2011 Statutory Annual Report

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Safe Harbor Statement

In addition to historical information, this Annual Report contains statements relating to our future business and / or results, including, among others, statements regarding future revenue, sales, income, expenditures, sufficiency of cash generated from operations, maintenance of majority interest in ASM Pacific Technology Ltd., business strategy, product development, product acceptance, market penetration, market demand, return on investment in new products, facility completion dates and product shipment dates, corporate transactions, restructurings, liquidity and financing matters, outlooks and any other non-historical information in this Annual Report. These statements include certain projections and business trends, which are “forward-looking” within the meaning of the United States Private Securities Litigation Reform Act of 1995.
You can identify these statements by the use of words like “may”, “could”, “should”, “project”, “believe”, “anticipate”, “expect”, “plan”, “estimate”, “forecast”, “potential”, “intend”, “continue” and variations of these words or comparable words. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. You should be aware that our actual results may differ materially from those contained in the forward-looking statements as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to, economic conditions and trends in the semiconductor industry and the duration of industry downturns, currency fluctuations, the timing of significant orders, market acceptance of new products, competitive factors, litigation involving intellectual property, shareholder and other issues, commercial and economic disruption due to natural disasters, terrorist activity, armed conflict or political instability, epidemics and other risks indicated in our Annual Report on Form 20-F for the year ended December 31, 2011 and other filings from time to time with the SEC. The risks described are not the only ones facing ASM. 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 unless otherwise noted, and we assume no obligation to update or revise any forward-looking statements to reflect future developments or circumstances.

US GAAP Annual Report

The Consolidated Financial Statements included in this Statutory Annual Report are prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union. These accounting principles are different from accounting principles generally accepted in the United States of America (“US GAAP”), which are the accounting principles followed by ASM International N.V. as a listed company on NASDAQ Global Select Market in the United States of America. The 2011 Annual Report, prepared in accordance with US GAAP, will be available free of charge by writing to our corporate offices, e-mail to *investor.relations@asm.com* or through our website www.asm.com. An explanation and a reconciliation of the differences between US GAAP and IFRS is included in Note 34 to the Consolidated Financial Statements.

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Key Figures

	Year ended December 31,	
	2010	2011
In million Euro		
Operations:		
Net sales:	1,223	1,634
-Front-end	293	456
-Back-end	930	1,178
Result from operations	337	377
Net earnings allocated to shareholders of the parent	119	194
Statement of financial position:		
Net working capital [1]	293	439
Total assets	1,242	1,622
Total debt [2]	211	192
Net debt (cash)[3]	(129)	(218)
Backlog:	500	331
-Front-end	163	105
-Back-end	337	226
Number of staff:		
Full-time equivalents:	16,699	16,194
-Front-end	1,450	1,631
-Back-end	15,249	14,563
In Euro		
Per share data:		
Net earnings allocated to shareholders of the parent per share:		
Basic	2.26	3.52
Diluted	2.22	3.27
In thousands		
Weighted average number of shares used in computing per share amounts:		
Basic	52,435	55,210
Diluted	61,494	64,682

[1] Net working capital includes accounts receivable, inventories, other current assets, accounts payable, provision for warranty (current portion) and accrued expenses and other.

[2] Total debt includes long-term debt, the convertible subordinated debt, the conversion option and notes payable to banks.

[3] Net debt (cash) includes long-term debt, the convertible subordinated debt, the conversion option and notes payable to banks minus cash and cash equivalents and pledged cash deposits

ASM International

ASM International N.V. (“ASMI”) is a leading supplier of semiconductor equipment, materials and process solutions addressing the wafer processing, assembly and packaging, and surface mount technology markets. Our customers include all of the top semiconductor device manufacturers in the world.

Mission and Strategy

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 advance the adoption of our new technology platforms by developing new materials and process applications that progressively align ASMI with our customers’ long-term technology roadmaps.

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:

- Streamlining our Front-end 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 combined strong Front-end and Back-end technology leadership and manufacturing capabilities through advancements in our products and processes early in the technology lifecycle.
- 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 this is deemed necessary and beneficial.

Wafer Processing

ASMI participates in three distinct Front-end manufacturing processes: wafer manufacturing, transistor formation, and interconnect. By building upon our core strengths in Vertical Furnaces, Epitaxy, PECVD and Atomic Layer Deposition technologies, today we address all of the critical areas driving the semiconductor industry roadmap: silicon-on-insulator (SOI) and strained silicon, high-k dielectrics and metal electrodes for logic and memory, dielectrics for double patterning, and low-k dielectrics for interconnect, enabling the industry transition to smaller line-widths and better transistors employing new materials.

Assembly and Packaging

ASM Pacific Technology Ltd. (“ASMPT”), our 53-percent owned Back-end subsidiary, is the world’s largest assembly and packaging equipment supplier for the semiconductor and LED industries and is a leading supplier of stamped and etched lead frames. With headquarters in Hong Kong, and operations in the People’s Republic of China, Singapore and Malaysia, ASMPT offers the most comprehensive leading edge portfolio for all of the major process steps in Back-end, from die attach through encapsulation.

Surface Mount Technology

In early 2011, ASMPT entered the Surface Mount Technology ("SMT") market through the acquisition of the Siemens Electronics Assembly Systems business from Siemens AG.
With its headquarters in Munich, ASM Assembly Systems, or ASM AS, as the new ASM division is called, is offering SMT placement tools for the global electronics manufacturing industries.

Global Operations

With corporate headquarters in Almere, the Netherlands, ASMI operates manufacturing facilities in Singapore, Malaysia, Hong Kong, Germany and the People’s Republic of China, with design, research and development centers in Europe, North America, and Asia, and our sales and service operations spanning 18 countries across the globe. Our workforce totals more than 16,000 worldwide. ASMI trades on the NASDAQ stock market under the symbol “ASMI”, and on Euronext Amsterdam under the symbol “ASM”. ASMPT trades on the Hong Kong Stock Exchanges under the code 0522.

Building Atom by Atom
Atomic Layer Deposition (ALD) is an advanced process that enables the formation of thin films atom by atom. This truly enabling technology creates atomically-engineered nanoscale structures and devices with unique properties that address the challenges of very small dimensions. Building devices at the atomic level provides precise process control for uniform thickness of deposition materials over all topographies.

Expanding Application Markets
ALD serves an expanding range of applications within the semiconductor industry and beyond. Many leading edge products in use today from the high performance chips to the hard disk drives in our desktop PC's, and the low power chips in our wireless handheld devices are now built using ASM's ALD technology

Materials-Enabled Scaling
In the vast field of microelectronics, ALD is a critical technology for manufacturing integrated circuits that enables the continuation of *Moore's Law*. Inspired by Intel founder, Gordon Moore, *Moore's Law* states that the density of ICs will double approximately every two years. What makes ALD such a critical technology for the miniaturization of both transistors and capacitors is that it enables the semiconductor industry to lay down a myriad of new materials with atomic precision.

Like thermal ALD, PEALD or "Plasma Enhanced ALD" is an ASM innovation. PEALD not only widens the spectrum of materials that can be deposited, its capability to deposit many materials at temperatures as low as room temperature makes processes possible on temperature sensitive substrates such as photoresist. The technology is currently in use for so-called direct spacer defined double patterning, a technique that can reduce device dimensions at 32nm and below, postponing the need for new lithography technologies.

ASM: Pioneer and Industry Leader
ASMI pioneered ALD technology for the semiconductor industry in 1999, following the acquisition of Microchemistry in Finland, who researched ALD for over 20 years. Today, ASM is a leading supplier of ALD tools and process solutions, offering both single wafer and batch systems. Based on its current success with semiconductor industry leaders, ASMI is well positioned to leverage its market leadership in ALD as new ALD and PEALD films get qualified for high volume manufacturing.

Global R&D: the Foundation for Future Enhancements
ASM maintains the broadest and most diversified ALD development organization in the industry, with access to all the stages in its life cycle, from developing basic chemistry to the implementation in production. With research centers around the globe working on ALD - in Finland, the U.S., Japan, Korea, the Netherlands, and Belgium, as well as joint research projects with Europe's largest independent research institute, IMEC - at ASM, developments in ALD are a priority, and a dynamic and ongoing process.

ALD: Driving Sustainable Growth
Despite the early invention of ALD around 30 years ago, it is a technology still very early in its lifecycle. Over the next decade, ALD is expected to be one of the principal drivers of growth in microelectronics.

At ASM, ALD has grown from an emerging technology a decade ago, to a core technology today, and is a principal driver of our growth going forward.

Letter to Shareholders

2011 was a year of significant development for ASM, amid a global economy weakened by multinational debt crises and natural disasters that disrupted semiconductor equipment demand throughout the year.

Coming off a robust demand in 2010, the industry appeared poised to ride through another year of strong sales. As the year unfolded, cracks in consumer confidence and macroeconomic uncertainties quickly dampened customer capital expansion plans.
Nonetheless, total industry capital equipment spending rose modestly in 2011, in the 5-10% range, compared to the prior year's level. This reflected the robust activity of the first six months and continuing technology investments at the leading-edge nodes of 32 and 28 nanometer.

ASMI consolidated net sales were a record EUR 1.6 billion, up 34% from the prior year. Led by our Atomic Layer Deposition portfolio, Front-end reported record sales of EUR 456 million, an increase of 55% over the previous year, outperforming the industry and exceeding our benchmark result at the peak of the prior cycle in 2007. Thanks to this growth and the result of the cost-cutting and restructuring efforts completed a year ago, Front-end was profitable each quarter. Back-end also reported record net sales of EUR 1.1 billion, including ASM Assembly Systems, the Surface Mount Technology (SMT) business acquired from Siemens early in 2011. While our traditional assembly, packaging and LED markets were depressed in the year, the SMT market remained healthy through most of 2011 and was a significant contributor to overall Back-end results.

The consolidated gross margin was 35 percent, down from 45 percent in 2010, primarily reflecting the strain on Back-end margins. Front-end gross margin was 37%, down from 40% in 2010. Consolidated operating margin was 23 percent and included a substantial improvement in the Front-end operating margin, which rose from 8 percent in 2010 to nearly 16 percent in 2011. Net earnings allocated to the shareholders of the parent increased 64% year-over-year to EURO 194 million, equal to EURO 3.27 per common share (diluted).

Our total 2011 new orders of approximately EURO 1.4 billion were down 10% from the prior year, mainly reflecting the downturn in the IC/discretes and LED markets' demand for Back-end equipment. In Front-end, bookings declined only 2% from the 2010 level despite weakened business conditions, as we benefited from industry technology buys. We ended the year at approximately 33% lower backlog levels for both Front-end and Back-end, caused by the weakened business climate in the second half of the year.

Net cash from operations for 2011 was EURO 236 million, compared to EURO 271 million the prior year. The decline reflects the lower operating results. During the year, we took advantage of improved credit markets and the financial performance of ASMI by increasing and extending our existing standby revolving credit facility from EUR 90 to EUR 150 million and extended the maturity by two years to 2014, with an option for further extension with one year, if certain conditions are met.

In 2011, we continued our proactive effort to return value to our shareholders. With dividends received from our Back-end operation, we called the remaining approximately $45 million of the then outstanding 2011 convertible notes. We also initiated an annual cash dividend policy with the payment of EUR 0.40 per share in 2011. At the 2012 Annual Meeting of Shareholders in May, we will propose that the Company declare a dividend of EUR 0.50 per share.

Front-end: Solid Growth

Our Front-end business continued to make solid progress in 2011. Front-end's revenue growth in 2011 reflected to a large degree, the growing acceptance of ALD and PEALD as a mainstream technology at advanced technology nodes. As leader in ALD high-k metal gate for gate stack, ASM Front-end revenue benefitted from the ongoing industry transition to high-k dielectrics in volume manufacturing. In PEALD of low temperature dielectrics, we expanded our market penetration for double patterning. Front-end growth in 2011 reflected also the success of our epitaxy and Vertical Furnace product lines in the analog sector.

In 2011 we also further increased our engagements with leading device makers in the logic, memory and foundry segments to qualify new deposition processes for sub-20nm technology nodes.

With the major components of our Front-end restructuring completed in 2010, we focused on refining and streamlining operations in 2011. Following the substantial efforts undertaken to transfer manufacturing to Singapore, we succeeded in further standardizing and harmonizing activities and business processes, from engineering design specifications and fabrication processes, to financial functions and human resource management.

Back-end: Entering New Markets

With the acquisition of Siemens AG's Electronics Assembly Systems division in 2011, Back-end added a new growth engine that doubled the size of its addressable market. Renamed ASM AS, this division provides placement tools to the Surface Mount Technology market. Surface Mount Technology is a process step downstream from Back-end's assembly and packaging businesses and will be an important component in Back-end's expansion strategy going forward.

This acquisition also reflects Back-end's commitment to make long-term strategic investments in adjacent markets as it continues to build business with both a diversified customer base, and geographical distribution that will support market leadership in the years ahead.

During the year, ASM launched the GoCu copper wire bonder. This tool provides higher overall productivity and machine uptime when converting from gold to copper wire bonding, and has been well-received in the marketplace. Back-end also introduced a new ultra-thin wafer encapsulation system, and a die bonder for the stack die memory market. We also shipped our first solar wafer inspection system, which is equipped with advanced 3-D inspection capabilities developed in-house by ASM, marking Back-end's entrance into the equipment market for solar energy products.

In 2011, we completed the construction of Back-end's new R&D facility in Chengdu, China, and entered the second phase of expansion of our new factory in Huizhou, China, for assembly, packaging, and SMT equipment production. Regarding SMT, new sourcing initiatives are ramping according to plan, and an increasing number of components and modules are being designed and manufactured in Asia, contributing to lower SMT production costs.

Outlook

By executing our Front-end and Back-end strategies in 2011, we have expanded our addressable markets and our customer base, created new applications in Front-end, and added a major product segment in Back-end. Our progress documents the efficacy of our long-term focus on leading-edge technologies and market diversification for continued growth. Our core products, in wafer processing and assembly and packaging, supply equipment for high-growth, end-market segments, including media tablets, smartphones, mobile personal computers and LED applications. As we enter 2012, while the weakened global economic environment presents us with near-term challenges, consumer demand for increasingly sophisticated wireless devices, such as smartphones and tablets, is expected to continue to drive semiconductor growth in 2012. While industry research forecasts an overall modest decline in semiconductor capital equipment spending for 2012, it also indicates that investments in advanced technologies will continue as the industry ramps smaller-node capabilities at 32/28 nanometer and below. Furthermore, with the increasing chip content in multiple markets including mobile devices, automotive and energy efficient technologies, the semiconductor industry continues to demonstrate long term structural growth that supports the need for new and smarter manufacturing techniques today and for future generations.

We believe ASM's innovative and leading-edge product portfolios, and the collective talent of our global workforce, provide compelling opportunities for long-term growth.

We appreciate the ongoing dedication of our employees, the trust of our customers, and the support of our shareholders. ASM remains entirely committed to executing on strategic plans that we believe can provide further incremental value to all of our constituencies.

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

Almere, The Netherlands
April 3, 2012

Report from the Supervisory Board

Financial Statements
We present the ASMI 2011 Statutory Annual Report in accordance with IFRS, as prepared by the Management Board and reviewed by the Supervisory Board. Our independent auditors, Deloitte Accountants B.V., have audited these Annual Accounts and issued an unqualified opinion. Their report appears on page 102.
All of the members of the Supervisory Board have signed the Financial Statements in respect of the financial year 2011.

Termination of shareholder litigation
On March 30, 2012 the Dutch Supreme Court dismissed the request for appeal made by certain shareholders of the Company against the decision of the Amsterdam Enterprise Court of April 14, 2011 that there are no grounds for a judicial enquiry into the affairs of ASMI. The Supreme Court ruling is final and cannot be appealed. The Management Board and the Supervisory Board welcome this ruling which means that the proceedings instigated by certain shareholders in 2008 against the Company have now finally come to an end.

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 www.asm.com.

Meetings of the Supervisory Board
During 2011, the Supervisory Board met with the Management Board on six occasions, and in a number of conference calls. Furthermore, the Supervisory Board held a few conference calls without the Management Board participating. In these meetings, the Boards discussed operations, business risks, product and market developments, the Company's organization, management and financial structure and performance, and initiatives of shareholders. In 2011, an important focus of the Boards was for Front-end to grow sales and operating profits resulting from continued strong inroads especially with our (PE)ALD technology, and in Back-end to integrate the Assembly Systems business which we acquired from Siemens. The Supervisory Board devoted also time in discussions on the Company strategy.
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 U.S. 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
The Supervisory Board is currently composed of six members. The composition of the Supervisory Board did not change in 2011. Further information on the individual members of our supervisory board is available on our website www.asm.com.

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. The Audit Committee consists of Messrs Jan Lobbezoo (Chairman), Heinrich Kreutzer and Ulrich Schumacher.
During the year, the Audit Committee held five meetings with the Management Board and Deloitte Accountants, the Company's independent auditors. 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 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, www.asm.com. 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 Gert-Jan Kramer (Chairman), Martin van Pernis and Johan Danneels.

In 2011, the Nomination, Selection and Remuneration Committee held three 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 Note 30 "Board Remuneration" to the Consolidated Financial Statements. The remuneration of the members of the Management Board during 2011 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.

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 2011. We recognize that the cumulative efforts of our work force are truly creating real value for all of our stakeholders.

Supervisory Board

G.J. Kramer, Chairman
J.M.R. Danneels
H.W. Kreutzer
J.C. Lobbezoo
M.C.J. van Pernis
U.H.R. Schumacher

Almere, The Netherlands
April 3, 2012

Management Board Report- Corporate Governance

General

As we are listed on both the NASDAQ Global Select Market ("NASDAQ") and on NYSE Euronext Amsterdam, we are required to comply with the applicable Sarbanes-Oxley Act corporate governance requirements and applicable best practices set out by NASDAQ, the U.S. 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 believe our numerous internal policies and procedures provide a good structure for the operation of ASMI that is consistent with 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 U.S. and applicable Dutch corporate governance requirements, to the extent possible and desirable. In this section, we discuss our corporate governance structure in accordance with the Code.

Corporate governance related documents are available on our website, including 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

The Code contains principles and best practices for Dutch companies with listed shares and 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 www.commissiecorporategovernance.nl.

Pursuant to rule III.5.11 of the Code the chairman of the Supervisory Board should not act as chairman of the Remuneration Committee. However, ASMI does not have a separate Remuneration Committee but has combined the Remuneration Committee and the Selection and Nomination Committee as envisaged by the Code in a Nomination, Selection and Remuneration Committee (NSRC) which is chaired by Mr Gert-Jan Kramer. To the extent that the chairmanship of Mr Kramer of the NSRC qualifies as a deviation from the Code, ASMI believes that such deviation is in the best interest of the Company and its stakeholders given the overriding importance of the chairman of the supervisory board's significant involvement in the nomination and selection process for management and supervisory board members.

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.

Management Board

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 which ensure that all major financial information is known to the Management Board to ensure the timeliness, completeness and accuracy of the external financial reporting are achieved; and
- determining relevant aspects and achieve aims in relation to corporate social responsibility and sustainability.

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

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 the execution of 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 adequate 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 timely provide the Supervisory Board with all information that they reasonably require for the fulfillment of their obligations and the exercise of their powers.

The Management Board shall timely 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, unless this would be contrary to an overriding interest of the Company. If the Management Board invokes an overriding interest, it must give reasons.

The Management Board is responsible for the quality and completeness of financial and other reports, which 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. A Management Board member shall in such cases 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 from 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 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.

Remuneration

The remuneration of individual members of the Management Board is decided upon by the Supervisory Board on the recommendations by the Nomination, Selection and Remuneration Committee of the Supervisory Board and is based 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), long-term component (stock options) and pension provisions and fringe benefits. The remuneration structure mirrors short-term and long-term elements of the responsibilities of members of the Management Board.

ASMI has adopted a stock option plan, which has been submitted to and adopted by the General Meeting of Shareholders at the 2001 Annual General Meeting of Shareholders. This plan has been extended at the 2006 Annual General Meeting of Shareholders, for a five-year period ending 2011. In 2011 a new stock option plan was adopted which 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 SOPS or under any other plan or arrangement in aggregate 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, reference is made to the Remuneration Policy, which is posted on our website, the Remuneration Report 2011, which will be posted on our website, the Report from the Supervisory Board 2011, which is included in this Statutory Annual Report 2011 in Note 30 "Board Remuneration" to the Consolidated Financial Statements.

Internal Risk Management and Control Framework

The Management Board is responsible for designing, implementing and operating an adequate 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 of the Company's operations, to promote reliable financial reporting and to promote compliance with laws and regulations. The Management Board is aware that such 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 on Form 20-F.

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, within 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 budget of Front-end and Back-end are approved by the Management Board and the Supervisory Board. At Front-end the planning and control cycle starts with an annual Strategy meeting. The budget includes objectives and targets, which provide the basis for the monitoring of performance. For the Front-end activities the budget is followed up by monthly outlooks and quarterly forecasts. The Management Board monitors performance, both operational and financial, 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.

The ASMPT Board is responsible for ongoing monitoring of the performance of the Back-end activities, including the acquired AS business. The actual results of Back-end are discussed with the ASMPT Audit Committee and reported to the ASMI Management Board on a quarterly basis. On a monthly basis updates are discussed between the ASMPT board and ASMI Management Board.

Finally each quarter for our operating units Front-end and Back-end the actual performances compared to budgets and planning are discussed with the ASMI Audit Committee and the Supervisory Board

Code of Ethics, Whistleblower Policy, 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 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 Company 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 Company resources, information security, and conflicts of interest).

Environment, Health and Safety Procedures

We have embedded various procedures concerning 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 extensive guidelines for the lay-out and the content of our annual reports. These guidelines are primarily based on applicable laws. We apply the requirements of the U.S. Securities and Exchange Act 1934 in preparing our Annual Report 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, and prepare the financial statements included therein in accordance with 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 and to ensure compliance with applicable disclosure requirements arising under U.S. and Netherlands 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.

The Management Board, after evaluating the effectiveness of our disclosure controls and procedures and recommendation by the Disclosure Committee, concluded that as of December 31, 2011 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 quarterly sign a detailed letter of representation 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 financial reporting both on the transaction level and entity level and continuously assess such internal controls. We identified key controls over financial reporting and embedded these in common business and financial reporting processes to provide further assurance regarding 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 of the members of the Management Board concluded that as of December 31, 2011, the Company's internal control over financial reporting was effective and provides reasonable assurance regarding 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 2011 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 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 owned by 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 the achievement of our company objectives and strategy and the mitigating controls and programs in place. The assessment process is in progress and will continue on an ongoing basis. For 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 circumstance and market conditions. The semiconductor industry and market have always been very cyclical and dependent on the economic climate. The industry has recovered from the severe economic downturn in 2008-2009 and the impact of the resulting credit crisis. In second half of 2011 the industry faced the consequences of the Euro crisis and slower growth of the China economy, which have negatively impacted the order intake from our customers. We face the risk of not being able to respond timely and effectively to these industry cycles, and not being able to reduce our activities and expenses in time. On the other hand, industry upturns which we experienced in 2010 and first half of 2011 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 assimilate a sufficient number of additional qualified personnel. These variable economic and market conditions materially affect our revenues, income, assets and liquidity and capital resources.

The cyclicality is inherent to the semiconductor industry, but we endeavor to mitigate its effects. As an example, we have increased flexibility of our employees. Furthermore we focus as well on the sales of spare parts and customer service, which are less correlated with 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 affecting our revenues and creditworthiness of customers. As a result, our cash position may be severely impacted. Credit facilities and borrowings are in place to mitigate the impact on our cash position. Furthermore we 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 for advanced technology on the other hand.

  - Balancing Cost Control and Long Term Investments

As market conditions affect our business by a decline of revenues, cost control becomes an important measure to reduce the impact on financial results. Our industry is subject to rapid decline of revenues and we may not be able to respond in time by reducing costs and expenses to avoid 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 have technology projections forward by as much as 5-10 years. The execution of product roadmap needs 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 time for production and delivery of some of our products creates 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 affecting the creditworthiness of several of these companies. We may not succeed in avoiding the effect of bad debts completely.

Creditworthiness assessments of customers and the close monitoring of outstanding receivables have become more critical. Therefore, risk profiles of customers are reviewed and based on due diligence information and adjusted. The assessment process is carried out under 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 credit facilities 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 leading 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, for more insight in the financing position of the Company.

ASMI has short term and long term credit facilities and borrowings. We increased and extended our standby revolving credit facility in 2011.

- Foreign Currency Exchange Rates Risk

The foreign currency exchange risk exists for three types of risks:

  - 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 U.S dollar, by way of derivative instruments (including forward exchange contract).

  - 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 U.S. Dollar the Singapore Dollar, the Korean Won and the Japanese Yen to the Euro) may have material effect on the reported results.

As the translation to reporting currency does not lead to realized currency exchange results, and local activities are 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 rates changes are leading to unfavorable competitive circumstances. The mismatch of currency between revenues and expenditures leads to economic exposure.

We have taken the following mitigating measures: borrowings in local currency mitigating the economic risk from currency mismatch, increased flexibility in the currency of sourcing and bringing manufacturing activities to Singapore. The movement to Singapore should primarily improve our competitive edge, but will also limit our economic risk to a certain extent.

Supervisory Board

Responsibilities

The supervision over the policies of our Management Board and the general course of our business and the management actions related thereto 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 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 amongst their midst.

The Supervisory Board is currently composed of six 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.

Any (re)appointment to the Supervisory Board shall be based on consistency with the Supervisory Board Profile. On reappointment, account shall be taken of the candidate's performance in the past period. A Supervisory Board member who is available for reappointment must be interviewed by the chairman of the Supervisory Board 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 last approved by the shareholders in the 2010 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. Lobbezoo (Chairman), Mr. Schumacher and Mr. Kreutzer.

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 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 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

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. Kramer (Chairman), Mr. Danneels and Mr. Van Pernis.

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 mirrors 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 and following the evaluation 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 past year and the Remuneration Policy for the following years.

Pursuant to rule III.5.11 of the Code the chairman of the Supervisory Board should not act as chairman of the Remuneration Committee. However, ASMI does not have a separate Remuneration Committee but has combined the Remuneration Committee and the Selection and Nomination Committee as envisaged by the Code in a Nomination, Selection and Remuneration Committee (NSRC) which is chaired by Mr Gert-Jan Kramer. To the extent that the chairmanship of Mr Kramer of the NSRC qualifies as a deviation from the Code ASMI believes that such deviation is in the best interest of the company and its stakeholders given the overriding importance of the chairman of the supervisory board's significant involvement in the nomination and selection process for management and supervisory board members.

The Shareholders and General Meeting of 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

Our Articles of Association provide that the Management Board can determine a record date for the exercise of voting rights by shareholders at a general meeting. In accordance with Dutch law, this date cannot be set earlier than thirty days prior to the meeting. For our May 15, 2012 Annual General Meeting of Shareholders the record date 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.

The Audit of the Financial Reporting, and the Position of the External Auditor and the Internal Auditor Function

Role, Appointment, Remuneration and Assessment of the Functioning of the External Auditor

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 2011 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 2011 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 as required by article 5:25C of the Dutch Act on Financial Supervision

The members of the Management Board state that, to the best of their knowledge, (i) the financial statements, as shown on pages 42 to 93 of our Statutory Annual Report, provide a true and fair view of the assets, liabilities, financial position and result for the financial year 2011 of ASM International and its subsidiaries included in the consolidated statements, (ii) the Annual Report, as shown on pages 94 to 99 of this report, provides a true and fair view of the position and the business of ASM International and its subsidiaries (details of which are contained in the financial statements), and (iii) the Annual Report provides a description of the principal risks and uncertainties that ASM International faces.

Corporate Governance Statement

According to the Governmental Decree of 23 December 2004 governmental (as lastly amended on December 10, 2009), ASM International has to publish a statement on corporate governance. This statement has to report on compliance with the Code. Furthermore, a description must be included on 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) is included in this "Corporate Governance" chapter.

Management Board Report- Management Report

Overview

We are an equipment supplier to the semiconductor, LED and electronics manufacturing industry . We design, manufacture and services to our customers for the production of semiconductor devices, or integrated circuits, for the production of LED's and for electronics manufacturing in general. The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. ASMI is mainly active in wafer processing (Front-end) and assembly and packaging (Back-end). Front-end equipment performs various fabrication processes in which multiple thin films of electrically insulating or conductive material are grown or deposited onto a round slice of silicon, called a wafer. Back-end equipment separates these processed wafers into numerous individual dies, each containing the circuitry of a single semiconductor device, and assembles packages and tests the dies in order to create semiconductor devices. We conduct our Front-end business, which accounted for 28% of our net sales in 2011, through our principal facilities in the Netherlands, the United States, Japan and Singapore. We conduct our Back- end business, which accounted for 72% of our net sales in 2011, through our principal facilities in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany. Our Back-end operations are conducted through our 52.17% majority-owned subsidiary, ASM Pacific Technology.

We sell our products to the semiconductor manufacturing industry and the pick and placement industry, which is subject to sudden, extreme, cyclical variations in product supply and demand.

After a very strong year 2010 for the industry as a whole, the year 2011 Shows a mixed picture. 2011 started strong with a further increase of our order book in Q1 2011, however as from Q2 a reduction in the order intake took place, compensated in the following quarters, especially in the Back-end by deliveries out of our order book. Towards the end of 2011 we saw also a reduction in the order intake in our newly acquired AS activities. As a consequence of this fast decline in the economic climate sales for the year ended at a level of € 1,634 million (excl. AS € 1,190 million). Sales in the Front-end show for the full year an increase from € 293 million to € 456 million. This 55% increase of net sales was driven by increased equipment and higher spares and service sales amongst others due to strong inroads made with enabling new technologies in (PE)ALD and as a result of increased activity at our customers In our Back-end segment sales increased from € 930 million to € 1.178 million. In the Back-end segment we saw a strong sales increase due to the acquisition of the AS activities of Siemens, which contributed € 444 million to the sales in 2011. For the existing activities of the Back-end segment sales decreased from € 929 million to €734 million. This decrease was mainly caused by the lower LED equipment sales and the worsening of the business climate in the second half of 2011.

The gross margin for ASMI consolidated decreased from 45.2% in 2010 to 34.8% in 2011. Gross margin in our Front-end segment decreased from 40.3% in 2010 to 37.4% in 2011, while our Back-end segment showed a decrease from 46.8% to 33.8% for the same period. The decrease of the gross margin in our Front-end segment compared to last year is mainly attributable to the product mix differences which impacted especially the Q4 margin. The gross profit margin in the comparable Back-end segment decreased due to mix differences between equipment and lead frame sales, the increase in raw material prices for its lead frame business and, especially in the second half of 2011 due to the lower loading of the factories. The acquisition of the AS business impacted the gross margin as a result of its lower gross margin and the revaluation of acquired inventories at fair value.

The result from operations as a percentage of sales decreased from 27.5% in 2010 to 23.1% in 2011. The purchase price allocation of the newly acquires SEAS business resulted in a gain of bargain purchase of € 108 million. The operating margin of our Front-end segment increased from 8.1% in 2010 to 15.8% in 2011. For the same period the operating margin of our comparable Back-end segment decreased from 33.6% to 22.2%.

Net earnings for 2011 were strongly affected by the gain on the bargain purchase of SEAS.

The company generated a positive operational cash flow in 2011 of €236 million, compared to €271 million in 2010. As well the Front-end as the Back-end operations were generating a positive operational cash flow in 2011.

In January 2011, we exercised our right to call the outstanding 4.25% convertible subordinated notes (due 2011), resulting in conversion of all remaining notes at February 15. As a result a revaluation of the conversion option (€ 4.4 million) was included in our results for the first quarter of the year 2011.

Sales

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

The following table shows the geographic distribution of our Front-end and Back-end sales for the years 2010 and 2011:

	Year ended December 31,					
(amounts in millions)	**2010**			**2011**		
Front-end:						
United States	€ 91.7	31.3	%	€ 148.4	32.5	%
Europe	67.9	23.1		107.8	23.6	
Taiwan	35.1	12.0		37.8	8.3	
Japan	33	11.2		49.7	10.9	
South Korea	37.3	12.7		70.2	15.4	
China	21.5	7.3		23.6	5.2	
Other	6.9	2.4		18.6	4.1	
	€ 293.4	100	%	€ 456.1	100	%
Back-end:						
People's Republic of China	€ 350.0	37.7	%	€ 527.6	44.8	%
Europe	8.3	0.9		230.2	19.5	
Taiwan	148.8	16.0		71.9	6.1	
Malaysia	112.1	12.1		84.0	7.1	
South Korea	97.8	10.5		41.4	3.5	
Hong Kong	39.9	4.3		26.7	2.3	
Thailand	42.1	4.5		32.5	2.8	
Japan	57.4	6.2		47.0	4.0	
Singapore	13.8	1.5		16.7	1.4	
Philippines	34.4	3.7		34.8	3.0	
United States	21.1	2.3		37.5	3.2	
Other	3.8	0.4		28.0	2.4	
	€ 929.5	100	%	€ 1,178.3	100	%

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 our Back-end equipment is built in standard configurations. We build Back-end products that 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. Our Back-end customers' acceptance periods generally are shorter than those for Front-end equipment. We provide installation, training and technical support to our customers with local staff 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 tend to be uneven across customers and financial periods. Sales to our ten largest Front-end customers accounted for 61.4%, 61.2% and 70.4% of Front-end net sales in 2009, 2010 and 2011, respectively. The composition of our ten largest Front-end customers changes from year to year. The largest Front-end customer accounted for 30.6%, 21.6% and 22.8% of Front-end net sales in 2009, 2010 and 2011, respectively.

Back-end sales per customer tend to be more level over time than Front-end sales, because Back-end operations can be scaled up in smaller increments at existing facilities. Sales to our ten largest Back-end customers accounted for 32.7%, 27.3% and 20.2% of Back-end net sales 2009, 2010 and 2011, respectively. Because our Back-end customers' needs are more level over time, the composition of our ten largest customers is more stable from year to year than in the Front-end. Our largest Back-end customer accounted for 6.0%, 4.3% and 3.5% of Back-end net sales 2009, 2010 and 2011, respectively.

Research and Development

We continue to invest in research and development at a high level. As part of our research and development activities, we are engaged in various development programs with customers and research institutes that 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.

Risk factors

In conducting our business, we face a number of risks that each could materially affect our business, revenues, income, assets and liquidity and capital resources. The risks described below 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. See our 2011 Annual Report on Form 20-F for a detailed description of the following risk factors:

Risks related to our industry:

- The industry in which we operate is highly cyclical.
- 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.
- If we fail to adequately invest in research and development, we may be unable to compete effectively.
- 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.
- Industry alliances may not select our equipment.

Risks related to our business:

- Commencing in 2009, we implemented a major restructuring plan in our Front-end operations, the execution of which involved risks to our business and financial results.
- Our customers face challenges in economic downturns and if they cannot perform their obligations to us our financial results will suffer.
- 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.
- 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.
- Our products (primarily in the Front-end) generally have long sales cycles and implementation periods, which increase our costs of obtaining orders and reduce the predictability of our earnings.
- 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.
- 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.
- Our net earnings could be negatively impacted by currency fluctuations.

- 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.

- 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.

- The Dutch Enterprise Court reviewed and dismissed the inquiry in relation to ASMI and Stichting Continuïteit ASM International.

- 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.

- Although we currently are a majority shareholder of ASM Pacific Technology, we may not be able to maintain our majority interest, which, if other circumstances are such that we do not control ASM Pacific Technology, would prevent us from consolidating its results of operations with ours. This event would have a significant negative effect on our consolidated earnings from operations.

- Although we are a majority 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 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.

- 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.

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

- 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.

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

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

Risks related to an investment in our shares:

- Lehman Bros. liquidation administrators have notified us that our common shares purchased by Lehman and held by Lehman in custody accounts on our behalf may have a shortfall.

- Our founder who is also Chairman of the Board of ASM Pacific Technology controls approximately 20.49% 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 anti-takeover provisions may prevent a beneficial change of control.

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

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

- 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:

    - cyclicality 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 U.S. 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, in our Front-end segment 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.

Critical Accounting Policies

Since the initial listing of ASMI on NASDAQ Global Select Market in the United States of America, ASMI has followed accounting principles generally accepted in the United Stated of America (“US GAAP”), both for internal as well as external purposes. We are required by European Regulations to also publish Consolidated Financial Statements in accordance with International Financial Reporting Standards (“IFRS”) from 2005 onwards. The accompanying Consolidated Financial Statements, prepared for statutory purposes, have been prepared in accordance with IFRS as endorsed by the European Union.

The principal differences per December 31, 2011 between US GAAP and IFRS relate to accounting for goodwill, accounting for development expenses, accounting for inventory obsolescence reserve and accounting for debt issuance fees.

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with IFRS. We apply the going concern basis in preparing our Consolidated Financial Statements. Historical cost is used as the measurement basis unless otherwise indicated. The preparation of consolidated financial statements and related disclosures in conformity with IFRS 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. Certain 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, "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 USGAAP, and provide a meaningful presentation of ASMI's financial condition and results of operations.

Analysis of specific sensitivity to changes of estimates and assumptions are included in the notes to the financial statement.

Management believes that the following are critical accounting policies:

Revenue Recognition
We recognize 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 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 the best estimate of the selling price ('BESP'). 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, 2010 and December 31, 2011 we have deferred revenues from installations in the amount of €4.4million and €6.3 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 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. At December 31, 2010 and December 31, 2011 we had no deferred revenue from sales of equipment.

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. For the front-end business and the SMT business 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, as a result of which 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
We 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 incurs, 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.

Before recognizing a gain on a bargain purchase, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognized any additional assets or liabilities that are identified in that review. The Company then reviews the procedures used to measure the amounts IFRS requires to be recognized at the acquisition date for all of the following: the identifiable assets acquired and liabilities assumed; the non-controlling interest in the acquiree, if any; and the consideration transferred.

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. Our Back-end impairment test is based on the market value of the listed shares of ASMPT. The material assumptions used by management for the annual impairment test performed per December 31, 2011 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.

- A discount rate of 20.5% (last year 20.5%) representing the pre-tax weighted average cost of capital. This relative high rate is a consequence of the current situation whereby certain production lines are in the early phase of the product lifecycle, hence reflecting a higher risk.

- For Back-end the market value of the listed shares of ASMPT on the Hong Kong Stock exchange has been used in our analysis.

Management believes 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, 2011.

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. At December 31, 2011, 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. In 2009 we recorded impairment charges mainly related to certain demo tools which were as a result of the strategic reorientation determined end of life. Our cash flow estimates used include certain management judgments and were based on our best estimates and projections at the time of our review, and 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. At December 31, 2011, a decrease in estimated cash flows of 10% would not result in an impairment of the carrying value of long-lived assets.

Development Expenses
IAS 38 “Intangible Assets” requires capitalization of development expenses if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;

- its intention to complete the intangible asset and use or sell it;

- its ability to use or sell the intangible asset;

- how the intangible asset will generate probable future economic benefits;

- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

- its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Prior to December 31, 2004 ASMI’s administrative systems did not distinguish between research expenses and development expenses and as a result, ASMI could not demonstrate its ability to measure the expenditure attributable to the intangible asset during its development reliably. At January 1, 2005, ASMI implemented a change to its administrative systems and is able to reliably capture development expenses. As a result, from 2005 onwards ASMI capitalizes development expenses that meet the above-mentioned criteria in its Consolidated Financial Statements prepared in accordance with IFRS. US GAAP prohibits capitalization of research and development costs.

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 material adverse 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 a material adverse effect on ASMI's financial condition and results of operations. At December 31, 2011 the allowance for doubtful accounts amounted to €7.6million, which is 2.3% of our total accounts receivable

Inventories
Inventories are stated at the lower of cost (first-in, first out method) or market value. Inventory in the newly acquired SEAS business is generally determined on the basis of an average method. 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 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 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.

At December 31, 2011 our allowance for inventory obsolescence amounted to €57.3 million, which is 13.2% of our total inventory. If circumstances related to our inventories change, our estimate of the values of inventories could materially change. At December 31, 2011, 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 €43 million.

Convertible bonds and conversion option
All our 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"). IFRS requires separate recognition of these components.

For the conversion options of the convertible bonds due 2010 and 2011 the accounting is different from that for the conversion option of the convertible bonds due 2014. As the convertible bonds due 2010 and 2011 are denominated in USD and the ASM International common shares in which they can be converted to 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, and for 2010 this revaluation at fair value resulted in a loss of € 19.0 million (2009: loss € 24.4 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 into 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.

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 2011 this accretion interest was € 3.9 million (2010: € 5.9 million).

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. At December 31, 2011, 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 €71.9 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, 2011 is not realizable, this would result in an additional valuation allowance and an income tax expense of €3.2 million.

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 the Company's 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 2010 and 2011:

	Year ended December 31,					
	Front-end		Back-end		Total	
	2010	2011	2010	2011	2010	2011
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(59.7)	(62.6)	(53.2)	(65.2)	(54.8)	(65.2)
Gross profit	40.3	37.4	46.8	33.8	45.2	34.8
Selling, general and administrative expenses	(17.2)	(13.4)	(8.6)	(9.7)	(10.7)	(10.5)
Research and development expenses	(11.0)	(8.2)	(4.6)	(6.9)	(6.1)	(7.2)
Amortization of other intangible assets	(0.1)	(0.0)	-	(0.1)	(0.0)	(0.0)
Impairment charge property, plant and equipment	-	-	-	(0.7)	-	(0.5)
Gain on bargain purchase	-	-	-	9.2	-	6.6
Restructuring expenses	(3.8)	-	-	-	(0.9)	-
Earnings (loss) from operations	8.1	15.8	33.6	25.9	27.5	23.1
Net interest income (expense)	(5.1)	(2.7)	0.1	0.2	(1.2)	(0.6)
Accretion of interest convertible	(2.1)	(0.9)	-	-	(0.5)	(0.2)
Revaluation conversion option	(6.5)	(1.0)	-	-	(1.6)	(0.3)
Debt issuance fees	-	(0.3)	-	-	-	(0.1)
Gain (expense) resulting from early extinguishment of debt	(1.2)	-	-	-	(0.3)	-
Foreign currency exchange gains (losses)	(0.6)	1.8	0.2	(0.2)	(0.0)	0.3
Earnings (loss) before income taxes and dilution	(7.3)	12.8	33.9	25.8	24.0	22.2
Income tax expense	(2.1)	(1.5)	(4.0)	(2.7)	(3.5)	(2.4)
Net earnings (loss)	(9.4)	(11.3)	29.9	23.1	20.5	19.8
Allocation of net earnings (loss)						
Shareholders of the parent					9.7%	11.9%
Minority interest					10.8%	7.9%

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010

Net Sales. The following table shows net sales of our Front-end and Back-end segments for the full year 2011 compared to the same period in 2010:

(EUR millions)			Full year
	2010	2011	% Change
Front-end	293.4	456.1	55%
Back-end			
-Excluding ASM AS (comparable)	929.5	734.4	(21)%
-ASM AS	-	443.8	n/a
Back-end total	929.5	1,178.3	27%
ASMI consolidated	1,222.9	1,634.3	34%

The increase of net sales in the full year 2011 in our Front-end segment compared to last year was driven by increased equipment and higher spares and service sales amongst others due to strong inroads made with enabling new technologies in (PE)ALD and as a result of increased activity at our customers. In our Back-end segment record sales were realized due to the acquisition of SEAS (ASMAS).

The impact of currency changes year-over-year was a decrease of 5%.

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 2011 compared to the same period in 2010:

(EUR millions)					Full year
	Gross profit		Gross profit margin		
	2010	2011	2010	2011	Increase or (decrease) percentage points
Front-end	118.2	170.5	40.2%	37.4%	(2.8)pt
Back-end -Excluding ASM AS (comparable)	435.0	284.5	46.8%	38.7%	(8.1)pt
-ASM AS	-	113.8	n/a	25.6%	n/a
Back-end total	435.0	398.3	46.8%	33.8%	(13.0)pt
ASMI consolidated	553.2	568.8	45.2%	34.8%	(10.4)pt

The decrease of the gross margin in our Front-end segment compared to the same period last year is mainly attributable to the product mix differences. The gross profit margin in the Back-end segment decreased due to mix differences between equipment and lead frame sales, the increase in raw material prices for its lead frame business, the acquisition of the AS business with its lower gross margin, and the lower trading in the course of 2011.

Business combination accounting rules require us to account for inventories assumed from our acquisitions at their fair values. The revaluation of the acquired inventories increased both cost of sales and the gain on bargain purchase with €11.5 million.

The impact of currency changes year to year was a decrease of 5%.

Selling, General and Administrative Expenses. The following table shows selling, general and administrative expenses for our Front-end and Back-end segments for the full year 2011 compared to the same period in 2010:

(EUR millions)			Full year
	2010	2011	% Change
Front-end	51.0	59.8	17%
Back-end -Excluding ASM AS (comparable)	79.9	77.9	(3)%
-ASM AS	-	33.0	n/a
- Acquisition related transaction costs	-	2.4	n/a
Back-end total	79.9	113.3	42%
ASMI consolidated	131.0	173.0	32%

As a percentage of net sales, selling, general and administrative expenses were 11% in the full year of 2011, flat compared to the same period of 2010.

For the full year of 2011 selling, general and administrative expenses as a percentage of net sales of our Front-end segment, were reduced to 13% compared with 17% for the full year of 2010. On a comparable base- excluding the AS business- for the period under review the selling, general and administrative expenses in the Back-end segment as a percentage of net sales increased from 9% in 2010 to 11% in 2011.

The impact of currency changes year to year was a decrease of 4%.

Research and Development Expenses. The following table shows research and development expenses for our Front-end and Back-end segments for the full year 2011 compared to the same period in 2010:

(EUR millions)	2010	2011	% Change
Front-end:			
Research and development expenses	25.7	30.1	17%
Amortization of capitalized development expenses	4.5	6.7	49%
Impairment of capitalized development expenses	2.5	1.4	(44)%
Research and development grants and credits	(0.5)	(0.8)	60%
	32.2	37.4	16%
Back-end:			
-Excluding ASM AS (comparable)	42.3	43.3	3%
-ASM AS	-	37.5	n/a
Back-end total	42.3	80.9	91%
Total research and development expenses	74.5	118.3	59 %

As a percentage of net sales, research and development expenses were 7% in the full year of 2011, an increase of 1%-point compared to the same period of 2010.

The impact of currency changes year to year was a decrease of 4%.

Impairment charge 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 recoverable amount of the relevant assets.

Gain on bargain purchase. On 7 January 2011, ASMPT acquired the entire equity interest of 13 direct and indirect subsidiaries of Siemens Aktiengesellschaft ("SEAS Entities"). We recognized a gain of €107.9 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 €107.9 million was recognized upon completion of the acquisition of the SEAS entities. The gain on bargain purchase was mainly attributable to depressed market value of the acquired business because of years of losses due to challenging economic environment and the bad global economic environment during the period of negotiation of the acquisition.

Earnings from Operations. The following table shows earnings from operations for our Front-end and Back-end segments for the full year 2011 compared to the same period in 2010:

(EUR millions)			Full year
	2010	2011	Change
Front-end			
Excluding impairments and restructuring	35.0	71.9	36.9
- Restructuring	(11.2)	-	11.2
Including impairments and restructuring	23.8	71.9	48.1
Back-end			
Comparable	312.7	164.8	(148.0)
-ASM AS	-	43.2	43.2
-Impairments	-	(8.0)	(8.0)
-Gain bargain purchase SEAS	-	107.9	107.9
-Acquisition related transaction cost	-	(2.4)	(2.4)
Back-end total	312.7	305.5	(7.2)
ASMI consolidated	336.5	377.4	40.9

The impact of currency changes year to year was a decrease of 6%.

Net Interest Expense. Net interest expense amounted to €10.6 million in 2011 compared to the net interest expense of €14.5 million in 2010. This decrease in net interest expenses mainly resulted from a lower average debt in 2011.

Accretion interest expense convertible notes. Both our convertible bonds due 2011 and 2014, 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"). IFRS 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 2011 this accretion interest was €3.9 million (2010; €5.8 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"). IFRS requires separate recognition of these components.

For the conversion options of the convertible bonds due 2011 the accounting is different from that for the conversion option of the convertible bonds due 2014. As the convertible bonds due 2011 was denominated in USD and the ASM International common shares in which they can be converted to 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 (2010: €19.0 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 in which they can be converted to are denominated in the functional currency (Euro). Based on the before mentioned criteria the conversion option qualifies as permanent equity.

In 2010 US$ 56.5 million convertible subordinated notes have been repurchased for a market value of US$ 74.6 million. The loss from the early extinguishment of the notes of €3,609, which includes the write-off of unamortized issuance costs and the amortization of unamortized interest expenses, has been recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2010.

Income Tax Expense. Income tax expense decreased from €43.0 million in 2010 to €38.7million in 2011, resulting from the balance of an increase of result before tax in 2011 and a release of certain valuation allowances.

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, 2011 compared to the same period in 2010:

(EUR millions)			Full year
	2010	2011	Change
Front-end			
-Excluding special items	6.1	56.9	50.8
-Restructuring charges	(11.2)	-	11.2
-Loss from early extinguishment of debt	(3.6)	(0.8)	2.8
-Fair value change conversion options	(19.0)	(4.4)	14.7
-Special items	(33.8)	(5.2)	28.6
-Including special items	(27.7)	51.7	79.4
Back-end			
-Excluding special items	146.3	89.9	(56.4)
-Impairments	-	(4.2)	(4.2)
-Gain bargain purchase SEAS	-	57.0	57.0
-Special items	-	52.8	52.8
-Including special items	146.3	142.7	(3.6)
ASMI consolidated, total earnings [1)]	118.6	194.4	75.8

[1)] Allocated to the shareholders of the parent

Net earnings for the Back-end segment reflect our 52.17% ownership of ASM Pacific Technology.

Outlook. By executing our Front-end and Back-end strategies in 2011, we have expanded our addressable markets and our customer base, created new applications in Front-end, and added a major product segment in Back-end.

Our progress documents the efficacy of our long-term focus on leading-edge technologies and market diversification for continued growth. Our core products, in wafer processing and assembly and packaging, supply equipment for high-growth, end-market segments, including media tablets, smartphones, mobile personal computers and LED applications. As we enter 2012, while the weakened global economic environment presents us with near-term challenges, consumer demand for increasingly sophisticated wireless devices, such as smartphones and tablets, is expected to continue to drive semiconductor growth in 2012. While industry research forecasts an overall modest decline in semiconductor capital equipment spending for 2012, it also indicates that investments in advanced technologies will continue as the industry ramps smaller-node capabilities at 32/28 nanometer and below. Furthermore, with the increasing chip content in multiple markets including mobile devices, automotive and energy efficient technologies, the semiconductor industry continues to demonstrate long term structural growth that supports the need for new and smarter manufacturing techniques today and for future generations.

We believe ASM's innovative and leading-edge product portfolios, and the collective talent of our global workforce, provide compelling opportunities for long-term growth.

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 2010 and 2011, and the backlog and book-to-bill ratios at December 31, 2010 and 2011:

(EUR millions, except book-to-bill ratio)	**Full year**		
	2010	**2011**	**% Change**
Front-end:			
New orders	404.8	398.3	(2)%
Backlog at December 31	162.9	105.1	(35)%
Book-to-bill ratio (new orders divided by net sales)	1.4	0.9	
Back-end:			
New orders	1,113.3	971.2	(13)%
Backlog at December 31	336.9	225.5	(33)%
Book-to-bill ratio (new orders divided by net sales)	1.2	0.8	
Total			
New orders	1,518.1	1,369.5	(10)%
Backlog at December 31	499.8	330.6	(34)%
Book-to-bill ratio (new orders divided by net sales)	1.2	0.8	

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
Net cash provided by operations in 2011 was €236 million as compared to €271 million for 2010. This decrease results mainly from investments in working capital and higher tax payments, partly offset by improved net earnings. Net cash used in investing activities in 2011 of €89 million was lower compared to €111 million for 2010. Net cash used in financing activities in 2011 was €79 million compared to €123 million for the same period in 2010.

Debt
In May 2010 the remaining outstanding US$ 16.9 million of our 5.25% Convertible bonds due 2010 were converted into common shares. In January, July and December 2010 respectively US$ 39.4 million, US$ 7.2 million and US$ 9.9 million of our 4.25% Convertible bonds due 2010 were repurchased. In January , 2011 we announced the redemption for all of the outstanding principal balance of our 4.25% Convertible Subordinated Notes due 2011, which resulted in the conversion of all remaining notes prior to the redemption date scheduled for February 15, 2011.
In July 2011 we finalized the increase and extension of ASMI's existing standby revolving credit facility. The credit commitment was increased from €90 million to €150 million and the maturity date was extended from 1 November 2012 until July 31 2014. In the event all outstanding convertible bonds due 6 November 2014 are converted, repaid or replaced prior to 30 June 2014, the maturity date will be 31 July 2015. As per December 31, 2011 the amount outstanding of the 6.5% Convertible Subordinated Loan (due 2014) is €150 million. As a result of the dividend paid in 2011 the conversion rated decreased from €17.06 to €16.85.

See notes 4, 5, 14, 17, 18 and 23 to our consolidated financial statements for discussion of our funding, treasury policies and our long-term debt.

Liquidity
At December 31, 2011, the Company's principal sources of liquidity consisted of €390 million in cash and cash equivalents and €249 million in undrawn bank lines. Approximately €162 million of the cash and cash equivalents and €92 million of the undrawn bank lines are restricted to use in the Company's Back-end operations. €20 million of the cash and cash equivalents and €7 million in undrawn bank lines are restricted to use in the Company's Front-end operations in Japan.

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.

The net cash of ASMI, excluding Back-end, at December 31, 2011 was €69 million (2010; net debt €69 million). This net cash position is the balance of €228 million cash and €159 million debt. The debt of €159 million consists of €132 million convertible debt and €28 million other debt. Furthermore, ASMI, excluding Back-end, has useable undrawn credit lines of €150 million.

Working capital
Net working capital, consisting of accounts receivable, inventories, other current assets, accounts payable, accrued expenses and other and provision for warranty, increased from €293 million at December 31, 2010 to €439 million at December 31,2011.. The number of outstanding days of working capital, measured based on quarterly sales, increased from 76 days at December 31, 2010 to 106 days at December 31, 2011. For the same period, our Front-end segment increased from 93 days to 100 days and our Back-end segment increased from 70 days to 109 days.

Pension plans
The Company's employees of the Front-end segment in the Netherlands, approximately 170 FTE, 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 multiemployer union plan covers approximately 1,220 companies and 130,000 contributing members. ASMI's contribution to the multiemployer 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, 2010. 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 multiemployer 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 multiemployer 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 multiemployer 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 multiemployer 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 multiemployer 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 multiemployer union plan decreased to 90.0% as of December 31, 2011 (December 31, 2010: 96.0%). 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 will increase from 23.0% in 2011 to 24.0% in 2012. The coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities and is based on actual market interest.

For a discussion of our pension obligations, see Note 20 of the Notes to our Consolidated Financial Statements included elsewhere in this report.

ASMPT

Our Back-end segment, which is conducted through ASM Pacific Technology, our 52.17%-owned subsidiary, is entirely self-financed and at December 31, 2011 had no long-term debt. The cash resources and borrowing capacity of ASM Pacific Technology are not available to our Front-end segment due to restrictions imposed by the Hong Kong Stock Exchange, on which the ASM Pacific Technology common shares are listed.

We historically relied on dividends from ASM Pacific Technology for a portion of our cash flow for use in our Front-end operations. Cash dividends received from ASM Pacific Technology during 2010 and 2011 were €65.6 million and €86.9 million, respectively. In November 2006, we announced our commitment that for at least the next three years we would not use these cash dividends to support our Front-end business, but instead would use such dividends to retire outstanding convertible debt, repurchase our common shares, pay dividends on our common shares or, in the event of dilution resulting from the exercise of employee stock options in ASM Pacific Technology, purchase shares of ASM Pacific Technology to maintain our percentage ownership at its current level.

At our Annual General Meeting of Shareholders in May 2010 we decided to extend this policy for at least the years 2010 and 2011.

The following table shows the dividends received from ASM Pacific Technology and the use of those dividends within the Front-end business:

(EUR millions)	Dividends receive d from ASM Pacific Technology	Repurchased common shares of ASM International	Repurchased Convertible bonds	Dividend paid to shareholders of ASM International	Balance of dividends received
2007.....	49.1	—	(32.9)	(5.4)	10.8
2008.....	49.1	(36.5)	(27.1)	—	(14.5)
2009.....	21.4	—	(27.0)	—	(5.6)
2010.....	65.6	—	(55.8)	—	9.8
2011.....	86.9	—	—	(22.1)	64.8
Total.....	272.1	(36.5)	(142.8)	(27.5)	65.3

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

The market value of our investment in ASM Pacific Technology at the end of 2011 was approximately €1,799 million. At the end of 2010 this was approximately €1,962 million.

Major shareholders

The following table sets forth information with respect to the ownership of our common shares as of February 29, 2012 by each beneficial owner known to us of more than 5% of our common shares:

	Number of Shares	Percent [1]
Arthur H. del Prado [2]	11,346,323	20.48

(1) Calculated on the basis of 55,414,160 Common Shares outstanding as of February 29, 2012, and without regard to options.
(2) Includes 3,039 common shares owned by Stichting Administratiekantoor ASMI, a trust controlled by Arthur H. del Prado, and 713,000 common shares beneficially owned by Chuck D. del Prado, Arthur H. del Prado's son.

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.

Outlook

We have developed forecasts and projections of cash flows and liquidity needs for the upcoming year taking 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 €390.3 million as of December 31, 2011, available borrowings, 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 2011 is adequate to fund our operations, our investments in capital expenditures and to fulfill our existing contractual obligations for the next twelve months.

Contractual Obligations, Contingent Liabilities and Commitments

We have contractual obligations, some of which are required to be recorded as liabilities in our consolidated financial statements, including long- and short-term debt. 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.

The following table summarizes our contractual obligations as of December 31, 2011 aggregated by type of contractual obligation:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable to banks [1]	41,456	41,456	—	—	—
Long-term debt [1, 2]	20,527	4,671	15,856	—	—
Convertible subordinated debt [1]	177,625	9,750	167,875	—	—
Operating leases	78,645	21,933	27,952	16,943	11,817
Pension liabilities	9,887	92	171	209	9,415
Purchase obligations:					
Purchase commitments to suppliers	174,532	170,421	4,111	—	—
Capital expenditure commitments	17,433	17,433	—	—	—
Unrecognized tax benefits (ASC 740)	21,749	21,749	—	—	—
Total contractual obligations	541,854	287,505	215,965	17,152	21,232

(1) Including interest expense based on the percentages at the reporting date.
(2) Capital lease obligations of € 141 are included in long-term debt.

For a further discussion of our contractual obligations see Notes 14, 17, 18, 21, 23 and 26 to our Consolidated Financial Statements.

We outsource a substantial portion of the manufacturing of our front-end operations to certain suppliers. As our products are technologically complex, the leadtimes 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.

Market Risk Disclosure

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 U.S. dollars.

We 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 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 U.S. 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 U.S. dollars. The functional currency of our Back-end segment (Hong Kong dollar) is linked to the U.S. dollar. The effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities 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, 2011. Hedge ineffectiveness was insignificant for the years ended December 31, 2011 and December 31, 2010.

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, 2010, we recorded a favorable movement of €32.5 million. For the year ended December 31, 2011, we recorded a favorable movement of €13.8 million. See Note 19 to our Consolidated Financial Statements, which is incorporated herein by reference.

The following table summarizes our financial instruments as of December 31, 2011 and analyzes the sensitivity of the fair value of our financial instruments to an immediate change in foreign currency rates. Fair values represent the present value of forecasted future cash flows at market foreign currency exchange rates. The sensitivity analysis assumes an immediate 10% favorable or unfavorable change in all foreign currency exchange rates against the euro from their levels as of December 31 with all other variables kept constant. A favorable 10% change indicates a strengthening of the currency in which our financial instruments are denominated, primarily the U.S. dollar, against the euro and an unfavorable change indicates a weakening of the currency in which our financial instruments are denominated, primarily the U.S. dollar, against the euro. The selection of 10% favorable or unfavorable change in foreign currency exchange rates should not be construed as a prediction by us of future market events, but rather, to illustrate the potential impact of such an event. The modeling technique used to calculate the exposure does not take into account correlation among foreign currency exchange rates, or correlation among various markets (i.e., the foreign exchange, equity and fixed-income markets). Even though we believe it to be possible that all of the foreign currency exchange rates to which we are exposed would simultaneously change by more than 10%, we find it meaningful to "stress test" our exposure under this 10% fluctuation scenario and other hypothetical adverse market scenarios. Our actual experience may differ from the results in the table below due to the correlation assumptions utilized, or if events occur that were not included in the methodology, such as significant liquidity or market events.

	Currency and notional amount	Carrying amount	Fair value	Sensitivity analysis: Favorable FX change of 10%	Sensitivity analysis: Unfavorable FX change of 10%
	(in millions)				
As of December 31, 2011:					
Notes payable to banks, due within twelve months					
twelve month……yen	775.0	7.7	7.7	7.0	8.5
HK$	331.1	32.9	32.9	29.6	36.2
Long-term debt with maturities:					
due from 2012 - 2014……yen	1,969.1	19.7	19.7	17.7	21.6
Convertible subordinated debt:					
due November 6, 2014……euro	150.0	150.0	220.4	150.0	150.0
Foreign exchange contracts:					
sale of currency contracts to be settled within twelve months:……US$	57.0	1.8	1.8	1.6	1.9

For long-term debt, the estimated fair values of our long-term debt are based on current interest rates available to us for debt instruments with similar terms and remaining maturities. The fair values of our convertible subordinated debt borrowings are based on our estimates. For forward exchange contracts, market values based on external quotes from banks have been used to determine the fair value.

The following tables analyze our sensitivity to a hypothetical 10% strengthening and 10% weakening of the U.S. dollar, Singapore dollar, Hong Kong dollar or Japanese yen against the euro as of December 31, 2011. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the U.S. dollar, Singapore dollar, Hong Kong dollar 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 U.S. dollars, Singapore dollars, Hong Kong dollars and Japanese yen.

	2010	**2011**
	Impact on equity	**Impact on equity**
10% increase of U.S. dollar versus euro	3,072	**6,275**
10% decrease of U.S. dollar versus euro	(3,072)	**(6,275)**
10% increase of Singapore dollar versus euro	1,542	**5,091**
10% decrease of Singapore dollar versus euro	(1,542)	**(5,091)**
10% increase of Hong Kong dollar versus euro	52,519	**65,732**
10% decrease of Hong Kong dollar versus euro	(52,519)	**(65,732)**
10% increase of Japanese yen versus euro	6,083	**6,155**
10% decrease of Japanese yen versus euro	(6,083)	**(6,155)**

A positive amount indicates a gain in net earnings.

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar, Singapore dollar, Hong Kong dollar or Japanese yen against the euro as of December 31, 2010 and December 31, 2011 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 U.S. dollar, Hong Kong dollar and Japanese Yen against the euro at average exchange rates for the years 2010 and 2011. A positive amount indicates an increase in net earnings.

	2010	**2011**
	Impact on net earnings	**Impact on Net earnings**
10% increase of Japanese yen versus euro	652	**(236)**
10% decrease of Japanese yen versus euro	(652)	**236**
10% increase of U.S. dollar versus euro	47	**2,386**
10% decrease of U.S. dollar versus euro	(47)	**(2,386)**
10% increase of Hong Kong dollar versus euro	14,632	**14,392**
10% decrease of Hong Kong dollar versus euro	(14,632)	**(14,392)**

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar, Hong Kong dollar and Japanese Yen against the euro at average exchange rates for the years 2010 and 2011 would not result in a material impact on net earnings.

Interest risk

We are exposed to interest rate risk primarily 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, 2011 the Company had convertible subordinated debt borrowings outstanding of €150 million at a fixed rate, maturing in November 2014, €19,651 thousand in long-term debt at fixed interest rates and €40,680 thousand in other borrowings with variable short-term interest rates. A hypothetical change in the average interest rate by 10% on the portion of the Company's debt bearing interest at variable rates would not result in a material change in interest expense at December 31, 2010 and December 31, 2011 borrowing levels.

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.

A significant percentage of our revenue is derived from a small number of large customers. Our largest customer accounted for approximately 6.4% of net sales in 2011 (2010: 5.2%; 2009: 9.1%) and the ten largest customers accounted for approximately 27.9% of net sales in 2011 (2010: 27.9%; 2009: 32.9%). 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 us to a concentration of credit risk and difficulties in collecting amounts due, which could harm our financial results. At December 31, 2011 one customer accounted for 4.5% of the outstanding balance in accounts receivable (2010: 6.0%; 2009: 7.8%).

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.

Consolidated Statements of Financial Position

(EUR thousands, except share and per share data)	Note	December 31, 2010	December 31, 2011
Assets			
Cash and cash equivalents	4	340,294	**390,250**
Accounts receivable	6	271,271	**330,891**
Inventories, net	7	258,058	**378,365**
Income taxes receivable		57	**907**
Other current assets		59,402	**82,715**
Total current assets		929,082	**1,183,127**
Pledged cash deposit	5	—	**20,000**
Prepaid lease payments		2,747	**2,732**
Deferred tax assets	26	13,981	**27,797**
Other intangible assets, net	8	47,489	**67,184**
Goodwill, net	9	40,482	**41,484**
Evaluation tools at customers	12	6,644	**13,987**
Investments	13	50	**1,044**
Property, plant and equipment, net	10	195,190	**257,448**
Assets held for sale	11	6,347	**6,862**
Total assets		1,242,011	**1,621,666**
Liabilities and Shareholders' Equity			
Notes payable to banks	14	8,297	**40,680**
Accounts payable		170,553	**157,549**
Provision for warranty	15	8,273	**42,684**
Accrued expenses and other	16	117,401	**152,890**
Income taxes payable		47,493	**54,878**
Current portion convertible subordinated debt	18	32,263	**—**
Current portion conversion option	18	23,875	**—**
Current portion of long-term debt	17	15,950	**4,332**
Total current liabilities		424,106	**453,013**
Pension liabilities	20	6,210	**9,674**
Provision for warranty	15	—	**6,828**
Deferred tax liabilities	26	7,193	**13,120**
Long-term debt	17	4,316	**15,319**
Convertible subordinated debt	18	126,542	**131,870**
Total liabilities		568,367	**629,825**
Commitments and contingencies	21,22		
Common shares:			
Authorized 110,000,000 shares, par value € 0.04, issued and outstanding 52,931,881 and 55,377,020 shares		2,117	**2,215**
Capital in excess of par value		314,596	**378,972**
Retained earnings		148,824	**326,211**
Accumulated other comprehensive loss		(27,658)	**(13,842)**
Total shareholders' equity	19	437,878	**693,556**
Non-controlling interest		235,767	**298,285**
Total equity		673,645	**991,841**
Total liabilities and shareholders' equity		1,242,011	**1,621,666**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(EUR thousands, except share and per share data)	Note	Year ended December 31, 2010	2011
Net sales	27	1,222,900	**1,634,334**
Cost of sales		(669,736)	**(1,065,496)**
Gross profit	27	553,164	**568,838**
Operating expenses:			
Selling, general and administrative		(130,596)	**(172,107)**
Research and development, net	24	(74,476)	**(118,273)**
Amortization of other intangible assets	8	(357)	**(911)**
Impairment of property, plant and equipment	10	—	**(8,038)**
Restructuring expenses	25	(11,201)	**—**
Total operating expenses		(216,630)	**(299,329)**
Operating income:			
Gain on bargain purchase	3	—	**107,935**
Result from operations	27	336,535	**377,445**
Interest income		1,221	**2,902**
Interest expense		(15,677)	**(13,496)**
Gain (loss) resulting from early extinguishment of debt	18	(3,609)	**—**
Accretion interest expense convertible notes	18	(5,853)	**(3,908)**
Revaluation conversion option	18	(19,037)	**(4,378)**
Debt issuance expenses credit facility		—	**(1,372)**
Foreign currency exchange gains (losses), net		(65)	**5,604**
Earnings (loss) before income taxes		293,514	**362,796**
Income tax expense	26	(43,030)	**(38,650)**
Net earnings (loss)		250,484	**324,146**
Net earnings (loss) for allocation between shareholders of the parent and non-controlling interest			
Allocation of net earnings (loss)			
Shareholders of the parent		118,600	**194,385**
Non-controlling interest		131,884	**129,761**
Net earnings (loss) per share:	29		
Basic net earnings (loss) from continuing operations		2.26	**3.52**
Diluted net earnings (loss) from continuing operations		2.22	**3.27**
Weighted average number of shares used in computing per share amounts (in thousands):			
Basic		52,435	**55,210**
Diluted		61,494	**64,682**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(EUR thousands)	Note	Year ended December 31, 2010	2011
Net earnings (loss)		250,484	**324,146**
Other comprehensive income (loss):			
Foreign currency translation effect		43,318	**18,930**
Unrealized gains (losses) on derivative instruments, net of tax		136	**(13)**
Total other comprehensive income (loss)	**19**	43,454	**18,916**
Comprehensive income (loss)		293,938	**343,062**
Allocation of comprehensive income (loss):			
Common shareholders		151,211	**208,200**
Non-controlling interest	**19**	142,727	**134,864**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Total Equity

(EUR thousands, except share data)	Note	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
Balance December 31, 2009		51,745,140	2,070	290,523	—	25,267	(60,269)	257,591	144,684	402,275
Compensation expense stock options		—	—	2,526	—	—	—	2,526	—	2,526
Conversion of debt into common shares		878,491	35	17,614	—			17,649		17,649
Exercise stock options by issue of common shares	19	308,250	12	3,932	—	—	—	3,944	—	3,944
Net earnings to common shareholders		—	—	—	—	118,600	—	118,600	131,884	250,484
Other comprehensive income	19	—	—	—	—	—	32,611	32,611	10,843	43,454
Other movements in non-controlling interest:										
Dividend paid		—	—	—	—	—	—	—	(58,162)	(58,162)
Dilution		—	—	—	—	4,957	—	4,957	6,518	11,475
Balance December 31. 2010		52,931,881	2,117	314,596	—	148,824	(27,658)	437,878	235,767	673,645
Compensation expense stock options		—	—	1,872	—	—	—	1,872	—	1,872
Conversion of debt into common shares		2,151,020	86	58,439	—	—	—	58,525	—	58,525
Exercise stock options by issue of common shares	19	294,119	12	4,065	—	—	—	4,077	—	4,077
Net earnings to common shareholders		—	—	—	—	194,384	—	194,384	129,762	324,146
Dividend paid on common shares		—	—	—	—	(22,262)	—	(22,262)	—	(22,262)
Other comprehensive income	19	—	—	—	—	—	13,816	13,816	5,100	18,916
Other movements in non-controlling interest:										
Dividend paid		—	—	—	—	—	—	—	(79,474)	(79,474)
Dilution		—	—	—	—	5,266	—	5,266	7,130	12,396
Balance December 31, 2011		55,377,020	2,215	378,972	—	326,211	(13,842)	693,556	298,285	991,841

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(EUR thousands)	Note	Year ended December 31, 2010	2011
Cash flows from operating activities:			
Net earnings		250,484	**324,146**
Adjustments required to reconcile net earnings to net cash from operating activities:			
Depreciation and amortization	**8,10**	42,090	**56,239**
Impairments	**10**	2,532	**9,458**
Gain on bargain purchase		—	**(107,935)**
Share-based compensation	**20**	13,901	**13,452**
Non-cash result components convertible bonds	**18**	28,656	**8,779**
Increase (decrease) in allowance for doubtful receivables	**6**	(187)	**(4,694)**
Deferred income taxes		4,092	**(25,584)**
Changes in assets and liabilities:			
Accounts receivable		(95,073)	**71,987**
Inventories		(80,601)	**10,029**
Other current assets		(20,732)	**(20,335)**
Accounts payable and accrued expenses		104,085	**(96,601)**
Accruals for restructuring expenses		1,863	**—**
Payments from provision restructuring expenses		(9,297)	**(3,159)**
Income taxes		28,966	**80**
Net cash provided by operating activities		271,179	**235,862**
Cash flows from investing activities:			
Capital expenditures	**10**	(102,974)	**(89,218)**
Purchase of intangible assets	**8**	(11,918)	**(26,332)**
Acquisition of investments	**13**	—	**(994)**
Cash acquired in business combination	**3**	—	**43,434**
Pledged bank deposit in business combination	**5**	—	**(20,000)**
Proceeds from sale of property, plant and equipment	**10**	3,032	**3,794**
Net cash used in investing activities		(111,860)	**(89,316)**
Cash flows from financing activities:			
Debt redemption, net		(68,810)	**(23,096)**
Debt proceeds, net		—	**42,173**
Proceeds from issuance of common shares and exercise of stock options		3,944	**4,122**
Dividend to common shares ASMI		—	**(22,262)**
Dividends to minority shareholders ASMPT		(58,162)	**(79,474)**
Net cash provided by / (used in) financing activities		(123,029)	**(78,537)**
Foreign currency translation effect		10,102	**(18,052)**
Net (decrease) increase in cash and cash equivalents		46,392	**49,956**
Cash and cash equivalents at beginning of year	**4**	293,902	**340,294**
Cash and cash equivalents at end of year	**4**	340,294	**390,250**
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest		14,786	**10,742**
Income taxes		9,751	**39,929**

See Notes to Consolidated Financial Statements.

1- General information / summary of significant accounting policies

General information

ASM International N.V. ("ASMI" or "the Company") is a Netherlands public liability company domiciled in the Netherlands with its principal operations in Europe, the United States, Southeast Asia and Japan. The Company dedicates its resources to the research, development, manufacturing, marketing and servicing of equipment and materials used to produce mainly semiconductor devices.

We are an equipment supplier mainly to the semiconductor, LED and electronics manufacturing industry. We design, manufacture and sell equipment and services to our customers for the production of semiconductor devices, or integrated circuits, for the production of LEDs, and for electronics manufacturing in general. The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. ASMI is mainly active in the wafer processing and assembly and packaging market segments. The wafer processing segment is referred to as "Front-end." Assembly and packaging is referred to as "Back-end." We also sell lead frames for semiconductor assembly. In addition, ASM AS, the newly acquired surface-mount technology ("SMT") business unit is offering SMT placement tools for the global electronics manufacturing industries.

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 N.V. headquartered in Almere, the Netherlands, and its consolidated subsidiaries (together referred to as "ASMI" or the "Company").

The financial information relating to ASM International N.V. is presented in the consolidated statements. Accordingly, in accordance with Article 402, Part 9 of Book 2 of the Netherlands Civil Code, the company financial statements only contain an abridged statement of operations.

Basis of preparation

The accompanying consolidated financial statements, prepared for statutory purposes, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. The Company 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 thousands of Euros ("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 the Company's consolidated financial statements 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 N.V. 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 financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. As from the date that these criteria are met, the financial data of the relevant company are included in the consolidation. The financial data are deconsolidated from the date on which ASMI's control ceases.

As further described in the Notes to consolidated financial statements herein, from time to time, the consolidated subsidiary ASM Pacific Technology Ltd. ("ASMPT") will issue common shares pursuant to their Employee Share Incentive Scheme. The effect of these issuances is a dilution of the ownership in ASMPT. Following the adoption of IAS 27.30 as per 2010 results on dilution of investments in subsidiaries are accounted for directly in equity.

Business combinations

IFRS 3 ("Business Combinations") requires that companies record business combinations under the acquisition 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 incurs, 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.
Before recognizing a gain on a bargain purchase, the Company reassesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and recognizes any additional assets or liabilities that are identified in that review. The Company then reviews the procedures used to measure the amounts IFRS requires to be recognized at the acquisition date for all of the following: the identifiable assets acquired and liabilities assumed; the non-controlling interest in the acquiree, if any; and the consideration transferred.

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.

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, Japan and Southeast 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 majority of 52.17% 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 weighted 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 U.S. dollar.

The Company uses 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, 2011 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.
Financial assets and financial liabilities are recognized on the Company's Consolidated Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

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.

Cash and cash equivalents of the Company's subsidiaries ASMPT and ASM Japan are restricted to be used only in the operations of ASMPT and ASM Japan respectively.

Accounts receivable

Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

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 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. Inventory in the newly acquired SEAS business is generally determined on the basis of an average method. 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 ASM engineers and ASM-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 system 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).

Accounts payable

Accounts payable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method.

Bank debt

Notes payable to bank and long-term debt are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds and the settlement or redemption of borrowings is recognized over the term of the debt.

Convertible subordinated debt

Convertible subordinated notes are regarded as compound instruments, consisting of a hosting liability instrument and an embedded derivative. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible subordinated notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the notes into equity of the Company, is recognized as a separate liability. Subsequently the notes are valued 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.

The change in fair value of the conversion option is recognized in the consolidated income statements of income.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issuance costs.

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 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.

Business combinations are accounted for under the purchase method. As from January 1, 2004, goodwill and other intangibles assets with indefinite lives are no longer amortized. Instead, the Company tests its recorded goodwill and other intangible assets with indefinite lives for impairment each year on December 31 or if events or changes in circumstances indicate that the carrying amount exceeds the fair value of the goodwill and other intangible assets with indefinite lives.

IAS 38 “Intangible Assets” requires capitalization of development expenses if, and only if, an entity can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Prior to December 31, 2004 ASMI’s administrative systems did not distinguish between research expenses and development expenses and as a result, the Company could not demonstrate its ability to measure the expenses attributable to the intangible asset during its development reliably. At January 1, 2005, the Company implemented a change to its administrative systems. As a result, from 2005 onwards the Company capitalizes development expenses that meet the above-mentioned criteria in its Consolidated Financial Statements.
Amortization of capitalized development expenses is calculated using the straight-line method over the estimated useful lives of the developed product. Amortization starts when the developed product is transferred to high volume manufacturing.

Other intangible assets with finite lives are amortized over the estimated useful lives using the straight-line method.

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 discounted cash flows expected to result from the use of the asset. If the recoverable amount 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.

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. The Company's revenue includes revenue from contractual arrangements consisting of multiple deliverables, such as equipment and installation. The revenue from the undelivered element of the arrangement is deferred at fair value until delivery of the element.

A major portion of our revenue is derived from contractual arrangements with customers that have multiple deliverables, such as installation. The revenue relating to the undelivered elements of the arrangements, the installation, is deferred until delivery of these elements.

In general, the Company recognizes revenue from sales of equipment upon shipment of equipment, only if testing at the factory has proven 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 installation. The relative selling price of the installation process is measured based upon the per-hour amounts charged by third parties for similar installation services. Installation is completed when testing at the customer's site has proven 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").

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, 2010 and December 31, 2011 we have deferred revenues from installations in the amount of €4.4million and €6.3 million respectively.

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 the goods are shipped.

The Company's sales frequently involve complex equipment, which may include customer-specific criteria, sales to new customers or 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. Instead of recognizing revenue, the Company could decide to defer revenue recognition until completion of installation at the customer's site and obtaining final acceptance from the customer.

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.

Restructuring costs

Restructuring expenses are recognized for exit or disposal activities when the liability arising from restructuring plans is incurred. In 2010 restructuring expenses incurred, reference is made to Note 23. 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.
- 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.
- 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 during the period in which the enacted rate changes. Deferred tax assets are reduced through a valuation allowance, based on available evidence at such time, it is more likely than not that the deferred tax assets will not be realized.

Pensions

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, Germany and Japan. The Company’s employees in the Netherlands participate in a multi-employer defined benefit plan. Payments 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 accounts for the multi-employer plan as if it were a defined contribution plan since the manager of the plan is not able to provide the Company with the required Company-specific information to enable the Company to account for the plan as a defined benefit plan.

The Company’s employees in Germany and Japan participate in defined benefit plans. Pension costs in respect to this defined benefit plan 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 to employee service in previous years, net of the expected return on plan assets.

For the defined benefit plan of Japan, actuarial gains and losses are recognized in income, spread over the average remaining service lives of employees. For the defined benefit plan applicable in Germany the Company recognizes in its Consolidated Balance Sheet an asset or a liability for the plan's overfunded status or underfunded status respectively. Regarding the defined benefit plan in Germany the unfunded status is recognized as a liability. Actuarial gains and losses are recognized in income when incurred Reference is made to Note 20.

Share-based payments

IFRS 2 "Share-based Payment" requires expensing the fair value of options granted to employees. The total estimated share-based compensation expense, determined under the fair value based method, net of related tax effect, is amortized ratably over the option vesting periods. Reference is made to Note 18.

Issuance of shares by a subsidiary

As further described in the Notes to Consolidated Financial Statements herein, from time to time, the consolidated subsidiary ASM Pacific Technology Ltd. ("ASMPT") will issue common shares pursuant to their Employee Share Incentive Scheme. The effect of these issuances is a dilution of the ownership in ASMPT. As from the year 2010 the Company recognizes the impact of these issuances directly into equity.

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 21.

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.

Capitalization of development expenses

In determining the capitalization of development expenses the Company makes estimates and assumptions based on expected future economic benefits generated by products that are the result of these development expenses. Other important estimates and assumptions are the required internal rate of return, the distinction between research, development and high volume manufacturing and the estimated useful life.

Reclassifications
Pre-paid lease payments have been reported separate from property, plant and equipment. The consolidated statement of financial position and the note that discloses property, plant and equipment per have been adjusted retrospectively.

Recent accounting pronouncements

The International Accounting Standards Board (IASB) has issued a number of new standards and interpretations, and amendments to existing standards many of which will become effective on or after January 1, 2013 and still need to be endorsed by the EU. These have not been applied in preparing these 2011 Consolidated Financial Statements. The new standards, interpretations and amendments may have an effect on the information to be disclosed in ASMI's Consolidated Financial Statements of 2012:

IFRS 9, 'Financial instruments' (issued in November 2009 and October 2010): This standard is the first step in the process to replace IAS 39, 'Financial instruments: recognition and measurement'. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortized cost. The determination is made at initial recognition. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The standard is not applicable until 1 January 2015. ASMI is currently in the process of determining the impact of adopting this Standard on the Company's consolidated financial statements.

IAS 19 'Employee benefits' was amended in June 2011 (IAS 19R). The revised IAS 19 standard no longer allows the deferred recognition of actuarial gains and losses and past service costs. Instead, actuarial gains and losses should be recognized in Other Comprehensive Income and past service costs in the Consolidated Statement of Income as they occur. Secondly, the interest cost and expected return on plan assets will be replaced with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Thirdly, companies are required to disclose more detailed information on specific risks in their defined benefit plans. IAS 19R is applicable as from January 1, 2013 . ASMI is currently in the process of determining the impact of adopting this Revised Standard on the Company's consolidated financial statements.

IFRS 10, Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is not applicable until January 1, 2013. ASMI is currently in the process of determining the impact of adopting this Standard on the Company's consolidated financial statements.

IFRS 11, 'Joint arrangements' focuses on two types of joint arrangement: joint operation and joint ventures. Joint operation arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts of its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is not applicable until January 1, 2013. ASMI is currently in the process of determining the impact of adopting this Standard on the Company's consolidated financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until January 1, 2013 but is available for early adoption. ASMI is currently in the process of determining the impact of adopting this Standard on the Company's consolidated financial statements.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The standard is not applicable until January 1, 2013 but is available for early adoption. ASMI is currently in the process of determining the impact of adopting this standard on the Company's consolidated financial statements.

The IASB has issued Exposure Drafts on several topics in which significant changes on accounting and disclosures are proposed. If the current proposals lead to new or amended standards, the changes will have a substantial impact on ASMI' financial statements in the coming years.
ASMI specifically monitors the developments of the exposure drafts on the following topics: 'Revenue recognition' and 'Leasing'. Based on the current planning of the IASB these projects are expected to lead to new revised standards in 2012 or later. The effective date of the revised standards is also under discussion.

2- List of significant subsidiaries

Name	Location	% Ownership December 31, 2010	% Ownership December 31, 2011
ASM Europe B.V. [1]	Almere, the Netherlands	100.00%	**100.00%**
ASM United Kingdom Sales B.V. [1]	Almere, the Netherlands	100.00%	**100.00%**
ASM Germany Sales B.V. [1]	Almere, the Netherlands	100.00%	**100.00%**
ASM Pacific Holding B.V. [3]	Almere, the Netherlands	100.00%	**100.00%**
Advanced Semiconductor Materials (Netherlands Antilles) N.V.	Willemstad, Curacao, Netherlands Antilles	100.00%	**100.00%**
ASM France S.A.R.L.	Montpellier, France	100.00%	**100.00%**
ASM Belgium N.V.	Leuven, Belgium	100.00%	**100.00%**
ASM Italia S.r.l.	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	100.00%	**100.00%**
ASM Japan K.K.	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 Trading Ltd.	Shanghai, People's Republic of China	100.00%	**100.00%**
ASM Wafer Process Equipment Singapore Pte Ltd.	Singapore	100.00%	**100.00%**
ASM Far East Marketing Ltd.	Hsin-Chu, Taiwan	100.00%	**100.00%**
ASM Front-End Sales & Services Taiwan Co., Ltd.	Hsin-Chu, Taiwan	100.00%	**100.00%**
ASM Front-End Manufacturing Singapore Pte Ltd.	Singapore	100.00%	**100.00%**
ASM NuTool, Inc.	Phoenix, Arizona, United States	100.00%	**100.00%**
ASM Genitech Korea Ltd.	Cheonan, South Korea	100.00%	**100.00%**
ASM Pacific Technology Ltd.	Kwai Chung, Hong Kong, People's Republic of China	52.36%	**52.17%**
ASM Assembly Automation Ltd. [2]	Kwai Chung, Hong Kong, People's Republic of China	52.36%	**52.17%**
ASM Assembly Materials Ltd. [2]	Kwai Chung, Hong Kong, People's Republic of China	52.36%	**52.17%**
ASM Technology Singapore Pte Ltd. [2]	Singapore	52.36%	**52.17%**
ASM Technology (M) Sdn. Bhd. [2]	Johor Bahru, Malaysia	52.36%	**52.17%**
ASM Semiconductor Materials (Shenzhen) Co. Ltd. [2]	Shenzhen, People's Republic of China	52.36%	**52.17%**
Edgeward Development Ltd. [2]	Guernsey, Channel Islands	52.36%	**52.17%**
Shenzhen ASM Micro Electronic Technology Co. Ltd. [2]	Shenzhen, People's Republic of China	52.36%	**52.17%**
ASM Assembly Systems Management GmbH. [4]	Munich, Germany	n/a	**52.17%**
ASM Assembly Systems Management GmbH & C o K G [4]	Munich, Germany	n/a	**52.17%**
ASM Assembly Systems Ltd [4]	Shanghai, People's Republic of China	n/a	**52.17%**
ASM Assembly Systems Ltd [4]	Manchester, United Kingdom	n/a	**52.17%**
ASM Assembly Systems SAS [4]	Bussy Saint Georges, France	n/a	**52.17%**
ASM (Assembly Systems) GmbH [4]	Vienna, Austria	n/a	**52.17%**
ASM (Assembly Systems) GmbH & C o K G [4]	Vienna, Austria	n/a	**52.17%**
ASM Assembly Systems, LLC [4]	Suwanee, United States	n/a	**52.17%**
ASM Assembly Systems S. de R.L. de C. V. [4]	Jalisco, Mexico	n/a	**52.17%**
ASM Assembly Systems Pte. Ltd. [4]	Singapore	n/a	**52.17%**
ASM Assembly Systems AB. [4]	Sollentuna, Sweden	n/a	**52.17%**
ASM Assembly Systems S.r.l. [4]	Milan, Italy	n/a	**52.17%**
ASM Sistemas para Montagem de Componentes Eletrônicos Ltda [4]	São Paulo, Brazil	n/a	**52.17%**

(1) For these subsidiaries ASM International N.V. 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.
(2) 100% subsidiaries of ASM Pacific Technology Ltd.
(3) Established in 2008, ASM Pacific Holding B.V. is holding 52.17% of the shares in ASM Pacific Technology Ltd.
(4) 100% subsidiaries of ASM Pacific Technology Ltd., Acquired January 7, 2011

The accounts of the above mentioned entities and of certain insignificant subsidiaries not mentioned above have been consolidated in the Consolidated Financial Statements.

ASM Assembly Systems GmbH & Co. KG, Munich has made use of the stipulations available under § 264b of the German Commercial Code (HGB), which exempts this partnership from the requirement to prepare and disclose separate audited financial statements and a management report according to the German requirements of a capital company because it is included in the Consolidated Financial Statements of the ultimate parent company (ASMI NV) and such Consolidated Financial Statements are filed with the trade register.

3- Acquisition

On January 7, 2011 ASMPT acquired the entire (voting) equity interest of SEAS Entities for a cash consideration of €36.5 million from Siemens Aktiengesellschaft. The principal activities of the SEAS Entities are development, production, sale and service of surface mount technology placement machines. We consider that the surface mount technology ("SMT") industry is a natural field of expansion for ASMPT and an area to achieve significant synergies given it has similar engineering, technical and production process characteristics compared to the semiconductor equipment industry.

The headquarter of SEAS is located in Munich, Germany with production sites in Germany and Singapore. It also has marketing, sales and service offices in China, Unites States of America ("USA"), Austria, United Kingdom, France, Sweden, Italy, Mexico and Brazil.

Apart from the cash consideration paid, ASMPT entered into certain financial commitments to the ASM AS Entities and Siemens AG pursuant to the Master Sale and Purchase Agreement of the Acquisition entered into between Siemens AG and the Company (the "MSP Agreement") which are summarized as set out below.

ASMPT undertook to pay an equity amount of €20.0 million as a capital injection to increase ASM AS KG's registered limited partnership interest, and to grant ASM AS KG a revolving loan facility of up to €20.0 million for a period of at least three years from the completion of the acquisition subject to the terms and conditions as set out in the MSP Agreement (the "Loan Commitment"). ASMPT shall not alter, rescind, rewind or in any other way contradict the letter of support granted to ASM AS KG up to an amount of €120.0 million valid as for a duration of six years following the completion of the acquisition. The letter of support is to procure that ASM AS KG will for a period of six years after the completion of the acquisition be in position to fulfill its obligations towards its creditors when the obligations become due. ASMPT undertook to procure that ASM AS KG will not reduce or decrease the registered limited partnership interest of ASM AS KG for a period of three years following the completion of the acquisition.

Further, ASMPT undertook to Siemens AG that for a period of three years from date of the completion of the acquisition that the ASMPT would not directly or indirectly, (i) make, resolve, initiate, enable or accept any withdrawals from ASM AS KG or any of its partial or entire successors conducting the business or parts thereof (the "Sustained Business"), (ii) make, resolve on, initiate, enable or accept dividend payments or loan repayments by the Sustained Business, (iii) encumber, induce or impose the encumbrance of any assets of ASM AS KG or any of its successors other than in the ordinary course for the regular operative business of ASM AS KG, (iv) accept other non-arm's length advantages from the Sustained Business, or (v) change, alter, rescind, rewind or in any other way contradict the equity commitment and loan commitment as set out in the MSP Agreement; (vi) impose transaction or management fees on the target companies; (vii)enter into any consultancy agreement in excess of € 100 thousand; enter into any agreement or transaction which may result in a partial or entire change of the shareholding in the target companies or in the transfer of any asset relevant for the business from the target companies.

In addition, ASMPT undertook to Siemens AG that certain employment protection clauses of ASM AS KG as included in the MSP Agreement, including the maintenance of existing site in Munich, Germany and Munich as the headquarters of the group comprising principally the ASM AS Entities, and compliance with certain collective labor agreements, for a period of 3 years after closing date. ASMPT also undertook for a period of 3 years after closing date not to lay off any employees of SEAS KG for operational reason.

ASMPT also undertook to pay Siemens AG liquidated damages in the amount up to €20.0 million if ASMPT does not comply with its obligations in respect of the Sustained Business and employment protection as set out in the MSP Agreement and is not able to cure such non-compliance within a reasonable period of time. ASMPT agreed to provide Siemens AG with a bank guarantee which shall secure the obligations of ASMPT as set out above in an amount of not less than €20.0 million. The guarantee is to cover a period of four years and the aggregate expense to ASMPT would be € 600,000 which represents part of the acquisition cost and is regarded as part of the consideration for the acquisition.

Pursuant to the MSP Agreement, Siemens AG undertakes to pay to ASMPT an amount of € 24 million as is necessary to indemnify ASM AS entities from and against any and all taxes imposed to ASM AS entities relating to any taxable periods beginning before and ending before or after January 7, 2011 while Siemens AG was the beneficial owner. The amount recoverable from Siemens AG represents the aggregate amount of the tax liabilities of ASM AS entities covered under the tax indemnity and is therefore recoverable from Siemens AG. It is due for settlement once ASMPT pays the related taxes.
The following table summarizes the total purchase consideration and the identified assets and liabilities that are separately recognized in the purchase price allocation.

	Carrying value of net assets acquired (excluding acquired cash)	Purchase price allocation	Fair value
Inventories	91,812	11,529	103,341
Trade and other receivables	132,418		132,418
Current assets	**224,230**	**11,529**	**235,759**
Property, plant and equipment	13,077		13,077
Intangible assets	1,542	3,520	5,062
Other non-current assets	494		494
Non-current assets	**15,113**	**3,520**	**18,633**
Total Assets	**239,343**	**15,049**	**254,392**
Trade and other payables	153,624		153,624
Short-term debt	6,738		6,738
Deferred tax liabilities	16,199		16,199
Current liabilities	**176,561**	-	**176,561**
Deferred tax liabilities	3,772		3,772
Other non-current liabilities	10,699		10,699
Non-current liabilities	**14,471**	-	**14,471**
Total liabilities	**191,032**	-	**191,032**
Identified net assets	**48,311**	**15,049**	**63,360**
Cash acquired			81,075
			144,435
Total consideration			(36,500)
Gain bargain purchase			**107,935**

The purchase price allocation resulted in the valuation of acquired technology. Acquisition related costs have been excluded from the cost of acquisition and recognized as an expense in the year when incurred as within the "general and administrative expenses" line item in the consolidated statement of operations. Cumulative acquisition related costs in respect of the acquisition amounted to € 5.2 million of which € 0.8 million, € 3.6 million and € 0.7 million incurred in respectively 2009, 2010 and 2011.

The receivables acquired, which principally comprised trade and other receivables, with a fair value of €132,418 had gross contractual amounts of €135,492.

The Gain from a bargain purchase of € 107,935 was recognized upon completion of the acquisition of the SEAS entities. The gain from a bargain purchase on acquisition was mainly attributable to depressed market value of the acquired business because of years of losses due to challenging economic environment and the bad global economic environment during the period of negotiation of the acquisition.

Estimated future amortization expense associated with the intangible assets acquired SEAS at December 31, 2011 is as follows:

2012	1,012
2013	1,012
2014	1,012
2015	1,012

The following unaudited pro forma summary presents information as if SEAS had been acquired as of January 1, 2010, the first day of the Company's 2010 fiscal year. In addition to an adjustment to amortization expense to reflect the value of intangibles recorded for this acquisition. No adjustment was made to reduce historical interest income to reflect the Company's use of available cash in this acquisition. The proforma amounts do not reflect any benefits from economies that might be achieved from combining the operations of the two companies.

The pro forma information presented below (in thousands, except per share data) does not necessarily reflect the actual results that would have occurred had the companies been combined during the periods presented, nor is it necessarily indicative of the future results of operations of the combined companies.

	December 31,	
	2009	**2010**
Net sales	808,042	1,571,357
Net income	(196,117)	279,201
Basic earnings per share	€(3,27)	€2,40
Diluted earnings per share	€(3,27)	€2,33

Since the acquisition date, January 7 2011, SEAS contributed €444 million to net sales and € 53 million to result from operations as reported in the consolidated statement of operations.

4- Cash and cash equivalents

At December 31, 2011, cash and cash equivalents of the Company's subsidiaries ASMPT and ASM Japan amounted to €162,136 and €20,302 respectively, which are restricted to be used only in the operations of ASMPT and ASM Japan respectively. No further restrictions on usage of cash and cash equivalents exist. The carrying amount approximates their fair value.

5- Pledged bank deposit

Pursuant to the Master Sale and Purchase Agreement of the acquisition (see note 3) entered into between ASMPT and Siemens Aktiengesellschaft , ASMPT provided a bank guarantee to Siemens AG upon completion of the acquisition for the purpose of securing certain obligations to an amount of €20 million. At 31 December 2011, a bank deposit amounting to €20 million is pledged for the purpose of securing the bank guarantee. The pledged bank deposit will be released on 7 January 2015.

The pledged bank deposit carried interest at market rates of 0.95% per annum.

6- Accounts receivable

The carrying amount of accounts receivable is as follows:

	Current	Overdue < 30 days	Overdue 31 – 60 days	Overdue 61 – 120 days	Overdue > 120 days	Total
December 31, 2010	213,059	28,684	15,814	10,368	3,346	271,271
December 31, 2011	264,224	31,529	12,126	13,579	9,433	330,891

The changes in the allowance for doubtful accounts receivable are as follows:

Balance January 1, 2010	(8,968)
Charged to selling, general and administrative expenses	(461)
Utilization	648
Foreign currency translation effect	(522)
Balance December 31, 2010	**(9,304)**
Charged to selling, general and administrative expenses	(356)
Utilization	2,109
Foreign currency translation effect	(50)
Balance December 31, 2011	(7,601)

7- Inventories

Inventories consist of the following:

	December 31,	
	2010	2011
Components and raw materials	138,965	189,174
Work in process	128,728	175,564
Finished goods	28,165	70,918
Total inventories, gross	295,857	435,656
Allowance for obsolescence	(37,799)	(57,291)
Total inventories, net	258,058	378,365

The changes in the allowance for obsolescence are as follows:

Balance January 1, 2010	(46,939)
Charged to cost of sales	(3,248)
Reversals	3,586
Utilization	14,628
Foreign currency translation effect	(5,827)
Balance December 31, 2010	**(37,799)**
Charged to cost of sales	(28,122)
Reversals	(1,788)
Utilization	12,526
Foreign currency translation effect	(2,107)
Balance December 31, 2011	(57,291)

The addition for the years 2010 and 2011 mainly relates to certain obsolete parts due to technological developments and design changes. In 2010 and 2011, EUR 3.6 million and EUR 1.8 million respectively from the provision for obsolete inventory was released as a result of a subsequent increase in net realizable value.

At December 31, 2011, 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 €43 million.

8- Other intangible assets

Other intangible assets include purchased technology from third parties and software developed or purchased for internal use. The changes in the amount of other intangible assets are as follows:

	Capitalized development expenses	Software	Purchased technology and other intangible assets	Total
At cost:				
Balance January 1, 2010	36,484	13,324	2,920	52,728
Capitalization of development expenses	11,294	—	—	11,294
Impairment charges	(2,532)	—	—	(2,532)
Additions	—	624	—	624
Reclassification	—	131	—	131
Foreign currency translation effect	4,157	354	272	4,783
Balance December 31, 2010	**49,403**	**14,433**	**3,192**	**67,028**
Acquisitions	**—**	**44**	**4,782**	**4,826**
Capitalization of development expenses	**19,281**	**—**	**—**	**19,281**
Impairment charges	**(1,420)**	**—**	**—**	**(1,420)**
Additions	**—**	**3,417**	**3,682**	**7,099**
Disposals	**—**	**(104)**	**(47)**	**(151)**
Foreign currency translation effect	**715**	**252**	**603**	**1,570**
Balance December 31, 2011	**67,979**	**18,042**	**12,212**	**98,233**
Accumulated amortization:				
Balance January 1, 2010	3,944	4,887	2,420	11,251
Amortization for the year	4,453	2,376	358	7,187
Reclassification	—	240	—	240
Foreign currency translation effect	321	305	233	859
Balance December 31, 2010	**8,718**	**7,809**	**3,011**	**19,538**
Amortization for the year	**6,734**	**2,901**	**1,570**	**11,205**
Disposal	**—**	**(104)**	**(47)**	**(151)**
Foreign currency translation effect	**119**	**179**	**159**	**457**
Balance December 31, 2011	**15,571**	**10,785**	**4,693**	**31,049**
Other intangible assets, net:				
December 31, 2010	40,685	6,624	181	47,489
December 31, 2011	**52,408**	**7,257**	**7,519**	**67,184**

Impairment charges on capitalized development expenses are included in Operating expenses under research and development.
Other intangible assets are amortized over useful lives of 3 to 7 years. Estimated amortization expenses relating to other intangible assets are as follows:

2012	13,789
2013	13,014
2014	11,519
2015	10,375
2016	9,595
2017	8,892
	67,184

9- Goodwill

The changes in the carrying amount of goodwill are as follows:

	Front-end	Back-end	Total
Balance January 1, 2010	9,448	28,103	37,551
Foreign currency translation effect	798	2,132	2,930
Balance December 31, 2010	**10,246**	**30,235**	**40,482**
Foreign currency translation effect	(2)	1,005	1,002
Balance December 31, 2011	**10,244**	**31,240**	**41,484**

The allocation of the carrying amount of goodwill is as follows:

	December 31,	
	2010	2011
Front-end segment:		
ASM Microchemistry Oy	2,612	**2,612**
ASM Genitech Korea Ltd	7,634	**7,632**
Back-end segment:		
ASM Pacific Technology Ltd	30,235	**31,240**
Total	40,482	**41,484**

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 recoverable amount. For the Front-end impairment test and the determination of the recoverable amount, the value in use method is used, 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. Our Back-end impairment test is based on the market value of the listed shares of ASMPT, the fair value less cost to sell method.

The material assumptions used for the fair value calculation of the reporting unit are:

- A discount rate of 20.5% (unchanged from 2010) representing the pre-tax weighted average cost of capital. This relative high rate is a consequence of the current situation whereby certain production lines are in the early phase of the product lifecycle, hence reflecting a higher risk.
- 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 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.
- For Back-end the market value of the listed shares of ASMPT on the Hong Kong Stock exchange has been used in our analysis.

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, 2011 the recoverable amount of the reporting units exceeded the carrying value.

At December 31, 2011, 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.

10- 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
At cost:			
Balance January 1, 2010	96,475	316,224	412,699
Capital expenditures	24,716	78,258	102,974
Retirements and sales	(1,612)	(18,787)	(20,399)
Reclassification	74	(206)	(132)
Foreign currency translation effect	11,778	35,726	47,504
Balance December 31, 2010	**131,431**	**407,142**	**538,573**
Capital expenditures	**38,993**	**50,226**	**89,218**
Acquisition	**276**	**11,249**	**11,525**
Retirements and sales	**(9,361)**	**(30,692)**	**(40,053)**
Reclassification	**(235)**	**235**	**-**
Foreign currency translation effect	**8,186**	**20,681**	**28,867**
Balance December 31, 2011	**169,290**	**458,840**	**628,130**
Accumulated depreciation:			
Balance January 1, 2010	62,583	236,016	298,599
Depreciation for the year	7,092	23,538	30,630
Retirements and sales	(1,607)	(15,757)	(17,364)
Reclassification	—	(240)	(240)
Foreign currency translation effect	6,147	25,609	31,756
Balance December 31, 2010	**74,216**	**269,167**	**343,383**
Depreciation for the year	**9,170**	**30,815**	**39,985**
Impairment	**1,416**	**6,622**	**8,038**
Retirements and sales	**(9,310)**	**(26,920)**	**(36,230)**
Foreign currency translation effect	**3,020**	**12,485**	**15,505**
Balance December 31, 2011	**78,512**	**292,169**	**370,681**
Property, plant and equipment, net:			
December 31, 2010	57,215	137,975	195,190
December 31, 2011	**90,778**	**166,671**	**257,448**

Useful lives in years:	- Buildings and leasehold	10-25
	- Machinery and equipment	2-10
	- Furniture and fixtures	2-10

ASM Japan has pledged real estate with a carrying value of €6,088 to secure loan facilities outstanding in Japan.

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 of €8,038 was recognized based on the recoverable amount of the relevant assets. In our opinion certain of the Company's property, plant and equipment were impaired at December 31, 2011 as a result of excess production capacity in the lead frame operations in Malaysia and Singapore. The recoverable amount of leasehold improvements, plant and machinery equipment for the lead frame segment was estimated based on a value in use calculation and the calculation was based on the budgeted discounted cash flows covering a seven-year period reflecting the average remaining useful lives of the relevant plant and machinery.

11- Assets held for sale

The changes in the carrying value of assets held for sale are as follows:

	Japan	The Netherlands	Total
Balance January 1, 2010	5,231	277	5,508
Foreign currency translation effect	839	—	839
Balance December 31, 2010	**6,070**	**277**	**6,347**
Foreign currency translation effect	**515**	**—**	**515**
Balance December 31, 2011	**6,585**	**277**	**6,862**

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, 2011 of €6,862. 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. The carrying value of €5.7 million is lower than the fair value less cost to sell. Also in Japan, a piece of land that was purchased to build a research and development center has now been regarded as held for sale. The carrying value of €0.9 million is below the expected selling price. The expected selling prices were determined, based on various inputs and considerations, including an appraisal from an outside firm performed during 2011.

In the Netherlands the former ASMI head office located in Bilthoven has been regarded as held for sale. The carrying value of €0.3 million is lower than the fair value less cost to sell. The expected selling prices were determined, based on various inputs and considerations, including an appraisal from an outside firm performed during 2009.

During 2011 both the Japanese and the Dutch properties were under the interest of the market, though the assets have not been sold yet, the outside firms maintain the expected selling prices, however, due to the current economic environment both in Japan and the Netherlands the expected timing of the sale is unpredictable.

12- Evaluation tools at customers

The changes in the amount of evaluation tools are as follows:

Balance January 1, 2010	11,282
Evaluation tools shipped	5,381
Depreciation	(2,477)
Evaluation tools sold	(8,526)
Foreign currency translation effect	984
Balance December 31, 2010	**6,644**
Evaluation tools shipped	**14,901**
Depreciation	**(2,518)**
Evaluation tools sold	**(7,830)**
Transfer from inventories	**1,913**
Foreign currency translation effect	**877**
Balance December 31, 2011	**13,987**
Useful lives in years:	5

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.

13- Investments

The investment of €1,044 as per December 31, 2011 reflects the cost of the interest in Levitech B.V. Resulting from the management buy-out in 2009 of the RTP business, ASM International N.V. obtained a 20% interest in Levitech B.V. During 2011 the capital of Levitech B.V was increased, ASMI participated in this capital increase maintaining a 20% interest.

14- Notes payable to banks

Information on notes payable to banks is as follows:

	December 31,	
	2010	**2011**
Short-term debt outstanding in:		
Japan	7,130	**7,734**
Singapore	1,167	**—**
ASMPT	—	**32,946**
Total	8,297	**40,680**

Short-term debt outstanding in local currencies is as follows (in thousands):

	December 31,	
	2010	**2011**
Japanese yen	775,000	**775,000**
Singapore dollar	2,000	**—**
Hong Kong dollar	—	**331,144**

Short-term debt outstanding in Japan in the amount of €7,734 is collateralized by real estate with a carrying value of €9,525 of ASM Japan.

ASMI and its individual subsidiaries borrow under separate short-term lines of credit with banks in the countries where they are located. The lines contain general provisions concerning renewal and continuance at the option of the banks. The weighted average interest rate of the outstanding notes payable was 1.9% at December 31, 2011.

Total short-term lines of credit amounted to €289,528 at December 31, 2011. The amount outstanding at December 31, 2011 was €40,680 and the undrawn portion totaled €248,848. The undrawn portion includes the Company's standby revolving credit facility of €150,000 with a consortium of banks. The facility is available through July 31 2014. In the event all outstanding convertible bonds due 6 November 2014 are converted, repaid or replaced prior to 30 June 2014, the maturity date will be 31 July 2015. Once the facility is used, this usage is secured by a portion of the Company's shareholding in ASMPT. The undrawn portion further includes €92,262 for ASMPT, which amount is restricted to be used only in the operations of ASMPT. The undrawn portion further includes €6,587 for ASM Japan, which amount is restricted to be used only in the operations of ASM Japan.

The credit facility of €150,000 bank 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, 2011 was €320 million, the long-term committed capital as per that date was €810 million. Long-tern committed capital is defined as the consolidated total equity plus the nominal value of the Convertible bonds due 2014. The net debt/equity ratio should not exceed 2.0, whereby equity is defined as consolidate total equity. For the year ended December 31, 2011 net debt was €2.5 million and total equity €660 million. The Company is in compliance with these financial covenants as of June 30, 2011 and as of December 31, 2011.

Short-term line of credits of ASM Japan of €1,747 include financial covenants, of which the most important covenants, measured at December 31 of each year are, no two loss making years in a row and no annual loss in excess of a certain percentage of the equity of ASM Japan. ASM Japan is in compliance with these financial covenants as of December 31, 2011.

ASMI is guarantor with respect to a credit line of €14,321, with €7,735 outstanding, of ASM Japan. ASMI does not provide guarantees for borrowings of ASMPT and there are no guarantees from ASMPT to secure indebtedness of ASMI. Under the rules of the Stock Exchange of Hong Kong, ASMPT is precluded from providing loans and advances other than trade receivables in the normal course of business, to ASMI or its non ASMPT subsidiaries.

15- Provision for warranty

The changes in the amount of provision for warranty are as follows:

Balance January 1, 2010	5,650
Charged to cost of sales	7,066
Deductions	(4,824)
Foreign currency translation effect	381
Balance December 31, 2010	**8,273**
Charged to cost of sales	**29,809**
Acquisition SEAS	**33,733**
Deductions	**(24,822)**
Foreign currency translation effect	**2,519**
Balance December 31, 2011	**49,512**
Non-current portion	**(6,828)**
Current portion	**42,684**

The increase of the deductions and the charges to cost of sales in 2011 are mainly caused by the newly acquired SEAS business.

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.

16- Accrued expenses and other

Accrued expenses and other consist of the following:

	December 31,	
	2010	**2011**
Advance payments from customers	28,272	**29,621**
Accrual for salaries, wages and related taxes and expenses	47,060	**60,039**
Payables arising from acquisition of property, plant and equipment	18,251	**20,509**
Accrual for employee contract termination benefits	2,065	**—**
Accrual for onerous contracts	1,449	**446**
Deferred revenue	4,367	**6,340**
Interest payable	2,102	**1,881**
Other	13,835	**34,054**
	117,401	**152,890**

The accrual for employee termination benefits relates to the benefits payable to employees that have become redundant and are terminated under the terms and conditions of a restructuring plan. The accrual for onerous contracts relates to operating lease contracts for buildings for which no economic benefits are expected. The accrual for onerous contracts is expected to be utilized by 2013.

17- Long-term debt

Long-term debt consists of the following:

	December 31,	
	2010	**2011**
Term loans:		
Japan, 1.2-2.0%, due 2012 – 2014	16,606	**17,764**
Singapore, 4.5%, due 2011	337	**—**
Mortgage loans:		
Japan, 2.1-2.2%, due 2012	2,898	**1,746**
Capital lease commitments:		
Japan, 1.8%, due 2012	425	**141**
	20,266	**19,651**
Current portion	(15,950)	**(4,332)**
	4,316	**15,319**

Long-term debt, including current portion, in local currencies is as follows (in thousands):

	December 31,	
	2010	2011
Japanese yen	2,166,175	**1,969,097**
Singapore dollars	578	**—**

Aggregate annual principal repayments for years subsequent to December 31, 2010 are:

2012	**4,332**
2013	**349**
2014	**14,970**
	19,651

Long-term debt outstanding in Japan in the amount of €15,120 is collateralized by real estate with a carrying value of €6,088 of ASM Japan.

Long-term debt of ASM Japan of €11,976 include financial covenants, of which the most important covenants, measured at December 31 of each year are as follows:

- no two loss making years in a row;
- no annual loss in excess of a certain percentage of the equity of ASM Japan.

ASM Japan is in compliance with these financial covenants as of December 31, 2011.
ASMI is guarantor with respect to €2,794 long-term debt outstanding of ASM Japan.
Capital lease commitments relate to commitments for equipment and machinery.

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, authorized 118,000, are entitled to a cumulative preferred dividend based on the amount paid- up on such shares. 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. On May 14, 2008, 21,985 preferred shares were issued to Stichting Continuïteit ASM International ("Stichting"). The amount paid-up by Stichting was € 220, which is the equivalent of one/fourth of the nominal value of the preferred shares. 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. The preferred dividend on the amount paid-up was € 5 for the year 2009 and € 10 for the year 2008.

Financing preferred shares are entitled to a cumulative dividend based on the par value and share premium paid on such shares. 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. Authorized are 8,000 shares, par value € 40. No financing preferred shares were issued as per 31 December 2011.

18- Convertible subordinated debt

Our convertible bonds due 2011 and 2014, 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"). IFRS 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 USD 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 2011 this revaluation at fair value resulted in a loss of € 4.4 million (2010 € 19.0 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 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 2011 this accretion interest expense was € 3,9 million (2010; € 5,9 million).

On December 31, 2010 we initiated a full redemption for all of the outstanding principal balance of our 4.25% Convertible Subordinated notes due 2011, as per February 15, 2011. This proposal for redemption resulted in an almost full conversion of convertible notes into common shares. Until conversion, the conversion option was valued at fair value resulting in a non-cash loss of €4.4 million as per February 15, 2011.

The changes in the outstanding amounts of convertible subordinated debt are as follows:

	5.25% convertible subordinated notes, due 2010	4.25% convertible subordinated notes, due 2011	6.50% convertible unsecured notes, due 2014
Liability at redemption value at date of issuance	79,267	111,682	150,000
Debt issuance costs	(3,303)	(3,574)	(5,201)
Conversion component at date of issuance	(19,789)	(26,128)	(23,601)
Liability component at date of issuance	56,175	81,980	121,198
Balance January 1, 2010	11,516	64,773	121,907
Accrual of interest	207	1,707	4,635
Repurchase of notes	—	(37,946)	—
Conversion of notes into common shares	(12,677)	(5)	—
Foreign currency translation effect	954	3,734	—
Balance December 31, 2010	**—**	**32,263**	**126,542**
Accrual of interest	**—**	**151**	**5,328**
Conversion of notes into common shares	**—**	**(32,385)**	—
Foreign currency translation effect	**—**	**(29)**	—
Balance December 31, 2011	**—**	**—**	**131,870**

	5.25% convertible subordinated notes, due 2010	4.25% convertible subordinated notes, due 2011	6.50% convertible subordinated notes, due 2014
Nominal value in US$:			
December 31, 2010	—	44,909	n/a
December 31, 2011	—	—	**n/a**
Nominal value in €:			
December 31, 2010	—	33,609	150,000
December 31, 2011	—	—	**150,000**

5.25% convertible subordinated notes, due 2010

In May 2003, ASMI issued US$ 90.0 million in principal amount of 5.25% convertible subordinated notes due in May 2010 in a private offering. Interest on the notes is payable on May 15 and November 15 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, at the option of the holder, into shares of the Company's common stock initially at a conversion rate of 52.0237 shares of common stock for each US$ 1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of US$ 19.22 per share. On or after May 20, 2006, the Company may 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 has exceeded 150% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days and if certain other conditions are satisfied.

In 2007, US$ 20.8 million of the US$ 90.0 million convertible subordinated notes has been repurchased. The US$ 20.8 million nominal value has been repurchased for a market value of US$ 29.0 million. The premium of €8,138, paid above the carrying value of the notes, has been recorded as expense resulting from early extinguishment of debt in the Consolidated Statement of Operations for the year 2007 for an amount of €1,152.

In 2008, US$ 48.3 million convertible subordinated notes has been repurchased. The US$ 48.3 million has been repurchased for a market value of US$ 37.7 million. The gain from the early extinguishment of the notes of €11,254, which includes the difference between the nominal value and the lower market value and the write-off of unamortized issuance costs, has been recorded as a gain from early extinguishment of debt in the Consolidated Statement of Operations for the year 2008.

In 2008 US$ 0.01 million in convertible subordinated notes were converted into 520 common shares out of the treasury shares, previously purchased by the Company.

In 2009 US$ 4.0 million convertible subordinated notes was repurchased for a market value of US$ 5.2 million. The loss from the early extinguishment of the notes of € 211, which includes the premium paid above par and the write-off of unamortized issuance costs, was recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2009.

In 2010 the remaining US$ 16.9 million in convertible subordinated notes were converted into 878,154 common shares, newly issued by the Company.

4.25% convertible subordinated notes, due 2011

In December 2004, ASMI issued US$ 150.0 million in principal amount of 4.25% convertible subordinated notes due in December 2011 in a private offering. Interest on the notes is payable on June 6 and December 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, at the option of the holder, into shares of the Company's common stock initially at a conversion rate of 48.0307 shares of common stock for each US$ 1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of US$ 20.82 per share. Effective December 6, 2007, the conversion price is adjusted for the cash dividend paid in September 2007 to US$ 20.71 per share. On or after December 6, 2007, the Company may 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 has exceeded 130% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days.

In 2007, US$ 14.6 million of the US$ 150.0 million convertible subordinated notes has been repurchased. The nominal value US$ 14.6 million has been repurchased for a market value of US$ 19.4 million. The premium of €5,463, paid above the carrying value of the notes, has been recorded as expense resulting from early extinguishment of debt in the Consolidated Statement of Operations for the year 2007 for an amount of €1,154.

In 2008 US$ 7.7 million in convertible subordinated notes were converted into 372,426 common shares of which 102,509 out of the treasury shares previously purchased by the Company and 269,917 newly issued common shares.

In 2009 US$ 26.3 million convertible subordinated notes were repurchased for a market value of US$ 33.7 million. The loss from the early extinguishment of the notes of €1,548, which includes the write-off of unamortized issuance costs and the amortization of unamortized interest expenses, was recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2009.

In 2010 US$ 56.5 million convertible subordinated notes was repurchased for a market value of US$ 74.6 million. The loss from the early extinguishment of the notes of €3,609, which includes the write-off of unamortized issuance costs and the amortization of unamortized interest expenses, was recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2010.

In 2010 US$ 7 thousand in convertible subordinated notes were converted into 337 common shares, newly issued by the Company.

On January 3, 2011 we announced that we initiated a full redemption for all of the outstanding principal balance of the 4.25% Convertible Subordinated Notes due 2011. The Notes which were not converted into common shares were redeemed on February 16, 2011, at a redemption price of 100.00% of the principal amount thereof, plus accrued and unpaid interest to February 15, 2011. The Notice of Redemption for the Notes was sent to all registered holders on January 3, 2011.

The 4.25% convertible subordinated notes ranked pari passu with the 5.25% convertible subordinated notes.

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 the conversion price was adjusted to €16.85. On or after November 27, 2012, the Company may 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 has exceeded 130% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days. In the event of a change in control, the Company may be required to repurchase the notes.

The 6.50% convertible subordinated notes rank pari passu amongst themselves and equally with all other unsecured and unsubordinated obligations of the Company.

Conversion option

The conversion component of the subordinated notes qualifying as a liability is measured at fair value. The fair values for these options were determined using the Black-Scholes option valuation model.

19- 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 55,377,020 common shares, no preferred and no financing preferred shares were outstanding as at December 31, 2011. All shares have one vote per € 0.04 par value. Treasury shares held by the Company cannot be voted on.

During 2008, ASM engaged Lehman Bros ("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. ASM 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.

In September 2010, Lehman's administrators notified us that there is a possible shortfall in the number of shares held by Lehman of 479,279 shares (out of the 2,552,071 shares), which cannot currently be accounted for by Lehman. During 2011 we received further information based on which we conclude that the possible shortfall in the number of shares held by Lehman is now reduced to 246,983 shares.

The Lehman administrators also reported a segregated collateral cash account of US$ 6,759, that ASMI may be entitled to in the absence of the shares. We have not been able to obtain additional information to confirm and understand the potential shortfall of shares or our ability to recover the US$ 6,759 from the Lehman bankruptcy proceedings in lieu of the shares. Accordingly, we are uncertain at this time as to the accuracy of the shortfall of shares, our ability to claim the collateral cash sum to cover the value of any such discrepancy, and our entitlement to all or a portion of such sum when distributions are determined and made by the administrator since there is likely to also be a shortfall in Lehman assets subject to proprietary rights. Given the magnitude of the overall Lehman administration, we believe it may take several years to obtain clarity or resolution about the potential shortfall or claim to cash. ASMI is in the process of filing a claim with the Lehman administrators to safeguard our interests.

Considering the factual and legal uncertainties, it is premature to conclude that the 246,983 shares should still be considered as outstanding or that ASMI has a US$ 6,759 receivable from Lehman. ASMI has, therefore, neither reversed the cancellation of these shares that we recorded in 2009, nor recorded a receivable from Lehman. If the shares would be considered as outstanding, the negative impact on our basic and diluted earnings per share (EUR 1) as at December 31, 2011 would have been €0.016 and €0.014 respectively per share.

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.

Under IFRS, Common Shares are recorded as equity attributable to shareholders of the Company. Preferred Shares and financing preferred shares are recorded as liabilities.

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 N.V.

Following the adoption of IAS 27.30 as per 2010 results on dilution of investments in subsidiaries are accounted for directly in equity.

Accumulated other comprehensive loss

The changes in the amount of accumulated other comprehensive loss are as follows:

	Foreign currency translation effects	Unrealized gains (losses) on derivative instruments, net of tax	Total
Balance December 31, 2009	(60,146)	(123)	(60,269)
Foreign currency translation effect on translation of foreign operations	32,475	—	32,475
Increase in fair value of derivative instruments, net of tax	—	136	136
Total change in accumulated other comprehensive loss	32,475	136	32,611
Balance December 31, 2010	**(27,671)**	**13**	**(27,658)**
Foreign currency translation effect on translation of foreign operations	**13,830**	**—**	**13,830**
Increase in fair value of derivative instruments, net of tax	**—**	**(13)**	**(13)**
Total change in accumulated other comprehensive loss	**13,830**	**(13)**	**13,816**
Balance December 31, 2011	**(13,842)**	**—**	**(13,842)**

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On May 23, 2011, 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.

Per February 29, 2012 no shares were bought back under the authorization of May 23, 2011

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, 2011 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.

20- 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.

The Company's employees of the Front-end segment in the Netherlands, approximately 165 FTE, 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 multiemployer union plan covers approximately 1,220 companies and 130,000 contributing members. ASMI's contribution to the multiemployer 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, 2010. 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 multiemployer 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 multiemployer 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 multiemployer 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 multiemployer 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 multiemployer 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 multiemployer union plan decreased to 90.0% as of December 31, 2011 (December 31, 2010: 96.0%). 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 will increase from 23.0% in 2011 to 24.0% in 2012. 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.

A contingent liability may arise from, for example, possible actuarial losses relating to other participating companies because each company that participates in a multi-employer plan shares in the actuarial risks of other participating companies or any responsibility under the terms of a plan to finance any shortfall in the plan if other companies cease to participate. The plan thus exposes the participating companies to actuarial risks associated with current and former employees of other companies with the result that no consistent and reliable basis for allocating the pension obligation, plan assets and cost to individual companies participating in the plan exists.

The Company's employees in Japan participate in a defined benefit plan. 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,	
	2010	**2011**
Defined benefit obligations	(8,805)	**(9,485)**
Fair value of plan assets	3,189	**4,090**
Funded status deficit	(5,617)	**(5,395)**
Unrecognized actuarial loss	954	**1,215**
Unrecognized prior service cost	-	**(684)**
Net liabilities	(4,663)	**(4,864)**

The changes in defined benefit obligations and fair value of plan assets are as follows:

	December 31,	
	2010	**2011**
Defined benefit obligations		
Balance January 1	6,560	**8,805**
Current service cost	629	**664**
Interest on obligation	139	**107**
Actuarial losses (gains)	795	**(53)**
Benefits paid	(819)	**(176)**
Curtailment and settlement	—	**(630)**
Foreign currency translation effect	1,502	**768**
Balance December 31	8,805	**9,485**
Fair value of plan assets		
Balance January 1	2,119	**3,189**
Expected return on plan assets	77	**103**
Actuarial losses	658	**(219)**
Company contribution	647	**852**
Benefits paid	(819)	**(176)**
Foreign currency translation effect	507	**342**
Balance December 31	3,189	**4,090**

The net periodic benefit cost consists of the following:

	December 31,	
	2010	**2011**
Current service cost	629	**664**
Interest on obligation	139	**107**
Expected return on plan assets	(77)	**(103)**
Amortization deferred actuarial loss	1	**6**
Amortization of transition amount	—	**(13)**
Net periodic pension benefit cost	692	**662**

The actual return on plan assets was € 734 and € (116) for the years ended December 31, 2010 and 2011 respectively.

The assumptions in calculating the actuarial present value of benefit obligations and net periodic benefit cost are as follows:

	December 31,	
	2010	**2011**
Discount rate for obligations	1.25%	**1.25%**
Expected return on plan assets	3.00%	**3.00%**
Future salary increases	2.93%	**2.93%**

The allocation of plan assets is as follows:

	December 31,			
	2010		**2011**	
Equity	798	25%	940	**23%**
Bonds	1,965	62%	2,488	**60%**
Loans	235	7%	368	**9%**
Real estate	51	2%	66	**2%**
Other	140	4%	227	**6%**
	3,189	100.0%	4,090	**100%**

Equity securities consist primarily of publicly trades 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 net asset value(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% 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% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs amounting to HK$20,000 (equivalent of €2,000) per employee, which contribution is matched by the employees.

The employees of ASMPTin Mainland 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 ASM AS (the former SEAS) entities operate funded defined benefits pension scheme for all their qualified employees. Pension benefits provided by ASM AS Entities are currently organized primarily through defined benefit pension plans which cover virtually all German employees and certain foreign employees of ASM AS entities. Furthermore, ASM AS 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, 2011
Defined benefit obligations	**(22,303)**
Fair value of plan assets	**21,364**
Funded status deficit	**(939)**

The changes in defined benefit obligations and fair value of plan assets are as follows:

	December 31, 2011
Defined benefit obligations	
Balance January 1	—
Obligation assumed in the acquisition of SEAS	**22,305**
Current service cost	**1,502**
Interest on obligation	**898**
Actuarial losses	**(2,662)**
Benefits paid	**(26)**
Transfers	**(65)**
Contribution participants	**89**
Foreign currency translation effect	**262**
Balance December 31	**22,303**
Fair value of plan assets	
Balance January 1	—
Fair value of plan assets at completion date of acquisition of SEAS	**22,199**
Expected return	**673**
Actuarial losses	**(1,646)**
Contribution participants	**89**
Foreign currency translation effect	**50**
Balance December 31	**21,364**

The assumptions in calculating the actuarial present value of benefit obligations and net periodic benefit cost are as follows:

	December 31, 2011
Discount rate for obligations	**5.25%**
Expected return on plan assets	**4.00%**
Expected rate of compensation increase	**2.26%**

The allocation of plan assets is as follows:

	December 31, 2011	
Equity	3,418	**16%**
Fixed income and corporate bonds	17,519	**82%**
Cash and other assets	427	**2%**
	21,364	**100%**

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 funded status of the other post-employment benefit plans to the amount recognized in the consolidated statement of financial position per December 31, 2011 is as follows:

Defined benefit obligation (unfunded)	**(1,414)**

The reconciliation of the changes in the benefit obligation for the other post-employment benefits for the year ended 31 December 2011 is as follows:

	December 31, 2011
Defined benefit obligations	
Balance January 1	**1,470**
Current service cost	**63**
Interest on obligation	**65**
Actuarial losses	**(174)**
Benefits paid	**(18)**
Foreign currency translation effect	**9**
Balance December 31	**1,414**

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 for year ended 31 December 2011 are as follows:

	December 31, 2011		
	Principal defined benefit plans	**Other post-employment benefit plans**	**Total**
Current service cost	(1,502)	(63)	(1,565)
Interest on obligation	(898)	(65)	(962)
Expected return on plan assets	673	—	673
Net periodic pension benefit cost	(1,726)	(128)	(1,854)

The actual return on plan assets was €973 for the year ended December 31, 2011.

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 € 317as at 31 December 2011.

ASMI expects to contribute €3,033 to the defined benefit plans in 2012. The Company expects to pay benefits for years subsequent to December 31, 2011 as follows:

	Front-end segment	Back-end segment	Total
2012	79	13	92
2013	56	10	66
2014	93	12	105
2015	71	19	90
2016	92	27	119
Aggregate for the years 2017-2021	1,186	299	1,485
Total	1,577	380	1,957

Retirement plan costs consist of the following:

	December 31,	
	2010	**2011**
Defined contribution plans	10,423	**15,990**
Multi-employer plans	1,207	**1,111**
Defined benefit plans	673	**1,844**
Total retirement plan costs	12,303	**18,945**

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 euros or U.S. dollars on the date of grant, are generally vesting in equal parts over a period of five years and generally expire after five or ten years. Under the 2001 Stock Option Plan the Company is authorized to issue 4,000,000 shares.

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 23 May 2011 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 23 November 2012. 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 31 December of any financial year (the Grant date).

For employees and existing Management Board members the Grant Date for all options granted is 31 December of the relevant year. In each of these situations the three year Vesting Period starts at the Grant Date. The exercise price of all options issued under the SOPS is determined on the basis of the market value of the ASMI shares 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, 2011, options to purchase 687,114 shares have been issued under the 2001 Stock Option Plan representing 1.6% of the shares outstanding per December 31,2011. Under previous plans no more options to purchase shares can be issued. Under the various stock option plans a total of 1,835,523 options to purchase common stock were outstanding at December 31, 2011, expiring at various dates through 2019. The number of options outstanding at December 31, 2010 and 2011 were 1,445,523 and 1,835,067 respectively.

The following is a summary of changes in options outstanding:

	Number of options	Weighted average exercise price in US$	Number of options	Weighted average exercise price in €
Balance January 1, 2010	822,900	19.00	927,258	14.89
Options granted	42,000	35.01	64,500	22.53
Options forfeited	(35,700)	19.73	(67,185)	16.97
Options exercised	(143,140)	16.83	(165,110)	13.12
Balance December 31, 2010	**686,060**	**20.40**	**759,463**	**15.74**
Options granted	-	-	687,114	22.33
Options forfeited	(1,080)	16.65	-	-
Options exercised	(169,870)	19.10	(126,620)	14.82
Balance December 31, 2011	**515,110**	**20.83**	**1,319,957**	**19.08**

The weighted average fair value of employee stock options granted in U.S. dollars were US$ 17.02 in 2010. The weighted average fair values of employee stock option granted in Euro were €13.94 in 2010 and €22.33 in 2011.

The weighted average remaining contractual life of the outstanding options granted in 2011 is 7 years at December 31, 2011.

The total intrinsic value of options exercised was €2,322, and €4,307 for the years ended December 31, 2010 and 2011 respectively. In 2010 and in 2011 new shares have been issued for the exercise of 308,250 and 296,490 options respectively.

At December 31, 2011 options outstanding and options exercisable classified by range of exercise prices are:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
In US$		**In years**	**In US$**		**In US$**
1.00-10.00	51,000	7.14	7.52	3,000	7.06
10.00-15.00	91,510	4.18	12.10	45,590	12.12
15.00-20.00	43,800	5.61	18.42	16,600	17.61
20.00-30.00	286,800	4.87	24.28	102,800	24.81
30.00-40.00	42,000	5.01	35.01	—	—
US$1.00-40.00	515,110	5.05	20.83	167,990	20.34
In €		**In years**	**In €**		**In €**
1.00-10.00	13,800	1.91	7.92	4,000	7.79
10.00-15.00	143,020	3.89	12.49	126,160	12.71
15.00-20.00	461,523	4.16	16.15	178,443	17.58
20.00-30.00	701.614	6.89	22.56	—	—
€1.00-30.00	1,319,957	5.56	19.08	308,603	15.46

At December 31, 2011, the aggregate intrinsic value of all options outstanding and all options exercisable is €8,136 and €3,317 respectively.

The Company applies IFRS 2 with respect to options granted after November 7, 2002 and not yet vested at January 1, 2005. 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,	
	2010	**2011**
Expected life (years)	5 – 10	**7**
Risk free interest	2.8%	**3.51%**
Dividend	—	**0.32%**
Expected volatility	45.6%	**40.90%**

The determination of the expected volatility is based on the historic volatility making use of the average value of the volatility during a historic period equal to the option's life time.

When establishing the expected life assumption the Company takes into account the contractual terms of the option. 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 €2,526 and €1,872 for 2010 and 2011 respectively.

Employee share incentive scheme ASMPT

In 1989, the shareholders of ASMPT approved a plan to issue up to 5.0 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 24 April 2009, the shareholders approved to extend the period of the Scheme for a term of a further 10 years up to 23 March 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 23 March 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 23 March 1990) to be subscribed for or purchased pursuant to the Scheme for the period from 24 March 2010 to 23 March 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. In December 2011, 1,518,100 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. In 2010 1,726,900 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 0.19% in 2011 and 0.23% in 2010. The shares issued under the plan in 2011 have diluted ASMI's ownership in ASMPT to 52.17% as of December 31, 2011. Total compensation expenses related to the Employee Share Incentive Scheme of respectively €11,375 in 2010 and €11,580 in 2011 were charged to the Consolidated Statement of Operations.

Dilution investment ASMPT

Following the adoption of IAS 27.30 as per 2010 results on dilution of investments in subsidiaries are accounted for directly in equity. For 2011 the dilution gain was €5,266. Due to the participation exemption in the Netherlands no deferred income taxes have been provided for these gains.

21- Commitments and contingencies

Capital leases included in property, plant and equipment are as follows:

	December 31,	
	2010	**2011**
Machinery and equipment	3,644	**3,953**
Furniture and fixtures	359	**389**
	4,003	**4,342**
Less accumulated depreciation	(3,211)	**(4,075)**
	792	**267**

At December 31, 2010 minimum rental commitments under capital leases and operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

	Capital leases	Operating leases
2012	142	21,933
2013	—	16,591
2014	—	11,361
2015	—	8,903
2016	—	8,040
Years thereafter	—	11,817
Total	142	78,645
Less amount representing interest	(1)	
Present value of net minimum lease payments	141	

Aggregate rental expense for operating leases was €10,173 in 2010 and €22,335 in 2011. At December 31, 2011 the Company had entered into purchase commitments with suppliers in the amount of €174,532 for purchases, of which €170,421 for purchases within the next 12 months. Commitments for capital expenditures at December 31, 2011 were €17,433.

Change of Control Transaction

If the Company desires to effect a change of control transaction with a competitor of Applied Materials, Inc., ("Applied Materials") the Company must, pursuant to a litigation settlement agreement in 1997, as amended and restated in 1998, first offer the change of control transaction to Applied Materials on the same terms as the Company would be willing to accept from that competitor pursuant to a bona fide arm's-length offer by that competitor.

22- Litigation and environmental matters

The Company is party to various legal proceedings generally 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. For instance, we recently determined that various Applied Materials patents licensed under the 1998 Settlement Agreement with Applied had expired. Accordingly, as of the third quarter of 2011, we ceased paying such royalties and believe we have overpaid prior related royalties in 2010. Applied disagrees and requests we pay royalties through 2013. This matter is being addressed in accordance with the resolution procedures provided in the agreement. Although the ultimate disposition of legal proceedings (including the royalty discussions with Applied Materials) 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.

23- Financial instruments and risk management

Categories of Financial Instruments Financial instruments include: Financial assets:

	December 31,	
	2010	2011
Cash and cash equivalents	340,294	**390,250**
Pledged cash deposits	—	**20,000**
Accounts receivable	271,271	**330,891**
Derivative instruments designated in cash flow hedges	14	**—**

Financial liabilities:

	December 31,	
	2010	2011
Notes payable to banks	8,297	**40,680**
Accounts payable	170,553	**157,549**
Current portion of long-term debt	15,950	**4,332**

	December 31,	
	2010	2011
Current portion of convertible subordinated debt	32,439	**—**
Long-term debt	4,316	**15,319**
Convertible subordinated debt	126,542	**131,870**
Conversion option	23,875	**—**
Derivative instruments designated in fair value hedges	31	**1,764**

Gains or losses related to financial instruments are as follows:

	Year ended December 31,	
	2010	2011
Interest income	1,221	**2,902**
Interest expense	(15,677)	**(13,496)**
Accretion interest expense convertible notes at amortized value	5,853)	**(3,908)**
Loss resulting from early extinguishment of debt	(3,609)	**—**
Revaluation conversion option	(19,037)	**(4,378)**
Losses Foreign currency exchange, net	(65)	**7,040**
Addition to allowance for doubtful accounts receivable	(461)	**(356)**

We adopted IFRS 7.27, for financial assets and liabilities that are remeasured at least annually. This standard defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels.

Level 1. Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2. Observable inputs other than quoted prices in active markets.

Level 3. Unobservable inputs for which there is little or no market data available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

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, 2010					
Assets:					
Derivative financial instruments	14	—	1,743	—	1,743
Total	14	—	1,743	—	1,743
Liabilities:					
Conversion	23,875	—	23,875	—	23,875
Total	23,875	—	23,875	—	23,875
December 31, 2011					
Liabilities:					
Derivative financial instruments	**1,764**	**—**	**40,461**	**—**	**40,461**
Total	**1,764**	**—**	**40,461**	**—**	**40,461**

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 U.S. dollar.

We 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 loss in Shareholders' Equity, and is reclassified into earnings when the hedged transaction affects earnings.

The majority of revenues and costs of the Company's Back-end segment are denominated in Hong Kong dollars, Chinese Yuan and U.S. dollars. The effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities 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. 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. Unrealized losses included in accumulated other comprehensive loss as of December 31, 2010 of € 13 were reclassified to earnings in 2011. Hedge ineffectiveness was insignificant for the years ended December 31, 2010 and December 31, 2011.

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 19.

The outstanding forward exchange contracts are as follows:

	Currency	Notional amount	Forward contract value	Fair value	Difference between forward value and fair value	Included in accumulated other comprehensive income (loss)
			Euro	Euro	Euro	Euro
December 31, 2010:						
Assets:						
Cash flow hedge contracts:						
Short position	US$	(452)	(350)	(336)	14	13
Fair value hedge contracts:						
Short position	US$	(1,881)	(1,376)	(1,407)	(31)	—
December 31, 2011:						
Assets:						
Fair value hedge contracts:						
Short position	**US$**	**(56,975)**	**(42,225)**	**(40,461)**	**1,764**	**—**

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 U.S. dollar, Singapore dollar, Hong Kong dollar and Japanese yen against the euro as of December 31, 2010 and December 31, 2011. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the U.S. dollar, Singapore dollar, Hong Kong dollar 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 U.S. dollar, Singapore dollar, Hong Kong dollar and Japanese yen

	Impact on equity	
	2010	**2011**
10% increase of U.S. dollar versus euro	3,072	**6,275**
10% decrease of U.S. dollar versus euro	(3,072)	**(6,275)**
10% increase of Singapore dollar versus euro	1,542	**5,091**
10% decrease of Singapore dollar versus euro	(1,542)	**(5,091)**
10% increase of Hong Kong dollar versus euro	52,519	**65,732**
10% decrease of Hong Kong dollar versus euro	(52,519)	**(65,732)**
10% increase of Japanese yen versus euro	6,083	**6,155**
10% decrease of Japanese yen versus euro	(6,083)	**(6,155)**

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar, Hong Kong dollar, Singapore dollar and Japanese yen against the euro as of December 31, 2010 and December 31, 2011 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 U.S. dollar, Hong Kong dollar and Japanese Yen against the euro at average exchange rates for the years 2010 and 2011. A positive amount indicates an increase in net earnings.

	Impact on net earnings	
	2010	**2011**
10% increase of Japanese yen versus euro	652	**(236)**
10% decrease of Japanese yen versus euro	(652)	**236**
10% increase of U.S. dollar versus euro	47	**2,386**
10% decrease of U.S. dollar versus euro	(47)	**(2,386)**
10% increase of Hong Kong dollar versus euro	14,632	**14,392**
10% decrease of Hong Kong dollar versus euro	(14,632)	**(14,392)**

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar, Hong Kong dollar and the Japanese yen against the euro at average exchange rates for the years 2010 and 2011 would not result in a material impact on net earnings.

Interest Risk

We are exposed to interest rate risk primarily 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, 2011 the Company had convertible subordinated debt borrowings outstanding of €150,000 at a fixed rate, maturing in November 2014, 19,651 in long-term debt at fixed interest rates and €40,680 in other borrowings with variable short-term interest rates. A hypothetical change in the average interest rate by 10% on the portion of the Company's debt bearing interest at variable rates would not result in a material change in interest expense at December 31, 2010 and December 31, 2011 borrowing levels.

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. The Company monitors credit risk and manages credit risk exposure by type of financial instrument by assessing the creditworthiness of counterparties. The Company does not anticipate nonperformance by counterparties given their high creditworthiness.

The Company's customers are semiconductor device manufacturers located throughout the world. The Company generally does 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 Company's largest customers account for a significant percentage of our revenues. Our largest customer accounted for 6.4% of our consolidated net sales in 2011. Our largest customer accounted for 22.8% and 3.5% of our Front-end and Back-end 2011 net sales, respectively. Our ten largest customers accounted for 27.9% of our consolidated net sales in 2011. Our ten largest customers accounted for 70.4% and 20.2% of our Front-end and Back-end 2011 net sales, respectively. 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, 2011 one customer accounted for 4.5% of the outstanding balance in accounts receivable (2010: 6.0%).

The Company places its 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.

Liquidity Risk

The following table summarizes the Company's contractual obligations as at December 31, 2010 aggregated by type of contractual obligation:

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable to banks [1]	41,456	41,456	—	—	—
Long-term debt [1, 2]	20,527	4,671	15,856	—	—
Convertible subordinated debt [1]	177,625	9,750	167,875	—	—
Operating leases	78,645	21,933	27,952	16,943	11,817
Pension liabilities	9,887	92	171	209	9,415
Purchase obligations:					
Purchase commitments to suppliers	174,532	170,421	4,111	—	—
Capital expenditure commitments	17,433	17,433	—	—	—
Unrecognized tax benefits (ASC 740)	21,749	21,749	—	—	—
Total contractual obligations	541,854	287,505	215,965	17,152	21,232

(1) Including interest expense based on the percentages at the reporting date.
(2) Capital lease obligations of € 141 are included in long-term debt.

Total short-term lines of credit amounted to €289,528 at December 31, 2011. The amount outstanding at December 31, 2011 was €40,680 and the undrawn portion totaled €248,848. The undrawn portion includes the standby revolving credit facility of €150,000 with a consortium of banks. The facility, available through July 31, 2014, is secured by a portion of the Company's shareholding in ASMPT. In the event all outstanding convertible bonds due 6 November 2014 are converted, repaid or replaced prior to 30 June 2014, the maturity date will be 31 July 2015. The undrawn portion includes €92,262 for ASMPT, which amount is restricted to be used only in the operations of ASMPT. The undrawn portion includes €6,587 for ASM Japan, which amount is restricted to be used only in the operations of ASM Japan.

The Company uses notes payable to banks to manage short term liquidity and uses long-term debt and convertible subordinated debt to manage long term liquidity.

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.

24- Research and development expenses

Research and Development, excluding capitalized development expenses, consists of the following consists of the following:

	Year ended December 31,	
	2010	**2011**
Research and development expenses	**68,037**	**110,872**
Amortization of capitalized development expenses	**4,453**	**6,734**
Impairment of capitalized development expenses	**2,532**	**1,420**
Research and development grants and credits	**(546)**	**(753)**
Total research and development expenses	**74,476**	**118,273**

The Company's operations in the Netherlands, Germany and the United States receive research and development grants and credits from various sources. The research and development grants and credits received from governmental sources in the Netherlands include a credit which is contingently repayable to the extent the Company recognizes sales of products to which the credit is related within an agreed upon period. The Company does not recognize a liability on the Consolidated Balance Sheet in respect of this credit until it recognizes sales of products to which the credit is related, within the agreed upon period and is then charged to cost of sales when such sales are recorded. The repayment amounts to 4.0% of the realized sales of these products.

With the disposal of our RTP business in 2009 the liability has been transferred to Levitech B.V., the vehicle in which the management buy-out has been constructed. ASM International N.V. participates for 20% in Levitech B.V. With the disposal of our RTP business we have licensed our RTP portfolio of 50 issued patents and 23 pending patents to Levitech BV.

25- Restructuring expenses

In 2009 ASMI started the implementation of a major restructuring in the Front-end segment (PERFORM!) as announced on January 9, 2009 and on July 20, 2009. The main components of the Company's accelerated execution plans are:

- The consolidation of our global Front-end manufacturing operations from Europe, the United States and Japan, into our Front-end manufacturing operations in Singapore by the end of 2010. This will be achieved by completing the previously announced transfer from Almere, the Netherlands, which was finalized during 2009; the phasing out the manufacturing operation in Phoenix, Arizona, in the first half of 2010; and by transferring manufacturing from Nagaoka, Japan, no later than the fourth quarter of 2010.

- The reduction of selling, general and administration expenses by making fundamental changes in our global support infrastructure. This includes a significant simplification and streamlining of our warehousing operations and the further strengthening of the global sales & service organization which was created last year.

- The leveraging of research and development and our product portfolio by reprioritization of strategic programs in order to maximize their potential.

The following table summarizes the aggregated restructuring expenses by type:

	Year ended December 31,	
	2010	**2011**
Employee related expenses	4,534	—
Contract termination related expenses	—	
	779	—
Impairment charges	—	—
Transition expenses	3,806	—
Expenses buy out RTP	—	—
Other expenses	2,082	—
Total restructuring expenses	11,201	—

Related to these execution plans, an amount of €11.2 million in restructuring expenses was recorded in 2010. These expenses were mainly costs for severance packages, retention costs, provisions for vacancy and other costs related to the transition of activities to Singapore.

26- Income taxes

The components of earnings (loss) before income taxes and Non-controlling interest consist of:

	Year ended December 31,	
	2010	**2011**
The Netherlands	(47,662)	**(2,451)**
Other countries	341,176	**365,247**
Earnings before income taxes and Non-controlling interest	293,514	**362,796**

The income tax expense consists of:

	Year ended December 31,	
	2010	2011
Current:		
The Netherlands	(505)	**(494)**
Other countries	(38,342)	**(64,684)**
	(38,847)	**(65,178)**
Deferred:		
The Netherlands	—	**—**
Other countries	(4,184)	**26,528**
Income tax expense	(43,030)	**(38,650)**

The provisions for income taxes as shown in the Consolidated Statements of Operations differ from the amounts computed by applying the Netherlands 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 Netherlands statutory income tax rates is set forth as follows:

	2010	**2011**
Earnings (loss)	293,514	**362,796**
Netherlands statutory income tax rate	25.5%	**25.0%**
Income tax provision at statutory rate	(74,846)	**(90,699)**
Non-deductible expenses	(8,250)	**(8,228)**
Foreign taxes at a rate other than the Netherlands statutory rate	24,230	**11,936**
Valuation allowance	(1,768)	**19,565**
Non-taxable income	18,536	**30,156**
Other	(932)	**(1,380)**
Income tax expense	(43,030)	**(38,650)**

Included in non-taxable income for 2011 is €11,275 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 29 May 2006 and 8 June 2009 the Singapore Economic Development Board ("EDB") granted Pioneer Certificates 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 1 April 2005 and 1 July 2008, subject to fulfillment of certain criteria during the period.

On 12 July 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 1 June 2010 and 1 January 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 10% for a period of 5 years from 1 January 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 1 January 2011, subject to fulfillment of certain criteria during the period.

The Netherlands statutory tax rate amounted to 25.5% in 2010 and to 25.0% in 2011. Taxations 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 consist of the following:

	December 31,	
	2010	**2011**
Deferred tax assets:		
Reserves and allowances	7,020	**10,415**
Net operating losses	153,407	**86,720**
Depreciation	2,331	**363**
Other	282	**6,767**
Gross deferred tax assets	163,040	**104,265**
Less: valuation allowance	(143,276)	**(71,935)**
Net deferred tax assets	19,764	**32,331**
Deferred tax liabilities:		
Convertible subordinated notes	(6,325)	**(4,533)**
Capitalized development expenses	(6,651)	**(8,667)**
Other	—	**(4,453)**
Deferred tax liabilities	(12,976)	**(17,653)**
Net deferred income taxes	6,788	**14,678**

Deferred tax assets and liabilities are classified in the balance sheet as follows:

	December 31,	
	2010	**2011**
Deferred tax assets—non-current	13,981	**27,797**
Deferred tax liabilities—non-current	(7,193)	**(13,120)**
	6,788	**14,678**

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2011 of €317,632 for tax return purposes to reduce future income taxes, mainly in Europe. During fiscal year 2011, the Company entered into transactions due to which considerable net operating losses, that were generated before 2003, were offset. 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 €143,276 in 2010 and €71,935 in 2011 has been recorded.

The amounts and expiration dates of net operating losses for tax purposes are as follows:

Expiration year	
2012	41,031
2013	16,309
2014	37,607
2015	0
2016	10,567
2017	47,712
2018	57,753
2019	35,929
2020	325
2021-2028	0
2029	17,837
2030	3,762
Unlimited	48,800
Net operating losses	317,632

The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2011 the undistributed earnings of subsidiaries, subject to withholding taxes, were approximately €63,270. 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.

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 uncertain tax issue is highly judgmental. Tax contingencies mainly relate to transfer pricing positions, operational activities in countries where the Company is not tax registered and tax deductible costs. The Company provides for these tax contingencies for the duration of the statute of limitation period, which differs per tax jurisdiction. At December 31, 2011 tax contingencies amounted to €21,749 (2010: €20,057) and are included in income taxes payable in the Consolidated Statement of Financial Position. Settlement of tax uncertainties 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.

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, 2011 is not realizable, this would result in an additional valuation allowance and an income tax expense of €2.3 million.

A summary of open tax years by major jurisdiction is as follows:

Jurisdiction	
Japan	2011
Hong Kong	2000—2011
The Netherlands	2007—2011
Singapore	2008—2011
United States	1997—2011

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.

27 - 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.

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, Japan and Southeast 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 majority of 52.17% 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.

Segment performance is evaluated by the Company's management based on U.S. GAAP net earnings or loss which in certain respect is measured differently from net income or loss reported by the Company in its consolidated financial statements, which are based on IFRS, as adopted by the EU. For a reconciliation between IFRS and US GAAP see page 92 and Note 34.

	Front-end	Back-end	Total
Year ended December 31, 2010			
Net sales to unaffiliated customers	293,356	929,544	1,222,900
Gross profit	114,624	434,954	549,578
Result from operations	15,954	312,686	328,640
Interest income	615	605	1,221
Interest expense	(15,677)	—	(15,677)
Loss resulting from early extinguishment of debt	(3,609)	—	(3,609)
Accretion interest expense convertible notes	(6,010)	—	(6,010)
Revaluation conversion option	(19,037)	—	(19,037)
Foreign currency exchange gains (losses), net	(1,809)	1,744	(65)
Income tax expense	(6,106)	(36,833)	(42,939)
Net earnings (loss)	(35,679)	278,202	242,523
Allocation of net earnings:			
Shareholders of the parent			110,639
Non-controlling interest			131,884
Capital expenditures	17,653	85,320	102,974
Purchase of other intangibles	43	582	625
Depreciation property, plant & equipment	8,930	21,700	30,630
Depreciation evaluation tools at customers	2,477	—	2,477
Amortization of other intangible assets	2,338	397	2,735
Cash and cash equivalents	142,420	197,874	340,294
Capitalized goodwill	11,193	39,622	50,815
Other intangible assets	6,089	715	6,804
Other identifiable assets	281,076	535,129	816,204
Total assets	440,777	773,340	1,214,117
Total debt	215,681	—	215,681
Headcount in full-time equivalents [1]	1,450	15,249	16,699

(1) Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.

	Front-end	Back-end	Total
Year ended December 31, 2011			
Net sales to unaffiliated customers	456,065	1,178,270	1,634,334
Gross profit	172,318	398,308	570,626
Result from operations	62,581	304,869	367,450
Interest income	976	1,925	2,902
Interest expense	(13,142)	(354)	(13,497)
Loss resulting from early extinguishment of debt	(824)	—	(824)
Accretion interest expense convertible notes	(4,401)	—	(4,401)
Revaluation conversion option	(4,378)	—	(4,378)
Foreign currency exchange gains (losses), net	8,296	(2,692)	5,604
Income tax expense	(4,581)	(32,111)	(36,692)
Net earnings (loss)	44,527	271,637	316,164
Allocation of net earnings:			
Shareholders of the parent			186,770
Non-controlling interest			129,394
Capital expenditures	16,369	72,849	89,218
Net purchase of other intangibles	6,141	910	7,051
Depreciation property, plant & equipment	9,162	30,823	39,985
Depreciation evaluation tools at customers	2,518	—	2,518
Amortization of other intangible assets	2,655	1,815	4,471
Impairment of property, plant and equipment	—	(8,038)	(8,038)
Cash and cash equivalents	228,114	162,136	390,250
Capitalized goodwill	11,193	40,939	52,131
Other intangible assets	9,643	5,133	14,776
Other identifiable assets	336,090	788,973	1,125,063
Total assets	585,040	997,181	1,582,221
Total debt	162,464	32,946	195,409
Headcount in full-time equivalents [1]	1,631	14,563	16,194

(1) Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.

Reconciliation from US GAAP to IFRS

	Front-end	Back-end	Total
Year ended December 31, 2010			
Net earnings (loss)			
Based on US GAAP	(35,679)	278,202	242,523
Adjustments to IFRS	7,961	—	7,961
Based on IFRS	(27,718)	278,202	250,484
Purchase and capitalization of other intangibles			
Based on US GAAP	43	582	625
Adjustments to IFRS	11,294	—	11,294
Based on IFRS	11,337	582	11,918
Capitalized goodwill			
Based on US GAAP	11,193	39,622	50,815
Adjustments to IFRS	(947)	(9,387)	(10,333)
Based on IFRS	10,246	30,235	40,482
Total assets			
Based on US GAAP	440,777	773,340	1,214,117
Adjustments to IFRS	37,281	(9,387)	27,894
Based on IFRS	478,058	763,953	1,242,011
Total debt			
Based on US GAAP	215,681	—	215,681
Adjustments to IFRS	(4,438)	—	(4,438)
Based on IFRS	211,243	—	211,243

	Front-end	Back-end	Total
Year ended December 31, 2011			
Net earnings (loss)			
Based on US GAAP	44,527	271,637	316,164
Adjustments to IFRS	7,214	768	7,982
Based on IFRS	51,731	272,405	324,146
Purchase and capitalization of other intangibles			
Based on US GAAP	6,141	910	7,051
Adjustments to IFRS	19,281	—	19,281
Based on IFRS	25,422	910	26,332
Capitalized goodwill			
Based on US GAAP	11,193	40,939	52,131
Adjustments to IFRS	(948)	(9,699)	(10,647)
Based on IFRS	10,244	31,240	41,484
Total assets			
Based on US GAAP	585,040	997,181	1,582,221
Adjustments to IFRS	48,377	(8,931)	39,445
Based on IFRS	633,417	988,250	1,621,666
Total debt			
Based on US GAAP	162,464	32,946	195,409
Adjustments to IFRS	(3,208)	—	(3,208)
Based on IFRS	159,256	32,946	192,202

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, based on IFRS, is summarized as follows:

	Europe	United States of America	Japan	Southeast Asia	Corporate	Consolidated
Year ended December 31, 2010						
Net sales to unaffiliated customers	76,235	112,863	90,394	943,408	—	1,222,900
Long-lived assets	1,978	9,395	19,409	167,020	135	197,937
Total assets	40,166	105,171	108,914	831,446	156,315	1,242,011
Capital expenditures	186	7,059	5,388	90,279	62	102,974
Purchase and capitalization of intangible assets	1,133	5,278	4,883	607	17	11,918
Year ended December 31, 2011						
Net sales to unaffiliated customers	**338,065**	**185,943**	**96,697**	**1,013,629**	**—**	**1,634,334**
Long-lived assets	**16,021**	**13,110**	**18,273**	**209.873**	**171**	**257,448**
Total assets	**408,345**	**156,484**	**141,638**	**725,350**	**189,849**	**1,621,666**
Capital expenditures	**7,425**	**8,429**	**1,559**	**71,720**	**85**	**89,218**
Purchase and capitalization of intangible assets	**3,928**	**8,067**	**8,730**	**1,378**	**4,230**	**26,333**

Long-lived assets for the years ended December 31, 2010 and 2011 consist of the Company's property, plant and equipment and assets held for sale.

28- Selected operating expenses and additional information

Personnel expenses for employees were as follows:

	December 31, 2010	2011
Wages and salaries	236,746	**318,944**
Social security	17,402	**42,622**
Pension expenses	12,303	**18,945**
	266,451	**380,511**

The average number of employees, exclusive of temporary workers, by geographic area during the year was as follows:

	December 31, 2010	2011
The Netherlands	170	**167**
Other European countries	139	**993**
United States of America	358	**468**
Southeast Asia	13,389	**15,716**
Japan	197	**181**
	14,253	**17,525**

29- Earnings per share

The following represents a reconciliation of net earnings (loss) and weighted average number of shares outstanding (in thousands) for purposes of calculating basic and diluted net earnings (loss) per share:

	2010	December 31, 2011
Net earnings used for purpose of computing basic earnings per common share.....	118,600	**194,385**
After-tax equivalent of interest expense on convertible subordinated notes and of fair value change conversion option.....	17,670	**17,670**
Net earnings used for purposes of computing diluted net earnings per common share ..	136,270	**212,055**
Basic weighted average number of shares outstanding during the year used for purpose of computing basic earnings per share (thousands)	52,435	**55,210**
Dilutive effect of stock options.....	282	**570**
Dilutive effect of convertible subordinated notes	8,777	**8,902**
Dilutive weighted average number of shares outstanding.....	61,494	**64,682**
Net earnings per share:		
Basic net earnings from continuing operations	2.26	**3.52**
Diluted net earnings from continuing operations	2.22	**3.27**
	====	**====**

During 2008, ASM engaged Lehman Bros ("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. ASM 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.

In September 2010, Lehman's administrators notified us that there is a possible shortfall in the number of shares held by Lehman of 479,279 shares (out of the 2,552,071 shares), which cannot currently be accounted for by Lehman. During 2011 we received further information based on which we conclude that the possible shortfall in the number of shares held by Lehman is now reduced to 246,983 shares.

The Lehman administrators also reported a segregated collateral cash account of US$ 6,759, that ASMI may be entitled to in the absence of the shares. We have not been able to obtain additional information to confirm and understand the potential shortfall of shares or our ability to recover the US$ 6,759 from the Lehman bankruptcy proceedings in lieu of the shares. Accordingly, we are uncertain at this time as to the accuracy of the shortfall of shares, our ability to claim the collateral cash sum to cover the value of any such discrepancy, and our entitlement to all or a portion of such sum when distributions are determined and made by the administrator since there is likely to also be a shortfall in Lehman assets subject to proprietary rights. Given the magnitude of the overall Lehman administration, we believe it may take several years to obtain clarity or resolution about the potential shortfall or claim to cash. ASMI is in the process of filing a claim with the Lehman administrators to safeguard our interests.

Considering the factual and legal uncertainties, it is premature to conclude that the 246,983 shares should still be considered as outstanding or that ASMI has a US$ 6,759 receivable from Lehman. ASMI has, therefore, neither reversed the cancellation of these shares that we recorded in 2009, nor recorded a receivable from Lehman. If the shares would be considered as outstanding, the negative impact on our basic and diluted earnings per share (eur 1) as at December 31, 2011 would have been €0.016 and €0.014 respectively per share.

30- Board remuneration

The following table sets forth as to all current and former members of the Management Board and Supervisory Board of the Company information concerning all remuneration from the Company (including its subsidiaries) for services in all capacities:

				Year ended December 31,	
				2011	2010
	Base compensation	Bonuses [5]	Pensions	Total	Total
Management Board:					
C.D. del Prado	**529**	**559**	**69**	**1,157**	613
P.A.M. van Bommel [1]	**360**	**150**	**54**	**564**	168
W.K. Lee [2]	**-**	**-**	**-**	**-**	609
R.A. Ruijter [3]	**-**	**-**	**-**	**-**	323
J.F.M. Westendorp [4]	**-**	**-**	**-**	**-**	155
	889	**709**	**123**	**1,721**	1,868

(1) For the period July 1, 2010 through August 31, 2010 at 40% and for the period September 1, 2010 through December 31, 2010 full time.
(2) All remuneration relates to the compensation Mr. W.K. Lee received in his capacity as member of the Board of ASMPT.
(3) For the period May 15, 2009 through December 31, 2009 and for the period January 1, 2010 through August 31, 2010.
(4) For the period January 1, 2010 through May 20, 2010.
(5) Bonuses paid in 2011 were calculated and paid in respect of performance in 2010.

The remuneration of members of the Management Board has been determined by the Supervisory Board, with the exception of Mr. W.K. Lee. His compensation has been determined by the Board of ASM Pacific Technology. The remuneration of members of the Supervisory Board has been determined by the General Meeting of Shareholders.

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	2010
	Total	Total
Supervisory Board:		
G.J. Kramer	**68**	54
J.M.R. Danneels	**50**	29
H.W. Kreutzer	**50**	30
J.C. Lobbezoo	**53**	33
M.C.J. van Pernis [1]	**50**	18
U.H.R. Schumacher	**50**	28
E.A. van Amerongen [2]	**-**	15
	321	206

(1) For the period May 20, 2010 through December 31, 2010.
(2) For the period January 1, 2010 through May 20, 2010.

No stock options have been issued to members of the Supervisory Board.

The following table shows the outstanding options to purchase ASM International N.V. common shares held by current and former members of the Management Board, and changes in such holdings during 2011:

	Year of grant	Outstanding January 1, 2011	Granted in 2011	Adjustment from vesting condition 2011 [5]	Exercised in 2011	Outstanding December 31, 2011	Exercise price	Remaining term, in years
Current members:								
C.D. del Prado [2]	2003	20,000	-	-	-	20,000	US$ 11.35	2
C.D. del Prado [1]	2007	19,645	-	-	-	19,645	€ 19.47	4
C.D. del Prado [1]	2008	100,000	-	25,000	-	125,000	€ 12.71	5
C.D. del Prado [1]	2009	50,000	-	-	-	50,000	€ 15.09	6
C.D. del Prado [1]	2011	-	75,000	-	-	75,000	€ 22.33	7
P.A.M. van Bommel [4]	2010	25,000	-	-	-	25,000	€ 16.27	6
P.A.M. van Bommel [4]	2011	-	53,000	-	-	53,000	€ 22.33	7
Former members:								
A.H. del Prado [1]	2007	52,886	-	-	-	52,886	€ 19.47	4
J.F.M. Westendorp [3]	2006	56,000	-	-	(56,000)	-	€ 15.40	—
J.F.M. Westendorp [1]	2007	22,452	-	-	-	22,452	€ 19.47	4
J.F.M. Westendorp [3]	2009	40,000	-	-	-	40,000	€ 15.09	6
		385,983	128,000	25,000	(56,000)	482,983		

(1) 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.
(2) These options are granted for a term of ten years, and became exercisable in equal parts over a five year period.
(3) These options are granted for a term of five years, and become exercisable in equal parts over a five year period.
(4) These options are granted for a term of seven years and become exercisable after a 3 year vesting period.
(5) As a result of the final ranking of ASM International in a predefined peer group the options granted in May 2008 have vested at 125%.

The fair value per option of options granted to current and former members of the Management Board was €16.92 in 2010 and €10.43 in 2011. The compensation expense recorded in the Consolidated Statements of Operations related to options held by current and former members of the Management Board was €572 in 2010 and €512 in 2011.

In 2011, 56,000 options to purchase ASM International N.V. common shares were exercised and new shares were issued for the exercise of these options.

The stock option grants to members of the Management Board have been determined by the Supervisory Board.

31- Share ownership and related party transactions

The ownership or controlling interest of outstanding common shares of ASM International N.V. by members of the Management Board and Supervisory Board or members of their immediate family are as follows:

	December 31, 2010		December 31, 2011	
	Shares owned	Percentage of Common shares outstanding	Shares owned	Percentage of Common shares outstanding
A.H. del Prado	9,200,839	17.38%	**9,204,284**	**16.62%**
C.D. del Prado (member of the Management Board)	132,945	0.26%	**132,945**	**0.24%**
J.F.M. Westendorp [1]	6,000	0.01%	**6,000**	**0.01%**
Stichting Administratiekantoor ASMI	2,142,039	4.05%	**2,142,039**	**3.87%**

(1) Former member of the Management Board.

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.

32- Remuneration of the external auditor

Deloitte Accountants B.V. ("Deloitte"), has served as our independent registered public accounting firm for the year 2011. The following table sets out the aggregate fees for professional audit services and other services rendered by Deloitte Accountants B.V. and its members firms and/or affiliates in 2011 and 2010:

	EUR thousands		As a % of total fees	
	2010	2011	2010	2011
Audit fees	1,798	1,345	68%	77%
Audit-related fees	—	193	—	11%
Tax fees	665	218	25	12%
Other fees	197	—	7	—
Total	2,660	1,756	100%	100%

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 2011 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.

33- Subsequent events

On February 27 2012 one of the Company's customers, Elpida Memory Inc ("Elpida"), filed for bankruptcy protection in Japan. As per 31 December, 2011 the Company had a total outstanding amount on Elpida of 362 million Yen (equivalent to €3.6 million) while about 65 million Yen (€ 0,6 million) was collected in January 2012 and also have a secured claim for the unpaid amount of the delivered equipment under Japanese Law. On March 23, 2012 the Tokyo District Court made the order to commence corporate reorganization proceedings and appointed Trustees to Elpida. Given such uncertainty, any loss on the outstanding receivable is not yet determinable and ASMI will evaluate the impact of such plan (if any) as soon as they become available.

34- Reconciliation of IFRS to US GAAP

Since the initial listing of ASMI on NASDAQ in the United States of America, ASMI has followed accounting principles generally accepted in the United States of America ("US GAAP"), both for internal as well as external purposes. The principal differences between US GAAP and International Financial Reporting Standards ("IFRS") relate to accounting for goodwill, accounting for development expenses and accounting for inventory obsolescence.

Goodwill – IFRS 1 "First time adoption of IFRS" includes a transition option to apply IFRS 3 prospectively from the transition date (January 1, 2004). ASMI has elected to apply this option and accordingly, all accounting under Dutch GAAP for business combinations prior to January 1, 2004 is fixed at the transition date and the corresponding value of goodwill is fixed as well. As a result of amortization of goodwill under Dutch GAAP prior to January 1, 2004, the value of goodwill under IFRS as of January 1, 2004 is lower when compared to the value of goodwill under US GAAP as of January 1, 2004. Since the difference relates to non-euro denominated acquisitions, this difference will fluctuate over time with currency rate fluctuations. In addition, IFRS requires the inclusion of contingent consideration in the cost of acquisition if it is probable and can be estimated reliably, while under US GAAP, contingent consideration is generally excluded from the cost of acquisition until the contingency is resolved.

Development Expenses – IAS 38 "Intangible Assets" requires capitalization of development expenses if, and only if, an entity can demonstrate all of the following:

1. The technical feasibility of completing the intangible asset so that it will be available for use or sale;
2. Its intention to complete the intangible asset and use or sell it;
3. Its ability to use or sell the intangible asset;
4. How the intangible asset will generate probable future economic benefits;
5. The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
6. Its ability to measure the expenditure attributable to the intangible asset during its development reliably.

Prior to December 31, 2004 ASMI's administrative systems did not distinguish between research expenses and development expenses and as a result, ASMI could not demonstrate its ability to measure the expenditure attributable to the intangible asset during its development reliably. At January 1, 2005, ASMI implemented a change to its administrative systems and is able to reliably capture development expenses. As a result, from 2005 onwards ASMI capitalizes development expenses that meet the above-mentioned criteria in its Consolidated Financial Statements prepared in accordance with IFRS. US GAAP prohibits capitalization of research and development costs.

Inventory obsolescence-Under US GAAP a write-down of inventory to market is not reversed for subsequent recoveries in value. IAS 2 requires a reversal of the write-down if the net realizable value of an item subsequently increases.

A reconciliation of net earnings (loss) according to IFRS versus US GAAP is as follows:

	Year e ıded December 31,	
	2010	2011
Net earnings in accordance with IFRS	250,484	**324,146**
Allowance for inventory obsolescence	(3,365)	**1,639**
Tax rate difference on eliminated intercompany profit	-	**(768)**
Debt issuance expenses credit facility	(157)	**55**
Development expenses	(4,439)	**(8,908)**
Net earnings in accordance with US GAAP	242,523	**316,164**

A reconciliation of shareholders' equity according to IFRS versus US GAAP is as follows:

	December 31,	
	2010	**2011**
Total equity in accordance with IFRS	673,645	**991,841**
Goodwill	10,333	**10,647**
Tax rate difference on eliminated intercompany profit	-	**(768)**
Debt issuance expenses credit facility	1,126	**1,181**
Development expenses	(34,034)	**(43,741)**
Allowance for inventory obsolescence	(3,280)	**(1,626)**
Pension plans	(565)	**179**
Total shareholders' equity in accordance with US GAAP	647,227	**957,714**

Almere,
April 3, 2012

Supervisory Board

G.J. Kramer
J.M.R. Danneels
H.W. Kreutzer
J.C. Lobbezoo
M.C.J. van Pernis
U.H.R. Schumacher

Management Board

C.D. del Prado
P.A.M. van Bommel

Balance Sheets ASM International N.V.
(After proposed appropriation of net earnings for the year)

(EUR thousands except share data)

Assets	Note	2010	December 31, **2011**
Cash and cash equivalents		97,627	**128,655**
Accounts Receivable		1,643	**1,280**
Amounts due from subsidiaries		75,291	**95,957**
Other current assets		1,610	**1,539**
Total current assets		176,171	**227,431**
Property, plant and equipment, net	**5**	135	**171**
Goodwill, net	**4**	2,612	**2,612**
Other intangible assets, net	**3**	6,904	**8,489**
Investments in subsidiaries	**2**	283,719	**456,125**
Other investments		50	**1,044**
Loan advances due from investments	**2**	165,136	**141,794**
Assets held for sale		277	**277**
Total assets		635,004	**837,943**
Liabilities and Shareholders' Equity			
Amounts due to subsidiaries		3,092	**5,672**
Accrued expenses and other		11,201	**6,629**
Taxes and social securities		153	**216**
Current portion convertible subordinated notes		32,439	**-**
Current portion conversion option		23,875	**-**
Total current liabilities		70,760	**12,517**
Convertible subordinated debt		126,366	**131,870**
Conversion option		-	**-**
Total liabilities		197,126	**144,387**
Common shares			
Authorized 110,000,000 shares, par value € 0.04,			
issued and outstanding 52,931,881 and 55,377,020 shares		2,117	**2,215**
Capital in excess of par value		314,596	**356,710**
Accumulated (deficit) / net earnings		(94,286)	**14,859**
Legal reserves		243,110	**333,616**
Accumulated other comprehensive loss		(27,658)	**(13,843)**
Total shareholders' equity	**6**	437,878	**693,556**
Total liabilities and shareholders' equity		635,004	**837,943**

Statements of Operations ASM International N.V.

(EUR thousands)

	Year ended December 31, 2010	**2011**
Net earnings of subsidiaries	176,737	**208,673**
Net earnings from holding activities	(58,137)	**(14,288)**
Net earnings	118,600	**194,385**

See Notes to Financial Statements ASM International N.V.

Notes to Financial Statements ASM International N.V.

Amounts in euro thousands, unless otherwise stated

1- Summary of significant accounting policies

Significant Accounting Policies – In accordance with Article 362, Part 9, of Book 2 of the Netherlands Civil Code, ASM International N.V. has prepared its Statutory Financial Statements in accordance with accounting principles generally accepted in the Netherlands (Dutch GAAP). The same accounting principles as used in the Consolidated Financial Statements were applied in order to maintain the consistency between the Consolidated Financial Statements and the Financial Statements of ASM International N.V. Reference is made to Note 1 to the Consolidated Financial Statements. In addition to those accounting policies, the following accounting policies for the Statutory Financial Statements are described below.

Investments – Investments in subsidiaries, joint-ventures and associates are accounted for using the net equity value. The net equity value of subsidiaries comprises the cost, excluding goodwill of ASMI's share in the net assets of the subsidiary, plus ASMI's share in income or losses since acquisition, less dividends received.

2- Investments and loan advances due from investments

	Investments	Loan advances due from investments	Total
Balance December 31, 2009	133,730	170,182	303,912
Capital investments	5,766	-	5,766
Repayment of capital	(286)	-	(286)
Net result of subsidiaries	176,737	-	176,737
Dividend received	(65,579)	-	(65,579)
Issuance of loans	-	13,392	13,392
Repayments of loans	-	(22,035)	(22,035)
Unrealized gains on derivative instruments	136	-	136
Foreign currency translation effect	33,215	3,597	36,812
Balance December 31, 2010	283,719	165,136	448,855
Capital investments	**29,659**	**-**	**29,659**
Repayment of capital	**-**	**-**	**-**
Net result of subsidiaries	**208,672**	**-**	**208,672**
Dividend received	**(87,236)**	**-**	**(87,236)**
Repayments of loans	**-**	**(23,174)**	**(23,174)**
Unrealized gains on derivative instruments	**-**	**-**	**-**
Foreign currency translation effect	**21,311**	**(168)**	**21,143**
Balance December 31, 2011	**456,125**	**141,794**	**597,919**

3- Other intangible assets

	Software	Purchased technology and other intangible assets	Total
At cost:			
Balance December 31, 2009	9,490	8,241	17,731
Reclassification	131	-	131
Additions	17	-	17
Balance December 31, 2010	**9,638**	**8,241**	**17,879**
Additions	**1,584**	**2,646**	**4,230**
Balance December 31, 2011	**11,222**	**10,887**	**22,109**
Accumulated amortization:			
Balance January 1, 2010	1,805	6,299	8,104
Reclassification	119	-	119
Amortization for the year	1,890	862	2,752
Balance December 31, 2010	**3,814**	**7,161**	**10,975**
Amortization for the year	**1,827**	**818**	**2,645**
Balance December 31, 2011	**5,641**	**7,979**	**13,620**
Other intangible assets, net:			
December 31, 2010	5,824	1,080	6,904
December 31, 2011	**5,581**	**2,908**	**8,489**

Other intangible assets are amortized over useful lives of 3 to 7 years. Estimated amortization expenses relating to other intangible assets are as follows:

2012	2,726
2013	2,365
2014	1,548
2015	846
2016	845
2017	159
Total	8,489

4- Goodwill

The changes in the carrying amount of goodwill are as follows:

At cost:	
Balance January 1, 2010	4,746
Balance December 31, 2010	4,746
Balance December 31, 2011	**4,746**
Accumulated amortization:	
Balance January 1, 2010	2,134
Balance December 31, 2010	2,134
Balance December 31, 2011	**2,134**
Goodwill, net:	
December 31, 2010	2,612
December 31, 2011	**2,612**

5- Property, plant and equipment

	Land, buildings and improvements	Machinery, equipment, furniture and fixtures	Total
At cost:			
Balance January 1, 2010	47	345	392
Capital expenditures	-	62	62
Disposals	-	(85)	(85)
Reclassification	-	(131)	(131)
Balance December 31, 2010	**47**	**191**	**238**
Capital expenditures	**-**	**85**	**85**
Balance December 31, 2011	**47**	**276**	**323**
Accumulated depreciation:			
Balance January 1, 2010	9	272	281
Depreciation for the year	11	15	26
Disposals	-	(85)	(85)
Reclassification	-	(119)	(119)
Balance December 31, 2010	**20**	**83**	**103**
Depreciation for the year	**10**	**39**	**49**
Balance December 31, 2011	**30**	**122**	**152**
Property, plant and equipment, net:			
December 31, 2010	27	108	135
December 31, 2011	**17**	**154**	**171**

The useful life for buildings and improvements is 10-25 years. For machinery, equipment, furniture and fixtures the useful life is 2-10 years.

6- Shareholders' equity

The changes in shareholders' equity are as follows:

	Common shares	Capital in excess of par value	Treasury shares at cost	Accumulated (deficit)/ earnings	Legal reserves	Accumulated other comprehensive loss	Total shareholders' equity
Balance January 1, 2010	2,070	290,523	-	(132,440)	157,707	(60,269)	257,591
Compensation expense stock	-	2,526	-	-	-	-	2,526
Conversion of debt into common	35	17,614	-	-	-	-	17,649
Exercise of stock options by issuance of common shares	12	3,932	-	-	-	-	3,944
Increased retained earnings subsidiaries	-	-	-	(89,842)	89,842	-	-
Capitalized development expenses	-	-	-	4,439	(4,439)	-	-
Other comprehensive income	-	-	-	-	-	32,611	32,611
Dilution	-	-	-	4,957			4,957
Net earnings	-	-	-	118,600	-	-	118,600
Balance December 31, 2010	**2,117**	**314,596**	**-**	**(94,286)**	**243,110**	**(27,658)**	**437,878**
Reclassification legal reserve, accumulated deficit	**-**	**-**	**-**	**(16,012)**	**16,012**	**-**	**-**
Compensation expense stock	**-**	**1,872**	**-**	**-**	**-**	**-**	**1,872**
Conversion of debt into common	**86**	**58,439**	**-**	**-**	**-**	**-**	**58,525**
Exercise of stock options by issuance of common shares	**12**	**4,065**	**-**	**-**	**-**	**-**	**4,077**
Increased retained earnings subsidiaries	**-**	**-**	**-**	**(62,771)**	**62,771**	**-**	**-**

Dividend paid on common shares	-	(22,262)	-	-	-	-	(22,262)
Capitalized development expenses	-	-	-	(11,723)	11,723	-	-
Other comprehensive income	-	-	-	-	-	13,816	13,816
Dilution	-	-	-	5,266			5,266
Net earnings	-	-	-	194,385	-	-	194,385
Balance December 31, 2011	2,215	356,710	-	14,859	333,616	(13,843)	693,556

Legal reserves include legal reserves regarding retained earnings of subsidiaries, capitalized development expenses and the cumulative foreign currency translation effect on translation of foreign operations.

For more detailed information, reference is made to Note 19 to the Consolidated Financial Statements.

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. For more detailed information, reference is made to Note 20 to the Consolidated Financial Statements.

7- Remuneration and share ownership of the management board and supervisory board

With respect to remuneration and share ownership of the Management Board and Supervisory Board, reference is made to Note 30 and 31 to the Consolidated Financial Statements.

8- Commitments and contingencies

ASM International N.V. has guaranteed available facilities of certain subsidiaries of € 17,115. With respect to certain Dutch subsidiaries ASM International N.V. has assumed joint and several liability in accordance with Article 403, Part 9 of Book 2 of the Netherlands Civil Code.

ASM International N.V. forms a tax unity together with its Dutch subsidiaries for purposes of Netherlands tax laws and is as such jointly and severally liable for the tax debts of the unity. The tax unity consists of ASM International and the following subsidiaries:

1. ASM Europe BV (operational company)
2. ASM UK Sales BV (operational company)
3. ASM Germany Sales BV (operational company)
4. ASM Pacific Holding BV (holding company)
5. CVTR Development BV (dormant)
6. Beheer- en Beleggingsmaatschappij Ingebel BV (dormant)
7. Hamilcar Investments BV (dormant)
8. Rembrandt Lease and Finance BV (dormant)
9. ASM IP Holding BV (operational company)
10. ASM Netherlands Holding BV (holding company).

Almere,
April 3, 2012

Supervisory Board

G.J. Kramer
J.M.R. Danneels
H.W. Kreutzer
J.C. Lobbezoo
M.C.J. van Pernis
U.H.R. Schumacher

Management Board

C.D. del Prado
P.A.M. van Bommel

Additional Information

Independent Auditor's Report
The independent auditor's report is included on page 102 of the Annual Accounts 2011.

Appropriation and Determination of Profits
Article 32 of the Articles of Association of ASM International N.V. ("the Company") provides the following with regard to distribution of profit and can be summarized as follows:

Para 1-3:
From the profits, distributions shall in the first place, if possible, be made on the preferred shares equal to the EURIBOR-rate for six months' loans, increased by one and a half, on the paid up amount which had to be paid on the preferred shares, weighted to the number of days to which this was applicable. If profits are insufficient, the dividend will be paid from the reserves with priority over any dividends. If the reserves are insufficient, the dividend deficit has to be made up in future years;

Para 4-6:
Second, a dividend, if possible, is distributed on financing preferred shares. The dividend is a percentage of the par value, plus share premium paid, on the financing preferred shares. The percentage is determined by the Management Board, subject to approval of the Supervisory Board. The percentage is related to the average effective yield on government loans with a weighted average remaining term of no more than ten years, if necessary increased or decreased by no more than three percent, subject to the then prevailing market conditions. If profits are insufficient, the dividend shall be paid from the reserves. If the reserves are insufficient, the dividend deficit has to be made up in future years;

Para 7:
With the approval of the Supervisory Board, the Management Board will determine which part of the profit remaining after adoption of the provisions of the previous paragraphs will be reserved. The profit after reserving will be at the disposal of the General Meeting;

Para 9:
The Company may only make distributions to the shareholders and other persons entitled to profit eligible for distribution insofar as its equity exceeds the amount of the paid-up and called amount of the share capital increased with the reserves that must be kept by virtue of law; Article 33, para 3 of the Articles of Association provides that dividend claims expire after the lapse of five years. In 2012 the Management Board will propose to the forthcoming Annual General Meeting of Shareholders to declare a dividend of Euro 0.50 per share to be paid from the capital in excess of par value. The net earnings for the year 2011 have been added to the accumulated deficit / net earnings. The net earnings for the year 2010 have been added to the accumulated deficit / net earnings.

Special Statutory Control Rights
Article 27 of the Articles of Association provides that each common share gives the right to cast one vote, each preferred financing share to cast one thousand votes and each preferred share to cast one thousand votes.

Article 29 of the Articles of Association provides that meetings of holders of preferred shares or of financing preferred shares shall be convened as often and insofar as a decision of the meeting of holders of preferred shares or financing shares desires this, and furthermore as often as the Management Board and or the Supervisory Board shall decide to hold such a meeting. At the meeting resolutions will be passed with an absolute majority of the votes. In the event that there is a tie of votes, no resolution will take effect.

The following resolutions and actions can only be taken on a proposal by the Management Board and the Supervisory Board:

- the amendment of the Articles of the Company;
- the dissolution of the Company.

Stichting Continuïteit ASM International
The objective of Stichting Continuïteit ASM International ("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:

Michael J.C. van Galen (chairman)	Retired Managing Director, Breevast N.V.
Rinze Veenenga Kingma	President Archeus Consulting B.V.
Jan Klaassen	Emeritus Professor, Vrije Universiteit Amsterdam

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.

During 2008, two ASMI shareholders requested the Dutch Enterprise Court to investigate certain matters in relation to the issuance of preferred shares to Stichting. In August 2009, the Enterprise Court ordered an inquiry in respect of the affairs of the Company. In July 2010, the Dutch Supreme Court annulled the order of the Enterprise Court and remanded the decision to the Enterprise Court to consider certain observations of the Supreme Court. The Enterprise Court dismissed the inquiry in June 2011, and the plaintiffs appealed the dismissal ruling to the Dutch Supreme Court. The Dutch Supreme Court has not yet rendered a new decision.

On March 30, 2012 the Dutch Supreme Court confirmed the decision of the Enterprise Court dated April, 14 2011 that there are no grounds to order an enquiry (enquête) into the affairs of the Company.

List of Subsidiaries and Offices
The subsidiaries and offices of the Company are listed on page 55 and appendix 2 of the Statutory Annual Report.

Subsequent events
On February 27 2012 one of the Company's customers, Elpida Memory Inc ("Elpida"), filed for bankruptcy protection in Japan. As per 31 December, 2011 the Company had a total outstanding amount on Elpida of 362 million Yen (equivalent to €3.6 million) while about 65 million Yen (€ 0,6 million) was collected in January 2012 and also have a secured claim for the unpaid amount of the delivered equipment under Japanese Law. On March 23, 2012 the Tokyo District Court made the order to commence corporate reorganization proceedings and appointed Trustees to Elpida. Given such uncertainty, any loss on the outstanding receivable is not yet determinable and ASMI will evaluate the impact of such plan (if any) as soon as they become available.

Independent auditor's report

To the supervisory board and shareholders of
ASM International N.V. Almere, The Netherlands

Report on the financial statements
We have audited the accompanying financial statements 2011 of ASM International N.V., Almere. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2011, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information.
The company financial statements comprise the company balance sheet as at December 31, 2011, the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of ASM International N.V. as at December 31, 2011 and of its result and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of ASM International N.V. as at December 31, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Deloitte Accountants B.V.
was signed: M.J. van der Vegte
Amsterdam, The Netherlands
April 3, 2012

APPENDIX 1 - Corporate information

Supervisory Board

Gert-Jan Kramer [1] (1942)
Chairman
Nationality: Dutch
Current term expires: 2013

Chairman of the Supervisory Board of Scheuten Solar Holding B.V.
Vice-Chairman of the Board of Damen Shipyards Group N.V.
Member of the Supervisory Board of Fugro N.V.
Member of the Supervisory Board of Bronwaterleiding Doorn
Member of the Supervisory Board of Energie Beheer Nederland B.V.
Advisor of Trajectum B.V. (previously known as Mammoet)
Chairman of the Advisory Board of Delft Technical University
Chairman of the Service Organisation Protestant Churches in the Netherlands
Chairman of the Foundation of Friends of the Pieterskerk Leiden
Chairman of the Board of the Pieterskerk Leiden
Member of the Board of the Foundation Beelden aan Zee Museum
Member of the Board of the Frans Hals Museum
Member of the Advisory Board of De Nieuwe Kerk Amsterdam
Chairman of Amsterdam Sinfonietta
Chairman of The Hague Philharmonic
Member of the Board of the Concertgebouw Fund Foundation

Johan M.R. Danneels [2] (1949)
Nationality: Belgian
Current term expires: 2012

Chief Executive Officer of Essensium N.V.

Heinrich W. Kreutzer [4] (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

Jan C. Lobbezoo [3] (1946)
Nationality: Dutch
Current term expires: 2013

Member of the Board of FEI, a US-based nano-technology equipment company
Chairman of the Supervisory Board of TMC Group N.V.
Chairman of the Supervisory Board of Mapper Lithography B.V.
Chairman of the Supervisory Board of Mutracx B.V.
Chairman of the Supervisory Board of Salland Engineering B.V.
Member of the Supervisory Board of ALSI N.V.
Chairman of the Supervisory Board of the Point One Innovation Fund

Martin C.J. van Pernis [2] (1945)
Nationality: Dutch
Current term expires: 2014

Chairman of the Supervisory Board of Batenburg Techniek N.V.
Chairman of the Supervisory Board of Dutch Space B.V. - a subsidiary of EADS
Member of the Supervisory Board of Aalberts Industries N.V.
Member of the Supervisory Board of Feyenoord Rotterdam N.V.
Chairman of the Supervisory Board of GGZ Delfland
Chairman of the Supervisory Board of Vlietland Hospital
Chairman of the Supervisory Board of The Hague Marketing
Chairman of the Supervisory Board of the Institute of Protocol The Hague
President of the Royal Institute of Engineers - KIVI NIRIA
President of the Dutch-Israelian Chamber of Commerce
President of the platform "Vernieuwing Bouw"

Ulrich H.R. Schumacher [4] (1958)
Nationality: German
Current term expires: 2012

CGS Consulting
Member of the Board of Directors Siano Mobile Silicon

Honorary 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

J. (Han) F.M. Westendorp
Vice President Corporate Marketing Front-end

Per Ove (Peo) Hansson
General Manager ASM America, Inc. and ASM Europe B.V.
Thermal Products Business Unit

Tominori Yoshida
General Manager ASM Japan K.K. and ASM Genitech Korea Ltd.
Plasma Products Business Unit

Fokko Leutscher
Vice President Front-end Global Operations

Tom Wu
Vice President Front-end Global Sales & Service

Ivo J.M.M. Raaijmakers
Chief Technology Officer and Director of Research and Development, Front-end Operations

Richard W. Bowers
Chief Legal Officer Front-end Operations

Lee Wai Kwong
Member of the Board of Directors and Chief Executive Officer of ASM Pacific Technology Ltd.

Lo Tsan Yin, Peter
Member of the Board of Directors and Vice Chairman of ASM Pacific Technology Ltd.

Chow Chuen, James
Member of the Board of Directors and Chief Operating Officer of ASM Pacific Technology Ltd.

Ng Cher Tat, Robin
Chief Financial Officer of ASM Pacific Technology Ltd.

Wong Yam Mo
Chief Technical Officer of ASM Pacific Technology Ltd.

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Amsterdam, the Netherlands

Independent Auditors

Deloitte Accountants B.V.
Amsterdam, the Netherlands

Trade Register

Chamber of Commerce
Number 30037466

Annual Meeting of Shareholders

The Annual General Meeting of Shareholders will be held on May 15, 2012

Financial Calendar for 2012

April 24, 2012
Announcement of first quarter results 2012

July 25, 2012
Announcement of second quarter results 2012

October 24, 2012
Announcement of third quarter results 2012

1 Chairman Nomination, Selection and Remuneration Committee
2 Member Nomination, Selection and Remuneration Committee
3 Chairman Audit Committee
4 Member Audit Committee

APPENDIX 2 - ASM International Worldwide - Front-end

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APPENDIX 2 - ASM International Worldwide - Back-end

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