



LAYERING  
THE FUTURE



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## FORM 20-F

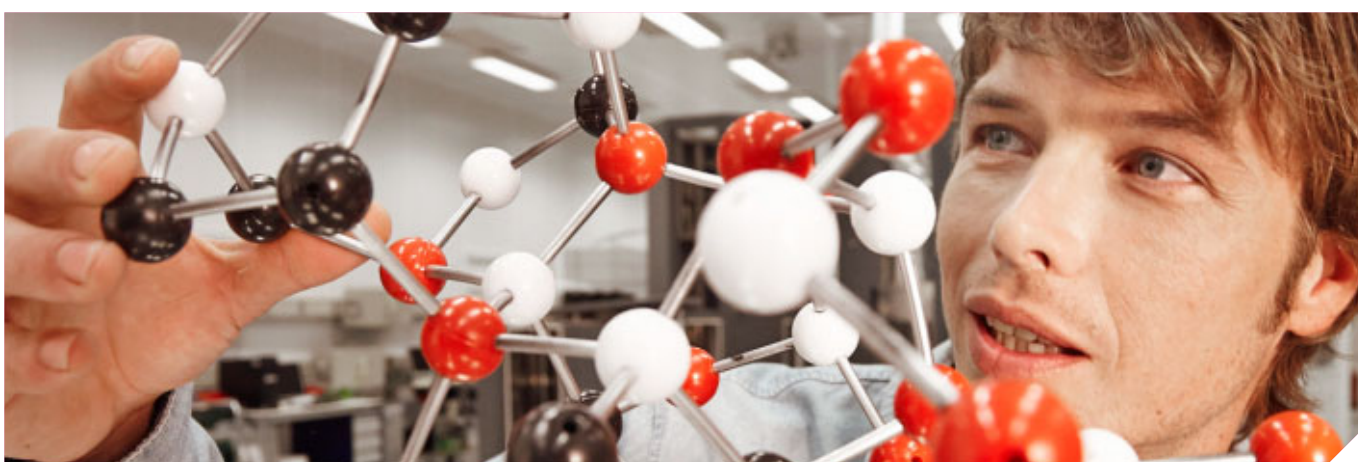
## FINANCIAL STATEMENTS

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# OUR COMPANY

ASM International NV (ASMI) is a leading supplier of semiconductor wafer processing equipment and process solutions. We provide equipment to all of the top semiconductor device manufacturers in the world, primarily for the deposition of thin films. ASMI owns approximately 40% of ASM Pacific Technology (ASMPT), a leading supplier of equipment for assembly & packaging, and for surface mount technology.



## STRATEGY & FOCUS AREAS



**Mission & strategy**

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## ABOUT



Located in 3 continents and 14 countries we benefit from a wider perspective and the advantages of bringing together the best brains in the world to create new breakthroughs.

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## LETTER TO SHAREHOLDERS

2013 was a successful year for our Atomic Layer Deposition (ALD) and Plasma Enhanced ALD (PEALD) business.

The strong momentum in ALD and PEALD was an important driver behind the 22% growth in our total net sales.

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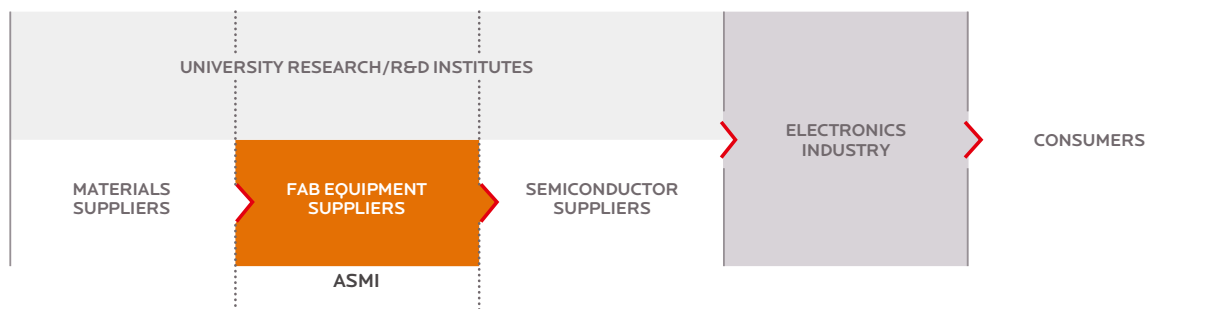
# ABOUT

ASM International NV (ASMI) is a leading supplier of semiconductor wafer processing equipment and process solutions. Our customers include all of the top semiconductor device manufacturers in the world. We're a truly global company. Based in 14 countries, we benefit from a wider perspective and the advantages of bringing together the best brains in the world to create new breakthroughs.

Our broad portfolio of innovative technologies and products are being used right now by the most advanced semiconductor fabrication plants around the world.

Helping them to progress along their technology roadmap. Making integrated circuits or chips smaller, faster and more powerful for everyone.

## THE VALUE CHAIN IN OUR INDUSTRY



## WAFER PROCESSING

We focus primarily on equipment and process solutions for the deposition of thin films.

Our core strengths are in Atomic Layer Deposition (ALD), Plasma Enhanced ALD (PEALD), Epitaxy, Plasma Enhanced Chemical Vapor Deposition (PECVD), Low Pressure Chemical Vapor Deposition (LPCVD) and Oxidation/Diffusion. With this portfolio of established and newer technologies, we're addressing many of the key areas on the semiconductor industry roadmap, including:

- › High-k metal gate;
- › Dielectrics for double patterning;
- › Low-k dielectrics for interconnect; and
- › Strained silicon.

Enabling the industry to move to smaller line-widths and better transistors that use new materials. Our discoveries are resulting in greater efficiencies for businesses and greater opportunities for everyone.



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# AT A GLANCE

ASM International NV (ASMI) is a leading supplier of semiconductor wafer processing equipment and process solutions. Our customers include all of the top semiconductor device manufacturers in the world. We help them create faster, cheaper and more powerful semiconductors that bring greater opportunities for people to understand, create and share more.

## ORGANIZATION STRUCTURE

ASMI organizes its activities in two operating segments, Front-end (wafer processing) and Back-end (assembly and packaging).



## HIGHLIGHTS

**BOOKINGS\***  
EUR million

480

**NET SALES\***  
EUR million

452

**OPERATING RESULT \*  
(EBIT)**  
EUR million

45

**NET EARNINGS\***  
EUR million

49

**RESULT ON INVESTMENT**  
EUR billion

1,3

**EARNINGS PER SHARE\*  
(DILUTED)**  
EUR million

0.75

**OPERATIONAL CASH FLOW\***  
EUR million

40

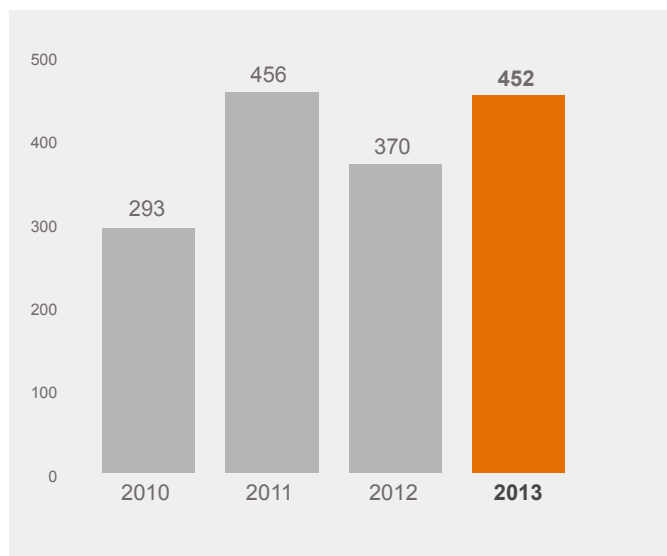
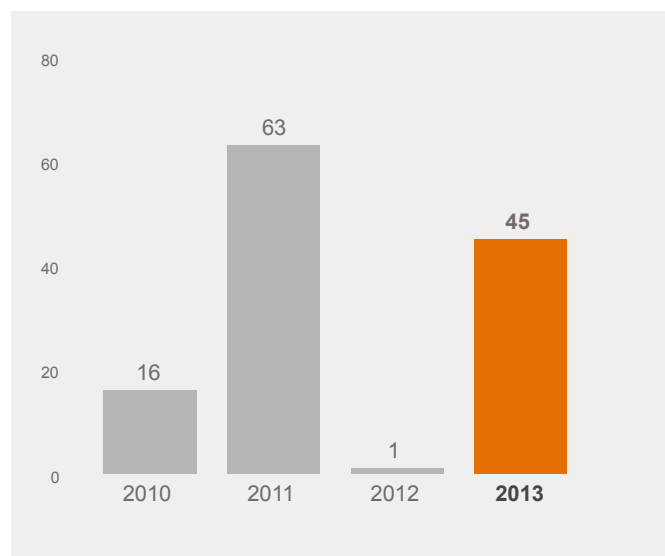
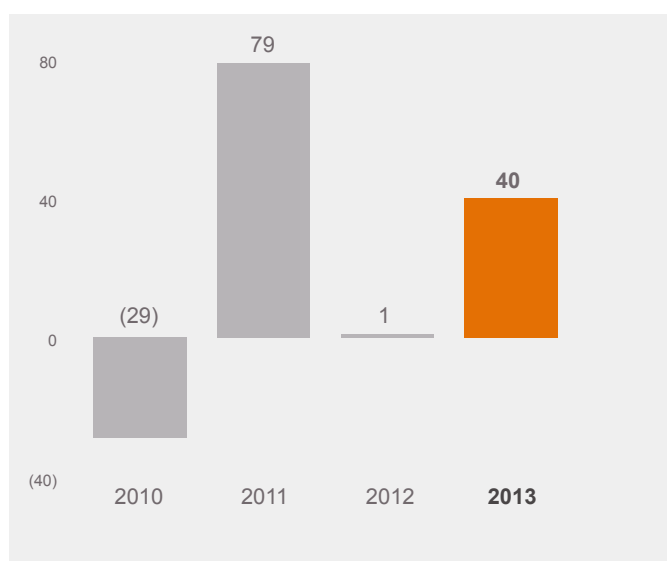
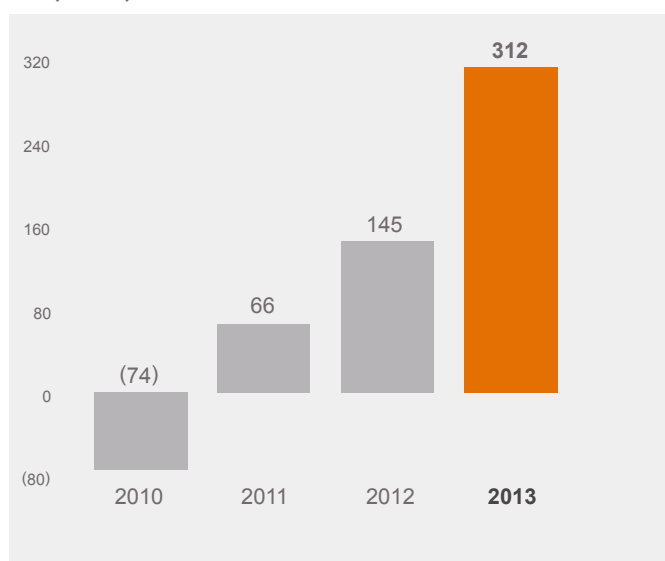
**CASH**  
EUR million

312  
(NO DEBT)

**STAFF**  
FTE

1,503

\* Front-end segment, excluding effects sale ASMPPT share.

**NET SALES\*** EUR million**OPERATING RESULT\*** EUR million**CASH FLOW\*** EUR million**NET (DEBT) CASH\*** EUR million

\* Front-end segment.





## KEY FIGURES

In euro and US dollar <sup>1)</sup>

(million, except per share data and full-time equivalents)

	EUR	EUR	EUR	EUR	EUR	US\$
	2009	2010	2011	2012	2013 <sup>4)</sup>	2013
<b>Operations:</b>						
Net sales:						
Front-end	160	293	456	370	452	623
Back-end	430	930	1,178	1,048	160	221
Earnings from operations:						
Front-end	(120)	16	63	1	45	62
Back-end	95	313	304	87	(4)	(6)
Results from investments and associates				(1)	1,030	1,421
Net earnings (loss)	(68)	243	316	40	1,049	1,447
Allocation net earnings						
Shareholders of the parent	(108)	111	187	7	1,052	1,451
Minority share	39	132	129	33	(3)	(4)
<b>Balance sheet:</b>						
Net working capital <sup>2)</sup>	181	289	430	477	109	150
Total assets	852	1,214	1,582	1,500	1,551	2,139
Net cash <sup>3)</sup>	29	125	215	230	312	430
<b>Backlog:</b>						
Front-end	50	163	105	92	115	159
Back-end	146	337	226	198		
<b>Number of staff:</b>						
Full-time equivalents:						
Front-end	1,294	1,450	1,631	1,636	1,503	1,503
Back-end	10,773	15,249	14,563	15,768	14,400	14,400
<b>Per share data:</b>						
Net earnings (loss) per share:						
Basic net earnings (loss)	(2.08)	2.11	3.38	0.13	16.60	22.89
Diluted net earnings (loss)	(2.08)	2.09	3.16	0.13	16.35	22.55
Weighted average number of shares used in computing per share amounts (in thousands):						
Basic	51,627	52,435	55,210	56,108	63,202	63,202
Diluted	51,627	61,494	64,682	56,767	64,196	64,196

<sup>1)</sup> For the convenience of the reader, Financial Highlights and Selected Comparative Financial Data for 2013 have been converted into US dollars at the exchange rate according to the European Central Bank of 1,3791 US dollar per euro, at December 31, 2013.

<sup>2)</sup> Net working capital includes accounts receivable, inventories, other current assets, accounts payable, provision for warranty and accrued expenses and other. Since 2009 evaluation tools at customers are no longer reported under inventories but under non-current assets. The historical figures have been adjusted for this reclassification.

<sup>3)</sup> Net cash includes cash and cash equivalents less long-term debt, convertible subordinated debt, the conversion option and notes payable to banks.

<sup>4)</sup> ASMPT (Back-end was deconsolidated as from March 15, 2013).



# LETTER TO SHAREHOLDERS

2013 was an important year for ASMI. Against an economic backdrop that continued to be mixed, (PE)ALD ramped up in high volume production with many customers leading to ASMI outperforming the wafer fab equipment market. We delivered improvement in profitability. We reduced our stake in ASMPT to 40%.



**Charles D. (Chuck) del Prado**

Chairman of the Management Board,  
President and Chief Executive Officer

Looking at the industry environment, capital spending on semiconductor wafer fab equipment was relatively soft in the first half of 2013. Capital spending started to rebound in the third quarter and increased significantly in the fourth quarter. Advanced logic and foundry fabs made solid investments in 28, 20 and 14nm technology nodes. Also notable in 2013 was growth in memory capital spending, in both DRAM and NAND flash, after nearly 2 years of steep declines.

In regards to the full year results, the focus is on results on a comparable basis, that is excluding the results of ASMPT, which have been deconsolidated as of March 15, 2013.

## ASMI OUTPERFORMED THE WAFER FAB EQUIPMENT MARKET

ASMI net sales increased 22%, driven by our ALD and PEALD products, substantially outperforming the wafer fab equipment market, which declined 5 to 10% year-over-year in 2013.

Gross margin improved by more than 500 basis points to 39% year-over-year, due to a higher sales volume, improved efficiencies, and a positive mix. In 2013, we took important steps to further improve the structural profitability of the company over time. This includes several initiatives to improve the efficiency of our supply chain. One of these activities is that we increased our outsourcing efforts which will result in a more flexible cost structure throughout industry cycles.

SG&A as a percentage of sales dropped to 16%, down 2% from the 2012 level, while R&D dropped to 13% of sales, a 3% decline year-over-year.

As a result, we achieved a significant improvement in operating profit, €44.9 million, compared to €0.5 million for 2012.

The comparable result from our 40% investment in ASM Pacific Technology was €20.9 million. On a reported basis, results from investments amounted to €1 billion, which mainly reflected the net remeasurement gain.

Comparable net earnings, (net earnings exclusive the €1 billion remeasurement gain) were €45.5 million, equal to €0.71 per share.

Operating cash flow improved significantly from €1 million in 2012 to €48 million in 2013. Despite the growth in our business, working capital decreased to €109 million by the end of 2013 compared to €114 million by the end of 2012. The number of outstanding days of working capital, measured against quarterly sales, decreased from 110 days to 77 days over the same period. We ended 2013, debt free, with €312 million in cash.

At the 2014 Annual Meeting of Shareholders we will propose that the Company declares an ordinary dividend of €0.50 per share.



## CONTINUED MOMENTUM IN ALD AND PEALD

2013 was a successful year for our Atomic Layer Deposition (ALD) and Plasma Enhanced ALD (PEALD) business.

The strong momentum in ALD and PEALD was an important driver behind the 22% growth in our total net sales for 2013, and reflects the growing customer acceptance of ALD and PEALD, enabling further scaling of ever-more complex device architectures. Virtually all of the leading players in the logic, foundry and memory sectors have now adopted (PE) ALD in high volume manufacturing.

Thermal ALD remains a key driver with a broad customer base deploying ALD for high-k metal gate.

The transition to a FinFET device architecture, which was introduced at the 22nm technology node, is important in this respect as these high aspect ratio 3D structures require highly conformal films. ALD enables the deposition on these high aspect ratio structures, which is far more difficult to achieve with conventional deposition technologies.

As a consequence, with the transition to FinFET, we see a further increase in the demand for ALD. In logic, one of our leading customers is currently ramping the 4th generation high-k gate technology, using our ALD products.

In memory, our PEALD tools have been important enabling solutions behind miniaturization to 2x and 1x technology nodes. Our PEALD business had a strong performance in 2013 as renewed technology investment by memory customers fueled demand for our PEALD solutions for spacer defined multiple patterning. With our PEALD solutions deployed by top memory makers, we have gained a leading position in this specific segment.

In addition to spacer patterning in memory, we are also gaining traction in new applications in logic and foundry with PEALD.

Driven by the success of ALD and PEALD we have further strengthened our engagements with the leading semiconductor manufacturers. We continue to invest significant resources in the further improvement of our ALD and PEALD platforms and the development of new applications, in close cooperation with our customers.

## REDUCTION OF STAKE IN ASMPT TO 40%

After a careful investigation of the reasons behind, and the possible solutions to take away, the non-recognition of the value of the combined businesses (Front-end and Back-end) we executed in 2013 a reduction of our shareholding in ASMPT. In March 2013, we sold 12% of the total ASMPT shares outstanding for gross proceeds of more than €400 million. We returned an amount of €270 million to our shareholders, in the form of a tax efficient capital return, and used the balance to strengthen our financial position.

The Company distributed €4.25 per ordinary share to its shareholders, representing approximately 65% of the cash proceeds from the placement. This distribution was in addition to the ordinary dividend of €0.50 per share. Following the divestment, the Company now owns approximately 40% of the shares in ASMPT.

The reduction in our stake also had a significant impact on our reported results. As of March 15, 2013, ASMPT is deconsolidated. As of that date our de-consolidated results only reflect our Front-end operations. The sale of the stake in ASMPT triggered a substantial book profit of net €1.1 billion. In addition, the transaction required a purchase price allocation process ("PPA"), which led to one-off charges of €40 million in 2013 as well as an ongoing amortization charge.



## OUTLOOK

While the signals about global economic recovery continue to be mixed, the semiconductor capital equipment market has started the year 2014 with good momentum. Industry observers still estimate wafer fab equipment spending to increase this year by about 10 to 15% year-over-year, with a continued emphasis on new technology nodes. This outlook is supported by leading edge logic focusing on 14nm scaling, and foundries moving ahead with ramping 20nm and preparing for the next generation FinFET devices. In memory, DRAM investments are focused on 2x node transitions, while in the NAND flash segment, the first investments are being made in new 3D NAND processing capability.

The introduction of new materials and 3D architectures plays an increasing role in the roadmaps of our customers to continuously introduce faster and more power efficient devices. The area of thin film engineering and introducing the deposition processes of these new materials in high volume device manufacturing is an area where ASMI has leadership with differentiated technology offerings. ASMI is well positioned to participate in the current and future industry technology transitions, particularly with our ALD

and (PE)ALD technologies. Over the next three to four years, we believe the ALD market to have substantial growth opportunities.

We would like to thank our employees for their dedication and contribution to the results in 2013, and our customers and shareholders for their continued commitment. We remain confident in the future of ASMI as we look forward to new opportunities to maximize the value of ASMI for all of our stakeholders.

Almere, the Netherlands  
April 9, 2014

Charles D. (Chuck) del Prado  
President and Chief Executive Officer



# STRATEGY & FOCUS AREAS

At ASMI, our track record as experienced innovation leaders is a result of focusing on key issues. The areas where we can make the greatest difference to our customers. These issues may change over time but one thing will always remain the same – we will keep bringing the results of our breakthrough technologies through to volume manufacturing for the benefit of our customers.

## MISSION AND STRATEGY

Our mission and vision guide our activities, our current strategy describes how we will achieve our mission, and our focus areas indicate where we will invest our energy. The markets we address and the products we target in these markets fall within our focus areas. Since Atomic Layer Deposition (ALD) provides us with a basic platform for a whole new generation of technologies and processes, it acts as a strategic enabler for our business.

### MISSION

ASMI's mission is to provide our customers with the most advanced, cost-effective, and reliable products, service and global support network in the semiconductor industry and beyond. We bring forward the adoption of our technology platforms by developing new materials and process applications that progressively align us with our customers' long-term technology roadmaps.

### VISION

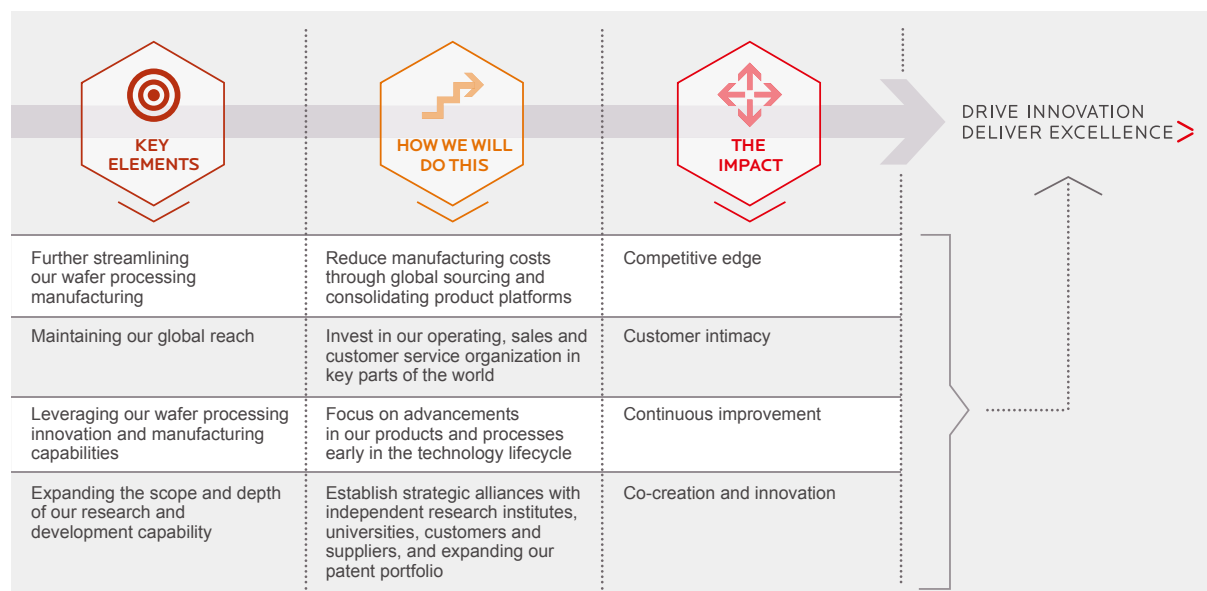
We aim to delight our customers, employees and shareholders by driving innovation with new technologies and delivering excellence with dependable products. By doing this, we will create new possibilities for everyone to understand, create and share more of what they love.

## STRATEGY

Our strategic objective is to realize profitable, sustainable growth by capitalizing on our technological innovations, manufacturing infrastructure, and sales and support offices located close to our global customers. The key elements of our strategy include:

- › Further streamlining our wafer processing manufacturing by systematically reducing manufacturing costs through global sourcing and consolidating our product platforms;
- › Maintaining our global reach through our global operating, sales and customer service organization and its facilities in key parts of the world, in order to establish and maintain long-term customer relationships;
- › Leveraging our wafer processing innovation and manufacturing capabilities through advancements in our products and processes early in the technology lifecycle; and
- › Expanding the scope and depth of our research and development capabilities through strategic alliances with independent research institutes, universities, customers and suppliers, and expanding our patent portfolio where it is necessary and beneficial.

## OUR STRATEGY





## FOCUS AREAS

Within wafer processing, we focus primarily on equipment and process solutions for the deposition of thin films.

Our core strengths are in Atomic Layer Deposition (ALD), Plasma Enhanced ALD (PEALD), Epitaxy, Plasma Enhanced Chemical Vapor Deposition (PECVD), Low Pressure Chemical Vapor Deposition (LPCVD) and Oxidation/Diffusion. With this portfolio of established and newer technologies, we're addressing many of the key areas on the semiconductor industry roadmap, including:

- › High-k metal gate;
- › Dielectrics for double patterning;
- › Low-k dielectrics for interconnect; and
- › Strained silicon.

Enabling the industry to move to smaller line-widths and better transistors that use new materials. Our discoveries are resulting in greater efficiencies for businesses and greater opportunities for everyone.

## MARKETS & PRODUCTS

ASMI is a leading player in the market for semiconductor manufacturing equipment. The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly & packaging equipment, and test equipment. We operate in the semiconductor wafer processing equipment market.

### MARKETS

Our semiconductor wafer processing business supplies equipment to the leading semiconductor manufacturers in the logic, foundry and memory markets, primarily for the deposition of thin films. The logic market is made up of manufacturers who create chips that are used to process data, the foundry market consists of businesses that operate semiconductor fabrication plants to manufacture the designs of other semiconductor companies, and the

memory market covers manufacturers who make chips that store information either temporarily or permanently such as Random Access Memory (RAM). We also supply equipment to leading manufacturers of analog semiconductor devices that are important for enabling the increasing semiconductor content in most products in use worldwide.

We have a strong position in leading edge technologies. Our portfolio of Atomic Layer Deposition (ALD) products is an enabling technology for our customers, helping them to manufacture semiconductor devices at smaller line-widths with new materials and 3D architectures. We support our customers to introduce new products such as smartphones and tablets with higher performance and reduced energy consumption.

### PRODUCTS

Our wafer processing products come from a number of product platforms, each designed to host and enable specified process technologies. Products in each product platform are linked by common technology elements like a common in-system software framework, common critical components or similar logistics (batch or single wafer processing).

The XP is our standard single wafer processing platform. It's designed to accommodate ALD, PEALD, PECVD and Epitaxy process application modules with common platform standards.

The XP8 is a high productivity platform for PECVD and PEALD. It's based on our common XP platform standard with an expanded configuration that enables up to eight chambers to be integrated on one wafer-handling platform.

The A400 and A412 are our batch Vertical Furnace products offering Oxidation/Diffusion, LPCVD and ALD.



# TECHNOLOGY & INNOVATION

ASMI is a leading supplier of semiconductor process equipment for wafer processing. Our broad portfolio of innovative technologies and products are being used right now by the most advanced semiconductor fabrication plants around the world. Helping them to progress along their technology roadmap. Making integrated circuits or chips smaller, faster and more powerful for everyone.

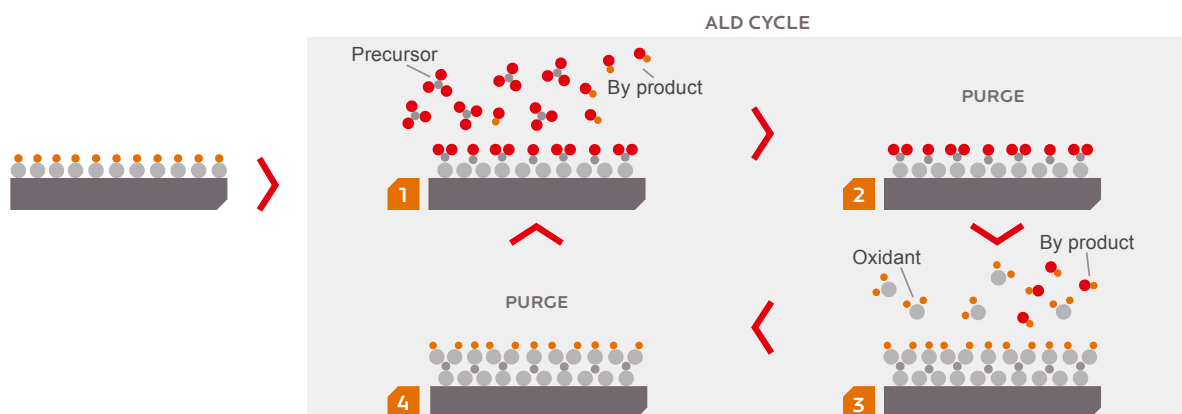
## CREATING POSSIBILITIES

We have a proven track record of innovation that spans a wide range of technologies that have become standard among the top semiconductor manufacturers in the world. Using these technologies enables them to create semiconductors the size of a thumbnail, today, that are more powerful than computers the size of a small car were a few decades ago. Progress has been fast and the pace unrelenting. Our ability to bring innovations from R&D into volume manufacturing is as sought after now as it was when we were founded in 1968.

## INNOVATIVE TECHNOLOGIES, RELIABLE RESULTS

At ASMI, we have grown by meeting customer demand for more sophisticated wafer processing. From the very start of the semiconductor industry to the present day, we have helped to keep our customers delivering in line with Moore's Law, by developing ever-more sophisticated technologies to put more transistors on a single chip.

## ATOMIC LAYER DEPOSITION



## INCREDIBLE PRECISION

What benefits does ALD bring? Using ALD allows semiconductor manufacturers to form thin films atom by atom, assuring incredible precision. Creating nanoscale structures and devices with unique properties to meet the challenges posed by very small dimensions.

To put it in perspective, a 22 nanometer (nm) transistor is roughly 3000 times thinner than a single hair. And a single

## LAYERING

In order to create ever-smaller components on a chip, the industry had to invent new processes. ASMI's Atomic Layer Deposition (ALD) technology is one of these processes.

ALD is a surface-controlled layer-by-layer process that results in the deposition of thin films one atomic layer at a time.

## BREAKTHROUGH TECHNOLOGIES

We were one of the first companies to have the vision to realize the potential of Atomic Layer Deposition (ALD) technology for the semiconductor industry. In 1999, we acquired Microchemistry in Finland, forming ASM Microchemistry. Originally developed for use in the oil industry, ALD had already been researched for petrochemical applications for over 20 years. We dedicated a further eight years R&D to turning it into a process that could be used reliably and efficiently by advanced semiconductor chip manufacturers.

strand of human DNA is 2.5 atoms wide. ALD creates films as thin as a single atom thick.

Building devices, atom by atom, gives us very precise control over the process. It means we can deliver deposition materials at a uniform thickness over all types of topographies. Such precision also enables the use of materials that could not be considered before.





## ALD – A DRIVER OF FUTURE GROWTH

Using ALD, we are now able to deposit new materials several atoms thick on wafers at low temperatures, producing ultra-thin films of exceptional quality and uniformity. In Plasma Enhanced ALD (PEALD), a plasma is used to further enhance the process.

Using ALD technology, we have been able to scale devices to smaller dimensions while reducing the power consumption of transistors. All of which helps to keep the industry on Moore's Law.

ALD is now our basic platform for the development of a wide range of new materials. Our research centers in Finland, the US, Japan, Korea, the Netherlands, and Belgium are working on ALD. We're also conducting joint research projects with Europe's largest independent research institute IMEC.

All this is helping to make ALD one of the principal drivers of future growth in microelectronics.

## ALD IS NOW MAINSTREAM

ALD and PEALD are now both mainstream technologies used in volume manufacturing in the semiconductor industry. ASMI's ALD technology is now being used to build a wide range of applications such as leading edge products like high-performance computers as well as wireless handheld smart devices. The results of ALD are everywhere in the world around us.

### Enhancing innovation

Plasma Enhanced ALD (PEALD) is another in the line of ASMI innovations. It widens the spectrum of materials that can be deposited. Its capability to deposit materials at temperatures as low as room temperature makes it possible to carry out processes on temperature sensitive substrates like photoresist.

This technology is currently in use for Direct Spacer Defined Double Patterning (DSDDP). A technique that can reduce device dimensions at 32nm and below, postponing the need for new lithography technologies. This is just one example of how ALD continues to open up new possibilities for further process breakthroughs.

## GLOBAL R&D

The key to our success lies in our commitment to Research and Development (R&D). We maintain the widest and most diverse ALD development organization in the industry. We're active at all stages in its life cycle, from developing the basic chemistry to implementing at our customer's production sites.

Our research centers in Finland, US, Japan, Korea, the Netherlands, and Belgium are all working on ALD.

We also have joint research projects with Europe's largest independent research institute, IMEC, in Belgium. ASMI is a truly global company. Diversity means that we get the benefit of wider viewpoints while being able to bring together the best minds in the world to create new breakthroughs.

We will continue to expand the scope and depth of our research and development capabilities through strategic alliances with independent research institutes, universities, customers and suppliers. We will also keep expanding our patent portfolio where necessary and beneficial.

## SUSTAINABLE GROWTH FOR THE NEXT DECADE

This is just the beginning. Fundamentally, ALD has been around for 30 years, but as a technology in semiconductor manufacturing it is still relatively new. We expect it to be one of the principal drivers of growth in microelectronics over the coming decade. At ASMI, we will continue to develop the huge potential of ALD in support of the semiconductor industry. Helping the industry to support future demands from consumers.

## CHIP MAKING

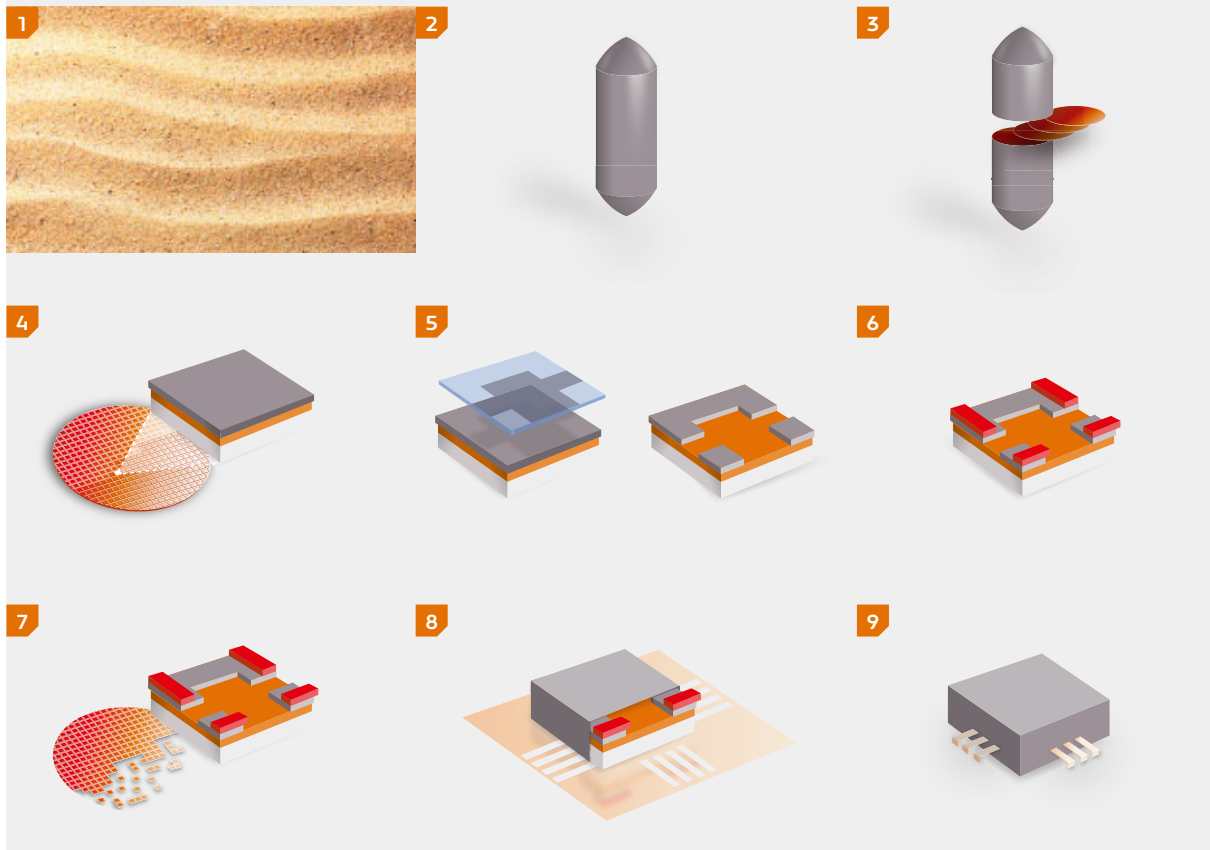
Semiconductors are everywhere. In the dishwashers, microwaves and TVs in our homes. In our smartphones, PCs and tablets. In our workplaces and in the transportation we use – cars, trains, ships and planes. Driving the everyday devices we have come to take for granted over the past 40 years.

Their use has revolutionized how we live, work and play. Enabling us to understand, create and share information faster and more easily. We now assume that devices will get more powerful and ever smaller every year. But, despite this, how semiconductors are actually made remains a mystery to the general public.

To explain how this works, let's take a look at how a chip is made. There are two basic parts to chip manufacturing. We refer to them as wafer processing and assembly & packaging. ASMI is an equipment supplier for the Front-end part: wafer processing. During wafer processing – the start of the manufacturing 'line' – manufacturers process wafers made of silicon, on which the electrical components are formed. During assembly & packaging – the end of the manufacturing 'line' – the wafers are divided up into individual chips and tested before being assembled and packaged.



## CHIP MAKING PROCESS



### 1. FROM SAND TO PURE SILICON

It all starts with one simple, common substance – sand. The silicon found in sand is in the form of silicon dioxide. To make chips, manufacturers need pure silicon so the first step in the process is to separate the silicon from the oxygen molecules.

The pure silicon needed to make silicon chips can have only one foreign atom for every billion silicon atoms. It must also be mono-crystalline form. The way atoms are organized in this form of silicon is essential to some of the later processes.

### 2. WAFER BLANKS

The silicon is then extracted, or pulled, from liquid silicon in the form of long cylindrical ingots at roughly 1,400 degrees centigrade.

### 3. WAFERS ARE CUT

Wafers are cut from the ingots before being polished to produce a smooth surface. They're then sent to chip manufacturers for processing. The following steps in wafer processing are then repeated many times to create the finished wafer containing chips.

### 4. COATING A WAFER

The wafer is put into a high-temperature furnace and exposed to oxygen, forming a layer of silicon dioxide on the surface. Then Chemical Vapor Deposition (CVD) is used to add a layer or film of nitride.

### 5. CREATING MASKS

Once the circuit layout of the chips has been designed, glass plates or masks are created which help copy the design onto the surface of the wafer. Several masks are used in sequence to add more and more complexity to the chips.

### 6. ADDING A PATTERN

Now it's time to begin creating the design on the surface of the wafer using the masks as a guide. Photolithography, a type of optical printing, is used. The wafer is first coated with photoresist, that changes when exposed to ultraviolet (UV) light. The mask is placed above the wafer and precisely aligned with it. UV light shining above the mask reacts with the exposed parts of the photoresist, creating a pattern. The wafer is covered with a developing solution to develop these patterns, that are then etched, leaving the parts not exposed to UV light intact. The surface now contains 'trenches' that run across the surface.

**Deposition**

Dielectric or insulating film is deposited in the trenches by one of a number of deposition technologies such as Chemical Vapor Deposition (CVD), Atomic Layer Deposition (ALD) or Plasma Enhanced ALD (PEALD). Gates are formed between the trenches, creating part of the many millions of transistors that may be created on a single chip. Gates can be switched to allow charge carriers like electrons to flow or to prevent them.

Contacts are formed by each gate to create a source and drain. Ion implantation is used to implant special elements into the wafer for the source and drain. The charge carrier enters a gate channel at the source contact and exits at the drain contact.

**Connect**

Once the basic chip components have been created, they need to be connected. The same processes of lithography, etching and deposition are used to form trenches filled with metal connections. These connections between components are created not just on one level but on many. The finished wafer will contain up to several thousand individual chips in a space of 200 to 300mm, and some chips can hold billions of transistors.

**7. WAFERS SEPARATED INTO INDIVIDUAL CHIPS**

Once wafer processing has been completed, the finished wafers are transported to another plant for cutting, assembly & packaging. The individual wafers are cut into separate chips.

**8. LEAD FRAMES**

The chips are then placed in a lead frame forming a protective housing.

**9. TESTING PACKING**

Each chip is then tested before being packaged to be sent for placement on circuit boards.

**SUMMARY**

The equipment and processes used to create chips are very complex and draw on leading edge research. But the objective is simple. To keep enabling us to understand, create and share more of what people love.



# LAYERING THE FUTURE

Global demand for semiconductors is exploding as chips enable technological advances for an expanding number of applications. The cloud, smart vehicles, the desire to be fully connected at all times for email, phone and the internet. All these factors and more are driving the demand for smaller, faster, cheaper chips.

ASMI's technology enables the deposition of the semiconductor material layers that create the advanced chips of the future. More applications, more transistors, more complexity all adds up to more layers. And all these different layers are combining to create a world of new possibilities. ASMI is helping to solve the key issues on the semiconductor technology roadmap today and in the future.



Semiconductors start with one simple common substance – sand. Take a look at the chip making process.





# MOORE TO COME

The semiconductor industry is committed to reducing the size of transistors so that more of them fit in the same physical space. Our customers are now manufacturing transistors 22 nanometers wide. That's roughly four thousand times smaller than the width of a single human hair. Today's most advanced microprocessor chips include over 2 billion transistors. To deliver these ever-shrinking dimensions while improving transistor performance, the top chip manufacturers rely on ASMI deposition technology.

In 1999, ASMI was one of the first companies to recognize the potential of Atomic Layer Deposition (ALD), making it possible to manufacture today's 22nm wide transistors with great precision. ALD is now one of our most important platforms for a whole new set of materials that will keep giving the world Moore.



Robin shares his excitement of pushing boundaries working at the leading edge of technology.

**THE NUMBER OF TRANSISTORS ON A CHIP WILL DOUBLE APPROXIMATELY EVERY TWO YEARS.**

**GORDON E. MOORE (INTEL)**

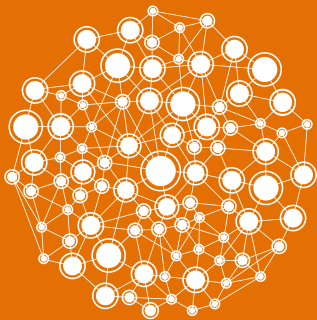






# REALTIME INSIGHTS

We're all creating more data. Small, connected, handheld devices and smarter machines are making it easier for us to share with the world. Bringing unprecedented opportunities to discover insights in real time. Big Data puts pressure on semiconductor manufacturers for more powerful processing. For individuals and for the companies who want to understand them better. Our 45-year track record of innovation means we're already well positioned to respond to their needs. Innovation is in our genes.



# 90%

*90% of all the data in the world that exists today  
has been created in the last two years.*



# FROM LAB TO FAB

In order to satisfy the global trends that drive the semiconductor industry, we have to stay on the path defined by Moore's Law. That means we must keep shrinking the size of transistors. But to ensure this scaling remains economic, we need to develop new materials and device structures.

At ASML, innovation is not confined to R&D. It's integrated in our entire operation: from the lab to manufacturing, finance, marketing and our services organization. Our people work as one team to enable critical industry solutions. And we don't just achieve this within our own facilities and research centers, but also on site with our customers and our suppliers.

We drive our product development and business operations to assure that we deliver excellent products; timely, reliable and cost effective in volume manufacturing. Furthermore with our global customer service and support our customers get the best possible results from our products.

At ASML innovation exists to serve our customers' business needs and helps them get a good return on their investment.

**INNOVATION EXISTS TO SERVE OUR  
CUSTOMERS' BUSINESS NEEDS.**





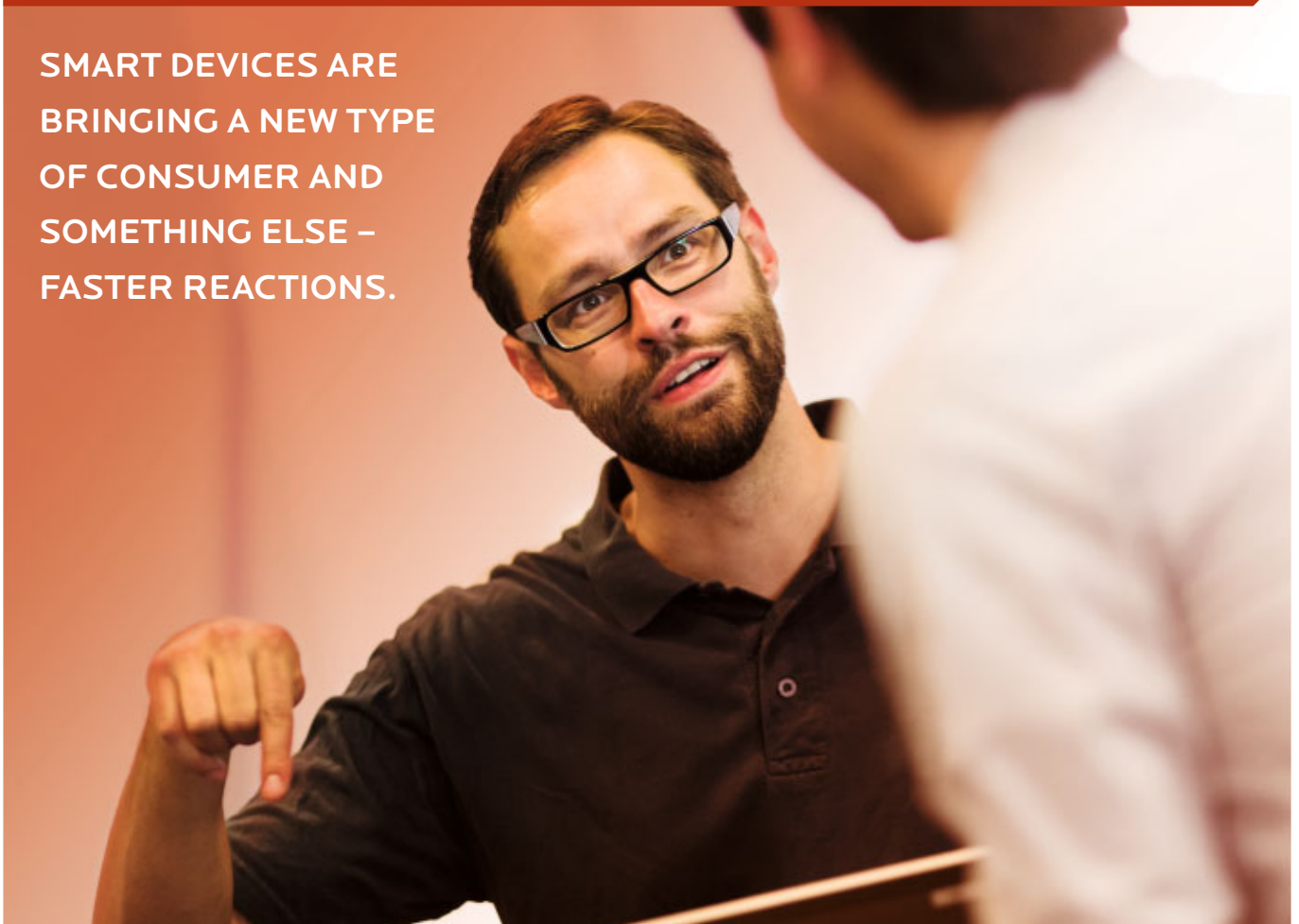


# CO-CREATION

Seduced by the latest 'must have' smartphone or tablet? Then you're not only part of a new phenomenon, you're also helping to change the semiconductor industry supply chain. Our advanced technology road map is helping our customers respond to shorter product cycles. Ensuring the latest smart devices get to market early. Our relationships with the top semiconductor manufacturers are so closely aligned that we call what we do 'co-creation'.

DRIVE INNOVATION  
DELIVER EXCELLENCE >

SMART DEVICES ARE  
BRINGING A NEW TYPE  
OF CONSUMER AND  
SOMETHING ELSE –  
FASTER REACTIONS.





# MANAGEMENT

## SUPERVISORY BOARD

### JAN C. LOBBEZOO (1946)

Chairman

Nationality: Dutch

Current term expires: 2017

- › Member of the Board of FEI, a US-based nanotechnology equipment company
- › Non-executive Member of the one-tier Board of TMC Group NV
- › Chairman of the Supervisory Board of Mapper Lithography BV (until December 31, 2013)
- › Chairman of the Supervisory Board of Mutracx BV
- › Chairman of the Supervisory Board of Salland Engineering BV
- › Member of the Supervisory Board of ALSI NV (until mid February 2014)
- › Chairman of the Supervisory Board of the Point One Innovation Fund

### JOHAN M.R. DANNEELS (1949)

Nationality: Belgian

Current term expires: 2016

Chief Executive Officer of Essensium NV

### HEINRICH W. KREUTZER (1949)

Nationality: German

Current term expires: 2014

- › Chairman of the Supervisory Board of Micronas Semiconductor GmbH in Freiburg, Germany
- › Chairman of the Board of Directors of Micronas Semiconductor AG in Zurich, Switzerland
- › Chairman of the Supervisory Board of Bktel Communications GmbH, Germany

### MARTIN C.J. VAN PERNIS (1945)

Nationality: Dutch

Current term expires: 2014

- › Chairman of the Supervisory Board of Batenburg Techniek NV
- › Chairman of the Supervisory Board of Dutch Space BV – a subsidiary of EADS
- › Vice Chairman of the Supervisory Board of Aalberts Industries NV
- › Member of the Supervisory Board of Feyenoord Rotterdam NV (until March 1, 2014)
- › Chairman of the Supervisory Board of GGZ Delfland (until May 1, 2014)
- › Chairman of the Supervisory Board of Sint Franciscus Vlietland Groep
- › President of the Royal Institute of Engineers – KIVI
- › Chairman of the Platform 'Vernieuwing Bouw'

### ULRICH H.R. SCHUMACHER (1958)

Nationality: German

Current term expires: 2016

- › Chairman of the Executive Board and CEO of Zumtobel AG
- › Managing Director of CGS Consulting
- › Chairman of the Supervisory Board of PACT XPP Technologies AG, Munich

## HONORY CHAIRMAN

### ARTHUR H. DEL PRADO (1931)

Nationality: Dutch

Chairman of the Board of  
ASM Pacific Technology Ltd

## SENIOR MANAGEMENT

### CHARLES D. (CHUCK) DEL PRADO

Chairman of the Management Board,  
President and Chief Executive Officer

### PETER A.M. VAN BOMMEL

Member of the Management Board,  
Chief Financial Officer

### PER OVE (PEO) HANSSON

General Manager Thermal Products  
Business Unit,  
General Manager ASM America Inc and  
ASM Europe BV

### TOMINORI YOSHIDA

General Manager Plasma Products  
Business Unit,  
General Manager ASM Japan KK and  
ASM Genitech Korea Ltd

### FOKKO LEUTSCHER

Vice President Global Operations

### TOM WU

Vice President Global Sales & Services

### J.F.M. (HAN) WESTENDORP

Vice President Corporate Marketing

### J.M.M. (IVO) RAAIJMAKERS

Chief Technology Officer and Director of  
Research & Development

### PETER GAUDETTE

Vice President Operational Excellence

### RALPH OTTE

Vice President Global Human Resources

### RICHARD W. (DICK) BOWERS

Chief Legal Officer



# INVESTOR RELATIONS

## VICTOR BAREÑO

Almere, the Netherlands

T: +31 88 100 8500

E: victor.bareno@asm.com

## MARY JO DIECKHAUS, DD&W LTD

New York, NY, United States

T: +1 212 986 2900

E: investor.relations@asm.com

# OTHER INFORMATION

## TRANSFER AGENTS AND REGISTRARS

Citibank

New York, NY, United States

ABN AMRO Bank NV

Amsterdam, the Netherlands

## INDEPENDENT AUDITORS

Deloitte Accountants BV

Amsterdam, the Netherlands

## TRADE REGISTER

Chamber of Commerce

Number 30037466

## ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of Shareholders will be held on May 21, 2014.

## FINANCIAL CALENDAR FOR 2014

*April 23, 2014*

Announcement of First Quarter results 2014

*July 23, 2014*

Announcement of Second Quarter results 2014

*October 29, 2014*

Announcement of Third Quarter results 2014

## TRADEMARK LIST AS OF JANUARY 1, 2014

ASM, the ASM International logo, Advance, Aurora, Dragon, Eagle, EmerALD, Epsilon, Intrepid, Polygon, Pulsar and Silcore are registered trademarks of ASM International NV. A400, A412, ALCVD, Atomic Layer CVD, NCP and PEALD are trademarks of ASM International NV.

“The Switch Is On” and “Drive Innovation, Deliver Excellence” are our service marks.



# CORPORATE RESPONSIBILITY

At ASMI, we take pride in being responsible corporate citizens. Good corporate citizenship is good business. It means respect for our employees, our partners, our customers, and our neighbors. It means minimizing our environmental footprint, engaging safely and responsibly with our employees and suppliers, and acting with integrity whenever we engage with stakeholders. We achieve this with our strong commitment at all levels of the company, and implementation of the right systems.



## ENVIRONMENT

We believe we can make the world a better place by supporting the manufacture of electronic devices that provide people with more opportunities. We strive to do this while minimizing our environmental impact across all our operations.

**29**

## SUPPLY CHAIN



At ASMI we see the bigger picture. Our corporate responsibility does not stop at our front door; it applies to everyone across the world that works with us, including all our suppliers in 18 countries.

**35**

## SOCIAL

**People****31****Health & safety****33****Ethics****33**

## CSR POLICY AND STRATEGY

We believe that being a responsible company creates value for ASMI, our stakeholders and society at large. ASMI is continually focused on creating better products and a stronger brand.

**27**



# CSR POLICY AND STRATEGY

ASMI is all about innovation and the resultant benefit for society. We provide leading-edge film deposition technologies that make advances in the semiconductor industry possible. ASMI's technological innovations produce electronic devices with superior performance and reduced energy consumption. By continually increasing processing power, and reducing device size, our customers are able to further expand smart technology into the products that help improve quality of life for people everywhere.

## OUR CSR AMBITION

At ASMI, we are committed to being a corporate responsibility leader, not only in our industry, but across all industries.

## OUR CSR COMMITMENT

- › Continue our strong focus on R&D and innovation to create value for society through technology.
- › Manage all aspects of our business responsibly to meet or exceed shareholder expectations.
- › Ensure that our high standards are reflected in our supply chain.

### ENVIRONMENT



### SOCIAL



People



Health & safety



Ethics

### SUPPLY CHAIN



Our continued strong investment in R&D drives scientific research while we work with our research partners and customers to extend the boundaries of what was previously possible. Our technology inspires the leap of the imagination that has transformed communications, medicine, and information technology.

We believe that being a responsible company creates value for ASMI, our stakeholders and society at large. We are continually focused on creating better products and a stronger brand. Our focus on managing all aspects of our business responsibly helps attract the key talent that drives our innovation. Today, the brightest minds focus on the big picture and want to be a part of a responsible company.

We know that customers seek to purchase from businesses that are managed ethically and responsibly, and our customers actively encourage us to put in place the right management processes for social responsibility and plan for the long term with objectives and goals. This industry engagement

ensures we are focused on responsible management practices to ensure a win-win for society and ASMI.

## STRATEGY AND PROFILE

At ASMI, we are committed to being a corporate responsibility leader, not only in our industry, but across all industries. Our success is rooted in progress and well-being in society, which requires that we interact with and support society responsibly.

We have chosen the Electronics Industry Citizenship Coalition (EICC) as the framework for ensuring a comprehensive Corporate Responsibility program. The EICC Code of Conduct defines a structure for conducting our business responsibly in all areas of environment, health & safety, labor, ethics and the supply chain. The EICC Code of Conduct is updated periodically, and ASMI is committed to upgrading its management practices to comply with the code as it evolves. ASMI's commitment to sustained corporate responsibility practices and the EICC Code of



Conduct is communicated and embedded in management practices through our Corporate Responsibility Policy.

In 2013, we added a corporate responsibility section to our corporate website, including key policies and performance indicators.

## OUR CORPORATE RESPONSIBILITY POLICY

Our global Corporate Responsibility Policy establishes our commitment in all key areas, including environmental impact, labor, health and safety, ethics and supply chain management. Each key area is further supported by policies, systems, programs and metrics to ensure that our ongoing progress is related to longer-term objectives.

*ASMI is committed to making positive contributions to achieve zero harm to our people and planet. Our commitment to "Zero Harm" aligns with our core value "Safety First and Everywhere" and our guiding principle "Drive Innovation, Deliver Excellence." We are committed to conducting business, both in our own operations and throughout our supply chain, in a manner consistent with the Electronics Industry Citizenship Coalition (EICC) tenets to protect our employees, customers, communities, shareholders and the environment. We strive to earn the trust of all stakeholders through responsible and ethical corporate practices. We are committed to an innovative framework during the design, manufacture, distribution and support of our products that meets or exceeds all applicable regulations in order to minimize environmental impact and to prevent occupational illness or injury. We will establish objectives to improve our management systems, standards, culture, and performance. We will conduct periodic reviews of our programs and performance, and regularly and transparently update the world on our progress.*

Our global policy supports and helps ensure responsible management practices in the following operations:

- › Global workforce: 1,503;
- › Presence: 14 countries;
- › Thermal products business unit – Almere, the Netherlands and Phoenix, AZ, US;
- › Plasma products business unit – Tokyo, Japan and Cheonan, South Korea;
- › Front-end manufacturing – Singapore;
- › Research facilities – Leuven, Belgium and Helsinki, Finland.

## EICC COMPLIANCE

We have chosen the EICC Code of Conduct as the framework for the implementation of our Corporate Responsibility programs. ASMI has made significant progress in 2013 in assuring its own compliance with the EICC and the implementation and compliance within its supply chain.

In early 2013, we conducted internal EICC audits of our operations and facilities. This was followed up in May 2013 with a third-party audit of our Singapore manufacturing in which the site was validated as EICC-compliant. We also conducted EICC-ON-based self-assessments at all sites in June and July 2013. The repeated monitoring and assessment of our compliance with EICC formed the foundation of a gap closure program that is driving continuous improvement in our own operations and throughout our supply chain.

In addition to ensuring responsible management in our operations, we are influencing and driving similar measures in the operations of our suppliers. We are actively engaged with our suppliers around the world, measuring, validating, and ensuring our suppliers are on the same path toward EICC compliance as ASMI.





# ENVIRONMENT

We strive to minimize our environmental impact across all our operations. We believe that we make the world a better place by supporting the manufacture of electronic devices that provide people with more opportunities, but we believe that we can and should do this without harming the environment.

In 2013, we successfully attained global certification to the ISO 14001 Environmental Management System Standard. The global certification supersedes our previous site certifications, and further strengthens our commitment to minimize our environmental footprint and constantly strive for continuous improvement in our environmental performance.

In 2013, we set environmental performance targets based on a 2012 baseline in four key areas that are consistent with proposed environmental measures for the semiconductor industry:

## 2013-2015 ENVIRONMENT SCORECARD

	OBJECTIVE	UNIT	2012 BASELINE	2013 ACTUAL	2015 TARGET (VS. 2012 BASELINE)	PROGRESS COMMENTS
ENVIRONMENT	GHG EMISSION (SCOPE 1 AND 2)	METRIC TON EQUIV CO <sub>2</sub> (MT-CO <sub>2</sub> E)	14.24K	14.20K	-5%	1% REDUCTION IN 2013
	WATER USAGE	M <sup>3</sup>	196.2K	199.2K	-5%	1.5% INCREASE IN 2013
	RECYCLED SOLID WASTE	PERCENT (%) OF TOTAL SOLID WASTE	49%	58%	85%	9% IMPROVEMENT IN 2013
	UNINTENDED DISCHARGES	TOTAL COUNT	0	0	ZERO / YEAR	TARGET MET

In 2013, ASMI did not incur any penalties or violations for any of our environmental discharge permits.

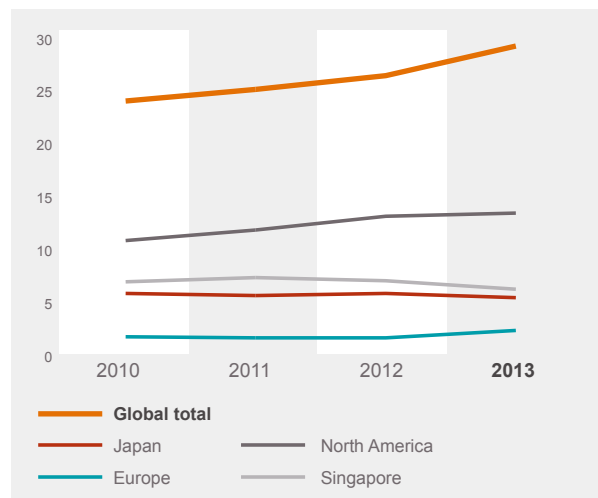
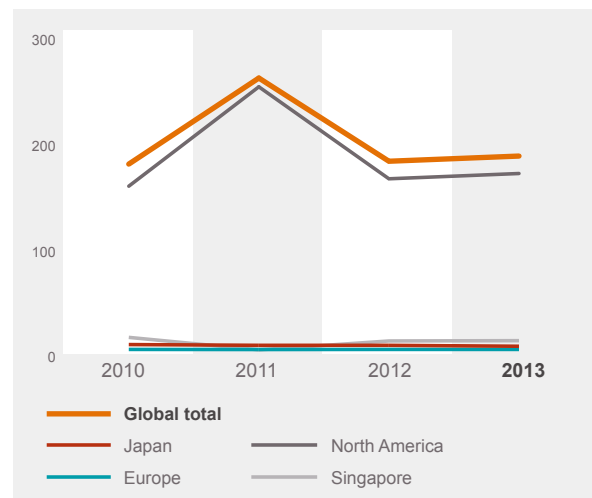
Our 2013 performance fell short of our expectations in making progress toward three-year targets in greenhouse gas (GHG) emissions and water consumption. An essentially flat GHG trend was attributable to outsourcing of fabrication activities in one region offset by the necessary resumed operations in another region. The resumed operations are part of a change in building occupancy, with the overlap in occupancies completing in early 2014. Our GHG emissions are primarily attributable to Scope2 electrical consumption.

An increase in total water consumption in 2013 was attributable to the installation of new equipment to support increased research and development. To reduce associated GHG emissions, the new equipment uses environmental wet scrubbers. The use of these wet scrubbers contributed to a 1.5% increase in total global water consumption. We have project plans in place for 2014 to bring water consumption improvement back to target. We believe we are on track to meet the 5% reduction target in 2015.



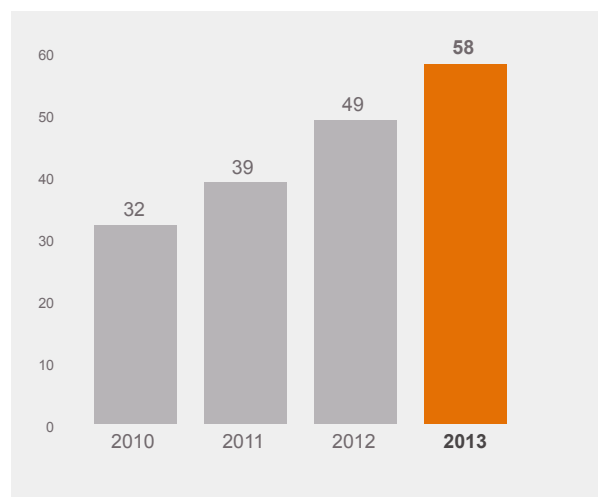


## GLOBAL ELECTRICAL CONSUMPTION in million kWh

GLOBAL WATER CONSUMPTION in 10,000 m<sup>3</sup>

Recycling of solid waste increased modestly, by 9% in 2013 (relative to the three-year goal of 36% improvement). This increase is attributable to new recycling programs in multiple regions, and partnering with recycling vendors to increase the range of materials recycled. Some regions continue to be constrained by available recycling capabilities.

## GLOBAL RECYCLE DIVERSION RATE (%)





# SOCIAL

Our primary contribution to society is technology and process solutions that lead to faster, cheaper, more powerful semiconductors. These technological advances help people everywhere create and share more at lower costs and consume less energy.

In 2013, we continued our investment in research and development related to improved computing productivity which totaled €58 million. For further information on ASMI's research and development, see Item 5, Form-20F.

We also made great strides during the year in developing our talent management framework, reducing injury rates, training employees to embed an ethical culture, and engaging critical suppliers in responsible management practices.

## PEOPLE

According to our tagline Drive innovation, Deliver Excellence we must attract, develop, excite and reward exceptional talent. We therefore offer collaborative, engaging work environments that are attractive to the talented people that are critical to our success.

### ATTRACTION AND SELECTION

In attracting and selecting employees, we use advertisements, search and selection agencies and social media. In early 2014, we launched a comprehensive careers section on our corporate website. The new careers section gives both graduates and experienced professionals important information about careers with us and offers a more in-depth view of our company, the types of opportunities available and the variety of roles we need. In addition, we have expanded our website to include content and information that we know is of interest to potential employees. This includes additional information about our business, corporate responsibility policies and practices, and product and innovation information.

The new career site provides video interviews with our colleagues describing what it is actually like to work for us. The online application experience has also been greatly enhanced.

### INTERNSHIPS

We are proud to be able to offer internships throughout our organization because they provide opportunities to students to explore a dynamic work environment and the possibilities

provided by working in technology. We are convinced that internships are valuable both to us and the interns who work with us. Interns are selected based on the quality of their application, with a typical internship period running for six months. In some cases, such as a thesis project, this period may be extended.

### NEW COLLEGE GRADUATE (NCG) PROGRAM

We hire talented PhD graduates in physics, physical chemistry, chemistry, materials science or engineering.

Employees recruited through this program are given the resources, freedom and support to reach the top. They begin working at the leading edge of the innovation process, alongside experienced innovators, to resolve some of our toughest scientific challenges. During the first two to three years of their career with us, NCG candidates are based at our facilities in Helsinki, Finland or Leuven, Belgium. They then have opportunities to apply their advanced knowledge in different product areas and at other facilities.

### TALENT DEVELOPMENT

We strongly believe in offering a career, not a position. We also foster conditions to support personal and career development in a global environment.

All new employees are offered support through an onboarding program. After the initial onboarding phase, all employees are supported in their personal and career development through our global Talent Development program.

Talent Development focuses on talent identification and assessment, performance evaluation and development, succession planning, and learning and development programs. A Talent Development competency set was implemented in 2013.

To support succession planning, we introduced a new Talent scorecard, in a pilot phase, in 2013. The scorecards contain assessments of performance, potential, mobility, available successors and career opportunities.











In 2013, we also introduced a new management training curriculum. The management curriculum will be expanded in 2014 to offer programs that develop skills for different managerial levels. The programs are developed based on our competency set, including a direct link to our corporate values and a focus on those leadership areas that directly relate to the leadership position requirements within our company.

## WORKFORCE DIVERSITY

Workforce diversity helps to ensure a range of strengths, talents, and points of view, which in turn helps support innovation. At the end of 2013, we had a total workforce of 1,503 employees, representing 28 nationalities at 14 global locations. Of the workforce at the end of 2013, 95% were on direct payroll, and 5% were employed under flexible contracts.

## WORKFORCE

	2010	2011	2012	2013
EMPLOYEES	1,450	1,631	1,636	1,503
NATIONALITIES	30	31	30	28
MALE	 87%	 86%	 87%	 87%
FEMALE	 13%	 14%	 13%	 13%

The decrease in employees from 2012 to 2013 was due to a change in business model that shifted some assemblies and fabrication processes to contract manufacturers. During the transition, we worked closely with the contract manufacturers to retain skilled employees, and 73% of employees affected by the business model changes were subsequently employed by the contract manufacturers, with the balance not being retained by the contract manufacturers due primarily to duplication of existing operations.

The percentage of women within our company is relatively stable at around 13% of our workforce. In general, women are under-represented in the technology sector. Because we believe in the value of diversity, we support initiatives to interest more women in pursuing careers in technology.

## TURNOVER RATE

KPI	2010	2011	2012	2013
TOTAL	8.6%	13.2%	18.0%	16.0%
VOLUNTARY	3.7%	10.5%	10.7%	7.4%

Benchmark data of the high-tech industry shows a voluntary turnover rate of 8.7% during 2013. Employee turnover dropped in 2013 compared to 2012, with total turnover falling by 2% to 16%, and voluntary turnover falling 3.3% to 7.4%.



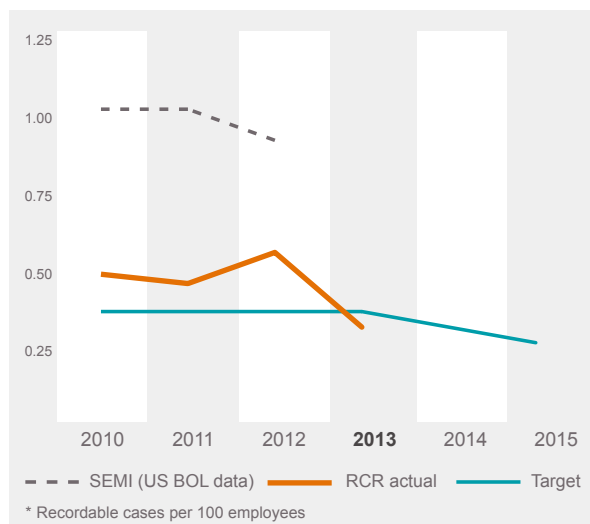
## HEALTH & SAFETY

We believe all injuries are preventable and that we can achieve a zero injury work environment if everyone contributes. Safety always comes first. All of the time. Everywhere.

In 2013, we made significant progress on our health and safety systems. We have implemented a global plan aligning our management systems for health and safety, including not only improved safety programs, but increased focus through improved training, performance indicators, and closed loop incident reporting and investigations.

We recognize that safe and healthy employees lead to a happier and stronger workforce. Our programs focus not only on risk reduction and mitigation, but also on empowering employees to stop work whenever they feel unsafe. We introduced a global Stop Work Policy in 2013, which gives every employee the right to call a “Stop Work” when a situation is unsafe or safety is uncertain. This approach sets in motion a system which minimizes risks at initial design, but also at the moment of employee interaction with the task or procedure.

### GLOBAL RECORDABLE CASE RATE (RCR)\*



In 2013, 49 Stop Works were called, which led to 49 safer situations – and possibly more through continuous improvement actions following each situation. Our key customers have provided support for this policy by communicating the expectation of using Stop Works when our employees are at their production sites. This demonstrates the commitment to safety across the industry.

Our Recordable Injury Case Rate (RCR) of 0.30 in 2013 matched our previous best result. The significant improvement from 0.54 in 2012 can be attributed to improved focus on training content, incident investigations and the associated closed loop systems for responding.

The number of workplace injuries, including both first aid and recordable injuries, continues to decline as well. The trend shows a drop to the lowest number of injuries in recent years.

## ETHICS

We are committed to doing business responsibly and to a high level of ethical standards. Our corporate values are at the basis of everything we do; they determine our success. Our values include working as a team and creating a safe and trustworthy workplace for our employees. At ASMI, every decision is an ethical decision.

The true ethics of our company are not found in our corporate commitments or policy statements, but rather in the daily behavior of our people. To that end, we have built, and are committed to maintaining, an ethical culture that includes our entire workforce and supply chain. To continually improve our ethics systems, we instituted a global Ethics Committee in 2012, and in 2013 the committee initiated a number of process improvements.

The Ethics Committee reports to the CEO and CFO every quarter. In 2013, the Ethics Committee reported improvements including:

- › The development and introduction of an Ethics scorecard to define and measure the performance of our ethics systems.
- › The introduction of SpeakUp!, an anonymous global reporting program for employees and suppliers to report potential ethics or compliance issues in their own languages.

- › Expansion of the Ethics Committee with the inclusion of the Director of Global EHS and CSR, helping to ensure alignment with the EICC framework and further diversify the committee.
- › The introduction of the internal ethics homepage on the ASMI intranet, to improve communication and transparency with our workforce.

Our 2013 performance reporting using the ethics scorecard criteria is detailed below.

### ANNUAL ETHICS SCORECARD 2013

SCOPE	PERFORMANCE CRITERIA	2013 TARGET	2013 RESULT
NEW HIRES	Mandatory sign off on having received, read, understood and agreed to the Code of Ethics	100%	100%
	Sign off to be registered in SAP	100%	100%
	Training and passing the certification exam	100%	98%
ALL EMPLOYEES	Number of employees trained annually (conflict of interest, insider trading, fraud)	100%	98%
	Conflict of interest complaints <sup>1)</sup>	≤2	1
	Insider trading complaints <sup>1)</sup>	0	0
	Fraud complaints <sup>1)</sup>	≤2	0
	Conflict of interests ethical incidents <sup>2)</sup>	≤4	0
	Insider trading ethical incidents <sup>2)</sup>	0	0
ETHICS	Fraud ethical incidents <sup>2)</sup>	≤2	0
	Ethics system improvements introduced	2	4 <sup>3)</sup>
	Departmental meetings where ethics is addressed	at least once a year	1

<sup>1)</sup> Received and admissible by the Ethics Committee.

<sup>2)</sup> Discovered via internal controls.

<sup>3)</sup> Improvements implemented:

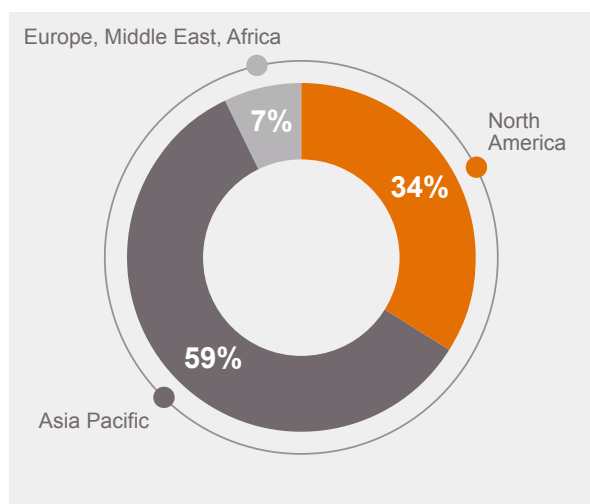
- implemented SpeakUp! Integrity line globally;
- flow chart developed for SpeakUp! process;
- ethics homepage launched on intranet;
- additional members added to the committee outside of HR.



# SUPPLY CHAIN

At ASMI, we see the bigger picture. Our corporate responsibility does not stop at our front door; it applies to everyone across the world that works with us, including all of our suppliers. We rely on suppliers across a wide range of commodities in 18 countries around the globe. Our supply chain also employs thousands of workers.

## SUPPLY CHAIN SPEND BY REGION 2013



Our supply chain is diverse, not only in geography but also in categories of businesses. The main categories of suppliers include contract manufacturers, metal fabrication, gas systems, robotics, heaters, electronics, and high-tech chemistries, just to name a few. This diversity offers jobs at all skill levels, opening up opportunities to be a part of an exciting industry.

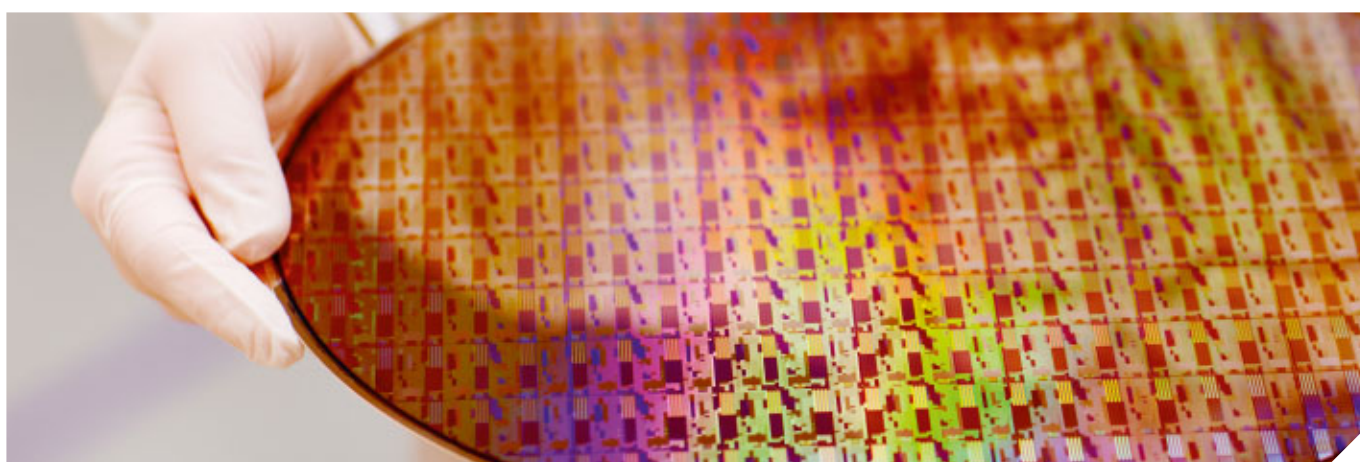
Our Corporate Responsibility Policy includes a commitment to ensure we are conducting business responsibly both in our operations and throughout our supply chain. To this end, in 2013 we made significant progress in engaging with our critical suppliers in including them in our pledge. Suppliers are determined to be critical through a method incorporating criteria such as spend amount, number of similar or alternative suppliers, and the amount of time needed to switch suppliers if necessary. In 2013, we introduced EICC self-assessments to our top-tier contract manufacturing suppliers, reviewed the assessments with them, and began a process of ensuring they are on a path toward EICC compliance.

We continue to work with our supply chain to control conflict minerals and meet reporting requirements. During 2013, ASMI released its Conflict Minerals Policy and engaged every supplier with Reasonable Country of Origin Inquiries. As many other companies in the industry are experiencing, we expect this process to take two to three years. We look forward to working further with our supply chain so that it achieves full compliance with the requirements of Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act.



# CORPORATE GOVERNANCE

At ASMI, we're committed to upholding high standards in corporate governance and ethics practices. We believe our comprehensive internal policies and procedures provide a structure for the operation of ASMI that is consistent with the best interests of our shareholders and customers as well as the legal requirements.



## RISK MANAGEMENT

Managing risks is explicitly on the management's agenda and embedded within our company. The Management Board is responsible for designing, implementing and operating an adequately functioning Internal Risk Management and Control Framework.

**40**

## SUPERVISORY BOARD

The supervision over the policies of our Management Board and the general course of our business, and the related management actions, is entrusted to the Supervisory Board.

**44**

## MANAGEMENT BOARD

The CEO and CFO are collectively and individually accountable to the Supervisory Board and the General Meeting of Shareholders for executing the Management Board's responsibilities.

**38**





# CORPORATE GOVERNANCE PRINCIPLES

As we are listed on both the NASDAQ Global Select Market and the NYSE Euronext Amsterdam Stock Exchanges, we are required to comply with the applicable Sarbanes-Oxley Act corporate governance requirements, applicable best practices set out by NASDAQ, the US Securities and Exchange Commission (SEC) and the Dutch Corporate Governance Code published in December 2008 (the “Code”).

At ASMI, we are committed to upholding high standards in corporate governance and ethics practices. We have established numerous internal policies and procedures that we believe provide a good structure for operating ASMI that meets the best interests of our shareholders and customers as well as applicable legal requirements. We endeavor to ensure that our policies and procedures comply with both applicable US and Dutch corporate governance requirements, to the extent possible and desirable. In this section, we explain our corporate governance structure that has been established in accordance with the Code.

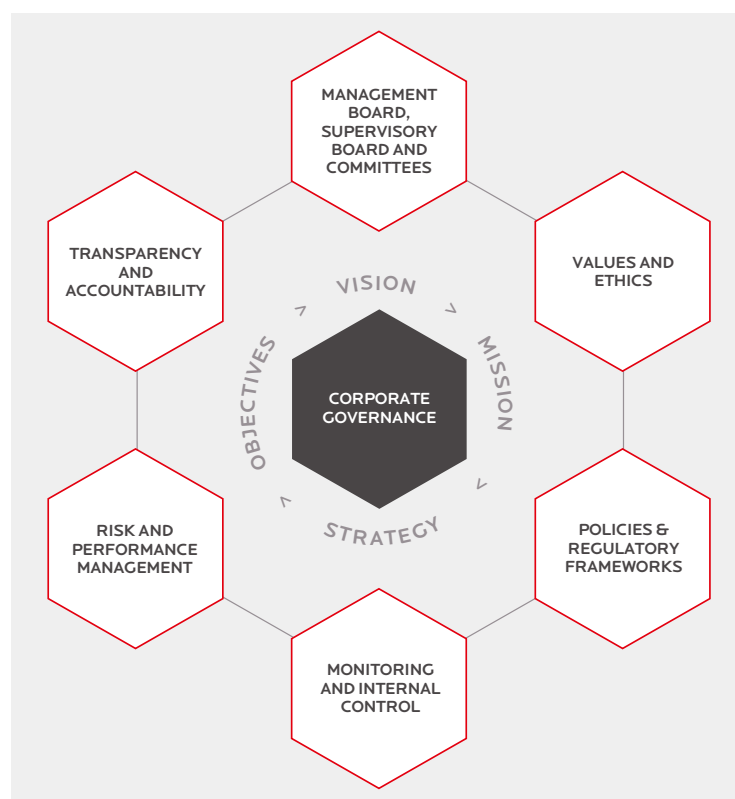
Corporate governance-related documents are available on our website. These include the Supervisory Board Profile, Supervisory Board Rules, Management Board Rules, the Audit Committee Charter, the Nomination, Selection and Remuneration Committee Charter, the Code of Ethics, the Whistleblower Policy, the Anti-Fraud Policy, the Rules concerning Insider Trading and the Remuneration Policy.

## DUTCH CORPORATE GOVERNANCE CODE

This Code contains principles and best practices for Dutch companies with listed shares. It requires companies to either comply with these best practice provisions or to explain why they deviate from the Code. The Code has been granted statutory force by designating it as a code of conduct pursuant to article 2:391 subsection 5 of the Dutch Civil Code. A copy of the Code can be downloaded from our corporate website.

In general, we agree with rule II.2.8 of the Code that in most circumstances a maximum severance payment of one year for Management Board members is appropriate. However, we want to reserve the right to agree to different amounts in case we deem this to be required by the circumstances. Any deviations will be disclosed.

## CORPORATE GOVERNANCE FRAMEWORK



# MANAGEMENT BOARD



**Charles D. (Chuck) del Prado**

Chairman of the Management Board,  
President and Chief Executive Officer

**Peter A.M. van Bommel**

Member of the Management Board,  
Chief Financial Officer

## RESPONSIBILITIES

In addition to the duties of the Management Board stipulated by law and our Articles of Association, the Management Board has the following responsibilities:

- › Achieving the aims, strategy, policy and results of the Company;
- › Managing the risks associated with the activities of the Company;
- › Ensuring proper financing of the Company;
- › Establishing and maintaining disclosure controls and procedures that ensure that all major financial information is known to the Management Board in order to ensure that the external financial reporting is achieved in a timely, complete and accurate manner; and
- › Determining relevant aspects and achieving aims relating to corporate social responsibility and sustainability.

The Management Board shall be guided by the interests of the Company, and shall also take the interests of all stakeholders into consideration.

The members of the Management Board are collectively responsible for managing the Company. They are collectively and individually accountable to the Supervisory Board and the General Meeting of Shareholders for executing the Management Board's responsibilities. The Management Board has the general authority to enter into binding agreements with third parties.

The Management Board shall ensure that the Company has an adequately functioning Internal Risk Management and Control Framework. The Management Board shall periodically discuss the internal risk management and control systems with the Supervisory Board and the Audit Committee, including any significant changes that have been made and any major improvements that are planned. The Management Board shall provide the Supervisory Board with all information that they reasonably require for the fulfillment of their obligations and the exercise of their powers in a timely fashion.

The Management Board shall provide the General Meeting of Shareholders with all information that they reasonably require for the fulfillment of their obligations and the exercise of their powers in a timely fashion, unless this would be in conflict with an overriding interest of the Company. If the Management Board invokes an overriding interest, it must give reasons for doing so.

The Management Board is responsible for the quality and completeness of financial and other reports that are publicly disclosed by or on behalf of the Company, including all reports and documents the Company is required to file with regulatory agencies.

## CONFLICTS OF INTEREST

Each Management Board member shall immediately report any potential conflict of interest to the Chairman of the Supervisory Board and to the other Management Board members. In such cases a Management Board member shall provide the Chairman of the Supervisory Board and the other Management Board members with all information relevant to the conflict and follow the procedures as set out in the Management Board Rules.

## APPOINTMENT, SUSPENSION AND DISMISSAL

The General Meeting of Shareholders appoints a Management Board member based on a binding nomination drawn up by the Supervisory Board. The General Meeting of Shareholders may set aside a binding nomination by a resolution taken with an absolute majority of the votes cast, representing at least one third of the share capital. If such a binding nomination is set aside, a new binding nomination will be drawn up by the Supervisory Board and submitted to a newly called General Meeting of Shareholders. If this binding nomination is set aside, the General Meeting of Shareholders is free to appoint a Management Board member, but only with an absolute majority of the votes cast representing at least one third of our issued capital.



A Management Board member may be suspended at any time by the Supervisory Board. A Management Board member may, in accordance with a proposal by the Supervisory Board, be dismissed by the General Meeting of Shareholders through a majority vote. A resolution to suspend or to dismiss a member of the Management Board, other than in accordance with a proposal of the Supervisory Board, shall require the affirmative vote of a majority of the votes cast at a meeting. The affirmative votes must represent at least one third of the issued capital.

The Management Board is currently composed solely of men. The Company recognizes the importance of diversity in its members in respect to gender and makes all reasonable efforts to ensure a balanced participation by men and women in the Management Board. However, the Company has not achieved the requisite gender balance for the current Management Board because the pool of suitable candidates, in terms of relevant expertise and industry experience, is very limited at the moment. When this situation changes, the Company shall make all reasonable efforts to see that 30% of the seats of the Management Board are taken by women.

## REMUNERATION

The remuneration of individual members of the Management Board is decided upon by the Supervisory Board, based on the recommendations by the Nomination, Selection and Remuneration Committee of the Supervisory Board and on the Company's Remuneration Policy. Our Remuneration Policy was last adopted by the General Meeting of

Shareholders in 2010. The remuneration structure includes four components: a fixed (base) salary component, a variable component (annual bonus or short-term incentive), a long-term component (stock options) and pension provisions and fringe benefits. The remuneration structure reflects short-term and long-term elements of the responsibilities of members of the Management Board.

ASMI has adopted a stock option plan, which was submitted to and adopted by the General Meeting of Shareholders at the 2001 Annual General Meeting of Shareholders. At the 2006 Annual General Meeting of Shareholders, this plan was extended for a five-year period that ended in 2011. In 2011, a new stock option plan was adopted by the Company that consists of two sub-plans: the ASMI Stock Option Plan for employees (ESOP) and the ASMI Stock Option Plan for members of the Management Board (MSOP). The number of options outstanding, under the stock option plans or under any other plan or arrangement combined, may never exceed 7.5% of ASMI's share capital, which is in accordance with the ASMI Remuneration Policy.

For further information regarding the remuneration of the Management Board, please see the Remuneration Policy, which is posted on our website, the Remuneration report 2013, the report of the Supervisory Board 2013, which is included in our Annual report 2013, and Item 6.B "Directors, senior management and employee compensation" and in Note 29 "Board remuneration" of the Annual report 2013 on Form 20-F, which will be posted on our corporate website as well.



# RISK MANAGEMENT

The Management Board is responsible for designing, implementing and operating an adequately functioning Internal Risk Management and Control Framework in the Company. The objective of this Framework is to identify and manage the strategic, operational, financial, financial reporting and compliance risks to which the Company is exposed, to promote effectiveness and efficiency in the Company's operations, to promote reliable financial reporting and to promote compliance with laws and regulations.

The Management Board is aware that such a Framework can neither provide absolute assurance that its objectives will be achieved, nor can it entirely prevent material errors, losses, fraud and the violation of laws and regulations. For a detailed discussion of our risk factors, see Item 3.D. "Risk factors" of our Annual report 2013 on Form 20-F, which will be posted on our website. Our Internal Risk Management and Control Framework is based on the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Framework aims to provide reasonable assurance regarding effectiveness and efficiency of an entity's operations, reliability of financial reporting, prevention of fraud, and compliance with laws and regulations.

Our Internal Risk Management and Control Framework has the following key components:

## RESPONSIBILITIES

The Management Board is responsible for designing, implementing and operating an adequately functioning Internal Risk Management and Control Framework in the Company. Management of our subsidiaries is responsible for managing performance, risks and effectiveness of its operations, according to our Management Board's guidelines, and supported and supervised by ASMI departments.

## AUTHORIZATION

Management of risks is supported by authorization limits with respect to expenditures and commitments.

## PLANNING AND CONTROL CYCLE

The annual budgets of operating units are approved by the Management Board and the Supervisory Board.

The planning and control cycle starts with an annual strategy meeting. The budget includes objectives and targets, which provide the basis for monitoring performance. The budget is followed up by monthly outlooks and quarterly forecasts.

The Management Board monitors both operational and financial performance on a monthly basis, which includes discussion with management of the operating (business and support) units. In addition, performance and action plans are discussed in operational performance reviews of the operating units.

Each quarter, the actual performance of our Front-end operating units is compared to the budgets and planning, and this is discussed with the ASMI Audit Committee and the Supervisory Board. The ASMPT Board is responsible for ongoing monitoring of the performance of the Back-end activities. The actual results of the Back-end operating unit are discussed with the ASMPT Audit Committee, which includes the representative of ASMI. The ASMI representative reports to the ASMI Management Board and the Audit Committee of ASMI on a quarterly basis.

## CODE OF ETHICS, WHISTLEBLOWER POLICY AND ANTI-FRAUD POLICY

Our Code of Ethics applies to all of our employees worldwide, as well as our Supervisory Board and Management Board. The Code of Ethics is designed to promote honest and ethical conduct and timely and accurate disclosure in our periodic financial reports.

Our Whistleblower Policy provides for the reporting of alleged violations of the Code of Ethics and alleged irregularities of a financial nature by the Company's employees or other stakeholders to the Management Board and/or the Supervisory Board without any fear of reprisal against the individual who reports the violation or irregularity.

Our Anti-Fraud Policy provides specific rules to promote ethical conduct and understanding of legal requirements regarding anti-corruption matters (such as bribery and corruption of governmental officials) and anti-fraud matters (such as maintaining accurate and complete Company records, protection and use of the Company's resources, information security and conflicts of interest).



## ENVIRONMENT, HEALTH AND SAFETY PROCEDURES

We have embedded various procedures related to the environment, health and safety in most of our operations. With respect to safety procedures, material safety incidents are monitored and reported to the Management Board.

## DISCLOSURE CONTROLS AND PROCEDURES

We have established extensive guidelines for the lay-out and content of our annual reports. These guidelines are primarily based on applicable laws. We apply the requirements of the US Securities and Exchange Act 1934 in preparing our Annual report 2013 on Form 20-F, and prepare the financial statements included therein in accordance with US GAAP. We follow the requirements of applicable Dutch laws and regulations in preparing our Statutory annual report 2013, and prepare the financial statements included therein in accordance with International Financial Reporting Standards (IFRS). With respect to the preparation process of these and other financial reports, we apply internal procedures to safeguard completeness and correctness of such information as part of our disclosure controls and procedures.

The Disclosure Committee, consisting of senior managers from various functional areas within the Company, assists the Management Board in overseeing the Company's disclosure activities. It ensures compliance with applicable disclosure requirements arising under US and Dutch law and regulatory requirements. The Disclosure Committee obtains information for its recommendations from the operational and financial reviews, letters of representation, which include a risk and internal control self-assessment, input from the documentation and assessment of our internal controls over financial reporting and input from risk management activities during the year.

After evaluating the effectiveness of our disclosure controls and procedures and recommendation of the Disclosure Committee, the Management Board concluded that, as of December 31, 2013 our disclosure controls and procedures were effective.

## POLICIES AND PROCEDURES

We have implemented financial policies and procedures, including accounting policies and a standard chart of accounts, information technology policies and procedures and non-financial policies and procedures to ensure control by the Management Board over the Company's operations. Managing directors and finance directors of our main

subsidiaries and business and support units sign a detailed letter of representation quarterly to confirm compliance with financial reporting, internal controls and ethical principles.

## RISK MANAGEMENT AND INTERNAL CONTROLS

We have embedded an Internal Risk Management and Control Framework ("Framework") in the Company. Within the Framework, we continue to enhance our identification and assessment of our strategic, operational, financial, financial reporting and compliance risks, and continue to expand our risk management policies. We have documented our internal controls for all significant risks and continuously assess such internal controls. We have identified key controls over financial reporting and embedded these in common business and financial reporting processes to provide further assurance for the reliability of our financial reporting.

The Framework and the evaluation of the effectiveness of our internal controls and areas for improvement are regularly discussed with the Audit Committee and Deloitte Accountants, our external auditor. The Audit Committee reports on these matters to the Supervisory Board.

The Management Board conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation of the effectiveness of the Company's internal control over financial reporting, in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (SOX 404), all members of the Management Board concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective and provides reasonable assurance for the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In addition, to the best of the knowledge of the Management Board, the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, as well as a description of the principal risks and uncertainties that the Company faces. No changes to the Company's internal control over financial reporting have occurred during 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



All internal control systems, no matter how well designed and implemented, have inherent limitations. Even systems determined to be effective may not prevent or detect misstatements or fraud and can only provide reasonable assurance with respect to disclosure and financial statement presentation and reporting. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changed conditions and that the degree of compliance with the policies or procedures may deteriorate.

In view of all of the above, the Management Board believes that it complies with the requirements of rule II.1.5 of the Code.

## IDENTIFICATION AND ASSESSMENT OF RISKS

Risk management is a continuous process that is the responsibility of management. Efforts have been made to establish a process for separate monitoring and reporting of business risks. Interviews and meetings with the Management Board and senior management have been conducted to identify and assess those risks that threaten ASMI in achieving our company objectives and strategy, and the mitigating controls and programs have been put in place. The assessment process is in progress and will continue on an ongoing basis. To provide an understanding of our business risks, we give an indication below of some risks that we face. We also refer to the section entitled "Risks related to our business" set forth in our Form 20-F filed with the SEC. This does not constitute a complete list of all strategic, operational, compliance, financial and financial reporting risks to which we are exposed, nor does it imply an order of priority.

› **Economic and market risk** ASMI is vulnerable to changing economic circumstances and market conditions. The semiconductor industry and market have always been very cyclical and dependent on the economic climate. We face the risk of not being able to respond rapidly and effectively to these industry cycles, and of not being able to reduce our activities and expenses in time. On the other hand, industry upturns have been characterized by fairly abrupt increases in demand for semiconductor devices and equipment and insufficient production capacity. During a period of increasing demand and rapid growth, we must be able to quickly increase manufacturing capacity to meet customer demand and to take on a sufficient number of additional qualified personnel. These variable economic and market conditions materially affect our revenues, income, assets and liquidity and capital resources. This cyclical nature is inherent to the semiconductor industry, but we endeavor

to mitigate its effects. As an example, we have increased the flexibility of our capacity. We also focus on the sales of spare parts and customer service, which are less affected by the economic climate and are expected to continue even in a period of declining demand.

› **Cash resources risk** Managing our cash position becomes more important in periods of economic decline and affects our revenues and the creditworthiness of customers. As a result, our cash position may be severely impacted. Credit facilities are in place to mitigate the impact on our cash position. We also try to find a balance between cost control and reduction of expenses on the one hand, and continued investment in engineering, and research and development in advanced technology on the other hand.

› **Balancing cost control and long-term investments** As market conditions affect our business through a decline in revenues, cost control becomes an important measure to reduce the impact on financial results. Our industry is subject to rapid declines in revenues and we may not be able to respond in time by reducing costs and expenses to avoid this having a negative impact on financial results. Furthermore, our future success depends to a large extent upon our ability to define and realize product roadmaps that are well aligned with the industry, and may contain technology projections for as many as five to ten years forward. The execution of a product roadmap requires expenditures in investments for research and development programs.

Our ability to reduce costs and expenses is limited by our need for continued investments. In addition, long lead times for production and delivery of some of our products create a risk that we may incur expenditures and purchase inventories for products that we cannot sell.

› **Customer creditworthiness** Our customers operate under volatile market conditions and this affects the creditworthiness of several of these companies. We may not succeed in completely avoiding the effect of bad debts. It has become more critical to assess the creditworthiness of customers and to closely monitor our outstanding receivables. Therefore, we review risk profiles of customers and adjust them, based on due diligence information. The assessment process is carried out under the responsibility of the sales managers with support from the regional and finance managers. Furthermore, provisioning has taken place to mitigate the impact of bad debts.

› **Availability of financial back-up facilities** ASMI has a credit facility for short-term funding of working capital. The renewal of credit facilities may be at risk when financial institutions are not willing to provide new facilities



and this can lead to liquidity stringency. The current cash position and credit facilities of ASMI are considered adequate. We refer to Item 5 “Operating and financial review and prospects” set forth in our Form 20-F 2013, for more insight into the financing position of the Company. Per December 31, 2013 ASMI has a long-term credit facility and is debt-free.

› **Foreign currency exchange rates risk** The foreign currency exchange risk exists for three types of risk:

- **Transaction risk** We conduct business in a number of foreign countries, with certain transactions denominated in currencies other than our functional currency (euro) or the currency of one of our subsidiaries. We might manage the effect of exchange rate fluctuations on revenues, costs and eventual cash flows and assets and liabilities denominated in selected foreign currencies, in particular in the US dollar, through derivative instruments (including forward exchange contracts).

- **Translation risk** The translation of financial results from our foreign entities could lead to translation effects of reported results. These translation effects (especially from the US dollar, the Singapore dollar, the Korean won and the Japanese yen to the euro) may have a material effect on the reported results. Since the translation to the reporting currency does not lead to realized currency exchange results, and local activities are done in the same currency, the translation risk is not covered.

- **Economic risk** The activities in different countries and foreign currencies may have the economic risk that exchange rate changes lead to unfavorable competitive circumstances. The mismatch of currency between revenues and expenditures leads to economic exposure. We have taken the following mitigating measures: loans in local currency to mitigate the economic risk from currency mismatch, increased flexibility in the currency of sourcing, and bringing manufacturing activities to Singapore. The move to Singapore should primarily improve our competitive edge, but will also limit our economic risk to a certain extent.





# SUPERVISORY BOARD

From left to right: Jan C. Lobbezoo, Heinrich W. Kreutzer, Johan M.R. Danneels, Martin C.J. van Pernis, Ulrich H.J. Schumacher



## RESPONSIBILITIES

The supervision over the policies of our Management Board and the general course of our business, and the related management actions, is entrusted to the Supervisory Board. In our two-tier structure under applicable Dutch law, the Supervisory Board is a separate body independent from the Management Board.

The Supervisory Board supervises and advises the Management Board in executing its responsibilities, particularly regarding:

- › The achievement of the Company's objectives;
- › Corporate strategy and the risks inherent in the business activities;
- › The structure and operation of the internal risk management and control systems;
- › The financial reporting process;
- › Compliance with legislation and regulations;
- › The relation of the Company to its shareholders; and
- › Relevant aspects of corporate social responsibility.

## CONFLICTS OF INTEREST

A Supervisory Board member facing a conflict of interest shall, in accordance with Article 13 of our Supervisory Board Rules, inform the Chairman of the Supervisory Board immediately. The Chairman shall, if possible in consultation with the other members of the Supervisory Board, determine the course of action to be taken.

## APPOINTMENT

In accordance with Dutch law and the Code, the Supervisory Board has drawn up a profile for its own composition. This Supervisory Board Profile is available on our website. The Supervisory Board shall consist of at least three members. The members should operate independently of each other and within a good relationship of mutual trust. They should be experienced in the management of an

international, publicly listed company, and have sufficient time available to fulfill the function of a Supervisory Board member. The Supervisory Board members appoint a Chairman from among themselves.

The Supervisory Board is currently composed of five members who are appointed in the same way as the members of the Management Board. Supervisory Board members serve a four-year term and may be re-elected twice.

The Supervisory Board is currently composed solely of men. The Company recognizes the importance of diversity in its members in respect to gender and makes all reasonable efforts to ensure a balanced participation by men and women in the Supervisory Board. However, the Company has not achieved the requisite gender balance for the current Supervisory Board because the pool of suitable candidates in terms of relevant expertise and industry experience is very limited at the moment. When this situation changes, the Company shall make all reasonable efforts to see that 30% of the seats of the Supervisory Board are taken by women.

Any appointment or reappointment to the Supervisory Board shall be based on the candidate's match with the Supervisory Board Profile. For reappointment, the candidate's performance during the previous period shall be taken into account. A Supervisory Board member who is available for reappointment must be interviewed by the Chairman of the Nomination, Selection and Remuneration Committee. The Chairman of the Nomination, Selection and Remuneration Committee must be interviewed by the Chairman of the Supervisory Board. All members of the Supervisory Board follow an introduction program after their first appointment, in which financial and legal aspects as well as financial reporting and specific features of ASMI are discussed.



## REMUNERATION

The remuneration of the Supervisory Board was approved by the shareholders in the 2011 Annual General Meeting of Shareholders.

## INDEPENDENCE

All members are considered to be independent under the NASDAQ regulations and the Code.

## COMPOSITION AND ROLE OF KEY COMMITTEES OF THE SUPERVISORY BOARD

In order to more efficiently fulfill its role and in compliance with the Code, the Supervisory Board has created the following committees:

- › **Audit Committee** This Committee has a supervisory task with regard to monitoring the integrity of our financial reports and risk management. The Audit Committee consists of Mr Kreutzer (Chairman), Mr Lobbezoo and Mr Schumacher. The Audit Committee supervises the activities of the Management Board with respect to:
  - The structure and operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations;
  - Our release of financial information;
  - Compliance with recommendations and observations of internal and external auditors;
  - Our policy on tax planning;
  - Relations with the external auditor, including, in particular, its independence;
  - Remuneration, and any non-audit services performed for us;
  - Our financing and financial position; and
  - The applications of information and communication technology.

The Audit Committee meets periodically to:

- Nominate a firm to be appointed as independent auditors;
- Audit the financial statements and perform services related to the audit;
- Review the scope and results of the audit with the independent auditors;
- Review our annual operating results with management and the independent auditors;
- Review the scope and results of internal audits with Internal Audit; and
- Consider the adequacy of the internal control procedures and the procedures and evaluations relating to the auditor's independence.

As recommended by the Sarbanes-Oxley Act and the Code, we intend for the Audit Committee to include at least one financial expert, who must have in-depth experience and knowledge of financial statements, international accounting principles and internal controls and procedures for financial reporting. The Supervisory Board has concluded that Mr Lobbezoo meets these requirements.

### › **Nomination, Selection and Remuneration Committee**

**Committee** This Committee advises the Supervisory Board on matters relating to the selection and nomination of the members of the Management Board and Supervisory Board. The Committee further monitors and evaluates the Remuneration Policy for the Management Board. This Committee consists of Mr van Pernis (Chairman), Mr Danneels and Mr Lobbezoo. The objective of the Remuneration Policy is twofold:

- To create a remuneration structure that will allow ASMI to attract, reward and retain qualified executives who will lead ASMI in achieving its strategic objectives; and
- To provide and motivate these executives with a balanced and competitive remuneration.

The remuneration structure includes five elements: base salary, annual incentive (bonus), long-term incentive (stock options), pension and other arrangements. The remuneration structure reflects short-term and long-term elements of the responsibilities of members of the Management Board.

The Nomination, Selection and Remuneration Committee ensures that a competitive remuneration structure is provided by benchmarking with other multinational companies of comparable size and complexity operating in comparable geographical and industrial markets. The Nomination, Selection and Remuneration Committee evaluates the achievement of performance criteria specified per Management Board member. After the evaluation, it recommends the level of remuneration to the Supervisory Board.

On an annual basis, the Nomination, Selection and Remuneration Committee reports to the Supervisory Board on the application of the Remuneration Policy in the previous year and recommends the Remuneration Policy for the following years.



# SHAREHOLDERS

## POWERS

A General Meeting of Shareholders is held each year to discuss the Annual report and to adopt the Annual accounts. In the General Meeting of Shareholders, each ordinary share with a nominal value of €0.04 entitles the holder to cast one vote, each financing preferred share with a nominal value of €40.00 entitles the holder to cast one thousand votes and each preferred share with a nominal value of €40.00 entitles the holder to cast one thousand votes. Presently there are no preferred shares and financing preferred shares outstanding.

The powers of the General Meeting of Shareholders are defined in our Articles of Association. The main powers of the shareholders are to appoint, suspend and dismiss members of the Management Board and Supervisory Board, to adopt the financial statements, to declare dividends, to discharge the Management Board and Supervisory Board from responsibility for the performance of their respective duties for the previous financial year, to appoint the external auditors, to adopt amendments to the Articles of Association, to issue shares and grant subscriptions for shares, to authorize the Management Board to issue shares and grant subscriptions for shares, to withdraw pre-emptive rights of shareholders upon issuance of shares, to authorize the Management Board to withdraw pre-emptive rights of shareholders upon issuance of shares, and to authorize the Management Board to repurchase or cancel outstanding shares.

## RECORD DATE

In accordance with Dutch law, the record date to exercise voting rights by shareholders at a general meeting is twenty-eight days prior to the meeting. Only shareholders of record at that date will be entitled to attend and vote at the meeting.

## EXTERNAL AUDIT

Our external auditor is appointed by the General Meeting of Shareholders and is nominated for appointment by the Audit Committee. Our current external auditor, Deloitte Accountants B.V. (Deloitte), was reappointed in the 2013 General Meeting of Shareholders. The Audit Committee has determined that the provision of services by Deloitte and its member firms is compatible with maintaining Deloitte's independence. All audit and permitted non-audit services provided by Deloitte and its member firms during 2013 were pre-approved by the Audit Committee.

The Audit Committee has adopted the following policies and procedures for pre-approval of all audit and permitted non-audit services provided by our independent registered public accounting firm:

- › **Audit Services** Management submits to the Audit Committee for pre-approval the scope and estimated fees for specific services directly related to performing the independent audit of our consolidated financial statements for the current year.
- › **Audit-Related Services** The Audit Committee may pre-approve expenditures up to a specified amount for services included in identified service categories that are related extensions of audit services and are logically performed by the auditors. Additional services exceeding the specified pre-approved limits require specific Audit Committee approval.
- › **Tax Services** The Audit Committee may pre-approve expenditures up to a specified amount per engagement and in total for identified services related to tax matters. Additional services exceeding the specified pre-approved limits, or involving service types not included in the pre-approved list, require specific Audit Committee approval.
- › **Other Services** In the case of specified services for which utilizing our independent registered public accounting firm creates efficiencies, minimizes disruption or preserves confidentiality, or for which management has determined that our independent registered public accounting firm possesses unique or superior qualifications to provide such services, the Audit Committee may pre-approve expenditures up to a specified amount per engagement and in total. Additional services exceeding the specified pre-approved limits, or involving service types not included in the pre-approved list, require specific Audit Committee approval.



# INTERNAL AUDIT

The Internal Audit function is established to strengthen the governance of the Company by creating an independent, objective function that adds value by improving operation by providing assurance, audit recommendations and advisory activities. Internal Audit assists the Audit Committee and the Management Board in accomplishing their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In addition, Internal Audit provides an advisory service to the Company, based on the outcome of its experience in reviewing and appraising operations and systems.

## DECLARATIONS

### RESPONSIBILITY STATEMENT

The members of the Management Board state that, to the best of their knowledge, (i) the financial statements, as shown on pages 127 to 191 of this Annual report 2013, provide a true and fair view of the assets, liabilities, financial position and results for the financial year 2013 of the Company and its subsidiaries included in the consolidated statements, (ii) the Annual report 2013 provides a true and fair view of the position and the business of the Company and its subsidiaries (details of which are contained in the financial statements), and (iii) the Annual report 2013 provides a description of the principal risks and uncertainties that the Company faces.

### CORPORATE GOVERNANCE STATEMENT

According to the Governmental Decree of December 23, 2004 (as lastly amended on December 10, 2009), the Company is required to publish a statement on corporate governance. This statement has to report on compliance with the Code. Furthermore, a description must be included of the main characteristics of the internal risk management and control systems connected with the Company's financial reporting process. The corporate governance statement must also provide information on the functioning of the General Meeting of Shareholders, including its main rights, the composition of the Management Board and the Supervisory Board, including its committees, and the information which must be disclosed pursuant to the Decree Article 10 Takeover Directive.

The Management Board states that the information required by the December 23, 2004 (as lastly amended on December 10, 2009) decree is included in this "Corporate Governance" chapter.



# REPORT OF THE SUPERVISORY BOARD

## FINANCIAL STATEMENTS

We present the ASMI 2013 Annual report and Financial Statements for Form 20-F in accordance with US GAAP, as prepared by the Management Board and reviewed by the Supervisory Board. Our independent auditors, Deloitte Accountants B.V., have audited these Financial Statements and issued an unqualified opinion. Their report appears on page 131 and 132 of the Form 20-F.

All of the members of the Supervisory Board have signed the Financial statements in respect of the financial year 2013.

## SUPERVISION

Supervision of the Management Board, its policy decisions and actions, are entrusted to the Supervisory Board. In accordance with Dutch law, the Supervisory Board is a separate body, independent of the Management Board. The Supervisory Board supervises and advises the Management Board in executing its responsibilities. The profile of the Supervisory Board describes the range of expertise that should be represented within the Board. The procedures of the Supervisory Board and the division of its duties are laid down in the Supervisory Board Rules. Both documents are available on our website.

## MEETINGS OF THE SUPERVISORY BOARD

During 2013, the Supervisory Board met with the Management Board on eight occasions. Furthermore, the Supervisory Board held a few conference calls without the Management Board participating. All Supervisory Board members attended all meetings with the Management Board. In these meetings, the Boards discussed strategy, operations, business risks, product and market developments, the Company's organization, management and financial structure and performance, including further profitability improvements. In 2013, an important step was taken by the Company to reduce its stake in ASMPT from 53% to 40% via a partial secondary placement. This step was effected in the course of March 2013 and was the result of the decision taken by the Management Board and

concurrent by the Supervisory Board to address the non-recognition by the markets of the value of the combined businesses of the Company. As a consequence of the reduction in ASMPT shareholding to 40%, the ASMPT financial figures had to be de-consolidated from the ASMI consolidated figures. This had a substantial effect on the reported figures for 2013 reported by ASMI; both in terms of P&L account as well as the balance sheet.

In addition, the Supervisory Board discussed the functioning of the Supervisory Board and its individual members, the relationship between the Supervisory Board and the Management Board, the composition of the Management Board, its performance, and the performance of its individual members without the members of the Management Board attending.

## CORPORATE GOVERNANCE

Included in the responsibilities of the Supervisory Board is to oversee the Company's compliance with corporate governance standards and best practices in the Netherlands and the United States. The changes to the amended Dutch Corporate Governance Code relate, amongst others, to risk management of the Company, remuneration of Management Board members and corporate social responsibility issues. These matters were broadly discussed within the Supervisory Board. The Supervisory Board is of the opinion that the Company complies with the Sarbanes-Oxley Act and applicable corporate governance requirements and best practices set out by NASDAQ, the US Securities and Exchange Commission (SEC), and the Dutch Corporate Governance Code, except for those discussed in the Corporate Governance section, which follows this report.

## SUPERVISORY BOARD COMPOSITION

In 2013 Gert Jan Kramer, Chairman of the Supervisory Board, decided not to pursue reappointment for a second four-year term. Jan Lobbezoo was subsequently appointed as the new Chairman. The Supervisory Board is currently composed of five members.

## MANAGEMENT BOARD COMPOSITION

The Management Board is composed of two members.

## SUPERVISORY BOARD COMMITTEES

### AUDIT COMMITTEE

The role of the Audit Committee is described in its charter, which is available on the Company's website, [www.asm.com](http://www.asm.com). The Audit Committee consists of Messrs. Heinrich Kreutzer (Chairman), Jan Lobbezoo and Ulrich Schumacher.

During the year, the Audit Committee met with the Management Board and Deloitte Accountants, the Company's independent auditors, on four occasions, and in one conference call. Audit Committee discussions included: the Company's internal risk management systems; progress in testing operating effectiveness of internal controls required by Section 404 of the Sarbanes-Oxley Act; the Company's financial position and financing programs; the application of accounting principles; the establishment of an internal audit function; the appointment of Deloitte Accountants; the selection process of a new auditor as from 2015 onwards; the audit performed, and its findings, the Annual report and Annual accounts; and the budget and the quarterly progress reports prepared by the Management Board.

On one occasion, the Audit Committee met with Deloitte Accountants, without the members of the Management Board present, to discuss the risk of fraud. Furthermore, the Audit Committee discussed the auditor's performance with the Management Board without Deloitte Accountants present.




### NOMINATION, SELECTION AND REMUNERATION COMMITTEE

The role of the Nomination, Selection and Remuneration Committee is described in its charter, which is available on the Company's website. In general, the Committee advises the Supervisory Board on matters relating to the selection and nomination of new Management Board members, as well as the remuneration of the members of the Management Board. This Committee consists of Messrs. Martin van Pernis (Chairman), Jan Lobbezoo and Johan Danneels.

In 2013, the Nomination, Selection and Remuneration Committee held four meetings and several conference calls. The topics discussed included the remuneration of the individual members of the Management Board and the evaluation of the remuneration policy for the Management Board. During the meetings of the Committee, the Chief Executive Officer was present, except on the occasion when his own remuneration was discussed.

The remuneration of the members of the Management Board is disclosed in Item 6.B. of the Annual report on Form 20-F, "Directors, Senior Management and Employees – Compensation." The remuneration of the members of the Management Board during 2013 is fully in accordance with the Remuneration Policy. The Remuneration Policy for the Management Board has been submitted to, and adopted by, the 2010 Annual General Meeting of Shareholders.

## COMMITTEES STRUCTURE AND MEMBER INFORMATION

	AUDIT COMMITTEE	NOMINATION, SELECTION AND REMUNERATION COMMITTEE	SUPERVISORY BOARD
Jan C. Lobbezoo 			
Johan M.R. Danneels			
Heinrich W. Kreutzer			
Martin C.J. van Pernis			
Ulrich H.R. Schumacher			
 Chairperson  Member  Financial expert			





## WORD OF THANKS

We extend gratitude and appreciation to ASMI employees worldwide for their many contributions and enduring commitment to the Company. It is their commitment and determination that enabled us to make substantial progress in 2013. We recognize that the cumulative efforts of our workforce are truly creating real value for all of our stakeholders.

## SUPERVISORY BOARD

J.C. Lobbezoo, Chairman

J.M.R. Danneels

H.W. Kreutzer

M.C.J. van Pernis

U.H.R. Schumacher

Almere, the Netherlands

April 9, 2014



# FORM 20-F

As we are listed in both North America (NASDAQ) and the Netherlands (EURONEXT), ASMI prepares two separate annual reports according to the relevant standards. Our US GAAP Annual report follows the accounting principles generally accepted in the United States. The Form 20-F is the annual filing for non-US domiciled corporations with the US Securities and Exchange Commission.



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

FORM 20-F

- ☐ Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934.
- ☒ Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.  
For the fiscal year ended December 31, 2013
- ☐ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.
- ☐ Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Date of event requiring this shell company report  
For the transition period from to

Commission File Number: 0-13355

**ASM INTERNATIONAL NV**

(Exact name of Registrant as specified in its charter)

The Netherlands

(jurisdiction of incorporation or organization)

Versterkerstraat 8, 1322 AP, Almere, the Netherlands

(Address of principal executive offices)

Richard Bowers

Telephone: (602) 432-1713

Fax: (602) 470-2419

Email: dick.bowers@asm.com

Address: 3440 E. University Dr., Phoenix, AZ 85034, USA

(Name, Telephone, Email and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Shares, par value € 0.04	The NASDAQ Stock Market LLC
Securities registered or to be registered pursuant to Section 12(g) of the Act: None	
Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act: None	

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 63,468,390 common shares; 0 preferred shares.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

If this annual report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing: US GAAP ☒ International Financial Reporting Standards as issued by the International Accounting Standards Board ☐ Other ☐

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow: Item 17 ☐ Item 18 ☐

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act): Yes ☐ No ☒



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# PART I

As used in this report, the terms “we,” “us,” “our,” “ASMI,” and “ASM International” mean ASM International NV and its subsidiaries, unless the context indicates another meaning, and the term “common shares” means our common shares, par value €0.04 per share. Since we are a Netherlands company, the par value of our common shares is expressed in euros (“€”). The terms “United States” and “US” refer to the United States of America.

## FORWARD LOOKING SAFE HARBOR STATEMENT

Some of the information in this report constitutes forward-looking statements within the meaning of the United States federal securities laws, including the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements include, among others, statements regarding future revenue, sales, income, expenditures, sufficiency of cash generated from operations, maintenance of a substantial interest in ASM Pacific Technology Ltd, business strategy, product development, product acceptance, market penetration, market demand, return on investment in new products, product shipment dates, corporate transactions, restructurings, liquidity and financing matters, currency fluctuations, litigation involving intellectual property, shareholder matters, and outlooks. These statements may be found under Item 4, “Information on the Company,” Item 5, “Operating and Financial Review and Prospects” and elsewhere in this report. Forward-looking statements are statements other than statements of historical fact and typically are identified by use of terms such as “may,” “could,” “should,” “project,” “believe,” “anticipate,” “expect,” “plan,” “estimate,” “forecast,” “potential,” “intend,” “continue” and similar words, although some forward-looking statements are expressed differently. You should be aware that these statements involve risks and uncertainties and our actual results could differ materially from those contained in the forward-looking statements due to a number of factors, including the matters discussed in Item 4, “Information on the Company” and the risks discussed in Item 3.D, “Risk factors.” The risks described are not the only ones facing ASMI. Some risks are not yet known and some that we do not currently believe to be material could later become material. Each of these risks could materially affect our business, revenues, income, assets, liquidity and capital resources. All statements are made as of the date of this report, and we assume no obligation to update or revise any forward-looking statements to reflect future developments or circumstances.

## ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS

Not applicable.

## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

## ITEM 3. KEY INFORMATION

### A. SELECTED CONSOLIDATED FINANCIAL DATA

The following selected financial data has been derived from ASMI's historical audited consolidated financial statements. The selected financial data should be read in conjunction with Item 5, “Operating and Financial Review and Prospects” and Item 18, “Financial Statements,” and the accompanying notes for the corresponding fiscal years:

	YEAR ENDED DECEMBER 31,				
	2009	2010	2011	2012	2013
(EUR thousand, except per share data)					
<b>Consolidated Statements of Operations data:</b>					
Net sales	590,739	1,222,900	1,634,334	1,418,067	612,277
Cost of sales	(409,224)	(673,322)	(1,063,708)	(977,638)	(397,727)
<b>GROSS PROFIT</b>	<b>181,515</b>	<b>549,578</b>	<b>570,626</b>	<b>440,429</b>	<b>214,550</b>
<b>Operating expenses:</b>					
Selling, general and administrative	(107,777)	(130,596)	(174,107)	(200,799)	(94,776)
Research and development, net	(62,806)	(78,785)	(129,400)	(149,219)	(75,391)
Amortization of other intangible assets	(401)	(357)	(911)	(1,264)	(696)
Impairment of property, plant and equipment	-	-	(8,038)	-	(796)
Restructuring expenses	(35,687)	(11,201)	-	(891)	(2,473)
<b>TOTAL OPERATING EXPENSES</b>	<b>(206,671)</b>	<b>(220,939)</b>	<b>(312,456)</b>	<b>(352,173)</b>	<b>(174,132)</b>
<b>Operating income:</b>					
Gain on bargain purchase	-	-	109,279	-	-
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	<b>(25,156)</b>	<b>328,640</b>	<b>367,450</b>	<b>88,256</b>	<b>40,418</b>
Interest income	1,018	1,221	2,902	1,989	972
Interest expense	(8,556)	(15,677)	(13,497)	(12,113)	(2,943)
Gain (loss) resulting from early extinguishment of debt	(1,759)	(3,609)	(824)	(2,209)	-
Accretion interest expense convertible notes	(4,286)	(6,010)	(4,401)	(4,469)	-
Revaluation conversion option	(24,364)	(19,037)	(4,378)	-	-
Foreign currency exchange results	(1,384)	(65)	5,604	(3,957)	(8,158)
Result from investments	-	-	-	(766)	1,030,132
<b>EARNINGS (LOSS) FROM OPERATIONS BEFORE INCOME TAXES</b>	<b>(64,487)</b>	<b>285,463</b>	<b>352,856</b>	<b>66,731</b>	<b>1,060,421</b>
Income tax expense	(3,786)	(42,939)	(36,692)	(26,300)	(11,121)
<b>NET EARNINGS (LOSS)</b>	<b>(68,273)</b>	<b>242,524</b>	<b>316,164</b>	<b>40,431</b>	<b>1,049,300</b>
<i>Net earnings (loss) for allocation between shareholders of the parent and non-controlling interest</i>					
<b>Allocation of net earnings (loss):</b>					
Shareholders of the parent	(107,517)	110,639	186,770	7,149	1,051,893
Non-controlling interest	39,244	131,884	129,394	33,282	(2,593)
<b>Earnings per share data:</b>					
Basic net earnings (loss) per share	€(2.08)	€2.11	€3.38	€0.13	€16.60
Diluted net earnings (loss) per share	€(2.08)	€2.09	€3.16	€0.13	€16.35
Basic weighted average number of shares (in thousand)	51,627	52,435	55,210	56,108	63,202
Diluted weighted average number of shares (in thousand)	51,627	61,494	64,682	56,767	64,196
<b>Other data:</b>					
Number of common shares outstanding at year end (in thousand)	51,745	52,932	55,377	63,096	63,468
Dividends declared on common shares <sup>1)</sup>	-	-	€0.40	€0.50	€0.50
<b>Consolidated balance sheet data:</b>					
Cash and cash equivalents	293,902	340,294	390,250	290,475	312,437
<b>TOTAL ASSETS</b>	<b>851,700</b>	<b>1,214,117</b>	<b>1,582,221</b>	<b>1,499,506</b>	<b>1,551,249</b>
Net current assets <sup>2)</sup>	419,535	509,867	739,252	690,283	416,589
<b>TOTAL DEBT</b>	<b>265,430</b>	<b>215,681</b>	<b>195,409</b>	<b>80,623</b>	<b>-</b>
Capital stock	2,070	2,117	2,215	2,584	2,539
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>241,229</b>	<b>411,460</b>	<b>659,796</b>	<b>741,876</b>	<b>1,447,249</b>
<b>Cash flow data:</b>					
Cash flow from operating activities	62,652	259,884	216,581	42,480	48,545
Cash flow from investing activities	(15,493)	(100,566)	(70,035)	(71,891)	284,690
Cash flow from financing activities	90,890	(123,027)	(78,537)	(73,489)	(307,105)

<sup>1)</sup> The dividends are related to the preceding financial year.

<sup>2)</sup> Net current assets is calculated as the difference between total current assets, including cash and cash equivalents, and total current liabilities.



## Exchange Rate Information

We publish our consolidated financial statements in euro. In this Annual Report, references to “€”, “euro” or “EUR” are to euros, and references to “\$”, “US dollar”, “USD” or “US\$” are to United States dollars.

The following table sets forth, for each period indicated, specified information regarding the US dollar per euro exchange rates based on the rates of the European Central Bank, referred to as the “reference rate.” On March 14, 2014, the reference rate was 1.388 US dollars per euro.

### US Dollar per Euro exchange rate

	SEPTEMBER 2013	OCTOBER 2013	NOVEMBER 2013	DECEMBER 2013	JANUARY 2014	FEBRUARY 2014	MARCH 2014 <sup>1)</sup>
Period high	1.355	1.381	1.361	1.381	1.369	1.381	1.394
Period low	1.312	1.349	1.337	1.354	1.352	1.350	1.373

<sup>1</sup> Through March 14, 2014.

	YEARS ENDED DECEMBER 31,				
	2009	2010	2011	2012	2013
Period average <sup>1)</sup>	1.396	1.321	1.400	1.293	1.331

<sup>1</sup> Average of the exchange rates on the last day of each month during the period presented.

## B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

## C. REASONS FOR THE OFFER AND USE OF PROCEEDS

Not applicable.

## D. RISK FACTORS

You should carefully consider each of the risks and uncertainties described below and all other information contained in this Annual Report on Form 20-F. In order to help assess the major risks in our business, we have identified many, but not all, of these risks, which may not be in order of likelihood or materiality. Due to the scope of our operations, a wide range of factors both known and unknown could materially affect future developments and performance.

If any of the following risks are realized, our business, financial condition, cash flow or results of operations could be materially and adversely affected, and as a result, the trading price of our common stock could be materially and adversely impacted. These risk factors should be read in conjunction with other information set forth in this Report, including without limitation Item 4 Information on the Company, Item 5 Operating and Financial Review and Prospects, and our Consolidated Financial Statements and related notes.

### Risks related to our industry

#### The industry in which we operate is highly cyclical.

We sell our products to the semiconductor manufacturing industry, which is subject to sudden, extreme, cyclical variations in product supply and demand. As is evident by the severe downturn in 2008-2009 and ups and downs since that time, the timing, length and severity of these cycles cannot be predicted and future downturns may result in changes in the semiconductor manufacturing industry and the manner in which we must conduct our business in ways that cannot now be predicted.

Semiconductor manufacturers may contribute to the severity of downturn and upturn cycles by misinterpreting the conditions in the industry and over-investing or under-investing in semiconductor manufacturing capacity and equipment. In any event, the lag between changes in demand for semiconductor devices and changes in demand for our products by semiconductor manufacturers accentuates the intensity of these cycles in both expansion and contraction phases. We may not be able to respond timely and effectively to these industry cycles in the expansion and contraction phases.

Industry downturns historically have been characterized by reduced demand for semiconductor devices and equipment, production over-capacity and a decline in average selling prices. During periods of declining demand, we must quickly and effectively reduce expenses. However, our ability to reduce expenses is limited by our need for continued investment in engineering and research and development and extensive ongoing customer service and support requirements. In addition, in a downturn, our ability to reduce inventories quickly is limited by the long lead time for production and delivery of some of our products, reduced sales, order cancellations and delays, and delays associated with reducing deliveries from our supplier pipeline. During an extended downturn, a portion of our inventory may have to be written down as excess or obsolete if it is not sold in a timely manner.

Industry upturns have been characterized by fairly abrupt increases in demand for semiconductor devices and equipment and insufficient production capacity. During a period of increasing demand and rapid growth, we must be able to quickly increase manufacturing capacity to meet customer demand and hire and assimilate a sufficient number of additional qualified personnel, and fund such increase of manufacturing capacity. Our inability to quickly respond in times of increased demand, because of the effect, for example, of our ongoing programs to reduce expenses and regulate the rate of purchases from our suppliers, could harm our reputation and cause some of our existing or potential customers to place orders with our competitors rather than us.

Our industry along with global financial markets and regions have been in flux since 2008. In particular, financial turmoil in the Eurozone has in past years been unsettling, including the debt burden of certain nations and their ability to meet future obligations, euro currency stability, and the continued suitability of the euro as a single currency. These concerns could possibly result in the reintroduction of individual currencies or even the dissolution of the euro itself. If the euro ended, the contractual and legal consequences for holders of euro denominated obligations cannot be predicted; however, these possible developments and fluid market perceptions could negatively affect the value of euro denominated obligations and assets. These financial concerns in Europe as well as the health of the overall global financial markets and an uncertain or a weaker or deteriorating global economy could also adversely impact our business, financial condition and operating results, such as lower sales due to decreased capital purchases by our customers, financial instability or insolvency of suppliers and customers, and other such similar or related adverse effects.

**Our industry is subject to rapid technological change and we may not be able to forecast or respond to commercial and technological trends in time to avoid competitive harm.**

Our future success depends upon commercial acceptance of products incorporating new technologies we are developing, such as new plasma enhanced and atomic layer deposition processes, new epitaxy processes and new materials and chemistries. The semiconductor industry and the semiconductor equipment industry are subject to rapid technological change and frequent introductions of enhancements to existing products which can result in significant write-downs and impairment charges and costs. Technological changes have had and will continue to have a significant impact on our business. Our operating results and our ability to remain competitive are affected by our ability to accurately anticipate customer and market requirements and develop technologies and products to meet these requirements. Our success in developing, introducing and selling new and enhanced products depends upon a variety of factors, including, without limitation:

- › Successful innovation of processes and equipment;
- › Accurate technology and product selection;
- › Timely and efficient completion of product design, development and qualification;
- › Timely and efficient implementation of manufacturing and assembly processes;
- › Successful product performance in the field;
- › Effective and timely product support and service; and
- › Effective product sales and marketing.

We may not be able to accurately forecast or respond to commercial and technical trends in the semiconductor industry or to the development of new technologies and products by our competitors. Our competitors may develop technologies and products that are more effective than ours or that may be more widely accepted. We may also experience delays and technical and manufacturing difficulties in future introductions or volume production of new systems or enhancements. Significant delays can occur between a product's introduction and the commencement of volume production of that product. Any of these events could materially and negatively impact our operating results and our ability to generate the return we intend to achieve on our investments in new products.

**If we fail to adequately invest in research and development, we may be unable to compete effectively.**

We have limited resources to allocate to research and development, and must allocate our resources among a wide variety of projects in our businesses. If we have insufficient cash flow from our businesses to support the necessary level of research and development, we will have to fund such expenditures by diminishing our cash balances, or utilizing our credit facilities or reducing our level of research and development expenses.

Because of intense competition in our industry and constant technological evolution, the consequences of failing to invest in strategic developments are significant. In order to enhance the benefits obtained from our research and development expenditures, we have contractual and other relationships with independent research institutes. If we fail to adequately invest in research and development or lose our ability to collaborate with these independent research entities, we may be unable to compete effectively in the Front-end and Back-end markets in which we operate.

**We face intense competition from companies which have greater resources than we do, and potential competition from new companies entering the market in which we compete. If we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.**

We face intense competition in our operating segments of the semiconductor equipment industry from other established companies. Our primary competitors include Applied Materials, LAM Research Corporation, Tokyo Electron, Hitachi Kokusai, Wonik IPS and Jusung. A number of our competitors have substantially greater financial, technological, engineering, manufacturing, marketing and distribution resources, which may enable them to:

- › Better withstand periodic downturns in the semiconductor industry;
- › Compete more effectively on the basis of price, technology, service and support;
- › More quickly develop enhancements to and new generations of products; and
- › More effectively retain existing customers and attract new customers.

In addition, new companies may enter the markets in which we compete, further increasing competition in the semiconductor equipment industry.

We believe that our ability to compete successfully depends on a number of factors, including, without limitation:

- › Our success in developing new products and enhancements;
- › Performance of our products;
- › Quality of our products;
- › Ease of use of our products;
- › Reliability of our products;
- › Cost of ownership of our products;
- › Our ability to ship products in a timely manner;
- › Quality of the technical service we provide;
- › Timeliness of the services we provide;
- › Responses to changing market and economic conditions; and
- › Price of our products and our competitors' products.

Some of these factors are outside our control. We may not be able to compete successfully in the future, and increased competition may result in price reductions, reduced profit margins, loss of market share, and inability to generate cash flows that are sufficient to maintain or expand our development of new products.

### **Industry alliances may not select our equipment.**

Our customers are entering into alliances or other forms of cooperation with one another to expedite the development of processes and other manufacturing technologies. One of the results of this cooperation may be the definition of a system or particular tool set for a certain function or a series of process steps that uses a specific set of manufacturing equipment. These decisions could work to our disadvantage if a competitor's equipment becomes the standard equipment for such function or process. Even if our equipment was previously used by a customer, that equipment may be displaced in current and future applications by the equipment standardized through such cooperation. These forms of cooperation may have a material adverse effect on our business, financial condition and results of operations.

### **Risks related to our business**

#### **Our customers face challenges in economic downturns and if they cannot meet their obligations to us our financial results will suffer.**

We face increased payment and performance risk in economic downturns from our customers. If any of our customers become insolvent or commence bankruptcy or similar proceedings, our receivables from such customers may become uncollectible. In order to promote sales, we may be required to provide extended payment terms, financing arrangements or other modified sale terms for some customers, which will increase our sales expenses and further increase our exposure to customer credit risk, all in an environment of downward pressure on average selling prices. Even though we may be a secured creditor in these arrangements with rights in the underlying equipment, the equipment may have only limited value upon a customer default, especially if activity in our markets remains at low levels, which may result in substantial write-downs upon any such default.

If we do not accurately evaluate our customers' creditworthiness in connection with sales financing arrangements involving increased exposure to customer payment risk, our bad debt expense will increase. If we are too cautious in our sales practices because of this, we may lose sales. In either case, our results of operations and financial condition would be negatively affected.

#### **We derive a significant percentage of our revenue from sales to a small number of large customers, and if we are not able to retain these customers, or if they reschedule, reduce or cancel orders, or fail to make payments, our revenues would be reduced and our financial results would suffer.**

Our largest customers account for a significant percentage of our revenues. Our largest customer accounted for 28.3% of our net sales in 2013. Our ten largest customers accounted for 85.6% of our net sales in 2013. Sales to and the relative importance of these large customers have varied significantly from year to year and will continue to fluctuate in the future. These sales also may fluctuate significantly from quarter to quarter. We may not be able to retain our key customers or they may cancel purchase orders or reschedule or decrease their level of purchases from us, which would reduce our revenues and negatively affect our financial results, perhaps materially. In addition, any difficulty in collecting amounts due from one or more key customers could harm our financial results.

#### **We may need additional funds to finance our future growth and ongoing research and development activities.**

##### **If we are unable to obtain such funds, we may not be able to expand our business as planned.**

In the past, we have experienced capital constraints that adversely affected our operations and ability to compete. We may require additional capital to finance our future growth and fund our ongoing research and development activities. We have only limited ability to obtain funds from our investment in ASMPT and some limitations on our ability to reallocate funds among our internal businesses.

If we raise additional funds through the issuance of equity securities, the percentage ownership of our existing shareholders would be diluted. If we finance our capital requirements with debt, we may incur significant interest costs. Additional financing may not be available to us when needed or, if available, may not be available on terms acceptable to us, particularly in times of global or European financial crisis or uncertainty that may dramatically affect the availability of bank and other sources of debt financing.

If we are unable to raise needed additional funds, we may have to reduce the amount we spend on research and development, slow down our introduction of new products, reduce capital expenditures necessary to support future growth and/or take other measures to reduce expenses which could limit our growth and ability to compete.

**Our products generally have long sales cycles and implementation periods, which increase our costs of obtaining orders and reduce the predictability of our earnings.**

Our products are technologically complex. Prospective customers generally must commit significant resources to test and evaluate our products and to install and integrate them into larger systems. In addition, customers often require a significant number of product presentations and demonstrations, in some instances evaluating equipment on site, before reaching a sufficient level of confidence in the product's performance and compatibility with the customer's requirements to place an order. As a result, our sales process is often subject to delays associated with lengthy approval processes that typically accompany the design and testing of new products. Accordingly, the sales cycles of our products often last for many months or even years, thereby requiring us to invest significant resources in attempting to complete sales.

Long sales cycles also subject us to other risks, including customers' budgetary constraints, internal acceptance reviews and cancellations. In addition, orders expected in one quarter could shift to another because of the timing of customers' purchase decisions. The time required for our customers to incorporate our products into their systems can vary significantly with the needs of our customers and generally exceeds several months, which further complicates our planning processes and reduces the predictability of our earnings from operations.

**Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights from challenges by third parties; claims or litigation regarding intellectual property rights could require us to incur significant costs.**

Our success and ability to compete depend in large part upon protecting our proprietary technology. We rely on a combination of patent, trade secret, copyright and trademark laws, nondisclosure and other contractual agreements and technical measures to protect our proprietary rights and confidential information. These agreements and measures may not be sufficient to protect our technology from third party infringement or to protect us from the claims of others. In addition, patents issued to us may be challenged, invalidated or circumvented, rights granted to us under patents may not provide competitive advantages to us, and third parties may assert that our products infringe their patents, copyrights or trade secrets. Third parties could also independently develop similar products or duplicate our products.

Intellectual property laws may not adequately support our proprietary rights or may change in an unfavorable manner. Patent rights may not be granted or construed as we expect, and key patents may expire resulting in technology becoming available that may hurt our competitive position.

In addition, monitoring unauthorized use of our products is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology. The laws of some countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as do the laws of the Netherlands and the United States and thus make the possibility of piracy of our technology and products more likely in such countries. If competitors are able to use our technology as their own, our ability to compete effectively could be harmed.

In past years, there has been substantial litigation regarding patent and other intellectual property rights in our semiconductor and related technology industries. In the future, litigation may be necessary to enforce patents issued to us, to protect trade secrets or know-how owned by us or to defend us against claimed infringement of the rights of others and to determine the scope and validity of the proprietary rights of others.

Claims that our products infringe the proprietary rights of others would force us to defend ourselves and possibly our customers or suppliers against the alleged infringement. Such claims, if successful, could subject us to significant liability for damages and potentially invalidate our proprietary rights. Regardless of the outcome, patent infringement litigation is time-consuming and expensive to resolve and diverts management time and attention.

Intellectual property litigation could force us to do one or more of the following, any one of which could severely harm our business with adverse financial consequences:

- › Forfeit proprietary rights;
- › Stop manufacturing or selling our products that incorporate the challenged intellectual property;
- › Obtain from the owner of the infringed intellectual property right a license to sell, produce, use, have sold, have produced or have used the relevant technology, which license may not be available on reasonable terms or at all or may involve significant royalty payments;
- › Pay damages, including potential treble damages and attorney's fees in some circumstances; or
- › Redesign those products that use the challenged intellectual property.

**We license the use of some patents from a competitor pursuant to a settlement agreement; if the agreement is terminated, our business could be adversely affected.**

In October 1997, we entered into an agreement to settle mutual patent infringement litigation with Applied Materials, which was amended and restated in 1998, pursuant to which Applied Materials agreed to grant us a worldwide, non-exclusive and royalty-bearing license to use all of the litigated patents and certain additional patents that were not part of the litigation. In return we agreed to pay Applied Materials a settlement fee and to grant it a worldwide, non-exclusive and royalty-free license to use a number of our patents including but not limited to those patents which we were enforcing in the litigation. All licenses granted by Applied Materials to us expire at the end of the life of the underlying patents which expire at various times through approximately 2016. Our obligation to pay certain royalties to Applied Materials generally continues until the expiration of the corresponding underlying patent to the extent we practice such patent. In addition, the settlement agreement included covenants for limited periods during which the parties would not litigate the issue of whether certain of our products infringe any of Applied Materials' patents that were not licensed to us under the settlement agreement. These covenants, which lasted for different periods of time for different products, have expired. Upon the occurrence of an event of default or other specified events, including, among other things, our failure to pay royalties, a change of control of ASM International, and improper use of the licenses, Applied Materials may terminate the settlement agreement, including the licenses included in the agreement.

Additional litigation with Applied Materials regarding the operation of the settlement agreement or other matters could occur. Litigation with Applied Materials, which has greater financial resources than we do, could negatively impact our earnings and financial position.

**Our net earnings could be negatively impacted by currency fluctuations.**

Our assets, liabilities and operating expenses and those of our subsidiaries are to a large extent denominated in the currency of the country where each entity is established. Our financial statements, including our Consolidated Financial Statements, are expressed in euro. The translation exposures that result from the inclusion of financial statements of our subsidiaries that are expressed in the currencies of the countries where the subsidiaries are located are not hedged. As a result, our assets, liabilities and operating expenses are exposed to fluctuations of various foreign currency exchange rates, most significantly to the HK\$ following the remeasurement of the investment in ASMPT.

In addition, foreign currency fluctuations may affect the prices of our products. Prices for our products for sales to our customers throughout the world are currently denominated in various foreign currencies including, but not limited to, US dollar, euro, Japanese yen and Chinese yuan. If there is a significant devaluation of the currency in a specific country, the prices of our products will increase relative to that country's currency, and could increase relative to prices of our competitors, and our products may be less competitive in that country. Also, we cannot be sure that our international customers will continue to be willing to place orders denominated in these currencies. If they do not, our revenue and earnings from operations could be subject to additional foreign exchange rate fluctuations.

Although we monitor our exposure to currency fluctuations, these fluctuations could negatively impact our financial position, net earnings and cash flow.



**Substantially all of our equipment orders are subject to operating, performance, safety, economic specifications and other contractual obligations. We occasionally experience unforeseen difficulties in compliance with these criteria, which can result in increased design, installation and other costs and expenses.**

Substantially all of our equipment sales are conditioned on our demonstration, and our customer's acceptance, that the equipment meets specified operating and performance criteria, either before shipment or after installation in a customer's facility. We occasionally experience difficulties demonstrating compliance with such terms, which can lead to unanticipated expenses for the performance of the contract or the redesign, modification and testing of the equipment and related software. To the extent this occurs in the future, our cost of goods sold and earnings from operations will be adversely affected. If we are not able to demonstrate compliance with the particular contract or the performance and operating specifications in respect of specific equipment, we may have to pay penalties to the customer, issue credit notes to the customer and/or take other remedial action, including payment of damages or adjusted pricing, any one of which could negatively affect our earnings from operations.

**We are subject to various legal proceedings and claims, the outcomes of which are uncertain. If we fail to accurately evaluate the probability of loss or the amount of possible losses, an adverse outcome may materially and adversely affect our financial condition and results of operations.**

We are party to various legal proceedings and claims generally incidental to our business including without limitation intellectual property and product liability claims. For each of these proceedings and claims, our management evaluates, based on the relevant facts and legal principles, the likelihood of an unfavorable outcome and whether the amount of the loss can be reasonably estimated, in connection with our determination of whether or not to record a charge to earnings. Significant subjective judgments are required in these evaluations, including judgments regarding the validity of asserted claims and the likely outcome of legal, arbitration and administrative proceedings. The outcome of these proceedings is subject to a number of factors beyond our control. In addition, estimates of the potential costs associated with legal, arbitration and administrative proceedings frequently cannot be subjected to any sensitivity analysis, as damage estimates or settlement offers by claimants may bear little or no relation to the eventual outcome. Finally, in any particular proceeding, even where we believe that we would ultimately prevail, we may agree to settle or to terminate a claim or proceeding where we believe that doing so, when taken together with other relevant commercial considerations, is more cost-effective than engaging in an expensive and protracted contest. If we do not accurately assess the probability of an unfavorable outcome or the range of possible loss, an unfavorable outcome could have a material adverse impact on our financial condition and results of operations.

**If our products are found to be defective, we may be required to recall and/or replace them, which could be costly and result in a material adverse effect on our business, financial position and net earnings.**

One or more of our products may be found to be defective after we have already shipped the products in volume, requiring a product replacement or recall. We may also be subject to product returns and product liability claims that could impose substantial costs and have a material and adverse effect on our business, financial position and net earnings.

**We may not be able to recruit or retain qualified personnel or integrate qualified personnel into our organization. Consequently, we could experience reduced sales, delayed product development and diversion of management resources.**

Our business and future operating results depend in part upon our ability to attract and retain qualified management, technical, sales and support personnel for our operations on a worldwide basis. Competition for qualified personnel is intense, and we cannot guarantee that we will be able to continue to attract and retain qualified personnel particularly during sustained economic upturns in the industry. Availability of qualified technical personnel varies from country to country, and may affect the operations of our subsidiaries in some parts of the world. Our operations could be negatively affected if we lose key executives or employees or are unable to attract and retain skilled executives and employees as needed. In particular, if our growth strategies are successful, we may not have sufficient personnel to manage that growth and may not be able to attract the personnel needed. We have agreements with some, but not all, key employees restricting their ability to compete with us after their employment terminates. We do not maintain insurance to protect against the loss of key executives or employees. Our future growth and operating results will depend on:

- › Our ability to continue to broaden our senior management group;
- › Our ability to attract, hire and retain skilled employees; and
- › The ability of our officers and key employees to continue to expand, train and manage our employee base.

We have in the past experienced intense competition for skilled personnel during market expansions and believe competition will be intense if the semiconductor market experiences a sustained expansion. Consequently, we generally attempt to minimize reductions in skilled personnel in reaction to industry downturns, which reduces our ability to lower costs by payroll reduction.

**Because the costs to semiconductor manufacturers of switching from one semiconductor equipment supplier to another can be high, it may be more difficult to sell our products to customers having a competing installed base, which could limit our growth in sales and market share.**

We believe that once a semiconductor manufacturer has selected a supplier's equipment for a particular product line, that manufacturer generally continues to rely on that supplier for future equipment requirements, including new generations of similar products. Changing from one equipment supplier to another is expensive and requires a substantial investment of resources by the customer. Accordingly, it is difficult to achieve significant sales to a customer using another supplier's equipment. Our inability to sell our products to potential customers who use another supplier's equipment could adversely affect our ability to increase revenue and market share.

**Our reliance on a limited number of suppliers and a single manufacturing facility could result in disruption of our operations.**

We outsource a significant portion of the manufacturing of our business to a limited number of suppliers. If our suppliers were unable or unwilling to deliver products in a timely manner to us in the quantities we require for any reason, including without limitation, capital constraints, natural disaster, labor unrest, capacity constraints, supply chain management problems or contractual disputes, we may be unable to fill customer orders on a timely basis, which could negatively affect our customer relationships and financial performance. Many of our suppliers face economic challenges in a depressed or difficult global economy, which increases our risk of disruption from a supplier's failure to perform its obligations to us in a timely manner.

We have shifted much of our manufacturing and assembly to our Front-end Manufacturing Singapore (FEMS) facility. If this facility experiences a manufacturing disruption for any reason, including without limitation, natural disaster, labor unrest, capacity constraints, supply chain management problems or contractual disputes, our ability to timely meet our customers' needs may be impaired, which would negatively affect our customer relationships and financial performance.

**We operate worldwide; economic, political, military or other events in a country where we make significant sales or have significant operations could interfere with our success or operations there and harm our business.**

We market and sell our products and services throughout the world. A substantial portion of our manufacturing employees and operations are in the People's Republic of China and the success of our business depends substantially on those operations. In addition, we have operating facilities in the Netherlands, the United States, Japan, Hong Kong, Singapore, Malaysia and South Korea. Our operations are subject to risks inherent in doing business internationally, including, without limitation:

- › Unexpected changes in regulatory or legal requirements or changes in one country in which we do business which are inconsistent with regulations in another country in which we do business;
- › Potentially adverse tax consequences;
- › Fluctuations in foreign currency exchange rates and foreign currency controls;
- › Political conditions and instability;
- › Economic conditions and instability;
- › Terrorist activities;
- › Human health emergencies, such as the outbreak of infectious diseases or viruses;
- › Tariffs and other trade barriers, including current and future import and export restrictions and compliance requirements, and freight rates;
- › Difficulty in staffing, coordinating and managing international operations;
- › Burden of complying with a wide variety of foreign laws and licensing requirements;
- › Differences in intellectual property right protection;
- › Differences in rights to enforce agreements;
- › Differences in commercial payment terms and practices; and
- › Business interruption and damage from natural disasters, such as earthquakes, tsunamis and floods.

These factors could increase our costs of doing business in a particular region or result in delays or cancellations of purchase orders or disrupt our supply chain, any of which could materially and adversely impact our business and operating results.

**Environmental laws and regulations may expose us to liability and increase our costs.**

Our operations are subject to many environmental laws and regulations wherever we operate governing, among other things, air emissions, wastewater discharges, the use and handling of hazardous substances, waste disposal and the investigation and remediation of soil and groundwater contamination. To the extent such regulations or directives apply to our business throughout the world, these measures could adversely affect our manufacturing costs or product sales by forcing us or our suppliers to change production processes or use more costly or scarce materials. As with other companies engaged in similar activities, we face inherent risks of environmental liability in our current and historical manufacturing R&D activities. Accordingly, costs associated with such future environmental compliance or remediation obligations could adversely affect our business.

**Any acquisitions or investments we may make could disrupt our business and harm our financial condition.**

We may consider from time to time additional investments in complementary businesses, products or technologies. We may not be able to successfully integrate these businesses, products, technologies or personnel that we might acquire in the future, and accordingly we may not realize the anticipated benefits from such acquisitions. In particular, our operation of acquired businesses involves numerous risks, including without limitation:

- › Problems integrating the purchased operations, technologies or products;
- › Unanticipated costs and liabilities for which we are not able to obtain indemnification from the sellers;
- › Diversion of management's attention from our core business;
- › Adverse effects on existing business relationships with customers;
- › Risks associated with entering markets in which we have no, or limited, prior experience;
- › Risks associated with installation, service and maintenance of equipment of which we have limited or no prior experience;
- › Limited technical documentation of the equipment developed in the acquired company; and
- › Potential loss of key employees, particularly those of the acquired organizations.

In addition, in the event of any future acquisitions of such businesses, products or technologies, we could:

- › Issue shares that would dilute our current shareholders' percentage ownership;
- › Incur debt;
- › Assume liabilities;
- › Incur impairment expenses related to goodwill and other intangible assets; or
- › Incur substantial accounting write-offs.

**Risks related to our minority interest in ASM Pacific Technology**

**A significant portion of our total assets is composed of our minority interest in ASM Pacific Technology.**

**Changes in ASMPT's market, business or results of operations may adversely impact our reported earnings and the trading price of our common shares.**

Prior to March 2013, we owned approximately 52% of the outstanding equity of ASM Pacific Technology, and the assets and operating results of ASMPT were reported by us on a consolidated basis. On March 15, 2013, we disposed of a 12% stake in ASMPT, which reduced our ownership to approximately 40% of the outstanding equity. As a result of this, ASMPT ceased to be a consolidated subsidiary as of that date and our pro rata interest in the net earnings of ASMPT is reported in our consolidated statements of operations on the line, "result from investments". See for further information Note 3 "Divestment" to the consolidated financial statements.

The trading price of our shares may be adversely impacted by developments affecting ASMPT's business, results of operations or prospects. Although ASMPT operates in the same industry as ASM International, ASMPT addresses a different segment of the industry, which may involve different market dynamics and competitive factors from time to time, as well as different business risks unique to their operations. ASMPT is a public company traded on the Hong Kong Stock Exchange and further information is provided in their public reports.

The management of ASMPT may respond to market, business or other developments in a manner different than we would under similar circumstances, and in a manner that may not be in our best interests. Although we are the largest shareholder of ASMPT, we do not possess the right to control ASMPT. Accordingly, the value of our equity interest in ASMPT, and our pro rata share of ASMPT's net earnings reported in our consolidated statements of operations on the line, "result from investments" could change materially due to factors outside of our control and unrelated to our business or markets, which could materially and adversely impact our net income and the trading price of our common shares.

**Although we are a substantial shareholder, ASM Pacific Technology is not obligated to pay dividends to us and may take actions or enter into transactions that are detrimental to us.**

We currently own 39.94% of the outstanding common shares of ASM Pacific Technology. In addition, certain members of our Management Board are also members of the ASMPT Board of Directors. However, these directors are under no obligation to take any actions as directors of ASMPT that are beneficial to us. Issues and conflicts of interest therefore may arise which might not be resolved in our best interest.

In addition, the directors of ASMPT are under no obligation to declare a payment of dividends to shareholders.

As a shareholder of ASMPT, we cannot compel the payment or amount of dividends. With respect to the payment of dividends, the directors must consider the financial position of ASMPT after the dividend. Cash dividends received from ASMPT totaled €86.9 million, €29.6 million and €10.3 million in 2011, 2012, and 2013, respectively.

The directors of ASMPT owe their fiduciary duties to ASMPT and may approve transactions to which we are a party only if the transactions are commercially beneficial to ASMPT. Further, under the listing rules of the Hong Kong Stock Exchange, directors who are on the boards of both ASMPT and ASM International are not permitted to vote on a transaction involving both entities. This would disqualify all affiliates of ASM International who serve on the board of ASMPT from voting on any such transaction.

As a shareholder of ASMPT, we can vote our shares in accordance with our own interests. However, we may not be entitled to vote on transactions involving both us and ASMPT under the listing rules of the Hong Kong Stock Exchange and the Hong Kong Takeovers Code.

**Risks related to an investment in our shares**

**Our founder who is also Chairman of the Board of ASM Pacific Technology controlled as per December 31, 2013 approximately 17.88% of the voting power which gives him significant influence over matters voted on by our shareholders, including the election of members of our Supervisory Board and Management Board and makes it substantially more difficult for a shareholder group to remove or elect such members without his support.**

Our founder, Arthur H. del Prado, controlled approximately 17.88% of the voting power of our outstanding common shares as of December 31, 2013. Accordingly, he has significant influence on the outcome of matters submitted to a shareholder vote, such as the election of the members of our Supervisory Board and Management Board. Persons nominated by the Supervisory Board for appointment by the shareholders to the Supervisory Board or Management Board at a general meeting of shareholders will be elected if they receive a majority of the votes cast at the meeting. Nominees to the Supervisory Board or Management Board who are not proposed by the Supervisory Board are appointed if they receive the affirmative vote of a majority of the votes cast at the meeting, provided such affirmative votes represent at least one third of our issued capital. Members of the Supervisory and Management Boards may be removed only by the affirmative vote of a majority of the votes cast at a meeting, and, unless such removal is recommended by the Supervisory Board, the affirmative votes must represent at least one third of our issued capital. This makes it difficult for a group of shareholders to remove or elect members of our Supervisory Board or Management Board without the support of our founder.

**Our anti-takeover provisions may prevent a beneficial change of control.**

The Company has granted to Stichting Continuïteit ASM International ("Stichting"), a non-membership organization with a board composed of three members independent of ASMI, the right to acquire and vote our preferred shares. The objective of Stichting is to serve the interests of the Company. To that objective Stichting may, among other things, acquire, own and vote our preferred shares in order to maintain our independence and/or continuity and/or identity. This may prevent a change of control from occurring that shareholders may otherwise support. On May 14, 2008, Stichting exercised this

right in response to a perceived threat to our continuity and acquired shares of our preferred stock representing 29.9% of the total voting power of our outstanding capital shares at that time. These shares were retired in 2009 and a new right was issued to Stichting to acquire and vote preferred shares in certain situations in the future. For additional information regarding Stichting, see Item 7, “Major Shareholders and Related Party Transactions.”

The voting power of Stichting makes it more difficult for a shareholder or a group of shareholders to cause us to enter into a change of control transaction not supported by Stichting, even if such transaction offers our shareholders an opportunity to sell their shares at a premium over the market price.

**We must offer a possible change of control transaction to Applied Materials first.**

Pursuant to our 1997 settlement agreement with Applied Materials, as amended and restated in 1998, if we desire to effect a change of control transaction, as defined in the settlement agreement which generally involves our operations and not our holdings in ASMPT, with a competitor of Applied Materials, we must first offer the change of control transaction to Applied Materials on the same terms as we would be willing to accept from that competitor pursuant to a bona fide arm’s-length offer made by that competitor.

**Our stock price has fluctuated and may continue to fluctuate widely.**

The market price of our common shares has fluctuated substantially in the past. Between January 1, 2013 and December 31, 2013, the sale price of our common shares, as reported on the NASDAQ Global Select Market, ranged from a low of US\$30.54 to a high of US\$40.93. The market price of our common shares will continue to be subject to significant fluctuations in the future in response to a variety of factors, including the risk factors discussed in this report and the following, without limitation:

- › Future announcements concerning our business or that of our competitors or customers;
- › The introduction of new products or changes in product pricing policies by us or our competitors;
- › Litigation regarding proprietary rights or other matters;
- › Changes in analysts’ earnings estimates and recommendations;
- › Developments in the financial markets;
- › Quarterly fluctuations in operating results;
- › Hedge fund and shareholder activist activities;
- › General economic, political and market conditions, such as recessions or foreign currency fluctuations; and
- › General conditions in the semiconductor and semiconductor equipment industries.

In addition, public stock markets frequently experience substantial price and trading volume volatility, particularly in the high technology sectors of the market. This volatility has significantly affected the market prices of securities of many technology companies for reasons frequently unrelated to or disproportionately impacted by the operating performance of these companies. These broad market fluctuations may adversely affect the market price of our common shares.

**Our quarterly revenues and earnings from operations have varied significantly in the past and may vary in the future due to a number of factors, including, without limitation:**

- › Cyclicalities and other economic conditions in the semiconductor industry;
- › Production capacity constraints;
- › The timing of customer orders, cancellations and shipments;
- › The length and variability of the sales cycle for our products;
- › The introduction of new products and enhancements by us and our competitors;
- › The emergence of new industry standards;
- › Product obsolescence;
- › Disruptions in sources of supply;
- › Our ability to time our expenditures in anticipation of future orders;
- › Our ability to fund our capital requirements;
- › Changes in our pricing and pricing by our suppliers and competitors;
- › Our product and revenue mix;
- › Seasonal fluctuations in demand for our products;

- › Foreign currency exchange rate fluctuations; e.g. appreciation of the euro versus the Japanese yen and US dollar, which would negatively affect the competitiveness of those manufacturing activities that are domiciled in countries whose currency is the euro; and
- › Economic conditions generally or in various geographic areas where we or our customers do business.

In addition we derive a substantial portion of our net sales from products that have a high average selling price and significant lead times between the initial order and delivery of the product. The timing and recognition of net sales from customer orders can cause significant fluctuations in our earnings from operations from quarter to quarter. Gross margins realized on product sales vary depending upon a variety of factors, including the mix of products sold during a particular period, negotiated selling prices, the timing of new product introductions and enhancements and manufacturing costs. A delay in a shipment near the end of a fiscal quarter or year, due, for example, to rescheduling or cancellations by customers or to unexpected manufacturing difficulties experienced by us, may cause sales in a particular period to fall significantly below our expectations and may materially adversely affect our earnings from operations for that period. Further, our need to continue expenditures for research and development and engineering make it difficult for us to reduce expenses in a particular quarter even if our sales goals for that quarter are not met. Our inability to adjust spending quickly enough to compensate for any sales shortfall would magnify the adverse impact of a sales shortfall on our earnings from operations. In addition, announcements by us or our competitors of new products and technologies could cause customers to defer purchases of our existing systems, which could negatively impact our financial position and net earnings.

As a result of these factors, our revenues or earnings from operations may vary significantly from quarter to quarter. Any shortfall in revenues or earnings from operations from levels expected by securities analysts and investors could cause a decrease in the trading price of our common shares.

## **ITEM 4. INFORMATION ON THE COMPANY**

The information in this Item 4 should be read in conjunction with the risks discussed under Item 3.D., “Risk Factors”.

### **A. HISTORY AND DEVELOPMENT OF THE COMPANY**

ASM International NV was incorporated on March 4, 1968 as a Dutch “naamloze vennootschap”, or public limited liability company, and was previously known as Advanced Semiconductor Materials International NV. Our principal executive offices are located at Versterkerstraat 8, 1322 AP, Almere, the Netherlands. Our telephone number at that location is +31 88 100 8810. Our authorized agent in the United States is our subsidiary, ASM America Inc, a Delaware corporation, located at 3440 East University Drive, Phoenix, Arizona 85034, US.

### **B. BUSINESS OVERVIEW**

#### **Introduction**

##### **Our business**

We are an equipment supplier mainly to the semiconductor manufacturing industry. We design, manufacture and sell equipment and services to our customers for the production of semiconductor devices, or integrated circuits. The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. ASMI is active in the wafer processing segment.

Wafer processing production systems perform processes on round slices of silicon, called wafers, which are typically 200mm or 300mm in diameter. During these processes, thin films, or layers, of various materials are grown or deposited onto the wafer. These films are electrically conductive, electrically insulating, or semiconducting. By depositing multiple layers of films, multi-level, integrated electrical circuits are created. Such circuits are referred to as “dies” or “chips.” There are many dies on each wafer. After testing the individual circuits for correct performance, the dies on the wafer are separated. Assembly and packaging production systems then assemble and connect one or more known good dies in a single package to form a complex semiconductor device that will perform calculations, store data and interface with its environment.



ASM's operations are conducted through wholly-owned subsidiaries, the most significant being ASM Front-End Manufacturing Singapore Pte Ltd ("FEMS"), located in Singapore, ASM Europe BV ("ASM Europe"), located in the Netherlands, ASM America, Inc ("ASM America"), located in the United States, ASM Japan KK ("ASM Japan"), located in Japan, and ASM Genitech Korea Ltd ("ASM Genitech") located in Korea. The location of our facilities allows us to interact closely with customers in the world's major geographic market segments: Europe, North America and Asia. The principal market we address in wafer processing is a portion of the deposition market segment.

### **Industry background and major business trends**

Semiconductor devices are the key enablers of the electronic age. Each semiconductor device can hold many individual components, most of which are transistors. For over 30 years now, the average number of components per integrated semiconductor device, at the optimum cost-per-component, has been increased by a factor of two every 18 to 24 months. This trend is generally referred to as Moore's law. Increases in complexity, along with simultaneous reductions in the cost-per-component, have mainly been achieved by reducing the size of individual transistors, so that a larger number of transistors fit within a given size die. Today, transistors less than 22nm (1 nm is equal to one billionth of a meter) long are manufactured in high-volume, and several billion transistors can be manufactured on a single die with an area of a few square centimeters.

A second development that has decreased the cost per device is the increased size of the wafer, so that more devices can be produced within one production cycle. Today, almost all of the newly installed semiconductor device fabrication capacity employs 300mm diameter wafers, with each wafer typically holding between several to several thousand individual circuits. A transition to 450mm diameter wafers is being considered for volume manufacturing beyond 2020. The yield, or the fraction of dies that operates according to specifications, is one of the key variables that influences the cost at which integrated circuits can be manufactured. Large initial investments are needed to build an automated production line in an ultra-clean environment to achieve such high yield. The capital equipment in the production line is an important determinant for the yield of the factory, and the speed with which the yield can be optimized for new device generations.

Another trend is that towards vertical or 3D transistors. This trend also helps to keep the industry on track with Moore's law ("more Moore") because more functions can be stacked vertically on a wafer or chip than in two dimensions. So-called "FinFET's" and several 3D memory transistor architectures are now being taken in production. Also on die level the trend is towards 3D by stacking several chips in one package. These chips can come from different supply chains, each optimized for its own performance and cost, enabling the manufacture of heterogeneous devices with even more integrated capability. This latter trend is sometimes referred to as "more than Moore."

The trends outlined above are the main drivers of the broad semiconductor roadmap which semiconductor equipment companies track in developing new production systems and process technologies. These new systems and technologies must be developed well ahead of volume demand for the semiconductor devices they make. As a result, there is a large lead time between the investment in a new technology, and its commercial success. With the combination of a long lead time and the short product life-cycles comes the inherent difficulty of matching supply and demand, which results in the high volatility associated with the semiconductor equipment industry.

The semiconductor industry was driven in 2013 by a US\$1.94 trillion global electronics industry (VLSI Research Chip Insider January 28, 2014), that required approximately \$264 billion (ibid.) in semiconductors. The semiconductor industry in turn, supported the approximately \$45 billion (ibid.) semiconductor capital equipment industry, which supplies the needed production systems and services. The semiconductor industry rose about 7% in 2013, although the equipment business declined about 6% despite picking up in the second half of the year.

## Our strategy

Our strategic objective is to realize profitable, sustainable growth by capitalizing on our technological innovations, manufacturing infrastructure and sales and support offices located close to our global customers. The key elements of our strategy include:

- › Further streamlining our wafer processing manufacturing by systematically reducing manufacturing costs through global sourcing and product platform consolidation;
- › Maintaining our global reach through our global operating, sales and customer service organization and its facilities in key parts of the world in order to establish and maintain long-term customer relationships;
- › Leveraging our wafer processing innovation and manufacturing capabilities through advancements in our products and processes early in the technology life-cycle; and
- › Expanding the scope and depth of our research and development capabilities through strategic alliances with independent research institutes, universities, customers and suppliers, and expanding our patent portfolio where it is necessary and beneficial.

## Semiconductor device manufacturing processes

### Overview

The manufacturing process of semiconductor devices on a wafer can be divided in three distinct parts: wafer manufacturing, transistor formation (known as Front-end of the line (“FEOL”) processing), and interconnect formation (known as Back-end of the line (“BEOL”) processing). We develop and sell technology, develop, manufacture and sell equipment, and provide services used by semiconductor device manufacturers in each of these sections of semiconductor device manufacturing.

In the wafer manufacturing process, a large single crystal of very pure silicon is grown from molten silicon. The crystal is then sliced into a large number of thin slices, or wafers, of single crystalline silicon. These slices are polished to an atomic level flatness before the next steps are executed. For advanced applications, some layers are deposited on the wafer for later use, by either epitaxy or diffusion/oxidation (described below). Epitaxial wafers are even flatter and contain fewer defects at the surface than polished wafers.

During FEOL and BEOL wafer processing, multiple thin films of either electrically insulating material, also called dielectrics, or conductive material are modified, grown, or deposited on a silicon wafer. First, several material processing cycles are used in the FEOL to build the basic transistor and other components such as capacitors and resistors. Second, several processing cycles are used in the BEOL to electrically connect the large amount of transistors and components, and to build additional passive components such as capacitors, inductors and resistors. Patterning of deposited layers with lithography and etching (described below) creates the transistors, passive components and connecting wires, which together make up the integrated circuit. Each integrated circuit is a single “chip” or a “die” on the wafer. A finished wafer may contain several dozen to several thousand individual dies. Wafer processing is performed either one wafer at a time in single wafer processing systems or many wafers at a time in batch processing systems. Multiple deposition, and patterning processes are performed on the same wafer.

The number and precise order of the process steps vary depending upon the complexity and design of the integrated circuit. The performance of the circuit is determined in part by the various electrical characteristics of the materials used in the layers of the circuit and the wafer. Simple circuits may have as few as ten layers, while complex circuits may have more than one hundred layers. The device manufacturing process is capital intensive, requiring multiple units of several different production systems. Many different but complementary methods are used to modify, grow, or deposit materials on the wafers. We are predominantly active in developing and manufacturing the equipment used by semiconductor device manufacturers in the deposition processes, i.e., those steps that involve the creation of insulating, conducting and semi-conducting layers on the wafer surface. The device manufacturing process on the wafer is complete when all of the layers have been deposited and patterned on the wafer.

The introduction of even trace levels of foreign particles or material can make a circuit, or even an entire wafer, unusable. To reduce the level of foreign particles or material, wafer processing is performed in clean rooms with ultra-low particle and contamination levels. The correct electrical functioning of the integrated circuits on each die is confirmed by probing. Non-functioning circuits are marked so they can later be discarded before money is spent on packaging the chip. The yield, or the percentage of known good die for a mature process is usually well above 95%. For a process in development the yield can be substantially smaller, and it is important to improve this as quickly as possible as it determines the profitability of our customer to a large extent.

Once wafer processing is complete, the entire wafer with multiple, functioning, integrated circuits is shipped to a packaging facility where the wafer is separated into dies. Each die is an individual integrated circuit which is bonded and connected to a suitable substrate or lead frame, packaged, and tested before final shipment to the end customer.

## **Important technology trends for our business**

### **Technology trends**

The continuous demand for smaller, faster and cheaper semiconductor components drives the technology advances in the semiconductor manufacturing process. As the transistors in an integrated circuit become smaller, the cost-per-component decreases. Fortuitously, at the same time the operating speed of the transistor increases. Thus the minimum size of a single transistor in an integrated circuit is an extremely important parameter. This minimum size can be characterized by the so-called half-pitch, which is about equal to the smallest line width in the device. Today, our customers manufacture semiconductor devices having a half-pitch as small as 45 to 22 nanometers (one nanometer is one billionth of a meter). Our customers are qualifying and testing new critical processes to generate devices with line widths at or below 22 to 10nm, sometimes in a vertical 3D transistor or FinFET architecture. Simultaneously, in our customers' laboratories and several collaborative research environments advanced 10nm to 5nm design rule devices and related materials are being developed.

Today, most of the newly installed semiconductor device fabrication capacity employs 300mm wafers. A transition towards 450mm wafers is initiated with early research starting in a consortium. In developing faster and smaller devices, our customers' major technology requirements are:

- › New thin film materials and device designs that can reduce the amount of power consumed in the device, increase the speed and reliability of the circuit and increase the amount of charge that can be stored;
- › Reliable manufacturing of taller three-dimensional structures in devices;
- › Lithography of ever smaller feature sizes, now much smaller than the wavelength of visible light; and
- › New manufacturing processes that reduce device variability and increase yield.

### **Our Response to Technology Trends**

We develop and manufacture wafer processing systems and new thin film materials that enable our customers to produce devices that consume less power, are faster, show less variability, are more reliable and are able to store more electrical charge.

Today, our leading-edge high-volume production systems support the manufacturing of semiconductor devices having a half-pitch as small as 45 to 22 nanometers (one nanometer is one billionth of a meter). At ASMI, and in close cooperation with our customers, we are qualifying and testing new critical process equipment for line widths of 22 to 15nm. Simultaneously, we are developing new 10 to 5nm technologies in our laboratories. Today, most of the newly installed semiconductor device fabrication capacity employs 300mm wafers. Accordingly, our system and process development and sales effort is concentrated in 300mm equipment.

In order to meet our customers' needs, we have developed, and are still developing many new materials. For example, in the FEOL, high-k dielectrics and novel metal gate electrodes can improve the performance and reduce the power consumption of a device, thereby enhancing battery life. This same class of materials can also lead to larger charge storage in a smaller capacitor, critical for memories and RF circuits. Whereas in the recent past much focus has been on the development of the high-k dielectric, today as much focus is on new technologies and materials for the metal gate electrode and the gate sidewall passivation. Another example of new materials in the FEOL are our silicon-germanium ("SiGe") and silicon-carbon ("SiC") and silicon-carbon-phosphorous ("SiCP") epitaxial materials that can increase the switching speed of

the transistors and the circuit in which they are embedded by so-called strain engineering. This can be done without negatively affecting the power these transistors consume.

We expect that the creation of 3D vertical transistors will increase the demand for processes with better coverage of 3D structures. In response to this trend, we have developed and are still developing a variety of Atomic Layer Deposition (ALD) and epitaxy processes. ALD is an advanced technology that deposits atomic layers one at a time on wafers. This process is used to create ultra-thin films of exceptional quality and flatness. Plasma is sometimes used to enhance the process further (Plasma Enhanced ALD, or PEALD).

In the BEOL or interconnect process, a continued demand to improve the speed at which signals travel through thin copper wires has led to the development of a full suite of low-k materials. These low-k materials can decrease the amount of delay in signal propagation, resulting in, for example, faster microprocessors. Simultaneously these low-k materials can reduce the amount of power loss in the interconnections. We have been one of the leaders in successfully introducing these low-k materials in the market. We are continuing to develop improvements to this low-k technology to enable faster interconnect circuits.

We have also developed and sold new processes and wafer processing equipment to enable the creation of narrow lines having dimensions beyond the resolution of common lithography, and with low line width variability. For that purpose we have developed low temperature Plasma Enhanced ALD processes that are compatible with and assist the common lithography process.

In addition to addressing the technology needs of our customers, the relentless drive of the industry to reduce cost corresponds to significant spending on development programs that further increase throughput, equipment reliability, and yield in our customer's line, and further lower the cost per wafer of the wafer processing systems. In order to enable further efficiencies in our manufacturing process, we have improved, and will continue to improve the level of standardization in our equipment portfolio by migrating to common platforms, sub-assemblies and components. This requires a significant engineering effort.

## Products

### Market coverage

The table below indicates the major market segments of the semiconductor equipment industry. The principal market segment in which we participate is highlighted in gray.

	MAJOR MARKET SEGMENT <sup>1)</sup>		
	TEST AND RELATED SYSTEMS	IC FABRICATION EQUIPMENT OR FRONT-END	IC ASSEMBLY EQUIPMENT OR BACK-END
Market Segment <sup>1)</sup>	Automated Test Systems	MicroLithography and Mask Equipment	Assembly Inspection Equipment
	Material Handling Systems	CMP Equipment	Dicing Equipment
		Ion Implanters	Bonding Equipment
		Deposition and Related Tools <sup>2)</sup>	Packaging Equipment
		Etching and Cleaning Tools	Integrated Assembly Systems
		Process Diagnostic Equipment	Leadframes

<sup>1)</sup> Based on VLSI Research Industry Segmentation ([www.vlsiresearch.com](http://www.vlsiresearch.com)).

<sup>2)</sup> This segment also includes diffusion and oxidation furnaces.

## Products

ASMI's products come from a number of product platforms, with each platform designed to host and enable specified process technologies. The products in each product platform are linked through common technology elements of the platform, for example a common in-system software framework, common critical components, similar logistics (batch or single wafer processing), or a similar wafer processing environment (wet or dry). The following table lists our principal product platforms, the main process technology that they enable, and the semiconductor device manufacturing solution for which the products from that platform are used.

PRODUCT PLATFORM	ASMI PROCESS TECHNOLOGY	PRODUCTS
Advance® Series	ALD, CVD, diffusion/oxidation, LPCVD	A400, A412, A4ALD, Vertical Furnace Systems
XP <sup>1)</sup>	ALD, PECVD, PEALD, Epitaxy	Pulsar® and EmerALD ALD Products, PECVD Products, PEALD Products, Intrepid® Epitaxy <sup>2)</sup>
XP8 <sup>1)</sup>	PECVD, PEALD	Eagle® PEALD and Dragon PECVD
Epsilon	Epitaxy, LPCVD	Epsilon 2000 and Epsilon 3200 Single Wafer Epitaxy Systems
Polygon®	ALD	Polygon 8200, Polygon 8300 <sup>3)</sup> , Pulsar <sup>3)</sup> Single Wafer Atomic Layer Deposition Systems

<sup>1)</sup> The XP is our standard single wafer processing platform designed to accommodate multiple process application modules with common platform standards. In 2012 ASMI launched the XP8 high productivity platform for PECVD and PEALD, based on our common XP platform standard with an expanded configuration that enables integration of up to 8 chambers on one wafer handling platform.

<sup>2)</sup> In 2012 ASMI launched the Intrepid XP tool which enables up to 4 Epitaxy process modules integrated on the XP platform.

<sup>3)</sup> The functionality of the Polygon, Pulsar and EmerALD has merged with the XP platform starting in 2009.

## Description of our product platforms

### Advance

The Advance is our Vertical Furnace, batch processing platform. Products built on this product platform are used for diffusion, oxidation, LPCVD and ALD. The product platform is used in many manufacturing steps, from the production of silicon wafers to the final anneal in interconnect. The A400 is a system for 150 and 200mm wafers, while the A412 is for 300mm wafers. The A412 systems feature two reactors above a rotating carousel, a dual-boat concept for high productivity, and a wide range of process applications with variable load sizes from 25 wafers for shortest cycle time requirements, up to 150 wafers for lowest cost requirements in a single run.

### XP Platform

The XP is our high productivity common single wafer product platform, for 300mm. The XP platform will enable integration of sequential process steps on one platform. The XP is now available with Pulsar and EmerALD ALD modules, Intrepid Epitaxy modules, as well as PECVD and PEALD modules.

The XP common platform will benefit our customers through reduced operating costs since multiple ASMI products now will use many of the same parts and consumables and a common control architecture improves ease of use. The XP common platform enables us to improve the coherency in our product portfolio.

### XP8 Platform

The XP8 platform follows the basic architectural standards of the XP, but provides even higher productivity with up to 8 chambers integrated on a single wafer platform. The XP8 is now available with PECVD and PEALD modules.

### Epsilon

The Epsilon is our platform for single wafer epitaxy. The Epsilon product platform offers a wide range of epitaxy products and materials for many applications, ranging from high temperature silicon used in silicon starting material manufacturing, to low temperature, selective or non-selective silicon, silicon germanium ("SiGe"), silicon-carbon ("SiC") used in CMOS devices and silicon germanium carbon ("SiGeC") used in bipolar devices. The Epsilon 2000 is a single wafer, single reactor system for 150mm and 200mm wafers. The Epsilon 3200 is a single wafer, single reactor system for 300mm wafers.

### *Polygon*

The Polygon is a single wafer atomic layer deposition platform. It features a six-sided central vacuum handler, capable of hosting up to four reactors. The Polygon 8200 is used for 150 and 200mm wafers, and for magnetic head substrates. The Polygon 8300 is used for 300mm wafers. One or more Pulsar modules with ALD technology can be integrated onto the platform. Products built on this product platform are currently being used in, among others, ALD high-k gate dielectrics for high performance logic, metal-insulator-metal capacitors for system on a chip applications, and magnetic head gap fill.

### **Description of our process technology platforms**

Depending on application, a process technology can be used in more than one product platform. Process technologies that are intended for use across multiple product platforms are called a process technology platform. The technologies in a process technology platform share a common knowledge base and patent portfolio. ALD, for example, is enabled on both our single wafer and batch product platforms. This gives us the principal ability to provide a single wafer tool for a certain application early in the lifecycle, when short development cycle times are needed, and later in the lifecycle switch to a batch tool for efficiencies in high-volume production, using the same chemistry and maintaining basic materials properties.

### *ALD: Atomic Layer Deposition and Plasma Enhanced Atomic Layer Deposition*

ALD is one of the newest technologies to deposit ultra-thin films of exceptional flatness and uniformity. This technology was brought into ASMI in 1999 with the acquisition of ASM Microchemistry, who first developed the thermal ALD technology. PEALD is an extension of this original ALD technology that uses plasma, which was brought into ASMI in 2001 through a partnership with Genitech and a subsequent acquisition in 2004. The use of plasma enables us to deposit high quality films at very low temperatures. Collectively ASMI refers to these two technologies as its ALD process technology platform. ALD is a very versatile technology platform that can be used to deposit high-k insulating materials, conductors, silicon oxide and silicon nitride. Selected ALD processes are released on our Polygon, XP, XP8 and Advance product platforms. We expect that the trends of continued scaling, and evolution towards three dimensional device structures plays into the strength of our ALD position.

### *LPCVD: novel chemistries*

On our LPCVD process technology platform we have developed processes with new chemistries (under the trademark Silcore®) that enable the deposition of silicon and silicon containing materials at low temperatures. We offer processes on our Intrepid module and Epsilon product platform for selective and non-selective epitaxy, single wafer LPCVD, and on our Advance product platform for thin, smooth polycrystalline Si. Our strategy for the LPCVD process technology platform as a whole is to continue to qualify new chemistries developed by, and with, our chemical suppliers for all of our product platforms, well in advance of the development of our customers' needs.

### **Intellectual property and trademarks**

#### **Intellectual Property**

Because of the rapid technological advances in the microelectronics field, our products must continually change and improve. Accordingly, we believe that our success will depend upon the technical competence and creative ability of our personnel as well as the ownership of and the ability to enforce our intellectual property rights.

We own and license patents that cover some of the key technologies, features and operations of our products and are registered in the principal countries where semiconductor devices or equipment are manufactured or sold. For instance, we have hundreds of issued patents that relate to our ALD process technology platform. As another example, we have a significant number of issued patents related to Silcore® and other specialized LPCVD and PECVD process chemistries.

The following table shows the number of patents for which we made an initial filing during the indicated year and the number of patents in force at the end of the indicated year. As part of a program to reduce cost, the patent portfolio was critically reviewed against the current business strategy in 2009. Cost control measures and stricter patent filing prioritization in 2010 resulted in a lower initial patent filing rate in 2010 compared to 2009. Increased R&D activity in 2011, 2012 and 2013 resulted in a higher filing rate.

	2009	2010	2011	2012	2013
Initial patent filings	47	33	51	64	61
Patents in force at year end	830	931	1,043	1,127	1,159

We have entered into worldwide, non-exclusive, non-transferable and non-assignable licenses with Applied Materials for patents related to certain chemicals used to deposit insulating layers for PECVD. A number of the licensed patents have already expired and there are no remaining royalty bearing patents that we use. Upon expiration of the patents, the technology may be used royalty-free by the public, including us.

We have licensed our intellectual property in parts of our ALCVD process technology platform through nonexclusive, restricted field of use license agreements to a limited number of companies. In addition to generating revenue, we seek to accelerate market acceptance of our ALCVD technology through our licensing efforts.

We have licensed our RTP portfolio of 61 issued patents and 11 pending patents to Levitech BV.

#### Trademarks

ASM, the ASM International logo, Advance, Aurora, Dragon, Eagle, EmerALD, Epsilon, Intrepid, Polygon, Pulsar and Silcore are our registered trademarks. A400, A412, ALCVD, Atomic Layer CVD, NCP, PEALD, are our trademarks. "The Switch Is On" and "Drive Innovation, Deliver Excellence." are our service marks.

#### Litigation

There has been substantial litigation regarding patent and other intellectual property rights in semiconductor-related industries. Although we have been involved in significant litigation in the past, we are at present not involved in any litigation which we believe is likely to have a material adverse effect on our financial position. In the future, additional litigation may be necessary to enforce patents issued to us, to protect trade secrets or know-how owned by us or to defend ASMI against claimed infringement of the rights of others and to determine the scope and validity of the proprietary rights of others. Any such litigation could result in substantial cost and diversion of effort by us, which could have a material adverse effect on our business, financial condition, and earnings from operations. Adverse determinations in such litigation could result in our loss of proprietary rights, subject us to significant liabilities to third parties, require us to seek licenses from third parties or prevent us from manufacturing or selling our products, any of which could have a material adverse effect on our business, financial condition and earnings from operations.

#### Research and development

We believe that our future success depends to a large extent upon our ability to develop new products and add improved features to existing products. Accordingly, our global product development policies and local activities are for the most part directed toward expanding and improving present product lines to incorporate technology advances and reduce product cost, while simultaneously developing new products that can penetrate new markets. These activities require the application of physics, chemistry, materials science, chemical engineering, electrical engineering, precision mechanical engineering, software engineering, and system engineering.

Our net research and development expenses were €48.5 million, €58.7 million and €58.3 million in 2011, 2012 and 2013, respectively. We expect to continue investing significant resources in research and development in order to enhance our product offerings. Our research and development activities are chiefly conducted in the principal semiconductor markets of the world, which enables us to draw on innovative and technical capabilities on an international basis. Each geographic center provides expertise for specific products and/or technologies. This approach, combined with the interactions between



the individual centers, permits efficient allocation of technical resources and customer interaction during development. In 2010, we formed a global Platform Engineering group that addresses the needs for common platforms for the various products in our wafer processing product portfolio. Selected resources in Belgium, Almere and Helsinki have been grouped under Corporate R&D, addressing the common needs for advanced materials research and process integration work for the 10nm to 5nm nodes.

LOCATION	NUMBER OF R&D EMPLOYEES AS OF DECEMBER 31, 2013, EXCLUSIVE OF TEMPORARY WORKERS
Almere, the Netherlands	38
Leuven, Belgium	22
Helsinki, Finland	14
Phoenix, Arizona, United States	123
Cheonan, South Korea	37
Singapore	3
Tama, Japan	78
<b>TOTAL</b>	<b>315</b>

As part of our research and development activities, we are engaged in various formal and informal arrangements with customers and institutes. At December 31, 2013, we are engaged in several formal joint development programs with customers for 300mm applications of our products. As part of these efforts, we may sell new products to customers at a significantly reduced margin, and invest significant resources in the joint development and subsequent product qualification. We sometimes also cooperate with other semiconductor capital equipment suppliers in complementary fields, in order to gain knowledge on the performance of our own deposition processes, in cooperation with other processes, either in bilateral or in publicly funded projects. In addition to cooperating with customers and other capital equipment suppliers, we also enter into research projects with technical universities and institutes (including for example IMEC in Belgium).

We participate also in publicly funded programs, mainly in Europe, to develop the production technology for semiconductor devices with line widths of 15 and 10nm and below, and in More-than-Moore technologies. Among our current cooperative efforts are projects awarded under the Information Society Technologies (IST) seventh framework program, and under the Joint Technology Initiative (JTI) on nano-electronics of the ENIAC Joint Undertaking (European Nano-electronics Initiative Advisory Council JU). Several of these ENIAC projects are Key Enabling Technology (KET) Pilot Line projects aiming at developing a European pilot line for emerging technologies. We are also a partner in several cluster development programs in the Eureka initiative by CATRENE (Cluster for Application and Technology Research in Europe on Nano-Electronics), the successor of MEDEA+ (Micro Electronics Development for European Applications). In the Netherlands we are participating in projects focused on Nano-Technology developments ("NanoNext").

In 2011 we renewed our strategic R&D partnership with the Interuniversity MicroElectronics Center (IMEC) in Leuven, Belgium. Our Epsilon, A412, Pulsar, EmerALD, Dragon and Eagle based products are involved in this partnership. In 2012 and 2013 we significantly expanded our partnership with additional ALD and Epi capability. This gives us the opportunity to investigate, both jointly and independently, the integration of individual process steps in process modules and electrically active devices. We have been partnering with IMEC since 1990.

In December 2003, we commenced a five-year partnership with University of Helsinki that aims at further development of atomic layer deposition processes and chemistries. This partnership was extended for a second quinquennial in December 2008 and this is extended in 2013 for a third quinquennial until December 2018.

315 employees were employed in research and development at the end of 2013 representing 21.0% of our total staff.

## Manufacturing and suppliers

Our manufacturing operations consist of the fabrication and assembly of various critical components, product assembly, quality control and testing.

In 2004, in order to reduce manufacturing costs in our wafer processing equipment operations we established FEMS, a manufacturing facility in Singapore, to manufacture certain generic subsystems and subassemblies for our Vertical Furnaces that we previously outsourced. In 2009 we started the transition of manufacturing of ASMI products to be final assembled in Singapore, i.e. including final assembly, test and shipment of the system to the customer from the FEMS facility. We closed down our manufacturing operations in Almere, the Netherlands, at the end of 2009, and we closed our manufacturing facilities in Phoenix (US) and in Nagaoka (Japan) in 2010.

With this transition we have also implemented a global organization for our procurement activities.

In 2012 we strengthened our organization with a global supply chain function, that includes, in addition to procurement, responsibility for supply chain quality and inventories.

## Marketing and sales

We market and sell our products with the objective of developing and maintaining an ongoing, highly interactive service and support relationship with our customers. We provide prospective customers with extensive process and product data, provide opportunities for tests on demonstration equipment and, if required, install evaluation equipment at the customer's site. Once equipment has been installed, we support our customers with, among other things, extensive training, on-site service, spare parts and process support. All of this is further supported by in house development to enhance the productive life of existing equipment. We make hardware improvements available in the form of retrofit kits as well as joint development of new applications with our customers.

Because of the significant investment required to purchase our systems and their highly technical nature, the sales process is complex, requiring interaction with several levels of a customer's organization and extensive technical exchanges, product demonstrations and commercial negotiations. As a result, the full sales cycle can be as long as 12 to 18 months. Purchase decisions are generally made at a high level within a customer's organization, and the sales process involves broad participation across our organization, from senior executive management to the engineers who designed the product.

To market our products, we operate demonstration and training centers where customers can examine our equipment in operation and can, if desired, process their wafers for further in-house evaluation. Customers are also trained to properly use purchased equipment.

To execute the sales and service functions, we have established a global sales force, in which all regional units report directly into the global sales organization. We have sales offices located in Europe (in the Netherlands, France, Ireland, Germany and Italy), Israel, Taiwan, South Korea, the People's Republic of China, Singapore, the United States of America and Japan. At the end of 2013, 264 employees were employed in sales and marketing, representing 17.6% of our total staff.

## Customers

We sell our products predominantly to manufacturers of semiconductor devices and manufacturers of silicon wafers. Our customers include most of the leading semiconductor and wafer manufacturers. Our customers vary from independent semiconductor manufacturers that design, manufacture, and sell their products on the open market, to large electronic systems companies that design and manufacture semiconductor devices for their own use, to semiconductor manufacturers, known as foundries that manufacture devices on assignment of other companies, including "fabless" companies that design chips but do not have wafer processing factories.

For our wafer processing segment our largest customer accounted for approximately 22.8%, 33.6% and 28.3% of our net sales in 2011, 2012 and 2013, respectively. Our ten largest customers accounted for approximately 70.4%, 75.3% and 85.6% of our net sales 2011, 2012 and 2013, respectively. Historically, a significant percentage of our net sales in each year has been attributable to a limited number of customers; however, the largest customers for our products may vary from

year to year depending upon, among other things, a customer's budget for capital expenditures, timing of new fabrication facilities and new product introductions.

The following table shows the distribution of net sales, of our Front-end segment per geographic destination of the product:

GEOGRAPHIC DESTINATION	FULL YEAR		
	FRONT-END NET SALES		
	2011	2012	2013
Europe	23.6%	21.0%	16.2%
United States	32.5%	35.6%	29.0%
South Korea	15.4%	13.3%	24.5%
Japan	10.9%	11.0%	7.5%
South East Asia	17.6%	19.1%	22.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

### Customer service

We provide responsive customer technical assistance to support our marketing and sales. Technical assistance is becoming an increasingly important factor in our business as most of our equipment is used in critical phases of semiconductor manufacturing. Field engineers install the systems, perform preventive maintenance and repair services, and are available for assistance in solving customer problems. Our global presence permits us to provide these functions in proximity to our customers. We also maintain local spare part supply centers to facilitate quick support.

We provide maintenance during the product warranty period, usually one to two years, and thereafter perform maintenance pursuant to individual orders issued by the customer. In addition to providing ongoing service, our customer service operations are responsible for customer training programs, spare parts sales and technical publications. In appropriate circumstances, we will send technical personnel to customer locations to support the customer for extended periods of time in order to optimize the use of the equipment for the customer's specific processes. The availability of field support is particularly important for a sale. 519 employees were employed in customer service at the end of 2013 representing 34.5% of our total staff.

### Competition

The semiconductor equipment industry is intensely competitive, and is fragmented among companies of varying size, each with a limited number of products serving particular segments of the semiconductor process. Technical specifications of the individual products are an important competitive factor, especially concerning capabilities for manufacturing of new generations of semiconductor devices. As each product category encompasses a specific blend of different technologies, our competitive position from a technology standpoint may vary within each category. Customers evaluate manufacturing equipment based on technical performance and cost of ownership over the life of the product. Main competitive factors include overall product performance, yield, reliability, maintainability, service, support and price. We believe that we are competitive with respect to each of these factors, and that our products are cost effective.

As the variety and complexity of available machinery increases, some semiconductor manufacturers are attempting to limit their suppliers. In addition, semiconductor manufacturers are located throughout the world, and expect their equipment suppliers to have offices worldwide to meet their supply and service needs. Semiconductor equipment manufacturers with a more limited local presence are finding it increasingly difficult to compete in an increasingly global industry.

Our primary competitors are from the United States of America, Japan and South Korea. In each of our product lines, we compete primarily with two or three companies which vary from small to large firms in terms of the size of their net sales and range of products. Our primary competitors include Applied Materials, LAM Research Corporation, Tokyo Electron, Hitachi Kokusai, Wonik IPS and Jusung.

## C. ORGANIZATIONAL STRUCTURE

ASM International NV is a holding company that operates through its subsidiaries. Our major operating subsidiaries as of March 14, 2014 are:

SUBSIDIARY NAME AND LOCATION	COUNTRY OF INCORPORATION	PERCENTAGE OWNED BY ASM INTERNATIONAL NV
ASM Europe BV Almere, the Netherlands	The Netherlands	100%
ASM America, Inc Phoenix, Arizona, United States of America	United States	100%
ASM Japan KK Tama, Japan	Japan	100%
ASM Genitech Korea Ltd Cheonan, South Korea	South Korea	100%
ASM Front-End Manufacturing Singapore Pte Ltd, Singapore	Singapore	100%

See Exhibit 8.1 for a list of our main subsidiaries.

## D. PROPERTY, PLANT AND EQUIPMENT

To develop and manufacture products to local specifications and to market and service products more effectively in the worldwide semiconductor market, our facilities are located in the Netherlands, the United States, Japan and Singapore. Our principal facilities are summarized below:

LOCATION	PRIMARY USES	APPROXIMATE AGGREGATE SQUARE FOOTAGE
Almere, the Netherlands	Executive offices of ASMI, wafer processing equipment, marketing sales and service, research and offices	118,000
Tama and Nagaoka, Japan	Wafer processing equipment marketing, sales and service, research and offices	80,000
Phoenix, Arizona, United States	Wafer processing equipment marketing sales and service, research and offices	130,000
Singapore	Wafer processing equipment manufacturing, marketing, sales and service and offices	169,000
Cheonan, South Korea	Wafer processing equipment manufacturing, marketing, research and offices	34,000
Helsinki, Finland	Wafer processing equipment research and offices	6,000

Our principal facilities in the Netherlands, the United States of America, South Korea, Finland, Singapore and Malaysia are subject to leases expiring at various times from 2014 to 2024. We believe that our facilities are maintained in good operating condition and are adequate for our present level of operations. For information on assets held for sale see Note 10 to the consolidated financial statements.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

#### Summary

We are an equipment supplier mainly to the semiconductor manufacturing industry. We design, manufacture and sell equipment and services to our customers for the production of semiconductor devices, or integrated circuits. The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. ASMI is active in the wafer processing segment. In addition, we have a 40% investment in ASM Pacific Technology, which is a leading supplier of assembly and packaging equipment to the semiconductor, LED and electronics markets.

We sell our products to the semiconductor manufacturing industry and, through our 40% stake in ASMPT, to the assembly industry, which is subject to sudden, extreme, cyclical variations in product supply and demand.

We conduct our Front-end business through wholly-owned subsidiaries, the most significant being ASM Front-End Manufacturing Singapore Pte Ltd. ("FEMS"), located in Singapore, ASM Europe BV ("ASM Europe"), located in the Netherlands, ASM America, Inc. ("ASM America"), located in the United States, ASM Japan KK ("ASM Japan"), located in Japan, and ASM Genitech Korea Ltd. ("ASM Genitech") located in Korea. The location of our facilities allows us to interact closely with customers in the world's major geographic market segments: Europe, North America, and Asia. The principal market we address in wafer processing is a portion of the deposition market segment. We address the following segments of the deposition equipment market: Vertical Furnaces, Epitaxy, PECVD and ALD. In ALD, we have a leading position in both thermal ALD and plasma-enhanced ALD (PEALD).

Our investment in ASM Pacific Technology represents the Back-end business. The Back-end operations are conducted through principal facilities in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany.

On March 15, 2013 we reduced our shareholding in ASMPT from 52% to 40%. The sale of the 12% stake in ASMPT caused ASMI's cease of control on ASMPT and required deconsolidation of ASMPT. Since that date our share of the net result of ASMPT is reported on the line result from investments. The sale transaction resulted in a substantial gain. This gain consists of two elements, the realized gain on the sale of the 11.88% stake and an unrealized remeasurement gain on the remaining 40% of the shares. The net results before the one-off gain and impairment on our 40% investment in ASMPT was €20.9 million. On a reported basis, results from investments amounted to approximately €1 billion, which mainly reflected the one-off gain of €1.4 billion and an impairment of €0.3 billion.

2013 was an important year for ASMI. First of all, our net sales of the Front-end segment increased by 22% substantially outperforming the overall wafer fab equipment markets, which declined year-over-year in 2013. Secondly, gross margin improved by more than 500 basis points to 39% year-over-year due to higher sales volume, improved efficiencies and a positive mix. We achieved a significant improvement in operating profit to €44.9 million in 2013 compared to €0.5 million in 2012. We ended the year on a solid note, driven once again by demand for ALD and PEALD technologies. Revenues for the fourth quarter were €127 million, a 9% increase over the third quarter.

In 2013, we also took important steps to further improve the structural profitability of the Company over time. This includes several initiatives to improve the efficiency of our supply chain. In the second half of the year, we outsourced our parts manufacturing. Next to a reduction of the relative costs, this will also result in a more flexible cost structure throughout industry cycles. 2013 was a very successful year for our ALD business. Our strong performance in 2013 reflects the growing customer acceptance of atomic layer deposition as a mainstream technology enabling further scaling in ever more complex device architectures. Virtually all of the leading players in logic, foundry and memory sectors have now adopted ALD in high-volume manufacturing. In logic, our ALD solutions are critical for high-k metal gate technology, and in memory our PEALD tools have been important enabling solutions behind miniaturization to 2X and 1X technology nodes.

With a continued market leadership ALD has become a strong growth driver for our Company. Our PEALD business also had a very strong performance in 2013. Renewed technology investments by memory customers fueled demand for our PEALD solutions for space defined multiple patterning. In addition to this application in memory, we are also gaining traction in new applications in logic and foundry with PEALD. We continue to invest significant resources in the further improvement of our ALD and PEALD platforms and the development of new applications in close cooperation with our customers.

## A. OPERATING RESULTS

### Sales

Our Front-end sales are concentrated in the United States, Europe, Japan and Asia and Back-end sales are concentrated in Asia and Europe.

The following table shows the geographic distribution of Front-end and Back-end sales of both our segments for the years 2011, 2012 and 2013:

(amounts in million)	YEAR ENDED DECEMBER 31,					
	2011		2012		2013	
<b>Front-end:</b>						
United States	€148.4	32.5%	€131.8	35.6%	<b>€131.2</b>	<b>29.0%</b>
Europe	107.8	23.6%	77.9	21.0%	<b>73.1</b>	<b>16.2%</b>
Taiwan	37.8	8.3%	47.2	12.7%	<b>78.2</b>	<b>17.3%</b>
Japan	49.7	10.9%	40.6	11.0%	<b>33.8</b>	<b>7.5%</b>
South Korea	70.2	15.4%	49.1	13.3%	<b>110.6</b>	<b>24.5%</b>
China	23.6	5.2%	16.1	4.3%	<b>20.0</b>	<b>4.4%</b>
Other	18.6	4.1%	7.7	2.1%	<b>5.1</b>	<b>1.1%</b>
	<b>€456.1</b>	<b>100.0%</b>	<b>€370.4</b>	<b>100.0%</b>	<b>€452.0</b>	<b>100.0%</b>
<b>Back-end:</b>						
						<b>For the period ended March 15, 2013</b>
People's Republic of China	€527.6	44.8%	€445.8	42.6%	<b>€62.2</b>	<b>38.8%</b>
Europe	230.2	19.5%	177.9	17.0%	<b>24.7</b>	<b>15.4%</b>
Taiwan	71.9	6.1%	63.6	6.1%	<b>7.3</b>	<b>4.6%</b>
Malaysia	84.0	7.1%	93.5	8.9%	<b>12.4</b>	<b>7.7%</b>
South Korea	41.4	3.5%	36.2	3.5%	<b>8.5</b>	<b>5.3%</b>
Hong Kong	26.7	2.3%	27.6	2.6%	<b>7.5</b>	<b>4.7%</b>
Thailand	32.5	2.8%	42.7	4.1%	<b>6.1</b>	<b>3.8%</b>
Japan	47.0	4.0%	18.8	1.8%	<b>2.9</b>	<b>1.8%</b>
Singapore	16.7	1.4%	15.0	1.4%	<b>2.8</b>	<b>1.7%</b>
Philippines	34.8	3.0%	25.2	2.4%	<b>4.0</b>	<b>2.5%</b>
United States	37.5	3.2%	65.7	6.3%	<b>15.8</b>	<b>9.9%</b>
Other	28.0	2.4%	35.7	3.4%	<b>6.1</b>	<b>3.8%</b>
	<b>€1,178.3</b>	<b>100.0%</b>	<b>€1,047.7</b>	<b>100.0%</b>	<b>€160.3</b>	<b>100.0%</b>

The sales cycle from quotation to shipment for our Front-end equipment generally takes several months, depending on capacity utilization and the urgency of the order. The acceptance period after installation may be as short as four to five weeks. However, if customers are unfamiliar with our equipment or are receiving new product models, the acceptance period may take as long as several months. The sales cycle is longer for equipment which is installed at the customer's site for evaluation prior to sale. The typical trial period ranges from six months to one year after installation.

The sales cycle for Back-end products is typically shorter than for Front-end products. Generally, the majority of Back-end equipment is built in standard configurations. These products are approximately 85% complete in anticipation of customer orders. Upon receipt of a customer's order and specifications, the remaining 15% of the manufacturing is completed. This allows us to complete the assembly of our equipment in a short period of time. We therefore require between two to six weeks for final manufacturing, testing, crating, and shipment of our Back-end equipment. Back-end customers' acceptance periods are generally shorter than those for Front-end equipment. Our local staff provide installation, training and technical support to our customers in all of our major markets.

A substantial portion of our Front-end sales is for equipping new or upgraded fabrication plants where device manufacturers are installing complete fabrication equipment. As a result our Front-end sales in this segment tend to be uneven across customers and financial periods. Sales to our ten largest Front-end customers accounted for 70.4%, 75.3% and 85.6% of Front-end net sales in 2011, 2012 and 2013, respectively.

### **Research and development**

We continue to invest strongly in research and development. As part of our research and development activities, we are engaged in various development programs with customers and research institutes these allow us to develop products that meet customer requirements and to obtain access to new technology and expertise. Research and development costs are expensed as incurred. The costs relating to prototypes and experimental models, which we may subsequently sell to customers are charged to the cost of sales. Our research and development operations in the Netherlands and the United States receive research and development grants and credits from various sources.

For a further discussion of research and development expenses see Item 4.B, "Business Overview - Research and Development" and "Results of Operations," below.

### **Critical accounting policies and estimates**

The preparation of consolidated financial statements and related disclosures in conformity with generally accepted accounting principles in the US ("US GAAP") requires management to make judgments, assumptions and estimates that affect the amounts reported. Note 1 of "Notes to Consolidated Financial Statements" describes the significant accounting policies used in the preparation of the consolidated financial statements. Some of these significant accounting policies are considered to be critical accounting policies.

A critical accounting policy is defined as one that is both material to the presentation of ASMI's consolidated financial statements and that requires management to make difficult, subjective or complex judgments that could have a material effect on ASMI's financial condition or results of operations. Specifically, these policies have the following attributes: (1) ASMI is required to make assumptions about matters that are highly uncertain at the time of the estimate; and (2) different estimates ASMI could reasonably have used, or changes in the estimate that are reasonably likely to occur, would have a material effect on ASMI's financial condition or results of operations.

Estimates and assumptions about future events and their effects cannot be determined with certainty. ASMI bases its estimates on historical experience and on various other assumptions believed to be applicable and reasonable under the circumstances. These estimates may change as new events occur, as additional information is obtained and as ASMI's operating environment changes. These changes have historically been minor and have been included in the consolidated financial statements as soon as they became known. In addition, management is periodically faced with uncertainties, the outcomes of which are not within its control and will not be known for prolonged periods of time. These uncertainties include those discussed in Item 3D, "Risk Factors." Based on a critical assessment of its accounting policies and the underlying judgments and uncertainties affecting the application of those policies, management believes that ASMI's consolidated financial statements are fairly stated in accordance with US GAAP, and provide a meaningful presentation of ASMI's financial condition and results of operations.

An analysis of specific sensitivity to changes of estimates and assumptions is included in the notes to the financial statement.



**Management believes that the following are critical accounting policies:**
**Revenue recognition**

ASMI recognizes revenue when all four revenue recognition criteria have been met: (1) persuasive evidence of an arrangement exists; (2) delivery has occurred or services have been rendered; (3) seller's price to buyer is fixed or determinable; and (4) collectability is probable. Each sale arrangement may contain commercial terms that differ from other arrangements. In addition, we frequently enter into contracts that contain multiple deliverables. Judgment is required to properly identify the accounting units of the multiple deliverable transactions and to determine the manner in which revenue should be allocated among the accounting units. Moreover, judgment is used in interpreting the commercial terms and determining when all criteria of revenue recognition have been met in order for revenue recognition to occur in the appropriate accounting period. While changes in the allocation of the estimated sales price between the units of accounting will not affect the amount of total revenue recognized for a particular sales arrangement, any material changes in these allocations could impact the timing of revenue recognition.

A major portion of our revenue is derived from contractual arrangements with customers that have multiple deliverables, such as equipment and installation. For each of the specified deliverables ASMI determines the selling price by using either vendor specific objective evidence ("VSOE"), third party evidence ("TPE") or by best estimate of the selling price ("BESP"). For transactions entered into, or materially modified in which the Company is unable to establish relative selling price using VSOE or TPE, the Company uses BESP in its allocation of arrangement consideration. The total arrangement consideration is allocated at inception of the arrangement to all deliverables on the basis of their relative selling price. The revenue relating to the undelivered elements of the arrangements is deferred at their relative selling prices until delivery of these elements. On December 31, 2012 and December 31, 2013 we deferred revenues from installations in the amount of €3.5 million and €3.9 million respectively.

Our Front-end sales frequently involve sales of complex equipment, which may include customer-specific criteria, sales to new customers or sales of equipment with new technology. For each sale, the decision of whether to recognize revenue is, in addition to shipment and factory acceptance, based on: the contractual agreement with a customer, the experience with a particular customer, the technology and the number of similarly configured equipment previously delivered. Based on these criteria we may decide to defer revenue until completing installation at the customer's site and obtaining final acceptance from the customer. On December 31, 2012 and December 31, 2013 we deferred revenue from sales of equipment in the amount of €1.9 million and €2.6 million respectively.

**Warranty**

We provide maintenance on our systems during the warranty period, which is usually one to two years. Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period. We accrue for the estimated cost of the warranty on products shipped in a provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty. The actual warranty costs may differ from estimated warranty costs, and we adjust our provision for warranty accordingly. Future warranty costs may exceed our estimates, which could result in an increase of our cost of sales.

**Business combinations**

ASC Topic 805 ("Business Combinations") requires that companies record acquisitions under the purchase method of accounting. Accordingly, the purchase price is allocated to the tangible assets and liabilities and intangible assets acquired, based on their estimated fair values. The excess purchase price over the fair value is recorded as goodwill. Purchased intangibles with definite lives are amortized over their respective useful lives. When a bargain purchase occurs, which is the case when the fair value of the acquired business exceeds the purchase price, this surplus in fair value is recognized as a gain from bargain purchase.

### Long-lived assets

Long-lived assets include goodwill, other intangible assets and property, plant and equipment.

Goodwill is tested for impairment annually on December 31 and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. Our Front-end impairment test and the determination of the fair value is based on a discounted future cash flow approach that uses our estimates of future revenues, driven by assumed market growth and estimated costs, as well as appropriate discount rates. These estimates are consistent with the plans and estimated costs we use to manage the underlying business.

The material assumptions used by management for the annual impairment test performed per December 31, 2013 were:

- › For Front-end external market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used;
- › Cash flow projections for the first four years. After these four years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less; and
- › An average discount rate of 16.0% (2012: 22.7%) representing the pre-tax weighted average cost of capital. This rate decreased compared to the rate used in 2012 as a consequence of the current situation whereby certain product lines have now passed the early phase of the product life-cycle, hence reflecting a lower risk.

Management concluded that the fair value calculated reflects the amount a market participant would be willing to pay. Based on this analysis management believes that the fair value of the reporting units substantially exceeded its carrying value and that, therefore, goodwill was not impaired as of December 31, 2013.

The calculation of fair value involves certain management judgments and was based on our best estimates and projections at the time of our review. The value may be different if other assumptions are used. In future periods we may be required to record an impairment loss based on the impairment test performed, which may significantly affect our results of operations at that time. On December 31, 2013, we determined that a decrease in estimated cash flows of 10% and an increase of 10% of the discount rate used in calculating the fair value would not result in an impairment of the carrying value of goodwill.

Other intangible assets and property, plant and equipment are reviewed by us for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The cash flow estimates that we use include certain management judgments and are based on our best estimates and projections at the time of our review, and these may be different if other assumptions are used. In future periods, however, we may be required to record impairment losses, which may significantly affect our results of operations at that time. On December 31, 2013, we determined that a decrease in estimated cash flows of 10% would not result in an impairment of the carrying value of long-lived assets.

### Investments in associates

Investments in associated companies are stated at cost, less impairment. Dividend income from the Company's subsidiaries and associated companies is recognized when the right to receive payment is established.

### Impairment of investments and associated companies

ASMI does not separately test an investments underlying assets for impairment. However, ASMI recognizes its share of any impairment charge recorded by an investee and consider the effect, if any, of the impairment on the basis difference in the assets giving rise to the investee's impairment charge. A loss in value of an investment which is other than a temporary decline will be recognized.

Considering the extent to which in the last quarter of 2013 the market price of the ASMPT shares was below cost the Company investigated whether this resulted in an impairment other than temporary. In its assessment the Company evaluated other factors based on its knowledge of the business and of ASMPT specifically. The Company did not identify

persuasive factors that the diminution of the value would be other-than-temporary and accordingly recorded an impairment charge in which the value of the ASMPT investment is reduced to the market price per December 31, 2013.

#### Allowance for doubtful accounts

ASMI maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. This allowance is based on historical experience, credit evaluations, specific customer collection history and any customer-specific issues ASMI has identified. Changes in circumstances, such as an unexpected adverse material change in a major customer's ability to meet its financial obligation to ASMI or its payment trends, may require us to further adjust our estimates of the recoverability of amounts due to ASMI, which could have an adverse material effect on ASMI's financial condition and results of operations. On December 31, 2013 the allowance for doubtful accounts amounted to €0.1 million compared to total accounts receivable of €83.0 million.

#### Inventories

Inventories are stated at the lower of cost (first-in, first out method) or market value. Costs include net prices paid for materials purchased, charges for freight and custom duties, production labor costs and factory overhead. Allowances are made for slow moving, obsolete or unsellable inventory and are reviewed on a quarterly basis.

We regularly evaluate the value of our inventory of components and raw materials, work in progress and finished goods, based on a combination of factors. These include: forecasted sales, historical usage, product end of life cycle, estimated current and future market values, service inventory requirements and new product introductions, as well as other factors. Purchasing requirements and alternative uses for the inventory are explored within these processes to mitigate inventory exposure. We record write downs for inventory based on the above factors and take worldwide quantities and demand into account in our analysis.

On December 31, 2013 our allowance for inventory obsolescence amounted to €25.6 million, which is 24.5% of our total inventory. If circumstances related to our inventories change, our estimate of the values of inventories could materially change. On December 31, 2013, an increase of our overall estimate for obsolescence and lower market value by 10% of our total inventory balance would result in an additional charge to cost of sales of €13.1 million.

#### Share-based compensation expenses

The cost relating to employee stock options is measured at fair value on the grant date. The grant-date fair value of stock options is determined using a Black-Scholes option valuation model. This Black-Scholes model requires the use of assumptions, including expected share price volatility, the estimated life of each award and the estimated dividend yield. The risk-free interest rate used in the model is determined, based on a euro government bond with a life equal to the expected life of the options.

OPTIONS	DECEMBER 31,	
	2012	2013
Expected life (years)	7.0	7.0
Risk free interest rate	3.28%	2.93%
Dividend yield	0.64%	0.90%
Expected volatility	41.98%	41.52%

## Income taxes

We currently have significant deferred tax assets, which resulted primarily from operating losses incurred in prior years as well as other temporary differences. We have established a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Based on available evidence, we regularly evaluate whether it is more likely than not that the deferred tax assets will not be realized. This evaluation includes our judgment on the future profitability and our ability to generate taxable income, changes in market conditions and other factors. On December 31, 2013, we believe that there is insufficient evidence to substantiate recognition of substantially all net deferred tax assets with respect to net operating loss carry forwards, and we have established a valuation allowance in the amount of €70.0 million. Future changes in facts and circumstances, if any, may result in a change of the valuation allowance to these deferred tax asset balances which may significantly influence our results of operations at that time. If our evaluation of the realization of deferred tax assets would indicate that an additional 10% of the net deferred tax assets as of December 31, 2013 is not realizable, this would result in an additional valuation allowance and an income tax expense of €0.5 million.

Consistent with the provisions of ASC 740, as of December 31, 2013, ASMI has a liability of unrecognized tax benefits of €0 million (2012: €22.5 million). A reconciliation of the beginning balance on January 1, 2013 and the ending balance on December 31, 2013 of the liability for unrecognized tax benefits is as follows:

(EUR)	
<b>BALANCE JANUARY 1, 2013</b>	<b>22,511</b>
Deconsolidation ASMPT	(22,325)
Foreign currency translation effect	(186)
<b>BALANCE DECEMBER 31, 2013</b>	<b>-</b>

Unrecognized tax benefits mainly relate to transfer pricing positions, tax credits (US\$20.9 million), operational activities in countries where we are not tax registered and tax deductible costs. We estimate that no interest and penalties are related to these unrecognized tax benefits. Unrecognized tax benefits would, if recognized, impact the Company's effective tax rate.

The calculation of our tax positions involves dealing with uncertainties in the application of complex tax laws. Our estimate for the potential outcome of any uncertain tax position is highly judgmental. Settlement of uncertain tax positions in a manner inconsistent with our estimates could have a material impact on our earnings, financial position and cash flows.

## Results of operations

The following table shows certain Consolidated Statement of Operations data as a percentage of net sales for our Front-end and Back-end segments for the years 2011, 2012 and 2013:

	YEAR ENDED DECEMBER 31,								
	FRONT-END			BACK-END			TOTAL		
	2011	2012	2013	2011	2012	2013 <sup>1)</sup>	2011	2012	2013 <sup>1)</sup>
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(62.2%)	(66.4%)	(61.0%)	(66.2%)	(69.9%)	(76.1%)	(65.0%)	(68.9%)	(65.0%)
<b>GROSS PROFIT</b>	<b>37.8%</b>	<b>33.6%</b>	<b>39.0%</b>	<b>33.8%</b>	<b>30.2%</b>	<b>23.9%</b>	<b>35.0%</b>	<b>31.1%</b>	<b>35.0%</b>
Selling, general and administrative expenses	(13.4%)	(17.3%)	(15.5%)	(9.7%)	(13.1%)	(15.9%)	(10.7%)	(14.2%)	(15.6%)
Research and development expenses	(10.7%)	(15.8%)	(12.9%)	(6.9%)	(8.6%)	(10.7%)	(7.9%)	(10.5%)	(12.3%)
Amortization of other intangible assets	—	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)
Impairment of PP&E	—	—	—	(0.7%)	—	—	(0.5%)	—	—
Gain bargain purchase	—	—	—	9.3%	—	—	6.6%	—	—
Restructuring expenses	—	(0.2%)	(0.6%)	—	—	—	—	(0.1%)	(0.4%)
<b>EARNINGS FROM OPERATIONS</b>	<b>13.7%</b>	<b>0.2%</b>	<b>9.9%</b>	<b>25.9%</b>	<b>8.4%</b>	<b>(2.7%)</b>	<b>22.5%</b>	<b>6.2%</b>	<b>6.6%</b>
Net interest income (expense)	(2.7%)	(2.8%)	(0.4%)	0.1%	—	(0.2%)	(0.6%)	(0.7%)	(0.3%)
Accretion of interest convertible	(1.0%)	(1.2%)	—	—	—	—	(0.3%)	(0.3%)	—
Revaluation conversion option	(1.0%)	—	—	—	—	—	(0.3%)	—	—
Gain (expense) resulting from early extinguishment of debt	(0.2%)	(0.6%)	—	—	—	—	—	(0.2%)	—
Foreign currency exchange gains (losses)	1.8%	(0.8%)	(2.0%)	(0.2%)	(0.1%)	0.5%	0.3%	(0.3%)	(1.3%)
Result from investments	—	(0.2%)	222.0%	—	—	—	—	(0.1%)	163.9%
<b>EARNINGS (LOSS) BEFORE INCOME TAXES AND DILUTION</b>	<b>10.6%</b>	<b>(5.5%)</b>	<b>229.6%</b>	<b>25.7%</b>	<b>8.3%</b>	<b>(2.4%)</b>	<b>21.6%</b>	<b>4.7%</b>	<b>168.9%</b>
Income tax income / (expense)	(1.0%)	(2.4%)	(2.1%)	(2.7%)	(1.7%)	(1.0%)	(2.2%)	(1.9%)	(1.8%)
<b>NET EARNINGS (LOSS)</b>	<b>9.8%</b>	<b>(7.9%)</b>	<b>227.5%</b>	<b>23.0%</b>	<b>6.6%</b>	<b>(3.4%)</b>	<b>19.4%</b>	<b>2.9%</b>	<b>167.0%</b>
<b>Allocation of net earnings (loss):</b>									
Shareholders of the parent							11.4%	0.5%	167.5%
Minority interest							7.9%	2.4%	(0.4%)

<sup>1)</sup> The year 2013 includes the results of the Back-end segment for the period January March 15, the date of deconsolidation.

## Year ended December 31, 2013 compared to Year ended December 31, 2012

### Results

The following supplemental table shows operating performance measures of the Company had ASMPT been an equity accounted investment beginning January 1, 2012. Although management feels that this information is useful to help users assess the continuing impact that the sale of ASMI's controlling interest in ASMPT will have on ASMI, these results might not necessarily be indicative of future results. In addition, any fair value gains realized on the deconsolidation of ASMPT have been removed from these supplemental performance measures.

The following table shows the operating performance for the year 2013, compared to the year 2012:

(EUR million)	COMPARABLE		
	2012	2013	CHANGE
New orders	360.1	<b>479.6</b>	33%
Backlog	91.7	<b>114.8</b>	25%
Book-to-bill	1.0	<b>1.1</b>	
Net sales	370.4	<b>452.0</b>	22%
Gross profit	124.5	<b>176.2</b>	42%
Gross profit margin %	33.6%	<b>39.0%</b>	
Selling, general and administrative expenses	(64.4)	<b>(70.7)</b>	10%
Research and development expenses	(58.7)	<b>(58.3)</b>	(1%)
Restructuring expenses	(0.9)	<b>(2.5)</b>	n/a
Operating result	0.5	<b>44.7</b>	44.2
Operating margin %	0.1%	<b>9.9%</b>	
Financing costs	(20.0)	<b>(10.7)</b>	9.3
Income tax	(9.0)	<b>(9.5)</b>	(0.5)
Result from investments	35.5	<b>20.9</b>	(14.6)
Net earnings excluding remeasurement gain, realized gain on sale of ASMPT shares, amortization, impairment and fair value adjustments	7.1	<b>45.5</b>	38.4
Net earnings per share excluding remeasurement gain, realized gain on sale of ASMPT shares, amortization, impairment and fair value adjustments	€0.13	<b>€0.71</b>	€0.58

#### Net sales

Comparable net sales, reflecting the Front-end sales, for the full year 2013 increased with 22%. This increase was mainly driven by higher ALD and PEALD sales. The impact of currency changes was a decrease of 4%.

Total net sales developed as follows:

(EUR million)	FULL YEAR		
	2012	2013	% CHANGE
Front-end	370.4	<b>452.0</b>	22%
Back-end (for 2013 reflecting the period January 1 - March 15)	1,047.7	<b>160.3</b>	(85%)
<b>ASMI CONSOLIDATED</b>	<b>1,418.1</b>	<b>612.3</b>	<b>(57%)</b>

The backlog at the end of December increased with 25% to a level of €115 million, compared to December 31 last year. The book-to-bill was 1.1.

The following table shows the level of new orders for the full year 2013 and the backlog for the same period of 2012 of our Front-end segment:

(EUR million)	FULL YEAR		
	2012	2013	% CHANGE
<b>BACKLOG AT THE BEGINNING OF THE YEAR</b>	<b>105.1</b>	<b>91.7</b>	<b>(13%)</b>
New orders	360.1	479.6	33%
Net sales	(370.4)	(452.0)	22%
FX-effect	(3.2)	(4.4)	
<b>BACKLOG AS PER REPORTING DATE</b>	<b>91.7</b>	<b>114.8</b>	<b>25%</b>
<b>BOOK-TO-BILL RATIO (NEW ORDERS DIVIDED BY NET SALES)</b>	<b>1.0</b>	<b>1.1</b>	

#### Gross profit

The comparable gross profit for the full year 2013 increased with 42%. This increase resulted from positive mix effects and improved efficiency. The impact of currency changes on gross profit was a decrease of 6% year-over-year. The gross profit margin as a percentage of sales improved from 33.6% for 2012 to 39.0% for 2013.

Total gross profit developed as follows:

(EUR million)	FULL YEAR				
	GROSS PROFIT		GROSS PROFIT MARGIN		INCREASE (DECREASE) PERCENTAGE POINTS
	2012	2013	2012	2013	
Front-end	124.5	176.2	33.6%	39.0%	5.4ppt
Back-end (for 2013 reflecting the period January 1 - March 15)	315.9	38.4	30.2%	24.0%	(6.2)ppt
<b>ASMI CONSOLIDATED</b>	<b>440.4</b>	<b>214.6</b>	<b>31.1%</b>	<b>35.0%</b>	<b>3.9ppt</b>

#### Selling, general and administrative expenses

Comparable selling, general and administrative expenses for the full year 2013 increased with 10% compared to the previous year. As a percentage of sales SG&A was 16%. For the comparable period of 2012 this was 18%. The impact of currency changes on SG&A expenses was a decrease of 3% year-over-year.

Total selling, general and administrative expenses developed as follows:

(EUR million)	FULL YEAR		
	2012	2013	% CHANGE
Front-end	64.4	70.7	10%
Back-end (for 2013 reflecting the period January 1 - March 15)	137.6	25.6	(81%)
<b>ASMI CONSOLIDATED</b>	<b>202.1</b>	<b>96.3</b>	<b>(52%)</b>

#### Research and development expenses

Comparable research and development expenses for the full year, 2013 decreased with 1% compared to the previous year. As a percentage of sales R&D was 13%. For the comparable period of 2012 this was 16%. The impact of currency changes on R&D expenses was a decrease of 7% year-over-year.



Total research and development expenses developed as follows:

(EUR million)	FULL YEAR		
	2012	2013	% CHANGE
Front-end	58.7	<b>58.3</b>	(1%)
Back-end (for 2013 reflecting the period January 1 - March 15)	90.5	<b>17.1</b>	(81%)
<b>ASMI CONSOLIDATED</b>	<b>149.2</b>	<b>75.4</b>	<b>(49%)</b>

#### Restructuring expenses

In the fourth quarter of 2012 we started a cost reduction program in our Front-end operation. We reduced the manufacturing organization in Singapore and our product management organization in Europe and the US with over 100 people. Related to these actions an amounts of €0.9 million and €2.5 million in restructuring expenses were recorded in 2012 and 2013 respectively.

#### Operating result

Comparable operating result was affected by currency changes with a decrease of 8% year-over-year.

Total operating result developed as follows:

(EUR million)	FULL YEAR		
	2012	2013	CHANGE
<b>Front-end:</b>			
Before special items	1.4	<b>47.2</b>	45.8
Restructuring expenses	(0.9)	<b>(2.5)</b>	(1.6)
<b>AFTER SPECIAL ITEMS</b>	<b>0.5</b>	<b>44.7</b>	<b>44.2</b>
Back-end (for 2013 reflecting the period January 1 - March 15)	87.7	(4.3)	(92.0)
<b>ASMI CONSOLIDATED</b>	<b>88.3</b>	<b>40.4</b>	<b>(47.9)</b>

#### Financing costs

Financing costs mainly reflect translation results. A substantial part of ASMI's cash position is denominated in US\$ and Korean won.

#### Results from investments

The sale of the 11.88% stake caused ASMI's cease of control on ASMPT and required deconsolidation of ASMPT. According to general accepted accounting principles (both US GAAP and IFRS) the accounting of this sale consists of two separate transactions:

- › A sale of a 51.96% subsidiary; and
- › A purchase of a 40.08% associate.

The sale transaction resulted in a substantial gain. This gain consisted of two elements, the realized gain on the sale of the 11.88% stake of €245 million and initially an unrealized remeasurement gain on the remaining 40.08% of the shares of approximately €1.1 billion. The purchase of the associate has been recognized at fair value, being the value of the ASMPT shares on the day of closing of the purchase transaction. Both US GAAP and IFRS require that the composition of such a fair value needs to be determined through a purchase price allocation process ("PPA"). This process took place in the second quarter of 2013 and was finalized in the fourth quarter of 2013. The PPA resulted in the recognition of intangible assets for customer relationship, technology, trade name and product names. For inventories and property, plant & equipment a fair value adjustment was recognized.

During the period after March 15, 2013 the ASMPT share traded for a longer period below the price at the close of sale. The Company evaluated other factors and concluded the share price decrease to be other than a temporary share price decrease. Consequently the carrying value of our equity method investment in ASMPT was adjusted to reflect the share price on December 31, 2013 (HK\$64.90) resulting in an impairment charge of €335 million.

The amortization of the recognized intangible assets and the depreciation of the fair value adjustment for property, plant & equipment negatively impacted net earnings with €16.8 million. The annualized amount of this amortization will remain on a level of approximately €22 million until 2017 and then decreases.

The fair value adjustments for inventories and tax related issues had a non-recurring negative impact on net earnings in 2013 of €39.8 million.

For further information on the divestment of ASMPT see Note 3 and 12 to the consolidated financial statements.

#### *Income tax expense*

Income tax expenses of €11.1 million (2012: €26.3 million) reflect a effective tax rate of 36.7% excluding the net results on investments. For further information see Note 25 on the consolidated financial statements.

Net earnings allocated to the shareholders of the parent developed as follows:

(EUR million)	FULL YEAR		
	2012	2013	CHANGE
<b>Front-end:</b>			
Before special items	(26.1)	27.1	53.2
Early extinguishment of debt	(2.2)	-	2.2
Restructuring expenses	(0.9)	(2.5)	(1.6)
<b>AFTER SPECIAL ITEMS</b>	<b>(29.1)</b>	<b>24.6</b>	<b>53.7</b>
<b>Back-end:</b>			
Until March 15, 2013 consolidated	36.3	(2.8)	(39.1)
As from March 16, 2013 as a 40% investment	-	23.7	23.7
<b>TOTAL</b>	<b>36.3</b>	<b>20.9</b>	<b>(15.4)</b>
Realized gain on the sale of 11.88% of the ASMPT shares	-	242.8	242.8
Unrealized remeasurement gain including amortization and impairment on the remaining 40% of the ASMPT shares	-	788.2	788.2
<b>TOTAL NET EARNINGS ALLOCATED TO THE SHAREHOLDERS OF THE PARENT</b>	<b>7.2</b>	<b>1,051.9</b>	<b>1,044.7</b>

### Cash flow

Consistent with the adjustments applied to the operating performance measures on page 86, the following supplemental cash flow and balance sheet information of the Company has been adjusted to reflect ASM PT as an equity accounted investment beginning January 1, 2012.

The following table shows the cash flow statement on a comparable basis. The ASMPT numbers have been deconsolidated:

(EUR million)	COMPARABLE	
	2012	2013
<b>NET EARNINGS</b>	<b>7.1</b>	<b>1,025.3</b>
<b>Adjustments to cash from operating activities:</b>		
Depreciation and amortization	18.8	20.7
Income tax	4.2	6.6
Amortization PPA intangibles and fair value adjustments	-	(979.8)
Result from investments	(35.5)	(20.9)
Other adjustments	9.8	4.5
<b>Changes in other assets and liabilities:</b>		
Accounts receivable	32.3	(26.5)
Inventories	(7.9)	7.7
Accounts payable	(16.0)	3.2
Other assets and liabilities	(12.3)	6.9
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>0.5</b>	<b>47.6</b>
Capital expenditures	(21.6)	(6.9)
Other	(2.0)	(0.3)
<b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>	<b>(23.7)</b>	<b>(7.2)</b>
Loans	(27.0)	-
Purchase treasury shares	(40.6)	-
Shares issued	2.2	5.8
Dividend paid and capital repaid to shareholders ASMI	(27.5)	(301.2)
Dividend received from investments	29.5	10.3
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>	<b>(63.4)</b>	<b>(285.1)</b>

### Balance sheet

The following table shows the balance sheet on a comparable basis. The ASMPT numbers have been deconsolidated and ASMI's share in the net assets of ASMPT is reported as investment:

(EUR million)	COMPARABLE PER DECEMBER 31,	
	2012	2013
Cash and cash equivalents	145.1	312.4
Accounts receivable	62.6	83.0
Inventories	122.1	104.5
Other current assets	20.3	18.1
<b>TOTAL CURRENT ASSETS</b>	<b>350.0</b>	<b>518.0</b>
Investments and associates	373.7	944.0
Property, plant and equipment	63.8	56.5
Goodwill	11.6	11.4
Other non-current assets	34.2	21.3
<b>TOTAL NON-CURRENT ASSETS</b>	<b>483.3</b>	<b>1,033.2</b>
<b>TOTAL ASSETS</b>	<b>833.4</b>	<b>1,551.2</b>
Accounts payable	45.2	44.8
Other current liabilities	42.7	56.6
<b>TOTAL CURRENT LIABILITIES</b>	<b>87.9</b>	<b>101.5</b>
Pension liabilities	3.6	2.5
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>3.6</b>	<b>2.5</b>
Shareholders' equity	741.9	1,447.2
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>833.4</b>	<b>1,551.2</b>

Comparable net working capital consisting of accounts receivable, inventories, other current assets, accounts payable, accrued expenses, advance payments from customers and deferred revenue, decreased to a level of €109 million compared to €114 million as per December 31, 2012. The number of outstanding days of working capital, measured against quarterly sales decreased from 110 days at December 31, 2012 to 77 days on December 31, 2013.

### Sources of liquidity

On December 31, 2013, the Company's principal sources of liquidity consisted of €312 million in cash and cash equivalents and €150 million in undrawn bank lines. In December 2013 ASMI extended its credit facility till 2018.

### Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

#### Net sales

The following table shows net sales of our Front-end and Back-end segments for the full year 2012 compared to the same period in 2011:

(EUR million)	FULL YEAR		
	2011	2012	% CHANGE
<b>Front-end</b>	456.1	370.4	(19%)
<b>Back-end</b>	1,178.3	1,047.7	(11%)
<b>ASMI CONSOLIDATED</b>	<b>1,634.3</b>	<b>1,418.1</b>	<b>(13%)</b>

The decrease of net sales in the full year 2012 in our Front-end segment compared to the same period last year was driven by decreased equipment sales as a result of decreased activity at our customers. In our Back-end segment sales decreased due to a lower activity level in equipment sales (as well IC/DE equipment as assembly equipment).

The impact of currency changes year-over-year was an increase of 8%.

#### Gross profit margin

The following table shows gross profit and gross profit margin for the Front-end and Back-end segments for the full year 2012 compared to the same period in 2011:

(EUR million)	FULL YEAR				
	GROSS PROFIT		GROSS PROFIT MARGIN		INCREASE (DECREASE) PERCENTAGE POINTS
	2011	2012	2011	2012	
Front-end	172.3	124.5	37.8%	33.6%	(4.2)ppt
Back-end	398.3	315.9	33.8%	30.2%	(3.6)ppt
<b>ASMI CONSOLIDATED</b>	<b>570.6</b>	<b>440.4</b>	<b>34.9%</b>	<b>31.1%</b>	<b>(3.8)ppt</b>

The decrease of the gross margin in our Front-end segment compared to the same period last year is mainly attributable to efficiency losses and lower loading of our factories which caused under absorption and inventory corrections, on the one hand, and higher investments in evaluation tools, on the other. The gross profit margin in the Back-end segment decreased mainly due to mix differences (higher lead frame activities), increased price pressure and a lower activity level.

The impact of currency changes year-over-year was a increase of 8%.

#### Selling, general and administrative expenses

The following table shows selling, general and administrative expenses (SG&A) for our Front-end and Back-end segments for the full year 2012 compared to the same period in 2011:

(EUR million)	FULL YEAR		
	2011	2012	% CHANGE
Front-end	61.2	64.4	5%
Back-end	113.8	137.6	21%
<b>ASMI CONSOLIDATED</b>	<b>175.0</b>	<b>202.1</b>	<b>15%</b>

As a percentage of net sales, selling, general and administrative expenses (SG&A) were 14% in the full year 2012 and 10% in the same period of 2011.

For the full year 2012 selling, general and administrative expenses as a percentage of net sales of our Front-end segment, increased to 17% compared with 14% for the same period of 2011. The SG&A expenses include a provision of €2.1 million for Elpida. For the Back-end segment selling, general and administrative expenses as a percentage of net sales increased from 9% in 2011 to 13% in 2012. Cost increases mainly took place in the Back-end equipment and lead frames business, caused by a strengthening of the organization.

The impact of currency changes year-over-year was an increase of 8%.

### *Research and development expenses*

The following table shows research and development expenses for our Front-end and Back-end segments for the full year 2012 compared to the same period in 2011:

(EUR million)	FULL YEAR		
	2011	2012	% CHANGE
Front-end	48.5	58.7	21%
Back-end	80.9	90.5	12%
<b>ASMI CONSOLIDATED</b>	<b>129.4</b>	<b>149.2</b>	<b>15%</b>

As a percentage of net sales, research and development expenses were 10% in the full year 2012 compared to 7% for the same period of 2011.

The impact of currency changes year-over-year was an increase of 8%.

### *Impairment charge for property, plant and equipment*

In 2011 the Company recorded an impairment charge of €8,038 related to machinery and equipment. The Company impaired certain items of property, plant and equipment related to the Back-end lead-frame business. The impairment loss was recognized based on the difference between the carrying value and the fair value of the relevant assets.

### *Restructuring expenses*

In the fourth quarter of 2012 we started a cost reduction program in our Front-end operation. We are reducing headcount in our manufacturing organization in Singapore with 110 people. Related to these actions, an amount of €0.9 million in restructuring expenses was recorded in 2012.

### *Gain on bargain purchase*

On January 7, 2011, ASMPT acquired the entire equity interest of 13 direct and indirect subsidiaries of Siemens Aktiengesellschaft ("SEAS Entities"). We recognized a gain of €109.3 million on the bargain purchase, representing the excess of the net fair value of the identifiable assets acquired and the liabilities assumed over the aggregate of the consideration transferred.

The gain on bargain purchase of €109 million was recognized upon completion of the acquisition of the SEAS entities. The gain on bargain purchase was mainly attributable to the depressed market value of the acquired business because of years of losses. These were due to the challenging economic environment and the bad global economic environment during the period of negotiation for the acquisition.

### *Earnings from operations*

The following table shows earnings from operations for our Front-end and Back-end segments for the full year 2012 compared to the same period in 2011:

(EUR million)	FULL YEAR		
	2011	2012	CHANGE
<b>Front-end:</b>			
Before special items	62.6	1.4	(61.2)
Restructuring charges	-	(0.9)	(0.9)
<b>AFTER SPECIAL ITEMS</b>	<b>62.6</b>	<b>0.5</b>	<b>(62.1)</b>
<b>Back-end:</b>			
Before special items	203.7	87.7	(116.0)
Impairment charges	(8.0)	-	8.0
Gain bargain purchase SEAS	109.3	-	(109.3)
<b>AFTER SPECIAL ITEMS</b>	<b>304.9</b>	<b>87.7</b>	<b>(217.2)</b>
<b>ASMI CONSOLIDATED</b>	<b>367.5</b>	<b>88.3</b>	<b>(279.2)</b>

The impact of currency changes year to year was an increase of 10%.

### *Net interest expense*

Net interest expense amounted to €10.1 million in 2012 compared to the net interest expense of €10.6 million in 2011. This increase in net interest expenses resulted mainly from a higher average debt in the Back-end segment.

### *Accretion interest expense convertible notes*

Both of our convertible bonds due in 2011 and 2014, included a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company ("conversion option"). ASC 815 requires separate recognition of these components.

The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue, for similar non-convertible debt. Subsequently, the liability is measured at amortized cost. The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes, thus creating a non-cash interest expense. For 2012 this accretion interest was €4.5 million (2011: €4.4 million).

### *Revaluation conversion option*

All convertible bonds include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company ("conversion option"). ASC 815 requires separate recognition of these components.

For the conversion options of the convertible bonds due 2011, the accounting is different from the conversion option of the convertible bonds due 2014. Since the convertible bonds due 2011 were denominated in US\$ and the ASM International common shares to which they can be converted are denominated in euro, these conversion options are recognized as a liability measured at fair value. The conversion option is measured at fair value through the income statement. For 2011, until early redemption in February 2011, this revaluation at fair value resulted in a loss of €4.4 million.

For the conversion options of the convertible bonds due 2014 the fixed-for-fixed principle is met as both the debt instrument (the bond) and the entity's equity shares to which they can be converted are denominated in the functional currency (Euro). Based on the before mentioned criteria the conversion option qualifies as permanent equity.



### *Loss resulting from early extinguishment of debt*

On October 3, 2012 we announced the redemption per November 27, 2012 of all outstanding principal balance of our 6.50% Convertible Subordinated Notes due 2014, which resulted in the conversion of almost all outstanding notes prior to the redemption date. The loss from the early extinguishment of the notes of €2,2 million, which reflects the write-off of unamortized debt issuance costs, has been recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2012.

On January 3, 2011 we announced the redemption of all outstanding principal balance of our 4.25% Convertible Subordinated Notes due 2011, which resulted in the conversion of almost all remaining notes prior to the redemption date. The loss from the early extinguishment of the notes of €824, which includes the write-off of unamortized issuance costs, has been recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2011.

### *Income tax expense*

Income tax expense decreased from €37 million in 2011 to €26 million in 2012, resulting from the balance of a decrease of result before tax in 2012 and the usage of a deferred tax position in Japan. This is related to the sale of certain IP to our Dutch IP Holding Company. While having a negative effect on our net result of €13.0 million, there are no cash flow effects. Moreover, it will reduce our tax payments in future years.

### *Net earnings allocated to the shareholders of the parent*

The following table shows net earnings for our Front-end and Back-end segments for the full year 2012, compared to the same period in 2011:

(EUR million)	FULL YEAR		
	2011	2012	CHANGE
<b>Front-end:</b>			
Before special items	49.7	(26.1)	(75.8)
Restructuring	-	(0.9)	(0.9)
Loss from early extinguishment of debt	(0.8)	(2.2)	(1.4)
Fair value change conversion options	(4.4)	-	4.4
<b>AFTER SPECIAL ITEMS</b>	<b>44.5</b>	<b>(29.1)</b>	<b>(73.6)</b>
<b>Back-end:</b>			
Before special items	89.4	36.3	(53.1)
Impairment charges	(4.2)	-	4.2
Net gain on bargain purchase SEAS	57.0	-	(57.0)
<b>AFTER SPECIAL ITEMS</b>	<b>142.2</b>	<b>36.3</b>	<b>(105.9)</b>
<b>ASMI CONSOLIDATED, TOTAL EARNINGS <sup>1)</sup></b>	<b>186.8</b>	<b>7.2</b>	<b>(179.6)</b>

<sup>1)</sup> Allocated to the shareholders of the parent.

Net earnings for the Back-end segment reflect our 51.96% ownership of ASM Pacific Technology.

## **B. LIQUIDITY AND CAPITAL RESOURCES**

Our liquidity is affected by many factors, some of which are related to our ongoing operations and others of which are related to the semiconductor and semiconductor equipment industries, and to the economies of the countries in which we operate. Although our cash requirements fluctuate based on the timing and extent of these factors, we believe that cash generated by operations, together with the liquidity provided by our existing cash resources and our financing arrangements, will be sufficient to fund working capital, capital expenditures and other ongoing business requirements for at least the next twelve months.

### Cash flow front-end segment

Net cash provided by operations in 2013 was €47.6 as compared to €0.5 million for 2012. Net cash used for investing activities in 2013 was €7.2 million compared to an amount of €23.7 million used for investing activities in 2012. Net cash used in financing activities in 2013 was €285.1 million compared to €63.4 million for the same period in 2012.

### Debt

In December 2013 we finalized the extension of ASMI's existing standby revolving credit facility. The maturity date of the credit commitment of €150 million was extended from July 31, 2014 until December 31, 2018.

See notes 4, 13, 16, 17 and 22 to our consolidated financial statements for discussion of our funding, treasury policies and our long-term debt.

### Liquidity

On December 31, 2013, the Company's principal sources of liquidity consisted of €312 million in cash and cash equivalents and €150 million in undrawn bank lines. The Company is free of debt.

For the most part, our cash and cash equivalents are not guaranteed by any governmental agency. We place our cash and cash equivalents with high quality financial institutions to limit our credit risk exposure.

### Working capital

Comparable net working capital consisting of accounts receivable, inventories, other current assets, accounts payable, accrued expenses, advance payments from customers and deferred revenue, decreased from €114 million December 31, 2012 to €109 million on December 31, 2013. The number of outstanding days of working capital, measured based on quarterly sales, decreased from 110 days on December 31, 2012 to 77 days on December 31, 2013.

### Pension plans

The Company's employees of the Front-end segment in the Netherlands, approximately 140 employees, participate in a multi-employer union plan "Bedrijfstakpensioenfonds Metalektro" ("PME") determined in accordance with the collective bargaining agreements effective for the industry in which ASMI operates. This collective bargaining agreement has no expiration date. This multi-employer union plan covers approximately 1,300 companies and 147,000 contributing members. ASMI's contribution to the multi-employer union plan is less than 5.0% of the total contribution to the plan as per the annual report for the year ended December 31, 2012. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. This coverage ratio must exceed 104.3% for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate. The premium can fluctuate yearly based on the coverage ratio of the multi-employer union plan. The pension rights of each employee are based upon the employee's average salary during employment.

ASMI's net periodic pension cost for this multi-employer union plan for any period is the amount of the required contribution for that period. A contingent liability may arise from, for example, possible actuarial losses relating to other participating entities because each entity that participates in a multi-employer union plan shares in the actuarial risks of every other participating entity. It can also arise from any responsibility under the terms of a plan to finance any shortfall in the plan if other entities cease to participate.

The coverage ratio of the multi-employer union plan increased to 103.4% as of December 31, 2013 (December 31, 2012: 93.9%). Because of the low coverage ratio, PME prepared and executed a so-called "Recovery Plan" which was approved by "De Nederlandsche Bank", the Dutch central bank, which is the supervisor of all pension companies in the Netherlands. Due to the low coverage ratio and according to the obligation of the "Recovery Plan" the pension premium percentage is 24.1% in 2013 (2012: 24.0%). The coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities and is based on actual market interest.

### ASM Pacific Technology

Our Back-end segment, which is conducted through ASM Pacific Technology ("ASMPT"), our 40%-owned subsidiary on December 31, 2013 had a debt of €65 million. The cash resources and borrowing capacity of ASMPT are not available to our Front-end segment.

We historically relied on dividends from ASMPT for a portion of our cash flow for use in our Front-end operations. Cash dividends received from ASMPT during 2011, 2012 and 2013 were €86.9 million, €29.6 million and €10.3 million, respectively.

Although certain directors of ASMPT are directors of ASM International, ASMPT is under no obligation to declare dividends to shareholders or enter into transactions that are beneficial to us. As a substantial shareholder, we can approve the payment of dividends, but cannot compel their payment or size.

The market value of our investment in ASMPT at the end of 2013 was approximately €971 million (39.94%). At the end of 2012 this was approximately €1,913 million (51.96%).

## C. RESEARCH AND DEVELOPMENT, PATENTS AND LICENSES

### Research and development

See Item 4.B. "Business Overview, Research and Development" and Item 5.A. "Operating Results, Operating and Financial Review and Prospects".

### Intellectual property matters

See Item 3.D. "Risk Factors, Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights from challenges by third parties; claims or litigation regarding intellectual property rights could require us to incur significant costs." and "We license the use of some patents from a competitor pursuant to a settlement agreement; if the agreement is terminated, our business could be adversely affected." and Item 4.B. "Business Overview, Intellectual Property and Trademarks".

## D. TREND INFORMATION

### Backlog

Our backlog includes orders for which purchase orders or letters of intent have been accepted, typically for up to one year. Historically, orders have been subject to cancellation or rescheduling by customers. In addition, orders have been subject to price negotiations and changes in specifications as a result of changes in customers' requirements. Due to possible customer changes in delivery schedules and requirements and to cancellation of orders, our backlog at any particular date is not necessarily indicative of actual sales for any succeeding period.

The following table shows the level of new orders during 2012 and 2013, and the backlog and book-to-bill ratios on December 31, 2012 and 2013 for our Front-end activities:

(EUR million, except book-to-bill ratio)	FULL YEAR		
	2012	2013	% CHANGE
<b>Front-end:</b>			
New orders	360.1	<b>479.6</b>	33%
Backlog at December 31	91.7	<b>114.8</b>	25%
Book-to-bill ratio (new orders divided by net sales)	1.0	<b>1.1</b>	

## Outlook

We have developed forecasts and projections of cash flows and liquidity needs for the upcoming year. This takes into account the current market conditions, reasonably possible changes in trading performance based on such conditions, and our ability to modify our cost structure as a result of changing economic conditions and sales levels. We have also considered in the forecasts the total cash balances amounting to €312 million as of December 31, 2013; the ability to renew debt arrangements and to access additional indebtedness; and whether or not we will maintain compliance with our financial covenants. Based on this, we believe that our cash on hand at the end of 2013 is adequate to fund our operations, our investments in capital expenditures and to fulfill our existing contractual obligations for the next twelve months.

## E. OFF-BALANCE SHEET ARRANGEMENTS

We have contractual obligations, some of which are required to be recorded as liabilities in our consolidated financial statements. Other contractual arrangements, such as operating lease commitments and purchase obligations, are not generally required to be recognized as liabilities on our consolidated balance sheet, but are required to be disclosed.

## F. TABULAR DISCLOSURE OF CONTRACTUAL OBLIGATIONS

The following table summarizes our contractual obligations as of December 31, 2013 aggregated by type of contractual obligation:

	<b>TOTAL</b>	<b>LESS THAN 1 YEAR</b>	<b>1-3 YEARS</b>	<b>3-5 YEARS</b>	<b>MORE THAN 5 YEARS</b>
Operating leases	<b>20,727</b>	4,857	7,080	5,130	3,660
Pension liabilities	<b>4,777</b>	209	650	1,122	2,796
<b>Purchase obligations:</b>					
Purchase commitments to suppliers	<b>48,982</b>	48,982	-	-	-
Capital expenditure commitments	<b>458</b>	458	-	-	-
Unrecognized tax benefits (ASC 740)	-	-	-	-	-
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>74,944</b>	<b>54,506</b>	<b>7,730</b>	<b>6,252</b>	<b>6,456</b>

For a further discussion of our contractual obligations see Notes 13, 16, 17, 20, 22 and 25 to our Consolidated Financial Statements, which are incorporated herein by reference.

We outsource a substantial portion of the manufacturing of our Front-end operations to certain suppliers. As our products are technologically complex, the lead times for purchases from our suppliers can vary and can be as long as nine months. Generally, contractual commitments are made for multiple modules or systems in order to reduce our purchase prices per module or system. For the majority of our purchase commitments, we have flexible delivery schedules depending on the market conditions, which allow us, to a certain extent, to delay delivery beyond originally planned delivery schedules.

## New Accounting Pronouncements

For information regarding new accounting pronouncements, see Note 1 to our "Consolidated Financial Statements", which is incorporated herein by reference.

## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

The members of our Supervisory Board and Management Board and our other senior manager are as follows:

NAME	POSITION	YEAR OF BIRTH	TERM EXPIRES
Jan C. Lobbezoo <sup>1) 2)</sup>	Chairman of the Supervisory Board	1946	2017
Johan M.R. Danneels <sup>2)</sup>	Member of the Supervisory Board	1949	2016
Heinrich W. Kreutzer <sup>1)</sup>	Member of the Supervisory Board	1949	2014
Martin C.J. van Pernis <sup>2)</sup>	Member of the Supervisory Board	1945	2014
Ulrich H.R. Schumacher <sup>1)</sup>	Member of the Supervisory Board	1958	2016
Charles D. (Chuck) del Prado	Chairman of the Management Board, President and Chief Executive Officer	1961	2014
Peter A.M. van Bommel	Member of the Management Board and Chief Financial Officer	1957	2014

<sup>1)</sup> Member of Audit Committee.

<sup>2)</sup> Member of Nomination, Selection and Remuneration Committee.

Jan C. Lobbezoo was elected a member of the Supervisory Board in May 2009, reappointed on May 16, 2013 for a period of four years, and Chairman of the Supervisory Board since July 2013. Mr Lobbezoo was Executive Vice President and Chief Financial Officer of the semiconductor division of Royal Philips Electronics from 1994 to 2005. He was a member of the Board of Taiwan Semiconductor Manufacturing Company (TSMC) for 12 years until 2007 and remains its adviser, specifically in the areas of US corporate governance, international reporting and financial review. Until end December 2013 he was on the Supervisory Board of Mapper Lithography BV (Chairman). He is on the Board of FEI, a US-based nanotechnology equipment company, and on the One-tier Board of TMC Group NV (Non-Executive Member). He is also on the Supervisory Board of Mutracx BV (Chairman), Salland Engineering BV (Chairman), ALSI NV and Point One Innovation Fund (Chairman). He holds a Master's degree in Business Economics from Erasmus University Rotterdam, the Netherlands and is a Dutch Registered Accountant.

Johan M.R. Danneels was initially elected a member of the Supervisory Board in May 2000 and was reappointed on May 15, 2012 for a period of four years. Mr Danneels is Chief Executive Officer at Essensium, the company he founded in 2005 as a spin-off from the IMEC (Interuniversity Microelectronics Centre) research institute. He was Chairman of IMEC from 2000 to 2005. Prior to that he spent 25 years at Alcatel. He held several management positions for all major product lines, was Corporate Executive Vice President of Alcatel NV, Chief Executive Officer of Alcatel Microelectronics and, most recently, Group Vice President of STMicroelectronics. He holds a PhD in Engineering from the Catholic University of Leuven, Belgium and an MBA from Boston University.

Heinrich W. Kreutzer was initially elected a member of the Supervisory Board in November 2006 and was reappointed on May 20, 2010 for a period of four years. Between 1999 and 2003, Mr Kreutzer was a member of the Management Board as Chief Operating Officer and Chief Technology Officer of Alcatel Germany. From 2004 to 2006, he was Managing Director of Kabel Deutschland GmbH in Munich, Germany. Prior to that he worked at several companies including General Telephone & Electronics in Waltham, US and Alcatel in Stuttgart, Germany. Mr Kreutzer is currently on the Board of Directors of Micronas Semiconductor AG (Chairman) in Zurich, Switzerland, Micronas Semiconductor GmbH (Chairman) in Freiburg, Germany and Bktel Communications GmbH (Chairman), Germany. He holds a Master's degree in Engineering and a Master's degree in Economics, and studied at the Technical University of Berlin and the University of Hagen, Germany.

Martin C.J. van Pernis was elected a member of the Supervisory Board in May 2010. Mr Van Pernis joined Siemens in 1971 and retired from the Siemens Group at the end of 2009 as Chairman of the Management Board of Siemens Nederland NV. He is on the Supervisory Board of Batenburg Techniek NV (Chairman), Dutch Space BV – a subsidiary of EADS (Chairman), Aalberts Industries NV (Vice Chairman), Feyenoord Rotterdam NV, GGZ Delfland (Chairman), Sint Franciscus Vlietland Groep (Chairman), The Platform “Vernieuwing Bouw” (Chairman) and President of The Royal Institute of Engineers – KIVI.

Ulrich H.R. Schumacher was initially elected a member of the Supervisory Board in May 2008 and was reappointed on May 15, 2012 for a period of four years. Currently Mr Schumacher is Chairman of the Executive Board and CEO of Zumtobel AG. From 1986 to 1999, he held various engineering and management positions at Siemens AG. Between 1996 and 1999, he was CEO and President of Siemens Semiconductor Group, and became President and CEO of Infineon Technologies AG after the spin-off from Siemens Semiconductor Group in 1999. From 2004 to 2007, he was a Partner at Francisco Partners, a private equity investment company based in the US. Between 2007 and 2010, he was the CEO and President of Grace Semiconductor Manufacturing Corporation. Most recently he was Managing Director of CGS Ds. Till February 2013 he was on the Supervisory Board of Siano Mobile Silicon. He is on the Supervisory Board of PACT XPP Technologies AG (Chairman). He holds a PhD in Electrical Engineering from the University of Aachen, Germany and has completed further education in Business Administration.

Charles D. (Chuck) del Prado was appointed a member of the Management Board in May 2006 and President and Chief Executive Officer on March 1, 2008. Between 1989 and 1996 Mr Del Prado held several marketing and sales positions at IBM Nederland NV. From 1996 to 2001 he worked in various management positions at ASML, in manufacturing and sales in Taiwan and the Netherlands. He was appointed Director Marketing, Sales & Service of ASM Europe in March 2001. From 2003 to 2007 he was President and General Manager of ASM America. From January 1, 2008 to February 29, 2008, he acted as Executive Vice President Front-end Operations at ASM America. He holds a Master's of Science degree in Industrial Engineering and Technology Management from the University of Twente, the Netherlands.

Peter A.M. van Bommel was appointed a member of the Management Board on July 1, 2010 and became Chief Financial Officer on September 1, 2010. Mr Van Bommel has more than twenty years of experience in the electronics and semiconductor industry. He spent most of his career at Philips, which he joined in 1979. From the mid-1990s until 2005 he acted as CFO of several business units of the Philips group. Between 2006 and 2008 he was CFO at NXP, formerly Philips Semiconductors. He was CFO of Odorsun AG, a manufacturer of thin-film solar cells and modules until August 31, 2010. In April 2012 Mr Van Bommel was appointed a member of the Supervisory Board and a member of the Audit Committee of the Royal KPN NV. He holds a Master's degree in Economics from the Erasmus University Rotterdam, the Netherlands.

## **B. COMPENSATION**

For information regarding remuneration of members of our Management Board and Supervisory Board, see Note 29 to our Consolidated Financial Statements, which is incorporated herein by reference.

For further information regarding remuneration of members of our Management Board, see our Remuneration Policy and Remuneration Reports, which are posted on our website ([www.asm.com](http://www.asm.com)).

We have granted stock options to certain key employees. For information regarding such options see Note 19 to our Consolidated Financial Statements, which is incorporated herein by reference.

## **C. BOARD PRACTICES**

Under Dutch law, the Supervisory Board has the duty to supervise and advise the Management Board. Persons nominated by the Supervisory Board to be appointed by the shareholders to the Supervisory Board are elected if they receive a majority of the votes cast at a meeting of shareholders. Nominees to the Supervisory Board who are not proposed by the Supervisory Board are appointed if they receive the affirmative vote of a majority of the votes cast at a meeting, which affirmative votes represent at least one third of our issued capital. A resolution to remove a member of the Supervisory Board, other than in accordance with a proposal of the Supervisory Board, shall require the affirmative vote of a majority of the votes cast, which affirmative votes represent at least one third our issued capital. The Supervisory Board members serve a four year term and may be re-elected after each term. The Supervisory Board members may be re-elected twice.

The Management Board is entrusted with our management under the supervision of the Supervisory Board and has the general authority to enter into binding agreements with third parties. Persons nominated by the Supervisory Board to be appointed by the shareholders to the Management Board are elected if they receive a majority of the votes cast at a meeting of shareholders. Nominees to the Management Board who are not proposed by the Supervisory Board are appointed if they receive the affirmative vote of a majority of the votes cast at a meeting, if such affirmative votes represent at least one third of

our issued capital. A Management Board member may at any time be suspended by the Supervisory Board. A Management Board member may, in accordance with a proposal of the Supervisory Board, be dismissed by the General Meeting of Shareholders with a majority of the votes cast. A resolution to suspend or to dismiss a member of the Management Board, other than in accordance with a proposal of the Supervisory Board, shall require the affirmative vote of a majority of the votes cast at a meeting, which affirmative votes represent at least one third of our issued capital.

The Audit Committee of the Supervisory Board has a supervisory task with regard to monitoring the integrity of our financial reports and risk management. The Audit Committee consists of Mr Kreutzer (Chairman), Mr Lobbezoo and Mr Schumacher. The Audit Committee supervises the activities of the Management Board with respect but not limited to:

- › The operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations, and supervising the operation of codes of conduct;
- › Our release of financial information;
- › Compliance with recommendations and observations of external auditors;
- › Our policy on tax planning;
- › Relations with the external auditor, including, in particular, its independence, remuneration and any non-audit services performed for us;
- › Our financing and financial position; and
- › The applications of information and communication technology (ICT).

The Audit Committee meets periodically to nominate a firm to be appointed as independent auditors to audit the financial statements and to perform services related to the audit, review the scope and results of the audit with the independent auditors, review with management and the independent auditors our annual operating results and consider the adequacy of the internal accounting procedures and the effect of the procedures relating to the auditor's independence.

The Nomination, Selection and Remuneration committee of the Supervisory Board advises the Supervisory Board on matters relating to the selection and nomination of the members of the Management Board and Supervisory Board. The committee further monitors and evaluates the remuneration policy for the Management Board. This committee consists of Mr Van Pernis (Chairman), Mr Danneels and Mr Lobbezoo.

We have entered into indemnity agreements with each of our Supervisory Board and Management Board members in which we agree to hold each of them harmless, to the extent permitted by law, from damage resulting from a failure to perform or a breach of duties by our Board members, and to indemnify each of them for serving in any capacity for the benefit of the Company, except in the case of willful misconduct or gross negligence in certain circumstances.

#### **D. EMPLOYEES**

As of December 31, 2013, we had 1,503 employees, including 315 employees primarily involved in research and development activities, 264 in marketing and sales, 519 in customer service, 156 in finance and administration, and 249 in manufacturing.



The following table lists the total number of our employees and the number of our employees in our Front-end and Back-end business at the dates indicated, exclusive of temporary workers:

GEOGRAPHIC LOCATION	DECEMBER 31, 2011			DECEMBER 31, 2012			DECEMBER 31, 2013		
	FRONT-END	BACK-END	TOTAL	FRONT-END	BACK-END	TOTAL	FRONT-END	BACK-END	TOTAL
Europe:									
- The Netherlands	165	9	174	176	3	179	139	-	139
- EMEA	157	883	1,040	171	917	1,088	163	-	163
United States	457	87	544	535	92	627	533	-	533
Japan	182	21	203	177	22	199	174	-	174
South East Asia	670	13,563	14,233	577	14,734	15,311	494	-	494
<b>TOTAL</b>	<b>1,631</b>	<b>14,563</b>	<b>16,194</b>	<b>1,636</b>	<b>15,768</b>	<b>17,404</b>	<b>1,503</b>	<b>-</b>	<b>1,503</b>

The Back-end segment employed 14,400 persons as of December 31, 2013.

Our Dutch operations, which employed 140 persons as of March 14, 2014, is subject to standardized industry bargaining under Dutch law, and is required to pay wages and meet conditions established as a result of negotiations between all Dutch employers in their industry and unions representing employees of those employers. Additionally, management personnel in the Dutch facilities meet as required by Dutch law with a works council consisting of elected representatives of the employees to discuss working conditions and personnel policies as well as to explain major corporate decisions and to solicit their advice on major issues.

Many of our employees are highly skilled, and our continued success will depend in part upon our ability to continue to attract and retain these employees, who are in great demand. We believe that our employee relations are good.

## E. SHARE OWNERSHIP

Information with respect to shares and options held by members of our Supervisory Board and Management Board is included in Item 7, "Major Shareholders and Related Party Transactions" and Notes 29 and 30 to our Consolidated Financial Statements, which are incorporated herein by reference. With the exception of Mr Chuck del Prado, as of March 14, 2014, none of the members of our Supervisory Board or Management Board owned beneficially more than 1% of our outstanding common shares.

We maintain various stock option plans for the benefit of our employees. For information about our stock option plans, see Note 19 to our Consolidated Financial Statements, which is incorporated herein by reference.

## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. MAJOR SHAREHOLDERS

The following table sets forth information with respect to the ownership of our common shares as of March 14, 2014 by each beneficial owner known to us of more than 3% of our common shares:

	NUMBER OF SHARES	PERCENT	NUMBER OF VOTING RIGHTS	PERCENT <sup>1)</sup>
Arthur H. Del Prado <sup>2)</sup>	11,346,323	17.88%	11,346,323	17.88%
J.P. Morgan Chase & Co <sup>3)</sup>	8,174,520	12.88%	8,174,520	12.88%
Aberdeen Asset Managers <sup>4)</sup>	-	-	3,132,133	4.93%
Capital Research & Management Company <sup>5)</sup>	-	-	3,088,541	4.89%
Eminence Capital, LLC <sup>6)</sup>	2,136,700	3.38%	2,136,700	3.38%
Norges Bank <sup>7)</sup>	2,037,773	3.22%	2,037,773	3.22%
Massachusetts Financial Services Company <sup>8)</sup>	1,898,112	3.00%	2,506,569	3.97%

<sup>1)</sup> Calculated on the basis of 63,623,037 Common Shares outstanding as of March 14, 2014, and without regard to options.

<sup>2)</sup> Includes 3,039 common shares owned by Stichting Administratiekantoor ASMI, a trust controlled by Mr Arthur H. del Prado and 713,000 common shares beneficially owned by Mr Chuck D. del Prado, Mr Arthur H. del Prado's son.

<sup>3)</sup> Of the share capital interest and voting rights held by J.P. Morgan Chase & Co 4,922,724 shares are indirect actual and 3,251,796 are indirect potential. Based on the notification filed with the AFM on January 10, 2014.

<sup>4)</sup> Aberdeen Asset Managers holds 3,132,133 voting rights but no corresponding share capital interest. Based on the AFM notification dated March 6, 2014.

<sup>5)</sup> Capital Research & Management Company holds 3,088,541 voting rights but no share capital interest. Based on the AFM notification dated October 10, 2013.

<sup>6)</sup> Based on the notification filed with the AFM on December 13, 2013.

<sup>7)</sup> Of the share capital interest and voting rights that Norges Bank holds 1,816,984 shares are direct actual and 220,789 are direct potential. Based on the AFM notification dated December 31, 2013.

<sup>8)</sup> Massachusetts Financial Services Company capital interest amounts to 1,829,905 shares held directly actual and 68,206 shares indirectly actual. Of the voting rights 1,990,252 are direct actual and 516,317 indirect actual. Based on the notification dated August 20, 2013.

A "beneficial owner" of a security includes any person who, directly or indirectly, through any contract, arrangement, understanding, relationship, or otherwise has or shares (i) voting power which includes the power to vote, or to direct the voting of, such security and/or (ii) investment power which includes the power to dispose, or to direct the disposition, of such security. In addition, a person shall be deemed to be the beneficial owner of a security if that person has the right to acquire beneficial ownership of such security, as defined above, within 60 days, including but not limited to any right to acquire: (i) through the exercise of any option, warrant or right; (ii) through the conversion of a security; or (iii) pursuant to the power to revoke, or pursuant to the automatic termination of, a trust, discretionary account, or similar arrangement.

Pursuant to the Dutch Financial Supervision Act ('Wet op het financieel toezicht' or 'Wft'), legal entities as well as natural persons must immediately notify the Dutch Authority for the Financial Markets ("AFM") when a shareholding equals or exceeds 3% of the issued capital (before July 1, 2013 this was 5%). The AFM must be notified again when this shareholding subsequently reaches, exceeds or falls below a threshold. This can be caused by the acquisition or disposal of shares by the shareholder or because the issued capital of the issuing institution is increased or decreased. Thresholds are: 3%, 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. The AFM incorporates the notifications in the public register, which is available on its website. Failure to disclose the shareholding qualifies as an offense, and may result in civil penalties, including suspension.

On May 28, 1997, we entered into an agreement with Stichting Continuïteit ASM International (“Stichting”), pursuant to which Stichting was granted an option to acquire up to a number of our preferred shares corresponding with a total par value equal to 50% of the par value of our common shares issued and outstanding at the date of the exercise of the option. Stichting is a non-membership organization organized under Netherlands law. The objective of Stichting is to serve the interests of the Company. To that objective Stichting may, amongst others, acquire, own and vote our preferred shares in order to maintain our independence and/or continuity and/or identity. The members of the board of Stichting are:

Jan Klaassen (Chairman)	Emeritus Professor, Vrije Universiteit Amsterdam
Dick Bouma	Retired Chairman Board Pels Rijcken & Droogleevers Fortuijn
Rinze Veenenga Kingma	President Archeus Consulting BV

On May 14, 2008, Stichting exercised its right to acquire preferred shares in the Company and acquired 21,985 preferred shares representing 21,985,000 votes, which constituted 29.9% of the total voting power of our outstanding capital stock as of May 14, 2008. Stichting paid €219,850, which constituted one-fourth of the nominal value of the preferred shares acquired, in accordance with the option agreement. This amount was paid by Stichting using an existing credit line. On May 14, 2009, the Annual Meeting of Shareholders resolved to cancel the outstanding preferred shares and to reissue an option to Stichting Continuïteit to acquire preferred shares.

Except as described above regarding Stichting, we are unaware of any arrangement which we anticipate will result in a change in control of ASM International. All shares of our common stock (including shares held by major shareholders) entitle the holder to the same voting rights. Our preferred shares entitle the holder to 1,000 votes per share.

Of our 63,527,915 outstanding common shares at March 14, 2014, 2,142,039 are registered with us in the Netherlands, 58,694,875 are registered with our transfer agent in the Netherlands, ABN AMRO Bank NV and 2,690,998 are registered with our transfer agent in the United States, Citibank, NA, New York. Our common shares registered with Citibank, NA, New York are listed on the NASDAQ Global Select Market under the symbol “ASMI.” As of March 14, 2014 there were approximately 113 record holders of our common shares registered with Citibank. ASM’s Ordinary Shares are listed on NYSE Euronext in Amsterdam (symbol: ASM) and also trade on NASDAQ (symbol: ASMI).

## **B. RELATED PARTY TRANSACTIONS**

For information regarding related party transactions, see Note 30 to our Consolidated Financial Statements, which is incorporated herein by reference.

## **C. INTEREST OF EXPERTS & COUNSEL**

Not applicable.

## ITEM 8. FINANCIAL INFORMATION

### A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

#### Consolidated financial statements

See Item 18, “Financial Statements.”

#### Legal proceedings

See Item 4.B., “Business Overview” and Note 21 to our Consolidated Financial Statements, which is incorporated herein by reference. See also Item 3.D, “Risk Factors - We are subject to various legal proceedings and claims, the outcomes of which are uncertain. If we fail to accurately evaluate the probability of loss or the amount of possible losses, an adverse outcome may materially and adversely affect our financial condition and results of operations.”

#### Dividend policy

ASMI aims, as part of its financing policy, to pay a sustainable annual dividend. Annually the Supervisory Board, upon proposal of the Management Board, will assess the amount of dividend that will be proposed to the Annual General Meeting of Shareholders. The decision that a dividend be proposed to the Annual General Meeting of Shareholders will be subject to the availability of distributable profits as well as retained earnings and may be affected by our potential future funding requirements. Accordingly, dividend payments may fluctuate and could decline or be omitted in any year.

In 2007, we paid an interim dividend of €0.10 per common share. We did not pay dividends in 2008, 2009, 2010 and in any year prior to 2007. In 2011, we paid a dividend of €0.40 per common share. In 2012 and 2013, we paid a dividend of €0.50 per common share and in July 2013 we paid €4.25 per common share as an extraordinary capital repayment subsequent to the realized gain on the sale of a 12% share in our associate ASMPT. We intend to propose to the forthcoming 2014 Annual General Meeting of Shareholders to declare a dividend of €0.50 per share.

### B. SIGNIFICANT CHANGES

In the past we derived a significant portion of our net sales, earnings from operations and net earnings from the consolidation of the results of operations of ASM Pacific Technology (“ASMPT”) in our results. ASMPT is a Cayman Islands limited liability company that is based in Hong Kong and listed on the Hong Kong Stock Exchange. As of December 31, 2012, we owned 52% of ASMPT through our wholly-owned subsidiary, ASM Pacific Holding BV and the remaining 48% was owned by the public. In March 2013, we sold a 12% stake so we now own 40% of ASMPT. Accordingly from March 15, 2013, we no longer consolidate ASMPT’s results of operations in ours. Instead, our proportionate share of ASMPT’s earnings is reflected as a separate line-item called “results from investments” in our Consolidated Statements of Operations. We are no longer able to consolidate the assets and liabilities of ASMPT and reflect the net investment in ASMPT in the line-item “investments” in our Consolidated Balance Sheet. This event has a significant negative effect on our consolidated earnings from operations, although our net earnings will be reduced only to the extent of the reduction of our ownership interest in ASMPT.

## ITEM 9. THE OFFER AND LISTING

### A. OFFER AND LISTING DETAILS

The following table sets forth, for the periods indicated, the high and low closing prices of our common shares as reported on the NASDAQ Global Select Market and the high and low closing prices as reported on Euronext Amsterdam:

#### Price range of common shares

	ASMI SHARES NASDAQ USD		ASMI SHARES NYSE EURONEXT AMSTERDAM EUR	
	HIGH	LOW	HIGH	LOW
<b>Annual Information</b>				
2009	\$ 25.75	\$ 6.30	€17.80	€4.92
2010	35.09	19.10	26.50	15.32
2011	44.60	22.23	31.68	16.01
2012	40.35	29.39	32.89	22.64
2013	40.93	30.54	31.30	22.08
<b>Quarterly Information</b>				
<b>2012:</b>				
First Quarter	\$38.84	\$29.39	€29.11	€22.64
Second Quarter	39.84	32.52	30.24	25.36
Third Quarter	40.35	33.37	32.89	26.11
Fourth Quarter	36.55	31.73	27.64	24.39
<b>2013:</b>				
First Quarter	\$40.93	\$33.29	€31.30	€25.91
Second Quarter	35.63	30.54	27.58	23.67
Third Quarter	37.88	31.13	25.70	22.08
Fourth Quarter	35.32	31.00	26.14	22.64
<b>Monthly Information</b>				
September 2013	\$34.70	\$31.13	€25.70	€23.59
October 2013	35.32	33.02	26.14	24.32
November 2013	34.02	32.09	25.26	24.05
December 2013	33.34	31.00	24.73	22.64
January 2014	35.21	32.06	25.95	23.54
February 2014	38.43	32.89	28.02	24.40
March 2014 <sup>1)</sup>	39.78	37.66	28.82	27.52

<sup>1)</sup> Through March 14, 2014.

### B. PLAN OF DISTRIBUTION

Not applicable.

### C. MARKETS

Our common shares are listed on the NASDAQ Global Select Market under the symbol "ASMI" and listed on NYSE Euronext Amsterdam under the symbol "ASM." See item 9.A. "Offer and listing Details".

### D. SELLING SHAREHOLDERS

Not applicable.

## E. DILUTION

Not applicable.

## F. EXPENSES OF THE ISSUE

Not applicable.

# ITEM 10. ADDITIONAL INFORMATION

## A. SHARE CAPITAL

Not applicable.

## B. MEMORANDUM AND ARTICLES OF ASSOCIATION

The information required by Item 10.B. is incorporated by reference to Exhibit 1.1 in our Form 20-F filed with the United States Securities and Exchange Commission on March 16, 2007 and the Form 6-K filed on April 30, 2007. Our current Articles of Association are filed hereto as Exhibit 1.1.

## C. MATERIAL CONTRACTS

None.

## D. EXCHANGE CONTROLS

There are no foreign exchange controls or other governmental laws, decrees or regulations in the Netherlands restricting the import or export of capital or affecting the remittance of dividends, interest or other payments to non-resident shareholders. Neither the laws of the Netherlands nor the Articles of Association of ASM International restrict remittances to non-resident shareholders or the right to hold or vote such securities.

## E. TAXATION

### Summary of Dutch tax provisions applicable to non-resident shareholders with a particular focus on US shareholders

The statements below briefly summarize the current Dutch tax laws. The description is limited to the tax implications for shareholders who neither are nor are deemed to be a resident of the Netherlands for purposes of the relevant tax codes. The description does not address special rules that may apply to holders of special classes of shares and should not be interpreted as extending by implication to matters not specifically referred to in this document. As to individual tax consequences, shareholders are advised to consult their own tax advisors.

### Withholding tax

Dividends distributed by us generally are subject to a withholding tax imposed by the Netherlands at a rate of 15%. The expression “dividends distributed” includes, among other things:

- › Direct and indirect distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital which is not recognized as such for Dutch dividend withholding tax purposes;
- › Liquidation proceeds, proceeds of redemption of ordinary shares or consideration for the repurchase of ordinary shares by us, or one of our subsidiaries, to the extent that such consideration exceeds the average paid-in capital which is recognized as such for Dutch dividend withholding tax purposes;
- › The par value of ordinary shares issued to a holder of ordinary shares or an increase in the par value of ordinary shares, as the case may be, to the extent that it does not appear that a contribution, which is recognized as such for Dutch dividend withholding tax purposes, has been made or will be made; and
- › Partial repayments of paid-in capital, which is recognized as such for Dutch dividend withholding tax purposes, to the extent there are net profits (“zuivere winst”). Exception to this rule may apply in case the general meeting of our shareholders has decided in advance to make such repayment and the par value of the ordinary shares concerned has been reduced by an amount equal to the repayment by way of an amendment to the Articles of Association.

If a holder of ordinary shares resides in a country that signed a double taxation convention with the Netherlands and such convention is in effect, such holder of ordinary shares may, depending on the terms of that double taxation convention, be eligible for a full or partial exemption from, reduction or refund of Dutch dividend withholding tax. The Netherlands has concluded such a convention with the United States, among other countries.

Under the Convention between the United States of America and the Kingdom of the Netherlands for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (the “US Tax Treaty”) currently in effect, dividends we pay to a corporate holder of our common shares who is not, or is not deemed to be, a resident of the Netherlands for Dutch tax purposes but who is a resident of the United States as defined in the US Tax Treaty may be eligible for a reduction of the 15% Netherlands withholding tax. In the case of certain US corporate shareholders owning at least 10% of ASM International voting power, the Netherlands withholding tax may be reduced to 5%, provided that such shareholder does not have an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or permanent representative in the Netherlands to which the dividends are attributable. A full exemption of Netherlands withholding tax is applicable for a US corporate shareholder owning at least 80% of voting power in the Company for a period of at least twelve months prior to the distribution, provided that this shareholder meets specific tests of the limitation of benefits clause of the US Tax Treaty. The US Tax Treaty provides for complete exemption from tax on dividends received by exempt pension trusts and exempt organizations, as defined therein. Except in the case of exempt organizations, the reduced dividend withholding rate can be applied at the source upon payment of the dividends, provided that the proper forms have been filed prior to the payment. Exempt organizations remain subject to the statutory withholding rate of 15% and are required to file an application for a refund of such withholding.

A holder who is not, or is not deemed to be, a resident of the Netherlands may only claim the benefits of the US Tax Treaty if:

- › The holder is a resident of the United States as defined therein; and
- › The holder’s entitlement to such benefits is not limited by the provisions of Article 26 (“limitation on benefits”) of the US Tax Treaty.

Under current Dutch law, in situations where we distribute dividends which we received ourselves (flow through dividends) from subsidiaries established in countries with which the Netherlands has concluded a tax treaty, we may be permitted under limited circumstances to deduct and retain from the withholding a portion of the amount that otherwise would be required to be remitted to the Dutch Tax Authorities. That portion generally may not exceed 3% of the total dividend distributed by us during the calendar year and the two preceding calendar years. If we retain a portion of the amount withheld from the dividends paid, the portion (which is not remitted to the tax authorities) might not be creditable against your domestic income tax or corporate income tax liability. We will endeavor to provide you with information concerning the extent to which we have applied the reduction described above to dividends paid to you and advise you to check the consequences thereof with your local tax advisor.

A refund, reduction, exemption or credit of Dutch dividend withholding tax on the basis of Dutch tax law or on the basis of a tax treaty between the Netherlands and another state, will be granted only if the dividends are paid to the beneficial owner of the dividends. The Dutch Supreme Court has defined that a person is a beneficial owner if: (i) that person is the legal owner of the dividend coupons and (ii) is in the position to freely dispose of the dividends so received and (iii), not acting in the capacity of an agent or fiduciary for someone else. A receiver of a dividend is not considered to be the beneficial owner of a dividend in an event of “dividend stripping” in which he has paid a consideration related to the receipt of such dividend. In general terms, “dividend stripping” can be described as the situation in which a foreign or domestic person (usually, but not necessarily, the original shareholder) has transferred his shares or his entitlement to the dividend distributions to a party that has a more favorable right to a refund or reduction of Dutch dividend withholding tax than the foreign or domestic person. In these situations, the foreign or domestic person (usually the original shareholder), by transferring his shares or his entitlement to the dividend distributions, avoids Dutch dividend withholding tax while retaining his “beneficial” interest in the shares and the dividend distributions. This regime may also apply to the transfer of shares or the entitlement to dividend distributions as described above, if the avoidance of dividend withholding tax is not the main purpose of the transfer.



### Income tax and corporate income tax on dividends

A non-resident individual or corporate shareholder will not be subject to Dutch income tax with respect to dividends distributed by us or with respect to capital gains derived from the sale, disposal or deemed disposal of our common shares, provided that:

- › Such holder is neither resident nor deemed to be resident in the Netherlands nor has made an election for the application of the rules of the Dutch 2001 Income Tax Act as they apply to residents of the Netherlands;
- › Such holder does not have, and is not deemed to have, an enterprise or an interest in an enterprise which is, in whole or in part, carried on through a permanent establishment, a deemed permanent establishment, or a permanent representative in the Netherlands and to which enterprise or part of an enterprise the shares are attributable with the primary aim to avoid levying Dutch income tax or dividend withholding tax for others, nor does such holder carry out any other activities in the Netherlands that exceed regular asset management;
- › Such holder does not have a profit share in, or any other entitlement to the assets or income of an enterprise, other than by way of securities, which enterprise is effectively managed in the Netherlands and to which enterprise the shares are attributable;
- › Such holder does not carry out and has not carried out employment activities with which the holding of the shares is connected directly or indirectly; and
- › Such holder, individuals relating to such holder and some of their relations by blood or marriage in the direct line (including foster children) do not have a substantial interest or deemed substantial interest in us, or, if such holder has a substantial interest or a deemed substantial interest in us, it forms part of the assets of an enterprise.

Generally, a non-resident holder will have a substantial interest if he, his partner, certain other relatives (including foster children) or certain persons sharing his household, alone or together, directly or indirectly:

- › Hold shares representing 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of our shares);
- › Hold or have rights to acquire shares (including the right to convert notes or stock options into shares), whether or not already issued, that at any time (and from time to time) represent 5% or more of our total issued and outstanding capital (or the issued and outstanding capital of any class of our shares); or
- › Hold or own certain profit-participating rights that relate to 5% or more of our annual profit and/or to 5% or more of our liquidation proceeds.

The same criteria apply to a non-resident entity, save for the extension to partners, certain other relatives, and certain persons sharing the holder's household.

### Gift and inheritance tax

In principle, liability for Dutch gift tax or inheritance tax arises in respect of any gifts of common shares by or inheritance of common shares from any person or legal entity who resides in the Netherlands at the time of the gift or death.

A gift or inheritance of common shares from a non-resident shareholder will not be subject to Dutch gift and inheritance tax, provided that the non-resident shareholder makes a gift of shares and does not die within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands at the time of his death.

For Dutch gift and inheritance purposes, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after death of the donor, the gift is deemed to be made upon the death of the donor.

For Dutch gift and inheritance purposes (i) a gift by a trust, will be construed as a gift by the settlor, and (ii) upon the death of the settlor, as a rule, his/her beneficiaries, will be deemed to have inherited directly from the settlor. Subsequently, the beneficiaries will be deemed the settlor of the trust for purposes of the Dutch gift and inheritance tax in case of subsequent gifts or inheritances.

### United States federal income taxation

Any US tax advice contained herein was not intended or written to be used, and cannot be used, by the recipient for the purpose of avoiding penalties that may be imposed under the Internal Revenue Code or applicable state or local provisions.

The following is a general description of select US federal income tax consequences of the ownership and disposition of our common shares by a US holder (as defined below). This summary only applies to “US holders” (as defined below) that hold their shares as capital assets. This discussion does not purport to be a comprehensive description of all US federal income taxation considerations that may be relevant to holders of shares in view of their particular circumstances, and does not deal with holders subject to special rules, such as, but not limited to, the alternative minimum tax provisions of the Internal Revenue Code of 1986 (“Internal Revenue Code”) or the Internal Revenue Code’s provisions applicable to dealers in securities or foreign currencies, traders in securities that elect to use a mark-to-market method of accounting, certain financial institutions, tax-exempt organizations, tax-qualified employer plans and other tax-qualified accounts, insurance companies, persons that actually or constructively own 10% or more of our voting stock, persons holding common shares as part of a straddle, hedging, conversion or constructive sale transaction or holders of common shares whose “functional currency” is not the US dollar. This discussion does not address US state and local or any other non-US federal income tax consequences of the ownership and disposition of our common shares by a US holder.

This discussion is based on the Internal Revenue Code, as amended to the date hereof, final, temporary and proposed US Treasury Department regulations promulgated thereunder, and administrative and judicial interpretations thereof, any or all of which could be changed subsequent to the date of this summary, possibly with retroactive effect. Any such change could affect the tax consequences described in this summary. We will not update this summary to reflect any such changes after the date of this annual report. In addition, there can be no assurance that the Internal Revenue Service will not challenge any tax treatment that is based upon or consistent with any discussion of tax consequences described in this summary, and we have not obtained, nor do we intend to obtain, a ruling from the Internal Revenue Service or an opinion of counsel with respect to the US federal income tax consequences of acquiring or holding common shares. Prospective holders of shares should consult their own tax advisors as to the application of the US federal income tax laws to their particular situation, as well as to any tax consequences that may arise under the US federal estate or gift tax laws or under any state, local or foreign tax laws with respect to the ownership and disposition of our common shares.

The following discussion is a summary of the tax rules applicable to US holders of common shares and does not consider any US federal income tax consequences to non-US holders. As used in this summary, “US holder” means a beneficial owner of common shares that is (i) an individual citizen or resident alien of the United States (as defined for US federal income tax purposes), (ii) a corporation (or any other entity taxable as a corporation for US federal income tax purposes) created or organized in or under the laws of the United States or any State or the District of Columbia, (iii) an estate the income of which is subject to US federal income taxation regardless of its source, or (iv) a trust if either (a) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or (b) a valid election is in place to treat the trust as a US person. A “non-US holder” is a beneficial owner of common shares that is not a US holder as so defined herein.

If a partnership (or other entity treated as a partnership for US federal income tax purposes) holds common shares, the tax treatment of a partner in that partnership generally will depend upon the status and tax residency of the partner and the activities of the partnership. Partners in a partnership that holds common shares are urged to consult their own tax advisor regarding the specific tax consequences of the owning and disposing of such common shares by the partnership.

Any US holder that is also an exempt organization may be subject to other US rules specifically applicable to exempt organizations and such investors should consult their own tax advisors on the US federal income tax consequences to holding shares in the company.

#### **Taxation of dispositions**

A US holder will recognize gain or loss for US federal income tax purposes upon a taxable sale or other disposition of common shares. The amount of such gain or loss will equal the difference between the amount realized by the US holder and the US holder’s adjusted tax basis in the common shares. For these purposes, a US holder’s adjusted tax basis in the common shares generally will equal the US dollar cost of the common shares to the US holder. Subject to the controlled foreign corporation rules and passive foreign investment company rules described below, gain or loss realized by a US holder on a sale or other disposition of common shares generally will be treated as capital gain or loss, and will be long-term capital gain or loss if the common shares were held for more than one year as of the date of the sale or other disposition.

Except in certain circumstances, any such gain generally will be treated as US source income for US foreign tax credit purposes. Net long-term capital gain recognized by a US holder who is an individual generally is subject to reduced rates of taxation. The deduction of capital losses is subject to certain limitations. Prospective investors should consult their own tax advisors in this regard.

If we repurchase our common shares, the repurchase may qualify to be treated as a sale or exchange of the common shares subject to the rules discussed above. However, under certain circumstances as provided in Section 302 of the Internal Revenue Code, the repurchase may be treated fully or partially as a dividend taxable as described below under "Taxation of Distributions." US holders should consult their own tax advisors concerning the US federal income tax consequences of our repurchase of their common shares.

### **Taxation of distributions**

Subject to the anti-deferral tax rules described below, the gross amount (before reduction for Netherlands withholding taxes) of any distribution actually or constructively paid with respect to common shares will be included in the gross income of the US holder as foreign source dividend income to the extent the distributions are paid out of our current or accumulated earnings and profits, as determined under US federal income tax principles. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits, the distribution will first be treated as a tax-free return of capital to the extent of the US holder's adjusted tax basis in the common shares (thereby increasing the amount of gain or decreasing the amount of loss to be recognized on the subsequent disposition of the common shares), and to the extent that such distribution exceeds the US holder's adjusted tax basis in the common shares such excess will be taxed as capital gain. We do not maintain calculations of our earnings and profits under US federal income tax principles, and therefore it may not be possible to determine whether or to what extent a distribution should be treated as a dividend for US federal income tax purposes. Distributions treated as dividends generally will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code. The availability of this deduction is subject to several complex limitations which are beyond the scope of this summary.

If a US holder receives a dividend in euros, the amount of the dividend for US federal income tax purposes should be the US dollar value of the dividend, determined at the spot rate in effect on the date of such payment, regardless of whether the payment is later converted into US dollars. In the case of such later conversion, the US holder may recognize US source ordinary income or loss as a result of currency fluctuations between the date on which the dividend is paid and the date the dividend amount is converted to US dollars.

Dividends received by a US holder generally will be taxed at ordinary income rates. However, certain dividends received by individuals through taxable years beginning on or before December 31, 2012, may qualify to be taxed at capital gain rates (0%, 15% or 20% depending on the marginal US federal income tax rate applicable to such US holder), provided (i) the recipient has held the underlying stock for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date and (ii) the dividends are received from a "qualified foreign corporation." A non-US corporation (other than a non-US corporation treated as a passive foreign investment company in the taxable year in which the dividend is paid, or the preceding taxable year) generally will be considered to be a "qualified foreign corporation" if (i) the shares of the non-US corporation are readily tradable on an established securities market in the United States or (ii) the non-US corporation is eligible with respect to substantially all of its income for the benefits of a comprehensive income tax treaty with the United States which contains an exchange of information program. We believe that we are, and will continue to be, a "qualified foreign corporation." Individual US holders should consult their tax advisors regarding the impact of distributions paid with respect to their common shares in light of their particular situations.

### **Foreign tax credit**

Dividends distributed by us generally are subject to a withholding tax imposed by the Netherlands at a rate of 15% (see "Summary of Dutch Tax Provisions Applicable to non-resident Shareholders with a particular focus on US Shareholders – Withholding Tax"). Subject to certain conditions and limitations set forth in the Internal Revenue Code, foreign withholding tax paid with respect to dividends on common shares generally will be eligible for credit against a US holder's US federal income tax liability. Alternatively, a US holder may claim a deduction for the amount of foreign withholding taxes, but only for

a year for which the US holder elects to do so with respect to all foreign income taxes. Under current Dutch law, we may be permitted, under limited circumstances, to retain a portion of Netherlands taxes we withhold from dividends paid to our shareholders, rather than pay that portion of the withheld taxes to the taxing authorities in the Netherlands (see “Summary of Dutch Tax Provisions Applicable to Non-resident Shareholders with a particular focus on US Shareholders – Withholding Tax”). This amount generally may not exceed 3% of the total dividend distributed by us during the calendar year and the two preceding calendar years. If we retain a portion of the Netherlands withholding taxes, the retained amount in all likelihood will not qualify as a creditable tax for US federal income tax purposes. We will endeavor to provide US holders with information concerning the extent to which we retain any Netherlands taxes on dividends paid to US holders.

There are two principal classes (passive and general) of income for purposes of calculating foreign tax credit limitations. Dividends will generally constitute “passive category income” but could, in the case of certain US holders, constitute “general category income.” Except in certain circumstances, gain from a sale, exchange or other disposition of our common shares by a US holder will be treated as US source income for foreign tax credit purposes. The rules relating to the determination of the US foreign tax credit are complex and contain certain other limitations. US holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction for foreign, including Netherlands, taxes withheld.

#### **Anti-deferral tax rules**

The Internal Revenue Code contains various provisions that impose current US federal income tax on the US shareholders of the undistributed income of certain foreign corporations if such corporations derive certain types of passive income and fail to make adequate distribution of profits to their US shareholders. These provisions include the controlled foreign corporation (“CFC”) rules. Other provisions of the Internal Revenue Code impose potentially adverse tax consequences on the US shareholders of a non-US corporation that qualifies as a “passive foreign investment company” (“PFIC”). While we do not believe that we should be classified as either a CFC or a PFIC, we are not certain that we can avoid these tax rules because we cannot predict with any degree of certainty the amount and character of our future income or the amount of our common shares any particular US holder will own. Accordingly, we will only briefly summarize those provisions and then only the rules that we believe may have the greatest likelihood of applying to us in the future.

#### **Passive foreign investment company**

As a foreign corporation with US holders, we could potentially be treated as a “passive foreign investment company” (“PFIC”) as defined in the Internal Revenue Code.

The PFIC provisions of the Internal Revenue Code can have significant adverse tax effects on US holders. In general, a foreign corporation will be a PFIC with respect to a holder in a particular tax year and for all succeeding tax years if:

- › 75% or more of its gross income (including the foreign corporation’s pro rata share of the gross income of any US or foreign company in which the corporation owns or is considered to own 25% or more of the shares by value) in a taxable year is passive income (which generally includes interest, dividends and certain rents and royalties); or
- › At least 50% of the average value of the corporation’s gross assets in a taxable year (average determined as of the end of each quarter of the corporation’s taxable year and ordinarily determined based on gross fair market value, including the proportionate share of the assets of any US or foreign company in which the corporation owns or is considered to own 25% or more of the shares by value) produce, or are held for the production of, passive income.

If we are a PFIC for any year during which a US holder holds common shares, we must generally continue to be treated as a PFIC by that holder for all succeeding years during which the US holder holds common shares, unless we cease to meet the requirements for PFIC status and the US holder makes a “deemed sale” election with respect to the common shares. If such election is made, the US holder will be deemed to have sold the common shares it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described above. After the deemed sale election, the US holder’s common shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently meet the PFIC income and/or asset tests.

If we were a PFIC for a taxable year during which a US holder owned our shares, then a US holder would likely incur increased tax liabilities (possibly including an interest charge) upon the sale or other disposition of our common shares or

upon receipt of “excess distributions”. In such case, gain recognized by a US holder on a sale or other disposition of our common shares would be allocated ratably over the US holder’s holding period for the common shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest marginal income tax rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Further, the rules provide essentially that any distribution in excess of 125 percent of the average of the annual distributions on common shares received by the US holder during the preceding three years or the US holder’s holding period, whichever is shorter, would be subject to taxation as described above. Although certain elections may be available (including a qualified electing fund election and a mark to market election) to US holders that might mitigate the adverse consequences resulting from PFIC status, in the event we are determined to be a PFIC in the current or a future taxable year we do not anticipate providing US holders with the information necessary to support a qualified electing fund election. In addition, if we are treated as a PFIC in a taxable year in which we pay a dividend, or in the preceding taxable year, the capital gain rate (0%, 15% or 20% as discussed above) currently applicable in the US with respect to certain dividends paid to US holders on or before to December 31, 2012 would not apply.

We believe that we are not a PFIC, and we do not expect to become a PFIC. However, we cannot assure that we will not qualify as a PFIC in the current year or in the future. You may be required in some cases to report ownership of our shares on Internal Revenue Service Form 8938. In addition, if you own our shares during any year that we are a PFIC, you may be required to file Internal Revenue Service Form 8621.

The PFIC rules are very complex and US holders should consult their own tax advisors on this issue.

#### **Controlled foreign corporation rules**

If more than 50% of the voting power or total value of all classes of our common shares is owned, directly or indirectly, by US holders, each of which owns or is deemed to own 10% or more of the total combined voting power of all classes of our common shares, we could be treated as a controlled foreign corporation (“CFC”) under Subpart F of the Internal Revenue Code. This classification would result in many complex consequences to such 10% or greater shareholders, including the required inclusion into income by such 10% or greater shareholders of their pro rata shares of our “Subpart F Income,” as defined in the Internal Revenue Code. In addition, under Section 1248 of the Internal Revenue Code, gain from the sale or exchange of common shares by any US holder who is or was a 10% or greater US shareholder at any time during the five-year period ending with the sale or exchange will be dividend income to the extent of our earnings and profits attributable to the common shares sold or exchanged and accumulated during the periods that we were a CFC. Under certain circumstances, a US holder that directly owns 10% or more of our voting common shares and is a corporation may be entitled to an indirect foreign tax credit for a portion of the amounts characterized as dividends under Section 1248 of the Internal Revenue Code. We believe that we are not a CFC and we will not become a CFC, however, we cannot assure you that we will not become a CFC in the future.

#### **United States backup withholding tax and information reporting**

US holders may be required to file certain US information reporting returns with the IRS with respect to an investment in common shares, including, among others, IRS Form 8938 (Statement of Specified Foreign Financial Assets). Substantial penalties may be imposed upon a US holder that fails to comply with the required information reporting.

Under certain circumstances, a US holder may be subject to information reporting and backup withholding with respect to certain payments made in respect of the common shares and the proceeds received on the disposition of the common shares paid within the US (and in certain cases, outside the US). Such amounts may be subject to a 28% US backup withholding tax unless the US holder otherwise establishes an exemption. For example, backup withholding generally will not apply to a US holder who (1) is a corporation or qualifies under certain other exempt categories and, when required, demonstrates that fact, or (2) furnishes a correct taxpayer identification number and makes certain other required certifications as provided by the backup withholding rules.

Backup withholding is not an additional tax. The amount of any backup withholding from a payment to a US holder will be allowed as a credit against the US holder's US federal income tax liability and may entitle a US holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

#### **Medicare tax**

In general, a United States person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the United States person's "net investment income" for the relevant taxable year and (2) the excess of the United States person's modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual's circumstances). A holder's net investment income will include its gross dividend income and its net gains from the disposition of common shares, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

The discussion set forth above is included for general information only and may not be applicable depending upon a holder's particular situation. Holders should consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposition of common shares including the tax consequences under state, local and other laws and the possible effects of changes in United States federal and other tax laws.

#### **F. DIVIDENDS AND PAYING AGENTS**

Not Applicable.

#### **G. STATEMENT BY EXPERTS**

Not Applicable.

#### **H. DOCUMENTS ON DISPLAY**

We are subject to certain reporting requirements of the US Securities Exchange Act of 1934 (the "Exchange Act"). As a "foreign private issuer," we are exempt from the rules under the Exchange Act prescribing certain disclosure and procedural requirements for proxy solicitations, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file reports and financial statements with the Commission as frequently or as promptly as companies that are not foreign private issuers whose securities are registered under the Exchange Act. However, we are required to file with the Commission, within four months after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent accounting firm and interactive data comprising financial statements in extensible business reporting language which, with respect to our annual report on Form 20-F for the year ended December 31, 2013. We publish unaudited interim financial information after the end of each quarter. We furnish this quarterly financial information to the Commission under cover of a Form 6-K.

Documents we file with the Commission are publicly available at its public reference facilities at 100 F Street, NE, Washington, DC 20549. Copies of the documents are available at prescribed rates by writing to the Public Reference Section of the Commission at 100 F Fifth Street, NE, Washington DC 20549. The Commission also maintains a website that contains reports and other information regarding registrants that are required to file electronically with the Commission. The address of this website is <http://www.sec.gov>. Please call the Commission at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

#### **I. SUBSIDIARY INFORMATION**

See Item 4.C. "Organizational Structure".

### **ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risks (including foreign exchange rate risk and interest rate risk), credit risk and liquidity risk. We use forward exchange contracts to hedge foreign exchange risk. We do not enter into financial instrument transactions for trading or speculative purposes.



### Foreign exchange rate risk management

We conduct business in a number of foreign countries, with certain transactions denominated in currencies other than the functional currency of ASM International (euro) or one of our subsidiaries conducting the business. The purpose of the Company's foreign currency management is to manage the effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in US dollars.

We may use forward exchange contracts to hedge foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which it has a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions being hedged. The hedges related to forecasted transactions are designated and documented at the inception of the hedge as cash flow hedges, and are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income in Shareholders' Equity, and is reclassified into earnings when the hedged transaction affects earnings.

The majority of revenues and costs of our Front-end segment are denominated in Singapore dollars and US dollars. Since foreign currency exposure is not significant, no forward exchange contracts are used. The effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in foreign currencies is periodically reviewed.

The majority of revenues and costs of our Back-end segment are denominated in Hong Kong dollars, Chinese yuan and US dollars. The functional currency of our Back-end segment (Hong Kong dollar) is linked to the US dollar. In March 2013, we sold a 12% stake so we now own 40% of ASM Pacific Technology ("ASMPT"). Accordingly from March 15, 2013, we do no longer consolidate ASMPT's results of operations in ours. Instead, our proportionate share of ASMPT's earnings is reflected as a separate line-item called "results from investments" in our Consolidated Statements of Operations. Also we are no longer able to consolidate the assets and liabilities of ASMPT and reflect the net investment in ASMPT in the line-item "investments" in our Consolidated Balance Sheet. The effect of exchange rate fluctuations on "results from investments" and "investments" denominated in foreign currencies is periodically reviewed.

Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized in earnings. We record all derivatives, including forward exchange contracts, on the balance sheet at fair value in other current assets or accrued expenses.

No unrealized gains were included in accumulated other comprehensive income as of December 31, 2013. Hedge ineffectiveness was insignificant for the years ended December 31, 2013 and December 31, 2012.

Furthermore, we might manage the currency exposure of certain receivables and payables using derivative instruments, such as forward exchange contracts (fair value hedges) and currency swaps, and non-derivative instruments, such as debt borrowings in foreign currencies. The gains or losses on these instruments provide an offset to the gains or losses recorded on receivables and payables denominated in foreign currencies. The derivative instruments are recorded at fair value and changes in fair value are recorded in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Receivables and payables denominated in foreign currencies are recorded at the exchange rate at the balance sheet date and gains and losses as a result of changes in exchange rates are recorded in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations.

We do not use forward exchange contracts for trading or speculative purposes.

To the extent that foreign currency fluctuations affect the value of our investments in our foreign affiliates, they are not hedged. The cumulative effect of these fluctuations is separately reported in Consolidated Shareholders' Equity. For the year ended December 31, 2012, we recorded an unfavorable movement of €7.0 million. For the year ended December 31, 2013, we recorded an unfavorable movement of €61.0 million. See Note 18 to our Consolidated Financial Statements, which is incorporated herein by reference.

As per December 31, 2013 the Company is debt free and has no foreign exchange contracts in place.



The following tables analyze our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro as of December 31, 2013. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro.

A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in US dollars, Singapore dollars, Hong Kong dollars, Korean won and Japanese yen.

(EUR thousand)	IMPACT ON EQUITY	
	2012	2013
10% increase of US dollar versus euro	4,564	<b>4,938</b>
10% decrease of US dollar versus euro	(4,564)	<b>(4,938)</b>
10% increase of Singapore dollar versus euro	5,868	<b>6,088</b>
10% decrease of Singapore dollar versus euro	(5,868)	<b>(6,088)</b>
10% increase of Hong Kong dollar versus euro	56,693	<b>94,396</b>
10% decrease of Hong Kong dollar versus euro	(56,693)	<b>(94,396)</b>
10% increase of Korean won versus euro	3,969	<b>5,840</b>
10% decrease of Korean won versus euro	(3,969)	<b>(5,840)</b>
10% increase of Japanese yen versus euro	5,294	<b>4,561</b>
10% decrease of Japanese yen versus euro	(5,294)	<b>(4,561)</b>

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2012 and December 31, 2013 would not result in a material impact on equity.

The following table analyzes our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Hong Kong dollar, Korean won and Japanese yen against the euro at average exchange rates for the years 2012 and 2013. A positive amount indicates an increase in net earnings.

(EUR thousand)	IMPACT ON NET EARNINGS	
	2012	2013
10% increase of US dollar versus euro	915	<b>601</b>
10% decrease of US dollar versus euro	(915)	<b>(601)</b>
10% increase of Singapore dollar versus euro	644	<b>671</b>
10% decrease of Singapore dollar versus euro	(644)	<b>(671)</b>
10% increase of Hong Kong dollar versus euro	3,630	<b>100,072</b>
10% decrease of Hong Kong dollar versus euro	(3,630)	<b>(100,072)</b>
10% increase of Korean won versus euro	1,400	<b>1,962</b>
10% decrease of Korean won versus euro	(1,400)	<b>(1,962)</b>
10% increase of Japanese yen versus euro	923	<b>485</b>
10% decrease of Japanese yen versus euro	(923)	<b>(485)</b>

The significant possible impact on net earnings denominated in Hong Kong dollar results from the realized and unrealized gain following the sale of the 12% stake in ASMPT. A hypothetical 10% strengthening or 10% weakening of any other currency against the euro at average exchange rates for the years 2011 and 2012 would not result in a material impact on net earnings.

### Interest risk

The Company is debt free as per December 31, 2013 and is not exposed to interest rate risk through borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure.

### Credit risk

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and derivative instruments. These instruments contain a risk of counterparties failing to discharge their obligations. We monitor credit risk and manage credit risk exposure by type of financial instrument by assessing the creditworthiness of counterparties.

Our customers are semiconductor device manufacturers located throughout the world. We generally do not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company derives a significant percentage of its revenue from a small number of large customers. The largest customer accounted for approximately 28.3% of net sales in 2013 (2012: 8.8%; 2011: 6.4%) and the ten largest customers accounted for approximately 85.6% of net sales in 2013 (2012: 31.6%; 2011: 27.9%). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results. At December 31, 2013 one customer accounted for 28.1% of the outstanding balance in accounts receivable (2012: 6.5%; 2011: 4.5%).

We place our cash and cash equivalent and derivative instruments with high quality financial institutions to limit the amount of credit risk exposure.

The maximum credit exposure is equal to the carrying values of cash and cash equivalent and accounts receivable.

## **ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

None.

# PART II

## **ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES**

None.

## **ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS**

None.

## **ITEM 15. CONTROLS AND PROCEDURES**

(a) Disclosure Controls and Procedures: Our CEO and CFO, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 20-F, have concluded that as of December 31, 2013 our disclosure controls and procedures were effective.

(b) Management's Annual Report on Internal Control Over Financial Reporting: Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with applicable generally accepted accounting principles. Internal control over financial reporting includes policies and procedures for maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Management, including our CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) based on the framework in Internal Control – Integrated Framework issued in 1992 by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2013. Deloitte Accountants BV, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this annual report on Form 20-F and, as part of the audit, has issued an attestation report, included herein, on ASM's internal control over financial reporting.

(c) Attestation Report of the Registered Public Accounting Firm: The attestation report of Deloitte Accountants BV is included in this annual report on Form 20-F and is incorporated by reference herein.

(d) Changes in Internal Control Over Financial Reporting: There were no changes to our internal control over financial reporting that occurred during the period covered by this Form 20-F that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## **INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS**

All internal control systems no matter how well designed and implemented have inherent limitations. Even systems determined to be effective may not prevent or detect misstatements or fraud and can only provide reasonable assurance with respect to disclosure and financial statement presentation and reporting. Additionally, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changed conditions and the degree of compliance with the policies or procedures may deteriorate.

## **ITEM 16.**

### **A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Supervisory Board has determined that Mr Lobbezoo, an independent member and chairman of the Supervisory Board, qualifies as an Audit Committee Financial Expert. For Mr Lobbezoo's experience see Item 6.A. "Directors, Senior Management and Employees".

## B. CODE OF ETHICS

Our Code of Ethics applies to all of our employees worldwide, as well as our Supervisory Board and Management Board. The Code of Ethics is designed to promote honest and ethical conduct and timely and accurate disclosure in our periodic financial reports.

For further information, see the Code of Ethics and other related policies including our Rules Concerning Insider Trading, which are posted on our website ([www.asm.com](http://www.asm.com)).

## C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

### Audit fees

Deloitte Accountants BV ("Deloitte"), has served as our independent registered public accounting firm for each of the three financial years up to December 31, 2013. The following table sets out the aggregate fees for professional audit services and other services rendered by Deloitte Accountants BV and its member firms and/or affiliates in 2012 and 2013:

	EUR THOUSAND		AS A % OF TOTAL FEES	
	2012	2013	2012	2013
Audit fees <sup>1)</sup>	1,195	<b>1.521</b>	77%	<b>88%</b>
Audit-related fees	115	<b>48</b>	7%	<b>3%</b>
Tax fees	241	<b>157</b>	16%	<b>9%</b>
<b>TOTAL</b>	<b>1,551</b>	<b>1.726</b>	<b>100%</b>	<b>100%</b>

<sup>1)</sup> Including fees for ASMPPT 2013 relating to audit €927 and tax fees €121.

### Audit Committee pre-approval policies

The Audit Committee has determined that the provision of services by Deloitte described in the preceding paragraphs is compatible with maintaining Deloitte's independence. All audit and permitted non-audit services provided by Deloitte during 2013 were pre-approved by the Audit Committee.

The Audit Committee has adopted the following policies and procedures for pre-approval of all audit and permitted non-audit services provided by our independent registered public accounting firm:

#### Audit services

Management submits to the Audit Committee for pre-approval the scope and estimated fees for specific services directly related to performing the independent audit of our Consolidated Financial Statements for the current year.

#### Audit-related services

The Audit Committee may pre-approve expenditures up to a specified amount for services included in identified service categories that are related extensions of audit services and are logically performed by the auditors. Additional services exceeding the specified pre-approved limits require specific Audit Committee approval.

#### Tax services

The Audit Committee may pre-approve expenditures up to a specified amount per engagement and in total for identified services related to tax matters. Additional services exceeding the specified pre-approved limits, or involving service types not included in the pre-approved list, require specific Audit Committee approval.

#### Other services

In the case of specified services for which utilizing our independent registered public accounting firm creates efficiencies, minimizes disruption, or preserves confidentiality, or for which management has determined that our independent registered public accounting firm possesses unique or superior qualifications to provide such services, the Audit Committee may pre-approve expenditures up to a specified amount per engagement and in total. Additional services exceeding the specified pre-approved limits, or involving service types not included in the pre-approved list, require specific Audit Committee approval.

#### **D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

#### **E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

On May 16, 2013, the General Meeting of Shareholders authorized, for an 18-month period, to be calculated from the date of the General Meeting to cause the Company to repurchase its own shares up to a maximum of 10% of the number of common shares issued, at a price at least equal to the shares' nominal value and at most a price equal to 110% of the share's average closing price according to the listing on the NYSE Euronext Amsterdam stock exchange during the five trading days preceding the acquisition date.

No shares were repurchased during 2013 under the authorization of May 16, 2013.

The maximum number of shares that may yet be purchased under the authorization takes into account any treasury shares held by the Company (at December 31, 2013 there are no treasury shares held by the Company) and the maximum number of common shares which the Company can hold is 10% of the number of common shares issued.

During 2008, ASMI engaged Lehman Brothers ("Lehman") to repurchase ordinary ASMI shares on the Euronext and Nasdaq markets on behalf of ASMI. As of September 15, 2008, at the time it went into bankruptcy administration, Lehman reported that it had purchased and held on our behalf 2,552,071 shares, which were accounted for as treasury shares accordingly. ASMI filed a submission with the Lehman administrators giving notice of the shares held in custody by Lehman. At ASMI's May 2009 Annual General Meeting, our shareholders resolved to cancel all of these treasury shares which, accordingly, was accounted for in our 2009 Annual Report as a reduction of the number of outstanding shares. Lehman was notified of the cancellation of shares at the time.

The Lehman administrators have cooperated to effect the cancellation of 2,305,069 shares through the relevant book entry systems and have agreed to cooperate similarly with respect to 25,643 shares which are currently held by a Lehman affiliate in the United States. This leaves 221,359 shares unaccounted for which is in line with the notification received from the Lehman administrator's in September 2010 that a shortfall in the number of shares held for the Company's account in this order of magnitude was likely to exist.

Under the terms of a settlement agreement with the Lehman administrators entered into in 2013 the Company has received a compensation in cash of US\$6,250,596 and will receive a further €273,062 in compensation of dividends paid on the unaccounted shares.

Depending on the outcome of the Lehman bankruptcy the Company may receive further payments since the amounts received to date represent 92.2 % of the principal of the Company's claims for compensation. In addition the Company is entitled to the payment of interest over the principal of its claims.

The 221,359 shares unaccounted for by the Lehman administrators are and remain outstanding and have not been canceled by the resolution adopted by the AGM in 2009. As a result of the settlement agreement the Company recorded €4.190 as paid in capital to account for the compensation received.

#### **F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

## G. CORPORATE GOVERNANCE

Because we are a Dutch public limited liability company, with principal executive offices outside of the US, some of our corporate practices vary from those required by the NASDAQ Listing Rules. Nasdaq Listing Rule 5615(3) permits a foreign private issuer to follow its home country practice in lieu of the corporate governance requirements of the Rule 5600 Series of the Nasdaq Listing Rules, with certain exceptions. Set forth below are descriptions of the home country practices that we follow in lieu of various Nasdaq Listing Rules:

### (i) Listing Rule 5620(c): Quorum

Nasdaq Listing Rule 5620(c) requires an issuer to provide in its bylaws for a quorum for any meeting of the holders of common stock, and that such quorum may not be less than one-third of the outstanding common voting stock. It is the generally accepted business practice for Dutch companies not to provide for a quorum requirement in their articles, and there is no contrary requirement in the Dutch securities laws or under the rules of NYSE Euronext Amsterdam. Accordingly, our Articles of Association do not provide for a quorum other than for resolutions in relation to the limitation of pre-emptive rights of existing shareholders and the cancellation of outstanding shares, which quorum requirements correspond with mandatory Dutch law. Furthermore, pursuant to Dutch corporate law (section 2:120 sub 2 Dutch Civil Code) the validity of a resolution by the general meeting of shareholders does not depend on the proportion of the capital or shareholders represented at the meeting (i.e. quorum), unless the law or articles of association of a company otherwise provide. Accordingly, our Articles of Association provide that a resolution of the general or any extraordinary meeting of shareholders will be adopted upon the favorable vote of a majority of the votes cast at the meeting. In addition, our Articles of Association provide that in the case of a shareholder appointment of persons to, or dismissal of persons from, our Supervisory Board and Management Board not proposed by our Supervisory Board, such resolution requires the affirmative vote of a majority of the votes cast at an annual or extraordinary shareholders meeting, which affirmative votes represent at least one third of our issued capital. To this extent, our practice varies from the requirement of Listing Rule 5620(c).

### (ii) Listing Rule 5620(b): Proxies

Nasdaq Listing Rule 5620(b) requires that an issuer shall solicit proxies and provide proxy statements for all meetings of shareholders. The solicitation of proxies and the distribution of proxy statements for meetings of shareholders are not required under Dutch law or by the rules of NYSE Euronext Amsterdam, and it is business practice for Dutch companies not to solicit proxies or distribute proxy statements in respect of European shareholders. Therefore, our practice in respect of the holders of shares other than our common shares listed on the NASDAQ Global Select Market varies from that required by Listing Rule 5620(b).

As to our common shares listed on the NASDAQ Global Select Market, which we refer to as New York registry shares, we prepare a proxy statement and solicit proxies from the holders of such shares since there are procedures in place under the Securities Exchange Act of 1934, as amended, for soliciting proxies from beneficial owners.

### (iii) Listing Rule 5615(a)(3): Shareholder approval of equity plans

Nasdaq Listing Rule 5635(c) requires shareholder approval prior to the issuance of securities in connection with equity-based compensation of officers, directors, employees or consultants. On December 30, 2011, our Supervisory Board adopted the ASM International NV 2011 Stock Option Plan for Members of the Management Board and the ASM International NV 2011 Stock Option Plan for Employees (the "Stock Option Plans"). In lieu of the specific shareholder approval prior to the issuance of securities in connection with equity-based compensation of officers, directors, employees or consultants, required by Nasdaq Listing Rule 5635(c), we followed Dutch company law regarding the issuance of shares or securities in connection with the remuneration of the Management Board and/or the employees of a Dutch listed public company (beursgenoteerde naamloze vennootschap).

According to Dutch company law, a Dutch public company may issue shares or grant rights to acquire shares pursuant to a resolution of the general meeting of shareholders or pursuant to a resolution of another corporate body designated by the general meeting of shareholders. Consistent with previous years, at our 2013 Annual General Meeting of Shareholders on May 16, 2013, our shareholders designated the Management Board as the competent body to issue common shares, subject to Supervisory Board approval, including granting rights to acquire common shares. Furthermore, our shareholders designated our Management Board as the competent body to issue common shares, subject to Supervisory Board approval, including granting rights to acquire common shares in connection with our stock option plans for employees and the stock option plan for the Management Board.

Pursuant to Dutch company law, the Remuneration Policy (including any amendments thereto) for the Management Board of a Dutch public company shall be determined by the general meeting of shareholders. Individual compensation of Management Board members shall be determined by the general meeting of shareholders unless the Articles of Association appoint another corporate body as such. Our Articles of Association provide that the individual compensation of Management Board members shall be determined by the Supervisory Board. Pursuant to Dutch company law, the remuneration (including any equity components) of employees is not subject to prior shareholder approval.

At our 2010 Annual General Meeting of Shareholders on May 20, 2010, our shareholders determined the Remuneration Policy of the Management Board. The Remuneration Policy includes a framework for the granting of stock options to the Management Board members, to be determined by the Supervisory Board. The Remuneration Policy is publicly available on our website: [www.asm.com](http://www.asm.com).

The Stock Option Plans provide the terms and conditions governing the procedures for the granting of stock options to employees and the Management Board. These terms and conditions include, among others, the determination of the exercise price and the vesting period. The Stock Option Plans do not grant rights to Management Board members or employees to acquire shares, nor do the Stock Option Plans provide for an obligation by us to grant such rights. The granting of rights to acquire shares through stock options is, with respect to members of our Management Board, determined by the Supervisory Board, and with respect to employees, determined by the Management Board.



# PART III

## ITEM 17. FINANCIAL STATEMENTS

Not applicable.

## ITEM 18. FINANCIAL STATEMENTS

See pages 127 through 191, which are incorporated herein by reference.

**ITEM 19. EXHIBITS <sup>1)</sup>**

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE TO:	INCLUDED HEREIN:
1.1	English Informal Translation of ASM International NV's Articles of Association, as amended		X
4.1	2001 Stock Option Plan	Exhibit 99.1 to the Registrant's Form S-8 filed on April 30, 2002	
4.2	Overview of Remuneration of Members of the Management Board, dated May 20, 2010	Exhibit 4.6 to the Registrant's Form 20-F filed on April 4, 2013	
4.3	Overview of Remuneration of Mr Peter van Bommel	Exhibit 4.7 to the Registrant's Form 20-F filed on March 25, 2011	
4.4	Form of Supervisory Board Member Indemnification Agreement	Exhibit 10.1 to the Registrant's Form 20-F filed on March 16, 2007	
4.5	Form of Management Board Member Indemnification Agreement	Exhibit 10.2 to the Registrant's Form 20-F filed on March 16, 2007	
4.6	Amended and Restated Settlement Agreement dated as of December 16, 1998 by and among ASM International NV, ASM America, Inc. and Applied Materials, Inc. <sup>2)</sup>	Exhibit 10.3 to the Registrant's Form 20-F filed on March 16, 2007	
4.7	Summary of the material elements of employment contract with Mr C.D. del Prado (effective as of March 1, 2008)	Exhibit 99.9 to the Registrant's Form 6-K filed on May 20, 2008	
4.8	ASM International NV 2011 Stock Option Plan for Members of the Management Board	Exhibit 4.14 to the Registrant's Form 20-F filed on March 28, 2012	
8.1	Subsidiaries		X
12.1	Certification of CEO pursuant to Rule 13a-14(a)		X
12.2	Certification of CFO pursuant to Rule 13a-14(a)		X
13.1	Certification of CEO and CFO pursuant to Rule 13a-14(b) and 18 U.S.C. 1350		X
15.1	Consent of Independent Registered Public Accounting Firm		X
99.1	Annual Audited Financial Statements of ASM Pacific Technology Ltd as of and for the Fiscal year ended December 31, 2013		X

<sup>1)</sup> Pursuant to Instruction 2(b)(ii), the Registrant has omitted certain agreements with respect to long-term debt not exceeding 10% of consolidated total assets. The Registrant agrees to furnish a copy of any such agreements to the Securities Exchange Commission upon request.

<sup>2)</sup> Redacted version, originally filed as an exhibit to Registrant's Form 6-K filed February 11, 1999. Portions of the Agreement have been omitted pursuant to a request for confidential treatment.

# SIGNING

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ASM INTERNATIONAL NV

Date: April 9, 2014/S/ CHARLES D. DEL PRADO



Charles D. (Chuck) del Prado  
Chief Executive Officer

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# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: the Supervisory Board and Shareholders of ASM International NV Almere, the Netherlands

We have audited the accompanying consolidated balance sheets of ASM International NV and subsidiaries (the “Company”) as of December 31, 2013 and 2012, and the related consolidated statements of operations, comprehensive income, total equity, and cash flows for each of the three years in the period ended December 31, 2013. 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 the standards of the Public Company Accounting Oversight Board (United States). 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 present fairly, in all material respects, the financial position of ASM International NV and subsidiaries as of December 31, 2013 and 2012, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2013, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 9, 2014 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte Accountants B.V.

Amsterdam, the Netherlands

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: the Supervisory Board and Shareholders of ASM International NV Almere, the Netherlands

We have audited the internal control over financial reporting of ASM International NV and subsidiaries (the “Company”) as of December 31, 2013, based on criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company’s internal control over financial reporting is a process designed by, or under the supervision of, the company’s principal executive and principal financial officers, or persons performing similar functions, and effected by the company’s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2013, based on the criteria established in Internal Control – Integrated Framework (1992) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2013 of the Company and our report dated April 9, 2014 expressed an unqualified opinion on those financial statements.

/s/ Deloitte Accountants B.V.

Amsterdam, the Netherlands

# CONSOLIDATED BALANCE SHEETS

(EUR thousand except per share data)	NOTES	DECEMBER 31,	
		2012	2013
<b>Assets</b>			
Cash and cash equivalents	4	290,475	312,437
Accounts receivable, net	5	304,840	83,016
Inventories, net	6	403,400	104,467
Income taxes receivable		890	1,226
Deferred tax assets	25	17,967	3,739
Other current assets		90,807	13,155
<b>TOTAL CURRENT ASSETS</b>		<b>1,108,379</b>	<b>518,040</b>
Pledged cash		20,000	-
Debt issuance costs		735	276
Deferred tax assets	25	5,955	1,320
Other intangible assets, net	7	13,915	5,637
Goodwill, net	8	51,888	11,421
Evaluation tools at customers	11	16,922	13,332
Investments and associates	3, 12	278	943,954
Property, plant and equipment, net	9	275,436	56,531
Assets held for sale	10	5,998	738
<b>TOTAL ASSETS</b>		<b>1,499,506</b>	<b>1,551,249</b>
<b>Liabilities and shareholders' equity</b>			
Notes payable to banks	13	61,675	-
Accounts payable		151,761	44,837
Provision for warranty	14	38,623	7,966
Accrued expenses and other	15	132,060	38,561
Income taxes payable		27,625	10,087
Deferred tax liabilities	25	36	-
Current portion of long-term debt	16	6,316	-
<b>TOTAL CURRENT LIABILITIES</b>		<b>418,096</b>	<b>101,451</b>
Pension liabilities	19	12,540	2,514
Deferred tax liabilities	25	952	35
Provision for warranty	14	5,298	-
Long-term debt	16	12,632	-
<b>TOTAL LIABILITIES</b>		<b>449,518</b>	<b>104,000</b>
<i>Commitments and contingencies</i>	20, 21		
<b>Common shares:</b>			
Authorized 110,000,000 shares, par value €0.04, issued and outstanding 63,095,986 and 63,468,390 shares		2,584	2,539
<b>Financing preferred shares:</b>			
Authorized 8,000 shares, par value €40, none issued		-	-
<b>Preferred shares:</b>			
Authorized 118,000 shares, par value €40, none issued		-	-
Capital in excess of par value		480,152	250,971
Retained earnings		288,082	1,281,861
Accumulated other comprehensive loss		(28,942)	(88,122)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	18	<b>741,876</b>	<b>1,447,249</b>
Non-controlling interest	18	308,112	-
<b>TOTAL EQUITY</b>		<b>1,049,988</b>	<b>1,447,249</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,499,506</b>	<b>1,551,249</b>

See Notes to Consolidated Financial Statements.



# CONSOLIDATED STATEMENTS OF OPERATIONS

		YEAR ENDED DECEMBER 31,		
(EUR thousand, except per share data)	NOTES	2011	2012	2013
Net sales	26	1,634,334	1,418,067	612,277
Cost of sales		(1,063,708)	(977,638)	(397,727)
GROSS PROFIT	26	570,626	440,429	214,550
Operating expenses				
Selling, general and administrative	27	(174,107)	(200,799)	(94,776)
Research and development, net	23	(129,400)	(149,219)	(75,391)
Amortization of other intangible assets	7	(911)	(1,264)	(696)
Impairment charge property, plant and equipment and assets held for sale	9,10	(8,038)	-	(796)
Restructuring expenses	24	-	(891)	(2,473)
TOTAL OPERATING EXPENSES		(312,455)	(352,173)	(174,132)
Operating income				
Gain on bargain purchase		109,279	-	-
RESULT FROM OPERATIONS	26	367,450	88,256	40,418
Interest income		2,902	1,989	972
Interest expense		(13,497)	(12,113)	(2,943)
Loss resulting from early extinguishment of debt	17	(824)	(2,209)	-
Accretion interest expense convertible notes	17	(4,401)	(4,469)	-
Revaluation conversion option	17	(4,378)	-	-
Foreign currency exchange gains (losses), net		5,604	(3,957)	(8,158)
Results on investments and associates	3,12	-	(766)	1,030,132
EARNINGS (LOSS) BEFORE INCOME TAXES		352,855	66,731	1,060,421
Income tax expense	25	(36,692)	(26,300)	(11,121)
NET EARNINGS (LOSS)		316,164	40,431	1,049,300
Net earnings (loss) for allocation between shareholders of the parent and non-controlling interest				
Allocation of net earnings:				
Shareholders of the parent		186,770	7,149	1,051,893
Non-controlling interest		129,394	33,282	(2,593)
Share data:	28			
Basic net earnings per common share (EUR)		3.38	0.13	16.60
Diluted net earnings per common share (EUR)		3.16	0.13	16.35
Weighted average number of shares used in computing per share amounts (thousand):				
Basic		55,210	56,108	63,202
Diluted		64,682	56,767	64,196

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31,		
		2011	2012	2013
<b>NET EARNINGS (LOSS)</b>		<b>316,164</b>	<b>40,431</b>	<b>1,049,300</b>
Other comprehensive income (loss):				
Realization deferred accumulative translation result following the sale of the 12% share of ASMPT		-	-	23,053
Proportionate part in other comprehensive income (loss) ASMPT for period March 16 - December 31, 2013		-	-	480
Foreign currency translation effect		18,062	(10,110)	(83,087)
Unrealized gains (losses) on derivative instruments, net of tax		(13)	-	-
Actuarial loss		1,139	(3,716)	(224)
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>18</b>	<b>19,188</b>	<b>(13,826)</b>	<b>(59,778)</b>
<b>COMPREHENSIVE INCOME (LOSS)</b>		<b>335,352</b>	<b>26,605</b>	<b>989,522</b>
Allocation of comprehensive income (loss):				
Common shareholders		200,858	(1,642)	991,116
Non-controlling interest		134,494	28,247	(1,594)

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(EUR thousand, except for share data)	NOTES	NUMBER OF COMMON SHARES	COMMON SHARES	CAPITAL IN EXCESS OF PAR VALUE	TREASURY SHARES AT COST	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY	NON- CONTROLLING INTEREST	TOTAL EQUITY
<b>BALANCE JANUARY 1, 2011</b>		<b>52,931,881</b>	<b>2,117</b>	<b>311,841</b>	<b>-</b>	<b>131,741</b>	<b>(34,239)</b>	<b>411,460</b>	<b>235,767</b>	<b>647,227</b>
Compensation expense stock options		-	-	1,872	-	-	-	1,872	-	1,872
Conversion of debt into common shares	17	2,151,020	86	58,439	-	-	-	58,525	-	58,525
Exercise stock options by issue of common shares	18	294,119	12	4,065	-	-	-	4,077	-	4,077
Net earnings to common shareholders		-	-	-	-	186,770	-	186,770	129,394	316,164
Dividend paid to common shareholders		-	-	-	-	(22,262)	-	(22,262)	-	(22,262)
Other comprehensive income	18	-	-	-	-	-	14,088	14,088	5,100	19,188
<b>Other movements in non-controlling interest:</b>										
Dividend paid		-	-	-	-	-	-	-	(79,473)	(79,473)
Dilution	19	-	-	-	-	5,266	-	5,266	7,130	12,396
<b>BALANCE DECEMBER 31, 2011</b>		<b>55,377,020</b>	<b>2,215</b>	<b>376,217</b>	<b>-</b>	<b>301,515</b>	<b>(20,151)</b>	<b>659,796</b>	<b>297,918</b>	<b>957,714</b>
Compensation expense stock options		-	-	3,242	-	-	-	3,242	-	3,242
Purchase of common shares	18	(1,500,000)	-	-	(40,554)	-	-	(40,554)	-	(40,554)
Conversion of debt into newly issued common shares	17	9,074,396	363	98,490	40,554	-	-	139,407	-	139,407
Exercise stock options by issue of common shares		144,570	6	2,203	-	-	-	2,209	-	2,209
Net earnings to common shareholders		-	-	-	-	7,149	-	7,149	33,282	40,431
Dividend paid to common shareholders		-	-	-	-	(27,519)	-	(27,519)	-	(27,519)
Other comprehensive income	18	-	-	-	-	-	(8,791)	(8,791)	(5,035)	(13,826)
<b>Other movements in non-controlling interest:</b>										
Dividend paid		-	-	-	-	-	-	-	(27,024)	(27,024)
Dilution	19	-	-	-	-	6,937	-	6,937	8,971	15,908
<b>BALANCE DECEMBER 31, 2012</b>		<b>63,095,986</b>	<b>2,584</b>	<b>480,152</b>	<b>-</b>	<b>288,082</b>	<b>(28,942)</b>	<b>741,876</b>	<b>308,112</b>	<b>1,049,988</b>
Compensation expense stock options		-	-	4,440	-	-	-	4,440	-	4,440
Reclassification		-	(60)	60	-	-	-	-	-	-
Exercise stock options by issue of common shares	18	125,402	5	1,646	-	-	-	1,651	-	1,651
Re-issued shares following the settlement of the Lehman treasury shares	18	247,002	10	4,180	-	-	-	4,190	-	4,190
Net earnings to common shareholders		-	-	-	-	1,051,893	-	1,051,893	(2,593)	1,049,300
Dividend paid to common shareholders		-	-	-	-	(31,666)	-	(31,666)	-	(31,666)
Capital repayment		-	-	(239,507)	-	(30,035)	-	(269,542)	-	(269,542)
Other comprehensive income	18	-	-	-	-	-	(60,777)	(60,777)	999	(59,778)
<b>Other movements in non-controlling interest:</b>										
Dilution	19	-	-	-	-	3,587	-	3,587	-	3,587
Deconsolidation ASMPT		-	-	-	-	-	1,597	1,597	(306,518)	(304,921)
<b>BALANCE DECEMBER 31, 2013</b>		<b>63,468,390</b>	<b>2,539</b>	<b>250,971</b>	<b>-</b>	<b>1,281,861</b>	<b>(88,122)</b>	<b>1,447,249</b>	<b>-</b>	<b>1,447,249</b>

See Notes to Consolidated Financial Statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31,		
		2011	2012	2013
<b>Cash flows from operating activities:</b>				
Net earnings (loss)		316,164	40,431	1,049,300
<b>Adjustments required to reconcile net earnings (loss) to net cash from operating activities:</b>				
Depreciation and amortization	7,9	49,450	58,460	28,466
Impairments	9,10	8,038	-	796
Gain on bargain purchase		(109,279)	-	-
Share-based compensation	19	13,452	23,065	4,703
Non cash result financing costs		8,779	6,678	687
Result investments and associates	3,12	-	766	(1,030,132)
Deferred income taxes		(27,691)	(147)	(296)
<b>Changes in assets and liabilities:</b>				
Accounts receivable		67,293	17,905	(8,477)
Inventories		8,390	(39,920)	(20,220)
Other current assets		(20,335)	(6,713)	8,831
Accounts payable and accrued expenses		(94,601)	(32,077)	9,963
Payments from provisions		(3,159)	-	-
Current income taxes		80	(25,968)	4,924
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>216,581</b>	<b>42,480</b>	<b>48,545</b>
<b>Cash flows from investing activities:</b>				
Capital expenditures	9	(89,218)	(68,162)	(17,063)
Net purchase of intangible assets	7	(7,051)	(4,630)	(470)
Acquisition of business	8	(994)	-	-
Cash acquired in business combination		43,434	-	-
Pledged bank deposit in business combination		(20,000)	-	-
Disposal of 12% ASMPT share	3	-	-	298,254
Proceeds from sale of property, plant and equipment	9	3,794	901	3,969
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(70,035)</b>	<b>(71,891)</b>	<b>284,690</b>

Continuation &gt;

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(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31,		
		2011	2012	2013
<b>Cash flows from financing activities:</b>				
Debt redemption		(23,096)	(24,726)	(40,889)
Debt proceeds, net		42,173	47,677	18,980
Proceeds from issuance of shares and exercise of stock options		4,122	2,209	5,841
Purchase of treasury shares ASMI		-	(40,554)	-
Purchase of treasury shares ASMPT		-	(3,552)	-
Dividends from associates	12	-	-	10,171
Dividends to common shareholders of ASMI		(22,262)	(27,519)	(31,666)
Capital repayment		-	-	(269,542)
Dividends to minority shareholders ASMPT		(79,474)	(27,024)	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(78,537)</b>	<b>(73,489)</b>	<b>(307,105)</b>
<b>FOREIGN CURRENCY TRANSLATION EFFECT</b>		<b>(18,052)</b>	<b>3,125</b>	<b>(4,168)</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>49,956</b>	<b>(99,775)</b>	<b>21,962</b>
Cash and cash equivalents at beginning of year	4	340,294	390,250	290,475
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>4</b>	<b>390,250</b>	<b>290,475</b>	<b>312,437</b>
<i>Supplemental disclosures of cash flow information</i>				
Cash paid during the year for:				
Interest		10,742	10,124	2,933
Income taxes		39,929	52,425	6,493
<i>Supplemental on cash investing and financing activities</i>				
Subordinated debt converted	18	32,202	150,000	-
Subordinated debt converted into number of shares	18	2,151,020	9,074,396	-

See Notes to Consolidated Financial Statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **NOTE 1. GENERAL INFORMATION / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **GENERAL INFORMATION**

ASM International NV ("ASMI" or "the Company") is a Dutch public liability company domiciled in the Netherlands with its principal operations in Europe, the United States and Asia. The Company dedicates its resources to the research, development, manufacturing, marketing and servicing of equipment and materials used to produce mainly semiconductor devices.

ASMI is a leading supplier of semiconductor equipment, materials and process solutions for the wafer processing, assembly and packaging, and surface mount technology markets. Our customers include all of the top semiconductor device manufacturers in the world. Based in 14 countries, we benefit from a wider perspective and the advantages of bringing together the best brains in the world to create new breakthroughs.

We pioneered important aspects of many established wafer-processing technologies used in industry, including lithography, deposition, ion implant and single-wafer epitaxy. In recent years, we brought Atomic Layer Deposition (ALD) and Plasma Enhanced Atomic Layer Deposition (PEALD) from R&D right through to mainstream production at advanced manufacturers sites.

The Company's shares are listed for trading on the NASDAQ (symbol ASMI) and the Euronext Amsterdam Stock Exchange (symbol ASM).

The accompanying consolidated financial statements include the financial statements of ASM International NV headquartered in Almere, the Netherlands, and its consolidated subsidiaries (together referred to as "ASMI" or the "Company").

### **BASIS OF PREPARATION**

The Company follows accounting principles generally accepted in the United States of America ("US GAAP") and applies the going concern basis in preparing its consolidated financial statements. Historical cost is used as the measurement basis unless otherwise indicated.

The accompanying consolidated financial statements are stated in euro thousand ("EUR") unless indicated otherwise. Amounts in these financial statements are rounded to the nearest thousand euro; therefore amounts may not equal (sub)totals due to rounding.

### **USE OF ESTIMATES**

The preparation of financial statements in conformity with US GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, ASMI evaluates its estimates. ASMI bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

### **CONSOLIDATION**

The consolidated financial statements include the accounts of ASMI NV and all of its subsidiaries where ASMI holds a controlling interest. The non-controlling interest is disclosed separately in the consolidated financial statements. All intercompany profits, transactions and balances have been eliminated in consolidation.

Subsidiaries are all entities over which ASMI has the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to ASMI and are deconsolidated from the date on which ASMI's control ceases.

## LOSS OF CONTROL

Upon the loss of control, ASMI derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If ASMI retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

## SEGMENT REPORTING

The Company organizes its activities in two operating segments, Front-end and Back-end. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"), which is the chief operating decision maker (according to ASC 280).

The Back-end segment remains reported as a separate segment since the cease of control per March 15, 2013. Since that date the segment is reported as an equity method investment as the CEO reviews this information as part of his CODM package.

Accordingly, the asset and profit/loss information regarding the operations that comprise the segment are disclosed. The full financial results are reviewed by the CODM, the external reporting of the segment are on an equity method investment basis. The total of all segments' financial amounts are reconciled to the corresponding amounts reported in the consolidated financial statements, eliminations are reflected in the reconciling column for amounts reported in excess of those amounts reflected in the consolidated financial statements.

The Front-end segment manufactures and sells equipment used in wafer processing, encompassing the fabrication steps in which silicon wafers are layered with semiconductor devices. The segment is a product driven organizational unit comprised of manufacturing, service, and sales operations in Europe, the United States of America, Japan and South East Asia.

The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. In January 2011 ASM Pacific Technology Ltd ("ASMPT") acquired the surface-mount technology from Siemens. The segment is organized in ASM Pacific Technology Ltd, in which the Company holds a 39.94% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong.

## FOREIGN CURRENCY TRANSLATION

Items included in the financial statements of each ASMI's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in euro (EUR), which is the functional currency of the Company and the group's presentation currency.

In the preparation of ASMI's consolidated financial statements, assets and liabilities of foreign subsidiaries of which the functional currency is not the euro, are translated into euros at the exchange rate in effect on the respective balance sheet dates. Income and expenses are translated into euros based on the average exchange rates for the corresponding period. Resulting translation adjustments are directly recorded in shareholders' equity. Currency differences on intercompany loans that have the nature of a long-term investment are also accounted for directly in shareholders' equity.

## DERIVATIVE FINANCIAL INSTRUMENTS

ASMI and its subsidiaries conduct business in a number of foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euro) or one of its subsidiaries conducting the business. The purpose of the Company's foreign currency management is to manage the effect of exchange rate fluctuations on income, expenses, cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in US dollar.

The Company may use forward exchange contracts to hedge its foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which the Company has a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions



being hedged. The hedges related to forecasted transactions are designated and documented at the inception of the hedge as cash flow hedges, and are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income (loss) net of taxes in shareholders' equity, and is reclassified into earnings when the hedged transaction affects earnings.

Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized in earnings. The Company records all derivatives, including forward exchange contracts, on the balance sheet at fair value in other current assets or accrued expenses and other.

Substantially all amounts, which are net of taxes, included in accumulated other comprehensive loss at December 31, of any year, will be reclassified to net earnings within the next twelve months, upon completion of the underlying transactions. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the consolidated statement of operations.

Furthermore, the Company might manage the currency exposure of certain receivables and payables using derivative instruments, such as forward exchange contracts (fair value hedges) and currency swaps, and non-derivative instruments, such as debt borrowings in foreign currencies. The gains or losses on these instruments provide an offset to the gains or losses recorded on receivables and payables denominated in foreign currencies. The derivative instruments are recorded at fair value and changes in fair value are recorded in earnings under foreign currency exchange gains (losses) in the consolidated statement of operations. Receivables and payables denominated in foreign currencies are recorded at the exchange rate at the balance sheet date and gains and losses as a result of changes in exchange rates are recorded in earnings under foreign currency exchange gains (losses) in the consolidated statement of operations.

The Company does not use forward exchange contracts for trading or speculative purposes.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less. Bank overdrafts are included in notes payable to banks in current liabilities.

## ACCOUNTS RECEIVABLE

Accounts receivable are stated at nominal value less an allowance for doubtful accounts.

A significant percentage of our accounts receivable is derived from sales to a limited number of large multinational semiconductor device manufacturers located throughout the world. In order to monitor potential credit losses, we perform ongoing credit evaluations of our customers' financial condition. An allowance for doubtful accounts is maintained for potential credit losses based upon management's assessment of the expected collectability of all accounts receivable. The allowance for doubtful accounts receivable is reviewed periodically to assess the adequacy of the allowance. In making this assessment, management takes into consideration any circumstances of which we are aware regarding a customer's inability to meet its financial obligations; and our judgments as to potential prevailing economic conditions in the industry and their potential impact on the Company's customers.

## INVENTORIES

Inventories are stated at the lower of cost (first-in, first-out method) or market value. Costs include net prices paid for materials purchased, charges for freight and custom duties, production labor cost and factory overhead. Allowances are made for slow moving, obsolete or unsellable inventory.

Allowances for obsolescence of inventory are determined based on the expected demand as well as the expected market value of the inventory. We regularly evaluate the value of our inventory of components and raw materials, work in progress and finished goods, based on a combination of factors including the following: forecasted sales, historical usage, product end of life cycle, estimated current and future market values, service inventory requirements and new product introductions, as well as other factors. Purchasing requirements and alternative uses for the inventory are explored within these processes to mitigate inventory exposure. We record write downs for inventory based on the above factors and take into account worldwide quantities and demand into our analysis.

## EVALUATION TOOLS AT CUSTOMERS

Evaluation tools at customers ("evaluation tools") are systems generally delivered to customers under evaluation or a conditional purchase order and include substantial customization by ASMI engineers and ASMI R&D staff in the field. Evaluation tools are recorded at cost and depreciated over their useful life (5 years). The depreciation period may be shorter, depending on circumstances. The depreciation expenses are reported as Cost of sales.

On final acceptance of the system the purchase consideration is recognized as revenue. The carrying value of the evaluation tool at that point in time is recognized as cost of sales. In the circumstance that the system is returned, at the end of the evaluation period, a detailed impairment review takes place, and future sales opportunities and additional costs are identified. Only when the fair value is below the carrying value of the evaluation tool an additional depreciation is recognized. The remaining carrying value is recognized as finished goods (inventory).

## LONG-LIVED ASSETS

Long-lived assets include goodwill, other intangible assets and property, plant and equipment. Property, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses. Capital leased assets are recorded at the present value of future lease obligations. Depreciation is calculated using the straight-line method over the estimated useful lives. Leasehold improvements are depreciated over the lesser of the estimated useful life of the leasehold improvement or the term of the underlying lease.

Business combinations are accounted for under the purchase acquisition method. The Company tests its recorded goodwill and other intangible assets with indefinite lives for impairment each year on December 31 and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill is allocated to reporting units for purposes of impairment testing and tested for impairment on a two-step approach. The implied fair value of goodwill is determined. First the recoverability is tested by comparing the carrying amount of the goodwill with the fair value being the sum of the discounted future cash flows. If the carrying amount of the goodwill at reporting unit level is higher than the fair value of the goodwill, the second step should be performed. The goodwill impairment is measured as the excess of the carrying amount of the goodwill over its fair value.

Other intangible assets with finite lives are amortized over the estimated useful lives using the straight-line method.

## ASSETS HELD FOR SALE

A long-lived asset to be sold is classified as held for sale in the period in which all of the following criteria are met:

- › Management, having the authority to approve the action, commits to a plan to sell the asset;
- › The asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- › An active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated;
- › The sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year; and
- › The asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value.

If at any time these criteria are no longer met a long-lived asset classified as held for sale will be reclassified as held and used.

If during the initial one-year period, circumstances arise that previously were considered unlikely and, as a result, a long-lived asset previously classified as held for sale is not sold by the end of that period and all of the following conditions are met:

- › During the initial one-year period the entity initiated actions necessary to respond to the change in circumstances;
- › The asset is being actively marketed at a price that is reasonable given the change in circumstances.

The period required to complete the sale of a long-lived asset may be extended beyond one year.

If at any time the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset as held for sale. The entity shall measure a non-current asset that ceases to be classified as held for sale at the lower of:

- › Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale; and
- › Its recoverable amount at the date of the subsequent decision not to sell.

A long-lived asset classified as held for sale shall be presented separately in the statement of financial position.

## RECOVERABILITY OF LONG-LIVED ASSETS

Long-lived assets (except those not being amortized) to be held and used by the Company are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the future undiscounted cash flows expected to result from the use of the asset. If the undiscounted future cash flow is less than the carrying amount of the asset, the asset is deemed impaired. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset. Long-lived assets and other intangibles (except those not being amortized) to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

## BUSINESS COMBINATIONS

ASC Topic 805 ("Business Combinations") requires that companies record acquisitions under the purchase method of accounting. Accordingly, the purchase price is allocated to the tangible assets and liabilities and intangible assets acquired, based on their estimated fair values. The excess purchase price over the fair value is recorded as goodwill. Purchased intangibles with definite lives are amortized over their respective useful lives. When a bargain purchase occurs, which is the case when the fair value of the acquired business exceeds the purchase price, this surplus in fair value is recognized as a gain from bargain purchase.

## INVESTMENTS AND ASSOCIATED COMPANIES

Investments in subsidiaries and associated companies are accounted for under the equity method on a go forward basis. Dividend income from the Company's subsidiaries and associated companies is recognized when the right to receive payment is established.

## IMPAIRMENT OF INVESTMENTS AND ASSOCIATED COMPANIES

ASMI does not separately test an investments underlying assets for impairment. However, ASMI recognizes its share of any impairment charge recorded by an investee and consider the effect, if any, of the impairment on the basis difference in the assets giving rise to the investee's impairment charge.

The ASMPT investment is accounted for under the equity method on a go forward basis. Equity method investments are tested for other than temporary impairment ("OTTI"). An investment is considered impaired if the fair value of the investment is less than its amortized cost. The determination of whether an investment is impaired is made at the individual security level in each reporting period.

If the fair value of an investment is less than its cost or amortized cost at the balance sheet date, the Company determines whether the impairment is temporary or other than temporary. The Company considers the following facts and guidelines when determining whether an OTTI exists:

- › Positive factors as the reasons that an OTTI does not exist must be more objectively verifiable;
- › With respect to measuring an OTTI, an investment's fair value as of the balance sheet date should be used to determine the new carrying value.

An OTTI is measured as of a balance sheet reporting date.

Summarized below is a discussion of various factors (positive, negative, and otherwise) the Company considers when assessing the potential impairment of equity securities.

## POSITIVE EVIDENCE

If an investment's fair value declines below cost the Company determines whether there is adequate evidence to overcome the presumption that the decline is other-than-temporary. Such evidence may include:

- › Recoveries in fair value subsequent to the balance sheet date;
- › The investee's financial performance and near-term prospects (as indicated by factors such as earnings trends, dividend payments, asset quality, volatility, and specific events); and
- › The financial condition and prospects for the investee's geographic region and industry.

## NEGATIVE EVIDENCE

The positive factors are weighed against any negative evidence that is gathered about the security. Some of those factors and circumstances are as follows:

- › A prolonged period during which the fair value of the security remains at a level substantially below cost;
- › The investee's deteriorating financial condition and a decrease in the quality of the investee's assets, without positive near-term;
- › The investee's level of earnings or the quality of its assets is below that of the investee's peers;
- › Severe losses sustained by the investee in the current year or in both current and prior years;
- › A reduction or cessation in the investee's dividend payments;
- › A change in the economic or technological environment in which the investee operates that is expected to adversely affect the investee's ability to achieve profitability in its operations;
- › Suspension of trading in the security;
- › A qualification in the accountant's report on the investee because of the investee's liquidity or due to problems that jeopardize the investee's ability to continue as a going concern;
- › The investee's announcement of adverse changes or events, such as changes in senior management, salary reductions and/or freezes, elimination of positions, sale of assets, or problems with equity investments;
- › Adverse conditions specifically related to the security, an industry, or a geographic area (for example, changes in the financial condition of the issuer of the security (or in the case of an asset backed debt security, in the financial condition of the underlying loan obligor), including changes in technology or the discontinuance of a segment of the business that may affect the future earnings potential of the issuer (or underlying loan obligor) of the security);
- › A downgrading of the investee's debt rating;
- › Factors, such as an order or action by a regulator, that (1) require an investee to (a) reduce or scale back operations or (b) dispose of significant assets or (2) impair the investee's ability to recover the carrying amount of assets;
- › Unusual changes in reserves (such as loan losses, product liability, or litigation reserves), or inventory write-downs due to changes in market conditions for products;
- › The investee loses a principal customer or supplier; and
- › Other factors that raise doubt about the investee's ability to continue as a going concern, such as negative cash flows from operations, working-capital deficiencies, or noncompliance with statutory capital requirements.

## REVENUE RECOGNITION

The Company recognizes revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; seller's price to buyer is fixed or determinable; and collectability is reasonably assured.

Our Front-end sales frequently involve sales of complex equipment, which may include customer-specific criteria, sales to new customers or sales of equipment with new technology. For each sale, the decision whether to recognize revenue is, in addition to shipment and factory acceptance, based on: the contractual agreement with a customer; the experience with a particular customer; the technology and the number of similarly configured equipment previously delivered. Based on these criteria we may decide to defer revenue until completion of installation at the customer's site and obtaining final acceptance from the customer.

A major portion of our revenue is derived from contractual arrangements with customers that have multiple deliverables, such as equipment and installation. When a sales arrangement contains multiple elements, such as equipment and installation, ASMI allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence (VSOE) if available, third party evidence (TPE) if VSOE is not available, or best estimated selling price (BESP) if neither VSOE nor TPE is available. ASMI generally utilizes the BESP due to the nature of our products. The total arrangement consideration is allocated at inception of the arrangement to all deliverables on the basis of their relative selling price. The revenue relating to the undelivered elements of the arrangements is deferred at their relative selling prices until delivery of these elements. At December 31, 2011, December 31, 2012 and December 31, 2013 we have deferred revenues from installations in the amount of €6.3 million, €3.5 million and €3.9 million respectively.

In general, we recognize revenue from sales of equipment upon transfer of title, which is upon shipment of the equipment, only if testing at the factory has proved that the equipment has met substantially all of the customer's criteria and specifications.

The Company recognizes revenue from installation of equipment upon completion of installation at the customer's site. At the time of shipment, the Company defers that portion of the sales price related to the relative selling price of installation. The relative selling price of the installation process is measured based upon the per-hour amounts charged to clients parties for similar installation services. Installation is completed when testing at the customer's site proved that the equipment has met all of the customer's criteria and specifications. The completion of installation is signed-off by the customer ("final acceptance").

We provide training and technical support service to customers. Revenue related to such services is recognized when the service is rendered. Revenue from the sale of spare parts and materials is recognized when transfer of title took place, in general upon shipment of the goods. Freight charges billed to customers are recognized as revenue, the related costs are recognized as cost of sales. Revenues are recognized excluding the taxes levied on revenues.

## **COST OF SALES**

Cost of sales comprise direct costs such as labor, materials, cost of warranty, depreciation, shipping and handling costs and related overhead costs. Cost of sales also includes third party commission, depreciation expenses of evaluation tools at customers, royalty payments and costs relating to prototype and experimental products, which the Company may subsequently sell to customers. Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period.

## **WARRANTY**

We provide maintenance on our systems during the warranty period, usually one to two years. Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period. We accrue for the estimated cost of the warranty on products shipped in a provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically.

## **RESEARCH AND DEVELOPMENT COSTS**

Research and development costs are expensed as incurred. Costs, which relate to prototype and experimental models and are sold to customers, are charged to cost of sales. Subsidies and other governmental credits to cover research and development costs relating to approved projects are recorded as research and development credits in the period when such project costs occur. The research and development expenses are presented net of the development credits.

## **SHARE-BASED COMPENSATION EXPENSES**

The cost relating to employee stock options (compensation expense) are recognized based upon the grant date fair value of the stock options. The fair value at grant date is estimated using a Black-Scholes option valuation model. This model requires the use of assumptions including expected stock price volatility, the estimated life of each award and the estimated dividend yield.

The grant date fair value of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of stock options that will eventually vest. The impact of the true up of the estimates is recognized in the consolidated statement of operations in the period in which the revision is determined.

For further information on ASMI's employee stock option plans reference is made to Note 20.

## RESTRUCTURING COSTS

Restructuring expenses are recognized for exit or disposal activities when the liability arising from restructuring plans is incurred. Reference is made to Note 24. Distinction is made in one-time employee termination expenses, contract termination expenses and other associated expenses. For the accounting on the distinguished elements of restructuring expenses we apply to the policy as mentioned below. The expenses have been charged to "restructuring expenses".

One-time termination expenses represent the payments provided to employees that have become redundant and are terminated under the terms and conditions of a restructuring plan. A restructuring plan exists at the date the plan meets all of the following criteria and has been communicated to employees:

- › Management commits to the plan;
- › The plan identifies the number of employees that become redundant and the expected completion date;
- › The plan sets out the terms and conditions of the arrangement in sufficient detail to enable employees to determine the type and amount of benefits they will receive; and
- › Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The timing of the recognition and measurement of a liability for one-time termination expenses depends on whether employees will be retained to render service beyond a minimum retention period.

Contract termination expenses are related to the termination of an operating lease or another contract. These expenses are distinguished in:

- › Expenses related to the termination of the contract before the end of its term. These expenses are recognized when the contract is terminated. The liability is measured at its fair value in accordance with the contract terms; and
- › Expenses related to contracts that will last for its remaining term without economic benefit to the entity. This is the case when a lease contract for premises is not terminated while the premises are not (completely) in use anymore. The liability is accrued for at the cease-use date, the date the company determined that it would no longer occupy the premises, which is conveyed to it under the contractual operating lease. The liability is measured at its fair value in accordance with the contract terms.

Other costs related to restructuring include costs to consolidate or close facilities and relocate employees. A liability for other expenses related to a restructuring such as transition costs is recognized and measured in the period in which the liability is incurred. The costs incurred are directly related to the restructuring activity. The definition of exit costs excludes expected future operating losses.

## INCOME TAXES

The Company recognizes deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the Consolidated Statement of Operations in the period in which the enacted rate changes. Deferred tax assets are reduced through a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.

ASC 740 prescribes a two-step approach for recognizing and measuring tax positions taken or expected to be taken in a tax return. Prior to recognizing the benefit of a tax position in the financial statements, the tax position must be more-likely-than-not of being sustained based solely on its technical merits. Once this recognition threshold has been met, tax positions are recognized at the largest amount that is more-likely-than-not to be sustained. ASC 740 also provides guidance on derecognition, measurement, classification, interest and penalties, accounting in interim periods, disclosure and transition.

## PENSION PLANS AND SIMILAR COMMITMENTS

The Company has retirement plans covering substantially all employees. The principal plans are defined contribution plans, except for the plans of the Company's operations in the Netherlands and Japan. The Company's employees in the Netherlands participate in a multi-employer plan. Payment to defined contribution plans and the multi-employer plan are recognized as an expense in the Consolidated Statement of Operations as they fall due.

The Company's employees in Japan participate in a defined benefit plan. Pension costs in respect of these defined benefit plans are determined using the projected unit credit method. These costs primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets. Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets, expected salary increases, mortality rates and health care trend rates. The discount rate assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. The expected returns on plan asset assumptions are determined on a uniform methodology, considering long-term historical returns and asset allocations. Due to changing market and economic conditions, the underlying key assumptions may differ from actual development and may lead to significant changes in retirement benefit obligations.

In accordance with ASC 715, "Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans" the Company recognizes in its Consolidated Balance Sheet an asset or a liability for the plan's overfunded status or underfunded status respectively. The unfunded status is recognized as a liability. Actuarial gains and losses are recognized in other comprehensive income when incurred. Reference is made to Note 18 and Note 19.

## COMMITMENTS AND CONTINGENCIES

The Company has various contractual obligations, some of which are required to be recorded as liabilities in the Company's consolidated financial statements, including long- and short-term debt. Others, namely operating lease commitments, purchase commitments and commitments for capital expenditure, are generally not required to be recognized as liabilities on the Company's balance sheet but are required to be disclosed. Reference is made to Note 20.

## COMPREHENSIVE INCOME

Comprehensive income consists of net earnings (loss) and other comprehensive income. Other comprehensive income includes gains and losses that are not included in net earnings, but are recorded directly in Shareholders' Equity.

## NEW ACCOUNTING PRONOUNCEMENTS

In December 2011, the FASB issued ASU 2011-11: ASC 350, "Disclosures about Offsetting Assets and Liabilities". The new guidance was effective for ASMI in 2013, but did not impact on the Company's disclosure.

In July 2012, the FASB issued ASU 2012-02: ASC 350, "Testing Indefinite-Lived Intangible Assets for Impairment". The new guidance was effective for ASMI in 2013. The implementation of this authoritative guidance did not impact ASMI's financial position or results.

In January 2013, the FASB issued ASU 2013-01: ASC 210, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities". The new guidance was effective for ASMI in 2013, but did not impact on the Company's disclosure.

In February 2013, the FASB issued ASU 2013-02: ASC 220, "Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". The amendments do not change the current requirements for reporting net income or other comprehensive income in financial statements. However, the amendments require an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income but only if the amount reclassified is required under US GAAP to be reclassified to net income in its entirety in the same reporting period. The new guidance was effective for ASMI in 2013, and the disclosure is presented according to this guidance in Note 18.

In February 2013, the FASB issued ASU 2013-04: ASC 405, "Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date". The new guidance will be effective for ASMI beginning January 1, 2014. We do not expect this new guidance to have material impact on our consolidated financial statements.

In March 2013, the FASB issued ASU 2013-05: ASC 830, "Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity". The new guidance will be effective for ASMI beginning January 1, 2014. We applied this guidance in the financial year 2013. The cumulative translation adjustment was fully released following the sale of our 12% share in ASMPT, see Note 18.

In July 2013, the FASB issued ASU 2013-11: ASC 740, "Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carry-forward, a Similar Tax Loss, or a Tax Credit Carry-forward Exists". This amendment should be applied prospectively to all unrecognized tax benefits that exist at the effective date. retrospective application is permitted. The Company The new guidance will be effective for ASMI beginning January 1, 2014. We do not expect this new guidance to have material impact on our consolidated financial statements.



## NOTE 2. LIST OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

		% OWNERSHIP DECEMBER 31,	
NAME	LOCATION	2012	2013
Subsidiaries (consolidated)			
ASM Europe BV <sup>1)</sup>	Almere, the Netherlands	100.00%	100.00%
ASM United Kingdom Sales BV <sup>1)</sup>	Almere, the Netherlands	100.00%	100.00%
ASM Germany Sales BV <sup>1)</sup>	Almere, the Netherlands	100.00%	100.00%
ASM Pacific Holding BV <sup>1) 3)</sup>	Almere, the Netherlands	100.00%	100.00%
ASM France SARL	Montpellier, France	100.00%	100.00%
ASM Belgium NV	Leuven, Belgium	100.00%	100.00%
ASM Italia Srl	Agrate, Italy	100.00%	100.00%
ASM Microchemistry Oy	Helsinki, Finland	100.00%	100.00%
ASM Services and Support Ireland Ltd	Dublin, Ireland	100.00%	100.00%
ASM Services and Support Israel Ltd	Tel Aviv, Israel	100.00%	100.00%
ASM America, Inc	Phoenix, Arizona, United States of America	100.00%	100.00%
ASM Japan KK	Tokyo, Japan	100.00%	100.00%
ASM Wafer Process Equipment Ltd	Quarry Bay, Hong Kong, People's Republic of China	100.00%	100.00%
ASM China Ltd	Shanghai, People's Republic of China	100.00%	100.00%
ASM Wafer Process Equipment Singapore Pte Ltd	Singapore	100.00%	100.00%
ASM Front-End Sales & Services Taiwan Co, Ltd	Hsin-Chu, Taiwan	100.00%	100.00%
ASM Services & Support Malaysia SDN BDH	Kuala Lumpur, Malaysia	100.00%	100.00%
ASM Front-End Manufacturing Singapore Pte Ltd	Singapore	100.00%	100.00%
ASM Genitech Korea Ltd	Cheonan, South Korea	100.00%	100.00%
ASM IP Holding BV <sup>1)</sup>	Almere, the Netherlands	100.00%	100.00%
ASM Pacific Technology Ltd <sup>2)</sup>	Kwai Chung, Hong Kong, People's Republic of China	51.96%	n/a
Associates (non-consolidated)			
ASM Pacific Technology Ltd <sup>2)</sup>	Kwai Chung, Hong Kong, People's Republic of China	n/a	39.94%

<sup>1)</sup> For these subsidiaries ASM International NV has filed statements at the Dutch Chamber of Commerce assuming joint and several liability in accordance with Article 403 of Book 2, Part 9 of the Netherlands Civil Code.

<sup>2)</sup> The accounts of ASM Pacific Technology Ltd were consolidated till March 15, 2013. On that date ASM International sold a 11.88% share in ASM Pacific Technology Ltd resulting in a cease of its control and a subsequent deconsolidation of its 40.08% associate. This shareholding diluted in December 2013 as a result of the issuance of shares to 39.94%.

<sup>3)</sup> Established in 2008, ASM Pacific Holding BV holds 39.94% of the shares in ASM Pacific Technology Ltd.

### NOTE 3. DIVESTMENT

On March 13, 2013, the Company announced that it divested a controlling stake in its subsidiary ASM Pacific Technology Ltd. ("ASMPT"). The sale of the shares officially closed on March 15, 2013. The Company sold 47,424,500 ordinary shares of ASMPT at a price of HK\$90 per share to institutional or other professional investors through a partial secondary share placement, representing an 11.88% stake in ASMPT. The placement generated cash proceeds for the Company of HK\$4,191,980 million (approximately €413 million).

The table below reconciles the cash proceeds from the divested stake in ASMPT:

Gross proceeds	420,409
Paid fees, stamp duty and other expenses	(7,213)
<b>NET PROCEEDS</b>	<b>413,196</b>
Currency translation differences	1,232
Cash balance ASMPT upon sale	(116,174)
<b>NET CASH ON DISPOSAL ASMPT</b>	<b>298,254</b>

The sale of the 11.88% stake caused ASMI to cease control of ASMPT. According to US GAAP the accounting of this sale consists of two separate transactions:

- › A sale of a 51.96% subsidiary; and
- › A purchase of a 40.08% associate.

These transactions resulted in a substantial gain and the deconsolidation of ASMPT. This gain consisted of two elements, the realized gain on the sale of the 11.88% stake amounting to \$243 million and an unrealized re-measurement gain on the remaining 40.08% of the retained interest in ASMPT approximating €1,156 million. The 'purchase' of the associate resulted in the recognition of the associate at fair value.

After the initial accounting of the sale transaction and related gains, subsequent accounting under ASC 323, "Investments", requires that future income from ASMPT will need to be adjusted for the fair value adjustments arising the 'basis differences' as if a business combination had occurred under ASC 805, "Business Combinations", i.e. a purchase price allocation ("PPA").

The purchase of the associate has been recognized at fair value, being the value of the ASMPT shares on the day of closing of the purchase transaction. US GAAP requires that the composition of such a fair value needs to be determined through a PPA. This process took place in the remaining period of 2013. The PPA resulted in the recognition of intangible assets for customer relationship, technology, trade name and product names. For inventories and property, plant & equipment a fair value adjustment was recognized.

In December 2013, 1,389,200 common shares of ASMPT were issued, for cash at par value of HK\$0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT. The shares issued under the plan in 2013 have diluted ASMI's ownership in ASMPT to 39.94% as of December 31, 2013.

At each balance sheet date, the Company reviews whether there is an indication that its investments associated companies are impaired. An indication for impairment of the investments and associated companies may include a severe and other than temporary decrease in the share price of ASMPT. During the period after March 15, 2013 the ASMPT share traded for a longer period below the price at the close of sale. Considering the extent to which in the last quarter of 2013 the market price of the ASMPT shares was below cost management did a further investigation to evaluate whether this results in an impairment other than temporary. In its assessment management evaluated other factors based on its knowledge of the business and of ASMPT specifically. Such factors include the development of ASMPT's backlog, market share and developments of the different market shares ASMPT operates in. In addition the company evaluated the financial forecast for the year 2014 as reflected in the budget. Management did not identify persuasive factors that the diminution of the value would be other-than-temporary and accordingly recorded an impairment charge, in which the value was adjusted to the share price on December 31, 2013 of HK\$64.90. The impairment charge amounts to €335 million.

At December 31, 2013, the book value of our equity method investment after the aforementioned impairment in ASMPT was €944 million. The historical cost basis of our 39.94% share of net assets on the books of ASMPT under US GAAP was €264 million as of December 31, 2013, resulting in a basis difference of €680 million. €162 million of this basis difference has been allocated property, plant and equipment and intangibles assets. The remaining amount was allocated to equity method goodwill. The basis difference attributed to inventory and related tax issues was recognized as expense during the year ending December 31, 2013, and totaled €40 million. Each individual, identifiable asset will periodically be reviewed for any indicators of potential impairment which, if required, would result in acceleration of basis difference amortization. We amortize the basis differences allocated to the assets on a straight-line basis, and include the impact within the results of our equity method investments. Amortization and depreciation are adjusted for related deferred tax impacts. Included in net income attributable to ASMI for 2013 was after-tax expense of €17 million, representing the depreciation and amortization of the basis differences. The market value of our 39.94% investment ASMPT at December 31, 2013 approximates €971 million.

Reporting of ASMI's share in associates in the consolidated balance sheet:

	DECEMBER 31, 2013
<b>Associates:</b>	
ASMI share (39.94%) in equity value ASMPT	264,384
Recognized other intangible assets and fair value changes from PPA	188,985
Goodwill	517,761
<b>TOTAL VALUE INVESTMENT IN ASMPT</b>	<b>971,130</b>
Deferred value related to the use of the trade name "ASM"	(27,454)
<b>TOTAL VALUE REPORTED ON LINE INVESTMENTS AND ASSOCIATES</b>	<b>943,676</b>

Under US GAAP, the 'disposal' of the ASMPT business does not classify as discontinued operations. Reporting ASMI share in net earnings of ASMPT in the consolidated statement of operations:

	YEAR ENDED DECEMBER 31, 2013
<b>Result investments and associates:</b>	
ASMI share net earnings March 16 - December 31, 2013	23,727
Realized gain on sale 11.88% ASMPT shares	242,838
Unrealized remeasurement gain on retained 40.08% ASMPT shares	1,155,625
Impairment loss	(335,406)
Amortization other intangible assets and fair value changes from PPA	(56,652)
<b>REPORTED ON LINE RESULT INVESTMENTS AND ASSOCIATES</b>	<b>1,030,132</b>

Summarized 100% earnings information for ASMPT equity method investment excluding basis adjustments:

	YEAR ENDED DECEMBER 31, 2013
Net sales	1,051,376
Income before income tax	65,269
Net earnings	53,244

Summarized 100% balance sheet information for ASMPT equity method investment excluding basis adjustments:

	DECEMBER 31, 2013
Current assets	749,924
Non-current assets	254,525
Current liabilities	308,922
Non-current liabilities	33,287
Equity	662,240

The ASMPT Board is responsible for ongoing monitoring of the performance of the Back-end activities. The actual results of the Back-end operating unit are discussed with the ASMPT Audit Committee, which includes the representative of ASMI. The ASMI representative reports to the ASMI Management Board and the Audit Committee of ASMI on a quarterly basis.

Our share of income taxes incurred directly by the equity companies is reported in result from investments and associates and as such is not included in income taxes in our consolidated financial statements.

#### **NOTE 4. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS**

Cash and cash equivalents include deposits with high-rated financial institutions of €312 million. Our cash and cash equivalents are predominantly denominated in US\$ and partly in euro and Korean won.

Cash and cash equivalents have insignificant interest rate risk and deposits have a remaining maturity of three months or less at the date of acquisition. As a result of issued guarantees restrictions on usage of cash and cash equivalents for an amount of approximately €3 million exist. The carrying amount approximates their fair value.

#### **NOTE 5. ACCOUNTS RECEIVABLE**

A significant percentage of our accounts receivable is derived from sales to a limited number of large multinational semiconductor device manufacturers located throughout the world. In order to monitor potential credit losses, we perform ongoing credit evaluations of our customers' financial condition.

The carrying amount of accounts receivable is as follows:

	DECEMBER 31,	
	2012	2013
Current	223,546	54,614
Overdue <30 days	38,666	18,787
Overdue 31-60 days	13,537	783
Overdue 61-120 days	13,954	2,527
Overdue >120 days	15,137	6,305
<b>TOTAL</b>	<b>304,840</b>	<b>83,016</b>

In the total amount of accounts receivable for the year ended December 31, 2013, no notes receivable are included (2012: €42,588).

An allowance for doubtful accounts receivable is maintained for potential credit losses based upon management's assessment of the expected collectability of all accounts receivable. The allowance for doubtful accounts is reviewed periodically to assess the adequacy of the allowance. In making this assessment, management takes into consideration any circumstances of which we are aware regarding a customer's inability to meet its financial obligations; and our judgments as to potential prevailing economic conditions in the industry and their potential impact on the Company's customers.

The changes in the allowance for doubtful accounts receivable are as follows:

	DECEMBER 31,	
	2012	2013
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>(7,601)</b>	<b>(8,551)</b>
Deconsolidation ASMP	-	6,191
Charged to selling, general and administrative expenses	(2,825)	756
Utilization	1,841	1,469
Foreign currency translation effect	34	62
<b>BALANCE AT END OF YEAR</b>	<b>(8,551)</b>	<b>(73)</b>

The carrying amount of the accounts receivable approximates their fair value.

Accounts receivable are stated at nominal value less an allowance for doubtful accounts.

## NOTE 6. INVENTORIES

Inventories consist of the following:

	DECEMBER 31,	
	2012	2013
Components and raw materials	180,575	78,579
Work in process	196,313	31,442
Finished goods	91,799	20,073
<b>TOTAL INVENTORIES, GROSS</b>	<b>468,687</b>	<b>130,094</b>
Allowance for obsolescence	(65,287)	(25,627)
<b>TOTAL INVENTORIES, NET</b>	<b>403,400</b>	<b>104,467</b>

The changes in the allowance for obsolescence and/or lower market value are as follows:

	DECEMBER 31,	
	2012	2013
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>(58,989)</b>	<b>(65,287)</b>
Deconsolidation ASMP	-	39,146
Charged to cost of sales	(10,858)	(8,648)
Utilization	3,569	6,464
Foreign currency translation effect	991	2,698
<b>BALANCE AT END OF YEAR</b>	<b>(65,287)</b>	<b>(25,627)</b>

## NOTE 7. OTHER INTANGIBLE ASSETS

Other intangible assets include purchased technology from third parties and software developed or purchased (including licences) for internal use. The changes in the amount of other intangible assets are as follows:

	SOFTWARE	PURCHASED TECHNOLOGY AND OTHER INTANGIBLE ASSETS	TOTAL
<b>At cost:</b>			
<b>BALANCE JANUARY 1, 2012</b>	<b>18,042</b>	<b>12,212</b>	<b>30,254</b>
Additions	2,447	2,183	4,630
Disposals	(10)	-	(10)
Foreign currency translation effect	(133)	(2)	(135)
<b>BALANCE DECEMBER 31, 2012</b>	<b>20,346</b>	<b>14,393</b>	<b>34,739</b>
Deconsolidation ASMPT	(4,931)	(7,215)	(12,146)
Additions	437	33	470
Disposals	(1)	-	(1)
Foreign currency translation effect	(248)	(169)	(417)
<b>BALANCE DECEMBER 31, 2013</b>	<b>15,603</b>	<b>7,042</b>	<b>22,645</b>
<b>Accumulated amortization:</b>			
<b>BALANCE JANUARY 1, 2012</b>	<b>10,785</b>	<b>4,693</b>	<b>15,478</b>
Amortization for the year	2,784	2,634	5,418
Disposals	(10)	-	(10)
Foreign currency translation effect	(113)	51	(62)
<b>BALANCE DECEMBER 31, 2012</b>	<b>13,446</b>	<b>7,378</b>	<b>20,824</b>
Deconsolidation ASMPT	(3,744)	(3,895)	(7,639)
Amortization for the year	2,118	2,071	4,189
Disposals	(1)	-	(1)
Foreign currency translation effect	(211)	(154)	(365)
<b>BALANCE DECEMBER 31, 2013</b>	<b>11,608</b>	<b>5,400</b>	<b>17,008</b>
<b>Other intangible assets, net:</b>			
<b>DECEMBER 31, 2012</b>	<b>6,900</b>	<b>7,015</b>	<b>13,915</b>
<b>DECEMBER 31, 2013</b>	<b>3,995</b>	<b>1,642</b>	<b>5,637</b>

Other intangible assets are amortized over their useful lives of 3 to 7 years. Estimated amortization expenses relating to other intangible assets are as follows:

2014	1,819
2015	1,255
2016	1,224
2017	547
2018	528
2019	264
	<b>5,637</b>

## NOTE 8. GOODWILL

The changes in the carrying amount of goodwill are as follows:

	FRONT-END	BACK-END	TOTAL
<b>BALANCE JANUARY 1, 2012</b>	<b>11,193</b>	<b>40,938</b>	<b>52,131</b>
Foreign currency translation effect	456	(699)	(243)
<b>BALANCE DECEMBER 31, 2012</b>	<b>11,649</b>	<b>40,239</b>	<b>51,888</b>
Deconsolidation ASMPT	-	(38,482)	(38,482)
Foreign currency translation effect	(228)	(1,757)	(1,985)
<b>BALANCE DECEMBER 31, 2013</b>	<b>11,421</b>	<b>-</b>	<b>11,421</b>

The allocation of the carrying amount of goodwill is as follows:

	DECEMBER 31,	
	2012	2013
<b>Front-end segment:</b>		
ASM Microchemistry Oy	3,560	3,560
ASM Genitech Korea Ltd	8,089	7,861
<b>Back-end segment:</b>		
ASM Pacific Technology Ltd	40,239	-
<b>TOTAL</b>	<b>51,888</b>	<b>11,421</b>

We perform an annual impairment test at December 31 of each year or if events or changes in circumstances indicate that the carrying amount of goodwill exceeds its fair value. Our Front-end impairment test and the determination of the fair value is based on a discounted future cash flow approach that uses our estimates of future revenues, driven by assumed market growth and estimated costs as well as appropriate discount rates.

The material assumptions used for the fair value calculation of the reporting unit are:

- › An average discount rate of 16.0% (2012: 22.7%) representing the pre-tax weighted average cost of capital. This rate decreased compared to the rate used in 2012 as a consequence of the current situation whereby certain production lines have now passed the early phase of the product life cycle, hence reflecting a lower risk;
- › External market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used; and
- › Cash flow calculations are limited to five years of cash flow; after these five years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less.

These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Based on this analysis management believes that as per December 31, 2013 the fair value of the reporting units exceeded the carrying value.

## NOTE 9. PROPERTY, PLANT AND EQUIPMENT

The changes in the amount of property, plant and equipment are as follows:

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS	MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES	TOTAL
<b>At cost:</b>			
<b>BALANCE JANUARY 1, 2012</b>	<b>167,874</b>	<b>454,950</b>	<b>622,824</b>
Capital expenditures	23,355	44,807	68,162
Retirements and sales	(278)	(10,253)	(10,531)
Reclassification	428	(748)	(320)
Foreign currency translation effect	(3,499)	(13,127)	(16,626)
<b>BALANCE DECEMBER 31, 2012</b>	<b>187,880</b>	<b>475,629</b>	<b>663,509</b>
Capital expenditures	1,580	15,483	17,063
Deconsolidation ASMPT	(145,290)	(322,398)	(467,688)
Retirements and sales	(13,792)	(10,966)	(24,758)
Reclassification from held for sale	3,393	-	3,393
Reclassification	-	(66)	(66)
Foreign currency translation effect	(4,824)	(15,823)	(20,647)
<b>BALANCE DECEMBER 31, 2013</b>	<b>28,947</b>	<b>141,859</b>	<b>170,806</b>
<b>Accumulated depreciation:</b>			
<b>BALANCE JANUARY 1, 2012</b>	<b>77,096</b>	<b>285,548</b>	<b>362,644</b>
Depreciation for the year	12,420	35,282	47,702
Retirements and sales	(81)	(9,558)	(9,639)
Reclassification	3	(323)	(320)
Foreign currency translation effect	(2,061)	(10,253)	(12,314)
<b>BALANCE DECEMBER 31, 2012</b>	<b>87,377</b>	<b>300,696</b>	<b>388,073</b>
Depreciation for the year	4,502	15,545	20,047
Deconsolidation ASMPT	(64,699)	(192,581)	(257,280)
Retirements and sales	(13,700)	(7,089)	(20,789)
Reclassification	-	(66)	(66)
Foreign currency translation effect	(2,751)	(12,959)	(15,710)
<b>BALANCE DECEMBER 31, 2013</b>	<b>10,729</b>	<b>103,546</b>	<b>114,275</b>
<b>Property, plant and equipment, net:</b>			
<b>DECEMBER 31, 2012</b>	<b>100,503</b>	<b>174,933</b>	<b>275,436</b>
<b>DECEMBER 31, 2013</b>	<b>18,218</b>	<b>38,313</b>	<b>56,531</b>
<b>USEFUL LIVES IN YEARS:</b>			
Buildings and leasehold improvements			10-25
Machinery and equipment			2-10
Furniture and fixtures			2-10

As per December 31, 2013, the carrying amount includes assets under construction for land, buildings and leasehold improvements of nil (2012: €2,962), machinery, equipment, furnitures and fixtures of €11,483 (2012: €12,963).



## NOTE 10. ASSETS HELD FOR SALE

The changes in the carrying value of assets held for sale are as follows:

	JAPAN	THE NETHERLANDS	TOTAL
<b>BALANCE JANUARY 1, 2012</b>	<b>6,585</b>	<b>277</b>	<b>6,862</b>
Foreign currency translation effect	(864)	-	(864)
<b>BALANCE DECEMBER 31, 2012</b>	<b>5,721</b>	<b>277</b>	<b>5,998</b>
Impairment	(796)	-	(796)
Reclassification to assets in use	(3,393)	-	(3,393)
Foreign currency translation effect	(1,071)	-	(1,071)
<b>BALANCE DECEMBER 31, 2013</b>	<b>461</b>	<b>277</b>	<b>738</b>

In 2009 the decision was made to dispose certain items of property, plant and equipment. These assets represent a carrying value as per December 31, 2013 of €738. The assets held for sale are located in Japan and the Netherlands.

In Japan (Tama) a building that was used for research and development activities was ceased to be used in December 2009. Due to the economic circumstances and the effects of the earthquake of 2011 in Japan we think it is not reasonable to expect this building to be sold within a reasonable period of time. Therefor we ceased to classify this building as held for sale and measured it at the lower of its carrying amount before it was classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell. This resulted in an impairment charge of €796 in 2013.

Also in Japan, a piece of land was purchased to build a research and development center is regarded as held for sale. The carrying value of €461 is below the expected selling price. The expected selling prices were determined, based on various inputs and considerations.

In the Netherlands the former ASMI head office located in Bilthoven has been regarded as held for sale. The carrying value of €277 is lower than the fair value less cost to sell. The expected selling prices were determined, based on various inputs and considerations.

## NOTE 11. EVALUATION TOOLS AT CUSTOMERS

The changes in the amount of evaluation tools are as follows:

	DECEMBER 31,	
	2012	2013
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>13,987</b>	<b>16,922</b>
Evaluation tools shipped	11,120	8,329
Depreciation	(3,798)	(3,771)
Evaluation tools sold	(3,277)	(6,221)
Foreign currency translation effect	(1,110)	(1,927)
<b>BALANCE AT END OF YEAR</b>	<b>16,922</b>	<b>13,332</b>

Useful lives in years:

5

The gross carrying amount of the evaluation tools at customers per December 31, 2013 was €18,082 (2012: €21,750), accumulated depreciation per December 31, 2013 was €4,750 (2012: €4,828).

Evaluation tools are systems delivered to customers under evaluation agreements. Evaluation tools are recorded at cost and depreciated over their useful life (5 years). The depreciation period may be shorter, depending on circumstances. The depreciation expenses are reported as cost of sales.

## NOTE 12. INVESTMENTS AND ASSOCIATES

The changes in the investment and associates are as follows:

	ASSOCIATES					
	INVESTMENTS	NET EQUITY SHARE	OTHER (IN)TANGIBLE ASSETS AND FAIR VALUE CHANGES	GOODWILL	TOTAL ASSOCIATES	TOTAL
<b>BALANCE JANUARY 1, 2012</b>	<b>1,044</b>	-	-	-	-	<b>1,044</b>
Share in income of investments and associates	(766)	-	-	-	-	(766)
<b>BALANCE DECEMBER 31, 2012</b>	<b>278</b>	-	-	-	-	<b>278</b>
40.08% investment in ASMPT March 15, 2013	-	255,701	227,010	898,599	1,381,310	<b>1,381,310</b>
Result investments and associates	-	23,727	-	-	23,727	<b>23,727</b>
Amortization recognized (in)tangible assets	-	-	(16,848)	-	(16,848)	<b>(16,848)</b>
Fair value changes	-	-	(39,807)	-	(39,807)	<b>(39,807)</b>
Impairment	-	-	-	(335,406)	(335,406)	<b>(335,406)</b>
Dividends	-	(10,171)	-	-	(10,171)	<b>(10,171)</b>
Dilution ASMPT share to 39.94%	-	3,541	-	-	3,541	<b>3,541</b>
Other changes in equity	-	480	-	-	480	<b>480</b>
Foreign currency translation effect	-	(8,894)	(8,824)	(45,432)	(63,150)	<b>(63,150)</b>
<b>BALANCE DECEMBER 31, 2013</b>	<b>278</b>	<b>264,384</b>	<b>161,531</b>	<b>517,761</b>	<b>943,676</b>	<b>943,954</b>

The investment of €278 as per December 31, 2013 reflects the net equity value of the interest in Levitech BV resulting from the management buy-out in 2009 of the RTP business. ASM International NV obtained a 20% interest in Levitech BV.

On March 13, 2013, the Company announced that it divested a controlling stake in its subsidiary ASM Pacific Technology Ltd ("ASMPT"). The sale of the shares officially closed on March 15, 2013. The Company sold 47,424,500 ordinary shares of ASMPT at a price of HK\$90 per share to institutional or other professional investors through a partial secondary share placement, representing an 11.88% stake in ASMPT. The placement generated cash proceeds for the Company of HK\$4,191,980 million (approximately €413 million).

The sale of the 11.88% stake caused ASMI to cease control of ASMPT. According to US GAAP the accounting of this sale consists of two separate transactions:

- › A sale of a 51.96% subsidiary; and
- › A purchase of a 40.08% associate.

These transactions resulted in a substantial gain and the deconsolidation of ASMPT. This gain consisted of two elements, (1) the realized gain on the sale of the 11.88% stake amounting to €242.838 million and (2) an unrealized re-measurement gain on the remaining 40.08% of the retained interest in ASMPT approximating €1,156 million. The 'purchase' of the associate resulted in the recognition of the associate at fair value.

After the initial accounting of the sale transaction and related gains, subsequent accounting under ASC 323, "Investments", requires that future income from ASMPT will need to be adjusted for the fair value adjustments arising the 'basis differences' as if a business combination had occurred under ASC 805, "Business Combinations", i.e. a purchase price allocation ("PPA").

The purchase of the associate has been recognized at fair value, being the value of the ASMPT shares on the day of closing of the purchase transaction. US GAAP requires that the composition of such a fair value needs to be determined through a PPA. This process took place in the remaining period of 2013. The PPA resulted in the recognition of intangible assets for customer relationship, technology, trade name and product names. For inventories and property, plant & equipment a fair value adjustment was recognized.

The ASMPT investment is accounted for under the equity method on a go forward basis. Equity method investments are tested for other than temporary impairment ("OTTI"). An investment is considered impaired if the fair value of the investment is less than its amortized cost. The determination of whether an investment is impaired is made at the individual security level in each reporting period .

If the fair value of an investment is less than its cost or amortized cost at the balance sheet date, the Company determines whether the impairment is temporary or other than temporary. The Company considers the following facts and guidelines when determining whether an OTTI exists:

- › Positive factors as the reasons that an OTTI does not exist must be more objectively verifiable; and
- › With respect to measuring an OTTI, an investment's fair value as of the balance sheet date should be used to determine the new carrying value.

During the period after March 15, 2013 the ASMPT share traded for a longer period below the price at the close of sale. Based on the analysis the Company performed this decrease was determined to be other than temporary. As a consequence the carrying value of our equity method investment in ASMPT was adjusted reflecting the share price on December 31, 2013 resulting in an impairment charge of €335 million.

In December 2013, 1,389,200 common shares of ASMPT were issued, for cash at par value of HK\$0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT. The shares issued under the plan in 2013 have diluted ASMI's ownership in ASMPT to 39.94% as of December 31, 2013.

At December 31, 2013, the book value of our equity method investment after the aforementioned impairment in ASMPT was €944 million. The historical cost basis of our 39.94% share of net assets on the books of ASMPT under US GAAP was €264 million as of December 31, 2013, resulting in a basis difference of €680 million. €162 million of this basis difference has been allocated property, plant and equipment and intangibles assets. The remaining amount was allocated to equity method goodwill. The basis difference attributed to inventory and related tax issues was recognized as expense during the year ending December 31, 2013, and totaled €40 million. Each individual, identifiable asset will periodically be reviewed for any indicators of potential impairment which, if required, would result in acceleration of basis difference amortization. We amortize the basis differences allocated to the assets on a straight-line basis, and include the impact within the results of our equity method investments. Amortization and depreciation are adjusted for related deferred tax impacts. Included in net income attributable to ASMI for 2013 was after-tax expense of €17 million, representing the depreciation and amortization of the basis differences. The market value of our 39.94% investment ASMPT at December 31, 2013 approximates €971 million. The information required under rule 4-08 is included in the segment information note 26.

## NOTE 13. NOTES PAYABLE TO BANKS

Information on notes payable to banks is as follows:

	DECEMBER 31,	
	2012	2013
<b>Short-term debt outstanding:</b>		
ASMPT	61,675	-
<b>TOTAL</b>	<b>61,675</b>	<b>-</b>

Short-term debt outstanding in local currencies is as follows (in thousands):

	DECEMBER 31,	
	2012	2013
Hong Kong dollar	630,686	-

ASMI is debt free as per December 31, 2013. ASMI borrows under separate short-term lines of credit with banks. The lines contain general provisions concerning renewal and continuance at the option of the banks.

At December 31, 2012, short-term debt bears interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum, at a weighted average effective interest rate for 2012 of 1.64% per annum.

Total short-term lines of credit amounted to €150,000 at December 31, 2013. The amount outstanding at December 31, 2013 was nil so the undrawn portion totaled €150,000. The undrawn portion represents the Company's standby revolving credit facility of €150,000 with a consortium of banks. The facility was extended in 2013 and will be available through December 31, 2018. Once the facility is used, this usage is secured by a portion of the Company's shareholding in ASMPT or accounts receivable.

The credit facility of €150,000 includes two financial covenants: a minimum long-term committed capital and a total net debt/equity ratio. These financial covenants are measured twice each year, at June 30 and December 31. The minimum level of long-term committed capital for the year ended December 31, 2013 was €320 million, the long-term committed capital as per that date was €1,447 million. Long-term committed capital is defined as the consolidated total equity. The net debt/equity ratio should not exceed 2.0, whereby equity is defined as consolidated total equity.

For the year ended December 31, 2013 net cash was €312 million and total equity €1,447 million. The Company is in compliance with these financial covenants as of June 30, 2013 and as of December 31, 2013.

## NOTE 14. PROVISION FOR WARRANTY

The changes in the amount of provision for warranty are as follows:

	DECEMBER 31,	
	2012	2013
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>49,512</b>	<b>43,921</b>
Charged to cost of sales	26,527	8,491
Deconsolidation ASMPT	-	(34,290)
Deductions	(31,948)	(9,850)
Foreign currency translation effect	(170)	(306)
<b>BALANCE AT END OF YEAR</b>	<b>43,921</b>	<b>7,966</b>
Non-current portion	5,298	-
Current portion	38,623	7,966

Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period. The warranty period is usually one to two years. The Company accrues for the estimated cost of the warranty on its products shipped in the provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty.

## NOTE 15. ACCRUED EXPENSES AND OTHER

Accrued expenses and other consist of the following:

	DECEMBER 31,	
	2012	2013
Advance payments from customers	29,350	213
Deferred revenue	5,938	7,346
Accrual for salaries, wages and related taxes and expenses	60,246	20,967
Interest payable	307	-
Payables arising from acquisition of property, plant and equipment	14,027	-
Other	22,192	10,035
	<b>132,060</b>	<b>38,561</b>

## NOTE 16. LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31,	
	2012	2013
<b>Term loans:</b>		
ASMPT LIBOR +2.5%	18,948	-
Current portion	6,316	-
Non-current portion	12,632	-

Long-term debt, including current portion, in local currencies is as follows (in thousands):

	DECEMBER 31,	
	2012	2013
US dollar	25,000	-

## NOTE 17. CONVERTIBLE SUBORDINATED DEBT

As per 1 January 2009, ASMI applies ASC 815 “Determining Whether an Instrument (or Embedded Feature) Is Indexed to an Entity’s Own Stock”.

Our convertible bonds initially due 2014, included a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company (“conversion option”). ASC 815 requires separate recognition of these components.

For the conversion options of the convertible bonds due 2011 the accounting was different from that for the conversion option of the convertible bonds due 2014. As the convertible bonds due 2011 were denominated in US\$ and the ASM International common shares in which they can be converted to are denominated in euro, these conversion options were recognized as a liability measured at fair value. The conversion option was measured at fair value through the income statement. For the conversion options of the convertible bonds due 2014 the fixed-for-fixed principle is met as both the debt instrument (the bond) and the Company’s equity shares, in which they can be converted to, are denominated in the same currency (euro). Based on this criterion the conversion option qualifies as permanent equity.

The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue, for similar non-convertible debt. Subsequently, the liability is measured at amortized cost. The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes, thus creating a non-cash interest expense. For the financial year 2012 this accretion interest expense was €4,469 (2011: €4,401).

On October 8, 2012 we initiated a full redemption for all of the outstanding principle balance of our 6.50% Convertible Subordinated notes due 2014, as per November 27, 2012. This proposal for redemption resulted in a full conversion of convertible notes into 9,074,396 common shares.

The changes in the outstanding amounts of convertible subordinated debt are as follows:

	6.50% CONVERTIBLE UNSECURED NOTES, DUE 2014
Liability at redemption value at date of issuance	150,000
Conversion component at date of issuance	(23,601)
<b>LIABILITY COMPONENT AT DATE OF ISSUANCE</b>	<b>126,399</b>
<b>BALANCE JANUARY 1, 2012</b>	<b>135,078</b>
Conversion of notes	(139,407)
Accrual of interest	4,329
<b>BALANCE DECEMBER 31, 2012</b>	<b>-</b>

#### **6.50% convertible subordinated notes, due 2014**

In November 2009, ASMI issued €150.0 million in principal amount of 6.50% convertible unsecured notes due in November 2014 in a private offering. Interest on the notes is payable on February 6, May 6, August 6 and November 6 of each year. The notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness. The notes are convertible into shares of the Company's common stock only, initially at a conversion rate of 58.5851 shares of common stock for each €1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of €17.09 per share. As a result of the dividend paid on common shares during 2011 and 2012 the conversion price was adjusted to €16.85 and €16.53 respectively. On or after November 27, 2012, the Company could redeem any of the notes at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if the closing price of the Company's common shares had exceeded 130% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days.

On October 8, 2012 we announced that we initiated a full redemption for all of the all outstanding 6.5% senior unsecured convertible bonds on November 27, 2012 at their principal amount, together with accrued but unpaid interest. The Notice of Redemption for the Notes was sent to all registered holders on October 8, 2012. Bondholders could exercise their right to convert their Bonds into ordinary shares ultimately on November 20, 2012. This proposal for redemption resulted in a full conversion of convertible notes into 9,074,396 common shares.

#### **DEBT ISSUANCE COSTS**

The fees incurred for the issuance of the convertible subordinated notes are included as debt issuance costs in the Consolidated Balance Sheet and amortized by the effective interest method as interest expense during the economic life of the debts. Upon the conversion of the 6.5% convertible unsecured notes the balance of the unamortized debt issuance costs impaired, an amount of €2,209 was recognized as loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2012.

### **NOTE 18. SHAREHOLDERS' EQUITY**

#### **COMMON SHARES, PREFERRED AND FINANCING PREFERRED SHARES**

The authorized capital of the Company amounts to 110,000,000 shares of €0.04 par value common shares, 118,000 shares of €40 par value preferred shares and 8,000 shares of €40 par value financing preferred shares, of which 63,468,390 common shares, no preferred and no financing preferred shares were outstanding as at December 31, 2013. All common shares outstanding as per December 31, 2013 were fully paid. All shares have one vote per €0.04 par value. Treasury shares held by the Company cannot be voted on.

Financing preferred shares are designed to allow ASMI to finance equity with an instrument paying a preferred dividend, linked to EURIBOR loans and government loans, without the dilutive effects of issuing additional common shares.

Preferred and financing preferred shares are issued in registered form only and are subject to transfer restrictions. Essentially, a preferred or financing preferred shareholder must obtain the approval of the Company's Supervisory Board to transfer shares. If the approval is denied, the Supervisory Board will provide a list of acceptable prospective buyers who are willing to purchase the shares at a cash price to be fixed by consent of the Supervisory Board and seller within two months after the approval is denied. If the transfer is approved, the shareholder must complete the transfer within three months, at which time the approval expires.

Preferred shares are entitled to a cumulative preferred dividend based on the amount paid-up on such shares. Financing preferred shares are entitled to a cumulative dividend based on the par value and share premium paid on such shares. The preferred dividend on the amount paid-up was €5 for the year 2009, since 2009 no preferred dividend was paid.

In the event preferred shares are issued, the Management Board must, within two years after such preferred shares were issued, submit to the general meeting a proposal to annul the preferred shares.

During 2008, ASMI engaged Lehman Brothers ("Lehman") to repurchase ordinary ASMI shares on the Euronext and Nasdaq markets on behalf of ASMI. As of September 15, 2008, at the time it went into bankruptcy administration, Lehman reported that it had purchased and held on our behalf 2,552,071 shares, which were accounted for as treasury shares accordingly. ASMI filed a submission with the Lehman administrators giving notice of the shares held in custody by Lehman. At ASMI's May 2009 Annual General Meeting, our shareholders resolved to cancel all of these treasury shares which, accordingly, was accounted for in our 2009 Annual Report as a reduction of the number of outstanding shares. Lehman was notified of the cancellation of shares at the time.

The Lehman administrators have cooperated to effect the cancellation of 2,305,069 shares through the relevant book entry systems and have agreed to cooperate similarly with respect to 25,643 shares which are currently held by a Lehman affiliate in the United States. This leaves 221,359 shares unaccounted for which is in line with the notification received from the Lehman administrator's in September 2010 that a shortfall in the number of shares held for the Company's account in this order of magnitude was likely to exist.

Under the terms of a settlement agreement with the Lehman administrators entered into in 2013 the Company has received a compensation in cash of US\$6,251 and will receive a further €273,062 in compensation of dividends paid on the unaccounted shares.

Depending on the outcome of the Lehman bankruptcy the Company may receive further payments since the amounts received to date represent 92.2% of the principal of the Company's claims for compensation. In addition the company is entitled to the payment of interest over the principal of its claims.

The 221,359 shares unaccounted for by the Lehman administrators are and remain outstanding and have not been canceled by the resolution adopted by the AGM in 2009. As a result of the settlement agreement the Company recorded €4,190 as paid in capital to account for the compensation received.

## RETAINED EARNINGS

Distributions to common shareholders are limited to the extent the total amount of shareholders' equity exceeds the amounts of nominal paid-in share capital (exclusive any share premium) and any reserves to be formed pursuant to law or the Company's articles of association. The amounts are derived from the Statutory Financial Statements of ASM International NV.

Results on dilution of investments in subsidiaries and associates are accounted for directly in equity. For 2012 and 2013 this dilution gain was €6,937 and €3,587 respectively.



## ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the amount of accumulated other comprehensive loss are as follows:

	PROPORTIONATE SHARE OTHER COMPREHENSIVE INCOME INVESTMENTS	FOREIGN CURRENCY TRANSLATION EFFECTS	UNRECOGNIZED PENSION OBLIGATIONS, NET OF TAX	TOTAL
<b>BALANCE JANUARY 1, 2012</b>	-	(20,330)	179	(20,151)
Foreign currency translation effect on translation of foreign operations	-	(6,994)	-	(6,994)
Actuarial loss	-	-	(1,797)	(1,797)
<b>BALANCE DECEMBER 31, 2012</b>	-	(27,324)	(1,618)	(28,942)
Realization deferred accumulative translation result following the sale of the 12% share of ASMPT	-	23,053	-	23,053
Deconsolidation ASMPT	-	-	1,597	1,597
Other comprehensive income investments	-	-	-	-
Foreign currency translation effect on translation of foreign operations	480	(84,086)	-	(83,606)
Actuarial loss	-	-	(224)	(224)
<b>BALANCE DECEMBER 31, 2013</b>	<b>480</b>	<b>(88,357)</b>	<b>(245)</b>	<b>(88,122)</b>

## PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On May 16, 2013, the General Meeting of Shareholders authorized the Company, for an 18-month period, to be calculated from the date of the General Meeting, to repurchase its own shares up to the statutory maximum, at a price at least equal to the shares' nominal value and at most a price equal to 110% of the share's average closing price according to the listing on the Euronext Amsterdam stock exchange during the five trading days preceding the purchase date.

The maximum of shares that may yet be purchased under the program takes into account the treasury shares held by the Company (at December 31, 2013 there were no treasury shares held) and the maximum number of common shares which the Company can hold according to its Articles of Association. This maximum is 10% of the number of common shares issued.

## NOTE 19. EMPLOYEE BENEFITS

### PENSION PLANS

#### Front-end

For the Front-end segment the Company has retirement plans covering substantially all employees. The principal plans are defined contribution plans, except for the plans of the Company's operations in the Netherlands and Japan.

#### Multi-employer plan

The Company's employees in the Netherlands, approximately 140 employees, participate in a multi-employer union plan, "Bedrijfstakpensioenfond Metalektro", ("PME") determined in accordance with the collective bargaining agreements effective for the industry in which ASMI operates. This collective bargaining agreement has no expiration date. This multi-employer union plan covers approximately 1,300 companies and 147,000 contributing members. ASMI's contribution to the multi-employer union plan is less than 5% of the total contribution to the plan as per the annual report for the year ended December 31, 2013. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. This coverage ratio must exceed 104.3% for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate.

The premium can fluctuate yearly based on the coverage ratio of the multi-employer union plan. The pension rights of each employee are based upon the employee's average salary during employment.

ASMI's net periodic pension cost for this multi-employer union plan for any period is the amount of the required contribution for that period. A contingent liability may arise from, for example, possible actuarial losses relating to other participating entities because each entity that participates in a multi-employer union plan shares in the actuarial risks of every other participating entity or any responsibility under the terms of a plan to finance any shortfall in the plan if other entities cease to participate.

The coverage ratio of the multi-employer union plan increased to 103.4% as of December 31, 2013 (December 31, 2012: 93.9%). Because of the low coverage ratio PME prepared and executed a so-called "Recovery Plan" which was approved by De Nederlandsche Bank, the Dutch central bank, which is the supervisor of all pension companies in the Netherlands. Due to the low coverage ratio and according the obligation of the "Recovery Plan" the pension premium percentage is 24.1% in 2013 (2012: 24.0%). The coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities and is based on actual market interest.

The Company accounts for the multi-employer plan as if it were a defined contribution plan as the manager of the plan, PME, stated that its internal administrative systems do not enable PME to provide the Company with the required Company-specific information in order to account for the plan as a defined benefit plan. The Company's net periodic pension cost for the multi-employer plan for a fiscal period is equal to the required contribution for that period.

#### Defined benefit plan

The Company's employees in Japan participate in a defined benefit plan. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2013. The present value of the defined benefit obligation and the related current service cost and passed service cost were measured using the Projected Unit Credit Method.

The funded status of the plan and the amounts not yet recognized in the Consolidated Statement of Operations and the amounts recognized in the Consolidated Balance Sheet are as follows:

	DECEMBER 31,	
	2012	2013
Defined benefit obligations	(8,357)	(7,604)
Fair value of plan assets	4,794	5,127
<b>FUNDED STATUS/(DEFICIT)</b>	<b>(3,563)</b>	<b>(2,477)</b>

The changes in defined benefit obligations and fair value of plan assets are as follows:

	DECEMBER 31,	
	2012	2013
<i>Defined benefit obligations</i>		
<b>BALANCE JANUARY 1</b>	<b>9,485</b>	<b>8,357</b>
Current service cost	731	529
Interest on obligation	121	113
Actuarial losses (gains)	(436)	660
Benefits paid	(423)	(128)
Foreign currency translation effect	(1,121)	(1,927)
<b>BALANCE DECEMBER 31</b>	<b>8,357</b>	<b>7,604</b>
<i>Fair value of plan assets</i>		
<b>BALANCE JANUARY 1</b>	<b>4,090</b>	<b>4,794</b>
Expected return on plan assets	144	142
Actuarial (losses) gains	52	289
Company contribution	1,544	1,233
Benefits paid	(423)	(128)
Foreign currency translation effect	(613)	(1,203)
<b>BALANCE DECEMBER 31</b>	<b>4,794</b>	<b>5,127</b>

The net periodic benefit cost consists of the following:

	DECEMBER 31,		
	2011	2012	2013
Current service cost	664	731	529
Interest on obligation	107	121	113
Expected return on plan assets	(103)	(144)	(142)
Amortization deferred actuarial loss	6	46	-
Amortization of past service cost	(12)	(55)	(44)
<b>NET PERIODIC PENSION BENEFIT COST</b>	<b>662</b>	<b>699</b>	<b>456</b>

The actual return on plan assets was €196 and €431 for the years ended December 31, 2012 and 2013 respectively.

The assumptions in calculating the actuarial present value of benefit obligations and net periodic benefit cost are as follows:

	DECEMBER 31,		
	2011	2012	2013
Discount rate for obligations	1.25%	1.55%	1.50%
Expected return on plan assets	3.00%	3.00%	3.00%
Expected rate of compensation increase	2.93%	2.93%	2.93%

The allocation of plan assets is as follows:

	DECEMBER 31,			
	2012		2013	
Equity	1,087	23%	1,351	26%
Bonds	2,957	62%	3,019	59%
Loans	463	10%	453	9%
Real estate	72	2%	89	2%
Other	215	4%	215	4%
	<b>4,794</b>	<b>100%</b>	<b>5,127</b>	<b>100%</b>

The investment strategy is determined based on an asset-liability study in consultation with investment advisers and within the boundaries given by regulatory bodies for pension funds. Equity securities consist primarily of publicly traded Japanese companies and common collective funds. Publicly traded equities are valued at the closing prices reported in the active market in which the individual securities are traded (level 1). Common collective funds are valued at the published price (level 1) per share multiplied by the number of shares held as of the measurement date.

Fixed income (bonds and loans) consists of corporate bonds, government securities and common collective funds. Corporate and government securities are valued by third-party pricing sources (level 2). Common collective funds are valued at the net asset value per share (level 2) multiplied by the number of shares held as of the measurement date.

Real estate fund and other values are primarily reported by the fund manager and are based on valuation of the underlying investments (level 3) which include inputs such as cost, discounted cash flows, independent appraisals and market based comparable data.

The plan assets do not include any of the Company's shares.

### Back-end

For the Back-end segment the ASMPT has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans.

The plans for employees in Hong Kong are registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of ASMPT in funds under the control of trustees. The ORSO Scheme is funded by monthly contributions from both employees and ASMPT at rates ranging from 5.0% to 12.5% of the employee's basic salary, depending on the length of services with ASMPT. For members of the MPF Scheme, ASMPT contributes 5.0% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs amounting to HK\$25,000 per employee, which contribution is matched by the employees.

The employees of ASMPT in the Peoples Republic of China, Singapore and Malaysia are members of state managed retirement benefit schemes operated by the relevant governments. ASMPT is required to contribute a certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of ASMPT with respect to these schemes is to make the specified contributions. The assets of the schemes are held separately from those of ASMPT in funds under the control of trustees, and in the case of Singapore and Malaysia, by the Central Provident Fund Board of Singapore and Employee Provident Fund of Malaysia respectively.

Certain ASMAS (the former SEAS) entities operate funded defined benefits pension scheme for all their qualified employees. Pension benefits provided by ASMAS Entities are currently organized primarily through defined benefit pension plans which cover virtually all German employees and certain foreign employees of ASMAS entities. Furthermore, ASMAS entities provide other post-employment benefits, which consist of transition payments and death benefits to German employees after retirement. These predominantly unfunded other post-employment benefit plans qualify as defined benefit plans.

Defined benefit plans determine the entitlements of their beneficiaries. An employee's final benefit entitlement at regular retirement age may be higher than the fixed benefits at the reporting date due to future compensation or benefit increases. The net present value of this ultimate future benefit entitlement for service already rendered is represented by the Defined Benefit Obligation ("DBO"), which is calculated with consideration of future compensation increases by actuaries. The DBO is calculated based on the projected unit credit method and reflects the net present value as of the reporting date of the accumulated pension entitlements of active employees, former employees with vested rights and of retirees and their surviving dependents with consideration of future compensation and pension increases.

In the case of unfunded plans, the recognized pension liability is equal to the DBO adjusted by unrecognized past service cost. In the case of funded plans, the fair value of the plan assets is offset against the benefit obligations. The net amount, after adjusting for the effects of unrecognized past service cost, is recognized as a pension liability or prepaid pension asset.

	DECEMBER 31,	
	2012	2013
Defined benefit obligations	(33,987)	-
Fair value of plan assets	27,035	-
<b>FUNDED STATUS/(DEFICIT)</b>	<b>(6,952)</b>	<b>-</b>

The changes in defined benefit obligations and fair value of plan assets are as follows:

	DECEMBER 31,	
	2012	2013
<i>Defined benefit obligations</i>		
<b>BALANCE JANUARY 1</b>	<b>22,303</b>	<b>33,987</b>
Deconsolidation of ASMPT	-	(34,691)
Current service cost	1,691	472
Interest on obligation	1,095	262
Past service costs	104	-
Actuarial losses (gains)	8,532	-
Benefits paid	(55)	(30)
Transfers	85	-
Contribution participants	222	-
Foreign currency translation effect	10	-
<b>BALANCE DECEMBER 31</b>	<b>33,987</b>	<b>-</b>
<i>Fair value of plan assets</i>		
<b>BALANCE JANUARY 1</b>	<b>21,364</b>	<b>27,035</b>
Deconsolidation of ASMPT	-	(27,820)
Expected return	853	423
Actuarial (losses) gains	2,981	-
Contribution participants	222	-
Contribution employer	1,615	362
<b>BALANCE DECEMBER 31</b>	<b>27,035</b>	<b>-</b>

The investment strategy is determined based on an asset-liability study in consultation with investment advisers and within the boundaries given by regulatory bodies for pension funds. Equity securities consist primarily of publicly traded companies and common collective funds. Publicly traded equities are valued at the closing prices reported in the active market in which the individual securities are traded (level 1). Common collective funds are valued at the published price (level 1) per share multiplied by the number of shares held as of the measurement date.

Fixed income (bonds and loans) consists of corporate bonds, government securities and common collective funds. Corporate and government securities are valued by third-party pricing sources (level 2). Common collective funds are valued at the net asset value per share (level 2) multiplied by the number of shares held as of the measurement date.

Real estate fund and other values are primarily reported by the fund manager and are based on valuation of the underlying investments (level 3) which include inputs such as cost, discounted cash flows, independent appraisals and market based comparable data.

The plan assets do not include any of the Company's shares.

The assumptions in calculating the actuarial present value of benefit obligations and net periodic benefit cost are as follows:

	DECEMBER 31,	
	2012	2013
Discount rate for obligations	3.50%	-
Expected return on plan assets	3.50%	-
Expected rate of compensation increase	2.25%	-

The allocation of plan assets is as follows:

	DECEMBER 31,			
	2012		2013	
Equity	5,677	21%	-	-
Fixed income and corporate bonds	20,817	77%	-	-
Cash and other assets	541	2%	-	-
	<b>27,035</b>	<b>100%</b>	-	-

The plan assets do not include any of the Company's shares.

### Other post-employment benefit plans ASMPT

Employees who joined ASM Assembly Systems GmbH & Co KG, a subsidiary located in Germany, on or before 30 September 1983, are entitled to transition payments and death benefits. In respect of the transition payments for the first six months after retirement, participants receive the difference between their final compensation and the retirement benefits payable under the corporate pension plan. Employees of the Group in France are entitled to retirement indemnity plans as required by the French labor laws.

The reconciliation of the changes in the benefit obligation for the other post-employment benefits is as follows:

	DECEMBER 31,	
	2012	2013
<i>Defined benefit obligations</i>		
<b>BALANCE JANUARY 1</b>	<b>1,414</b>	<b>1,634</b>
Current service cost	45	12
Interest on obligation	69	12
Actuarial losses (gains)	372	-
Benefits paid	(181)	(12)
Deconsolidation ASMPT	-	(1,646)
Transfers	(85)	-
<b>BALANCE DECEMBER 31</b>	<b>1,634</b>	<b>-</b>

The components of the principal pension benefit plans and the other post-employment benefit plans recognized in the consolidated statement of operations in respect of these defined benefit plans and other post-employment benefits are as follows:

	DECEMBER 31, 2012			DECEMBER 31, 2013		
	PRINCIPAL DEFINED BENEFIT PLANS	OTHER POST- EMPLOYMENT BENEFIT PLANS	TOTAL	PRINCIPAL DEFINED BENEFIT PLANS	OTHER POST- EMPLOYMENT BENEFIT PLANS	TOTAL
Current service cost	(1,691)	(45)	(1,736)	(472)	(12)	(484)
Interest on obligation	(1,095)	(69)	(1,164)	(262)	(12)	(274)
Past service cost	(104)	-	(104)	-	-	-
Expected return on plan assets	853	-	853	-	-	-
<b>NET PERIODIC PENSION BENEFIT COST</b>	<b>(2,037)</b>	<b>(114)</b>	<b>(2,151)</b>	<b>(734)</b>	<b>(24)</b>	<b>(758)</b>

### Other retirement benefit obligations ASMPT

The consolidated statement of financial position also includes liabilities for other retirement benefit obligations consisting of liabilities for severance payments in Italy and Austria amounting to €353 as at December 31, 2012.

### Retirement plan costs for ASMI consolidated

ASMI expects to contribute €1,105 to the defined benefit plan in 2014. The Company expects to pay benefits for years subsequent to December 31, 2013 as follows:

	FRONT-END SEGMENT
2014	209
2015	313
2016	337
2017	493
2018	629
Aggregate for the years 2019-2023	2,796
<b>TOTAL</b>	<b>4,777</b>

Retirement plan costs for ASMI consolidated consist of the following:

	DECEMBER 31,		
	2011	2012	2013
Defined contribution plans	15,990	16,952	5,277
Multi-employer plans	1,111	1,420	1,274
Defined benefit plans	1,844	2,779	988
<b>TOTAL RETIREMENT PLAN COSTS</b>	<b>18,945</b>	<b>21,151</b>	<b>7,539</b>

The Company does not provide for any significant post-retirement benefits other than pensions.

### Employee Stock Option Plan

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. Options are priced at market value in euro or US dollars on the date of grant.

In 2011 a new Stock Option Plan was adopted. In the new plan to limit potential dilution, the amount of outstanding (vested and non-vested) options granted to the Management Board and to other employees will not exceed 7.5% of the issued ordinary share capital of ASMI. The new Stock Option Plan 2011 consists of two sub-plans: the ASMI Stock Option Plan for employees (ESOP) and the ASMI Stock Option for members of the Management Board (MSOP).

A leading principle of the option plans is that options are issued to employees and Management Board members once per annum as at 31 December of the relevant year, this includes the possible grant to newly hired employees. The number of options outstanding under the option plans or under any other plan or arrangement in aggregate may never exceed 7.5% of ASMI's share capital. This is in accordance with the ASMI Remuneration Policy.

By resolution of the AGM of May 16, 2013 the formal authority to issue options and shares was allocated to the Management Board subject to the approval of the Supervisory Board. This authority is valid for 18 months and needs to be refreshed annually by the AGM to allow the continued application of the SOPS beyond November 15, 2013. The ESOP is principally administered by the Management Board and the MSOP is principally administered by the Supervisory Board. This complies with applicable corporate governance standards. However, the Supervisory Board has no power to represent the Company. For external purposes the Management Board remains the competent body under both SOPS. The SOPS envisage that the Supervisory Board, or – in the case of the ESOP – the Management Board with the approval of the Supervisory Board, will determine the number of options to be granted to the Management Board members and to employees as of December 31 of any financial year (the Grant date).



For employees and existing Management Board members the Grant Date for all options granted is December 31 of the relevant year. In each of these situations the three year Vesting Period starts at the Grant Date. The exercise price in euro of all options issued under the SOPS is determined on the basis of the market value of the ASMI shares in as at (i.e. immediately prior to) the Grant Date.

The exercise period is 4 years starting at the 3rd anniversary of the vesting date.

At December 31, 2013, options to purchase 2,172,455 shares have been issued under the 2011 Stock Option Plan representing 3.4% of the shares outstanding per December 31, 2013. Under previous plans no more options to purchase shares can be issued. Under the various stock option plans a total of 3,308,502 options to purchase common stock were outstanding at December 31, 2013, expiring at various dates through 2020. The number of options outstanding at December 31, 2012 and 2013 were 2,325,088 and 3,308,502 respectively.

Following the sale of a 12% share of ASMPT, a capital distribution of €4.25 per common share was effectuated on July 25, 2013. As a result of this capital distribution the underlying value of ASMI option holders was diluted. The Management Board of ASMI and the Supervisory Board of ASMI decided to apply a theoretical adjustment ratio of 0.84974 to the outstanding options granted to employees including members of the Management Board as determined based on the specific rules issued and applied by NYSE Liffe. These specific rules issued by NYSE Liffe are similar to the adjustment ratio as applied to traded securities that are also not entitled to receive the capital distribution. Under these rules a theoretical adjustment ratio was determined based on the value and the effective date of the capital distribution and this ratio was applied to adjust the original number of the options and the original exercise price of the outstanding options.

The following is a summary of changes in options outstanding:

	US DOLLAR-PLANS		EURO-PLANS	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN US\$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN €
<b>BALANCE JANUARY 1, 2011</b>	<b>686,060</b>	<b>20.40</b>	<b>759,463</b>	<b>15.74</b>
Options granted	-	-	687,114	22.33
Options forfeited	(1,080)	16.65	-	-
Options exercised	(169,870)	19.10	(126,620)	14.82
<b>BALANCE DECEMBER 31, 2011</b>	<b>515,110</b>	<b>20.83</b>	<b>1,319,957</b>	<b>19.08</b>
Options granted	-	-	708,891	27.04
Options forfeited	(29,400)	20.63	(44,500)	15.49
Options exercised	(85,310)	20.42	(59,660)	15.08
<b>BALANCE DECEMBER 31, 2012</b>	<b>400,400</b>	<b>20.94</b>	<b>1,924,688</b>	<b>22.22</b>
Options forfeited	(1,220)	13.65	(25,050)	24.72
Options exercised	(52,670)	15.97	(23,550)	15.91
<b>BALANCE JULY 25, 2013</b>	<b>346,510</b>	<b>21.72</b>	<b>1,876,088</b>	<b>22.26</b>
Adjustment following capital distribution	62,145	18.42	336,446	18.88
Options granted	-	-	776,450	23.73
Options forfeited	(2,830)	9.06	(39,271)	20.93
Options exercised	(17,675)	12.66	(29,361)	10.70
<b>BALANCE DECEMBER 31, 2013</b>	<b>388,150</b>	<b>18.75</b>	<b>2,920,352</b>	<b>20.22</b>

The weighted average fair values of employee stock option granted in euro were €10.43 in 2011 and €12.27 in 2012 and €10.22 in 2013.

The remaining contractual life of the outstanding options granted in 2013 is 7 years at December 31, 2013.

The total intrinsic value of options exercised was €4,077, €2,209 and €1,651 for the years ended December 31, 2011, 2012 and 2013 respectively. In 2011, 2012 and 2013 new shares have been issued for the exercise of 294,119 options, 144,570 options and 125,402 options respectively.

On December 31, 2013 options outstanding and options exercisable classified by range of exercise prices are:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
<b>In US\$</b>		<b>In years</b>	<b>In US\$</b>		<b>In US\$</b>
1.00-10.00	65,313	5.1	6.75	46,443	6.90
10.00-15.00	30,265	3.6	11.57	21,513	11.83
15.00-20.00	128,057	2.2	18.88	88,194	18.67
20.00-25.00	114,985	4.4	22.59	114,985	22.59
25.00-30.00	49,530	3.0	29.69	29,719	29.69
<b>US\$1.00-30.00</b>	<b>388,150</b>	<b>3.5</b>	<b>18.75</b>	<b>300,853</b>	<b>18.95</b>
<b>In €</b>		<b>In years</b>	<b>In €</b>		<b>In €</b>
1.00-10.00	2,715	0.3	8.32	803	8.62
10.00-15.00	445,993	2.7	12.20	390,318	12.11
15.00-20.00	854,171	4.5	18.61	112,016	16.51
20.00-25.00	1,617,473	6.4	21.57	20,875	22.47
<b>€1.00-25.00</b>	<b>2,920,352</b>	<b>5.3</b>	<b>19.26</b>	<b>524,012</b>	<b>13.46</b>

At December 31, 2013, the aggregate intrinsic value of all options outstanding and all options exercisable is €17,702 and €8,562 respectively.

The cost relating to employee stock options is measured at fair value on the grant date. The fair value was determined using the Black-Scholes option valuation model with the following weighted average assumptions:

	DECEMBER 31,		
	2011	2012	2013
Expected life (years)	7	7	7
Risk free interest rate	3.51%	3.28%	2.93%
Dividend yield	0.32%	0.64%	0.90%
Expected volatility	40.90%	41.98%	41.52%

The grant date fair value of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of stock options that will eventually vest. The impact of the true up of the estimates is recognized in the consolidated statement of operations in the period in which the revision is determined. We recorded compensation expenses of €1,872, €3,242 and €4,440 for 2011, 2012 and 2013 respectively.

### Employee Share Incentive Scheme ASMPT

In 1989, the shareholders of ASMPT approved a plan to issue up to 5 percent of the total issued shares of ASMPT to directors and employees. This plan was extended in 1999 for a term up to March 23, 2010. At the annual general meeting of the ASMPT held on April 24, 2009, the shareholders approved to extend the period of the Scheme for a term of a further 10 years up to March 23, 2020 and allow up to 7.5% of the issued share capital of ASMPT from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since March 23, 1990) to be subscribed for or purchased pursuant to the Scheme during such extended period and that no more than 3.5% of the issued share capital of ASMPT from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since March 23, 1990) to be subscribed for or purchased pursuant to the Scheme for the period from March 24, 2010 to March 23, 2015.

The directors annually may approve an amount of supplemental compensation to the designated directors and officers, which will be used to issue or purchase ASMPT's common shares for the designees at current market value.

On March 21, 2012, the directors resolved to grant, and the Company granted, a total of 1,950,300 shares (the "2012 Incentive Shares") in the Company to certain employees and members of the management of the Group upon expiration of the defined qualification period. The vesting period of such grant, which is the qualification period, was from March 21, 2012 to December 15, 2012.

On March 28, 2012 (the "Adoption Date"), a Share Award Scheme was adopted by the Company to establish a trust to subscribe and purchase shares of the Company for the benefit of employees and members of the management of the Group under the Employee Share Incentive Scheme. The scheme is valid and effective for a period of 8 years commencing from the Adoption Date. Pursuant to the rules of the scheme, the Company has appointed a trustee, Law Debenture Trust (Asia) Limited, for purpose of administering the scheme and holding the awarded shares. As a result of such Share Award Scheme, 328,000 shares (the "2012 Awarded Share") was allocated from the 2012 Incentive Shares as the 2012 Awarded Shares.

On December 15, 2012, 1,607,400 common shares of ASMPT were issued, for cash at par value of HK\$0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT and 14,900 shares were forfeited and unallocated by ASMPT. 328,000 shares of the 2012 Awarded Shares were vested on the same date.

In 2011, respectively 1,518,100 ASMPT shares were issued to certain directors and employees under the plan. The effect of this transaction on ASMI was a dilution of its ownership interest in ASMPT of 0.21% in 2012 and 0.19% in 2011. The shares issued under the plan in 2012 have diluted ASMI's ownership in ASMPT to 51.96% as of December 31, 2012.

The fair value of the 2012 Incentive shares granted was determined with reference to the market value of the shares at the grant date taking into account the expected dividends as the employees are not entitled to received dividends paid during the vesting period, while for the 2012 Awarded Shares, its fair value was determined with reference to the cost of purchase from the market included transaction costs, which is not significantly different from the fair value at the grant date.

Total compensation expenses related to the Employee Share Incentive Scheme of respectively €11,580 in 2011 and €19,823 in 2012 were charged to the Consolidated Statement of Operations. In 2013 through date of deconsolidation ASMPT did not incur any Employee Share Incentive Scheme expenses.

The fair value of the 2012 Incentive shares granted was determined with reference to the market value of the shares at the grant date. The expected dividends were taken into account as the employees are not entitled to receive dividends paid during the vesting period. For the 2012 Awarded Shares the fair value was determined with reference to the cost of purchase from the market including transaction costs, which is not significantly different from the fair value at the grant date.

## NOTE 20. COMMITMENTS AND CONTINGENCIES

Capital leases included in property, plant and equipment are as follows:

	DECEMBER 31,	
	2012	2013
Machinery and equipment	3,485	2,737
Furniture and fixtures	344	269
	<b>3,829</b>	<b>3,006</b>
Less accumulated depreciation	(3,829)	(3,006)
	-	-

At December 31, 2013 operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

2014	4,857
2015	3,801
2016	3,279
2017	2,707
2018	2,423
Years thereafter	3,660
<b>TOTAL</b>	<b>20,727</b>

Aggregate rental expense for operating leases was €22,335 in 2011, €24,661 in 2012 and €9,529 in 2013.

At December 31, 2013 the Company had entered into purchase commitments with suppliers in the amount of €141,908 for purchases, of which €139,221 for purchases within the next 12 months. Commitments for capital expenditures at December 31, 2013 were €10,552.

## CHANGE OF CONTROL TRANSACTION

Pursuant to our 1997 settlement agreement with Applied Materials, as amended and restated in 1998, if we desire to effect a change of control transaction, as defined in the settlement agreement which generally involves our operations and not our investment in ASMPT, with a competitor of Applied Materials, we must first offer the change of control transaction to Applied Materials on the same terms as we would be willing to accept from that competitor pursuant to a bona fide arm's-length offer made by that competitor.

## NOTE 21. LITIGATION AND ENVIRONMENTAL MATTERS

The Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis, will not have a material effect on the financial position of the Company, its cash flows and result of operations.

## NOTE 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

### FINANCIAL INSTRUMENTS

#### Financial instruments include:

Financial assets:

	DECEMBER 31,	
	2012	2013
Cash and cash equivalents	290,475	312,437
Pledged cash deposits	20,000	-
Accounts receivable	304,840	83,016
Investments and associates	278	943,954
Derivative instruments designated in cash flow hedges	145	-

Financial liabilities:

	DECEMBER 31,	
	2012	2013
Notes payable to banks	61,675	-
Accounts payable	151,761	44,837
Current portion of long-term debt	6,316	-
Long-term debt	12,632	-

Gains or losses related to financial instruments are as follows:

	YEAR ENDED DECEMBER 31,	
	2012	2013
Interest income	1,989	972
Interest expense	(12,113)	(2,943)
Accretion interest expense convertible notes at amortized value	(4,469)	-
Loss resulting from early extinguishment of debt	(2,209)	-
Result from investments and associates	(766)	1,030,132
Losses Foreign currency exchange, net	(3,957)	(8,158)
Addition to allowance for doubtful accounts receivable	(2,825)	(377)

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASMI uses the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

#### Level 1

Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

#### Level 2

Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

### Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no transfers between levels during the years ended December 31, 2013 and December 31, 2012.

The following table presents the Company's financial assets and financial liabilities that are measured at fair value on a recurring basis.

	AT CARRYING VALUE	AT FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
December 31, 2012					
Assets:					
Derivative financial instruments (recurring basis) <sup>1)</sup>	145	-	145	-	145
TOTAL	145	-	145	-	145
December 31, 2013					
Assets:					
Associates (non-recurring basis) <sup>2)</sup>	971,131	971,131	-	-	971,131
TOTAL	971,131	971,131	-	-	971,131

<sup>1)</sup> Derivative financial instruments consist of forward foreign exchange contracts.

<sup>2)</sup> The valuation technique described in Note 3 and Note 12.

The valuation technique used to determine the fair value of forward foreign exchange contracts (used for hedging purposes) approximates the Net Present Value technique which is the estimated amount that a bank would receive or pay to terminate the forward foreign exchange contracts at the reporting date, taking into account current interest rates and current exchange rates.

### FINANCIAL RISK FACTORS

ASMI is exposed to a number of risk factors: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company uses forward exchange contracts to hedge its foreign exchange risk. The Company does not enter into financial instrument transactions for trading or speculative purposes.

### FOREIGN EXCHANGE RISK

ASMI and its subsidiaries conduct business in a number of foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euro) or one of its subsidiaries conducting the business. The purpose of the Company's foreign currency management is to manage the effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in US dollar.

We use forward exchange contracts to hedge foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which the Company has a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions being hedged. The hedges related to forecasted transactions are designated and documented at the inception of the hedge as cash flow hedges, and are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive loss in Shareholders' Equity, and is reclassified into earnings when the hedged transaction affects earnings.

Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized in earnings. The Company records all derivatives, including forward exchange contracts, on the

balance sheet at fair value in other current assets or accrued expenses. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Hedge ineffectiveness was insignificant for the years ended December 31, 2012 and December 31, 2013.

Furthermore, the Company might manage the currency exposure of certain receivables and payables using derivative instruments, such as forward exchange contracts (fair value hedges) and currency swaps, and non-derivative instruments, such as debt borrowings in foreign currencies. The gains or losses on these instruments provide an offset to the gains or losses recorded on receivables and payables denominated in foreign currencies. The derivative instruments are recorded at fair value and changes in fair value are recorded in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Receivables and payables denominated in foreign currencies are recorded at the exchange rate at the balance sheet date and gains and losses as a result of changes in exchange rates are recorded in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations.

To the extent that exchange rate fluctuations impact the value of the Company's investments in its foreign subsidiaries, they are not hedged. The cumulative effect of these fluctuations is separately reported in Consolidated Shareholders' Equity. Reference is made to Note 18.

The outstanding forward exchange contracts per December 31, 2012 were as follows, per December 31, 2013 there were no forward exchange contracts outstanding:

	CURRENCY	NOTIONAL AMOUNT	FAIR VALUE	INCLUDED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
			EURO	EURO
<b>December 31, 2012</b>				
<b>Assets:</b>				
Fair value hedge contracts:				
Short position	US\$	(27,100)	(145)	-

For forward exchange contracts, market values based on external quotes from banks have been used to determine the fair value.

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen against the euro as of December 31, 2012 and December 31, 2013. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro. A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in US dollar, Singapore dollar, Hong Kong dollar and Japanese yen.

	IMPACT ON EQUITY	
	2012	2013
10% increase of US dollar versus euro	4,564	4,938
10% decrease of US dollar versus euro	(4,564)	(4,938)
10% increase of Singapore dollar versus euro	5,868	6,088
10% decrease of Singapore dollar versus euro	(5,868)	(6,088)
10% increase of Hong Kong dollar versus euro	56,693	94,396
10% decrease of Hong Kong dollar versus euro	(56,693)	(94,396)
10% increase of Korean won versus euro	3,969	5,840
10% decrease of Korean won versus euro	(3,969)	(5,840)
10% increase of Japanese yen versus euro	5,294	4,561
10% decrease of Japanese yen versus euro	(5,294)	(4,561)

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2012 and December 31, 2013 would not result in a material impact on equity.

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro at average exchange rates for the years 2012 and 2013. A positive amount indicates an increase in net earnings.

	IMPACT ON NET EARNINGS	
	2012	2013
10% increase of US dollar versus euro	915	601
10% decrease of US dollar versus euro	(915)	(601)
10% increase of Singapore dollar versus euro	644	671
10% decrease of Singapore dollar versus euro	(644)	(671)
10% increase of Hong Kong dollar versus euro	3,630	100,072
10% decrease of Hong Kong dollar versus euro	(3,630)	(100,072)
10% increase of Korean won versus euro	1,400	1,962
10% decrease of Korean won versus euro	(1,400)	(1,962)
10% increase of Japanese yen versus euro	923	485
10% decrease of Japanese yen versus euro	(923)	(485)

The significant possible impact on net earnings denominated in Hong Kong dollar results from the realized and unrealized gain following the sale of the 12% stake in ASMPT. A hypothetical 10% strengthening or 10% weakening of any other currency against the euro at average exchange rates for the years 2012 and 2013 would not result in a material impact on net earnings.

## INTEREST RISK

We are not exposed to interest rate risk through our borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2013 the Company had no debt.



## CREDIT RISK

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and derivative instruments. These instruments contain a risk of counterparties failing to discharge their obligations. We monitor credit risk and manages credit risk exposure by type of financial instrument by assessing the creditworthiness of counterparties. We do not anticipate nonperformance by counterparties given their high creditworthiness.

The Company's customers are semiconductor device manufacturers located throughout the world. We perform ongoing credit evaluations of our customers' financial condition. We take additional measures to mitigate credit risk when considered appropriate by means of down payments, letters of credit. We generally do not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company derives a significant percentage of its revenue from a small number of large customers. The largest customer accounted for approximately 28.3% of net sales in 2013 (2012: 8.8%; 2011: 6.4%) and the ten largest customers accounted for approximately 85.6% of net sales in 2013 (2012: 31.6%; 2011: 27.9%). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results. At December 31, 2013 one customer accounted for 28.1% of the outstanding balance in accounts receivable (2012: 6.5%; 2011: 4.5%).

We invest our cash and cash equivalents in short-term deposits and derivative instruments with high-rated financial institutions. We only enter into transactions with a limited number of major financial institutions that have high credit ratings and we closely monitor the creditworthiness of our counterparties. Concentration risk is mitigated by limiting the exposure to a single counterparty.

The maximum credit exposure is equal to the carrying values of cash and cash equivalent and accounts receivable.

## LIQUIDITY RISK

The following table summarizes the Company's contractual obligations as at December 31, 2013 aggregated by type of contractual obligation:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Operating leases	20,727	4,857	7,080	5,130	3,660
Pension liabilities	4,777	209	650	1,122	2,796
<b>Purchase obligations:</b>					
Purchase commitments to suppliers	48,982	48,982	-	-	-
Capital expenditure commitments	458	458	-	-	-
Unrecognized tax benefits (ASC 740)	-	-	-	-	-
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>74,944</b>	<b>54,506</b>	<b>7,730</b>	<b>6,252</b>	<b>6,456</b>

Total short-term lines of credit amounted to €150,000 at December 31, 2013. The amount outstanding at December 31, 2013 was nil and the undrawn portion totaled €150,000. The standby revolving credit facility of €150,000 with a consortium of banks. The facility, available through December 20, 2018, is secured by a portion of the Company's shareholding in ASMPT and certain accounts receivable.

For the majority of purchase commitments, the Company has flexible delivery schedules depending on the market conditions, which allows the Company, to a certain extent, to delay delivery beyond originally planned delivery schedules.

## NOTE 23. RESEARCH AND DEVELOPMENT

Research and Development consists of the following:

	YEAR ENDED DECEMBER 31,		
	2011	2012	2013
Research and development expenses	130,153	150,118	76,427
Research and development grants and credits	(753)	(899)	(1,036)
<b>TOTAL RESEARCH AND DEVELOPMENT</b>	<b>129,400</b>	<b>149,219</b>	<b>75,391</b>

The Company's operations in the Netherlands, Germany and the United States receive research and development grants and credits from various sources.

## NOTE 24. RESTRUCTURING EXPENSES

In the fourth quarter of 2012 we started a cost reduction program in our Front-end operation. We have reduced headcount in our manufacturing organization in Singapore and our product management organization in Europe and the US with approximately 100 people. Related to these actions, an amount of €0.9 million and an amount of €2.5 million in restructuring expenses was recorded in 2012 and 2013 respectively.

## NOTE 25. INCOME TAXES

The components of earnings (loss) before income taxes and non-controlling interest consist of:

	YEAR ENDED DECEMBER 31,		
	2011	2012	2013
The Netherlands	(3,450)	(70,263)	1,018,554
Other countries	356,305	136,994	41,867
<b>EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST</b>	<b>352,855</b>	<b>66,731</b>	<b>1,060,421</b>

The income tax expense consists of:

	YEAR ENDED DECEMBER 31,		
	2011	2012	2013
<b>Current:</b>			
The Netherlands	(494)	(110)	(1,938)
Other countries	(64,684)	(26,337)	(9,479)
	<b>(65,178)</b>	<b>(26,447)</b>	<b>(11,417)</b>
<b>Deferred:</b>			
The Netherlands	-	-	-
Other countries	28,486	147	296
<b>INCOME TAX EXPENSE</b>	<b>(36,692)</b>	<b>(26,300)</b>	<b>(11,121)</b>

The provisions for income taxes as shown in the Consolidated Statements of Operations differ from the amounts computed by applying the Dutch statutory income tax rates to earnings before taxes. A reconciliation of the provisions for income taxes and the amounts that would be computed using the Dutch statutory income tax rates is set forth as follows:

	YEAR ENDED DECEMBER 31,		
	2011	2012	2013
Earnings before income taxes and Non-controlling interest	352,855	66,731	1,060,421
Dutch statutory income tax rate	25.0%	25.0%	25.0%
Income tax provision at statutory rate	(88,214)	(16,683)	(265,105)
Non-deductible expenses	(8,228)	(6,508)	(1,957)
Foreign taxes at a rate other than the Dutch statutory rate	12,983	(2,699)	(556)
Valuation allowance	17,991	(14,876)	(3,960)
Non-taxable income <sup>1)</sup>	30,156	4,887	260,425
Other <sup>2)</sup>	(1,380)	9,579	32
<b>INCOME TAX EXPENSE</b>	<b>(36,692)</b>	<b>(26,300)</b>	<b>(11,121)</b>

<sup>1)</sup> Other for 2012 consist of tax credits €3,163 and unwinding of temporary differences in the current year for which no deferred tax was recognized in prior years €5,549.

<sup>2)</sup> Other in 2013 mainly consists of tax credits, adjustments to prior years, changes in (enacted) tax laws and revaluation of certain assets.

Included in non-taxable income for 2013 is €3,244 regarding the Company's manufacturing operations in Singapore and other countries where income covering certain products is non-taxable or subject to concessional tax rates under tax incentive schemes granted by the local tax authority. The majority of these tax incentive schemes have terms ending by December 31, 2020.

On June 8, 2009 the Singapore Economic Development Board ("EDB") granted a Pioneer Certificate to ASM Front-End Manufacturing Singapore Pte Ltd ("FEMS", a principal subsidiary of the Group,) to the effect that profits arising from certain manufacturing activities by FEMS of Front-end equipment will in principle be exempted from tax for a period of 10 years effective from dates ranging between July 1, 2008, subject to fulfillment of certain criteria during the period.

On July 12, 2010, the EDB granted a Pioneer Certificate to ASM Technology Singapore Pte Limited ("ATS"), a principal subsidiary of the Group, to the effect that profits arising from certain products will be exempted from tax for a period of 10 years effective from dates ranging between June 1, 2010 and January 1, 2012 across specified products, subject to fulfillment of certain criteria during the period. EDB had also granted a 5 year Development and Expansion Incentive (DEI) to ATS to the effect that the profits arising from certain existing products shall be subject a concessionary tax rate of 5% for a period of 10 years from January 1, 2011, subject to the fulfillment of certain criteria during the period.

On the same date, the EDB also granted ATS an International Headquarters ("IHQ") Award to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, shall be subject to concessionary tax rate of 5% for a period of 10 years from January 1, 2011, subject to fulfillment of certain criteria during the period.

In Korea a High Technology Tax Exemption has been granted to the effect that profits arising from certain equipment sales will in principle be partly exempted from tax in the period ending by 2016, subject to fulfillment of certain criteria during the period.

Since 2011 the Dutch statutory tax rate amounted to 25.0%. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The Company's deferred tax assets and liabilities have been determined in accordance with these statutory income tax rates.

Deferred income taxes developed as follows:

	JANUARY 1, 2012	ACQUISITIONS	RECLASSI- FICATIONS	CONSOLIDATED STATEMENT OF OPERATIONS	EQUITY	EXCHANGE DIFFERENCES	DECEMBER 31, 2012
<b>Deferred tax assets:</b>							
Reserves and allowances	10,415	-	3,985	4,928	1,730	(736)	20,322
Net operating losses	86,720	-	-	(2,303)	-	(939)	83,478
Depreciation	363	-	508	1,478	-	(89)	2,260
Other	6,391	-	(6,525)	1,345	28	(127)	1,112
<b>GROSS DEFERRED TAX ASSETS</b>	<b>103,889</b>	<b>-</b>	<b>(2,032)</b>	<b>5,448</b>	<b>1,758</b>	<b>(1,891)</b>	<b>107,172</b>
Less: valuation allowance	(76,467)	-	(180)	(6,442)	-	(161)	(83,250)
<b>NET DEFERRED TAX ASSETS</b>	<b>27,422</b>	<b>-</b>	<b>(2,212)</b>	<b>(994)</b>	<b>1,758</b>	<b>(2,052)</b>	<b>23,922</b>
Deferred tax liabilities	(4,381)	-	2,212	1,142	-	39	(988)
<b>NET DEFERRED INCOME TAXES</b>	<b>23,041</b>	<b>-</b>	<b>-</b>	<b>148</b>	<b>1,758</b>	<b>(2,013)</b>	<b>22,934</b>

	JANUARY 1, 2013	DECONSOLIDA- TION ASMPT	CHANGE INCOME TAX RATE	CONSOLIDATED STATEMENT OF OPERATIONS	EQUITY	EXCHANGE DIFFERENCES	DECEMBER 31, 2013
<b>Deferred tax assets:</b>							
Reserves and allowances	20,322	(15,199)	(258)	(814)	255	(1,152)	3,154
Net operating losses	83,478	(11,905)	-	(1,664)	-	49	69,958
Depreciation	2,260	(2,121)	(88)	1,603	-	(319)	1,335
Other	1,112	(194)	(38)	(146)	-	(164)	570
<b>GROSS DEFERRED TAX ASSETS</b>	<b>107,172</b>	<b>(29,419)</b>	<b>(384)</b>	<b>(1,021)</b>	<b>255</b>	<b>(1,586)</b>	<b>75,017</b>
Less: valuation allowance	(83,250)	11,675	-	1,664	-	(47)	(69,958)
<b>NET DEFERRED TAX ASSETS</b>	<b>23,922</b>	<b>(17,744)</b>	<b>(384)</b>	<b>643</b>	<b>255</b>	<b>(1,633)</b>	<b>5,059</b>
Deferred tax liabilities	(988)	921	-	37	-	(5)	(35)
<b>NET DEFERRED INCOME TAXES</b>	<b>22,934</b>	<b>(16,823)</b>	<b>(384)</b>	<b>680</b>	<b>255</b>	<b>(1,638)</b>	<b>5,024</b>

Deferred tax assets and liabilities are classified in the consolidated balance sheet as follows:

	DECEMBER 31,	
	2012	2013
Deferred tax assets - current	17,967	3,739
Deferred tax assets - non-current	5,955	1,320
Deferred tax liabilities - current	(36)	-
Deferred tax liabilities - non-current	(952)	(35)
	<b>22,934</b>	<b>5,024</b>

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2013 of €272,610 for tax return purposes to reduce future income taxes, mainly in Europe. The Company believes that realization of its net deferred tax assets is dependent on the ability of the Company to generate taxable income in the future. Given the volatile nature of the semiconductor equipment industry, past experience, and the tax jurisdictions where the Company has net operating losses, the Company believes that there is currently insufficient evidence to substantiate recognition of substantially all net deferred tax assets with respect to net operating losses. Accordingly, a valuation allowance of €83,250 in 2012 and €69,958 in 2013 has been recorded.

The amounts and expiration dates of net operating losses for tax purposes are as follows:

EXPIRATION YEAR	TOTAL OF NET OPERATING LOSSES FOR TAX PURPOSES	NET OPERATING LOSSES FOR WHICH DEFERRED TAX ASSETS ARE RECOGNIZED
2014	37,607	-
2015-2016	-	-
2017	47,429	-
2018	44,664	-
2019	35,905	-
2020	4	-
2021	60,198	-
2022	28,556	-
2023-2028	-	-
2029	14,343	-
2030	3,779	-
Unlimited	125	-
<b>TOTAL</b>	<b>272,610</b>	<b>-</b>

The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2013 the undistributed earnings of subsidiaries, subject to withholding taxes, were approximately €26,734. These earnings could become subject to foreign (withholding) taxes if they were remitted as dividends and / or if the Company should sell its interest in the subsidiaries.

Consistent with the provisions of ASC 740, as of December 31, 2013, ASMI has no liability of unrecognized tax benefits. A reconciliation of the beginning and ending balance of the liability for unrecognized tax benefits is as follows:

<b>BALANCE JANUARY 1, 2011</b>	<b>20,057</b>
Gross increases - tax positions in current year	950
Foreign currency translation effect	742
<b>BALANCE DECEMBER 31, 2011</b>	<b>21,749</b>
Gross increases - tax positions in current year	1,157
Foreign currency translation effect	(395)
<b>BALANCE DECEMBER 31, 2012</b>	<b>22,511</b>
Deconsolidation ASMPT	(22,325)
Gross increases - tax positions in current year	-
Foreign currency translation effect	(186)
<b>BALANCE DECEMBER 31, 2013</b>	<b>-</b>

Unrecognized tax benefits mainly relate to transfer pricing positions, tax credits of US\$20.9 million, and tax deductible costs. The Company estimates that no interest and penalties are related to these unrecognized tax benefits. In the year ended December 31, 2013, no settlement with tax authorities and no reduction as a result of a lapse of statute of limitations occurred.

Unrecognized tax benefits would, if recognized, impact the Company's effective tax rate. The Company provided for an amount of zero reflecting managements best estimate to mitigate possible impact in case of an unfavorable outcome. The unrecognized tax benefits are classified in the consolidated balance sheet under "accrued expenses and other" and are covered with purchased tax certificates which are classified in the consolidated balance sheet under "other current assets".

A summary of open tax years by major jurisdiction is as follows:

<b>JURISDICTION</b>	
Japan	2009-2013
The Netherlands	2009-2013
Singapore	2008-2013
United States of America	1997-2013
South Korea	2008-2013

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws. The Company's estimate for the potential outcome of any unrecognized tax benefits is highly judgmental. Settlement of unrecognized tax benefits in a manner inconsistent with the Company's expectations could have a material impact on the Company's financial position, net earnings and cash flows. The Company is subject to tax audits in its major tax jurisdictions, local tax authorities may challenge the positions taken by the Company.

## **NOTE 26. DISCLOSURES ABOUT SEGMENTS AND RELATED INFORMATION**

The Company organizes its activities in two operating segments, Front-end and Back-end. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"), which is the chief operating decision maker (according to ASC 280).

The Front-end segment manufactures and sells equipment used in wafer processing, encompassing the fabrication steps in which silicon wafers are layered with semiconductor devices. The segment is a product driven organizational unit comprised of manufacturing, service, and sales operations in Europe, the United States of America, Japan and South East Asia.

The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd, in which the Company holds a substantial share of 39.94% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong. The segment's main operations are located in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany.

The Back-end segment remains reported as a separate segment since the cease of control per March 15, 2013. Since that date the segment is reported as an equity method investment as the CEO reviews this information as part of his CODM package.

Accordingly, the asset and profit/loss information regarding the operations that comprise the segment are disclosed. The full financial results are reviewed by the CODM, the external reporting of the segment are on an equity method investment basis. The total of all segments' financial amounts are reconciled to the corresponding amounts reported in the consolidated financial statements, eliminations are reflected in the reconciling column for amounts reported in excess of those amounts reflected in the consolidated financial statements.

	YEAR ENDED DECEMBER 31, 2011		
	FRONT-END	BACK-END	TOTAL
Net sales to unaffiliated customers	456,065	1,178,270	<b>1,634,334</b>
Gross profit	172,318	398,308	<b>570,626</b>
Result from operations	62,581	304,869	<b>367,450</b>
Interest income	976	1,925	<b>2,902</b>
Interest expense	(13,142)	(354)	<b>(13,497)</b>
Loss resulting from early extinguishment of debt	(824)	-	<b>(824)</b>
Accretion interest expense convertible notes	(4,401)	-	<b>(4,401)</b>
Revaluation conversion option	(4,378)	-	<b>(4,378)</b>
Foreign currency exchange gains (losses), net	8,296	(2,692)	<b>5,604</b>
Income tax expense	(4,581)	(32,111)	<b>(36,692)</b>
Net earnings (loss)	44,527	271,637	<b>316,164</b>
<b>Allocation of net earnings (loss):</b>			
Shareholders of the parent			<b>186,770</b>
Non-controlling interest			<b>129,394</b>
Capital expenditures	16,369	72,849	<b>89,218</b>
Net purchase of other intangibles	6,141	910	<b>7,051</b>
Depreciation and amortization	14,335	32,638	<b>46,973</b>
Impairment of property, plant and equipment	-	(8,038)	<b>(8,038)</b>
Cash and cash equivalents	228,114	162,136	<b>390,250</b>
Capitalized goodwill	11,193	40,939	<b>52,131</b>
Other intangible assets	9,643	5,133	<b>14,776</b>
Other identifiable assets	336,090	788,973	<b>1,125,063</b>
Total assets	585,040	997,181	<b>1,582,221</b>
Total debt	162,464	32,946	<b>195,409</b>
Headcount in full-time equivalents <sup>1)</sup>	1,631	14,563	<b>16,194</b>

<sup>1)</sup> Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.

	YEAR ENDED DECEMBER 31, 2012		
	FRONT-END	BACK-END	TOTAL
Net sales to unaffiliated customers	370,409	1,047,658	1,418,067
Gross profit	124,531	315,898	440,429
Result from operations	539	87,717	88,256
Interest income	1,015	974	1,989
Interest expense	(11,381)	(732)	(12,113)
Loss resulting from early extinguishment of debt	(2,209)	-	(2,209)
Accretion interest expense convertible notes	(4,329)	(140)	(4,469)
Foreign currency exchange gains (losses), net	(3,050)	(907)	(3,957)
Result on investments	(766)	-	(766)
Income tax expense	(8,965)	(17,335)	(26,300)
Net earnings (loss)	(29,146)	69,577	40,431
<b>Allocation of net earnings (loss):</b>			
Shareholders of the parent			7,149
Non-controlling interest			33,282
Capital expenditures	21,973	46,189	68,162
Net purchase of other intangibles	2,042	2,588	4,630
Depreciation and amortization	18,838	39,622	58,460
Cash and cash equivalents	145,061	145,414	290,475
Capitalized goodwill	11,649	40,239	51,888
Other intangible assets	9,049	4,866	13,915
Other identifiable assets	334,399	808,829	1,143,228
Total assets	500,158	999,348	1,499,506
Total debt	-	80,623	80,623
Headcount in full-time equivalents <sup>1)</sup>	1,636	15,768	17,404

<sup>1)</sup> Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.



	YEAR ENDED DECEMBER 31, 2013			<b>TOTAL</b>
	<b>FRONT-END</b>	<b>BACK-END 100%</b>	<b>ELIMINATION NON CONSOLIDATED</b>	
Net sales to unaffiliated customers	451,992	1,051,376	(891,091)	<b>612,277</b>
Gross profit	176,160	307,618	(269,228)	<b>214,550</b>
Result from operations	44,704	66,352	(70,638)	<b>40,418</b>
Interest income	904	272	(204)	<b>972</b>
Interest expense	(2,553)	(2,082)	1,693	<b>(2,942)</b>
Foreign currency exchange gains (losses), net	(9,005)	847	-	<b>(8,158)</b>
Result from investments	-	-	1,030,132	<b>1,030,132</b>
Income tax expense	(9,484)	(11,308)	9,671	<b>(11,121)</b>
Net earnings (loss)	24,565	54,081	970,654	<b>1,049,300</b>
<b>Allocation of net earnings (loss):</b>				
Shareholders of the parent				<b>1,051,893</b>
Non-controlling interest				<b>(2,593)</b>
Capital expenditures and purchase of intangible assets	11,072	34,003	(27,542)	<b>17,533</b>
Depreciation and amortization	19,415	41,066	(32,015)	<b>28,466</b>
Cash and cash equivalents	312,437	149,313	(149,313)	<b>312,437</b>
Capitalized goodwill	11,421	-	-	<b>11,421</b>
Other intangible assets	5,637	902	(902)	<b>5,637</b>
Investments and associates	278	-	943,676	<b>943,954</b>
Other identifiable assets	277,800	599,709	(599,709)	<b>277,800</b>
Total assets	607,573	749,924	193,752	<b>1,551,249</b>
Total debt	-	65,105	(65,105)	<b>-</b>
Headcount in full-time equivalents <sup>1)</sup>	1,503	14,400	(14,400)	<b>1,503</b>

<sup>1)</sup> Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.

There are no inter-segment transactions, other than charges for management services, which are based on actual cost. The accounting policies used to measure the net earnings and total assets in each segment are identical to those used in the Consolidated Financial Statements. The measurement methods used to determine reported segment earnings are consistently applied for all periods presented. There were no asymmetrical allocations to segments.

Geographical information is summarized as follows:

	EUROPE	UNITED STATES OF AMERICA	JAPAN	SOUTH EAST ASIA	CORPORATE	CONSOLIDATED
<b>YEAR ENDED DECEMBER 31, 2011</b>						
Net sales to unaffiliated customers	338,065	185,943	96,697	1,013,629	-	<b>1,634,334</b>
Long-lived assets	16,021	13,110	18,273	212,605	171	<b>260,180</b>
Total assets	406,586	131,498	120,717	733,571	189,849	<b>1,582,221</b>
Capital expenditures	7,425	8,429	1,559	71,720	85	<b>89,218</b>
Purchase of intangible assets	29	779	635	1,378	4,230	<b>7,051</b>
<b>YEAR ENDED DECEMBER 31, 2012</b>						
Net sales to unaffiliated customers	255,795	197,566	59,385	905,321	-	<b>1,418,067</b>
Long-lived assets	17,587	22,567	17,313	217,849	120	<b>275,436</b>
Total assets	473,561	128,484	71,838	717,986	107,637	<b>1,499,506</b>
Capital expenditures	7,098	12,837	4,947	43,280	-	<b>68,162</b>
Purchase of intangible assets	1,732	437	72	997	1,392	<b>4,630</b>
<b>YEAR ENDED DECEMBER 31, 2013</b>						
Net sales to unaffiliated customers	97,777	147,036	36,623	330,841	-	<b>612,277</b>
Long-lived assets	2,871	24,429	15,112	14,075	44	<b>56,531</b>
Total assets	60,709	105,952	62,252	1,112,919	209,417	<b>1,551,249</b>
Capital expenditures	3,693	8,179	1,128	4,063	-	<b>17,063</b>
Purchase of intangible assets	108	-	-	124	238	<b>470</b>

Long-lived assets for the years ended December 31, 2011, 2012 and 2013 consist of the Company's property, plant and equipment.

## NOTE 27. SELECTED OPERATING EXPENSES AND ADDITIONAL INFORMATION

Personnel expenses for employees were as follows:

	<b>DECEMBER 31,</b>		
	2011	2012	2013
Wages and salaries	318,944	353,437	<b>136,936</b>
Social security	42,622	47,124	<b>16,049</b>
Pension expenses	18,945	21,151	<b>7,539</b>
	<b>380,511</b>	<b>421,712</b>	<b>160,524</b>

The average number of employees, exclusive of temporary workers, by geographic area during the year was as follows:

	<b>DECEMBER 31,</b>		
	2011	2012	2013
The Netherlands	167	178	<b>156</b>
Other European countries	993	1,057	<b>448</b>
United States of America	468	594	<b>556</b>
South East Asia	15,716	15,300	<b>5,050</b>
Japan	181	203	<b>181</b>
	<b>17,525</b>	<b>17,332</b>	<b>6,391</b>

The average number of employees for the year 2013 includes the weighted average of the ASMPT employees for the period January 1 - March 15.

## NOTE 28. EARNINGS PER SHARE

Basic net earnings per common share is computed by dividing net earnings by the weighted average ordinary shares outstanding for that period. Diluted net earnings per ordinary share reflects the potential dilution that could occur if stock options under the ASMI Option Plan were exercised and if convertible notes were converted, unless potential dilution would have an anti-dilutive effect.

The following represents a reconciliation of net earnings and weighted average number of shares outstanding (in thousands) for purposes of calculating basic and diluted net earnings per share:

	DECEMBER 31,		
	2011	2012	2013
Net earnings used for purpose of computing basic earnings per common share	186,770	7,149	1,049,300
After-tax equivalent of interest expense on convertible subordinated notes	17,670	-	-
<b>NET EARNINGS USED FOR PURPOSES OF COMPUTING DILUTED NET EARNINGS PER COMMON SHARE</b>	<b>204,440</b>	<b>7,149</b>	<b>1,049,300</b>
Basic weighted average number of shares outstanding during the year used for purpose of computing basic earnings per share (thousand)	55,210	56,108	63,202
Dilutive effect of stock options	570	659	994
Dilutive effect of convertible subordinated notes	8,902	-	-
<b>DILUTIVE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>64,682</b>	<b>56,767</b>	<b>64,196</b>
<b>Net earnings per share:</b>			
Basic net earnings from continuing operations	3.38	0.13	16.60
Diluted net earnings from continuing operations	3.16	0.13	16.35

For the year ended December 31, 2012, the effect of 8,231,432 conversion rights was anti-dilutive.

For the year ended December 31, 2011, 81,500 option rights were not in the money and therefore not implicated in the dilutive effect of stock options.

During 2008, ASMI engaged Lehman Brothers ("Lehman") to repurchase ordinary ASMI shares on the Euronext and Nasdaq markets on behalf of ASMI. As of September 15, 2008, at the time it went into bankruptcy administration, Lehman reported that it had purchased and held on our behalf 2,552,071 shares, which were accounted for as treasury shares accordingly. ASMI filed a submission with the Lehman administrators giving notice of the shares held in custody by Lehman. At ASMI's May 2009 Annual General Meeting, our shareholders resolved to cancel all of these treasury shares which, accordingly, was accounted for in our 2009 Annual Report as a reduction of the number of outstanding shares. Lehman was notified of the cancellation of shares at the time.

The Lehman administrators have cooperated to effect the cancellation of 2,305,069 shares through the relevant book entry systems and have agreed to cooperate similarly with respect to 25,643 shares which are currently held by a Lehman affiliate in the United States. This leaves 221,359 shares unaccounted for which is in line with the notification received from the Lehman administrator's in September 2010 that a shortfall in the number of shares held for the Company's account in this order of magnitude was likely to exist.

Under the terms of a settlement agreement with the Lehman administrators entered into in 2013 the Company has received a compensation in cash of US\$6.251 and will receive a further €273,062 in compensation of dividends paid on the unaccounted shares.

Depending on the outcome of the Lehman bankruptcy the Company may receive further payments since the amounts received to date represent 92.2% of the principal of the Company's claims for compensation. In addition the Company is entitled to the payment of interest over the principal of its claims.

The 221,359 shares unaccounted for by the Lehman administrators are and remain outstanding and have not been canceled by the resolution adopted by the AGM in 2009. As a result of the settlement agreement the Company recorded €4,190 as paid in capital to account for the compensation received.

## NOTE 29. BOARD REMUNERATION

The remuneration of members of the Management Board has been determined by the Supervisory Board.

During 2013, the Company considered the members of the Management Board and the Supervisory Board to be the key management personnel.

The following table sets forth as to all current and former members of the Management Board of the Company, information concerning all remuneration from the Company (including its subsidiaries) for services in all capacities:

	BASE COMPENSATION	BONUSES	PENSIONS	SHARE BASED PAYMENT EXPENSES <sup>1)</sup>	OTHER	TOTAL
<b>Management Board:</b>						
<b>C.D. del Prado</b>						
<b>2013 <sup>2)</sup></b>	<b>520</b>	<b>527</b>	<b>92</b>	<b>506</b>	<b>60</b>	<b>1,705</b>
2012 <sup>2)</sup>	510	177	76	398	59	1,220
2011	500	339	69	182	56	1,146
<b>P.A.M. van Bommel</b>						
<b>2013 <sup>2)</sup></b>	<b>375</b>	<b>391</b>	<b>79</b>	<b>418</b>	<b>45</b>	<b>1,308</b>
2012 <sup>2)</sup>	367	144	88	325	59	983
2011	360	233	54	141	46	834

<sup>1)</sup> These amounts represent the vesting expenses related to the financial year.

<sup>2)</sup> A one-time crisis levy of 16% as imposed by the Dutch government amounts to €145 (2012: €175 ) in total. This crisis tax levy is payable by the employer and is charged over income of employees exceeding a €150 threshold for both years. These expenses do not form part of the remuneration costs mentioned.

## BONUS

Each year, a variable cash incentive can be earned, based on achievement of specific challenging targets. These targets are for 75% based on company financial targets and for 25% based on non-financial targets. The on-target bonus percentage for the members of the Management Board is 75%, with a maximum pay-out of 125% of base salary.

## STOCK OPTIONS

The members of the Management Board are eligible to receive stock options under the ASM International NV 2011 Stock Option Plan for members of the Management Board ("plan") in order to focus on the long term interest of the company. Stock options vest in three years subject to continued employment and expire after seven years.

## PENSION BENEFIT

The members of the Management Board are offered participation of the pension plan of the industry wide pension fund ("Bedrijfstakpensioenfonds Metalekro") for the base salary up to the predetermined ceiling. For the base salary above the ceiling, the members of the Management Board are offered participation of a defined contribution plan, insured by Nationale Nederlanden.

## OTHER COMPENSATION

Other compensation is covering compensation relative to use of a (company) car, a representation and expense allowance, social security premium and premium for health and disability insurance.

The following table shows the outstanding options to purchase ASM International NV common shares held by members of the Management Board, and changes in such holdings during 2013:

	YEAR OF GRANT	OUT- STANDING JANUARY 1, 2013	GRANTED IN 2013	EXERCISED IN 2013 <sup>7)</sup>	ADJUSTMENTS FOLLOWING THE CAPITAL DISTRIBUTION <sup>6)</sup>	OUTSTANDING DECEMBER 31, 2013	EXERCISE PRICE	END DATE
C.D. del Prado <sup>1) 5)</sup>	2003	20,000	-	(20,000)	-	-	US\$11.35	Feb 1, 2013
C.D. del Prado <sup>2)</sup>	2007	19,645	-	-	3,523	<b>23,168</b>	€16.51	May 23, 2015
C.D. del Prado <sup>2)</sup>	2008	125,000	-	-	22,416	<b>147,416</b>	€10.78	Mar 31, 2016
C.D. del Prado <sup>3)</sup>	2009	50,000	-	-	8,967	<b>58,967</b>	€12.79	Dec 31, 2017
C.D. del Prado <sup>4)</sup>	2011	75,000	-	-	13,450	<b>88,450</b>	€18.93	Dec 31, 2018
C.D. del Prado <sup>4)</sup>	2012	60,000	-	-	10,760	<b>70,760</b>	€22.93	Dec 31, 2019
C.D. del Prado <sup>4)</sup>	2013	-	75,000	-	-	<b>75,000</b>	€23.73	Dec 31, 2020
P.A.M. van Bommel <sup>3)</sup>	2010	25,000	-	-	4,483	<b>29,483</b>	€13.80	June 7, 2018
P.A.M. van Bommel <sup>4)</sup>	2011	53,000	-	-	9,504	<b>62,504</b>	€18.93	Dec 31, 2018
P.A.M. van Bommel <sup>4)</sup>	2012	40,000	-	-	7,173	<b>47,173</b>	€22.93	Dec 31, 2019
P.A.M. van Bommel <sup>4)</sup>	2013	-	53,000	-	-	<b>53,000</b>	€23.73	Dec 31, 2020
		<b>467,645</b>	<b>128,000</b>	<b>(20,000)</b>	<b>80,276</b>	<b>655,921</b>		

<sup>1)</sup> These options are granted for a term of ten years, and became exercisable in equal parts over a five year period.

<sup>2)</sup> These options are conditional. A percentage, not exceeding 150%, of the options which have been granted conditionally will become unconditional after three years, based on the total return of the Company's shares for the three years after the options are granted compared to the average total return of the shares of a relevant number of companies which are similar to the Company during the same three-year period. The options are granted for a term of eight years.

<sup>3)</sup> These options are granted for a term of eight years, and become exercisable after a three years vesting period.

<sup>4)</sup> These options are granted for a term of seven years and become exercisable after a three years vesting period.

<sup>5)</sup> These options have been exercised on January 25, 2013 at a share price of €29.04.

<sup>6)</sup> Following the sale of a 12% share of ASMPT, a capital distribution of €4.25 per common share was effectuated on July 25, 2013. As a result of this capital distribution the underlying value of ASMI option holders was diluted. The Management Board of ASMI and the Supervisory Board of ASMI decided to apply a theoretical adjustment ratio of 0.84794 to the outstanding options granted to employees including members of the Management Board as determined based on the specific rules issued and applied by NYSE Liffe. These specific rules issued by NYSE Liffe are similar to the adjustment ratio as applied to traded securities that are also not entitled to receive the capital distribution. Under these rules a theoretical adjustment ratio was determined based on the value and the effective date of the capital distribution and this ratio was applied to adjust the original number of the options and the original exercise price of the outstanding options.

<sup>7)</sup> These options were exercised in January 2013 at a share price of US\$38.87.

The fair value per option of options granted to current and former members of the Management Board was €10.43 in 2011, €12.27 in 2012 and €10.22 in 2013.

In 2013, 20,000 options to purchase ASM International NV common shares were exercised and as a result 20,000 new shares were issued for the exercise of these options.

The following table sets forth as to all current and former members of the Supervisory Board of the Company information concerning all remuneration (base compensation, no bonuses or pensions were paid) from the Company (including its subsidiaries) for services in all capacities:

	YEAR ENDED DECEMBER 31,		
	2011	2012	2013
<b>Supervisory Board:</b>			
J.C. Lobbezoo	53	53	61
G.J. Kramer <sup>1)</sup>	68	68	25
J.M.R. Danneels	50	50	50
H.W. Kreutzer	50	50	51
M.C.J. van Pernis	50	50	51
U.H.R. Schumacher	50	50	50
	<b>321</b>	<b>321</b>	<b>288</b>

<sup>1</sup> Mr Kramer resigned from the Supervisory Board on May 16, 2013.

The remuneration of members of the Supervisory Board has been determined by the General Meeting of Shareholders.

No stock options have been granted to members of the Supervisory Board.

### **NOTE 30. SHARE OWNERSHIP AND RELATED PARTY TRANSACTIONS**

The ownership or controlling interest of outstanding common shares of ASM International NV by members of the Management Board and Supervisory Board or members of their immediate family are as follows:

	DECEMBER 31, 2012		DECEMBER 31, 2013	
	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING
A.H. del Prado	9,204,284	14.59%	9,204,284	14.50%
C.D. del Prado (member of the Management Board)	132,945	0.21%	132,945	0.21%
Stichting Administratiekantoor ASMI	2,142,039	3.39%	2,142,039	3.37%

Stichting Administratiekantoor ASMI is a trust controlled by Mr A.H. del Prado. The number of shares owned by Stichting Administratiekantoor ASMI includes 713,000 common shares which are beneficially owned by Mr C.D. del Prado.

The Company has a related party relationship with its subsidiaries, equity accounted investees and members of the Supervisory Board and the Management Board. Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. For transactions with the Supervisory Board and the Management Board see note 29 "Board Remuneration".

The Group has no significant transactions or outstanding balances with its equity-accounted investees other than its equity-interest holdings.

**ASM International**

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