

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT

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

May 2, 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)

Item 2. ACQUISITION OR DISPOSITION OF ASSETS

On May 2, 2000, Amkor Technology, Inc. ("Amkor"), through a wholly-owned subsidiary, Amkor Technology Korea, Inc. ("Amkor Korea"), completed an acquisition of three semiconductor packaging and test facilities, known as K1, K2 and K3, located in Korea from Anam Semiconductor, Inc. ("ASI"), as announced in a press release issued on May 2, 2000 (attached hereto as Exhibit 99.1). The acquisition, along with a related equity investment in ASI, is valued at approximately \$1.4 billion and is being funded with a combination of \$410 million in private equity capital, \$259 million in convertible subordinated notes, and \$750 million in bank debt. K1 is located in Seoul, Korea with approximately 646,000 square feet of manufacturing space and 3,300 employees. K2 is located in Buchon, Korea with approximately 264,000 square feet of manufacturing space and 1,800 employees. K3 is located in Bupyung, Korea with approximately 404,000 square feet of manufacturing space and 1,500 employees.

Item 7. FINANCIAL STATEMENTS AND EXHIBITS.

The following financial statements and exhibits are filed as part of this Report:

(a) Financial statements of ASI and financial statements of K1, K2 and K3 prepared pursuant to Rule 3-05 of Regulation S-X.

Incorporated by reference to the Company's definitive Consent Solicitation Statement filed April 13, 2000 (attached hereto as Exhibit 20.1).

(b) Pro forma financial information required pursuant to Article 11 of Regulation S-X:

Incorporated by reference to the Company's definitive Consent Solicitation Statement filed April 13, 2000 (attached hereto as Exhibit 20.1).

(c) Exhibits in accordance with Item 601 of Regulation S-K:

EXHIBIT NUMBER -----	DESCRIPTION -----
2.1	Asset Purchase Agreement by and between Amkor Technology Korea, Inc. and Anam Semiconductor, Inc., dated as of January 14, 2000.
2.2	Amendment to Asset Purchase Agreement by and between Amkor Technology Korea, Inc. and Anam Semiconductor, Inc., dated as of February 25, 2000.
4.1	Convertible Subordinated Notes Indenture dated as of March 22, 2000 between the Registrant and State Street Bank and Trust Company, including form of 5% Convertible Subordinated Notes due 2007.*
4.2	Registration Agreement between the Registrant and the Initial Purchasers named therein dated as of March 22, 2000.*
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4.3	Stockholder Rights Agreement between the Registrant and the Purchasers named therein dated as of April 18, 2000.
4.4	Credit Agreement between the Registrant and the Initial Lenders named therein dated as of April 26, 2000.
20.1	Definitive Consent Solicitation Statement filed April 13, 2000.
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.
99.1	Press release dated May 2, 2000.

* Incorporated by reference to the Company's Annual Report on Form 10-K filed March 30, 2000.

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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: May 12, 2000

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

EXHIBITS
TO
FORM 8-K

CURRENT REPORT PURSUANT TO SECTION 13 OR 15(d)
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AMKOR TECHNOLOGY, INC.

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ASSET PURCHASE AGREEMENT

BY AND BETWEEN

AMKOR TECHNOLOGY KOREA, INC.

as Purchaser

AND

ANAM SEMICONDUCTOR, INC.

as Seller

Dated as of January 14, 2000

ASSET PURCHASE AGREEMENT

This is an ASSET PURCHASE AGREEMENT (the "Agreement"), dated January 14, 2000 by and between Amkor Technology Korea, Inc., a corporation organized under the laws of the Republic of Korea, ("Purchaser") and Anam Semiconductor, Inc., a corporation organized under the laws of the Republic of Korea ("Seller"). Purchaser and Seller shall sometimes each be referred to as a Party and collectively as the Parties.

RECITALS:

WHEREAS, Seller is the owner and operator of certain semiconductor packaging and test facilities located in the Republic of Korea; and

WHEREAS, Purchaser provides semiconductor packaging and test services and is desirous of expanding its manufacturing capability;

WHEREAS, Purchaser acquired from Seller the assets in K-4 in May 1999; and

WHEREAS, Seller desires to sell, Purchaser desires to purchase the facilities for semiconductor packaging and test operations generally known as K-1, K-2 and K-3 located at Sungsoo-dong, Sungdong-ku, Seoul, Korea, Buchon, Kyoungki-do, Korea, Bupyung, Kyoungki-do, Korea, respectively, ("Business") upon terms and conditions set forth herein.

NOW THEREFORE, in consideration of the mutual agreements, covenants, representations and warranties contained herein, and in reliance thereon, Purchaser and Seller hereby agree as follows:

DEFINITIONS:

"Affiliate" or "Affiliates" means any Person(s) directly or indirectly controlling, controlled by or under common control with such Person. As used in this definition, "controlling" (including, with its correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of power to direct or cause the direction of management or policies, whether through ownership of securities, partnership or other ownership interests, by contract or otherwise.

"Ancillary Agreements" has the meaning as described in Section 1.8(a).

"Asset List" has the meaning as described in Section 1.1.

"Assigned Contracts" has the meaning as described in Section 1.1(f).

"Assumed Liabilities" has the meaning as described in Section 1.7(a).

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"Authority" means any national or local or foreign governmental or regulatory entity, or any department, agency, authority or political subdivision thereof.

"Balance Sheet" has the meaning as described in Section 2.4.

"Business" has the meaning as described in Recitals Section.

"Closing" and "Closing Date" have the meanings as described in Section 1.11.

"Closing Statement" has the meaning as described in Section 1.6 (a) (i).

"Confidential Information" has the meaning as described in Section 1.13(g).

"Creditor Banks" shall mean those Korean financial institutions which compose the Council of Creditor Financial Institutions as a party to the Memorandum of Understanding for Workout of Affiliates of Anam Group dated April 1999 having Cho Hung Bank as the presiding bank thereof.

"Damages" has the meaning as described in Section 4.4(a)(iii).

"Employees" has the meaning as described in Section 2.20.

"Employee Releases" has the meaning as described in Section 4.2.

"Environmental Laws" has the meaning as described in Section 2.12(a) (i).

"Environmental Liabilities" means any liabilities (including costs of re-mediation) known or unknown, foreseen or unforeseen, whether contingent or otherwise, fixed or absolute, present or future, asserted against or incurred by Purchaser or the Business arising out of or relating to (1) environmental conditions first occurring or existing prior to the Closing (whether disclosed or undisclosed) including, without limitation, the presence, Release, threat of Release, Management or exposure of or to Hazardous Substances (each as defined herein) at, on, in or under any property now or previously owned, operated or leased by Seller, the Business or any of its Affiliates or predecessors (whether into the air, soil, ground or surface waters on-site or off-site); (2) the off-site transportation, storage, treatment, recycling or disposal of Hazardous Materials Managed, Released or generated prior to the Closing by Seller or the Business or any of its Affiliates or predecessors or generated in connection with any of their operations; or (3) any violation of any Environmental Law first occurring or existing prior to the Closing (including, without limitation, costs and expenses for pollution control equipment required to bring the Business into compliance with Environmental Laws and fines, penalties and defense costs incurred for such reasonable time after the Closing as it takes Purchaser to come into

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compliance).

"Environmental Permit" has the meaning as described in Section 2.12(a) (ii).

"Escrow Account" and "Escrow Agent" have the meanings as described in Section 1.3(d).

"Exceptions That Will Not Exist at Closing" has the meaning as described in Section 2.15(b) (i).

"Excluded Assets" has the meaning as described in Section 1.2.

"Excluded Liabilities" has the meaning as described in Section 1.7(b).

"Financial Statements" has the meaning as described in Section 2.4.

"Hazardous Substances" means any hazardous, toxic or polluting materials, substances, wastes, pollutants or contaminants (including, without limitation, petroleum and petroleum products, PCBs, radioactive materials, asbestos or asbestos-containing materials).

"Indemnified Party" and "Indemnifying Party" have the meanings as described in Section 4.4(c) (iv).

"Intellectual Property" means any or all of the following and all rights relating to or otherwise necessary to the operation of the Business, whether owned by, licensed to or otherwise used by Seller, in, arising out of, or associated therewith: (i) all United States, Korean and foreign patents and utility models and applications therefor and all reissues, divisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof, and equivalent or similar rights anywhere in the world in inventions and discoveries; (ii) all inventions (whether patentable or not), invention disclosures, improvements, trade secrets, proprietary information, know how, technology, technical data and customer lists, and all documentation embodying or evidencing any of the foregoing; (iii) all copyrights, copyrights registrations and applications therefor and all other rights corresponding thereto throughout the world; (iv) all mask works, mask work registrations and applications therefor, and any equivalent or similar rights in semiconductor masks, layouts, architectures or topology; (v) all industrial designs and any registrations and applications therefor throughout the world; (vi) all trade names, logos, common law trademarks and service marks, trademark and service mark registrations and applications therefor and all goodwill associated therewith throughout the world; (vii) all databases and data collections and all rights therein throughout the world; and (viii) all computer software including all source code, object code, firmware, development tools, files, records and data, all media on which any of the foregoing is recorded; (ix) all World Wide Web addresses, sites and domain names; and (x) any similar, corresponding or equivalent rights to any of the foregoing anywhere in the world.

"IP Assignment and Licensing Agreements" have the meaning as described in Section 1.1.

"Key Employees" has the meaning as described in Section 4.2.

"Knowledge" and words of similar import mean, with respect to any Party, actual knowledge of a particular fact or other matter being possessed by any officer or other individual now or formerly having principal responsibility for a business or administrative function of such Party, including individuals servicing in such a capacity in or for the Business, and the knowledge that reasonably could be expected to be obtained in the course of conducting a reasonably comprehensive investigation concerning the subject matter.

"K-2 Land" has the meaning as described in Section 1.2(f).

"law" means all laws, statutes, ordinances, regulations, and other pronouncements having the effect of law of the Republic of Korea or any other country or territory, commonwealth, city, county, municipality, protectorate, possession, court, tribunal, agency, government, department, commission, arbitrator, board, bureau, or instrumentality thereof.

"Lease Agreement" shall have the meaning as described in Section 1.8(a).

"liability" means all debt, liabilities, losses, claims, damages, costs, expenses and obligations of every kind, whether fixed or contingent, mature or unmatured, or liquidated or unliquidated, including, without limitation, those

arising under any law and those arising under any contract, commitment or undertaking.

"Licensed Intellectual Property" has the meanings as described in Section 2.16.

"Lien" or "Liens" means any lien, charge, claim, pledge, security interest, conditional sale agreement or other title retention agreement, lease, tenancy, ground rent, license, mortgage, security agreement, covenant, condition, restriction, right-of-way, easement, encroachment, option, judgment or of other encumbrance of matter of title.

"loss" or "losses" means any and all deficiencies, judgments, settlements, demands, claims, actions, assessments, liabilities, losses, damages (other than consequential damages), interest, fines, penalties, costs and expenses, including without limitation, reasonable legal, accounting and other costs and expenses incurred in connection with investigating, defending, settling or satisfying any and all demands, claims, actions, causes of action, suit, proceedings, assessment, judgments or appeals.

"Management" has the meaning as described in Section 2.12(a)(iv).
"Managed" has a similar meaning appropriate for the context.

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"Material Adverse Effect" has the meaning as described in Section 1.10(e).

"Net Asset Value" means the value of the assets of the Business less the liabilities assumed by Purchaser where such assets and liabilities are calculated in accordance with U.S. GAAP.

"Owned Real Properties" has the meaning as described in Section 2.15(b).

"Permitted Real Property Encumbrances" has the meaning as described in Section 2.15(b).

"Person" means any individual, a corporation, a partnership, an association, a trust or other entity or organization, including an Authority.

"Personal Property Permitted Encumbrances" has the meaning as described in Section 2.14.

"Property Taxes" has the meaning as described in Section 4.9.

"Purchased Assets" has the meaning as described in Section 1.1.

"Purchase Price" has the meaning as described in Section 1.3(a).

"Real Properties" has the meaning as described in Section 2.15(a).

"Released" means released, spilled, leaked, pumped, poured, emitted, emptied, discharged, injected, escaped, leached, disposed, or dumped and other similar terms. "Release" when used as a verb has the same meaning, but in the present tense, and when used as a noun has a similar meaning appropriate for the context.

"Schedules to be Prepared" has the meaning of such schedules to this Agreement which have not yet been attached hereto as of the date of this Agreement, but shall be prepared to Purchaser's satisfaction and delivered by Seller within a reasonable time after the date hereof.

"Taxes" and "Tax" have the meanings as described in Section 2.7.

"Tax Exemption" has the meaning as described in Section 1.10(i).

"Third Party Claim" has the meaning as described in Section 4.4(c)(i).

"Transferred Employees" has the meaning as described in Section 4.2.

"Transition Service Agreement" and "Transition Period" have the meaning as described in Section 4.8.

"U.S. GAAP" has the meaning as described in Section 1.6(a)(i).

"Workout" has the meaning as defined in the Accord Among Financial Institutions for Promotion of Restructuring of Business Enterprises dated as of June 29, 1998.

ARTICLE 1 THE TRANSACTION

1.1. Sale and Purchase of Assets. Subject to the terms and conditions hereof, at the Closing referred to in Section 1.8 below, Seller will sell, transfer, convey and assign to Purchaser, free and clear of all Liens of every kind, nature and description, except for the Excluded Assets (as defined in Section 1.2) or as otherwise disclosed and agreed in this Agreement, and Purchaser will purchase from Seller, all of the assets as shall be listed on Schedule 1.1 (the "Asset List") and any other assets that are being used for or are substantially related to the Business including, without limitation, Seller's properties and business as a going concern and good will and assets existing on the date of Closing, wherever such assets are located and whether real, personal or mixed, tangible or intangible, and whether or not any of such assets have any value for accounting purposes or are carried or reflected on or specifically referred to in its books or Financial Statement (collectively, the "Purchased Assets"). The Purchased Assets shall include, without limitation, all of Seller's right, title and interest in and to the following, as the same may exist on the Closing Date (as defined in Section 1.11):

(a) the Owned Real Properties together with the buildings, fixtures, structures and other improvements erected thereon, and together with all easements, rights and privileges appurtenant thereto, as more particularly described on the Asset List;

(b) all of Seller's machinery, equipment, tooling, dies, jigs, vehicles, spare parts and supplies being used for or substantially related to the Business, including without limitation, the items listed on the Asset List;

(c) all of Seller's raw materials, work in process, parts, subassemblies, finished goods and other inventories being used for or substantially related to the Business, wherever located and whether carried on Seller's books of account;

(d) all of Seller's other tangible assets being used for or substantially related to the Business, including office furniture, office equipment and supplies, computer hardware and software and vehicles;

(e) all of Seller's books, records, manuals, documents, books of account, correspondence, sales and credit reports, customer lists, literature, brochures, advertising material and the likes that are used for or are substantially related to the Business;

(f) all of Seller's rights under leases for property, whether real or personal, used for or substantially related to the Business, and all of Seller's rights under all other contracts, agreements and purchase and sale orders related to the Business (the "Assigned Contracts"), which Assigned Contracts will be assigned to Purchaser at or prior to the Closing and which shall be listed on Schedule 1.10;

(g) All of Seller's interest in governmental permits, licenses, registrations, orders and approval substantially relating to the Business to the extent such permits, licenses, registrations, orders and approvals are separately transferable to Purchaser; and

(h) All right, title and interest of Seller in and to the goodwill incident to the Business other than those exclusively related to the businesses of Seller which are not to be transferred hereunder.

The Parties agree that certain Intellectual Properties (including Licensed Intellectual Property) which are identified in Schedule 2.16 as the Assigned Intellectual Property shall be assigned to Purchaser hereunder, while the Intellectual Properties which are identified in Schedule 2.16 as the Licensed Intellectual Properties shall be licensed to Purchaser rather than being assigned to Purchaser. With respect to the Assigned Intellectual Properties, to the extent legally and/or contractually permissible, Seller shall sell, transfer, convey and assign to Purchaser, free and clear of all Liens of every kind, nature and description, all right, title and interest of Seller in and to such Intellectual Properties. With respect to the Licensed Intellectual Properties, to the extent legally and/or contractually permissible, Seller hereby shall grant to Purchaser and its Affiliates, effective at the Closing Date, an irrevocable, world-wide, non-exclusive, perpetual, paid-up, royalty-free and transferable (and sub-licensable) license (or sub-license) to utilize such Intellectual Properties (including the Licensed Intellectual Property) which Seller has rights to use as of the Closing Date, after obtaining any and all consents necessary therefor for Purchaser to be able to operate the Business substantially in the manner as such Business was operated by Seller. For this purpose, Purchaser shall enter into one or more assignment and licensing agreements (the "IP Assignment and Licensing Agreements") with the holders of relevant Intellectual Properties, including Seller itself, prior to the Closing. All costs, if any, shall be payable by Seller to any third parties in connection with the transfer, licenses or sub-licenses for the benefit of Purchaser pursuant to this Agreement.

To the extent that there are any tangible or intangible assets used by Seller in connection with or otherwise necessary to the operation of the Business that are not included in this Section 1.1 and are not specifically designated as Excluded Assets by Section 1.2, the Purchased Assets shall include an irrevocable, nonexclusive, perpetual, paid-up, royalty-free, transferable license, contract or lease to utilize such assets in connection with the operation of the Business after the Closing Date. To the extent that any such assets may not be licensed, contracted or leased, Seller shall take all steps required to assure that Purchaser obtains the benefit of such assets.

1.2. Excluded Assets. Notwithstanding any other provision of this Agreement, Seller shall retain all property of any nature, kind and description other than the Purchased Assets and for the avoidance of doubt the Purchased Assets shall not include the following assets of the Business (collectively, the "Excluded Assets"):

(a) all of Seller's cash, cash in banks, certificates of deposit, cash equivalents, bank and mutual fund accounts, deposits, securities and bonds and other similar investments, deferred charges, and other cash equivalents on hand or on deposit in any financial institution on the Closing Date;

(b) all consideration received by and the rights of Seller under or pursuant to this Agreement or any agreement, instrument or document ancillary hereto;

(c) all notes and accounts receivables owing to Seller on the Closing Date;

(d) any claims and rights against third parties (including, without limitation, insurance carriers) arising from any event or actions first occurring after the Closing Date;

(e) all assets exclusively dedicated to the wafer fabrication business; and

(f) land of K-2 which shall be set forth in Schedule 1.2(f).

1.3. Purchase Price.

(a) The total aggregate purchase price for the Purchased Assets exclusive of VAT shall be US\$800,000,000 (the "Purchase Price") plus the Assumed Liabilities.

(b) Purchaser shall pay the amount equal to the Purchase Price to Seller at Closing. Out of the amount which shall be set forth in Schedule 1.4(a), Seller shall pay the VAT amount to be payable in accordance with the relevant VAT law of Korea ("Payable VAT") to the relevant Korean tax authority when due, and shall immediately provide a copy of the receipt to Purchaser. When Purchaser actually receives the refund of the VAT in the amount of the Payable VAT from the relevant tax office, Purchaser shall immediately deposit the same amount to an Escrow Account or a bank account designated by the Creditor Banks for the repayment of debt by Seller to the Creditor Banks. Deposit by Purchaser of the refunded VAT shall discharge Purchaser's obligation to pay the Purchase Price irrespective of whether such refunded VAT amount is less than Payable VAT.

(c) On or prior to the Closing Date, Seller and Purchaser shall mutually agree on the appointment of an escrow agent among the Korean financial institutions that are creditors of Seller ("Escrow Agent"). Such portion of the Purchase Price as provided in Section 1.4 (b) shall be deposited with one or more bank accounts ("Escrow Accounts") to be opened within the Escrow Agent to assure the repayment of certain liabilities by Seller and released to its creditors in accordance with the terms of this Agreements.

1.4. Payment of Purchase Price. The Purchase Price shall be paid by Purchaser to

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Seller as follows:

(a) Purchaser's payment at the Closing of the amount which shall be set forth in Schedule 1.4(a), by wire transfer or delivery of a certified bank check immediately available and in accordance with the instructions of Seller;

(b) Purchaser's deposit at the Closing into an Escrow Account of the amount which shall be set forth in Schedule 1.4(b); and

(c) Purchaser's assumption of Seller's liabilities as set forth on Section 1.7.

1.5. Allocation of Purchase Price. Purchaser and Seller agree that the Purchase Price shall be allocated among the Purchased Assets in accordance with the principles of allocation which shall be set forth in Schedule 1.5. Purchaser and Seller agree that each will report all Tax consequences of the purchase and sale contemplated hereby in a manner consistent with such allocation.

1.6 Adjustments to Purchase Price.

(a) Post-Closing Balance Sheet Adjustment.

(i) Within 60 days of the Closing Date, Seller shall prepare a statement of assets acquired and liabilities assumed relating to the Business and shall, at its expense, prepare and deliver to Purchaser a statement of the Net Asset Value of the Business, as of the Closing Date and as of the Balance Sheet Date (the "Closing Statement"), as audited by independent certified public accountants chosen by Seller and acceptable to Purchaser (i.e., Samil). The Closing Statement shall be prepared in U.S. dollars according to the Generally Accepted Accounting Principles in the United States ("U.S. GAAP").

(ii) Purchaser shall fully cooperate with Seller in Seller's preparation of the list of assets and liabilities as mentioned in Section 1.6(a)(i) above, and each Party shall fully cooperate with the other Party in the other Party's preparation of its Tax returns for the relevant Tax year or years.

(iii) In the event that Purchaser disagrees with the Closing Statement, Purchaser shall hire an independent certified public accountant at its own expense, which shall prepare Seller's proposed adjustments to the Closing Statement within 60 days of Seller's receipt of the Closing Statement using U.S. GAAP. Any dispute (and only those items in dispute) concerning the Closing Statement which cannot be resolved by the parties and their respective independent certified public accountants within 60 days of Purchaser's receipt of Seller's proposed adjustments to the Closing Statement will be submitted no later than 60 days after such receipt to an independent accounting firm mutually selected by Purchaser and Seller, and the

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determination of such firm shall be final and binding on the Parties. The fees and expenses of such third independent accounting firm shall be borne equally by the Parties.

(b) Adjustment Formula.

If the Net Asset Value at the Closing Date is less than the Net Asset Value as of the Balance Sheet Date (without considering the depreciation between the Closing Date and the Balance Sheet Date), then, the Purchase Price shall be reduced by the amount of such deficiency accordingly. In order to give effect to any such reduction, Purchaser at its option, may demand Seller to compensate for such deficiency by requiring payments or delivery of additional assets having values equivalent to such deficiency within 15 days from the date of discovery of such deficiency by Purchaser, or, alternatively, withholding of such deficient amount from any amount owing to Seller by Purchaser or its Affiliates to the extent permissible under Korean law.

1.7. Assumption of Liabilities.

(a) Assumed Obligations. At the Closing, Purchaser shall assume and agree to perform, pay or discharge, when due, and Seller shall be released from all obligations related to all of the following:

(i) Seller's obligations and liabilities under the Assigned Contracts solely with respect to conditions or events occurring after the Closing Date; and

(ii) The obligations and liabilities to be assumed by Purchaser pursuant to this Section 1.7 are hereinafter sometimes referred to as the "Assumed Liabilities." Except with respect to the Assumed Liabilities, Purchaser does not hereby and shall not assume or in any way undertake to pay, perform, satisfy or discharge any liabilities or obligations of Seller, and Seller agrees to pay and satisfy when due any such liabilities and obligations not assumed by Purchaser.

(b) Excluded Liabilities. Except as expressly provided in Section 1.7(a), Seller shall retain and neither Purchasing Parties shall assume nor be liable for any liabilities and obligations of Seller and any other obligations relating to the Business (such liabilities retained by Seller are referred to as the "Excluded Liabilities"), including without limitation the following:

(i) any liabilities or obligations of Seller, contingent or otherwise, for any indebtedness of Seller;

(ii) the liabilities or obligations of Seller to its stockholders respecting dividends, distributions to its stockholders in liquidation, redemption of stock, or otherwise;

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(iii) liabilities or obligations of Seller arising out of any transactions occurring, or obligations incurred, after the Closing;

(iv) any obligations of Seller for expenses, public dues

or fees levied to Seller or deemed to be borne by Seller under relevant laws and regulations incident to or arising out of the negotiation, preparation, approval or authorization of this Agreement or the consummation of the transactions contemplated hereby, including, without limitation, all stamp duties, attorneys and accountants fees and all brokers or finders fees or commissions payable by Seller;

(v) any obligation of Seller under or arising out of this Agreement or any of the Ancillary Agreements;

(vi) any liabilities relating to claims by the insurer (or the indemnitor) that the insured (or the indemnitees) had breached its obligations under the policy of insurance (or the contract of indemnity) or had committed fraud in the insurance application;

(vii) any liability or obligation of Seller to any Affiliate unless otherwise provided for in this Agreement;

(viii) subject to the terms and conditions provided in this Agreement, any liabilities or obligations, the existence of which constitute a breach of the representations, warranties or covenants of Seller contained in this Agreement;

(ix) subject to the terms and conditions provided in this Agreement, any obligations or liabilities of Seller to indemnify its officers, directors, employees or agents;

(x) any liability or obligation in respect of the Excluded Assets;

(xi) all Taxes imposed on Seller, including (i) any Tax of any other corporation which Tax is assessed against Seller by virtue of its status, prior to the Closing Date, as a member of any consolidated group of which such other corporation was also a member and (ii) any Taxes, including all value-added, gross receipts, excise, registration, stamp duty, transfer or other similar taxes or governmental fees, imposed in connection with or attributable to this Agreement, or as a result of the consummation of the transaction under this Agreement;

(xii) subject to the terms and conditions provided in this Agreement, any Environmental Liabilities;

(xiii) except for the Assumed Liabilities, any obligation or liability arising under any contract, instrument or agreement (1) that is not transferred to Purchaser as part of the Purchased Assets, or (2) that is not transferred to Purchaser because of Seller's failure or

inability to obtain any third party consent required for the transfer or assignment of such contract or agreement to Purchaser, or (3) that relates to any breach or default (or an event which might, with the passing of time or the giving of notice, or both, constitute a default) under any contract, instrument or agreement or to any services to be provided by Seller under any such contract, instrument or agreement arising out of or relating to periods on or prior to the Closing Date, or (4) for which Seller received payment prior to the Closing;

(xiv) any existing or future liabilities to financial institutions, such as banks, installment financing companies and leasing companies;

(xv) any liability relating to the infringement or asserted infringement of any intellectual property by Seller;

(xvi) any liability exclusively relating to the wafer fabrication business of Seller; and

(xvii) any other liability or obligation of Seller or including any liability or obligation directly or indirectly arising out of or relating to the operation of the Business or ownership of the Purchased Assets

on or prior to the Closing Date, whether contingent or otherwise, fixed or absolute, known or unknown, matured or unmatured, present, future or otherwise, irrespective of whether such liability or obligation is asserted before or after the Closing, except for the Assumed Liabilities.

1.8. Conditions to Each Party's Obligations. The obligations of both Purchaser and Seller to consummate the transactions contemplated hereby are subject to the fulfillment of each of the following conditions on or before the Closing Date.

(a) The IP Assignment and Licensing Agreements, a lease Agreement for Purchaser's long-term use of K-2 Land on terms satisfactory to Purchaser ("Lease Agreement"), and, the Transition Service Agreement, the assignment agreement provided in Section 1.10(b) hereof and any other agreements, if any, necessary to vest in good, valid and marketable title to the Purchased Assets to Purchaser (collectively, the "Ancillary Agreements") have been duly executed and delivered after having been duly authorized by all necessary corporate actions by the relevant parties thereto.

(b) No provisions of any applicable law, and no judgment, injunction, order or decree shall (i) prohibit the consummation of the Closing or (ii) restrain, prohibit or otherwise interfere with the effective operation or enjoyment by Purchaser of all or any material portion of the Purchased Assets or the Business.

(c) Purchaser and Seller shall have each received all material consents, authorizations or approvals from their respective boards of directors, governmental agencies

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(including but not limited to an approval by the Fair Trade Commission of Korea), and third parties that are a pre-requisite to the Closing as a matter of law, in form and substance satisfactory to the other Party, and no such consent, authorization or approval shall have been revoked.

(d) Amkor Technology, Inc, a corporation established under the laws of the state of Delaware, U.S.A. and an affiliate of Purchaser ("Amkor") shall have invested US\$500,000,000 to Seller (including Amkor's existing equity investment into Seller made in October 1999 in the amount of US\$41,595,600) in the form of equity or equity related bonds (e.g., convertible bonds) on the terms and conditions satisfactory both to Amkor and Seller.

(e) Amkor and Seller shall have executed an agreement under which Amkor shall invest US\$150,000,000 to Seller within one year from the Closing (in addition to the investment set forth in Section 1.8(d) hereof) in the form of equity or equity related bonds (e.g., convertible bonds) on the terms and conditions satisfactory both to Amkor and Seller.

Purchaser and Seller agree that in the event that the conditions set forth in Sections 1.8(b) and (c) herein are not satisfied on or before the Closing Date, the conditions may be satisfied on or before May 31, 2000, or a later date mutually agreed in writing between the Parties, in which case the Parties must comply with their respective obligations to consummate the transactions as provided in this Agreement.

1.9 Conditions to Seller's Obligations. The obligations of Seller to consummate the transaction contemplated hereby are subject to fulfillment of all of the following conditions on or prior to the Closing Date.

(a) Each and every material representation and warranty made by Purchaser contained in this Agreement shall have been true in all material respects as of the date when made and shall be true in all material respects at and as of the Closing Date as if originally made on and as of the Closing Date.

(b) All obligations of Purchaser to be performed on or before the Closing Date shall have been performed in all material respects.

(c) No action shall be threatened or pending before any court or governmental agency the probable outcome of which would result in the restraint or prohibition of the consummation of the transactions contemplated hereby.

1.10 Conditions to Purchaser's Obligations. The obligations of Purchaser to consummate the transactions contemplated hereby are subject to the fulfillment of all of the following conditions on or prior to the Closing Date.

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(a) Each and every representation and warranty made by Seller contained in this Agreement and in any certificate or other writing delivered by Seller pursuant hereto shall be true in all material respects as of the date when made and shall be true in all material respects at and as of the Closing Date as if originally made on and as of the Closing Date.

(b) Seller shall have effectively assigned the Assigned Contracts (including obtaining all necessary consents). For each contract assigned under this provision, Seller shall deliver to Purchaser at the Closing an assignment agreement in such form and substance as shall be mutually agreed by the parties.

(c) All obligations of Seller to be performed hereunder on or before the Closing Date shall have been performed in all material respects.

(d) No action shall be threatened or pending before any court or governmental agency as of the Closing Date the probable outcome of which would result in (i) the restraint or prohibition of the consummation of the transactions contemplated hereby or (ii) the restraint or prohibition of, or interference with, the effective operation of enjoyment by Purchaser of all or any material portion of the Assets or the Business.

(e) On the Closing Date, there shall be no injunction, writ, preliminary restraining order or any order of any nature in effect issued by a court of competent jurisdiction directing that the transactions provided for herein, or any of them, not be consummated as herein provided and no suit, action, investigation, inquiry or other legal or administrative proceeding by any governmental body or other Person shall have been instituted or threatened which questions of validity or legality of the transactions contemplated hereby or which if successfully asserted might otherwise have a Material Adverse Effect. "Material Adverse Effect" means an effect that is materially adverse (i) to the properties, business, operations, earnings, assets, liabilities or financial condition, or prospects of the Business taken as a whole, (ii) the ability of Seller to perform its obligations under this Agreement, or (iii) the enforceability of this Agreement.

(f) Between the date hereof and the Closing Date, there shall have been no change which could have a Material Adverse Effect on the Business or the Purchased Assets.

(g) Any and all notices to Employees, as required under applicable employment laws, shall have been provided by Seller. Substantially all of the Transferred Employees shall have accepted employment with Purchaser and Purchaser shall have entered into arrangements with key Employees of Seller satisfactory to Purchaser in its sole discretion.

(h) After (i) Amkor shall have been satisfied with the results of their due diligence, (ii) Amkor shall have entered into an arrangement satisfactory to Amkor in its sole discretion, to finance the Purchase Price in full, (iii) Amkor shall have received a fairness

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opinion with respect to the terms of the transactions contemplated by this Agreement, (iv) CIL Limited, a company established under the law of Cayman Islands and the parent of Purchaser, shall have received a tax exemption under the Tax Exemption and Limitation Law in regard to its foreign investment into Purchaser for the purchase of the Business ("Tax Exemption"), (v) the Board of Directors of Amkor shall have approved the transactions contemplated herein.

(i) Seller shall have obtained the approvals for the transactions

contemplated hereunder from any governmental agencies, Seller's shareholders' meeting and the Creditor Banks.

(j) Purchaser shall have received to its satisfaction the favorable legal opinion of the counsel for Seller in the form and substance satisfactory to Purchaser.

(k) Seller shall have delivered all of the Schedules to be Prepared, which schedules will be satisfactory to Purchaser in form and contents as of the Closing Date, and shall have obtained the consent thereto from Purchaser.

(l) Seller shall have received duly executed copies of all agreements, instruments, certificates, consents or other documents necessary or appropriate from the creditors of Seller to release any and all material encumbrances against the Purchased Assets.

1.11. Closing. The closing under this Agreement will take place at such other time, date or place as the Parties shall mutually agree (the "Closing"). The date on which Closing occurs is sometimes referred to herein as the "Closing Date."

1.12. Deliveries and Proceedings at Closing. At the Closing:

(a) Deliveries by Seller. Seller will deliver or cause to be delivered to Purchaser:

(i) assignment of all transferable or assignable licenses, permits and warranties relating to the Purchased Assets or the Business, duly executed and in recordable forms;

(ii) title certificates to the Owned Real Properties, motor vehicles, or any other applicable assets together with title or license certificates to Intellectual Properties (including the Licensed Intellectual Property), included in the Purchased Assets right to which are transferred by registration with any Authority, duly executed by Seller (together with any other transfer forms or other documents necessary to effectively transfer such Purchased Assets to Purchaser);

(iii) all the books of account, ledgers, payroll records, inventory and

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asset records and other books and documents which are used for or are substantially related to the Business (other than minute books relating to directors' and shareholders' meetings and statutory books) in whatever form and upon whatever media they may be recorded;

(iv) copies of the Employee Releases and the employment contracts with respect to the Key Employees;

(v) consent letters necessary for the valid assignment of the Assigned Contracts duly executed by the parties thereto;

(vi) certified copies of resolutions of Seller's board of directors and shareholders meeting, both approving the sale of the Purchased Assets and the Business on the terms of this Agreement and authorizing any one its officers to execute this Agreement for and on behalf of Seller;

(vii) such other instruments of conveyance as shall be necessary to vest in Purchaser good, valid and marketable title to the Purchased Assets;

(viii) receipt for the portion of the Purchase Price provided in Section 1.4(a);

(ix) a certificate dated the Closing Date, from the Representative Director of Seller to the effect that Seller has fulfilled the conditions set forth in Section 1.10(c);

(x) a certificate dated the Closing Date, from the Representative Director of Seller to the effect that Seller has cleared all Liens or other types of encumbrances on the Business or the Purchased Assets; and

(xi) executed copies of the Ancillary Agreements.

(b) Deliveries by Purchaser. At the Closing, Purchaser will deliver to Seller:

(i) payment of the amount stated in Schedule 1.4 (a);

(ii) a certificate evidencing the deposit of the amount stated in Schedule 1.4 (b) with the Escrow Account;

(iii) a certificate evidencing the assumption of, and consents by the creditors of, the liabilities listed on Schedule 1.7(a);

(iv) a certified copy of a resolution of Purchaser's board of directors approving the purchase of the Purchased Assets and Business on the terms of this Agreement and

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authorizing any one of its directors or officers to execute this Agreement for and on behalf of Seller;

(v) a certificate dated the Closing Date, from an authorized officer of Purchaser to the effect that Purchaser has fulfilled the conditions set forth in Section 1.9(b); and

(vi) executed copies of the Ancillary Agreements.

(b) Other Deliveries. Any other documents required to be delivered pursuant to this Agreement will be exchanged.

1.13. Covenants of Seller. From and after the date hereof and until the Closing Date, Seller hereby covenants and agrees that:

(a) Business in Ordinary Course. Seller will carry on the Business in the ordinary and normal course in substantially the same manner as heretofore, except as otherwise expressly provided herein, and shall notify Purchaser immediately in writing of any changes or deviations from the ordinary and normal course of business.

(b) Maintain Properties. Seller will maintain and keep the plant and equipment of or related to the Business in as good repair, working order and condition as at present, except for depreciation due to ordinary wear and tear and damage due to casualty.

(c) Insurance. Seller will keep in full force and effect insurance and bonds comparable in amount and scope of coverage to what is now covering the Business and all assets related thereto.

(d) Perform Contracts. Seller will perform in all material respects the obligations to be performed under all the contracts and documents of or relating to the Business.

(e) Maintain Organization. Seller will maintain and preserve the relationships of or related to the Business with suppliers and customers and maintain the goodwill of the Business.

(f) Approvals and Consents. As soon as practicable after the execution of this Agreement, Seller shall take all reasonable action required to obtain all waivers, consents, approvals, including an approval from the shareholders meeting; and promptly to give all notices, effect all registrations pursuant to and make all other filings with or submissions to, any third parties, including governmental authorities, necessary or advisable to authorize, approve or permit the transactions contemplated hereby.

(g) Confidentiality. Seller hereby covenants and agrees that,

except as may

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be required by law, rule or regulation or court order, unless this Agreement is terminated, it will not at any time reveal, divulge or make known to any Person (other than Purchaser, their Affiliates or their agents) any information that relates to this Agreement, the transactions contemplated hereby or the Business (whether now possessed by Seller or furnished by Purchaser after the Closing Date), including, but not limited to, customer lists or other customer information, trade secrets or formulae, marketing plans or proposals, financial information or any data, written material, records or documents used by or relating to the Business that are of a confidential nature (collectively, the "Confidential Information").

(h) Advice of Changes. Seller hereby covenants and agrees that it will advise Purchaser promptly in writing of any fact that, if previously known, would have been required to be set forth or disclosed in or pursuant to this Agreement, or which would result in breach in any material respect by Seller of any of its representations and warranties, covenants or agreements hereunder or which would have a Material Adverse Effect on the Business, the Purchased Assets or the transactions contemplated hereby.

(i) All Necessary Filings. Seller hereby covenants that it has made and will make all necessary filings with the relevant government agencies which are required for the completion of the transactions contemplated in this Agreement.

(j) Access to Information; Cooperation. Seller hereby covenants and agrees that it shall give Purchaser and their representatives, counsel, accountants and consultants reasonable access, during normal business hours, to such of the properties, books, accounts, contracts and records of Seller as Purchaser deem relevant to the Purchased Assets and the Business, and furnish or otherwise make available to Purchaser all such information concerning the Purchased Assets and the Business as Purchaser may request. Seller further agrees and covenants that it shall cooperate with Purchaser and their representatives, counsel, accountants and consultants to make sure that the Closing Statement is prepared as provided in Section 1.6(a)(i).

(k) Preparation. Seller will diligently prepare and deliver to Purchaser all of the Schedules to be Prepared as soon as practicable after the date hereof, which schedules will be satisfactory to Purchaser in form and contents, and shall obtain the consents thereto from Purchaser.

(l) No Intentional Misrepresentation. Without express written consent of Purchaser, Seller shall not take or omit any action with the intention to cause any of its representations and warranties under this Agreement to be inaccurate in material respect at, or any time prior to, the Closing.

1.14. Obligations After the Closing Date.

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(a) Assistance by Seller. Seller shall cooperate with Amkor, Purchaser, the advisors and representatives, including its legal counsel, of Purchaser or Amkor in connection with the preparation of any report or filing required in connection with the transactions contemplated hereby, such cooperation to be provided by Seller at no cost to Amkor or Purchaser.

(b) Further Assurances of Seller. From and after the Closing Date, Seller shall, at the request of Purchaser, execute, acknowledge and deliver to Purchaser, without further consideration, all such further assignments, conveyances, endorsements, deeds, special powers of attorney, consents and other documents, and take such other action, as Purchaser may reasonably request (i) to transfer to and vest in Purchaser, and protect its rights, title and interest in, all the Purchased Assets and (ii) otherwise to

consummate the transactions contemplated by this Agreement.

(c) Further Assurances of Purchaser. From and after the Closing Date, Purchaser shall afford to Seller and its attorneys, accountants and other representatives access, during normal business hours, to such books and records relating to the Business as reasonably may be required in connection with the preparation of financial information for periods concluding on or prior to the Closing Date. Purchaser shall cooperate in all reasonable respects with Seller with respect to its former interest in the Business and in connection with financial account closing and reporting and claims and litigation asserted by or against third parties, including, but not limited to, making employees available at reasonable times to assist with, or provide information in connection with financial account closing and reporting and claims and litigation.

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ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF SELLER

Seller hereby represents, warrants and covenants to and with Purchaser as follows (as far as any of the following representations, warranties and covenants are conditioned upon the preparation of the Schedules to be Prepared, such representations, warranties and covenants shall be deemed to have been made as of the date when the relevant Schedules to be Prepared are delivered to Purchaser, and obtained their written consents thereto):

2.1. Organization. Seller is a corporation duly incorporated and validly existing under the laws of the Republic of Korea. Seller has all requisite corporate power and authority to own or lease its properties and assets as now owned or leased, to carry on its businesses as and where now being conducted and to enter into this Agreement, and perform its obligations hereunder. The copies of Seller's articles of incorporation and bylaws, as amended to date, which have been delivered to Purchaser, are correct and complete and are in full force and effect.

2.2. Authorization and Enforceability. The execution, delivery and performance of this Agreement has been, and the Ancillary Agreements shall have been duly authorized by all necessary corporate action on the part of Seller, including the approvals by the board of directors (other than the shareholders approval which Seller shall obtain before the Closing). This Agreement has been, and at the Closing all the Ancillary Agreements shall have been duly executed and delivered by Seller, and this Agreement constitutes, and at Closing the Ancillary Agreements will constitute, the legal, valid and binding obligations of Seller, enforceable in accordance with their respective terms.

2.3. No Violation of Laws or Agreements. The execution and delivery of this Agreement do not, and the consummation of the transactions contemplated by this Agreement and the compliance with the terms, conditions and provisions of this Agreement by Seller, will not (a) contravene any provision of Seller's articles of incorporation or bylaws; (b) conflict with or result in a breach of or constitute a default (or an event which might, with the passage of time or the giving of notice or both, constitute a default) under any of the terms, conditions or provisions of any indenture, mortgage, loan or credit agreement or any other agreement or instrument to which Seller is a party or by which it or any of its assets may be bound or affected except as set forth on Schedule 2.10, or any judgment or order of any court or governmental department, commission, board, agency or instrumentality, domestic or foreign, or any applicable law, rule or regulation, (c) result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon Seller's assets or give to others any interests or rights therein, (d) result in the maturation or acceleration of any liability or obligation of Seller that will not be paid in full by Seller at Closing (or give others the right to cause such a maturation or acceleration), or (e) result in the termination of or loss of any right (or give others the right to cause such a termination or loss) under any of the Assigned Contracts except as set

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forth on Schedule 2.10.

2.4. Financial Statements. The books of account and related records of Seller fairly reflect in reasonable detail the assets, liabilities and transactions related to the Business and are in adequate condition for the preparation of the Financial Statement (as defined below and which shall be limited only to a balance sheet and a statement of profits and losses) of the Business in accordance with U.S. GAAP applied on a consistent basis. Seller has delivered to Purchaser the audited financial statements of the Business as of September 30, 1999, June 30, 1999, December 31, 1998, respectively, and shall shortly provide the audited financial statements of the Business as of December 31, 1999 (the "Financial Statements"). The Financial Statements of the Business: (i) fairly presents and will present the financial condition, assets and liabilities of the Business as of the dates thereof; and (ii) has been and will be prepared in accordance with U.S. GAAP consistently applied. All references in this Agreement to the "Balance Sheet" shall mean the balance sheet of the Business as of December 31, 1999 included in the Financial Statement and all references to the "Balance Sheet Date" shall mean December 31, 1999.

2.5. Undisclosed Liabilities. The Business has no liability or obligation of any nature, whether due or to become due, absolute, contingent or otherwise, including liabilities for or in respect of national, local or foreign Taxes, customs duties and any interest or penalties related hereto, except for liabilities that are (a) fully reflected on the Balance Sheet or (b) incurred in the ordinary course of business since the Balance Sheet Date and fully reflected as liabilities on the Business's books of account, none of which individually or in the aggregate, has been materially adverse.

2.6. No Changes. Except as disclosed on Schedule 2.6, since the Balance Sheet Date and until the Closing, Seller has conducted the Business only in the ordinary course. Without limiting the generality of the foregoing sentence, there has not been: Except as otherwise disclosed on Schedule 2.6, there has not been:

(a) any change in the financial condition, assets, liabilities, net worth of the Business, except changes in the ordinary course of business, none of which, individually or in the aggregate has been or could have an Material Adverse Effect;

(b) any damage, destruction or loss, whether or not covered by insurance, which could have a Material Adverse Effect;

(c) any mortgage, pledge or subjection to lien, charge or encumbrance of any kind of the assets, tangible or intangible of the Business;

(d) any strike, walkout, labor trouble or any other new or continued event, development or condition of any character which has or could have a Material Adverse Effect;

(e) any increase in the salaries or other compensation (excluding increases in the ordinary course of business and consistent with past practice) payable or to become payable to, or any advance (excluding advances for ordinary business expenses) or loan to, any officer, director or employee of the Business, or any increase in, or any addition to, other benefits (including without limitation any bonus, profit-sharing, pension or other plan) to which any of its officers, directors or employees may be entitled, or any payments to any pension, retirement, profit-sharing, bonus or similar plan except payments in the ordinary course of business and consistent with past practice made pursuant to any employee benefit plan, or any other payment of any kind to (or on behalf of) any such officer, director or employee other than payment of base compensation and reimbursement for reasonable business expenses in the ordinary course of business;

(f) any making or authorization of any capital expenditures which are not in the ordinary course of business or in excess of 6 billion Won;

(g) any cancellation or waiver of any right material to the operation of the Business or any cancellation or waiver of any debts or claims of substantial value or any cancellation or waiver of any debts or claims against any Affiliate;

(h) any sale, transfer or other disposition of any assets of the Business, except sales of assets in the ordinary course of business;

(i) any payment, discharge or satisfaction of any liability or obligation (whether accrued, absolute, contingent or otherwise) by Seller related to or affecting the Business, other than the payment, discharge or satisfaction, in the ordinary course of business, of liabilities or obligations shown or reflected on the Balance Sheet or incurred in the ordinary course of business since the Balance Sheet Date;

(j) any adverse change or any threat of any adverse change in Seller's relations with, or any loss or threat of loss of, Seller's suppliers, clients or customers, which change or loss could have a Material Adverse Effect;

(k) any write-offs as uncorrectable of any notes receivable of the Business or write-downs of the value of any assets or inventory by Seller related to the Business other than in immaterial amounts or in the ordinary course of business consistent with past practice and at a rate no greater than during the twelve months ended on the Balance Sheet Date;

(l) any change by Seller in any method of accounting or keeping its books of account or accounting practices related to or affecting the Business;

(m) any creation, incurrence, assumption or guarantee by the Business

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of any obligations or liabilities (whether absolute, accrued, contingent or otherwise and whether due or to become due), except in the ordinary course of business, or any creation, incurrence, assumption or guarantee by the Business of any indebtedness for money borrowed;

(n) any payment, loan or advance of any amount to or in respect of, or the sale, transfer or lease of any properties or assets (whether real, personal or mixed, tangible or intangible) to, or entering into of any agreement, arrangement or transaction with, any Affiliate, except for (i) compensation to the officers and employees of the Business at rates not exceeding the rates of compensation disclosed on Schedule 2.19 hereto and (ii) reimbursements of or advances for expenses incurred for business-related purposes not exceeding 1.2 billion Won outstanding in the aggregate at any given time.

(o) any disposition of or failure to keep in effect any rights in, to or for the use of Intellectual Property included in the Purchased Assets, or, to Seller's Knowledge, any disclosure to any person not an employee or other disposal of any trade secret, process or know-how relating to the Business; or

(p) any transaction, agreement or event to which Seller is a party or a participant relating to the Business outside the ordinary course of the Business or inconsistent with past practice.

(q) to Seller's Knowledge, neither the Business nor Seller has become subject to any newly enacted or adopted law which may reasonably be expected to have a Material Adverse Effect.

(r) any written up the value of any inventory or any other assets, except for write-ups in the ordinary course of business and consistent with past practices.

2.7. Taxes. Seller has (a) timely filed all national or local, payroll, withholding, VAT, excise, sales, use, customs duties, personal property, use and occupancy, business and occupation, mercantile, real estate,

capital stock and franchise or other tax returns of any kind whatsoever relating to the Business (all the foregoing taxes, including interest and penalties thereon and including estimated taxes, being hereinafter collectively called "Taxes" and individually a "Tax"), (b) has paid all Taxes which are due pursuant to such returns and (c) paid all other Taxes for which a notice of assessment or demand for payment has been received. All such returns have been prepared in accordance with all applicable laws and requirements and accurately reflect the taxable income (or other measure of Tax) of the Party filing the same. The accruals for Taxes contained in the Balance Sheet are adequate to cover all liabilities for Taxes relating to the Business for all periods ending on or before the Balance Sheet Date and nothing has occurred subsequent to that date to make any of such accruals inadequate as of the Balance Sheet Date. All Taxes for periods beginning after the Balance Sheet Date have been paid or are adequately reserved against on the books of Seller. Seller has timely filed all information returns

or reports which are required to be filed and has accurately reported all information required to be included on such returns or reports. To Seller's Knowledge, there are no proposed assessments of Tax against Seller or proposed adjustments to any Tax returns filed, pending against Seller. Except as disclosed on Schedule 2.7, Seller has not received notice that any Tax return is under examination by any taxing authority. Except as disclosed on Schedule 2.7 hereto, Seller has not executed a waiver or consent extending any statute of limitation for any Tax liability which remains outstanding. Except as disclosed on Schedule 2.7 hereto, since January 1, 1998, Seller has not (a) joined in or been required to join in filing a consolidated income Tax return, or (b) entered into a closing agreement with any taxing authority.

2.8. Inventory. All of the inventories of the Business, including that reflected in the Balance Sheet, are valued at cost being determined on a weighted average basis except as disclosed in the Financial Statements. All of the inventories of the Business reflected in the Balance Sheet and all such inventories acquired since the Balance Sheet Date consist of items of a quality and quantity usable and saleable in the ordinary course of business and at normal profit margins (other than normal trade discounts regularly offered by the Business for prompt payment or quantity purchase), and all of the raw materials and work in process inventory of the Business reflected in the Balance Sheet and all such inventories acquired since the Balance Sheet Date can reasonably be expected to be consumed in the ordinary course of business within a reasonable period of time. A physical inventory shall be taken during the week prior to the Closing Date. Attached hereto is Schedule 2.8 which sets forth the value of the Business's inventory of finished goods, work in process and raw materials as of December 31, 1999 together with the period of time within which such inventories are usable and salable.

2.9. No Pending Litigation or Proceedings. Except as set forth on Schedule 2.9 hereto, there are no actions, suits, investigations, proceedings or claims pending or affecting, or to Seller's Knowledge, threatened against or the Business of Seller or Seller's agents or their assets of or related to the Business, by or before any court or governmental department, agency or instrumentality, and to Seller's Knowledge, there is no basis for any such action, suit, investigation, proceeding or claim. There are presently no outstanding judgments, decrees or orders of any court or any governmental or administrative agency, against or, to Seller's Knowledge, affecting the Business.

2.10. Contracts; Compliance. Except as listed on Schedule 2.10 hereto, Seller is not a party to nor bound by any contract or commitment, oral or written, formal or informal related to or affecting the Business, of the following types:

(a) mortgages, indentures, security agreements or other agreements and instruments relating to the borrowing of money, the extension of credit or the granting of liens or encumbrances;

(b) employment and consulting agreements;

- (c) union or other collective bargaining agreements;
- (d) powers of attorney;
- (e) sales agency, manufacturers representative and distributorship agreements or other distribution or commission arrangements;
- (f) licenses of patent, trade secrets, know-how, trademark, copyrights and other Intellectual Property;
- (g) agreements, orders or commitments for the purchase of services, raw materials, supplies or finished products from any one supplier for an amount in excess of 100 million Won.
- (h) agreements, orders or commitments for the sale of products or services for more than 100 million Won to any single Purchaser;
- (i) contracts or options relating to the sale by Seller of any asset of the Business, other than sales of inventory in the ordinary course of business;
- (j) bonus, profit-sharing, compensation, stock option, pension, retirement, deferred compensation, accrued vacation pay, group insurance, welfare agreements or other plans, agreements, trusts or arrangements for the benefit of employees;
- (k) agreements or commitments for capital expenditures which are not in the ordinary course of business or in excess of 6 billion Won for any single project;
- (l) joint venture agreements;
- (m) agreements requiring the consent of any party thereto to the consummation of the transactions contemplated hereby;
- (n) agreements with any Affiliate;
- (o) lease agreements under which it is either lessor or lessee;
- (p) agreements, contracts or commitments for any charitable or political contribution;
- (q) non-competition agreements;

- (r) any foreign currency exchange or forward purchase agreements directly related to the Business;
- (s) any agreements providing for indemnification or guaranty obligations of Seller with respect to the Business other than in the ordinary course of business having a potential cost in excess of 100 million Won;
- (t) requirements agreements relating to obligations to purchase all or substantially all of any products as well as to supply all or substantially all of the products;
- (u) any non-disclosure agreement; or
- (v) other agreements, contracts and commitments which are material to the Business, or which involve payments or receipts of more than 1.2 billion Won in any single year, or which were entered into other than in the ordinary and usual course of business.

All such contracts and other commitments are in full force and

effect; all parties to such contracts and other commitments have complied with the provisions thereof; no such party is in default under any of the terms thereof; and no event has occurred that with the passage of time or the giving of notice or both would constitute a default by any party under any provision thereof.

2.11. Compliance with Laws. Schedule 2.11 hereto sets forth a list of all material permits, certificates, licenses, orders, registrations, franchises, authorizations and other approvals from all national, local and foreign governmental and regulatory bodies held by Seller that relate to or effect the Business or the Purchased Assets. Seller holds and is in compliance with all material permits, certificates, licenses, orders, approvals, registrations, franchises and authorizations required under all laws in connection with the Business and the Purchased Assets, and, to Seller's Knowledge, all of such permits, certificates, licenses, orders, approvals, registrations, franchises and authorizations are in full force and effect. Seller has complied with all applicable statutes, rules, regulations and orders, national and local, which, if not complied with, would have a Material Adverse Effect on the Business or the Purchased Assets. No notice, citation, summons or order has been issued, no complaint has been filed, no penalty has been assessed and, to Seller's Knowledge, no investigation or review is pending or threatened by any governmental or other entity (a) with respect to any alleged violation by Seller of any law of any governmental entity relating to or affecting the Business or the Purchased Assets (b) with respect to any alleged failure by Seller to have any permit, certificate, license, approval, registration or authorization required in connection with the Business or the Purchased Assets.

2.12. Environmental Matters.

(a) Except as disclosed on Schedule 2.12 hereto or in the site

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assessments of the Owned Real Properties performed by or on behalf of Purchaser (true and complete copies of which Purchaser has delivered to Seller):

(i) The Business is in compliance with and are not in violation of any national or local statutory or regulation, rule, order, ordinance, guideline, direction, or notice, relating to the environment, public health and safety, and employee health and safety, including those relating to Hazardous Substances ("Environmental Laws").

(ii) Seller holds and is in compliance with all necessary or required environmental permits, certificates, consent or other settlement agreements, licenses, approvals, registrations and authorizations required under all Environmental Laws that relate to or affect the Business ("Environmental Permits") as being used as of the date of this Agreement, and all of such Environmental Permits are valid and in full force and effect. All such Environmental Permits held by Seller are listed on Schedule 2.12 hereto and any that are not transferable are so designated. Seller has made or will make before the Closing timely application for renewals of all such Environmental Permits for which Environmental Laws require that applications must be filed on or before the Closing to maintain the Environmental Permits in full force and effect after the Closing Date. Purchaser shall bear any fees, cost or other expenses incurred in making such filings or applications to the extent to which Purchaser receives a benefit from the Environmental Permit obtained as a result of such filing or application.

(iii) No consent, approval or authorization of, or registration or filing with any Person, including any environmental governmental Authority or regulatory agency, is required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby. Seller (with Purchaser's reasonable assistance) has or will prepare and file all applications for the transfer of all Environmental Permits, at Purchaser's expense, that must be transferred as a result of the consummation of the transactions contemplated by this Agreement.

(iv) No notice, citation, summons or order has been issued or served upon, no complaint has been filed, no penalty has been assessed and, to Seller's Knowledge, no investigation or review is pending or threatened

by any Authority or Person: (a) with respect to any alleged violation by Seller of any Environmental Law relating to or affecting the Business; or (b) with respect to any alleged failure by Seller to have any Environmental Permit relating to or affecting the Business; or (c) with respect to any use, possession, generation, treatment, storage, recycling, transportation or disposal (collectively "Management") of any Hazardous Substances by or on behalf of Seller or, to Seller's knowledge, its predecessors relating to or affecting the Business.

(v) Seller has not received any request for information, notice of claim, demand, order or notification for which it or any of its predecessors are or may

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be potentially responsible with respect to any investigation or clean-up of any threatened or actual Release of any Hazardous Substance relating to or affecting the Business.

(vi) Except for Hazardous Substances stored or used in the ordinary course of their manufacturing processes, in quantities and in a manner (1) not in violation of any applicable law, or (2) which has not or is not reasonably likely to create a condition which requires investigation, re-mediation or other responsive action or responsibility or liability under Environmental Laws, to Seller's Knowledge neither Seller nor any Affiliate of Seller has used, generated, treated, stored for more than 90 days, recycled or disposed of any Hazardous Substances on any property now owned, operated or leased by Seller or any Affiliate of Seller or on any formerly owned, operated or leased property that is related in any way to the Business, nor has anyone else during the period that such property has been owned, operated or leased by Seller or, to Seller's Knowledge, during any other period, treated, stored for more than 90 days, recycled or disposed of any Hazardous Substances on any property now owned, operated or leased by Seller or Affiliate of Seller or on any formerly owned, operated or leased property.

(vii) No Hazardous Substance generated by Seller or any Affiliate of Seller that is in any way related to the Business has been recycled, treated, stored, disposed of or transported by any entity in violation of any Environmental Law or in a manner which has created or is reasonably likely to create any liability or responsibility under any Environmental Law.

(viii) No Hazardous Substance has been Released at, on, about or under by Seller or, to Seller's Knowledge is present in the Purchased Assets or in any property now owned, operated or leased by Seller or any Affiliate of Seller that is in any way related to the Business which requires investigation, re-mediation or other response action.

(ix) There are no environmental Liens on the Purchased Assets or on any properties owned or leased by Seller or any Affiliate of Seller which would materially impair Purchaser's ability to lawfully operate the Business as such Business was operated prior to the Closing Date and, to Seller's Knowledge, no government actions have been taken or are in process or pending which could subject any of such properties to such Liens.

(x) No deed or other instrument of conveyance of real property to Seller or any Affiliate of Seller with respect to the Real Properties contains a restriction relating to the actual or suspected presence of Hazardous Substances, which restriction would materially impair Purchaser's ability to lawfully operate the Business as such Business was operated prior to the Closing Date.

(xi) To Seller's Knowledge, there are no facts or circumstances related to environmental matters concerning the Purchased Assets that could

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reasonably be expected to lead to any future environmental claims against Seller, or Purchaser under current law.

(xii) There have been no environmental inspections, investigations, studies, audits, tests, reviews or other analyses conducted by or at the direction of Seller or, in the possession of Seller indicating the presence of any Hazardous Substance in or on any property or business now or previously owned, operated, or leased by Seller or any Affiliate of Seller in any way related to the Business in material violation of any Environmental Law or which has created a condition which requires investigation, re-mediation or other response action under Environmental Law which have not been provided to Purchaser prior to the date hereof.

2.13. Consents. Except as set forth on Schedule 2.13, no consent, approval or authorization of, or registration or filing with, any Person, is required in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby.

2.14. Personal Property. Seller owns all of its tangible personal property and assets substantially relating to or affecting the Business, including the properties and assets reflected in the Balance Sheet (except those disposed of in the ordinary course of business since the Balance Sheet Date); and at the Closing none of such properties or assets will be subject to any mortgage, pledge, lien, restriction, encumbrance, claim, security interest, charge or any other matter affecting title, except, (a) minor imperfections of title, none of which, individually or in the aggregate, materially detracts from the value of or impairs the use of the affected properties or impairs any operations of Seller, (b) liens for current Taxes not yet due and payable, or (c) as disclosed on Schedule 2.14 hereto (the "Personal Property Permitted Encumbrances"). All tangible personal property, assets, equipment or other personal property consigned or leased to Seller, whether used exclusively in the operation of the Business are listed on Schedule 2.14.

2.15. Real Estate.

(a) Schedule 2.15 hereto contains a true, correct and complete list of all real properties owned, leased, subleased, licensed or otherwise occupied by Seller substantially relating to or affecting the Business including the real property that Purchaser purchases under this Agreement (collectively, the "Real Properties") separately indicating the nature of Seller's interest therein. Except as set forth on Schedule 2.15 hereto, no other Person has any oral or written right, agreement or option to acquire, lease, sublease or otherwise occupy all or any portion of such Real Properties. Seller has not received any written or oral notice for assessment for public improvements against any of the Real Properties which remains unpaid and, to Seller's Knowledge, no such assessment has been proposed. There is no pending condemnation, expropriation, eminent domain or similar proceeding affecting all or any portion of any of the Real Properties and, to Seller's Knowledge, no such proceeding is contemplated.

(b) Except as disclosed on Schedule 2.15 hereto,

(i) Seller has good and marketable title to the Real Properties owned by Seller (the "Owned Real Properties"). The Owned Real Property is free and clear of any and all Liens, exceptions, items, encumbrances, easements, restrictions and other matters either of record or not of record which either individually or in the aggregate, could prohibit or adversely interfere with Purchaser's use of such property except (a) matters set forth on Schedule 2.15 and referred to as the "Exceptions that will not exist at Closing" (the "Exceptions That Will Not Exist at Closing"), (b) matters set forth on Schedule 2.15, none of which is material in amount and none of which, individually or in the aggregate, impairs, or grants or evidences rights which if exercised would impair, the use of the affected property in the manner such property is currently being used, or impairs the current operations of the Business, (c) defects of title, conditions, easements, encroachments, covenants or restrictions, if any, none of which is material in amount and none of which, individually or in the aggregate, materially impairs, or grants or evidences rights which if exercised would materially impair, the use of the affected property in the manner such property is currently being used, or impairs the

current operations of the Business, and (d) zoning or land use ordinances, none of which, individually or in the aggregate, impairs the use of the affected property in the manner such property is currently being used or impairs the current operations of the Business (collectively, the "Permitted Real Property Encumbrances"). No material default or breach exists under any of the covenants, conditions, restrictions, rights-of-way or easements, if any, affecting all or any portion of the Owned Real Properties.

(ii) The current zoning of each of the Real Properties permits the operator of such property to use such property for Purchaser's intended use thereof, provided that such use is similar to Seller's use thereof or otherwise disclosed to Seller. Seller has not made any application for a rezoning of any of the Owned Real Properties. To Seller's Knowledge, there are no proposed or pending changes to any zoning affecting any of the Owned Real Properties.

(iii) All utilities, including without limitation, potable water, sewer, gas, electric, telephone, and other public utilities and all storm water drainage required by law or necessary for the operation of the Real Properties, (1) either enter the Real Properties through open public streets adjoining the Real Properties, or, if they pass through adjoining private land, do so in accordance with valid public or private easements or rights of way which will inure to the benefit of Purchaser, (2) are installed, connected, operating and adequate for the operation of the Business as it has been previously conducted by Seller, with all installation and connection charges paid in full, including, without limitation, connection and the right to discharge sanitary waste into the collector system of the appropriate sewer utility, and (3) are adequate (in both quality and quantity) to service the Real Properties for their respective use in the business as presently conducted thereon.

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(iv) Each of the Real Properties is located along one or more dedicated public streets or has access thereto. All curb-cut and street-opening permits or licenses required for vehicular access to and from the Real Properties to any adjoining public street or to any parking spaces utilized in connection with the Real Property have been obtained and paid for, are in full force and effect and shall inure to the benefit of Purchaser.

(v) The improvements located on the Real Properties, including the roof, structure, soil, elevators, walls, heating, ventilation, air conditioning, plumbing, electrical, drainage, fire alarm, communications, security and exhaust systems and their component parts, or other improvements on or forming a part of the Real Properties, are adequate for the operation of the Business as it has been previously conducted by Seller. Seller has not received any notification of and there are no outstanding or incomplete work orders in respect of any of the buildings, improvements or other structures constructed on the Real Properties or of any current non-compliance with applicable statutes and regulations or building and zoning by-laws and regulations.

(c) Except as set forth on Schedule 2.15 hereto, there are no deeds of trust or mortgages which are a Lien upon the Real Properties.

2.16. Intellectual Properties

(a) Attached hereto as Schedule 2.16 is a correct list of all Intellectual Property.

(b) Except as set forth on Schedule 2.16, to Seller's Knowledge, neither the manufacture, sale, use of any products now or heretofore manufactured or sold by Seller nor the operation of the Business did and does infringe (nor has any claim been made that any such action infringes) the patents or other Intellectual Property rights of others.

(c) With respect to the portion of the Intellectual Property that is not owned by Seller ("Licensed Intellectual Property"), Seller owns or possesses adequate licenses or other rights at reasonable market costs to use the same as necessary to conduct the Business as now conducted. Except as set forth on Schedule 2.16, there is no agreement to which Seller is a party or to which Seller is legally bound and no restriction or Liens, materially and

adversely affecting the use by Seller and, after the Closing, the use by Purchaser, of any of the Licensed Intellectual Properties.

(d) There is no pending litigation or other legal action with respect to any of the Intellectual Properties, and no order, holding, decision or judgment has been rendered by any Authority, and no agreement, consent or stipulation exists to which, in any such event, Seller is a party or of which Seller has knowledge, which would prevent Seller, or after the Closing, Purchaser, from using any of the Intellectual Properties.

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(e) The operation of the Business by Purchaser will not result in Purchaser being required either (i) to pay any royalties, other payments or consideration, or (ii) to grant any right, to any third parties, either directly or indirectly or through Seller, with respect to the Intellectual Property rights of such third parties.

(f) Schedule 2.16(f) sets forth a true and correct description of Seller's Year 2000 plan together with a description of the current status of the execution of the plan. Seller has, as of the date hereof, taken all reasonable steps, and made every reasonable effort, to substantially comply with, implement, carry out and effectuate all of the requirements, steps, measures and procedures, and meet all the guidelines and deadline, as set forth in such plan. Seller has no knowledge of any event, occurrence, condition or reason that would prevent, or interfere with, the implementation of the plan substantially in accordance with the guidelines and deadlines set forth in such plan.

(g) Schedule 2.16(g) lists all actions that must be taken by Purchaser within sixty (60) days of the Closing Date, including the payment of any registration, maintenance or renewal fees or the filing of any documents, applications or certificates for the purposes of maintaining, perfecting or preserving or renewing any of the Intellectual Property.

2.17. Transactions with Related Parties. Except as disclosed on Schedule 2.17, no Affiliate has:

(a) borrowed money or loaned money to Seller in connection with the Business or the Purchased Assets which remains outstanding;

(b) any contractual or other claims, express or implied, of any kind whatsoever against Seller in connection with the Business or the Purchased Assets;

(c) any interest in any property or assets used by Seller in connection with the Business or the Purchased Assets; or

(d) is engaged in any other transaction with Seller relating to or affecting the Business or the Purchased Assets (other than employment relationships at the salaries disclosed in Schedule 2.19 hereto).

2.18. Condition of Assets. The buildings, machinery, equipment, tools, furniture, improvements and other fixed assets of Seller used in or related to or affecting the Business, including those reflected in the Balance Sheet, are adequate for the operation of the Business as it has been previously conducted by Seller.

2.19. Compensation Arrangements; Officers and Directors. Schedule 2.19

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hereto sets forth the following information:

(a) The names and current annual salary, including any bonus, if applicable, of all present directors, officers and employees of Seller

at the rank of "Kwa Jang" or higher who work in connection with the Business together with a statement of the full amount of all remuneration paid by Seller to each such person during the 12 month period preceding the date hereof.

(b) the names and titles of each trustee, fiduciary or plan administrator of each employee benefit plan of Seller.

2.20. Labor Relations.

(a) Schedule 2.20 hereto contains a true and complete list of all current employees of Seller that Seller asserts are necessary to the operation of the Business ("Employees"), together with their respective job titles and current annual compensation and bonuses or bonus eligibility (if any), as of the date hereof. Schedule 2.20 shall have been updated as of the Closing, if necessary. Except for those individuals identified on Schedule 2.20, there are no employees hired by and currently working for Seller necessary to the operation of the Business.

(b) Schedule 2.20 contains a list of all written employment policies, practices, manuals, handbooks, procedures, and terms and conditions of employment of Seller, including wages, pension benefit plan, an employee welfare benefit plan or any bonus, incentive compensation, profit sharing, retirement, pension, group insurance, death benefit, health, cafeteria, flexible benefit, medical expense reimbursement, dependent care, stock option, stock purchase, stock appreciation rights, savings, deferred compensation, consulting, severance pay or termination pay, vacation pay, life insurance, welfare or other employee benefit or fringe benefit plan, program or arrangement, or any other similar things that are applicable to Employees. Except as listed on Schedule 2.20, there are no employment policies, practices, manuals, handbooks, procedures or terms or conditions of employment that are applicable to Employees.

(c) Schedule 2.20 contains a list of all current, or if expired and not renewed, the most recent, employment, labor or collective bargaining agreements with any of the Employees. Except as listed on Schedule 2.20, there are no employment, labor or collective bargaining agreement, or governmental or administrative charges, affecting or concerning the Employees, pending or to Seller's knowledge threatened against Seller.

(d) Except as set forth on Schedule 2.20, there are no consulting, contracting or independent contracting agreements with any person retained or employed in connection with the Assets or the Business.

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(e) The overall relations of Seller with its employees are good. There are no unfair labor practice complaints against Seller pending or, to Seller's Knowledge, threatened. There is no labor strike, dispute, slow down or stoppage actually pending or, to Seller's Knowledge, threatened against or involving Seller. No employee grievance which might to Seller's Knowledge have an adverse effect on Seller or the conduct of the Business is pending. No private agreement restricts Seller from relocating, closing or terminating any of its operations or facilities. Except as disclosed in Schedule 2.20, Seller has not in the past twelve (12) months experienced any work stoppage or slow down or, to the best of Seller's Knowledge committed any unfair labor practice.

2.21. Products Liability. Except for lawsuits, claims, damages and expenses adequately covered by Seller's insurance, there are no (a) liabilities of Seller, fixed or contingent, asserted or, to Seller's Knowledge, unasserted, with respect to any product liability or any similar claim that relates to any product manufactured and sold by Seller to others in connection with the Business, or (b) liabilities of Seller, fixed or contingent, asserted or, to Seller's Knowledge, unasserted, with respect to any claim for the breach of any express or implied product warranty or any other similar claim with respect to any product manufactured and sold by Seller to others other than standard warranty obligations (to replace, repair or refund) made by Seller in the ordinary course of business to Purchasers of its products in connection with the Business.

2.22. Insurance. Attached hereto as Schedule 2.22 is a complete and correct list of all policies of insurance relating to the Business or the

Purchased Assets of which Seller is the owner, insured or beneficiary, or covering any of the property of the Business, true, correct and complete copies of which have been delivered to Purchaser, indicating for each policy the carrier, the insured, type of coverage, the amounts of coverage, deductible, premium rate, cash value if any, expiration date and any pending claims thereunder. All such policies are in full force and effect. The coverage provided by such policies are reasonable, in both scope and amount, in light of the risks attendant to the Business and the Purchased Assets. Seller has paid-in-full all premiums due on such policies as of the Closing Date. There is no default with respect to any provision contained in any such policy, nor has there been any failure to give any notice or present any claim under any such policy in a timely fashion or in the manner or detail required by the policy. Except as set forth on Schedule 2.22, there are no outstanding unpaid premiums or claims under such policies. No notice of cancellation or non-renewal with respect to, or disallowance of any claim under, any such policy has been received by Seller. Except as set forth on Schedule 2.22, Seller has not been refused any insurance, nor has its coverage been limited by any insurance carrier to which it has applied for insurance or with which it has carried insurance during the last five years.

2.23 Brokerage. Seller has not made any agreement or taken any other action which might cause anyone to become entitled to a broker's fee or commission as a result of the transaction contemplated hereunder.

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2.24 Disclosure. No representation or warranty by Seller in this Agreement, and no exhibit, certificate or schedule furnished or to be furnished to Purchaser pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not misleading or necessary to provide Purchaser with proper information as to Seller and the Purchased Assets. Seller shall disclose to Purchaser at Closing any information then in the possession of Seller that indicates that Purchaser is in breach of this Agreement or which may provide the basis for a claim by Seller that Purchaser has breached this Agreement.

2.25 Mitigation. The Parties acknowledge that the representations and warranties set forth above shall, in any case not be interpreted as limiting or restricting Purchaser's general obligation at law, if any, to prevent and/or mitigate any loss or damages which it may incur after the Closing in connection with or involving the Business or the Purchased Assets to be transferred under this Agreement.

2.26 Non-Competition. For a period of ten (10) years from the Closing Date, Seller shall not compete, and shall cause all of its Affiliates, principal shareholders, directors and officers to refrain from competing, in any way, whether directly or indirectly, persistently or occasionally, in its own name or in the name of a third party, for its own account or for the account of a third party, or by acquisition of a direct or indirect ownership or participation in a competitor or otherwise, with Purchaser in the business area of the Business in any jurisdiction. Seller shall further ensure that neither Seller, any of its Affiliates, nor any of their principal shareholders, directors, officers, employees or agents shall directly or indirectly solicit or encourage any employee of Purchasers engaged in the Business to leave the employ of Purchaser.

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ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

3.1. Organization and Good Standing. Purchaser is a corporation duly incorporated, validly existing and in good standing under the laws of

Korea.

3.2. Corporate Power and Authority. Purchaser has all requisite corporate power and authority to make, execute, deliver and perform this Agreement and all other agreements, documents and instruments to which it is a party or is otherwise obligated which are executed, delivered or performed pursuant to this Agreement.

3.3. Due Authorization. The execution, delivery and performance of this Agreement and all other agreements, documents and instruments to which Purchaser is a party or is otherwise obligated which are to be executed, delivered or performed pursuant to this Agreement have been duly authorized by all necessary corporate action on the part of Purchaser, and this Agreement constitutes and any other instruments to be delivered by Purchaser at Closing, when executed and delivered at Closing, will constitute, the legal, valid and binding obligations of Purchaser, enforceable against it in accordance with their respective terms.

3.4. Brokerage. Purchaser has not made any agreement or taken any other action which might cause anyone to become entitled to a broker's fee or commission as a result of the transactions contemplated hereunder.

3.5. No Breaches; Etc. The execution, delivery and performance of this Agreement and the other agreements contemplated by this Agreement and the consummation of the transactions contemplated by this Agreement do not and will not result in any breach or acceleration of any of the terms or conditions of its articles of incorporation or bylaws, or of any mortgage, bond, indenture, contract, agreement, license or other instrument or obligation to which Purchaser is a party. The execution, delivery and performance of this Agreement or the other agreements contemplated by this Agreement will not result in the material violation of any statute, regulation, judgment, writ, injunction or decree of any court, threatened or entered in a proceeding or action in which Purchaser is, was or may be bound.

3.6. Disclosure. No representation or warranty by Purchaser in this Agreement, and no exhibit, certificate or schedule furnished or to be furnished to Seller pursuant hereto, or in connection with the transactions contemplated hereby, contains or will contain any untrue statement of a material fact, or omits or will omit to state a material fact necessary to make the statements or facts contained herein or therein not misleading or necessary to provide Seller with proper information as to Purchaser and the Purchase Assets. Purchaser shall disclose to Seller at Closing any information then in the possession of Purchaser that indicates that Seller

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is in breach of this Agreement or which may provide the basis for a claim by Purchaser that Seller has breached this Agreement.

3.7. Litigation. There is no action, suit, proceeding or investigation pending, or, to Purchaser's knowledge, threatened, against or related to Purchaser or its respective properties or business which would be reasonably likely to adversely affect or restrict Purchaser's ability to consummate the transactions contemplated by this Agreement, and there is no reasonable basis known to Purchaser for any such action that may result in such effect and is probable of assertion.

3.8 Mitigation. The Parties acknowledge that the representations and warranties set forth above shall, in any case not be interpreted as limiting or restricting Seller's general obligation at law, if any, to prevent and/or mitigate any loss or damages which it may incur after the Closing in connection with the transfer of the Business or the Purchased Assets to Purchaser under this Agreement.

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CERTAIN ADDITIONAL COVENANTS

4.1. Costs, Expenses and Taxes. Unless otherwise provided for herein, Purchaser and Seller will each pay all their own expenses incurred in connection with this Agreement and the transactions contemplated hereby, including (a) all costs, expenses and Taxes to the extent levied to each Party, and (b) all accounting, legal and appraisal fees and settlement charges.

4.2. Employees of the Business. Not later than one week prior to the Closing, the Parties shall finalize a list of employees to be transferred from Seller to Purchaser (the "Transferred Employees"). Further, the Transferred Employees shall include certain employees as shall be identified in Schedule 4.2 ("Key Employees"). The transfer from Seller to Purchaser of the Transferred Employees shall be subject to the following basic principles:

(a) All of the Transferred Employees shall have the right to elect to be (i) formally terminated as employees of Seller and commence new employment relation with Purchaser or (ii) transferred to Purchaser as a continuation of their current employment.

(b) With respect to the Transferred Employees who elect to terminate their employment with Seller and commence new employment relation with Purchaser, Seller shall pay, in a timely manner in accordance with the requirements of the Labor Standards Act and current company practices, all salary, bonuses, allowances, severance, unused leave (including the pro rata portion of accrued but unused leave attributable to the portion of the 2000 calendar year prior to the Closing) and any other monetary obligations or claims relating to the Transferred Employees' employment with Seller or its Affiliates that may have accrued to those personnel prior to their separation. Seller represents and warrants that the amount paid by it to such personnel will be adequate to fully satisfy all of their claims relating to each of their terms of employment at Seller or any Affiliate of Seller. For the portion of the 2000 calendar year after the Closing Date, each of the Transferred Employees who have elected to terminate shall receive the pro rata portion of paid leave days that are attributable to this portion of the 2000 Calendar Year. For subsequent years, each of the Transferred Employees who have elected to terminate shall receive the same number of paid leave days that they would have received had they continued to be employees of Purchaser, provided that Purchaser's agreement to this provision shall in no way be interpreted as obligating Purchaser to pay any severance to the Transferred Employees relating to their years of service at any company other than Purchaser.

(c) With respect to the Transferred Employees who elect to carry over their employment into Purchaser, the Parties hereby agree that Seller shall be responsible for the severance payments. The Parties also agree that Purchaser may be held statutorily liable for the payment of the aforementioned severance payment, thus if and to the extent that Purchaser is required to assume the liabilities to pay such severance payments to the Transferred Employees who elect to carry over their employment into Purchaser, Seller shall pay in cash to Purchaser the

severance amount which Purchaser is required to assume within fifteen (15) days from the Closing Date. With respect to any other liabilities of Seller relating to those employees, as part of the Purchase Price adjustment under Section 1.6, the Purchase Price shall be adjusted to reflect the increased liability for any and all unpaid wages, unused leave and other rights, if any, that have accrued to such personnel prior to commencement of their employment with Purchaser, whether or not under any existing employment, labor or collective bargaining agreement or under any such agreements entered into after the Closing Date but with retroactive application extending to before the Closing Date. Purchaser shall be responsible for the full amount of severance and other benefits of such employees from the commencement of their employment with Purchaser. Seller represents and warrants that the amount so adjusted under this Section 4.2(c) will be adequate to fully satisfy all claims of these employees relating to each of their terms of employment at Seller or any Affiliates of Seller.

(d) Prior to the Closing, Seller shall deliver to Purchaser a list indicating the election of each Transferred Employee as described in Section 4.2(a) above. Further, prior to the Closing, Seller shall

obtain releases from the Transferred Employees who elect to terminate their employment with Seller and commence new employment relation with Purchaser, to the effect that they will waive any right, if any, against Purchaser regarding any severance, unused leave and other obligations or claims arising from their employment relation with Seller before the Closing ("Employee Releases").

4.3 Land and Building Owned by Credit Union

Seller acknowledges that Seller does not have the full title to the land and building which are set forth in detail in Schedule 4.3 even though such land and building is used for the benefit of the Business. Therefore, Seller hereby agrees to acquire the full title to such land and building prior to Closing and shall transfer the same to Purchaser at Closing.

4.4 Indemnification.

(a) General Indemnification Obligations.

(i) Indemnification by Seller. Seller hereby agrees to indemnify and hold harmless Purchaser from and against:

(1) any and all Damages arising out of or resulting from any misrepresentation, breach of warranty or non-fulfillment of any agreement on the part of Seller contained in this Agreement or in any certificate, instrument, agreement or other document furnished or to be furnished to Purchaser pursuant hereto or in connection with the transactions contemplated hereby;

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(2) any and all Damages arising out of or resulting from any liabilities of Seller of any nature, whether due or to become due, whether accrued, absolute, contingent or otherwise existing on the Closing Date or arising out of any transactions entered into, or any state of facts existing, prior to such date, except the Assumed Liabilities;

(3) any Damages arising out of or resulting from any claim asserted against Purchaser with respect to Excluded Liabilities;

(4) any and all Damages arising from claims brought by Transferred Employees who have elected to terminate their employment with Seller in relation to these employees' terms of employment with Seller or any Affiliate of Seller, including but not limited to claims resulting from the increase in any employee's wage during his or her period of employment with Seller; and

(5) any secondary Tax liability of Purchaser under the National Tax Basic Law and the Local Tax Law for the Taxes of Seller that have accrued prior to the Closing Date.

(ii) Indemnification by Purchaser. Purchaser hereby agrees to indemnify and hold harmless Seller from and against:

(1) any Damages arising out of or resulting from any misrepresentation, breach of warranty or non-fulfillment of any agreement on the part of Purchaser contained in this Agreement or in any certificate, instrument, agreement or other document furnished or to be furnished to Seller in connection with the transactions contemplated hereby;

(2) any Damages resulting from or arising out of the failure by Purchaser to pay or discharge, or cause to be paid or discharged, any of the Assumed Liabilities; and

(3) any Damages arising out of or resulting from any claim asserted against Seller with respect to Assumed Liabilities.

(iii) For purposes of this Agreement, "Damages" means the aggregate amount of all damages, claims, losses, obligations, liabilities (including any governmental penalty, fines or punitive damages), deficiencies, interest, costs and expenses arising out of or relating to a matter and any

actions, judgments, costs and expenses (including reasonable attorneys' fees and all other expenses incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened) incident to such matter or to the enforcement of this Agreement, including, but not limited to, reasonable legal fees incurred by the Party entitled to indemnification under this Agreement.

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(b) Indemnification Cap. The maximum aggregate liability of Seller or Purchaser in respect of all claims shall not exceed the Purchase Price.

(c) General Indemnification Procedures.

(i) Purchaser and Seller shall cooperate in the defense or prosecution of any claim, action, suit or proceeding asserted against either of them by a party other than a Party hereto or an Affiliate of any Party hereto in respect of which indemnity may be sought hereunder (a "Third Party Claim") and shall furnish such records, information and testimony, and attend such conferences, discovery proceedings, hearings, trials and appeals, as may be reasonably requested in connection therewith.

(ii) Except as otherwise provided in this Agreement, no action or claim for Damages resulting from breaches of the representations and warranties of Seller or Purchaser shall be brought or made after 24 months following the Closing, except that such time limitation shall not apply to (i) claims for misrepresentations or breaches of warranty relating to Section 2.7 (relating to Taxes) which may be asserted until 180 days after the running of the applicable statute of limitations with respect to the taxable period to which the particular claims relates, (ii) claims relating to Environmental Liabilities that have been brought against Purchaser by third parties within five years following the Closing Date and (iii) any claims which have been the subject of a written notice from Purchaser to Seller prior to the expiration of the applicable period under this Section 4.4(c)(vi), which notice specifies in reasonable detail the nature of the claim.

(iii) Notwithstanding anything to the contrary in this Section 4.4, no limitation or condition of liability provided in this Section shall apply to the breach of any of the representations and warranties contained herein if such representation or warranty was made with actual knowledge that it contained an untrue statement of a material fact or omitted to state a material fact necessary to make the statements or facts contained therein not misleading.

(iv) If there shall be a judicial determination that any Party (the "Indemnified Party") seeking indemnification from another Party (the "Indemnifying Party") under this Agreement is not entitled to such indemnification in the amount originally claimed by a third party, then the Indemnifying Party shall be entitled to reimbursement from the Indemnified Party for its costs and expenses, including reasonable attorneys' fees, incurred in the defense of the claim for such indemnity pro rata, to the extent that the amount awarded is less than the amount originally claimed.

(v) Following the receipt by either Party of a complaint initiating a lawsuit in respect of a Third Party Claim in respect of which indemnity may be sought from either Party hereunder, within a reasonable time after such receipt, the receiving

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Party shall give the other Party notice of such Third Party Claim.

(vi) Purchaser shall notify Seller and Seller shall notify Purchaser of any claim for Damages. Such notice shall describe, to the extent reasonably available, the nature of the claim, the proposed remedy and the cost to remedy or to satisfy the claim. Purchaser and Seller shall, in good

faith, consult with the other Party and give the other Party a reasonable opportunity to propose an alternative method to remedy or satisfy the claim. Provided, however, that if the nature of the claim is such that, in Purchaser and Seller's judgment, the above notice and opportunity provisions could reasonably be expected to cause further Damages or would otherwise not be appropriate under the circumstances, then the prior notice and opportunity shall not be required. Neither Purchaser nor Seller shall be required in any event to adopt the method proposed by the other Party. Purchaser and Seller's failure to give the other Party the prior notice and opportunity or to adopt the method proposed, shall not bar in any event either Party from asserting an indemnification claim against the other under and subject to the terms and conditions described in this Section 4.4, but, in any such claim, the failure of either Party to give prior notice and opportunity, or to adopt the method proposed shall be admissible evidence if either Party shall contest the reasonableness of the amount of the Damages that it may recover from the other Party.

(vii) Any amounts due to Purchaser or its Affiliates as a result of Seller's indemnification obligations under this Agreement, arising from the transactions contemplated hereby, arising from any breach of any representation or warranty of Seller or otherwise may be set off by Purchaser or any of its affiliates from any amounts owed at any time to Seller or its affiliates to the extent permissible under Korean law.

4.5 Confidentiality. From and after the Closing, Seller shall, and shall cause its Affiliates and representatives to, keep confidential and not disclose to any other Person or use for his or its own benefit or the benefit of any other Person any trade secrets or other confidential proprietary information in its possession or control regarding Seller or their respective businesses and operations. The obligations of Seller under this Section 4.5 shall not apply to information which (i) is or becomes generally available to the public without breach of the commitment provided for in this Section; or (ii) is required to be disclosed by law, order or regulation of a court or tribunal or governmental authority; provided, however, that, in any such case, Seller shall notify Purchaser as early as reasonably practicable prior to disclosure to allow Purchaser to take appropriate measures to preserve the confidentiality of such information.

4.6 Access to Information. Seller and Purchaser shall reasonably cooperate with each other after the Closing so that (subject to any limitations that are reasonably required to preserve any applicable attorney-client privilege) each Party has access without causing excessive hardship to normal operations to the business records, contracts and other information existing at the Closing Date and relating to Seller (whether in the possession of Seller or Purchaser) (including copies thereof) as is reasonably necessary for the (a) preparation

for or the prosecution or defense of any suit, action, litigation or administrative, arbitration or other proceeding or investigation (other than one by or on behalf of a Party to this Agreement) by or against Purchaser or Seller (b) preparation and filing of any Tax return or election relating to Seller and any audit by any taxing authority of any returns of Purchaser or Seller relating thereto, (c) preparation and filing of any other documents required by governmental or regulatory bodies, (d) transfer of data to Purchaser relating to Seller and (e) the preparation of any reports necessary for their financial reporting purposes including that required in connection with any registration statement or report filed by Purchaser with any governmental agency. The Party requesting such information and assistance shall reimburse the other Party for all out-of-pocket costs and expenses incurred by such Party in providing such information and in rendering such assistance. The access to files, books and records contemplated by this Section 4.6 shall be during normal business hours and upon not less than two (2) business days prior written request, and shall identify the scope of the information to be reviewed and shall be subject to such further reasonable limitations as the Party having custody or control thereof may impose to preserve the confidentiality of information contained therein, and shall not extend to material subject to a claim of privilege unless expressly waived by the Party entitled to claim the same. The Parties mutually agree to use their commercially reasonable efforts to cause their independent public accountants to provide each other with any necessary or required consents

in connection with audit of the Business.

4.7 Cooperation.

(a) With respect to the Excluded Liabilities, Purchaser agrees to reasonably cooperate with Seller, at no cost to Purchaser, in connection with Seller's defense of any claims or lawsuit relating thereto, including, without limitation, making available to Seller for inspection and copying business records of Purchaser pertaining to such claims or lawsuits and making employees of Purchaser available as needed from time to time for interviews, trial testimony and similar appearances.

- (a) Seller agrees to cooperate with Purchaser in Purchaser's efforts to obtain the Tax Exemptions, provided that Seller shall not be obligated to bear any costs in relation to such cooperation.

4.8 Transition Services.

(a) During a certain period from the Closing Date (the "Transition Period") to be separately agreed by the Parties, Seller shall ensure that the Business is continued to be provided with all of the services and parts and components currently provided to the Business by Seller or any Person affiliated with Seller including, among other things, the research and development, accounting, data processing, materials procurement, electronic data processing, administrative services and all other such support services as are reasonably required in connection with the operation of the Business, on the terms and conditions not less favorable

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than the terms and conditions pursuant to which such services and parts and components are now being provided to the Business. Purchaser shall pay a reasonable fee for the services to be provided by Seller during the Transition Period, as mutually agreed by the Parties. Prior to the Closing, Seller and Purchaser shall enter into a service agreement ("Transition Service Agreement") to ensure such continued services during the Transition Period, in such form and substance as attached hereto as Schedule 4.8.

(b) During the Transition Period, Seller shall ensure that all services currently made available to the employees of the Business including, without limitation, cafeteria, clinic and human welfare services continue to be provided to the Transferred Employees on the same terms and conditions as such services are now being provided to them.

4.9 Property Taxes. Any and all Taxes, charges, public imposts, fees, and the like (collectively "Property Taxes") which are assessed on or are required to be paid by Purchaser for the first time after the Closing but prior to the end of the calendar year in which the Closing occurs, in relation to, or as a result of, ownership of the real properties (including land and buildings) acquired from Seller or the operation of business at the place(s) acquired from Seller shall be shared by Seller and Purchaser on the basis of the number of days of their respective holding of the real properties or operation of business during the calendar year in which Property Taxes are assessed. Property Taxes shall include, but not be limited to, property tax on buildings, global land tax on land, business place tax, and any and all surtaxes on these taxes.

4.10 Repayment of Debt. Seller agrees to use that portion of the Purchase Price set forth in Section 1.4(b) hereto, together with any of its funds, necessary to repay in full those obligations of Seller set forth on Schedule 1.4(b).

4.11 Assignment of Contracts

(a) Notwithstanding anything to the contrary in this Agreement or any Ancillary Agreements, this Agreement shall not constitute an agreement to assign any contract which is to be an Purchased Asset or any benefit arising thereunder or resulting therefrom, if an attempted assignment thereof, without the consent of a party thereto other than Seller, would constitute a breach or other contravention thereof or in any way adversely affect the rights of Purchaser, or its designees, thereunder (a "Non-Assignable Contract"). Seller shall use prior to the Closing all commercially reasonable efforts to obtain the consent of the other Persons for the assignment thereof to

Purchaser or its designees. If such consent is not obtained prior to the Closing, or if an attempted assignment thereof would be ineffective or would adversely affect the rights thereunder so that Purchaser would not receive substantially all such rights, (x) Seller shall continue to use all commercially reasonable efforts to obtain the consent of the other Persons for the assignment thereof to Purchaser or its designees, and (y) Seller and Purchaser shall cooperate in a mutually agreeable arrangement under which Purchaser would obtain the benefits and

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assume the obligations thereunder in accordance with Agreement, including subcontracting, sub-licensing or sub-leasing to Purchaser, or under which Seller would enforce for the benefit of Purchaser, with Purchaser assuming Seller's obligations, any and all rights of Seller against a third party thereto. Seller shall promptly pay to Purchaser when received all monies received by Seller in respect of such Non-Assignable Contracts or any benefit arising thereunder, except to the extent the same represents and Excluded Asset. To the extent the benefits therefrom and obligations thereunder have been provided by alternative arrangements as provided above, any such Non-Assignable Contract shall be deemed a Purchased Asset, provided that Purchaser shall not be responsible for any liabilities (i) arising out of a claim of breach of such Non-Assignable Contract due to the establishment of the alternative arrangements, or (ii) arising out of such Non-Assignable Contract as a result of Seller's action without Purchaser's approval in a manner inconsistent with the alternative arrangements.

(b) In furtherance, and not in limitation of the foregoing subsection (a), in the event that Seller is unable to obtain any required consent to the transfer at Closing to Purchaser of any Non-Assignable Contract and Seller and Purchaser have failed to agree on alternate arrangements to an assignment reasonably satisfactory to Purchaser, then (i) Seller shall remain a party to and shall continue to be bound by such Non-Assignable Contract, (ii) Purchaser shall pay, perform and discharge fully all of the obligations of Seller thereunder from and after the Closing Date, upon the terms and subject to the conditions of such Non-Assignable Contract, (iii) Seller shall, without further consideration received in respect of such Non-Assignable Contract on and after the Closing Date, and (vi) Seller shall, without further consideration therefor, exercise and exploit its rights and options under such Non-Assignable Contract in the manner and only to the extent directed by Purchaser. If and when any consent shall be obtained following the Closing Date with respect to the transfer by Seller to Purchaser of any such Non-Assignable Contract or such Non-Assignable Contract shall otherwise become assignable following the Closing Date, Seller shall promptly assign all of its rights and obligations thereunder to Purchaser, without further consideration therefor, and Purchaser shall, without further consideration therefor, assume such rights and obligations, to the fullest extent permitted. The existence of the provisions of this Section 4.11 shall not reduce or otherwise adversely affect any Party's ability to enforce any of its rights under this Agreement.

4.12 Notices of Certain Events. Seller shall promptly notify Purchaser of (i) any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the transactions contemplated by this Agreement, (ii) any notice or other communication from any governmental agency in connection with the transactions contemplated by this Agreement, and (iii) any claims commenced or, to Seller's Knowledge, threatened against, relating to or involving or otherwise affecting the Business or the Purchased Assets that, if pending on the date of this Agreement, would have been required to have been disclosed pursuant to this Agreement or that relate to the consummation of the transactions contemplated by this Agreement.

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ARTICLE 5 MISCELLANEOUS

5.1. Further Assurances; Cooperation. At and after the Closing,

Seller will execute and deliver such further instruments of conveyance and transfer as Purchaser may reasonably request to convey and transfer effectively to Purchaser the Purchased Assets or to put Purchaser in actual possession and control of the business of Seller.

5.2. Nature and Survival of Representations. The representations, warranties, covenants and agreements of Purchaser and Seller contained in this Agreement, and all statements contained in this Agreement or any Exhibit or Schedule hereto or any certificate delivered pursuant to this Agreement or in connection with the transactions contemplated hereby, shall be deemed to constitute representations, warranties, covenants and agreements of the respective Party delivering the same. All such representations, warranties, covenants and agreements shall survive the Closing hereunder subject to Section 4.4 hereof. Except for the representation and warranties expressly contained in this Agreement, the Parties make no other representations or warranties and no additional representations and warranties may be implied.

5.3. Notices. All notices, requests, demands elections and other communications which either Party to this Agreement may desire or be required to give hereunder shall be in writing and shall be deemed to have been duly given if delivered personally, by a reputable courier service which requires a signature upon delivery, by mailing the same by registered or certified first class mail, postage prepaid, return receipt requested, or by tele-copying with receipt confirmation (followed by a first class mailing of the same) to the Party to whom the same is so given or made. Such notice, request, demand, waiver, election or other communication will be deemed to have been given as of the date so delivered or electronically transmitted or seven days after mailing thereof.

If to Seller, to:	Anam Semiconductor, Inc. 280-8, 2-ga Sungsoo-dong Sungdong-gu, Seoul 133-706 Korea Attn: Kyu-Hyun Kim
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If to Purchaser, to:	Amkor Technology Korea, Inc. 957, Daechon-dong, Buk-gu Kwangju 500-470 Korea Attn: Daniel Sparks
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or to such other address as such Party shall have specified by notice to the other Party hereto.

5.4. Successors and Assigns. This Agreement, and all rights and powers granted hereby, will bind and inure to the benefit of the Parties hereto and their respective

successors and assigns.

5.5 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Republic of Korea, without regard to its conflict of law provisions.

5.6 Headings. The headings preceding the text of the sections and subsections hereof are inserted solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect.

5.7 Amendment and Waiver. The Parties may by mutual agreement amend this Agreement in any respect, and any Party, as to such Party, may (a) extend the time for the performance of any of the obligations of any other Party, (b) waive any inaccuracies in representations by any other Party, (c) waive compliance by any other Party with any of the agreements contained herein and performance of any obligations by such other Party, and (d) waive the fulfillment of any condition that is precedent to the performance by such Party of any of its obligations under this Agreement. To be effective, any such amendment or waiver must be in writing and be signed by the Party against whom enforcement of the same is sought.

5.8 Entire Agreement. This Agreement and the Schedules hereto,

each of which is hereby incorporated herein, set forth all of the promises, covenants, agreements, conditions and undertakings between the Parties hereto with respect to the subject matter hereof, and supersede all prior and contemporaneous agreements and understandings, inducements or conditions, express or implied, oral or written.

5.9 Counterparts. This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but which together shall constitute one and the same instrument.

5.10 Governing Language. The English language text of the Agreement shall prevail over any translation thereof.

5.11 Dispute Resolution. For any dispute arising under this Agreement which is not settled after good faith attempts by the Parties to amicably resolve such dispute, Seoul District Court shall have non-exclusive jurisdiction over such matters.

5.12 Termination. This Agreement may be terminated upon the occurrence of any of the following events:

- (a) the mutual agreement of all the Parties to terminate the Agreement;
- (b) if the Closing does not take place prior to July 31, 2000, provided that

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the right of any Party to terminate this Agreement under this Clause (b) shall not be available to any Party whose failure to fulfil any obligation under this Agreement has been the cause of, or resulted in, the failure of the Closing Date to occur on or before such date;

- (c) by any Party upon notice to the other if any of the conditions set forth in Sections 1.8, 1.9 and 1.10 hereof become impossible to satisfy (other than by reason of the failure of each Party to fulfill its obligations under this Agreement); or
- (d) by any Party if any court of competent jurisdiction shall have issued an order, decree or ruling or taken any other action enjoining or otherwise prohibiting the transactions contemplated under this Agreement and such order, decree or ruling or other action has become final and nonappealable.

5.13 Consequences of Termination. If this Agreement is terminated by Seller or Purchaser as permitted under Section 5.12 and not as a result of a breach of a representation or warranty or the failure of any Party to perform its obligations hereunder, such termination shall be without liability of any Party. If a Party terminates this Agreement as a result of a breach of a representation or warranty by the other Party or the failure of the other Party to perform its obligations hereunder, the non-breaching Party, in addition to any other legal remedies that may be available, shall be entitled to reimbursement from the breaching Party for all expenses incurred by the non-breaching Party in connection with this Agreement and the transactions contemplated hereby.

5.14 Enforcement and Damages. Purchaser and Seller agree that irreparable damage would occur in the event that any of the provisions of this Agreement were not performed in accordance with their specific terms or were otherwise breached. It is accordingly agreed that each of Purchaser and Seller shall be entitled to an injunction or injunctions to prevent breaches of this Agreement and to enforce specifically the terms and provisions of this Agreement, this being in addition to any other remedy, including without limitation damages, to which it is entitled at law or in equity.

5.15 Severability. If at any time subsequent to the date hereof,

any term or provision of this Agreement shall be determined by any court of competent jurisdiction to be partially or wholly illegal, void or unenforceable, such provision shall be of no force and effect to the extent so determined, but the illegality or unenforceability of such term or provision shall have no effect upon and shall not impair the legality or enforceability of any other term or provision of this Agreement.

5.16 Construction. The Parties acknowledge that each Party and its counsel

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have reviewed and revised this Agreement and that any rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments, schedules or exhibits hereto.

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IN WITNESS WHEREOF, the Parties have caused this Agreement to be signed in their respective names by an officer thereof duly authorized as of the date first above written.

Amkor Technology Korea, Inc.

By: /s/ John Boruch

Name: John Boruch

Title: Director

Anam Semiconductor, Inc.

By: /s/ Kim Kyu-Hyun

Name: Kyu-Hyun, Kim

Title: President

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LIST OF SCHEDULES

Schedule 1.1	Asset List
Schedule 1.2(f)	Description of K-2 Land
Schedule 1.4(a)	Purchase Price
Schedule 1.4(b)	Liabilities of Seller to be Repaid
Schedule 1.4(c)	Downward Adjustment
Schedule 1.5	Allocation of Purchase Price
Schedule 1.6	Restrictions on Adjustment
Schedule 1.10	Contracts to be Assigned
Schedule 2.6	Changes since Balance Sheet Date
Schedule 2.7	Taxes
Schedule 2.8	Inventory
Schedule 2.9	Pending Litigation

Schedule 2.10	Contracts
Schedule 2.11	Permits
Schedule 2.12	Environmental Matters
Schedule 2.14	Personal Property Permitted Encumbrances
Schedule 2.15	Real Estate
Schedule 2.16	Intellectual Properties
Schedule 2.16(f)	Year 2000 Plan
Schedule 2.16(g)	Actions to be Taken
Schedule 2.17	Transactions with Related Parties
Schedule 2.19	Compensation Arrangements; Officers and Directors
Schedule 2.20	Employees
Schedule 2.22	Insurance

Schedule 4.2	Key Employees
Schedule 4.3	Description of Land and Building Owned by Credit Union
Schedule 4.8	Transition Service Agreement

AMENDMENT

TO

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

AMKOR TECHNOLOGY KOREA, INC.

as Purchaser

AND

ANAM SEMICONDUCTOR, INC.

as Seller

Dated as of February 25, 2000

AMENDMENT TO ASSET PURCHASE AGREEMENT

This is AMENDMENT TO ASSET PURCHASE AGREEMENT (the "Amendment"), dated as of February 25, 2000 by and between Amkor Technology Korea, Inc., a corporation organized under the laws of the Republic of Korea ("Purchaser"), and Anam Semiconductor, Inc., a corporation organized under the laws of the Republic of Korea ("Seller"). Purchaser and Seller shall sometimes individually be referred to as a Party and collectively as the Parties

RECITALS:

WHEREAS, Seller and Purchaser entered into an Asset Purchase Agreement dated January 14, 2000 (the "Original Agreement") under which the Seller agreed to Sell and Purchaser agreed to purchase the semiconductor packaging and test operations generally known as K-1, K-2 and K-3 located at Sungsoo-dong, Sungdong-ku, Seoul, Korea, Buchon, Kyoungki-do, Korea and Bupyung, Kyungki-do, Korea, respectively, ("Business"); and

WHEREAS, both Parties desires to make changes to certain sections of the Original Agreement by entering into and amendment in accordance with Section 5.7 of the Original Agreement.

NOW THEREFORE, in consideration of the mutual agreements, covenants, representations and warranties contained herein, and in reliance thereon, Purchaser and Seller hereby agree as follows:

DEFINITIONS:

Unless specifically defined otherwise herein, the terms defined herein shall have the same meanings as set forth in the Original Agreement.

AMENDMENT TO DEFINITIONS

The following definition shall be newly added in the Original Agreement:

"Market Price of Seller Shares" shall mean the issue price of new shares

(common stock) of Seller determined in accordance with the formula applicable in case of issuance to third parties as set forth in the Regulation of Financial Management of Listed Companies established by the Financial Supervisory Service in Korea: in other words, 90% of the lesser of (i) KSE closing price on the Base Date or (ii) the arithmetic average of (x) KSE closing price on the Base Date, (y) weighted average of KSE closing price for the one week period prior to (and including) the Base Date, and (z) weighted average of KSE closing price for the one month period prior to (and including) the Base Date; where the Base Date means the day before the date the board of directors of Seller resolves the issue of the relevant new shares.

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1.3 Amendment of Section 1.3: "Purchase Price"

Sub-section 1.3(a) of the Original Agreement is hereby deleted entirely and the following shall be substituted therefor:

The total aggregate purchase price for the Purchased Assets exclusive of VAT shall be US\$950,000,000 (the "Purchase Price") plus the Assumed Liabilities.

1.8 Amendment of Section 1.8: "Conditions to Each Party's Obligations"

Sub-section 1.8(d) of the Original Agreement is hereby deleted and the following shall be substituted therefor:

Amkor Technology, Inc, a corporation established under the laws of the state of Delaware, U.S.A. and an affiliate of Purchaser ("Amkor"), shall have invested total of US\$309,000,000 to Seller: (i) US\$109,000,000 to acquire the common stock of Seller at the Market Price and (ii) US\$200,000,000 to acquire the common stock of Seller at 18,000 Korean Won per share. Other terms and conditions of such investment shall be mutually agreed by Amkor and Seller.

Sub-section 1.8(e) of the Original Agreement is hereby deleted entirely and the following shall be substituted therefor:

Amkor and Seller shall have executed an agreement under which Amkor shall subscribe and purchase the common stock of Seller at 18,000 Korean Won per share in the total amount of US\$150,000,000: (i) US\$30,000,000 by no later than June 30, 2000, (ii) US\$60,000,000 by no later than August 31, 2000 (iii) and US\$60,000,000 by no later than October 31, 2000. Other terms and conditions of such investment shall be mutually agreed by Amkor and Seller.

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IN WITNESS WHEREOF, the Parties have caused this AMENDMENT to be signed in their respective names by an officer thereof duly authorized as of the date first above written.

Amkor Technology Korea, Inc.

By: /s/ John N. Boruch

Name: John N. Boruch
Title: Director

Anam Semiconductor, Inc.

By: /s/ Kim Kyu-Hyun

Name: Kyu-Hyun, Kim
Title: President

AMKOR TECHNOLOGY, INC.

STOCKHOLDER RIGHTS AGREEMENT

This Stockholder Rights Agreement (this "Agreement") is made as of this 18th day of April, 2000, by and among Amkor Technology, Inc., a Delaware corporation (the "Company"), and the purchasers of the Company's Common Stock (the "Common Stock") pursuant to that certain Amended and Restated Stock Purchase Agreement dated as of April 14, 2000 between the Company and such purchasers in one or more closings (the "Purchasers") (the "Purchase Agreement"). Purchasers who execute a counterpart signature page to this Agreement after the date hereof shall become parties to this agreement without further action by the other parties hereto.

WHEREAS, the Company and the Purchasers entered into the Purchase Agreement pursuant to which the Company agreed to grant to the Purchasers certain rights upon the terms hereinafter set forth;

NOW, THEREFORE, in consideration of the mutual obligations and promises contained in this Agreement and other sufficient consideration deemed received, the parties hereto agree as follows:

Agreement

1. Certain Definitions. As used in this Agreement, the following terms shall have the following respective meanings:

"Affiliate" shall mean any affiliate (as that term is defined in Rule 405 promulgated by the Commission under the Securities Act) and, without limitation, as respects a Holder of Registrable Securities, shall include any investment fund that is managed by or under common management with such Holder.

"Commission" shall mean the Securities and Exchange Commission or any successor agency.

"Registrable Securities" shall mean (i) shares of the Company's Common Stock issued in connection with the Purchase Agreement; (ii) shares of Common Stock issued or issuable upon the exercise of the Warrants issued pursuant to the Purchase Agreement (the "Warrants"); and (iii) shares of the Common Stock or other securities issued or issuable with respect to, or in exchange for or in replacement of shares of the Common Stock and Warrants or other securities convertible into or exercisable for the Common Stock and Warrants upon any stock split, stock dividend, recapitalization, or similar event; provided, however, that any shares described in clauses (i)-(iii) above which have been resold to the public or, except for purposes of Section 19 herein, can be sold pursuant to Rule 144 of the Securities Act (as defined below) shall cease to be Registrable Securities.

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"Holder" shall mean each Purchaser and any transferee of Registrable Securities who, pursuant to Section 15 below, is entitled to registration rights hereunder.

"Restricted Securities" shall mean the securities of the Company required to bear the legend set forth in Section 3 hereof (or any similar legend).

The terms "register," "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the Securities Act (as defined below), the declaration or ordering of the effectiveness of such registration statement and the absence of a stop order suspending the effectiveness of such registration statement.

"Registration Expenses" shall mean all expenses incidental to the Company's performance of its obligations under this Agreement, including, without limitation, all registration, qualification and filing fees, printing expenses, escrow fees, fees and disbursements of counsel for the Company, blue sky fees and expenses, accounting fees of the Company, and the expense of any

special audits incident to or required by any such registration.

"Securities Act" shall mean the Securities Act of 1933, as amended.

"Selling Expenses" shall mean all underwriting discounts, selling commissions and stock transfer taxes applicable to the securities registered by the Holders.

2. Restrictions on Transferability. The Restricted Securities shall not be transferable except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. Each Holder of Restricted Securities will cause any proposed transferee of the Restricted Securities held by such Holder to agree to take and hold such Restricted Securities subject to the provisions and upon the conditions specified in this Agreement.

3. Restrictive Legend. Each certificate representing (i) the Common Stock, and (ii) any other securities issued in respect of the Common Stock issued upon any stock split, stock dividend, recapitalization, merger, consolidation or similar event, shall (unless otherwise permitted by the provisions of Section 4 below) be stamped or otherwise imprinted with a legend in the following form (in addition to any legend required under applicable state securities laws):

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THESE SHARES MAY NOT BE SOLD OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN EXEMPTION THEREFROM UNDER SAID ACT. IN ADDITION, THE SALE OR TRANSFER OF THE SHARES REPRESENTED BY THIS CERTIFICATE IS SUBJECT TO THE TERMS AND CONDITIONS OF A CERTAIN STOCKHOLDER RIGHTS AGREEMENT BY AND AMONG THE CORPORATION, THE ORIGINAL OWNER OF THESE SHARES AND CERTAIN OTHER HOLDERS OF THE CORPORATION'S SHARES. COPIES OF THE AGREEMENTS COVERING THE PURCHASE OF THESE SHARES AND RESTRICTING THEIR TRANSFER MAY BE OBTAINED AT NO COST BY WRITTEN

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REQUEST MADE BY THE HOLDER OF RECORD OF THIS CERTIFICATE TO THE SECRETARY OF THE CORPORATION AT THE PRINCIPAL EXECUTIVE OFFICES OF THE CORPORATION.

4. Notice of Proposed Transfers. The Holder of each certificate representing Restricted Securities by acceptance thereof agrees to comply in all respects with the provisions of this Section 4. Prior to any proposed transfer of any Restricted Securities (other than (i) a transfer not involving a change in beneficial ownership, or (ii) in transactions involving the distribution without consideration of Restricted Securities by a Purchaser to any of its partners, or retired partners, or to the estate of any of its partners or retired partners, (iii) a transfer to an affiliated fund or partnership, (iv) transfers in compliance with Rule 144, so long as the Company is furnished with satisfactory evidence of compliance with such Rule), unless there is in effect a registration statement under the Securities Act covering the proposed transfer, the Holder thereof shall give written notice to the Company of such Holder's intention to effect such transfer. Each such notice shall describe the manner and circumstances of the proposed transfer in sufficient detail, and shall, if the Company so requests, be accompanied (except in transactions in compliance with Rule 144) by either (i) a written opinion of legal counsel who shall be reasonably satisfactory to the Company, addressed to the Company and reasonably satisfactory in form and substance to the Company's counsel, to the effect that the proposed transfer of the Restricted Securities may be effected without registration under the Securities Act, or (ii) a "no action" letter from the Commission to the effect that the transfer of such securities without registration will not result in a recommendation by the staff of the Commission that action be taken with respect thereto, whereupon the holder of such Restricted Securities shall be entitled to transfer such Restricted Securities in accordance with the terms of the notice delivered by the holder to the Company. Each certificate evidencing the Restricted Securities transferred as above provided shall bear the appropriate restrictive legend set forth in Section 3 above, except that such certificate shall not bear such restrictive legend if in the opinion of counsel for the Company such legend is not required in order to establish compliance with any provisions of the Securities Act.

5. Request for Registration. At any time after the one year anniversary of the First Closing Date (as defined in the Purchase Agreement), each of (i) the AIG Funds listed on Exhibit A (acting as a group), (ii) Bellwether Investment Pte Ltd, (iii) the Gilbert Global Funds listed on Exhibit A (acting as a group) and (iv) Far East Investments Limited shall have the right, severally, to request in writing that the Company file a registration statement on Form S-3 (or any successor thereto) for a public offering of shares of Registrable Securities, provided that the reasonably anticipated aggregate price to the public of such offering would exceed \$50,000,000. Upon receipt of such request, and subject to the condition that the Company is a registrant entitled to use Form S-3 to register securities for such an offering, the Company will promptly give written notice of the request for the proposed registration to all other Holders and include all Registrable Securities or other shares of Common Stock of any Holder or Holders joining in such request as are specified in a written request received by the Company within 30 days after receipt of such written notice from the Company. Notwithstanding the foregoing, the Company may, upon written notice to all the Holders, postpone having the registration statement declared effective for a reasonable period not to exceed 90 days if the Company possesses material non-public information, the disclosure of which would have a material adverse effect on the Company and its subsidiaries taken as a whole.

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Notwithstanding the foregoing provisions of this Section 5, the Company shall not be obligated to take any action to effect any such registration, qualification or compliance pursuant to this Section 5:

(A) In any particular jurisdiction in which the Company would be required to execute a general consent to service of process in effecting such registration, qualification or compliance unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(B) After the Company has effected four such registrations pursuant to this Section 5, such registrations have been declared or ordered effective and the securities offered pursuant to such registrations have been sold;

(C) Within nine months following the effective date of a registration statement previously filed by the Company pursuant to this Section 5; or

(D) After the 6 year anniversary of the First Closing Date (as defined in the Purchase Agreement)

The Company shall not include any securities that are not Registrable Securities in any registration statement filed with the Commission pursuant to a demand made under this Section 5 without the prior written consent of the holders of a majority of the Registrable Securities covered by such registration statement.

6. Company Registration.

(a) Notice of Registration. If, at any time prior to the six year anniversary of the First Closing Date (as defined in the Purchase Agreement) the Company shall determine to register any of its securities, either for its own account or the account of a security holder or holders exercising their respective requested registration rights, other than (i) a registration relating solely to employee benefit plans, (ii) a registration relating solely to a transaction pursuant to Rule 145 of the Securities Act, (iii) a registration statement on Form S-4, (iv) any registration statement filed solely to register debt securities or convertible debt securities or (v) a registration on Form S-3 solely for the purpose of registering shares issued in a non-underwritten offering in connection with a merger, combination or acquisition, the Company will:

and (i) promptly give to each Holder written notice thereof;

(ii) include in such registration (and any related

qualification under blue sky laws or other compliance), and in any underwriting involved therein, all the Registrable Securities or other shares of Common Stock specified in a written request or requests, made within 10 days after receipt of such written notice from the Company, by any Holder or Holders.

(b) Underwriting. If the registration of which the Company gives notice is for a registered public offering involving an underwriting, the Company shall so advise the Holders as a part of the written notice given pursuant to Section 6(a)(i). In such event, the right of any Holder to registration pursuant to Section 6 shall be conditioned upon such Holder's participation in such

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underwriting to the extent provided herein. The Company shall (together with all Holders proposing to distribute their securities through such underwriting) enter into an underwriting agreement in customary form with the managing underwriter selected for such underwriting by the Company. Notwithstanding any other provision of this Section 6, if the managing underwriter for the offering determines that the success of the offering requires a limitation of the number of shares to be underwritten, the managing underwriter for the offering Company may limit the number of Registrable Securities and other securities to be distributed through such underwriting.

If any Holder of Registrable Securities disapproves of the terms of the underwriting, such person may elect to withdraw therefrom by written notice to the Company, the managing underwriter and the other Holders. The Registrable Securities and/or other securities so withdrawn shall also be withdrawn from registration; provided, however, that if by the withdrawal of such Registrable Securities a greater number of Registrable Securities held by other Holders may be included in such registration (up to the maximum of any limitation imposed by the Company), then the Company may offer to all Holders who have included Registrable Securities in the registration the right on a pro rata basis to include additional Registrable Securities in the offering in an aggregate amount not to exceed the amount of Registrable Securities withdrawn.

(c) In all registered public offerings, whether underwritten or not, the amount of Registrable Securities of Holders which are included in such registration, in accordance with Section 6(a)(ii) above, shall be allocated to the Holders in proportion, as nearly as practicable, to the respective amounts of Registrable Securities held by each of such Holders as of the date of the notice given pursuant to this Section 6.

7. Expenses of Registration. All Registration Expenses incurred in connection with any registration, qualification or compliance pursuant to Section 5 or Section 6 shall be borne by the Company. All Selling Expenses relating to securities registered by the Holders shall be borne by the Holders of such securities pro rata on the basis of the number of shares so registered.

8. Registration Procedures. In the case of each registration, qualification or compliance effected by the Company pursuant to this Agreement the Company will keep each Holder advised in writing as to the initiation of each registration, qualification and compliance and as to the completion thereof. At its expense the Company will use its best efforts to:

(a) Prepare and file with the Commission a registration statement with respect to such securities within 90 days, cause such registration statement to become effective within 180 days and remain effective for at least 120 days, or, in the case of a Company registration, until the distribution described in the registration statement has been completed;

(b) Prepare and file with the Commission such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the Securities Act with respect to the disposition of all securities covered by such registration statement;

(c) Furnish to the Holders participating in such registration and to the underwriters, if any, of the securities being registered such reasonable number of copies of the

registration statement, preliminary prospectus, final prospectus and such other documents as such underwriters may reasonably request in order to facilitate the public offering of such securities;

(d) Use its best efforts to register and qualify the securities covered by such registration statement under such other securities or Blue Sky laws of such jurisdictions as shall be reasonably requested by the Holders; provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) In the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the managing underwriter of such offering. Each Holder participating in such underwriting shall also enter into and perform its obligations under such an agreement;

(f) Notify each Holder of Registrable Securities covered by such registration statement at any time when a prospectus relating thereto is required to be delivered under the Securities Act of the happening of any event as a result of which the prospectus included in such registration statement, as then in effect, includes an untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein not misleading in the light of the circumstances then existing;

(g) Cause such Registrable Securities registered pursuant hereunder to be listed on each securities exchange on which similar securities issued by the Company are then listed or quoted on each automated quotation system on which similar securities issued by the Company are then quoted; and

(h) Provide a transfer agent and registrar for all Registrable Securities registered pursuant hereunder and a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration.

9. Termination of Registration Rights. The registration rights granted pursuant to this Agreement shall terminate (i) as to all Holders on the six year anniversary of the First Closing Date (as defined in the Purchase Agreement) anniversary of the date hereof and (ii) as to any Holder, at such time as the Registrable Securities held by such Holder represents 1% or less of the outstanding Common Stock of the Company and as (A) such Holder is able to sell all Registrable Securities held by it under Rule 144 within a three month period or (B) such Holder is able to sell all Registrable Securities held by it pursuant to Rule 144(k) promulgated under the Securities Act.

10. Lock-Up Agreement. In consideration for the Company agreeing to its obligations under this Agreement each Holder of Registrable Securities agrees not to offer to sell, contract to sell or otherwise sell, dispose of, loan, pledge or grant any rights with respect to any Registrable Securities, any options or warrants to purchase any Registrable Securities or any securities convertible into or exchangeable for Registrable Securities, or otherwise dispose of any Registrable Securities or other securities of the Company, except to Affiliates, to any investment fund that is managed by, or under common management with, such Holder, to any general or limited partner of such Holder and to other Holders, in each case provided that the transferee executes and delivers to

the Company the Adoption Agreement attached as Exhibit A, without the prior written consent of the Company until the one year anniversary of the First Closing Date (as defined in the Purchase Agreement). Notwithstanding the foregoing, if (i) a transferee is a limited partner of either of a Holder or an Affiliate of such Holder, and (ii) the transferee receives fewer than 100,000 shares of capital stock of the Company (in one or more transactions with, or

distributions from, the Holder or the Affiliate of such Holder), then such transferee shall not be required to execute the Adoption Agreement to be bound by the obligations of the transferor pursuant to this Agreement. In addition, each Holder of Registrable Securities agrees at all times not to sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any Registrable Securities or other securities of the Company, except, subject to the Company's right of first refusal (as set forth in Section 18):

(a) pursuant to a bona fide public offering registered under the Securities Act;

(b) pursuant to Rule 144 under the Securities Act;

(c) in other transactions so long as such transactions do not result in any single person or group owning 5% or more of the outstanding total voting power of the Company and provided that no investor may transfer shares to any competitor of the Company (as determined by the Company in its reasonable discretion);

(d) sales into any tender or exchange offer (A) which is made by or on behalf of the Company; (B) which is made by another person or group and is not opposed by the Board of Directors of the Company; or (C) which is made by another person or group and which would result in such person or group owning more than fifty percent (50%) of the total outstanding voting power of the Company;

(e) to a wholly-owned subsidiary, to an Affiliate of such Holder, to an investment fund that is managed by, or under common management with, such Holder and/or to any general or limited partner, in each case provided that the transferee executes and delivers to the Company the Adoption Agreement attached as Exhibit A; provided, however, that if (i) a transferee is a limited partner of either of a Holder or an Affiliate of such Holder, and (ii) the transferee receives fewer than 100,000 shares of capital stock of the Company (in one or more transactions with, or distributions from, the Holder or the Affiliate of such Holder), then such transferee shall not be required to execute the Adoption Agreement to be bound by the obligations of the transferor pursuant to this Agreement; or

(f) pursuant to a bona fide pledge of such shares to an institutional lender to secure a loan, guarantee or other financial support, provided that such lender agrees to hold such stock subject to all provisions of this Agreement and any sale or disposition by such lender of such pledged stock shall be subject to the limitations of this Section 10;

(g) in the event of a merger or consolidation in which the Company is acquired by another corporation, or pursuant to a plan of liquidation of the Company; or

(h) any public distribution (including any Rule 144 sale), provided that, in cases other than public distributions underwritten by an underwriter selected by the Company, no single

Holder (other than an underwriter) is known to be acquiring more than five percent (5%) of the outstanding Company shares in such distribution.

In addition to the foregoing restrictions, each Holder agrees that it will not nor will it permit any of its affiliates to sell or transfer any of the shares of the Company to a person or entity which as of the date of such transfer, is engaged in or has publicly announced its intention to enter into the business of semiconductor packaging and/or test services. Each Holder agrees that the Company may instruct its transfer agent to place stop transfer notations in its records to enforce the provisions of this Section 10. For purposes of this Section 10, an acquisition or merger of an Holder by or into another entity, in which such entity following the acquisition or merger owns at least a majority of the outstanding capital stock of such Holder, shall not be deemed a transfer or sale of the Registrable Securities of the Company held by such Holder.

11. Public Offering Standoff. Each Holder agrees in connection with any registration of the Company's securities (other than a registration of

securities in a Rule 145 transaction or with respect to an employee benefit plan), upon request of the Company or the underwriters managing any underwritten offering of the Company's securities, not to offer to sell, contract to sell or otherwise sell, dispose of, loan, pledge or grant any rights with respect to any Registrable Securities, any options or warrants to purchase any Registrable Securities or any securities convertible into or exchangeable for Registrable Securities (except in all cases for Registrable Securities that are included in the registration and except for transfers among Affiliates, to one or more investment funds that are managed by, or under common management with, such Holder, and transfers to other Holders, in each case provided that the transferee has executed an agreement to be bound by the obligations of the transferor pursuant to this Agreement) without the prior written consent of the Company and such managing underwriters for such period of time, not to exceed 180 days, as the Board of Directors establishes pursuant to its good faith negotiations with such managing underwriters, provided that the Company's directors, officers and 5% stockholders agree to the same limitations. Each Holder further agrees to enter into any agreement reasonably required by the underwriters to implement the foregoing. If the Holders are not permitted to sell securities pursuant to this Section 11 in connection with any registration requested by the Holders pursuant to Section 5, then such registration shall not count against the number of registrations that the Holders may request pursuant to Section 5.

12. Indemnification.

(a) The Company will indemnify each Holder, each of its officers, directors and each person controlling such Holder within the meaning of Section 15 of the Securities Act, with respect to which registration, qualification or compliance has been effected pursuant to this Agreement, and each underwriter, if any, and each person who controls any underwriter within the meaning of Section 15 of the Securities Act, against all expenses, claims, losses, damages and liabilities (or actions in respect thereof), including any of the foregoing incurred in settlement of any litigation, arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any registration statement, prospectus, offering circular or other document, or any amendment or supplement thereto, incident to any such registration, qualification or compliance, or based on any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein, not misleading, and will reimburse each such

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Holder, each of its officers, directors, and each person controlling such Holder, for any legal and any other expenses reasonably incurred in connection with investigating, preparing or defending any such claim, loss, damage, liability or action, provided that the Company will not be liable in any such case to the extent that any such claim, loss, damage, liability or action arises out of or is based on any untrue statement or omission or alleged untrue statement or omission, made in reliance upon and in conformity with written information furnished to the Company in writing for inclusion in a registration statement by such Holder.

(b) Each Holder will, on a several but not joint basis, if Registrable Securities held by such Holder are included in the securities as to which such registration, qualification or compliance is being effected, indemnify the Company, each of its directors and officers and each underwriter, if any, of the Company's securities covered by such a registration statement, each person who controls the Company or such underwriter within the meaning of Section 15 of the Securities Act, and each other such Holder, each of its officers and directors and each person controlling such Holder within the meaning of Section 15 of the Securities Act, against all claims, losses, damages and liabilities (or actions in respect thereof) arising out of or based on any untrue statement (or alleged untrue statement) of a material fact contained in any such registration statement, prospectus, offering circular or other document, or any omission (or alleged omission) to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, and will reimburse the Company, such Holders, such directors, officers, underwriters or control persons for any legal or any other expenses reasonably incurred in connection with investigating or defending any such claim, loss, damage, liability or action, in each case to the extent, but only to the extent, that such untrue statement (or alleged untrue statement) or omission (or alleged omission) is made in such registration statement,

prospectus, offering circular or other document in reliance upon and in conformity with written information furnished to the Company in writing for inclusion in a registration statement by such Holder; provided, however, that the obligations of such Holders hereunder shall be limited to an amount equal to the gross proceeds before expenses and commissions to each such Holder of Registrable Securities sold as contemplated herein.

(c) Each party entitled to indemnification under this Section 12 (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom, provided that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld), and the Indemnified Party may participate in such defense at its own expense; provided, however, that the Indemnified Party (together with all other Indemnified Parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the reasonable fees and expenses to be paid by the Indemnifying Party, if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between such Indemnified Party and any other party represented by such counsel in such proceeding; and provided further that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Agreement, except to the extent, but only to the extent, that the Indemnifying Party's ability to defend against such claim or litigation is impaired as a result of such

failure to give notice. No Indemnifying Party, in the defense of any such claim or litigation, shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect to such claim or litigation.

(d) If the indemnification provided for in this Section 12 is unavailable to or insufficient to hold harmless an Indemnified Party under subsection (a) or (b) of this Section 12 in respect of any losses, claims, damages or liabilities (or actions in respect thereof) referred to therein, then each Indemnifying Party shall contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities (or actions in respect thereof) in such proportion as is appropriate to reflect the relative fault of the Indemnifying Party and the Indemnified Party in connection with the statements or omissions which resulted in such losses, claims, damages and liabilities (or actions in respect thereof), as well as any other relevant equitable considerations. The relative fault of such Indemnifying Party and Indemnified Party shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of a material fact or the omission or alleged omission to state a material fact relates to information supplied by such Indemnifying Party or by such Indemnified Party, and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The parties hereto agree that it would not be just and equitable if contribution pursuant to this Section 12(d) were determined by pro rata allocation (even if the Holders or any underwriters, selling agents or other securities professionals or all of them were treated as one entity for such purpose) or by any other method of allocation that does not take into account the equitable considerations referred to in this Section 12(d). The amount paid or payable by an Indemnified Party as a result of the losses, claims, damages or liabilities (or actions in respect thereof) referred to above shall be deemed to include any legal or other fees or expenses reasonably incurred by such Indemnified Party in connection with investigating or defending any such action or claim. No person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. The obligations of the Holders and any underwriters, selling agents or other securities professionals in this Section 12(d) to contribute shall be several in proportion to the percentage of principal amount of Registrable Securities registered or underwritten, as the case may be, by them and not joint.

13. Information by Holder. The Holder or Holders of Registrable Securities included in any registration shall furnish to the Company such information regarding such Holder or Holders and the distribution proposed by such Holder or Holders as the Company may request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

14. Rule 144 Reporting. With a view to making available the benefits of certain rules and regulations of the Commission which may at any time permit the sale of the Restricted Securities to the public without registration, the Company agrees to:

(a) Make and keep public information available, as those terms are understood and defined in Rule 144 under the Securities Act;

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(b) Use its best efforts to then file with the Commission in a timely manner all reports and other documents required of the Company under the Securities Act and the Securities Exchange Act of 1934, as amended; and

(c) Furnish to Holders of Registrable Securities forthwith upon request, a written statement by the Company as to its compliance with the reporting requirements of Rule 144, and of the Securities Act and the Securities Exchange Act of 1934, a copy of the most recent annual or quarterly report of the Company, and such other reports and documents of the Company as a Holder of Registrable Securities may reasonably request in availing itself of any rule or regulation of the Commission allowing such Holder to sell any such securities without registration.

15. Transfer of Registration Rights. The right to cause the Company to register securities granted hereunder may be assigned to a transferee or assignee who acquires at least 1,000,000 shares of Registrable Securities (as adjusted for stock splits, stock dividends, recapitalizations or similar events), provided that the Company is given written notice of such assignment prior to such assignment. In addition, rights to cause the Company to register securities may be freely assigned to any Affiliate, or to one or more investment funds that are managed by, or under common management with, such Holder. Notwithstanding the foregoing, Far East Investments, Ltd. or any Affiliate thereof ("Far East Investments") may transfer the right to cause the Company to register securities to a transferee or assignee who acquires at least 400,000 shares of Registrable Securities (as adjusted for stock splits, stock dividends, recapitalizations or similar events) from Far East Investments.

16. Company Covenants. The Company hereby covenants and agrees as follows:

(a) Annual and Quarterly Financial Information. The Company will send to each Purchaser for so long as such Purchaser is a holder of at least 1,000,000 shares of Registrable Securities (as adjusted for stock splits, stock dividends, recapitalizations or similar events) all quarterly and annual reports filed with the Commission pursuant to the Securities Exchange Act of 1934, as amended, as soon as practicable after each such report is filed.

(b) Termination of Covenants. Notwithstanding anything to the contrary set forth herein, the covenants set forth in this Section 16 shall terminate and be of no further force or effect with respect to any Purchaser at such time that such Purchaser holds less than 1,000,000 shares of Registrable Securities (as adjusted for stock splits, stock dividends, recapitalizations or similar events).

17. Rights of First Refusal in New Issuances of Company Securities. Until the 5 year anniversary of the First Closing Date (as defined in the Purchase Agreement), the Company hereby grants to each Purchaser who holds at least 750,000 (or in the case of Far East Investments or a transferee or assignee thereof, at least 400,000) shares of Registrable Securities (as adjusted for stock splits, stock dividends, recapitalizations or similar events) the right of first refusal to purchase its pro rata share of "New Securities" (as defined in this Section 17) that the Company may, from time to time propose to sell and issue. Such pro rata share, for purposes of this right of first refusal, is the ratio of (X) the number of shares of Common Stock immediately

prior to the issuances of New Securities then owned by such Purchaser (including shares issuable upon exercise of options or warrants held by such Purchaser), to (Y) the total number of shares of Common Stock immediately

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prior to the issuances of New Securities then outstanding, after giving effect to the conversion of all outstanding convertible securities and the exercise of all outstanding options and warrants. This right of first refusal shall be subject to the following provisions:

(a) "New Securities" shall mean any Common Stock and Preferred Stock of the Company whether or not authorized on the date hereof, and rights, options, or warrants to purchase Common Stock or Preferred Stock and securities of any type whatsoever that are convertible or exercisable for or into Common Stock or Preferred Stock; provided, however, that "New Securities" does not include the following:

(i) the Common Stock issued to the Purchasers pursuant to the Purchase Agreement or any agreement or commitment to issue any of the foregoing;

(ii) the Warrants issued to the Purchasers pursuant to the Purchase Agreement and shares of Common Stock issuable upon exercise of the Warrants;

(iii) shares of Common Stock, or options to purchase shares of Common Stock (including all options granted by the Company prior to the date of this Agreement), issued or granted to officers, directors and employees of, or consultants to, the Company pursuant to a stock grant, employee restricted stock purchase agreement, option plan or purchase plan or other stock incentive program (collectively, the "Plans");

(iv) securities of the Company offered to the public pursuant to a firm commitment underwritten public offering pursuant to a registration statement filed under the Securities Act, if the rights of the Purchasers pursuant to this Section 17 would, in the reasonable opinion of legal counsel to the Company, cause the Company to violate applicable rules and regulations promulgated under the Securities Act;

(v) securities of the Company issued pursuant to the acquisition of another corporation by the Company by merger, purchase of substantially all of the assets, or other reorganization whereby the Company owns more than fifty percent (50%) of the voting power of such other corporation;

(vi) securities of the Company issued in connection with equipment lease financing transactions, real estate leases or bank financing transactions the principal purpose of which is not to raise equity funding;

(vii) securities issued to corporate partners or in connection with other strategic alliances if the Board of Directors agrees that such transaction should be excluded from operation of this Section 17;

(viii) shares of Common Stock or Preferred Stock issued in connection with any stock split, stock dividend, or recapitalization by the Company; and

(ix) debt securities issued on a private placement basis or with an intent for them to be available for resale under Rule 144A of the Securities Act.

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(b) In the event that Company proposes to undertake an issuance of New Securities, it shall give each Purchaser written notice of its intention, describing the type of New Securities, the price, and the general terms upon which the Company proposes to issue the same. Each Purchaser shall have ten (10) business days after receipt of such notice to agree to purchase its pro rata

share of such New Securities at the price and upon the terms specified in the notice by giving written notice to the Company and stating therein (i) the quantity of New Securities to be purchased and (ii) the maximum number of New Securities such Purchaser desires to purchase (up to its pro rata share) if any other Purchasers choose not to exercise their rights pursuant to this Section 17.

(c) In the event that Purchasers fail to exercise in full the right of first refusal within the ten (10) business day period specified above, the Company shall have one hundred eighty (180) days thereafter to sell (or enter into an agreement pursuant to which the sale of New Securities covered thereby shall be closed, if at all, within ninety (90) days from the date of said agreement) the New Securities respecting which the rights of the Purchasers were not exercised at a price and upon terms no more favorable to the purchasers thereof than specified in the Company's notice. In the event the Company has not sold the New Securities within such one hundred eighty (180) day period (or sold and issued New Securities in accordance with the foregoing within ninety (90) days from the date of such agreement) the Company shall not thereafter issue or sell any New Securities, without first offering such New Securities to the Purchasers and in the manner provided above.

(d) This right of first refusal is nonassignable except to any transferee to whom registration rights may be transferred pursuant to Section 15 of this Agreement.

18. Company's Right of First Refusal on Stock Transfers.

(a) Grant. The Company is hereby granted the right of first refusal (the "Transfer Right of First Refusal"), exercisable in connection with any proposed sale or other transfer of the Company's capital stock, other than transfers permitted by Paragraphs (a), (b), (e) and (h) of Section 10 of this Agreement, now or hereafter owned by any Holder (the "ROFR Shares"). For purposes of this Section 18, the term "transfer" shall include any assignment, pledge, encumbrance or other disposition for value of the ROFR Shares intended to be made by the Holder of such ROFR Shares.

(b) Notice of Intended Disposition. In the event the Holder desires to accept a bona fide third-party offer for any or all of the ROFR Shares (the shares subject to such offer to be hereinafter called, solely for the purposes of this Section 18 the "Target Shares"), the Holder shall promptly deliver to the Company written notice (the "Disposition Notice") of the offer and the basic terms and conditions thereof, including the proposed purchase price.

(c) Exercise of Right.

(i) The Company (or its assignees) shall, for a period of ten (10) business days following receipt of the Disposition Notice, have the right to repurchase any or all of the Target Shares specified in the Disposition Notice upon substantially the same terms and conditions specified therein. Such right shall be exercisable by written notice (the "Exercise Notice") delivered to the Holder prior to the expiration of the ten (10) business day exercise period (the "Exercise Period"). The Company (or its assignee) shall effect the repurchase of the Target Shares, including

payment of the purchase price therefor, not more than five (5) business days after delivery of the Exercise Notice. At such time the Holder shall deliver to the Company the certificates representing the Target Shares to be purchased, each certificate to be properly endorsed for transfer. The Target Shares so purchased shall thereupon be cancelled and cease to be issued and outstanding shares of the Company's capital stock.

(ii) With respect to any repurchase of shares pursuant to this Section 18(c), should the purchase price specified in the Disposition Notice be payable in property other than cash or evidences of indebtedness, the Company (or their assignees) exercising its Transfer Right of First Refusal shall have the right to pay the purchase price in the form of cash equal in amount of the value of such property. If the Holder and the Company cannot agree on such cash value within ten (10) business days after the Company's receipt of the Disposition Notice, the valuation shall be made by an appraiser of

recognized standing selected by the Holder and the Company, or, if they cannot agree on an appraiser within ten (10) business days after the Company's receipt of the Disposition Notice, each shall select an appraiser of recognized standing, and the two appraisers shall designate a third appraiser of recognized standing, whose appraisal shall be determinative of such value. The cost of such appraisal shall be shared equally by the Holder and the Company. The closing shall then be held on the later of (i) the date of five (5) business days following delivery of the Exercise Notice or (ii) the date ten (10) business days after such cash valuation shall have been made.

(d) Non-Exercise of Right. In the event an Exercise Notice is not given to the Holder within ten (10) business days following the date of the Company's receipt of the Disposition Notice, the Holder shall have a period of thirty (30) days thereafter, in which to sell or otherwise dispose of the Target Shares upon terms and conditions (including the purchase price) no more favorable to the third-party purchaser than those specified in the Disposition Notice. The third-party purchaser shall acquire the Target Shares free and clear of all the terms and provisions of this Transfer Right of First Refusal. In the event the Holder does not sell or otherwise dispose of the Target Shares within the specified thirty (30) day period, the Transfer Right of First Refusal shall continue to be applicable to any subsequent disposition of the Target Shares by the holder of such Target Shares.

(e) Partial Exercise or Right. In the event the Company (or its assignees) make a timely exercise of the Transfer Right of First Refusal with respect to a portion, but not all, of the Target Shares specified in the Disposition Notice, the Holder shall (i) sell to the Company (or its assignees) the portion of the Target Shares which the Company (or its assignees) has elected to purchase, such sale to be effected in substantial conformity with the provisions of Section 18(c), and (ii) sell or dispose of the remaining Target Shares to a third party purchaser in compliance with Section 18(d).

19. Board Observation Rights. Until the six year anniversary of the First Closing Date (as defined in the Purchase Agreement), each of Gilbert Global Equity Partners, L.P. ("Gilbert") and AIG Asian Opportunity Fund, L.P. ("AIG") shall have the right to have a representative attend all meetings of the Board of Directors of the Company in a nonvoting observer capacity (and, in that capacity, receive all notices, minutes and consents provided to the Company's Board of Directors), provided that such representatives (i) shall be reasonably acceptable to the Board of Directors, (ii)

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shall agree to be bound by the Company's insider trading compliance policies as currently existing and as may be modified from time to time, and (iii) shall execute a confidentiality agreement in form reasonably acceptable to the Company. Such representatives shall be entitled to consult with and advise management of the Company on significant business issues and to meet with management of the Company no more than once per fiscal quarter upon 30 days' notice to the Company. Notwithstanding anything to the contrary in this Section 19, at such time that either of (a) Gilbert and funds Affiliated with Gilbert, or (b) AIG and funds Affiliated with AIG, respectively, hold fewer than 1,250,000 Registrable Securities (as adjusted for stock splits, stock dividends, recapitalizations and similar events), then the rights of such party to board observation rights shall irrevocably terminate.

20. Governing Law. This Agreement and the legal relations between the parties arising hereunder shall be governed by and interpreted in accordance with the laws of the State of Delaware without regard to its conflict of laws principles. The parties hereto agree to submit to the non-exclusive jurisdiction of the federal and state courts of the State of Delaware with respect to the breach or interpretation of this Agreement or the enforcement of any and all rights, duties, liabilities, obligations, powers, and other relations between the parties arising under this Agreement.

21. Survival. The representations, warranties, covenants and agreements made herein shall survive the execution and delivery of this Agreement and, in the case of indemnification obligations set forth in Section 12, shall survive the termination of the other provisions of this Agreement.

22. Successors and Assigns. Except as otherwise provided herein, the provisions hereof shall inure to the benefit of, and be binding upon, the

successors, assigns, heirs, executors and administrators of the parties hereto, provided, however, that except as otherwise provided herein the rights of Purchasers shall not be assignable without the consent of the Company.

23. Entire Agreement; Amendment. This Agreement and the other documents delivered pursuant hereto at the Closing (as defined in the Purchase Agreement) constitute the full and entire understanding and agreement between the parties with regard to the subject matter hereof and thereof, and no party shall be liable or bound to any other party in any manner by any warranties, representations or covenants except as specifically set forth herein or therein. Any provision of this Agreement may be amended, waived or modified only upon the written consent of (i) the Company and (ii) the holders of a majority of the outstanding shares of the Registrable Securities, acting together as a single class.

24. Notices, Etc. All notices and other communications required or permitted hereunder shall be in writing and shall be deemed effectively given upon delivery to the party to be notified in person by facsimile or by courier service or five days after deposit with the United States mail, by registered or certified mail, postage prepaid, addressed (a) if to a Purchaser, at such Purchaser's address set forth in Exhibit A to the Purchase Agreement, or at such other address as such Purchaser shall have furnished to the Company in writing, or (b) if to any other Holder of any Shares, at such address as such holder shall have furnished the Company in writing, or, until any such Holder so furnishes an address to the Company, then to and at the address of the last holder of such Shares who has so furnished an address to the Company, or (c) if to the Company, one copy should be sent to the Company's address and facsimile number set forth at the end of this Agreement and addressed to the

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attention of the Chief Financial Officer, or at such other address as the Company shall have furnished to the Purchasers (with a copy to Bruce M. McNamara, Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, California 94304; facsimile: (650) 493-6811).

25. Delays or Omissions. Except as expressly provided herein, no delay or omission to exercise any right, power or remedy accruing to any Holder of any Registrable Securities, upon any breach or default of the Company under this Agreement, shall impair any such right, power or remedy of such Holder nor shall it be construed to be a waiver of any such breach or default, or an acquiescence therein, or of or in any similar breach or default thereafter occurring; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. Any waiver, permit, consent or approval of any kind or character on the part of any Holder of any breach or default under this Agreement, or any waiver on the part of any Holder of any provisions or conditions of this Agreement, must be in writing and shall be effective only to the extent specifically set forth in such writing. All remedies, either under this Agreement or by law or otherwise afforded to any Holder, shall be cumulative and not alternative.

26. Expenses. Except as otherwise provided herein, the Company, the Purchasers and the Holders shall each bear their own expenses incurred on its behalf with respect to this Agreement and the transactions contemplated hereby.

27. Injunctive Relief. Each of the parties hereto acknowledges and agrees that it is impossible to measure in money the damages which will occur by reason of the failure of any other party hereto to perform its obligations set forth in this Agreement. Therefore, each of the parties hereto shall have the right to specific performance of such obligations, and if any party hereto shall have the right to specific performance of such obligations, and if any party hereto shall institute any action or proceeding to enforce the provisions hereof, each of the parties hereto hereby waives the claim or defense that the party instituting such action or proceeding has an adequate remedy at law.

28. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be enforceable against the parties actually executing such counterparts, and all of which together shall constitute one instrument.

29. Severability. In the event that any provision of this Agreement becomes or is declared by a court of competent jurisdiction to be illegal,

unenforceable or void, this Agreement shall continue in full force and effect without said provision.

30. Titles and Subtitles. The Titles and Subtitles used in this Agreement are used for convenience only and are not considered in construing or interpreting this Agreement.

31. No Impairment. The Company will not take any action, or permit any change to occur, with respect to the Registrable Securities which would adversely affect the ability of the holders of the Registrable Securities to include such Registrable Securities in a registration statement undertaken pursuant to this Agreement or which would adversely affect the marketability of such Registrable Securities in any such registration.

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IN WITNESS WHEREOF, the undersigned have executed this Stockholder Rights Agreement as of the date set forth above.

"COMPANY"

AMKOR TECHNOLOGY, INC.

By: /s/ Kenneth Joyce

Kenneth T. Joyce, Chief Financial Officer

Address: 1345 Enterprise Drive
West Chester, PA 19380

[SIGNATURE PAGE TO STOCKHOLDER RIGHTS AGREEMENT]

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"PURCHASERS"

AIG ASIAN OPPORTUNITY FUND, L.P.

By: /s/ Peter Yu

Name: Peter Yu
Title: Director

Address: c/o Maples and Calder
P.O. Box 309
Ugland House, South Church Street
Cayman Islands

with a copy to:

AIG Investment Corporation (Asia) Ltd.,
31st Floor, NatWest Tower
Times Square, 1 Matheson Street
Hong Kong
Telephone: 852-2143-1383
Fax: 852-25061061
Attention: Ms. Ada Tse

[SIGNATURE PAGE TO STOCKHOLDER RIGHTS AGREEMENT]

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AIG ASIAN OPPORTUNITY PARALLEL FUND, C.V.

By: /s/ Peter Yu

Name: Peter Yu
Title: Director

Address: c/o Maples and Calder
P.O. Box 309
Ugland House, South Church Street
Cayman Islands

with a copy to:

AIG Investment Corporation (Asia) Ltd.
31st Floor, NatWest Tower
Times Square, 1 Matheson Street
Hong Kong
Telephone: 852-2143-1383
Fax: 852-25061061
Attention: Ms. Ada Tse

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AMERICAN INTERNATIONAL ASSURANCE
COMPANY LIMITED

By: /s/ Cesar Zalamea

Name:
Title:

Address: 1 Stubbs Road
Hong Kong
Telephone: 852-2832-1200
Fax: 852-2591-0678
Attention: Mr. Cesar Zalamea

AIG GLOBAL EMERGING MARKETS FUND, L.L.C.

By: /s/ Peter Yu

Name: Peter Yu
Title: Director

Address: c/o AIG Capital Partners Inc.
175 Water Street
New York, NY 10038
Telephone: (212) 458-2156
Fax: (212) 458-2153
Attention: Mr. Peter Yu

[SIGNATURE PAGE TO STOCKHOLDER RIGHTS AGREEMENT]

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AIG GLOBAL EMERGING MARKETS PARALLEL
FUND, L.P.

By: /s/ Peter Yu

Name: Peter Yu
Title: Director

Address: c/o AIG Capital Partners Inc.
175 Water Street
New York, NY 10038
Telephone: (212) 458-2156
Fax: (212) 458-2153
Attention: Mr. Peter Yu

[SIGNATURE PAGE TO STOCKHOLDER RIGHTS AGREEMENT]

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TEACHERS INSURANCE AND ANNUITY
ASSOCIATION OF AMERICA

By: /s/ Sheryl Schwartz

Name: Sheryl Shwartz
Title: Managing Director, Private
Placements

Address: 730 Third Avenue
4th Floor
New York, NY 10017
Attention: Ms. Sheryl Schwartz
Telephone: (212) 956-5905
Fax: (212) 907-2454

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GILBERT GLOBAL EQUITY PARTNERS, L.P.

By: /s/ Eric Wei

Eric H.C. Wei, Authorized Signatory

Address: c/o GGEP Investments, L.L.C.
785 Smith Ridge Road
New Canaan, CT 06846

with copies to:

Gilbert Global Equity Capital Asia, Ltd.
1302 Bank of America Tower
12 Harcourt Road
Hong Kong
Attention: Eric H.C. Wei
Fax: 011-852-2970-0078

and

Mayer, Brown & Platt
1675 Broadway
New York, NY 10019
Attention: Thomas M. Vitale
Fax: (212) 262-1910

[SIGNATURE PAGE TO STOCKHOLDER RIGHTS AGREEMENT]

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GILBERT GLOBAL EQUITY PARTNERS
(BERMUDA), L.P.

By: /s/ Eric Wei

Eric H.C. Wei, Authorized Signatory

Address: Claredon House
2 Church Street
P.O. Box 666
Hamilton HM EX
BERMUDA

with copies to:

Gilbert Global Equity Capital Asia, Ltd.
1302 Bank of America Tower
12 Harcourt Road
Hong Kong
Attention: Eric H.C. Wei
Fax: 011-852-2970-0078

and

Mayer, Brown & Platt
1675 Broadway
New York, NY 10019
Attention: Thomas M. Vitale
Fax: (212) 262-1910

[SIGNATURE PAGE TO STOCKHOLDER RIGHTS AGREEMENT]

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GGEP-GECC EQUITY PARTNERS, L.P.

By: /s/ Eric Wei

Eric H.C. Wei, Authorized Signatory

Address: c/o GGEP Investments, L.L.C.
785 Smith Ridge Road
New Canaan, CT 06846

with copies to:

Gilbert Global Equity Capital Asia, Ltd.
1302 Bank of America Tower
12 Harcourt Road
Hong Kong
Attention: Eric H.C. Wei
Fax: 011-852-2970-0078

and

Mayer, Brown & Platt
1675 Broadway
New York, NY 10019
Attention: Thomas M. Vitale
Fax: (212) 262-1910

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INVESTOR (GUERNSEY) LIMITED

By: /s/ David Jeffreys

David Jeffreys, Managing Director

Address: c/o Abacus Financial Services
National Westminster House
Le Truchot, St. Peters Port
Guernsey (Channel Islands)
United Kingdom
Fax: 44-1481-728-493

By: /s/ Marc Hollander

Marc Hollander, Managing Director

Address: c/o Abacus Financial Services
National Westminster House
Le Truchot, St. Peters Port
Guernsey (Channel Islands)
United Kingdom
Fax: 31-205-77-66-09

with copies to:

Expibel B.V.
World Trade Center
Strawinskylaan 507, Tower A, Floor 5
1077 XX, Amsterdam
Attention: Marc Hollander
Fax: 31-205-77-66-09

and to:

Paul, Weiss, Rifkind, Wharton & Garrison
13/F, Hong Kong Club Building
Central, 3A Chater Road
Hong Kong
Attention: John E. Lange, Esq.
Fax: 852-2536-9622

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GLOBAL VENTURE TRADING LIMITED
By: NOMITOR LIMITED

By: /s/ Peter Brown

Peter G. Brown, Director

Address: c/o Wilkinson & Grist
Prince's Building
6th Floor
Chater Road, Hong Kong
Attention: Ms. Rebecca Leung

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CJY INVESTMENT LIMITED

By: /s/ Dean Park

Name: Dean Park
Title: President

Address: c/o Wilkinson & Grist
Prince's Building

6th Floor
Chater Road, Hong Kong
Attention: Ms. Rebecca Leung

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FAR EAST INVESTMENTS LIMITED

By: /s/ Dean Park

Name: Dean Park
Title: President

Address: c/o Wilkinson & Grist
Prince's Building
6th Floor
Chater Road, Hong Kong
Attention: Ms. Rebecca Leung

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BELLWETHER INVESTMENT PTE LTD

By: /s/ Ng Wai Meng

Ng Wai Meng, Authorized Signatory

Address: 250, North Bridge Road
#38-00 Raffles City Tower
Singapore 179101
SINGAPORE

with copies to:

GIC Special Investments Pte Ltd
331, North Bridge Road
#09-01/06 Odeon Towers
Singapore 188720
SINGAPORE
Attention: Ng Wai Meng
Telephone: (65) 330-6969
Fax: (65) 330-6891

SCP PRIVATE EQUITY PARTNERS II, L.P.

By: SCP PRIVATE EQUITY II GENERAL
PARTNER, L.P.
Its General partner

By: SCP Private Equity II General Partner,
LLC

By: /s/ Winston Churchill

Winston J. Churchill
A Manager

Address: SCP Private Equity Partners II,
L.P.
435 Devon Park Drive

Building 300
Wayne, PA 19087
Attention: Winston J. Churchill
Telephone: (610) 254-4170
Fax: (610) 975-9546

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DB Capital Investors, L.P.

By: /s/ Steven K. Dollinger

Steven K. Dollinger

Address: c/o DB Capital Partners
130 Liberty Street
25th Floor
New York, NY 10006
Attention: Heide Silverstein

[SIGNATURE PAGE TO STOCKHOLDER RIGHTS AGREEMENT]

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EXHIBIT A

ADOPTION AGREEMENT

This Adoption Agreement ("Adoption Agreement") is executed by the undersigned (the "Transferee") pursuant to the terms of that certain Stockholder Rights Agreement dated as of _____, 2000 (the "Agreement") by and among Amkor Technology, Inc. (the "Company") and the Purchasers of the Company's Common Stock issued to the Purchasers pursuant to the Purchase Agreement. Capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in the Agreement. By the execution of this Adoption Agreement, the Transferee agrees as follows:

1. Acknowledgment. Transferee acknowledges that Transferee is acquiring certain shares of the capital stock of the Company (the "Stock"), subject to the terms and conditions of the Agreement.

2. Agreement. Transferee agrees that in connection with the acquisition of the Stock, Transferee shall be bound by and subject to the obligations of a Holder as set forth in the Agreement. Notwithstanding the foregoing, if Transferee is a limited partner of either of a Holder or an Affiliate of a Holder and received the Stock in a distribution from such Holder or Affiliate, Transferee shall not be bound by and subject to the terms of Section 11 of the Agreement.

3. Notice. Any notice required or permitted by the Agreement shall be given to Transferee at the address listed beside Transferee's signature below.

EXECUTED AND DATED this ____ day of _____, ____.

TRANSFEE:

By:

Name and Title

Address:

Fax

Acknowledged:

AMKOR TECHNOLOGY, INC.

By: _____

Title: _____

CREDIT AGREEMENT

CREDIT AGREEMENT dated as of April 28, 2000 among AMKOR TECHNOLOGY, INC., a Delaware corporation (the "Borrower"), the banks, financial institutions and other institutional lenders listed on the signature pages hereof as the Initial Lenders (the "INITIAL LENDERS"), the banks listed on the signature pages hereof as the Initial Issuing Banks (the "INITIAL ISSUING BANKS"), SALOMON SMITH BARNEY INC. ("SSBI") as book manager (the "BOOK MANAGER"), SOCIETE GENERALE ("SG"), as administrative agent (together with any successor administrative agent appointed pursuant to Article VII, the "ADMINISTRATIVE AGENT") for the Lender Parties (as hereinafter defined) and as collateral agent (together with any successor collateral agent appointed pursuant to Article VII, the "COLLATERAL AGENT"), SSBI, SG COWEN SECURITIES CORPORATION ("SG COWEN") and DEUTSCHE BANK SECURITIES INC., as arrangers (the "ARRANGERS"), SSBI and SG as syndication agents (each, a "SYNDICATION AGENT" and, together with the Book Manager, the Administrative Agent, the Collateral Agent, the "AGENTS").

PRELIMINARY STATEMENTS:

(1) The Borrower has requested that the Lender Parties lend to the Borrower up to \$900,000,000 to be used (i) to acquire (the "ACQUISITION") three semiconductor packaging and test facilities designated K-1, K-2 and K-3 (collectively, the "ACQUIRED BUSINESS") from Anam Semiconductor, Inc., an affiliate of the Borrower ("ANAM"), pursuant to an asset purchase agreement among AT Korea (as hereinafter defined) and Anam (as amended, to the extent permitted under the Loan Documents (as hereinafter defined), the "ACQUISITION AGREEMENT"), (ii) to refinance (the "REFINANCING") certain existing indebtedness of the Borrower and certain of its Subsidiaries to the extent permitted under the Loan Documents, and (iii) for general corporate purposes to the extent permitted under the Loan Documents. The Acquisition will be consummated by Amkor Technology Korea, Inc., an indirect wholly owned subsidiary of the Borrower ("AT KOREA"), with the proceeds of a \$625,000,000 loan, and a \$325,000,000 cash capital contribution (the "AT KOREA CASH EQUITY INVESTMENT") from the Borrower.

(2) In addition to the financing contemplated hereby, the Borrower shall have, prior to or concurrently with the Initial Extension of Credit (as hereinafter defined) hereunder, (a) issued up to \$410,000,000 but in any event not less than \$400,000,000 of common stock (as amended, to the extent permitted under the Loan Documents, the "COMMON STOCK") pursuant to a private placement (the "EQUITY ISSUANCE") and (b) issued at least \$225,000,000 in convertible subordinated debt (as amended, to the extent permitted under the Loan Documents, the "CONVERTIBLE SUBORDINATED DEBT") pursuant to a Rule 144A offering (the "SUBORDINATED DEBT ISSUANCE").

(3) Following the Initial Extension of Credit hereunder but on or prior to May 3, 2000, the Borrower will invest \$309,000,000 in cash common equity in Anam (the "INITIAL ANAM EQUITY INVESTMENT") with, among others, the proceeds of the Subordinated Debt Issuance and the proceeds of the Equity Issuance. The Borrower will make an additional cash common equity investment of \$30,000,000 in Anam on or prior to June 30, 2000, an additional cash common equity investment of \$60,000,000 in Anam on or prior to August 31, 2000 and an additional cash common equity of \$60,000,000 in Anam on or prior to September 30, 2000 (collectively, the "ADDITIONAL ANAM EQUITY INVESTMENTS" and, together with the Initial Anam Equity Investment, the "ANAM EQUITY INVESTMENT").

(4) The Initial Extension of Credit hereunder, the Acquisition, the Anam Equity Investment, the Equity Issuance, the Subordinated Debt Issuance, the issuance of bonds (in substantially the form of those issued in connection with the K-4 Acquisition, with such modification as may be

reasonably requested by the Agents) by AT Korea (the "AT KOREA BONDS"), the AT Korea Cash Equity Investment, the Refinancing and the various other financings

contemplated hereby and all related transactions, including, without limitation, the Korean restructuring of Anam's liabilities (the "KOREAN RESTRUCTURING"), and the other transactions contemplated by the Transaction Documents are hereinafter collectively referred to as the "TRANSACTIONS".

NOW, THEREFORE, in consideration of the premises and of the mutual covenants and agreements contained herein, the parties hereto hereby agree as follows:

ARTICLE I

DEFINITIONS AND ACCOUNTING TERMS

SECTION 1.01. Certain Defined Terms.

As used in this Agreement, the following terms shall have the following meanings (such meanings to be equally applicable to both the singular and plural forms of the terms defined):

"ACQUIRED BUSINESS" has the meaning specified in the preliminary statements to this Agreement.

"ACQUISITION" has the meaning specified in the preliminary statements to this Agreement.

"ACQUISITION AGREEMENT" has the meaning specified in the preliminary statements to this Agreement.

"ADDITIONAL ANAM EQUITY INVESTMENTS" has the meaning specified in the preliminary statements to this Agreement.

"ADMINISTRATIVE AGENT" has the meaning specified in the recital of parties to this Agreement.

"ADMINISTRATIVE AGENT'S ACCOUNT" means the account of the Administrative Agent maintained by the Administrative Agent with SG at its office at 1221 Avenue of the Americas, New York, New York 10020, Account No. 026004226, Attention: Anna Lo Piccolo.

"ADVANCE" means a Term A Advance, a Term B Advance, a Revolving Credit Advance or a Letter of Credit Advance.

"AFFILIATE" means, as to any Person, any other Person that, directly or indirectly, controls, is controlled by or is under common control with such Person or is a director or officer of such Person. For purposes of this definition, the term "control" (including the terms "controlling", "controlled by" and "under common control with") of a Person means the possession, direct or indirect, of the power to vote 10% or more of the Voting Interests of such Person or to direct or cause the direction of the management and policies of such Person, whether through the ownership of Voting Interests, by contract or otherwise.

"AGENTS" has the meaning specified in the recital of parties to this Agreement.

"AGREEMENT VALUE" means, for each Hedge Agreement, on any date of determination, an amount determined by the Administrative Agent equal to: (a) in the case of a Hedge Agreement

documented pursuant to the Master Agreement (Multicurrency-Cross Border) published by the International Swap and Derivatives Association, Inc. (the "MASTER Agreement"), the amount, if any, that would be payable by any Loan Party or any of its Subsidiaries to its counterparty to such Hedge Agreement, as if (i) such Hedge Agreement was being terminated early on such date of determination, (ii) such Loan Party or Subsidiary was the sole "Affected Party", and (iii) the Administrative Agent was the sole party determining such payment amount (with the Administrative Agent making such determination pursuant to the provisions of the form of Master Agreement); or (b) in the case of a Hedge Agreement traded on

an exchange, the mark-to-market value of such Hedge Agreement, which will be the unrealized loss on such Hedge Agreement to the Loan Party or Subsidiary of a Loan Party party to such Hedge Agreement determined by the Administrative Agent based on the settlement price of such Hedge Agreement on such date of determination, or (c) in all other cases, the mark-to-market value of such Hedge Agreement, which will be the unrealized loss on such Hedge Agreement to the Loan Party or Subsidiary of a Loan Party party to such Hedge Agreement determined by the Administrative Agent as the amount, if any, by which (i) the present value of the future cash flows to be paid by such Loan Party or Subsidiary exceeds (ii) the present value of the future cash flows to be received by such Loan Party or Subsidiary pursuant to such Hedge Agreement; capitalized terms used and not otherwise defined in this definition shall have the respective meanings set forth in the above described Master Agreement.

"ANAM" has the meaning specified in the preliminary statements to this Agreement.

"ANAM EQUITY INVESTMENT" has the meaning specified in the preliminary statements to this Agreement.

"ANAM SHARES" has the meaning specified in Section 3.01(a) (ii) (A) .

"APPLICABLE LENDING OFFICE" means, with respect to each Lender Party, such Lender Party's Domestic Lending Office in the case of a Base Rate Advance and such Lender Party's Eurodollar Lending Office in the case of a Eurodollar Rate Advance.

"APPLICABLE MARGIN" means (a) with respect to the Term B Facility, 3.00% per annum in the case of Eurodollar Rate Advances, and 2.00% per annum in the case of Base Rate Advances and (b) with respect to the Term A Facility and the Revolving Credit Facility, (i) for the period from the date hereof to the six-month anniversary of the Effective Date, 2.75% per annum in the case of Eurodollar Rate Advances, and 1.75% per annum in the case of Base Rate Advances, and (ii) thereafter, a percentage per annum determined by reference to the Leverage Ratio as set forth below:

LEVERAGE RATIO -----	BASE RATE ADVANCES -----	EURODOLLAR RATE ADVANCES -----
Level I less than or equal to 1.25: 1.0	1.00%	2.00%
Level II greater than 1.25: 1.0 and less than or equal to 1.75: 1.0	1.25%	2.25%
Level III greater than 1.75: 1.0 and less than or equal to 2.25: 1.0	1.50%	2.50%
Level IV greater than 2.25: 1.0	1.75%	2.75%

For the purposes of this clause (b)(ii), the Applicable Margin for each Base Rate Advance shall be determined by reference to the Leverage Ratio in effect from time to time and the Applicable Margin for each Eurodollar Rate Advance shall be determined by reference to the Leverage Ratio in effect on the first day of each Interest Period for such Advance; provided, however, that (A) no change in the Applicable Margin shall be effective until three Business Days after the date on which the Administrative Agent receives the financial statements required to be delivered pursuant to Section 5.03(b) or (c), as the case may be, and a certificate of the Chief Financial Officer of the Borrower demonstrating such Leverage Ratio, (B) the Applicable Margin shall be at Level IV for so long as the Borrower has not submitted to the Administrative Agent

the information described in clause (A) of this proviso as and when required under Section 5.03(b) or (c), as the case may be and (C) the Applicable Margin shall be at Level IV in the event a Default has occurred.

"APPLICATION DATE" has the meaning specified in Section 2.06(b) (vii).

"APPROPRIATE LENDER" means, at any time, with respect to (a) any of the Facilities, a Lender that has a Commitment with respect to such Facility at such time and (b) the Letter of Credit Facility, (i) any Issuing Bank and (ii) if the other Revolving Credit Lenders have made Letter of Credit Advances pursuant to Section 2.03(c) that are outstanding at such time, each such other Revolving Credit Lender.

"APPROVED FUND" means, with respect to any Lender that is a fund that invests in bank loans, any other fund that invests in bank loans and is advised or managed by the same investment advisor as such Lender or by an Affiliate of such investment advisor.

"ARRANGERS" has the meaning specified in the recital of parties to this Agreement.

"ASSIGNMENT AND ACCEPTANCE" means an assignment and acceptance entered into by a Lender Party and an Eligible Assignee, and accepted by the Administrative Agent, in accordance with Section 8.07 and in substantially the form of Exhibit C hereto.

"ASSUMING LENDER" has the meaning specified in Section 2.17(d).

"ASSUMPTION AGREEMENT" has the meaning specified in Section 2.17(d) (ii).

"AT KOREA" has the meaning specified in the preliminary statements to this Agreement.

"AT KOREA BONDS" has the meaning specified in the preliminary statements to this Agreement.

"AT KOREA CASH EQUITY INVESTMENT" has the meaning specified in the preliminary statements to this Agreement.

"AVAILABLE AMOUNT" of any Letter of Credit means, at any time, the maximum amount available to be drawn under such Letter of Credit at such time (assuming compliance at such time with all conditions to drawing).

"BASE RATE" means a fluctuating interest rate per annum in effect from time to time, which rate per annum shall at all times be equal to the higher of:

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(a) the rate of interest announced publicly by SG in New York, New York, from time to time, as SG's base rate; and

(b) 1/2 of 1% per annum above the Federal Funds Rate.

"BASE RATE ADVANCE" means an Advance that bears interest as provided in Section 2.07(a) (i).

"BOARD OF DIRECTORS" means the Board of Directors of the Borrower or any duly authorized committee of the Board of Directors.

"BOOK MANAGER" has the meaning specified in the recital of parties to this Agreement.

"BORROWER" has the meaning specified in the recital of parties to this Agreement.

"BORROWER'S ACCOUNT" means the account of the Borrower

maintained by the Borrower with SG at its office at 1221 Avenue of the Americas, New York, New York 10020, Account No. 9050345.

"BORROWING" means a Term A Borrowing, a Term B Borrowing or a Revolving Credit Borrowing.

"BORROWING BASE CERTIFICATE" means a certificate in substantially the form of Exhibit J hereto, duly certified by the chief financial officer of the Borrower.

"BUSINESS DAY" means a day of the year on which banks are not required or authorized by law to close in New York City and, if the applicable Business Day relates to any Eurodollar Rate Advances, on which dealings are carried on in the London interbank market.

"CAPITAL EXPENDITURES" means, for any Person for any period, the sum of, without duplication, (a) all expenditures made, directly or indirectly, by such Person or any of its Subsidiaries during such period for equipment, fixed assets, real property or improvements, or for replacements or substitutions therefor or additions thereto, that have been or should be, in accordance with GAAP, reflected as additions to property, plant or equipment on a Consolidated balance sheet of such Person or have a useful life of more than one year plus (b) the aggregate principal amount of all Debt (including Obligations under Capitalized Leases) assumed or incurred in connection with any such expenditures.

"CAPITALIZED LEASES" means all leases that have been or should be, in accordance with GAAP, recorded as capitalized leases.

"CASH EQUIVALENTS" means any of the following, to the extent owned by the Borrower or any of its Subsidiaries free and clear of all Liens other than Liens created under the Collateral Documents and Permitted Liens and having a maturity of not greater than 180 days from the date of issuance thereof: (a) readily marketable direct obligations of the Government of the United States or any agency or instrumentality thereof or obligations unconditionally guaranteed by the full faith and credit of the Government of the United States, (b) insured certificates of deposit of or time deposits with any commercial bank that is a Lender Party or a member of the Federal Reserve System, issues (or the parent of which issues) commercial paper rated as described in clause (c) below, is organized under the laws of the United States or any State thereof and has combined capital and surplus of at least \$1 billion, (c) commercial paper maturing no more than

12 months from the date of creation thereof and having at the time of acquisition thereof, a rating of at least "Prime-1" (or the then equivalent grade) from Moody's Investors Service, Inc. ("MOODY'S") or "A-1" (or the then equivalent grade) from Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("STANDARD & POOR'S") or (d) Investments, classified in accordance with GAAP as Current Assets of the Borrower or any of its Subsidiaries, in money market investment programs registered under the Investment Company Act of 1940, as amended, which are administered by financial institutions that have the highest rating obtainable from either Moody's or S&P, and the portfolios of which are limited solely to Investments of the character, quality and maturity described in clauses (a), (b) and (c) of this definition.

"CERCLA" means the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended from time to time.

"CERCLIS" means the Comprehensive Environmental Response, Compensation and Liability Information System maintained by the U.S. Environmental Protection Agency.

"CHANGE OF CONTROL" means the occurrence of any of the following: (a) the Existing Stockholders shall cease to own at least 51% of Voting Interests of the Borrower (or other securities convertible into such Voting Interests); or (b) the first date during any

consecutive two year period on which a majority of the members of the board of directors of the Borrower are not Continuing Directors; or (c) any Person or two or more Persons acting in concert shall have acquired by contract or otherwise, or shall have entered into a contract or arrangement that, upon consummation, will result in its or their acquisition of control over Voting Interests of the Borrower (or other securities convertible into such Voting Interests) representing 35% or more of the combined voting power of all Voting Interests of the Borrower or (d) the sale or other transfer or disposition by Anam of all or substantially all of its assets in any transaction or series of related transactions other than in connection with the Fab Transaction and, on and after the occurrence of the Fab Transaction, the sale or other transfer or disposition by Newco or Newco Successor of all or substantially all of its assets in any transaction or series of related transactions.

"COLLATERAL" means all "Collateral" referred to in the Collateral Documents and all other property that is or is intended to be subject to any Lien in favor of the Collateral Agent for the benefit of the Secured Parties.

"COLLATERAL ACCOUNT" has the meaning specified in the Security Agreement.

"COLLATERAL AGENT" has the meaning specified in the recital of parties to this Agreement.

"COLLATERAL DOCUMENTS" means the Security Agreement, the Mortgages and any other agreement that creates or purports to create a Lien in favor of the Collateral Agent for the benefit of the Secured Parties.

"COMMITMENT" means a Term A Commitment, a Term B Commitment, a Revolving Credit Commitment or a Letter of Credit Commitment.

"COMMITMENT DATE" has the meaning specified in Section 2.17(b).

"COMMITMENT INCREASE" has the meaning specified in Section 2.17(a).

"COMMON STOCK" has the meaning specified in the preliminary statements to this Agreement.

"CONFIDENTIAL INFORMATION" means information that any Loan Party furnishes to any Agent or any Lender Party in a writing designated as confidential, but does not include any such information that is or becomes generally available to the public or that is or becomes available to such Agent or such Lender Party from a source other than the Loan Parties.

"CONSOLIDATED" refers to the consolidation of accounts in accordance with GAAP.

"CONTINGENT OBLIGATION" means, with respect to any Person, any Obligation or arrangement of such Person to guarantee or intended to guarantee any Debt, leases, dividends or other payment Obligations ("PRIMARY OBLIGATIONS") of any other Person (the "PRIMARY OBLIGOR") in any manner, whether directly or indirectly, including, without limitation, (a) the direct or indirect guarantee, endorsement (other than for collection or deposit in the ordinary course of business), co-making, discounting with recourse or sale with recourse by such Person of the Obligation of a primary obligor, (b) the Obligation to make take-or-pay or similar payments, if required, regardless of nonperformance by any other party or parties to an agreement or (c) any Obligation of such Person, whether or not contingent, (i) to purchase any such primary obligation or any property constituting direct or indirect security therefor, (ii) to advance or supply funds (A) for the purchase or payment of any such primary obligation or (B) to maintain working capital or equity capital of the primary obligor or otherwise to

maintain the net worth or solvency of the primary obligor, (iii) to purchase property, assets, securities or services primarily for the purpose of assuring the owner of any such primary obligation of the ability of the primary obligor to make payment of such primary obligation or (iv) otherwise to assure or hold harmless the holder of such primary obligation against loss in respect thereof. The amount of any Contingent Obligation shall be deemed to be an amount equal to the stated or determinable amount of the primary obligation in respect of which such Contingent Obligation is made (or, if less, the maximum amount of such primary obligation for which such Person may be liable pursuant to the terms of the instrument evidencing such Contingent Obligation) or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof (assuming such Person is required to perform thereunder), as determined by such Person in good faith.

"CONTINUING DIRECTORS" means (i) members of the board of directors on the Effective Date; and (ii) other Persons nominated or elected to the board of directors with the approval of a majority of the Continuing Directors who were members of the board of directors at the time of such election or nomination.

"CONVERSION", "CONVERT" and "CONVERTED" each refer to a conversion of Advances of one Type into Advances of the other Type pursuant to Section 2.09 or 2.10.

"CONVERTIBLE SUBORDINATED DEBT" has the meaning specified in the preliminary statements to this Agreement.

"CONVERTIBLE SUBORDINATED NOTES" means the 5-3/4% Convertible Subordinated Notes due 2003 issued pursuant to the Convertible Subordinated Notes Indenture, as amended, to the extent permitted under the Loan Documents.

"CONVERTIBLE SUBORDINATED NOTES INDENTURE" means the Indenture dated as of May 6, 1998 between the Borrower and State Street Bank and Trust Company, as trustee, pursuant to which the Convertible Subordinated Notes were issued, as amended, to the extent permitted under the Loan Documents.

"CURRENT ASSETS" of any Person means all assets of such Person that would, in accordance with GAAP, be classified as current assets of a company conducting a business the same as or similar to that of such Person, after deducting adequate reserves in each case in which a reserve is proper in accordance with GAAP.

"CURRENT LIABILITIES" of any Person means (a) all Debt of such Person that by its terms is payable on demand or matures within one year after the date of determination (excluding any Debt renewable or extendible, at the option of such Person, to a date more than one year from such date or arising under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year from such date), (b) all amounts of Funded Debt of such Person required to be paid or prepaid within one year after such date and (c) all other items (including taxes accrued as estimated) that in accordance with GAAP would be classified as current liabilities of such Person.

"DEBT" of any Person means, without duplication for purposes of calculating financial ratios, (a) all indebtedness of such Person for borrowed money, (b) all Obligations of such Person for the deferred purchase price of property or services, (c) all Obligations of such Person evidenced by notes, bonds, debentures or other similar instruments, (d) all Obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even though the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property), (e) all Obligations of such Person as lessee under Capitalized Leases, (f) all Obligations

of such Person under acceptance, letter of credit or similar facilities, (g) all Obligations of such Person to purchase, redeem, retire, defease or otherwise make any payment in respect of any Equity Interests in such Person or any other Person or any warrants, rights or options to acquire such capital stock, valued, in the case of Redeemable Preferred Interests, at the greater of its voluntary or involuntary liquidation preference plus accrued and unpaid dividends, (h) all Obligations of such Person in respect of Hedge Agreements, valued at the Agreement Value thereof, (i) all Contingent Obligations of such Person and (j) all indebtedness and other payment Obligations referred to in clauses (a) through (i) above of another Person secured by (or for which the holder of such Debt has an existing right, contingent or otherwise, to be secured by) any Lien on property (including, without limitation, accounts and contract rights) owned by such Person to the extent of the value of such property, even though such Person has not assumed or become liable for the payment of such indebtedness or other payment Obligations. Notwithstanding the foregoing, in no event shall the term "Debt" include (i) any lease properly classified as an operating lease in accordance with GAAP (other than a "synthetic lease" or a similar transaction in which the obligation is considered Debt for Borrowed Money for tax purposes), (ii) any trade payable arising in the ordinary course of business, provided that no material part of such account payable is more than ninety (90) days past due (unless subject to a bona fide dispute for which adequate reserves have been established), (iii) any obligations under open purchase orders to acquire tangible personal property entered into in the ordinary course of business and not yet due or payable, (iv) any accrued expenses or (v) any income taxes not at the time delinquent.

"DEBT FOR BORROWED MONEY" of any Person means all items that, in accordance with GAAP, would be classified as indebtedness on a Consolidated balance sheet of such Person.

"DEFAULT" means any Event of Default or any event that would constitute an Event of Default but for the requirement that notice be given or time elapse or both.

"DEFAULTED ADVANCE" means, with respect to any Lender Party at any time, the portion of any Advance required to be made by such Lender Party to the Borrower pursuant to Section 2.01

or 2.02 at or prior to such time which has not been made by such Lender Party or by the Administrative Agent for the account of such Lender Party pursuant to Section 2.02(d) as of such time. In the event that a portion of a Defaulted Advance shall be deemed made pursuant to Section 2.15(a), the remaining portion of such Defaulted Advance shall be considered a Defaulted Advance originally required to be made pursuant to Section 2.01 on the same date as the Defaulted Advance so deemed made in part.

"DEFAULTED AMOUNT" means, with respect to any Lender Party at any time, any amount required to be paid by such Lender Party to any Agent or any other Lender Party hereunder or under any other Loan Document at or prior to such time which has not been so paid as of such time, including, without limitation, any amount required to be paid by such Lender Party to (a) any Issuing Bank pursuant to Section 2.03(c) to purchase a portion of a Letter of Credit Advance made by such Issuing Bank, (b) the Administrative Agent pursuant to Section 2.02(d) to reimburse the Administrative Agent for the amount of any Advance made by the Administrative Agent for the account of such Lender Party, (c) any other Lender Party pursuant to Section 2.13 to purchase any participation in Advances owing to such other Lender Party and (d) any Agent or any Issuing Bank pursuant to Section 7.05 to reimburse such Agent or such Issuing Bank for such Lender Party's ratable share of any amount required to be paid by the Lender Parties to such Agent or such Issuing Bank as provided therein. In the event that a portion of a Defaulted Amount shall be deemed paid pursuant to Section 2.15(b), the remaining portion of such Defaulted Amount shall be considered a Defaulted Amount originally required to be paid hereunder or under any

other Loan Document on the same date as the Defaulted Amount so deemed paid in part.

"DEFAULTING LENDER" means, at any time, any Lender Party that, at such time, (a) owes a Defaulted Advance or a Defaulted Amount or (b) shall take any action or be the subject of any action or proceeding of a type described in Section 6.01(f).

"DOMESTIC LENDING OFFICE" means, with respect to any Lender Party, the office of such Lender Party specified as its "Domestic Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender Party, as the case may be, or such other office of such Lender Party as such Lender Party may from time to time specify to the Borrower and the Administrative Agent.

"DOMESTIC LOAN PARTIES" means the Borrower and the Subsidiary Guarantors.

"DOMESTIC SUBSIDIARY" means any Subsidiary of the Borrower other than a Foreign Subsidiary.

"EBITDA" means, for any period, the sum, determined on a Consolidated basis, of (a) net income (or net loss) excluding any extraordinary gains or losses and other gains or losses arising from asset sales and dispositions other than in the ordinary course of business and, to the extent included in net income, non-cash charges recorded in connection with the early conversion of convertible debt, (b) interest expense, (c) income tax expense, (d) to the extent included in net income, non-cash foreign currency loss (or less any non-cash foreign currency gain), (e) to the extent included in net income, non-cash equity in loss of Affiliates (or less any non-cash equity in income of Affiliates), (f) depreciation expense and (g) amortization expense, in each case of the Borrower and its Restricted Subsidiaries, determined in accordance with GAAP for such period.

"EFFECTIVE DATE" means the first date on which the conditions set forth in Article III shall have been satisfied or waived.

"ELIGIBLE ASSIGNEE" means (a) with respect to any Facility (other than the Letter of Credit Facility), (i) a Lender; (ii) an Affiliate of a Lender; (iii) an Approved Fund and (iv) any other Person approved by the Agents and, unless a Default has occurred and is continuing at the time any assignment is effected pursuant to Section 8.07, the Borrower, such approval not to be unreasonably withheld or delayed, and (b) with respect to the Letter of Credit Facility, a commercial bank approved by each of the Agents and, unless a Default has occurred and is continuing at the time any assignment is effected pursuant to Section 8.07, the Borrower, such approval not to be unreasonably withheld or delayed; provided, however, that neither any Loan Party nor any Affiliate of a Loan Party shall qualify as an Eligible Assignee under this definition.

"ELIGIBLE COLLATERAL" means, collectively, Eligible Inventory and Eligible Receivables.

"ELIGIBLE INVENTORY" means the Inventory of the Domestic Loan Parties (other than the classes of excluded Inventory set forth below). The value of such Inventory shall be determined by the Administrative Agent in its reasonable judgment taking into consideration, among other factors, the lowest of its cost, its book value determined in accordance with GAAP and its liquidation value. The Administrative Agent may consider any of the following classes of Inventory not to be Eligible Inventory:

(a) Inventory located on leaseholds as to which the lessor has not entered into a consent and agreement providing the Collateral Agent with the right to receive notice of default, the right to repossess such Inventory at any time and

such other rights as may be reasonably required by the Collateral Agent;

(b) Inventory that is obsolete, unusable or otherwise unavailable for sale;

(c) Inventory with respect to which the representations and warranties set forth in Section 9 of the Security Agreement applicable to Inventory are not true and correct in all material respects;

(d) Inventory that fails to meet all standards imposed by any governmental agency, or department or division thereof, having regulatory authority over such Inventory or its use or sale;

(e) Inventory that is subject to any licensing, patent, royalty, trademark, trade name or copyright agreement with any third party from whom any Domestic Loan Party has received notice of a dispute in respect of any such agreement to the extent of such dispute;

(f) Inventory that is not in the possession of or under the sole control of the Domestic Loan Parties;

(g) Inventory consisting of work in progress; and

(h) Inventory in respect of which the Security Agreement, after giving effect to the related filings of financing statements that have then been made, if any, does not or has ceased to create a valid and perfected first priority lien or security interest in favor of the Collateral Agent for the benefit of the Secured Parties securing the Secured Obligations.

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"ELIGIBLE RECEIVABLES" means the Receivables of the Domestic Loan Parties other than the classes of excluded Receivables set forth below. The value of such Receivables shall be determined by the Administrative Agent in its reasonable judgment taking into consideration, among other factors, their book value determined in accordance with GAAP. The Administrative Agent may consider any of the following classes of Receivables not to be Eligible Receivables:

(a) Receivables that do not arise out of sales of goods or rendering of services in the ordinary course of the business of the Domestic Loan Parties;

(b) Receivables on terms other than those normal or customary in the business of the Domestic Loan Parties;

(c) Receivables owing from any Person that is an Affiliate of any Loan Party or any of its Subsidiaries;

(d) Receivables more than 120 days past original invoice date or more than 90 days past the date due;

(e) Receivables owing from any Person from which an aggregate amount of more than 20% of the Receivables owing is more than 90 days past due;

(f) Receivables owing from any Person that (i) has disputed liability for any Receivable owing from such Person or (ii) has otherwise asserted any claim, demand or liability against any Loan Party or any of its Subsidiaries, whether by action, suit, counterclaim or otherwise;

(g) Receivables owing from any Person that shall take or be the subject of any action or proceeding of a type described in Section 6.01(f);

(h) Receivables (i) owing from any Person that is also a supplier to or creditor of any Domestic Loan Party unless such Person has waived any right of set-off in a manner acceptable to the Administrative Agent or (ii) representing any manufacturer's or supplier's credits, discounts, incentive plans or similar arrangements entitling the Borrower to discounts on future purchase therefrom;

(i) Receivables arising out of sales to account debtors outside the United States unless such Receivables are (i) fully backed by an irrevocable letter of credit on terms, and issued by a financial institution, acceptable to the Administrative Agent and such irrevocable letter of credit is in the possession of the Collateral Agent or the Administrative Agent or (ii) owing from an account debtor that is a foreign subsidiary or division of a Person organized and in good standing under the laws of a jurisdiction within the United States;

(j) Receivables arising out of sales on a guaranteed sale, sale-or-return, sale on approval or consignment basis or subject to any right of return, set-off or charge-back;

(k) Receivables owing from an account debtor that is an agency, department or instrumentality of the United States or any State thereof unless the Borrower shall have satisfied the requirements of the Assignment of Claims Act of 1940, as amended, and any similar State legislation and the Administrative Agent is satisfied as to the absence of set-offs, counterclaims and other defenses on the part of such account debtor;

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(l) Receivables the full and timely payment of which the Administrative Agent in its reasonable judgment believes to be doubtful; and

(m) Receivables in respect of which the Security Agreement, after giving effect to the related filings of financing statements that have then been made, if any, does not or has ceased to create a valid and perfected first priority lien or security interest in favor of the Collateral Agent for the benefit of the Secured Parties securing the Secured Obligations.

"ENVIRONMENTAL ACTION" means any action, suit, demand, demand letter, claim, notice of non-compliance or violation, notice of liability or potential liability, investigation, proceeding, consent order or consent agreement relating in any way to any Environmental Law, any Environmental Permit or Hazardous Material or arising from alleged injury or threat to health, safety or the environment, including, without limitation, (a) by any governmental or regulatory authority for enforcement, cleanup, removal, response, remedial or other actions or damages and (b) by any governmental or regulatory authority or third party for damages, contribution, indemnification, cost recovery, compensation or injunctive relief.

"ENVIRONMENTAL LAW" means any federal, state, local or foreign statute, law, ordinance, rule, regulation, code, order, writ, judgment, injunction, decree or judicial or agency interpretation, policy or guidance relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, those relating to the use, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.

"ENVIRONMENTAL PERMIT" means any permit, approval, identification number, license or other authorization required under any Environmental Law.

"EQUITY INTERESTS" means, with respect to any Person, shares of

capital stock of (or other ownership or profit interests in) such Person, warrants, options or other rights for the purchase or other acquisition from such Person of shares of capital stock of (or other ownership or profit interests in) such Person, securities convertible into or exchangeable for shares of capital stock of (or other ownership or profit interests in) such Person or warrants, rights or options for the purchase or other acquisition from such Person of such shares (or such other interests), and other ownership or profit interests in such Person (including, without limitation, partnership, member or trust interests therein), whether voting or nonvoting, and whether or not such shares, warrants, options, rights or other interests are authorized or otherwise existing on any date of determination; provided that the Convertible Subordinated Notes or the 2000 Convertible Subordinated Notes shall not be Equity Interests so long as such Convertible Subordinated Notes or 2000 Convertible Subordinated Notes shall not have been converted.

"EQUITY ISSUANCE" has the meaning specified in the preliminary statements to this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"ERISA AFFILIATE" means any Person that for purposes of Title IV of ERISA is a member of the controlled group of any Loan Party, or under common control with any Loan Party, within the meaning of Section 414 of the Internal Revenue Code.

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"ERISA EVENT" means (a) (i) the occurrence of a reportable event, within the meaning of Section 4043 of ERISA, with respect to any Plan unless the 30-day notice requirement with respect to such event has been waived by the PBGC or (ii) the requirements of Section 4043(b) of ERISA apply with respect to a contributing sponsor, as defined in Section 4001(a)(13) of ERISA, of a Plan, and an event described in paragraph (9), (10), (11), (12) or (13) of Section 4043(c) of ERISA is reasonably expected to occur with respect to such Plan within the following 30 days; (b) the application for a minimum funding waiver with respect to a Plan; (c) the provision by the administrator of any Plan of a notice of intent to terminate such Plan, pursuant to Section 4041(a)(2) of ERISA (including any such notice with respect to a plan amendment referred to in Section 4041(e) of ERISA); (d) the cessation of operations at a facility of any Loan Party or any ERISA Affiliate in the circumstances described in Section 4062(e) of ERISA; (e) the withdrawal by any Loan Party or any ERISA Affiliate from a Multiple Employer Plan during a plan year for which it was a substantial employer, as defined in Section 4001(a)(2) of ERISA; (f) the conditions for imposition of a lien under Section 302(f) of ERISA shall have been met with respect to any Plan; (g) the adoption of an amendment to a Plan requiring the provision of security to such Plan pursuant to Section 307 of ERISA; or (h) the institution by the PBGC of proceedings to terminate a Plan pursuant to Section 4042 of ERISA, or the occurrence of any event or condition described in Section 4042 of ERISA that constitutes grounds for the termination of, or the appointment of a trustee to administer, such Plan.

"EUROCURRENCY LIABILITIES" has the meaning specified in Regulation D of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"EURODOLLAR LENDING OFFICE" means, with respect to any Lender Party, the office of such Lender Party specified as its "Eurodollar Lending Office" opposite its name on Schedule I hereto or in the Assignment and Acceptance pursuant to which it became a Lender Party (or, if no such office is specified, its Domestic Lending Office), or such other office of such Lender Party as such Lender Party may from time to time specify to the Borrower and the Administrative Agent.

"EURODOLLAR RATE" means, for any Interest Period for all

Eurodollar Rate Advances comprising part of the same Borrowing, an interest rate per annum equal to the rate per annum obtained by dividing (a) the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Telerate Page 3750 (or any successor page) as the London interbank offered rate for deposits in U.S. dollars at 11:00 A.M. (London time) two Business Days before the first day of such Interest Period for a period equal to such Interest Period (provided that, if for any reason such rate is not available, the term "Eurodollar Rate" shall mean, for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing, the rate per annum (rounded upwards, if necessary, to the nearest 1/100 of 1%) appearing on Reuters Screen LIBO Page as the London interbank offered rate for deposits in U.S. Dollars at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period for a term comparable to such Interest Period; provided, however, if more than one rate is specified on Reuters Screen LIBO Page, the applicable rate shall be the arithmetic mean of all such rates) by (b) a percentage equal to 100% minus the Eurodollar Rate Reserve Percentage for such Interest Period.

"EURODOLLAR RATE ADVANCE" means an Advance that bears interest as provided in Section 2.07(a)(ii).

"EURODOLLAR RATE RESERVE PERCENTAGE" for any Interest Period for all Eurodollar Rate Advances comprising part of the same Borrowing means the reserve percentage applicable two Business Days before the first day of such Interest Period under regulations issued from time to

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time by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement (including, without limitation, any emergency, supplemental or other marginal reserve requirement) for a member bank of the Federal Reserve System in New York City with respect to liabilities or assets consisting of or including Eurocurrency Liabilities (or with respect to any other category of liabilities that includes deposits by reference to which the interest rate on Eurodollar Rate Advances is determined) having a term equal to such Interest Period.

"EVENTS OF DEFAULT" has the meaning specified in Section 6.01.

"EXCESS CASH FLOW" means, for any period,

(a) the sum of:

(i) Consolidated net income (or loss) of the Borrower and its Subsidiaries for such period plus

(ii) the aggregate amount of all non-cash charges deducted in arriving at such Consolidated net income (or loss) plus

(iii) if there was a net increase in Consolidated Current Liabilities of the Borrower and its Subsidiaries during such period, the amount of such net increase plus

(iv) if there was a net decrease in Consolidated Current Assets (excluding cash and Cash Equivalents) of the Borrower and its Subsidiaries during such period, the amount of such net decrease less

(b) the sum of:

(i) the aggregate amount of all non-cash credits included in arriving at such Consolidated net income (or loss) plus

(ii) if there was a net decrease in Consolidated Current Liabilities of the Borrower and its Subsidiaries

during such period, the amount of such net decrease plus

(iii) if there was a net increase in Consolidated Current Assets (excluding cash and Cash Equivalents) of the Borrower and its Subsidiaries during such period, the amount of such net increase plus

(iv) the aggregate amount of Capital Expenditures of the Borrower paid in cash during such period to the extent permitted by this Agreement plus

(v) the aggregate amount of all regularly scheduled principal payments of Funded Debt made during such period plus

(vi) the aggregate principal amount of all optional prepayments of Term Advances made during such period pursuant to Section 2.06(a) plus

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(vii) cash investments in joint ventures and other minority investments made during such period pursuant to Section 5.02(f)(viii)(1) through (4) plus

(viii) income attributed during such period to minority Investments made pursuant to Section 5.02(f)(viii) to the extent such income is not received by the Borrower or any of its Restricted Subsidiaries plus

(iv) \$50,000,000.

"EXCLUDED AMOUNT" has the meaning specified in Section 2.06(b)(iii)(B).

"EXISTING DEBT" has the meaning specified in Section 4.01(t) hereof.

"EXISTING NOTES" means the Senior Notes, the Senior Subordinated Notes and the Convertible Subordinated Notes.

"EXISTING STOCKHOLDERS" means James J. Kim, Agnes C. Kim, David D. Kim Trust of December 31, 1987, John T. Kim Trust of December 31, 1987, Susan Y Kim Trust of December 31, 1987 and Mr. H.S. Kim.

"EXTRAORDINARY RECEIPT" means any cash received by or paid to or for the account of any Person not in the ordinary course of business, including, without limitation, cash received by way of tax refunds, pension plan reversions, proceeds of insurance (other than proceeds of business interruption insurance to the extent such proceeds constitute compensation for lost earnings), condemnation awards (and payments in lieu thereof), indemnity payments and any purchase price adjustment received in connection with any purchase agreement; provided, however, that an Extraordinary Receipt shall not include cash receipts received from proceeds of insurance, condemnation awards (or payments in lieu thereof) or indemnity payments to the extent that such proceeds, awards or payments in respect of loss or damage to equipment, fixed assets or real property are applied (or in respect of which expenditures were previously incurred) to replace or repair the equipment, fixed assets or real property in respect of which such proceeds were received in accordance with the terms of the Loan Documents, so long as such application is made within 6 months after the occurrence of such damage or loss.

"FAB TRANSACTION" means one or more transactions which are designed to create an international subsidiary-contract wafer foundry business to be owned by an entity formed for such purpose ("NEWCO"), which transactions shall consist of any or all of the following: (a) the acquisition of all or substantially all of Anam's semiconductor wafer fabrication assets by Newco or a Subsidiary of Newco, (b) the exchange

of Anam shares by the Borrower or any of its Subsidiaries for Equity Interests of Newco and, if applicable, of such Subsidiary of Newco provided that, following such exchange the Borrower will own, after giving effect to such exchange, directly or indirectly, at least 30% of the issued and outstanding Equity Interests of Newco (on a fully diluted basis), (c) the transfer of the Borrower's wafer fabrication services business to Newco in exchange for Equity Interests of Newco or cash, or any combination thereof, (provided that, to the extent such transfer shall be made in exchange for cash, it shall be made for fair value) and (d) the exchange of Equity Interests of Newco for Equity Interests of any entity engaged in the same business ("NEWCO SUCCESSOR") where the Equity Interests of such entity are traded on any stock exchange located in the United States or quoted on the NASDAQ National Market; provided however that (i) Newco (and Newco Successor) shall be incorporated in the United States, the Netherlands, Bermuda, Ireland, Luxembourg or another jurisdiction reasonably

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acceptable to the Agents, (ii) the Borrower's stock of Newco (and Newco Successor) shall not be subject to any restrictions on transfer that are more onerous to the Lender Parties as those applicable to the Borrower's stock of Anam on the Effective Date (it being understood that any restrictions on transfer resulting solely from such stock being "restricted securities" under Rule 144 of the Securities Act of 1933, as amended, shall not be deemed to be more onerous on the Lender parties), (iii) any Equity Interests of Newco and Newco Successor held by the Borrower, directly or indirectly, shall be pledged to the Lender Parties and (iv) as a result of any transaction constituting a "Fab Transaction" the Borrower shall not incur any dilution of the economic benefit in its aggregate Equity Interests in Anam and, in the event of a transfer in exchange for Equity Interests referred to in clause (c) above, any dilution of its economic benefit derived from the wafer fabrication services business (after taking into account tax and other economic benefits reasonably derived from the implementation of the Fab Transaction) in comparison to the Borrower's Equity Interests in Newco or Newco Successor, as the case may be; provided further, that Newco or Newco successor shall be formed as a corporation, limited liability company or other form of entity with limited liability to shareholders.

"FACILITY" means the Term A Facility, the Term B Facility, the Revolving Credit Facility or the Letter of Credit Facility.

"FEDERAL FUNDS RATE" means, for any period, a fluctuating interest rate per annum equal for each day during such period to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

"FEE LETTER" means the fee letter dated March 17, 2000 among the Borrower, SSBI, SG, SG Cowen and Citibank, NA.

"FISCAL YEAR" means a fiscal year of the Borrower and its Consolidated Subsidiaries ending on December 31 in any calendar year.

"FIXED CHARGE COVERAGE RATIO" means, at any date of determination, the ratio of (a) Consolidated EBITDA of the Borrower and its Restricted Subsidiaries minus Capital Expenditures to (b) the sum of (i) income taxes that have been paid in cash plus (ii) interest payable in cash on all Debt for Borrowed Money plus (iii) scheduled principal amounts of all Debt for Borrowed Money payable, in each case, of or by the Borrower and its Restricted Subsidiaries for the most recent Measurement Period ending on or prior to such date.

"FOREIGN SUBSIDIARY" means a Subsidiary of the Borrower organized under the laws of a jurisdiction other than the United States

or any State thereof.

"FUNDED DEBT" of any Person means Debt in respect of the Advances, in the case of the Borrower, and all other Debt of such Person that by its terms matures more than one year after the date of determination or matures within one year from such date but is renewable or extendible, at the option of such Person, to a date more than one year after such date or arises under a revolving credit or similar agreement that obligates the lender or lenders to extend credit during a period of more than one year after such date, including, without limitation, all amounts of Funded Debt of such Person required to be paid or prepaid within one year after the date of determination.

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"GAAP" has the meaning specified in Section 1.03.

"GRANTING LENDER" has the meaning specified in Section 8.07(i).

"GUARANTIES" means the Subsidiary Guaranty and the Intercompany Guaranty.

"GUARANTORS" means each Subsidiary Guarantor and each Intercompany Guarantor.

"GUARDIAN" means Guardian Assets, Inc., a direct wholly owned Subsidiary of the Borrower.

"HAZARDOUS MATERIALS" means (a) petroleum or petroleum products, by-products or breakdown products, radioactive materials, asbestos-containing materials, polychlorinated biphenyls and radon gas and (b) any other chemicals, materials or substances designated, classified or regulated as hazardous or toxic or as a pollutant or contaminant under any Environmental Law.

"HEDGE AGREEMENTS" means (i) interest rate swap, cap or collar agreements and (ii) interest rate future or option contracts, currency swap agreements, currency future or option contracts and other hedging agreements.

"HEDGE BANK" means any Lender Party or an Affiliate of a Lender Party in its capacity as a party to a Secured Hedge Agreement.

"INCREASE DATE" has the meaning specified in Section 2.17(a).

"INCREASING LENDER" has the meaning specified in Section 2.17(b).

"INDEMNIFIED COSTS" has the meaning specified in Section 7.05(a).

"INDEMNIFIED PARTY" has the meaning specified in Section 8.04(b).

"INDENTURES" means the Senior Notes Indenture, the Senior Subordinated Notes Indenture, the Convertible Subordinated Notes Indenture and the 2000 Convertible Subordinated Notes Indenture.

"INFORMATION MEMORANDUM" means the confidential information memorandum dated March 2000 used by the Syndication Agents in connection with the syndication of the Commitments.

"INITIAL ANAM EQUITY INVESTMENT" has the meaning specified in the preliminary statements to this Agreement.

"INITIAL EXTENSION OF CREDIT" means the initial Borrowing hereunder.

"INITIAL ISSUING BANKS" has the meaning specified in the recital of parties to this Agreement.

"INITIAL LENDERS" has the meaning specified in the recital of parties to this Agreement.

"INSUFFICIENCY" means, with respect to any Plan, the amount, if any, of its unfunded benefit liabilities, as defined in Section 4001(a)(18) of ERISA.

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"INTERCOMPANY GUARANTOR" means each Subsidiary of the Borrower listed on Schedule III hereto and each other Subsidiary of the Borrower that shall be required to execute and deliver a guaranty pursuant to Section 5.01(j).

"INTERCOMPANY GUARANTY" has the meaning specified in Section 3.01(a)(iv).

"INTERCOMPANY NOTES" means promissory notes, in form and substance satisfactory to the Agents, evidencing Debt permitted pursuant to Section 5.02(b)(i)(B) or (b)(ii), and shall include, without limitation, the AT Korea Bonds.

"INTEREST COVERAGE RATIO" means, at any date of determination, the ratio of (a) Consolidated EBITDA of the Borrower and its Restricted Subsidiaries to (b) interest payable in cash on all Debt for Borrowed Money of or by the Borrower and its Restricted Subsidiaries for the most recent Measurement Period ending on or prior to such date.

"INTEREST PERIOD" means, for each Eurodollar Rate Advance comprising part of the same Borrowing, the period commencing on the date of such Eurodollar Rate Advance or the date of the Conversion of any Base Rate Advance into such Eurodollar Rate Advance, and ending on the last day of the period selected by the Borrower pursuant to the provisions below and, thereafter, each subsequent period commencing on the last day of the immediately preceding Interest Period and ending on the last day of the period selected by the Borrower pursuant to the provisions below. The duration of each such Interest Period shall be one, two, three or six months, as the Borrower may, upon notice received by the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the first day of such Interest Period, select; provided, however, that:

(a) the Borrower may not select any Interest Period with respect to any Eurodollar Rate Advance under a Facility that ends after any principal repayment installment date for such Facility unless, after giving effect to such selection, the aggregate principal amount of Base Rate Advances and of Eurodollar Rate Advances having Interest Periods that end on or prior to such principal repayment installment date for such Facility shall be at least equal to the aggregate principal amount of Advances under such Facility due and payable on or prior to such date;

(b) Interest Periods commencing on the same date for Eurodollar Rate Advances comprising part of the same Borrowing shall be of the same duration;

(c) whenever the last day of any Interest Period would otherwise occur on a day other than a Business Day, the last day of such Interest Period shall be extended to occur on the next succeeding Business Day, provided, however, that, if such extension would cause the last day of such Interest Period to occur in the next following calendar month, the last day of such Interest Period shall occur on the next preceding Business Day; and

(d) whenever the first day of any Interest Period occurs on a day of an initial calendar month for which there is no numerically corresponding day in the calendar month that succeeds such initial calendar month by the number of months equal to the number of months in such Interest Period, such

Interest Period shall end on the last Business Day of such succeeding calendar month.

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"INTERNAL REVENUE CODE" means the Internal Revenue Code of 1986, as amended from time to time, and the regulations promulgated and rulings issued thereunder.

"INVENTORY" means all Inventory referred to in Section 1(b) of the Security Agreement.

"INVESTMENT" in any Person means any loan or advance to such Person, any deposit with such Person, any prepayment of the services of such Person (other than in the ordinary course of business), any purchase or other acquisition of any Equity Interests or Debt or the assets comprising a division or business unit or a substantial part or all of the business of such Person, any capital contribution to such Person or any other direct or indirect investment in such Person, including, without limitation, any acquisition by way of a merger or consolidation and any arrangement pursuant to which the investor incurs Debt of the types referred to in clause (i) or (j) of the definition of "DEBT" in respect of such Person.

"ISSUING BANKS" means each Initial Issuing Bank and any other Revolving Credit Lender approved as an Issuing Bank by each of the Agents and any Eligible Assignee to which a Letter of Credit Commitment hereunder has been assigned pursuant to Section 8.07 so long as each such Revolving Credit Lender or each such Eligible Assignee expressly agrees to perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as an Issuing Bank and notifies the Administrative Agent of its Applicable Lending Office and the amount of its Letter of Credit Commitment (which information shall be recorded by the Administrative Agent in the Register).

"KOREAN RESTRUCTURING" has the meaning specified in the preliminary statements to this Agreement.

"L/C COLLATERAL ACCOUNT" has the meaning specified in the Security Agreement.

"L/C RELATED DOCUMENTS" has the meaning specified in Section 2.04(d) (ii) (A).

"LENDER PARTY" means any Lender or any Issuing Bank.

"LENDERS" means the Initial Lenders and each Person that shall become a Lender hereunder pursuant to Section 8.07 for so long as such Initial Lender or Person, as the case may be, shall be a party to this Agreement.

"LETTER OF CREDIT ADVANCE" means an advance made by any Issuing Bank or any Revolving Credit Lender pursuant to Section 2.03(c).

"LETTER OF CREDIT AGREEMENT" has the meaning specified in Section 2.03(a).

"LETTER OF CREDIT COMMITMENT" means, with respect to any Issuing Bank at any time, the amount set forth opposite such Issuing Bank's name on Schedule I hereto under the caption "Letter of Credit Commitment" or, if such Issuing Bank has entered into one or more Assignment and Acceptances, set forth for such Issuing Bank in the Register maintained by the Administrative Agent pursuant to Section 8.07(d) as such Issuing Bank's "Letter of Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"LETTER OF CREDIT FACILITY" means, at any time, an amount equal to the lesser of (a) the aggregate amount of the Issuing Banks' Letter of Credit Commitments at such time and (b) \$50,000,000, as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"LETTERS OF CREDIT" has the meaning specified in Section 2.01(d).

"LEVERAGE RATIO" means, at any date of determination, the ratio of Consolidated total Debt for Borrowed Money of the Borrower and its Restricted Subsidiaries to Consolidated EBITDA of the Borrower and its Restricted Subsidiaries for the most recent Measurement Period ending on or prior to such date.

"LIEN" means any lien, security interest or other charge or encumbrance of any kind, or any other type of preferential arrangement which is intended to serve as the functional equivalent of security, including, without limitation, the lien or retained security title of a conditional vendor and any easement, right of way or other encumbrance on title to real property.

"LOAN DOCUMENTS" means (a) for purposes of this Agreement and the Notes and any amendment, supplement or modification hereof or thereof, (i) this Agreement, (ii) the Notes, (iii) the Guaranties, (iv) the Collateral Documents, (v) each Letter of Credit Agreement, (vi) each Intercompany Note, and (vii) the Fee Letter and (b) for purposes of the Guaranties and the Collateral Documents and for all other purposes other than for purposes of this Agreement and the Notes, (i) this Agreement, (ii) the Notes, (iii) the Guaranties, (iv) the Collateral Documents, (v) each Letter of Credit Agreement, (vi) each Secured Hedge Agreement, (vii) each Intercompany Note, and (viii) the Fee Letter, in each case as amended.

"LOAN PARTIES" means the Borrower, the Guarantors and AT Korea.

"LOAN VALUE" means (a) with respect to Eligible Receivables, up to 85% of the value of Eligible Receivables; and (b) with respect to Eligible Inventory, up to 50% of the value of Eligible Inventory.

"MARGIN STOCK" has the meaning specified in Regulation U.

"MATERIAL ADVERSE CHANGE" means any material adverse change in the business, assets, properties, liabilities (actual and contingent), condition (financial or otherwise), operations or prospects of (a) the Borrower and its Subsidiaries, taken as a whole, (b) as of the Effective Date only, the Acquired Business or (c) as of the Effective Date only, Anam and its Subsidiaries, taken as a whole.

"MATERIAL ADVERSE EFFECT" means a material adverse effect on (a) the business, assets, properties, liabilities (actual and contingent), operations, condition (financial or otherwise), or prospects of (i) the Borrower and its Subsidiaries, taken as a whole, (ii) as of the Effective Date only, the Acquired Business or (iii) as of the Effective Date only, Anam and its Subsidiaries, taken as a whole, (b) the rights and remedies of any Agent or any Lender Party under any Transaction Document or (c) the ability of any Loan Party to perform its Obligations under any Transaction Document to which it is or is to be a party.

"MATERIAL CONTRACT" means the contracts listed on Schedule 4.01(z) hereto.

"MEASUREMENT PERIOD" means, at any date of determination, the most recent four consecutive fiscal quarters ending on or prior to such date; provided that, (a) for determination on June 30, 2000, Measurement Period shall mean the fiscal quarter most recently ended multiplied by four; (b) for determination on September 30, 2000, Measurement Period shall mean the two fiscal quarters most recently ended multiplied by two; and (c) for determination on December 31,

2000, Measurement Period shall mean the three fiscal quarters most recently ended multiplied by 4/3.

"MORTGAGES" has the meaning specified in Section 5.01(r).

"MORTGAGE POLICIES" has the meaning specified in Section 5.01(r) (B).

"MULTIEMPLOYER PLAN" means a multiemployer plan, as defined in Section 4001(a)(3) of ERISA, to which any Loan Party or any ERISA Affiliate is making or accruing an obligation to make contributions, or has within any of the preceding five plan years made or accrued an obligation to make contributions.

"MULTIPLE EMPLOYER PLAN" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Loan Party or any ERISA Affiliate and at least one Person other than the Loan Parties and the ERISA Affiliates or (b) was so maintained and in respect of which any Loan Party or any ERISA Affiliate could have liability under Section 4064 or 4069 of ERISA in the event such plan has been or were to be terminated.

"NET CASH PROCEEDS" means, with respect to any sale, lease, transfer or other disposition of any asset or the incurrence or issuance of any Debt or the sale or issuance of any Equity Interests (including, without limitation, any capital contribution) by any Person, or any Extraordinary Receipt received by or paid to or for the account of any Person, the aggregate amount of cash received from time to time (whether as initial consideration or through payment or disposition of deferred consideration) by or on behalf of such Person in connection with such transaction after deducting therefrom only (without duplication) (a) reasonable and customary brokerage commissions, underwriting fees and discounts, legal fees, finder's fees and other similar fees and commissions, (b) the amount of taxes payable in connection with or as a result of such transaction and (c) the amount of any Debt secured by a Lien on such asset that, by the terms of the agreement or instrument governing such Debt, is required to be repaid upon such disposition, in each case to the extent, but only to the extent, that the amounts so deducted are, at the time of receipt of such cash, actually paid to a Person that is not an Affiliate of such Person or any Loan Party or any Affiliate of any Loan Party and are properly attributable to such transaction or to the asset that is the subject thereof.

"NEWCO" has the meaning specified in the definition of "Fab Transaction".

"NEWCO SUCCESSOR" has the meaning specified in the definition of "Fab Transaction".

"NOTE" means a Term A Note, a Term B Note or a Revolving Credit Note.

"NOTICE OF BORROWING" has the meaning specified in Section 2.02(a).

"NOTICE OF ISSUANCE" has the meaning specified in Section 2.03(a).

"NOTICE OF RENEWAL" has the meaning specified in Section 2.01(d).

"NOTICE OF TERMINATION" has the meaning specified in Section 2.01(d).

"NPL" means the National Priorities List under CERCLA.

"OBLIGATION" means, with respect to any Person, any payment,

performance or other obligation of such Person of any kind, including, without limitation, any liability of such Person on any claim, whether or not the right of any creditor to payment in respect of such claim is reduced to judgment, liquidated, unliquidated, fixed, contingent, matured, disputed, undisputed, legal, equitable, secured or unsecured, and whether or not such claim is discharged, stayed or otherwise affected by any proceeding referred to in Section 6.01(f). Without limiting the generality of the foregoing, the Obligations of any Loan Party under the Loan Documents include (a) the obligation to pay principal, interest, Letter of Credit commissions, charges, expenses, fees, attorneys' fees and disbursements, indemnities and other amounts payable by such Loan Party under any Loan Document and (b) the obligation of such Loan Party to reimburse any amount in respect of any of the foregoing that any Lender Party, in its sole discretion, may elect to pay or advance on behalf of such Loan Party.

"OECD" means the Organization for Economic Cooperation and Development.

"OPEN YEAR" has the meaning specified in Section 4.01(r)(ii).

"OTHER TAXES" has the meaning specified in Section 2.12(b).

"PBGC" means the Pension Benefit Guaranty Corporation (or any successor).

"PERMITTED INVESTMENTS" has the meaning specified in Section 2.06(b)(iii).

"PERMITTED LIENS" means such of the following as to which no enforcement, collection, execution, levy or foreclosure proceeding shall have been commenced: (a) Liens for taxes, assessments and governmental charges or levies to the extent not required to be paid under Section 5.01(b); (b) Liens imposed by law, such as materialmen's, mechanics', carriers', workmen's and repairmen's Liens and other similar Liens arising in the ordinary course of business securing obligations that are not overdue for a period of more than 30 days or which are being contested in good faith and by appropriate proceedings provided, that any reserves required by GAAP shall have been made; (c) zoning restrictions, easements, rights of way and other encumbrances on title to real property that do not render title to the property encumbered thereby unmarketable or materially adversely affect the use of such property for its present purposes; (d) Liens arising from judgments or decrees in circumstances not constituting an Event of Default so long as such Lien is adequately bonded; (e) Liens on insurance proceeds in favor of insurance companies with respect to the financing of insurance premiums on policies under which such proceeds are to be paid; (f) Liens incurred or deposits made under worker's compensation, unemployment insurance and other types of social security or to secure the performance of bids, tenders, contracts (other than for the payment of money), surety and appeal bonds or to secure indemnity, performance or other similar bonds in the ordinary course of business; (g) Liens incurred in connection with licenses and sublicenses which do not interfere in any material respect with the business of the Borrower or its Restricted Subsidiaries and any interest or title of a licensee under any such leases, subleases, licenses or sublicenses; (h) Liens arising out of consignment or similar arrangements for the sale of goods in the ordinary course of business; and (i) Liens in favor of customs and revenue authorities arising as a matter of law to secure payment of customs duties in connection with the importation of goods.

"PERSON" means an individual, partnership, corporation (including a business trust), limited liability company, joint stock company, trust, unincorporated association, joint venture or other entity, or a government or any political subdivision or agency thereof.

"PLAN" means a Single Employer Plan or a Multiple Employer Plan.

"PLEDGED DEBT" has the meaning specified in the Security

Agreement.

"PLEDGED SHARES" has the meaning specified in the Security Agreement.

"PREFERRED INTERESTS" means, with respect to any Person, Equity Interests issued by such Person that are entitled to a preference or priority over any other Equity Interests issued by such Person upon any distribution of such Person's property and assets, whether by dividend or upon liquidation, provided that the Convertible Subordinated Notes or the 2000 Convertible Subordinated Notes shall not be "Preferred Interests" for the purposes of this Agreement so long as such Convertible Subordinated Notes or 2000 Convertible Subordinated Notes shall not have been converted.

"PREPAYMENT AMOUNT" has the meaning specified in Section 5.03(a).

"PREPAYMENT DATE" has the meaning specified in Section 5.03(a).

"PREPAYMENT NOTICE" has the meaning specified in Section 5.03(a).

"PRO RATA SHARE" of any amount means, with respect to any Revolving Credit Lender at any time, the product of such amount times a fraction the numerator of which is the amount of such Lender's Revolving Credit Commitment at such time (or, if the Commitments shall have been terminated pursuant to Section 2.05 or 6.01, such Lender's Revolving Credit Commitment as in effect immediately prior to such termination) and the denominator of which is the Revolving Credit Facility at such time (or, if the Commitments shall have been terminated pursuant to Section 2.05 or 6.01, the Revolving Credit Facility as in effect immediately prior to such termination).

"RECEIVABLES" means all Receivables referred to in Section 1(c) of the Security Agreement.

"REDEEMABLE" means, with respect to any Equity Interest, any Debt or any other right or Obligation, any such right or Obligation that (a) the issuer has undertaken to redeem at a fixed or determinable date or dates, whether by operation of a sinking fund or otherwise, or upon the occurrence of a condition not solely within the control of the issuer or (b) is redeemable at the option of the holder.

"REFINANCING" has the meaning specified in the preliminary statements to this Agreement.

"REGISTER" has the meaning specified in Section 8.07(d).

"REGULATION U" means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

"RELATED DOCUMENTS" means the Acquisition Agreement, the Subordinated Debt Documents, the Subscription Agreement, the documents setting forth the Korean Restructuring delivered to the Borrower and each other document and instrument executed and delivered in connection with the consummation of the Transactions (other than the Loan Documents) and the Indentures.

"REPLACED LENDER PARTY" has the meaning specified in Section 2.12(h).

"REPLACEMENT EFFECTIVE DATE" has the meaning specified in Section 2.12(h).

"REPLACEMENT LENDER PARTY" has the meaning specified in Section 2.12(h).

"REQUIRED LENDERS" means, at any time, Lenders owed or holding

at least a majority in interest of the sum of (a) the aggregate principal amount of the Advances outstanding at such time, (b) the aggregate Available Amount of all Letters of Credit outstanding at such time, (c) the aggregate unused Commitments under the Term Facilities at such time and (d) the aggregate Unused Revolving Credit Commitments at such time; provided, however, that if any Lender shall be a Defaulting Lender at such time, there shall be excluded from the determination of Required Lenders at such time (A) the aggregate principal amount of the Advances owing to such Lender (in its capacity as a Lender) and outstanding at such time, (B) such Lender's Pro Rata Share of the aggregate Available Amount of all Letters of Credit outstanding at such time, (C) the aggregate unused Term Commitments of such Lender at such time and (D) the Unused Revolving Credit Commitment of such Lender at such time. For purposes of this definition, the aggregate principal amount of Letter of Credit Advances owing to any Issuing Bank and the Available Amount of each Letter of Credit shall be considered to be owed to the Revolving Credit Lenders ratably in accordance with their respective Revolving Credit Commitments.

"RESPONSIBLE OFFICER" means any officer of any Loan Party or any of its Subsidiaries.

"RESTRICTED SUBSIDIARY" means any Subsidiary of the Borrower that is not an Unrestricted Subsidiary.

"REVOLVING CREDIT ADVANCE" has the meaning specified in Section 2.01(c).

"REVOLVING CREDIT BORROWING" means a borrowing consisting of simultaneous Revolving Credit Advances of the same Type made by the Revolving Credit Lenders.

"REVOLVING CREDIT COMMITMENT" means, with respect to any Revolving Credit Lender at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Revolving Credit Commitment" or, if such Lender has entered into one or more Assignment and Acceptances, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(d) as such Lender's "Revolving Credit Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"REVOLVING CREDIT FACILITY" means, at any time, the aggregate amount of the Revolving Credit Lenders' Revolving Credit Commitments at such time.

"REVOLVING CREDIT LENDER" means any Lender that has a Revolving Credit Commitment.

"REVOLVING CREDIT NOTE" means a promissory note of the Borrower payable to the order of any Revolving Credit Lender, in substantially the form of Exhibit A-3 hereto, evidencing the aggregate indebtedness of the Borrower to such Lender resulting from the Revolving Credit Advances made by such Lender, as amended.

"SECURED HEDGE AGREEMENT" means any Hedge Agreement required or permitted under Article V that is entered into by and between any Loan Party and any Hedge Bank.

"SECURED OBLIGATIONS" has the meaning specified in the Security Agreement.

"SECURED PARTIES" means the Agents and the Lender Parties.

"SECURITY AGREEMENT" has the meaning specified in Section 3.01(a)(ii).

"SENIOR DEBT RATIO" means, at any date of determination, the ratio of (a) the sum of (i) outstanding Advances, (ii) the Available Amount of outstanding Letters of Credit, and (iii) all other secured

outstanding Debt (other than Subordinated Debt), in each case, as at the end of the most recently ended fiscal quarter of the Borrower for which financial statements are required to be delivered to the Lender Parties pursuant to Section 5.03(b) or (c), as the case may be, to (b) Consolidated EBITDA of the Borrower and its Restricted Subsidiaries for such fiscal quarter and the immediately preceding three fiscal quarters, as adjusted to give pro forma effect to any Investment made since the last day of such fiscal quarter or to be made within 90 days after such date of determination pursuant to an executed purchase agreement as though such Investment had been made at the beginning of such four fiscal quarter period.

"SENIOR NOTES" means the Series A and Series B 9 1/4% Senior Notes due 2006 issued pursuant to the Senior Notes Indenture, as amended, to the extent permitted under the Loan Documents.

"SENIOR NOTES INDENTURE" means the Indenture dated as of May 13, 1999 between the Borrower and State Street Bank and Trust Company, as trustee, pursuant to which the Senior Notes were issued, as amended, to the extent permitted under the Loan Documents.

"SENIOR SUBORDINATED NOTES" means the Series A and Series B 10 1/2% Senior Subordinated Notes due 2009 issued pursuant to the Senior Subordinated Notes Indenture, as amended, to the extent permitted under the Loan Documents.

"SENIOR SUBORDINATED NOTES INDENTURE" means the Indenture dated as of May 13, 1999 between the Borrower and State Street Bank and Trust Company, as trustee, pursuant to which the Senior Subordinated Notes were issued, as amended, to the extent permitted under the Loan Documents.

"SG" has the meaning specified in the recital of parties to this Agreement.

"SG COWEN" has the meaning specified in the recital of parties to this Agreement.

"SINGLE EMPLOYER PLAN" means a single employer plan, as defined in Section 4001(a)(15) of ERISA, that (a) is maintained for employees of any Loan Party or any ERISA Affiliate and no Person other than the Loan Parties and the ERISA Affiliates or (b) was so maintained and in respect of which any Loan Party or any ERISA Affiliate could have liability under Section 4069 of ERISA in the event such plan has been or were to be terminated.

"SOLVENT" and "SOLVENCY" mean, with respect to any Person on a particular date, that on such date (a) the fair value of the property of such Person is greater than the total amount of liabilities, including, without limitation, contingent liabilities, of such Person, (b) the present fair salable value of the assets of such Person is not less than the amount that will be required to pay the probable liability of such Person on its debts as they become absolute and matured, (c) such Person does not intend to, and does not believe that it will, incur debts or liabilities beyond such Person's ability to pay such debts and liabilities as they mature and (d) such Person is not

engaged in business or a transaction, and is not about to engage in business or a transaction, for which such Person's property would constitute an unreasonably small capital. The amount of contingent liabilities at any time shall be computed as the amount that, in the light of all the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability.

"SPC" has the meaning specified in Section 8.07(i).

"SSBI" has the meaning specified in the recital of parties to this Agreement.

"STANDBY LETTER OF CREDIT" means any Letter of Credit issued under the Letter of Credit Facility, other than a Trade Letter of Credit.

"SUBORDINATED DEBT" means the Convertible Subordinated Debt and any other Debt of the Borrower that is subordinated to the Obligations of the Borrower under the Loan Documents on, and that otherwise contains, terms and conditions reasonably satisfactory to the Required Lenders.

"SUBORDINATED DEBT DOCUMENTS" means all agreements, indentures and instruments pursuant to which Subordinated Debt is issued.

"SUBORDINATED DEBT ISSUANCE" has the meaning specified in the preliminary statements to this Agreement.

"SUBSCRIPTION AGREEMENT" means the Subscription Agreement dated as of April 14, 2000 among the Borrower and the purchasers named therein, pursuant to which the Common Stock was purchased, as amended, to the extent permitted under the Loan Documents.

"SUBSIDIARY" of any Person means any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding capital stock having ordinary voting power to elect a majority of the Board of Directors of such corporation (irrespective of whether at the time Equity Interests in any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency), (b) the interest in the capital or profits of such partnership, joint venture or limited liability company or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"SUBSIDIARY GUARANTOR" means each Subsidiary of the Borrower listed on Schedule II hereto and each other Subsidiary of the Borrower that shall be required to execute and deliver a guaranty pursuant to Section 5.01(j).

"SUBSIDIARY GUARANTY" has the meaning specified in Section 3.01(a)(iii).

"SURVIVING DEBT" means Debt of each Loan Party and its Subsidiaries outstanding immediately before and after giving effect to the transactions contemplated by the Transaction Documents.

"SYNDICATION AGENT" has the meaning specified in the recital of parties to this Agreement.

"TANGIBLE NET WORTH" shall mean, at the end of any fiscal quarter, the sum of the capital stock (including Debt converted into or exchanged for capital stock or otherwise capitalized) and additional paid-in capital, plus retained earnings (or minus accumulated deficit) as determined on a consolidated basis in accordance with GAAP, minus any goodwill and intangibles, all as determined in accordance with GAAP.

"TAX CERTIFICATE" has the meaning specified in Section 5.03(j).

"TAXES" has the meaning specified in Section 2.12(a).

"TERM A ADVANCE" has the meaning specified in Section 2.01(a).

"TERM A BORROWING" means a borrowing consisting of simultaneous Term A Advances of the same Type made by the Term A Lenders.

"TERM A COMMITMENT" means, with respect to any Term A Lender at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Term A Commitment" or, if such Lender has

entered into one or more Assignment and Acceptances, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(d) as such Lender's "Term A Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"TERM A FACILITY" means, at any time, the aggregate amount of the Term A Lenders' Term A Commitments at such time.

"TERM A LENDER" means any Lender that has a Term A Commitment.

"TERM A NOTE" means a promissory note of the Borrower payable to the order of any Term A Lender, in substantially the form of Exhibit A-1 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from the Term A Advance made by such Lender, as amended.

"TERM ADVANCE" means a Term A Advance or a Term B Advance.

"TERM B ADVANCE" has the meaning specified in Section 2.01(b).

"TERM B BORROWING" means a borrowing consisting of simultaneous Term B Advances of the same Type made by the Term B Lenders.

"TERM B COMMITMENT" means, with respect to any Term B Lender at any time, the amount set forth opposite such Lender's name on Schedule I hereto under the caption "Term B Commitment" or, if such Lender has entered into one or more Assignment and Acceptances, set forth for such Lender in the Register maintained by the Administrative Agent pursuant to Section 8.07(d) as such Lender's "Term B Commitment", as such amount may be reduced at or prior to such time pursuant to Section 2.05.

"TERM B FACILITY" means, at any time, the aggregate amount of the Term B Lenders' Term B Commitments at such time.

"TERM B LENDER" means any Lender that has a Term B Commitment.

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"TERM B NOTE" means a promissory note of the Borrower payable to the order of any Term B Lender, in substantially the form of Exhibit A-2 hereto, evidencing the indebtedness of the Borrower to such Lender resulting from the Term B Advance made by such Lender, as amended.

"TERM BORROWING" means a Term A Borrowing or a Term B Borrowing.

"TERM COMMITMENTS" means the Term A Commitments and the Term B Commitments.

"TERM FACILITIES" means the Term A Facility and the Term B Facility.

"TERM LENDER" means a Term A Lender or a Term B Lender.

"TERMINATION DATE" means the earlier of (a) the date of termination in whole of the Revolving Credit Commitments, the Letter of Credit Commitments and the Term Commitments pursuant to Section 2.05 or 6.01 and (b) (i) for purposes of the Revolving Credit Facility and the Letter of Credit Facility, March 31, 2005, (ii) for purposes of the Term A Facility, March 31, 2005 and (iii) for purposes of the Term B Facility and for all other purposes, the date that is the earlier of (A) September 30, 2005 and (B) 6 months prior to maturity of the Senior Notes.

"TRADE LETTER OF CREDIT" means any Letter of Credit that is issued under the Letter of Credit Facility for the benefit of a supplier of Inventory to the Borrower or any of its Subsidiaries to effect payment for such Inventory, the conditions to drawing under which include the presentation to the Issuing Bank that issued such Letter of Credit of negotiable bills of lading, invoices and related documents sufficient, in the judgment of such Issuing Bank, to create a valid and perfected lien on or security interest in such Inventory, bills of lading, invoices and related documents in favor of such Issuing Bank.

"TRANSACTION DOCUMENTS" means, collectively, the Loan Documents and the Related Documents.

"TRANSACTIONS" has the meaning specified in the preliminary statements to this Agreement.

"2000 CONVERTIBLE SUBORDINATED NOTES" means the 5% Notes issued pursuant to the 2000 Convertible Subordinated Notes Indenture, as amended to the extent permitted under the Loan Documents.

"2000 CONVERTIBLE SUBORDINATED NOTES INDENTURE" means the Indenture dated as of March 22, 2000 between the Borrower and State Street Bank and Trust Company, as trustee, pursuant to which the Convertible Subordinated Debt was issued, as amended, to the extent permitted under the Loan Documents.

"TYPE" refers to the distinction between Advances bearing interest at the Base Rate and Advances bearing interest at the Eurodollar Rate.

"UNRESTRICTED SUBSIDIARY" means a direct, wholly-owned Subsidiary of the Borrower, designated as an unrestricted Subsidiary by the board of directors of the Borrower (and shall in any event include any of Anam, Newco or Newco Successor if such entity becomes a Subsidiary of the Borrower), provided that the conditions set forth on Schedule IV hereto shall have been and shall remain satisfied with respect to such Subsidiary.

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"UNUSED REVOLVING CREDIT COMMITMENT" means, with respect to any Revolving Credit Lender at any time, (a) such Lender's Revolving Credit Commitment at such time minus (b) the sum of (i) the aggregate principal amount of all Revolving Credit Advances and Letter of Credit Advances made by such Lender (in its capacity as a Lender) and outstanding at such time plus (ii) such Lender's Pro Rata Share of (A) the aggregate Available Amount of all Letters of Credit outstanding at such time and (B) the aggregate principal amount of all Letter of Credit Advances made by the Issuing Banks pursuant to Section 2.03(c) and outstanding at such time.

"VOTING INTERESTS" means shares of capital stock issued by a corporation, or equivalent Equity Interests in any other Person, the holders of which are ordinarily, in the absence of contingencies, entitled to vote for the election of directors (or persons performing similar functions) of such Person, even if the right so to vote has been suspended by the happening of such a contingency.

"WELFARE PLAN" means a welfare plan, as defined in Section 3(1) of ERISA, that is maintained for employees of any Loan Party or in respect of which any Loan Party could have liability.

"WITHDRAWAL LIABILITY" has the meaning specified in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Computation of Time Periods; Other Definitional Provisions. In this Agreement and the other Loan Documents in the computation of periods of time from a specified date to a later specified date, the word "FROM" means "from and including" and the words "TO" and "UNTIL" each mean "to but excluding". References in the Loan Documents to any agreement or contract "AS AMENDED" shall mean and be a reference to such agreement or contract as amended, amended and restated, supplemented or otherwise modified from time to time in accordance with its terms.

SECTION 1.03. Accounting Terms. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles consistent with those applied in the preparation of the financial statements referred to in Section 4.01(g) ("GAAP").

ARTICLE II

AMOUNTS AND TERMS OF THE ADVANCES AND THE LETTERS OF CREDIT

SECTION 2.01. The Advances and the Letters of Credit. (a) The Term A Advances. Each Term A Lender severally agrees, on the terms and conditions hereinafter set forth, to make a single advance (a "TERM A ADVANCE") to the Borrower on the Effective Date in an amount not to exceed such Lender's Term A Commitment at such time. The Term A Borrowing shall consist of Term A Advances made simultaneously by the Term A Lenders ratably according to their Term A Commitments. Amounts borrowed under this Section 2.01(a) and repaid or prepaid may not be reborrowed.

(b) The Term B Advances. Each Term B Lender severally agrees, on the terms and conditions hereinafter set forth, to make a single advance (a "TERM B ADVANCE") to the Borrower on the Effective Date in an amount not to exceed such Lender's Term B Commitment at such time. The Term B Borrowing shall consist of Term B Advances made simultaneously by the Term B Lenders ratably according to their Term B Commitments. Amounts borrowed under this Section 2.01(b) and repaid or prepaid may not be reborrowed.

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(c) The Revolving Credit Advances. Each Revolving Credit Lender severally agrees, on the terms and conditions hereinafter set forth, to make advances (each a "REVOLVING CREDIT ADVANCE") to the Borrower from time to time on any Business Day during the period from the Effective Date until the Termination Date in an amount for each such Advance not to exceed such Lender's Unused Revolving Credit Commitment at such time; provided, however, that the aggregate amount of Revolving Credit Advances made on the Effective Date shall not exceed \$50,000,000. Each Revolving Credit Borrowing shall be in an aggregate amount of \$2,500,000 or an integral multiple of \$500,000 in excess thereof (other than a Borrowing the proceeds of which shall be used solely to repay or prepay in full outstanding Letter of Credit Advances) and shall consist of Revolving Credit Advances made simultaneously by the Revolving Credit Lenders ratably according to their Revolving Credit Commitments. Within the limits of each Revolving Credit Lender's Unused Revolving Credit Commitment in effect from time to time, the Borrower may borrow under this Section 2.01(c), prepay pursuant to Section 2.06(a) and reborrow under this Section 2.01(c).

(d) Letters of Credit. Each Issuing Bank severally agrees, on the terms and conditions hereinafter set forth, to issue (or cause its Affiliate that is a commercial bank to issue on its behalf) letters of credit (the "LETTERS OF Credit") for the account of the Borrower from time to time on any Business Day during the period from the date hereof until 60 days before the Termination Date in an aggregate Available Amount (i) for all Letters of Credit issued by such Issuing Bank not to exceed at any time the lesser of (x) the Letter of Credit Facility at such time and (y) such Issuing Bank's Letter of Credit Commitment at such time and (ii) for each such Letter of Credit not to exceed the Unused Revolving Credit Commitments of the Revolving Credit Lenders at such time. No Letter of Credit shall have an expiration date (including all rights of the Borrower or the beneficiary to require renewal) later than the earlier of 60 days before the Termination Date and (A) in the case of a Standby Letter of Credit, one year after the date of issuance thereof, but may by its terms be renewable annually upon notice (a "NOTICE OF RENEWAL") given to the Issuing Bank that issued such Standby Letter of Credit and the Administrative Agent on or prior to any date for notice of renewal set forth in such Letter of Credit but in any event at least three Business Days prior to the date of the proposed renewal of such Standby Letter of Credit and upon fulfillment of the applicable conditions set forth in Article III unless such Issuing Bank has notified the Borrower (with a copy to the Administrative Agent) on or prior to the date for notice of termination set forth in such Letter of Credit but in any event at least 30 Business Days prior to the date of automatic renewal of its election not to renew such Standby Letter of Credit (a "NOTICE OF TERMINATION") and (B) in the case of a Trade Letter of Credit, 60 days after the date of issuance thereof; provided that the terms of each Standby Letter of Credit that is automatically renewable annually shall (x) require the Issuing Bank that issued such Standby Letter of Credit to give the beneficiary named in such Standby Letter of Credit notice of any Notice of Termination, (y) permit such

beneficiary, upon receipt of such notice, to draw under such Standby Letter of Credit prior to the date such Standby Letter of Credit otherwise would have been automatically renewed and (z) not permit the expiration date (after giving effect to any renewal) of such Standby Letter of Credit in any event to be extended to a date later than 60 days before the Termination Date. If either a Notice of Renewal is not given by the Borrower or a Notice of Termination is given by the relevant Issuing Bank pursuant to the immediately preceding sentence, such Standby Letter of Credit shall expire on the date on which it otherwise would have been automatically renewed; provided, however, that even in the absence of receipt of a Notice of Renewal the relevant Issuing Bank may in its discretion, unless instructed to the contrary by the Administrative Agent or the Borrower, deem that a Notice of Renewal had been timely delivered and in such case, a Notice of Renewal shall be deemed to have been so delivered for all purposes under this Agreement. Within the limits of the Letter of Credit Facility, and subject to the limits referred to above, the Borrower may request the issuance of Letters of Credit under this Section 2.01(d), repay any Letter of Credit Advances resulting from drawings thereunder pursuant to Section 2.03(c) and request the issuance of additional Letters of Credit under this Section 2.01(d).

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SECTION 2.02. Making the Advances. (a) Except as otherwise provided in Section 2.02(b) or 2.03, each Borrowing shall be made on notice, given not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Eurodollar Rate Advances, or the first Business Day prior to the date of the proposed Borrowing in the case of a Borrowing consisting of Base Rate Advances, by the Borrower to the Administrative Agent, which shall give to each Appropriate Lender prompt notice thereof by telex or telecopier. Each such notice of a Borrowing (a "NOTICE OF BORROWING") shall be by telephone, confirmed immediately in writing, or telex or telecopier, in substantially the form of Exhibit B hereto, specifying therein the requested (i) date of such Borrowing, (ii) Facility under which such Borrowing is to be made, (iii) Type of Advances comprising such Borrowing, (iv) aggregate amount of such Borrowing and (v) in the case of a Borrowing consisting of Eurodollar Rate Advances, initial Interest Period for each such Advance. Each Appropriate Lender shall, before 11:00 A.M. (New York City time) on the date of such Borrowing, make available for the account of its Applicable Lending Office to the Administrative Agent at the Administrative Agent's Account, in same day funds, such Lender's ratable portion of such Borrowing in accordance with the respective Commitments under the applicable Facility of such Lender and the other Appropriate Lenders. After the Administrative Agent's receipt of such funds and upon fulfillment of the applicable conditions set forth in Article III, the Administrative Agent will make such funds available to the Borrower by crediting the Borrower's Account; provided, however, that, in the case of any Revolving Credit Borrowing, the Administrative Agent shall first make a portion of such funds equal to the aggregate principal amount of any Letter of Credit Advances made by any Issuing Bank, as the case may be, and by any other Revolving Credit Lender and outstanding on the date of such Revolving Credit Borrowing, plus interest accrued and unpaid thereon to and as of such date, available to such Issuing Bank, as the case may be, and such other Revolving Credit Lenders for repayment of such Letter of Credit Advances.

(b) Anything in subsection (a) above to the contrary notwithstanding, the Borrower may not select Eurodollar Rate Advances (i) for the initial Borrowing hereunder, (ii) for any Borrowing if the aggregate amount of such Borrowing is less than \$5,000,000 or (iii) if the obligation of the Appropriate Lenders to make Eurodollar Rate Advances shall then be suspended pursuant to Section 2.09 or 2.10; provided, however, that if the syndication under this Agreement has not been completed on or prior to the Effective Date, then the Borrower may only select Eurodollar Rate Advances with one month Interest Period until the earlier of (i) the date which is three months after the Effective Date and (ii) the date the syndication has been completed as shall be specified by the Administrative Agent in a notice to the Borrower. In addition, the Term A Advances may not be outstanding as part of more than 5 separate Borrowings, the Term B Advances may not be outstanding as part of more than 5 separate Borrowings and the Revolving Credit Advances may not be outstanding as part of more than 10 separate Borrowings.

(c) Each Notice of Borrowing shall be irrevocable and binding on the

Borrower. In the case of any Borrowing that the related Notice of Borrowing specifies is to be comprised of Eurodollar Rate Advances, the Borrower shall indemnify each Appropriate Lender against any loss, cost or expense incurred by such Lender as a result of any failure to fulfill on or before the date specified in such Notice of Borrowing for such Borrowing the applicable conditions set forth in Article III, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by such Lender to fund the Advance to be made by such Lender as part of such Borrowing when such Advance, as a result of such failure, is not made on such date.

(d) Unless the Administrative Agent shall have received notice from an Appropriate Lender prior to the date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's ratable portion of such Borrowing, the Administrative Agent may assume that such Lender has made such portion available to the Administrative Agent on the date of such Borrowing in

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accordance with subsection (a) of this Section 2.02 and the Administrative Agent may, in reliance upon such assumption, make available to the Borrower on such date a corresponding amount. If and to the extent that such Lender shall not have so made such ratable portion available to the Administrative Agent, such Lender and the Borrower severally agree to repay or pay to the Administrative Agent forthwith on demand such corresponding amount and to pay interest thereon, for each day from the date such amount is made available to the Borrower until the date such amount is repaid or paid to the Administrative Agent, at (i) in the case of the Borrower, the interest rate applicable at such time under Section 2.07 to Advances comprising such Borrowing and (ii) in the case of such Lender, the Federal Funds Rate. If such Lender shall pay to the Administrative Agent such corresponding amount, such amount so paid shall constitute such Lender's Advance as part of such Borrowing for all purposes.

(e) The failure of any Lender to make the Advance to be made by it as part of any Borrowing shall not relieve any other Lender of its obligation, if any, hereunder to make its Advance on the date of such Borrowing, but no Lender shall be responsible for the failure of any other Lender to make the Advance to be made by such other Lender on the date of any Borrowing.

SECTION 2.03. Issuance of and Drawings and Reimbursement Under Letters of Credit. (a) Request for Issuance. Each Letter of Credit shall be issued upon notice, given not later than 11:00 A.M. (New York City time) on the fifth Business Day prior to the date of the proposed issuance of such Letter of Credit, by the Borrower to any Issuing Bank, which shall give to the Administrative Agent and each Revolving Credit Lender prompt notice thereof by telex or telecopier. Each such notice of issuance of a Letter of Credit (a "NOTICE OF ISSUANCE") shall be by telephone, confirmed immediately in writing, or telex or telecopier, specifying therein the requested (A) date of such issuance (which shall be a Business Day), (B) Available Amount of such Letter of Credit, (C) expiration date of such Letter of Credit, (D) name and address of the beneficiary of such Letter of Credit and (E) form of such Letter of Credit, and shall be accompanied by such application and agreement for letter of credit as such Issuing Bank may specify to the Borrower for use in connection with such requested Letter of Credit (a "LETTER OF CREDIT AGREEMENT"). If (x) the requested form of such Letter of Credit is acceptable to such Issuing Bank in its sole discretion and (y) it has not received notice of objection to such issuance from Lenders holding at least 50% of the Revolving Credit Commitments, such Issuing Bank will, upon fulfillment of the applicable conditions set forth in Article III, make such Letter of Credit available to the Borrower at its office referred to in Section 8.02 or as otherwise agreed with the Borrower in connection with such issuance. In the event and to the extent that the provisions of any Letter of Credit Agreement shall conflict with this Agreement, the provisions of this Agreement shall govern.

(b) Letter of Credit Reports. Each Issuing Bank shall furnish (A) to the Administrative Agent on the first Business Day of each week a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank during the previous week and drawings during such week under all Letters of Credit issued by such Issuing Bank, (B) to each Revolving Credit Lender on the first Business Day of each month a written report summarizing issuance and expiration dates of Letters of Credit issued by such Issuing Bank

during the preceding month and drawings during such month under all Letters of Credit issued by such Issuing Bank and (C) to the Administrative Agent and each Revolving Credit Lender on the first Business Day of each calendar quarter a written report setting forth the average daily aggregate Available Amount during the preceding calendar quarter of all Letters of Credit issued by such Issuing Bank.

(c) Drawing and Reimbursement. The payment by any Issuing Bank of a draft drawn under any Letter of Credit shall constitute for all purposes of this Agreement the making by such Issuing Bank of a Letter of Credit Advance, which shall be a Base Rate Advance, in the amount of such draft. Upon written demand by any Issuing Bank with an outstanding Letter of Credit Advance, with a copy of such demand to the Administrative Agent, each Revolving Credit Lender shall purchase from

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such Issuing Bank, and such Issuing Bank shall sell and assign to each such Revolving Credit Lender, such Lender's Pro Rata Share of such outstanding Letter of Credit Advance as of the date of such purchase, by making available for the account of its Applicable Lending Office to the Administrative Agent for the account of such Issuing Bank, by deposit to the Administrative Agent's Account, in same day funds, an amount equal to the portion of the outstanding principal amount of such Letter of Credit Advance to be purchased by such Lender. Promptly after receipt thereof, the Administrative Agent shall transfer such funds to such Issuing Bank. The Borrower hereby agrees to each such sale and assignment. Each Revolving Credit Lender agrees to purchase its Pro Rata Share of an outstanding Letter of Credit Advance on (i) the Business Day on which demand therefor is made by the Issuing Bank which made such Advance, provided that notice of such demand is given not later than 11:00 A.M. (New York City time) on such Business Day, or (ii) the first Business Day next succeeding such demand if notice of such demand is given after such time. Upon any such assignment by an Issuing Bank to any Revolving Credit Lender of a portion of a Letter of Credit Advance, such Issuing Bank represents and warrants to such other Lender that such Issuing Bank is the legal and beneficial owner of such interest being assigned by it, free and clear of any liens, but makes no other representation or warranty and assumes no responsibility with respect to such Letter of Credit Advance, the Loan Documents or any Loan Party. If and to the extent that any Revolving Credit Lender shall not have so made the amount of such Letter of Credit Advance available to the Administrative Agent, such Revolving Credit Lender agrees to pay to the Administrative Agent forthwith on demand such amount together with interest thereon, for each day from the date of demand by such Issuing Bank until the date such amount is paid to the Administrative Agent, at the Federal Funds Rate for its account or the account of such Issuing Bank, as applicable. If such Lender shall pay to the Administrative Agent such amount for the account of such Issuing Bank on any Business Day, such amount so paid in respect of principal shall constitute a Letter of Credit Advance made by such Lender on such Business Day for purposes of this Agreement, and the outstanding principal amount of the Letter of Credit Advance made by such Issuing Bank shall be reduced by such amount on such Business Day.

(d) Failure to Make Letter of Credit Advances. The failure of any Lender to make the Letter of Credit Advance to be made by it on the date specified in Section 2.03(c) shall not relieve any other Lender of its obligation hereunder to make its Letter of Credit Advance on such date, but no Lender shall be responsible for the failure of any other Lender to make the Letter of Credit Advance to be made by such other Lender on such date.

SECTION 2.04. Repayment of Advances. (a) Term A Advances. The Borrower shall repay to the Administrative Agent for the ratable account of the Term A Lenders the aggregate outstanding principal amount of the Term A Advances on the following dates in the amounts indicated (which amounts shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.06):

Date

Amount

June 30, 2000	\$17,500,000
September 30, 2000	\$17,500,000
December 31, 2000	\$17,500,000
March 31, 2001	\$17,500,000
June 30, 2001	\$17,500,000
September 30, 2001	\$17,500,000
December 31, 2001	\$17,500,000
March 31, 2002	\$17,500,000
June 30, 2002	\$17,500,000
September 30, 2002	\$17,500,000
December 31, 2002	\$17,500,000

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March 31, 2003	\$17,500,000
June 30, 2003	\$17,500,000
September 30, 2003	\$17,500,000
December 31, 2003	\$17,500,000
March 31, 2004	\$17,500,000
June 30, 2004	\$17,500,000
September 30, 2004	\$17,500,000
December 31, 2004	\$17,500,000
March 31, 2005	\$17,500,000

provided, however, that the final principal installment shall be repaid on the Termination Date and in any event shall be in an amount equal to the aggregate principal amount of the Term A Advances outstanding on such date.

(b) Term B Advances. The Borrower shall repay to the Administrative Agent for the ratable account of the Term B Lenders the aggregate outstanding principal amount of the Term B Advances on the following dates in the amounts indicated (which amounts shall be reduced as a result of the application of prepayments in accordance with the order of priority set forth in Section 2.06):

Date	Amount
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June 30, 2000	\$ 875,000
September 30, 2000	\$ 875,000
December 31, 2000	\$875,000
March 31, 2001	\$ 875,000
June 30, 2001	\$ 875,000
September 30, 2001	\$ 875,000
December 30, 2001	\$ 875,000
March 31, 2002	\$875,000
June 30, 2002	\$ 875,000
September 30, 2002	\$ 875,000
December 31, 2002	\$ 875,000
March 31, 2003	\$875,000
June 30, 2003	\$ 875,000
September 30, 2003	\$ 875,000
December 31, 2003	\$42,000,000
March 31, 2004	\$42,000,000
June 30, 2004	\$42,000,000
September 30, 2004	\$42,000,000
December 31, 2004	\$42,000,000
March 31, 2005	\$42,000,000
June 30, 2005	\$42,000,000
September 30, 2005	\$43,750,000

provided, however, that the final principal installment shall be repaid on the Termination Date and in any event shall be in an amount equal to the aggregate principal amount of the Term B Advances outstanding on such date.

(c) Revolving Credit Advances. The Borrower shall repay to the Administrative Agent for the ratable account of the Revolving Credit Lenders on the Termination Date the aggregate outstanding principal amount of the Revolving Credit Advances then outstanding.

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(d) Letter of Credit Advances. (i) The Borrower shall repay to the Administrative Agent for the account of each Issuing Bank and each other Revolving Credit Lender that has made a Letter of Credit Advance on the earlier of demand and the Termination Date the outstanding principal amount of each Letter of Credit Advance made by each of them.

(ii) The Obligations of the Borrower under this Agreement, any Letter of Credit Agreement and any other agreement or instrument relating to any Letter of Credit shall be unconditional and irrevocable, and shall be paid strictly in accordance with the terms of this Agreement, such Letter of Credit Agreement and such other agreement or instrument under all circumstances, including, without limitation, the following circumstances (it being understood that any such payment by the Borrower is without prejudice to, and does not constitute a waiver of, any rights the Borrower might have or might acquire as a result of the payment by any Issuing Bank of any draft or the reimbursement by the Borrower thereof):

(A) any lack of validity or enforceability of any Loan Document, any Letter of Credit Agreement, any Letter of Credit or any other agreement or instrument relating thereto (all of the foregoing being, collectively, the "L/C RELATED DOCUMENTS");

(B) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations of the Borrower in respect of any L/C Related Document or any other amendment or waiver of or any consent to departure from all or any of the L/C Related Documents;

(C) the existence of any claim, set-off, defense or other right that the Borrower may have at any time against any beneficiary or any transferee of a Letter of Credit (or any Persons for whom any such beneficiary or any such transferee may be acting), any Issuing Bank or any other Person, whether in connection with the transactions contemplated by the L/C Related Documents or any unrelated transaction;

(D) any statement or any other document presented under a Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;

(E) payment by any Issuing Bank under a Letter of Credit against presentation of a draft or certificate or other document that does not strictly comply with the terms of such Letter of Credit;

(F) any exchange, release or non-perfection of any Collateral or other collateral, or any release or amendment or waiver of or consent to departure from the Guaranties or any other guarantee, for all or any of the Obligations of the Borrower in respect of the L/C Related Documents; or

(G) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing, including, without limitation, any other circumstance that might otherwise constitute a defense available to, or a discharge of, the Borrower or a guarantor.

SECTION 2.05. Termination or Reduction of the Commitments. (a) Optional. The Borrower may, upon at least three Business Days' notice to the Administrative Agent, terminate in whole or reduce in part the unused portions of the Term A Commitments, the Term B Commitments and the Letter of Credit

Facility and the Unused Revolving Credit Commitments; provided, however, that each partial reduction of a Facility (i) shall be in an aggregate amount of \$2,500,000 or an integral multiple of

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\$500,000 in excess thereof and (ii) shall be made ratably among the Appropriate Lenders in accordance with their Commitments with respect to such Facility.

(b) Mandatory. (i) On the date of the Term A Borrowing, after giving effect to such Term A Borrowing, and from time to time thereafter upon each repayment or prepayment of the Term A Advances, the aggregate Term A Commitments of the Term A Lenders shall be automatically and permanently reduced, on a pro rata basis, by an amount equal to the amount by which the aggregate Term A Commitments immediately prior to such reduction exceed the aggregate unpaid principal amount of the Term A Advances then outstanding.

(ii) On the date of the Term B Borrowing, after giving effect to such Term B Borrowing, and from time to time thereafter upon each repayment or prepayment of the Term B Advances, the aggregate Term B Commitments of the Term B Lenders shall be automatically and permanently reduced, on a pro rata basis, by an amount equal to the amount by which the aggregate Term B Commitments immediately prior to such reduction exceed the aggregate unpaid principal amount of the Term B Advances then outstanding.

(iii) The Letter of Credit Facility shall be permanently reduced from time to time on the date of each reduction in the Revolving Credit Facility by the amount, if any, by which the amount of the Letter of Credit Facility exceeds the Revolving Credit Facility after giving effect to such reduction of the Revolving Credit Facility.

SECTION 2.06. Prepayments. (a) Optional. The Borrower may, upon at least three Business Days' notice to the Administrative Agent stating the proposed date and aggregate principal amount of the prepayment, and if such notice is given the Borrower shall, prepay the outstanding aggregate principal amount of the Advances comprising part of the same Borrowing in whole or ratably in part, together with accrued interest to the date of such prepayment on the aggregate principal amount prepaid; provided, however, that (x) each partial prepayment shall be in an aggregate principal amount of \$2,500,000 or an integral multiple of \$500,000 in excess thereof and (y) if any prepayment of a Eurodollar Rate Advance is made on a date other than the last day of an Interest Period for such Advance, the Borrower shall also pay any amounts owing pursuant to Section 8.04(c).

(b) Mandatory. (i) The Borrower shall, on the 90th day following the end of each Fiscal Year, prepay an aggregate principal amount of the Term Advances comprising part of the same Term Borrowings equal to (A) to the extent the aggregate Commitments (whether used or unused) on the last day of such Fiscal Year equal or exceed \$500,000,000, 50% of the amount of Excess Cash Flow for such Fiscal Year and (B) upon the reduction of the aggregate Commitments (whether used or unused) on the last day of such Fiscal Year to any amount less than \$500,000,000, 25% of the amount of Excess Cash Flow for such Fiscal Year.

(ii) The Borrower shall, within 3 Business Days of the date of receipt (or such later date as may be specified in Section 5.02(e)) of the Net Cash Proceeds by the Borrower or any of its Restricted Subsidiaries from (A) the sale, lease, transfer or other disposition of any assets of the Borrower or any of its Restricted Subsidiaries (other than any sale, lease, transfer or other disposition of assets pursuant to clause (i), (iv), (vi) or (vii) of Section 5.02(e)), (B) the incurrence or issuance by the Borrower or any of its Restricted Subsidiaries of any Debt (other than Debt incurred or issued pursuant to clause (i) (A) through (E), (ii) (A) and (B), (iii) (A) through (D) or (iv) (A) and (B)) of Section 5.02(b)), (C) any Extraordinary Receipt received by or paid to or for the account of the Borrower or any of its Restricted Subsidiaries and not otherwise included in clause (A) or (B) above or subsection (iii) below, prepay an aggregate principal amount of the Term Advances comprising part of the same Term Borrowings equal to 100% of such Net Cash Proceeds.

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(iii) The Borrower shall, within 2 Business Days of the date of receipt (or such later date as may be specified below) of the Net Cash Proceeds by the Borrower or any of its Restricted Subsidiaries from the issuance by the Borrower or any of its Restricted Subsidiaries of any Equity Interests, prepay an aggregate principal amount of the Term Advances comprising part of the same Term Borrowings in an amount equal to (A) if the Senior Debt Ratio at such time is greater than or equal to 1.0:1.0, 50% of such Net Cash Proceeds and (B) if the Senior Debt Ratio at such time is less than 1.0:1.0, 0% of such Net Cash Proceeds, provided, however, that for the purposes of calculating clause (iii)(A) above, the Borrower shall be permitted to exclude an amount (the "EXCLUDED AMOUNT") from the Net Cash Proceeds of such issuances of Equity Interests to be used to fund Investments made or to be made pursuant to Section 5.02(f)(i) and (viii) ("PERMITTED INVESTMENTS") of up to (1) if the Senior Debt Ratio is greater than 1.5:1.0 on such date of receipt, \$50,000,000 in each Fiscal Year but not more than \$200,000,000 on a cumulative basis while the Loan Documents are in effect and (2) if the Senior Debt Ratio is equal to or less than 1.5:1.0, \$200,000,000 on a cumulative basis while the Loan Documents are in effect, provided further that to the extent any such Excluded Amount is not used within 90 days of the receipt of such Net Cash Proceeds to fund Permitted Investments, 50% of such unused Excluded Amount shall be applied to prepay the Term Advances comprising part of the same Term Borrowings.

(iv) The Borrower shall, on each Business Day, prepay an aggregate principal amount of the Revolving Credit Advances comprising part of the same Borrowings and the Letter of Credit Advances equal to the amount by which (A) the sum of the aggregate principal amount of (x) the Revolving Credit Advances and (y) the Letter of Credit Advances then outstanding plus the aggregate Available Amount of all Letters of Credit then outstanding exceeds (B) the lesser of the Revolving Credit Facility and the Loan Value of Eligible Collateral on such Business Day.

(v) The Borrower shall, on each Business Day, pay to the Administrative Agent for deposit in the L/C Collateral Account an amount sufficient to cause the aggregate amount on deposit in such Account to equal the amount by which the aggregate Available Amount of all Letters of Credit then outstanding exceeds the Letter of Credit Facility on such Business Day.

(vi) Prepayments of the Revolving Credit Facility made pursuant to clause (iv) or (v) above shall be first applied to prepay Letter of Credit Advances then outstanding until such Advances are paid in full and second applied to prepay Revolving Credit Advances then outstanding comprising part of the same Borrowings until such Advances are paid in full and third deposited in the L/C Collateral Account to cash collateralize 100% of the Available Amount of the Letters of Credit then outstanding. Upon the drawing of any Letter of Credit for which funds are on deposit in the L/C Collateral Account, such funds shall be applied to reimburse the relevant Issuing Bank or Revolving Credit Lenders, as applicable.

(vii) Anything contained in this Section 2.06(b) to the contrary notwithstanding, (A) if, following the occurrence of any "Asset Sale" (as such term is defined in either the Senior Notes Indenture or the Senior Subordinated Notes Indenture, as applicable) by any Loan Party or any of its Subsidiaries, the Borrower is required to commit by a particular date (a "COMMITMENT DATE") to apply or cause its Subsidiaries to apply an amount equal to any of the "Net Proceeds" (as such term is defined in either the Senior Notes Indenture or the Senior Subordinated Notes Indenture, as applicable) thereof in a particular manner, or to apply by a particular date (an "APPLICATION DATE") an amount equal to any such "Net Proceeds" in a particular manner, in either case in order to excuse the Borrower from being required to make an "Asset Sale Offer" (as such term is defined in either the Senior Notes Indenture or the Senior Subordinated Notes Indenture, as applicable) in connection with such "Asset Sale," and the Borrower shall have failed to so commit or to so apply an amount equal to such

"Net Proceeds" at least 60 days before the applicable Commitment Date or Application Date, as the case may be, or (B) if the Borrower at any other time shall have failed to apply or commit or cause to be applied an amount equal to any such "Net Proceeds," and, within 60 days thereafter assuming no further

application or commitment of an amount equal to such "Net Proceeds" the Borrower would otherwise be required to make an "Asset Sale Offer" in respect thereof, then in either such case the Borrower shall immediately apply or cause to be applied an amount equal to such "Net Proceeds" to the payment of the Advances in the manner set forth in Section 2.06(b)(ii) in such amounts as shall excuse the Borrower from making any such "Asset Sale Offer".

(viii) All prepayments under this subsection (b) shall be made together with accrued interest to the date of such prepayment on the principal amount prepaid.

(c) Each prepayment under the Term Facilities pursuant to Section 2.06 shall be applied to prepay the Term A Facility and the Term B Facility, subject to the provisions Section 2.06(d) below, on a pro rata basis. Prepayments of the Term A Facility and the Term B Facility will be applied to the installments thereof on a pro rata basis.

(d) With respect to any prepayment of the Term Advances, the Administrative Agent shall ratably pay the Term A Lenders and the Term B Lenders; provided, however, that any Term B Lender, at its option, to the extent that any Term A Advances are then outstanding, may elect not to accept such prepayment (such Lender being a "DECLINING LENDER"), in which event the provisions of the next sentence shall apply. Any Term B Lender may elect not to accept its ratable share of the prepayment referred to in any Prepayment Notice by giving written notice to the Administrative Agent not later than 11:00 A.M. (New York City time) on the Business Day immediately preceding the scheduled Prepayment Date. On the Prepayment Date, an amount equal to that portion of the Prepayment Amount available to prepay Term B Lenders (less any amounts that would otherwise be payable to Declining Lenders) shall be applied to prepay Term B Advances owing to Term B Lenders other than Declining Lenders and any amounts that would otherwise have been applied to prepay Term B Advances owing to Declining Lenders shall instead be applied ratably to prepay the remaining Term Advances (other than Term B Advances held by Declining Lenders) as provided in Sections 2.06(a) and (b); provided further that on prepayment in full of Term Advances owing to Term Lenders other than Declining Lenders, the remainder of any Prepayment Amount shall be applied ratably to prepay Term B Advances owing to Declining Lenders.

SECTION 2.07. Interest. (a) Scheduled Interest. The Borrower shall pay interest on the unpaid principal amount of each Advance owing to each Lender from the date of such Advance until such principal amount shall be paid in full, at the following rates per annum:

(i) Base Rate Advances. During such periods as such Advance is a Base Rate Advance, a rate per annum equal at all times to the sum of (A) the Base Rate in effect from time to time plus (B) the Applicable Margin in effect from time to time, payable in arrears quarterly on the last day of each March, June, September and December during such periods and on the date such Base Rate Advance shall be Converted or paid in full.

(ii) Eurodollar Rate Advances. During such periods as such Advance is a Eurodollar Rate Advance, a rate per annum equal at all times during each Interest Period for such Advance to the sum of (A) the Eurodollar Rate for such Interest Period for such Advance plus (B) the Applicable Margin in effect on the first day of such Interest Period, payable in arrears on the last day of such Interest Period and, if such Interest Period has a duration of more than three months, on each day that occurs during such Interest Period every three months from the first day of such Interest Period and on the date such Eurodollar Rate Advance shall be Converted or paid in full.

(b) Default Interest. Upon the occurrence and during the continuance of an Event of Default, the Administrative Agent may, and upon the request of the Required Lenders shall, require that

the Borrower pay interest on (i) the unpaid principal amount of each Advance owing to each Lender, payable in arrears on the dates referred to in clause (a)(i) or (a)(ii) above and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid on such Advance

pursuant to clause (a)(i) or (a)(ii) above and (ii) to the fullest extent permitted by law, the amount of any interest, fee or other amount payable under the Loan Documents that is not paid when due, from the date such amount shall be due until such amount shall be paid in full, payable in arrears on the date such amount shall be paid in full and on demand, at a rate per annum equal at all times to 2% per annum above the rate per annum required to be paid, in the case of interest, on the Type of Advance on which such interest has accrued pursuant to clause (a)(i) or (a)(ii) above and, in all other cases, on Base Rate Advances pursuant to clause (a)(i) above, provided, however, that, following acceleration of the advances pursuant to Section 6.01, interest shall accrue and be payable at the rate required by this Section 2.07(b) whether or not requested by the Administrative Agent or the Required Lenders.

(c) Notice of Interest Rate. Promptly after receipt of a Notice of Borrowing pursuant to Section 2.02(a), a notice of Conversion pursuant to Section 2.09 or a notice of selection of an Interest Period pursuant to the terms of the definition of "Interest Period", the Administrative Agent shall give notice to the Borrower and each Appropriate Lender of the applicable Interest Period and the applicable interest rate determined by the Administrative Agent for purposes of clause (a)(i) or (a)(ii) above.

SECTION 2.08. Fees. (a) Commitment Fee. The Borrower shall pay to the Administrative Agent for the account of the Lenders a commitment fee, from the date hereof in the case of each Initial Lender and from the effective date specified in the Assumption Agreement or in the Assignment and Acceptance pursuant to which it became a Lender in the case of each other Lender until the Termination Date, payable in arrears quarterly on the last day of each March, June, September and December, commencing June 30, 2000, and on the Termination Date, at the rate of 1/2 of 1% per annum on the actual daily Unused Revolving Credit Commitment of such Lender; provided, however, that any commitment fee accrued with respect to any of the Commitments of a Defaulting Lender during the period prior to the time such Lender became a Defaulting Lender and unpaid at such time shall not be payable by the Borrower so long as such Lender shall be a Defaulting Lender except to the extent that such commitment fee shall otherwise have been due and payable by the Borrower prior to such time; and provided further that no commitment fee shall accrue on any of the Commitments of a Defaulting Lender so long as such Lender shall be a Defaulting Lender.

(b) Letter of Credit Fees, Etc. (i) The Borrower shall pay to the Administrative Agent for the account of each Revolving Credit Lender a commission, payable in arrears quarterly on the last day of each March, June, September and December, commencing June 30, 2000, and on the earliest to occur of the full drawing, expiration, termination or cancellation of any Letter of Credit and on the Termination Date, on such Lender's Pro Rata Share of the actual daily aggregate Available Amount during such quarter of all Letters of Credit outstanding from time to time at the rate per annum equal to the Applicable Margin then in effect for Revolving Credit Advances that are Eurodollar Rate Advances (including default interest, if any).

(ii) The Borrower shall pay to each Issuing Bank, for its own account, (A) a fronting fee, payable in arrears quarterly on the last day of each March, June, September and December, commencing June 30, 2000, and on the Termination Date, on the average daily amount of its Letter of Credit Commitment during such quarter, from the date hereof until the Termination Date, at the rate of 0.25% per annum and an issuance fee for each Letter of Credit issued by such Issuing Bank in an amount equal to 0.25% of the Available Amount of such Letter of Credit on the date of issuance of such Letter of Credit, payable on such date; provided that, in no event shall such issuance fee be less than \$500 (B) such

other commissions, transfer fees and other fees and charges in connection with the issuance or administration of each Letter of Credit as the Borrower and such Issuing Bank shall agree.

(c) Agents' Fees. The Borrower shall pay to each Agent for its own account such fees as may from time to time be agreed between the Borrower and such Agent.

SECTION 2.09. Conversion of Advances. (a) Optional. The Borrower may on any Business Day, upon notice given to the Administrative Agent not later than 11:00 A.M. (New York City time) on the third Business Day prior to the date of

the proposed Conversion and subject to the provisions of Section 2.10, Convert all or any portion of the Advances of one Type comprising the same Borrowing into Advances of the other Type; provided, however, that any Conversion of Eurodollar Rate Advances into Base Rate Advances shall be made only on the last day of an Interest Period for such Eurodollar Rate Advances, any Conversion of Base Rate Advances into Eurodollar Rate Advances shall be in an amount not less than the minimum amount specified in Section 2.02(b), no Conversion of any Advances shall result in more separate Borrowings than permitted under Section 2.02(b) and each Conversion of Advances comprising part of the same Borrowing under any Facility shall be made ratably among the Appropriate Lenders in accordance with their Commitments under such Facility. Each such notice of Conversion shall, within the restrictions specified above, specify (i) the date of such Conversion, (ii) the Advances to be Converted and (iii) if such Conversion is into Eurodollar Rate Advances, the duration of the initial Interest Period for such Advances. Each notice of Conversion shall be irrevocable and binding on the Borrower.

(b) Mandatory. (i) On the date on which the aggregate unpaid principal amount of Eurodollar Rate Advances comprising any Borrowing shall be reduced, by payment or prepayment or otherwise, to less than \$2,500,000, such Advances shall automatically Convert into Base Rate Advances.

(ii) If the Borrower shall fail to select the duration of any Interest Period for any Eurodollar Rate Advances in accordance with the provisions contained in the definition of "Interest Period" in Section 1.01, the Administrative Agent will forthwith so notify the Borrower and the Appropriate Lenders, whereupon each such Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance. (iii) Upon the occurrence and during the continuance of a Default under Section 6.01(a) or 6.01(f) or any Event of Default, (x) each Eurodollar Rate Advance will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (y) the obligation of the Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended.

SECTION 2.10. Increased Costs, Etc. (a) If, due to either (i) the introduction of or any change in or in the interpretation of any law or regulation or (ii) the compliance with any guideline or request from any central bank or other governmental authority (whether or not having the force of law), there shall be any increase in the cost to any Lender Party of agreeing to make or of making, funding or maintaining Eurodollar Rate Advances or of agreeing to issue or of issuing or maintaining or participating in Letters of Credit or of agreeing to make or of making or maintaining Letter of Credit Advances (excluding, for purposes of this Section 2.10, any such increased costs resulting from (x) Taxes or Other Taxes (as to which Section 2.12 shall govern) and (y) changes in the basis of taxation of overall net income or overall gross income by the United States or by the foreign jurisdiction or state under the laws of which such Lender Party is organized or has its Applicable Lending Office or any political subdivision thereof), then the Borrower shall from time to time, upon demand by such Lender Party (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender Party additional amounts sufficient to compensate such Lender Party for such increased cost. A

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certificate as to the amount of such increased cost, submitted to the Borrower by such Lender Party, shall be conclusive and binding for all purposes, absent manifest error.

(b) If any Lender Party determines that compliance with any law or regulation or any guideline or request from any central bank or other governmental authority (whether or not having the force of law) affects or would affect the amount of capital required or expected to be maintained by such Lender Party or any corporation controlling such Lender Party and that the amount of such capital is increased by or based upon the existence of such Lender Party's commitment to lend or to issue or participate in Letters of Credit hereunder and other commitments of such type or the issuance or maintenance of or participation in the Letters of Credit (or similar contingent obligations), then, upon demand by such Lender Party (with a copy of such demand to the Administrative Agent), the Borrower shall pay to the Administrative Agent

for the account of such Lender Party, from time to time as specified by such Lender Party, additional amounts sufficient to compensate such Lender Party in the light of such circumstances, to the extent that such Lender Party reasonably determines such increase in capital to be allocable to the existence of such Lender Party's commitment to lend or to issue or participate in Letters of Credit hereunder or to the issuance or maintenance of or participation in any Letters of Credit. A certificate as to such amounts submitted to the Borrower by such Lender Party shall be conclusive and binding for all purposes, absent manifest error.

(c) If, with respect to any Eurodollar Rate Advances under any Facility, Lenders owed at least 50% of the then aggregate unpaid principal amount thereof notify the Administrative Agent that the Eurodollar Rate for any Interest Period for such Advances will not adequately reflect the cost to such Lenders of making, funding or maintaining their Eurodollar Rate Advances for such Interest Period, the Administrative Agent shall forthwith so notify the Borrower and the Appropriate Lenders, whereupon (i) each such Eurodollar Rate Advance under such Facility will automatically, on the last day of the then existing Interest Period therefor, Convert into a Base Rate Advance and (ii) the obligation of the Appropriate Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower that such Lenders have determined that the circumstances causing such suspension no longer exist.

(d) Notwithstanding any other provision of this Agreement, if the introduction of or any change in or in the interpretation of any law or regulation shall make it unlawful, or any central bank or other governmental authority shall assert that it is unlawful, for any Lender or its Eurodollar Lending Office to perform its obligations hereunder to make Eurodollar Rate Advances or to continue to fund or maintain Eurodollar Rate Advances hereunder, then, on notice thereof and demand therefor by such Lender to the Borrower through the Administrative Agent, (i) each Eurodollar Rate Advance under each Facility under which such Lender has a Commitment will automatically, upon such demand, Convert into a Base Rate Advance and (ii) the obligation of the Appropriate Lenders to make, or to Convert Advances into, Eurodollar Rate Advances shall be suspended until the Administrative Agent shall notify the Borrower that such Lender has determined that the circumstances causing such suspension no longer exist.

SECTION 2.11. Payments and Computations. (a) The Borrower shall make each payment hereunder and under the Notes, irrespective of any right of counterclaim or set-off (except as otherwise provided in Section 2.15), not later than 11:00 A.M. (New York City time) on the day when due in U.S. dollars to the Administrative Agent at the Administrative Agent's Account in same day funds, with payments being received by the Administrative Agent after such time being deemed to have been received on the next succeeding Business Day. The Administrative Agent will promptly thereafter cause like funds to be distributed (i) if such payment by the Borrower is in respect of principal, interest, commitment fees or any other Obligation then payable hereunder and under the Notes to more than one Lender Party, to such Lender Parties for the account of their respective Applicable Lending Offices

ratably in accordance with the amounts of such respective Obligations then payable to such Lender Parties and (ii) if such payment by the Borrower is in respect of any Obligation then payable hereunder to one Lender Party, to such Lender Party for the account of its Applicable Lending Office, in each case to be applied in accordance with the terms of this Agreement. Upon its acceptance of an Assignment and Acceptance and recording of the information contained therein in the Register pursuant to Section 8.07(d), from and after the effective date of such Assignment and Acceptance, the Administrative Agent shall make all payments hereunder and under the Notes in respect of the interest assigned thereby to the Lender Party assignee thereunder, and the parties to such Assignment and Acceptance shall make all appropriate adjustments in such payments for periods prior to such effective date directly between themselves.

(b) The Borrower hereby authorizes each Lender Party, if and to the extent payment owed to such Lender Party is not made when due hereunder or, in the case of a Lender, under the Note held by such Lender, to charge from time to time against any or all of the Borrower's accounts with such Lender Party any

amount so due.

(c) All computations of interest based on the Base Rate shall be made by the Administrative Agent on the basis of a year of 365 or 366 days, as the case may be, and all computations of interest based on the Eurodollar Rate or the Federal Funds Rate and of fees and Letter of Credit commissions shall be made by the Administrative Agent on the basis of a year of 360 days, in each case for the actual number of days (including the first day but excluding the last day) occurring in the period for which such interest, fees or commissions are payable. Each determination by the Administrative Agent of an interest rate, fee or commission hereunder shall be conclusive and binding for all purposes, absent manifest error.

(d) Whenever any payment hereunder or under the Notes shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or commitment fee or Letter of Credit fee, as the case may be; provided, however, that, if such extension would cause payment of interest on or principal of Eurodollar Rate Advances to be made in the next following calendar month, such payment shall be made on the next preceding Business Day.

(e) Unless the Administrative Agent shall have received notice from the Borrower prior to the date on which any payment is due to any Lender Party hereunder that the Borrower will not make such payment in full, the Administrative Agent may assume that the Borrower has made such payment in full to the Administrative Agent on such date and the Administrative Agent may, in reliance upon such assumption, cause to be distributed to each such Lender Party on such due date an amount equal to the amount then due such Lender Party. If and to the extent the Borrower shall not have so made such payment in full to the Administrative Agent, each such Lender Party shall repay to the Administrative Agent forthwith on demand such amount distributed to such Lender Party together with interest thereon, for each day from the date such amount is distributed to such Lender Party until the date such Lender Party repays such amount to the Administrative Agent, at the Federal Funds Rate.

(f) If the Administrative Agent receives funds for application to the Obligations under the Loan Documents under circumstances for which the Loan Documents do not specify the Advances or the Facility to which, or the manner in which, such funds are to be applied, the Administrative Agent may, but shall not be obligated to, elect to distribute such funds to each Lender Party ratably in accordance with such Lender Party's proportionate share of the principal amount of all outstanding Advances and the Available Amount of all Letters of Credit then outstanding, in repayment or prepayment of such of the outstanding Advances or other Obligations owed to such Lender Party, and for application to such principal installments, as the Administrative Agent shall direct.

SECTION 2.12. Taxes. (a) Any and all payments by the Borrower hereunder or under the Notes shall be made, in accordance with Section 2.11, free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of each Lender Party and each Agent, taxes that are imposed on its overall net income by the United States and taxes that are imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the state or foreign jurisdiction under the laws of which such Lender Party or such Agent, as the case may be, is organized or any political subdivision thereof and, in the case of each Lender Party, taxes that are imposed on its overall net income (and franchise taxes imposed in lieu thereof) by the state or foreign jurisdiction of such Lender Party's Applicable Lending Office or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities in respect of payments hereunder or under the Notes being hereinafter referred to as "Taxes"). If the Borrower shall be required by law to deduct any Taxes from or in respect of any sum payable hereunder or under any Note to any Lender Party or any Agent, (i) the sum payable by the Borrower shall be increased as may be necessary so that after the Borrower and the Administrative Agent have made all required deductions (including deductions applicable to additional sums payable under this Section 2.12) such Lender Party or such Agent, as the case may be, receives an amount equal to the sum it would have received had no such deductions been

made, (ii) the Borrower shall make all such deductions and (iii) the Borrower shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law.

(b) In addition, the Borrower shall pay any present or future stamp, documentary, excise, property or similar taxes, charges or levies that arise from any payment made hereunder or under the Notes or from the execution, delivery or registration of, performance under, or otherwise with respect to, this Agreement or the Notes (hereinafter referred to as "OTHER TAXES").

(c) The Borrower shall indemnify each Lender Party and each Agent for and hold them harmless against the full amount of Taxes and Other Taxes, and for the full amount of taxes of any kind imposed by any jurisdiction on amounts payable under this Section 2.12, imposed on or paid by such Lender Party or such Agent (as the case may be) and any liability (including penalties, additions to tax, interest and expenses) arising therefrom or with respect thereto. This indemnification shall be made within 30 days from the date such Lender Party or such Agent (as the case may be) makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes, the Borrower shall furnish to the Administrative Agent, at its address referred to in Section 8.02, the original or a certified copy of a receipt evidencing such payment. In the case of any payment hereunder or under the Notes by or on behalf of the Borrower through an account or branch outside the United States or by or on behalf of the Borrower by a payor that is not a United States person, if the Borrower determines that no Taxes are payable in respect thereof, the Borrower shall furnish, or shall cause such payor to furnish, to the Administrative Agent, at such address, an opinion of counsel acceptable to the Administrative Agent stating that such payment is exempt from Taxes. For purposes of subsections (d) and (e) of this Section 2.12, the terms "UNITED STATES" and "UNITED STATES person" shall have the meanings specified in Section 7701 of the Internal Revenue Code.

(e) Each Lender Party organized under the laws of a jurisdiction outside the United States shall, on or prior to the date of its execution and delivery of this Agreement in the case of each Initial Lender or Initial Issuing Bank, as the case may be, and on the date of the Assignment and Acceptance pursuant to which it becomes a Lender Party in the case of each other Lender Party, and from time to time thereafter as requested in writing by the Borrower (but only so long thereafter as such Lender Party remains lawfully able to do so), provide each of the Administrative Agent and the Borrower with two original Internal Revenue Service forms 1001, 4224, or W-8ECI or W-8 or W-8BEN (and, if such

Lender Party delivers a form W-8 or W-8BEN, a certificate representing that such Lender Party is not a "bank" for purposes of Section 881(c) of the Internal Revenue Code, is not a 10-percent shareholder (within the meaning of Section 871(h)(3)(B) of the Internal Revenue Code) of the Borrower and is not a controlled foreign corporation related to the Borrower (within the meaning of Section 864(d)(4) of the Internal Revenue Code)), as appropriate, or any successor or other form prescribed by the Internal Revenue Service, certifying that such Lender Party is exempt from or entitled to a reduced rate of United States withholding tax on payments pursuant to this Agreement or the Notes or, in the case of a Lender Party providing a form W-8 or W-8BEN, certifying that such Lender Party is a foreign corporation, partnership, estate or trust. If the forms provided by a Lender Party at the time such Lender Party first becomes a party to this Agreement indicate a United States interest withholding tax rate in excess of zero, withholding tax at such rate shall be considered excluded from Taxes unless and until such Lender Party provides the appropriate forms certifying that a lesser rate applies, whereupon withholding tax at such lesser rate only shall be considered excluded from Taxes for periods governed by such forms; provided, however, that if, at the effective date of the Assignment and Acceptance pursuant to which a Lender Party becomes a party to this Agreement, the Lender Party assignor was entitled to payments under subsection (a) of this Section 2.12 in respect of United States withholding tax with respect to interest paid at such date, then, to such extent, the term Taxes shall include (in addition to withholding taxes that may be imposed in the future or other amounts otherwise includable in Taxes) United States withholding tax, if any, applicable with respect to the Lender Party assignee on such date. If any form or document referred to in this subsection (e) requires the disclosure of information, other than information necessary to compute the tax payable and

information required on the date hereof by Internal Revenue Service form 1001, 4224, W-8, W-8BEN or W-8ECI (or the related certificate described above), that the Lender Party reasonably considers to be confidential, the Lender Party shall give notice thereof to the Borrower and shall not be obligated to include in such form or document such confidential information.

(f) For any period with respect to which a Lender Party has failed to provide the Borrower with the appropriate form described in subsection (e) above (other than if such failure is due to a change in law occurring after the date on which a form originally was required to be provided or if such form otherwise is not required under subsection (e) above), such Lender Party shall not be entitled to indemnification under subsection (a) or (c) of this Section 2.12 with respect to Taxes imposed by the United States by reason of such failure; provided, however, that should a Lender Party become subject to Taxes because of its failure to deliver a form required hereunder, the Borrower shall take such steps as such Lender Party shall reasonably request to assist such Lender Party to recover such Taxes.

(g) Any Lender Party claiming any additional amounts payable pursuant to this Section 2.12 agrees to use reasonable efforts (consistent with its internal policy and legal and regulatory restrictions) to change the jurisdiction of its Eurodollar Lending Office if the making of such a change would avoid the need for, or reduce the amount of, any such additional amounts that may thereafter accrue and would not, in the reasonable judgment of such Lender Party, be otherwise disadvantageous to such Lender Party.

(h) The Borrower may replace any Lender Party that has requested additional amounts from such Borrower under this Section 2.12, by written notice to such Lender Party and the Administrative Agent and identifying one or more persons each of which shall be reasonably acceptable to the Administrative Agent (each, a "REPLACEMENT LENDER PARTY," and collectively, the "REPLACEMENT LENDER PARTIES") to replace such Lender Party (the "REPLACED LENDER PARTY"); provided that (i) the notice from such Borrower to the Replaced Lender Party and the Administrative Agent provided for hereinabove shall specify an effective date for such replacement (the "REPLACEMENT EFFECTIVE DATE"), which shall be at least five (5) Business Days after such notice is given and (ii) as of the relevant Replacement Effective Date, each Replacement Lender Party shall enter into an Assignment and Acceptance with the Replaced Lender Party pursuant to Section 8.07(a) (but shall not be required to pay the processing fee otherwise

payable to the Administrative Agent pursuant to Section 8.07(a)), pursuant to which such Replacement Lender Parties collectively shall acquire, in such proportion among them as they may agree with such Borrower and the Administrative Agent, all (but not less than all) of the Commitments and outstanding Advances of the Replaced Lender Party, and, in connection therewith, shall pay to the Replaced Lender Party, as the purchase price in respect thereof, an amount equal to the sum as of the Replacement Effective Date, without duplication, of (x) the unpaid principal amount of, and all accrued but unpaid interest on, all outstanding Advances of the Replaced Lender Party and (y) the Replaced Lender Party's ratable share of all accrued but unpaid fees owing to the Replaced Lender Party hereunder.

SECTION 2.13. Sharing of Payments, Etc. If any Lender Party shall obtain at any time any payment (whether voluntary, involuntary, through the exercise of any right of set-off, or otherwise, other than as a result of an assignment pursuant to Section 8.07) (a) on account of Obligations due and payable to such Lender Party hereunder and under the Notes at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations due and payable to such Lender Party at such time to (ii) the aggregate amount of the Obligations due and payable to all Lender Parties hereunder and under the Notes at such time) of payments on account of the Obligations due and payable to all Lender Parties hereunder and under the Notes at such time obtained by all the Lender Parties at such time or (b) on account of Obligations owing (but not due and payable) to such Lender Party hereunder and under the Notes at such time in excess of its ratable share (according to the proportion of (i) the amount of such Obligations owing to such Lender Party at such time to (ii) the aggregate amount of the Obligations owing (but not due and payable) to all Lender Parties hereunder and under the Notes at such time) of payments on account of the Obligations owing (but not due and payable) to all Lender Parties hereunder and

under the Notes at such time obtained by all of the Lender Parties at such time, such Lender Party shall forthwith purchase from the other Lender Parties such interests or participating interests in the Obligations due and payable or owing to them, as the case may be, as shall be necessary to cause such purchasing Lender Party to share the excess payment ratably with each of them; provided, however, that if all or any portion of such excess payment is thereafter recovered from such purchasing Lender Party, such purchase from each other Lender Party shall be rescinded and such other Lender Party shall repay to the purchasing Lender Party the purchase price to the extent of such Lender Party's ratable share (according to the proportion of (i) the purchase price paid to such Lender Party to (ii) the aggregate purchase price paid to all Lender Parties) of such recovery together with an amount equal to such Lender Party's ratable share (according to the proportion of (i) the amount of such other Lender Party's required repayment to (ii) the total amount so recovered from the purchasing Lender Party) of any interest or other amount paid or payable by the purchasing Lender Party in respect of the total amount so recovered; provided further that, so long as the Obligations under the Loan Documents shall not have been accelerated, any excess payment received by any Appropriate Lender shall be shared on a pro rata basis only with other Appropriate Lenders. The Borrower agrees that any Lender Party so purchasing an interest or participating interest from another Lender Party pursuant to this Section 2.13 may, to the fullest extent permitted by law, exercise all its rights of payment (including the right of set-off) with respect to such interest or participating interest as fully as if such Lender Party were the direct creditor of the Borrower in the amount of such interest or participating interest.

SECTION 2.14. Use of Proceeds. The proceeds of the Term Advances shall be available (and the Borrower agrees that it shall use such proceeds) solely to make a loan to AT Korea pursuant to the AT Korea Bonds, to make the AT Korea Cash Equity Investment in order to provide AT Korea with the funds necessary to consummate a portion of the Acquisition and to effect the Refinancing. The proceeds of the Revolving Credit Advances and the issuances of the Letters of Credit shall be available (and the Borrower agrees that it shall use such proceeds and Letters of Credit) to consummate the Transactions and for general corporate purposes of the Borrower and its Restricted Subsidiaries to the extent permitted under this Agreement.

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SECTION 2.15. Defaulting Lenders. (a) In the event that, at any one time, (i) any Lender Party shall be a Defaulting Lender, (ii) such Defaulting Lender shall owe a Defaulted Advance to the Borrower and (iii) the Borrower shall be required to make any payment hereunder or under any other Loan Document to or for the account of such Defaulting Lender, then the Borrower may, so long as no Default shall occur or be continuing at such time and to the fullest extent permitted by applicable law, set off and otherwise apply the Obligation of the Borrower to make such payment to or for the account of such Defaulting Lender against the obligation of such Defaulting Lender to make such Defaulted Advance. In the event that, on any date, the Borrower shall so set off and otherwise apply its obligation to make any such payment against the obligation of such Defaulting Lender to make any such Defaulted Advance on or prior to such date, the amount so set off and otherwise applied by the Borrower shall constitute for all purposes of this Agreement and the other Loan Documents an Advance by such Defaulting Lender made on the date of such setoff under the Facility pursuant to which such Defaulted Advance was originally required to have been made pursuant to Section 2.01. Such Advance shall be considered, for all purposes of this Agreement, to comprise part of the Borrowing in connection with which such Defaulted Advance was originally required to have been made pursuant to Section 2.01, even if the other Advances comprising such Borrowing shall be Eurodollar Rate Advances on the date such Advance is deemed to be made pursuant to this subsection (a). The Borrower shall notify the Administrative Agent at any time the Borrower exercises its right of set-off pursuant to this subsection (a) and shall set forth in such notice (A) the name of the Defaulting Lender and the Defaulted Advance required to be made by such Defaulting Lender and (B) the amount set off and otherwise applied in respect of such Defaulted Advance pursuant to this subsection (a). Any portion of such payment otherwise required to be made by the Borrower to or for the account of such Defaulting Lender which is paid by the Borrower, after giving effect to the amount set off and otherwise applied by the Borrower pursuant to this subsection (a), shall be applied by the Administrative Agent as specified in subsection (b) or (c) of this Section 2.15.

(b) In the event that, at any one time, (i) any Lender Party shall be a Defaulting Lender, (ii) such Defaulting Lender shall owe a Defaulted Amount to any Agent or any of the other Lender Parties and (iii) the Borrower shall make any payment hereunder or under any other Loan Document to the Administrative Agent for the account of such Defaulting Lender, then the Administrative Agent may, on its behalf or on behalf of such other Agents or such other Lender Parties and to the fullest extent permitted by applicable law, apply at such time the amount so paid by the Borrower to or for the account of such Defaulting Lender to the payment of each such Defaulted Amount to the extent required to pay such Defaulted Amount. In the event that the Administrative Agent shall so apply any such amount to the payment of any such Defaulted Amount on any date, the amount so applied by the Administrative Agent shall constitute for all purposes of this Agreement and the other Loan Documents payment, to such extent, of such Defaulted Amount on such date. Any such amount so applied by the Administrative Agent shall be retained by the Administrative Agent or distributed by the Administrative Agent to such other Agents or such other Lender Parties, ratably in accordance with the respective portions of such Defaulted Amounts payable at such time to the Administrative Agent, such other Agents and such other Lender Parties and, if the amount of such payment made by the Borrower shall at such time be insufficient to pay all Defaulted Amounts owing at such time to the Administrative Agent, such other Agents and such other Lender Parties, in the following order of priority:

(i) first, to the Administrative Agent for any Defaulted Amounts then owing to the Administrative Agent, ratably in accordance with such respective Defaulted Amounts then owing to Administrative Agent;

(ii) second, to the Issuing Banks for any Defaulted Amounts then owing to them, in their capacities as such, ratably in accordance with such respective Defaulted Amounts then owing to such Issuing Banks; and

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(iii) third, to any other Lender Parties for any Defaulted Amounts then owing to such other Lender Parties, ratably in accordance with such respective Defaulted Amounts then owing to such other Lender Parties.

Any portion of such amount paid by the Borrower for the account of such Defaulting Lender remaining, after giving effect to the amount applied by the Administrative Agent pursuant to this subsection (b), shall be applied by the Administrative Agent as specified in subsection (c) of this Section 2.15.

(c) In the event that, at any one time, (i) any Lender Party shall be a Defaulting Lender, (ii) such Defaulting Lender shall not owe a Defaulted Advance or a Defaulted Amount and (iii) the Borrower, any Agent or any other Lender Party shall be required to pay or distribute any amount hereunder or under any other Loan Document to or for the account of such Defaulting Lender, then the Borrower or such Agent or such other Lender Party shall pay such amount to the Administrative Agent to be held by the Administrative Agent, to the fullest extent permitted by applicable law, in escrow or the Administrative Agent shall, to the fullest extent permitted by applicable law, hold in escrow such amount otherwise held by it. Any funds held by the Administrative Agent in escrow under this subsection (c) shall be deposited by the Administrative Agent in an account with SG, in the name and under the control of the Administrative Agent, but subject to the provisions of this subsection (c). The terms applicable to such account, including the rate of interest payable with respect to the credit balance of such account from time to time, shall be SG's standard terms applicable to escrow accounts maintained with it. Any interest credited to such account from time to time shall be held by the Administrative Agent in escrow under, and applied by the Administrative Agent from time to time in accordance with the provisions of, this subsection (c). The Administrative Agent shall, to the fullest extent permitted by applicable law, apply all funds so held in escrow from time to time to the extent necessary to make any Advances required to be made by such Defaulting Lender and to pay any amount payable by such Defaulting Lender hereunder and under the other Loan Documents to the Administrative Agent or any other Lender Party, as and when such Advances or amounts are required to be made or paid and, if the amount so held in escrow shall at any time be insufficient to make and pay all such Advances and amounts required to be made or paid at such time, in the following order of priority:

(i) first, to the Administrative Agent for any amounts then due and payable by such Defaulting Lender to the Administrative Agent hereunder, ratably in accordance with such amounts then due and payable to the Administrative Agent;

(ii) second, to the Issuing Banks for any amounts then due and payable to them hereunder, in their capacities as such, by such Defaulting Lender, ratably in accordance with such amounts then due and payable to such Issuing Banks;

(iii) third, to any other Lender Parties for any amount then due and payable by such Defaulting Lender to such other Lender Parties hereunder, ratably in accordance with such respective amounts then due and payable to such other Lender Parties; and

(iv) fourth, to the Borrower for any Advance then required to be made by such Defaulting Lender pursuant to a Commitment of such Defaulting Lender.

In the event that any Lender Party that is a Defaulting Lender shall, at any time, cease to be a Defaulting Lender, any funds held by the Administrative Agent in escrow at such time with respect to such Lender Party shall be distributed by the Administrative Agent to such Lender Party and applied by such Lender Party to the Obligations owing to such Lender Party at such time under this Agreement and the other Loan Documents ratably in accordance with the respective amounts of such Obligations outstanding at such time.

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(d) The rights and remedies against a Defaulting Lender under this Section 2.15 are in addition to other rights and remedies that the Borrower may have against such Defaulting Lender with respect to any Defaulted Advance and that any Agent or any Lender Party may have against such Defaulting Lender with respect to any Defaulted Amount.

SECTION 2.16. Evidence of Debt. (a) The Borrower agrees that upon notice by any Lender to the Borrower (with a copy of such notice to the Administrative Agent) to the effect that a Note is required or appropriate in order for such Lender to evidence (whether for purposes of pledge, enforcement or otherwise) the Advances owing to, or to be made by, such Lender, the Borrower shall promptly execute and deliver to such Lender a Note payable to the order of such Lender in a principal amount up to the Commitment of such Lender. Each Lender that does not receive a Note pursuant to the preceding sentence shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrower to such Lender resulting from each Advance owing to such Lender from time to time, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder in respect of such Advances.

(b) The Register maintained by the Administrative Agent pursuant to Section 8.07(d) shall include a control account and a subsidiary account for each Lender, in which accounts (taken together) shall be recorded (i) the date and amount of each Borrowing made hereunder, the Type of Advances comprising such Borrowing and, if appropriate, the Interest Period applicable thereto, (ii) the terms of each Assignment and Acceptance delivered to and accepted by it, (iii) the amount of any principal or interest due and payable or to become due and payable from the Borrower to each Lender hereunder and (iv) the amount of any sum received by the Administrative Agent from the Borrower hereunder and each Lender's share thereof.

(c) Entries made in good faith by the Administrative Agent in the Register pursuant to subsection (b) above, and by each Lender in its account or accounts pursuant to subsection (a) above, shall be prima facie evidence of the amount of principal and interest due and payable or to become due and payable from the Borrower to, in the case of the Register, each Lender and, in the case of such account or accounts, such Lender, under this Agreement, absent manifest error; provided, however, that the failure of the Administrative Agent or such Lender to make an entry, or any finding that an entry is incorrect, in the Register or such account or accounts shall not limit or otherwise affect the

obligations of the Borrower under this Agreement.

(d) Any reference to a Note or Notes made in this Agreement shall be a reference to a Note or Notes only to the extent such Note or Notes have been requested and issued pursuant to Subsection (a) above.

SECTION 2.17. Increase in the Aggregate Commitments. (a) The Borrower may, at any time prior to the Termination Date, by notice to the Administrative Agent, request the addition of a new facility pursuant to an increase in the Commitments (each, a "COMMITMENT INCREASE") equal to \$50,000,000 (or an integral multiple of \$10,000,000 in excess thereof) to be effective as of a date that is at least 90 days prior to the scheduled Termination Date then in effect (the "INCREASE DATE") as specified in the related notice to the Administrative Agent; provided however that (i) in no event shall the aggregate amount of all of the Commitment Increases exceed \$100,000,000, (ii) on the date of any request by the Borrower for a Commitment Increase and on the related Increase Date, the applicable conditions set forth in Section 3.02 and in clause (d) of this Section 2.17 shall be satisfied, (iii) the Borrower will only be able to make one request hereunder, (iv) the final maturity of the Advances and Commitments under any such new facility shall be no shorter than the final maturity of the Term A Facility, provided, however, that in the event the Term A Facility has been reduced to zero, then the final maturity of the Advances and Commitments under any such new facility shall be no shorter than the final maturity of the Term B

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Facility and (v) such new facility shall contain other terms as may be agreed by the Borrower and the Agents.

(b) The Administrative Agent shall promptly notify the Lenders of a request by the Borrower for a Commitment Increase, which notice shall include (i) the proposed amount of such requested Commitment Increase, (ii) the proposed Increase Date and (iii) the date by which Lenders wishing to participate in the Commitment Increase must commit to an increase in the amount of their respective Commitments (the "COMMITMENT DATE"). Each Lender that is willing to participate in the requested Commitment Increase (each an "INCREASING LENDER") shall, in its sole discretion, give written notice to the Administrative Agent on or prior to the Commitment Date of the amount by which it is willing to increase its Commitment. If the Lenders notify the Administrative Agent that they are willing to increase the amount of their respective Commitments by an aggregate amount that exceeds the amount of the requested Commitment Increase, the requested Commitment Increase shall be allocated among the Lenders willing to participate therein in such amounts as are agreed between the Borrower and the Administrative Agent.

(c) Promptly following the Commitment Date, the Administrative Agent shall notify the Borrower as to the amount, if any, by which the Lenders are willing to participate in the requested Commitment Increase. If the aggregate amount by which the Lenders are willing to participate in the requested Commitment Increase on any such Commitment Date is less than the requested Commitment Increase, then the Borrower may extend offers to one or more Eligible Assignees to participate in any portion of the requested Commitment Increase that has not been committed to by the Lenders as of the Commitment Date; provided, however, that the Commitment of each such Eligible Assignee shall be in an amount of \$2,500,000 or an integral multiple of \$1,000,000 in excess thereof.

(d) On the Increase Date, each Eligible Assignee that accepts an offer to participate in a requested Commitment Increase in accordance with Section 2.17(c) (each such Eligible Assignee, an "ASSUMING LENDER") shall become a Lender party to this Agreement as of the Increase Date and the Commitment of each Increasing Lender for such Commitment Increase shall be so increased by such amount (or by the amount allocated to such Lender pursuant to the last sentence of Section 2.17(b)) as of the Increase Date; provided, however, that the Administrative Agent shall have received on or before the Increase Date the following, each dated such date:

(i) (A) certified copies of resolutions of the Board of Directors of the Borrower approving the Commitment Increase and the corresponding modifications to this Agreement and (B) an opinion of

counsel for the Borrower (which may be in-house counsel), in a form reasonably satisfactory to the Administrative Agent;

(ii) an assumption agreement from each Assuming Lender, if any, in form and substance satisfactory to the Borrower and the Administrative Agent (each an "ASSUMPTION AGREEMENT"), duly executed by such Eligible Assignee, the Administrative Agent and the Borrower; and

(iii) confirmation from each Increasing Lender of the increase in the amount of its Commitment in a writing satisfactory to the Borrower and the Administrative Agent.

On the Increase Date, upon fulfillment of the conditions set forth in the immediately preceding sentence of this Section 2.17(d), the Administrative Agent shall notify the Lenders (including, without limitation, each Assuming Lender) and the Borrower, on or before 1:00 P.M. (New York City time), by telecopier or telex, of the occurrence of the Commitment Increase to be effected on the Increase Date and shall record

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in the Register the relevant information with respect to each Increasing Lender and each Assuming Lender on such date.

ARTICLE III

CONDITIONS OF LENDING AND ISSUANCES OF LETTERS OF CREDIT

SECTION 3.01. Conditions Precedent to Initial Extension of Credit. The obligation of each Lender to make an Advance or of any Issuing Bank to issue a Letter of Credit on the occasion of the Initial Extension of Credit hereunder is subject to the satisfaction of the following conditions precedent before or concurrently with the Initial Extension of Credit:

(a) The Agents shall have received on or before the day of the Initial Extension of Credit the following, each dated such day (unless otherwise specified), in form and substance satisfactory to the Agents (unless otherwise specified) and (except for the Notes) in sufficient copies for each Lender Party:

(i) The Notes payable to the order of the Lenders to the extent required by any Lender pursuant to Section 2.16(a).

(ii) A security agreement in substantially the form of Exhibit D hereto (together with each other security agreement and security agreement supplement delivered pursuant to Section 5.01(j), in each case as amended, the "SECURITY AGREEMENT"), duly executed by each Domestic Loan Party, together with:

(A) certificates representing the Pledged Shares (other than the stock of the Borrower in Anam (the "ANAM SHARES")) referred to therein accompanied by undated stock powers or share transfer forms, as the case may be, executed in blank and instruments evidencing the Pledged Debt indorsed in blank,

(B) acknowledgment copies or stamped receipt copies of proper financing statements, duly filed on or before the day of the Initial Extension of Credit under the Uniform Commercial Code of all jurisdictions that the Administrative Agent may deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Security Agreement, covering the Collateral described in the Security Agreement,

(C) completed requests for information, dated on or before the date of the Initial Extension of Credit, listing the financing statements referred to in clause (B) above and all other effective financing statements

filed in the jurisdictions referred to in clause (B) above that name any Domestic Loan Party as debtor, together with copies of such other financing statements,

(D) evidence of the completion of all other recordings and filings of or with respect to the Security Agreement that the Administrative Agent may deem necessary or desirable in order to perfect and protect the Liens created thereby,

(E) evidence of the insurance required by the terms of the Security Agreement,

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(F) copies of the Assigned Agreements referred to in the Security Agreement, together with a consent to such assignment, in substantially the form of Exhibit B to the Security Agreement, duly executed by each party to such Assigned Agreements other than the Loan Parties,

(G) the Pledged Account Letters referred to in the Security Agreement, duly executed by each Pledged Account Bank referred to in the Security Agreement, and

(H) evidence that all other action that the Administrative Agent may deem necessary or desirable in order to perfect and protect the first priority liens and security interests created under the Security Agreement has been taken (including, without limitation, receipt of duly executed payoff letters, UCC-3 termination statements and landlords' and bailees' waiver and consent agreements and any local pledge agreement required under local law to obtain a validly perfected first priority security interest in the Collateral).

(iii) A guaranty in substantially the form of Exhibit E hereto (together with each other guaranty and guaranty supplement delivered pursuant to Section 5.01(j)), in each case as amended, the "SUBSIDIARY Guaranty"), duly executed by each Subsidiary Guarantor.

(iv) A guaranty in substantially the form of Exhibit F hereto (together with each other guaranty and guaranty supplement delivered pursuant to Section 5.01(j)), in each case as amended, the "INTERCOMPANY GUARANTY"), duly executed by each Intercompany Guarantor.

(v) Certified copies of the resolutions of the Board of Directors of each Loan Party approving the transactions contemplated by the Transaction Documents and each Transaction Document to which it is or is to be a party, and of all documents evidencing other necessary corporate action and governmental and other third party approvals and consents, if any, with respect to the Transactions and each Transaction Document to which it is or is to be a party.

(vi) A copy of a certificate of the Secretary of State or other appropriate governmental official of the jurisdiction of incorporation of each Loan Party, dated reasonably near the date of the Initial Extension of Credit, certifying, where applicable, (A) as to a true and correct copy of the charter or other constitutive document of such Loan Party and each amendment thereto on file in that office and (B) that (1) such amendments are the only amendments to such Loan Party's charter or other constitutive document on file in that office, (2) such Loan Party has paid all franchise taxes to the date of such certificate and (3) such Loan Party is duly incorporated and in good standing or presently subsisting under the laws of the jurisdiction of its incorporation.

(vii) A certificate of each Loan Party, signed on behalf of such Loan Party by its President or a Vice President and its Secretary or any Assistant Secretary, dated the date of the Initial Extension of Credit (the statements made in which certificate shall be true on and as of the date of the Initial Extension of Credit), certifying as to (A) the absence of any amendments to the charter of such Loan Party since the date of the Secretary of State's certificate referred to in Section 3.01(a)(vi), (B) a true and correct copy of the bylaws of such Loan Party as in effect on the date on which the resolutions

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referred to in Section 3.01(a)(v) were adopted and on the date of the Initial Extension of Credit, (C) the due incorporation and good standing or valid existence of such Loan Party as a corporation organized under the laws of the jurisdiction of its incorporation, and the absence of any proceeding for the dissolution or liquidation of such Loan Party, (D) the truth of the representations and warranties contained in the Loan Documents as though made on and as of the date of the Initial Extension of Credit and (E) the absence of any event occurring and continuing, or resulting from the Initial Extension of Credit, that constitutes a Default.

(viii) A certificate of the Secretary or an Assistant Secretary of each Loan Party certifying the names and true signatures of the officers of such Loan Party authorized to sign each Transaction Document to which it is or is to be a party and the other documents to be delivered hereunder and thereunder.

(ix) Certified copies of each of the Related Documents, duly executed by the parties thereto and in form and substance satisfactory to the Lender Parties, together with all agreements, instruments and other documents delivered in connection therewith as the Administrative Agent shall request.

(x) Certificates, in substantially the form of Exhibit G hereto, attesting to the Solvency of each Loan Party after giving effect to the Transactions and the other transactions contemplated by the Transaction Documents, from its chief financial officer; and a fairness opinion in form and substance satisfactory to the Agents, from SSBI.

(xi) Such financial, business and other information regarding each Loan Party and its Subsidiaries as the Lender Parties shall have requested, including, without limitation, information as to possible contingent liabilities, tax matters, environmental matters, obligations under Plans, Multiemployer Plans and Welfare Plans, collective bargaining agreements and other arrangements with employees, forecasts prepared by management of the Borrower, in form and substance satisfactory to the Lender Parties, of balance sheets, income statements and cash flow statements on a monthly basis for the first year following the day of the Initial Extension of Credit and on an annual basis for each year thereafter until the Termination Date, a pro forma consolidated balance sheet of the Borrower as of the most recently ended fiscal quarter of the Borrower, after giving effect to the Transactions, together with a certificate of the chief financial officer of the Borrower to the effect that such statement accurately presents the pro forma financial position of the Borrower and its subsidiaries in accordance with generally accepted accounting principles (and the Agents and the Lender Parties shall be reasonably satisfied that such balance sheets are not materially inconsistent with the forecasts previously provided to the Agents and the Lender Parties), and, not later than 10 Business Days before the Effective Date, (x) audited consolidated and, to the extent available, consolidating balance sheets and related statements of income, stockholders' equity and cash flows of each of the Borrower and of the Acquired Business for the three fiscal years ended before the

Effective Date and (y) to the extent available, unaudited consolidated and consolidating balance sheets and related statements of income, stockholders' equity, and cash flows of each of the Borrower and of the Acquired Business for each completed fiscal quarter since the date of such audited financial statements, which audited and unaudited financial statements (i) shall be in form and scope reasonably satisfactory to the Agents and the Lender Parties and (ii) shall not be materially inconsistent with the financial statements previously provided to the Agents and the Lender Parties.

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(xii) An environmental assessment report, in form and substance satisfactory to the Agents, from an environmental consulting firm acceptable to the Agents, with respect to the domestic manufacturing facilities of the Borrower and its Subsidiaries, as to any hazards, costs or liabilities under Environmental Laws to which any Loan Party or any of its Subsidiaries may be subject, the amount and nature of which and the Borrower's plans with respect to which shall be acceptable to the Agents, together with evidence, in form and substance satisfactory to the Agents, that all applicable Environmental Laws shall have been complied with. To the extent either the report or any other information that may become available to the Agents shall disclose any hazards, costs or liabilities under Environmental Laws or otherwise that the Agents deem material, the Agents shall be satisfied that such hazards, costs or liabilities were adequately reflected in the Borrower's financial reserves shown on the financial statements included in the Information Memorandum or that, to the extent not so reflected, the Borrower has made adequate provision for such hazards, costs or liabilities.

(xiii) Evidence of insurance naming the Collateral Agent as additional insured and loss payee with such responsible and reputable insurance companies or associations, and in such amounts and covering such risks, as is satisfactory to the Lender Parties, including, without limitation, business interruption insurance.

(xiv) Certified copies of all Material Contracts of each Loan Party and its Subsidiaries as the Agents shall request.

(xv) A Borrowing Base Certificate.

(xvi) A favorable opinion of Wilson Sonsini Goodrich & Rosati, counsel for the Loan Parties, in substantially the form of Exhibit H hereto and as to such other matters as any Lender Party through the Administrative Agent may reasonably request.

(xvii) Favorable opinion of local counsel to the Lender Parties listed in Schedule V hereto in the jurisdictions listed in Schedule V hereto in form and substance satisfactory to the Lender Parties.

(xviii) A favorable opinion of Shearman & Sterling, counsel for the Agents, in form and substance satisfactory to the Agents.

(xix) Evidence satisfactory to the Agents that the Acquired Business shall be owned by AT Korea free and clear of all Liens (other than Permitted Liens).

(b) The Agents and the Lender Parties shall have completed a due diligence investigation of the business, assets, operations, properties, condition (financial or otherwise), contingent liabilities, prospects and material agreements of the Borrower, Anam and their respective subsidiaries and the Acquired Business in scope, and with results, satisfactory to the Lender Parties and nothing shall have come to the attention of the Agents and the Lender Parties during the course of such

due diligence investigation to lead them to believe (i) that the Information Memorandum was or has become misleading, incorrect or incomplete in any material respect, (ii) that, following the consummation of the Acquisition, the Borrower and its Subsidiaries would not have good and marketable title to all material assets of the Acquired Business, free and clear of Liens other than Liens permitted under the Loan Documents, and (iii) the Acquisition or the Anam Equity Investment will have a Material Adverse Effect; without limiting the generality of the foregoing, the Agents and the Lender Parties shall have been given

such access to the management, records, books of account, contracts and properties of the Borrower and its Subsidiaries as they shall have requested.

(c) The Transaction Documents shall not have been altered, amended or otherwise changed or supplemented in any material respect or any condition therein waived without the prior written consent of the Lender Parties; and the Transactions shall have been consummated in accordance with the terms of the Transaction Documents and in compliance with applicable law and regulatory approvals.

(d) The Lender Parties shall be reasonably satisfied with the terms and conditions of the Equity Issuance and the Subordinated Debt Issuance. The Borrower shall have received gross cash proceeds of up to \$410,000,000 but in any event not less than \$400,000,000 from the issuance of the Common Stock and at least \$225,000,000 from the issuance of the Convertible Subordinated Debt; and a portion of the Net Cash Proceeds of the Common Stock shall have been used to make the AT Korea Cash Equity Investment, and a portion of the Net Cash Proceeds of the Common Stock, together with the Net Cash Proceeds from the Convertible Subordinated Debt, shall have been set aside to make a cash common equity contribution of \$309,000,000 to Anam.

(e) Before giving effect to the Transactions, there shall have occurred no Material Adverse Change since December 31, 1999.

(f) There shall not have occurred any material disruption of or material adverse change in loan syndication, financial, banking or capital market conditions that, in the reasonable judgment of any Agent, could materially disrupt or impair the Equity Issuance, the Subordinated Debt Issuance or the syndication of the Commitments or would make it impractical or inadvisable to proceed with the syndication or funding of the Commitments, and a banking moratorium shall not have been declared by Federal or New York State banking officials.

(g) All governmental, shareholder and third party consents (including, without limitation, Hart-Scott-Rodino clearance) and approvals (including, without limitation, any such consents and approvals required with respect to the Korean restructuring of Anam's liabilities) necessary or, in the reasonable opinion of the Agents, desirable in connection with the Transactions shall have been obtained (without the imposition of any conditions that are not acceptable to the Agents) and shall remain in effect; all applicable waiting periods in connection with the Transactions shall have expired without any action being taken by any competent authority that could restrain, prevent or impose any material adverse conditions on the Transactions or the Borrower and its subsidiaries or that could reasonably be expected to seek or threaten any of the foregoing shall have occurred, and no law or regulation shall be applicable which in the reasonable judgment of the Agents could have such effect.

(h) There shall exist no action, suit, investigation, or proceeding affecting any Loan Party or any of its Subsidiaries pending or, to the knowledge of the Borrower, threatened in any court or before any arbitrator or governmental authority that (i) could reasonably be expected to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of any Transaction Document or consummation of the Transactions.

(i) The Lender Parties shall be satisfied with the terms, conditions and status of the Korean restructuring of Anam's liabilities

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(j) The Lender Parties shall have received evidence reasonably satisfactory to them that the Advances hereunder shall be rated at least BB-/Ba3 by Standard & Poor's and Moody's.

(k) The Lender Parties shall be reasonably satisfied that (i) the Borrower and its Subsidiaries will be able to meet their obligations under all Plans, Multiemployer Plans and Welfare Plans, (ii) the Plans of the Borrower and its ERISA Affiliates are, in all material respects, funded in accordance with the minimum statutory requirements, (iii) no "reportable event" (as defined in ERISA, but excluding events for which reporting has been waived) has occurred as to any such Plan, Multiemployer Plans and Welfare Plans, and (iv) no termination of, or withdrawal from, any such Plan, Multiemployer Plans and Welfare Plans, has occurred or is contemplated that could reasonably be expected to result in a material liability.

(l) The Lender Parties shall be reasonably satisfied that all of the assets of Guardian and each of its direct and indirect Subsidiaries shall be free and clear of any Lien, other than Liens permitted under the Loan Documents.

(m) The Borrower shall have paid all accrued fees of the Agents and the Lender Parties and all accrued expenses of the Agents (including the accrued fees and expenses of advisors and counsel to the Agents and local counsel for the Lender Parties).

(n) The Lender Parties shall be reasonably satisfied with the corporate and legal structure and capitalization of each Loan Party and each of its Subsidiaries the Equity Interests in which Subsidiaries is being pledged pursuant to the Loan Documents, including the terms and conditions of the charter, bylaws and each class of Equity Interest in each Loan Party and each such Subsidiary and of each agreement or instrument relating to such structure or capitalization.

(o) The Lender Parties shall be satisfied that all Existing Debt, other than Surviving Debt, has been prepaid, redeemed or defeased in full or otherwise satisfied and extinguished and all commitments relating thereto terminated and that all such Surviving Debt shall be on terms and conditions reasonably satisfactory to the Lender Parties.

(p) The Lender Parties shall be satisfied that, all single purpose Subsidiaries of the Borrower holding inventory and receivables shall have been merged into the Borrower on terms reasonably satisfactory to the Agents.

SECTION 3.02. Conditions Precedent to Each Borrowing and Issuance and Renewal. The obligation of each Appropriate Lender to make an Advance (other than a Letter of Credit Advance made by an Issuing Bank or a Revolving Credit Lender pursuant to Section 2.03(c)) on the occasion of each Borrowing (including the initial Borrowing), each Commitment Increase, and the obligation of each Issuing Bank to issue a Letter of Credit (including the initial issuance) or renew a Letter of Credit, shall be subject to the further conditions precedent that on the date of such Borrowing or the Applicable Increase Date or issuance or renewal (a) the following statements shall be true (and each of the giving of the applicable Notice of Borrowing, request for Commitment Increase, Notice of Issuance or Notice of Renewal and the acceptance by the Borrower of the proceeds of such Borrowing or of such Letter of Credit or the renewal of such Letter of Credit shall constitute a representation and warranty by the Borrower that both on the date of such notice and on the date of such Borrowing, such Increase Date or issuance or renewal such statements are true):

(i) the representations and warranties contained in each Loan Document are correct on and as of such date, before and after giving effect to such Borrowing, such Increase Date or issuance or renewal and to the application of the proceeds therefrom, as though made on and as

such date other than any such representations or warranties that, by their terms, refer to a specific date other than such Borrowing, issuance or renewal, in which case as of such specific date;

(ii) no event has occurred and is continuing, or would result from such Borrowing, such Increase Date or issuance or renewal or from the application of the proceeds therefrom, that constitutes a Default; and

(iii) for each Revolving Credit Advance or issuance or renewal of any Letter of Credit, the sum of the Loan Values of the Eligible Collateral exceeds the aggregate principal amount of the Revolving Credit Advances plus Letter of Credit Advances to be outstanding plus the aggregate Available Amount of all Letters of Credit to be outstanding after giving effect to such Advance or issuance or renewal, respectively;

and (b) the Administrative Agent shall have received such other approvals, opinions or documents as any Appropriate Lender through the Administrative Agent may reasonably request.

SECTION 3.03. Conditions precedent to the release of the proceeds of the initial Extension of Credit. The Collateral Agent shall release the funds deposited in the Cash Collateral Account (as defined in the Security Agreement) to the Borrower or at its direction in the following installments:

(x) An installment of \$600,000,000 to be onlent by the Borrower to AT Korea and used to pay an equal amount in respect of the price of the Acquisition, and

(y) The balance of the funds in the Cash Collateral Account to be used to make the Additional Anam Equity Investments on the dates and the amounts set forth in Preliminary Statement (3).

Each installment shall only be released if the following conditions been satisfied as of each date of release:

(i) the representations and warranties made by the Borrower and the other Loan Parties contained in each Loan Document are correct in all material respects on and as of such date, before and after giving effect to the release and to the application of the proceeds therefrom, as though made on and as of such date, other than any such representations or warranties that, by their terms, refer to a specific date other than the date of such release, in which case as of such specific date;

(ii) no Default has occurred and is continuing, or would result from such release or from the application of the proceeds therefrom; and

(iii) the Borrower shall have delivered to the Collateral Agent a certificate to the effect that (a) the proceeds from each installment shall be applied as set forth in clauses (x) and (y) respectively and (b) the statements in clause (i) and (ii) are true as of such date.

SECTION 3.04. Determinations Under Section 3.01. For purposes of determining compliance with the conditions specified in Section 3.01, each Lender Party shall be deemed to have consented to, approved or accepted or to be satisfied with each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to the Lender Parties unless an officer of the Administrative Agent responsible for the transactions contemplated by the Loan Documents shall have received notice from such Lender Party prior to the Initial Extension of Credit specifying its objection thereto and if the Initial Extension of Credit consists of a Borrowing, such Lender Party shall

not have made available to the Administrative Agent such Lender Party's ratable portion of such Borrowing.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

SECTION 4.01. Representations and Warranties of the Borrower. The Borrower represents and warrants as follows:

(a) Each Loan Party and each of its Subsidiaries (i) is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, (ii) is duly qualified and in good standing as a foreign corporation in each other jurisdiction in which it owns or leases property or in which the conduct of its business requires it to so qualify or be licensed except where the failure to so qualify or be licensed could not be reasonably likely to have a Material Adverse Effect and (iii) has all requisite corporate power and authority (including, without limitation, all governmental licenses, permits and other approvals) to own or lease and operate its properties and to carry on its business as now conducted and as proposed to be conducted. All of the outstanding Equity Interests in the Borrower have been validly issued and are non-assessable.

(b) Set forth on Schedule 4.01(b) hereto is a complete and accurate list of all Subsidiaries of each Loan Party, showing as of the date hereof (as to each such Subsidiary) the jurisdiction of its incorporation, the number of shares of each class of its Equity Interests authorized, and the number outstanding, on the date hereof and the percentage of each such class of its Equity Interests owned (directly or indirectly) by such Loan Party and the number of shares covered by all outstanding options, warrants, rights of conversion or purchase and similar rights at the date hereof. All of the outstanding Equity Interests in each Loan Party's Subsidiaries have been validly issued, are fully paid and non-assessable and are owned by such Loan Party or one or more of its Subsidiaries free and clear of all Liens, except those created under the Collateral Documents.

(c) The execution, delivery and performance by each Loan Party of each Transaction Document to which it is or is to be a party, and the consummation of the transactions contemplated by the Transaction Documents, are within such Loan Party's corporate powers, have been duly authorized by all necessary corporate action, and do not (i) contravene such Loan Party's charter or bylaws, (ii) violate any law, rule, regulation (including, without limitation, Regulation X of the Board of Governors of the Federal Reserve System), order, writ, judgment, injunction, decree, determination or award, (iii) conflict with or result in the breach of, or constitute a default under, any contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument binding on or affecting any Loan Party, any of its Subsidiaries or any of their properties or (iv) except for the Liens created under the Loan Documents and Permitted Liens, result in or require the creation or imposition of any Lien upon or with respect to any of the properties of any Loan Party or any of its Subsidiaries. No Loan Party or any of its Subsidiaries is in violation of any such law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or in breach of any such contract, loan agreement, indenture, mortgage, deed of trust, lease or other instrument, the violation or breach of which could be reasonably likely to have a Material Adverse Effect.

(d) No authorization or approval or other action by, and no notice to or filing with, any governmental authority or regulatory body or any other third party is required for (i) the due

execution, delivery, recordation, filing or performance by any Loan Party of any Transaction Document to which it is or is to be a party, or for the consummation of the transactions contemplated by the Transaction Documents, (ii) the grant by any Loan Party of the Liens granted by it pursuant to the Collateral Documents, (iii) the perfection or maintenance of the Liens created under the Collateral Documents (including the first priority nature thereof) or (iv) the exercise by any Agent or any Lender Party of its rights under the Loan Documents or the remedies in respect of the Collateral pursuant to the Collateral Documents, except for the authorizations, approvals, actions, notices and filings listed on Schedule 4.01(d) hereto, all of which have been duly obtained, taken, given or made and are in full force and effect. All applicable waiting periods in connection with the Transactions have expired without any action having been taken by any competent authority restraining, preventing or imposing materially adverse conditions upon the Transactions or the rights of the Loan Parties or their Subsidiaries freely to transfer or otherwise dispose of, or to create any Lien on, any properties now owned or hereafter acquired by any of them. The Transactions have been consummated in accordance with the Transaction Documents and applicable law.

(e) This Agreement has been, and each other Transaction Document when delivered hereunder will have been, duly executed and delivered by each Loan Party party thereto. This Agreement is, and each other Transaction Document when delivered hereunder will be, the legal, valid and binding obligation of each Loan Party party thereto, enforceable against such Loan Party in accordance with its terms.

(f) There is no action, suit, investigation, litigation or proceeding affecting any Loan Party or any of its Subsidiaries, including any Environmental Action, pending or threatened before any court, governmental agency or arbitrator that (i) would be reasonably likely to have a Material Adverse Effect or (ii) purports to affect the legality, validity or enforceability of any Transaction Document or the consummation of the transactions contemplated by the Transaction Documents.

(g) The Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 1998, and the related Consolidated statement of income and Consolidated statement of cash flows of the Borrower and its Subsidiaries for the fiscal year then ended, accompanied by an unqualified opinion of Arthur Andersen, independent public accountants, and the Consolidated balance sheet of the Borrower and its Subsidiaries as at December 31, 1999, and the related Consolidated statement of income and Consolidated statement of cash flows of the Borrower and its Subsidiaries for the twelve months then ended, duly certified by the chief financial officer of the Borrower, copies of which have been furnished to each Lender Party, fairly present the Consolidated financial condition of the Borrower and its Subsidiaries as at such dates and the Consolidated results of operations of the Borrower and its Subsidiaries for the periods ended on such dates, all in accordance with generally accepted accounting principles applied on a consistent basis, and since December 31, 1999, there has been no Material Adverse Change.

(h) The Consolidated pro forma balance sheet of the Borrower and its Subsidiaries as at December 31, 1999, and the related Consolidated pro forma statements of income and cash flows of the Borrower and its Subsidiaries for the twelve months then ended, certified by the chief financial officer of the Borrower, copies of which have been furnished to each Lender Party, fairly present the Consolidated pro forma financial condition of the Borrower and its Subsidiaries as at such date and the Consolidated pro forma results of operations of the Borrower and its Subsidiaries for the period ended on such date, in each case giving effect to the Transactions contemplated by the Transaction Documents, all in accordance with GAAP.

(i) The Consolidated forecasted balance sheet, statement of income and statement of cash flows of the Borrower and its Subsidiaries

delivered to the Lender Parties pursuant to Section 3.01(a)(xi) or 5.03 were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair in the light of conditions existing at the time of delivery of such forecasts, and represented, at the time of delivery, the Borrower's best estimate of its future financial performance.

(j) Neither the Information Memorandum nor any other information, exhibit or report furnished by or on behalf of any Loan Party to any Agent or any Lender Party in connection with the negotiation of the Loan Documents or pursuant to the terms of the Loan Documents contained any untrue statement of a material fact or omitted to state a material fact necessary to make the statements made therein not misleading.

(k) The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no proceeds of any Advance or drawings under any Letter of Credit will be used to purchase or carry any Margin Stock or to extend credit to others for the purpose of purchasing or carrying any Margin Stock.

(l) Neither any Loan Party nor any of its Subsidiaries is an "investment company," or an "affiliated person" of, or "promoter" or "principal underwriter" for, an "investment company," as such terms are defined in the Investment Company Act of 1940, as amended. Neither any Loan Party nor any of its Subsidiaries is a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company", as such terms are defined in the Public Utility Holding Company Act of 1935, as amended. Neither the making of any Advances, nor the issuance of any Letters of Credit, nor the application of the proceeds or repayment thereof by the Borrower, nor the consummation of the other transactions contemplated by the Transaction Documents, will violate any provision of any such Act or any rule, regulation or order of the Securities and Exchange Commission thereunder.

(m) Neither any Loan Party nor any of its Subsidiaries is a party to any indenture, loan or credit agreement or any lease or other agreement or instrument or subject to any charter or corporate restriction that could be reasonably likely to have a Material Adverse Effect.

(n) The Collateral Documents create a valid and perfected first priority security interest in the Collateral subject only to Permitted Liens, securing the payment of the Secured Obligations, and all filings and other actions necessary or desirable to perfect and protect such security interest have been duly taken. The Loan Parties are the legal and beneficial owners of the Collateral free and clear of any Lien, except for the liens and security interests created or permitted under the Loan Documents.

(o) Each Loan Party is, individually and together with its Subsidiaries, Solvent.

(p) (i) No ERISA Event has occurred or is reasonably expected to occur with respect to any Plan.

(ii) Neither any Loan Party nor any ERISA Affiliate has incurred or is reasonably expected to incur any Withdrawal Liability to any Multiemployer Plan.

(iii) Neither any Loan Party nor any ERISA Affiliate has been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or has been

terminated, within the meaning of Title IV of ERISA, and no such Multiemployer Plan is reasonably expected to be in reorganization or to be terminated, within the meaning of Title IV of ERISA.

(iv) Schedule B (Actuarial Information) to the most recent annual report (Form 5500 Series) for each Plan, copies of which have been filed with the Internal Revenue Service and furnished to the Lender Parties, is complete and accurate and fairly presents the funding status of such Plan, and since the date of such Schedule B there has been no material adverse change in such funding status.

(v) Set forth on Schedule 4.01(p) hereto is a complete and accurate list of all Plans, Multiemployer Plans and Welfare Plans.

(q) (i) The operations and properties of each Loan Party and each of its Subsidiaries comply in all material respects with all applicable Environmental Laws and Environmental Permits, all past non-compliance with such Environmental Laws and Environmental Permits has been resolved without ongoing obligations or costs, and no circumstances exist that could be reasonably likely to (A) form the basis of an Environmental Action against any Loan Party or any of its Subsidiaries or any of their properties that could have a Material Adverse Effect or (B) cause any such property to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(ii) None of the properties currently or formerly owned or operated by any Loan Party or any of its Subsidiaries is listed or proposed for listing on the NPL or on the CERCLIS or any analogous foreign, state or local list or is adjacent to any such property; there are no and never have been any underground or aboveground storage tanks or any surface impoundments, septic tanks, pits, sumps or lagoons in which Hazardous Materials are being or have been treated, stored or disposed on any property currently owned or operated by any Loan Party or any of its Subsidiaries or, to the best of its knowledge, on any property formerly owned or operated by any Loan Party or any of its Subsidiaries; there is no asbestos or asbestos-containing material on any property currently owned or operated by any Loan Party or any of its Subsidiaries; and Hazardous Materials have not been released, discharged or disposed of on any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries.

(iii) Neither any Loan Party nor any of its Subsidiaries is undertaking, and has not completed, either individually or together with other potentially responsible parties, any investigation or assessment or remedial or response action relating to any actual or threatened release, discharge or disposal of Hazardous Materials at any site, location or operation, either voluntarily or pursuant to the order of any governmental or regulatory authority or the requirements of any Environmental Law; and all Hazardous Materials generated, used, treated, handled or stored at, or transported to or from, any property currently or formerly owned or operated by any Loan Party or any of its Subsidiaries have been disposed of in a manner not reasonably expected to result in material liability to any Loan Party or any of its Subsidiaries.

(r) (i) Each Loan Party and each of its Subsidiaries has filed, has caused to be filed or has been included in all tax returns (Federal, state, local and foreign) required to be filed and has paid all taxes shown thereon to be due, together with applicable interest and penalties.

(ii) Set forth on Part I of Schedule 4.01(r) hereto is a complete and accurate list, as of the date hereof, of each taxable year of each Loan Party and each of its Subsidiaries for which Federal income tax returns have been filed and for which the expiration of the applicable statute

of limitations for assessment or collection has not occurred by reason of extension or otherwise (an "OPEN YEAR").

(iii) The aggregate unpaid amount, as of the date hereof, of adjustments to the Federal income tax liability of each Loan Party and

each of its Subsidiaries proposed by the Internal Revenue Service with respect to Open Years equals \$ 0. No issues have been raised by the Internal Revenue Service in respect of Open Years that, in the aggregate, could be reasonably likely to have a Material Adverse Effect.

(iv) The aggregate unpaid amount, as of the date hereof, of adjustments to the state, local and foreign tax liability of each Loan Party and its Subsidiaries proposed by all state, local and foreign taxing authorities (other than amounts arising from adjustments to Federal income tax returns) equals \$ 0. No issues have been raised by such taxing authorities that, in the aggregate, could be reasonably likely to have a Material Adverse Effect.

(v) No "ownership change" as defined in Section 382(g) of the Internal Revenue Code, and no event that would result in the application of the "separate return limitation year" or "consolidated return change of ownership" limitations under the Federal income tax consolidated return regulations, has occurred with respect to the Borrower or the Acquired Business since May 1, 1998.

(s) Neither the business nor the properties of any Loan Party or any of its Subsidiaries are affected by any fire, explosion, accident, strike, lockout or other labor dispute, drought, storm, hail, earthquake, embargo, act of God or of the public enemy or other casualty (whether or not covered by insurance) that could be reasonably likely to have a Material Adverse Effect.

(t) Set forth on Schedule 4.01(t) hereto is a complete and accurate list of all Existing Debt, showing as of the date hereof the principal amount outstanding thereunder.

(u) Set forth on Schedule 4.01(u) hereto is a complete and accurate list of all Surviving Debt, showing as of the date hereof the principal amount outstanding thereunder, the maturity date thereof and the amortization schedule therefor.

(v) Set forth on Schedule 4.01(v) hereto is a complete and accurate list of all real property owned by any Loan Party or any of its Subsidiaries, showing as of the date hereof the street address, county or other relevant jurisdiction, state, record owner and book and estimated fair value thereof. Each Loan Party or such Subsidiary has good, marketable and insurable fee simple title to such real property, free and clear of all Liens, other than Liens created or permitted by the Loan Documents.

(w) Set forth on Schedule 4.01(w) hereto is a complete and accurate list of all leases of real property under which any Loan Party or any of its Subsidiaries is the lessee, showing as of the date hereof the street address, county or other relevant jurisdiction, state, lessor, lessee, expiration date and annual rental cost thereof. Each such lease is the legal, valid and binding obligation of the lessor thereof, enforceable in accordance with its terms.

(x) Set forth on Schedule 4.01(x) hereto is a complete and accurate list of all Investments held by any Loan Party or any of its Subsidiaries on the date hereof, showing as of the date hereof the amount, obligor or issuer and maturity, if any, thereof.

(y) Set forth on Schedule 4.01(y) hereto is a complete and accurate list of all patents, trademarks, trade names, service marks and copyrights, and all applications therefor and licenses thereof, of each Loan Party or any of its Subsidiaries, showing as of the date hereof the jurisdiction in which registered, the registration number, the date of registration and the expiration date.

(z) Set forth on Schedule 4.01(z) hereto is a complete and accurate list of all Material Contracts of each Loan Party and its Subsidiaries, showing as of the date hereof the parties, subject matter and term thereof. Each such Material Contract has been duly authorized,

executed and delivered by all parties thereto, has not been amended or otherwise modified, is in full force and effect and is binding upon and enforceable against all parties thereto in accordance with its terms, and there exists no default under any Material Contract by any party thereto that has or would be likely to have a Material Adverse Effect.

(aa) The Borrower has (i) initiated a review and assessment of all areas within its and each of its Subsidiaries' business and operations (including those affected by suppliers, vendors and customers) that could be adversely affected by the risk that computer applications used by the Borrower or any of its Subsidiaries (or suppliers, vendors and customers) may be unable to recognize and perform properly date-sensitive functions involving certain dates prior to and any date after December 31, 1999 (the "YEAR 2000 PROBLEM"), (ii) developed a plan and timetable for addressing the Year 2000 Problem on a timely basis and (iii) to date, implemented that plan in accordance with such timetable. Based on the foregoing, the Borrower believes that all computer applications (including those of its suppliers, vendors and customers) that are material to its or any of its Subsidiaries' business and operations are reasonably expected on a timely basis to be able to perform properly date-sensitive functions for all dates before and after January 1, 2000 ("YEAR 2000 COMPLIANT"), except to the extent that a failure to do so could not reasonably be expected to have a Material Adverse Effect.

(bb) The proceeds of the Advances and the issuances of Letters of Credit shall be available (and the Borrower agrees that it shall use such proceeds and Letters of Credit) solely for the purposes set forth in Section 2.14.

ARTICLE V

COVENANTS OF THE BORROWER

SECTION 5.01. Affirmative Covenants. So long as any Advance or any other Obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Lender Party shall have any Commitment hereunder, the Borrower will:

(a) Compliance with Laws, Etc. Comply, and cause each of its Subsidiaries to comply, in all material respects, with all applicable laws, rules, regulations and orders, such compliance to include, without limitation, compliance with ERISA and the Racketeer Influenced and Corrupt Organizations Chapter of the Organized Crime Control Act of 1970.

(b) Payment of Taxes, Etc. Pay and discharge, and cause each of its Subsidiaries to pay and discharge, before the same shall become delinquent, (i) all taxes, assessments and governmental charges or levies imposed upon it or upon its property and (ii) all lawful claims that, if unpaid, might by law become a Lien upon its property; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to pay or discharge any such tax,

assessment, charge or claim that is being contested in good faith and by proper proceedings and as to which appropriate reserves are being maintained, unless and until any Lien resulting therefrom attaches to its property and becomes enforceable against its other creditors.

(c) Compliance with Environmental Laws. Comply, and cause each of its Subsidiaries and all lessees and other Persons operating or occupying its properties to comply, in all material respects, with all applicable Environmental Laws and Environmental Permits; obtain and renew and cause each of its Subsidiaries to obtain and renew all Environmental Permits necessary for its operations and properties; and conduct, and cause each of its Subsidiaries to conduct, any investigation, study, sampling and testing, and undertake any cleanup, removal, remedial or other action necessary to remove and clean up all

Hazardous Materials from any of its properties, in accordance with the requirements of all Environmental Laws; provided, however, that neither the Borrower nor any of its Subsidiaries shall be required to undertake any such cleanup, removal, remedial or other action to the extent that its obligation to do so is being contested in good faith and by proper proceedings and appropriate reserves are being maintained with respect to such circumstances.

(d) Maintenance of Insurance. Maintain, and cause each of its Subsidiaries to maintain, insurance (including, without limitation, business interruption insurance) with responsible and reputable insurance companies or associations in such amounts and covering such risks as is usually carried by companies engaged in similar businesses and owning similar properties in the same general areas in which the Borrower or such Subsidiary operates.

(e) Preservation of Corporate Existence, Etc. Preserve and maintain, and cause each of its Subsidiaries to preserve and maintain, its existence, legal structure, legal name, rights (charter and statutory), permits, licenses, approvals, privileges and franchises; provided, however, that the Borrower and its Subsidiaries may consummate mergers or consolidations permitted under Section 5.02(d) and provided further that neither the Borrower nor any of its Subsidiaries shall be required to preserve any right, permit, license, approval, privilege or franchise if the Board of Directors of the Borrower or such Subsidiary shall determine that the preservation thereof is no longer desirable in the conduct of the business of the Borrower or such Subsidiary, as the case may be, and that the loss thereof is not disadvantageous in any material respect to the Borrower, such Subsidiary or the Lender Parties.

(f) Visitation Rights. At any reasonable time and from time to time during regular business hours and on reasonable notice, permit any of the Agents or any of the Lender Parties or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrower and any of its Subsidiaries, and to discuss the affairs, finances and accounts of the Borrower and any of its Subsidiaries with any of their officers or directors and with their independent certified public accountants, provided, however, that any proprietary information shall only be disclosed with appropriate safeguard measures as may be mutually agreed to by the Borrower and the Agents.

(g) Keeping of Books. Keep, and cause each of its Subsidiaries to keep, proper books of record and account, in which full and correct entries shall be made of all financial transactions and the assets and business of the Borrower and each such Subsidiary in accordance with generally accepted accounting principles in effect from time to time.

(h) Maintenance of Properties, Etc. Maintain and preserve, and cause each of its Subsidiaries to maintain and preserve, all of its properties that are used or useful in the conduct of its business in good working order and condition, ordinary wear and tear excepted.

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(i) Transactions with Affiliates. Conduct, and cause each of its Subsidiaries to conduct, all transactions otherwise permitted under the Loan Documents with any of their Affiliates on terms that are fair and reasonable and no less favorable to the Borrower or such Subsidiary than it would obtain in a comparable arm's-length transaction with a Person not an Affiliate.

The following items shall not be transactions with affiliates and, therefore, will not be subject to the provisions of the prior paragraph:

(A) any employment agreement or arrangement entered into by the Borrower or any of its Restricted Subsidiaries or any employee benefit plan available to the employees of the Borrower and its Subsidiaries generally, in each case in the ordinary course of business and consistent with the past practice of the

Borrower or such Restricted Subsidiary;

(B) transactions between or among the Borrower and/or its Restricted Subsidiaries;

(C) payment of reasonable directors fees to Persons who are not otherwise Affiliates of the Borrower and indemnity provided on behalf of officers, directors and employees of the Borrower or any of its Restricted Subsidiaries as determined in good faith by the Board of Directors of the Borrower;

(D) any transaction specifically contemplated by the Related Documents, as amended to the extent permitted under Section 5.02(k); and

(E) any restricted payments that are permitted by Section 5.02(g) hereof.

(j) Covenant to Guarantee Obligations and Give Security. Upon (x) the request of the Collateral Agent following the occurrence and during the continuance of a Default, (y) the formation or acquisition of any new direct or indirect Subsidiaries by any Loan Party or (z) the acquisition of any property by any Loan Party, and such property, in the judgment of the Collateral Agent, shall not already be subject to a perfected first priority security interest in favor of the Collateral Agent for the benefit of the Secured Parties, then the Borrower shall, in each case at the Borrower's expense:

(i) (A) in connection with the formation or acquisition of a Domestic Subsidiary (other than an Unrestricted Subsidiary), within 10 days after such formation or acquisition, cause each such Subsidiary, and cause each direct and indirect parent of such Subsidiary (if it has not already done so), to duly execute and deliver to the Collateral Agent a guaranty or guaranty supplement, in form and substance satisfactory to the Collateral Agent, guaranteeing the other Loan Parties' obligations of the Borrower and the other Subsidiary Guarantors under the Loan Documents, (B) in connection with the formation or acquisition of a Foreign Subsidiary (other than an Unrestricted Subsidiary), within 10 days after such formation or acquisition, cause each such Subsidiary, and cause each direct and indirect parent of such Subsidiary (if it is a Foreign Subsidiary and if it has not already done so), to duly execute and deliver to the Collateral Agent a guaranty or guaranty supplement, in form and substance satisfactory to the Collateral Agent, guaranteeing the obligations of AT Korea and the other Intercompany Guarantors under the Loan Documents,

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(ii) within 10 Business Days after such request, formation or acquisition, furnish to the Collateral Agent a description of the real and personal properties of the Domestic Subsidiaries and their respective Subsidiaries in detail satisfactory to the Agent,

(iii) within 15 Business Days after such request, formation or acquisition, duly execute and deliver, and cause each such Domestic Subsidiary and each direct and indirect parent of such Subsidiary (if it has not already done so) to duly execute and deliver, to the Collateral Agent mortgages, pledges, assignments, security agreement supplements and other security agreements, as specified by and in form and substance satisfactory to the Collateral Agent, securing payment of all the Obligations of the applicable Loan Party, such Subsidiary or such parent, as the case may be, under the Loan Documents and constituting Liens on all such properties,

(iv) in connection with either (A) the formation or acquisition of an Unrestricted Subsidiary or (B) the formation or acquisition by the Borrower or any Domestic Subsidiary of a

Foreign Subsidiary, in each case, within 10 days after such formation or acquisition, pledge and deliver, or cause such Domestic Subsidiary to pledge and deliver, certificates representing all of the capital stock of any such Unrestricted Subsidiary or, in the case of any such Foreign Subsidiary, 66% of the capital stock of each such Foreign Subsidiary to the extent the pledge of any greater percentage would result in adverse tax consequences to the Borrower;

(v) within 30 days after such request, formation or acquisition, take, and cause such Domestic Subsidiary or such parent to take, whatever action (including, without limitation, the recording of mortgages, the filing of Uniform Commercial Code financing statements, the giving of notices and the endorsement of notices on title documents) may be necessary or advisable in the opinion of the Collateral Agent to vest in the Collateral Agent (or in any representative of the Collateral Agent designated by it) valid and subsisting Liens on the properties purported to be subject to the mortgages, pledges, assignments, security agreement supplements and security agreements delivered pursuant to this Section 5.01(j), enforceable against all third parties in accordance with their terms,

(vi) within 60 days after such request, formation or acquisition, deliver to the Collateral Agent, upon the request of the Collateral Agent in its sole discretion, a signed copy of a favorable opinion, addressed to the Collateral Agent and the other Secured Parties, of counsel for the Loan Parties acceptable to the Collateral Agent as to the matters contained in clauses (i), (iii) and (iv) above, as to such guaranties, guaranty supplements, mortgages, pledges, assignments, security agreement supplements and security agreements being legal, valid and binding obligations of each Loan Party thereto enforceable in accordance with their terms and as to such other matters as the Collateral Agent may reasonably request,

(vii) as promptly as practicable after such request, formation or acquisition, deliver, upon the request of the Collateral Agent in its sole discretion, to the Collateral Agent with respect to each parcel of real property owned or held by the entity that is the subject of such request, formation or acquisition title reports, surveys and engineering, soils and other reports, and environmental assessment reports, each in scope, form and substance satisfactory to the Collateral Agent, provided, however, that to the extent that any Loan Party or any of its Subsidiaries shall have otherwise received any of the

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foregoing items with respect to such real property, such items shall, promptly after the receipt thereof, be delivered to the Collateral Agent,

(viii) upon the occurrence and during the continuance of a Default under Section 6.01(a) or 6.01(f) or any Event of Default, promptly cause to be deposited any and all cash dividends paid or payable to it or any of its Subsidiaries from any of its Subsidiaries from time to time into the Collateral Account, and with respect to all other dividends paid or payable to it or any of its Subsidiaries from time to time, promptly execute and deliver, or cause such Subsidiary to promptly execute and deliver, as the case may be, any and all further instruments and take or cause such Subsidiary to take, as the case may be, all such other action as the Collateral Agent may deem necessary or desirable in order to obtain and maintain from and after the time such dividend is paid or payable a perfected, first priority lien on and security interest in such dividends, and

(ix) at any time and from time to time, promptly execute and deliver any and all further instruments and documents and

take all such other action as the Collateral Agent may deem necessary or desirable in obtaining the full benefits of, or in perfecting and preserving the Liens of, such guaranties, mortgages, pledges, assignments, security agreement supplements and security agreements.

(k) Further Assurances. (i) Promptly upon request by any Agent, or any Lender Party through the Administrative Agent, correct any material defect or error that may be discovered in any Loan Document or in the execution, acknowledgment, filing or recordation thereof, and

(ii) Promptly upon request by any Agent, or any Lender Party through the Administrative Agent, do, execute, acknowledge, deliver, record, re-record, file, re-file, register and re-register any and all such further acts, deeds, conveyances, pledge agreements, mortgages, deeds of trust, trust deeds, assignments, financing statements and continuations thereof, termination statements, notices of assignment, transfers, certificates, assurances and other instruments as any Agent, or any Lender Party through the Administrative Agent, may reasonably require from time to time in order to (A) carry out more effectively the purposes of the Loan Documents, (B) to the fullest extent permitted by applicable law, subject any Loan Party's or any of its Domestic Subsidiaries' properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Collateral Documents and to the extent Foreign Subsidiaries shall not suffer adverse tax consequences, subject any of such Foreign Subsidiaries' properties, assets, rights or interests to the Liens now or hereafter intended to be covered by any of the Collateral Documents, (C) perfect and maintain the validity, effectiveness and priority of any of the Collateral Documents and any of the Liens intended to be created thereunder and (D) assure, convey, grant, assign, transfer, preserve, protect and confirm more effectively unto the Secured Parties the rights granted or now or hereafter intended to be granted to the Secured Parties under any Loan Document or under any other instrument executed in connection with any Loan Document to which any Loan Party or any of its Subsidiaries is or is to be a party.

(l) Performance of Related Documents. Perform and observe all of the terms and provisions of each Related Document to be performed or observed by it, maintain each such Related Document in full force and effect, enforce such Related Document in accordance with its terms and, upon request of the Administrative Agent, make to each other party to each such Related Document such demands and requests for information and reports or for action as the Borrower or any of its Subsidiaries is entitled to make under such Related Document.

(m) Preparation of Environmental Reports. At the reasonable request of the Book Manager or the Collateral Agent from time to time, provide to the Lender Parties within 90 days after such request, at the expense of the Borrower, an environmental site assessment report for any of its or its Subsidiaries' properties described in such request, prepared by an environmental consulting firm acceptable to the Book Manager or the Collateral Agent, indicating the presence or absence of Hazardous Materials and the estimated cost of any compliance, removal or remedial action in connection with any Hazardous Materials on such properties; without limiting the generality of the foregoing, if the Book Manager or the Collateral Agent determines at any time that a material risk exists that any such report will not be provided within the time referred to above, the Book Manager or the Collateral Agent may retain an environmental consulting firm to prepare such report at the expense of the Borrower, and the Borrower hereby grants and agrees to cause any Subsidiary that owns any property described in such request to grant at the time of such request, to the Agents, the Lender Parties, such firm and any agents or representatives thereof an irrevocable non-exclusive license, subject to the rights of tenants, to enter onto their respective properties to undertake such an assessment.

(n) Compliance with Terms of Leaseholds. Make all payments and otherwise perform all obligations in respect of all leases of real

property to which the Borrower or any of its Subsidiaries is a party, keep such leases in full force and effect and not allow such leases to lapse or be terminated or any rights to renew such leases to be forfeited or canceled, notify the Administrative Agent of any default by any party with respect to such leases and cooperate with the Administrative Agent in all respects to cure any such default, and cause each of its Subsidiaries to do so except, in any case, where the failure to do so, either individually or in the aggregate, could not be reasonably likely to have a Material Adverse Effect.

(o) Collateral Accounts. Maintain, and cause each of its Subsidiaries to maintain, main Collateral Accounts with SG and Pledged Accounts into which all proceeds of Collateral are paid with SG or one or more banks acceptable to the Collateral Agent that have accepted the assignment of such accounts to the Collateral Agent pursuant to the Security Agreement.

(p) Performance of Material Contracts. Perform and observe all the terms and provisions of each Material Contract to be performed or observed by it, maintain each such Material Contract in full force and effect, enforce each such Material Contract in accordance with its terms and, upon request of the Administrative Agent, make to each other party to each such Material Contract such demands and requests for information and reports or for action as the Borrower or any of its Subsidiaries is entitled to make under such Material Contract, and cause each of its Subsidiaries to do so except, in any case, where the failure to do so, either individually or in the aggregate, could not be reasonably likely to have a Material Adverse Effect.

(q) Further Performance. Perform all material contractual obligations under any agreement relating to the Anam Equity Investment or the Korean Restructuring. In particular, make a \$30,000,000 equity investment in the cash common equity of Anam on June 30, 2000, an additional \$60,000,000 equity investment in the cash common equity of Anam on August 31, 2000 and an additional \$60,000,000 equity investment in the cash common equity of Anam on September 30, 2000.

(r) Conditions Subsequent. (i) Deliver to the Administrative Agent as soon as possible and in any event no later than May 31, 2000 the Anam Shares or take, as soon as possible and in any event no later than May 31, 2000, any other action necessary for the Lender Parties to have a valid and first priority perfected security interest in the Anam Shares;

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(ii) deliver to the Administrative Agent on or before the 30th day after the Effective Date (or as provided below), the following, each dated such day (unless otherwise specified) in form and substance satisfactory to the Lenders: Deeds of trust, trust deeds, mortgages, leasehold mortgages and leasehold deeds of trust covering the properties listed on Schedules 4.01(v) and 4.01(w) hereto (together with the Assignments of Leases and Rents referred to therein and each other mortgage delivered pursuant to Section 5.01(j), in each case as amended, the "MORTGAGES"), duly executed by the appropriate Loan Party, together with:

(A) evidence that counterparts of the Mortgages have been duly recorded in all filing or recording offices that the Administrative Agent may deem necessary or desirable in order to create a valid first and subsisting Lien on the property described therein in favor of the Collateral Agent for the benefit of the Secured Parties and that all filing and recording taxes and fees have been paid,

(B) fully paid American Land Title Association Lender's Extended Coverage title insurance policies (the "MORTGAGE POLICIES") in form and substance, with endorsements and in amount acceptable to the Administrative Agent, issued, coinsured and reinsured by title insurers acceptable to the Administrative Agent, insuring the Mortgages to be valid first and subsisting

Liens on the property described therein, free and clear of all defects (including, but not limited to, mechanics' and materialmen's Liens) and encumbrances, excepting only Permitted Encumbrances, and providing for such other affirmative insurance (including endorsements for future advances under the Loan Documents and for mechanics' and materialmen's Liens) and such coinsurance and direct access reinsurance as the Administrative Agent may deem necessary or desirable,

(C) American Land Title Association form surveys certified to the Administrative Agent and the issuer of the Mortgage Policies in a manner reasonably satisfactory to the Administrative Agent by a land surveyor duly registered and licensed in the States in which the property described in such surveys is located and acceptable to the Administrative Agent, showing all buildings and other improvements, any off-site improvements, the location of any easements, parking spaces, rights of way, building set-back lines and other dimensional regulations and the absence of encroachments, either by such improvements or on to such property, and other defects, other than encroachments and other defects reasonably acceptable to the Administrative Agent,

(D) engineering, soils and other reports as to the properties described in the Mortgages, in form and substance and from professional firms reasonably acceptable to the Administrative Agent,

(E) the Assignments of Leases and Rents referred to in the Mortgages, duly executed by the appropriate Loan Party,

(F) such consents and agreements of lessors and other third parties, and such estoppel letters and other confirmations, as the Administrative Agent may reasonably deem necessary or desirable,

(G) evidence of the insurance required by the terms of the Mortgages, and

(H) evidence that all other action that the Administrative Agent may reasonably deem necessary or desirable in order to create valid first and subsisting Liens on the property described in the Mortgages has been taken and

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(iii) deliver to the Administrative Agent no later than May 31, 2000 any landlord waiver or consent required to be delivered pursuant to this Agreement; and

(iv) to the extent that the gross cash proceeds received by the Borrower from the issuance of the Common Stock prior to the Initial Extension of Credit is less than \$410,000,000, the Borrower shall have received the full amount of the shortfall in such gross cash proceeds on or before May 5, 2000.

(s) Ledger. The Borrower shall maintain or cause to be maintained at its address specified in Section 8.02 hereof a ledger or ledgers as evidence of Debt permitted pursuant to Section 5.02(b)(ii).

SECTION 5.02. Negative Covenants. So long as any Advance or any other Obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Lender Party shall have any Commitment hereunder, the Borrower will not, at any time:

(a) Liens, Etc. Create, incur, assume or suffer to exist, or permit any of its Restricted Subsidiaries to create, incur, assume or suffer to exist, any Lien on or with respect to any of its properties of any character (including, without limitation, accounts) whether now owned or hereafter acquired, or sign or file or suffer to exist, or permit any of its Restricted Subsidiaries to sign or file or suffer to

exist, under the Uniform Commercial Code of any jurisdiction, a financing statement that names the Borrower or any of its Subsidiaries as debtor, or sign or suffer to exist, or permit any of its Restricted Subsidiaries to sign or suffer to exist, any security agreement authorizing any secured party thereunder to file such financing statement, or assign, or permit any of its Restricted Subsidiaries to assign, any accounts or other right to receive income, except:

(i) Liens created under the Loan Documents;

(ii) Permitted Liens;

(iii) Liens existing on the date hereof and described on Schedule 5.02(a) hereto;

(iv) purchase money Liens upon or in real property or equipment acquired or held by the Borrower or any of its Restricted Subsidiaries in the ordinary course of business to secure the purchase price of such property or equipment or to secure Debt incurred solely for the purpose of financing the acquisition, construction or improvement of any such property or equipment to be subject to such Liens, or Liens existing on any such property or equipment at the time of acquisition (other than any such Liens created in contemplation of such acquisition that do not secure the purchase price), or extensions, renewals or replacements of any of the foregoing for the same or a lesser amount; provided, however, that no such Lien shall extend to or cover any property other than the property or equipment being acquired, constructed or improved, and no such extension, renewal or replacement shall extend to or cover any property not theretofore subject to the Lien being extended, renewed or replaced; and provided further that the aggregate principal amount of the Debt secured by Liens permitted by this clause (iv) shall not exceed the amount permitted under Section 5.02(b)(i)D or (b)(iv)A at any time outstanding;

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(v) Liens arising in connection with Capitalized Leases permitted under Section 5.02(b)(i)D or (b)(iv)A; provided that no such Lien shall extend to or cover any Collateral or assets other than the assets subject to such Capitalized Leases; and

(vi) the replacement, extension or renewal of any Lien permitted by clause (iii) above upon or in the same property theretofore subject thereto or the replacement, extension or renewal (without increase in the amount or change in any direct or contingent obligor) of the Debt secured thereby.

(b) Debt. Create, incur, assume or suffer to exist, or permit any of its Restricted Subsidiaries to create, incur, assume or suffer to exist, any Debt, except:

(i) in the case of the Borrower,

(A) Debt in respect of Hedge Agreements incurred in the ordinary course of business and consistent with prudent business practice with an aggregate Agreement Value not to exceed \$400,000,000 at any time outstanding, provided that the aggregate Agreement Value of Debt in respect of clause (ii) of the definition of Hedge Agreements shall not exceed \$100,000,000 at any time outstanding,

(B) Subordinated Debt owed to a wholly owned Restricted Subsidiary of the Borrower, which Debt (x) shall constitute Pledged Debt, (y) shall be on terms reasonably acceptable to the Administrative Agent and (z) shall be evidenced by promissory notes in form and substance satisfactory to the Administrative Agent and such promissory notes shall be pledged as security for the Obligations under the Loan Documents of the holder thereof and delivered to the Collateral Agent pursuant to the terms of

the Security Agreement,

(C) the 2000 Convertible Subordinated Notes, the Convertible Subordinated Notes and the Existing Notes,

(D) Debt secured by Liens permitted by 5.02(a)(iv) and Capitalized Leases not to exceed in the aggregate \$75,000,000 at any time outstanding for all Debt under this clause (i)(D),

(E) other Debt provided that the aggregate principal amount of such other Debt outstanding at any time does not exceed \$25,000,000 and

(ii) (A) in the case of any Restricted Subsidiary of the Borrower that is a Domestic Subsidiary, Subordinated Debt owed to the Borrower or to a Restricted Subsidiary that is a Domestic Subsidiary of the Borrower, provided that, in each case, such Debt (x) shall constitute Pledged Debt, (y) shall be on terms reasonably acceptable to the Administrative Agent and (z) shall be evidenced by promissory notes in form and substance satisfactory to the Administrative Agent and such promissory notes shall be pledged as security for the Obligations under the Loan Documents of the holder thereof and delivered to the Collateral Agent pursuant to the terms of the Security Agreement or alternatively shall be documented in any other way reasonably satisfactory to the Administrative Agent pursuant to which the Administrative Agent shall have a valid and perfected security interest in such Debt provided, however, that notwithstanding the foregoing, no promissory note shall be created to evidence any such Debt, unless such

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promissory note shall be forthwith pledged as security for the Obligations under the Loan Documents of the holder thereof and delivered to the Collateral Agent pursuant to the terms of the Security Agreement.

(B) in the case of any Restricted Subsidiary of the Borrower that is a Foreign Subsidiary, Debt owed to the Borrower or to a Restricted Subsidiary and provided that, in each case, such Debt (x) shall constitute Pledged Debt, (y) shall be on terms reasonably acceptable to the Administrative Agent and (z) shall be evidenced by promissory notes in form and substance satisfactory to the Administrative Agent and such promissory notes shall be pledged as security for the Obligations under the Loan Documents of the holder thereof and delivered to the Collateral Agent pursuant to the terms of the Security Agreement or alternatively shall be documented in any other way reasonably satisfactory to the Administrative Agent pursuant to which the Administrative Agent shall have a valid and perfected security interest in such Debt provided, however, that notwithstanding the foregoing, no promissory note shall be created to evidence any such Debt, unless such promissory note shall be forthwith pledged as security for the Obligations under the Loan Documents of the holder thereof and delivered to the Collateral Agent pursuant to the terms of the Security Agreement, and

(iii) in the case of the Borrower and its Restricted Subsidiaries,

(A) Debt under the Loan Documents,

(B) the Surviving Debt, and any Debt extending the maturity of, or refunding or refinancing, in whole or in part, any Surviving Debt, provided that the terms of any such extending, refunding or refinancing Debt, and of any agreement entered into and of any instrument issued in connection therewith, are otherwise permitted by the Loan Documents, provided further that the principal amount of such Surviving Debt shall not be increased above the principal amount thereof outstanding immediately prior to such extension, refunding or refinancing, and the direct and contingent obligors therefor shall not be changed, as a result of or in connection with such extension, refunding or refinancing, provided still further that

the terms relating to principal amount, amortization, maturity, collateral (if any) and subordination (if any), and other material terms taken as a whole, of any such extending, refunding or refinancing Debt, and of any agreement entered into and of any instrument issued in connection therewith, are no less favorable in any material respect to the Loan Parties or the Lender Parties than the terms of any agreement or instrument governing the Surviving Debt being extended, refunded or refinanced and the interest rate applicable to any such extending, refunding or refinancing Debt does not exceed the then applicable market interest rate,

(C) Debt arising from the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, and

(D) Debt of any Person existing at the time such Person is merged with or into Borrower or such Restricted Subsidiary, to the extent permitted as a merger under Section 5.02(d) and an Investment under Section 5.02(f), provided that such Debt is not incurred in connection with or in contemplation of such merger,

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(iv) in the case of the Restricted Subsidiaries of the Borrower,

(A) Debt secured by Liens permitted by Section 5.02(a) (iv) and Capitalized Leases not to exceed an aggregate amount of \$30,000,000 at any time outstanding for all Debt permitted under this clause (iv)(A), and

(B) other Debt provided that the aggregate principal amount of such other Debt outstanding at any time does not exceed \$10,000,000.

(c) Change in Nature of Business. Enter or permit any of its Restricted Subsidiaries to enter into any line of business other than the line of business presently conducted and/or lines of business reasonably related or supplementary thereto or reasonable extensions thereof, as determined by the board of directors of the Borrower from time to time.

(d) Mergers, Etc. Merge into or consolidate with any Person or permit any Person to merge into it, or permit any of its Restricted Subsidiaries to do so, except that:

(i) any Restricted Subsidiary of the Borrower may merge into or consolidate with any other Restricted Subsidiary of the Borrower, provided that, in the case of any such merger or consolidation, the Person formed by such merger or consolidation shall be a wholly owned Restricted Subsidiary of the Borrower, provided further that, in the case of any such merger or consolidation to which a Subsidiary Guarantor or an Intercompany Guarantor, as the case may be, is a party, the Person formed by such merger or consolidation shall be a Subsidiary Guarantor or an Intercompany Guarantor, as the case may be;

(ii) in connection with any acquisition permitted under Section 5.02(f) (viii), any Restricted Subsidiary of the Borrower may merge into or consolidate with any other Person or permit any other Person to merge into or consolidate with it; provided that the Person surviving such merger shall be a wholly owned Restricted Subsidiary of the Borrower provided further that, in the case of any such merger or consolidation to which a Subsidiary Guarantor or an Intercompany Guarantor, as the case may be, is a party, the Person formed by such merger or consolidation shall be a Subsidiary Guarantor or an Intercompany Guarantor, as the case may be; and

(iii) any Restricted Subsidiary may merge into another Person in connection with the disposition of all its assets to

the extent permitted under Section 5.02(e);

provided, however, that in each case, immediately before and after giving effect thereto, no event shall occur and be continuing that constitutes a Default and, in the case of any such merger to which the Borrower is a party, the Borrower is the surviving corporation.

(e) Sales, Etc., of Assets. Sell, lease, transfer or otherwise dispose of, or permit any of its Restricted Subsidiaries to sell, lease, transfer or otherwise dispose of, any assets, or grant any option or other right to purchase (to the extent the exercise of such option or right to purchase would result in a transaction not otherwise permitted under this Section 5.02(e)), lease or otherwise acquire any assets other than Inventory to be sold in the ordinary course of its business, except:

(i) sales of Inventory in the ordinary course of its business;

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(ii) in a transaction authorized by subsection (d) of this Section 5.02;

(iii) sales of assets for cash and for fair value in an aggregate amount not to exceed \$25,000,000 in any Fiscal Year;

(iv) sales of surplus, damaged, worn or obsolete furniture, equipment in the ordinary course of business;

(v) sales or other dispositions of Investments permitted by Section 5.02(f);

(vi) sales or discounts without recourse of accounts receivables arising in the ordinary course of business in connection with the collection or compromise thereof;

(vii) sales of licenses or sublicenses by the Borrower or such Restricted Subsidiary of its patents, copyrights, trademarks, tradenames and service marks in the ordinary course of business and which do not materially interfere with the business of the Borrower or any Restricted Subsidiary; and

(viii) transfers of any interest in property through the granting of a Lien permitted under Section 5.02(a).

provided that in the case of sales of assets pursuant to clause (iii) or (v) above, the Borrower shall, so long as any Term Advances shall be outstanding, on the 180th day after the date of receipt by any Loan Party or any of its Subsidiaries of the Net Cash Proceeds from such sale, prepay the Advances in an amount equal to the amount of such Net Cash Proceeds not reinvested in like assets during such 180-day period pursuant to, and in the order of priority set forth in, Section 2.06(b)(ii), as specified therein.

(f) Investments in Other Persons. Make or hold, or permit any of its Restricted Subsidiaries to make or hold, any Investment in any Person, except,

(i) Investments by the Borrower and its Restricted Subsidiaries in their Subsidiaries outstanding on the date hereof;

(ii) loans and advances (excluding property consisting of Equity Interests in the Borrower) to employees in the ordinary course of the business of the Borrower and its Restricted Subsidiaries as presently conducted in an aggregate principal amount not to exceed \$15,000,000 at any time outstanding;

(iii) Investments by the Borrower and its Restricted Subsidiaries in Cash Equivalents;

(iv) Investments existing on the date hereof and described on Schedule 4.01(x) hereto;

(v) the Anam Equity Investments;

(vi) Investments by the Borrower in Hedge Agreements permitted under Section 5.02(b)(i)(A);

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(vii) Investments consisting of intercompany Debt (x) permitted under Section 5.02(b)(i)(B) or 5.02(b)(ii)(A) or (y) permitted under 5.02(b)(ii)(B) used for working capital purposes and for Capital Expenditures so long as, immediately after giving effect thereto, the Borrower shall be in compliance with the covenants contained in Sections 5.02(o) and 5.04(a);

(viii) other Investments in Subsidiaries and other entities (other than Anam, Newco and Newco Successor) in an aggregate amount invested not to exceed (i) \$125,000,000 (which amount may, notwithstanding the preceding provisions of this clause (viii), include an Investment of up to \$50,000,000 in Newco by the Borrower in contemplation of the Fab Transaction) in the twelve month period commencing on the Effective Date, (ii) \$75,000,000 in the twelve month period immediately succeeding the period referred to in clause (i) and (iii) \$100,000,000 in any subsequent twelve month period during the term of this Agreement (together with any Investments made pursuant to subsection (i)); provided that with respect to Investments made under this clause (viii): (1) any newly acquired or organized Subsidiary of the Borrower or any of its Subsidiaries shall be a wholly owned Subsidiary thereof; (2) immediately before and after giving effect thereto, no Default shall have occurred and be continuing or would result therefrom; (3) any company or business acquired or invested in pursuant to this clause (viii) shall be in the same line of business as the business of the Borrower or any of its Subsidiaries or lines of business reasonably related or supplementary thereto or reasonable extensions thereof; (4) immediately after giving effect to the acquisition of a company or business pursuant to this clause (viii), the Borrower shall be in pro forma compliance with the covenants contained in Section 5.04, calculated based on the financial statements most recently delivered to the Lender Parties pursuant to Section 5.03 and as though such acquisition had occurred at the beginning of the four-quarter period covered thereby, as evidenced by a certificate of the Chief Financial Officer of the Borrower delivered to the Lender Parties demonstrating such compliance. In addition, in the case of any Investment in, or resulting in the formation or acquisition of, an Unrestricted Subsidiary, (x) such Investment in such Unrestricted Subsidiary shall comply with the requirements set forth in Schedule IV hereto and (y) such Investment shall be made with common equity of the Borrower or a portion of the Net Cash Proceeds of the issuance of common equity of the Borrower to the extent permitted under Section 5.02(g);

(ix) Investments received (a) in satisfaction of judgments and (b) as payment on a claim made in connection with any bankruptcy, liquidations, receivership or other insolvent proceeding;

(x) Investments in (a) negotiable instruments held for collection within the ordinary course of business, (b) accounts receivable arising in the ordinary course of business (and Investments obtained in exchange or settlement of accounts receivable for which the Borrower or such Subsidiary has determined collection is not likely) and (c) operating leases, deposits, utility and workers' compensation, performance and other similar deposits arising in the ordinary course of

business;

(xi) Investments consisting of the transfer of the semi-conductor wafer fabrication assets and associated exchange of shares made as part of the Fab Transaction;

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(xii) Investments made from the proceeds of, or in exchange for, the issuance of Equity Interests of the Borrower to the extent not required to be prepaid pursuant to Section 2.06(b)(iii); and

(xiii) Investments received by the Borrower or such Restricted Subsidiary in connection with the bankruptcy or reorganization of customers and suppliers and in settlement of delinquent obligations of, and other disputes with, customers and suppliers arising in the ordinary course of business.

(g) Restricted Payments. Declare or pay any dividends, purchase, redeem, retire, defease or otherwise acquire for value any of its Equity Interests now or hereafter outstanding, return any capital to its stockholders, partners or members (or the equivalent Persons thereof) as such, make any distribution of assets, Equity Interests, obligations or securities to its stockholders, partners or members (or the equivalent Persons thereof) as such or issue or sell any Equity Interests (other than common stock, options, warrants, convertible or exchangeable securities or other rights for the purchase or other acquisition of common stock of the Borrower or preferred stock of the Borrower (to the extent such preferred stock does not contain terms which are materially more restrictive (or provide the holders thereof materially greater rights) than the series A preferred stock, the terms of which are attached hereto as Schedule 5.02(g) or options, warrants, convertible or exchangeable securities or other rights for the purchase or other acquisition of such preferred stock), or permit any of its Restricted Subsidiaries to do any of the foregoing, or permit any of its Restricted Subsidiaries to purchase, redeem, retire, defease or otherwise acquire for value any Equity Interests in the Borrower or to issue or sell any Equity Interests therein, except that, so long as no Default shall have occurred and be continuing at the time of any action described below or would result therefrom:

(i) the Borrower may (A) declare and pay dividends and distributions payable only in capital stock of the Borrower, (B) issue shares of its common stock as consideration for Investments made pursuant to Section 5.02(f)(viii), (C) except to the extent the Net Cash Proceeds thereof are required to be applied to the prepayment of the Advances pursuant to Section 2.06(b), purchase, redeem, retire, defease or otherwise acquire shares of its capital stock with the proceeds received contemporaneously from, or in exchange for, the issue of new shares of its capital stock with equal or inferior voting powers, designations, preferences and rights and (D) except to the extent the Net Cash Proceeds thereof are required to be applied to the prepayment of the Advances pursuant to Section 2.06(b), issue and sell shares of its common stock in connection with the making of an Investment pursuant to Section 5.02(f)(viii) so long as the Net Cash Proceeds thereof are used within 90 days after the receipt thereof to make such Investment or to prepay the Advances pursuant to Section 2.06;

(ii) any Subsidiary of the Borrower may (A) declare and pay cash dividends to the Borrower and (B) declare and pay dividends to any Restricted Subsidiary of which it is a Subsidiary and (C) accept capital contributions from its parent to the extent permitted under Section 5.02(f)(viii);

(iii) the Borrower may pay any premium consisting of Equity Interests of the Borrower to any holder of Convertible Subordinated Notes or 2000 Convertible Subordinated Notes in connection with the conversion by such holder of such

Convertible Subordinated Notes or 2000 Convertible Subordinated Notes or may honor exchange offers in respect of Equity Interests in connection with the Convertible Subordinated Notes or the 2000 Convertible Subordinated Notes;

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(iv) the Borrower may make any payment on or with respect to, or in connection with, the redemption or repurchase and retirement of Subordinated Debt in exchange for, or out of the Net Cash Proceeds of the substantially concurrent sale (other than to a Subsidiary of the Borrower) of, Equity Interests of the Borrower in a maximum aggregate amount not to exceed \$20,000,000; provided, however, that any mandatory prepayments of Advances required under Section 2.06(b) shall have been made;

(v) the Borrower may effect any repurchase, redemption or other acquisition or retirement for value of any Equity Interests of the Borrower or any Restricted Subsidiary held by any employee of the Borrower or any Restricted Subsidiary pursuant to any employee equity subscription agreement, stock ownership plan or stock option agreement in effect from time to time in the event of the death or termination of such Employee; provided that the aggregate price paid for all such repurchased, redeemed, acquired or retired Equity Interests shall not exceed \$1,000,000 in any twelve-month period and \$5,000,000 in the aggregate;

(vi) the Borrower may make that portion of Investments the payment for which consists of exclusively of Equity Interests of the Borrower, provided, however, that any mandatory prepayments of Advances required under 2.06(b) shall have been made;

(vii) the Borrower may make other cash payments not otherwise permitted under this Section 5.02(g) in an aggregate amount not to exceed \$10,000,000; and

(viii) the repurchase of Equity Interests of the Borrower deemed to occur (excluding any payment in cash) upon the exercise of stock options if such Equity Interests represent a portion of the exercise price thereof.

(h) Amendments of Constitutive Documents. Amend, or permit any of its Restricted Subsidiaries to amend, its certificate of incorporation or bylaws or other constitutive documents except for any amendment that could not be reasonably expected to adversely affect the rights or interests of the Lender Parties, provided that any such amendment shall be delivered to the Administrative Agent at least 3 Business Days before the date such Amendment is to become effective.

(i) Accounting Changes. Make or permit, or permit any of its Restricted Subsidiaries to make or permit, any change in (i) accounting policies or reporting practices, except as permitted by generally accepted accounting principles or (ii) Fiscal Year.

(j) Prepayments, Etc., of Debt. Prepay, redeem, purchase, defease or otherwise satisfy prior to the scheduled maturity thereof in any manner, or make any payment in violation of any subordination terms of, any Debt, except (i) the prepayment of the Advances in accordance with the terms of this Agreement and (ii) regularly scheduled or required repayments or redemptions of Surviving Debt, or amend, modify or change in any manner any term or condition of any Surviving Debt or Subordinated Debt, or permit any of its Restricted Subsidiaries to do any of the foregoing other than to prepay the Debt payable to the Borrower; provided that the Borrower may honor any holders request to convert any Convertible Subordinated Notes or 2000 Convertible Subordinated Notes in accordance with their respective terms (and make any payment in connection therewith representing the value of any fractional share); and provided further, that the Borrower may make any

payment, on or with respect to, or in connection with, the legal defeasance, redemption, repurchase or repayment of Debt of the Borrower or any

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Restricted Subsidiary with the Net Cash Proceeds from the incurrence of refinancing Debt permitted by Section 5.02(b)(iii)(B).

(k) Amendment, Etc., of Related Documents. Cancel or terminate any Related Document or consent to or accept any cancellation or termination thereof, amend, modify or change in any manner any term or condition of any Related Document or give any consent, waiver or approval thereunder, waive any default under or any breach of any term or condition of any Related Document, agree in any manner to any other amendment, modification or change of any term or condition of any Related Document or take any other action in connection with any Related Document that in each case would impair the value of the interest or rights of any Loan Party thereunder or that would impair the rights or interests of any Agent or any Lender Party, or permit any of its Restricted Subsidiaries to do any of the foregoing.

(l) Negative Pledge. Enter into or suffer to exist, or permit any of its Restricted Subsidiaries to enter into or suffer to exist, any agreement prohibiting or conditioning the creation or assumption of any Lien upon any of its property or assets except (i) in favor of the Secured Parties or (ii) in connection with (A) any Surviving Debt, (B) any purchase money Debt permitted by Section 5.02(b)(iii)(B) solely to the extent that the agreement or instrument governing such Debt prohibits a Lien on the property acquired with the proceeds of such Debt, or (C) any Capitalized Lease permitted by Section 5.02(b)(iii)(C) solely to the extent that such Capitalized Lease prohibits a Lien on the property subject thereto.

(m) Partnerships, Etc. Become a general partner in any general or limited partnership or joint venture, or permit any of its Restricted Subsidiaries to do so, except in connection with any Investment by a Restricted Subsidiary permitted by Section 5.02(f)(viii), provided that such Restricted Subsidiary's sole asset consists of such interest in such partnership or joint venture.

(n) Speculative Transactions. Engage, or permit any of its Restricted Subsidiaries to engage, in any transaction involving commodity options or futures contracts or any similar speculative transactions for speculative purposes.

(o) Capital Expenditures. Make, or permit any of its Restricted Subsidiaries to make, any Capital Expenditures that would cause the aggregate of all such Capital Expenditures made by the Borrower and its Restricted Subsidiaries in any period set forth below to exceed the amount set forth below for such period;

FISCAL YEAR ENDING -----	AMOUNT -----
December 31, 2000	\$ 550,000,000
December 31, 2001	\$ 500,000,000
December 31, 2002	\$ 625,000,000
December 31, 2003	\$ 725,000,000
December 31, 2004	\$ 950,000,000
December 31, 2005	\$1,025,000,000

provided, however, that the unused portion of Capital Expenditures permitted in any Fiscal Year and not used in such period may be carried over and added to the amount otherwise permitted in the immediately succeeding Fiscal Year, provided further, that the aggregate amount of Capital Expenditures in such immediately succeeding Fiscal Year after such carry-over shall not exceed 125% of the amount of Capital Expenditures permitted for such Fiscal Year (prior to any carry-over).

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(p) Formation of Subsidiaries. Organize or invest, or permit any Subsidiary to organize or invest, in any new Subsidiary except as permitted under Section 5.02(f)(i), (viii) and (xi) and except for the entities and amounts listed on Schedule 5.02(p) hereto; provided, however, that Unrestricted Subsidiaries shall not be permitted to organize or invest in any Restricted Subsidiary.

(q) Payment Restrictions Affecting Subsidiaries. Directly or indirectly, enter into or suffer to exist, or permit any of its Restricted Subsidiaries to enter into or suffer to exist, any agreement or arrangement limiting the ability of any of its Subsidiaries to declare or pay dividends or other distributions in respect of its Equity Interests or repay or prepay any Debt owed to, make loans or advances to, or otherwise transfer assets to or invest in, the Borrower or any Subsidiary of the Borrower (whether through a covenant restricting dividends, loans, asset transfers or investments, a financial covenant or otherwise), except (i) the Loan Documents and (ii) any agreement or instrument evidencing Surviving Debt.

(r) Amendment, Etc., of Material Contracts. Cancel or terminate any Material Contract or consent to or accept any cancellation or termination thereof, amend or otherwise modify any Material Contract or give any consent, waiver or approval thereunder, waive any default under or breach of any Material Contract, agree in any manner to any other amendment, modification or change of any term or condition of any Material Contract or take any other action in connection with any Material Contract that would impair the value of the interest or rights of any Loan Party thereunder or that would impair the interest or rights of any Agent or any Lender Party, or permit any of its Subsidiaries to do any of the foregoing except, in each of the foregoing cases where to do so would not have a Material Adverse Effect.

SECTION 5.03. Reporting Requirements. So long as any Advance or any other Obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Lender Party shall have any Commitment hereunder, the Borrower will furnish to the Agents and the Lender Parties:

(a) Default and Prepayment Notices. (i) As soon as possible and in any event within five Business Days after an officer of the Borrower becomes aware of the occurrence of a Default or any event, development or occurrence reasonably likely to have a Material Adverse Effect continuing on the date of such statement, a statement of the chief financial officer of the Borrower setting forth details of such Default and the action that the Borrower has taken and proposes to take with respect thereto, and (ii) as soon as possible and in any event no later than 11:00 A.M. (New York City time) at least three Business Days before any prepayment of Term Advances is to be made by the Borrower pursuant to Section 2.06 (the "PREPAYMENT DATE"), written notice of the principal amount of such prepayment (the "PREPAYMENT AMOUNT") and the applicable Prepayment Date. Each such notice (a "PREPAYMENT NOTICE") shall be by telex or telecopier or otherwise as provided in Section 8.02.

(b) Annual Financials. As soon as available and in any event within 90 days after the end of each Fiscal Year, a copy of the annual audit report for such year for the Borrower and its Subsidiaries, including therein Consolidated and consolidating balance sheets of the Borrower and its Subsidiaries as of the end of such Fiscal Year and Consolidated and consolidating statements of income and a Consolidated statement of cash flows of the Borrower and its Subsidiaries for such Fiscal Year, in each case accompanied by an opinion acceptable to the

Required Lenders of Arthur Andersen or other independent public accountants of recognized standing acceptable to the Required Lenders, together with (i) a certificate of such accounting firm to the Lender Parties stating that in the course of the regular audit of the business of the

Borrower and its Subsidiaries, which audit was conducted by such accounting firm in accordance with generally accepted auditing standards, such accounting firm has obtained no knowledge that a Default has occurred and is continuing, or if, in the opinion of such accounting firm, a Default has occurred and is continuing, a statement as to the nature thereof, (ii) a schedule in form satisfactory to the Administrative Agent of the computations used by such accountants in determining, as of the end of such Fiscal Year, compliance with the covenants contained in Section 5.04, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.04, a statement of reconciliation conforming such financial statements to GAAP and provided further that the Borrower shall also provide, to the extent necessary, a balance sheet, statement of income and statement of cash flows that will exclude the Unrestricted Subsidiaries that existed during such reporting period and (iii) a certificate of the chief financial officer of the Borrower stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto.

(c) Quarterly Financials. As soon as available and in any event within 45 days after the end of each of the first three quarters of each Fiscal Year, an unaudited Consolidated balance sheet of the Borrower and its Subsidiaries as of the end of such quarter and an unaudited Consolidated statement of income and an unaudited Consolidated statement of cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous fiscal quarter and ending with the end of such fiscal quarter and an unaudited Consolidated statement of income and an unaudited Consolidated statement of cash flows of the Borrower and its Subsidiaries for the period commencing at the end of the previous Fiscal Year and ending with the end of such quarter, setting forth in each case in comparative form the corresponding figures for the corresponding period of the preceding Fiscal Year, all in reasonable detail and duly certified (subject to year-end audit adjustments) by the chief financial officer of the Borrower as having been prepared in accordance with GAAP, together with (i) a certificate of said officer stating that no Default has occurred and is continuing or, if a Default has occurred and is continuing, a statement as to the nature thereof and the action that the Borrower has taken and proposes to take with respect thereto and (ii) a schedule in form satisfactory to the Administrative Agent of the computations used by the Borrower in determining compliance with the covenants contained in Section 5.04, provided that in the event of any change in GAAP used in the preparation of such financial statements, the Borrower shall also provide, if necessary for the determination of compliance with Section 5.04, a statement of reconciliation conforming such financial statements to GAAP and provided further that the Borrower shall also provide, to the extent necessary, a balance sheet, statement of income and statement of cash flows that will exclude the Unrestricted Subsidiaries that existed during such reporting period.

(d) Annual Business Plan and Forecasts. As soon as available and in any event no later than 15 days before the end of each Fiscal Year, a business plan and forecasts prepared by management of the Borrower of balance sheets, income statements and cash flow statements on a monthly basis for the Fiscal Year following such Fiscal Year and on an annual basis for each Fiscal Year thereafter until the Termination Date.

(e) Litigation. Promptly after the commencement thereof, notice of all actions, suits, investigations, litigation and proceedings before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, affecting any Loan Party or any

of its Subsidiaries of the type described in Section 4.01(f).

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(f) Securities Reports. Promptly after the sending or filing thereof, copies of the Borrower's Reports on Form 10-K and Form 10-Q.

(g) Creditor Reports. Promptly after the furnishing thereof, copies of any statement or report furnished to any holder of Debt securities of any Loan Party or of any of its Subsidiaries pursuant to the terms of any indenture, loan or credit or similar agreement and not otherwise required to be furnished to the Lender Parties pursuant to any other clause of this Section 5.03.

(h) Agreement Notices. Promptly upon receipt thereof, copies of all notices, requests and other documents received by any Loan Party or any of its Subsidiaries under or pursuant to any Related Document or Material Contract or instrument, indenture, loan or credit or similar agreement and, from time to time upon request by the Administrative Agent, such information and reports regarding the Related Documents, the Material Contracts and such instruments, indentures and loan and credit and similar agreements as the Administrative Agent may reasonably request.

(i) Revenue Agent Reports. Within 30 days after receipt, copies of all Revenue Agent Reports (Internal Revenue Service Form 886), or other written proposals of the Internal Revenue Service, that propose, determine or otherwise set forth positive adjustments to the Federal income tax liability of the affiliated group (within the meaning of Section 1504(a)(1) of the Internal Revenue Code) of which the Borrower is a member aggregating \$1,000,000 or more.

(j) Tax Certificates. Promptly, and in any event within five Business Days after the due date (with extensions) for filing the final Federal income tax return in respect of each taxable year, a certificate (a "TAX CERTIFICATE"), signed by the President or the chief financial officer of the Borrower, stating that the Borrower has paid to the Internal Revenue Service or other taxing authority, the full amount that such affiliated group is required to pay in respect of Federal income tax for such year.

(k) ERISA. (i) ERISA Events and ERISA Reports. (A) Promptly and in any event within 10 days after any Loan Party or any ERISA Affiliate knows or has reason to know that any ERISA Event has occurred, a statement of the chief financial officer of the Borrower describing such ERISA Event and the action, if any, that such Loan Party or such ERISA Affiliate has taken and proposes to take with respect thereto and (B) on the date any records, documents or other information must be furnished to the PBGC with respect to any Plan pursuant to Section 4010 of ERISA, a copy of such records, documents and information.

(ii) Plan Terminations. Promptly and in any event within two Business Days after receipt thereof by any Loan Party or any ERISA Affiliate, copies of each notice from the PBGC stating its intention to terminate any Plan or to have a trustee appointed to administer any Plan.

(iii) Multiemployer Plan Notices. Promptly and in any event within five Business Days after receipt thereof by any Loan Party or any ERISA Affiliate from the sponsor of a Multiemployer Plan, copies of each notice concerning (A) the imposition of Withdrawal Liability by any such Multiemployer Plan, (B) the reorganization or termination, within the meaning of Title IV of ERISA, of any such Multiemployer Plan or (C) the amount of liability incurred, or that may be incurred, by such Loan Party or any ERISA Affiliate in connection with any event described in clause (A) or (B).

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(iv) Plan Annual Reports. Promptly and in any event within 30 days after the filing thereof with the Internal Revenue Service, copies of each Schedule B (Actuarial Information) to the annual report (Form 5500 Series) with respect to each Plan.

(l) Environmental Conditions. Promptly after the assertion or occurrence thereof, notice of any Environmental Action against or of any noncompliance by any Loan Party or any of its Subsidiaries with any Environmental Law or Environmental Permit that could (i) reasonably be expected to have a Material Adverse Effect or (ii) cause any property described in the Mortgages to be subject to any restrictions on ownership, occupancy, use or transferability under any Environmental Law.

(m) Real Property. As soon as available and in any event within 30 days after the end of each Fiscal Year, a report supplementing Schedules 4.01(v) and 4.01(w) hereto, including an identification of all owned and leased real property disposed of by the Borrower or any of its Subsidiaries during such Fiscal Year, a list and description (including the street address, county or other relevant jurisdiction, state, record owner, book value thereof, and in the case of leases of property, lessor, lessee, expiration date and annual rental cost thereof) of all real property acquired or leased during such Fiscal Year and a description of such other changes in the information included in such Schedules as may be necessary for such Schedules to be accurate and complete.

(n) Insurance. As soon as available and in any event within 30 days after the end of each Fiscal Year, a report summarizing the insurance coverage (specifying type, amount and carrier) in effect for the Borrower and its Subsidiaries and containing such additional information as any Agent, or any Lender Party through the Administrative Agent, may reasonably specify.

(o) Borrowing Base Certificate. Within five Business Days after the end of each quarter, a Borrowing Base Certificate, as at the end of the previous quarter, certified by the chief financial officer of the Borrower.

(p) Information Regarding Acquisitions by Anam. Concurrently with the issuance by Anam of any Equity Interests to fund any acquisition to be made by it, the business and financial information (including any fairness opinion and financial projections) used by the board of directors of Anam in approving such acquisition.

(q) Year 2000 Compliance. Promptly after the Borrower's discovery or determination thereof, notice (in reasonable detail) that any computer application (including those of its suppliers, vendors and customers) that is material to its or any of its Subsidiaries' business and operations will not be Year 2000 Compliant (as defined in Section 4.01(aa)), except to the extent that such failure could not reasonably be expected to have a Material Adverse Effect.

(r) Other Information. Such other information respecting the business, condition (financial or otherwise), operations, performance, properties or prospects of any Loan Party or any of its Subsidiaries as any Agent, or any Lender Party through the Administrative Agent, may from time to time reasonably request, including information relating to the Borrower's hedging policy, provided, however, that any proprietary information shall only be disclosed with appropriate safeguard measures as may be mutually agreed to by the Borrower and the Agents.

(s) Fab Certificate. At least 15 Business Days prior to the occurrence of the Fab Transaction, the Borrower shall deliver reasonably complete information in sufficient detail to permit the Lender Parties to evaluate the Fab Transaction together with a certificate from the

chief financial officer (or equivalent officer) of the Borrower as to

the satisfaction of clause (v) of the definition of the Fab Transaction.

SECTION 5.04. Financial Covenants. So long as any Advance or any other Obligation of any Loan Party under any Loan Document shall remain unpaid, any Letter of Credit shall be outstanding or any Lender Party shall have any Commitment hereunder, the Borrower will:

(a) Fixed Charge Coverage Ratio. Maintain at all times a Fixed Charge Coverage Ratio of not less than the amount set forth below for each period set forth below:

QUARTER ENDING -----	RATIO -----
December 31, 2000	1.00:1
March 31, 2001	1.00:1
June 30, 2001	1.10:1
September 30, 2001	1.20:1
December 31, 2001	1.30:1
March 31, 2002	1.40:1
June 30, 2002	1.40:1
September 30, 2002	1.40:1
December 31, 2002	1.40:1
March 31, 2003	1.50:1
June 30, 2003	1.50:1
September 30, 2003	1.50:1
December 31, 2003	1.50:1
March 31, 2004	1.50:1
June 30, 2004	1.50:1
September 30, 2004	1.50:1
December 31, 2004	1.50:1
March 31, 2005	1.75:1
June 30, 2005	1.75:1
September 30, 2005	1.75:1

(b) Leverage Ratio. Maintain at all times a Leverage Ratio of not more than the amount set forth below for each period set forth below:

QUARTER ENDING -----	RATIO -----
June 30, 2000	3.00:1
September 30, 2000	3.00:1
December 31, 2000	2.75:1
March 31, 2001	2.75:1
June 30, 2001	2.75:1
September 30, 2001	2.50:1
December 31, 2001	2.50:1
March 31, 2002	2.50:1
June 30, 2002	2.50:1
September 30, 2002	2.50:1
December 31, 2002	2.50:1
March 31, 2003	2.25:1
June 30, 2003	2.25:1

September 30, 2003	2.25:1
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December 31, 2003	2.25:1
March 31, 2004	2.00:1
June 30, 2004	2.00:1
September 30, 2004	2.00:1
December 31, 2004	2.00:1
March 31, 2005	2.00:1
June 30, 2005	2.00:1
September 30, 2005	2.00:1

(c) Interest Coverage Ratio. Maintain at all times an Interest Coverage Ratio of not less than the amount set forth below for each period set forth below:

QUARTER ENDING -----	RATIO -----
June 30, 2000	3.75:1
September 30, 2000	3.75:1
December 31, 2000	4.00:1
March 31, 2001	4.00:1
June 30, 2001	4.00:1
September 30, 2001	4.00:1
December 31, 2001	4.00:1
March 31, 2002	4.00:1
June 30, 2002	4.00:1
September 30, 2002	4.00:1
December 31, 2002	4.00:1
March 31, 2003	4.00:1
June 30, 2003	4.00:1
September 30, 2003	4.00:1
December 31, 2003	4.00:1
March 31, 2004	4.00:1
June 30, 2004	4.00:1
September 30, 2004	4.00:1
December 31, 2004	4.00:1
March 31, 2005	4.00:1
June 30, 2005	4.00:1
September 30, 2005	4.00:1

(d) Tangible Net Worth. The Borrower will not permit Tangible Net Worth at any time to be less than (i) 90% of the Tangible Net Worth on the Effective Date after giving affect to the Transaction plus (ii) 50% of the sum of net income for each fiscal quarter beginning with the first quarter after the Effective Date (without reduction for losses) plus (iii) the amount of Net Cash Proceeds from issuances of Equity Interests that the Borrower is entitled to keep pursuant to Section 2.06 (b) (iii).

ARTICLE VI

EVENTS OF DEFAULT

SECTION 6.01. Events of Default. If any of the following events ("EVENTS OF DEFAULT") shall occur and be continuing:

(a) (i) the Borrower shall fail to pay any principal of any Advance when the same shall become due and payable or (ii) the Borrower shall fail to pay any interest on any Advance, or any Loan Party shall fail to make any other payment under any Loan Document, in each case under this clause (ii) within 3 Business Days after the same becomes due and payable; or

(b) any representation or warranty made by any Loan Party (or any of its officers) under or in connection with any Loan Document shall prove to have been incorrect in any material respect when made; or

(c) the Borrower shall fail to perform or observe any term, covenant or agreement contained in Section 2.14, 5.01(e), (f), (i), (j) or (r), 5.02, 5.03 or 5.04; provided that, in the case of Section 5.03, any such failure shall remain unremedied for three Business Days after the earlier date of which (A) a Responsible Officer becomes aware of such failure or (B) written notice shall have been given to the Borrower by any Agent or Lender Party; or

(d) any Loan Party shall fail to perform or observe any other term, covenant or agreement contained in any Loan Document on its part to be performed or observed if such failure shall remain unremedied for 15 Business Days after the earlier of the date on which (A) a Responsible Officer becomes aware of such failure or (B) written notice thereof shall have been given to the Borrower by any Agent or any Lender Party; or

(e) any Loan Party or any of its Subsidiaries shall fail to pay any principal of, premium or interest on or any other amount payable in respect of any Debt that is outstanding in a principal amount (or, in the case of any Hedge Agreement, an Agreement Value) of at least \$10,000,000 either individually or in the aggregate (but excluding Debt outstanding hereunder) of such Loan Party or such Subsidiary (as the case may be), when the same becomes due and payable (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise), and such failure shall continue after the applicable grace period, if any, specified in the agreement or instrument relating to such Debt; or any other event (other than a permitted redemption under Section 5.02(g)(iv) or (v)) shall occur or condition shall exist under any agreement or instrument relating to any such Debt and shall continue after the applicable grace period, if any, specified in such agreement or instrument, if the effect of such event or condition is to accelerate, or to permit the acceleration of, the maturity of such Debt or otherwise to cause, or to permit the holder thereof to cause, such Debt to mature; or any such Debt shall be declared to be due and payable or required to be prepaid or redeemed (other than by a regularly scheduled required prepayment or redemption), purchased or defeased, or an offer to prepay, redeem, purchase or defease such Debt shall be required to be made, in each case prior to the stated maturity thereof; or

(f) any Loan Party or any of its Subsidiaries shall generally not pay its debts as such debts become due, or shall admit in writing its inability to pay its debts generally, or shall make a general assignment for the benefit of creditors; or any proceeding shall be instituted by or against any Loan Party or any of its Subsidiaries seeking to adjudicate it a bankrupt or insolvent, or seeking liquidation, winding up, reorganization, arrangement, adjustment, protection, relief, or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors, or seeking the entry of an order for relief or the appointment of a receiver, trustee, or other similar official for it or for any substantial part of its property and, in the case of any such proceeding instituted against it (but not instituted by it) that is being diligently contested

by it in good faith, either such proceeding shall remain undismissed or unstayed for a period of 30 days or any of the actions sought in such proceeding (including, without limitation, the entry of an order for relief against, or the appointment of a receiver, trustee, custodian or other similar official for, it or any substantial part of its property) shall occur; or any Loan Party or any of its Subsidiaries shall take any corporate action to authorize any of the actions set forth above in this subsection (f); or

(g) any judgment or order for the payment of money in excess of

\$10,000,000 shall be rendered against any Loan Party or any of its Subsidiaries and either (i) enforcement proceedings shall have been commenced by any creditor upon such judgment or order or (ii) there shall be any period of 15 consecutive Business Days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(h) any non-monetary judgment or order shall be rendered against any Loan Party or any of its Subsidiaries that could be reasonably likely to have a Material Adverse Effect, and there shall be any period of 15 consecutive Business Days during which a stay of enforcement of such judgment or order, by reason of a pending appeal or otherwise, shall not be in effect; or

(i) any provision of any Loan Document after delivery thereof pursuant to Section 3.01 or 5.01(j) shall for any reason cease to be valid and binding on or enforceable against any Loan Party party to it, or any such Loan Party shall so state in writing; or

(j) any Collateral Document after delivery thereof pursuant to Section 3.01 or 5.01(j) shall for any reason (other than pursuant to the terms thereof) cease to create a valid and perfected first priority lien on and security interest in the Collateral purported to be covered thereby; or

(k) a Change of Control shall occur; or

(l) any ERISA Event shall have occurred with respect to a Plan and the sum (determined as of the date of occurrence of such ERISA Event) of the Insufficiency of such Plan and the Insufficiency of any and all other Plans with respect to which an ERISA Event shall have occurred and then exist (or the liability of the Loan Parties and the ERISA Affiliates related to such ERISA Event) exceeds \$10,000,000; or

(m) any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that it has incurred Withdrawal Liability to such Multiemployer Plan in an amount that, when aggregated with all other amounts required to be paid to Multiemployer Plans by the Loan Parties and the ERISA Affiliates as Withdrawal Liability (determined as of the date of such notification), exceeds \$10,000,000 or requires payments exceeding \$1,000,000 per annum; or

(n) any Loan Party or any ERISA Affiliate shall have been notified by the sponsor of a Multiemployer Plan that such Multiemployer Plan is in reorganization or is being terminated, within the meaning of Title IV of ERISA, and as a result of such reorganization or termination the aggregate annual contributions of the Loan Parties and the ERISA Affiliates to all Multiemployer Plans that are then in reorganization or being terminated have been or will be increased over the amounts contributed to such Multiemployer Plans for the plan years of such Multiemployer Plans immediately preceding the plan year in which such reorganization or termination occurs by an amount exceeding \$10,000,000; or

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(o) Anam, Newco or Newco Successor shall enter into or engage in any line of business unrelated to lines of business in which Anam is engaged on the Effective Date (other than with respect to Anam Electronics, Inc.) or Newco or Newco Successor is engaged as a result of the Fab Transaction;

then, and in any such event, the Administrative Agent (i) shall at the request, or may with the consent, of the Required Lenders, by notice to the Borrower, declare the Commitments of each Lender Party and the obligation of each Lender Party to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Revolving Credit Lender pursuant to Section 2.03(c) and of each Issuing Bank to issue Letters of Credit to be terminated, whereupon the same shall forthwith terminate, and (ii) shall at the request, or may with the consent, of the Required Lenders, (A) by notice to the Borrower, declare the Notes, all interest thereon and all other amounts payable under this Agreement and the

other Loan Documents to be forthwith due and payable, whereupon the Notes, all such interest and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Borrower, (B) by notice to each party required under the terms of any agreement in support of which a Standby Letter of Credit is issued, request that all Obligations under such agreement be declared to be due and payable and (c) by notice to each Issuing Bank, direct such Issuing Bank to deliver a Default Termination Notice to the beneficiary of each Standby Letter of Credit issued by it, and each Issuing Bank shall deliver such Default Termination Notices; provided, however, that in the event of an actual or deemed entry of an order for relief with respect to the Borrower under the Federal Bankruptcy Code, (x) the Commitments of each Lender Party and the obligation of each Lender Party to make Advances (other than Letter of Credit Advances by an Issuing Bank or a Revolving Credit Lender pursuant to Section 2.03(c) and of each Issuing Bank to issue Letters of Credit shall automatically be terminated and (y) the Notes, all such interest and all such amounts shall automatically become and be due and payable, without presentment, demand, protest or any notice of any kind, all of which are hereby expressly waived by the Borrower.

SECTION 6.02. Actions in Respect of the Letters of Credit upon Default. If any Event of Default shall have occurred and be continuing, the Administrative Agent may, or shall at the request of the Required Lenders, irrespective of whether it is taking any of the actions described in Section 6.01 or otherwise, make demand upon the Borrower to, and forthwith upon such demand the Borrower will, pay to the Collateral Agent on behalf of the Lender Parties in same day funds at the Collateral Agent's office designated in such demand, for deposit in the L/C Collateral Account, an amount equal to the aggregate Available Amount of all Letters of Credit then outstanding. If at any time the Administrative Agent or the Collateral Agent determines that any funds held in the L/C Collateral Account are subject to any right or claim of any Person other than the Agents and the Lender Parties or that the total amount of such funds is less than the aggregate Available Amount of all Letters of Credit, the Borrower will, forthwith upon demand by the Administrative Agent or the Collateral Agent, pay to the Collateral Agent, as additional funds to be deposited and held in the L/C Collateral Account, an amount equal to the excess of (a) such aggregate Available Amount over (b) the total amount of funds, if any, then held in the L/C Collateral Account that the Administrative Agent or the Collateral Agent, as the case may be, determines to be free and clear of any such right and claim. Upon the drawing of any Letter of Credit for which funds are on deposit in the L/C Collateral Account, such funds shall be applied to reimburse the relevant Issuing Bank or Revolving Credit Lenders, as applicable, to the extent permitted by applicable law.

ARTICLE VII

THE AGENTS

SECTION 7.01. Authorization and Action. Each Lender Party (in its capacities as a Lender, an Issuing Bank (if applicable) and on behalf of itself and its Affiliates as potential Hedge Banks)

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hereby appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers and discretion under this Agreement and the other Loan Documents as are delegated to such Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto. As to any matters not expressly provided for by the Loan Documents (including, without limitation, enforcement or collection of the Notes), no Agent shall be required to exercise any discretion or take any action, but shall be required to act or to refrain from acting (and shall be fully protected in so acting or refraining from acting) upon the instructions of the Required Lenders, and such instructions shall be binding upon all Lender Parties and all holders of Notes; provided, however, that no Agent shall be required to take any action that exposes such Agent to personal liability or that is contrary to this Agreement or applicable law. Each Agent agrees to give to each Lender Party prompt notice of each notice given to it by the Borrower pursuant to the terms of this Agreement.

SECTION 7.02. Agents' Reliance, Etc. Neither any Agent nor any of their

respective directors, officers, agents or employees shall be liable for any action taken or omitted to be taken by it or them under or in connection with the Loan Documents, except for its or their own gross negligence or willful misconduct. Without limitation of the generality of the foregoing, each Agent: (a) may treat the payee of any Note as the holder thereof until, in the case of the Administrative Agent, the Administrative Agent receives and accepts an Assignment and Acceptance entered into by the Lender that is the payee of such Note, as assignor, and an Eligible Assignee, as assignee, or, in the case of any other Agent, such Agent has received notice from the Administrative Agent that it has received and accepted such Assignment and Acceptance, in each case as provided in Section 8.07; (b) may consult with legal counsel (including counsel for any Loan Party), independent public accountants and other experts selected by it and shall not be liable for any action taken or omitted to be taken in good faith by it in accordance with the advice of such counsel, accountants or experts; (c) makes no warranty or representation to any Lender Party and shall not be responsible to any Lender Party for any statements, warranties or representations (whether written or oral) made in or in connection with the Loan Documents; (d) shall not have any duty to ascertain or to inquire as to the performance or observance of any of the terms, covenants or conditions of any Loan Document on the part of any Loan Party or to inspect the property (including the books and records) of any Loan Party; (e) shall not be responsible to any Lender Party for the due execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto; and (f) shall incur no liability under or in respect of any Loan Document by acting upon any notice, consent, certificate or other instrument or writing (which may be by telegram, telecopy or telex) believed by it to be genuine and signed or sent by the proper party or parties.

SECTION 7.03. SG, SG Cowen, SSBI and Their Affiliates. With respect to its Commitments, the Advances made by it and the Notes issued to it, each of SG, SG Cowen and SSBI shall have the same rights and powers under the Loan Documents as any other Lender Party and may exercise the same as though it were not an Agent; and the term "Lender Party" or "Lender Parties" shall, unless otherwise expressly indicated, include SG, SG Cowen and SSBI in their respective individual capacities. SG, SG Cowen and SSBI and their respective affiliates may accept deposits from, lend money to, act as trustee under indentures of, accept investment banking engagements from and generally engage in any kind of business with, any Loan Party, any of its Subsidiaries and any Person who may do business with or own securities of any Loan Party or any such Subsidiary, all as if SG, SG Cowen and SSBI were not Agents and without any duty to account therefor to the Lender Parties.

SECTION 7.04. Lender Party Credit Decision. Each Lender Party acknowledges that it has, independently and without reliance upon any Agent or any other Lender Party and based on the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender

Party also acknowledges that it will, independently and without reliance upon any Agent or any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement.

SECTION 7.05. Indemnification. (a) Each Lender Party severally agrees to indemnify each Agent (to the extent not promptly reimbursed by the Borrower) from and against such Lender Party's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against such Agent in any way relating to or arising out of the Loan Documents or any action taken or omitted by such Agent under the Loan Documents (collectively, the "INDEMNIFIED COSTS"); provided, however, that no Lender Party shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Agent's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation

of the foregoing, each Lender Party agrees to reimburse each Agent promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 8.04, to the extent that such Agent is not promptly reimbursed for such costs and expenses by the Borrower. In the case of any investigation, litigation or proceeding giving rise to any Indemnified Costs, this Section 7.05 applies whether any such investigation, litigation or proceeding is brought by any Lender Party or any other Person.

(b) Each Lender Party severally agrees to indemnify each Issuing Bank (to the extent not promptly reimbursed by the Borrower) from and against such Lender Party's ratable share (determined as provided below) of any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever that may be imposed on, incurred by, or asserted against such Issuing Bank in any way relating to or arising out of the Loan Documents or any action taken or omitted by such Issuing Bank under the Loan Documents; provided, however, that no Lender Party shall be liable for any portion of such liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements resulting from such Issuing Bank's gross negligence or willful misconduct as found in a final, non-appealable judgment by a court of competent jurisdiction. Without limitation of the foregoing, each Lender Party agrees to reimburse such Issuing Bank promptly upon demand for its ratable share of any costs and expenses (including, without limitation, fees and expenses of counsel) payable by the Borrower under Section 8.04, to the extent that such Issuing Bank is not promptly reimbursed for such costs and expenses by the Borrower.

(c) For purposes of this Section 7.05, the Lender Parties' respective ratable shares of any amount shall be determined, at any time, according to the sum of (i) the aggregate principal amount of the Advances outstanding at such time and owing to the respective Lender Parties, (ii) their respective Pro Rata Shares of the aggregate Available Amount of all Letters of Credit outstanding at such time, (iii) the aggregate unused portions of their respective Term Commitments at such time and (iv) their respective Unused Revolving Credit Commitments at such time; provided that the aggregate principal amount of Letter of Credit Advances owing to any Issuing Bank shall be considered to be owed to the Revolving Credit Lenders ratably in accordance with their respective Revolving Credit Commitments. The failure of any Lender Party to reimburse any Agent or any Issuing Bank, as the case may be, promptly upon demand for its ratable share of any amount required to be paid by the Lender Parties to such Agent or such Issuing Bank, as the case may be, as provided herein shall not relieve any other Lender Party of its obligation hereunder to reimburse such Agent or such Issuing Bank, as the case may be, for its ratable share of such amount, but no Lender Party shall be responsible for the failure of any other Lender Party to reimburse such Agent or such Issuing Bank, as the case may be, for such other Lender Party's ratable share of such amount. Without prejudice to the survival of any other agreement of

any Lender Party hereunder, the agreement and obligations of each Lender Party contained in this Section 7.05 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under the other Loan Documents.

SECTION 7.06. Successor Administrative Agent. The Administrative Agent may resign as to any or all of the Facilities at any time by giving written notice thereof to the Lender Parties and the Borrower and may be removed as to all of the Facilities at any time with or without cause by the Required Lenders. Upon any such resignation or removal, the Required Lenders shall have the right to appoint a successor Administrative Agent as to such of the Facilities as to which such Administrative Agent has resigned or been removed. If no successor Administrative Agent shall have been so appointed by the Required Lenders, and shall have accepted such appointment, within 30 days after the retiring Administrative Agent's giving of notice of resignation or the Required Lenders' removal of the retiring Administrative Agent, then the retiring Administrative Agent may, on behalf of the Lender Parties, appoint a successor Administrative Agent, which shall be a commercial bank organized under the laws of the United States or of any State thereof and having a combined capital and surplus of at least \$250,000,000. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent as to all of the Facilities

and upon the execution and filing or recording of such financing statements, or amendments thereto, and such amendments or supplements to the Mortgages, and such other instruments or notices, as may be necessary or desirable, or as the Required Lenders may request, in order to continue the perfection of the Liens granted or purported to be granted by the Collateral Documents, such successor Administrative Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations under the Loan Documents. Upon the acceptance of any appointment as Administrative Agent hereunder by a successor Administrative Agent as to less than all of the Facilities and upon the execution and filing or recording of such financing statements, or amendments thereto, and such amendments or supplements to the Mortgages, and such other instruments or notices, as may be necessary or desirable, or as the Required Lenders may request, in order to continue the perfection of the Liens granted or purported to be granted by the Collateral Documents, such successor Administrative Agent shall succeed to and become vested with all the rights, powers, discretion, privileges and duties of the retiring Administrative Agent as to such Facilities, other than with respect to funds transfers and other similar aspects of the administration of Borrowings under such Facilities, issuances of Letters of Credit (notwithstanding any resignation as Administrative Agent with respect to the Letter of Credit Facility) and payments by the Borrower in respect of such Facilities, and the retiring Administrative Agent shall be discharged from its duties and obligations under this Agreement as to such Facilities, other than as aforesaid. If, within 45 days after written notice is given of the retiring Administrative Agent's resignation or removal under this Section 7.06, no successor Administrative Agent shall have been appointed and shall have accepted such appointment, then on such 45th day (i) the retiring Administrative Agent's resignation or removal shall become effective, (ii) the retiring Administrative Agent shall thereupon be discharged from its duties and obligations under the Loan Documents and (iii) the Required Lenders shall thereafter perform all duties of the retiring Administrative Agent under the Loan Documents until such time, if any, as the Required Lenders appoint a successor Administrative Agent as provided above. After any retiring Administrative Agent's resignation or removal hereunder as Administrative Agent as to all of the Facilities shall have become effective, the provisions of this Article VII shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent as to any Facilities under this Agreement.

ARTICLE VIII

MISCELLANEOUS

SECTION 8.01. Amendments, Etc. No amendment or waiver of any provision of this Agreement or the Notes or any other Loan Document, nor consent to any departure by any Loan Party therefrom, shall in any event be effective unless the same shall be in writing and signed (or, in the case of the Collateral Documents, consented to) by the Required Lenders, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; provided, however, that (a) no amendment, waiver or consent shall, unless in writing and signed by all of the Lenders (other than any Lender Party that is, at such time, a Defaulting Lender), do any of the following at any time: (i) waive any of the conditions specified in Section 3.01 or, in the case of the Initial Extension of Credit, Section 3.02, (ii) change any provision that expressly requires a vote or determination by all of the Lenders or the percentage of (x) the Commitments, (y) the aggregate unpaid principal amount of the Advances or (z) the aggregate Available Amount of outstanding Letters of Credit that, in each case, shall be required for the Lenders or any of them to take any action hereunder, (iii) reduce or limit the obligations of any Guarantor under Section 1 of the Guaranty issued by it or release such Guarantor or otherwise limit such Guarantor's liability with respect to the Obligations owing to the Agents and the Lender Parties (other than, in the case of any Guarantor, to the extent permitted under the Guaranty to which it is a party), (iv) release all or substantially all of the Collateral in any transaction or series of related transactions or permit the creation, incurrence, assumption or existence of any Lien on all or substantially all of the Collateral in any transaction or series of related transactions to secure any Obligations other than Obligations owing to the Secured Parties under the Loan Documents, (v) amend Section 2.13 or this Section 8.01, (b) no amendment,

waiver or consent shall, unless in writing and signed by the Required Lenders and each Lender (other than any Lender that is, at such time, a Defaulting Lender) that has a Commitment under the Term A Facility, Term B Facility or Revolving Credit Facility if such Lender is directly and adversely affected by such amendment, waiver or consent, (i) increase the Commitments of such Lender, (ii) reduce the principal of, or interest on, the Notes held by such Lender or any fees or other amounts stated to be payable hereunder to such Lender or (iii) postpone any date fixed for any payment of principal of, or interest on, the Notes held by such Lender or any fees or other amounts payable hereunder to such Lender and (c) no amendment, waiver or consent shall, unless in writing and signed by the Required Lenders and Lenders (other than any Lender Party that is, at such time, a Defaulting Lender) holding at least a majority in interest of the aggregate Commitments (whether used or unused) under the Term A Facility, Term B Facility or Revolving Credit Facility if such Lenders under any of the foregoing Facilities are directly and adversely affected by such amendment, waiver or consent, change the allocation or order of application of any prepayment set forth in Section 2.06; provided further that no amendment, waiver or consent shall, unless in writing and signed by each Issuing Bank, as the case may be, in addition to the Lenders required above to take such action, affect the rights or obligations of the Issuing Bank under this Agreement; and provided further that no amendment, waiver or consent shall, unless in writing and signed by an Agent in addition to the Lenders required above to take such action, affect the rights or duties of such Agent under this Agreement or the other Loan Documents.

SECTION 8.02. Notices, Etc. All notices and other communications provided for hereunder shall be in writing (including telegraphic, telecopy or telex communication) and mailed, telegraphed, telecopied, telexed or delivered, if to the Borrower, at its address at Amkor Technology, Inc., Goshen Corporate Park, 1345 Enterprise Drive, West Chester, PA 19380, (Telecopier: 610-431-9967), Attention: Kenneth T. Joyce, Chief Financial Officer; if to any Initial Lender or any Initial Issuing Bank, at its Domestic Lending Office specified opposite its name on Schedule I hereto; if to any other Lender Party, at its Domestic Lending Office specified in the Assignment and Acceptance pursuant to which it became a Lender Party; if to the Collateral Agent, at its address at 1221 Avenue of the Americas, New York NY 10020 (Telecopier: 212-278-6418), Attention: Edward Grimm, Vice-President, SG Cowen Securities Corporation; and if to the Administrative Agent, at its address at 1221 Avenue of the Americas, New York NY 10020 (Telecopier: 212-278-6418), Attention: Edward Grimm, Vice-President, SG Cowen Securities Corporation; and if to Salomon Smith Barney Inc., at its address at 390 Greenwich St.,

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New York, NY 10013 (Telecopier: 212-723-8547), Attention: Nicholas Erni, Director or, as to the Borrower or the Administrative Agent, at such other address as shall be designated by such party in a written notice to the other parties and, as to each other party, at such other address as shall be designated by such party in a written notice to the Borrower and the Administrative Agent. All such notices and communications shall, when mailed, telegraphed, telecopied or telexed, be effective when deposited in the mails, delivered to the telegraph company, transmitted by telecopier or confirmed by telex answerback, respectively, except that notices and communications to any Agent pursuant to Article II, III or VII shall not be effective until received by such Agent. Delivery by telecopier of an executed counterpart of any amendment or waiver of any provision of this Agreement or the Notes or of any Exhibit hereto to be executed and delivered hereunder shall be effective as delivery of an original executed counterpart thereof.

SECTION 8.03. No Waiver; Remedies. No failure on the part of any Lender Party or any Agent to exercise, and no delay in exercising, any right hereunder or under any Note shall operate as a waiver thereof; nor shall any single or partial exercise of any such right preclude any other or further exercise thereof or the exercise of any other right. The remedies herein provided are cumulative and not exclusive of any remedies provided by law.

SECTION 8.04. Costs and Expenses. (a) The Borrower agrees to pay on demand (i) all costs and expenses of each Agent in connection with the preparation, execution, delivery, administration, modification and amendment of the Loan Documents (including, without limitation, (A) all due diligence, collateral review, syndication, transportation, computer, duplication,

appraisal, audit, insurance, consultant, search, filing and recording fees and expenses and (B) the reasonable fees and expenses of counsel for each Agent with respect thereto, with respect to advising such Agent as to its rights and responsibilities, or the perfection, protection or preservation of rights or interests, under the Loan Documents, with respect to negotiations with any Loan Party or with other creditors of any Loan Party or any of its Subsidiaries arising out of any Default or any events or circumstances that may give rise to a Default and with respect to presenting claims in or otherwise participating in or monitoring any bankruptcy, insolvency or other similar proceeding involving creditors' rights generally and any proceeding ancillary thereto) and (ii) all costs and expenses of each Agent and each Lender Party in connection with the enforcement of the Loan Documents, whether in any action, suit or litigation, or any bankruptcy, insolvency or other similar proceeding affecting creditors' rights generally (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent and each Lender Party with respect thereto).

(b) The Borrower agrees to indemnify and hold harmless each Agent, each Lender Party and each of their Affiliates and their respective officers, directors, employees, agents and advisors (each, an "INDEMNIFIED PARTY") from and against any and all claims, damages, losses, liabilities and expenses (including, without limitation, reasonable fees and expenses of counsel) that may be incurred by or asserted or awarded against any Indemnified Party, in each case arising out of or in connection with or by reason of (including, without limitation, in connection with any investigation, litigation or proceeding or preparation of a defense in connection therewith) (i) the Facilities, the actual or proposed use of the proceeds of the Advances or the Letters of Credit, the Transaction Documents or any of the transactions contemplated thereby, including, without limitation, any acquisition or proposed acquisition (including, without limitation, the Acquisition and any of the other transactions contemplated by the Transaction Documents) by the Borrower or any of its Subsidiaries or Affiliates of all or any portion of the Equity Interests in or Debt securities or substantially all of the assets of the Acquired Business or (ii) the actual or alleged presence of Hazardous Materials on any property of any Loan Party or any of its Subsidiaries or any Environmental Action relating in any way to any Loan Party or any of its Subsidiaries, except to the extent such claim, damage, loss, liability or expense is found in a final, non-appealable judgment by a court of competent jurisdiction to have resulted from such Indemnified Party's gross negligence or willful

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misconduct. In the case of an investigation, litigation or other proceeding to which the indemnity in this Section 8.04(b) applies, such indemnity shall be effective whether or not such investigation, litigation or proceeding is brought by any Loan Party, its directors, shareholders or creditors or an Indemnified Party or any Indemnified Party is otherwise a party thereto and whether or not the transactions contemplated by the Transaction Documents are consummated. The Borrower also agrees not to assert any claim against any Agent, any Lender Party or any of their Affiliates, or any of their respective officers, directors, employees, attorneys and agents, on any theory of liability, for indirect, consequential or punitive damages arising out of or otherwise relating to the Facilities, the actual or proposed use of the proceeds of the Advances or the Letters of Credit, the Transaction Documents or any of the transactions contemplated by the Transaction Documents.

(c) If any payment of principal of, or Conversion of, any Eurodollar Rate Advance is made by the Borrower to or for the account of a Lender Party other than on the last day of the Interest Period for such Advance, as a result of a payment or Conversion pursuant to Section 2.06, 2.09(b)(i) or 2.10(d), acceleration of the maturity of the Notes pursuant to Section 6.01 or for any other reason, or by an Eligible Assignee to a Lender Party other than on the last day of the Interest Period for such Advance upon an assignment of rights and obligations under this Agreement pursuant to Section 8.07 as a result of a demand by the Borrower pursuant to Section 8.07(a), or if the Borrower fails to make any payment or prepayment of an Advance for which a notice of prepayment has been given or that is otherwise required to be made, whether pursuant to Section 2.04, 2.06 or 6.01 or otherwise, the Borrower shall, upon demand by such Lender Party (with a copy of such demand to the Administrative Agent), pay to the Administrative Agent for the account of such Lender Party any amounts required to compensate such Lender Party for any additional losses, costs or

expenses that it may reasonably incur as a result of such payment or Conversion or such failure to pay or prepay, as the case may be, including, without limitation, any loss (including loss of anticipated profits), cost or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired by any Lender Party to fund or maintain such Advance.

(d) If any Loan Party fails to pay when due any costs, expenses or other amounts payable by it under any Loan Document, including, without limitation, fees and expenses of counsel and indemnities, such amount may be paid on behalf of such Loan Party by the Administrative Agent or any Lender Party, in its sole discretion.

(e) Without prejudice to the survival of any other agreement of any Loan Party hereunder or under any other Loan Document, the agreements and obligations of the Borrower contained in Sections 2.10 and 2.12 and this Section 8.04 shall survive the payment in full of principal, interest and all other amounts payable hereunder and under any of the other Loan Documents.

SECTION 8.05. Right of Set-off. Upon (a) the occurrence and during the continuance of any Event of Default and (b) the making of the request or the granting of the consent specified by Section 6.01 to authorize the Administrative Agent to declare the Notes due and payable pursuant to the provisions of Section 6.01, each Agent and each Lender Party and each of their respective Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and otherwise apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other indebtedness at any time owing by such Agent, such Lender Party or such Affiliate to or for the credit or the account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing under the Loan Documents, irrespective of whether such Agent or such Lender Party shall have made any demand under this Agreement or such Note or Notes and although such obligations may be unmatured. Each Agent and each Lender Party agrees promptly to notify the Borrower after any such set-off and application; provided, however, that the failure to give such notice shall not affect the validity of such set-off and application. The rights of each Agent and each Lender Party and their respective Affiliates under this Section 8.05 are in addition to other rights and remedies (including,

without limitation, other rights of set-off) that such Agent, such Lender Party and their respective Affiliates may have.

SECTION 8.06. Binding Effect. This Agreement shall become effective when it shall have been executed by the Borrower and each Agent and the Administrative Agent shall have been notified by each Initial Lender and each Initial Issuing Bank that such Initial Lender and such Initial Issuing Bank has executed it and thereafter shall be binding upon and inure to the benefit of the Borrower, each Agent and each Lender Party and their respective successors and assigns, except that the Borrower shall not have the right to assign its rights hereunder or any interest herein without the prior written consent of the Lender Parties.

SECTION 8.07. Assignments and Participations. (a) Each Lender may and, so long as no Default shall have occurred and be continuing, if demanded by the Borrower (following a demand by such Lender pursuant to Section 2.10 or 2.12) upon at least five Business Days' notice to such Lender and the Administrative Agent, will assign to one or more Eligible Assignees all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitment or Commitments, the Advances owing to it and the Note or Notes held by it to the extent requested pursuant to Section 2.16(a)); provided, however, that (i) each such assignment shall be of a uniform, and not a varying, percentage of all rights and obligations under and in respect of any or all Facilities, provided, however, that nothing in this clause (i) shall prevent a Lender from assigning an interest in a single Facility if such Lender has an interest in more than one Facility, (ii) except in the case of an assignment to a Person that, immediately prior to such assignment, was a Lender, an Affiliate of any Lender or an Approved Fund of any Lender or an assignment of all of a Lender's rights and obligations under this Agreement, the aggregate amount of the Commitments being assigned to such Eligible Assignee pursuant to such assignment (determined as of the date of the Assignment and Acceptance with

respect to such assignment) shall in no event be less than \$2,500,000 and shall be in an integral multiple of \$1,000,000 in excess thereof under each Facility for which a Commitment is being assigned, (iii) each such assignment shall be to an Eligible Assignee, (iv) each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a) shall be arranged by the Borrower after consultation with the Administrative Agent and shall be either an assignment of all of the rights and obligations of the assigning Lender under this Agreement or an assignment of a portion of such rights and obligations made concurrently with another such assignment or other such assignments that together cover all of the rights and obligations of the assigning Lender under this Agreement, (v) no Lender shall be obligated to make any such assignment as a result of a demand by the Borrower pursuant to this Section 8.07(a) unless and until such Lender shall have received one or more payments from either the Borrower or one or more Eligible Assignees in an aggregate amount at least equal to the aggregate outstanding principal amount of the Advances owing to such Lender, together with accrued interest thereon to the date of payment of such principal amount and all other amounts payable to such Lender under this Agreement, (vi) no such assignments shall be permitted without the consent of the Administrative Agent and the Syndication Agent (such consents not to be unreasonably withheld or delayed) and (vii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with any Note or Notes subject to such assignment and a processing and recordation fee of \$3,500 (except in the case of an assignment to a Lender or any Affiliate of a Lender or any Approved Fund and except for any assignment by either Syndication Agent or any other of their respective Affiliates); provided, however, that for each such assignment made as a result of a demand by the Borrower pursuant to this Section 8.07(a), the Borrower shall pay to the Administrative Agent the applicable processing and recordation fee.

(b) Upon such execution, delivery, acceptance and recording, from and after the effective date specified in such Assignment and Acceptance, (i) the assignee thereunder shall be a party hereto and, to the extent that rights and obligations hereunder have been assigned to it pursuant to such

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Assignment and Acceptance, have the rights and obligations of a Lender or Issuing Bank, as the case may be, hereunder and (ii) the Lender or Issuing Bank assignor thereunder shall, to the extent that rights and obligations hereunder have been assigned by it pursuant to such Assignment and Acceptance, relinquish its rights (other than its rights under Sections 2.10, 2.12 and 8.04 to the extent any claim thereunder relates to an event arising prior to such assignment) and be released from its obligations under this Agreement (and, in the case of an Assignment and Acceptance covering all of the remaining portion of an assigning Lender's or Issuing Bank's rights and obligations under this Agreement, such Lender or Issuing Bank shall cease to be a party hereto).

(c) By executing and delivering an Assignment and Acceptance, each Lender Party assignor thereunder and each assignee thereunder confirm to and agree with each other and the other parties thereto and hereto as follows: (i) other than as provided in such Assignment and Acceptance, such assigning Lender Party makes no representation or warranty and assumes no responsibility with respect to any statements, warranties or representations made in or in connection with any Loan Document or the execution, legality, validity, enforceability, genuineness, sufficiency or value of, or the perfection or priority of any lien or security interest created or purported to be created under or in connection with, any Loan Document or any other instrument or document furnished pursuant thereto; (ii) such assigning Lender Party makes no representation or warranty and assumes no responsibility with respect to the financial condition of any Loan Party or the performance or observance by any Loan Party of any of its obligations under any Loan Document or any other instrument or document furnished pursuant thereto; (iii) such assignee confirms that it has received a copy of this Agreement, together with copies of the financial statements referred to in Section 4.01 and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into such Assignment and Acceptance; (iv) such assignee will, independently and without reliance upon any Agent, such assigning Lender Party or any other Lender Party and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under this Agreement; (v) such assignee confirms

that it is an Eligible Assignee; (vi) such assignee appoints and authorizes each Agent to take such action as agent on its behalf and to exercise such powers and discretion under the Loan Documents as are delegated to such Agent by the terms hereof and thereof, together with such powers and discretion as are reasonably incidental thereto; and (vii) such assignee agrees that it will perform in accordance with their terms all of the obligations that by the terms of this Agreement are required to be performed by it as a Lender or Issuing Bank, as the case may be.

(d) The Administrative Agent, acting for this purpose (but only for this purpose) as the agent of the Borrower, shall maintain at its address referred to in Section 8.02 a copy of each Assignment and Acceptance delivered to and accepted by it and a register for the recordation of the names and addresses of the Lender Parties and the Commitment under each Facility of, and principal amount of the Advances owing under each Facility to, each Lender Party from time to time (the "Register"). The entries in the Register shall be conclusive and binding for all purposes, absent manifest error, and the Borrower, the Agents and the Lender Parties shall treat each Person whose name is recorded in the Register as a Lender Party hereunder for all purposes of this Agreement. The Register shall be available for inspection by the Borrower or any Agent or any Lender Party at any reasonable time and from time to time upon reasonable prior notice.

(e) Upon its receipt of an Assignment and Acceptance executed by an assigning Lender Party and an assignee, together with any Note or Notes subject to such assignment, the Administrative Agent shall, if such Assignment and Acceptance has been completed and is in substantially the form of Exhibit C hereto, (i) accept such Assignment and Acceptance, (ii) record the information contained therein in the Register and (iii) give prompt notice thereof to the Borrower and each other Agent. In the case of any assignment by a Lender, within five Business Days after its receipt of such notice, the Borrower, at its own expense, shall execute and deliver to the Administrative Agent in

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exchange for the surrendered Note or Notes a new Note (to the extent requested pursuant to Section 2.16(a)) to the order of such Eligible Assignee in an amount equal to the Commitment assumed by it under each Facility pursuant to such Assignment and Acceptance and, if any assigning Lender has retained a Commitment hereunder under such Facility, a new Note (to the extent requested pursuant to Section 2.16(a)) to the order of such assigning Lender in an amount equal to the Commitment retained by it hereunder. Such new Note or Notes shall be in an aggregate principal amount equal to the aggregate principal amount of such surrendered Note or Notes, shall be dated the effective date of such Assignment and Acceptance and shall otherwise be in substantially the form of Exhibit A-1, A-2 or A-3 hereto, as the case may be.

(f) Each Issuing Bank may assign to one or more Eligible Assignees all or a portion of its rights and obligations under the undrawn portion of its Letter of Credit Commitment at any time; provided, however, that (i) except in the case of an assignment to a Person that immediately prior to such assignment was an Issuing Bank or an assignment of all of an Issuing Bank's rights and obligations under this Agreement, the amount of the Letter of Credit Commitment of the assigning Issuing Bank being assigned pursuant to each such assignment (determined as of the date of the Assignment and Acceptance with respect to such assignment) shall in no event be less than \$2,500,000 and shall be in an integral multiple of \$1,000,000 in excess thereof, (ii) each such assignment shall be to an Eligible Assignee and (iii) the parties to each such assignment shall execute and deliver to the Administrative Agent, for its acceptance and recording in the Register, an Assignment and Acceptance, together with a processing and recordation fee of \$3,500.

(g) Each Lender Party may sell participations to one or more Persons (other than any Loan Party or any of its Affiliates) in or to all or a portion of its rights and obligations under this Agreement (including, without limitation, all or a portion of its Commitments, the Advances owing to it and the Note or Notes (if any) held by it); provided, however, that (i) such Lender Party's obligations under this Agreement (including, without limitation, its Commitments) shall remain unchanged, (ii) such Lender Party shall remain solely responsible to the other parties hereto for the performance of such obligations, (iii) such Lender Party shall remain the holder of any such Note for all

purposes of this Agreement, (iv) the Borrower, the Agents and the other Lender Parties shall continue to deal solely and directly with such Lender Party in connection with such Lender Party's rights and obligations under this Agreement and (v) no participant under any such participation shall have any right to approve any amendment or waiver of any provision of any Loan Document, or any consent to any departure by any Loan Party therefrom, except to the extent that such amendment, waiver or consent would reduce the principal of, or interest on, the Notes, or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, postpone any date fixed for any payment of principal of, or interest on, the Notes or any fees or other amounts payable hereunder, in each case to the extent subject to such participation, or release all or substantially all of the Collateral.

(h) Any Lender Party may, in connection with any assignment or participation or proposed assignment or participation pursuant to this Section 8.07, disclose to the assignee or participant or proposed assignee or participant, any information relating to the Borrower furnished to such Lender Party by or on behalf of the Borrower; provided, however, that, prior to any such disclosure, the assignee or participant or proposed assignee or participant shall agree to preserve the confidentiality of any Confidential Information received by it from such Lender Party.

(i) In addition to the assignment mechanics set forth in this Section 8.07(a) through (f), any Lender Party, (a "GRANTING LENDER") may grant to a special purpose funding vehicle identified as such in writing from time to time by the Granting Lender to the Administrative Agent and the Borrower (an "SPC") the option to provide all or any part of any Advance that such Granting Lender would otherwise be obligated to make pursuant to this Agreement, provided that (i) nothing herein shall

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constitute a commitment by any SPC to fund any Advance, and (ii) if an SPC elects not to exercise such option or otherwise fails to make all or any part of such Advance, the Granting Lender shall be obligated to make such Advance pursuant to the terms hereof. The making of an Advance by an SPC hereunder shall utilize the Commitment of the Granting Lender to the same extent, and as if, such Advance were made by such Granting Lender. Each party hereto hereby agrees that (i) no SPC shall be liable for any indemnity or similar payment obligation under this Agreement for which a Lender Party would otherwise be liable and (ii) no SPC shall be entitled to the benefits of Sections 2.10 and 2.12 (or any other increased costs protection provision). Notwithstanding anything to the contrary contained in this Agreement, any SPC may (i) with notice to, but without prior consent of, the Borrower, the Syndication Agent and the Administrative Agent and with the payment of a processing fee of \$500, assign all or any portion of its interest in any Advance to the Granting Lender and (ii) disclose on a confidential basis any non-public information relating to its funding of Advances to any rating agency, commercial paper dealer or provider of any surety or guarantee or credit or liquidity enhancement to such SPC. This subsection 8.07(i) may not be amended without the prior written consent of each Granting Lender, all or any part of whose Advances are being funded by the SPC at the time of such amendment. For the avoidance of doubt, with respect to the Agents, the other Lender Parties and the Borrower, the Granting Lender shall for all purposes, including, without limitation, the approval of any amendment or waiver of any provision of any Loan Document or the obligation to pay any amount otherwise payable by the Granting Lender under the Loan Documents, be the Lender Party of record hereunder.

(j) Notwithstanding any other provision set forth in this Agreement, any Lender Party may at any time create a security interest in all or any portion of its rights under this Agreement (including, without limitation, the Advances owing to it and the Note or Notes held by it, if any) in favor of any Federal Reserve Bank in accordance with Regulation A of the Board of Governors of the Federal Reserve System.

(k) Any Lender that is a fund that invests in bank loans may pledge all or any portion of the Advances owing to it and the Note or Notes, if any, held by it to the trustee for holders of obligations owed, or securities issued, by such fund as security for such obligations or securities; provided, that unless and until such trustee actually becomes a Lender in compliance with the other provisions of this Section 8.07, (i) no such pledge shall release the pledging

Lender from any of its obligations under the Loan Documents and (ii) such trustee shall not be entitled to exercise any of the rights of a Lender under the Loan Documents even though such trustee may have acquired ownership rights with respect to the pledged interest through foreclosure or otherwise.

SECTION 8.08. Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopier shall be effective as delivery of an original executed counterpart of this Agreement.

SECTION 8.09. No Liability of the Issuing Banks. The Borrower assumes all risks of the acts or omissions of any beneficiary or transferee of any Letter of Credit with respect to its use of such Letter of Credit. Neither any Issuing Bank nor any of its officers or directors shall be liable or responsible for: (a) the use that may be made of any Letter of Credit or any acts or omissions of any beneficiary or transferee in connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement thereon, even if such documents should prove to be in any or all respects invalid, insufficient, fraudulent or forged; (c) payment by such Issuing Bank against presentation of documents that do not comply with the terms of a Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or (d) any other circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that the Borrower shall have a

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claim against such Issuing Bank, and such Issuing Bank shall be liable to the Borrower, to the extent of any direct, but not consequential, damages suffered by the Borrower that the Borrower proves were caused by (i) such Issuing Bank's willful misconduct or gross negligence as determined in a final, non-appealable judgment by a court of competent jurisdiction in determining whether documents presented under any Letter of Credit comply with the terms of the Letter of Credit or (ii) such Issuing Bank's willful failure to make lawful payment under a Letter of Credit after the presentation to it of a draft and certificates or other document strictly complying with the terms and conditions of the Letter of Credit. In furtherance and not in limitation of the foregoing, such Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

SECTION 8.10. Confidentiality. Neither any Agent nor any Lender Party shall disclose any Confidential Information to any Person without the consent of the Borrower, other than (a) to such Agent's or such Lender Party's Affiliates and their officers, directors, employees, agents and advisors, to Approved Funds and to actual or prospective Eligible Assignees and participants, and then only on a confidential basis, (b) as required by any law, rule or regulation or judicial process, (c) as requested or required by any state, federal or foreign authority or examiner, including the National Association of Insurance Commissioners or any similar organization or quasi-regulatory authority regulating such Lender Party, (d) to any rating agency when required by it, provided that, prior to any such disclosure, such rating agency shall undertake to preserve the confidentiality of any Confidential Information relating to the Loan Parties received by it from such Lender Party and (e) to any direct or indirect contractual counterparty in swap agreements or such contractual counterparty's professional advisor (so long as such contractual counterparty or professional advisor to such contractual counterparty agrees to be bound by the provisions of this Section 8.10).

SECTION 8.11. Release of Collateral. Upon the sale, lease, transfer or other disposition of any item of Collateral of any Loan Party in accordance with the terms of the Loan Documents, the Collateral Agent will, at the Borrower's expense, execute and deliver to such Loan Party such documents as such Loan Party may reasonably request to evidence the release of such item of Collateral from the assignment and security interest granted under the Collateral Documents in accordance with the terms of the Loan Documents.

SECTION 8.12. Jurisdiction, Etc. (a) Each of the parties hereto hereby

irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any New York State court or federal court of the United States of America sitting in New York City, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in any such New York State court or, to the extent permitted by law, in such federal court. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that any party may otherwise have to bring any action or proceeding relating to this Agreement or any of the other Loan Documents in the courts of any jurisdiction.

(b) Each of the parties hereto irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection that it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement or any of the other Loan Documents to which it is a party in any New York State or federal court. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

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SECTION 8.13. Governing Law. This Agreement and the Notes shall be governed by, and construed in accordance with, the laws of the State of New York.

SECTION 8.14. Waiver of Jury Trial. Each of the Borrower, the Agents and the Lender Parties irrevocably waives all right to trial by jury in any action, proceeding or counterclaim (whether based on contract, tort or otherwise) arising out of or relating to any of the Loan Documents, the Advances or the actions of any Agent or any Lender Party in the negotiation, administration, performance or enforcement thereof.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

AMKOR TECHNOLOGY, INC.

By /s/ [ILLEGIBLE]

Name:

Title:

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SOCIETE GENERALE,
as Administrative Agent Collateral Agent, and
Syndication Agent

By /s/ [ILLEGIBLE]

Name:

Title:

100

SALOMON SMITH BARNEY INC.,
as Syndication Agent

By /s/ [ILLEGIBLE]

Name:
Title:

101

INITIAL LENDERS

CITIBANK, N.A.

By /s/ [ILLEGIBLE]

Name:
Title:

102

SOCIETE GENERALE

By /s/ [ILLEGIBLE]

Name:
Title:

103

DEUTSCHE BANK SECURITIES INC.

By /s/ [ILLEGIBLE]

Name:
Title:

103

104

BANK OF AMERICA, N.A.

By /s/ [ILLEGIBLE]

Name:
Title:

104

105

ABN AMRO BANK N.V.

By /s/ [ILLEGIBLE]

Name:
Title:

105

106

FLEET NATIONAL BANK

By /s/ [ILLEGIBLE]

Name:
Title:

106

107

BANK OF CHINA, NEW YORK BRANCH

By /s/ [ILLEGIBLE]

Name:
Title:

107

108

FIRST UNION NATIONAL BANK

By /s/ [ILLEGIBLE]

Name:
Title:

108

109

KEY BANK NATIONAL ASSOCIATION

By /s/ [ILLEGIBLE]

Name:
Title:

109

110

BARCLAYS BANK PLC

By /s/ [ILLEGIBLE]

Name:
Title:

110

111

BANQUE NATIONALE DE PARIS

By /s/ [ILLEGIBLE]

Name:
Title:

111

112

BANK OF TOKYO-MITSUBISHI TRUST COMPANY

By /s/ [ILLEGIBLE]

Name:
Title:

112

113

THE BANK OF NOVA SCOTIA

By /s/ [ILLEGIBLE]

Name:
Title:

113

114

PNC BANK, N.A.

By /s/ [ILLEGIBLE]

Name:
Title:

114

115

THE INDUSTRIAL BANK OF JAPAN, LIMITED
NEW YORK BRANCH

By /s/ [ILLEGIBLE]

Name:
Title:

115

116

IBM CREDIT CORPORATION

By /s/ [ILLEGIBLE]

Name:
Title:

116

117

ERSTE BANK DER OESTERREICHISCHEN
SPARKASSEN AG

By /s/ [ILLEGIBLE]

Name:
Title:

117

118

COMERICA BANK

By /s/ [ILLEGIBLE]

Name:
Title:

118

119

METROPOLITAN PROPERTY AND CASUALTY
INSURANCE COMPANY

By /s/ [ILLEGIBLE]

Name:
Title:

119

120

FRANKLIN FLOATING RATE TRUST

By /s/ [ILLEGIBLE]

Name:
Title:

120

121

CYPRESSTREE INVESTMENT MANAGEMENT COMPANY, INC.
As: Attorney-in-Fact and on behalf of First
Allmerica Financial Life Insurance Company as
Portfolio Manager

By /s/ [ILLEGIBLE]

Name:
Title:

121

122

CYPRESSTREE INVESTMENT FUND, LLC
By: CypressTree Investment Management
Company, Inc. its Managing Member

By /s/ [ILLEGIBLE]

Name:

Title:

122

123

KZH CYPRESSTREE-1 LLC

By /s/ [ILLEGIBLE]

Name:
Title:

123

124

NORTH AMERICAN SENIOR FLOATING RATE FUND

By: CypressTree Investment Management
Company, Inc.
as Portfolio Manager

By /s/ [ILLEGIBLE]

Name:
Title:

124

125

FLEET NATIONAL BANK
As Trust Administrator for Long Lane
Master Trust IV

By /s/ [ILLEGIBLE]

Name:
Title:

125

126

GALAXY CLO 1999-1, LTD.
By SAI Investment Adviser, Inc.
its Collateral Manager

By /s/ [ILLEGIBLE]

Name:
Title:

126

127

KZH SOLEIL-2 LLC

By /s/ [ILLEGIBLE]

Name:
Title:

127

128

KZH SOLEIL LLC

By /s/ [ILLEGIBLE]

Name:
Title:

128

129

KZH HIGHLAND-2 LLC

By /s/ [ILLEGIBLE]

Name:
Title:

129

130

OPPENHEIMER SENIOR FLOATING RATE FUND

By /s/ [ILLEGIBLE]

Name:
Title:

130

131

KZH SHOSHONE LLC

By /s/ [ILLEGIBLE]

Name:
Title:

131

132

KZH STERLING LLC

By /s/ [ILLEGIBLE]

Name:
Title:

132

133

GENERAL ELECTRIC CAPITAL CORPORATION

By /s/ [ILLEGIBLE]

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SCHEDULE I

NAME OF INITIAL LENDER	TERM A COMMITMENT	TERM B COMMITMENT	REVOLVING CREDIT COMMITMENT	LETTER OF CREDIT COMMITMENT	DOMESTIC LENDING OFFICE	EURODOLLAR LENDING OFFICE
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\$900,000,000

Dated as of April 28, 2000

AMKOR TECHNOLOGY, INC.

and

as Initial Lenders and Initial Issuing Banks

and
SALOMON SMITH BARNEY INC.
as Book Manager
and
SOCIETE GENERALE
as Administrative Agent and as Collateral Agent
and
SALOMON SMITH BARNEY INC. AND SOCIETE GENERALE
as Syndication Agents
and
SALOMON SMITH BARNEY INC., SG COWEN SECURITIES CORPORATION AND
DEUTSCHE BANK SECURITIES INC.
as Arrangers
and
DEUTSCHE BANK SECURITIES INC.
as Documentation Agent

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(RULE 14A-101)

INFORMATION REQUIRED IN PROXY STATEMENT

SCHEDULE 14A INFORMATION
PROXY STATEMENT PURSUANT TO SECTION 14(A) OF THE SECURITIES
EXCHANGE ACT OF 1934 (AMENDMENT NO.)

Filed by the Registrant ☒ [X]

Filed by a Party other than the Registrant ☐ []

Check the appropriate box:

- | | |
|--|---|
| <input type="checkbox"/> [] Preliminary Proxy Statement | <input type="checkbox"/> [] Confidential, for Use of the Commission
Only (as permitted by Rule 14a-6(e)(2)) |
| <input checked="" type="checkbox"/> [X] Definitive Proxy Statement | |
| <input type="checkbox"/> [] Definitive Additional Materials | |
| <input type="checkbox"/> [] Soliciting Material Pursuant to Rule 14a-11(c) or Rule 14a-12 | |

AMKOR TECHNOLOGY, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

☒ [X] No fee required.

☐ [] Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

- (1) Title of each class of securities to which transaction applies:
- (2) Aggregate number of securities to which transaction applies:
- (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
- (4) Proposed maximum aggregate value of transaction:
- (5) Total fee paid:

☐ [] Fee paid previously with preliminary materials:

☐ [] Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.

- (1) Amount Previously Paid:
- (2) Form, Schedule or Registration Statement No.:
- (3) Filing Party:
- (4) Date Filed:

AMKOR TECHNOLOGY, INC.
1345 ENTERPRISE DRIVE
WEST CHESTER, PA 19380
(610) 431-9600

TO THE STOCKHOLDERS

OF AMKOR TECHNOLOGY, INC.

Ladies and Gentlemen:

After careful consideration, the Board of Directors of Amkor Technology, Inc., a Delaware corporation (the "Company" or "Amkor") has approved a series of transactions (the "Acquisition Transactions") wherein (i) the Company would consummate the transactions contemplated by an Asset Purchase Agreement by and between Anam Semiconductor, Inc., a Korean corporation ("ASI") and the Company's wholly-owned subsidiary Amkor Technology Korea, Inc. ("Amkor Korea") dated as of January 14, 2000 and as amended on February 25, 2000, whereby Amkor will purchase three test and packaging facilities located in Korea, known as K1, K2 and K3, and (ii) the Company would make an investment in ASI. In connection with the Acquisition Transactions, the Company will undertake related equity financing activities (the "Equity Financing Transactions"). The board has determined that it is in the best interests of Amkor and its stockholders to submit the Equity Financing Transactions to Amkor's stockholders for their approval by written consent.

On behalf of the Board, I hereby request that you carefully review the enclosed consent materials and provide your written consent to the Equity Financing Transactions. Approval of this proposal includes approval of (i) the issuance of up to approximately 4,512,560 shares of common stock upon conversion of \$258.75 million of our 5% convertible subordinated notes due 2007 sold by us on March 22, 2000 in a private transaction, (ii) the sale of an aggregate of 20,500,000 shares of common stock, and warrants for 3,895,000 shares of common stock, in a private transaction which we expect to complete in connection with the Acquisition Transactions, and (iii) other equity financings, pursuant to which the Company would issue common stock or securities convertible into common stock which, when combined with the common stock to be issued in (i) and (ii) above, would in an aggregate exceed 20% of the outstanding common stock of the Company as of the record date for this written consent.

THE BOARD HAS APPROVED THE EQUITY FINANCING TRANSACTIONS. AFTER CAREFUL CONSIDERATION, THE BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS CONSENT TO AND APPROVE THE EQUITY FINANCING TRANSACTIONS. In addition, the holders of an aggregate of approximately 30,053,921 shares of Amkor Common Stock, representing approximately 22.9% of the outstanding Amkor Common Stock have entered into an agreement pursuant to which such stockholders have agreed to vote in favor of the Equity Financing Transactions. See "Certain Transactions -- Stock Ownership of Certain Beneficial Owners and Management."

If you approve of the Equity Financing Transactions, please sign the enclosed Action by Written Consent of Stockholders and return it to Kevin Heron at Amkor either hand delivery, fax (610) 431-7189 or overnight courier to Amkor Technology, Inc., 1345 Enterprise Drive, West Chester, Pennsylvania 19380, Attn: Kevin Heron, Esq. as soon as possible, but in any event TO BE RECEIVED NO LATER THAN 10:00 A.M. ON MONDAY, APRIL 17, 2000. Only stockholders of record at the close of business on the record date set by the board of directors, April 12, 2000, are entitled to vote on the proposal.

If you have any questions on the Equity Financing Transactions or the enclosed materials, please do not hesitate to call Mr. Heron at (610) 431-9600, or Bruce McNamara, Esq. of Wilson Sonsini Goodrich & Rosati at (650) 493-9300.

Sincerely,

/s/ KENNETH T. JOYCE

Kenneth T. Joyce
Chief Financial Officer

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AMKOR TECHNOLOGY, INC.

NOTICE OF CONSENT SOLICITATION

This Notice of Consent Solicitation ("Consent Solicitation") is being furnished to the stockholders ("Stockholders" or "you") of Amkor Technology, Inc., a Delaware corporation ("Amkor" or the "Company") in connection with a series of proposed equity financing transactions (the "Equity Financing Transactions") related to (i) the Company's proposed acquisition (the "Acquisition") by the Company of certain assets of Anam Semiconductor, Inc. ("ASI"), a Korean corporation headquartered at 280-8, 2-ga Sungsoo-dong,

Sungdong-gu, Seoul, the Republic of Korea, in accordance with the terms of the Asset Purchase Agreement dated as of January 14, 2000 and as amended February 25, 2000 (the "Asset Purchase Agreement") by and between ASI and the Company's wholly-owned subsidiary Amkor Technology Korea, Inc. ("Amkor Korea"), and (ii) an investment in ASI.

You are requested to consent to the Equity Financing Transactions. Approval of this proposal includes approval of (i) the issuance of up to approximately 4,512,560 shares of common stock upon conversion of \$258.75 million of our 5% convertible subordinated notes due 2007 sold by us on March 22, 2000 in a private transaction, (ii) the sale of an aggregate of 20,500,000 shares of common stock, and warrants for 3,895,000 shares of common stock, in a private transaction which we expect to complete in connection with the Acquisition Transactions, and (iii) other equity financings, pursuant to which the Company would issue common stock or securities convertible into common stock which, when combined with the common stock to be issued in (i) and (ii) above, would in an aggregate exceed of 20% of the outstanding common stock of the Company as of the record date for this written consent.

Pursuant to Section 228 of the Delaware General Corporation Law (the "DGCL"), this Consent Solicitation is being distributed to Stockholders on or about April 13, 2000 for their information in connection with the enclosed Action by Written Consent of the Stockholders (the "Consent"), pursuant to which the Stockholders are requested to consider and consent to the Equity Financing Transactions. Stockholders of record at the close of business on April 12, 2000 are entitled, for each share held, to one vote on the proposal. At the record date, 131,032,357 shares of our common stock were issued and outstanding. The affirmative consent of a majority of these shares are required to approve the Equity Financing Transactions.

You may revoke the enclosed Consent at any time before its use by delivering to the Company a written notice of revocation or a duly executed Consent bearing a later date. The Company shall bear the cost of this solicitation. The Company may reimburse expenses incurred by brokerage firms and other persons representing beneficial owners of shares in forwarding solicitation material to beneficial owners. Certain of the Company's directors, officers and regular employees, without additional compensation, may solicit Consents personally or by telephone, telegram, letter or facsimile.

All information herein with respect to ASI has been furnished by ASI and all information herein with respect to Amkor has been furnished by Amkor. No person has been authorized to give any information or to give any representation not contained in this Consent Solicitation in connection with the Acquisition and, if given or made, such information or representation must not be relied upon as having been authorized by ASI or Amkor. Summaries of documents contained in this Consent Solicitation are qualified in their entirety by reference to forms of such documents attached hereto as exhibits.

THE EQUITY FINANCING TRANSACTIONS INVOLVES A HIGH DEGREE OF RISK. SEE "RISK FACTORS" COMMENCING ON PAGE 3 FOR A DISCUSSION OF CERTAIN FACTORS YOU SHOULD CONSIDER CAREFULLY IN EVALUATING THE EQUITY FINANCING TRANSACTIONS.

THE AMKOR BOARD OF DIRECTORS (THE "BOARD") HAS APPROVED THE EQUITY FINANCING TRANSACTIONS AND HAS UNANIMOUSLY DETERMINED THAT THEY ARE IN THE BEST INTERESTS OF AMKOR AND THE STOCKHOLDERS. AFTER CAREFUL CONSIDERATION, YOUR BOARD UNANIMOUSLY RECOMMENDS THAT STOCKHOLDERS CONSENT TO AND APPROVE THE EQUITY FINANCING TRANSACTIONS. WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.

The date of this Consent Solicitation is April 13, 2000.

AVAILABLE INFORMATION

Amkor is subject to the informational reporting requirements of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), and in accordance therewith, it files reports, Consent Solicitations and other information with the Commission. Such reports, Consent Solicitations and other information may be inspected and copied at the public reference facilities maintained by the Commission at Room 1024, Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, and at the SEC's regional offices located at Citicorp Center, 500 West Madison Street, Suite 1400, Chicago, Illinois 60661-2511 and at Seven World Trade Center (13th Floor), New York, New York 10048. Copies of such material may be obtained by mail from the Public Reference

Section of the Commission at Judiciary Plaza, 450 Fifth Street, N.W., Washington, D.C. 20549, at prescribed rates. The Commission also makes electronic filings publicly available on the Internet within 24 hours of acceptance. The Commission's Internet address is <http://www.sec.gov>. The Commission web site also contains reports, proxy and Consent Solicitations, and other information regarding registrants that file electronically with the Commission. Amkor Common Stock is quoted on The Nasdaq National Market, and the reports, Consent Solicitations and other information referred to above can also be inspected at the offices of Nasdaq Operations, 1735 K Street, N.W., Washington, D.C. 20006. The exhibits required to be filed with the Commission as part of the public reports referred to herein are available to the Stockholders upon written request to Amkor Technology, Inc., Attn: Investor Relations, 1345 Enterprise Drive, West Chester, Pennsylvania 19380, telephone number (610) 431-9600.

THE DELIVERY OF THIS CONSENT SOLICITATION SHALL NOT, UNDER ANY CIRCUMSTANCES, CREATE AN IMPLICATION THAT THE INFORMATION CONTAINED HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE HEREOF OR THAT THERE HAS BEEN NO CHANGE IN THE AFFAIRS OF ASI OR AMKOR SINCE SUCH DATE.

DISSENTERS' RIGHTS

Dissenting stockholders have no rights of appraisal or other dissenting rights with respect to the proposed Equity Financing Transactions.

OPPORTUNITY TO ASK QUESTIONS

You have the opportunity to ask questions and receive answers concerning the terms and conditions of the Equity Financing Transactions and to obtain any additional information which Amkor possesses or can acquire without unreasonable effort or expense that is necessary to verify the accuracy of information furnished herein. In this regard, please contact Kevin Heron, Amkor Technology, Inc., 1345 Enterprise Drive, West Chester, Pennsylvania 19380, telephone number (610) 431-9600. For further information on the Equity Financing Transactions or any of the attached related documents, please do not hesitate to contact Mr. Heron.

ATTACHMENTS

The Written consent of Stockholders to approve the Equity Financing Transactions is attached to this Consent Solicitation as Exhibit A.

FORWARD-LOOKING STATEMENTS

This Consent Solicitation contains forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act (the "Forward-Looking Statements"). Actual results could differ materially from those projected in the Forward-Looking Statements as a result of the factors set forth under "Risk Factors" and "Our Acquisition of ASI's Packaging and Test Business and Investment in ASI" herein. In connection with the Forward-Looking Statements, the Stockholders of Amkor should carefully review the factors set forth in this Consent Solicitation under "Risk Factors," and "Our Acquisition of ASI's Packaging and Test Business and Investment in ASI."

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RISK FACTORS

You should carefully consider the risks described below and other information contained in this consent solicitation. 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 consent solicitation contains forward-looking statements made as of the date of this consent solicitation 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 consent solicitation.

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 CONSENT SOLICITATION, 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 Consent Solicitation, or at all.

If we fail to complete our proposed acquisition of K1, K2 and K3, we will remain dependent on ASI for packaging and test services and will be unable to achieve any improvements in our results of operations that direct ownership of these facilities may bring. In connection with ASI's workout arrangement with its

creditor banks, we may still be required to make an additional \$108.4 million investment in ASI through 2002. If our proposed acquisition and investment are not consummated, ASI will continue to have a substantial amount of debt, as well as significant contingent liabilities under guarantees of affiliate debt, and will remain subject to the workout arrangement with its creditor banks. This in turn may adversely affect ASI's ability to continue to provide us with the packaging and test services, as well as wafer fabrication services, that we require for our business.

In addition, if our proposed acquisition of K1, K2 and K3 is not consummated in all material respects by August 31, 2000, or should the asset purchase agreement relating to that acquisition be terminated at any time prior to such date, holders of Convertible Notes will have the right to require us to redeem their Convertible Notes at a premium to their principal amount, plus accrued interest and liquidated damages. See "Description of Convertible Notes -- Repurchase at the Option of Holders if the Proposed Acquisition of K1,

K2 and K3 Does Not Close." If holders of a substantial amount of Convertible Notes elect to have us redeem their Convertible Notes, our financial condition could suffer.

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 common 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.

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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.

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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.

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.

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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.

See "Principal Stockholders" for additional information concerning ownership of our common stock.

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

PROPOSED ACQUISITION

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

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

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

PROPOSED INVESTMENT

In October 1999, we purchased 10 million shares of ASI's common stock at a price of 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 16, 2000, the closing price of ASI's common stock on the Korea Stock Exchange was W15,650. 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 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 the proceeds of our offering of \$258.75 million of convertible debt (convertible into approximately 4,512,560 shares of common stock) which closed on March 22, 2000, our proposed private placement of common stock, approximately \$750.0 million of new secured bank debt and cash on hand. For more information on our convertible notes financing, please read "Description of Convertible

Notes."

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 20,500,000 shares of common stock. In addition, we would issue warrants for an aggregate of 3,895,000 shares of our common stock with a strike price of \$27.50 per share to these investors. These warrants

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would expire four years after the date we issue them. For a more complete description of our sale of common stock, including a description of ancillary agreements that we would enter into with the common stock investors, see "Proposed Private Placement of Common Stock."

We expect to borrow \$750.0 million in term loans under a new \$850.0 million secured credit facility, consisting of \$650 million of term loans and \$100.0 million drawn under the \$200.0 million revolving credit line included as part of this facility. We are currently in the process of negotiating the terms of the facility to be provided by a syndicate of institutional lenders. The initial borrowing under the facility will be subject to the consummation of our proposed acquisition of K1, K2 and K3 and other related transactions. The facility will provide for amortization of the drawn amount over a five to five and one-half year period and quarterly principal and interest payments. We will be required to make mandatory prepayments under the facility out of a portion of any excess cash flow, the net proceeds of any asset sales and the net proceeds of any issuance of debt or equity securities, subject to certain exceptions. We expect that the agreement governing the facility will include certain financial covenants, as well as covenants restricting our ability to incur debt, pay dividends, make certain investments and payments, and encumber or dispose of assets. We expect that our obligations under the facility will be guaranteed by certain of our subsidiaries and will be secured by a pledge of the domestic assets of our company and our subsidiaries, a pledge of the shares of certain of our subsidiaries and a pledge of certain intercompany indebtedness.

The closing of our proposed private placement of common stock and our proposed new secured bank financing is expected to take place concurrently with, and is conditioned upon, the closing of our acquisition of K1, K2 and K3 and our investment in ASI. We cannot assure you that any of these transactions will occur. For information on the risks we face if these transactions do not occur, see "Risk Factors -- Uncertainty Regarding Our Proposed Transactions with ASI." If our proposed acquisition is not consummated in all material respects by August 31, 2000, holders of our 5% Convertible Notes due 2007 will have the right to require us to repurchase their Convertible Notes. See "Description of Convertible Notes -- Repurchase at the Option of Holders if the Proposed Acquisition of K1, K2 and K3 Does Not Close".

WHO IS ANAM SEMICONDUCTOR, INC.?

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

We have a long-standing relationship with ASI. ASI was founded in 1956 by Mr. H. S. Kim, the father of Mr. James Kim, our Chairman and Chief Executive Officer. Since January 1992, in addition to his other responsibilities, Mr. James Kim has served as Chairman and a Director of ASI. For the years ended December 31, 1997, 1998 and 1999, we derived 68%, 69%, and 60% of our net revenues and 42%, 49% and 38% of our gross profit from sales of services performed for us by ASI. On a pro forma basis, after giving effect to our acquisition of K4 and our proposed acquisition of K1, K2 and K3 as if they had occurred on January 1, 1999, we would have derived 15% of our net revenues and 6% of our gross profit in 1999 from sales of services performed for us by ASI.

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

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ASI, our supply agreement with ASI relating to packaging and test services will terminate, and we expect to continue to purchase all of ASI's semiconductor wafer output.

ASI DEBT RESTRUCTURING

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

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

- ASI was permitted to defer repayment on principal of ordinary loans until December 31, 2003.
- ASI was permitted to defer repayment of principal under capital leases until December 31, 1999, with payments of principal to resume under a seven-year installment plan thereafter.
- ASI was permitted to defer the maturity of its won-denominated debentures for an additional three-year term after scheduled maturity dates.
- ASI was permitted to make no interest payments on ordinary loans until December 31, 1999.
- The creditor banks reduced interest rates on ASI's remaining outstanding won-denominated ordinary loans to 10% or the prime rate of each creditor bank, whichever was greater.
- ASI was given a grace period until December 31, 2003 against enforcement of guarantees made by ASI for liabilities of ASI's affiliates. In addition, interest was not to accrue on guaranteed obligations during this period.
- For the duration of the workout, the creditor banks were to be entitled to vote the ASI shares owned by Mr. James Kim and his family.
- The creditor banks agreed to convert W250 billion (approximately \$208 million) of their ASI debt into (1) equity in the amount of W122.3 billion (approximately \$102 million), (2) five-year non-interest bearing convertible debt in the amount of W108.1 billion (approximately \$90 million) and (3) non-interest bearing loans in the amount of W19.6 billion (approximately \$16 million), provided that we made a \$150.0 million equity investment in ASI.

In October 1999, the creditor banks converted W98 billion (approximately \$82 million) of ASI debt held by them into ASI stock. As a result, ASI's creditor banks now own approximately 36% of ASI's voting stock. Also in October 1999, we made a W50 billion (approximately \$41.6 million) equity investment in ASI, fulfilling the first installment of our commitment to invest \$150.0 million in ASI in connection with ASI's workout.

ASI is currently in negotiations with its Korean creditor banks to arrange the termination of its workout in connection with our proposed acquisition of

the K1, K2 and K3 factories and our proposed investment in ASI. Specifically, ASI plans to repay W1,088 billion (approximately \$959 million) of its outstanding debt using the proceeds from its sale of K1, K2 and K3 and our investment. ASI currently anticipates that its creditor banks will convert up to an additional W150 billion (approximately \$132 million) of ASI's debt into equity concurrent with our proposed acquisition. ASI is negotiating with its creditor banks to obtain further concessions relating to its debt. Following the conversion of ASI's debt

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to equity by ASI's creditor banks and our investment in ASI, ASI's creditor banks will own approximately 34% of ASI's outstanding voting stock.

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

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

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

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

Our company and ASI will also continue to have close ties due to our overlapping ownership and management. We expect that Mr. James Kim will continue to serve as Chairman and as a Director of ASI and as our Chairman and Chief Executive Officer. The Kim family currently beneficially owns approximately 59% of our outstanding common stock and approximately 11% of ASI's voting stock. If we complete our proposed private placement of common 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.

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.

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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 common stock;
- our proposed incurrence of \$750.0 million of new secured bank debt;
- 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 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 sale of \$258.75 million of 5% Convertible Subordinated Notes due 2007 and
- 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 Consent Solicitation, 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 \$30.9 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 of both K4 and 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 our 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.

You should read the unaudited pro forma consolidated financial information in conjunction with "Risk Factors -- Uncertainty Regarding Our Proposed Transactions with ASI," "Our Acquisition of ASI's Packaging and Test Business and Investment in ASI," our consolidated financial statements and the related notes, the financial statements of K1, K2 and K3 and the related notes and the financial statements of ASI and the related notes, included elsewhere in this Consent Solicitation.

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

			PRO FORMA ADJUSTMENTS FOR ACQUISITION OF K1, K2 AND K3 AND OUR INVESTMENT IN ASI	PRO FORMA ADJUSTMENTS FOR RELATED FINANCINGS	PRO FORMA AS ADJUSTED
	AMKOR HISTORICAL	K1, K2 AND K3 HISTORICAL			
	-----	-----	-----	-----	-----
	(IN THOUSANDS)				
ASSETS					
Cash and cash equivalents.....	\$ 98,045	\$ --	\$ --	\$ --	\$ 98,045
Short-term investments.....	136,595	--	--	(108,164) (a)	28,431
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)	(36,664)	478,570
	-----	-----	-----	-----	-----
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)	30,928 (f)	93,937
	-----	-----	-----	-----	-----
Total other assets.....	324,399	46,886	470,130	30,928	872,343
	-----	-----	-----	-----	-----
Total assets.....	\$1,755,089	\$ 773,751	\$ 635,249	\$ (5,736)	\$3,158,353
	=====	=====	=====	=====	=====
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	--	--	750,000 (g)	750,000
				(9,021) (k)	
Due to affiliates.....	--	124,294	(124,294) (b)	--	--
Senior and senior subordinated notes....	625,000	--	--	--	625,000
Convertible subordinated notes.....	53,435	--	--	258,750 (h)	312,185
Other noncurrent liabilities.....	16,994	45,122	(45,122) (b)	--	16,994

Total liabilities.....	1,017,348	249,409	(249,409)	993,264	2,010,612
Stockholders' equity:					
Common stock.....	131	--	--	21 (i)	152
Warrants to purchase common stock....	--	--	--	35,000 (i)	35,000
Additional paid-in capital.....	551,964	--	--	374,979 (i)	926,943
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)	\$1,403,264	\$3,158,353

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- (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 \$750.0 million of new secured bank debt.
- (h) Represents the issuance of \$258.75 million of Convertible Notes.
- (i) Represents the issuance of 20,500,000 shares of common stock we intend to issue in a private equity offering 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.

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	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 ADJUSTMENTS FOR RELATED FINANCINGS	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) 10,751 (b) (4,792) (c)	289,233	(407,751) (a) 51,881 (b) (35,685) (c)	-- -- --	1,472,235
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)	85,810 (g)	159,939
	--	--	--	--	--	1,733 (h)	--
						5,408 (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	87,122	182,646
Income (loss) before income taxes and equity in loss of investees.....	105,288	1,037	(21,305)	145,147	(35,869)	(87,122)	107,176
Provision for (benefit from) income taxes.....	26,600	--	(5,937) (e)	46,376	(46,376) (f)	(1,125)	19,538
Equity in loss of investees.....	(1,969)	--	--	--	(69,971) (j)	--	(71,940)
Net income.....	\$ 76,719	\$ 1,037	\$ (15,368)	\$ 98,771	\$ (59,464)	\$ (85,997)	\$ 15,698
Basic net income per common share.....	\$.64						\$.11
Diluted net income per common share.....	\$.63						\$.11
Shares used in computing basic net income per common share(k).....	119,341						139,841
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 proposed 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 \$625.0 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 \$750.0 million of new secured bank debt and on \$258.75 million of Convertible Notes at an assumed weighted average interest rate of 8.17% and (2) \$6 million of amortization of debt issuance costs, which are amortized over the life of the respective debt.
- (h) Represents interest on funds used to finance our \$41.6 million investment in ASI made in October 1999 and cash used to repurchase accounts receivable of \$71.5 million and to fund transaction costs and expenses net of interest

savings as a result of the pay down of \$15.5 million of our existing debt.

- (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 basic pro forma as adjusted net income per common share for the year ended December 31, 1999 give effect to the issuance of 20,500,000 shares of common stock we intend to issue in a private equity offering. 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 issuance of 20,500,000 shares of common stock we intend to issue in a private equity offering and the exercise of outstanding stock options. On a pro forma as adjusted basis, the conversion of convertible subordinated notes is not dilutive.

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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 Consent Solicitation. 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 Consent Solicitation. 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 Consent Solicitation.

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

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	YEAR ENDED DECEMBER 31,				
	1995	1996	1997	1998	1999
	(IN THOUSANDS, EXCEPT PER SHARE DATA)				
Shares used in computing basic pro forma net income per common share.....	82,610	82,610	82,610	106,221	119,341
Shares used in computing pro forma diluted net income per common share.....	82,610	82,610	82,610	116,596	135,067
OTHER FINANCIAL DATA:					
Depreciation and amortization.....	\$ 26,614	\$ 57,825	\$ 81,864	\$ 119,239	\$ 180,332
Capital expenditures.....	123,645	185,112	178,990	107,889	242,390
Ratio of earnings to fixed charges(e).....	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

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- (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 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.

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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 the financial statements as of December 31, 1998 and 1999 and for each of the years in the three year period ended December 31, 1999, together with such audited financial statements and the related notes, are included elsewhere in this Consent Solicitation 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 Consent Solicitation.

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:			
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

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- (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.

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 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, together with such audited consolidated financial statements and the related notes, are included elsewhere in this Consent Solicitation.

The selected income statement data of ASI appearing below, as well as ASI's consolidated income statements included in this Consent Solicitation, 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 Consent Solicitation.

	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
	=====	=====	=====

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	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.....	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)

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- (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).

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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.

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 using the exchange rate as of that date:

- 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 Consent Solicitation, 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.

You should read the unaudited pro forma consolidated financial information of ASI in conjunction with "Risk Factors -- Uncertainty Regarding Our Proposed Transactions with ASI," "Our Acquisition of ASI's Packaging and Test Business and Investment in ASI," ASI's consolidated financial statements and the related notes and the financial statements of K1, K2 and K3 and the related notes, included elsewhere in this Consent Solicitation.

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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.

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(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
	=====

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

	ASI HISTORICAL -----	PRO FORMA ADJUSTMENTS ----- (IN THOUSANDS)	PRO FORMA AS ADJUSTED -----
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
	=====	=====	=====

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- (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.

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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) future won/dollar exchange rates, (6) our proposed acquisition of K1, K2 and K3 and our proposed investment in ASI, including the financing of these transactions, (7) the future of our relationship with ASI and (8) other matters that are not historical facts. Because such statements include risks and uncertainties, actual results may differ materially from those anticipated in such forward-looking statements as a result of certain factors, including those set forth in the following discussion as well as in "Risk Factors." 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 Consent Solicitation.

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%

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

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

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

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

QUARTERLY RESULTS

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

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

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.

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

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

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

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

Our operating results have varied significantly from period to period and may continue to vary in the future due to a variety of factors. For more information on the risks affecting our operating results, see the risk factors entitled "Relationship with ASI," "Absence of Backlog," "Risks Associated with Our Wafer Fabrication Business," 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 our sale of \$258.75 million of 5% Convertible Subordinated Notes due 2007, our proposed \$410.0 million equity financing, \$750.0 million of new secured bank debt and cash on hand. The new secured bank debt will be drawn from a new \$850.0 million secured bank facility which will provide for amortization of the drawn amount over a five to five and one-half year period and quarterly principal and interest payments. See "Our Acquisition of ASI's Packaging and Test Business and Investment in ASI -- Proposed Financing."

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

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

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

We have invested significant amounts of capital to increase our packaging and test services capacity. During the last three years we have constructed our P3 factory, added capacity in our other factories in the Philippines and constructed a new research and development facility in the U.S. In 1997, 1998 and 1999, we made capital expenditures of \$179.0 million, \$107.9 million and \$242.4 million, respectively. We intend to spend up to \$400 million in additional capital expenditures in 2000, primarily for the expansion of our factories. We believe the increase in capital expenditures is necessary to expand our capacity to meet the growth in demand we expect in 2000. If we acquire the K1, K2 and K3 factories, we could incur significant additional capital expenditures.

During the second quarter of 1999, we executed a letter with ASI committing to make a \$150 million equity investment in ASI. Our commitment required that we invest this amount in installments of approximately \$41 million in each of 1999, 2000 and 2001 and \$27 million in 2002. In October, 1999 we made our initial investment in ASI. We purchased 10 million shares of common stock at price of \$5,000 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.

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

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

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

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

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

Subchapter S Taxes and Distributions

Prior to our reorganization in April 1998, our predecessor, AEI, elected to be taxed as an S Corporation under the Code and comparable state laws. As a result, ASI did not recognize any provision

for federal income tax expense prior to April 28, 1998. Instead, up until the date the S Corporation status of AEI terminated, Mr. and Mrs. James Kim and certain trusts established for the benefit of other members of Mr. and Mrs.

James Kim's family (the "Kim Family Trusts") had been obligated to pay U.S. federal and certain state income taxes on their allocable portion of the income of AEI. Under certain tax indemnification agreements, we are 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 Consent Solicitation, 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 Consent Solicitation, costs incurred for year 2000 compliance have not been material.

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

MARKET RISK SENSITIVITY

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

Foreign Currency Risks

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

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

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

Interest Rate Risks

Our company has interest rate risk with respect to our investment in cash and cash equivalents, use of short-term borrowings and long-term debt, including the \$53.4 million of convertible subordinated notes, \$425.0 million of senior notes and \$200.0 million of senior subordinated notes outstanding, and will have such risk with respect to our 5% Convertible Notes due 2007. 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, and our 5% Convertible Notes due 2007 are convertible into common stock at \$57.34 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.

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PRINCIPAL STOCKHOLDERS

The following table sets forth certain information regarding the beneficial ownership of our outstanding common stock as of February 29, 2000 by:

- each person or entity who is known by us to beneficially own 5% or more of our outstanding common stock;
- each of our directors; and
- all of our executive officers.

BENEFICIAL OWNERSHIP (A)

NAME AND ADDRESS -----	NUMBER OF SHARES -----	PERCENTAGE OWNERSHIP -----
James J. and Agnes C. Kim(b) (c)..... 1345 Enterprise Drive West Chester, PA 19380	30,053,921	22.9
David D. Kim Trust of December 31, 1987(c) (d)..... 1500 E. Lancaster Avenue Paoli, PA 19301	14,457,344	11.0
John T. Kim Trust of December 31, 1987(c) (d)..... 1500 E. Lancaster Avenue Paoli, PA 19301	14,457,344	11.0
Susan Y. Kim Trust of December 31, 1987(c) (d) (e)..... 1500 E. Lancaster Avenue Paoli, PA 19301	14,457,344	11.0
J. & W. Seligman & Co. Incorporated(f)..... 100 Park Avenue New York, New York 10017	10,848,800	8.3
Capital Group International, Inc.(g)..... 11100 Santa Monica Blvd. Los Angeles, CA 90025	7,370,400	5.6
Winston J. Churchill(h).....	15,000	*
Thomas D. George(h).....	15,000	*
Gregory K. Hinckley(h).....	6,000	*
John B. Neff(h).....	65,000	*
John N. Boruch(i).....	203,985	*
Eric R. Larson(j).....	49,609	*
Kenneth T. Joyce(k).....	8,237	*
Michael D. O'Brien(l).....	81,444	*
All directors and executive officers as a group (9 persons) (m).....	30,498,196	23.2

* Represents less than 1%.

(a) The number and percentage of shares beneficially owned is determined in accordance with Rule 13d-3 under the Securities Exchange Act of 1934, as amended. The information is not necessarily indicative of beneficial ownership for any other purpose. Under this rule, beneficial ownership includes any share over which the individual or entity has voting power or investment power. In computing the number of shares beneficially owned by a person and the percentage ownership of that person, shares of our common stock subject to options held by that person that will be exercisable on or before April 29, 2000 are deemed outstanding. Unless otherwise indicated, each person or entity has sole voting and investment power with respect to shares shown as beneficially owned.

(b) James J. and Agnes C. Kim are husband and wife. Accordingly, each beneficially owns shares of our common stock held in the name of the other.

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(c) David D. Kim, John T. Kim and Susan Y. Kim are children of James J. and Agnes C. Kim. Each of the David D. Kim Trust of December 31, 1987, John T. Kim Trust of December 31, 1987 and Susan Y. Kim Trust of December 31, 1987 has in common Susan Y. Kim and John F.A. Earley as co-trustees, in addition to a third trustee (John T. Kim in the case of the Susan Y. Kim Trust and the John T. Kim Trust, and David D. Kim in the case of the David D. Kim Trust) (the trustees of each trust may be deemed to be the beneficial owners of the shares held by such trust). In addition, the trust agreement for each of these trusts encourages the trustees of the trusts to vote the shares of common stock held by them, in their discretion, in concert with James Kim's family. Accordingly, the trusts, together with their respective trustees and James J. and Agnes C. Kim, may be considered a "group" under Section 13(d) of the Exchange Act. This group may be deemed to have beneficial ownership of 73,425,953 shares or 56.1% of the outstanding shares of our common stock.

(d) These three trusts together with the trusts described in note (e) below comprise the Kim Family Trusts.

(e) Includes 8,200,000 shares held by the Trust of Susan Y. Kim dated April 16, 1998 established for the benefit of Susan Y. Kim's two children.

- (f) J. & W. Seligman & Co. Incorporated ("JWS") reported in a Schedule 13G filed with the Commission on February 10, 2000 that it beneficially owned these shares as of December 31, 1999. JWS also reported that William C. Morris, as the owner of a majority of the outstanding voting securities of JWS, may be deemed to beneficially own the shares beneficially owned by JWS. JWS is the investment adviser for Seligman Communications and Information Fund, Inc. (the "Fund"). Of the 10,848,800 shares that JWS beneficially owns, the Fund beneficially owns 9,050,000 shares.
- (g) Capital Group International, Inc. reported in a Schedule 13G filed with the Commission on February 14, 2000 that it beneficially owned these shares as of December 31, 1999.
- (h) Includes 5,000 shares issuable upon the exercise of stock options that are exercisable on or before April 29, 2000.
- (i) Includes 189,914 shares issuable upon the exercise of stock options that are exercisable on or before April 29, 2000.
- (j) Includes 39,374 shares issuable upon the exercise of stock options that are exercisable on or before April 29, 2000.
- (k) Includes 6,562 shares issuable upon the exercise of stock options that are exercisable on or before April 29, 2000.
- (l) Includes 48,444 shares issuable upon the exercise of stock options that are exercisable on or before April 29, 2000 and 33,000 shares held jointly with Mr. O'Brien's wife.
- (m) Includes 304,294 shares issuable upon the exercise of stock options that are exercisable on or before April 29, 2000.

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DESCRIPTION OF CONVERTIBLE NOTES

SUMMARY

Securities.....	\$258.75 million aggregate principal amount of Convertible Notes.
Maturity.....	The Convertible Notes will mature on March 15, 2007 unless earlier redeemed or converted.
Payment of Interest.....	Interest on the Convertible Notes at the rate of 5% per annum is payable semi-annually on September 15 and March 15 of each year, commencing September 15, 2000.
Conversion Rights.....	The Convertible Notes are convertible into our common stock at the option of the holder at any time on or before the close of business on the last trading day prior to maturity, unless previously redeemed, at a conversion price of \$57.34 per share, subject to adjustment in certain events. See "-- Conversion."
Provisional Redemption by the Company.....	After September 20, 2001 and prior to March 20, 2003, the Convertible Notes may be redeemed at our option, in whole or in part, at any time or from time to time, at a redemption price equal to 103.571% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the date of redemption if the closing price of our common stock shall have equaled or exceeded 150% of the conversion price then in effect for at least 20 out of 30 consecutive days on which the Nasdaq National Market is open for the transaction of business prior to the date of mailing the notice of provisional redemption. Upon any provisional redemption, we will be obligated to

make an additional payment in an amount equal to the present value of the aggregate value of the interest payments and liquidated damages, if any, that would thereafter have been payable on the Convertible Notes from the provisional redemption date to, but excluding, March 20, 2003. The present value will be calculated using the bond equivalent yield on U.S. Treasury notes or bills having a term nearest in length to that of the additional period as of the day immediately preceding the date on which a notice of provisional redemption is mailed. See "--- Provisional Redemption by the Company."

Redemption at the Option of
the Company.....

On or after March 20, 2003, we may, upon at least 15 days' notice, redeem the Convertible Notes at the redemption prices set forth herein, together with accrued and unpaid interest and liquidated damages, if any, thereon. See "-- Optional Redemption."

Repurchase at the Option of
Holders if the Proposed
Acquisition of K1, K2 and
K3 Does Not Close.....

If the proposed acquisition of K1, K2 and K3 is not consummated in all material respects by August 31, 2000, or should the asset purchase agreement relating to that acquisition be terminated at any time prior to such date, holders will have the right to require us to redeem their Convertible Notes, in whole, but not in part, at a purchase price equal to 101% of the principal amount thereof, plus accrued and unpaid interest and liquidated damages, if any, to the special redemption date.

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See "-- Repurchase at the Option of Holders if the Proposed Acquisition of K1, K2 and K3 Does Not Close."

In the event that at any time after the special redemption date, less than 10% of the aggregate principal amount of the Convertible Notes remain outstanding, we may, at our option, redeem the remaining Convertible Notes, in whole, but not in part, at a price equal to the special redemption price, plus accrued and unpaid interest and liquidated damages, if any, to the date fixed for their redemption by us, such date to be a date no later than 30 days following the special redemption date.

Repurchase Upon Designated
Event.....

The Convertible Notes are required to be repurchased at 101% of their principal amount together with accrued and unpaid interest and liquidated damages, if any, thereon, at the option of the holder, upon the occurrence of a designated event (i.e., a change of control or a termination of trading (each as defined)). See "-- Repurchase at Option of Holders Upon a Designated Event."

Subordination.....

The Convertible Notes will be unsecured obligations of Amkor and will be subordinated in right of payment to all of our existing and future senior debt and effectively subordinated to all existing and future liabilities and obligations of our subsidiaries. As of December 31, 1999, we had approximately \$710.8 million of outstanding indebtedness that would have constituted debt senior to the Convertible Notes. As of such date,

the indebtedness and other liabilities of our subsidiaries (excluding intercompany liabilities and obligations of a type not required to be reflected on the balance sheet of such subsidiary in accordance with GAAP) that would effectively have been senior to the Convertible Notes were approximately \$212.6 million. After giving effect to our proposed incurrence of approximately \$750.0 million of new secured bank debt in connection with our proposed acquisition of K1, K2 and K3 and our proposed investment in ASI, such amounts will be approximately \$1,375.0 million and \$209.2 million, respectively. See "-- Subordination."

Registration Rights..... We have agreed to file a shelf registration statement under the Securities Act relating to resales of the Convertible Notes and the common stock issuable upon conversion thereof. If such registration statement is not filed or has not become effective within the time periods set forth herein, we will be required to pay liquidated damages to holders of the Convertible Notes and holders of the common stock issued upon conversion thereof. See "-- Registration Rights."

Transfer Restrictions..... Neither the Convertible Notes nor the common stock offered hereby have been registered under the Securities Act, and such Convertible Notes and the common stock issuable upon conversion thereof are subject to certain restrictions on transfer.

Trading..... The Convertible Notes are expected to be designated as eligible for trading in The Portal Market. Our common stock is quoted on the Nasdaq National Market under the symbol "AMKR."

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Our Convertible Subordinated notes due 2007 (the "Convertible Notes") are issued under an indenture dated as of March 16, 2000 (the "Indenture") between the Company and State Street Bank and Trust Company, as trustee (the "Trustee"). A copy of the Indenture and the Registration Agreement referred to below is available as set forth under "-- Additional Information" below. The following is a summary of certain provisions of the Indenture and the Registration Agreement and does not purport to be complete. Reference should be made to all provisions of the Indenture and the Registration Agreement, including the definitions therein of certain terms. Certain definitions of terms used in the following summary are set forth under "-- Certain Definitions" below. As used in this section, the "Company" means Amkor Technology, Inc., but not any of its Subsidiaries, unless the context requires otherwise.

GENERAL

The Convertible Notes are general unsecured subordinated obligations of the Company, will mature on March 15, 2007 (the "Maturity Date"), and are in an aggregate principal amount of \$258.75 million. The Convertible Notes are issued in denominations of \$1,000 and integral multiples of \$1,000 in fully registered form. The Convertible Notes are exchangeable and transfers thereof are registrable without charge therefor, but the Company may require payment of a sum sufficient to cover any tax or other governmental charge in connection therewith.

The Convertible Notes accrue interest at a rate of 5% per annum from March 17, 2000, or from the most recent interest payment date to which interest has been paid or duly provided for, and accrued and unpaid interest are payable semi-annually in arrears on September 15 and March 15 of each year beginning September 15, 2000. Interest is paid to the person in whose name a Convertible Note is registered at the close of business on the September 1 or March 1 immediately preceding the relevant interest payment date (other than with respect to a Convertible Note or portion thereof called for redemption on a redemption date, or repurchased in connection with a Designated Event or a Related Transactions Event on a repurchase date, during the period from a record date to (but excluding) the next succeeding interest payment date (in which case

accrued interest shall be payable (unless such Convertible Note of portion thereof is converted) to the holder of the Convertible Note or portion thereof redeemed or repurchased)). Interest will be computed on the basis of a 360-day year comprised of twelve 30-day months.

If the Company does not comply with certain deadlines set forth in the Registration Agreement with respect to the registration of the Convertible Notes or the common stock issuable upon conversion thereof for resale under a shelf registration statement, holders of the Convertible Notes and/or the common stock issued upon conversion thereof will be entitled to Liquidated Damages. See "-- Registration Rights" below.

CONVERSION

The holders of Convertible Notes are entitled at any time on or before the close of business on the last trading day prior to the Maturity Date of the Convertible Notes, subject to prior redemption or repurchase, to convert any Convertible Notes or portions thereof (in denominations of \$1,000 or multiples thereof) into common stock of the Company, at the conversion price of \$57.34 per share of common stock, subject to adjustment as described below (the "Conversion Price"). Except as described below, no adjustment will be made on conversion of any Convertible Notes for interest or Liquidated Damages, if any, accrued thereon or for dividends on any common stock issued. If Convertible Notes not called for redemption are converted after a record date for the payment of interest and prior to the next succeeding interest payment date, such Convertible Notes must be accompanied by funds equal to the interest and Liquidated Damages, if any, payable on such succeeding interest payment date on the principal amount so converted. The Company is not required to issue fractional shares of common stock upon conversion of Convertible Notes and, in lieu thereof, will pay a cash adjustment based upon the market price of the common stock on the last trading day prior to the date of conversion. In the case of Convertible Notes called for redemption, conversion rights will expire at the close of business on the trading day preceding the date fixed for redemption, unless the Company defaults in payment of the redemption price, in which

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case the conversion right will terminate at the close of business on the date such default is cured. In the event any holder exercises its right to require the Company to repurchase Notes upon a Designated Event or a Related Transactions Event, such holder's conversion right will terminate on the close of business on the Designated Event Offer Termination Date (as defined) or the Special Redemption Date, as applicable, unless the Company defaults in the payment due upon repurchase or the holder elects to withdraw the submission of election to repurchase. See "-- Repurchase at Option of Holders Upon a Designated Event."

The right of conversion attaching to any Convertible Note may be exercised by the holder by delivering the Convertible Note at the specified office of a conversion agent, accompanied by a duly signed and completed notice of conversion, together with any funds that may be required as described in the preceding paragraph. Such notice of conversion can be obtained from the Trustee. Beneficial owners of interests in a Global Note (as defined) may exercise their right of conversion by delivering to The Depository Trust Company ("DTC") the appropriate instruction form for conversion pursuant to DTC's conversion program. The conversion date shall be the date on which the Convertible Note, the duly signed and completed notice of conversion, and any funds that may be required as described in the preceding paragraph shall have been so delivered. A holder delivering a Convertible Note for conversion will not be required to pay any taxes or duties payable in respect of the issue or delivery of common stock on conversion, but will be required to pay any tax or duty which may be payable in respect of any transfer involved in the issue or delivery of the common stock in a name other than the holder of the Convertible Note. Certificates representing shares of common stock will not be issued or delivered unless all taxes and duties, if any, payable by the holder have been paid.

The Conversion Price is subject to adjustment (under formulae set forth in the Indenture) in certain events, including: (i) the issuance of common stock as a dividend or distribution on common stock; (ii) certain subdivisions and combinations of the common stock; (iii) the issuance to all or substantially all holders of common stock of certain rights or warrants to purchase common stock at a price per share less than the Current Market Price (as defined); (iv) the dividend or other distribution to all holders of common stock of shares of

capital stock of the Company (other than common stock) or evidences of indebtedness of the Company or assets (including securities, but excluding those rights, warrants, dividends and distributions referred to above or paid exclusively in cash); (v) dividends or other distributions consisting exclusively of cash (excluding any cash portion of distributions referred to in clause (iv)) to all holders of common stock to the extent such distributions, combined together with (A) all such all-cash distributions made within the preceding 12 months in respect of which no adjustment has been made plus (B) any cash and the fair market value of other consideration payable in respect of any tender offers by the Company or any of its Subsidiaries for common stock concluded within the preceding 12 months in respect of which no adjustment has been made, exceeds 15% of the Company's market capitalization (being the product of the then current market price of the common stock times the number of shares of common stock then outstanding) on the record date for such distribution; and (vi) the purchase of common stock pursuant to a tender offer made by the Company or any of its subsidiaries to the extent that the aggregate consideration, together with (X) any cash and the fair market value of any other consideration payable in any other tender offer expiring within 12 months preceding such tender offer in respect of which no adjustment has been made plus (Y) the aggregate amount of any such all-cash distributions referred to in clause (v) above to all holders of common stock within the 12 months preceding the expiration of such tender offer in respect of which no adjustments have been made, exceeds 15% of the Company's market capitalization on the expiration of such tender offer.

In the case of (i) any reclassification or change of the common stock or (ii) a consolidation, merger or combination involving the Company or a sale or conveyance to another corporation of the property and assets of the Company as an entirety or substantially as an entirety, in each case as a result of which holders of common stock shall be entitled to receive stock, other securities, other property or assets (including cash) with respect to or in exchange for such common stock, the holders of the Convertible Notes then outstanding will be entitled thereafter to convert such Convertible Notes into the kind and amount of shares of stock, other securities or other property or assets, which they would have owned or

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been entitled to receive upon such reclassification, change, consolidation, merger, combination, sale or conveyance had such Convertible Notes been converted into common stock immediately prior to such reclassification, change, consolidation, merger, combination, sale or conveyance (assuming, in a case in which the Company's stockholders may exercise rights of election, that a holder of Convertible Notes would not have exercised any rights of election as to the stock, other securities or other property or assets receivable in connection therewith and received per share the kind and amount received per share by a plurality of non-electing shares). Certain of the foregoing events may also constitute or result in a Designated Event requiring the Company to offer to repurchase the Convertible Notes. See "-- Repurchase at Option of Holders Upon a Designated Event."

In the event of a taxable distribution to holders of common stock (or other transaction) that results in any adjustment of the Conversion Price, the holders of Convertible Notes may, in certain circumstances, be deemed to have received a distribution subject to United States income tax as a dividend; in certain other circumstances, the absence of such an adjustment may result in a taxable dividend to the holders of common stock.

The Company from time to time may, to the extent permitted by law, reduce the Conversion Price of the Convertible Notes by any amount for any period of at least 20 days, in which case the Company shall give at least 15 days' notice of such decrease, if the Board of Directors has made a determination that such decrease would be in the best interests of the Company, which determination shall be conclusive. The Company may, at its option, make such reductions in the Conversion Price, in addition to those set forth above, as the Board of Directors deems advisable to avoid or diminish any income tax to holders of common stock resulting from any dividend or distribution of stock (or rights to acquire stock) or from any event treated as such for income tax purposes.

No adjustment in the Conversion Price will be required unless such adjustment would require a change of at least 1% of the Conversion Price then in effect; provided that any adjustment that would otherwise be required to be made shall be carried forward and taken into account in any subsequent adjustment.

Except as stated above, the Conversion Price will not be adjusted for the issuance of common stock or any securities convertible into or exchangeable for common stock or carrying the right to purchase any of the foregoing.

SUBORDINATION

On or prior to Put Expiration Date

On or before the earlier of the following dates (the "Put Expiration Date"):

- to the extent such date does not occur after August 31, 2000, the date the Related Transactions are consummated in all material respects and
- 30 days following the Special Redemption Date,

the Convertible Notes shall be senior debt of the Company and rank equally in right of payment to all of the Company's existing and future unsecured senior debt (including its 9 1/4% senior notes due 2006) and senior in right of payment to all of the Company's existing and future debt that provides that it is subordinated to the Convertible Notes including our 5 3/4% convertible subordinated notes due 2003 and our 10 1/2% senior subordinated notes due 2009.

After Put Expiration Date

After the Put Expiration Date, the payment of principal of, premium, if any, interest and Liquidated Damages, if any on the Convertible Notes will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full in cash or other payment satisfactory to the holders of Senior Debt of all Senior Debt, whether outstanding on the date of the Indenture or thereafter incurred. After the Put Expiration Date, upon any distribution to creditors of the Company in a liquidation or dissolution of the Company or in a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to the Company or its property, an assignment for the benefit of creditors or any marshaling of the Company's

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assets and liabilities, the holders of Senior Debt will be entitled to receive payment in full in cash or other payment satisfactory to the Senior Debt of all Senior Debt of all obligations in respect of such Senior Debt before the holders of Convertible Notes will be entitled to receive any payment with respect to the Convertible Notes.

After the Put Expiration Date, in the event of any acceleration of the Convertible Notes because of an Event of Default, the holders of any Senior Debt then outstanding will be entitled to payment in full in cash or other payment satisfactory to the holders of such Senior Debt of all obligations in respect of such Senior Debt before the holders of the Convertible Notes are entitled to receive any payment or distribution in respect thereof. If payment of the Convertible Notes is accelerated because of an Event of Default, the Company or the Trustee shall promptly notify the holders of Senior Debt or the trustee(s) for such Senior Debt of the acceleration.

After the Put Expiration Date, the Company also may not make any payment upon or in respect of the Convertible Notes if (i) a default in the payment of the principal of, premium, if any, interest, rent or other obligations in respect of Senior Debt occurs and is continuing beyond any applicable period of grace or (ii) a default, other than a payment default, occurs and is continuing with respect to Designated Senior Debt that permits holders of the Designated Senior Debt as to which such default relates to accelerate its maturity and the Trustee receives a notice of such default (a "Payment Blockage Notice") from the Company or other person permitted to give such notice under the Indenture. Payments on the Convertible Notes may and shall be resumed (a) in the case of a payment default, upon the date on which such default is cured or waived or ceases to exist and (b) in case of a nonpayment default, the earlier of the date on which such nonpayment default is cured or waived or ceases to exist or 179 days after the date on which the applicable Payment Blockage Notice is received if the maturity of the Senior Debt has not been accelerated. No new period of payment blockage may be commenced unless and until 365 days have elapsed since the effectiveness of the immediately prior Payment Blockage Notice. No nonpayment default that existed or was continuing on the date of delivery of any Payment Blockage Notice to the Trustee shall be, or be made, the basis for a subsequent Payment Blockage Notice. Notwithstanding anything herein to the

contrary, payments made by the Company to repurchase Convertible Notes following a Related Transactions Event shall not be subject to the provisions herein and will not be subordinated in right of payment to the prior payment of Senior Debt.

By reason of the subordination provisions described above, after the Put Expiration Date, in the event of the Company's liquidation or insolvency, holders of Senior Debt may receive more, ratably, and holders of the Convertible Notes may receive less, ratably, than the other creditors of the Company. Such subordination will not prevent the occurrences of any Event of Default under the Indenture.

The Convertible Notes are obligations exclusively of the Company. However, since the operations of the Company are primarily conducted through Subsidiaries, the cash flow and the consequent ability of the Company to service its debt, including the Convertible Notes, are primarily dependent upon the earnings of its Subsidiaries and the distribution of those earnings to, or upon loans or other payments of funds by those Subsidiaries to, the Company. The payment of dividends and the making of loans and advances to the Company by its Subsidiaries may be subject to statutory or contractual restrictions, are dependent upon the earnings of those Subsidiaries and are subject to various business considerations.

Any right of the Company to receive assets of any of its Subsidiaries upon their liquidation or reorganization (and the consequent right of the holders of the Convertible Notes to participate in those assets) will be effectively subordinated to the claims of that Subsidiary's creditors (including trade creditors), except to the extent that the Company is itself recognized as a creditor of such Subsidiary, in which case the claims of the Company would still be subordinate to any security interests in the assets of such Subsidiary and any indebtedness of such Subsidiary senior to that held by the Company.

As of December 31, 1999, the Company had approximately \$710.8 million of outstanding indebtedness that would have constituted Senior Debt, and the indebtedness and other liabilities of the Company's subsidiaries (excluding intercompany liabilities and obligations of a type not required to be reflected on the balance sheet of such subsidiary in accordance with GAAP) that would effectively have

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been senior to the Convertible Notes were approximately \$212.6 million. After giving effect to the proposed incurrence by the Company of \$750.0 million of new secured bank debt in connection with its proposed acquisition of K1, K2 and K3 and its proposed investment in ASI, such amounts will be approximately \$1,225.0 million and \$212.6 million, respectively. The Indenture will not limit the amount of additional indebtedness, including Senior Debt, that the Company can create, incur, assume or guarantee, nor will the Indenture limit the amount of indebtedness and other liabilities that any Subsidiary can create, incur, assume or guarantee.

In the event that, notwithstanding the foregoing, the Trustee or any holder of Convertible Notes receives any payment or distribution of assets of the Company of any kind after the Put Expiration Date in contravention of any of the terms of the Indenture, whether in cash, property or securities, including, without limitation by way of set-off or otherwise, in respect of the Convertible Notes before all Senior Debt is paid in full in cash or other payment satisfactory to the holders of Senior Debt, then such payment or distribution will be held by the recipient in trust for the benefit of holders of Senior Debt, and will be immediately paid over or delivered to the holders of Senior Debt or their representative or representatives to the extent necessary to make payment in full in cash or other payment satisfactory to such holders of all Senior Debt remaining unpaid, after giving effect to any concurrent payment or distribution, or provision therefor, to or for the holders of Senior Debt.

PROVISIONAL REDEMPTION BY THE COMPANY

After September 20, 2001 and prior to March 20, 2003, the Convertible Notes may be redeemed at the option of the Company in whole or in part (in any integral multiple of \$1,000), at any time or from time to time, upon not less than 30 nor more than 60 days' prior notice by mail, at a redemption price equal to 103.571% of the principal amount thereof, plus accrued and unpaid interest and Liquidated Damages, if any, to the Provisional Redemption Date (subject to the right of holders of record on the relevant record date to receive any such

amounts due on the relevant payment date) if the closing price of the common stock shall have equaled or exceeded 150% of the Conversion Price then in effect for at least 20 out of 30 consecutive days on which the Nasdaq National Market is open for the transaction of business prior to the Notice Date.

Upon any Provisional Redemption, the Company will be obligated to make an additional payment in an amount equal to the present value of the aggregate value of the interest payments and Liquidated Damages, if any, that would thereafter have been payable on the Convertible Notes from the Provisional Redemption Date to but excluding March 15, 2003. The present value will be calculated using the bond equivalent yield on U.S. Treasury notes or bills having a term nearest in length to that of the additional period as of the day immediately preceding the date on which a notice of Provisional Redemption is mailed.

OPTIONAL REDEMPTION

On or after March 20, 2003, the Convertible Notes may be redeemed at the option of the Company, in whole or from time to time in part, on not less than 15 nor more than 60 days' prior written notice to the holders thereof by first class mail, at the following redemption prices (expressed as percentages of principal amount) if redeemed during the 12-month period beginning March 20 of each year indicated (March 20 with respect to 2003), plus accrued and unpaid interest and Liquidated Damages, if any, to the date fixed for redemption:

YEAR ----	REDEMPTION PRICE -----
2003.....	102.857%
2004.....	102.143
2005.....	101.429
2006.....	100.714

and 100% at March 15, 2007.

SELECTION AND NOTICE

If less than all the Convertible Notes are to be redeemed at any time, selection of Convertible Notes for redemption will be made by the Trustee in compliance with the requirements of the principal national securities exchange, if any, on which the Convertible Notes are listed or, if the Convertible Notes are not so listed, on a pro rata basis by lot or by any other method that the Trustee considers fair and appropriate. The Trustee may select for redemption a portion of the principal of any Convertible Note that has a denomination larger than \$1,000. Convertible Notes and portions thereof will be redeemed in the amount of \$1,000 or integral multiples of \$1,000. The Trustee will make the selection from Convertible Notes outstanding and not previously called for redemption; provided that if a portion of a holder's Convertible Notes are selected for partial redemption and such holder converts a portion of such Convertible Notes, such converted portion shall be deemed to be taken from the portion selected for redemption.

Provisions of the Indenture that apply to the Convertible Notes called for redemption also apply to portions of the Convertible Notes called for redemption. If any Convertible Note is to be redeemed in part, the notice of redemption will state the portion of the principal amount to be redeemed. Upon surrender of a Convertible Note that is redeemed in part only, the Company will execute and the Trustee will authenticate and deliver to the holder a new Convertible Note equal in principal amount to the unredeemed portion of the Convertible Note surrendered.

On and after the redemption date, unless the Company shall default in the payment of the redemption price, interest and Liquidated Damages, if any, will cease to accrue on the principal amount of the Convertible Notes or portions thereof called for redemption and for which funds have been set apart for payment. In the case of Convertible Notes or portions thereof redeemed on a redemption date which is also a regularly scheduled interest payment date, the

interest payment due on such date shall be paid to the person in whose name the Note is registered at the close of business on the relevant record date.

The Convertible Notes are not entitled to any sinking fund.

REPURCHASE AT THE OPTION OF HOLDERS IF THE PROPOSED ACQUISITION OF K1, K2 AND K3 DOES NOT CLOSE

If the Related Transactions are not consummated in all material respects by August 31, 2000, or should the Related Agreement be terminated at any time prior to such date (a "Related Transactions Event"), each holder will have the right to require the Company to repurchase the holder's Convertible Notes, in whole, but not in part, at a purchase price equal to 101% of the principal amount thereof (the "Special Redemption Price"), plus accrued interest and unpaid interest and Liquidated Damages, if any, to the Special Redemption Date (the "Special Redemption Payment"), subject to the right of holders of record on the relevant record date to receive any such amount due on the relevant payment date. Within 10 days following a Related Transactions Event, the Company will mail a notice to each holder specifying the Special Redemption Date, which shall be no earlier than 30 days nor later than 40 days from the date such notice is mailed (the "Special Redemption Date"), and offering to repurchase Convertible Notes pursuant to the procedures required by the Indenture and described in such notice.

The Company will furnish to the Paying Agent not later than the last business day prior to the Special Redemption Date the aggregate Special Redemption Payment with respect to the Convertible Notes to be redeemed on the Special Redemption Date.

In the event that, after the Special Redemption Date, less than 10% of the original aggregate principal amount of the Convertible Notes remain outstanding, the Company may, at its option, redeem the remaining Convertible Notes, in whole, but not in part, at a price equal to the Special Redemption Price, plus accrued and unpaid interest and Liquidated Damages, if any, to the date fixed for their redemption by the Company (such date to be a date no later than 30 days following the Special Redemption Date) subject to the right of holders of record on the relevant record date to receive any such amount due on the relevant payment date.

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The Company has agreed that, during the period from the Issue Date to and including the Put Expiration Date, it will maintain cash and cash equivalents in an aggregate amount equal to or greater than 103% of the aggregate principal amount of the outstanding Convertible Notes.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Convertible Notes as a result of a Related Transactions Event. Rule 13e-4 under the Exchange Act requires, among other things, the dissemination of certain information to security holders in the event of an issuer tender offer and may apply in the event that the repurchase option becomes available to holders of the Convertible Notes. The Company will comply with this rule to the extent applicable at that time.

"Related Transactions" means the acquisition by the Company or any of its subsidiaries of K1, K2 and K3 from ASI.

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

REPURCHASE AT OPTION OF HOLDERS UPON A DESIGNATED EVENT

Upon the occurrence of a Designated Event, each holder of Convertible Notes will have the right to require the Company to repurchase all or any part (equal to \$1,000 or an integral multiple thereof) of such holder's Convertible Notes pursuant to the offer described below (the "Designated Event Offer") at an offer price in cash equal to 101% of the aggregate principal amount thereof plus accrued and unpaid interest and Liquidated Damages, if any, thereon to the date of purchase (the "Designated Event Payment"). Within 20 days following any Designated Event, the Company will mail a notice to each holder describing the

transaction or transactions that constitute the Designated Event and offering to repurchase Convertible Notes pursuant to the procedures required by the Indenture and described in such notice.

The Company will comply with the requirements of Rule 14e-1 under the Exchange Act and any other securities laws and regulations thereunder to the extent such laws and regulations are applicable in connection with the repurchase of the Convertible Notes as a result of a Designated Event. Rule 13e-4 under the Exchange Act requires, among other things, the dissemination of certain information to security holders in the event of an issuer tender offer and may apply in the event that the repurchase option becomes available to holders of the Convertible Notes. The Company will comply with this rule to the extent applicable at that time.

On the date specified for termination of the Designated Event Offer, the Company will, to the extent lawful, (1) accept for payment all Convertible Notes or portions thereof properly tendered pursuant to the Designated Event Offer, (2) deposit with the paying agent an amount equal to the Designated Event Payment in respect of all Convertible Notes or portions thereof so tendered and (3) deliver or cause to be delivered to the Trustee the Convertible Notes so accepted together with an Officers' Certificate stating the aggregate principal amount of Convertible Notes or portions thereof being purchased by the Company. On the date specified for payment of the Designated Event Payment (the "Designated Event Payment Date"), the paying agent will promptly mail to each holder of Convertible Notes so accepted the Designated Event Payment for such Convertible Notes, and the Trustee will promptly authenticate and mail (or cause to be transferred by book entry) to each holder a new Convertible Note equal in principal amount to any unpurchased portion of the Convertible Notes surrendered, if any; provided that each such new Convertible Note will be in a principal amount of \$1,000 or an integral multiple thereof.

The foregoing provisions would not necessarily afford holders of the Convertible Notes protection in the event of highly leveraged or other transactions involving the Company that may adversely affect holders.

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The right to require the Company to repurchase Convertible Notes as a result of a Designated Event could have the effect of delaying, deferring or preventing a Change of Control or other attempts to acquire control of the Company unless arrangements have been made to enable the Company to repurchase all the Convertible Notes at the Designated Event Payment Date. Consequently, this right may render more difficult or discourage a merger, consolidation or tender offer (even if such transaction is supported by the Company's Board of Directors or is favorable to the stockholders), the assumption of control by a holder of a large block of the Company's shares and the removal of incumbent management.

Except as described above with respect to a Designated Event, the Indenture does not contain provisions that permit the holders of the Convertible Notes to require that the Company repurchase or redeem the Convertible Notes in the event of a takeover, recapitalization or similar restructuring. Subject to the limitation on mergers and consolidations described below, the Company, its management or its Subsidiaries could in the future enter into certain transactions, including refinancings, certain recapitalizations, acquisitions, the sale of all or substantially all of its assets, the liquidation of the Company or similar transactions, that would not constitute a Designated Event under the Indenture, but that would increase the amount of Senior Debt (or any other indebtedness) outstanding at such time or substantially reduce or eliminate the Company's assets.

The terms of the Company's existing or future credit or other agreements relating to indebtedness (including Senior Debt) may prohibit the Company from purchasing any Convertible Notes and may also provide that a Designated Event, as well as certain other change-of-control events with respect to the Company, would constitute an event of default thereunder. In the event a Designated Event or a Related Transactions Event occurs at a time when the Company is prohibited from purchasing Convertible Notes, the Company could seek the consent of its then-existing lenders to the purchase of Convertible Notes or could attempt to refinance the borrowings that contain such prohibition. If the Company does not obtain such a consent or repay such borrowings, the Company would remain prohibited from purchasing Convertible Notes. In such case, the Company's failure to purchase tendered Convertible Notes would constitute an Event of

Default under the Indenture, which may, in turn, constitute a further default under the terms of other indebtedness that the Company has entered into or may enter into from time to time. In such circumstances, the subordination provisions in the Indenture would likely restrict payments to the holders of Convertible Notes.

A "Designated Event" will be deemed to have occurred upon a Change of Control or a Termination of Trading.

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

The definition of Change of Control includes a phrase relating to the lease, transfer or conveyance of "all or substantially all" of the assets of the Company. Although there is a developing body of case law

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interpreting the phrase "substantially all," there is no precise established definition of the phrase under applicable law. Accordingly, the ability of a holder of Convertible Notes to require the Company to repurchase such Convertible Notes as a result of a lease, transfer or conveyance of less than all of the assets of the Company to another person or group may be uncertain.

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

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

MERGER AND CONSOLIDATION

The Indenture provides that the Company may not, in a single transaction or a series of related transactions, consolidate or merge with or into (whether or not the Company is the surviving corporation), or sell, assign, transfer, lease, convey or otherwise dispose of all or substantially all of its properties or assets in one or more related transactions to, another corporation, person or entity as an entirety or substantially as an entirety unless either (a) (i) the Company shall be the surviving or continuing corporation or (ii) the entity or person formed by or surviving any such consolidation or merger (if other than the Company) or the entity or person which acquires by sale, assignment, transfer, lease, conveyance or other disposition the properties and assets of the Company substantially as an entirety (x) is a corporation organized and validly existing under the laws of the United States, any State thereof or the District of Columbia and (y) assumes the due and punctual payment of the

principal of, and premium, if any, and interest on all the Convertible Notes and the performance of every covenant of the Company under the Convertible Notes and the Indenture pursuant to a supplemental indenture in a form reasonably satisfactory to the Trustee; (b) immediately after such transaction no Default or Event of Default exists; and (c) the Company or such person shall have delivered to the Trustee an officers' certificate and an opinion of counsel, each stating that such transaction and the supplemental indenture comply with the Indenture and that all conditions precedent in the Indenture relating to such transaction have been satisfied.

For purposes of the foregoing, the transfer (by lease, assignment, sale or otherwise, in a single transaction or series of transactions) of all or substantially all of the properties or assets of one or more Subsidiaries of the Company, the capital stock of which constitutes all or substantially all of the properties and assets of the Company, shall be deemed to be the transfer of all or substantially all of the properties and assets of the Company.

Upon any such consolidation, merger, sale, assignment, conveyance, lease, transfer or other disposition in accordance with the foregoing, the successor person formed by such consolidation or into which the Company is merged or to which such sale, assignment, conveyance, lease, transfer or other disposition is made will succeed to, and be substituted for, and may exercise every right and power of, the Company under the Indenture with the same effect as if such successor had been named as the Company therein, and thereafter (except in the case of a sale, assignment, transfer, lease, conveyance or other disposition) the predecessor corporation will be relieved of all further obligations and covenants under the Indenture and the Convertible Notes.

REGISTRATION RIGHTS

Pursuant to a registration agreement (the "Registration Agreement"), the Company has agreed for the benefit of the holders of the Convertible Notes and common stock issued upon conversion thereof that (i) it will, at its cost, within 90 days after the Issue Date, file a shelf registration statement (the "Shelf Registration Statement") with the Commission with respect to resales of the Convertible Notes and the

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common stock issuable upon conversion thereof, (ii) the Company will use its best efforts to cause such Shelf Registration Statement to be declared effective under the Securities Act within 180 days after the Issue Date and (iii) the Company will keep the Shelf Registration Statement continuously effective under the Securities Act until the earliest of (a) the second anniversary of the Issue Date, (b) the date on which the Convertible Notes or the common stock issuable upon conversion thereof may be sold by non-affiliates of the Company pursuant to paragraph (k) of Rule 144 (or any successor provision) promulgated by the Commission under the Securities Act and (c) the date as of which all the Convertible Notes or the common stock issuable upon conversion thereof have been sold pursuant to the Shelf Registration Statement.

If the Shelf Registration Statement (i) is not filed with the Commission on or prior to 90 days, or has not been declared effective by the Commission within 180 days, after the Issue Date, or (ii) is filed and declared effective but shall thereafter cease to be effective (without being succeeded immediately by a replacement shelf registration statement filed and declared effective) or usable for the offer and sale of Transfer Restricted Securities for a period of time (including any Suspension Period) which shall exceed 60 days in the aggregate in any 12-month period during the period beginning on the Issue Date and ending on or prior to the second anniversary of the Issue Date (each such event referred to in clauses (i) and (ii) being referred to herein as a "Registration Default"), the Company will pay liquidated damages ("Liquidated Damages") to each Holder of Transfer Restricted Securities which has complied with its obligations under the Registration Agreement. The amount of Liquidated Damages payable during any period in which a Registration Default shall have occurred and be continuing is that amount which is equal to one-quarter of one percent (25 basis points) per annum per \$1,000 principal amount of Convertible Notes or \$2.50 per annum per 17.4398 shares of common stock (subject to adjustment in the event of a stock split, stock recombination, stock dividend and the like) constituting Transfer Restricted Securities for the first 90 days during which a Registration Default has occurred and is continuing and 50 basis points per annum per \$1,000 principal amount of Convertible Notes or \$5.00 per annum per 17.4398 shares of common stock (subject to adjustment as set forth above) constituting Transfer Restricted Securities for any additional days during which

such Registration Default has occurred and is continuing. The Company has agreed to pay all accrued Liquidated Damages by wire transfer of immediately available funds or by federal funds check on each Damages Payment Date (as defined in the Registration Agreement). Following the cure of a Registration Default, Liquidated Damages will cease to accrue with respect to such Registration Default.

"Transfer Restricted Securities" means each Convertible Note and any share of common stock issued on conversion thereof until the date on which such Convertible Note or share, as the case may be (i) has been transferred pursuant to the Shelf Registration Statement or another registration statement covering such Convertible Note or share which has been filed with the Commission pursuant to the Securities Act, in either case after such registration statement has become effective under the Securities Act, (ii) has been transferred pursuant to Rule 144 under the Securities Act (or any similar provision then in force), or (iii) may be sold or transferred pursuant to paragraph (k) of Rule 144 under the Securities Act (or any successor provision promulgated by the Commission).

The Company will provide or cause to be provided to each holder of the Convertible Notes, or the common stock issuable upon conversion of the Convertible Notes, copies of the prospectus, which will be a part of the Shelf Registration Statement, notify or cause to be notified to each such holder when the Shelf Registration Statement for the Convertible Notes or the common stock issuable upon conversion of the Convertible Notes has become effective and take certain other actions as are required to permit unrestricted resales of the Convertible Notes or the common stock issuable upon conversion of the Convertible Notes. A holder of Convertible Notes or the common stock issuable upon conversion of the Convertible Notes that sells such securities pursuant to a Shelf Registration Statement will be required to be named as a selling security holder in the related prospectus and to deliver a prospectus to purchasers, will be subject to certain of the civil liability provisions under the Securities Act in connection with such sales and will be bound by the provisions of the Registration Agreement that are applicable to such holder (including certain indemnification and contribution rights or obligations). The Company presently intends

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to distribute a questionnaire to each beneficial owner of Convertible Notes as of a specified date to obtain certain information regarding such selling security holders for inclusion in the prospectus.

The Company will be permitted to suspend the use of the prospectus which is a part of the Shelf Registration Statement for a period not to exceed 30 days in any three-month period or for three periods not to exceed an aggregate of 90 days in any twelve-month period (any such period being referred to as a "Suspension Period") under certain circumstances relating to pending corporate developments, public filings with the Commission and similar events. The Company will pay all expenses of the Shelf Registration Statement; provided, however, that each holder shall bear the expense of any broker's commission, agency fee or underwriter's discount or commission.

EVENTS OF DEFAULT AND REMEDIES

An Event of Default is defined in the Indenture as being (i) default in payment of the principal of, or premium, if any, on the Convertible Notes, whether or not such payment is prohibited by the subordination provisions of the Indenture; (ii) default for 30 days in payment of any installment of interest on or Liquidated Damages with respect to the Convertible Notes, whether or not such payment is prohibited by the subordination provisions of the Indenture; (iii) default by the Company for 60 days after notice in the observance or performance of any other covenants in the Indenture; (iv) default in the payment of the Designated Event Payment or the Special Redemption Payment in respect of the Convertible Notes on the date therefor, whether or not such payment is prohibited by the subordination provisions of the Indenture; (v) failure of the Company to maintain cash and cash equivalents in accordance with the provisions of the Indenture or to provide timely notice of a Designated Event or a Related Transactions Event; (vi) failure of the Company or any Material Subsidiary to make any payment at maturity, including any applicable grace period, in respect of indebtedness for borrowed money of, or guaranteed or assumed by, the Company or any Material Subsidiary, which payment is in an amount in excess of \$20,000,000, and continuance of such failure for 30 days after notice; (vii) default by the Company or any Material Subsidiary with respect to any such

indebtedness, which default results in the acceleration of any such indebtedness of an amount in excess of \$20,000,000 without such indebtedness having been paid or discharged or such acceleration having been cured, waived, rescinded or annulled for 30 days after notice; or (viii) certain events involving bankruptcy, insolvency or reorganization of the Company or any Material Subsidiary.

If an Event of Default (other than an Event of Default specified in clause (viii) above with respect to the Company) occurs and is continuing, then and in every such case the Trustee, by written notice to the Company, or the holders of not less than 25% in aggregate principal amount of the then outstanding Convertible Notes, by written notice to the Company and the Trustee, may declare the unpaid principal of, premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on all the Convertible Notes then outstanding to be due and payable. Upon such declaration, such principal amount, premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, will become immediately due and payable, notwithstanding anything contained in the Indenture or the Convertible Notes to the contrary, but subject to the provisions limiting payment described in "-- Subordination." If any Event of Default specified in clause (viii) above occurs with respect to the Company, all unpaid principal of, and premium, if any, and accrued and unpaid interest and Liquidated Damages, if any, on the Convertible Notes then outstanding will automatically become due and payable, subject to the provisions described in "-- Subordination," without any declaration or other act on the part of the Trustee or any holder of Convertible Notes.

Holders of the Convertible Notes may not enforce the Indenture or the Convertible Notes except as provided in the Indenture. Subject to the provisions of the Indenture relating to the duties of the Trustee, the Trustee is under no obligation to exercise any of its rights or powers under the Indenture at the request, order or direction of any of the holders, unless such holders have offered to the Trustee a security or an indemnity satisfactory to it against any cost, expense or liability. Subject to all provisions of the Indenture and applicable law, the holders of a majority in aggregate principal amount of the then outstanding Convertible Notes have the right to direct the time, method and place of conducting any

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proceeding for any remedy available to the Trustee or exercising any trust or power conferred on the Trustee. If a Default or Event of Default occurs and is continuing and is known to the Trustee, the Indenture requires the Trustee to mail a notice of Default or Event of Default to each holder within 60 days of the occurrence of such Default or Event of Default, provided, however, that the Trustee may withhold from the holders notice of any continuing Default or Event of Default (except a Default or Event of Default in the payment of principal of, premium, if any, interest or Liquidated Damages, if any, on the Convertible Notes) if it determines in good faith that withholding notice is in their interest. The holders of a majority in aggregate principal amount of the Convertible Notes then outstanding by notice to the Trustee may rescind any acceleration of the Convertible Notes and its consequences if all existing Events of Default (other than the nonpayment of principal of, premium, if any, interest and Liquidated Damages, if any, on the Convertible Notes that has become due solely by virtue of such acceleration) have been cured or waived and if the rescission would not conflict with any judgment or decree of any court of competent jurisdiction. No such rescission shall affect any subsequent Default or Event of Default or impair any right consequent thereto.

In the case of any Event of Default occurring by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding payment of the premium that the Company would have had to pay if the Company then had elected to redeem the Convertible Notes pursuant to the optional redemption provisions of the Indenture, an equivalent premium shall also become and be immediately due and payable to the extent permitted by law upon the acceleration of the Convertible Notes. If an Event of Default occurs prior to any date on which the Company is prohibited from redeeming the Convertible Notes by reason of any willful action (or inaction) taken (or not taken) by or on behalf of the Company with the intention of avoiding the prohibition on redemption of the Convertible Notes prior to such date, then the premium specified in the Indenture shall also become immediately due and payable to the extent permitted by law upon the acceleration of the Convertible Notes.

The holders of a majority in aggregate principal amount of the Convertible Notes then outstanding may, on behalf of the holders of all the Convertible

Notes, waive any past Default or Event of Default under the Indenture and its consequences, except Default in the payment of principal of, premium, if any, or interest on the Convertible Notes (other than the non-payment of principal of, premium, if any, interest and Liquidated Damages, if any, and interest on the Convertible Notes that has become due solely by virtue of an acceleration that has been duly rescinded as provided above) or in respect of a covenant or provision of the Indenture that cannot be modified or amended without the consent of all holders of Convertible Notes.

The Company is required to deliver to the Trustee annually a statement regarding compliance with the Indenture and the Company is required, upon becoming aware of any Default or Event of Default, to deliver to the Trustee a statement specifying such Default or Event of Default.

AMENDMENT, SUPPLEMENT AND WAIVER

Except as provided in the next two succeeding paragraphs, the Indenture or the Convertible Notes may be amended or supplemented with the consent of the holders of at least a majority in principal amount of the Convertible Notes then outstanding (including consents obtained in connection with a tender offer or exchange offer for Convertible Notes), and any existing default or compliance with any provision of the Indenture or the Convertible Notes may be waived with the consent of the holders of a majority in principal amount of the then outstanding Convertible Notes (including consents obtained in connection with a tender offer or exchange offer for Convertible Notes).

Without the consent of each holder affected, an amendment or waiver may not (with respect to any Convertible Notes held by a non-consenting holder): (a) reduce the principal amount of Convertible Notes whose holders must consent to an amendment, supplement or waiver, (b) reduce the principal of or change the fixed maturity of any Convertible Note or, other than as set forth in the next paragraph, alter the provisions with respect to the redemption of the Convertible Notes, (c) reduce the rate of or change

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the time for payment of interest on any Convertible Notes, (d) waive a Default or Event of Default in the payment of principal of or premium, if any, interest or Liquidated Damages, if any, on the Convertible Notes (except a rescission of acceleration of the Convertible Notes by the holders of at least a majority in aggregate principal amount of the Convertible Notes and a waiver of the payment default that resulted from such acceleration), (e) make any Convertible Note payable in money other than that stated in the Indenture and the Convertible Notes, (f) make any change in the provisions of the Indenture relating to waivers of past Defaults or the rights of holders of Convertible Notes to receive payments of principal of, premium, if any, interest or Liquidated Damages, if any, on the Convertible Notes, (g) waive a redemption payment with respect to any Convertible Note, (h) except as permitted by the Indenture, increase the Conversion Price or, other than as set forth in the next paragraph, modify the provisions of the Indenture relating to conversion of the Convertible Notes in a manner adverse to the holders thereof or (i) make any change to the abilities of holders of Convertible Notes to enforce their rights under the Indenture or the provisions of clause (a) through (i) hereof. In addition, any amendment to the provisions of Article 11 of the Indenture (which relate to subordination) will require the consent of the holders of at least 75% in aggregate principal amount of the Convertible Notes then outstanding if such amendment would adversely affect the rights of holders of Convertible Notes.

Notwithstanding the foregoing, without the consent of any holder of Convertible Notes, the Company and the Trustee may amend or supplement the Indenture or the Convertible Notes to (a) cure any ambiguity, defect or inconsistency or make any other changes in the provisions of the Indenture which the Company and the Trustee may deem necessary or desirable, provided such amendment does not materially and adversely affect the Convertible Notes, (b) provide for uncertificated Convertible Notes in addition to or in place of certificated Convertible Notes, (c) provide for the assumption of the Company's obligations to holders of Convertible Notes in the circumstances required under the Indenture as described under "-- Merger and Consolidation," (d) provide for conversion rights of holders of Convertible Notes in certain events such as a consolidation, merger or sale of all or substantially all of the assets of the Company, (e) reduce the Conversion Price, (f) make any change that would provide any additional rights or benefits to the holders of Convertible Notes or that does not adversely affect the legal rights under the Indenture of any such

holder, or (g) comply with requirements of the Commission in order to effect or maintain the qualification of the Indenture under the Trust Indenture Act of 1939, as amended.

SATISFACTION AND DISCHARGE

The Company may discharge its obligations under the Indenture while Convertible Notes remain outstanding if (i) all outstanding Convertible Notes will become due and payable at their scheduled maturity within one year or (ii) all outstanding Convertible Notes are scheduled for redemption within one year, and, in either case, the Company has (a) deposited with the Trustee an amount sufficient to pay and discharge all outstanding Convertible Notes on the date of their scheduled maturity or the scheduled date of redemption and (b) paid all other sums then payable by the Company under the Indenture.

GOVERNING LAW

The Indenture will provide that the Convertible Notes will be governed by, and construed in accordance with, the laws of the State of New York without giving effect to applicable principles of conflicts of law.

TRANSFER AND EXCHANGE

A holder may transfer or exchange Convertible Notes in accordance with the Indenture. The Registrar and the Trustee may require a holder, among other things, to furnish appropriate endorsements and transfer documents and the Company may require a holder to pay any taxes and fees required by law or permitted by the Indenture. The Company is not required to transfer or exchange any Convertible Note selected for redemption or repurchase. Also, the Company is not required to transfer or exchange any Convertible Note for a period of 15 days before a selection of Convertible Notes to be redeemed.

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The registered holder of a Convertible Note will be treated as the owner of it for all purposes.

CERTAIN DEFINITIONS

"Acquiring Person" means any person (as defined in Section 13(d)(3) of the Exchange Act) who or which, together with all affiliates and associates (each as defined in Rule 12b-2 under the Exchange Act), becomes the beneficial owner (as defined in Rules 13d-3 and 13d-5 under the Exchange Act and as further defined below) of shares of common stock or other voting securities of the Company having more than 50% of the total voting power of the Voting Stock of the Company; provided, however, that an Acquiring Person shall not include (i) the Company, (ii) any Subsidiary of the Company, (iii) any Permitted Holder, (iv) an underwriter engaged in a firm commitment underwriting in connection with a public offering of the Voting Stock of the Company or (v) any current or future employee or director benefit plan of the Company or any Subsidiary of the Company or any entity holding common stock of the Company for or pursuant to the terms of any such plan. For purposes hereof, a person shall not be deemed to be the beneficial owner of (A) any securities tendered pursuant to a tender or exchange offer made by or on behalf of such person or any of such person's affiliates until such tendered securities are accepted for purchase or exchange thereunder, or (B) any securities if such beneficial ownership (1) arises solely as a result of a revocable proxy delivered in response to a proxy or consent solicitation made pursuant to the applicable rules and regulations under the Exchange Act, and (2) is not also then reportable on Schedule 13D (or any successor schedule) under the Exchange Act.

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

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

"Designated Senior Debt" means any particular Senior Debt if the instrument creating or evidencing the same or the assumption or guarantee thereof (or related agreements or documents to which the Company is a party) expressly provides that such Indebtedness shall be "Designated Senior Debt" for purposes

of the Indenture (provided that such instrument, agreement or other document may place limitations and conditions on the right of such Senior Debt to exercise the rights of Designated Senior Debt).

"Eligible Investments" means any of the following: (i) investments in U.S. Government Obligations maturing within 365 days of the date of acquisition thereof; (ii) investments in time deposit accounts, certificates of deposit and money market deposits maturing within 90 days of the date of acquisition thereof issued by a bank or trust company organized under the laws of the United States of America or any state thereof having capital, surplus and undivided profits aggregating in excess of \$500 million and whose long-term debt is rated "A-3" or "A-" or higher according to Moody's or S&P (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act)); (iii) repurchase obligations with a term of not more than 30 days for underlying securities of the types describe in clause (i) entered into with:

(a) a bank meeting the qualifications described in clause (ii) above, or

(b) any primary government securities dealer reporting to the Market Reports Division of the Federal Reserve Bank of New York;

(iv) investments in commercial paper, maturing not more than 90 days after the date of acquisition, issued by a corporation (other than an Affiliate of the Company) organized and in existence under the laws of the United States of America with a rating at the time as of which any Investment therein is made of "P-1" (or higher) according to Moody's or "A-1" (or higher) according to S&P (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act)); and (v) direct obligations (or certificates representing an ownership interest in such obligations) of any state of the United States of America (including any agency or

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instrumentality thereof) for the payment of which the full faith and credit of such state is pledged and which are not callable or redeemable at the issuer's option, provided that: (a) the long-term debt of such state is rated "A-3" or "A-" or higher according to Moody's or S&P (or such similar equivalent rating by at least one "nationally recognized statistical rating organization" (as defined in Rule 436 under the Securities Act)), and (b) such obligations mature within 180 days of the date of acquisition thereof.

"Event of Default" has the meaning set forth under "-- Events of Default and Remedies" herein.

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

"Indebtedness" means, with respect to any person, all obligations, whether or not contingent, of such person (i) (a) for borrowed money (including, but not limited to, any indebtedness secured by a security interest, mortgage or other lien on the assets of the Company that is (1) given to secure all or part of the purchase price of property subject thereto, whether given to the vendor of such property or to another, or (2) existing on property at the time of acquisition thereof), (b) evidenced by a note, debenture, bond or other written instrument, (c) under a lease required to be capitalized on the balance sheet of the lessee under GAAP or under any lease or related document (including a purchase agreement) that provides that the Company is contractually obligated to purchase or cause a third party to purchase and thereby guarantee a minimum residual value of the lease property to the lessor and the obligations of the Company under such lease or related document to purchase or to cause a third party to purchase such leased property, (d) in respect of letters of credit, bank guarantees or bankers' acceptances (including reimbursement obligations with respect to any of the foregoing), (e) with respect to Indebtedness secured by a mortgage, pledge, lien, encumbrance, charge or adverse claim affecting title or resulting in an encumbrance to which the property or assets of such person are subject, whether or not the obligation secured thereby shall have been assumed by or shall otherwise be such person's legal liability, (f) in respect of the balance of deferred and unpaid purchase price of any property or assets, (g)

under interest rate or currency swap agreements, cap, floor and collar agreements, spot and forward contracts and similar agreements and arrangements; (ii) with respect to any obligation of others of the type described in the preceding clause (i) or under clause (iii) below assumed by or guaranteed in any manner by such person or in effect guaranteed by such person through an agreement to purchase (including, without limitation, "take or pay" and similar arrangements), contingent or otherwise (and the obligations of such person under any such assumptions, guarantees or other such arrangements); and (iii) any and all deferrals, renewals, extensions, refinancings and refundings of, or amendments, modifications or supplements to, any of the foregoing.

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

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

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

"Permitted Holders" means James Kim and his estates, spouses, ancestors and lineal descendants (and spouses thereof), the legal representatives of any of the foregoing, and the trustee of any bona fide trust of which one or more of the foregoing are the sole beneficiaries or the grantors, or any person of which any of the foregoing, individually or collectively, beneficially own (as defined in Rules 13d-3 and 13d-5 under the Exchange Act) voting securities representing at least a majority of the total voting power of all classes of Capital Stock of such person (exclusive of any matters as to which class voting rights exist).

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

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

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

"U.S. Government Obligations" means direct obligations (or certificates representing an ownership interest in such obligations) of the United States of

America (including any agency or instrumentality thereof) for the payment of which the full faith and credit of the United States of America is pledged and which are not callable or redeemable at the issuer's option.

"Voting Stock" of a corporation means all classes of Capital Stock of such corporation then outstanding and normally entitled to vote in the election of directors.

PROPOSED PRIVATE PLACEMENT OF COMMON 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. The following discussion assumes that we have consummated the acquisition and related transactions.

COMMON STOCK

We would issue to these investors 20,500,000 shares of common stock. For so long as these investors hold shares of our common stock, they would be entitled to the same dividend, voting and other rights as the holders of our common stock generally enjoy.

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 these common stock investors. These warrants would expire four years after the date we issue them.

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STOCKHOLDER RIGHTS AGREEMENT

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

- Registration Rights: Holders of the common 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 common 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 common 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 common 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 these common stock investors and certain of our existing stockholders to provide these common stock investors with co-sale rights with respect to prospective transfers of our securities by

the existing stockholders.

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DESCRIPTION OF CAPITAL STOCK

GENERAL

We are authorized to issue up to 500,000,000 shares of common stock, \$.001 par value, and 10,000,000 shares of preferred stock, \$.001 par value. As of February 29, 2000, there were an aggregate of 130,982,427 shares of common stock outstanding. In addition, as of February 29, 2000, 4,596,805 shares of common stock were issuable upon exercise of outstanding options, 4,938,651 shares of common stock were reserved for issuance under the Company's 1998 Stock Plan, 1998 Stock Option Plan for French Employees, 1998 Director Option Plan and 1998 Employee Stock Purchase Plan and shares of common stock were reserved for issuance upon conversion of our convertible notes.

The following description of our capital stock does not purport to be complete and is subject to and qualified in its entirety by our Certificate of Incorporation and Bylaws, which are included as exhibits to our report on Form 10-K for the year ended December 31, 1999, which is incorporated herein by reference, and by the provisions of applicable Delaware law.

Our Certificate of Incorporation and Bylaws contain certain provisions that are intended to enhance the likelihood of continuity and stability in the composition of our Board of Directors and which may have the effect of delaying, deferring, or preventing a future takeover or change in control of our company unless such takeover or change in control is approved by our Board of Directors.

COMMON STOCK

Holders of common stock are entitled to one vote per share on all matters to be voted upon by the stockholders. Holders of common stock do not have cumulative voting rights, and, therefore, holders of a majority of the shares voting for the election of directors can elect all of the directors. In such event, the holders of the remaining shares will not be able to elect any directors. See "Risk Factors -- Continued Control by Existing Stockholders."

Holders of the common stock are entitled to receive such dividends as may be declared from time to time by the Board of Directors out of funds legally available therefor, subject to the terms of any existing or future agreements between our company and its debtholders. Our company has never declared or paid cash dividends on its capital stock. We expect to retain future earnings, if any, for use in the operation and expansion of our business, and does not anticipate paying any cash dividends in the foreseeable future. In the event of the liquidation, dissolution or winding up of our company, the holders of common stock are entitled to share ratably in all assets legally available for distribution after payment of all debts and other liabilities and subject to the prior rights of any holders of preferred stock then outstanding.

PREFERRED STOCK

Our Board of Directors is authorized to issue up to 10,000,000 shares of preferred stock in one or more series and to fix the price, rights, preferences, privileges and restrictions thereof, including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting a series or the designation of such series, without any further vote or action by our stockholders. See "Proposed Equity Financing."

DELAWARE ANTI-TAKEOVER LAW AND CERTAIN CHARTER AND BYLAW PROVISIONS

Certain provisions of Delaware law and our Certificate of Incorporation and Bylaws could make our acquisition more difficult by means of a tender offer, a proxy contest or otherwise and could also make the removal of incumbent officers and directors more difficult. These provisions, summarized below, are expected to discourage certain types of coercive takeover practices and inadequate takeover bids and to encourage persons seeking to acquire control of us to first negotiate with us. We believe that the benefits of increased protection of our potential ability to negotiate with the proponent of an unfriendly or

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unsolicited proposal to acquire or restructure us outweighs the disadvantages of discouraging such proposals because, among other things, negotiation of such proposals could result in an improvement of their terms.

Anti-Takeover Provisions of Delaware Law

We are subject to Section 203 of the Delaware General Corporation Law. In general, the statute prohibits a publicly held Delaware corporation from engaging in any business combination with any interested stockholder for a period of three years following the date that the stockholder became an interested stockholder unless:

- prior to the date, the board of directors of the corporation approved either the business combination or the transaction that resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction that resulted in the stockholder's becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding those shares owned by persons who are directors and also officers, and employee stock plans in which employee participants do not have the right to determine confidentially whether shares held subject to the plan will be tendered in a tender or exchange offer; or
- on or subsequent to the date, the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least two-thirds of the outstanding voting stock that is not owned by the interested stockholder.

Section 203 defines "business combination" to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder; or
- the receipt by the interested stockholder of the benefit of any loans, advances, guarantees, pledges or other financial benefits provided by or through the corporation.

In general, Section 203 defines an interested stockholder as any entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

Undesignated Preferred Stock

The issuance of preferred stock, while providing desirable flexibility in connection with possible acquisitions and other corporate purposes, could have the effect of delaying, deferring or making more difficult a change in control of the company and may adversely affect the market price of, and the voting and other rights of, the holders of our common stock. The issuance of preferred stock with voting and conversion rights may adversely affect the voting power of the holders of our common stock, including the loss of voting control to others. We have no current plans to issue shares of preferred stock.

TRANSFER AGENT AND REGISTRAR

The Transfer Agent and Registrar for our common stock is First Chicago Trust Company of New York Shareholder Services, 525 Washington Boulevard, Jersey City, NJ 07310; telephone (201) 324-0014.

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To Amkor Technology, Inc.:

We have audited the accompanying consolidated balance sheets of Amkor Technology, Inc. and its subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of Anam Semiconductor, Inc. ("ASI") (See Note 3), the investment in which is reflected in the

accompanying 1997 and 1999 financial statements using the equity method of accounting. The investment in ASI represents 2% of total assets at December 31, 1997 and 1999 and the equity in its net loss represents 29% and 2% of net income before the equity in loss of investees in 1997 and 1999, respectively. In addition, we did not audit the financial statements of Amkor Technology Korea, Inc., ("ATK"), a wholly-owned subsidiary, which statements reflect total assets and total operating income of 35% and 6%, respectively, of the related consolidated totals in 1999. The statements of ASI and ATK were audited by other auditors whose reports have been furnished to us and our opinion, insofar as it relates to amounts included for ASI and ATK, is based solely on the reports of the other auditors.

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

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

ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania

February 3, 2000

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

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED STATEMENTS OF INCOME
(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 INVESTEEES.....	(17,291)	--	(1,969)
MINORITY INTEREST.....	(6,644)	559	--
	-----	-----	-----
NET INCOME.....	\$ 43,281	\$ 75,460	\$ 76,719
	=====	=====	=====
PRO FORMA DATA (UNAUDITED):			
Historical income before income taxes, equity in loss of investees and minority interest.....	\$ 61,006	\$ 100,735	
Pro forma provision for income taxes.....	10,691	29,216	
	-----	-----	
Pro forma income before equity in loss of investees and minority interest.....	50,315	71,519	
Historical equity in loss of investees.....	(17,291)	--	
Historical minority interest.....	(6,644)	559	
	-----	-----	
Pro forma net income.....	\$ 39,668	\$ 70,960	
	=====	=====	
PER SHARE DATA:			
Basic net income per common share.....	\$.52	\$.71	\$.64
	=====	=====	=====
Diluted net income per common share.....	\$.52	\$.70	\$.63
	=====	=====	=====
Basic pro forma net income per common share (unaudited).....	\$.48	\$.67	
	=====	=====	
Diluted pro forma net income per common share (unaudited).....	\$.48	\$.66	
	=====	=====	
Shares used in computing basic (proforma for 1997 and 1998) net income per common share.....	82,610	106,221	119,341
	=====	=====	=====
Shares used in computing diluted (proforma for 1997 and 1998) net income per common share.....	82,610	116,596	135,067
	=====	=====	=====

The accompanying notes are an integral part of these statements.

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AMKOR TECHNOLOGY, INC.

CONSOLIDATED BALANCE SHEETS (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.

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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.

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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.

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

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

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

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

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

Reorganization

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

- Amkor Electronics, Inc. ("AEI"), (a U.S. S Corporation) and its wholly-owned subsidiaries, Amkor Receivables Corp (a U.S. Corporation) and Amkor Wafer Fabrication Services SARL (a French Limited Company) ("AWFS");
- T.L. Limited ("TLL") (a British Cayman Island Corporation) and its Philippine subsidiaries, Amkor Anam Advanced Packaging, Inc. ("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

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AMKOR TECHNOLOGY, INC.

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

"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 AAP, AAP and its subsidiary AMI, TLL and its subsidiary CIL and CIL's subsidiary AAES. The relative number of shares of common stock issued by the Company in connection with each of the transactions comprising the Reorganization was based upon the relative amounts of stockholders' equity at December 31, 1997. On April 14, 1998, Mr. and Mrs. James Kim and the Kim Family Trusts received two-thirds (9,746,760 shares) and one-third (4,873,380 shares) of the ATI common stock then outstanding, respectively. On April 29, 1998, ATI issued 67,989,851 shares of common stock, representing approximately 82% of its shares immediately after the Reorganization, in exchange for all of the outstanding shares of AIH and its subsidiaries. Of such shares, 27,528,234 shares and 36,376,617 shares were gifted to Mr. and Mrs. James Kim and the Kim Family Trusts, respectively, such that Mr. and Mrs. James Kim and the Kim Family Trusts owned 45.1% and 49.9%, respectively, of the ATI common shares outstanding after the Reorganization. Following such transactions the Founding Stockholders beneficially owned a majority of the outstanding shares of ATI common stock. In addition, ATI acquired all of the stock of AKI from the Kim Family Trusts for approximately \$3,000. The merger of AEI and ATI, the creation of AIH and FACI, the issuance of ATI common stock for AIH and the acquisition of AKI are collectively referred to as the Reorganization.

Nature of Operations

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

Concentrations of Credit Risk

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

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

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AMKOR TECHNOLOGY, INC.

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

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.

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).

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AMKOR TECHNOLOGY, INC.

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

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.

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AMKOR TECHNOLOGY, INC.

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

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.

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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 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.

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3. RELATIONSHIP WITH ANAM SEMICONDUCTOR INC.

In December 1999 the Company announced that it was in discussions with ASI

to purchase its three remaining packaging and test factories, known as K1, K2 and K3 combined with an additional equity investment in ASI. In February 2000, the Company announced that it had reached an agreement with ASI to purchase K1, K2 and K3 for \$950,000 and committed to make an additional equity investment in ASI of approximately \$459,000. The commitment to make this equity investment supersedes the existing commitment to ASI to purchase \$150,000 in equity, previously agreed to as part of the terms of ASI's Workout (as defined below) excluding the \$41,600 already invested in October 1999. The Company expects to complete the purchase of K1, K2 and K3 and investment in ASI during the second quarter of 2000. To complete the transaction with ASI, the Company intends to use existing cash and raise approximately \$750,000 in secured bank term debt, \$410,000 in private equity financing and \$225,000 in convertible subordinated notes. If we make the additional \$459,000 investment in the common stock of ASI and the Creditor banks convert \$150 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 (\$50,000,000,000) representing the Company's first installment of its commitment to invest in ASI over a four year period in connection with ASI's Workout. The remaining portion of the obligation will be canceled under the terms of the agreement to purchase K1, K2 and K3. The Company owns 18% of ASI's common stock and members of the Kim family own 11%. As a result of this ownership, and the relationship with ASI, the Company follows the equity method of accounting for its investment in ASI.

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

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

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

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

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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

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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.

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- 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

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

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6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

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

7. INVESTMENTS

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

	DECEMBER 31,	
	1998	1999
Equity Investment in ASI (18% at December 31, 1999).....	\$ --	\$39,927
Other Equity Investments (20% - 50% owned)		
Taiwan Semiconductor Technology Corporation.....	20,052	18,456
Other.....	738	860
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).

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.

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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.

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AMKOR TECHNOLOGY, INC.

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

9. DEBT

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

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

Less -- Short-term borrowings and current portion of long-term debt.....	(38,657)	(6,465)
	-----	-----
	\$221,846	\$687,456
	=====	=====

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

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

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

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AMKOR TECHNOLOGY, INC.

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

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
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.

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AMKOR TECHNOLOGY, INC.

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

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

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

The discount rate used in determining the projected benefit obligation was 12% as of December 31, 1998 and 1999. The rates of increase in future compensation levels was 11% as of December 31, 1998 and 1999. The expected

long-term rate of return on plan assets was 12% as of December 31, 1998 and 1999. These rates reflect economic and market conditions in the Philippines.

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

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AMKOR TECHNOLOGY, INC.

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

11. INCOME TAXES

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

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

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

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

The Company has structured its global operations to take advantage of lower tax rates in certain countries and tax incentives extended to encourage investment. AAP 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

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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)
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.

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AMKOR TECHNOLOGY, INC.

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

12. STOCKHOLDERS' EQUITY

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

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

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

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

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

13. EARNINGS PER SHARE

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

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

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

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.

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

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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
	=====	=====

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AMKOR TECHNOLOGY, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
(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		WEIGHTED AVERAGE REMAINING LIFE (YEARS)
SHARES	WEIGHTED AVERAGE PRICE	SHARES	WEIGHTED AVERAGE PRICE	
-----	-----	-----	-----	-----

Options with Exercise Price of:						
\$16.56 - \$28.25.....	223,950	\$18.73	--	--	9.79	
\$10.00 - \$11.00.....	3,035,405	\$10.98	1,148,538	\$11.00	8.37	
\$ 8.06 - \$ 9.63.....	1,083,050	\$ 9.06	10,000	\$9.14	9.33	
\$ 5.66 - \$ 7.97.....	723,143	\$ 5.67	205,106	\$5.66	8.85	
	-----	-----	-----	-----	-----	
Options outstanding at December 31,						
1999.....	5,065,548		1,363,644			
	=====		=====			

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

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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

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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.

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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.

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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

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minority interest liability reflected on the consolidated balance sheet and the recording of approximately \$23,910 of goodwill which is being amortized over 10 years.

19. SEGMENT INFORMATION

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

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

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

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

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

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

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AMKOR TECHNOLOGY, INC.

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

	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

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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.

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AMKOR TECHNOLOGY, INC.

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

21. SUBSEQUENT EVENT

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

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

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

/s/ SAMIL ACCOUNTING CORPORATION

Seoul, Korea
January 15, 2000

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REPORT OF INDEPENDENT ACCOUNTANTS

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

We have audited the accompanying 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

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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.
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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.
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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.
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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

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.

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

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)

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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.

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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

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

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

credits are not currently utilized, deferred tax assets, subject to considerations about the need for a valuation allowance, are recognized for the carryforward account.

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.

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

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

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

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

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

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

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

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.

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.....	\$13,643	\$12,370
Semi-finished products and work in process.....	2,446	1,573
Raw materials and supplies.....	1,895	2,247
	-----	-----
	\$7,984	\$6,190
	=====	=====

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

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

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)
	-----	-----
	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
	=====	=====

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

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

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.

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

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

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

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:

	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.

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

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

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.

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
	=====	=====

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

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

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.

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REPORT OF INDEPENDENT ACCOUNTANTS

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

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

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

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

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

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

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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

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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.....

Series A preferred stock: issued and outstanding 2,240,240 shares in 1999 and 1998.....

Series B preferred stock: issued and outstanding 336,036 shares in 1999 and 1998.....

284,329 192,849

15,167 15,167

2,220 2,220

301,716 210,236

190,409 182,347

(62,118) (116,417)

(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.

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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 a 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.
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ANAM SEMICONDUCTOR, INC.

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

	COMMON STOCK		PREFERRED STOCK		CAPITAL SURPLUS	RECEIVABLE FROM STOCKHOLDERS
	SHARES	AMOUNT	SHARES	AMOUNT		
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					
	OTHER					
	ACCUMULATED	COMPREHENSIVE				

	DEFICIT	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.

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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.

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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

* 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

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

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%.

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ANAM SEMICONDUCTOR, INC.

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

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

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ANAM SEMICONDUCTOR, INC.

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

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.

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ANAM SEMICONDUCTOR, INC.

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

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.

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ANAM SEMICONDUCTOR, INC.

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

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

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ANAM SEMICONDUCTOR, INC.

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

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.

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ANAM SEMICONDUCTOR, INC.

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

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.

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

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ANAM SEMICONDUCTOR, INC.

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

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

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ANAM SEMICONDUCTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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 realizable 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

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ANAM SEMICONDUCTOR, INC.

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

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.

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ANAM SEMICONDUCTOR, INC.

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

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

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)
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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.

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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	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	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	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
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

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

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

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
	=====	===	=====	=====

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ANAM SEMICONDUCTOR, INC.

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

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.

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ANAM SEMICONDUCTOR, INC.

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

12. SUMMARY FINANCIAL DATA ON SIGNIFICANT EQUITY INVESTEEES:

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)

* Anam Environment's figures are included in Anam Construction.

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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	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

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
	=====

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ANAM SEMICONDUCTOR, INC.

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

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).

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ANAM SEMICONDUCTOR, INC.

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

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)
	-----	-----
	\$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).

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ANAM SEMICONDUCTOR, INC.

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

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
Total long-term debt.....		\$875,175	\$1,309,492
		=====	=====

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ANAM SEMICONDUCTOR, INC.

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

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.

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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
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.

ANAM SEMICONDUCTOR, INC.

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

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.

ANAM SEMICONDUCTOR, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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 1999 AND 1998	THOUSANDS OF WON	
	1999	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

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.

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ANAM SEMICONDUCTOR, INC.

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

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.

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ANAM SEMICONDUCTOR, INC.

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

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	
	-----	-----	
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.....	--	--	
	-----	-----	

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ANAM SEMICONDUCTOR, INC.

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

	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 :

	-----	-----
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.

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ANAM SEMICONDUCTOR, INC.

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

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.

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).

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ANAM SEMICONDUCTOR, INC.

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

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 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

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ANAM SEMICONDUCTOR, INC.

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

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.

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,

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ANAM SEMICONDUCTOR, INC.

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

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.

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ANAM SEMICONDUCTOR, INC.

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

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	

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

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ANAM SEMICONDUCTOR, INC.

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

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
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
	=====	=====	=====

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ANAM SEMICONDUCTOR, INC.

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

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

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.

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INDEPENDENT AUDITORS' REPORT

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

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

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

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

As discussed in Note 1, the Company has filed a voluntary petition for reorganization under the Corporate Reorganization Act in the Republic of Korea. The financial statements do not purport to reflect or provide for the consequences of the bankruptcy proceedings. In particular, such financial statements do not purport to show (a) as to assets, their realizable value on a liquidation basis or their availability to satisfy liabilities; (b) as to prepetition liabilities, the amounts that may be allowed for claims or contingencies, or the status and priority thereof; (c) as to stockholder accounts, the effect of any changes that may be made in the capitalization of the Company; or (d) as to operations, the effect of any changes that may be made in its business.

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

/s/ Ahn Kwon & Co.

February 9, 2000

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INDEPENDENT AUDITOR'S REPORT

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

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

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

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

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

/s/ SIANA CARR & O'CONNOR, LLP

January 31, 2000

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AMKOR TECHNOLOGY, INC.

CONSENT SOLICITATION

LIST OF EXHIBITS

Exhibit A Written Consent of Stockholders to approve the Acquisition Transactions.
Exhibit 23.1 Consent of Arthur Andersen LLP.
Exhibit 23.2 Consent of Samil Accounting Corporation.

EXHIBIT A

WRITTEN CONSENT OF THE STOCKHOLDERS OF
AMKOR TECHNOLOGY, INC.

EFFECTIVE AS OF APRIL 17, 2000

Pursuant to Section 228 of the Delaware General Corporation Law and the Bylaws of Amkor Technology, Inc., a Delaware corporation (the "Company"), the undersigned, constituting the holders of the outstanding shares of the Company having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted, hereby adopt the following resolutions by written consent, effective for all purposes as of the date set forth above:

APPROVAL OF THE EQUITY FINANCING TRANSACTIONS

WHEREAS, the Board of Directors has approved transactions related to the Company's proposed acquisition of the packaging and test business of Anam Semiconductor, Inc. ("ASI") (the "Acquisition Transactions"), including:

- (1) the acquisition of the facilities known as K1, K2 and K3 for \$950 million, and
- (2) an investment in ASI of approximately \$500 million.

WHEREAS, the Board of Directors recommends that the Stockholders of the Company approve equity financing transactions related to the Acquisition Transactions (the "Equity Financing Transactions"), including:

- (1) the issuance of up to approximately 4,512,560 shares of common stock upon conversion of \$258.75 million of the 5% convertible subordinated notes due 2007 sold by us on March 22, 2000 in a private transaction,
- (2) the sale of an aggregate of 20,500,000 shares of common stock and warrants for 3,895,000 shares of common stock in a private transaction we expect to complete in connection with the Acquisition Transactions, and
- (3) other equity financings, pursuant to which the Company would issue common stock or securities convertible into common stock which, when combined with the common stock to be issued pursuant to (1) and (2) above, would in the aggregate exceed 20% of the outstanding common stock of the Company as of April 12, 2000.

NOW, THEREFORE, BE IT RESOLVED: That the Equity Financing Transactions are hereby approved and authorized in all respects, with such changes, additions, deletions, supplements and amendments thereto as the officers of the Company may deem necessary or advisable.

- [] I consent to the resolution set forth above, approving the Equity Financing Transactions.
- [] I do not consent to the resolution set forth above, approving the Equity Financing Transactions.

IN WITNESS WHEREOF, the undersigned Stockholders have executed this Written Consent in counterpart as of the date set forth above, and direct that this Written Consent be filed with the minutes of the proceedings of the stockholders of the Company.

Name of Stockholder:

[ARTHUR ANDERSEN LETTERHEAD]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report dated February 3, 2000 (except as discussed in Note 21 with respect to the Company's proposed acquisition of ASI's packaging and test facilities and its investment in ASI, as to which the date is February 28, 2000, and the related proposed financing, as to which the date is March 16, 2000) and to all references to our Firm included in or made a part of this Proxy Statement; and to the incorporation of that report included in this Proxy Statement into the Company's previously filed Form S-8 Registration Statements File Numbers 333-62891 and 333-86161.

/s/ ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
April 3, 2000

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EXHIBIT 23.2

[PRICEWATERHOUSECOOPERS LETTERHEAD]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 33-62891 and No. 333-86161) of Amkor Technology, Inc. of our following reports which appear in the Proxy Statement of Amkor Technology, Inc.:

- 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 Business of Anam Semiconductor, Inc.; and
- dated January 15, 2000 relating to the financial statements of the Amkor Technology Korea, Inc.

/s/ Samil Accounting Corporation

Seoul, Korea
April 3, 2000

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EXHIBIT 23.3

[SIANA CARR & O'CONNOR, LLP LETTERHEAD]

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of our report and to all references to our Firm included in or made a part of the Amkor Technology, Inc. Proxy Statement.

/s/ SIANA CARR & O'CONNOR, LLP

Siana Carr & O'Connor, LLP

Paoli, Pennsylvania
April 3, 2000

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EXHIBIT 23.4

[AHN KWON & CO. LETTERHEAD]

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 Proxy Statement by Amkor Technology, Inc.

/s/ AHN KWON & CO.

Ahn Kwon & Co.
Seoul, Korea
April 3, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the incorporation by reference of our report dated February 3, 2000 (except as discussed in Note 21 with respect to the Company's proposed acquisition of ASI's packaging and test facilities and its investment in ASI, as to which the date is February 28, 2000, and the related proposed financing, as to which the date is March 16, 2000) and to all references to our report or to our Firm included in or made a part of this Current Report on Form 8-K; and to the incorporation of that report incorporated by reference into 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.

/s/ ARTHUR ANDERSEN LLP

Philadelphia, Pennsylvania
May 11, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-62891 and No. 333-86161) of Amkor Technology, Inc. of our following reports which are incorporated by reference into the Current Report on Form 8-K of Amkor Technology, Inc.:

- 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 Business of Anam Semiconductor, Inc.; and
- dated January 15, 2000 relating to the financial statements of the Amkor Technology Korea, Inc.

/s/ SAMIL ACCOUNTING CORPORATION

Seoul, Korea
May 10, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of and incorporation by reference to our report and to all references to our Firm included in or made a part of the Amkor Technology, Inc. Current Report on Form 8-K.

/s/ SIANA CARR & O'CONNOR LLP

Paoli, Pennsylvania
May 10, 2000

CONSENT OF INDEPENDENT PUBLIC ACCOUNTANTS

As independent public accountants, we hereby consent to the use of and incorporation by reference to 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 & CO.

Seoul, Korea
May 10, 2000

AMKOR COMPLETES ACQUISITION OF THREE SEMICONDUCTOR ASSEMBLY FACTORIES

WEST CHESTER, Pa.--May 2, 2000--Amkor Technology (Nasdaq: AMKR) has completed the acquisition of three semiconductor assembly and test factories (known as K1, K2 and K3) from Anam Semiconductor, Inc. ("ASI"). In addition, Amkor will be increasing its investment in ASI, whose principal operating asset is a world-class semiconductor wafer foundry located in Buchon, Korea. The entire transaction, (i.e. the asset purchase plus the equity investment in ASI) is valued at approximately \$1.4 billion, and is being funded with a combination of \$410 million in private equity capital; \$259 million in convertible subordinated notes; and \$750 million in bank debt. James Kim, Amkor's Chairman and Chief Executive Officer, noted that "We are delighted to finally complete this landmark transaction. K1, K2 and K3 are among world's finest semiconductor assembly factories. They operate with a broad range of semiconductor package technology and serve what we believe is the industry's largest base of established, fully qualified customers. This transaction solidifies Amkor's position as the world's largest independent provider of semiconductor packaging and test services by assuming direct ownership of all our packaging and test operating assets and enhancing the operating profitability of our core business. In addition, our investment in a restructured ASI provides Amkor with a significant stake in what we believe is a very valuable asset - the ASI wafer foundry." Amkor now owns and operates seven semiconductor packaging and test facilities consisting of more than 3.5 million square feet of existing manufacturing and support space, with an additional 1 million square feet of manufacturing space available for expansion. In 1999, these seven factories packaged approximately 4.1 billion semiconductor ICs, representing approximately 6% of the world's consumption of semiconductor chips. John Boruch, Amkor's president, said, "We expect a very smooth transition, as these factories are already substantially integrated into Amkor's operating systems. Owning these factories should allow us to achieve greater flexibility in managing our manufacturing operations and product development efforts."

About K1, K2 & K3

K1 - Seoul, Korea	646,000 ft2	- 3,300 employees
K2 - Buchon, Korea	264,000 ft2	- 1,800 employees
K3 - Bupyung, Korea	404,000 ft2	- 1,500 employees

Located in and around Seoul, Korea, K1, K2 and K3 are established, world-class semiconductor packaging and test facilities with approximately 1.3 million square feet of total manufacturing space. Virtually the entire output of these factories has historically been dedicated to Amkor through a long-term Supply Agreement with ASI. During 1999 the three factories assembled more than 1.2 billion individual semiconductor ICs, representing a comprehensive range of both traditional and advanced package products. For the twelve months ended December 31, 1999, K1, K2 & K3 contributed approximately \$793 million of Amkor's \$1.6 billion in packaging and test revenue. During this period, Amkor recognized a contractual gross margin of approximately 11.5% on the revenue derived from these 3 factories. During the same period, these three factories operated with gross margins similar to the gross margins achieved by Amkor's established factories in the Philippines. "Now that this acquisition is completed, we will achieve higher operating margins on our overall packaging and test business, since the revenue derived from K1, K2 & K3 will no longer be subject to a contractual gross margin," said Ken Joyce, Amkor's chief financial officer. "In addition, we will generate significantly more EBITDA, which will facilitate the repayment of debt incurred in this transaction."

About ASI's Semiconductor Wafer Foundry

Established in 1998, the ASI fab is a 480,000 ft2 world-class wafer fabrication foundry located in Buchon, Korea. The fab, which was developed with technology transferred from Texas Instruments Corporation, is currently producing 8-inch semiconductor wafers using a range of sub-micron process technologies at the 0.35 micron, 0.25 micron, and 0.18 micron process levels. The foundry is producing semiconductor chips for the rapidly growing cellular phone market, as well as other wireless and mobile applications that require a combination of low power and high performance. In addition to supplying digital signal processors

for Texas Instruments, the foundry is producing a broad range of semiconductors for such customers as Alcatel Microelectronics, Atmel Corporation, Ericsson, NEC Corporation and Toshiba Corporation. The foundry is expanding its semiconductor manufacturing capacity to approximately 30,000 wafer starts per month from the current capacity of approximately 23,000 wafer starts per month. Production levels are expected to reach 25,000 wafers per month sometime in the second or

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third quarter of 2000, with higher output expected in the third or fourth quarter of 2000. The additional wafer production will be focused on logic devices at the 0.25 micron through 0.18 micron process levels.

Amkor Technology, Inc. is the world's largest provider of contract microelectronics manufacturing solutions. The company offers semiconductor companies and electronics OEMs a complete set of microelectronic design and manufacturing services, including deep submicron wafer fabrication; wafer probe, characterization and reliability testing; IC packaging design and assembly; multi-chip module design and assembly; and final testing. More information on Amkor is available from the company's SEC filings and on Amkor's web site: www.amkor.com.

This news release may contain forward-looking statements - such as (1) our belief that the acquisition of K1, K2, and K3 will allow Amkor to achieve greater flexibility in managing our manufacturing operations and product development efforts; (2) our expectations that, after the acquisition, we will achieve higher operating margins and will generate significantly more EBITDA, which will facilitate the repayment of debt incurred in this transaction; and (3) our expectations that the ASI wafer fab will achieve production levels of 25,000 wafers per month sometime in the second or third quarter of 2000, with higher production levels expected in the third or fourth quarter of 2000; - that involve risks and uncertainties that could cause actual results to differ from anticipated results. Further information on risk factors that could affect the outcome of the events set forth in these statements and that would affect the company's operating results and financial condition is detailed in the company's filings with the Securities and Exchange Commission, including the Report on Form 10-K for the fiscal year ended December 31, 1999.

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