financial statements.

SEONGSU, PUCHEON AND PUPYONG PACKAGING BUSINESS
OF ANAM SEMICONDUCTOR, INC.

NOTES TO FINANCIAL STATEMENTS
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

1. BUSINESS AND BASIS OF PRESENTATION

Business and Organization

Seongsu ("K1"), Pucheon ("K2") and Pupyong ("K3") Packaging Businesses, established in 1976, 1984 and 1982, respectively, are providers of semiconductor packaging and test services. K1, K2 and K3 are located in the Republic of Korea and are owned and operated by Anam Semiconductor, Inc. ("Anam"). K1, K2 and K3 operate primarily for Amkor Technology, Inc. ("Amkor"), a United States affiliate. K1, K2 and K3 package and test integrated circuits from wafers provided by Amkor (the "Packaging Service") pursuant to supply agreements (the "Supply Agreements") with Amkor. Consequently, substantially all of K1, K2 and K3's revenues are derived from Packaging Services provided to Amkor pursuant to the Supply Agreements (see Note 2).

The businesses of Anam and Amkor have been inter-related for many years and are under the common ownership by Mr. H.S. Kim and his family. Mr. H.S. Kim currently serves as Anam's honorary chairman and director of Anam and his eldest son, Mr. James Kim, serves as Amkor's chairman and chief executive officer. Mr. James Kim also serves as a director of Anam and as the chairman of the Anam Group, consisting principally of companies in the Republic of Korea in the electronics industries. As of December 31, 1999, Mr. H.S. Kim and his family owned approximately 6.9% of the outstanding common stock of Anam and 58.8% of the outstanding common stock of Amkor (see Note 4).

Basis of Presentation

The Securities and Exchange Commission in Staff Accounting Bulletin No. 55, requires that historical financial statements of a subsidiary, division, or lesser business component of another entity include certain expenses incurred by the parent on its behalf. These expenses generally include, but are not limited to, officer and employee salaries, rent, or depreciation, advertising, accounting and legal services, other selling, general and administrative expenses and other such expenses. These financial statements include such expenses and services.

These financial statements present the assets, liabilities and results of operations of K1, K2 and K3. Because K1, K2 and K3 did not previously prepare separate financial statements, these financial statements were derived by extracting the assets, liabilities and results of operations of K1, K2 and K3 from the corresponding Anam accounts. As a result, the carved out financial statements contain allocations of certain Anam assets, liabilities, revenues and expenses attributable to K1, K2 and K3 deemed reasonable by management to present K1, K2 and K3 on a stand-alone basis. Although management is unable to estimate the actual benefits which would have been realized and costs which would have been incurred had the respective transactions been executed with independent third parties, the allocation methodologies described below and within the respective notes to financial statements, where appropriate, are considered reasonable by management.

The financial position and results of operations of K1, K2 and K3 may, however, differ from the results which may have been achieved had K1, K2 and K3 operated as an independent legal entity. Additionally, future expenses incurred as an independent entity may not be comparable to the historical levels.

The statement of changes in net assets presents the net income (loss) of the business and the net capital contribution or distribution made by Anam.

The carved out financial statements are presented in accordance with generally accepted accounting principles of the United States of America. All amounts in these financial statements have been presented in thousands of U.S. dollars, unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies followed by K1, K2 and K3 in the preparation of these financial statements are summarized below.

Allocations

The financial statements reflect the assets, liabilities, revenue and expenses that were directly related to K1, K2 and K3 as it operated within Anam. In cases involving assets and liabilities not specifically identifiable to any particular facility, a portion of such items were allocated to K1, K2 and K3 based on assumptions that management considered reasonable in the circumstances.

Anam uses a centralized approach to cash management and the financing of its operations. Cash and cash equivalents, marketable securities, bank and other loan guarantee deposits and debt not specifically identifiable to the operations of any particular facility were allocated to K1, K2 and K3 based on asset and debt ratio of Anam as of the beginning of 1995. The balances of these accounts at the end of each subsequent period reflect the beginning allocated balance plus the net cash inflow and outflow during the years as they related to K1, K2 and K3 resulting in the balance of cash requirement at year end. Those balances of cash requirements of K1, K2 and K3 at the end of each year are used as the basis for allocation of Anam's total cash and cash equivalents, marketable securities, bank and other loan guarantee deposits and debt not specified, identifiable to any division. Due to the fact that financing of operations and utilization of the cash resources and investments is performed centrally, the net interest expense on outstanding debt obligations plus income earned on utilization of cash resources and investments of ASI are allocated to K1, K2 and K3 on the same basis.

The statements of operations include management's estimates of all of the costs of doing business, including specific corporate costs of K1, K2 and K3 and certain allocated costs incurred by Anam on K1, K2 and K3's behalf including finance, human resources, strategic planning, legal, accounting and tax. These allocations were based on a variety of factors including, for example, the number of employees, estimates of usage and revenues. Research and development expenses were allocated based on the ratio of K1, K2 and K3's property, plant and equipment to that of Anam's.

K1, K2 and K3 participated in certain centralized foreign currency and interest rate risk management functions of Anam. As part of these activities, derivative financial instruments were utilized to manage risks generally associated with foreign currency and interest rate volatility. Although K1, K2 and K3 are not contractually obligated under these arrangements, the statements of operations reflect the allocated benefits and costs from these functions. Such allocations were based on net sales of each individual operating facility.

Related Party Arrangements

The businesses of Anam and Amkor have been inter-related for many years by virtue of the Supply Agreements (see Note 1), family ties between their respective shareholders and management, financial relationships, coordination of product and operating plans, joint research and development activities and shared intellectual property rights. The Supply Agreements between Anam (including K1, K2 and K3)

and Amkor govern the responsibility and the performance of Packaging Services by Anam on behalf of Amkor and Amkor on behalf of Anam.

Under the Supply Agreements, Anam has granted to Amkor a first right to substantially all of the Packaging Services capacity of Anam. Amkor, in return, is responsible for sales of Anam's Packaging Services and is obligated to actively and diligently market the Anam Packaging Services to potential and existing customers. Pursuant to long-standing arrangements between Anam and Amkor, all sales from Anam to Amkor are made through Anam USA ("A-USA"), a wholly owned financing subsidiary of Anam. Pursuant to the Supply Agreements, Amkor reimburses A-USA for the financing costs incurred in connection with trade financing provided to Amkor. The Supply Agreements also provide that Amkor-Anam, Inc., a subsidiary of Amkor, provide raw material procurement and related services to Anam on a fee basis. Sales of K1, K2 and K3's packaging and testing services to Amkor, made through A-USA, amounted to $407,751 in 1999 ($387,528 in 1998, $479,380 in 1997).

Under the Supply Agreements, pricing arrangements relating to the Packaging Services provided by Anam to Amkor are subject to quarterly review and adjustment on the basis of factors such as changes in the semiconductor market, forecasted demand, product mix, capacity utilization and fluctuations in exchange rates as well as the mutual long-term strategic interest of Amkor and Anam. The Supply Agreements dated January 1, 1998 have a five-year term and may be terminated by the parties thereto upon five years' written notice at any time after expiration of such initial five-year term.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. The most significant estimates and assumptions relate to the allocation of carved out financial information, the allowance for uncollectable accounts receivable, depreciation and product warranty liability. Actual results could differ from these estimates.

Financial Instruments

The amounts reported for trade and other accounts receivable, other assets, trade and other accounts payable, accrued expenses and other liabilities and corporate borrowings and long-term borrowings and accounts payable approximate fair value due to their short maturities or interest rates which approximate market rates. Obligations due to or receivables from related parties have no ascertainable fair value as no market exists for such instruments.

Allowance for Doubtful Accounts

K1, K2 and K3 provide an allowance for doubtful accounts receivable based on the aggregate estimated collectibility of accounts receivable.

Inventories

Inventories, which primarily consist of raw materials and supplies are stated at the lower of cost or market, cost being determined by the weighted average method, except for materials in-transit, for which cost is determined using the specific identification method.

SEONGSU, PUCHEON AND PUPYONG PACKAGING BUSINESS
OF ANAM SEMICONDUCTOR, INC.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Property, Plant and Equipment

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below :

	ESTIMATED USEFUL LIVES
Buildings	25 years
Machinery and equipment	2 - 6 years
Tools	3 - 5 years
Furniture and fixtures	3 - 10 years
Vehicles	2 - 5 years

Upon retirement or other disposal of fixed assets, the costs and related accumulated depreciation or amortization are eliminated from the accounts, and any resulting gain or loss is reflected in operations for the period.

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or materially extend the useful lives of the related assets are capitalized.

Interest expense incurred during the construction period of assets on funds borrowed to finance construction is capitalized.

Revenue recognition

Revenues from the sale of packaging services are recognized upon shipment of goods to customers. K1, K2 and K3 do not take ownership of customer-supplied semiconductors. Title remains with the customer for these materials at all times. Accordingly, the cost of the customer-supplied materials is not included in the financial statements. Risk of loss for K1, K2 and K3's packaging costs passes upon completion of the packaging process and shipment to the customer.

Research and Development Costs

Research and development costs are expensed as incurred.

Income Taxes

K1, K2 and K3 are not a separate taxable entity for Korean or international tax purposes. Accordingly, income tax expense in the carved out financial statements has been calculated on a separate tax return basis.

K1, K2 and K3 account for income taxes in accordance with Statement of Financial Accounting Standards ("SFAS") No. 109, "Accounting for Income Taxes". SFAS 109 requires an asset and liability approach for financial accounting and reporting for income tax purposes. Under the asset and liability method, deferred income taxes are recognized for temporary differences, net operating loss carryforwards ("NOL") and tax credits by applying enacted statutory tax rates applicable to future years. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized.

Investment and R&D tax credits are accounted for by the flow-through method whereby they reduce income taxes in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized, deferred tax assets, subject to considerations about the need for a valuation allowance, are recognized for the carryforward account.

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Accrued Severance Benefits

Employees and directors with one year or more of service are entitled to receive a lump-sum severance payment upon termination of their employment. The amount of the payment is based on their length of service and salary at the date of termination. The accrual for severance benefits approximates the amount required to be paid by K1, K2 and K3 if all employees were terminated at the date shown on the statement of net assets.

Foreign Currency

The U.S. dollar is K1, K2 and K3's functional currency. The accompanying financial statements are remeasured into U.S. dollars from books and records that were kept in Korean Won using the monetary/non-monetary method. Monetary assets and liabilities, such as cash, receivables, borrowings and other payables, are translated using the current exchange rate. Non-monetary assets and liabilities, such as inventory and fixed assets, are translated using historical exchange rates. Revenues and expenses are translated using average exchange rates for the period, except for items related to non-monetary assets and liabilities, which are translated using historical exchange rates. All translation gains and losses are included in determining income for the period in which exchange rates change. The exchange rates used to remeasure the financial statements as of December 31, 1999, 1998 and 1997 were as follows:

	KOREAN WON TO U.S. DOLLAR	
	END OF PERIOD EXCHANGE RATES	AVERAGE EXCHANGE RATES
1999................................	W1,134.50 = US$1	W1,189.30 = US$1
1998................................	W1,195.80 = US$1	W1,398.88 = US$1
1997................................	W1,695.80 = US$1	W 951.11 = US$ 1

Impairment of Long-Lived Assets

Effective January 1, 1996, K1, K2 and K3 adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of." In accordance with this standard, management periodically evaluates the carrying value of long-lived assets to be held and used, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows are separately identifiable and less than the asset's carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair value of the long-lived assets. Fair value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved. The adoption of this accounting standard did not have a material effect on K1, K2 and K3's operating results or financial position.

Concentration of Credit Risk

Financial instruments which potentially expose K1, K2 and K3 to a concentration of credit risk consist primarily of trade receivables.

K1, K2 and K3 perform and sell their Packaging Services exclusively for Amkor pursuant to the Supply Agreements. Any reduction in purchases by Amkor could have an adverse impact on K1, K2 and K3's financial position, results of operations and cash flows.

Risks and Uncertainties

K1, K2 and K3's business involves certain risks and uncertainties. Factors that could affect K1, K2 and K3's future operating results and cause actual results to vary materially from expectations include, but are not limited to, dependence on a cyclical semiconductor and personal computer industry that is characterized by rapid technological changes, fluctuations in end-user demands, evolving industry standards, competitive pricing and declines in average selling prices, risks associated with foreign currencies, and enforcement of intellectual property rights. Additionally, the market in which K1, K2 and K3 operates is very competitive. Key elements of competition in the independent semiconductor packaging market include breadth of packaging offerings, time-to-market, technical competence, design services, quality, production yields, reliability of customer service and price. Additionally, substantially all of K1, K2 and K3's revenues are derived from Packaging Services provided to Amkor pursuant to the Supply Agreements. Other risks exist as of December 31, 1999 as they are described in Workout Program in Note 4.

Recent Accounting Pronouncements

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivatives and Hedging Activities" which establishes a comprehensive standard on accounting for derivatives and hedging. It is effective for all fiscal years beginning after June 2000. K1, K2 and K3 have reviewed the provisions of the SFAS No. 133 and has not yet quantified the impact of adopting SFAS No. 133; however, SFAS No. 133 could increase volatility in earnings.

3. UNSTABLE ECONOMIC ENVIRONMENT

In connection with the Asian financial crisis which began in 1997, the Korean economy as well as other economies in the Asia Pacific region experienced economic contractions, a reduction in the availability of credit, increased interest rates, increased inflation, negative fluctuations in currency exchange rates, increased numbers of bankruptcies, increased unemployment and labor unrest. Such conditions had a significant adverse effect on the operations of the Company and other companies in Korea and in the Asia Pacific region.

Recently, economic conditions in the Republic of Korea have improved as evidenced by increased trade surplus, increases in foreign exchange reserves, record levels of foreign investment and economic growth, lower inflation and interest rates and stabilized foreign exchange rates. Notwithstanding the current recovery, significant uncertainties still exist related to the economy in Korea and in the Asia Pacific region.

4. WORKOUT PROGRAM

Anam has guaranteed certain debt obligations of equity investees and affiliated companies, including Anam Engineering & Construction Co., Ltd. ("Anam Construction"), Anam Environmental Industry Co., Ltd. ("Anam environment") and Anam Electronics Co., Ltd., ("Anam Electronics"), which face serious financial difficulties.

In response to this situation, Anam management has undertaken certain measures it considers appropriate, including: (1) disposing of Kwangju Packaging factory ("K4"); (2) placing Anam

NOTES TO FINANCIAL STATEMENTS (CONTINUED)
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Construction into corporate reorganization under the Korean Corporate Reorganization Act; and (3) enlisting jointly, on October 23, 1998 Anam, Anam Electronics and Anam Environment into the "Workout Program", a financial restructuring program supervised by the Korean Financial Supervisory Committee ("FSC"). The Workout Program is the result of an accord among Korean financial institutions to assist in the restructuring of Korean business enterprises. This process involves negotiations between the companies and the creditors committee represented by banks and other financial institutions providing financing to Anam, Anam Electronics and Anam Environment and does not involve the judicial system. The Workout Program also allows the companies to resume their operations uninterrupted and does not impact debt outstanding with trade creditors.

On February 23, 1999, the following basic conditions and terms of Anam's Workout Program were agreed to and approved by its creditors committee: (1) five-year extension of the loan and capital leases repayment schedules; (2) reduction of bank loan interest rates to Korean prime rate; (3) conversion of certain outstanding bank loans of Anam approximating 122 billion Won and 108 billion Won to equity shares and convertible bonds, respectively; (4) five-year suspension of the creditor's right to demand performance on loan guarantees made by Anam on behalf of its affiliates. In order for the initial conversion of debt to take place in accordance with the terms of the Workout, Anam will have to undergo a series of corporate actions, including a reverse stock split, to bring the fair market value of its equity shares to a price at least equal to the par value of such shares. The conversion of Anam debt by the creditor financial institutions would coincide with each installment of Amkor's equity investment in Anam as described below. The Workout contained provision for the entitlement of the creditor financial institutions to vote the ASI shares owned by Mr. James Kim and his family. Anam did not recognize any gain or loss as a result of the Workout Program.

In addition to the basic restructuring terms as stated above, the approved Workout Program also requires Mr. James Kim, the chairman of the Anam Group or Amkor, to make capital contributions to Anam totaling $150,000 over the next four years in exchange for equity shares of Anam at par value.

On May 13, 1999, Anam's Workout Program became effective upon signing of a Memorandum of Understanding, which document detailed conditions and terms of Anam's Workout Program, between Anam and the creditors committee.

The creditor financial institutions have the right to terminate or modify the Workout if Anam does not fulfill the terms of the Workout, including meeting certain financial targets. In addition, the creditor financial institutions can modify the terms of the Workout upon agreement of creditor financial institutions holding at least 75% of the debt restructured under the Workout. If the creditor financial institutions subsequently terminate the Workout, the creditor financial institutions could reinstate and enforce the original terms of Anam's debt, including accelerating Anam's obligations and pursuing Anam's guarantees of its affiliates' debt. If this were to occur, Anam's businesses would be harmed.

There can be no assurance that Anam will be able to satisfy the terms of the Workout Agreement. Any inability of Anam to comply with the terms of the Workout Agreement, generate cash flow from operations sufficient to fund its capital expenditures and other working capital and liquidity requirements could have a material adverse effect on Anam's ability to continue to provide services.

Anam Electronics' application for Workout Program was not accepted by the creditors committee. As a result, on March 18, 1999, Anam Electronics filed an application for corporate reorganization under the Korean Corporate Reorganization Act and the district court approved Anam Electronics' reorganization plan on February 7, 2000. On the other hand, Anam Environment's application for Workout was accepted by its creditors committee on February 23, 1999. The probable outcome of these events was taken into consideration by Anam in estimating its liability under guarantees on the debts of its equity investees and affiliates. No such liabilities are reflected in the accompanying financial statements.

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

5. DUE FROM CORPORATE

As discussed in Note 1 to these financial statements, K1, K2 and K3 do not undertake their own cash management functions and instead rely on Anam for such activities. As such, any cash requirements are met by Anam or cash surplus is maintained by Anam. The amounts due to K1, K2 and K3 at December 31, 1999 and 1998 consist of: (1) allocated cash and cash equivalents, marketable securities, bank deposits and related receivables which are legally entered into and maintained by Anam and (2) the amount by which obligations under capital lease of K1, K2 and K3 exceed K1, K2 and K3's allocated portion of corporate borrowings as of December 31, 1999 and 1998. The bank deposits and long-term guarantee deposits which are maintained by Anam are denominated in Korean Won, U.S. Dollars and Japanese Yen. Anam has purchased marketable securities for purposes other than trading. Such securities consist primarily of debt securities issued by the Korean government. K1, K2 and K3 do not have any formalized cash management arrangements with Anam. Consequently, the amounts due from Anam have been classified as current and long-term based on the maturity dates, management's intent or restrictions of the underlying instruments.

6. INVENTORIES

Inventories at December 31, 1999 and 1998 comprise the following:

	YEAR ENDED DECEMBER 31,	
	1999	1998
Finished products	$3,643	$2,370
Semi-finished products and work in process	2,446	1,573
Raw materials and supplies	1,895	2,247
	$7,984	$6,190

7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 1999 and 1998 comprise the following:

	YEAR ENDED DECEMBER 31,	
	1999	1998
Buildings	$ 214,190	$ 215,188
Machinery and equipment	861,200	838,673
Tools	4,548	4,974
Furniture and fixtures	43,710	41,765
Vehicles	1,696	2,113
	1,125,344	1,102,713
Accumulated depreciation	(736,459)	(636,056)
Governmental grants	(1,247)	(749)

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

	387,638	465,908
Land	16,605	31,710
Construction in progress	--	820
Machinery in transit	141	117
	$ 404,384	$ 498,555

At December 31, 1999, property, plant and equipment, other than land, were insured against fire and other casualty losses up to approximately $638,392.

Capitalized interest costs for the year ended December 31, 1999 approximate $432.

Buildings of K1, K2 and K3 at December 31, 1999 are pledged as collateral for various loans obtained by Anam from banks, including Korea Development Bank, up to a maximum amount of $634,471 (see Note 8).

Property, plant and equipment under capital leases which include machinery, are as follows:

	YEAR ENDED DECEMBER 31,	
	1999	1998
Cost of machinery and equipment under capital lease	$ 250,651	$ 249,538
Accumulated depreciation	(159,353)	(111,126)
	$ 91,298	$ 138,412

Future minimum lease payments under noncancelable capital leases as of December 31, 1999 are as follows:

FOR YEARS ENDED DECEMBER 31,	
2000	$ 27,628
2001	27,775
2002	27,664
2003	27,544
2004	27,417
Thereafter	54,412
Total minimum lease payments	192,440
Less amount representing interest	(53,358)
Present value of minimum lease payments	139,082
Less: portion due within one year	(14,788)
	$124,294

8. CORPORATE BORROWINGS

K1, K2 and K3 do not undertake their own financing but have been able to benefit from the financing obtained by Anam. As of December 31, 1999 and 1998, the balances of current and non-current include allocated corporate borrowings limited to the obligations of K1, K2 and K3 for capital lease (see Note 7). Cash requirement of K1, K2 and K3 as of December 31, 1999 and 1998 is less than obligations under capital lease of K1, K2 and K3. The difference between the cash requirement and the obligations under capital lease is recorded as due from corporate, current.

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Anam has entered into various types of financing arrangements including short-term working capital borrowings, six-month trade letters of credit financings, general term loans, guaranteed and non-guaranteed debentures, convertible bonds, capital lease obligations and other long-term financing. K1, K2 and K3 do not have their own six-month trade letters of credit but benefits from such letters of credit when needed. Certain of these lines of credit and borrowings have been guaranteed by affiliates and subsidiaries of Anam.

K1, K2 and K3 do not have any debt sharing or other arrangements with Anam. Consequently, the amounts due to Anam have been classified as current and long-term based on the expected maturities of Anam's contractual obligations.

9. FINANCIAL INSTRUMENTS

In the normal course of business, Anam has purchased various financial instruments, including derivative instruments for purposes other than trading. Derivative financial instruments are not entered into for speculative purposes. Anam enters into foreign currency exchange contracts, including forward and swap contracts, to manage the exposure to changes in currency exchange rates, principally U.S. Dollars. The use of foreign currency forward contracts and swaps allows Anam to reduce its exposure to the risk that the eventual Korean Won cash outflows resulting from facility operating expenses, capital expenditures, local supplier purchases and debt service will be adversely affected by changes in exchange rates. Gains and losses on these foreign exchange contracts entered into by Anam and that hedge

forecasted transactions are recognized in income as the exchange rates change. At December 31, 1999, the forward contracts and swap contracts under which Anam is contractually obligated expire as follows:

Currency and interest swap

BANK	CONTRACT AMOUNT	CONTRACTED EXCHANGE RATE	RECEIVING RATE(%)	PAYING RATE(%)	CONTRACT DUE DATE
Korea Development Bank................	$50,000	W938 : US$1	9.95	6.25	Oct. 10, 2000
Shinhan Bank..........................	$10,000	W882 : US$1	10.20	6.90	Apr. 24, 2000
Korea Merchant Bank...................	$20,000	W882 : US$1	10.20	6.90	Apr. 24, 2000

Interest swap

BANK	CONTRACT AMOUNT	SELLING RATE(%)	BUYING RATE(%)	CONTRACT TERMS
Chase Manhattan Bank......................	$100,000	6 month LIBOR	5.80	Sept. 16, 2000

10. ACCRUED SEVERANCE BENEFITS

Changes in accrued severance benefits for the year ended December 31, 1999 and 1998 are as follows:

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

	YEAR ENDED DECEMBER 31,	
	1999	1998
Beginning balance..	$54,620	$34,435
Provision, net of payments and translation gain/loss........	(4,143)	20,185
Ending balance...	50,477	54,620
Balance of payments remaining with National Pension Fund....	(5,355)	(5,771)
	$45,122	$48,849

11. COMMITMENTS AND CONTINGENCIES

At December 31, 1999 Anam was contingently liable for guarantees of indebtedness of subsidiaries and affiliated companies of Anam approximating $411,896.

At December 31, 1999, Anam provided notes and checks, including 40 blank notes and 28 blank checks, to several banks and financial institutions as collateral in relation to various borrowings and guarantees of indebtedness.

Anam has made agreements with various banks to discount notes up to an aggregate maximum amount of $281,401 at December 31, 1999.

12. INCOME TAXES

The tax provision (benefit) consists of the following :

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Current..	$26,250	$ --	$ --
Deferred...	20,126	30,289	(50,452)
	$46,376	$30,289	$(50,452)

K1, K2 and K3 incurs income tax liabilities in Korean Won and based upon taxable income determined in accordance with Korean generally accepted accounting principles and tax laws. The tax provision included in these financial statements reflects current tax expense and the impact of accounting for deferred taxes under SFAS 109 on a separate tax return basis. K1, K2 and K3 do not have any formalized tax sharing agreement with Anam.

The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, if appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including K1, K2 and K3's ability to generate taxable income within the period during which the temporary differences reverse, the outlook for the Korean economy environment and the overall future industry outlook. Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes. Such valuation allowance is reviewed periodically.

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

The major components of the deferred tax assets and deferred tax liabilities as of December 31, 1999 and 1998 is as follows:

	YEAR ENDED DECEMBER 31,	
	1999	1998
Deferred tax assets		
Corporate borrowings	$ --	$ 237
Forward contracts	231	475
Provision for severance benefits, net	11,823	11,459
Property, plant and equipment, net	29,833	34,181
Tax credit	--	14,517
Other	--	1,144
Total deferred tax assets	$41,887	$62,013

The statutory income tax rates, including tax surcharges, applicable to K1, K2 and K3 for 1999, 1998 and 1997 are approximately 30.8%. The reconciliation from income taxes calculated at the statutory tax rate to the effective income tax amount for each of the periods is as follows :

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Taxes at Korean statutory tax rate	$44,705	$25,919	$ 22,301
Remeasurement effect	3,279	14,516	(56,317)
Tax credit incurred	--	(2,224)	(22,435)
Other, net	(1,608)	(7,922)	5,999
Effective income tax provision (benefit)	$46,376	$30,289	$(50,452)

13. GEOGRAPHICAL INFORMATION

K1, K2 and K3 operate in one industry segment, semiconductor packaging and test services. All of their assets are located in the Republic of Korea.

Sales amounts from external customers by country is summarized as follows:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
U.S.A.	$407,751	$387,528	$479,380
Japan	--	3,243	93,586
Republic of Korea	27,908	19,158	26,609
	$435,659	$409,929	$599,575

14. SUBSEQUENT EVENT

On February 28, 2000, Anam made a decision to sell to Amkor all operating assets related to Packaging Business excluding K2 land in accordance with the approval of Anam's board of directors' meeting and Anam's creditors committee. The sale price of Packaging Business is Korean Won equivalent to $950 million.

REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

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

As discussed in Note 3 to the accompanying financial statements, Anam Semiconductor, Inc.'s revenues are generated primarily from semiconductor packaging and test services provided to Amkor Technology Inc. ("Amkor") pursuant to supply agreements. As described in Note 30 to the accompanying financial statements, on May 17, 1999, Anam Semiconductor, Inc. has sold to Amkor all the assets of one of the four its packaging and test facilities located in Kwangju city, the Republic of Korea ("K4"). As described in Note 31 to the accompanying financial statements, on February 28, 2000, Anam Semiconductor, Inc. made a decision to sell to Amkor all of the remaining operating assets related to the remaining three packaging and testing facilities excluding K2 land in accordance with the approval of a board of directors' meeting.

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

As more fully described in Note 5 to the accompanying financial statements, on October 23, 1998, Anam Semiconductor, Inc. entered into the Korean financial restructuring program known as the "Workout Program". The Workout Program is the result of an accord among financial institutions to assist in the restructuring of Korean business enterprises and does not involve the judicial system. On February 23, 1999, Anam Semiconductor, Inc. was granted certain economic concessions through the Workout Program which was approved by its creditors committee.

/s/ SAMIL ACCOUNTING CORPORATION

Seoul, Korea
February 28, 2000

ANAM SEMICONDUCTOR, INC.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 1999 AND 1998

	THOUSANDS OF US DOLLARS	
	AS OF DECEMBER 31, 1999	AS OF DECEMBER 31, 1998
ASSETS		
Current assets:		
Cash and cash equivalents	$ 56,469	$ 15,452
Restricted cash	41,086	--
Bank deposits	105,414	10,936
Accounts and notes receivable		
Trade, net of allowance for doubtful accounts	3,416	50,180
Due from affiliates, net of allowance for doubtful accounts	29,377	14,737
Other	22,797	10,153
Short-term loans to affiliates, net	4,464	14,108
Inventories	41,949	59,807
Other current assets	6,894	22,597
Total current assets	311,866	197,970
Non-current bank deposits	204	879
Restricted cash	73	2,351
Investments		
Available for sale	28,128	34,009
Affiliated companies	18,550	19,146
Long-term receivables		
Due from affiliate	250	--
Others	2,906	5,729
Property, plant and equipment, less accumulated depreciation	1,037,935	1,581,614
Deferred tax asset -- noncurrent	53,212	--
Other assets	34,345	37,252
Total assets	$1,487,469	$1,878,950
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	$ 69,328	$ 228,112
Current portion of long-term debt	73,882	13,954
Trade accounts and notes payable	48,902	42,759
Other accounts payable	77,141	75,211
Accrued expenses	3,850	16,504

Forward contract liability	15,364	36,968
Other current liabilities	13,318	6,260
Total current liabilities	301,785	419,768
Long-term debt, net of current portion and discounts on debentures	875,175	1,309,492
Long-term obligations under capital leases, net of current portion	429,590	582,936
Accrued severance benefits, net	48,757	65,727
Liability for loss contingency	129,912	97,344
Other long-term liabilities	--	2,056
Total liabilities	$1,785,219	$2,477,323
Commitments and contingencies		
Minority interests in consolidated subsidiaries	$ --	$ 17,433
Stockholders' equity:		
Capital stock, W5,000 par value; authorized 300 million shares of common stock and 10 million shares of preferred stock		
Common stock: issued and outstanding 55,031,183 shares in 1999 and 30,477,018 shares in 1998	284,329	192,849
Series A preferred stock: issued and outstanding 2,240,240 shares in 1999 and 1998	15,167	15,167
Series B preferred stock: issued and outstanding 336,036 shares in 1999 and 1998	2,220	2,220
	301,716	210,236
Capital surplus	190,409	182,347
Receivable from stockholders	(62,118)	(116,417)
Accumulated deficit	(712,000)	(864,905)
Accumulated comprehensive income (loss):		
Unrealized gains (losses) in investments	(911)	1,728
Cumulative translation adjustment	(14,846)	(28,795)
Total stockholders' equity	(297,750)	(615,806)
Total liabilities and stockholders' equity	$1,487,469	$1,878,950

The accompanying notes are an integral part of these financial statements.

ANAM SEMICONDUCTOR, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

	THOUSANDS OF US DOLLARS		
	FOR THE YEAR ENDED DECEMBER 31, 1999	FOR THE YEAR ENDED DECEMBER 31, 1998	FOR THE YEAR ENDED DECEMBER 31, 1997
Sales	$ 285,925	$ 221,098	$ 406,937
Cost of sales	239,632	230,478	314,666
Gross profit	46,293	(9,380)	92,271
Operating expenses			
Research and development	87	2,064	--
Amortization of goodwill	--	768	5,334
Provision for doubtful accounts	901	1,496	3,787
Impairment of long-lived assets	--	273,937	15,942
Selling and administrative expenses	24,267	25,064	75,443
Total operating expenses	25,255	303,329	100,506
Operating income (loss)	21,038	(312,709)	(8,235)
Other (income) expense			
Interest income	(5,902)	(20,715)	(45,151)

Interest expense	185,315	227,799	168,932
Foreign currency (gains) loss	33,198	142,605	(159,897)
Loss (gain) from disposal of investments	601	(23,082)	(4,972)
Loss on valuation of inventories	2,041	15,140	543
Impairment loss on loans to affiliates	22,646	122,188	--
Guarantee obligation loss	--	97,344	--
Other, net	(24,889)	12,808	4,598
Total other (income) expense	213,010	574,087	(35,947)
Income (loss) from continuing operations before income taxes, equity in loss of affiliates and minority interest	(191,972)	(886,796)	27,712
Equity in loss of unconsolidated affiliates	(31,787)	(66,792)	(18,137)
Minority interest	--	(2,035)	(1,720)
Income (loss) from continuing operations before income taxes	(223,759)	(955,623)	7,855
Provision (benefit) for income taxes	(54,000)	1,542	109,894
Income (loss) from continuing operations	(169,759)	(957,165)	(102,039)
Discontinued operations:			
Income from discontinued packaging and testing operation (net of income taxes of $12,408; $0; $0)	130,064	109,632	143,469
Gain on sale of K4 (net of income taxes of $14,268; $0; $0)	149,560	--	--
Net income (loss)	$ 109,865	$ (847,533)	$ 41,430
Unrealized gains (losses) in investments	(2,639)	7,892	(5,000)
Translation adjustment (loss)	13,949	(38,352)	8,450
Comprehensive income	$ 121,175	$ (877,993)	$ 44,880
PER SHARE DATA:			
Basic income (loss) from continuing operations per common share	$ (5.82)	$ (40.43)	$ (4.87)
Basic net income (loss) per common share	$ 3.76	$ (35.80)	$ 1.97
Diluted income (loss) from continuing operation per common share	$ (5.82)	$ (40.43)	$ (4.87)
Diluted net income (loss) per common share	$ 3.42	$ (35.80)	$ 1.84
Shares used in computing basic net income (loss) per common share	29,208,739	23,675,158	20,968,843
Shares used in computing diluted net income (loss) per common share	32,444,686	23,675,158	23,193,850

The accompanying notes are an integral part of these financial statements.

ANAM SEMICONDUCTOR, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(IN THOUSANDS OF US DOLLARS EXCEPT PER SHARE DATA)

	COMMON STOCK		PREFERRED STOCK		CAPITAL	RECEIVABLE FROM
	SHARES	AMOUNT	SHARES	AMOUNT	SURPLUS	STOCKHOLDERS
Balance at January 1, 1997	21,134,068	$137,372	2,240,240	$15,167	$143,321	$ (36,186)
Comprehensive income:						
Net income						
Unrealized gains (loss) on investments						
Currency translation adjustments						
Comprehensive income						
Net cash advances to stockholders						(93,623)
Stock dividends	3,170,110	20,941	336,036	2,220	(23,161)	
Issuance of common stock	6,172,840	34,536			62,187	
Balance at December 31, 1997	30,477,018	192,849	2,576,276	17,387	182,347	(129,809)
Comprehensive loss:						
Net loss						
Unrealized gains on investments						
Currency translation adjustments						

Comprehensive loss...........................						
Collection of receivable from stockholders....						13,392
Balance at December 31, 1998.................	30,477,018	192,849	2,576,276	17,387	182,347	(116,417)
Comprehensive loss:						
Net income.................................						
Unrealized gains on investments............						
Currency translation adjustments...........						
Comprehensive income (loss):.................						
Reverse stock split..........................	(6,801,860)	(43,040)				
Issuance of common stock for cash............	10,000,000	41,695				
Debt to equity conversion....................	19,669,600	82,011				
Convertible bonds to equity conversion........	1,686,425	10,814			8,906	
Others.......................................					(844)	
Collection of receivable from stockholders....						54,299
Balance at December 31, 1999.................	55,031,183	$284,329	2,576,276	$17,387	$190,409	$ (62,118)

	ACCUMULATED DEFICIT	ACCUMULATED OTHER COMPREHENSIVE INCOME	TOTAL
Balance at January 1, 1997...................	$ (58,802)	$ (57)	$ 200,815
Comprehensive income:			
Net income.................................	41,430		41,430
Unrealized gains (loss) on investments......		(5,000)	(5,000)
Currency translation adjustments...........		8,450	8,450
Comprehensive income.........................			44,880
Net cash advances to stockholders............			(93,623)
Stock dividends..............................			
Issuance of common stock.....................			96,723
Balance at December 31, 1997.................	(17,372)	3,393	248,795
Comprehensive loss:			
Net loss...................................	(847,533)		(847,533)
Unrealized gains on investments............		7,892	7,892
Currency translation adjustments...........		(38,352)	(38,352)
Comprehensive loss...........................			(877,993)
Collection of receivable from stockholders....			13,392
Balance at December 31, 1998.................	(864,905)	(27,067)	(615,806)
Comprehensive loss:			
Net income.................................	109,865		109,865
Unrealized gains on investments............		(2,639)	(2,639)
Currency translation adjustments...........		13,949	13,949
Comprehensive income (loss):.................			121,175
Reverse stock split..........................	43,040		--
Issuance of common stock for cash............			41,695
Debt to equity conversion....................			82,011
Convertible bonds to equity conversion........			19,720
Others.......................................			(844)
Collection of receivable from stockholders....			54,299
Balance at December 31, 1999.................	$(712,000)	$(15,757)	$(297,750)
	Unrealized losses in investments	$ (911)	
	Cumulative translation adjustment	(14,846)	
		$(15,757)	

The accompanying notes are an integral part of these consolidated financial statements.

ANAM SEMICONDUCTOR, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	THOUSANDS OF U.S. DOLLARS FOR THE YEAR ENDED DECEMBER 31,		
	1999	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net income (loss)...	$ 109,865	$(847,533)	$ 41,430
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation...	271,513	291,915	138,627

Provision for severance benefits	10,472	35,228	23,263
Losses (gains) on foreign currency translation, net	33,198	142,605	(159,897)
Losses (gains) on sale of investments, net	601	(23,082)	(4,972)
Impairment of long-lived assets	--	273,937	15,942
Impairment loss on loan to affiliates	22,646	122,188	--
Guarantee obligation loss	--	97,344	--
Loss on investment in equity method investees, net	31,787	66,792	18,137
Gains on disposal of K4 and other	(180,453)		
Other, net	10,830	32,841	28,492
Change in operating assets and liabilities, net of deconsolidation effects			
Decrease (increase) in trade accounts and notes receivable	24,825	13,564	9,750
Decrease (increase) in other accounts receivable	(25,844)	32,763	1,437
Decrease in contracts receivable	--	--	15,461
Decrease (increase) in due from affiliates	(43,339)	(7,764)	(51,939)
Decrease (increase) in inventories	(1,009)	(31,951)	72,412
Decrease (increase) in other current assets	14,471	39,412	(35,167)
Increase (decrease) in trade accounts and notes payable	16,202	(9,597)	7,592
Increase (decrease) in other accounts payable	(1,123)	43,869	80
Increase (decrease) in forward contract credit	(20,943)	(79,329)	104,968
Increase (decrease) in other current liabilities	(13,922)	(2,495)	(7,974)
Increase in deferred tax asset	(53,212)	--	--
Payments of severance benefits	(6,492)	(6,099)	(6,755)
Net cash provided by operating activities	$ 200,073	$ 184,608	$ 210,887
CASH FLOWS FROM INVESTING ACTIVITIES:			
Decrease (increase) in bank deposits	$ (99,418)	$ 9,403	$ 235,711
Decrease (increase) in short term loans	7,788	(227,641)	(15,228)
Acquisition of property, plant and equipment	(183,650)	(140,290)	(511,620)
Proceeds from sale of property, plant and equipment (including K4)	624,791	1,712	18,740
Acquisition of investments	(1,247)	(8,937)	(26,959)
Disposal of investment including AAPI	41,425	39,698	6,353
Decrease (increase) in non-current bank deposits	(204)	18,034	2,179
Decrease (increase) in restricted cash	(41,132)	85,647	(66,955)
Decrease (increase) in long-term receivables	1,485	171,979	(97,522)
Decrease (increase) in other assets	128	(11,173)	20,919
Deconsolidation of subsidiaries	(6,279)	(1,005)	--
Net cash (used in) provided by investing activities	343,687	(62,573)	(434,382)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Increase (decrease) in short-term borrowings	(47,286)	(91,884)	286,938
Repayment of current maturities of long-term debt	(10,545)	(48,206)	(91,391)
Borrowing of long-term debt	48,054	10,572	312,243
Repayment of long-term debt	(484,448)	(50,175)	(1,054)
Repayment of long-term obligations under capital leases	(61,597)	(39,848)	(2,556)
Increase (decrease) in other long-term liabilities	117	1,883	15,507
Dividends paid	--	--	--
Decrease (increase) in receivable from stockholders	54,299	13,392	(93,623)
Increase in capital	41,695	--	96,723
Net cash (used in) provided by financing activities	(459,711)	(204,266)	522,787
Effect of exchange rate changes on cash	(43,032)	59,935	(316,111)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	41,017	(22,296)	(16,819)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,452	37,748	54,567
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 56,469	$ 15,452	$ 37,748
Supplemental disclosures of cash flow information:			
Cash paid during the year for:			
Interest	$ 197,716	$ 221,900	$ 133,157
Income taxes	$ 15,658	$ 2,812	$ 5,322
Property, plant and equipments acquired through capital leases	$ 1,116	$ 54,748	$ 505,897
Capital increase through debt conversion	$ 101,731	$ --	$ --

The accompanying notes are an integral part of these consolidated financial statements.

ANAM SEMICONDUCTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

1. ORGANIZATION AND NATURE OF BUSINESS:

The Controlling Company

Anam Semiconductor, Inc. (hereinafter referred to as "Anam" or "ASI"), incorporated in the Republic of Korea in August 1956, is a provider of semiconductor packaging and test services. In 1998, Anam commenced operations to fabricate and sell non-memory semiconductor chips ("wafer fabrication").

Anam changed its name from Anam Industrial Co., Ltd. to Anam Semiconductor, Inc. on March 20, 1998.

Anam's semiconductor packaging and test facilities operate primarily for Amkor Technology, Inc. ("Amkor"), a United States affiliate. Anam packages and tests integrated circuits from wafers provided by Amkor (the "Packaging Service") pursuant to supply agreements (the "Supply Agreements") with Amkor. In addition, pursuant to the manufacturing and purchasing agreements with Texas Instruments Incorporated ("TI"), a United States corporation, further discussed in Note 3, Anam fabricates wafers, which are also sold to Amkor.

The businesses of Anam and Amkor have been inter-related for many years and are under the common ownership by Mr. H.S. Kim and his family (the "Kim Family"). Mr. H.S. Kim currently serves as Anam's honorary chairman and his eldest son, Mr. James Kim, serves as Amkor's chairman and chief executive officer. Mr. James Kim also serves as a director of Anam and as the chairman of the Anam Group, consisting principally of companies in the Republic of Korea in the electronics and construction industries. As of December 31, 1999, Mr. H.S. Kim and his family owned approximately 6.9% of the outstanding common stock of Anam and 58.8% of the outstanding common stock of Amkor (See Note 5).

Consolidated Subsidiaries and Significant Equity Investees:

(A) Major subsidiaries and significant equity investees included in the accompanying financial statements by either consolidation or equity method of accounting at December 31, 1999 are as follows:

SUBSIDIARIES	CAPITAL STOCK		DIRECT AND INDIRECT OWNERSHIP(%)	METHOD OF ACCOUNTING
	MILLIONS OF WON	THOUSAND OF US DOLLARS		
Anam Instruments*............................	W12,746	$16,823	21.57	Equity
Anam Construction**...........................	25,898	32,563	49.00	Equity
Anam Environment**............................	1,200	1,729	50.83	Equity
Anam USA......................................	0.08	0.1	100.00	Consolidation
Acqutek (formerly, Anam S&T)..................	24,062	27,248	17.55	Equity
Anam Finance..................................	39,000	45,899	44.60	Equity
Anam Telecom..................................	47,958	57,135	29.51	Equity

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* This entity was consolidated in 1998 and 1997 but deconsolidated in 1999.

** These entities were consolidated in 1997 but deconsolidated in 1999 and 1998.

(B) A summary of the subsidiaries referred to above is as follows:

Anam Instruments Co., Ltd. (Anam Instruments)

Anam Instruments was established under the name of Handeung Co., Ltd. in February, 1989 to manufacture and sell electronic parts and equipment. In December 1990, it merged with Anam Horologe Co., Ltd., an affiliate engaged in manufacturing and selling watches. Concurrently, the company changed its name to Anam Instruments Co., Ltd. In October 1994, Anam Instruments obtained the optical products and semiconductor machinery business of Anam.

As of December 31, 1999, its capital stock is W12,746 million ($16,823), of which Anam Semiconductor owned 21.57%.

Anam Engineering and Construction Co., Ltd. (Anam Construction)

Anam Construction was incorporated in March 1983. Anam Construction is a construction contractor for industrial and commercial buildings and is engaged in the construction of condominiums primarily in the Republic of Korea. Its major customers are affiliated companies in the Anam Group. As of December 31, 1999, Anam Construction has outstanding capital stock of W25,898 million ($32,563), of which Anam owned 49.00%. Anam Construction became insolvent and filed an application for corporate reorganization under the Korean Corporate Reorganization Act on October 24, 1998. It is currently under the control of a receiver appointed by the Court. The court issued an order for preservation of assets on October 30, 1998 and the commencement of the reorganization proceeding was made by the court on April 23, 1999. A draft reorganization plan is scheduled for submission at the statutory meeting of interested parties. Approval of the draft reorganization plan by the creditors is expected to be made in March 2000. As a result of this filing, Anam lost control over Anam Construction. Anam deconsolidated this entity and accounted for it as an investment under the equity method as of and for the years ended December 31 1999 and 1998.

Anam Construction holds investments in Anam Environmental Industry Co., Ltd. and Anam Thai Engineering & Construction Co., Ltd.

Anam Environmental Industry Co., Ltd. (Anam Environment)

Anam Environment was incorporated under the name of Yu-Bong Industry Co., Ltd. in February 1986 and is engaged in treatment of industrial scrap in the Republic of Korea. Anam holds interest in Anam Environment through Anam Construction. As of December 31, 1999, Anam Environment's capital stock is W1,200 million ($1,729), of which Anam Construction owned 50.83%. As a subsidiary of Anam Construction, this entity was also deconsolidated by Anam and accounted for by the equity method as of and for the years ended December 31, 1999 and 1998.

Anam USA, Inc. (Anam USA)

Anam USA was incorporated in Philadelphia, United States in September 1994, to sell semiconductor products of Anam. As of December 31, 1999, its capital stock is US$0.1 of which Anam owned 100%.

Acqutek Semiconductor & Technology Co., Ltd. (Acqutek)

Acqutek was incorporated in January 1979. It is engaged in designing semiconductors, manufacturing and selling semiconductor equipment and the Value Added Network business. In September 1991, Acqutek was registered as a foreign invested company under the Foreign Capital Inducement Law of the Republic of Korea. The company changed its name from Anam S&T Co., Ltd. to Acqutek Semiconductor & Technology Co., Ltd. in November 1999.

As of December 31, 1999 its capital stock amounted to W24,062 million ($27,248), of which Anam owned 17.55%.

Hanmi-Anam Financial Service Co., Ltd. (Anam Finance)

Anam Finance was established in May 1994 and is engaged in installment financing and factoring. As of December 31, 1999 its capital stock amounted to W39,000 million ($45,899), of which Anam and its subsidiaries owned 39.00% and

5.60%, respectively.

Anam Telecommunications Co., Ltd. (Anam Telecom)

Anam Telecom was established in August 1997, and is engaged in the telecommunication business. As of December 31, 1999, its capital stock amounted to W47,958 million ($57,135), of which Anam owned 29.51%.

(C) Change in Entities included in Consolidation :

As of December 31, 1999, Anam owned 21.57% of Anam Instrument. Anam's ownership percentage decreased from 67.24% as of December 31, 1998 due to sales of Anam Instrument shares. Accordingly Anam accounted for it under the equity method of accounting during 1999, effective January 1, 1999.

During 1999 Anam has sold its whole interest in Anam/Amkor Precision Machine Company (Philippines) Inc. (AAPMCI) to Amkor Technology Inc.

Both Anam Instrument and AAPMCI were consolidated in the accompanying financial statements for 1998 and 1997.

As of December 31, 1999 and 1998, Anam owned 49.00% of Anam Construction. Anam's ownership percentage decreased from 56.15% as of December 31, 1997 due to Anam Instrument's sale of its 10.64% interest in Anam Construction to Anam Electronics Co., Ltd., an affiliated company through common ownership by the Kim family, on September 29, 1998. Furthermore, Anam Construction filed for corporate reorganization under the Korean Corporate Reorganization Act on October 24, 1998. As part of the reorganization, Anam Construction was placed under the control of a receiver. Because management of Anam no longer exercises control over Anam Construction, Anam deconsolidated its investment in Anam Construction, including its consolidated subsidiary, Anam Environment, and accounted for it under the equity method of accounting during 1999 and 1998, effective January 1, 1998.

Prior to January 1, 1998, due to continuous net loss incurred by Anam Construction, the accumulated net losses from Anam Construction included in the consolidated financial statements had exceeded Anam's original investment. Anam continued to record such excess net loss due to the existence of a parent-subsidiary relationship. At January 1, 1998, when Anam deconsolidated Anam Construction, accumulated losses in excess of original investment were reclassified as part of the allowance for Anam's loan to Anam Construction.

After the deconsolidation, Anam continued recognition of its share of Anam Construction's losses and such losses were recorded as part of the allowance for Anam's loan to Anam Construction. In addition, due to the significant financial difficulty experienced by Anam Construction in 1999 and 1998, Anam recorded additional allowance for its loan to Anam Construction to reduce the net loan balance to zero.

Both Anam Construction and Anam Environment were consolidated in the accompanying financial statements for 1997.

2. SUMMARY OF SIGNIFICANT ACCOUNTING AND FINANCIAL REPORTING POLICIES:

The consolidated financial statements are presented in accordance with generally accepted accounting principles of the United States of America ("U.S. GAAP"). Significant accounting policies followed by

Anam and its consolidated subsidiaries (hereinafter collectively referred to as the "Company") in the preparation of the accompanying consolidated financial statements are summarized below.

Principles of Consolidation --

The accompanying consolidated financial statements include the accounts of Anam and its greater than 50% owned subsidiaries. The interest of other stockholders in these subsidiaries is reflected as minority interests. The equity method of accounting is used when Anam has both a 20% to 50% equity interest and the ability to exercise significant influence over the investee. Investments in companies owned less than 20% are carried at cost. All significant intercompany transactions and balances with consolidated subsidiaries have been eliminated in consolidation.

Unrealized profit arising from sales by the controlling company to the consolidated subsidiaries or equity-method investees is fully eliminated and charged to the interest of the controlling company. Unrealized profit, arising from sales by the consolidated subsidiaries or equity-method investees to the controlling company or sales between consolidated subsidiaries or equity-method investees, is eliminated to the extent of the investor ownership interest.

Use of Estimates --

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The most significant estimates and assumptions relate to the allowance for uncollectable accounts receivables, guaranty obligations, depreciation and impairment of long-lived assets. Actual results could differ from those estimates and may affect amounts reported in future periods. Management believes that the estimates are reasonable.

Cash and Cash Equivalents --

Cash and cash equivalents include cash on hand and all highly liquid investments with original maturities of three months or less at purchase.

Restricted Cash --

Restricted cash consists of current and non-current bank deposits, which are pledged in connection with various short-term borrowings (Note 14) and long-term debt (Note 16). Restricted cash at December 31, 1999 and 1998 was $41,159 and $2,351, respectively.

At December 31, 1998, $2,286 of restricted cash represent deposits made under group severance insurance plans, the withdrawal of which is restricted to the actual payment of severance benefits. The Company classified those restricted bank deposits with remaining maturities between three months to one year at the balance sheet date as current and all other restricted bank deposits as non-current.

Bank Deposits --

Bank deposits consist of time deposits with banks and other financial institutions which have remaining maturities of more than three months at purchase. The Company classified these bank deposits with remaining maturities of one year or less at the balance sheet date as current and those with remaining maturities of more than one year as non-current.

Available For Sale Securities --

The Company accounts for those investments included in "Available for sale securities" under the provisions of Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities" (SFAS 115). This statement requires investment securities to be divided into one of three categories: held-to maturity, available for sale and trading.

The Company currently classifies all investments in debt and equity securities as available for sale securities. Individual securities with remaining contractual maturity of less than one year at the balance sheet date are included in current assets, and others are included as non-current assets. All available for sale securities are recorded at fair value. Unrealized holding gains and losses on securities available for sale are reported as a separate component of stockholders' equity, net of related deferred taxes. Realized gains and losses on the sale of securities available for sale are determined using the specific identification method and are charged to current operations.

Allowance for Doubtful Accounts --

The Company provides an allowance for doubtful accounts receivable based on the aggregate estimated collectibility of accounts receivable.

Inventories --

Inventories are stated at the lower of cost or market, with cost being determined by the weighted average method, except for materials in-transit, for which cost is determined using the specific identification method.

Property, Plant and Equipment --

Property, plant and equipment are recorded at cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets as set forth below:

	ESTIMATED USEFUL LIVES
Buildings	25 years
Structures	2 - 25 years
Machinery, equipment and vehicles	2 - 6 years
Tools	3 - 5 years
Furniture and fixtures	3 - 10 years

Routine maintenance and repairs are charged to expense as incurred. Expenditures which enhance the value or materially extend the useful lives of the related assets are capitalized.

Interest expense incurred during the construction period of assets on funds borrowed to finance such construction is capitalized. Capitalized interest costs at December 31, 1999 and 1998 approximate $4,502 and $14,554, respectively.

The Korean government provides subsidies to the Company for purchases of certain buildings and machinery. The Company recorded such purchases at full acquisition costs and the related subsidies as a contra-asset account. The contra-asset account is reduced using the straight-line method over the estimated useful lives of the related assets.

Lease Transactions --

The Company accounts for lease transactions as capital leases, depending on the terms of the underlying lease agreements. Assets leased under capital leases are recorded at cost as property, plant and equipment and depreciated using the straight-line method over their estimated useful lives. In addition, aggregate lease payments are recorded as obligations under capital leases, net of accrued interest as determined by total lease payments in excess of the cost of the leased machinery and equipment. Accrued interest is amortized over the lease period using the effective interest rate method.

Discounts on Debentures --

Discounts on debentures are amortized using the effective interest rate method over the repayment period of the debentures. The resulting amortization cost is included in interest expense.

Accrued Severance Benefits --

Employees and directors with one year or more of service are entitled to receive a lump-sum payment upon termination of their employment with the

Company, 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 annual severance benefits expense charged to operations is calculated based on the net change in the accrued severance benefits payable at the balance sheet date, plus the actual payments made during the year.

The contributions to national pension fund made under the National Pension Plan are deducted from accrued severance benefit liabilities. Contributed amounts are refunded from the National Pension Plan to employees on their retirement.

Revenue Recognition (non-construction business) --

Substantially all revenues are recognized upon shipment of goods to customers. The Company does not take ownership of customer-supplied semiconductors. Title remain with the customer for these materials at all times. Accordingly, the cost of the customer-supplied materials is not included in the consolidated financial statements. Risk of loss for the Company's packaging costs passes upon completion of the packaging process and shipment to the customer. In regards to wafer fabrication services, the Company recognizes revenue upon shipment of completed wafers to its customers.

Revenue Recognition (construction business) --

Revenues from fixed-price and modified fixed-price construction contracts are recognized on the percentage-of-completion method, measured by the percentage of costs incurred to date to estimated total costs for each contract. This method is used because management considers expended costs to be the best available measure of progress on these contracts. A contract is considered complete when all costs except insignificant items have been incurred and the installation is operating according to specifications or has been accepted by the customer. Revenues from sale of constructed condominiums and some construction contracts are recognized on the completion method. This method is used because of unreliable estimates that cause forecasts to be doubtful. Contract costs include all direct material and labor costs and those indirect costs related to contract performance, such as indirect labor, supplies, tools, repairs, and depreciation costs. Selling, general, and administrative costs are charged to expense as incurred. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined. Changes in job performance, job conditions, and estimated profitability, including those arising from contract penalty provisions, and final contract settlements may result in revisions to costs and income and

are recognized in the period in which the revisions are determined. An amount equal to contract costs attributable to claims is included in revenues when realization is probable and the amount can be reliably estimated.

Discontinued Operations --

The operating results of the packaging and testing business, including K4 which was sold in May 1999 (see Note 30), are shown separately as discontinued operations in the accompanying income statement due to approved sale of the remaining packaging and testing business in February 2000 (see Note 31). The results of the discontinued business do not reflect any interest expense or indirect expenses allocated by the Company. The income statements for 1998 and 1997 have been restated and operating results of the packaging business are also shown separately.

Research and Development Costs --

Research and development costs are expensed as incurred.

Advertising Costs --

Advertising costs are charged to current period operations when incurred. Advertising expenses for 1999, 1998 and 1997 were $236, $946 and $5,510, respectively.

Income Taxes --

The Company accounts for income taxes under the provisions of Statement of Financial Accounting Standards No. 109 (SFAS 109), "Accounting for Income Taxes". SFAS 109 requires the recognition of deferred tax assets and liabilities created by temporary differences between the financial statement and tax bases of assets and liabilities. Deferred tax assets and liabilities are computed on such temporary differences, including available net operating loss carryforwards ("NOL") and tax credits, by applying enacted statutory tax rates applicable to the years when such differences are expected to be reversed. A valuation allowance is provided on deferred tax assets to the extent that it is more likely than not that such deferred tax assets will not be realized. Total income tax provision includes current tax expenses under applicable tax regulations and the change in the balance of deferred tax assets and liabilities.

Investment tax credits are accounted for by the flow-through method whereby they reduce income taxes in the period the assets giving rise to such credits are placed in service. To the extent such credits are not currently utilized, deferred tax assets, subject to considerations about the need for a valuation allowance, are recognized for the carryforward amount.

Earnings Per Share --

In February 1997, the Financial Accounting Standard Board (the "FASB") issued Statement of Financial Accounting Standard No. 128, "Earnings Per Share" (SFAS 128). This statement specifies the computation, presentation and disclosure requirements for earnings per share. The Company has calculated earnings per share based on the basic and diluted per share calculation (see Note 24). Basic EPS is computed using the weighted average number of common shares outstanding for the period while diluted EPS is computed assuming conversion of all dilutive securities, such as convertible bonds. Both computations reflect all stock dividends and the June 17, 1999 reverse stock split in the number of shares.

Remeasurement into US Dollar --

The U.S. dollar is the functional currency for ASI because the dollar is the currency of reference for market pricing in the worldwide semiconductor industry and revenue from external sales in U.S. dollars exceeds revenues in any other currency. The functional currency used by ASI's subsidiaries and equity investees, with the exception of Anam USA, is the Korean Won. The functional currency used by Anam USA is the U.S. dollar.

For financial statement purposes, assets and liabilities of ASI are remeasured into U.S. dollars from books and records kept in Korean Won using the monetary/non-monetary method. Monetary assets and liabilities, such as cash, receivables, borrowings and other payables, are translated to U.S. dollars at end-of-period exchange rates. Non-monetary assets and liabilities, such as inventory, investments and fixed assets, are translated using historical exchange rates. Revenues and expenses are translated using average exchange rates for the period, except for items related to non-monetary assets and liabilities, which are translated using historical exchange rates. All translation gains and losses are included in the determination of income for the period in which exchange rates change.

The financial position and results of operations of the Company's subsidiaries and equity-method investees except Anam USA are measured using local currency as functional currency. The financial statements of these subsidiaries and equity-method investees are translated to U.S. dollars using the current exchange rate method. All the assets and liabilities are translated to U.S. dollars at end-of-period exchange rates. Capital accounts are translated using historical exchange rates. Revenues and expenses are translated using average exchange rates. Translation adjustments arising from differences in exchange rates from period to period are included in the cumulative translation adjustment account in stockholders' equity.

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

The end of period exchange rates and average exchange rates for the period used to remeasure the assets, liabilities, revenues and expenses in accordance with the translation method stated above in 1999, 1998 and 1997 were as follows:

	KOREAN WON TO U.S. DOLLAR	
	END OF PERIOD EXCHANGE RATES	AVERAGE EXCHANGE RATES
1999	W1,134.50 = US$1	W1,189.30 = US$1
1998	W1,195.80 = US$1	W1,398.88 = US$1
1997	W1,695.80 = US$1	W 951.11 = US$1

Dividends --

In the event that cash dividends are declared in the future, such dividends will be paid in Korean Won. The Company does not intend to pay cash dividends in the foreseeable future.

Derivative Financial Instruments --

The Company enters into foreign currency exchange contracts, including forward and swap contracts, to manage the exposure to changes in currency exchange rates, principally the exchange rate between Korean Won and U.S. Dollar. The use of foreign currency forward contracts allows Anam to reduce its exposure to the risk that the eventual Korean Won cash outflows resulting from facility operating expenses, capital expenditures, local supplier purchases and debt service will be adversely affected by changes in exchange rates. These transactions do not meet the requirements for hedge accounting for financial statement purpose. Therefore the resulting realized and unrealized gains or losses, measured by quoted market prices, are recognized in income as the exchange rates change. These gains and losses are included

in the foreign currency gains (losses) account. The net unrealized gains (losses) on these contracts are accrued in the balance sheet account, forward contract debit (credit).

The Company enters into interest rate swap transactions to manage its exposure to the fluctuation of interest rates. These transactions are accounted for on an accrual basis, in which cash settlement receivable or payable is recorded as an adjustment to interest income or expense.

In regards to the impact of derivative financial instruments on liquidity and cash flow, no significant extra cash requirement is expected. Furthermore, the Company enters into these derivative contracts with major financial institutions and continues to monitor the credit worthiness of these institutions. Management expects full performance from its counterparties under these contracts.

Allowance for credit losses on loans receivable --

The Company accounted for allowance for credit losses in accordance with SFAS 114, "Accounting by Creditors for Impairment of a Loan" (SFAS 114). Under SFAS 114, a loan is considered impaired, based on current information and events, if it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. The measurement of impaired loans is generally based on the present value of expected future cash flows discounted at the historical effective interest rate, except that all collateral-dependent loans are measured for impairment based on the fair value of the collateral.

When a loan is classified as impaired, no interest income is recognized. Any subsequent cash payment is applied to reduce the principal.

Impairment of Long-Lived Assets --

Effective January 1, 1996, the Company adopted Statement of Financial Accounting Standard No. 121 (SFAS 121), "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed of." In accordance with this standard, management periodically evaluates the carrying value of long-lived assets, including intangibles, when events and circumstances warrant such a review. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows are less than the asset's carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived assets. Fair market value is determined primarily using the anticipated cash flows discounted at a rate commensurate with the risk involved.

Concentration of Credit Risk --

Financial instruments, which potentially expose the Company to a concentration of credit risk, consist primarily of cash and cash equivalents, bank deposits, restricted cash, trade receivables, loans to affiliates and financial instruments with off-balance sheet risks.

It is the Company's practice to place its cash and cash equivalents, bank deposits and restricted cash in various financial institutions located in Korea and the United States (U.S.) so as to limit the amount of credit exposure to any one financial institution. Deposits in U.S. banks may exceed the amount of insurance provided on such deposits by the Federal Deposit Insurance Corporation (the "FDIC"). The Company controls the credit risks associated with cash and cash equivalents, bank deposits and restricted cash by monitoring the financial standing of the related banks and financial institutions.

Anam performs and sells its Packaging Services exclusively to Amkor pursuant to the Supply Agreements. In 1999, 1998 and 1997, sales to Amkor accounted for substantially all of Anam's revenues

and accounts receivables. Any reduction in purchases by Amkor could have an adverse impact on Anam's financial position, results of operations and cash flows.

The loans to affiliates are uncollateralized and collection is subject to the operations of those affiliates. Management believes they have provided adequate allowance against these loans to reduce them to their net realizeable value.

The Company controls the credit risks associated with financial instruments through credit approvals, investment limits and centralized monitoring procedures but does not normally require collateral or other security from the counterparties. If the counterparty fails to honor certain forward or swap contracts, management believes any loss would be limited to the exchange rate or interest rate differential from the time the contract was made and the settlement date. The Company conducts its derivative transactions with major financial institutions and does not anticipate non-performance by counterparties which could have a significant impact on its financial position or results of operations.

Risks and Uncertainties --

The Company's business involves certain risks and uncertainties. Factors that could affect the Company's future operating results and the carrying value of assets such as property, plant and equipment include, but are not limited to, dependence on a cyclical semiconductor industry that is characterized by rapid technological changes, fluctuations in end-user demands, evolving industry standards, competitive pricing and declines in average selling prices, risks associated with assets, liabilities and transactions denominated in foreign currencies, and enforcement of intellectual property rights. Additionally, the market in which the Company operates is very competitive. Key elements of competition in the independent semiconductor packaging market include breadth of packaging offerings, time-to-market, technical competence, design services, quality, production yields, reliability of customer service and price. A substantial portion of the Company's revenues is derived from Packaging Services(See Note 28) provided to Amkor pursuant to the Supply Agreements. Other risks exist as of December 31, 1999 as described in the Workout Program in Note 5.

Presentation of Unit Currency --

All amounts in the financial statements have been presented in thousands of U.S. dollars, unless otherwise stated.

Recent Accounting Pronouncements --

In June 1999, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes a comprehensive standard on accounting for derivatives and hedging. It is effective for all fiscal years beginning after June 15, 1999. The Company has reviewed the provisions of the SFAS No. 133 and has not yet quantified the impact of adopting SFAS 133. However, SFAS 133 could increase volatility in earnings.

3. RELATIONSHIP WITH AMKOR:

The businesses of Anam and Amkor have been inter-related for many years by virtue of the Supply Agreements (See Note 1), common ownership and management, financial relationships, coordination of product and operating plans, joint research and development activities and shared intellectual property rights.

At December 31, 1997, Amkor owned 8.1% of the outstanding stock of ASI. On February 16, 1998, Amkor sold its investment in ASI common stock for $13,863 to AK Investments, Inc., an affiliate through

common ownership of Kim Family, based on the market value of ASI shares on the Korean Stock Exchange. In accordance with the terms and condition of Workout Program discussed in Note 5, on October 29, 1999, Amkor made $41,695 of capital contribution to ASI in exchange for equity shares of ASI at par value. As a result, ASI issued 10,000,000 shares of common stock to Amkor.

At December 31, 1998, ASI owned 100% of the outstanding stock of Anam/Amkor Precision Machine Company (Philippines), Inc. ("AAPMCI"). On June 16, 1999, ASI sold its whole investment in AAPMCI common stock for $3,800 to Amkor and $3,217 of realized gain from the sale was recognized.

At December 31, 1997, ASI owned 40% of the outstanding stock of Amkor/Anam Philipinas, Inc. ("AAPI"). On May 22, 1998, ASI sold its investment in AAPI common stock for $33,750 to Amkor and $22,329 of realized gain from the sale was recognized.

In 1999, 1998 and 1997, approximately 93.3%, 91.5% and 77.1%, respectively, of Anam's revenues was derived from sales to Amkor. By the terms of a long-standing agreement, Amkor has been responsible for marketing and selling ASI's semiconductor packaging and test services, except to customers in Korea and Japan to whom ASI has historically sold such services directly. Since 1998, Amkor became responsible for marketing and selling ASI's semiconductor packaging and test services to the majority of ASI's customers in Japan. ASI has worked closely with Amkor in developing new technologies and products.

Effective January 1, 1998, ASI entered into the five-year Supply Agreements with Amkor giving Amkor the first right to market and sell substantially all of ASI's packaging and test services and the exclusive right to market and sell all of the wafer output of ASI's new wafer foundry, both of which have negotiable pricing terms, taking into consideration factors such as changes in the semiconductor market, forecasted demand, product mix, capacity utilization and fluctuations in exchange rates as well as the mutual long-term strategic interest of Anam and Amkor. Amkor, in return, is responsible for sales of Packaging Services and is obligated to actively and diligently market the Packaging Services to potential and existing customers.

Pursuant to arrangements between Anam and Amkor, all sales from Anam to Amkor are made through Anam USA ("AUSA"). Prior to Amkor's initial public offering in 1998, Amkor obtained a significant portion of its financing from AUSA. AUSA obtained for the benefit of Amkor a continuous series of short-term financing arrangements based on guarantees provided by ASI. Pursuant to the Supply Agreements, Amkor reimburses AUSA for the financing costs incurred by it in connection with trade financing provided to Amkor. Amkor no longer depends on such financing arrangement as of December 31, 1998.

These agreements are cancelable by either party upon five years prior written notice at any time after the fifth anniversary of the effective date. The Company's business, financial condition and operating results have been and will continue to be significantly dependent on the ability of Amkor to effectively market ASI's services. The termination of ASI's relationship with Amkor for any reason, or any material adverse change in Amkor's business could have a material adverse effect on ASI's business, financial condition and results of operations.

In January 1998, the Company and Amkor entered into a manufacturing and purchasing agreement with Texas Instruments Incorporated ("TI") pursuant to which the Company will manufacture and Amkor will market wafer fabrication services to TI. Under the terms of the agreement, TI has agreed to purchase at least 40% of the foundry's capacity, and under certain circumstances has the right to purchase up to 70% of the foundry's capacity. In addition, the Company has a license to use TI technology only to provide wafer fabrication services to TI.

The agreement ends on December 31, 2007, but may be terminated earlier upon, among other things, the consent of the Company, TI and Amkor, a material breach by the Company, TI or Amkor, the failure of the Company to protect TI's intellectual property and a change of control, bankruptcy, liquidation or dissolution of the Company. The agreement may also be terminated by the Company or TI on two years' notice if they cannot successfully negotiate an agreement to govern the Company's use of TI's next-generation foundry technology prior to June 30, 2000. During any such two-year notice period, TI will only be obligated to purchase a minimum of 20% of the foundry's capacity.

4. UNSTABLE ECONOMIC ENVIRONMENT:

In connection with the Asian financial crisis which began in 1997, the Korean economy as well as other economies in the Asia Pacific region experienced economic contractions, a reduction in the availability of credit, increased interest rates, increased inflation, negative fluctuations in currency exchange rates, increased numbers of bankruptcies, increased unemployment and labor unrest. Such conditions had a significant adverse effect on the operations of the Company and other companies in Korea and in the Asia Pacific region.

Recently, economic conditions in the Republic of Korea have improved as evidenced by increased trade surplus, increases in foreign exchange reserves, record levels of foreign investment and economic growth, lower inflation and interest rates and stabilized foreign exchange rates. Notwithstanding the current recovery, significant uncertainties still exist related to the economy in Korea and in the Asia Pacific region.

5. WORKOUT PROGRAM:

The Company has traditionally operated with a significant amount of debt relative to its equity and had a significant working capital deficit at December 31, 1997. In addition, the Company has guaranteed certain debt obligations of equity investees and affiliated companies, including Anam Construction, Anam Environment and Anam Electronics Co., Ltd., ("Anam Electronics"), which face serious financial difficulties.

In response to this situation, management has undertaken certain measures it considers appropriate, including: (1) disposing of the Kwangju factory (see Note 30); (2) placing Anam Construction into corporate reorganization under the Korean Corporate Reorganization Act (see Note 1); and (3) enlisting, on October

23, 1998 ASI into the "Workout Program", a financial restructuring program supervised by the Korean Financial Supervisory Commission ("FSC"). The Workout Program is the result of an accord among Korean financial institutions to assist in the restructuring of Korean business enterprises. This process involves negotiations between the companies and the creditors committee represented by banks and other financial institutions providing financing to ASI and does not involve the judicial system. The Workout Program also allows ASI to resume its operations uninterrupted and does not impact debts outstanding with trade creditors. Anam Electronics and Anam Environment also applied for the Workout Program in October 1998.

On February 23, 1999, the following basic conditions and terms of ASI's Workout Program were agreed to and approved by its creditors committee: (1) five-year extension of the loan and capital leases repayment schedules; (2) reduction of bank loan interest rates to Korean prime rate; (3) conversion of certain outstanding bank loans of ASI to equity shares and convertible bonds approximating $102,275 and $90,400, respectively; and (4) five-year suspension of creditors' right to demand performance on loan guarantees made by Anam on behalf of its affiliates. In order for the initial conversion of debt to take place in accordance with the terms of the Workout, ASI will have to undergo a series of corporate actions, including a reverse stock split, to bring the fair market value of its equity shares to a price at least equal to the par value of such shares. The conversion of ASI debt by the creditor financial institutions would

coincide with each installment of Amkor's equity investment in ASI as described below. The workout contained provision for the entitlement of the creditor financial institutions to vote the ASI shares owned by Mr. James Kim and his family. The Company did not recognize any gain or loss as a result of the Workout Program.

In addition to the basic restructuring terms as stated above, the approved Workout Program also requires Mr. James Kim, the chairman of the Anam Group or Amkor, to make capital contributions to the Company totaling $150,000 over the next four years in exchange for equity shares of the Company at par value.

On May 13, 1999, ASI's Workout Program became effective upon signing of a Memorandum of Understanding, which document detailed conditions and terms of ASI's Workout Program, between ASI and the creditors committee.

The creditor financial institutions have the right to terminate or modify the Workout if Anam does not fulfill the terms of the Workout, including meeting certain financial targets. In addition, the creditor financial institutions can modify the terms of the Workout upon agreement of creditor financial institutions holding at least 75% of the debt restructured under the Workout. If the creditor financial institutions subsequently terminate the Workout, the creditor financial institutions could reinstate and enforce the original terms of Anam's debt, including accelerating Anam's obligations and pursuing Anam's guarantees of its affiliates' debt. If this were to occur, Anam's businesses would be harmed.

There can be no assurance that Anam will be able to satisfy the terms of the Workout Agreement. Any inability of Anam to comply with the terms of the Workout Agreement, generate cash flow from operations sufficient to fund its capital expenditures and other working capital and liquidity requirements could have a material adverse effect on Anam's ability to continue to provide services.

Anam Electronics' application for Workout Program was not accepted by the creditors committee. As a result, on March 18, 1999, Anam Electronics filed an application for corporate reorganization under the Korean Corporate Reorganization Act. The reorganization plan was completed and approved by the district court on February 7, 2000. On the other hand, Anam Environment's application for Workout was accepted by its creditors committee on February 23, 1999. The probable outcome of these events was taken into consideration by the Company in estimating its liability on guarantees on the debts of its equity investees and affiliates.

ANAM SEMICONDUCTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

6. ACCOUNTS AND NOTES RECEIVABLE:

Accounts and notes receivable at December 31, 1999 and 1998 comprise the following:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Accounts receivable, trade	$ 2,997	$37,211
Notes receivable, trade	551	16,072
	3,548	53,283
Allowance for doubtful accounts	(132)	(3,103)
Trade accounts and notes receivable, net	$ 3,416	$50,180
Accounts receivable from affiliated companies	$30,128	$14,502
Notes receivable from affiliated companies	181	1,128
	30,309	15,630
Allowance for doubtful accounts	(932)	(893)
Due from affiliates, net	$29,377	$14,737

7. INVENTORIES :

Inventories at December 31, 1999 and 1998 comprise of the following:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Finished products and merchandise	$ 6,639	$21,799
Semi-finished products and work in process	15,562	18,722
Raw materials and supplies	17,338	18,377
Materials in transit	2,410	909
	$41,949	$59,807

8. SHORT-TERM LOANS TO AFFILIATES:

Loans receivable at December 31, 1999 and 1998 comprise of the following:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Loans to affiliated companies		
Anam Construction	$ 151,639	$ 144,156
Anam Environment	13,486	12,795
Anam Electronics	145,987	125,188
Acqutek	3,877	3,676

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Dongan Engineering Co., Ltd.	587	892
	315,576	286,707
Loans to employees and directors	--	36
	315,576	286,743
Allowance for credit loss on loans receivable (Note 9)	(311,112)	(272,635)
	$ 4,464	$ 14,108

The loans to affiliated companies and other loans have maturity periods of less than one year and are uncollateralized.

9. LOAN IMPAIRMENT:

The Company provided loans to several affiliated companies, which currently face financial difficulties. Consequently, the Company assessed the collectibility of these loans in accordance with SFAS 114 and determined that the Company would not be able to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement on certain loans.

The amount of impaired loans and related allowance for credit loss on loans receivable are summarized below (see Note 8):

	DECEMBER 31,	
	1999	1998
Impaired loans, gross	$311,112	$272,635
Allowance for credit loss on loans receivable	(311,112)	(272,635)
Impaired loans, net	$ --	$ --

For the year ended December 31, 1999 and 1998, the average recorded investment in impaired loans was approximately $291,874 and $133,626, respectively.

No interest income was recognized on impaired loans for the year ended December 31, 1999 and 1998. Had these loans performed in accordance with their original terms, interest income of $22,684 and $17,927 would have been recorded in 1999 and 1998, respectively.

The changes in the allowance for credit loss on loans receivable are summarized below:

	1999	1998
Beginning balance	$272,635	$ --
Excess loss from investment in Anam Construction carried over from prior years (Note 1)	--	93,563
Equity in loss of Anam Construction for 1998 (Note 1)	--	56,884
Additions charged to operations	22,646	122,188
Effect of changes in exchange rates	15,831	--
Ending balance	$311,112	$272,635

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

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10. INVESTMENT IN AVAILABLE FOR SALE SECURITIES:

The Company's investment in available for sale securities are summarized below:

	DECEMBER 31, 1999			
	AMORTIZED COST	UNREALIZED HOLDING GAINS	UNREALIZED HOLDING LOSSES	ESTIMATED FAIR VALUE
Bonds issued by government.................	$ 3	$--	$ --	$ 3
Bonds issued by local government...........	3	--	--	3
Equity Securities..........................	30,557	54	2,489	28,122
Total............................	$30,563	$54	$2,489	$28,128

	DECEMBER 31, 1998			
	AMORTIZED COST	UNREALIZED HOLDING GAINS	UNREALIZED HOLDING LOSSES	ESTIMATED FAIR VALUE
Bonds issued by government.................	$ 276	$ --	$ --	$ 276
Bonds issued by local government...........	1	--	--	1
Equity Securities..........................	32,004	2,320	592	33,732
Total............................	$32,281	$2,320	$592	$34,009

The maturity of the bonds issued by the government and the bonds issued by local government as of December 31,1999 ranged from less than one year to ten years.

The gross realized gains from the sale of available for sale securities during the years ended December 31, 1998 and 1997 were $5,317 and $4,972, respectively. The gross realized losses from the sale of available for sale securities in 1999 and 1998 were $891 and $4,564, respectively.

At December 31, 1999 and 1998, equity securities with total carrying amount of $9,578 and $8,535, respectively, were pledged as collateral for issuing non-guaranteed debentures and capital lease obligation, respectively (see Notes 13 and 16).

At December 31, 1999, 1998 and 1997, respectively, the net book value of certain equity investment is below acquisition cost and is not expected to be recovered in the near future. Accordingly, an impairment loss of $1,523, $244 and $2,477, respectively is included in non-operating expenses for the other-than-temporary impairment of such investment.

11. INVESTMENTS IN AFFILIATED COMPANIES:

	PERCENTAGE OF OWNERSHIP (%) AT DECEMBER 31, 1999	DECEMBER 31, 1999	1998

Investments in affiliated companies:			
By the equity method:			
Anam Construction......................................	49.00	$ --	$ --
Acqutek..	17.55	4,164	7,788
Anam Instruments (1999 only)...........................	21.75	8,954	--
Anam Finance...	39.00	--	--
Anam Telecom...	29.51	4,261	7,987
Anam Japan Inc. and others (*).........................	29.82 - 100.00	1,171	3,371
		$18,550	$19,146

(*) Certain majority-owned subsidiaries are not consolidated due to immateriality.

The Company has received dividends of $158 and $26 from investments in affiliates accounted for by the equity method for the years ended December 31, 1998 and 1997, respectively. These dividends were recorded as a reduction in the carrying value of the related investments.

ANAM SEMICONDUCTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

12. SUMMARY FINANCIAL DATA ON SIGNIFICANT EQUITY INVESTEES:

Additional information regarding the Company's equity investees is as below:

	AS OF DECEMBER 31, 1999				
	CURRENT ASSETS	NON-CURRENT ASSETS	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	NET EQUITY (DEFICIT)
Anam Construction*..............	$145,289	$85,895	$416,648	$65,199	$(250,663)
Anam Instruments................	82,126	41,413	49,568	24,872	49,099
Acqutek.........................	35,552	55,275	34,376	33,722	22,729
Anam Finance....................	32,423	1,167	37,320	98	(3,828)
Anam Telecom....................	6,502	22,862	2,416	5,996	20,952

	FOR THE YEAR ENDED DECEMBER 31, 1999			
	GROSS REVENUE	GROSS PROFIT (LOSS)	INCOME (LOSS) FROM OPERATIONS	NET INCOME (LOSS)
Anam Construction*....................	$ 63,621	$(14,766)	$(66,991)	$(66,991)
Anam Instruments......................	169,051	26,601	11,135	7,487
Acqutek...............................	57,040	3,646	(7,978)	(4,377)
Anam Finance..........................	9,980	(8,323)	(8,343)	(8,343)
Anam Telecom..........................	1,543	(3,278)	(8,220)	(8,220)

	AS OF DECEMBER 31, 1998				
	CURRENT ASSETS	NON-CURRENT ASSETS	CURRENT LIABILITIES	NON-CURRENT LIABILITIES	NET EQUITY (DEFICIT)
Anam Construction*..............	$229,841	$92,041	$431,701	$61,368	$(171,187)

Acqutek	22,369	55,595	33,874	26,358	17,732
Anam Finance	68,977	40,402	100,629	4,194	4,556
Anam Telecom	14,592	23,863	5,866	7,427	25,162

	FOR THE YEAR ENDED DECEMBER 31, 1998			
	GROSS REVENUE	GROSS PROFIT (LOSS)	INCOME (LOSS) FROM OPERATIONS	NET INCOME (LOSS)
Anam Construction*	$65,097	$(13,171)	$(99,236)	$(99,236)
Acqutek	41,108	8,472	10,560	10,560
Anam Finance	10,583	(23,866)	(23,923)	(23,923)
Anam Telecom	367	(2,954)	(3,658)	(3,658)

	FOR THE YEAR ENDED DECEMBER 31, 1997			
	GROSS REVENUE	GROSS PROFIT	INCOME (LOSS) FROM CONTINUING OPERATIONS	NET INCOME (LOSS)
AAPI	$223,380	$54,297	$(16,594)	$(16,594)
Acqutek	95,403	30,485	(17,963)	(17,963)
Anam Finance	18,022	510	391	391
Anam Telecom	--	--	(8,186)	(8,186)

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* Anam Environment's figures are included in Anam Construction.

ANAM SEMICONDUCTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

13. PROPERTY, PLANT AND EQUIPMENT:

Property, plant and equipment at December 31, 1999 and 1998 comprise of the following:

	DECEMBER 31, 1999	DECEMBER 31, 1998
Costs		
Land	$ 43,260	$ 113,162
Buildings and structures	309,315	588,251
Machinery, equipment and vehicles	1,578,736	1,628,360
Tools, furniture and fixtures	55,402	17,443
Construction in progress	--	38,195
Machinery in transit	22,558	40,430
	2,009,271	2,425,841
Accumulated depreciation	(968,910)	(843,478)
	1,040,361	1,582,363
Governmental subsidies	(2,426)	(749)
Net Property, Plant and Equipment	$1,037,935	$1,581,614

Capital Leases

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

The Company has various facilities and equipment held under capital lease agreements.

Capital lease assets included in the above categories are further described below:

	DECEMBER 31,	
	1999	1998
Machinery and equipment	$ 870,837	$ 907,644
Accumulated depreciation	(356,140)	(218,713)
Capitalized Leases, net	$ 514,697	$ 688,931

Future minimum lease payments under noncancelable capital leases as of December 31, 1999 are as follows:

FOR YEARS ENDED DECEMBER 31,	CAPITAL LEASES
2000	$ 101,556
2001	100,492
2002	99,076
2003	97,552
2004	95,911
Thereafter	186,390
Total minimum lease payments	680,977
Less amount representing interest	(197,871)
Present value of minimum lease payments under capital leases	483,106
Less: portion due within one year	(53,516)
	$ 429,590

Pledged Property, Plant and Equipment

A substantial portion of the Company's property, plant and equipment is pledged as collateral for various loans from banks, up to a maximum amount of $636,608 and $683,917, at December 31, 1999 and 1998, respectively (see Notes 14 and 16).

Impairment of Property, Plant and Equipment

The Company recognized an impairment loss of $273,937 related to its assets held in the wafer fabrication factory (the "FAB") in Bucheon City, Republic of Korea in 1998 in accordance with SFAS 121. The amounts in property, plant and equipment above reflect the write-off of assets based upon the present value of expected future cash flows, as summarized below:

	1998

Building	$120,863
Machinery, equipment and vehicles	153,074
Total impairment write-off	$273,937

The FAB commenced operation in February 1998. Based on equipment installed in FAB, as of December 31, 1998 production levels were below the levels necessary for the factory to be profitable. Due to the lack of capital available to the Company, investment in additional equipment for FAB was not planned in the near future.

In 1999, the Company did not record the restoration of previously recognized impairment loss in accordance with SFAS 121.

14. SHORT-TERM BORROWINGS:

Short-term borrowings at December 31, 1999 and 1998 comprise of the following:

	ANNUAL INTEREST RATE (%) AT DECEMBER 31, 1999	DECEMBER 31, 1999	1998
Trade financing	N/A	$ --	$165,301
General term loans	11.96	69,328	62,214
Others	N/A	--	597
		$69,328	$228,112

Trade financing of ASI have been converted to long-term debt following conditions and terms of ASI's Workout Program on February 23, 1999.

The weighted average interest rate on short-term borrowings were 11.96% and 11.36% at December 31, 1999 and 1998, respectively.

At December 31, 1999, the Company provided notes and checks, including 40 blank notes and 28 blank checks, to several banks and financial institutions as collateral in relation to various borrowings and guarantees of indebtedness. Certain bank deposits and property, plant, equipment are pledged as collateral in relation to the above short-term borrowings (see Notes 2 and 13).

15. ACCRUED SEVERANCE BENEFITS:

Accrued severance benefits at December 31, 1999 and 1998 are as follows:

	1999	1998
Beginning balance	$73,428	$46,089
Decrease resulting from sales of divisions	(9,392)	--
Decrease resulting from deconsolidation of affiliates	(5,223)	(1,790)
Provisions	10,472	35,228
Severance payments	(14,717)	(6,099)
	54,568	73,428
Balance of payments remaining with National Pension Fund	(5,811)	(7,701)

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

	$48,757	$65,727
	=======	=======

The Company has partially funded accrued severance benefits through group severance insurance plans. At December 31, 1998, the Company maintained $2,286 of group severance insurance deposits, the withdrawal of which is restricted to the actual payment of severance benefits. The amounts funded under these insurance plans are included as non-current bank deposits (see Note 2).

16. LONG-TERM BORROWINGS AND INSTALLMENT PAYABLE:

Long-term debt, excluding capital lease obligations, at December 31, 1999 and 1998 comprise the following :

	ANNUAL INTEREST RATE (%) AT DECEMBER 31, 1999	CARRYING VALUE AT DECEMBER 31, 1999	1998
Won Currency Loans:			
Choheung Bank due 2003	3.00 - 11.50	$305,497	$ 408,021
Korea Development Bank	--	--	77,474
Shinhan Bank due 2003	8.47 - 11.25	41,157	60,329
Korea Exchange Bank	11.00 - 11.75	88,296	53,353
Hanvit Bank	10.00 - 11.00	76,184	75,305
Seoul Bank	10.00 - 11.00	55,307	34,094
Others	3.00 - 11.50	64,820	67,934
		631,261	776,510
Less : current portion		(819)	(1,593)
		630,442	774,917
U.S. Currency Loans:			
Korea Development Bank	--	--	85,850
Seoul Bank	--	--	24,168
Korea Exchange Bank due 2004	Prime rate + 3	10,079	67,249
Shinhan Bank	LIBOR + 3.5	11,502	37,046
Choheung Bank	--	--	57,563
Others	LIBOR + 6.65	2,875	28,900
		24,456	300,776
Less : current portion		--	(2,765)
		24,456	298,011
Debentures in Won currency:			
Guaranteed, payable through 2004	10.00 - 11.00	67,766	104,533
Non-guaranteed, payable through 2004	10.00 - 13.38	140,971	85,298
		208,737	189,831
Less: current portion		(19,392)	--
Discounts on debentures		(1,812)	(4,361)
		187,533	185,470
Convertible Bonds (see Note 17):			
US Dollar, payable through 2010	0.25	31,193	48,749
Installment Payable:			
Installment Payable in Won currency		2,515	11,941
Less: current portion		(719)	(9,596)
Discounts on Installment Payable		(245)	--
		1,551	2,345

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Total long-term debt........................	$875,175	$1,309,492
	========	==========

See Notes 7, 12 and 14 for the related collateral arrangements for the Company's long-term debt. In relation to guaranteed debentures and convertible bonds, the Company pays guarantee fees at 0.25% to 0.5% per annum. In addition, the repayment of a substantial portion of long-term debt is guaranteed by certain affiliated companies.

Certain debentures are guaranteed by Korea Development Bank, Kwangju Bank, etc. The carrying amount of the debentures is equivalent to the registered, issued and outstanding amount of debentures.

The annual maturities of long-term debt, excluding discounts on debentures, outstanding at December 31, 1999 are as follows:

YEAR	WON CURRENCY LOANS	U.S. CURRENCY LOANS	DEBENTURES	CONVERTIBLE BONDS	INSTALLMENT PAYABLE	TOTAL
2000.................	$ 819	$ --	$ 19,392	$ --	$ 719	$ 20,930
2001.................	487	--	--	--	719	1,206
2002.................	404	--	--	--	719	1,123
2003.................	428	--	--	--	358	786
2004.................	629,123	24,456	189,345	--	--	842,924
thereafter...........	--	--	--	31,193	--	31,193
	$631,261	$24,456	$208,737	$31,193	$2,515	$898,162

17. CONVERTIBLE BONDS:

In 1996, the Company issued US Dollar-denominated convertible bonds aggregating $40 million bearing interest at 0.25% per annum. The bonds are convertible into common stock from April 22, 1996 through November 30, 2010, at a specified conversion price, subject to adjustment based on the occurrence of certain events as provided in the offering agreement. The adjusted conversion price as of W10,568 per share as of December 31, 1998 changed to W6,406 per share as of December 31, 1999 to reflect issues of common stock in 1999 (see Note 22). The exchange rate applicable to the exercise of the conversion rights is fixed at W779.72 per US$1.

The Company may redeem all or some of the bonds on or at any time after March 20, 1997 at their principal amount, together, in each case, with accrued interest. No such redemption may be made on or prior to March 20, 2001 unless the average of the last selling prices or, if no sales take place on such day, the closing bid or offered prices of the common shares as reported by the Korea Stock Exchange, for each of 30 consecutive trading days, ending not more than 30 days prior to the date upon which notice of such redemption is given, has been at least 130% of the conversion price of each such trading day.

Any bondholder may request the Company to redeem all or some of the bonds held by him on March 20, 2001 at 142.75% of the principal amount of such bonds, together with interest accrued to the date of redemption.

Unless previously redeemed, purchased and cancelled or converted, the bonds will be redeemed on December 31, 2010 at their principal amount together with accrued interest.

During 1999, $19,720 of convertible bonds with interest of $3,545 were converted into the Company's common stock. As a result of the conversion, 1,686,425 additional shares were issued, which resulted in increase of capital and capital surplus by $10,814 and $8,906, respectively. Remainder of convertible bonds comprised principal of $23,825 and interest of $7,368 as of

December 31, 1999.

ANAM SEMICONDUCTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

18. INTEREST CAPITALIZATION:

The Company capitalized interest costs on borrowings associated with property, plant and equipment during the construction period (see Note 2). Details related to interest costs for the years ended December 31, 1999 and 1998 are as follows:

	YEAR ENDED DECEMBER 31,	
	1999	1998
Total interest costs incurred	$189,817	$242,353
Charged to expense	185,315	227,799
Interest capitalized	$ 4,502	$ 14,554

19. REVENUE:

Revenue from continuing operations consists of the following:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Revenue from construction services	$ --	$ --	$232,631
Net sales of tangible products	282,469	213,593	163,359
Other Revenue	3,456	7,505	10,947
Total	$285,925	$221,098	$406,937

20. COST OF SALES OF CONTINUING OPERATIONS CONSISTS OF THE FOLLOWING:

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Cost of construction services	$ --	$ --	$191,455
Cost of tangible product sold	239,632	230,478	123,211
Total	$239,632	$230,478	$314,666

21. INCOME TAXES:

The tax provision (benefit) consists of the following:

YEAR ENDED DECEMBER 31,		
1999	1998	1997

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Current:	$ 26,868	$1,172	$ 9,794
Deferred:	(54,192)	370	100,100
Total	(27,324)	1,542	109,894
Allocated to discontinued packing and testing operation	12,408	--	--
Allocated to gain on sale of K4	14,268	--	--
Continuing operations	$(54,000)	$1,542	$109,894

Anam incurs income tax liabilities in Korean Won based on taxable income determined in accordance with Korean generally accepted accounting principles and tax laws. The tax provision included in these financial statements reflects current tax expense and the impact of accounting for deferred taxes under SFAS 109.

The deferred tax consequences of temporary differences in reporting items for financial statement and income tax purposes are recognized, if appropriate. Realization of the future tax benefits related to the deferred tax assets is dependent on many factors, including Anam's ability to generate taxable income within the period during which the temporary differences reverse, the outlook for the Korean economy environment and the overall future industry outlook. Management has considered these factors in reaching its conclusion as to the valuation allowance for financial reporting purposes. Such valuation allowance is reviewed periodically.

The major components of deferred tax assets and deferred tax liabilities as of December 31, 1999 and 1998 are as follows:

	DECEMBER 31,	
	1999	1998
Deferred tax assets :		
Borrowings	$ 3,141	$ 1,750
Forward contracts	371	580
Provision for severance benefits, net	14,320	13,423
Property, plant and equipment	116,278	147,958
Short term and long term loans	163,469	157,164
Provision for contingency losses	40,013	29,982
Inventories	678	5,463
Accounts and notes receivable	41	42,465
Investment	11,800	11,994
Deferred charges	--	17,476
Loss carry forwards	--	35,288
Tax credit	58,942	61,094
Other	41	38,574
Total deferred tax assets	409,094	563,211
Deferred tax liabilities		
Reserves by Korean tax law	--	2,357
Accounts and notes payable	--	37,860
Advances from customers	--	44,162
Other	62	7,384
Total deferred tax liabilities	62	91,763
Valuation allowance	(355,820)	(472,428)
Net deferred tax assets (liabilities)	$ 53,212	$ (980)

The net deferred tax liabilities as of December 31, 1998 are included in other current liabilities and other long-term liabilities.

At December 31, 1999, the Company has available unused investment tax credits of $58,942, which may be applied against future income tax amounts through 2006.

Management has reassessed the estimated future taxable income and has concluded that it is "more likely than not" that Anam will not realize the full benefit of deferred tax assets. Accordingly, a valuation allowance of $355,820 and $472,428 at December 31, 1999 and 1998, respectively, has been recorded.

The statutory income tax rates, including tax surcharges, applicable to Anam for 1999, 1998 and 1997 are approximately 30.8%, respectively. The reconciliation from income taxes calculated at the statutory tax rate to the effective income tax amount for each of the periods is as follows:

	THOUSANDS OF U.S. DOLLARS		
	1999	1998	1997
Taxes at Korean statutory tax rate	$ 35,213	$(239,367)	$ 52,724
Remeasurement effect	75,257	75,813	(212,612)
Increase (decrease) in valuation allowance	(116,608)	193,615	268,279
Tax credit used	(12,057)	--	--
Other, net	(9,129)	(28,519)	1,503
Total income tax provision (benefit)	$ (27,324)	$ 1,542	$ 109,894

22. CAPITAL STOCK:

The authorized share capital of the Company consists of 300,000,000 and 100,000,000 shares of common stock, respectively, and 10,000,000 and 30,000,000 shares of preferred stock, respectively, both with par value of W5,000 as of December 31, 1999 and 1998.

As of December 31, 1999 and 1998, outstanding capital stocks are as follows:

	NUMBER OF SHARES ISSUED AND OUTSTANDING		PAR VALUE	THOUSANDS OF WON	
	1999	1998	1999 AND 1998	1999	1998
Common stock	55,031,183	30,477,018	W5,000	W275,155,915	W152,385,090
Preferred stock	2,576,276	2,576,276	5,000	12,881,380	12,881,380
	57,607,459	33,053,294		W288,037,295	W165,266,470

As of December 31, 1999 and 1998, preferred stocks are as follows:

Series A preferred stock	2,240,240 shares
Series B preferred stock	336,036
	2,576,276 shares

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Series A preferred stock (First Preferred) --

Series A preferred stockholders have no voting rights and are entitled to non-cumulative and non-participating preferred dividends at a rate of one percentage point over those provided to common shareholders. This preferred dividend rate is not applicable to stock dividends.

Series B Cumulative Convertible preferred stock (Second Preferred) --

Series B Cumulative Convertible preferred stockholders are entitled to cumulative and participating preferred dividends at a rate of 9% of par value. The shareholders have no voting rights, except for the period from the shareholders' meeting in which dividends at a rate less than 9% of par value are declared through the shareholders' meeting in which dividends at a rate more than 9% of par value are declared. Preferred stocks shall be converted to common shares on March 15, 2007. The basis of conversion is one share of preferred stock for one share of common stock.

Common and preferred stock issued in 1999 and 1997 are as follows: (Per share date is stated in U.S. dollars)

DATE OF ISSUANCE	TYPE	SHARES	PAR VALUE	PAID-IN CAPITAL IN EXCESS OF PAR VALUE
COMMON STOCK				
October 29, 1999	(A)	19,669,600	$82,011	$ --
October 29, 1999	(B)	10,000,000	41,695	--
August 13 - December 30, 1999	(C)	1,686,425	10,814	8,906
March 15, 1997	(D)	3,170,110(*)	20,941	--
July 24, 1997	(E)	6,172,840(*)	34,536	62,187
PREFERRED STOCK				
March 15, 1997	(D)	336,036(*)	2,220	--

(A) Transfer of long-term borrowings to capital stock

(B) Issuance of common stock at $4.17 to creditors and Amkor

(C) Transfer of convertible bonds to capital stock

(D) Transfer of capital surplus to capital stock in the form of stock dividend

(E) Issuance of depository receipts

The Company completed an underwritten public offering of 6,172,840 shares of its common stock in Luxemburg capital market, at a public offering price of $15.67 per share, net of direct issuance cost of $3,278

(*) The number of shares represents stock issued before reverse stock split.

Common stock reduced in 1999 is as follows: (Per share data is stated in U.S. dollars)

DATE OF REDUCTION	TYPE	SHARES	PAR VALUE	PAID-IN CAPITAL IN EXCESS OF PAR VALUE

COMMON STOCK					
June 17, 1999..........................	(A)	(6,801,860)	$(43,040)	$	--

----

(A) Reverse stock split from 1.2873 share to one

23. RECEIVABLE FROM STOCKHOLDERS:

Receivable from stockholders is summarized as follows:

	1999	1998
Beginning balance....................................	$116,417	$129,809
Collection of advance................................	(54,299)	(13,392)
Ending balance.......................................	$ 62,118	$116,417

In July 1997, the Company loaned $100,000 to a shareholder through an affiliated company which is payable on demand. This loan was used to purchase the Company's depository receipts issued on July 24, 1997. The Company collected $39,555 from the shareholder in 1999. Interest is payable at the rate from 4.1% to 14.3% as of December 31, 1999. The Company has not recognized interest income receivable related to this loan. This loan is recorded as a contra equity item.

In addition, the Company also made certain non-interest bearing loans to employees and directors to finance their acquisition of the Company's stock. Such loans are also recorded as a contra equity item.

24. EARNINGS (LOSS) PER SHARE:

For the years ended December 31, 1999, 1998 and 1997, earnings (loss) per share (EPS) was calculated as follows:

	EARNINGS (LOSS) (NUMERATOR)	WEIGHTED AVG. SHARES (DENOMINATOR)	PER SHARE AMOUNT (IN US DOLLARS)
Earnings per Share -- Year Ended December 31, 1999			
Loss from continuing operations.................	$(169,759)		
Less: Preferred stock dividend..................	(133)		
Weighted average number of common shares for the year before retroactive adjustment to reflect the reverse stock split.......................		32,320,823	
Effect of retroactive adjustment to reflect the reverse stock split...........................		(3,112,084)	
Basic earnings per share:			
Loss from continuing operations attributable to common stock.................................	(169,892)	29,208,739	$ (5.82)
Add: Income from discontinued operations.........	279,624		
Net income attributable to common stock..........	109,732	29,208,739	$ 3.76
Effect of dilutive securities:			
Convertible debentures...........................	1,252	2,899,911	
Convertible preferred stock......................	133	336,036	

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Diluted earnings per share:			
Net income attributable to common stock..........	111,117	32,444,686	$ 3.42
Loss from continuing operations attributable to common stock..................................	$(169,892)	29,208,739	$ (5.82)
Earnings per Share -- Year Ended December 31, 1998			
Loss from continuing operations..................	$(957,165)		
Less: Preferred stock dividend...................	(108)		
Weighted average number of common shares for the year before retroactive adjustment to reflect the reverse stock split........................		30,477,018	
Effect of retroactive adjustment to reflect the reverse stock split............................		(6,801,860)	
Basic earnings per share:			
Loss from continuing operations attributable to common stock..................................	(957,273)	23,675,158	$(40.43)
Add: Income from discontinued operations.........	109,632		
Net loss attributable to common stock............	(847,641)	23,675,158	$(35.80)
Effect of dilutive securities:			
Convertible debentures...........................	--	--	
Convertible preferred stock......................	--	--	

	EARNINGS (LOSS) (NUMERATOR)	WEIGHTED AVG. SHARES (DENOMINATOR)	PER SHARE AMOUNT (IN US DOLLARS)
Diluted earnings per share:			
Net loss attributable to common stock............	(847,641)	23,675,158	$(35.80)
Loss from continuing operations attributable to common stock..................................	$(957,273)	23,675,158	$(40.43)
Earnings per Share -- Year Ended December 31, 1997			
Income from continuing operations................	$(102,039)		
Less: Preferred stock dividend...................	(159)		
Weighted average number of common shares for the year before retroactive adjustment to reflect the reverse stock split........................		26,993,191	
Effect of retroactive adjustment to reflect the reverse stock split............................		(6,024,348)	
Basic earnings per share:			
Income from continuing operations attributable to common stock..................................	(102,198)	20,968,843	$ (4.87)
Add: Income from discontinued operations.........	143,469		
Net income attributable to common stock..........	41,271	20,968,843	$ 1.97
Effect of dilutive securities:			
Convertible debentures...........................	1,252	1,888,971	
Convertible preferred stock......................	159	336,036	
Diluted earnings per share:			
Net income attributable to common stock..........	42,682	23,193,850	$ 1.84
Income from continuing operations attributable to			

common stock................................	$(102,198)	20,968,843	$ (4.87)
	=========	==========	=======

The basic earnings per share for discontinued operations was $9.58, $4.63 and $6.84 in 1999, 1998 and 1997, respectively. Diluted earnings per share for discontinued operations was $9.24, $4.63 and $6.71 in 1999, 1998 and 1997, respectively.

25. COMMITMENTS AND CONTINGENCIES:

At December 31, 1999, the Company was contingently liable for guarantees of indebtedness of certain affiliated companies as follows :

	1999	1998
Anam Electronics(*)................................	$134,651	$147,014
Anam Construction..................................	150,587	144,568
Anam Environment...................................	9,626	11,070
Acqutek..	13,691	19,369
Anam Finance.......................................	4,966	11,666
Other Affiliates...................................	8,391	26,543
Total....................................	$321,912	$360,230

(*) An affiliate through common ownership of the Kim Family.

As discussed in Note 5, Anam Construction and Anam Electronics became insolvent and filed an application for corporate reorganization under the Korean Corporate Reorganization Act on October 24, 1998 and March 18, 1999, respectively. The application of each company was accepted by the court. Under the court appointed receivership management, both companies had been preparing their reorganization plan including the restructuring of existing debt. Anam Electronics reorganization plan was completed and approved by the court on February 7, 2000 and Anam Construction's reorganization plan is expected to be finalized in March 2000. According to Anam Electronics' reorganization plan, a portion of ASI's loans to Anam Electronics approximating W32.4 billion shall be converted to common stock of Anam Electronic in exchange for 2,072,300 shares at W16,000 per share by June 1, 2000. After this conversion, ASI will own 32.4% of Anam electronics' common shares.

Under the terms of Anam's Workout Program, the guaranteed creditors of Anam Construction and Anam Electronics may exercise their right to request from the Company the performance of guarantee obligations only at the time when the guarantee obligation amount is fixed after the extinction of the primary debtors' legal entity as a result of bankruptcy or liquidation. In addition, the payment of the principal of the guarantee obligation was suspended until December 31, 2003 and interest during such suspension period will be exempted. Accordingly, it is expected that the Company may be contingently liable for payment guarantees on the remaining indebtedness of Anam Construction and Anam Electronics at December 31, 2003. The Company recorded a liability for loss contingency of $101,460 and $66,707 at December 31, 1999 and 1998, respectively, for the probable loss that may occur upon guaranteed creditors' demand for performance of these loan guarantees.

In addition to loss provisions provided for those affiliate guarantees discussed above, the Company accrued an additional provision of $18,452 and $20,637 at December 31, 1999 and 1998, respectively, related to losses expected on other guarantees.

At December 31, 1999 and 1998, the Company is contingently liable for letters of commitment provided in relation to the issue of $38 million secured floating rate notes due 2000 by Pacific Elephant Investment (L) limited ("PEIL") and the issue of $20 million guaranteed floating rate notes due 2002 by Pacific Rainbow Investment (L) Limited ("PRIL"). According to terms of the letters of commitment, the Company is required, subject to any restrictions under Korean Law, to make a capital injection to PEIL and PRIL if their gross asset value become lower than 100% of the outstanding principal amount of all borrowings by PEIL and PRIL, respectively. Because of the economic crisis in Asia Pacific region, the gross asset value of both PEIL and PRIL significantly declined and, as a result, the Company was asked to make capital injections to PEIL and PRIL. The amount of capital injection requested on October 29, 1999 approximates $18,000 for PEIL and $17,000 for PRIL. The Company has been negotiating this matter with various parties including those responsible for the operations of PEIL and PRIL to settle down these claims. By taking into consideration the current status of negotiation, the Company recorded a liability for loss contingency of $10,000 at December 31, 1999 and 1998 for the probable loss that may occur upon settlement of these claims.

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

26. DERIVATIVE FINANCIAL INSTRUMENTS:

The total fair value of all derivative instruments at December 31, 1999 and 1998 was $164,636 and $273,962, respectively. Net unrealized losses in relation to currency and interest swap contracts approximate $15,364 and $36,968 as of December 31, 1999 and 1998, respectively (see Note 2).

Currency and interest swap

The Company had several outstanding currency and interest rate swap contracts at December 31, 1999 and 1998, further described as follows:

1999

BANK	CONTRACT AMOUNT	CONTRACTED EXCHANGE RATE	RECEIVING RATE(%)	PAYING RATE(%)	CONTRACT DUE DATE
Korea Development Bank...........	US$50,000	W938 : US$1	9.95	6.25	Oct 10, 2000
Sinhan Bank.......................	US$10,000	W882 : US$1	10.20	6.90	Apr 24, 2000
Korea Merchant Bank..............	US$20,000	W882 : US$1	10.20	6.90	Apr 24, 2000

1998

BANK	CONTRACT AMOUNT	CONTRACTED EXCHANGE RATE	RECEIVING RATE(%)	PAYING RATE(%)	CONTRACT DUE DATE
Chase Manhattan Bank.............	$30,000	W830 : US$1	8.25	7.00	Sept 16, 1999
Chase Manhattan Bank.............	$20,000	W840 : US$1	7.99	6.29	Oct 17, 1999
Korea Development Bank..........	$50,000	W938 : US$1	9.95	6.25	Oct 10, 2000
Shinhan Bank.....................	$10,000	W882 : US$1	10.20	6.90	Apr 24, 2000
Korea Merchant Bank.............	$20,000	W882 : US$1	10.20	6.90	Apr 24, 2000

Under the terms of the currency and interest swaps, the Company is obligated to pay the contract amount multiplied by the current exchange rate multiplied by the paying rate and is entitled to receive the contract amount multiplied by the contracted exchange rate multiplied by the paying rate at six-month intervals until the contract due date.

Interest swap

The Company had several outstanding interest-rate swap contracts in relation to payment of interest on foreign currency long-term debt at December

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

31, 1999 and 1998, further described as follows:

1999

BANK	CONTRACT AMOUNT	SELLING RATE(%)	BUYING RATE(%)	CONTRACT TERMS
Chase Manhattan Bank	US$100,000	6 month LIBOR	5.800	Sept 16, 2000

1998

BANK	CONTRACT AMOUNT	SELLING RATE(%)	BUYING RATE(%)	CONTRACT TERMS
Shinhan Bank	US$ 50,000	6 month LIBOR	5.705	Jul 1, 1999
Chase Manhattan Bank	US$100,000	6 month LIBOR	5.800	Sept 16, 2000

27. FAIR VALUE OF FINANCIAL INSTRUMENTS:

The estimated fair value of financial instruments has been determined by the Company using available market information and appropriate methodologies; however, considerable judgement is required in interpreting market data to develop estimates for fair value. Accordingly, these estimates are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Certain of these financial instruments are with major financial institutions and expose the Company to

market and credit risks and may at times be concentrated with certain counterparties or group of counter-parties. The creditworthiness of counterparties is continually reviewed, and full performance is anticipated.

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

Cash and Cash Equivalents

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

Available for Sale Investments

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

Investment in affiliated companies

Management believes it is impractical to estimate the fair value of non publicly traded companies.

Short-term borrowing

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

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Long-term debt

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

Convertible Bonds

Management believes it is impractical to estimate the fair value of such bonds due to their unique feature and the lack of an active trading market for such bonds.

Derivative Instruments

The fair value of derivative instruments is based on quoted market prices if available or discounted cash flow if market quote is not available, and is estimated to be $164,636 and $273,962 at December 31, 1999 and 1998, respectively.

28. RELATED PARTY TRANSACTIONS:

Discontinued packaging and testing operations

On February 28, 2000, Anam's board of directors and the creditors committee approved the formal plan to sell the remaining packaging and testing operations to Amkor, the company related to Anam (see Notes 1 and 2). The anticipated disposal date is approximately April 30, 2000. Net sales of the packaging and testing operations, consisting of plants K1, K2 and K3, for the years ended December 31, 1999, 1998 and 1997, including those of K4 sold to Amkor in May, 1999, were $477,862, $500,914 and $650,457,

respectively. These amounts are not included in the net sales in the accompanying income statements (see Notes 30 and 31).

Significant transactions with affiliated companies during 1999, 1998 and 1997 and the related account balances at December 31, 1999 and 1998 are summarized as follows:

Transactions between the Company and its affiliated companies

	DECEMBER 31,		
	1999	1998	1997
Sales			
Amkor	$712,300	$566,261	$530,262
Other affiliated companies	2,428	4,051	19,013
	$714,728	$570,312	$549,275
Purchases			
Other affiliated companies	$ 17,612	$ 16,277	$ 21,114

Related accounts balances between the Company and its affiliated companies

	DECEMBER 31,	
	1999	1998

Receivables		
Amkor	$26,586	$13,342
Other affiliated companies	7,505	15,503
	$34,091	$28,845
Payables		
Amkor	$ 1,223	$22,578
Other affiliated companies	10,633	2,012
	$11,856	$24,590

Employee and Directors Loans

The Company has short-term loans of $36 to its employees and directors at December 31, 1998. Such loans are provided to assist employees and directors in housing purchase. They generally bear market interest rate and are repaid through regular payroll deduction based on a predetermined schedule.

29. SEGMENT INFORMATION:

The Company has identified three reportable segments, specifically packaging and test services, wafer fabrication service and construction, that are managed separately because the services provided by each segment require different technology.

The Company offers a complete and integrated set of packaging and test services including IC packaging design, leadframe and substrate design, IC package assembly, final testing, burn-in reliability test and thermal and electrical characterization. The Company also manufacture submicron CMOS wafers through its foundry. Also, the Company, through its subsidiary, Anam Construction, provide construction services, which was consolidated in 1997 but deconsolidated since 1998.

The accounting policies for segment reporting are the same as those described in Note 2 to the consolidated financial statements. The Company evaluates its operating segments based on profit and loss.

BY INDUSTRY SEGMENT

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Revenue from external customers:			
Packaging	$ 477,862	$ 500,914	$ 650,457
Construction	--	--	232,631
Wafer	264,177	97,068	--
Other	21,748	124,030	174,306
Total	$ 763,787	$ 722,012	$1,057,394
Property, Plant and Equipment:			
Packaging	$ 401,568	$ 926,135	
Construction	--	--	
Wafer	597,870	597,165	
Other	38,497	58,314	
Total	$1,037,935	$1,581,614	

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

The following is a summary of operations by country based on the location of the customer. Property, plant and equipment is based on the location of the equipment.

BY GEOGRAPHY

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Revenue from external customers:			
United States	$ 712,300	$ 566,261	$ 530,262
Republic of Korea and Others	51,487	155,751	527,132
Total	$ 763,787	$ 722,012	$1,057,394
Property, Plant, and Equipment			
United States	$ 76	$ 72	
Republic of Korea	1,037,859	1,581,542	
Total	$1,037,935	$1,581,614	

BY MAJOR CUSTOMER

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
Revenue from external customers:			
Amkor	$712,300	$566,261	$ 530,262
Other	51,487	155,751	527,132
Total	$763,787	$722,012	$1,057,394

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

	PACKAGING AND TEST (DISCONTINUED)	WAFER FABRICATION	CONSTRUCTION	OTHER	TOTAL
Year ended December 31, 1999					
Net Revenue	$ 477,862	$264,177	$ --	$ 21,748	$ 763,787
Gross Profit	156,704	38,155	--	8,138	202,997
Operating Income	136,002	26,570	--	938	163,510
Depreciation and Amortization	150,653	119,447	--	1,531	271,631
Capital Expenditures	595	3,907	--	--	4,502
Total Assets	583,491	728,774	--	175,204	1,487,469
Year ended December 31, 1998					
Net Revenue	$ 500,914	$ 97,068	$ --	$124,030	$ 722,012
Gross Profit	139,129	(38,884)	--	29,504	129,749
Operating Income	94,929	(315,911)	--	17,905	(203,077)
Depreciation and Amortization	179,955	115,428	--	3,869	299,252

(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Capital Expenditures..................	2,317	12,237	--	--	14,554
Total Assets..........................	1,075,286	740,135	--	63,529	1,878,950
Year ended December 31, 1997					
Net Revenue...........................	$ 650,457	$ --	$387,946	$ 18,991	$1,057,394
Gross Profit..........................	186,633	--	94,469	(2,198)	278,904
Operating Income......................	129,157	--	55,287	(49,210)	135,234
Depreciation and Amortization.........	143,079	--	11,243	(3,659)	150,663

	YEAR ENDED DECEMBER 31,		
	1999	1998	1997
REVENUES			
Total revenues for reportable segments...............	$ 763,787	$ 722,012	$1,057,394
Elimination of revenues from discontinued operation (Note 28)......................................	477,862	500,914	650,457
Total consolidated revenue...........................	$ 285,925	$ 221,098	$ 406,937
GROSS PROFIT			
Total gross profit for reportable segments...........	$ 202,997	$ 129,749	$ 278,904
Elimination of gross profit from discontinued operation (Note 28)..............................	156,704	139,129	186,633
Total consolidated gross profit......................	$ 46,293	$ (9,380)	$ 92,271
OPERATING INCOME			
Total operating income (loss) for reportable segments..	$ 163,510	$ (203,077)	$ 135,234
Elimination of operating income from discontinued operation (Note 28)..............................	142,472	109,632	143,469
Total consolidated operating income..................	$ 21,038	$ (312,709)	$ (8,235)
Total asset..................................	$1,487,469	$1,878,950	$2,922,114

30. SALE OF K4 ASSETS AND OTHER:

On May 17, 1999, the Company sold to Amkor all the assets of the Company's packaging and test facility located in Kwangju city, the Republic of Korea ("K4"), excluding cash and cash equivalents, notes and accounts receivables, intercompany accounts and existing claims against third parties, in accordance with an asset purchase agreement signed on December 30, 1998 and approved by its shareholders on February 3, 1999. The sale price of K4 is $575,000 in cash, plus the transfer of up to $7,000 of employee benefit liabilities. The sale of K4 resulted in a gain of approximately $163,828 on the sale. K4 provides packaging and test services for advanced leadframe and laminate packages that are used in high-performance electronic products such as cellular telephones, laptop computers, digital cameras and microprocessors. K4 began operating in October 1996 and is Anam's newest semiconductor packaging and test facility. The operating results of K4 are included in the income from the discontinued operation because of the approved sale of the remaining packaging and testing business in 2000 (see Note 31).

In connection with the sale of K4, Anam entered into a Transition Services Agreement with Amkor. Pursuant to this agreement, Anam will continue to provide many of the same non-manufacturing related services to K4 that it provided prior to the sale, including, human resources, accounting and general administrative services. The monthly fee for the service is $766. Anam also entered into an Intellectual Property License Agreement with Amkor that became effective upon the closing of the sale. Anam transferred certain patents to Amkor and licensed certain intellectual property rights to Amkor under an exclusive, fully paid, perpetual license.

In August 1999, the Company sold all assets and liabilities directly related to the wiring business to a third party and recognized a gain of $16,671 on the sale. This sale did not qualify as discontinued operations and, accordingly, the related gain was included in the results of continuing operations.

31. SUBSEQUENT EVENTS :

On February 28, 2000, Anam made a decision to sell to Amkor all of the remaining operating assets related to the packaging and testing business excluding K2 land in accordance with the approval of the Anam's board of directors' meeting and the Anam's creditors committee. The sale price of Packaging Business is Korean Won equivalent to $950 million. The major assets of the packaging and testing business are as follows:

	YEAR ENDED DECEMBER 31,	
	1999	1998
Inventory	$ 7,984	$ 7,982
Fixed Assets	401,568	926,135
	$409,552	$934,117

On February 28, 2000, the Company also made a decision to issue 56,457,039 shares of the new common stock on approval of a board of directors' meeting as follows:

- Approximately 15,529,000 shares of common stock will be issued to Amkor at W8,000 per share
- Additional 22,179,974 shares of common stock will be issued to Amkor at W18,000 per share
- Additional 18,750,000 shares of common stock will be issued to creditor banks at W8,000 per share through the conversion of W150 billion debt into common stock

ANAM SEMICONDUCTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(CURRENCY -- THOUSANDS OF U.S. DOLLARS)

Management of the Company intends to use proceeds from the sales of the packaging and testing operations to repay its borrowings due to remaining wafer fabrication creditor institutions and invest in the remaining wafer fabrication operations of the Company.

INDEPENDENT AUDITORS' REPORT

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

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

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

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

As discussed in Note 1, the Company has filed a voluntary petition for reorganization under the Corporate Reorganization Act in the Republic of Korea. The financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

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

/s/ Ahn Kwon & Co.

February 9, 2000

INDEPENDENT AUDITOR'S REPORT

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

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

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

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

All of the Company's outstanding notes payable and letters of credit are guaranteed by ASI. ASI has a significant amount of debt relative to its equity. ASI's business has been significantly affected by the economic crisis in Korea.

In October 23, 1998, ASI entered into a Korean financial restructuring program known as "Workout Program." On February 23, 1999, ASI was granted certain economic concessions through the Workout Program which was approved by the Korean Financial Supervisory Committee. The effects of the "Workout Program" and its impact on the Company are disclosed in Note 5.

/s/ SIANA CARR & O'CONNOR, LLP

January 31, 2000

SIGNATURES

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

AMKOR TECHNOLOGY, INC.

By: /s/ Kenneth T. Joyce

Kenneth T. Joyce
Chief Financial Officer

Dated: March 13, 2000

INDEX TO EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
23.1	Consent of Arthur Andersen LLP.
23.2	Consent of Samil Accounting Corporation.*
23.3	Consent of Siana Carr & O'Connor, LLP.
23.4	Consent of Ahn Kwon & Co.

(*) Chiang An

Exhibit 23.1

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated February 3, 2000 (except with respect to the Company's proposed acquisition of ASI's packaging and test facilities and its investment in ASI as discussed in Note 21, as to which the date is February 28, 2000) and to all references to our Firm included in or made a part of this Current Report on Form 8-K; and to the incorporation of that report included in this Current Report on Form 8-K, into the Company's previously filed Form S-8 Registration Statements File Numbers 333-62891 and 333-86161.

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
March 11, 2000

Exhibit 23.2

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-62891 and No. 333-86161) of Amkor Technology, Inc. of our following reports which appear in the Current Report on Form 8-K/A of Amkor Technology, Inc. dated March 13, 2000:

- dated February 28, 2000 relating to the consolidated financial statements of Anam Semiconductor, Inc. and its subsidiaries;

- dated January 25, 2000, except as to Note 14, which is as of February 28, 2000, relating to the financial statements of the Seongsu, Pucheon and Pupyong Packaging Businesses of Anam Semiconductor, Inc.; and,

- dated January 15, 2000 relating to the financial statements of the Amkor Technology Korea, Inc.

We also consent to the references to us under the headings "Selected Historical Financial Data of K1, K2 and K3" (Seongsu, Pucheon and Pupyong Packaging Businesses of Anam Semiconductor, Inc.) and "Selected Historical Financial Data of ASI" (Anam Semiconductor, Inc.) appearing in the Current Report on Form 8-K/A of Amkor Technology, Inc. dated March 13, 2000, which is incorporated by reference in such Form S-8s.

/s/ SAMIL ACCOUNTING CORPORATION

Seoul, Korea
March 13, 2000

Exhibit 23.3

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this Current Report on Form 8-K by Amkor Technology, Inc.

/s/ SIANA CARR & O'CONNOR, LLP
Paoli, Pennsylvania
March 10, 2000

Exhibit 23.4

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our reports and to all references to our Firm included in or made a part of this Current Report on Form 8-K by Amkor Technology, Inc.

/s/ AHN KWON & COMPANY

Seoul, Korea
March 9, 2000