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

FORM 20-F

Registration Statement pursuant to Section 12(b) or (g) of the Securities Exchange Act of 1934.

Annual Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the fiscal year ended December 31, 2014

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Shell company report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Date of event requiring this shell company report

For the transition period from to

Commission File Number: 0-13355

**ASM INTERNATIONAL NV**

(Exact name of Registrant as specified in its charter)

The Netherlands

(jurisdiction of incorporation or organization)

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

Title of each class

Name of each exchange on which registered

Common Shares, par value € 0.04

The NASDAQ Stock Market LLC

Securities registered or to be registered pursuant to

Section 12(g) of the Act: None

Securities for which there is a reporting obligation pursuant to

Section 15(d) of the Act: None

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report: 62,968,184 common shares; 0 preferred shares.

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

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

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

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

US GAAP  International Financial Reporting Standards as issued by the International

Accounting Standards Board  Other

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

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



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# PART I

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

## FORWARD LOOKING SAFE HARBOR STATEMENT

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

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

Not applicable.

## ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE

Not applicable.

## ITEM 3. KEY INFORMATION

### A. SELECTED CONSOLIDATED FINANCIAL DATA

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



(EUR thousand, except per share data)	YEAR ENDED DECEMBER 31,				
	2010	2011	2012	2013 <sup>4)</sup>	2014
<b>Consolidated Statements of Operations data</b>					
Net sales	1,222,900	1,634,334	1,418,067	612,277	545,604
Cost of sales	(673,322)	(1,063,708)	(977,638)	(397,727)	(310,605)
<b>GROSS PROFIT</b>	<b>549,578</b>	<b>570,626</b>	<b>440,429</b>	<b>214,550</b>	<b>234,999</b>
<b>Operating expenses</b>					
Selling, general and administrative	(130,596)	(174,107)	(200,799)	(94,776)	(79,982)
Research and development, net	(78,785)	(129,400)	(149,219)	(75,391)	(63,858)
Amortization of other intangible assets	(357)	(911)	(1,264)	(696)	(544)
Impairment charge property, plant and equipment and assets held for sale	-	(8,038)	-	(796)	-
Restructuring expenses	(11,201)	-	(891)	(2,473)	(80)
<b>TOTAL OPERATING EXPENSES</b>	<b>(220,939)</b>	<b>(312,456)</b>	<b>(352,173)</b>	<b>(174,132)</b>	<b>(144,464)</b>
<b>Operating income</b>					
Gain on bargain purchase	-	109,279	-	-	-
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	<b>328,640</b>	<b>367,450</b>	<b>88,256</b>	<b>40,418</b>	<b>90,535</b>
Interest income	1,221	2,902	1,989	972	1,583
Interest expense	(15,677)	(13,497)	(12,113)	(2,943)	(2,312)
Loss resulting from early extinguishment of debt	(3,609)	(824)	(2,209)	-	-
Accretion interest expense convertible notes	(6,010)	(4,401)	(4,469)	-	-
Revaluation conversion option	(19,037)	(4,378)	-	-	-
Foreign currency exchange gain (loss), net	(65)	5,604	(3,957)	(8,158)	26,439
Share in income of investments and associates	-	-	(766)	1,030,132	38,632
<b>INCOME BEFORE INCOME TAXES</b>	<b>285,463</b>	<b>352,856</b>	<b>66,731</b>	<b>1,060,421</b>	<b>154,877</b>
Income tax expense	(42,939)	(36,692)	(26,300)	(11,121)	(17,569)
<b>NET INCOME</b>	<b>242,524</b>	<b>316,164</b>	<b>40,431</b>	<b>1,049,300</b>	<b>137,308</b>
<i>Net earnings (loss) for allocation between shareholders of the parent and non-controlling interest</i>					
<b>Allocation of net income</b>					
Shareholders of the parent	110,639	186,770	7,149	1,051,893	137,308
Non-controlling interest	131,884	129,394	33,282	(2,593)	-
<b>Earnings per share data</b>					
Basic net earnings (loss) per share	€2.11	€3.38	€0.13	€16.64	€2.16
Diluted net earnings (loss) per share	€2.09	€3.16	€0.13	€16.39	€2.14
Basic weighted average number of shares (in thousand)	52,435	55,210	56,108	63,202	63,510
Diluted weighted average number of shares (in thousand)	61,494	64,682	56,767	64,196	64,209
<b>Other data</b>					
Number of common shares outstanding at year end (in thousand)	52,932	55,377	63,096	63,468	62,968
Dividends declared on common shares <sup>1)</sup>	-	€0.40	€0.50	€0.50	€0.50
<b>Consolidated balance sheet data</b>					
Cash and cash equivalents	340,294	390,250	290,475	312,437	385,777
<b>TOTAL ASSETS</b>	<b>1,214,117</b>	<b>1,582,221</b>	<b>1,499,506</b>	<b>1,551,249</b>	<b>1,826,933</b>
Net current assets <sup>2)</sup>	509,867	739,252	690,283	416,589	483,092
<b>NET DEBT <sup>3)</sup></b>	<b>215,681</b>	<b>195,409</b>	<b>80,623</b>	<b>(312,437)</b>	<b>(385,777)</b>
Capital stock	2,117	2,215	2,584	2,539	2,553
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>411,460</b>	<b>659,796</b>	<b>741,876</b>	<b>1,447,249</b>	<b>1,690,200</b>
<b>Cash flow data</b>					
Cash flow from operating activities	259,884	216,581	42,480	48,545	110,390
Cash flow from investing activities	(100,566)	(70,035)	(71,891)	284,690	(31,784)
Cash flow from financing activities	(123,027)	(78,537)	(73,489)	(307,105)	(37,850)

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

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

<sup>3)</sup> Net debt is calculated as total debt minus cash and cash equivalents.

<sup>4)</sup> Following the sale of a 12% stake on March 15, 2013 ASMI ceased control on ASMPT resulting in the deconsolidation per that same date.





### Exchange Rate Information

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

The following table sets forth, for each period indicated, specified information regarding the US dollar per euro exchange rates based on the rates of the European Central Bank, referred to as the “reference rate.” On March 13, 2015, the reference rate was 1.057 US dollars per euro.

### US Dollar per Euro exchange rate

	SEPTEMBER 2014	OCTOBER 2014	NOVEMBER 2014	DECEMBER 2014	JANUARY 2015	FEBRUARY 2015	MARCH 2015 <sup>1)</sup>
Period high	1.315	1.282	1.254	1.254	1.204	1.145	1.123
Period low	1.258	1.252	1.239	1.214	1.120	1.124	1.057

<sup>1)</sup> Through March 13, 2015.

	YEARS ENDED DECEMBER 31,				
	2010	2011	2012	2013	2014
Period average <sup>1)</sup>	1.321	1.400	1.293	1.331	1.321

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

### B. CAPITALIZATION AND INDEBTEDNESS

Not applicable.

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

Not applicable.

### D. RISK FACTORS

In conducting our business, we face a number of risks that may interfere with our business objectives. Some of these risks relate to our operational processes, while others relate to our business environment. It is important to understand the nature of these risks and the impact they may have on our business, financial condition and results of operations. Some of the more relevant risks are described below, which may not be in order of likelihood or materiality. These risks are not the only ones we face. Some risks may not yet be known to us and certain risks that we do not currently believe to be material could become material in the future.

#### Risks related to the semiconductor industry

##### *The semiconductor industry is highly cyclical.*

We sell our products to the semiconductor manufacturing industry, which is subject to the industry’s business cycles, of which the timing, duration and volatility are difficult to predict. The semiconductor industry has historically been cyclical.

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



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

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

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

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

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

- > successful innovation of processes and equipment;
- > accurate technology and product selection;
- > timely and efficient completion of product design, development and qualification;
- > timely and efficient implementation of manufacturing and assembly processes;
- > successful product performance in the field;
- > effective and timely product support and service; and
- > effective product sales and marketing.





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

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

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

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

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

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

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

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

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

- › our success in developing new products and enhancements;
- › performance of our products;
- › quality of our products;
- › ease of use of our products;
- › reliability of our products;
- › cost of ownership of our products;
- › our ability to ship products in a timely manner;
- › quality of the technical service we provide;
- › timeliness of the services we provide;
- › responses to changing market and economic conditions; and
- › price of our products and our competitors' products.



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

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

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

**Risks related to our business**

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

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

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

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

Our largest customers account for a significant percentage of our revenues. Our largest customer accounted for 26.7% of our net sales in 2014. Our ten largest customers accounted for 84.1% of our net sales in 2014. Sales to and the relative importance of these large customers have varied significantly from year to year and will continue to fluctuate in the future. These sales also may fluctuate significantly from quarter to quarter. We may not be able to retain our key customers or they may cancel purchase orders or reschedule or decrease their level of purchases from us, which would reduce our revenues and negatively affect our financial results, perhaps materially. In addition, any difficulty in collecting amounts due from one or more key customers could harm our financial results.

***We may need additional funds to finance our future growth and ongoing research and development activities. If we are unable to obtain such funds, we may not be able to expand our business as planned.***

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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





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

We market and sell our products and services throughout the world. We have operating facilities in the Netherlands, the United States, Japan, Singapore, Malaysia and South Korea. Our operations are subject to risks inherent in doing business internationally, including, without limitation:

- › unexpected changes in regulatory or legal requirements or changes in one country in which we do business which are inconsistent with regulations in another country in which we do business;
- › potentially adverse tax consequences;
- › fluctuations in foreign currency exchange rates and foreign currency controls;
- › political conditions and instability;
- › economic conditions and instability;
- › terrorist activities;
- › human health emergencies, such as the outbreak of infectious diseases or viruses;
- › tariffs and other trade barriers, including current and future import and export restrictions and compliance requirements, and freight rates;
- › difficulty in staffing, coordinating and managing international operations;
- › burden of complying with a wide variety of foreign laws and licensing requirements;
- › differences in intellectual property right protection;
- › differences in rights to enforce agreements;
- › differences in commercial payment terms and practices; and
- › business interruption and damage from natural disasters, such as earthquakes, tsunamis and floods.

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

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

Our operations are subject to many environmental laws and regulations wherever we operate governing, among other things, air emissions, wastewater discharges, the use and handling of hazardous substances, waste disposal and the investigation and remediation of soil and groundwater contamination. To the extent such regulations or directives apply to our business throughout the world, these measures could adversely affect our manufacturing costs or product sales by forcing us or our suppliers to change production processes or use more costly or scarce materials. As with other companies engaged in similar activities, we face inherent risks of environmental liability in our current and historical manufacturing, R&D activities, and operations. Accordingly, costs and regulatory fines associated with such future environmental compliance or remediation obligations could adversely affect our business. We seek to mitigate these environmental and operational risks through preventative and protective safety and health practices, but there is no assurance that such measures will eliminate all such risks which could result in significant adverse effect on our business, financial condition and operational results.

***A significant disruption in our information technology systems could adversely affect our business.***

Our internal information technology systems are a fundamental component of our business operations. In today's world, these systems are subject to compromise by aging other matters re computer viruses, unauthorized access and general system failures or unforeseen difficulties. We focus on proactive measures to prevent and mitigate such risks; however, such incidents could compromise our systems resulting in business disruption and theft of confidential information. In addition to potential negative business effects and financial impact, we may incur significant costs to remedy such issues and resultant damage.

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

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

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

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

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

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

***A significant portion of our total assets is composed of our minority interest in ASM Pacific Technology. Changes in ASMPT's market, business or results of operations may adversely impact our reported earnings and the trading price of our common shares.***

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

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

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



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

We currently own 39.75% of the outstanding common shares of ASMPT. In addition both members of our Management Board are also members of the ASMPT Board of Directors. However, these directors are under no obligation to take any actions as directors of ASMPT that are beneficial to us. Issues and conflicts of interest therefore may arise which might not be resolved in our best interest.

In addition, the directors of ASMPT are under no obligation to declare a payment of dividends to shareholders. As a shareholder of ASMPT, we cannot compel the payment or amount of dividends. With respect to the payment of dividends, the directors must consider the financial position of ASMPT after the dividend. Cash dividends received from ASMPT totaled €29.6 million, €10.3 million and €20.0 million in 2012, 2013, and 2014, respectively.

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

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

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

***Our founder who is also Chairman of the Board of ASM Pacific Technology controlled as per December 31, 2014 approximately 18.02% of the voting power which gives him significant influence over matters voted on by our shareholders, including the election of members of our Supervisory Board and Management Board and makes it substantially more difficult for a shareholder group to remove or elect such members without his support.***

Our founder, Arthur H. del Prado, controlled approximately 18.02% of the voting power of our outstanding common shares as of December 31, 2014. Accordingly, he has significant influence on the outcome of matters submitted to a shareholder vote, such as the election of the members of our Supervisory Board and Management Board. Persons nominated by the Supervisory Board for appointment by the shareholders to the Supervisory Board or Management Board at a general meeting of shareholders will be elected if they receive a majority of the votes cast at the meeting. Nominees to the Supervisory Board or Management Board who are not proposed by the Supervisory Board are appointed if they receive the affirmative vote of a majority of the votes cast at the meeting, provided such affirmative votes represent at least one third of our issued capital. Members of the Supervisory and Management Boards may be removed only by the affirmative vote of a majority of the votes cast at a meeting, and, unless such removal is recommended by the Supervisory Board, the affirmative votes must represent at least one third of our issued capital. This makes it difficult for a group of shareholders to remove or elect members of our Supervisory Board or Management Board without the support of our founder.

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

The Company has granted to Stichting Continuïteit ASM International (“Stichting”), a non-membership organization with a board composed of three members independent of ASMI, the right to acquire and vote our preferred shares. The objective of Stichting is to serve the interests of the Company. To that objective Stichting may, among other things, acquire, own and vote our preferred shares in order to maintain our independence and/or continuity and/or identity. This may prevent a change of control from occurring that shareholders may otherwise support. On May 14, 2008, Stichting exercised this right in response to a perceived threat to our continuity and acquired shares of our preferred stock representing 29.9% of the total voting power of our outstanding capital shares at that time. These shares were retired in 2009 and a new right was issued to Stichting to acquire and vote preferred shares in certain situations in the future. For additional information regarding Stichting, see Item 7, “Major Shareholders and Related Party Transactions”.

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

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

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

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

The market price of our common shares has fluctuated substantially in the past. Between January 1, 2014 and December 31, 2014, the sale price of our common shares, as reported on the NASDAQ Global Select Market, ranged from a low of US\$32.06 to a high of US\$44.17. The market price of our common shares will continue to be subject to significant fluctuations in the future in response to a variety of factors, including the risk factors discussed in this report and the following, without limitation:

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

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



***Our quarterly revenues and earnings from operations have varied significantly in the past and may vary in the future due to a number of factors.***

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:

- › cyclical and other economic conditions in the semiconductor industry;
- › production capacity constraints;
- › the timing of customer orders, cancellations and shipments;
- › the length and variability of the sales cycle for our products;
- › the introduction of new products and enhancements by us and our competitors;
- › the emergence of new industry standards;
- › product obsolescence;
- › disruptions in sources of supply;
- › our ability to time our expenditures in anticipation of future orders;
- › our ability to fund our capital requirements;
- › changes in our pricing and pricing by our suppliers and competitors;
- › our product and revenue mix;
- › seasonal fluctuations in demand for our products;
- › foreign currency exchange rate fluctuations; e.g. appreciation of the euro versus the Japanese yen and US dollar, which would negatively affect the competitiveness of those manufacturing activities that are domiciled in countries whose currency is the euro; and
- › economic conditions generally or in various geographic areas where we or our customers do business.

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

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



## ITEM 4. INFORMATION ON THE COMPANY

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

### A. HISTORY AND DEVELOPMENT OF THE COMPANY

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

### B. BUSINESS OVERVIEW

#### Introduction

##### *Our business*

ASM International is a global supplier of wafer processing equipment, primarily for semiconductor manufacturing. ASM’s innovative technologies are being used by the most advanced semiconductor manufacturers, primarily for the deposition of thin films. We design, manufacture and sell equipment and services to our customers for the production of semiconductor devices, or integrated circuits (IC’s). Semiconductor IC’s, often called chips, are a key technology enabling the advanced electronic products used by consumers and businesses everywhere.

Global demand for semiconductors is exploding as chips enable technological advances for an expanding number of applications. The cloud, smart vehicles, the desire to be fully connected at all times for email, phone and the internet. All these factors and more are driving the demand for smaller, faster, cheaper chips. The semiconductor industry is committed to reducing the size of transistors so that more of them fit in the same physical space. For over 30 years now, following the trend called Moore’s Law, the average number of components per integrated semiconductor device, at the optimum cost-per-component, has been increased by a factor of two every 18 to 24 months. Currently, the most advanced microprocessor chips include over 2 billion transistors. ASM’s technology is an enabler of the deposition of the extremely thin semiconductor material layers that create these advanced chips. A driver of innovation, ASM has established a leading position in the fast growing markets for ALD and PEALD equipment, and also provides equipment for PECVD, epitaxy, and vertical furnace applications.

##### *Semiconductor Manufacturing Background*

The process of making semiconductor IC’s is highly complex and very costly. Semiconductor fabrication plants, called fabs, house a large set of wafer processing equipment which performs a series of process steps on round silicon wafers, which are typically 300mm in diameter. The equipment is operated in cleanrooms that filter the air to avoid small particles that could negatively affect the circuitry on the chips. There are many chips on each wafer. Most of ASM’s systems are designed for deposition processes when thin films, or layers, of various materials are grown or deposited onto the wafer. These films are electrically conductive metals, insulating dielectrics, or semiconducting to allow precision control of electrical signals. By depositing multiple layers of films, multi-level, integrated electrical circuits are created on each chip. After testing the individual circuits for correct performance, the chips on the wafer are separated and then packaged in protective coatings before ultimately becoming part of a set of IC chips on circuit boards within an electronic product.





### ***Industry Scale and Major Trends***

Semiconductor devices are the key enablers of the electronic age. Each semiconductor device can hold many components, most of which are transistors and means to store a charge in the case of memory chips. Logic chips are used for making calculations or more generally for executing the instructions of the software that controls an electronic product. Memory chips are used to store the digital 1's and 0's that make up the programs and data. Various ASM equipment is used in the fabrication of both logic and memory chips, as well as other general integrated devices. A recent trend is the combination of logic and memory on the same chip to create a system on a chip (SOC), which can increase the speed of the electronics, and reduce the total size and cost of the packaged product.

The semiconductor industry was driven in 2014 by a US\$2.02 trillion global electronics industry (VLSI Research Chip Insider January 19, 2015), that required approximately US \$289 billion (ibid.) in semiconductors. The semiconductor industry in turn, supported the approximately US\$50.2 billion (ibid.) semiconductor capital equipment industry, which supplies the needed production systems and services. Within the capital equipment segment, ASM serves the wafer processing equipment segment which is approximately US\$32 billion. Demand for semiconductor capital equipment is driven both by growth in the market for semiconductor devices and also by new technology needed to realize the next generation of devices. The semiconductor industry rose about 10% in 2014, driving the equipment business up by about 17%. Equipment growth in 2014 was driven mostly by capacity expansion in memory fabs and new technology generation investments in logic and foundry fabs.

New technology generations are driven from the industry's relentless push to follow Moore's Law, which ultimately enables devices with more performance at a lower cost. One result of this advanced technology drive is higher complexity in transistors and memory devices. Historically, new technology nodes have been achieved by shrinking the transistor size, however certain physical limits have recently been reached. To solve this problem the trend is to build 3D transistors because more functions can be stacked vertically than in two dimensions. So-called "FinFET's" and several 3D memory architectures are now in volume production.

Another 3D trend in semiconductor manufacturing is the stacking of several chips in one package. These chips can come from different supply chains, each optimized for its own performance and cost, enabling the manufacture of heterogeneous devices with integration in the package or as chips stacked on a wafer. In this way "more than Moore" chips can be efficiently integrated with conventional "Moore" scaled devices in one package.

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



## Strategy

Our strategic objective is to realize profitable, sustainable growth by capitalizing on our innovative strength, operational excellence and our leadership in ALD and other business segments we are active in. The key elements of our strategy include:

*Innovative strength*, ASM has always been recognized for its technology leadership. Today, we provide leading technologies that support our customers in staying on the curve of Moore's Law. Our innovative strength is what differentiates us in the marketplace and continues to be the cornerstone of our strategy. Apart from our internal R&D efforts we are continuously expanding and deepening our strategic cooperation with key customers, suppliers, chemicals manufacturers and research institutes such as imec. We also expand our patent portfolio where it is necessary and beneficial.

*Leadership in ALD*, ALD and PEALD technologies have been established as mainstream technologies in high volume manufacturing supporting virtually all of the leading customers in the semiconductor industry. As a leader in this space, ALD and PEALD have turned into a key growth driver for our business. We expect that the trends of continued scaling and evolution towards 3D device structures will further expand the number of applications for ALD. We aim to maintain our leading position in ALD, by leveraging on our strong expertise and established customer relationships, and by developing new applications to support our customers with increasingly complex device node transitions.

*Operational excellence*, While technology leadership remains crucial we continue to focus on further improving the effectiveness of our organization and the efficiency of processes. We aim to provide our customers with dependable leading-edge products and services at a consistent quality and the best cost of ownership. To this end, we continue to optimize our manufacturing and global sourcing processes, including the migration to common product platforms.

## ASM Business Structure

ASMI is generally organized with a set of business units that develop and market our products, and globalized operation and administration groups that support the business units and our customers. ASMI's operations are conducted through wholly-owned subsidiaries, the most significant being ASM Front-End Manufacturing Singapore Pte Ltd ("FEMS"), located in Singapore, ASM Europe BV ("ASM Europe"), located in the Netherlands, ASM America, Inc ("ASM America"), located in the United States, ASM Japan KK ("ASM Japan"), located in Japan, and ASM Genitech Korea Ltd ("ASM Genitech") located in Korea. The location of our facilities allows us to interact closely with customers in the world's major geographic market segments: Europe, North America, and Asia.

## Semiconductor device manufacturing processes

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

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



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

The number and precise order of the process steps varies depending upon the complexity and design of the integrated circuit. The performance of the circuit is determined in part by the various electrical characteristics of the materials used in the layers of the circuit and the wafer. Simple circuits may have as few as ten layers, while complex circuits may have more than one hundred layers. The device manufacturing process is capital intensive, requiring multiple units of several different production systems. Many different but complementary methods are used to modify, grow, or deposit materials on the wafers. The device manufacturing process on the wafer is complete when all of the layers have been deposited and patterned on the wafer.

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

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

The continuous demand for smaller, faster and cheaper semiconductor components drives the technology advances in the semiconductor manufacturing process. As the transistors in an integrated circuit become smaller, the cost-per-component decreases. Fortuitously, at the same time the operating speed of the transistor increases. Thus the minimum size of a single transistor in an integrated circuit is an extremely important parameter. Today, our customers manufacture semiconductor devices as small as 14 nanometers (one nanometer is one billionth of a meter), sometimes in a vertical 3D transistor or FinFET architecture. Our customers are qualifying and testing new critical processes to generate devices with line widths at or below 10 nm. Simultaneously, in our customers’ laboratories and several collaborative research environments advanced 7nm to 5nm design rule devices and related materials are being developed.

In developing faster and smaller devices, our customers’ major technology requirements are:

- › introduction of new thin film materials and device designs needed for continued scaling;
- › reliable manufacturing of taller and smaller three-dimensional structures in devices;
- › lithography of ever smaller feature sizes, now much smaller than the wavelength of visible light; and
- › new manufacturing processes that reduce device variability and increase yield.

**ASM advanced technology**

In order to meet our customers' needs, we have developed, and are still developing many new materials. Atomic Layer Deposition (ALD) is an advanced technology that deposits atomic layers one at a time on wafers. This process is used to create ultra-thin films of exceptional quality and flatness. For example, in the FEOL, ALD of high-k dielectrics and novel metal gate electrodes can improve the performance and reduce the power consumption of a device, thereby enhancing battery life. This same class of materials can also lead to larger charge storage in a smaller capacitor, critical for memories and RF circuits. Whereas in the recent past much focus has been on the development of the high-k dielectric, today as much focus is on new technologies and materials for the metal gate electrode, the gate sidewall passivation and many other applications. Plasma Enhanced ALD (PEALD) is expected to be an important technology going forward for isolating features in 3D devices. We expect that the creation of 3D vertical transistors will further increase the demand for processes with better coverage of 3D structures, such as ALD.

Another example of new materials in the FEOL are our silicon-germanium ("SiGe") and silicon-carbon-phosphorous ("SiCP") epitaxial materials that can increase the switching speed of the transistors and the circuit in which they are embedded by so-called strain engineering. This can be done without negatively affecting the power these transistors consume.

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

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

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

**ALD and PEALD at ASM**

Atomic Layer Deposition, ALD, is one of the newest technologies to deposit ultra-thin films of exceptional flatness and uniformity. This technology was brought into ASMI in 1999 with the acquisition of ASM Microchemistry, who first developed the thermal ALD technology. Plasma Enhanced ALD, PEALD, is an extension of this original ALD technology that uses plasma, which was brought into ASMI in 2001 through a partnership with Genitech and a subsequent acquisition in 2004 and formation of ASM Genitech Korea. The use of plasma enables us to deposit high quality films at very low temperatures. ALD is a very versatile technology that can be used to deposit high-k insulating materials, conductors, silicon oxide and silicon nitride. We expect that the trends of continued scaling, and evolution towards three dimensional device structures play into the strength of our ALD position. We offer ALD/PEALD processes on several of our product platforms, including single wafer and batch systems, and for multiple wafer sizes.



## Products

### Market Coverage

The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. ASMI is active in the wafer processing segment. Within wafer processing equipment the major segments are Lithography, CMP, Ion Implant, Deposition, Etch & Clean and Process Diagnostics. The principal market segment in which we participate is Deposition and Related Tools. According to VLSI, the Deposition segment is approximately US\$7.8 billion in 2014.

### ASMI Products

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

### TECHNOLOGY - PRODUCT MATRIX

DEPOSITION APPLICATION	ASMI PRODUCT PLATFORM	ASMI PRODUCTS
ALD	XP <sup>1)</sup>	Pulsar® XP ALD system EmerALD® XP ALD system
	Polygon® <sup>2)</sup>	Pulsar <sup>2)</sup> single wafer ALD system EmerALD <sup>2)</sup> single wafer ALD system
PEALD	XP8 <sup>1)</sup>	Eagle® XP8 PEALD system
PECVD	XP8 <sup>1)</sup>	Dragon® XP8 PECVD system
Diffusion Oxidation LPCVD ALD	Advance® Series	A400 Batch vertical furnace system A412 Batch vertical furnace system
Epitaxy	XP <sup>1)</sup>	Intrepid® XP epitaxy
	Epsilon®	Epsilon 2000 single wafer epitaxy system Epsilon 3200 single wafer epitaxy system

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

<sup>2)</sup> The functionality of the Polygon, Pulsar and EmerALD has merged with the XP platform starting in 2009.

### Product descriptions

#### Advance Platform

The Advance is our Vertical Furnace, batch processing platform. Products built on this product platform are used for diffusion, oxidation, LPCVD and ALD. The product platform is used in many manufacturing steps, from the production of silicon wafers to the final anneal in interconnect.

#### A412 Batch Vertical Furnace

The A412 is a 300mm vertical furnace system featuring two reactors above a rotating carousel, with a dual-boat configuration for high productivity. The tool supports a wide range of process applications with variable load sizes from 25 wafers for shortest cycle time requirements, up to 150 wafers for lowest cost requirements in a single run.

**A400 Batch Vertical Furnace**

The A400 system is for 150 and 200mm wafers. It is available with two batch tube reactors and supports applications similar to the A412 tool.

**XP Platform**

The XP is our high productivity common 300mm single wafer platform that can be configured with up to 4 process modules. The XP platform enables high volume multi-chamber parallel processing or integration of sequential process steps on one platform.

The XP common platform benefits our customers through reduced operating costs since multiple ASM products use many of the same parts and consumables and a common control architecture improves ease of use.

**Pulsar XP ALD System**

Pulsar XP is a 300mm ALD tool designed for depositing extremely thin high-k dielectric materials required for advanced transistor gates and other applications. Pulsar is the benchmark ALD high-k gates tool for the industry.

**EmerALD XP ALD System**

EmerALD XP is a 300mm ALD tool designed for depositing metal gate layers for advanced high-k metal gate transistors and other applications.

**Intrepid XP Epitaxy System**

Intrepid XP is a 300mm epitaxy tool designed for critical transistor strain and channel layers. Processes include silicon (Si), silicon-germanium (SiGe), and other silicon-based compounds.

**XP8 Platform**

The XP8 platform follows the basic architectural standards of the XP, but provides even higher productivity with up to 8 chambers integrated on a single wafer platform with a small footprint.

**Eagle XP8 PEALD System**

Eagle XP8 is a high productivity 300mm tool for PEALD applications. The system can be configured with up to four Dual Chamber Modules (DCM), enabling 8 chambers in high volume production within a very compact footprint. The system is capable of a broad range of dielectric PEALD processes including low temperature spacers for multiple patterning applications.

**Dragon XP8 PECVD System**

Dragon XP8 is a high-productivity 300mm tool for PECVD applications. The system can be configured with up to four Dual Chamber Modules (DCM), enabling 8 chambers in high volume production within a very compact footprint. Processes include a broad range of dielectric PECVD films for applications such as interconnect dielectrics layers, passivation layers and etch stop layers.

**Epsilon**

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





## Polygon

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

## Intellectual property and trademarks

### Intellectual Property

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

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

The following table shows the number of patents for which we made an initial filing during the indicated year and the number of patents in force at the end of the indicated year. Increased R&D activity in 2012, 2013 and 2014 resulted in a higher filing rate.

	2010	2011	2012	2013	2014
Initial patent filings	33	51	64	61	66
Patents in force at year end	931	1,043	1,127	1,159	1,266

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

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

We have licensed our RTP portfolio of 61 issued patents and 4 pending patents to Levitech BV.

### Trademarks

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

### Litigation

There has been substantial litigation regarding patent and other intellectual property rights in semiconductor-related industries. Although we have been involved in significant litigation in the past, at present we are not involved in any litigation which we believe is likely to have a material adverse effect on our financial position. In the future, additional litigation may be necessary to enforce patents issued to us, to protect trade secrets or know-how owned by us or to defend ASMI against claimed infringement of the rights of others and to determine



the scope and validity of the proprietary rights of others. Any such litigation could result in substantial cost and diversion of effort by us, which could have a material adverse effect on our business, financial condition, and earnings from operations. Adverse determinations in such litigation could result in our loss of proprietary rights, subject us to significant liabilities to third parties, require us to seek licenses from third parties or prevent us from manufacturing or selling our products, any of which could have a material adverse effect on our business, financial condition and earnings from operations.

### Research and development

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

Our net research and development expenses were €58.7 million, €58.3 million and €63.9 million in 2012, 2013 and 2014, respectively. We expect to continue investing significant resources in research and development in order to enhance our product offerings. Our research and development activities are chiefly conducted in the principal semiconductor markets of the world, which enables us to draw on innovative and technical capabilities on an international basis. Each geographic center provides expertise for specific products and/or technologies. This approach, combined with the interactions between the individual centers, permits efficient allocation of technical resources and customer interaction during development. In 2010, we formed a global Platform Engineering group that addresses the needs for common platforms for the various products in our wafer processing product portfolio. Selected resources in Belgium, Almere and Helsinki have been grouped under Corporate R&D, addressing the common needs for advanced materials research and process integration work for the 10nm to 5nm nodes.

LOCATION	NUMBER OF R&D EMPLOYEES AS OF DECEMBER 31, 2014, EXCLUSIVE OF TEMPORARY WORKERS
Almere, the Netherlands	36
Leuven, Belgium	26
Helsinki, Finland	17
Phoenix, Arizona, United States	161
Cheonan, South Korea	46
Singapore	4
Tama, Japan	75
<b>TOTAL</b>	<b>365</b>

As part of our research and development activities, we are engaged in various formal and informal arrangements with customers and institutes. At December 31, 2014, we are engaged in several formal joint development programs with customers for 300mm applications of our products. As part of these efforts, we may sell new products to customers at a significantly reduced margin, and invest significant resources in the joint development and subsequent product qualification. We sometimes also cooperate with other semiconductor capital equipment suppliers in complementary fields, in order to gain knowledge on the performance of our own deposition processes, in cooperation with other processes, either in bilateral or in publicly funded projects. In addition to cooperating with customers and other capital equipment suppliers, we also enter into research projects with technical universities and institutes (for example imec in Belgium).



We participate mainly in Europe in publicly funded programs to research and develop the production technology for semiconductor devices with line widths of 10nm and 7nm and below, and in More-than-Moore technologies. Among our current cooperative efforts are projects awarded under the Information Society Technologies (IST) seventh framework program and the sequel framework Horizon 2020, and under the Joint Technology Initiative (JTI) on nano-electronics of the ENIAC Joint Undertaking (European Nano-electronics Initiative Advisory Council JU) and the follow-up program JTI ECSEL (Electronic Components and Systems for European Leadership). Several of these ENIAC and ECSEL projects are Key Enabling Technology (KET) Pilot Line projects aiming at developing a European pilot line for emerging technologies. We are also involved in several cluster development programs in the Eureka initiative by CATRENE (Cluster for Application and Technology Research in Europe on Nano-Electronics), the successor of MEDEA+ (Micro Electronics Development for European Applications). In the Netherlands we are participating in projects focused on Nano-Technology developments ("NanoNextNL") and efficiency improvements for Photovoltaic cells within the TKI Solar Energy Program.

In 2011 we renewed our strategic R&D partnership with the Interuniversity MicroElectronics Center (imec) in Leuven, Belgium. Our Epsilon, A412, Pulsar, EmerALD, Dragon and Eagle based products are involved in this partnership. In 2012, 2013 and 2014 we significantly expanded our partnership with additional ALD and Epi capability. This gives us the opportunity to investigate, both jointly and independently, the integration of individual process steps in process modules and electrically active devices. We have been partnering with imec since 1990.

In December 2003, we commenced a five-year partnership with University of Helsinki that aims at further development of atomic layer deposition processes and chemistries. This partnership was extended for a second and now a third quinquennial, reaching into December 2018.

Per year-end 365 employees were employed in research and development representing 22% of our total staff.

### **Manufacturing and suppliers**

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

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

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

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

### **Marketing and sales**

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



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

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

To execute the sales and service functions, we have established a global sales force, in which all regional units report directly into the global sales organization. We have sales offices located in Europe (in the Netherlands, France, Ireland, Germany and Italy), Israel, Taiwan, South Korea, the People's Republic of China, Singapore, the United States and Japan. At the end of 2014, 303 employees were employed in sales and marketing, representing 19% of our total staff.

### Customers

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

For our wafer processing segment our largest customer accounted for approximately 33.6%, 28.3% and 26.7% of our net sales in 2012, 2013 and 2014, respectively. Our ten largest customers accounted for approximately 75.3%, 85.6% and 84.1% of our net sales 2012, 2013 and 2014, respectively. Historically, a significant percentage of our net sales in each year has been attributable to a limited number of customers; however, the largest customers for our products may vary from year to year depending upon, among other things, a customer's budget for capital expenditures, timing of new fabrication facilities and new product introductions.

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

GEOGRAPHIC DESTINATION	FULL YEAR		
	FRONT-END NET SALES		
	2012	2013	2014
Europe	21.0%	16.2%	17.3%
United States	35.6%	29.0%	32.4%
South Korea	13.3%	24.5%	17.2%
Japan	11.0%	7.5%	11.5%
Other Asia	19.1%	22.8%	21.6%
<b>TOTAL</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>



### Customer service

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

We provide maintenance during the product warranty period, usually one to two years, and thereafter perform maintenance pursuant to individual orders issued by the customer. In addition to providing ongoing service, our customer service operations are responsible for customer training programs, spare parts sales and technical publications. In appropriate circumstances, we will send technical personnel to customer locations to support the customer for extended periods of time in order to optimize the use of the equipment for the customer's specific processes. The availability of field support is particularly important for a sale. 517 employees were employed in customer service at the end of 2014 representing 32% of our total staff.

### Competition

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

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

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

### C. ORGANIZATIONAL STRUCTURE

ASM International NV is a holding company that operates through its subsidiaries. Our major operating subsidiaries as of March 13, 2015 are:

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

See Exhibit 8.1 for a list of our main subsidiaries.



## D. PROPERTY, PLANT AND EQUIPMENT

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

LOCATION	PRIMARY USES	APPROXIMATE AGGREGATE SQUARE FOOTAGE
Almere, the Netherlands	Executive offices of ASMI, wafer processing equipment marketing, sales and service, research and offices	116,000
Tama and Nagaoka, Japan	Wafer processing equipment marketing, sales and service, research and offices	80,000
Phoenix, Arizona, United States	Wafer processing equipment marketing, sales and service, research and offices	130,000
Singapore	Wafer processing equipment manufacturing, marketing, sales and service and offices	169,000
Cheonan, South Korea	Wafer processing equipment manufacturing, marketing, research and offices	32,000
Helsinki, Finland	Wafer processing equipment research and offices	6,000

Our principal facilities in the Netherlands, the United States, South Korea, Finland, Singapore and Malaysia are subject to leases expiring at various times from 2016 to 2023. We believe that our facilities are maintained in good operating condition and are adequate for our present level of operations. For information on assets held for sale see Note 10 to the consolidated financial statements.

## ITEM 4A. UNRESOLVED STAFF COMMENTS

Not applicable.

## ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS

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

#### Introduction

We are an equipment supplier mainly to the semiconductor manufacturing industry. We design, manufacture and sell equipment and services to our customers for the production of semiconductor devices, or integrated circuits. The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. ASMI through its Front-end business is active in the wafer processing segment. In addition, we have a 39.75% investment in ASM Pacific Technology, which is a leading supplier of assembly and packaging equipment to the semiconductor, LED and electronics markets.

ASMI sells its products to the semiconductor manufacturing industry and, through its approximately 40% stake in ASMPT, to the assembly industry, which is subject to sudden, extreme, cyclical variations in product supply and demand. We conduct our Front-end business through wholly-owned subsidiaries, the most significant being ASM Front-End Manufacturing Singapore Pte Ltd ("FEMS"), located in Singapore, ASM Europe BV ("ASM Europe"), located in the Netherlands, ASM America, Inc ("ASM America"), located in the United States, ASM Japan KK ("ASM Japan"), located in Japan, and ASM Genitech Korea Ltd ("ASM Genitech") located in Korea. The location of our facilities allows us to interact closely with customers in the world's major geographic market segments: Europe, North America, and Asia.

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





operate semiconductor fabrication plants to manufacture the designs of other semiconductor companies, and the memory market covers manufacturers who make chips that store information either temporarily or permanently such as Random Access Memory (RAM). We also supply equipment to leading manufacturers of analog semiconductor devices.

The principal markets that we address in wafer processing are selected segments of the deposition equipment market. The total deposition equipment market is estimated to be US\$7.8 billion in 2014 (VLSI Research, January 2015). Within this market we focus on the following segments: Vertical Furnaces, Epitaxy, PECVD and ALD. ALD is an advanced technology that deposits atomic layers one at a time on wafers. This process is used to create ultra-thin films of exceptional quality and flatness. Plasma is sometimes used to enhance the process further (Plasma Enhanced ALD, or PEALD) and may enable the deposition at reduced process temperature.

### **Moore's law**

A key driver in the semiconductor industry is the continuous demand for smaller, faster and cheaper semiconductor components. Through technology advances in the manufacturing process semiconductor manufacturers are continuously scaling chips to smaller dimensions. This enables more transistors to fit in the same physical space, thereby reducing the costs and increasing the speed and the performance of a device. Another trend is that towards vertical or 3D transistors. This trend also helps to keep the industry on track with Moore's Law (processor speeds, or overall processing power for computers will double every two years).

The manufacture of ever smaller and more complex devices requires more advanced and precise deposition techniques. ALD and PEALD offer the precision needed to deposit ultra-thin and highly conformal films, even on challenging 3D surfaces. Our portfolio of Atomic Layer Deposition (ALD) products is an enabling technology for our customers, helping them to manufacture semiconductor devices at smaller line widths with new materials and 3D architectures. Our technologies support our customers in their roadmap towards chips with a higher performance and reduced energy consumption, which in turn enables the introduction of new and more advanced products ranging from high-end servers to smartphones, wearable devices and automotive electronics.

Our investment in ASM Pacific Technology represents the Back-end business. The Back-end operations are conducted through principal facilities in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany. On March 15, 2013 we reduced our shareholding in ASMPT from 52% to 40%. The sale of the 12% stake in ASMPT caused and required the deconsolidation of ASMPT. Since that date our share of the net result of ASMPT is reported on the line result from investments.

### **Strategy**

Our strategic objective is to realize profitable, sustainable growth by capitalizing on our innovative strength, operational excellence and our leadership in ALD and other business segments we are active in. The key elements of our strategy include:

#### ***Innovative strength***

ASM has always been recognized for its technology leadership. Today, we provide leading technologies that support our customers in staying on the curve of Moore's Law. Our innovative strength is what differentiates us in the marketplace and continues to be the cornerstone of our strategy. Apart from our internal R&D efforts we are continuously expanding and deepening our strategic cooperation with key customers, suppliers, chemicals manufacturers and research institutes such as imec. We also expand our patent portfolio where it is necessary and beneficial.

#### ***Leadership in ALD***

ALD and PEALD technologies have been established as mainstream technologies in high volume manufacturing supporting virtually all of the leading customers in the semiconductor industry. As a leader in this space, ALD and PEALD have turned into a key growth driver for our business. We expect that the trends of continued



scaling and evolution towards 3D device structures will further expand the number of applications for ALD. We aim to maintain our leading position in ALD, by leveraging on our strong expertise and established customer relationships, and by developing new applications to support our customers with increasingly complex device node transitions.

### ***Operational excellence***

While technology leadership remains crucial we continue to focus on further improving the effectiveness of our organization and the efficiency of processes. We aim to provide our customers with dependable leading-edge products and services at a consistent quality and the best cost of ownership. To this end, we continue to optimize our manufacturing and global sourcing processes, including the migration to common product platforms.

### **Operations**

Following a drop in 2013, global spending on wafer fab equipment strongly rebounded in 2014. Gartner estimated that the semiconductor equipment market grew by 17% in 2014. While spending in the foundry and logic segments remained at healthy levels, the memory segment accounted for the largest part of the increase in the overall equipment market. Leading edge equipment continued to represent the largest part of global equipment spending in 2014.

We increased our revenue by 21% to a record high level for our Front-end operations. After a strong out-performance in 2013 our revenue grew again faster than the broader equipment market in 2014. Growth in our sales in 2014 was mainly driven by increased tool volumes in our combined ALD and PEALD business.

ALD has become a mainstream technology for high-k metal gate applications. Some of our customers have already ramped as many as four technology generations using our ALD equipment. In the more recent years, we have successfully penetrated additional customers. Our PEALD business posted strong growth on the back of the increase in spending on leading edge equipment. With this technology we have a strong position in spacer-defined double patterning, which is used extensively in the memory market. Importantly, we have successfully increased our penetration in the memory market in recent years. Some of these new customers started to deploy our PEALD technology for the first time in substantial volumes in 2014. We also benefited from new PEALD applications in the logic and foundry segments, which started to contribute to revenue in 2014. Following several years of steady growth in customer deployment and the development of new applications ALD has turned into a key growth driver for our company. Our ALD and PEALD product lines accounted for more than half of total equipment revenue in 2014.

Building on the strong momentum in the second half of 2013, revenue increased to new record highs in the first half of 2014 for our Front-end business. While still higher year over year, revenue in the second half decreased sequentially, as some customers were absorbing the investments that they had made in earlier quarters. Nevertheless, underlying demand remained healthy, particularly in the Memory segment, as reflected by our bookings that were even higher in the second half compared to the already strong levels achieved in the first half of the year. For the year in total our new bookings increased by 26% in 2014. We finished the year with an order backlog of €176 million, a 53% increase compared to the end of 2013.

Gross margin increased by 400 basis points in 2014. This follows on a strong increase of 500 basis points in 2013. The improvement in 2013 was driven by the increase in sales and continued high levels of utilization. Next to the solid development in revenue the improvement in 2014 also reflected execution of our gross margin improvement measures. In 2013, we started a number of programs to further increase the efficiency and flexibility of our manufacturing operations and supply chain, from which we saw the benefits in 2014. Measures included new outsourcing initiatives, a stronger focus on the sourcing of complete sub-assemblies and the migration of a larger part of our supply base to Asia. On a quarterly basis, differences in gross margins were mainly impacted by changes in the sales mix.



Selling, general and administrative expenses as a percentage of sales dropped from 16% in 2013 to 15% in 2014. Research and development expenses dropped from 13% of sales in 2013 to 12% in 2014. Operating profit more than doubled from €40.4 million in 2013 to €90.5 million in 2014.

Results from investments contributed €38.6 million, primarily reflecting our 40% shareholding in ASMPT. Excluding a net book profit of €1 billion in 2013 on the sale of 12% of the ASMPT shares and the effects of purchase price allocation, results from investment increased from €23.7 million for the prior year to €61.2 million for 2014. ASMPT showed a strong recovery in results in 2014, with revenue increasing by 31%. Next to an overall recovery in market conditions, ASMPT benefited from new products addressing the advanced packaging segment, share gains in the SMT equipment market and the acquisition of DEK. On the back of the rise in revenue and improving margins, ASMPT increased net profits, which includes a provision for a tax settlement of ASMPT in Hong Kong for the period 2001-2010 with an impact of €9 million, almost threefold during the year .

## A. Operating results

### Critical accounting policies and estimates

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

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

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

Management believes that the following are critical accounting policies:

- > revenue recognition;
- > inventories;
- > warranty allowance;
- > evaluation of long-lived assets for impairment;
- > evaluation of investments in associates for impairment;
- > contingencies and litigation; and
- > income taxes.



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

### 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 2012, 2013 and 2014:

	YEAR ENDED DECEMBER 31,								
	FRONT-END			BACK-END			TOTAL		
	2012	2013	2014	2012	2013 <sup>1)</sup>	2014	2012	2013 <sup>1)</sup>	2014
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	–%	100.0%	100.0%	100.0%
Cost of sales	(66.4%)	(61.0%)	(56.9%)	(69.9%)	(76.1%)	–%	(68.9%)	(65.0%)	(56.9%)
<b>GROSS PROFIT</b>	<b>33.6%</b>	<b>39.0%</b>	<b>43.1%</b>	<b>30.2%</b>	<b>23.9%</b>	<b>–%</b>	<b>31.1%</b>	<b>35.0%</b>	<b>43.1%</b>
Selling, general and administrative expenses	(17.3%)	(15.5%)	(14.7%)	(13.1%)	(15.9%)	–%	(14.2%)	(15.6%)	(14.7%)
Research and development expenses	(15.8%)	(12.9%)	(11.7%)	(8.6%)	(10.7%)	–%	(10.5%)	(12.3%)	(11.7%)
Amortization of other intangible assets	(0.1%)	(0.1%)	(0.1%)	(0.1%)	(0.1%)	–%	(0.1%)	(0.1%)	(0.1%)
Restructuring expenses	(0.2%)	(0.6%)	–%	–%	–%	–%	(0.1%)	(0.4%)	–%
<b>EARNINGS FROM OPERATIONS</b>	<b>0.2%</b>	<b>9.9%</b>	<b>16.6%</b>	<b>8.4%</b>	<b>(2.7%)</b>	<b>–%</b>	<b>6.2%</b>	<b>6.6%</b>	<b>16.6%</b>
Net interest income (expense)	(2.8%)	(0.4%)	(0.1%)	–%	(0.2%)	–%	(0.7%)	(0.3%)	(0.1%)
Accretion of interest convertible	(1.2%)	–%	–%	–%	–%	–%	(0.3%)	–%	–%
Gain (expense) resulting from early extinguishment of debt	(0.6%)	–%	–%	–%	–%	–%	(0.2%)	–%	–%
Foreign currency exchange gains (losses)	(0.8%)	(2.0%)	4.8%	(0.1%)	0.5%	–%	(0.3%)	(1.3%)	4.8%
Result from investments	(0.2%)	222.0%	7.1%	–%	–%	–%	(0.1%)	168.2%	7.1%
<b>EARNINGS (LOSS) BEFORE INCOME TAXES AND DILUTION</b>	<b>(5.5%)</b>	<b>229.6%</b>	<b>28.4%</b>	<b>8.3%</b>	<b>(2.4%)</b>	<b>–%</b>	<b>4.7%</b>	<b>173.2%</b>	<b>28.4%</b>
Income tax income/(expense)	(2.4%)	(2.1%)	(3.2%)	(1.7%)	(1.0%)	–%	(1.9%)	(1.8%)	(3.2%)
<b>NET EARNINGS (LOSS)</b>	<b>(7.9%)</b>	<b>227.5%</b>	<b>25.2%</b>	<b>6.6%</b>	<b>(3.4%)</b>	<b>–%</b>	<b>2.9%</b>	<b>171.3%</b>	<b>25.2%</b>
<b>Allocation of net earnings (loss)</b>									
Shareholders of the parent							0.5%	171.8%	25.2%
Minority interest							2.4%	(0.4%)	–%

<sup>1)</sup> Until March 15, 2013 ASMI had a share of approximately 52% in ASMPT. The sale of the 11.88% stake on March 15, 2013 caused ASMI to cease control of ASMPT. The year 2013 includes the 100% results of the Back-end segment for the period January March 15, the date of deconsolidation. From March 15 through December 31, our share of the results of ASMPT are included under results from investments, using the equity method of accounting. For more detail on the accounting of ASMPT see Notes 3,12 and 24 to the consolidated financial statements.

**Sales**

Our Front-end sales are concentrated in the United States, Europe, Japan and Asia. Back-end sales are concentrated in Asia and Europe. The following table shows the geographical distribution of Front-end and Back-end sales of both our segments for the years 2012, 2013 and 2014:

(amounts in million)	YEAR ENDED DECEMBER 31,					
	2012		2013		2014	
<b>Front-end</b>						
United States	€ 131.8	35.6%	€ 131.2	29.0%	€ 177.0	32.4%
Europe	77.9	21.0%	73.1	16.2%	94.5	17.3%
Taiwan	47.2	12.7%	78.2	17.3%	81.1	14.9%
Japan	40.6	11.0%	33.8	7.5%	62.5	11.5%
South Korea	49.1	13.3%	110.6	24.5%	93.6	17.2%
Other Asia	23.8	6.4%	25.1	5.6%	36.9	6.8%
	<b>€ 370.4</b>	<b>100%</b>	<b>€ 452.0</b>	<b>100%</b>	<b>€ 545.6</b>	<b>100%</b>
<b>Back-end</b>						
			<b>For the period ended March 15, 2013</b>			
People's Republic of China	€ 445.8	42.6%	€ 62.2	38.8%		
Europe	177.9	17.0%	24.7	15.4%		
Taiwan	63.6	6.1%	7.3	4.6%		
Malaysia	93.5	8.9%	12.4	7.7%		
South Korea	36.2	3.5%	8.5	5.3%		
Hong Kong	27.6	2.6%	7.5	4.7%		
Thailand	42.7	4.1%	6.1	3.8%		
Japan	18.8	1.8%	2.9	1.8%		
Singapore	15.0	1.4%	2.8	1.7%		
Philippines	25.2	2.4%	4.0	2.5%		
United States	65.7	6.3%	15.8	9.9%		
Other	35.7	3.4%	6.1	3.8%		
	<b>€ 1,047.7</b>	<b>100%</b>	<b>€ 160.3</b>	<b>100%</b>		

The sales cycle from quotation to shipment for our Front-end equipment generally takes several months, depending on capacity utilization and the urgency of the order. Usually acceptance is within one to three months after shipment. The sales cycle is longer for equipment which is installed at the customer's site for evaluation prior to sale. The typical trial period ranges from six months to one year after installation.

The sales cycle for Back-end products is typically shorter than for Front-end products. Generally, the majority of Back-end equipment is built in standard configurations. Back-end customers' acceptance periods are generally shorter than those for Front-end equipment. Our local staff provide installation, training and technical support to our customers in all of our major markets.

A substantial portion of our Front-end sales is for equipping new or upgraded fabrication plants where device manufacturers are installing complete fabrication equipment. As a result, our Front-end sales in this segment tend to be uneven across customers and financial periods. Sales to our ten largest Front-end customers accounted for 75.3%, 85.6% and 84.1% of Front-end net sales in 2012, 2013 and 2014, respectively.



### Results of operations 2014 compared to 2013

The following table shows operating performance measures of the Company as if ASMPT had been accounted for on an equity investment basis beginning January 1, 2013. Although management feels that this information is useful to help users assess the continuing impact that the sale of ASMI's controlling interest in ASMPT will have on ASMI, these results might not necessarily be indicative of future results. In addition any fair value gains realized on the deconsolidation of ASMPT have been removed from these supplemental performance measures.

(EUR million)	FULL YEAR COMPARABLE		
	2013	2014	CHANGE
New orders	479.6	602.1	26%
Backlog	114.8	176.1	53%
Book-to-bill	1.1	1.1	
Net sales	452.0	545.6	21%
Gross profit	176.2	235.0	33%
Gross profit margin %	39.0%	43.1%	
Selling, general and administrative expenses	(70.7)	(80.5)	14%
Research and development expenses	(58.3)	(63.9)	10%
Restructuring expenses	(2.5)	(0.1)	n/a
Operating result	44.7	90.5	45.8
Operating margin %	9.9%	16.6%	
Financing costs	(10.7)	25.7	36.4
Income tax	(9.5)	(17.6)	(8.1)
Result from investments	20.9	61.1	40.2
Remeasurement gain, realized gain on sale of ASMPT shares, amortization, impairment and fair value adjustments	1,006.4	(22.5)	(1,028.9)
Net earnings	1,051.9	137.3	(914.6)
Net earnings excluding remeasurement gain, realized gain on sale of ASMPT shares, amortization, impairment and fair value adjustments	45.5	159.8	114.3
Net earnings per share, diluted	€16.35	€2.14	(€14.21)
Net earnings per share excluding remeasurement gain, realized gain on sale of ASMPT shares, amortization, impairment and fair value adjustments	€0.71	€2.49	€1.78

### Net sales

Total net sales developed as follows:

(EUR million)	FULL YEAR		
	2013	2014	% CHANGE
Front-end	452.0	545.6	21%
Back-end (for 2013 reflecting the period January 1 - March 15)	160.3	–	n/a
<b>ASMI CONSOLIDATED</b>	<b>612.3</b>	<b>545.6</b>	<b>(11%)</b>

Building on the strong momentum in the second half of 2013, revenue increased to new record high in the first half of the year for our Front-end business. While still higher year-over-year, revenue in the second half decreased sequentially, as some of our customers were absorbing the investments that they had made in earlier quarters. Nevertheless, underlying demand remained healthy, particularly in the Memory segment, as reflected by our bookings that were even higher in the second half compared to the already strong levels achieved in the first half of the year. For the year in total, our new bookings increased by 26% in 2014. We finished the year with





an order backlog of €176 million, a 53% increase compared to the end of 2013. The impact of currency changes on net sales compared to prior year was a decrease of 1%.

The following table shows the level of new orders for the full year 2014 and the backlog for the same period of 2013 of our Front-end segment:

(EUR million)	FULL YEAR		
	2013	2014	CHANGE
<b>BACKLOG AT THE BEGINNING OF THE YEAR</b>	<b>91.7</b>	<b>114.8</b>	<b>25%</b>
New orders	479.6	<b>602.1</b>	26%
Net sales	(452.0)	<b>(545.6)</b>	21%
FX-effect	(4.4)	<b>4.8</b>	n/a
<b>BACKLOG AS PER REPORTING DATE</b>	<b>114.8</b>	<b>176.1</b>	<b>53%</b>
<b>BOOK-TO-BILL RATIO (NEW ORDERS DIVIDED BY NET SALES)</b>	<b>1.1</b>	<b>1.1</b>	

### Gross profit

Total gross profit developed as follows:

(EUR million)	FULL YEAR				
	GROSS PROFIT		GROSS PROFIT MARGIN		INCREASE (DECREASE) PERCENTAGE POINTS
	2013	2014	2013	2014	
Front-end	176.2	235.0	39.0%	43.1%	4.1ppt
Back-end (for 2013 reflecting the period January 1 - March 15)	38.4	–	24.0%	–	n/a
<b>ASMI CONSOLIDATED</b>	<b>214.6</b>	<b>235.0</b>	<b>35.0%</b>	<b>43.1%</b>	<b>8.1ppt</b>

The gross profit of our Front-end segment for the full year 2014 increased by 33%. Gross profit margin increased by 400 basis points in 2014. This follows on a strong increase of 500 basis points in 2013. The improvement in 2013 was driven by the increase in sales and continued high levels of utilization. Next to the solid development in revenue, the improvement in 2014 also reflected execution of our gross margin improvement measures. In 2013, we started a number of programs to further increase the efficiency and flexibility of our manufacturing operations and supply chain, from which we saw the benefits in 2014. Measures included new outsourcing initiatives, a stronger focus on the sourcing of complete sub-assemblies and the migration of a larger part of our supply base to Asia.

The impact of currency changes on gross profit compared to prior year was a decrease of 2%.

**Selling, general and administrative expenses**

Total selling, general and administrative expenses developed as follows:

(EUR million)	FULL YEAR		
	2013	2014	% CHANGE
Front-end	70.7	80.5	14%
Back-end (for 2013 reflecting the period January 1 - March 15)	25.6	–	n/a
<b>ASMI CONSOLIDATED</b>	<b>96.3</b>	<b>80.5</b>	<b>(16%)</b>

Selling, general and administrative expenses of our Front-end segment for the full year 2014 increased with 14% compared to the previous year. As a percentage of sales, SG&A was 15%. For the comparable period of 2013 this was 16%. The impact of currency changes on SG&A expenses was a decrease of 4% year-over-year.

**Research and development expenses**

Total research and development expenses developed as follows:

(EUR million)	FULL YEAR		
	2013	2014	% CHANGE
Front-end	58.3	63.9	10%
Back-end (for 2013 reflecting the period January 1 - March 15)	17.1	–	n/a
<b>ASMI CONSOLIDATED</b>	<b>75.4</b>	<b>63.9</b>	<b>(15%)</b>

Comparable research and development expenses of our Front-end segment for the full year, 2014 increased with 10% compared to the previous year. As a percentage of sales R&D was 12%. For the comparable period of 2013 this was 13%. The impact of currency changes on research and development expenses was flat year-over-year.

**Restructuring expenses**

In the fourth quarter of 2012 we started a cost reduction program in our Front-end operation. We reduced the manufacturing organization in Singapore and our product management organization in Europe and the US by more than 100 full time equivalent positions. Related to these actions €0.9 million, €2.5 million and €0.1 million restructuring expenses were recorded in 2012, 2013 and 2014 respectively.

**Operating result**

Total operating result developed as follows:

(EUR million)	FULL YEAR		
	2013	2014	CHANGE
Front-end			
Before special items	47.2	90.6	43.4
Restructuring expenses	(2.5)	(0.1)	2.4
<b>AFTER SPECIAL ITEMS</b>	<b>44.7</b>	<b>90.5</b>	<b>45.8</b>
Back-end (for 2013 reflecting the period January 1 - March 15)	(4.3)	–	4.3
<b>ASMI CONSOLIDATED</b>	<b>40.4</b>	<b>90.5</b>	<b>50.1</b>

**Financing costs**

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

**Results from investments and associates**

Results from investments contributed €38.6 million, primarily reflecting our 40% shareholding in ASMPT. Excluding a net book profit of €1 billion in 2013 on the sale of 12% of the ASMPT shares and the effects of purchase price allocation, results from investment increased from €23.7 million for prior year to €61.2 million for 2014 which includes a provision for a tax settlement of ASMPT in Hong Kong for the period 2001-2010 with an impact of €9 million.

ASMPT showed a strong recovery in results in 2014, with revenue increasing by 31%. Next to an overall recovery in market conditions, ASMPT benefited from new products addressing the advanced packaging segment, share gains in the SMT equipment market and the acquisition of DEK. On the back of the rise in revenue and improving margins, ASMPT increased net profits which includes a provision for a tax settlement of ASMPT in Hong Kong for the period 2001-2010 with an impact of €9 million almost threefold during the year.

The amortization of the recognized intangible assets and the depreciation of the fair value adjustment for property, plant & equipment negatively impacted net earnings for the year 2014 with €22.5 million (2013 for the period March 16-December 31: €16.9 million). The fair value adjustments for inventories and tax related issues had a non-recurring negative impact on net earnings in 2013 of €39.8 million.

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

**Income tax expense**

Income tax expenses of €17.6 million (2013: €11.1 million) reflect a effective tax rate of 15.1% excluding the net results on investments. For further information on tax see Note 23 on the consolidated financial statements.

**Net earnings**

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

(EUR million)	FULL YEAR		
	2013	2014	CHANGE
<b>Front-end</b>			
Before special items	27.1	98.5	71.4
Restructuring expenses	(2.5)	(0.1)	2.4
<b>AFTER SPECIAL ITEMS</b>	<b>24.6</b>	<b>98.4</b>	<b>73.8</b>
<b>Back-end</b>			
Until March 15, 2013 consolidated	(2.8)	–	2.8
As from March 16, 2013 as a 40% investment	23.7	61.4	37.7
<b>TOTAL</b>	<b>20.9</b>	<b>61.4</b>	<b>40.5</b>
Realized gain on the sale of 11.88% of the ASMPT shares	242.8	–	(242.8)
Unrealized remeasurement gain including amortization and impairment on the remaining 40% of the ASMPT shares	763.5	(22.5)	(810.7)
<b>TOTAL NET EARNINGS ALLOCATED TO THE SHAREHOLDERS OF THE PARENT</b>	<b>1,051.8</b>	<b>137.3</b>	<b>(914.6)</b>

**Cash flow**

Consistent with the adjustments applied to the operating performance measures, the following supplemental cash flow and balance sheet information of the Company has been adjusted to reflect ASMPT as an equity accounted investment beginning January 1, 2013.



The following table shows the cash flow statement on a comparable basis. The ASMPT numbers have been deconsolidated and the effects of the purchase price allocation have been eliminated:

(EUR million)	COMPARABLE	
	2013	2014
<b>NET EARNINGS</b>	<b>45.5</b>	<b>159.8</b>
<b>Adjustments to cash from operating activities</b>		
Depreciation and amortization	20.7	21.2
Income tax	6.6	5.8
Result from investments	(20.9)	(61.1)
Other adjustments	4.5	(15.8)
<b>Changes in other assets and liabilities</b>		
Accounts receivable	(26.5)	6.8
Inventories	7.7	(19.7)
Accounts payable	3.2	20.4
Other assets and liabilities	6.9	(7.0)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>47.7</b>	<b>110.4</b>
Capital expenditures	(6.9)	(30.3)
Other	(0.3)	(1.5)
<b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>	<b>(7.2)</b>	<b>(31.8)</b>
Debt issuance fees paid	–	(1.4)
Purchase treasury shares	–	(29.3)
Proceeds from shares issued	5.8	4.8
Dividend paid and capital repaid to shareholders ASMI	(301.2)	(31.8)
Dividend received from investments	10.3	20.0
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>	<b>(285.1)</b>	<b>(37.9)</b>

### Balance sheet

Net working capital, consisting of accounts receivable, inventories, other current assets, accounts payable, accrued expenses, advance payments from customers and deferred revenue was €108 million the same level as per December 31, 2013. The number of outstanding days of working capital, measured against quarterly sales, increased from 77 days at December 31, 2013 to 78 days on December 31, 2014. Inventories include approximately €30 million of finished goods, already shipped to customers which will be recognized as revenue in future quarters. At the end of the third quarter this amount was €8 million.

### Results of operations 2013 compared to 2012

#### Results

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



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

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

### Net sales

Total net sales developed as follows:

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

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

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



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

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

### Gross profit

Total gross profit developed as follows:

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

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

### Selling, general and administrative expenses

Total selling, general and administrative expenses developed as follows:

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

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



**Research and development expenses**

Total research and development expenses developed as follows:

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

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

**Restructuring expenses**

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

**Operating result**

Total operating result developed as follows:

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

**Financing costs**

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

**Results from investments and associates**

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

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

The sale transaction resulted in a substantial gain. This gain consisted of two elements, the realized gain on the sale of the 11.88% stake of €243 million and initially an unrealized remeasurement gain on the remaining 40.08% of the shares of approximately €1.1 billion. The purchase of the associate has been recognized at fair value, being the value of the ASMPT shares on the day of closing of the purchase transaction. Both US GAAP and IFRS require that the composition of such a fair value needs to be determined through a purchase price allocation process ('PPA'). This process took place in the second quarter of 2013 and was finalized in the fourth quarter of 2013. The PPA resulted in the recognition of intangible assets for customer relationship, technology,



trade name and product names. For inventories and property, plant & equipment a fair value adjustment was recognized.

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

The amortization of the recognized intangible assets and the depreciation of the fair value adjustment for property, plant & equipment negatively impacted net earnings with €16.8 million. The fair value adjustments for inventories and tax related issues had a non-recurring negative impact on net earnings in 2013 of €39.8 million.

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

#### **Income tax expense**

Income tax expenses of €11.1 million (2012: €26.3 million) reflect a effective tax rate of 36.7% excluding the net results on investments. For further information see Note 23 on the consolidated financial statements.

#### **Net earnings**

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

(EUR million)	FULL YEAR		
	2012	2013	CHANGE
<b>Front-end</b>			
Before special items	(26.1)	27.1	53.2
Early extinguishment of debt	(2.2)	–	2.2
Restructuring expenses	(0.9)	(2.5)	(1.6)
<b>AFTER SPECIAL ITEMS</b>	<b>(29.1)</b>	<b>24.6</b>	<b>53.7</b>
<b>Back-end</b>			
Until March 15, 2013 consolidated	36.3	(2.8)	(39.1)
As from March 16, 2013 as a 40% investment	–	23.7	23.7
<b>TOTAL</b>	<b>36.3</b>	<b>20.9</b>	<b>(15.4)</b>
Realized gain on the sale of 11.88% of the ASMPT shares	–	242.8	242.8
Unrealized remeasurement gain including amortization and impairment on the remaining 40% of the ASMPT shares	–	763.5	763.5
<b>TOTAL NET EARNINGS ALLOCATED TO THE SHAREHOLDERS OF THE PARENT</b>	<b>7.2</b>	<b>1,051.8</b>	<b>1,044.6</b>

**Cash flow**

Consistent with the adjustments applied to the operating performance measures, the following supplemental cash flow and balance sheet information of the Company has been adjusted to reflect ASMPT as an equity accounted investment beginning January 1, 2012. The following table shows the cash flow statement on a comparable basis. The ASMPT numbers have been deconsolidated:

(EUR million)	COMPARABLE	
	2012	2013
<b>NET EARNINGS</b>	<b>7.1</b>	<b>45.5</b>
<b>Adjustments to cash from operating activities</b>		
Depreciation and amortization	18.8	20.7
Income tax	4.2	6.6
Result from investments	(35.5)	(20.9)
Other adjustments	9.8	4.5
<b>Changes in other assets and liabilities</b>		
Accounts receivable	32.3	(26.5)
Inventories	(7.9)	7.7
Accounts payable	(16.0)	3.2
Other assets and liabilities	(12.3)	6.9
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>0.5</b>	<b>47.7</b>
Capital expenditures	(21.6)	(6.9)
Other	(2.0)	(0.3)
<b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES</b>	<b>(23.7)</b>	<b>(7.2)</b>
Loans	(27.0)	–
Purchase treasury shares	(40.6)	–
Shares issued	2.2	5.8
Dividend paid and capital repaid to shareholders ASMI	(27.5)	(301.2)
Dividend received from investments	29.5	10.3
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES</b>	<b>(63.4)</b>	<b>(285.1)</b>

**Balance sheet**

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

**B. Liquidity and capital resources****Liquidity**

Our liquidity is affected by many factors, some of which are related to our ongoing operations while others 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.

On December 31, 2014, the Company's principal sources of liquidity consisted of €386 million in cash and cash equivalents and €150 million in undrawn bank lines. The Company is free of debt.



In general 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.

#### Cash flow front-end segment

We generated cash from operating activities of €110.4 million, €48.5 million and €42.5 million in 2014, 2013 and 2012 respectively. We used €31.8 million for investing activities in 2014, €13.6 million for 2013 excluding the effect of the divestment of our 12% stake in ASMPT (€298.3 million) and €71.9 million in 2012. We used cash for financing activities of €37.9 million in 2014, €37.6 million for 2013 excluding the capital repayment of €269.5 million and €73.5 million in 2012.

#### Credit facility

As per December 31, 2014 ASMI remains debt free. ASMI may borrow under separate short-term lines of credit with banks. The lines contain general provisions concerning renewal and continuance at the option of the banks. Total short-term lines of credit amounted to €150 million at December 31, 2014. The amount outstanding at December 31, 2014 was nil so the undrawn portion totaled €150 million. The undrawn portion represents the Company's Standby Revolving Credit Facility of €150 million with a consortium of banks. In December 2013 we finalized the extension of ASMI's existing standby revolving credit facility. The maturity date of the credit commitment of €150 million was extended from July 31, 2014 until December 31, 2018. Once the facility is used, this usage is secured by a portion of the Company's shareholding in ASMPT or accounts receivable.

The credit facility of €150 million includes two financial covenants:

- › minimum consolidated tangible net worth; and
- › consolidated total net debt/total shareholders' equity ratio.

These financial covenants are measured twice each year, at June 30 and December 31. The Company is in compliance with these financial covenants as of June 30, 2014 and as of December 31, 2014.

See notes 4, 13, 17 and 20 to our consolidated financial statements for discussion of our funding, treasury policies and our long-term debt.

#### ASM Pacific Technology

Our Back-end segment, which is conducted through ASM Pacific Technology ("ASMPT"), our 39.75%-owned associate on December 31, 2014 had net cash of €275 million. The cash resources and borrowing capacity of ASMPT are not available to our Front-end segment.

Although certain directors of ASMPT are directors of ASM International, ASMPT is under no obligation to declare dividends to shareholders or enter into transactions that are beneficial to us. As a substantial shareholder, we can participate in the shareholder approval of the payment of dividends, but cannot compel their payment or size. Cash dividends received from ASMPT during 2012, 2013 and 2014 were €29.6 million, €10.3 million and €20.0 million, respectively.

At the end of 2014 the market value of our 39.75% investment in ASMPT was approximately €1,257 million (carrying value €1,092 million).



### C. Research and development, patents and licenses

#### Research and development

We continue to invest strongly in research and development. As part of our research and development activities, we are engaged in various development programs with customers and research institutes. These programs 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.

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

#### Intellectual property matters

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

### D. Trend information

#### Backlog

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

The following table shows the level of new orders during 2013 and 2014, and the backlog and book-to-bill ratios on December 31, 2013 and 2014 for our Front-end activities:

(EUR million, except book-to-bill ratio)	FULL YEAR		
	2013	2014	% CHANGE
<b>Front-end</b>			
New orders	479.6	602.1	26%
Backlog at December 31	114.8	176.1	53%
Book-to-bill ratio (new orders divided by net sales)	1.1	1.1	

#### Outlook

We have developed forecasts and projections of cash flows and liquidity needs for the upcoming year. This takes into account the current market conditions, reasonably possible changes in trading performance based on such conditions, and our ability to modify our cost structure as a result of changing economic conditions and sales levels. We have also considered in the forecasts the total cash balances amounting to €386 million as of December 31, 2014; 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 2014 is adequate to fund our operations, our investments in capital expenditures and to fulfill our existing contractual obligations for the next twelve months.

The trends discussed in this item 5.D “Trend information” are subject to risks and uncertainties.

**E. Off-balance sheet arrangements**

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

**F. Tabular disclosure of contractual obligations**

The following table summarizes our contractual obligations as of December 31, 2014 aggregated by type of contractual obligation:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Operating leases	21,964	5,821	8,169	5,321	2,653
Pension liabilities	5,153	318	714	1,261	2,860
<b>Purchase obligations</b>					
Purchase commitments to suppliers	69,720	69,720	-	-	-
Capital expenditure and other commitments	3,198	3,198	-	-	-
Unrecognized tax benefits	1,875	1,875	-	-	-
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>101,910</b>	<b>80,932</b>	<b>8,883</b>	<b>6,582</b>	<b>5,513</b>

For a further discussion of our contractual obligations see Notes 13, 17,18 and 20 to our Consolidated Financial Statements, which are incorporated herein by reference.

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





## ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

### A. DIRECTORS AND SENIOR MANAGEMENT

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

NAME	POSITION	NATIONALITY	YEAR OF BIRTH	INITIAL APPOINTMENT	TERM EXPIRES
Jan C. Lobbezoo <sup>1) 2)</sup>	Chairman of the Supervisory Board	Dutch	1946	2009	2017
Johan M.R. Danneels <sup>2)</sup>	Member of the Supervisory Board	Belgian	1949	2000	2016
Heinrich W. Kreutzer <sup>1)</sup>	Member of the Supervisory Board	German	1949	2006	2018
Martin C.J. van Pernis <sup>2)</sup>	Member of the Supervisory Board	Dutch	1945	2010	2018
Ulrich H.R. Schumacher <sup>1)</sup>	Member of the Supervisory Board	German	1958	2008	2016
Charles D. (Chuck) del Prado	Chairman of the Management Board, President and Chief Executive Officer	Dutch	1961	2006	2018
Peter A.M. van Bommel	Member of the Management Board, Chief Financial Officer	Dutch	1957	2010	2018

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

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

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

Johan M.R. Danneels was initially elected as member of the Supervisory Board in May 2000 and was reappointed on May 15, 2012 for a period of four years. Prior to his retirement, mid 2014, Mr Danneels was Chief Executive Officer at Essensium, the company he founded in 2005 as a spin-off from the imec (Interuniversity Microelectronics Centre) research institute. Mr Danneels was Chairman of imec from 2000 to 2005. Prior to that he spent 25 years at Alcatel. He held several management positions for all major product lines, was Corporate Executive Vice President of Alcatel NV, Chief Executive Officer of Alcatel Microelectronics and, most recently, Group Vice President of STMicroelectronics. He holds a PhD in Engineering from the Catholic University of Leuven, Belgium and an MBA from Boston University. Mr Danneels is a Belgian national.

Heinrich W. Kreutzer was initially elected as member of the Supervisory Board in November 2006 and was reappointed on May 21, 2014 for a period of four years. Between 1999 and 2003, Mr Kreutzer was a member of the Management Board as Chief Operating Officer and Chief Technology Officer of Alcatel Germany. From 2004 to 2006, he was Managing Director of Kabel Deutschland GmbH in Munich, Germany. Prior to that he worked at several companies including General Telephone & Electronics in Waltham, US and Alcatel in Stuttgart, Germany. Mr Kreutzer is currently on the Board of Directors of Micronas Semiconductor AG (Chairman) in Zurich, Switzerland, Micronas Semiconductor GmbH (Chairman) in Freiburg, Germany and BKtel Communications GmbH (Chairman), Germany. He holds a Master's degree in Engineering and a Master's degree in Economics, and studied at the Technical University of Berlin and the University of Hagen, Germany. Mr Kreutzer is a German national.



Martin C.J. van Pernis was elected as member of the Supervisory Board in May 2010 and was reappointed on May 21, 2014 for a period of 4 years. Mr Van Pernis joined Siemens in 1971 and retired from the Siemens Group at the end of 2009 as Chairman of the Management Board of Siemens Nederland NV. Mr Van Pernis is on the Supervisory Board of Batenburg Techniek NV (Chairman), Aalberts Industries NV (Vice Chairman), Rotterdams Philharmonisch Orkest – RPho (Chairman), President of The Royal Institute of Engineers – KIVI, and Member of the Advisory Board of G4S. Mr Van Pernis is a Dutch national.

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

Charles D. (Chuck) del Prado was appointed as member of the Management Board in May 2006 and President and Chief Executive Officer on March 1, 2008. Mr Del Prado was reappointed on May 21, 2014 for a period of four years. Between 1989 and 1996 Mr Del Prado held several marketing and sales positions at IBM Nederland NV. From 1996 to 2001 he worked in various management positions at ASML, in manufacturing and sales in Taiwan and the Netherlands. He was appointed Director Marketing, Sales & Service of ASM Europe in March 2001. From 2003 to 2007 he was President and General Manager of ASM America. From January 1, 2008 to February 29, 2008, he acted as Executive Vice President Front-end Operations at ASM America. He holds a Master's of Science degree in Industrial Engineering and Technology Management from the University of Twente, the Netherlands. Mr Del Prado is a Dutch national.

Peter A.M. van Bommel was appointed as member of the Management Board on July 1, 2010 and became Chief Financial Officer on September 1, 2010. Mr Van Bommel was reappointed on May 21, 2014 for a period of four years. Mr Van Bommel has more than twenty years of experience in the electronics and semiconductor industry. He spent most of his career at Philips, which he joined in 1979. From the mid-1990s until 2005 he acted as CFO of several business units of the Philips group. Between 2006 and 2008 he was CFO at NXP, formerly Philips Semiconductors. He was CFO of Odorsun AG, a manufacturer of thin-film solar cells and modules until August 31, 2010. In April 2012 Mr Van Bommel was appointed a member of the Supervisory Board and a member of the Audit Committee of the Royal KPN NV. He holds a Master's degree in Economics from the Erasmus University Rotterdam, the Netherlands. Mr Van Bommel is a Dutch national.

## **B. COMPENSATION**

For information regarding remuneration of members of our Management Board and Supervisory Board, see Note 27 to our Consolidated Financial Statements, which is incorporated herein by reference.

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

We have granted stock options and restricted shares to certain key employees. For information regarding such options see Note 17 to our Consolidated Financial Statements, which is incorporated herein by reference.



### C. BOARD PRACTICES

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

The Management Board is entrusted with our management under the supervision of the Supervisory Board and has the general authority to enter into binding agreements with third parties. Persons nominated by the Supervisory Board to be appointed by the shareholders to the Management Board are elected if they receive a majority of the votes cast at a meeting of shareholders. Nominees to the Management Board who are not proposed by the Supervisory Board are appointed if they receive the affirmative vote of a majority of the votes cast at a meeting, if such affirmative votes represent at least one third of our issued capital. A Management Board member may at any time be suspended by the Supervisory Board. A Management Board member may, in accordance with a proposal of the Supervisory Board, be dismissed by the General Meeting of Shareholders with a majority of the votes cast. A resolution to suspend or to dismiss a member of the Management Board, other than in accordance with a proposal of the Supervisory Board, shall require the affirmative vote of a majority of the votes cast at a meeting, which affirmative votes represent at least one third of our issued capital.

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

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

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

The Nomination, Selection and Remuneration committee of the Supervisory Board advises the Supervisory Board on matters relating to the selection and nomination of the members of the Management Board and Supervisory Board.

The committee further monitors and evaluates the remuneration policy for the Management Board. This committee consists of Mr Van Pernis (Chairman), Mr Danneels and Mr Lobbezoo.



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

There are no Director's service contracts with the Company or any of its subsidiaries providing for benefits upon termination of employment.

#### D. EMPLOYEES

As of December 31, 2014, we had 1,635 employees, including 365 employees primarily involved in research and development activities, 286 in manufacturing 303 in marketing and sales, 517 in customer service and 163 in finance and administration.

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

GEOGRAPHIC LOCATION	DECEMBER 31, 2012			DECEMBER 31, 2013			DECEMBER 31, 2014		
	FRONT-END	BACK-END	TOTAL	FRONT-END	BACK-END	TOTAL	FRONT-END	BACK-END	TOTAL
Europe									
- The Netherlands	176	3	179	139	-	139	140	-	140
- EMEA	171	917	1,088	163	-	163	171	-	171
United States	535	92	627	533	-	533	600	-	600
Japan	177	22	199	174	-	174	186	-	186
Asia, other	577	14,734	15,311	494	-	494	538	-	538
<b>TOTAL</b>	<b>1,636</b>	<b>15,768</b>	<b>17,404</b>	<b>1,503</b>	<b>-</b>	<b>1,503</b>	<b>1,635</b>	<b>-</b>	<b>1,635</b>

The Back-end segment, ASMPT, employed 14,400 persons as of December 31, 2013 and 15,946 persons as of December 31, 2014.

Our Dutch operations, which employed 144 persons as of March 13, 2015, is subject to standardized industry bargaining under Dutch law, and is required to pay wages and meet conditions established as a result of negotiations between all Dutch employers in their industry and unions representing employees of those employers. Additionally, management personnel in the Dutch facilities meet, as required by Dutch law, with a works council consisting of elected representatives of the employees, to discuss working conditions and personnel policies as well as to explain major corporate decisions and to solicit their advice on major issues.

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

#### E. SHARE OWNERSHIP

Information with respect to shares and options held by members of our Supervisory Board and Management Board is included in Item 7, "Major Shareholders and Related Party Transactions" and Notes 27 and 28 to our Consolidated Financial Statements, which are incorporated herein by reference. With the exception of Mr Chuck del Prado, as of March 13, 2015, none of the members of our Supervisory Board or Management Board owned beneficially more than 1% of our outstanding common shares.

We maintain various stock option plans for the benefit of our employees. For information about our stock option plans, see Note 17 to our Consolidated Financial Statements, which is incorporated herein by reference.



## ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

### A. MAJOR SHAREHOLDERS

The following table sets forth information with respect to the ownership of our common shares as of March 13, 2015 by each beneficial owner known to us of more than 3% of our common shares:

	NUMBER OF SHARES	PERCENT	NUMBER OF VOTING RIGHTS	PERCENT <sup>1)</sup>
Arthur H. del Prado <sup>2)</sup>	11,346,323	18.1%	11,346,323	18.1%
J.P. Morgan Chase & Co <sup>3)</sup>	8,619,109	13.7%	8,619,109	13.7%
Eminence Capital, LLC <sup>4)</sup>	6,480,170	10.3%	2,906,450	4.6%
Massachusetts Financial Services Company <sup>5)</sup>	3,204,564	5.1%	3,766,156	6.0%
Norges Bank <sup>6)</sup>	2,090,606	3.3%	2,090,606	3.3%

<sup>1)</sup> Calculated on the basis of 62,718,937 Common Shares outstanding as of March 13, 2015, and without regard to options.

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

<sup>3)</sup> Of the share capital interest and voting rights held by J.P. Morgan Chase & Co 3,284,284 shares are indirectly actual and 5,334,825 are indirectly potential. Based on the notification filed with the AFM on February 11, 2015.

<sup>4)</sup> Of the share capital interest that Eminence Capital, LLC holds 2,906,450 shares are directly actual and 3,573,720 are directly potential. Based on the AFM notification dated January 8, 2015.

<sup>5)</sup> Massachusetts Financial Services Company's capital interest amounts to 3,120,793 shares held directly actual and 83,771 shares indirectly actual. Of the voting rights 3,317,786 are held directly actual and 448,370 indirectly actual. Based on the notification filed with the AFM on March 13, 2015.

<sup>6)</sup> Norges Bank's capital interest amounts to 1,436,813 shares held directly actual and 653,793 shares directly potential. Based on the AFM notification dated February 12, 2015.

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

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



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

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

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

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

Of our 62,718,937 outstanding common shares at March 13, 2015, 2,142,039 are registered with us in the Netherlands, 58,150,696 are registered with our transfer agent in the Netherlands, ABN AMRO Bank NV and 2,426,202 are registered with our transfer agent in the United States, Citibank, NA, New York. Our common shares registered with Citibank, NA, New York are listed on the NASDAQ Global Select Market under the symbol ASMI. As of March 14, 2014 there were approximately 100 record holders of our common shares registered with Citibank. ASMI's Ordinary Shares are listed on NYSE Euronext in Amsterdam (symbol: ASM) and also trade on NASDAQ (symbol: ASMI).

## **B. RELATED PARTY TRANSACTIONS**

For information regarding related party transactions, see Note 28 to our Consolidated Financial Statements, which is incorporated herein by reference.

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

Not applicable.





## ITEM 8. FINANCIAL INFORMATION

### A. CONSOLIDATED STATEMENTS AND OTHER FINANCIAL INFORMATION

#### Consolidated financial statements

See Item 18, "Financial Statements".

#### Legal proceedings

See Item 4.B., "Business Overview" and Note 19 to our Consolidated Financial Statements, which is incorporated herein by reference. See also Item 3.D, "Risk Factors – We are subject to various legal proceedings and claims, the outcomes of which are uncertain. If we fail to accurately evaluate the probability of loss or the amount of possible losses, an adverse outcome may materially and adversely affect our financial condition and results of operations".

#### Dividend policy

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

In 2007, we paid an interim dividend of €0.10 per common share. We did not pay dividends in 2008, 2009, 2010 and in any year prior to 2007. In 2011, we paid a dividend of €0.40 per common share. In 2012, 2013 and 2014, we paid a dividend of €0.50 per common share and in July 2013 we paid €4.25 per common share as an extraordinary capital repayment subsequent to the realized gain on the sale of a 12% share in our associate ASMPT. We intend to propose to the forthcoming 2015 Annual General Meeting of Shareholders to declare a dividend of €0.60 per share.

### B. SIGNIFICANT CHANGES

Not applicable.



## ITEM 9. THE OFFER AND LISTING

### A. OFFER AND LISTING DETAILS

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

#### Price range of common shares

	ASMI SHARES NASDAQ USD		ASMI SHARES NYSE EURONEXT AMSTERDAM EUR	
	HIGH	LOW	HIGH	LOW
<i>Annual Information</i>				
2010	\$ 35.09	\$ 19.10	€ 26.50	€ 15.32
2011	44.60	22.23	31.68	16.01
2012	40.35	29.39	32.89	22.64
2013	40.93	30.54	31.30	22.08
2014	44.17	32.06	35.10	23.54
<i>Quarterly Information</i>				
<b>2013</b>				
First Quarter	\$ 40.93	\$ 33.29	€ 31.30	€ 25.91
Second Quarter	35.63	30.54	27.58	23.67
Third Quarter	37.88	31.13	25.70	22.08
Fourth Quarter	35.32	31.00	26.14	22.64
<b>2014</b>				
First Quarter	\$ 40.26	\$ 32.06	€ 29.14	€ 23.54
Second Quarter	44.17	38.92	31.87	28.32
Third Quarter	42.57	35.94	31.34	27.47
Fourth Quarter	42.37	32.73	35.10	25.94
<i>Monthly Information</i>				
September 2014	\$ 38.53	\$ 35.94	€ 29.61	€ 27.75
October 2014	39.79	32.73	31.92	25.94
November 2014	42.28	40.99	33.73	32.86
December 2014	42.37	40.22	35.10	32.39
January 2015	41.80	40.25	36.70	34.21
February 2015	45.80	39.82	40.95	35.33
March 2015 <sup>1)</sup>	47.50	45.02	43.35	40.75

<sup>1)</sup> Through March 13, 2015.

### B. PLAN OF DISTRIBUTION

Not applicable.

### C. MARKETS

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

**D. SELLING SHAREHOLDERS**

Not applicable.

**E. DILUTION**

Not applicable.

**F. EXPENSES OF THE ISSUE**

Not applicable.

**ITEM 10. ADDITIONAL INFORMATION****A. SHARE CAPITAL**

Not applicable.

**B. MEMORANDUM AND ARTICLES OF ASSOCIATION**

We are registered under number 30037466 in the Commercial Register of the Chamber of Commerce and Industries, with our Corporate seat in Almere, the Netherlands. The information required by Item 10.B. is incorporated herein by reference to our Form 6-K filed with the United States Securities and Exchange Commission (the "SEC") on April 8, 2014 and to our Articles of Association filed as Exhibit 1.1 to our Form 20-F filed in April 2014.

**C. MATERIAL CONTRACTS**

None.

**D. EXCHANGE CONTROLS**

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

**E. TAXATION****Summary of Dutch tax provisions applicable to non-resident shareholders with a particular focus on US shareholders**

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

**Withholding tax**

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

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

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

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

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

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



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

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

#### ***Income tax and corporate income tax on dividends***

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

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



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

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

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

#### ***Gift and inheritance tax***

Gift or inheritance tax will arise in the Netherlands with respect to an acquisition of common shares by a gift made by, or on the death of, a holder who is resident or deemed resident in the Netherlands for Dutch inheritance and gift tax purposes.

For purposes of Dutch gift and inheritance tax, an individual who holds the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of his gift or his death.

For purposes of Dutch gift tax, an individual not holding the Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

Dutch inheritance tax also arises in the case of a gift of common shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, but such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

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

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

#### ***United States federal income taxation***

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

The following is a general description of select US federal income tax consequences of the ownership and disposition of our common shares by a US holder (as defined below). This summary only applies to "US holders" (as defined below) that hold their shares as capital assets. This discussion does not purport to be a comprehensive description of all US federal income taxation considerations that may be relevant to holders of shares in view of their particular circumstances, and does not deal with holders subject to special rules, such as, but not limited to, the alternative minimum tax provisions of the Internal Revenue Code of 1986 ("Internal Revenue Code") or the Internal Revenue Code's provisions applicable to dealers in securities or foreign currencies, traders in securities that elect to use a mark-to-market method of accounting, certain financial



institutions, tax-exempt organizations, tax-qualified employer plans and other tax-qualified accounts, insurance companies, persons that actually or constructively own 10% or more of our voting stock, persons holding common shares as part of a straddle, hedging, conversion or constructive sale transaction or holders of common shares whose “functional currency” is not the US dollar. This discussion does not address US state and local or any other non-US federal income tax consequences of the ownership and disposition of our common shares by a US holder.

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

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

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

Any US holder that is also an exempt organization may be subject to other US rules specifically applicable to exempt organizations and such investors should consult their own tax advisors on the US federal income tax consequences to holding shares in the company.

#### ***Taxation of dispositions***

A US holder will recognize gain or loss for US federal income tax purposes upon a taxable sale or other disposition of common shares. The amount of such gain or loss will equal the difference between the amount realized by the US holder and the US holder’s adjusted tax basis in the common shares. For these purposes, a US holder’s adjusted tax basis in the common shares generally will equal the US dollar cost of the common shares to the US holder. Subject to the controlled foreign corporation rules and passive foreign investment company rules described below, gain or loss realized by a US holder on a sale or other disposition of common shares generally will be treated as capital gain or loss, and will be long-term capital gain or loss if the common shares were held for more than one year as of the date of the sale or other disposition. Except in certain circumstances, any such gain generally will be treated as US source income for US foreign tax credit purposes. Net long-term capital gain recognized by a US holder who is an individual generally is subject to reduced rates





of taxation. The deduction of capital losses is subject to certain limitations. Prospective investors should consult their own tax advisors in this regard.

If we repurchase our common shares, the repurchase may qualify to be treated as a sale or exchange of the common shares subject to the rules discussed above. However, under certain circumstances as provided in Section 302 of the Internal Revenue Code, the repurchase may be treated fully or partially as a dividend taxable as described below under "Taxation of Distributions." US holders should consult their own tax advisors concerning the US federal income tax consequences of our repurchase of their common shares.

#### ***Taxation of distributions***

Subject to the anti-deferral tax rules described below, the gross amount (before reduction for Netherlands withholding taxes) of any distribution actually or constructively paid with respect to common shares will be included in the gross income of the US holder as foreign source dividend income to the extent the distributions are paid out of our current or accumulated earnings and profits, as determined under US federal income tax principles. The amount of any distribution of property other than cash will be the fair market value of such property on the date of distribution. To the extent that the amount of any distribution exceeds our current and accumulated earnings and profits, the distribution will first be treated as a tax-free return of capital to the extent of the US holder's adjusted tax basis in the common shares (thereby increasing the amount of gain or decreasing the amount of loss to be recognized on the subsequent disposition of the common shares), and to the extent that such distribution exceeds the US holder's adjusted tax basis in the common shares such excess will be taxed as capital gain. Except in certain circumstances, any such gain generally will be treated as US source income for US foreign tax credit limitation purposes. Distributions treated as dividends generally will not be eligible for the dividends received deduction allowed to corporations under the Internal Revenue Code. The availability of this deduction is subject to several complex limitations which are beyond the scope of this summary.

If a US holder receives a dividend in euros, the amount of the dividend for US federal income tax purposes should be the US dollar value of the dividend, determined at the spot rate in effect on the date of such payment, regardless of whether the payment is later converted into US dollars. In the case of such later conversion, the US holder may recognize US source ordinary income or loss as a result of currency fluctuations between the date on which the dividend is paid and the date the dividend amount is converted to US dollars.

Dividends received by a US holder generally will be taxed at ordinary income rates. However, certain dividends received by individuals through taxable years beginning on or before December 31, 2012, may qualify to be taxed at capital gain rates (0%, 15% or 20% depending on the marginal US federal income tax rate applicable to such US holder), provided (i) the recipient has held the underlying stock for more than 60 days during the 121 day period beginning 60 days before the ex-dividend date and (ii) the dividends are received from a "qualified foreign corporation". A non-US corporation (other than a non-US corporation treated as a passive foreign investment company in the taxable year in which the dividend is paid, or the preceding taxable year) generally will be considered to be a "qualified foreign corporation" if (i) the shares of the non-US corporation are readily tradable on an established securities market in the United States or (ii) the non-US corporation is eligible with respect to substantially all of its income for the benefits of a comprehensive income tax treaty with the United States which contains an exchange of information program provision. We believe that we are, and will continue to be, a "qualified foreign corporation". Individual US holders should consult their tax advisors regarding the impact of distributions paid with respect to their common shares in light of their particular situations.

**Foreign tax credit**

Dividends distributed by us generally are subject to a withholding tax imposed by the Netherlands at a rate of 15% (see “Summary of Dutch Tax Provisions Applicable to non-resident Shareholders with a particular focus on US Shareholders – Withholding Tax”). Subject to certain conditions and limitations set forth in the Internal Revenue Code, foreign withholding tax paid with respect to dividends on common shares generally will be eligible for credit against a US holder’s US federal income tax liability. Alternatively, a US holder may claim a deduction for the amount of foreign withholding taxes, but only for a year for which the US holder elects to do so with respect to all foreign income taxes. Under current Dutch law, we may be permitted, under limited circumstances, to retain a portion of Netherlands taxes we withhold from dividends paid to our shareholders, rather than pay that portion of the withheld taxes to the taxing authorities in the Netherlands (see “Summary of Dutch Tax Provisions Applicable to non-resident Shareholders with a particular focus on US Shareholders – Withholding Tax”). This amount generally may not exceed 3% of the total dividend distributed by us during the calendar year and the two preceding calendar years. If we retain a portion of the Dutch withholding taxes, the retained amount in all likelihood will not qualify as a creditable tax for US federal income tax purposes. We will endeavor to provide US holders with information concerning the extent to which we retain any Dutch taxes on dividends paid to US holders.

There are two principal classes (passive and general) of income for purposes of calculating foreign tax credit limitations. Dividends will generally constitute “passive category income” but could, in the case of certain US holders, constitute “general category income”. Except in certain circumstances, gain from a sale, exchange or other disposition of our common shares by a US holder will be treated as US source income for foreign tax credit purposes. The rules relating to the determination of the US foreign tax credit are complex and contain certain other limitations. US holders should consult their own tax advisors with respect to the availability of a foreign tax credit or deduction for foreign, including Netherlands, taxes withheld.

**Anti-deferral tax rules**

The Internal Revenue Code contains various provisions that impose current US federal income tax on the US shareholders of the undistributed income of certain foreign corporations if such corporations derive certain types of passive income and fail to make adequate distribution of profits to their US shareholders whether or not such income is distributed to shareholders. These provisions include the controlled foreign corporation (“CFC”) rules. Other provisions of the Internal Revenue Code impose potentially adverse tax consequences on the US shareholders of a non-US corporation that qualifies as a “passive foreign investment company” (“PFIC”). While we do not believe that we should be classified as either a CFC or a PFIC, we are not certain that we can avoid these tax rules because we cannot predict with any degree of certainty the amount and character of our future income or the percentage amount of our common shares any particular US holder will own, actually and constructively. Accordingly, we will only briefly summarize those provisions and then only the rules that we believe may have the greatest likelihood of applying to us in the future.

**Passive foreign investment company**

As a foreign corporation with US holders, we could potentially be treated as a “passive foreign investment company” (“PFIC”) as defined in the Internal Revenue Code.

The PFIC provisions of the Internal Revenue Code can have significant adverse tax effects on US holders. In general, a foreign corporation will be a PFIC with respect to a holder in a particular tax year and for all succeeding tax years if either:

- › 75% or more of its gross income (including the foreign corporation’s pro rata share of the gross income of any US or foreign company in which the corporation owns or is considered to own 25% or more of the shares by value) in a taxable year is passive income (which generally includes interest, dividends and certain rents and royalties); or
- › at least 50% of the average value of the corporation’s gross assets in a taxable year (average determined as of the end of each quarter of the corporation’s taxable year and ordinarily determined based on gross fair market value, including the proportionate share of the assets of any US or foreign company in which the corporation owns or is considered to own 25% or more of the shares by value) produce, or are held for the production of, passive income.

If we are a PFIC for any year during which a US holder holds common shares, we must generally continue to be treated as a PFIC by that holder for all succeeding years during which the US holder holds common shares, unless we cease to meet the requirements for PFIC status and the US holder makes a “deemed sale” election with respect to the common shares. If such election is made, the US holder will be deemed to have sold the common shares it holds at their fair market value on the last day of the last taxable year in which we qualified as a PFIC, and any gain from such deemed sale would be subject to the consequences described above. After the deemed sale election, the US holder’s common shares with respect to which the deemed sale election was made will not be treated as shares in a PFIC unless we subsequently meet the PFIC income and/or asset tests.

If we were a PFIC for a taxable year during which a US holder owned our shares, then a US holder would likely incur increased tax liabilities (possibly including an interest charge) upon the sale or other disposition of our common shares or upon receipt of “excess distributions”. In such case, gain recognized by a US holder on a sale or other disposition of our common shares would be allocated ratably over the US holder’s holding period for the common shares. The amounts allocated to the taxable year of the sale or other disposition and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest marginal income tax rate in effect for individuals or corporations, as appropriate, and an interest charge would be imposed on the amount allocated to that taxable year. Further, the rules provide essentially that any distribution in excess of 125% of the average of the annual distributions on common shares received by the US holder during the preceding three years or the US holder’s holding period, whichever is shorter, would be an “excess distribution” and would therefore be subject to taxation as described above. Although certain elections may be available (including a qualified electing fund election and a mark to market election) to US holders that might mitigate the adverse consequences resulting from PFIC status, in the event we are determined to be a PFIC in the current or a future taxable year we do not anticipate providing US holders with the information necessary to support a qualified electing fund election. In addition, if we are treated as a PFIC in a taxable year in which we pay a dividend, or in the preceding taxable year, the capital gain rate (0%, 15% or 20% as discussed above) currently applicable in the US with respect to certain dividends paid to US holders would not apply.

We believe that we are not a PFIC, and we do not expect to become a PFIC. However, we cannot assure that we will not qualify as a PFIC in the current year or in the future. In addition, if you own our shares during any year that we are a PFIC, you may be required to file Internal Revenue Service Form 8621.

The PFIC rules are very complex and US holders should consult their own tax advisors on this issue.

**Controlled foreign corporation rules**

If more than 50% of the voting power or total value of all classes of our common shares is owned, directly or indirectly, or constructively by US holders, each of which owns or is deemed to own 10% or more of the total combined voting power of all classes of our common shares, we could be treated as a controlled foreign corporation (“CFC”) under Subpart F of the Internal Revenue Code. This classification would result in many complex consequences to such 10% or greater shareholders including the required inclusion into income by such 10% or greater shareholders of their pro rata shares of our “Subpart F Income”, as defined in the Internal Revenue Code. In addition, under Section 1248 of the Internal Revenue Code, gain from the sale or exchange of common shares by any US holder who is or was a 10% or greater US shareholder at any time during the five-year period ending with the sale or exchange will be dividend income to the extent of our earnings and profits attributable to the common shares sold or exchanged and accumulated during the periods that we were a CFC. Under certain circumstances, a US holder that directly owns 10% or more of our voting common shares and is a corporation may be entitled to an indirect foreign tax credit in relation to amounts characterized as dividends under Section 1248 of the Internal Revenue Code. We believe that we are not a CFC and we will not become a CFC, however, we cannot assure you that we will not become a CFC in the future.

**United States backup withholding tax and information reporting**

US holders may be required to file certain US information reporting returns with the IRS with respect to an investment in common shares, including, among others, IRS Form 8938 (Statement of Specified Foreign Financial Assets). Substantial penalties may be imposed upon a US holder that fails to comply with the required information reporting.

Under certain circumstances, a US holder may be subject to information reporting and backup withholding with respect to certain payments made in respect of the common shares and the proceeds received on the disposition of the common shares paid within the US (and in certain cases, outside the US). Such amounts may be subject to a 28% US backup withholding tax unless the US holder otherwise establishes an exemption. For example, back-up withholding generally will not apply to a US holder who (1) is a corporation or qualifies under certain other exempt categories and, when required, demonstrates that fact, or (2) furnishes a correct taxpayer identification number and makes certain other required certifications as provided by the backup withholding rules.

Back-up withholding is not an additional tax. The amount of any back-up withholding from a payment to a US holder will be allowed as a credit against the US holder’s US federal income tax liability and may entitle a US holder to a refund, provided that the required information is furnished to the Internal Revenue Service.

**Medicare tax**

In general, a United States person that is an individual or estate, or a trust that does not fall into a special class of trusts that is exempt from such tax, is subject to a 3.8% tax on the lesser of (1) the United States person’s “net investment income” for the relevant taxable year and (2) the excess of the United States person’s modified adjusted gross income for the taxable year over a certain threshold (which in the case of individuals will be between \$125,000 and \$250,000, depending on the individual’s circumstances). A holder’s net investment income will include its gross dividend income and its net gains from the disposition of common shares, unless such dividends or net gains are derived in the ordinary course of the conduct of a trade or business (other than a trade or business that consists of certain passive or trading activities).

The discussion set forth above is included for general information only and may not be applicable depending upon a holder’s particular situation. US holders should consult their tax advisors with respect to the tax consequences of the purchase, ownership and disposition of common shares including the tax consequences under state, local and other laws and the possible effects of changes in United States federal and other tax laws.



## F. DIVIDENDS AND PAYING AGENTS

Not applicable.

## G. STATEMENT BY EXPERTS

Not applicable.

## H. DOCUMENTS ON DISPLAY

We are subject to certain reporting requirements of the US Securities Exchange Act of 1934 (the "Exchange Act"). As a "foreign private issuer", we are exempt from the rules under the Exchange Act prescribing certain disclosure and procedural requirements for proxy solicitations, and our officers, directors and principal shareholders are exempt from the reporting and "short-swing" profit recovery provisions contained in Section 16 of the Exchange Act, with respect to their purchases and sales of shares. In addition, we are not required to file reports and financial statements with the Commission as frequently or as promptly as companies that are not foreign private issuers whose securities are registered under the Exchange Act. However, we are required to file with the Commission, within four months after the end of each fiscal year, an annual report on Form 20-F containing financial statements audited by an independent accounting firm and interactive data comprising financial statements in extensible business reporting language which, with respect to our annual report on Form 20-F for the year ended December 31, 2014. We publish unaudited interim financial information after the end of each quarter. We furnish this quarterly financial information to the Commission under cover of a Form 6-K.

Documents we file with the Commission are publicly available at its public reference facilities at 100 F Street, NE, Washington, DC 20549. Copies of the documents are available at prescribed rates by writing to the Public Reference Section of the Commission at 100 F Fifth Street, NE, Washington DC 20549. The Commission also maintains a website that contains reports and other information regarding registrants that are required to file electronically with the Commission. The address of this website is <http://www.sec.gov>. Please call the Commission at +1-800-SEC-0330 for further information on the operation of the public reference facilities.

## I. SUBSIDIARY INFORMATION

See Item 4.C. "Organizational Structure".

## ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks (including foreign exchange rate risk and interest rate risk), credit risk and liquidity risk. We may use forward exchange contracts to hedge foreign exchange risk. We do not enter into financial instrument transactions for trading or speculative purposes.

### FOREIGN EXCHANGE RATE RISK MANAGEMENT

We conduct business in a number of foreign countries, with certain transactions denominated in currencies other than the functional currency of ASM International (euro) or one of our subsidiaries conducting the business. The purpose of the Company's foreign currency management is to manage the effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in US dollars.

The majority of revenues and costs of our Front-end segment are denominated in Singapore dollars and US dollars. Since foreign currency exposure is not significant, no forward exchange contracts are used. The effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in foreign currencies is periodically reviewed.



We may use forward exchange contracts to hedge foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which it has a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions being hedged. The hedges related to forecasted transactions are designated and documented at the inception of the hedge as cash flow hedges, and are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income in Shareholders' Equity, and is reclassified into earnings when the hedged transaction affects earnings.

The majority of revenues and costs of our Back-end segment are denominated in Hong Kong dollars, Chinese yuan and US dollars. The functional currency of our Back-end segment (Hong Kong dollar) is linked to the US dollar. In March 2013, we sold a 12% stake and we now own approximately 40% of ASM Pacific Technology ("ASMPT"). Accordingly, from March 15, 2013, we do no longer consolidate ASMPT's results of operations in ours. Instead, our proportionate share of ASMPT's earnings is reflected as a separate line-item called "results from investments" in our Consolidated Statements of Operations. Also we are no longer able to consolidate the assets and liabilities of ASMPT and reflect the net investment in ASMPT in the line-item "investments" in our Consolidated Balance Sheet. The effect of exchange rate fluctuations on "results from investments" and "investments" denominated in foreign currencies is periodically reviewed.

Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized in earnings. We record all derivatives, if any, including forward exchange contracts, on the balance sheet at fair value in other current assets or accrued expenses.

As we did not use forward exchange contracts no unrealized gains were included in accumulated other comprehensive income as of December 31, 2014.

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, 2013, we recorded an unfavorable movement of €84.1 million. For the year ended December 31, 2014, we recorded a favorable movement of €143.3 million. See Note 16 to our Consolidated Financial Statements, which is incorporated herein by reference.

As per December 31, 2014 the Company is debt free and has no foreign exchange contracts in place.

The following tables analyze our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro as of December 31, 2013 and December 31, 2014. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro.





A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in US dollars, Singapore dollars, Hong Kong dollars, Korean won and Japanese yen.

(EUR thousand)	IMPACT ON EQUITY	
	2013	2014
10% increase of US dollar versus euro	4,938	6,672
10% decrease of US dollar versus euro	(4,938)	(6,672)
10% increase of Singapore dollar versus euro	6,088	7,870
10% decrease of Singapore dollar versus euro	(6,088)	(7,870)
10% increase of Hong Kong dollar versus euro	94,396	109,211
10% decrease of Hong Kong dollar versus euro	(94,396)	(109,211)
10% increase of Korean won versus euro	5,840	7,817
10% decrease of Korean won versus euro	(5,840)	(7,817)
10% increase of Japanese yen versus euro	4,561	5,371
10% decrease of Japanese yen versus euro	(4,561)	(5,371)

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2013 and December 31, 2014 would not result in a material impact on equity.

The following table analyzes our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Hong Kong dollar, Korean won and Japanese yen against the euro at average exchange rates for the years 2013 and 2014. A positive amount indicates an increase in net earnings.

(EUR thousand)	IMPACT ON NET EARNINGS	
	2013	2014
10% increase of US dollar versus euro	601	954
10% decrease of US dollar versus euro	(601)	(954)
10% increase of Singapore dollar versus euro	671	1,213
10% decrease of Singapore dollar versus euro	(671)	(1,213)
10% increase of Hong Kong dollar versus euro	100,072	3,891
10% decrease of Hong Kong dollar versus euro	(100,072)	(3,891)
10% increase of Korean won versus euro	1,962	1,333
10% decrease of Korean won versus euro	(1,962)	(1,333)
10% increase of Japanese yen versus euro	485	861
10% decrease of Japanese yen versus euro	(485)	(861)

The significant possible impact on net earnings for the year 2013, results from the realized and unrealized gain following the sale of the 12% stake in ASMPT. A hypothetical 10% strengthening or 10% weakening of any other currency against the euro at average exchange rates for the years 2013 and 2014 would not result in a material impact on net earnings.

### INTEREST RISK

The Company is debt free as per December 31, 2014 and is not exposed to interest rate risk through borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure.





### CREDIT RISK

Financial instruments that potentially subject us to concentrations of credit risk consist primarily of cash and cash equivalents and accounts receivable. These instruments contain a risk of counterparties failing to discharge their obligations. We monitor credit risk and manage credit risk exposure by type of financial instrument by assessing the creditworthiness of counterparties.

Our customers are semiconductor device manufacturers located throughout the world. We generally do not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk (whether on or off-balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company derives a significant percentage of its revenue from a small number of large customers. The largest customer accounted for approximately 26.7% of net sales in 2014 (2013: 28.3%; 2012: 33.6%) and the ten largest customers accounted for approximately 84.1% of net sales in 2014 (2013: 85.6%; 2012: 75.3%). 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, 2014 one customer accounted for 20.1% of the outstanding balance in accounts receivable (2013: 28.1%; 2012: 20.6%).

We place our cash and cash equivalent with high quality financial institutions to limit the amount of credit risk exposure.

The maximum credit exposure is equal to the carrying values of cash and cash equivalent and accounts receivable.

### ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES

None.



## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

None.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

None.

### ITEM 15. CONTROLS AND PROCEDURES

#### DISCLOSURE CONTROLS AND PROCEDURES

Our CEO and CFO, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this Form 20-F, have concluded that as of December 31, 2014 our disclosure controls and procedures were effective.

#### MANAGEMENT'S ANNUAL REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with applicable generally accepted accounting principles. Internal control over financial reporting includes policies and procedures for maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Management, including our CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) based on the framework in Internal Control – Integrated Framework issued in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as of December 31, 2014. Deloitte Accountants BV, an independent registered public accounting firm, has audited the Consolidated Financial Statements included in this annual report on Form 20-F and, as part of the audit, has issued an attestation report, included herein, on ASMI's internal control over financial reporting.

Attestation Report of the Registered Public Accounting Firm: The attestation report of Deloitte Accountants BV is included in this annual report on Form 20-F and is incorporated by reference herein.

#### CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING

We adopted Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission as of January 1, 2014. This adoption did not materially affect our internal control over financial reporting. In addition, during the year ended December 31, 2014, there have been no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over reporting.

#### INHERENT LIMITATIONS ON EFFECTIVENESS OF CONTROLS

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

**ITEM 16.****A. AUDIT COMMITTEE FINANCIAL EXPERT**

Our Supervisory Board has determined that Mr Lobbezoo, an independent member and chairman of the Supervisory Board, qualifies as an Audit Committee Financial Expert. For Mr Lobbezoo's experience see Item 6.A. "Directors and Senior Management".

**B. CODE OF ETHICS**

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

For further information, see the Code of Ethics and other related policies including our Rules Concerning Insider Trading, which are posted on our website ([www.asm.com](http://www.asm.com)).

**C. PRINCIPAL ACCOUNTANT FEES AND SERVICES****Audit fees**

Deloitte Accountants BV ("Deloitte"), has served as our independent registered public accounting firm for each of the three financial years up to December 31, 2014. The following table sets out the aggregate fees for professional audit services and other services rendered by Deloitte Accountants BV and its member firms and/or affiliates in 2013 and 2014:

	EUR THOUSAND		AS A % OF TOTAL FEES	
	2013	2014	2013	2014
Audit fees	1,521	1,733	88%	81%
Audit-related fees	48	122	3%	6%
tax fees	152	163	9%	8%
Other fees	5	113	–%	5%
<b>TOTAL <sup>1)</sup></b>	<b>1,726</b>	<b>2,131</b>	<b>100%</b>	<b>100%</b>

<sup>1)</sup> Including fees for ASMPT relating to audit €1,299 (2013: €927) and tax fees and other €201 (2013: €121).

**Audit Committee pre-approval policies**

The Audit Committee has determined that the provision of services by Deloitte described in the preceding paragraphs is compatible with maintaining Deloitte's independence. All audit and permitted non-audit services provided by Deloitte during 2014 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.

**Appointment**

On May 21, 2014 the General Meeting of Shareholders appointed Deloitte Accountants BV as external auditor for the Company for the fiscal year 2014.

In anticipation of consequences imposed by new legislation the Company changes its external auditor with effect as of its fiscal year 2015. On May 21, 2014 the General Meeting of Shareholders appointed KPMG Accountants NV as the Company's external auditor for the financial year 2015 in order to facilitate a smooth handover.

**D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

On May 21, 2014 the General Meeting of Shareholders authorized, for an 18-month period, to be calculated from the date of the General Meeting to cause the Company to repurchase its own shares up to a maximum of 10% of the number of common shares issued, at a price at least equal to the shares' nominal value and at most a price equal to 110% of the share's average closing price according to the listing on the NYSE Euronext Amsterdam stock exchange during the five trading days preceding the acquisition date.

953,552 shares were repurchased during 2014 under the authorization of May 21, 2014.

The maximum number of shares that may yet be purchased under the authorization takes into account any treasury shares held by the Company (at December 31, 2014 a number of 829,213 treasury shares are held by the Company) and the maximum number of common shares which the Company can hold is 10% of the number of common shares issued.

During 2008, ASMI engaged Lehman Brothers (Lehman) to repurchase ordinary ASMI shares on the Euronext and Nasdaq markets on behalf of ASMI. As of September 15, 2008, at the time it went into bankruptcy administration, Lehman reported that it had purchased and held on our behalf 2,552,071 shares, which were accounted for as treasury shares accordingly. ASMI filed a submission with the Lehman administrators giving notice of the shares held in custody by Lehman. At ASMI's May 2009 Annual General Meeting, our shareholders resolved to cancel all of these treasury shares which, accordingly, was accounted for in our 2009 Annual Report as a reduction of the number of outstanding shares. Lehman was notified of the cancellation of shares at the time.

In 2013 the Lehman administrators have cooperated to effect the cancellation of 2,305,069 shares through the relevant book entry systems and in 2014 have cooperated to effect the cancellation of 25,643 shares which were held by a Lehman affiliate in the United States. This leaves 221,359 shares unaccounted which is in line with the notification received from the Lehman administrator's in September 2010 that a shortfall in the number of shares held for the Company's account in this order of magnitude was likely to exist.



Under the terms of a settlement agreement with the Lehman administrators entered into in 2013 the Company has received full compensation in cash of US\$6,251 in 2013 and US\$529 in 2014. In 2014 the Company further received €273 as a compensation for dividends paid on the unaccounted shares. Depending on the outcome of the Lehman bankruptcy the Company may receive further payments since the Company is entitled to the payment of interest over the principal of its claims.

The 221,359 shares unaccounted for by the Lehman administrators are and remain outstanding and have not been canceled by the resolution adopted by the AGM in 2009. As a result of the settlement agreement the Company recorded €4,190 as paid in capital to account for the compensation received in 2013.

#### **F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Pursuant to the Dutch Audit Profession Act, for the audit of the financial year 2016 the audit firm of a so-called public interest entity (such as a listed company) will have to be replaced if the audit firm performed the statutory audits of the company for a period of eight consecutive years. In anticipation of this legislation the Company changes its external auditor with effect as of its financial year 2015. On May 21, 2014 the General Meeting of Shareholders appointed KPMG Accountants NV as the Company's external auditor for the financial year 2015 in order to facilitate a smooth handover. KPMG Accountants NV was selected following an extensive selection procedure.

#### **G. CORPORATE GOVERNANCE**

Because we are a Dutch public limited liability company, with principal executive offices outside of the US, some of our corporate practices vary from those required by the Nasdaq Listing Rules. Nasdaq Listing Rule 5615(3) permits a foreign private issuer to follow its home country practice in lieu of the corporate governance requirements of the Rule 5600 Series of the Nasdaq Listing Rules, with certain exceptions. Set forth below are descriptions of the home country practices that we follow in lieu of various Nasdaq Listing Rules:

##### **(i) Listing Rule 5620(c): Quorum**

Nasdaq Listing Rule 5620(c) requires an issuer to provide in its bylaws for a quorum for any meeting of the holders of common stock, and that such quorum may not be less than one-third of the outstanding common voting stock. It is the generally accepted business practice for Dutch companies not to provide for a quorum requirement in their articles, and there is no contrary requirement in the Dutch securities laws or under the rules of NYSE Euronext Amsterdam. Accordingly, our Articles of Association do not provide for a quorum other than for resolutions in relation to the limitation of pre-emptive rights of existing shareholders and the cancellation of outstanding shares, which quorum requirements correspond with mandatory Dutch law. Furthermore, pursuant to Dutch corporate law (section 2:120 sub 2 Dutch Civil Code) the validity of a resolution by the general meeting of shareholders does not depend on the proportion of the capital or shareholders represented at the meeting (i.e. quorum), unless the law or articles of association of a company otherwise provide. Accordingly, our Articles of Association provide that a resolution of the general or any extraordinary meeting of shareholders will be adopted upon the favorable vote of a majority of the votes cast at the meeting. In addition, our Articles of Association provide that in the case of a shareholder appointment of persons to, or dismissal of persons from, our Supervisory Board and Management Board not proposed by our Supervisory Board, such resolution requires the affirmative vote of a majority of the votes cast at an annual or extraordinary shareholders meeting, which affirmative votes represent at least one third of our issued capital. To this extent, our practice varies from the requirement of Listing Rule 5620(c).

##### **(ii) Listing Rule 5620(b): Proxies**

Nasdaq Listing Rule 5620(b) requires that an issuer shall solicit proxies and provide proxy statements for all meetings of shareholders. The solicitation of proxies and the distribution of proxy statements for meetings of shareholders are not required under Dutch law or by the rules of NYSE Euronext Amsterdam, and it is business practice for Dutch companies not to solicit proxies or distribute proxy statements in respect of European shareholders. Therefore, our practice in respect of the holders of shares other than our common shares listed on the Nasdaq Global Select Market varies from that required by Listing Rule 5620(b).



As to our common shares listed on the Nasdaq Global Select Market, which we refer to as New York registry shares, we prepare a proxy statement and solicit proxies from the holders of such shares since there are procedures in place under the Securities Exchange Act of 1934, as amended, for soliciting proxies from beneficial owners.

**(iii) Listing Rule 5615(a)(3): Shareholder approval of equity plans**

Nasdaq Listing Rule 5635(c) requires shareholder approval prior to the issuance of securities in connection with equity-based compensation of officers, directors, employees or consultants. On December 30, 2011, our Supervisory Board adopted the ASM International NV 2011 Stock Option Plan for Members of the Management Board and the ASM International NV 2011 Stock Option Plan for Employees (the "Stock Option Plans"). In lieu of the specific shareholder approval prior to the issuance of securities in connection with equity-based compensation of officers, directors, employees or consultants, required by Nasdaq Listing Rule 5635(c), we followed Dutch company law regarding the issuance of shares or securities in connection with the remuneration of the Management Board and/or the employees of a Dutch listed public company (beursgenoteerde naamloze vennootschap).

According to Dutch company law, a Dutch public company may issue shares or grant rights to acquire shares pursuant to a resolution of the general meeting of shareholders or pursuant to a resolution of another corporate body designated by the general meeting of shareholders. Consistent with previous years, at our 2014 Annual General Meeting of Shareholders on May 21, 2014, our shareholders designated the Management Board as the competent body to issue common shares, subject to Supervisory Board approval, including granting rights to acquire common shares. Furthermore, our shareholders designated our Management Board as the competent body to issue common shares, subject to Supervisory Board approval, including granting rights to acquire common shares in connection with our stock option plans for employees and the stock option plan for the Management Board.

Pursuant to Dutch company law, the Remuneration Policy (including any amendments thereto) for the Management Board of a Dutch public company shall be determined by the general meeting of shareholders. Individual compensation of Management Board members shall be determined by the general meeting of shareholders unless the Articles of Association appoint another corporate body as such. Our Articles of Association provide that the individual compensation of Management Board members shall be determined by the Supervisory Board. Pursuant to Dutch company law, the remuneration (including any equity components) of employees is not subject to prior shareholder approval.

At our 2014 Annual General Meeting of Shareholders on May 21, 2014, our shareholders determined the Remuneration Policy of the Management Board. The Remuneration Policy includes a framework for the granting of stock options and performance shares to the Management Board members, to be determined by the Supervisory Board. The Remuneration Policy is publicly available on our website ([www.asm.com](http://www.asm.com)).

The Stock Option Plans provide the terms and conditions governing the procedures for the granting of stock options to employees and the Management Board. These terms and conditions include, among others, the determination of the exercise price and the vesting period. The Stock Option Plans do not grant rights to Management Board members or employees to acquire shares, nor do the Stock Option Plans provide for an obligation by us to grant such rights. The granting of rights to acquire shares through stock options is, with respect to members of our Management Board, determined by the Supervisory Board, and with respect to employees, determined by the Management Board.



# PART III

## ITEM 17. FINANCIAL STATEMENTS

Not applicable.

## ITEM 18. FINANCIAL STATEMENTS

See pages F-1 through F-52, which are incorporated herein by reference.

## ITEM 19. EXHIBITS <sup>1)</sup>

EXHIBIT NUMBER	DESCRIPTION	INCORPORATED BY REFERENCE TO	INCLUDED HEREIN
1.1	English Informal Translation of ASM International NV's Articles of Association, as amended	Exhibit 1.1 to the Registrants Form 20-F filed on April 9, 2014	
4.1	2001 Stock Option Plan	Exhibit 99.1 to the Registrant's Form S-8 filed on April 30, 2002	
4.2	Overview of Remuneration of Members of the Management Board, dated May 20, 2010	Exhibit 4.6 to the Registrant's Form 20-F filed on April 4, 2013	
4.3	Overview of Remuneration of Mr Peter van Bommel	Exhibit 4.7 to the Registrant's Form 20-F filed on March 25, 2011	
4.4	Form of Supervisory Board Member Indemnification Agreement	Exhibit 10.1 to the Registrant's Form 20-F filed on March 16, 2007	
4.5	Form of Management Board Member Indemnification Agreement	Exhibit 10.2 to the Registrant's Form 20-F filed on March 16, 2007	
4.6	Amended and Restated Settlement Agreement dated as of December 16, 1998 by and among ASM International NV, ASM America, Inc. and Applied Materials, Inc <sup>2)</sup>	Exhibit 10.3 to the Registrant's Form 20-F filed on March 16, 2007	
4.7	Summary of the material elements of employment contract with Mr C.D. del Prado (effective as of March 1, 2008)	Exhibit 99.9 to the Registrant's Form 6-K filed on May 20, 2008	
4.8	ASM International NV 2011 Stock Option Plan for Members of the Management Board	Exhibit 4.14 to the Registrant's Form 20-F filed on March 28, 2012	
8.1	Subsidiaries		X
12.1	Certification of CEO pursuant to Rule 13a-14(a)		X
12.2	Certification of CFO pursuant to Rule 13a-14(a)		X
13.1	Certification of CEO and CFO pursuant to Rule 13a-14(b) and 18 U.S.C. 1350		X
15.1	Consent of Independent Registered Public Accounting Firm		X
99.1	Annual Audited Financial Statements of ASM Pacific Technology Ltd as of and for the Fiscal year ended December 31, 2013		X

<sup>1)</sup> Pursuant to Instruction 2(b)(ii), the Registrant has omitted certain agreements with respect to long-term debt not exceeding 10% of consolidated total assets. The Registrant agrees to furnish a copy of any such agreements to the Securities Exchange Commission upon request.

<sup>2)</sup> Redacted version, originally filed as an exhibit to Registrant's Form 6-K filed February 11, 1999. Portions of the Agreement have been omitted pursuant to a request for confidential treatment.





## SIGNING

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

ASM INTERNATIONAL NV

Date: April 9, 2015/S/ CHARLES D. DEL PRADO

Charles D. (Chuck) del Prado  
Chief Executive Officer



# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: the Supervisory Board and Shareholders of ASM International NV, Almere, the Netherlands

We have audited the accompanying consolidated balance sheets of ASM International NV and subsidiaries (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of operations, comprehensive income, total equity, and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of ASM International N.V. and subsidiaries at December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2014, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company’s internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control-Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 9, 2015 expressed an unqualified opinion on the Company’s internal control over financial reporting.

/s/ Deloitte Accountants B.V.

Amsterdam, April 9, 2015



# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To: the Supervisory Board and Shareholders of ASM International NV, Almere, the Netherlands

We have audited the internal control over financial reporting of ASM International NV and subsidiaries (the "Company") as of December 31, 2014, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended December 31, 2014 of the Company and our report dated April 9, 2015 expressed an unqualified opinion on those financial statements.

/s/ Deloitte Accountants B.V.  
Amsterdam, April 9, 2015



# CONSOLIDATED BALANCE SHEETS

(EUR thousand except share data)	NOTES	DECEMBER 31,	
		2013	2014
<b>Assets</b>			
Cash and cash equivalents	4	312,437	385,777
Accounts receivable, net	5	83,016	81,971
Inventories, net	6	104,467	123,463
Income taxes receivable		1,226	2,868
Deferred tax assets	23	3,739	1,558
Other current assets		13,155	22,363
<b>TOTAL CURRENT ASSETS</b>		<b>518,040</b>	<b>618,000</b>
Debt issuance costs		276	1,236
Deferred tax assets	23	1,320	1,809
Goodwill, net	7	11,421	12,104
Other intangible assets, net	8	5,637	3,960
Evaluation tools at customers	11	13,332	17,767
Investments and associates	3, 12	943,954	1,092,097
Property, plant and equipment, net	9	56,531	79,236
Assets held for sale	10	738	724
<b>TOTAL ASSETS</b>		<b>1,551,249</b>	<b>1,826,933</b>
<b>Liabilities and shareholders' equity</b>			
Accounts payable		44,837	61,053
Provision for warranty	14	7,966	9,910
Accrued expenses and other payables	15	38,561	47,993
Income taxes payable		10,087	15,952
<b>TOTAL CURRENT LIABILITIES</b>		<b>101,451</b>	<b>134,908</b>
Pension liabilities	17	2,514	1,825
Deferred tax liabilities	23	35	–
<b>TOTAL LIABILITIES</b>		<b>104,000</b>	<b>136,733</b>
<i>Commitments and contingencies</i>	18, 19		
<b>Common shares</b>			
Authorized 110,000,000 shares, par value €0.04, issued and outstanding 63,468,390 and 62,968,184 shares		2,539	2,553
<b>Financing preferred shares</b>			
Authorized 8,000 shares, par value €40, none issued		–	–
<b>Preferred shares</b>			
Authorized 118,000 shares, par value €40, none issued		–	–
Capital in excess of par value		250,971	261,586
Treasury shares		–	(27,733)
Retained earnings		1,281,861	1,400,849
Accumulated other comprehensive loss		(88,122)	52,945
<b>TOTAL SHAREHOLDERS' EQUITY</b>	16	<b>1,447,249</b>	<b>1,690,200</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>1,551,249</b>	<b>1,826,933</b>

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



# CONSOLIDATED STATEMENTS OF OPERATIONS

(EUR thousand, except per share data)	NOTES	YEAR ENDED DECEMBER 31,		
		2012	2013	2014
<b>Net sales</b>	24	1,418,067	612,277	545,604
Cost of sales		(977,638)	(397,727)	(310,605)
<b>GROSS PROFIT</b>	24	440,429	214,550	234,999
<b>Operating expenses</b>				
Selling, general and administrative	25	(200,799)	(94,776)	(79,982)
Research and development, net	21	(149,219)	(75,391)	(63,858)
Amortization of other intangible assets	8	(1,264)	(696)	(544)
Impairment charge property, plant and equipment and assets held for sale	9, 10	–	(796)	–
Restructuring expenses	22	(891)	(2,473)	(80)
<b>TOTAL OPERATING EXPENSES</b>		<b>(352,173)</b>	<b>(174,132)</b>	<b>(144,464)</b>
<b>RESULT FROM OPERATIONS</b>	24	88,256	40,418	90,535
Interest income		1,989	972	1,583
Interest expense		(12,113)	(2,943)	(2,312)
Loss resulting from early extinguishment of debt		(2,209)	–	–
Accretion interest expense convertible notes		(4,469)	–	–
Foreign currency exchange gain (loss), net		(3,957)	(8,158)	26,439
Share in income of investments and associates	3, 12	(766)	1,030,132	38,632
<b>INCOME BEFORE INCOME TAXES</b>		<b>66,731</b>	<b>1,060,421</b>	<b>154,877</b>
Income taxes	23	(26,300)	(11,121)	(17,569)
<b>NET INCOME</b>		<b>40,431</b>	<b>1,049,300</b>	<b>137,308</b>
<i>Net income (loss) for allocation between shareholders of the parent and non-controlling interest</i>				
<b>Allocation of net income</b>				
Shareholders of the parent		7,149	1,051,893	137,308
Non-controlling interest		33,282	(2,593)	–
<b>Per share data</b>	26			
<b>Net income per share (EUR)</b>				
Basic		0.13	16.64	2.16
Diluted		0.13	16.39	2.14
<b>Weighted average number of shares used in computing per share amounts (thousand)</b>				
Basic		56,108	63,202	63,510
Diluted		56,767	64,196	64,209

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



# CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31,		
		2012	2013	2014
<b>NET INCOME</b>		<b>40,431</b>	<b>1,049,300</b>	<b>137,308</b>
Other comprehensive income (loss), items that may be subsequently reclassified to profit or loss, net of tax				
Foreign currency translation effect		(10,110)	(83,087)	143,270
Actuarial loss		(3,716)	(224)	(24)
Proportionate share in other comprehensive income investments and associates		–	480	(2,179)
Reclassification of deferred accumulative translation result to income following the sale of the 12% share of ASMPT		–	23,053	–
<b>TOTAL OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>16</b>	<b>(13,826)</b>	<b>(59,778)</b>	<b>141,067</b>
<b>COMPREHENSIVE INCOME</b>		<b>26,605</b>	<b>989,522</b>	<b>278,375</b>
Allocation of comprehensive income (loss)				
Common shareholders		(1,642)	991,116	278,375
Non-controlling interest		28,247	(1,594)	–

There is no tax impact on the items of other comprehensive income.

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



# CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(EUR thousand, except for share data)	NOTES	NUMBER OF COMMON SHARES	COMMON SHARES	CAPITAL IN EXCESS OF PAR VALUE	TREASURY SHARES AT COST	RETAINED EARNINGS	ACCUMULATED OTHER COMPRE- HENSIVE INCOME (LOSS)	TOTAL SHARE- HOLDERS' EQUITY	NON- CONTROLLING INTEREST	TOTAL EQUITY
<b>BALANCE JANUARY 1, 2012</b>		<b>55,377,020</b>	<b>2,215</b>	<b>376,217</b>	<b>-</b>	<b>301,515</b>	<b>(20,151)</b>	<b>659,796</b>	<b>297,918</b>	<b>957,714</b>
Net income		-	-	-	-	7,149	-	7,149	33,282	40,431
Other comprehensive income		-	-	-	-	-	(8,791)	(8,791)	(5,035)	(13,826)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>						<b>7,149</b>	<b>(8,791)</b>	<b>(1,642)</b>	<b>28,247</b>	<b>26,605</b>
Dividend paid to common shareholders		-	-	-	-	(27,519)	-	(27,519)	-	(27,519)
Compensation expense stock options		-	-	3,242	-	-	-	3,242	-	3,242
Exercise stock options by issue of common shares		144,570	6	2,203	-	-	-	2,209	-	2,209
Purchase of common shares		(1,500,000)	-	-	(40,554)	-	-	(40,554)	-	(40,554)
Conversion of debt into newly issued common shares		9,074,396	363	98,490	40,554	-	-	139,407	-	139,407
<b>Other movements in non-controlling interest</b>										
Dividend paid		-	-	-	-	-	-	-	(27,024)	(27,024)
Dilution		-	-	-	-	6,937	-	6,937	8,971	15,908
<b>BALANCE DECEMBER 31, 2012</b>		<b>63,095,986</b>	<b>2,584</b>	<b>480,152</b>	<b>-</b>	<b>288,082</b>	<b>(28,942)</b>	<b>741,876</b>	<b>308,112</b>	<b>1,049,988</b>
Net income		-	-	-	-	1,051,893	-	1,051,893	(2,593)	1,049,300
Other comprehensive income	16	-	-	-	-	-	(60,777)	(60,777)	999	(59,778)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>						<b>1,051,893</b>	<b>(60,777)</b>	<b>991,116</b>	<b>(1,594)</b>	<b>989,522</b>
Dividend paid to common shareholders		-	-	-	-	(31,666)	-	(31,666)	-	(31,666)
Capital repayment		-	-	(239,507)	-	(30,035)	-	(269,542)	-	(269,542)
Compensation expense stock options		-	-	4,440	-	-	-	4,440	-	4,440
Reclassification		-	(60)	60	-	-	-	-	-	-
Exercise stock options by issue of common shares	16	125,402	5	1,646	-	-	-	1,651	-	1,651
Re-issued shares following the settlement of the Lehman treasury shares	16	247,002	10	4,180	-	-	-	4,190	-	4,190
<b>Other movements in non-controlling interest</b>										
Dilution	12	-	-	-	-	3,587	-	3,587	-	3,587
Deconsolidation ASMPT		-	-	-	-	-	1,597	1,597	(306,518)	(304,921)
<b>BALANCE DECEMBER 31, 2013</b>		<b>63,468,390</b>	<b>2,539</b>	<b>250,971</b>	<b>-</b>	<b>1,281,861</b>	<b>(88,122)</b>	<b>1,447,249</b>	<b>-</b>	<b>1,447,249</b>
Net income		-	-	-	-	137,308	-	137,308	-	137,308
Other comprehensive income	16	-	-	-	-	-	141,067	141,067	-	141,067
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>						<b>137,308</b>	<b>141,067</b>	<b>278,375</b>	<b>-</b>	<b>278,375</b>
Dividend paid to common shareholders		-	-	-	-	(31,828)	-	(31,828)	-	(31,828)
Compensation expense share based payments		-	-	7,476	-	-	-	7,476	-	7,476
Exercise stock options by issue of common shares	16	354,650	14	5,398	-	-	-	5,412	-	5,412
Exercise stock options out of treasury shares		124,339	-	(497)	4,158	(1,762)	-	1,899	-	1,899
Purchase of common shares		(953,552)	-	-	(31,891)	-	-	(31,891)	-	(31,891)
Withdrawn shares following the settlement of the Lehman treasury shares	16	(25,643)	-	-	-	-	-	-	-	-
<b>Other movements in investments an associates</b>										
Dilution	12	-	-	-	-	3,561	-	3,561	-	3,561
Allocation equity component convertible bonds <sup>1)</sup>		-	-	-	-	9,947	-	9,947	-	9,947
<b>BALANCE DECEMBER 31, 2014</b>		<b>62,968,184</b>	<b>2,553</b>	<b>263,348</b>	<b>(27,733)</b>	<b>1,399,087</b>	<b>52,945</b>	<b>1,690,200</b>	<b>-</b>	<b>1,690,200</b>

<sup>1</sup> In 2014 convertible bonds were issued by ASMPT that containing both liability and conversion option components. These components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised.

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





# CONSOLIDATED STATEMENTS OF CASH FLOWS

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31,		
		2012	2013	2014
<b>Cash flows from operating activities</b>				
Net income		40,431	1,049,300	137,308
<b>Adjustments to reconcile net income to net cash from operating activities</b>				
Depreciation, amortization and impairments	8, 9	58,460	29,262	21,222
Share-based payments	17	23,065	4,703	7,476
Non-cash result financing costs		6,678	687	(23,225)
Result investments and associates	3, 12	766	(1,030,132)	(38,632)
Deferred income taxes		(147)	(296)	3,042
<b>Changes in assets and liabilities</b>				
Accounts receivable		17,905	(8,477)	6,756
Inventories		(39,920)	(20,220)	(19,743)
Other current assets		(6,713)	8,831	(7,531)
Accounts payable and accrued expenses		(32,077)	9,963	20,979
Current income taxes		(25,968)	4,924	2,738
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		<b>42,480</b>	<b>48,545</b>	<b>110,390</b>
<b>Cash flows from investing activities</b>				
Capital expenditures	9	(68,162)	(17,063)	(30,647)
Purchase of intangible assets	8	(4,630)	(470)	(1,496)
Disposal of 12% ASMPT share	3	-	298,254	-
Proceeds from sale of property, plant and equipment	9	901	3,969	359
<b>NET CASH (USED IN)/PROVIDED BY INVESTING ACTIVITIES</b>		<b>(71,891)</b>	<b>284,690</b>	<b>(31,784)</b>
<b>Cash flows from financing activities</b>				
Debt redemption		(24,726)	(40,889)	-
Debt proceeds		47,677	18,980	-
Debt issuance fees paid		-	-	(1,416)
Proceeds from issuance of shares and exercise of stock options		2,209	5,841	4,758
Purchase of treasury shares ASMI		(40,554)	-	(29,338)
Purchase of treasury shares ASMPT		(3,552)	-	-
Dividends from associate ASMPT	12	-	10,171	19,974
Dividends to common shareholders of ASMI		(27,519)	(31,666)	(31,828)
Capital repayment		-	(269,542)	-
Dividends to minority shareholders ASMPT		(27,024)	-	-
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(73,489)</b>	<b>(307,105)</b>	<b>(37,850)</b>
<b>FOREIGN CURRENCY TRANSLATION EFFECT ON CASH AND CASH EQUIVALENTS</b>				
		<b>3,125</b>	<b>(4,168)</b>	<b>32,584</b>
<b>NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(99,775)</b>	<b>21,962</b>	<b>73,340</b>
Cash and cash equivalents at beginning of year	4	390,250	290,475	312,437
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>4</b>	<b>290,475</b>	<b>312,437</b>	<b>385,777</b>
<i>Supplemental disclosures of cash flow information</i>				
<b>Cash paid during the year for</b>				
Interest		10,124	2,933	-
Income taxes		52,425	6,493	11,789
<i>Supplemental on cash investing and financing activities</i>				
Subordinated debt converted		150,000	-	-
Subordinated debt converted into number of shares		9,074,396	-	-

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



# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## NOTE 1. GENERAL INFORMATION/SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### GENERAL INFORMATION

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

The Company’s shares are listed for trading on the Nasdaq (symbol ASMI) and the Euronext Amsterdam Stock Exchange (symbol ASM).

The accompanying consolidated financial statements include the financial statements of ASM International NV headquartered in Almere, the Netherlands, and its consolidated subsidiaries (together referred to as ASMI or the Company).

### BASIS OF PREPARATION

The Company follows accounting principles generally accepted in the United States (“US GAAP”) and applies the going concern basis in preparing its consolidated financial statements. Historical cost is used as the measurement basis unless otherwise indicated.

The accompanying consolidated financial statements are stated in euro thousand (“EUR”) unless indicated otherwise. Amounts in these financial statements are rounded to the nearest thousand euro, therefore amounts may not equal (sub) totals due to rounding.

### USE OF ESTIMATES

The preparation of financial statements in conformity with US GAAP requires management to make judgments, estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ materially from those estimates. On an ongoing basis, ASMI evaluates its estimates. ASMI bases its estimates on historical experience and on various other assumptions that are believed to be reasonable, the results of which form the basis for making judgments about the carrying values of assets and liabilities.

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Consolidation

The consolidated financial statements include the accounts of ASMI NV and all of its subsidiaries where ASMI holds a controlling interest. The non-controlling interest is disclosed separately in the consolidated financial statements. All intercompany profits, transactions and balances have been eliminated in consolidation.

Subsidiaries are all entities over which ASMI has the power to govern the financial and operating policies.

Subsidiaries are fully consolidated from the date on which control is transferred to ASMI and are deconsolidated from the date on which ASMI’s control ceases.

**Loss of control**

Upon the loss of control, ASMI derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If ASMI retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

**Segment reporting**

The Company organizes its activities in two operating segments, Front-end and Back-end. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"), which is the chief operating decision maker (according to ASC 280).

The Back-end segment is still reported as a separate segment after the Company ceased control on March 15, 2013, since the full results of the Back-end segment are continued to be reviewed by our CODM.

Accordingly, the asset and profit/loss information regarding the operations that comprise the segment are disclosed. The full financial results are reviewed by the CODM, the external reporting of the segment are on an equity method investment basis. The total of all segments' financial amounts are reconciled to the corresponding amounts reported in the consolidated financial statements, eliminations are reflected in the reconciling column for amounts reported in excess of those amounts reflected in the consolidated financial statements.

The Front-end segment manufactures and sells equipment used in wafer processing, encompassing the fabrication steps in which silicon wafers are layered with semiconductor devices. The segment is a product driven organizational unit comprised of manufacturing, service, and sales operations in Europe, the United States of America, Japan and South East Asia.

The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. In January 2011 ASM Pacific Technology Ltd ("ASMPT") acquired the surface-mount technology from Siemens. The segment is organized in ASM Pacific Technology Ltd, in which the Company holds a 39.75% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong.

**Foreign currency translation**

Items included in the financial statements of each ASMI's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial information is presented in euro (EUR), which is the functional currency of the Company and the group's presentation currency.

In the preparation of ASMI's consolidated financial statements, assets and liabilities of foreign subsidiaries of which the functional currency is not the euro, are translated into euros at the exchange rate in effect on the respective balance sheet dates. Income and expenses are translated into euros based on the average exchange rates for the corresponding period. Resulting translation adjustments are directly recorded in shareholders' equity. Currency differences on intercompany loans that have the nature of a long-term investment are also accounted for directly in shareholders' equity.

**Derivative financial instruments**

ASMI and its subsidiaries conduct business in a number of foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euro) or one of its subsidiaries conducting the business. The purpose of the Company's foreign currency management is to manage the effect of exchange rate fluctuations on income, expenses, cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in US dollar.



The Company may use forward exchange contracts to hedge its foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which the Company has a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions being hedged. The hedges related to forecasted transactions are designated and documented at the inception of the hedge as cash flow hedges, and are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income (loss) net of taxes in shareholders' equity, and is reclassified into earnings when the hedged transaction affects earnings.

Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized in earnings. The Company records all derivatives, including forward exchange contracts, on the balance sheet at fair value in other current assets or accrued expenses and other.

Substantially all amounts, which are net of taxes, included in accumulated other comprehensive loss at December 31, of any year, will be reclassified to net earnings within the next twelve months, upon completion of the underlying transactions. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the consolidated statement of operations.

Furthermore, the Company might manage the currency exposure of certain receivables and payables using derivative instruments, such as forward exchange contracts (fair value hedges) and currency swaps, and non-derivative instruments, such as debt borrowings in foreign currencies. The gains or losses on these instruments provide an offset to the gains or losses recorded on receivables and payables denominated in foreign currencies. The derivative instruments are recorded at fair value and changes in fair value are recorded in earnings under foreign currency exchange gains (losses) in the consolidated statement of operations. Receivables and payables denominated in foreign currencies are recorded at the exchange rate at the balance sheet date and gains and losses as a result of changes in exchange rates are recorded in earnings under foreign currency exchange gains (losses) in the consolidated statement of operations.

The Company does not use forward exchange contracts for trading or speculative purposes.

### **Cash and cash equivalents**

Cash and cash equivalents comprise deposits held at call with banks and other short-term highly liquid investments with original maturity of three months or less. Bank overdrafts, if any, are included in notes payable to banks in current liabilities.

### **Accounts receivable**

Accounts receivable are stated at nominal value less an allowance for doubtful accounts.

A significant percentage of our accounts receivable is derived from sales to a limited number of large multinational semiconductor device manufacturers located throughout the world. In order to monitor potential credit losses, we perform ongoing credit evaluations of our customers' financial condition. An allowance for doubtful accounts is maintained for potential credit losses based upon management's assessment of the expected collectability of all accounts receivable. The allowance for doubtful accounts receivable is reviewed periodically to assess the adequacy of the allowance. In making this assessment, management takes into consideration any circumstances of which we are aware regarding a customer's inability to meet its financial obligations; and our judgments as to potential prevailing economic conditions in the industry and their potential impact on the Company's customers.

The allowance is based on historical experience, credit evaluations, specific customer collection history and any customer-specific issues ASMI has identified. Changes in circumstances, such as an unexpected adverse material change in a major customer's ability to meet its financial obligation to ASMI or its payment trends, may



require us to further adjust our estimates of the recoverability of amounts due to ASMI, which could have an adverse material effect on ASMI's financial condition and results of operations. On December 31, 2014 the allowance for doubtful accounts amounted to €19 compared to total accounts receivable of €81,971.

### **Inventories**

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

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

On December 31, 2014 our allowance for inventory obsolescence amounted to €21,350, which is 14.7% of total inventory. If circumstances related to our inventories change, our estimate of the values of inventories could materially change. On December 31, 2014, 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 €14.5 million.

### **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 our engineers and R&D staff in the field. Evaluation tools are recorded at cost and depreciated over their useful life (5 years). The depreciation period may be shorter, depending on circumstances. The depreciation expenses are reported as cost of sales.

On final acceptance of the system the purchase consideration is recognized as revenue. The carrying value of the evaluation tool at that point in time is recognized as cost of sales. In the circumstance that the system is returned, at the end of the evaluation period, a detailed impairment review takes place, and future sales opportunities and additional costs are identified. Only when the fair value is below the carrying value of the evaluation tool an additional depreciation is recognized. The remaining carrying value is recognized as finished goods (inventory).

### **Long-lived assets**

Long-lived assets include goodwill, other intangible assets and property, plant and equipment. Property, plant and equipment are carried at cost, less accumulated depreciation and any accumulated impairment losses. Capital leased assets are recorded at the present value of future lease obligations. Depreciation is calculated using the straight-line method over the estimated useful lives. Leasehold improvements are depreciated over the lesser of the estimated useful life of the leasehold improvement or the term of the underlying lease.

Business combinations are accounted for under the purchase acquisition method. The Company tests its recorded goodwill and other intangible assets with indefinite lives for impairment each year on December 31 and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.



Goodwill is allocated to reporting units for purposes of impairment testing and tested for impairment on a two-step approach. The implied fair value of goodwill is determined. First the recoverability is tested by comparing the carrying amount of the goodwill with the fair value being the sum of the discounted future cash flows. If the carrying amount of the goodwill at reporting unit level is higher than the fair value of the goodwill, the second step should be performed. The goodwill impairment is measured as the excess of the carrying amount of the goodwill over its fair value.

The calculation of fair value involves certain management judgments, and was based on our best estimates and projections at the time of our review. The value may be different if other assumptions are used. In future periods we may be required to record an impairment loss based on the impairment test performed, which may significantly affect our results of operations at that time. On December 31, 2014, we determined that a decrease in estimated cash flows of 10% and an increase of 10% of the discount rate used in calculating the fair value would not result in an impairment of the carrying value of goodwill.

Other intangible assets with finite lives are amortized over the estimated useful lives using the straight-line method. Other intangible assets and property, plant and equipment are reviewed by us for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The cash flow estimates that we use include certain management judgments and are based on our best estimates and projections at the time of our review, these may be different if other assumptions are used. In future periods, however, we may be required to record impairment losses, which may significantly affect our results of operations at that time. On December 31, 2014, we determined that a decrease in estimated cash flows of 10% would not result in an impairment of the carrying value of long-lived assets.

#### **Assets held for sale**

A long-lived asset to be sold is classified as held for sale in the period in which all of the following criteria are met:

- › management, having the authority to approve the action, commits to a plan to sell the asset;
- › the asset is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such assets;
- › an active program to locate a buyer and other actions required to complete the plan to sell the asset have been initiated;
- › the sale of the asset is probable, and transfer of the asset is expected to qualify for recognition as a completed sale, within one year; and
- › the asset is being actively marketed for sale at a price that is reasonable in relation to its current fair value.

If at any time these criteria are no longer met a long-lived asset classified as held for sale will be reclassified as held and used.

If during the initial one-year period, circumstances arise that previously were considered unlikely and, as a result, a long-lived asset previously classified as held for sale is not sold by the end of that period and all of the following conditions are met:

- › during the initial one-year period the entity initiated actions necessary to respond to the change in circumstances;
- › the asset is being actively marketed at a price that is reasonable given the change in circumstances.

The period required to complete the sale of a long-lived asset may be extended beyond one year.



If at any time the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset as held for sale. The entity shall measure a non-current asset that ceases to be classified as held for sale at the lower of:

- › its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale; and
- › its recoverable amount at the date of the subsequent decision not to sell.

A long-lived asset classified as held for sale shall be presented separately in the statement of financial position.

### **Recoverability of long-lived assets**

Long-lived assets (except those not being amortized) to be held and used by the Company are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the future undiscounted cash flows expected to result from the use of the asset. If the undiscounted future cash flow is less than the carrying amount of the asset, the asset is deemed impaired. The amount of the impairment is measured as the difference between the carrying value and the fair value of the asset. Long-lived assets and other intangibles (except those not being amortized) to be disposed of are reported at the lower of carrying amount or fair value less cost to sell.

### **Business combinations**

ASC Topic 805 (“Business Combinations”) requires that companies record acquisitions under the purchase method of accounting. Accordingly, the purchase price is allocated to the tangible assets and liabilities and intangible assets acquired, based on their estimated fair values. The excess purchase price over the fair value is recorded as goodwill. Purchased intangibles with definite lives are amortized over their respective useful lives. When a bargain purchase 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.

### **Investments and Associated companies**

Investments associated companies are accounted for under the equity method on a go forward basis. Dividend income from the Company’s subsidiaries and associated companies is recognized when the right to receive payment is established.

### **Impairment of Investments and Associated companies**

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

The ASMPT investment is accounted for under the equity method on a go forward basis. Equity method investments are tested for other than temporary impairment (OTTI). An investment is considered impaired if the fair value of the investment is less than its amortized cost. The determination of whether an investment is impaired is made at the individual security level in each reporting period.

If the fair value of an investment is less than its cost or amortized cost at the balance sheet date, the Company determines whether the impairment is temporary or other than temporary. The Company considers the following facts and guidelines when determining whether an OTTI exists:

- › positive factors as the reasons that an OTTI does not exist must be more objectively verifiable;
- › with respect to measuring an OTTI, an investment’s fair value as of the balance sheet date should be used to determine the new carrying value.

An OTTI is measured as of a balance sheet reporting date.





### 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.

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.

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

A major portion of our revenue is derived from contractual arrangements with customers that have multiple deliverables, such as equipment and installation. When a sales arrangement contains multiple elements, such as equipment and installation, ASMI allocates revenue to each element based on a selling price hierarchy. The selling price for a deliverable is based on its vendor specific objective evidence (VSOE) if available, third party evidence (TPE) if VSOE is not available, or best estimated selling price (BESP) if neither VSOE nor TPE is available. ASMI generally utilizes the BESP due to the nature of our products. The total arrangement consideration is allocated at inception of the arrangement to all deliverables on the basis of their relative selling price. The revenue relating to the undelivered elements of the arrangements is deferred at their relative selling prices until delivery of these elements. At December 31, 2012, December 31, 2013 and December 31, 2014 we have deferred revenues from installations in the amount of €3.5 million, €3.9 million and €7.8 million respectively.

In general, we recognize revenue from sales of equipment upon transfer of title, which is upon shipment of the equipment, only if testing at the factory has proved that the equipment has met substantially all of the customer's criteria and specifications.

The Company recognizes revenue from installation of equipment upon completion of installation at the customer's site. At the time of shipment, the Company defers that portion of the sales price related to the relative selling price of installation. The relative selling price of the installation process is measured based upon the per-hour amounts charged to clients parties for similar installation services. Installation is completed when testing at the customer's site proved that the equipment has met all of the customer's criteria and specifications. The completion of installation is signed-off by the customer ("final acceptance").

We provide training and technical support service to customers. Revenue related to such services is recognized when the service is rendered. Revenue from the sale of spare parts and materials is recognized when transfer of title took place, in general upon shipment of the goods. Freight charges billed to customers are recognized as revenue, the related costs are recognized as cost of sales. Revenues are recognized excluding the taxes levied on revenues.

**Cost of sales**

Cost of sales comprise direct costs such as labor, materials, cost of warranty, depreciation, shipping and handling costs and related overhead costs. Cost of sales also includes third party commission, depreciation expenses of evaluation tools at customers, royalty payments and costs relating to prototype and experimental products, which the Company may subsequently sell to customers. Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period.

**Warranty**

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

**Research and development costs**

Research and development costs are expensed as incurred. Costs, which relate to prototype and experimental models and are sold to customers, are charged to cost of sales. Subsidies and other governmental credits to cover research and development costs relating to approved projects are recorded as research and development credits in the period when such project costs occur. The research and development expenses are presented net of the development credits.

**Share-based compensation expenses**

The cost relating to employee stock options and shares (compensation expense) are recognized based upon the grant date fair value of the stock options or the shares. The fair value at grant date of employee stock options is estimated using a Black-Scholes option valuation model. This model requires the use of assumptions including expected stock price volatility, the estimated life of each award and the estimated dividend yield. The risk-free interest rate used in the model is determined, based on a euro government bond with a life equal to the expected life of the options. The estimated fair value at grant date of shares is based on the share price of the ASMI share at grant date minus the discounted value of expected dividends during the vesting period.

The grant date fair value of the stock options and shares is expensed on a straight-line basis over the vesting period, based on the Company's estimate of stock options and shares that will eventually vest. The impact of the true up of the estimates is recognized in the consolidated statement of operations in the period in which the revision is determined.

For further information on ASMI's employee stock option plans reference is made to Note 17.

**Restructuring costs**

Restructuring expenses are recognized for exit or disposal activities when the liability arising from restructuring plans is incurred. Reference is made to Note 22. Distinction is made in one-time employee termination expenses, contract termination expenses and other associated expenses. For the accounting on the distinguished elements of restructuring expenses we apply to the policy as mentioned below. The expenses have been charged to "restructuring expenses".



One-time termination expenses represent the payments provided to employees that have become redundant and are terminated under the terms and conditions of a restructuring plan. A restructuring plan exists at the date the plan meets all of the following criteria and has been communicated to employees:

- › management commits to the plan;
- › the plan identifies the number of employees that become redundant and the expected completion date;
- › the plan sets out the terms and conditions of the arrangement in sufficient detail to enable employees to determine the type and amount of benefits they will receive; and
- › actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

The timing of the recognition and measurement of a liability for one-time termination expenses depends on whether employees will be retained to render service beyond a minimum retention period.

Contract termination expenses are related to the termination of an operating lease or another contract. These expenses are distinguished in:

- › expenses related to the termination of the contract before the end of its term. These expenses are recognized when the contract is terminated. The liability is measured at its fair value in accordance with the contract terms; and
- › expenses related to contracts that will last for its remaining term without economic benefit to the entity. This is the case when a lease contract for premises is not terminated while the premises are not (completely) in use anymore. The liability is accrued for at the cease-use date, the date the company determined that it would no longer occupy the premises, which is conveyed to it under the contractual operating lease. The liability is measured at its fair value in accordance with the contract terms.

Other costs related to restructuring include costs to consolidate or close facilities and relocate employees. A liability for other expenses related to a restructuring such as transition costs is recognized and measured in the period in which the liability is incurred. The costs incurred are directly related to the restructuring activity. The definition of exit costs excludes expected future operating losses.

### Income taxes

The asset and liability method is used in accounting for income taxes. Under this method, deferred tax assets and liabilities are recognized for tax effect of incurred net operating losses and for tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the Consolidated Statement of Operations in the period in which the enacted rate changes. Deferred tax assets are reduced through a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not the position will be sustained on audit. The second step is to measure the tax benefit as the largest amount that is more than 50% likely of being realized upon settlement. We regularly assess the potential outcomes of examinations by tax authorities in determining the adequacy of our provision for income taxes, and adjust the tax position in the period in which the fact that gives rise to a revision becomes known.

In case of expected interest and penalties related to income tax liabilities these will be accrued for and included in the provision for income taxes.

Currently we have significant deferred tax assets, which resulted primarily from operating losses incurred in prior years as well as other temporary differences. We have established a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Based on available evidence, we regularly evaluate whether it is more likely than not that the deferred tax assets will not be realized. This evaluation includes our judgment on the



future profitability and our ability to generate taxable income, changes in market conditions and other factors. On December 31, 2014, 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 €53.8 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, 2014 is not realizable, this would result in an additional valuation allowance and an income tax expense of €0.3 million.

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

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

#### **Pension plans and similar commitments**

The Company has retirement plans covering substantially all employees. The principal plans are defined contribution plans, except for the plans of the Company's operations in the Netherlands and Japan. The Company's employees in the Netherlands participate in a multi-employer plan. Payment to defined contribution plans and the multi-employer plan are recognized as an expense in the Consolidated Statement of Operations as they fall due.

The Company's employees in Japan participate in a defined benefit plan. Pension costs in respect of these defined benefit plans are determined using the projected unit credit method. These costs primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets. Obligations for retirement benefit and related net periodic pension costs are determined in accordance with actuarial valuations. These valuations rely on key assumptions including discount rates, expected return on plan assets, expected salary increases, mortality rates and health care trend rates. The discount rate assumptions are determined by reference to yields on high-quality corporate bonds of appropriate duration and currency at the end of the reporting period. In case such yields are not available, discount rates are based on government bonds yields. The expected returns on plan asset assumptions are determined on a uniform methodology, considering long-term historical returns and asset allocations. Due to changing market and economic conditions, the underlying key assumptions may differ from actual development and may lead to significant changes in retirement benefit obligations.

In accordance with ASC 715, "Employers' Accounting for Defined Benefit Pension and Other Post-retirement Plans" the Company recognizes in its Consolidated Balance Sheet an asset or a liability for the plan's overfunded status or underfunded status respectively. The unfunded status is recognized as a liability. Actuarial gains and losses are recognized in other comprehensive income when incurred. Reference is made to Note 16 and Note 17.

#### **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 18.



## Comprehensive income

Comprehensive income consists of net earnings (loss) and other comprehensive income. Other comprehensive income includes gains and losses that are not included in net earnings, but are recorded directly in Shareholders' Equity.

## NEW ACCOUNTING PRONOUNCEMENTS

In May 2014, the Financial Accounting Standards Board (FASB) issued authoritative guidance that requires revenue recognition to depict the transfer of promised goods or services to a customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This new standard will supersede most current revenue recognition guidance, including industry-specific guidance. The guidance becomes effective for ASMI in the fiscal year 2017, and can be applied either retrospectively or as a cumulative-effect adjustment as of the date of adoption. Early adoption is prohibited. ASMI is currently evaluating the impact of this new guidance on the Company's financial position and results of operations.

In April 2014, the FASB issued authoritative guidance that raises the threshold for a disposal transaction to qualify as a discontinued operation and requires additional disclosures about discontinued operations and disposals of individually significant components that do not qualify as discontinued operations. The authoritative guidance becomes effective prospectively for ASMI in the fiscal year 2015. Early adoption is permitted, but only for disposals that have not been reported in financial statements previously issued.

## NOTE 2. LIST OF SIGNIFICANT SUBSIDIARIES AND ASSOCIATES

NAME	LOCATION	% OWNERSHIP DECEMBER 31,	
		2013	2014
<b>Subsidiaries (consolidated)</b>			
ASM Europe BV <sup>1)</sup>	Almere, the Netherlands	100%	100%
ASM United Kingdom Sales BV <sup>1)</sup>	Almere, the Netherlands	100%	100%
ASM Germany Sales BV <sup>1)</sup>	Almere, the Netherlands	100%	100%
ASM Pacific Holding BV <sup>1) 3)</sup>	Almere, the Netherlands	100%	100%
ASM France SARL	Crolles, France	100%	100%
ASM Belgium NV	Leuven, Belgium	100%	100%
ASM Italia Srl	Agrate, Italy	100%	100%
ASM Microchemistry Oy	Helsinki, Finland	100%	100%
ASM Services and Support Ireland Ltd	Dublin, Ireland	100%	100%
ASM Services and Support Israel Ltd	Tel Aviv, Israel	100%	100%
ASM America, Inc	Phoenix, Arizona, United States of America	100%	100%
ASM Japan KK	Tokyo, Japan	100%	100%
ASM Wafer Process Equipment Ltd	Quarry Bay, Hong Kong, People's Republic of China	100%	100%
ASM China Ltd	Shanghai, People's Republic of China	100%	100%
ASM Wafer Process Equipment Singapore Pte Ltd	Singapore	100%	100%
ASM Front-End Sales & Services Taiwan Co, Ltd	Hsin-Chu, Taiwan	100%	100%
ASM Services & Support Malaysia SDN BDH	Kuala Lumpur, Malaysia	100%	100%
ASM Front-End Manufacturing Singapore Pte Ltd	Singapore	100%	100%
ASM Genitech Korea Ltd	Cheonan, South Korea	100%	100%
ASM IP Holding BV <sup>1)</sup>	Almere, the Netherlands	100%	100%
<b>Associates (non-consolidated)</b>			
ASM Pacific Technology Ltd <sup>2)</sup>	Kwai Chung, Hong Kong, People's Republic of China	39.94%	39.75%

<sup>1)</sup> For these subsidiaries ASM International NV has filed statements at the Dutch Chamber of Commerce assuming joint and several liability in accordance with Article 403 of Book 2, Part 9 of the Netherlands Civil Code.

<sup>2)</sup> The accounts of ASM Pacific Technology Ltd were consolidated till March 15, 2013. On that date ASM International sold a 11.88% share in ASM Pacific Technology Ltd resulting in a cease of its control and a subsequent deconsolidation of its 40.08% associate. This shareholding diluted in December 2013 as a result of the issuance of shares to 39.94%. and in 2014 to 39.75%.

<sup>3)</sup> Established in 2008, ASM Pacific Holding BV holds 39.75% of the shares in ASM Pacific Technology Ltd.

**NOTE 3. DIVESTMENT**

On March 13, 2013, the Company announced that it divested a controlling stake in its subsidiary ASM Pacific Technology Ltd. (ASMPT). The sale of the shares officially closed on March 15, 2013. The Company sold 47,424,500 ordinary shares of ASMPT at a price of HK\$90 per share to institutional or other professional investors through a partial secondary share placement, representing an 11.88% stake in ASMPT. The placement generated cash proceeds for the Company of HK\$4,192 million (approximately €413 million).

The table below reconciles the cash proceeds from the divested stake in ASMPT:

Gross proceeds	420,409
Paid fees, stamp duty and other expenses	(7,213)
<b>NET PROCEEDS</b>	<b>413,196</b>
Currency translation differences	1,232
Cash balance ASMPT upon sale	(116,174)
<b>NET CASH ON DISPOSAL ASMPT</b>	<b>298,254</b>

The sale of the 11.88% stake caused ASMI to cease control of ASMPT. According to US GAAP the accounting of this sale consists of two separate transactions:

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

These transactions resulted in a substantial gain and the deconsolidation of ASMPT. This gain consisted of two elements, the realized gain on the sale of the 11.88% stake amounting to \$243 million and an unrealized re-measurement gain on the remaining 40.08% of the retained interest in ASMPT approximating €1,156 million. The purchase of the associate resulted in the recognition of the associate at fair value.

After the initial accounting of the sale transaction and related gains, subsequent accounting under ASC 323, "Investments", requires that future income from ASMPT will need to be adjusted for the fair value adjustments arising the "basis differences" as if a business combination had occurred under ASC 805, "Business Combinations", i.e. a purchase price allocation ("PPA").

The purchase of the associate has been recognized at fair value, being the value of the ASMPT shares on the day of closing of the purchase transaction. US GAAP requires that the composition of such a fair value needs to be determined through a PPA. This process took place in the remaining period of 2013. The PPA resulted in the recognition of intangible assets for customer relationship, technology, trade name and product names. For inventories and property, plant and equipment a fair value adjustment was recognized.

Under US GAAP, the "disposal" of the ASMPT business does not classify as discontinued operations.

Reporting ASMI share in net earnings of ASMPT in the consolidated statement of operations:

	YEAR ENDED DECEMBER 31, 2013
<b>Result investments and associates</b>	
ASMI share net earnings March 16 - December 31, 2013	23,727
Realized gain on sale 11.88% ASMPT shares	242,838
Unrealized remeasurement gain on retained 40.08% ASMPT shares	1,155,625
Impairment loss	(335,406)
Amortization other intangible assets and fair value changes from PPA	(56,652)
<b>REPORTED ON LINE RESULT INVESTMENTS AND ASSOCIATES</b>	<b>1,030,132</b>

**NOTE 4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include deposits with high-rated financial institutions of €385,777. Our cash and cash equivalents are predominantly denominated in US\$ and partly in euro and Korean won.

Cash and cash equivalents have insignificant interest rate risk and deposits have a remaining maturity of three months or less at the date of acquisition. The carrying amount approximates their fair value.

**NOTE 5. ACCOUNTS RECEIVABLE**

A significant percentage of our accounts receivable is derived from sales to a limited number of large multinational semiconductor device manufacturers located throughout the world. In order to monitor potential credit losses, we perform ongoing credit evaluations of our customers' financial condition.

The carrying amount of accounts receivable is as follows:

	DECEMBER 31,	
	2013	2014
Current	54,614	65,985
Overdue <30 days	18,787	5,949
Overdue 31-60 days	783	2,142
Overdue 61-120 days	2,527	1,785
Overdue >120 days	6,305	6,110
<b>TOTAL</b>	<b>83,016</b>	<b>81,971</b>

In the total amount of accounts receivable for both the year ended December 31, 2014 and 2013 no notes receivable are included.

An allowance for doubtful accounts receivable is maintained for potential credit losses based upon management's assessment of the expected collectability of all accounts receivable. The allowance for doubtful accounts is reviewed periodically to assess the adequacy of the allowance. In making this assessment, management takes into consideration any circumstances of which we are aware regarding a customer's inability to meet its financial obligations; and our judgments as to potential prevailing economic conditions in the industry and their potential impact on the Company's customers.

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

	2013	2014
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>(8,551)</b>	<b>(73)</b>
Deconsolidation ASMPT	6,191	-
Charged to selling, general and administrative expenses	756	57
Utilization	1,469	-
Foreign currency translation effect	62	(3)
<b>BALANCE AT END OF YEAR</b>	<b>(73)</b>	<b>(19)</b>

Accounts receivable are stated at nominal value less an allowance for doubtful accounts. The carrying amount of the accounts receivable approximates their fair value.



**NOTE 6. INVENTORIES**

Inventories consist of the following:

	DECEMBER 31,	
	2013	2014
Components and raw materials	78,579	69,709
Work in process	31,442	30,040
Finished goods	20,073	45,064
<b>TOTAL INVENTORIES, GROSS</b>	<b>130,094</b>	<b>144,813</b>
Allowance for obsolescence	(25,627)	(21,350)
<b>TOTAL INVENTORIES, NET</b>	<b>104,467</b>	<b>123,463</b>

The changes in the allowance for obsolescence and/or lower market value are as follows:

	2013	2014
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>(65,287)</b>	<b>(25,627)</b>
Deconsolidation ASMPT	39,146	-
Charged to cost of sales	(8,648)	(2,282)
Utilization	6,464	8,514
Foreign currency translation effect	2,698	(1,955)
<b>BALANCE AT END OF YEAR</b>	<b>(25,627)</b>	<b>(21,350)</b>

The addition for the years 2013 and 2014 mainly relate to inventory items which were ceased to be used due to technological developments and design changes which resulted in in obsolescence of certain parts.

On December 31, 2014, 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 €15 million.

The cost of inventories recognized as costs and included in cost of sales amounted to €246.0 million (2013: €207.9 million).

**NOTE 7. GOODWILL**

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

	FRONT-END	BACK-END	TOTAL
<b>BALANCE JANUARY 1, 2013</b>	<b>11,649</b>	<b>40,239</b>	<b>51,888</b>
Deconsolidation ASMPT	-	(38,482)	(38,482)
Foreign currency translation effect	(228)	(1,757)	(1,985)
<b>BALANCE DECEMBER 31, 2013</b>	<b>11,421</b>	<b>-</b>	<b>11,421</b>
Foreign currency translation effect	683	-	683
<b>BALANCE DECEMBER 31, 2014</b>	<b>12,104</b>	<b>-</b>	<b>12,104</b>

The carrying amount of the goodwill is related to the acquisition of the following entities:

	DECEMBER 31,	
	2013	2014
ASM Microchemistry Oy (Thermal products business unit)	3,560	3,560
ASM Genitech Korea Ltd (Plasma products business unit)	7,861	8,544
<b>TOTAL</b>	<b>11,421</b>	<b>12,104</b>

We perform an annual impairment test at December 31 of each year or if events or changes in circumstances indicate that the carrying amount of goodwill exceeds its fair value. Our Front-end impairment test and the determination of the fair value is based on a discounted future cash flow approach that uses our estimates of future revenues, driven by assumed market growth and estimated costs as well as appropriate discount rates.

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

- › an average discount rate of 13.0% (2013: 16.0%) representing the pre-tax weighted average cost of capital;
- › external market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used; and
- › cash flow calculations are limited to five years of cash flow; after these five years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less.

These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Based on this analysis management believes that as per December 31, 2014 the fair value of the reporting units exceeded the carrying value.

**NOTE 8. OTHER INTANGIBLE ASSETS**

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

	SOFTWARE	PURCHASED TECHNOLOGY AND OTHER INTANGIBLE ASSETS	TOTAL
<b>At cost</b>			
<b>BALANCE JANUARY 1, 2013</b>	<b>20,346</b>	<b>14,393</b>	<b>34,739</b>
Deconsolidation ASMPT	(4,931)	(7,215)	(12,146)
Additions	437	33	470
Disposals	(1)	–	(1)
Foreign currency translation effect	(248)	(169)	(417)
<b>BALANCE DECEMBER 31, 2013</b>	<b>15,603</b>	<b>7,042</b>	<b>22,645</b>
Additions	1,496	–	1,496
Reclassification from evaluation tools	–	2,269	2,269
Disposals	(414)	(1,202)	(1,616)
Foreign currency translation effect	216	680	896
<b>BALANCE DECEMBER 31, 2014</b>	<b>16,901</b>	<b>8,789</b>	<b>25,690</b>
<b>Accumulated amortization</b>			
<b>BALANCE JANUARY 1, 2013</b>	<b>13,446</b>	<b>7,378</b>	<b>20,824</b>
Deconsolidation ASMPT	(3,744)	(3,895)	(7,639)
Amortization for the year	2,118	2,071	4,189
Disposals	(1)	–	(1)
Foreign currency translation effect	(211)	(154)	(365)
<b>BALANCE DECEMBER 31, 2013</b>	<b>11,608</b>	<b>5,400</b>	<b>17,008</b>
Amortization for the year	3,695	1,033	4,728
Reclassification from evaluation tools	–	878	878
Disposals	(414)	(1,202)	(1,616)
Foreign currency translation effect	193	539	732
<b>BALANCE DECEMBER 31, 2014</b>	<b>15,082</b>	<b>6,648</b>	<b>21,730</b>
<b>Other intangible assets, net</b>			
<b>DECEMBER 31, 2013</b>	<b>3,995</b>	<b>1,642</b>	<b>5,637</b>
<b>DECEMBER 31, 2014</b>	<b>1,819</b>	<b>2,141</b>	<b>3,960</b>

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

2015	2,266
2016	1,192
2017	481
2018	14
2019	7
	<b>3,960</b>

**NOTE 9. PROPERTY, PLANT AND EQUIPMENT**

The changes in the amount of property, plant and equipment are as follows:

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS	MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES	TOTAL
<b>At cost</b>			
<b>BALANCE JANUARY 1, 2013</b>	<b>187,880</b>	<b>475,629</b>	<b>663,509</b>
Capital expenditures	1,580	15,483	17,063
Deconsolidation ASMPT	(145,290)	(322,398)	(467,688)
Retirements and sales	(13,792)	(10,966)	(24,758)
Reclassification from held for sale	3,393	–	3,393
Reclassification	–	(66)	(66)
Foreign currency translation effect	(4,824)	(15,823)	(20,647)
<b>BALANCE DECEMBER 31, 2013</b>	<b>28,947</b>	<b>141,859</b>	<b>170,806</b>
Capital expenditures	619	30,028	30,647
Retirements and sales	(813)	(17,092)	(17,905)
Reclassification	402	(402)	–
Foreign currency translation effect	1,757	11,033	12,790
<b>BALANCE DECEMBER 31, 2014</b>	<b>30,912</b>	<b>165,426</b>	<b>196,338</b>
<b>Accumulated depreciation</b>			
<b>BALANCE JANUARY 1, 2013</b>	<b>87,377</b>	<b>300,696</b>	<b>388,073</b>
Depreciation for the year	4,502	15,545	20,047
Deconsolidation ASMPT	(64,699)	(192,581)	(257,280)
Retirements and sales	(13,700)	(7,089)	(20,789)
Reclassification	–	(66)	(66)
Foreign currency translation effect	(2,751)	(12,959)	(15,710)
<b>BALANCE DECEMBER 31, 2013</b>	<b>10,729</b>	<b>103,546</b>	<b>114,275</b>
Depreciation for the year	2,001	10,576	12,577
Retirements and sales	(732)	(16,814)	(17,546)
Reclassification	9	(9)	–
Foreign currency translation effect	1,031	6,765	7,796
<b>BALANCE DECEMBER 31, 2014</b>	<b>13,038</b>	<b>104,064</b>	<b>117,102</b>
<b>Property, plant and equipment, net</b>			
<b>DECEMBER 31, 2013</b>	<b>18,218</b>	<b>38,313</b>	<b>56,531</b>
<b>DECEMBER 31, 2014</b>	<b>17,874</b>	<b>61,362</b>	<b>79,236</b>

**USEFUL LIVES IN YEARS**

Buildings and leasehold improvements	10-25
Machinery and equipment	2-10
Furniture and fixtures	2-10

As per December 31, 2014, the carrying amount includes assets under construction for machinery, equipment, furnitures and fixtures of €18,042 (2013: €11,483).

**NOTE 10. ASSETS HELD FOR SALE**

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

	JAPAN	THE NETHERLANDS	TOTAL
<b>BALANCE JANUARY 1, 2013</b>	<b>5,721</b>	<b>277</b>	<b>5,998</b>
Impairment	(796)	–	(796)
Reclassification to assets in use	(3,393)	–	(3,393)
Foreign currency translation effect	(1,071)	–	(1,071)
<b>BALANCE DECEMBER 31, 2013</b>	<b>461</b>	<b>277</b>	<b>738</b>
Impairment	(12)	–	(12)
Reclassification to assets in use	–	–	–
Foreign currency translation effect	(2)	–	(2)
<b>BALANCE DECEMBER 31, 2014</b>	<b>447</b>	<b>277</b>	<b>724</b>

In 2009 the decision was made to dispose certain items of property, plant and equipment located in Japan and the Netherlands.

In Japan (Tama) a building that was used for research and development activities was ceased to be used in December 2009. Due to the economic circumstances and the effects of the earthquake of 2011 in Japan we think it is not reasonable to expect this building to be sold within a reasonable period of time. Therefore in 2013 we ceased to classify this building as held for sale and measured it at the lower of its carrying amount before it was classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale, and its recoverable amount at the date of the subsequent decision not to sell. This resulted in an impairment charge of €796 in 2013.

Also in Japan, a piece of land purchased to build a research and development center is regarded as held for sale. The carrying value of €447 approximates the fair value less cost to sell. The expected selling prices were determined, based on various inputs and considerations.

In the Netherlands the former ASMI head office located in Bilthoven has been regarded as held for sale. The carrying value of €277 is lower than the fair value less cost to sell. The expected selling prices were determined, based on various inputs and considerations.

**NOTE 11. EVALUATION TOOLS AT CUSTOMERS**

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

	2013	2014
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>16,922</b>	<b>13,332</b>
Evaluation tools shipped	8,329	12,845
Depreciation	(3,771)	(3,448)
Evaluation tools sold	(6,221)	(4,814)
Reclassification	–	(1,391)
Foreign currency translation effect	(1,927)	1,243
<b>BALANCE AT END OF YEAR</b>	<b>13,332</b>	<b>17,767</b>



The gross carrying amount of the evaluation tools at customers per December 31, 2014 was €23,133 (2013: €18,082), accumulated depreciation per December 31, 2014 was €5,366 (2013: €4,750).

Evaluation tools are systems delivered to customers under evaluation agreements. Evaluation tools are recorded at cost and depreciated over their useful life (5 years). The depreciation period may be shorter, depending on circumstances. The depreciation expenses are reported as cost of sales.

## NOTE 12. INVESTMENTS AND ASSOCIATES

The changes in the investment and associates are as follows:

	INVESTMENTS <sup>2)</sup>	ASSOCIATES				TOTAL
		NET EQUITY SHARE	OTHER (INTANGIBLE ASSETS AND FAIR VALUE CHANGES	GOODWILL	TOTAL ASSOCIATES	
<b>BALANCE JANUARY 1, 2013</b>	<b>278</b>	-	-	-	-	<b>278</b>
40.08% investment in ASMPT March 15, 2013	-	255,701	227,010	898,599	1,381,310	<b>1,381,310</b>
Result investments and associates	-	23,727	-	-	23,727	<b>23,727</b>
Other comprehensive income investments and associates	-	480	-	-	480	<b>480</b>
Amortization recognized (in)tangible assets	-	-	(16,848)	-	(16,848)	<b>(16,848)</b>
Fair value changes related to inventories and tax losses	-	-	(39,807)	-	(39,807)	<b>(39,807)</b>
Impairment	-	-	-	(335,406)	(335,406)	<b>(335,406)</b>
Dividends	-	(10,171)	-	-	(10,171)	<b>(10,171)</b>
Dilution ASMPT share to 39.94%	-	3,587	-	-	3,587	<b>3,587</b>
Foreign currency translation effect	-	(8,940)	(8,824)	(45,432)	(63,196)	<b>(63,196)</b>
<b>BALANCE DECEMBER 31, 2013</b>	<b>278</b>	<b>264,384</b>	<b>161,531</b>	<b>517,761</b>	<b>943,676</b>	<b>943,954</b>
Result investments and associates	(278)	61,428	-	-	61,428	<b>61,150</b>
Other comprehensive income investments and associates	-	(2,179)	-	-	(2,179)	<b>(2,179)</b>
Amortization recognized (in)tangible assets	-	-	(22,517)	-	(22,517)	<b>(22,517)</b>
Dividends	-	(19,974)	-	-	(19,974)	<b>(19,974)</b>
Dilution ASMPT share to 39.75%	-	3,561	-	-	3,561	<b>3,561</b>
Allocation equity component convertible bonds <sup>1)</sup>	-	9,947	-	-	9,947	<b>9,947</b>
Foreign currency translation effect	-	28,179	19,830	70,146	118,155	<b>118,155</b>
<b>BALANCE DECEMBER 31, 2014</b>	<b>-</b>	<b>345,346</b>	<b>158,844</b>	<b>587,907</b>	<b>1,092,097</b>	<b>1,092,097</b>

<sup>1)</sup> In 2014 convertible bonds were issued by ASMPT that containing both liability and conversion option components. These components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised.

<sup>2)</sup> Investments reflects the net equity value of the interest in Levitech BV resulting from the management buy-out in 2009 of the RTP business. ASM International NV obtained a 20% interest in Levitech BV. This value has been reduced in 2014 due to (start-up) losses of Levitech caused by the introduction of their advanced products in the market.

On March 13, 2013, the Company announced that it divested a controlling stake in its subsidiary ASM Pacific Technology Ltd (ASMPT). The sale of the shares officially closed on March 15, 2013. The Company sold 47,424,500 ordinary shares of ASMPT at a price of HK\$90 per share to institutional or other professional investors through a partial secondary share placement, representing an 11.88% stake in ASMPT. The placement generated cash proceeds for the Company of HK\$4,191,980 million (approximately €413 million).



The sale of the 11.88% stake caused ASMI to cease control of ASMPT. According to US GAAP the accounting of this sale consists of two separate transactions:

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

These transactions resulted in a substantial gain and the deconsolidation of ASMPT. This gain consisted of two elements, (1) the realized gain on the sale of the 11.88% stake amounting to €243 million and (2) an unrealized re-measurement gain on the remaining 40.08% of the retained interest in ASMPT approximating €1,156 million. The “purchase” of the associate resulted in the recognition of the associate at fair value.

After the initial accounting of the sale transaction and related gains, subsequent accounting under ASC 323, “Investments”, requires that future income from ASMPT will need to be adjusted for the fair value adjustments arising the “basis differences” as if a business combination had occurred under ASC 805, “Business Combinations”, i.e. a purchase price allocation (“PPA”).

The purchase of the associate has been recognized at fair value, being the value of the ASMPT shares on the day of closing of the purchase transaction. US GAAP requires that the composition of such a fair value needs to be determined through a PPA. This process took place in the remaining period of 2013. The PPA resulted in the recognition of intangible assets for customer relationship, technology, trade name and product names. For inventories and property, plant & equipment a fair value adjustment was recognized.

The ASMPT investment is accounted for under the equity method on a go forward basis. Equity method investments are tested for other than temporary impairment (“OTTI”). An investment is considered impaired if the fair value of the investment is less than its amortized cost. The determination of whether an investment is impaired is made at the individual security level in each reporting period.

If the fair value of an investment is less than its cost or amortized cost at the balance sheet date, the Company determines whether the impairment is temporary or other than temporary. The Company considers the following facts and guidelines when determining whether an OTTI exists:

- › positive factors as the reasons that an OTTI does not exist must be more objectively verifiable; and
- › with respect to measuring an OTTI, an investment’s fair value as of the balance sheet date should be used to determine the new carrying value.

At each balance sheet date, the Company reviews whether there is an indication that its investments associated companies are impaired. An indication for impairment of the investments and associated companies may include a severe and other than temporary decrease in the share price of ASMPT. During the period after March 15, 2013 the ASMPT share traded for a longer period below the price at the close of sale. Considering the extent to which in the last quarter of 2013 the market price of the ASMPT shares was below cost management did a further investigation to evaluate whether this results in an impairment other than temporary. In its assessment management evaluated other factors based on its knowledge of the business and of ASM PT specifically. Such factors include the development of ASMPT’s backlog, market share and developments of the different market shares ASMPT operates in. Management did not identify persuasive factors that the diminution of the value would be other-than-temporary and accordingly recorded an impairment charge, in which the value was adjusted to the share price on December 31, 2013 of HK\$64.90. The impairment charge amounted to €335 million.

In December 2014, 1,885,000 common shares of ASMPT were issued, for cash at par value of HK\$0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT. The shares issued under the plan in 2014 have diluted ASMI’s ownership in ASMPT to 39.75% as of December 31, 2014.





At December 31, 2014, the book value of our equity method investment after the aforementioned impairment in ASMPT was €1,092 million. The historical cost basis of our 39.75% share of net assets on the books of ASMPT under US GAAP was €345 million as of December 31, 2014, resulting in a basis difference of €747 million. €159 million of this basis difference has been allocated property, plant and equipment and intangibles assets. The remaining amount was allocated to equity method goodwill. Each individual, identifiable asset will periodically be reviewed for any indicators of potential impairment which, if required, would result in acceleration of basis difference amortization. We amortize the basis differences allocated to the assets on a straight-line basis, and include the impact within the results of our equity method investments. Amortization and depreciation are adjusted for related deferred tax impacts. Included in net income attributable to ASMI for 2014 after-tax was an expense of €23 million, representing the depreciation and amortization of the basis differences.

The market value of our 39.75% investment ASMPT at December 31, 2014 approximates €1,257 million. The information required under S-X Rule 4-08 is included in the segment information note 24.

Summarized 100% earnings information for ASMPT equity method investment excluding basis adjustments. The foreign currency exchange rate per December 31, 2014 is 1 HK\$: €0.106 (for December 31, 2013: 1HK\$: €0.094).

(HK\$ million)	2013	2014
Net sales	10,841	14,229
Income before income tax	673	2,028
Net earnings	549	1,580

Summarized 100% balance sheet information for ASMPT equity method investment excluding basis adjustments. The foreign currency exchange rate average 2014 is 1 HK\$: €0.097 (2013: 1 HK\$: €0.097).

(HK\$ million)	DECEMBER 31,	
	2013	2014
Current assets	8,019	10,840
Non-current assets	2,720	3,632
Current liabilities	3,304	3,759
Non-current liabilities	356	2,532
Equity	7,079	8,181

The ASMPT Board is responsible for ongoing monitoring of the performance of the Back-end activities. The actual results of the Back-end operating unit are discussed with the ASMPT Audit Committee, which includes the representative of ASMI. The ASMI representative reports to the ASMI Management Board and the Audit Committee of ASMI on a quarterly basis.

Our share of income taxes incurred directly by the equity companies is reported in result from investments and associates and as such is not included in income taxes in our consolidated financial statements.

Dividends from ASMPT have been paid out to ASMI shareholders and such have been classified as financing cash flows for all periods presented.



### NOTE 13. NOTES PAYABLE TO BANKS

As per December 31, 2014 ASMI is debt free. ASMI may borrow under separate short-term lines of credit with banks. The lines contain general provisions concerning renewal and continuance at the option of the banks.

Total short-term lines of credit amounted to €150 million at December 31, 2014. The amount outstanding at December 31, 2014 was nil so the undrawn portion totaled €150 million. The undrawn portion represents the Company's standby revolving credit facility of €150 million with a consortium of banks. The facility was extended in 2013 and will be available through December 31, 2018. Once the facility is used, this usage is secured by a portion of the Company's shareholding in ASMPT or accounts receivable.

The credit facility of €150 million includes two financial covenants:

- › minimum consolidated tangible net worth; and
- › consolidated total net debt/total shareholders' equity ratio.

These financial covenants are measured twice each year, at June 30 and December 31.

The minimum level of consolidated tangible net worth for the year ended December 31, 2014 required was €320 million, the consolidated tangible net worth as per that date was €937 million.

Consolidated tangible net worth is defined as the net assets, deducting any amount shown in respect of goodwill or other intangible assets (including any value arising from any valuation of ASMPT).

Total shareholders' equity is defined as the aggregate of:

- › the amounts paid up on the issued common shares;
- › share capital in excess of par value;
- › retained earnings;
- › accumulated other comprehensive income and loss; and
- › deducting any amount shown in respect of goodwill or other intangible assets (including any value arising from any valuation of ASMPT).

The net debt/total shareholders' equity ratio should not exceed 1.5. For the year ended December 31, 2014 net cash was €386 million and total shareholders' equity amounted to €937 million. The Company is in compliance with these financial covenants as of June 30, 2014 and as of December 31, 2014.

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.

**NOTE 14. PROVISION FOR WARRANTY**

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

	2013	2014
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>43,921</b>	<b>7,966</b>
Charged to cost of sales	8,491	11,779
Deconsolidation ASMPT	(34,290)	-
Deductions	(9,850)	(10,549)
Foreign currency translation effect	(306)	714
<b>BALANCE AT END OF YEAR</b>	<b>7,966</b>	<b>9,910</b>

Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period. The warranty period is usually one to two years. The Company accrues for the estimated cost of the warranty on its products shipped in the provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty.

**NOTE 15. ACCRUED EXPENSES AND OTHER PAYABLES**

Accrued expenses and other payables consist of the following:

	DECEMBER 31,	
	2013	2014
Personnel related items	20,967	22,319
Deferred revenue	7,346	8,409
Financing related items	344	3,106
Other	9,904	14,159
<b>TOTAL ACCRUED EXPENSES AND OTHER PAYABLES</b>	<b>38,561</b>	<b>47,993</b>

Personnel related items comprise accrued management bonuses, accrued vacation days, accrued wage tax, social securities and pension premiums. Deferred revenue consists of the revenue relating to the undelivered elements of the arrangements. This part of revenue is deferred at their relative selling prices until delivery of these elements. Financing related items as of December 31, 2014 comprises the accrual for settlement of shares repurchased. Other include accruals for VAT and other taxes and down payments from customers.

**NOTE 16. 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 62,968,184 common shares, no preferred and no financing preferred shares were outstanding as at December 31, 2014. All common shares outstanding as per December 31, 2014 were fully paid. All shares have one vote per €0.04 par value. Treasury shares held by the Company cannot be voted on.

Financing preferred shares are designed to allow ASMI to finance equity with an instrument paying a preferred dividend, linked to EURIBOR loans and government loans, without the dilutive effects of issuing additional common shares.



Preferred and financing preferred shares are issued in registered form only and are subject to transfer restrictions. Essentially, a preferred or financing preferred shareholder must obtain the approval of the Company's Supervisory Board to transfer shares. If the approval is denied, the Supervisory Board will provide a list of acceptable prospective buyers who are willing to purchase the shares at a cash price to be fixed by consent of the Supervisory Board and seller within two months after the approval is denied. If the transfer is approved, the shareholder must complete the transfer within three months, at which time the approval expires.

Preferred shares are entitled to a cumulative preferred dividend based on the amount paid-up on such shares. Financing preferred shares are entitled to a cumulative dividend based on the par value and share premium paid on such shares. The preferred dividend on the amount paid-up was €5 for the year 2009, since 2009 no preferred dividend was paid.

In the event preferred shares are issued, the Management Board must, within two years after such preferred shares were issued, submit to the general meeting a proposal to annul the preferred shares.

During 2008, ASMI engaged Lehman Brothers ("Lehman") to repurchase ordinary ASMI shares on the Euronext and Nasdaq markets on behalf of ASMI. As of September 15, 2008, at the time it went into bankruptcy administration, Lehman reported that it had purchased and held on our behalf 2,552,071 shares, which were accounted for as treasury shares accordingly. ASMI filed a submission with the Lehman administrators giving notice of the shares held in custody by Lehman. At ASMI's May 2009 Annual General Meeting, our shareholders resolved to cancel all of these treasury shares which, accordingly, was accounted for in our 2009 Annual Report as a reduction of the number of outstanding shares. Lehman was notified of the cancellation of shares at the time.

In 2013 the Lehman administrators have cooperated to effect the cancellation of 2,305,069 shares through the relevant book entry systems and in 2014 have cooperated to effect the cancellation of 25,643 shares which were held by a Lehman affiliate in the United States. This leaves 221,359 shares unaccounted which is in line with the notification received from the Lehman administrator's in September 2010 that a shortfall in the number of shares held for the Company's account in this order of magnitude was likely to exist.

Under the terms of a settlement agreement with the Lehman administrators entered into in 2013 the Company has received full compensation in cash of US\$6,251 in 2013 and US\$529 in 2014. In 2014 the Company further received €273 as a compensation for dividends paid on the unaccounted shares. Depending on the outcome of the Lehman bankruptcy the Company may receive further payments since the Company is entitled to the payment of interest over the principal of its claims.

The 221,359 shares unaccounted for by the Lehman administrators are and remain outstanding and have not been canceled by the resolution adopted by the AGM in 2009. As a result of the settlement agreement the Company recorded €4,190 as paid in capital to account for the compensation received in 2013.

### **Retained earnings**

Distributions to common shareholders are limited to the extent the total amount of shareholders' equity exceeds the amounts of nominal paid-in share capital (exclusive any share premium) and any reserves to be formed pursuant to law or the Company's articles of association. The amounts are derived from the Statutory Financial Statements of ASM International NV.

Results on dilution of investments in subsidiaries and associates are accounted for directly in equity. For 2014 and 2013 these dilution results were €3,561 and €3,587 respectively.

**Accumulated other comprehensive loss**

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

	FOREIGN CURRENCY TRANSLATION EFFECTS NET OF TAX <sup>1)</sup>	UNRECOGNIZED PENSION OBLIGATIONS, NET OF TAX <sup>1)</sup>	TOTAL
<b>BALANCE JANUARY 1, 2013</b>	<b>(27,324)</b>	<b>(1,618)</b>	<b>(28,942)</b>
Realization deferred accumulative translation result following the sale of the 12% share of ASMPT	23,053	–	23,053
Deconsolidation ASMPT	–	1,597	1,597
Proportionate share other comprehensive income investments and associates	–	480	480
Foreign currency translation effect on translation of foreign operations	(84,086)	–	(84,086)
Actuarial loss	–	(224)	(224)
<b>BALANCE DECEMBER 31, 2013</b>	<b>(88,357)</b>	<b>235</b>	<b>(88,122)</b>
Foreign currency translation effect on translation of foreign operations	143,270	–	143,270
Actuarial loss	–	(24)	(24)
Proportionate share other comprehensive income investments and associates	–	(2,179)	(2,179)
<b>BALANCE DECEMBER 31, 2014</b>	<b>54,913</b>	<b>(1,968)</b>	<b>52,945</b>

<sup>1)</sup> Other comprehensive income (loss), items may be subsequently reclassified to profit or loss.

**Purchases of Equity Securities by the Issuer and Affiliated Purchasers**

On May 21, 2014, the General Meeting of Shareholders authorized the Company, for an 18-month period, to be calculated from the date of the General Meeting, to repurchase its own shares up to the statutory maximum, at a price at least equal to the shares' nominal value and at most a price equal to 110% of the share's average closing price according to the listing on the Euronext Amsterdam stock exchange during the five trading days preceding the purchase date.

The maximum number of shares that may yet be purchased under the program takes into account the treasury shares held by the Company (at December 31, 2014 there were 829,213 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.

On October 29, 2014, ASMI announced a share buyback program, to purchase up to an amount of €100 million of its own shares within the 2014-2015 time frame. The repurchase program is part of ASMI's commitment to use excess cash for the benefit of its shareholders.

ASMI intends to use part of the shares for commitments under employee share-based compensation schemes.

The buyback program is executed by intermediaries through on-exchange purchases or through off-exchange trades. The program started on November 24, 2014, and will end on completion of the program but ultimately on November 20, 2015.

The maximum number of shares to be repurchased on any given day will not exceed 25% of the average daily trading volume on the regulated market on which purchases are made, calculated over the last 20 trading days before the date of repurchase. In the year 2014 we repurchased 953,552 shares at an average price of €33.45. On December 31, 2014 of the total program, 31.9% has been repurchased.



## NOTE 17. EMPLOYEE BENEFITS

### PENSION PLANS

The Company has retirement plans covering substantially all employees. The principal plans are defined contribution plans, except for the plans of the Company's operations in the Netherlands and Japan.

#### Multi-employer plan

The Company's employees in the Netherlands, approximately 143 employees, participate in a multi-employer union plan, "Pensioenfonds van de Metalektro" (PME), determined in accordance with the collective bargaining agreements effective for the industry in which ASMI operates. This collective bargaining agreement has no expiration date. This multi-employer union plan covers approximately 1,260 companies and 145,000 contributing members. ASMI's contribution to the multi-employer union plan is less than 5% of the total contribution to the plan as per the annual report for the year ended December 31, 2013. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. This coverage ratio must exceed 104.3% for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate. The premium can fluctuate yearly based on the coverage ratio of the multi-employer union plan. The pension rights of each employee are based upon the employee's average salary during employment.

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

The coverage ratio of the multi-employer union plan decreased to 102.0% as of December 31, 2014 (December 31, 2013: 103.4%). Because of the low coverage ratio PME prepared and executed a so-called Recovery Plan which was approved by De Nederlandsche Bank, the Dutch central bank, which is the supervisor of all pension companies in the Netherlands. Due to the low coverage ratio and according the obligation of the "Recovery Plan" the pension premium percentage is 23.6% in 2014 (2013: 24.1%). The coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities and is based on actual market interest.

The Company accounts for the multi-employer plan as if it were a defined contribution plan as the manager of the plan, PME, stated that its internal administrative systems do not enable PME to provide the Company with the required Company-specific information in order to account for the plan as a defined benefit plan. The Company's net periodic pension cost for the multi-employer plan for a fiscal period is equal to the required contribution for that period.

#### Defined benefit plan

The Company's employees in Japan participate in a defined benefit plan. The Company makes contributions to defined benefit plans in Japan that provide pension benefits for employees upon retirement. These are average-pay plans, based on the employees' years of service and compensation near retirement.

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2014. The present value of the defined benefit obligation and the related current service cost and passed service cost were measured using the Projected Unit Credit Method.



The funded status of the plan and the amounts not yet recognized in the Consolidated Statement of Operations and the amounts recognized in the Consolidated Balance Sheet are as follows:

	DECEMBER 31,	
	2013	2014
Defined benefit obligations	(7,604)	(8,079)
Fair value of plan assets	5,127	6,297
<b>FUNDED STATUS/(DEFICIT)</b>	<b>(2,477)</b>	<b>(1,782)</b>

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

	DECEMBER 31,	
	2013	2014
<i>Defined benefit obligations</i>		
<b>BALANCE JANUARY 1</b>	<b>8,357</b>	<b>7,604</b>
Current service cost	529	515
Interest on obligation	113	69
Actuarial losses (gains)	660	98
Benefits paid	(128)	(164)
Foreign currency translation effect	(1,927)	(43)
<b>BALANCE DECEMBER 31</b>	<b>7,604</b>	<b>8,079</b>
<i>Fair value of plan assets</i>		
<b>BALANCE JANUARY 1</b>	<b>4,794</b>	<b>5,127</b>
Expected return on plan assets	142	165
Actuarial (losses) gains	289	64
Company contribution	1,233	1,162
Benefits paid	(128)	(164)
Foreign currency translation effect	(1,203)	(57)
<b>BALANCE DECEMBER 31</b>	<b>5,127</b>	<b>6,297</b>

The net periodic benefit cost consists of the following:

	DECEMBER 31,		
	2012	2013	2014
Current service cost	731	529	515
Interest on obligation	121	113	69
Expected return on plan assets	(144)	(142)	(165)
Amortization deferred actuarial loss	46	-	-
Amortization of past service cost	(55)	(44)	(40)
<b>NET PERIODIC PENSION BENEFIT COST</b>	<b>699</b>	<b>456</b>	<b>379</b>

The actual return on plan assets was €431 and €229 for the years ended December 31, 2013 and 2014 respectively.





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

	2012	2013	2014
Discount rate for obligations	1.55%	1.50%	0.90%
Expected return on plan assets	3.00%	3.00%	1.40%
Expected rate of compensation increase	2.93%	2.93%	2.93%

The allocation of plan assets is as follows:

	DECEMBER 31,			
	2013		2014	
Equity	1,351	26%	1,655	26%
Bonds	3,019	59%	3,639	58%
Loans	453	9%	674	11%
Real estate	89	2%	78	1%
Other	215	4%	251	4%
	<b>5,127</b>	<b>100%</b>	<b>6,297</b>	<b>100%</b>

The investment strategy is determined based on an asset-liability study in consultation with investment advisers and within the boundaries given by regulatory bodies for pension funds. Equity securities consist primarily of publicly traded Japanese companies and common collective funds. Publicly traded equities are valued at the closing prices reported in the active market in which the individual securities are traded (level 1). Common collective funds are valued at the published price (level 1) per share multiplied by the number of shares held as of the measurement date.

Fixed income (bonds and loans) consists of corporate bonds, government securities and common collective funds. Corporate and government securities are valued by third-party pricing sources (level 2). Common collective funds are valued at the net asset value per share (level 2) multiplied by the number of shares held as of the measurement date.

Real estate fund and other values are primarily reported by the fund manager and are based on valuation of the underlying investments (level 3) which include inputs such as cost, discounted cash flows, independent appraisals and market based comparable data.

The plan assets do not include any of the Company's shares.

**Retirement plan costs**

ASMI contributed €1,162 to the defined benefit plan in 2014. The Company expects to pay benefits for years subsequent to December 31, 2014 as follows:

	EXPECTED CONTRIBUTION DEFINED BENEFIT PLAN
2015	318
2016	208
2017	506
2018	653
2019	608
Aggregate for the years 2020-2024	2,860
<b>TOTAL</b>	<b>5,153</b>

Retirement plan costs consist of the following:

	DECEMBER 31,		
	2012	2013	2014
Defined contribution plans	16,952	5,277	2,563
Multi-employer plans	1,420	1,274	1,220
Defined benefit plans	2,779	988	379
<b>TOTAL RETIREMENT PLAN COSTS</b>	<b>21,151</b>	<b>7,539</b>	<b>4,162</b>

The Company does not provide for any significant post-retirement benefits other than pensions.

**EMPLOYEE AND EXECUTIVE LONG-TERM INCENTIVE PLAN**

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. Options are priced at market value in euro or US dollars on the date of grant.

**2011 Long-term Incentive Plan**

In 2011 a Stock Option Plan was adopted. In this 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 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).

For employees and existing Management Board members the Grant Date for all options granted is December 31 of the relevant year. In each of these situations the three year Vesting Period starts at the Grant Date. The exercise price in euro of all options issued under the SOPS is determined on the basis of the market value of the ASMI shares at (i.e. immediately prior to) the Grant Date.

The exercise period is 4 years starting at the 3rd anniversary of the vesting date.



### 2014 Long-Term Incentive Plan

In 2014 a new Long-Term Incentive Plan was adopted. In the new plan to limit potential dilution, the amount of outstanding (vested and non-vested) options and shares granted to the Management Board and to other employees will not exceed 5% of the issued ordinary share capital of ASMI. The new Long-Term Incentive Plan 2014 consists of two sub-plans: the ASM International N.V. 2014 Long Term Incentive Plan for Employees (ELTI) and the ASM International N.V. 2014 Long Term Incentive Plan for members of the Management Board (MLTI).

Options and performance shares are issued to Management Board members and restricted shares are issued to employees once per annum on the date following the publication of the first quarter results of the relevant year. Possible grant to newly hired employees can be issued once a quarter, on the date following the publication of the financial results of the relevant quarter. The number of options and shares outstanding under the Long-Term Incentive plans or under any other plan or arrangement in aggregate may never exceed 5% of ASMI's share capital. In accordance with the ASMI Remuneration Policy an exception is made for a transition period of four years, during which the dilution may exceed 5% but will not exceed 7.5%.

### Authority to issue options and shares

By resolution of the AGM of May 21, 2014 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 LTI plans beyond November 20, 2015. The ELTI is principally administered by the Management Board and the MLTI 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 LTI plans. The LTI plans envisage that the Supervisory Board, or – in the case of the ELTI – the Management Board with the approval of the Supervisory Board, will determine the number of options and shares to be granted to the Management Board members and to employees.

### Outstanding options and shares

At December 31, 2014, options to purchase 2,172,455 shares have been issued under the 2011 Stock Option Plan representing 4.4% of the shares outstanding per December 31, 2014. Under previous plans no more options to purchase shares can be issued. Under the various stock option plans a total of 2,789,561 options to purchase common stock were outstanding at December 31, 2014, expiring at various dates through 2020. The number of options outstanding at December 31, 2013 and 2014 were 3,308,502 and 2,789,561 respectively. The number of restricted shares outstanding at December 31, 2014 was 10,215.

### Capital distribution

Following the sale of a 12% share of ASMPT on March 15, 2013, a capital distribution of €4.25 per common share was effectuated on July 25, 2013. As a result of this capital distribution the underlying value of ASMI option holders was diluted. The Management Board of ASMI and the Supervisory Board of ASMI decided to apply a theoretical adjustment ratio of 0.84794 to the outstanding options granted to employees including members of the Management Board as determined based on the specific rules issued and applied by NYSE Liffe. These specific rules issued by NYSE Liffe are similar to the adjustment ratio as applied to traded securities that are also not entitled to receive the capital distribution. Under these rules a theoretical adjustment ratio was determined based on the value and the effective date of the capital distribution and this ratio was applied to adjust the original number of the options and the original exercise price of the outstanding options.

**Options outstanding**

The following is a summary of changes in options outstanding:

	EURO-PLANS		US DOLLAR-PLANS	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN €	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN US\$
<b>BALANCE JANUARY 1, 2012</b>	<b>1,319,957</b>	<b>19.08</b>	<b>515,110</b>	<b>20.83</b>
Options granted	708,891	27.04	–	–
Options forfeited	(44,500)	15.49	(29,400)	20.63
Options exercised	(59,660)	15.08	(85,310)	20.42
<b>BALANCE DECEMBER 31, 2012</b>	<b>1,924,688</b>	<b>22.22</b>	<b>400,400</b>	<b>20.94</b>
Options forfeited	(25,050)	24.72	(1,220)	13.65
Options exercised	(23,550)	15.91	(52,670)	15.97
<b>BALANCE JULY 25, 2013</b>	<b>1,876,088</b>	<b>22.26</b>	<b>346,510</b>	<b>21.72</b>
Adjustment following capital distribution	336,446	18.88	62,145	18.42
Options granted	776,450	23.73	–	–
Options forfeited	(39,271)	20.93	(2,830)	9.06
Options exercised	(29,361)	10.70	(17,675)	12.66
<b>BALANCE DECEMBER 31, 2013</b>	<b>2,920,352</b>	<b>20.22</b>	<b>388,150</b>	<b>18.75</b>
Options forfeited	(41,366)	22.00	(1,416)	18.08
Options exercised	(175,650)	15.68	(300,509)	12.53
<b>BALANCE DECEMBER 31, 2014</b>	<b>2,703,336</b>	<b>20.49</b>	<b>86,225</b>	<b>21.18</b>

The weighted average fair values of employee stock option granted in euro were €12.27 in 2012 and €10.22 in 2013.

As a result of the newly adopted 2014 Long-term Incentive Plan under which restricted shares, performance shares and employee stock options may be granted in the period following the publication of the first quarterly results no stock options were granted in 2014.

The total intrinsic value of options exercised was €2,209, €1,651 and €7,311 for the years ended December 31, 2012, 2013 and 2014 respectively. In 2012, 2013 and 2014 new shares have been issued for the exercise of 144,570 options, 125,402 options and 354,650 options respectively.



On December 31, 2014 options outstanding and options exercisable classified by range of exercise prices are:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
<b>In US\$</b>		<b>In years</b>	<b>In US\$</b>		<b>In US\$</b>
1.00-10.00	10,098	4.0	7.60	10,098	7.60
10.00-20.00	42,565	1.7	17.82	42,565	17.82
20.00-30.00	33,562	2.0	29.52	23,658	29.45
<b>US\$1.00-30.00</b>	<b>86,225</b>	<b>2.1</b>	<b>21.18</b>	<b>76,321</b>	<b>20.07</b>
<b>In EUR</b>		<b>In years</b>	<b>In EUR</b>		<b>In EUR</b>
10.00-15.00	349,415	1.8	12.03	349,415	12.03
15.00-20.00	780,827	3.5	18.59	780,826	18.59
20.00-25.00	1,573,094	5.5	23.31	10,380	22.47
<b>€1.00-25.00</b>	<b>2,703,336</b>	<b>4.4</b>	<b>20.49</b>	<b>1,140,621</b>	<b>16.61</b>

At December 31, 2014, the aggregate intrinsic value of all options outstanding and all options exercisable is €41,019 and €22,504 respectively.

The cost relating to employee stock options is measured at fair value on the grant date. The fair value was determined using the Black-Scholes option valuation model with the following weighted average assumptions:

	DECEMBER 31,	
	2012	2013
Expected life (years)	7	7
Risk free interest rate	3.28%	2.93%
Dividend yield	0.64%	0.90%
Expected volatility	41.98%	41.52%

No employee stock options were granted during 2014.

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 €3,242, €4,440 and €7,417 for 2012, 2013 and 2014 respectively. The compensation expenses for 2014 include a true up for a lower non-vesting assessment of €971 .

### Restricted shares outstanding

As a result of the newly adopted 2014 Long-term Incentive Plan under which restricted shares, performance shares and employee options may be granted in the period following the publication of the first quarterly results no shares were granted in 2014. During the year 2014 restricted shares were granted to new hired employees only. The number of restricted shares outstanding at December 31, 2014 was 10,215.

**NOTE 18. COMMITMENTS AND CONTINGENCIES**

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

	DECEMBER 31,	
	2013	2014
Machinery and equipment	2,737	2,729
Furniture and fixtures	269	269
<b>TOTAL CAPITAL LEASES, GROSS</b>	<b>3,006</b>	<b>2,998</b>
Less accumulated depreciation	(3,006)	(2,998)
<b>TOTAL CAPITAL LEASES, NET</b>	<b>-</b>	<b>-</b>

At December 31, 2014 operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

2015	5,821
2016	4,398
2017	3,771
2018	2,951
2019	2,370
Years thereafter	2,653
<b>TOTAL</b>	<b>21,964</b>

Aggregate rental expense for operating leases was €24,661 in 2012, €9,529 in 2013 and €5,964 in 2014. On December 31, 2014 the Company had entered into purchase commitments with suppliers in the amount of €69,720 for purchases, all for purchases within the next 12 months. Commitments for capital expenditures and other per December 31, 2014 were €3,198.

**Change of Control Transaction**

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

**NOTE 19. LITIGATION AND ENVIRONMENTAL MATTERS**

The Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis, will not have a material effect on the financial position of the Company, its cash flows and result of operations.

**NOTE 20. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT****FINANCIAL INSTRUMENTS**

Financial instrument include:

	DECEMBER 31,	
	2013	2014
<b>Financial assets</b>		
Cash and cash equivalents	312,437	385,777
Accounts receivable	83,016	81,971
<b>Financial liabilities</b>		
Accounts payable	44,837	61,053

Gains or losses related to financial instruments are as follows:

	2013	2014
Interest income	972	1,583
Interest expense	(2,943)	(2,312)
Results foreign currency exchange, net	(8,158)	26,439
Addition to allowance for doubtful accounts receivable	(377)	-

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASMI uses the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

**> Level 1**

Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

**> Level 2**

Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

**> Level 3**

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no transfers between levels during the years ended December 31, 2014 and December 31, 2013.





## 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 may use forward exchange contracts to hedge its foreign exchange risk. The Company does not enter into financial instrument transactions for trading or speculative purposes.

### Foreign Exchange Risk

ASMI and its subsidiaries conduct business in a number of foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euro) or one of its subsidiaries conducting the business. The purpose of the Company's foreign currency management is to manage the effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in US dollar.

We may use forward exchange contracts to hedge foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which the Company has a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions being hedged. The hedges related to forecasted transactions are designated and documented at the inception of the hedge as cash flow hedges, and are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive loss in Shareholders' Equity, and is reclassified into earnings when the hedged transaction affects earnings.

Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized in earnings. The Company records all derivatives, including forward exchange contracts, on the balance sheet at fair value in other current assets or accrued expenses. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Hedge ineffectiveness was insignificant for the years ended December 31, 2013 and December 31, 2014.

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 16.

Per December 31, 2013 and per December 31, 2014 there were no forward exchange contracts outstanding.



The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen against the euro as of December 31, 2013 and December 31, 2014. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease against the euro. A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen.

	IMPACT ON EQUITY	
	2013	2014
10% increase of US dollar versus euro	4,938	<b>6,672</b>
10% decrease of US dollar versus euro	(4,938)	<b>(6,672)</b>
10% increase of Singapore dollar versus euro	6,088	<b>7,870</b>
10% decrease of Singapore dollar versus euro	(6,088)	<b>(7,870)</b>
10% increase of Hong Kong dollar versus euro	94,396	<b>109,211</b>
10% decrease of Hong Kong dollar versus euro	(94,396)	<b>(109,211)</b>
10% increase of Korean won versus euro	5,840	<b>7,817</b>
10% decrease of Korean won versus euro	(5,840)	<b>(7,817)</b>
10% increase of Japanese yen versus euro	4,561	<b>5,371</b>
10% decrease of Japanese yen versus euro	(4,561)	<b>(5,371)</b>

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2013 and December 31, 2014 would not result in a material impact on equity. The revaluation effect of subsidiaries denominated in other currencies than euro are recognized in equity.

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen against the euro at average exchange rates for the years 2013 and 2014. A positive amount indicates an increase in net earnings.

	IMPACT ON NET EARNINGS	
	2013	2014
10% increase of US dollar versus euro	601	<b>954</b>
10% decrease of US dollar versus euro	(601)	<b>(954)</b>
10% increase of Singapore dollar versus euro	671	<b>1,213</b>
10% decrease of Singapore dollar versus euro	(671)	<b>(1,213)</b>
10% increase of Hong Kong dollar versus euro	100,072	<b>3,891</b>
10% decrease of Hong Kong dollar versus euro	(100,072)	<b>(3,891)</b>
10% increase of Korean won versus euro	1,962	<b>1,333</b>
10% decrease of Korean won versus euro	(1,962)	<b>(1,333)</b>
10% increase of Japanese yen versus euro	485	<b>861</b>
10% decrease of Japanese yen versus euro	(485)	<b>(861)</b>

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro at average exchange rates for the years 2013 and 2014 would not result in a material impact on net earnings. The significant possible impact on net earnings for 2013 results from the realized and unrealized gain following the sale of the 12% stake in ASMPT.

**Interest Risk**

We are not exposed to interest rate risk through our borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. As per December 31, 2014 the Company had no debt.

**Credit Risk**

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and derivative instruments. These instruments contain a risk of counterparties failing to discharge their obligations. We monitor credit risk and manages credit risk exposure by type of financial instrument by assessing the creditworthiness of counterparties. We do not anticipate nonperformance by counterparties given their high creditworthiness.

The Company's customers are semiconductor device manufacturers located throughout the world. We perform ongoing credit evaluations of our customers' financial condition. We take additional measures to mitigate credit risk when considered appropriate by means of down payments, letters of credit. We generally do not require collateral or other security to support financial instruments with credit risk.

Concentrations of credit risk (whether on- or off-balance sheet) that arise from financial instruments exist for groups of customers or counterparties when they have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Company derives a significant percentage of its revenue from a small number of large customers. On a comparable basis, excluding the sales of the Back-end segment, the largest customer accounted for approximately 26.7% of net sales in 2014 (2013: 28.3%; 2012: 33.6%) and the ten largest customers accounted for approximately 84.1% of net sales in 2014 (2013: 85.6%; 2012: 75.3%). 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, 2014 one customer accounted for 20.1% of the outstanding balance in accounts receivable (2013: 28.1%; 2012: 20.6%).

We invest our cash and cash equivalents in short-term deposits and derivative instruments with high-rated financial institutions. We only enter into transactions with a limited number of major financial institutions that have high credit ratings and we closely monitor the creditworthiness of our counterparties. Concentration risk is mitigated by limiting the exposure to a single counter party.

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, 2014 aggregated by type of contractual obligation:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Operating leases	21,964	5,821	8,169	5,321	2,653
Pension liabilities	5,153	318	714	1,261	2,860
<b>Purchase obligations</b>					
Purchase commitments to suppliers	69,720	69,720	-	-	-
Capital expenditure and other commitments	3,198	3,198	-	-	-
Unrecognized tax benefits	1,875	1,875	-	-	-
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>101,910</b>	<b>80,932</b>	<b>8,883</b>	<b>6,582</b>	<b>5,513</b>

Total short-term lines of credit amounted to €150,000 at December 31, 2014. The amount outstanding at December 31, 2014 was nil and the undrawn portion totaled €150,000. The standby revolving credit facility of €150,000 with a consortium of banks will be available through December 20, 2018 is secured by a portion of the Company's shareholding in ASMPT and certain accounts receivable.

For the majority of purchase commitments, the Company has flexible delivery schedules depending on the market conditions, which allows the Company, to a certain extent, to delay delivery beyond originally planned delivery schedules.

**NOTE 21. RESEARCH AND DEVELOPMENT**

Research and Development consists of the following:

	YEAR ENDED DECEMBER 31,		
	2012	2013	2014
Research and development expenses	150,118	76,427	64,763
Research and development grants and credits	(899)	(1,036)	(905)
<b>TOTAL RESEARCH AND DEVELOPMENT</b>	<b>149,219</b>	<b>75,391</b>	<b>63,858</b>

The Company's operations in the Netherlands, Germany and the United States receive research and development grants and credits from various sources.

**NOTE 22. RESTRUCTURING EXPENSES**

In the fourth quarter of 2012 we started a cost reduction program in our Front-end operation. We have reduced headcount in our manufacturing organization in Singapore and our product management organization in Europe and the US with approximately 100 full time equivalent positions. Related to these actions, amounts of €0.9 million, €2.5 million and €0.1 million in restructuring expenses were recorded in 2012, 2013 and 2014 respectively.

**NOTE 23. INCOME TAXES**

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

	YEAR ENDED DECEMBER 31,		
	2012	2013	2014
The Netherlands	(70,263)	1,018,554	92,307
Other countries	136,994	41,867	62,570
<b>EARNINGS BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST</b>	<b>66,731</b>	<b>1,060,421</b>	<b>154,877</b>

The income tax expense consists of:

	YEAR ENDED DECEMBER 31,		
	2012	2013	2014
<b>Current</b>			
The Netherlands	(110)	(1,938)	(4,539)
Other countries	(26,337)	(9,479)	(9,988)
	<b>(26,447)</b>	<b>(11,417)</b>	<b>(14,527)</b>
<b>Deferred</b>			
The Netherlands	-	-	-
Other countries	147	296	(3,042)
<b>INCOME TAX EXPENSE</b>	<b>(26,300)</b>	<b>(11,121)</b>	<b>(17,569)</b>

The provisions for income taxes as shown in the Consolidated Statements of Operations differ from the amounts computed by applying the Dutch statutory income tax rate to earnings before taxes. A reconciliation of the provisions for income taxes and the amounts that would be computed using the Dutch statutory income tax rate is set forth as follows:

	YEAR ENDED DECEMBER 31,		
	2012	2013	2014
Earnings before income taxes and Non-controlling interest	66,731	1,060,421	154,877
Dutch statutory income tax rate	25.0%	25.0%	25.0%
Income tax provision at statutory rate	(16,683)	(265,105)	(38,719)
Non-deductible expenses	(6,508)	(1,957)	(4,681)
Foreign taxes at a rate other than the Dutch statutory rate	(2,699)	(556)	(1,732)
Valuation allowance	(14,876)	(3,960)	16,937
Non-taxable income <sup>1)</sup>	4,887	260,425	11,888
Other <sup>2)</sup>	9,579	32	(1,262)
<b>INCOME TAX EXPENSE</b>	<b>(26,300)</b>	<b>(11,121)</b>	<b>(17,569)</b>

<sup>1</sup> Non-taxable income for 2014 mainly consist of revenues deriving from the share in income of investments and associates which are exempt under the Dutch participation exemption. For 2013 non-taxable income mainly consist of revenues deriving from the disposal of the 12% shareholding in ASMPT in March 2013 which are exempt under the Dutch participation exemption.

<sup>2</sup> Other in 2014 mainly consists of tax credits, adjustments to prior years, changes in (enacted) tax laws and revaluation of certain assets.

Included in Other for 2014 is €1,944 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 July 1, 2018.



On June 8, 2009 the Singapore Economic Development Board (“EDB”) granted a Pioneer Certificate to ASM Front-End Manufacturing Singapore Pte Ltd (“FEMS”, a principal subsidiary of the Group) to the effect that profits arising from certain manufacturing activities by FEMS of Front-end equipment will in principle be exempted from tax for a period of 10 years effective from July 1, 2008, subject to fulfillment of certain criteria during the period.

In Korea a High Technology Tax Exemption has been granted to the effect that profits arising from certain equipment sales will in principle be partly exempted from tax in the period ending by 2016, subject to fulfillment of certain criteria during the period.

Since 2011 the Dutch statutory tax rate amounted to 25.0%. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The Company's deferred tax assets and liabilities have been determined in accordance with these statutory income tax rates.

Deferred income taxes developed as follows:

	JANUARY 1, 2013	DECONSOLIDATION ASMPT	CHANGE INCOME TAX RATE	CONSOLIDATED STATEMENT OF OPERATIONS	EQUITY	EXCHANGE DIFFERENCES	DECEMBER 31, 2013
<b>Deferred tax assets</b>							
Reserves and allowances	20,322	(15,199)	(258)	(814)	255	(1,152)	3,154
Net operating losses	83,478	(11,905)	–	(1,664)	–	49	69,958
Depreciation	2,260	(2,121)	(88)	1,603	–	(319)	1,335
Other	1,112	(194)	(38)	(146)	–	(164)	570
<b>GROSS DEFERRED TAX ASSETS</b>	<b>107,172</b>	<b>(29,419)</b>	<b>(384)</b>	<b>(1,021)</b>	<b>255</b>	<b>(1,586)</b>	<b>75,017</b>
Less: valuation allowance	(83,250)	11,675	–	1,664	–	(47)	(69,958)
<b>NET DEFERRED TAX ASSETS</b>	<b>23,922</b>	<b>(17,744)</b>	<b>(384)</b>	<b>643</b>	<b>255</b>	<b>(1,633)</b>	<b>5,059</b>
<b>DEFERRED TAX LIABILITIES</b>	<b>(988)</b>	<b>921</b>	<b>–</b>	<b>37</b>	<b>–</b>	<b>(5)</b>	<b>(35)</b>
<b>NET DEFERRED INCOME TAXES</b>	<b>22,934</b>	<b>(16,823)</b>	<b>(384)</b>	<b>680</b>	<b>255</b>	<b>(1,638)</b>	<b>5,024</b>

	JANUARY 1, 2014	REALIZATION	CHANGE INCOME TAX RATE	CONSOLIDATED STATEMENT OF OPERATIONS	EQUITY	EXCHANGE DIFFERENCES	DECEMBER 31, 2014
<b>Deferred tax assets</b>							
Reserves and allowances	3,154	–	(133)	(849)	11	76	2,259
Net operating losses	69,958	–	–	(16,937)	–	729	53,750
Depreciation	1,335	–	(87)	(657)	–	37	628
Other	570	1,102	(15)	(1,339)	–	162	480
<b>GROSS DEFERRED TAX ASSETS</b>	<b>75,017</b>	<b>1,102</b>	<b>(235)</b>	<b>(19,782)</b>	<b>11</b>	<b>1,004</b>	<b>57,117</b>
Less: valuation allowance	(69,958)	–	–	16,937	–	(729)	(53,750)
<b>NET DEFERRED TAX ASSETS</b>	<b>5,059</b>	<b>1,102</b>	<b>(235)</b>	<b>(2,845)</b>	<b>11</b>	<b>275</b>	<b>3,367</b>
<b>DEFERRED TAX LIABILITIES</b>	<b>(35)</b>	<b>–</b>	<b>–</b>	<b>38</b>	<b>–</b>	<b>(3)</b>	<b>–</b>
<b>NET DEFERRED INCOME TAXES</b>	<b>5,024</b>	<b>1,102</b>	<b>(235)</b>	<b>(2,807)</b>	<b>11</b>	<b>272</b>	<b>3,367</b>



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

	DECEMBER 31,	
	2013	2014
Deferred tax assets - current	3,739	1,558
Deferred tax assets - non-current	1,320	1,809
Deferred tax liabilities - current	-	-
Deferred tax liabilities - non-current	(35)	-
	<b>5,024</b>	<b>3,367</b>

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2014 of €210,461 for tax return purposes to reduce future income taxes, mainly in Europe. The Company believes that realization of its net deferred tax assets is dependent on the ability of the Company to generate taxable income in the future. Given the volatile nature of the semiconductor equipment industry, past experience, and the tax jurisdictions where the Company has net operating losses, the Company believes that there is currently insufficient evidence to substantiate recognition of substantially all net deferred tax assets with respect to net operating losses. Accordingly, a valuation allowance of €69,958 in 2013 and €53,750 in 2014 has been recorded.

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

EXPIRATION YEAR	TOTAL OF NET OPERATING LOSSES FOR TAX PURPOSES <sup>1)</sup>
2017	29,270
2018	44,664
2019	35,905
2020	266
2021	60,198
2022	28,556
2023	16
2029	7,178
2030	4,293
Unlimited	115
<b>TOTAL</b>	<b>210,461</b>

<sup>1)</sup> No deferred tax assets were recognized for these operating losses.

The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2014 the undistributed earnings of subsidiaries, subject to withholding taxes, were approximately €45,621. These earnings could become subject to foreign (withholding) taxes if they were remitted as dividends and / or if the Company should sell its interest in the subsidiaries.





Consistent with the provisions of ASC 740, as of December 31, 2014, ASMI has a liability for unrecognized tax benefits. A reconciliation of the beginning and ending balance of the liability for unrecognized tax benefits is as follows:

<b>BALANCE JANUARY 1, 2012</b>	<b>21,749</b>
Gross increases - tax positions in current year	1,157
Foreign currency translation effect	(395)
<b>BALANCE DECEMBER 31, 2012</b>	<b>22,511</b>
Deconsolidation ASMPT	(22,325)
Foreign currency translation effect	(186)
<b>BALANCE DECEMBER 31, 2013</b>	<b>-</b>
Gross increases - tax positions in current year	1,800
Foreign currency translation effect	75
<b>BALANCE DECEMBER 31, 2014</b>	<b>1,875</b>

Unrecognized tax benefits mainly relate to transfer pricing positions, tax credits and tax deductible costs. The Company estimates that no interest and penalties are related to these unrecognized tax benefits. In the year ended December 31, 2014, no settlement with tax authorities and no reduction as a result of a lapse of statute of limitations occurred.

Unrecognized tax benefits would, if recognized, impact the Company's effective tax rate. The Company provided for an amount of €1,875 reflecting managements best estimate to mitigate possible impact in case of an unfavorable outcome.

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

<b>JURISDICTION</b>	
Japan	2009-2014
The Netherlands	2010-2014
Singapore	2010-2014
United States of America	1997-2014
South Korea	2009-2014

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws. The Company's estimate for the potential outcome of any unrecognized tax benefits is highly judgmental. Settlement of unrecognized tax benefits in a manner inconsistent with the Company's expectations could have a material impact on the Company's financial position, net earnings and cash flows. The Company is subject to tax audits in its major tax jurisdictions, local tax authorities may challenge the positions taken by the Company.

**NOTE 24. DISCLOSURES ABOUT SEGMENTS AND RELATED INFORMATION**

The Company organizes its activities in two operating segments, Front-end and Back-end. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer (“CEO”), which is the chief operating decision maker (according to ASC 280).

The Front-end segment manufactures and sells equipment used in wafer processing, encompassing the fabrication steps in which silicon wafers are layered with semiconductor devices. The segment is a product driven organizational unit comprised of manufacturing, service, and sales operations in Europe, the United States of America, Japan and South East Asia.

The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd, in which the Company holds a substantial share of 39.75% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong. The segment’s main operations are located in Hong Kong, the People’s Republic of China, Singapore, Malaysia and Germany.

The Back-end segment remains reported as a separate segment since the cease of control per March 15, 2013. Since that date the segment is reported as an equity method investment as the CEO reviews this information as part of his CODM package.

Accordingly, the asset and profit/loss information regarding the operations that comprise the segment are disclosed. The full financial results are reviewed by the CODM, the external reporting of the segment are on an equity method investment basis. The total of all segments’ financial amounts are reconciled to the corresponding amounts reported in the consolidated financial statements, eliminations are reflected in the reconciling column for amounts reported in excess of those amounts reflected in the consolidated financial statements.

**YEAR ENDED DECEMBER 31, 2012**

	<b>FRONT-END</b>	<b>BACK-END</b>	<b>TOTAL</b>
Net sales to unaffiliated customers	370,409	1,047,658	<b>1,418,067</b>
Gross profit	124,531	315,898	<b>440,429</b>
Result from operations	539	87,717	<b>88,256</b>
Interest income	1,015	974	<b>1,989</b>
Interest expense	(11,381)	(732)	<b>(12,113)</b>
Loss resulting from early extinguishment of debt	(2,209)	–	<b>(2,209)</b>
Accretion interest expense convertible notes	(4,329)	(140)	<b>(4,469)</b>
Foreign currency exchange gains (losses), net	(3,050)	(907)	<b>(3,957)</b>
Result on investments	(766)	–	<b>(766)</b>
Income tax expense	(8,965)	(17,335)	<b>(26,300)</b>
Net earnings (loss)	(29,146)	69,577	<b>40,431</b>
<b>Allocation of net earnings (loss)</b>			
Shareholders of the parent			<b>7,149</b>
Non-controlling interest			<b>33,282</b>
Capital expenditures and purchase of intangible assets	24,015	48,777	<b>72,792</b>
Depreciation and amortization	18,838	39,622	<b>58,460</b>
Cash and cash equivalents	145,061	145,414	<b>290,475</b>
Capitalized goodwill	11,649	40,239	<b>51,888</b>
Other intangible assets	9,049	4,866	<b>13,915</b>
Other identifiable assets	334,399	808,829	<b>1,143,228</b>
Total assets	500,158	999,348	<b>1,499,506</b>
Total debt	–	80,623	<b>80,623</b>
Headcount in full-time equivalents <sup>1)</sup>	1,636	15,768	<b>17,404</b>

<sup>1)</sup> Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.



	YEAR ENDED DECEMBER 31, 2013			TOTAL
	FRONT-END	BACK-END 100%	ELIMINATION NON CONSOLIDATED	
Net sales to unaffiliated customers	451,992	1,051,376	(891,091)	612,277
Gross profit	176,160	307,618	(269,228)	214,550
Result from operations	44,704	66,352	(70,638)	40,418
Interest income	904	272	(204)	972
Interest expense	(2,553)	(2,082)	1,693	(2,942)
Foreign currency exchange gains (losses), net	(9,005)	847	–	(8,158)
Result from investments	–	–	1,030,132	1,030,132
Income tax expense	(9,484)	(11,308)	9,671	(11,121)
Net earnings (loss)	24,565	54,081	970,654	1,049,300
<b>Allocation of net earnings (loss)</b>				
Shareholders of the parent				1,051,893
Non-controlling interest				(2,593)
Capital expenditures and purchase of intangible assets	11,072	34,003	(27,542)	17,533
Depreciation and amortization	19,415	41,066	(32,015)	28,466
Cash and cash equivalents	312,437	149,313	(149,313)	312,437
Capitalized goodwill	11,421	–	–	11,421
Other intangible assets	5,637	902	(902)	5,637
Investments and associates	278	–	943,676	943,954
Other identifiable assets	277,800	599,709	(599,709)	277,800
Total assets	607,573	749,924	193,752	1,551,249
Total debt	–	65,105	(65,105)	–
Headcount in full-time equivalents <sup>1)</sup>	1,503	14,400	(14,400)	1,503

<sup>1)</sup> Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.

The table for the year ended December 31, 2013, shows the full results for ASMPT under the column heading, “Back-end 100%”. The information reported in the reconciling column under the heading, “Elimination non-consolidated”, represents the amounts included in the Back-end 100% column in excess of the amounts reported in the consolidated financial statements. As such, the information in this reconciling column reflects the summarized financial information for ASMPT for the period March 15, 2013 through December 31, 2013 and the ASMPT balance sheet items as of December 31, 2013, which are the amounts that were eliminated in the consolidation.



	YEAR ENDED DECEMBER 31, 2014			TOTAL
	FRONT-END	BACK-END 100%	ELIMINATION NON CONSOLIDATED	
Net sales to unaffiliated customers	545,604	1,386,776	(1,386,776)	545,604
Gross profit	234,999	492,137	(492,137)	234,999
Result from operations	90,535	209,439	(209,439)	90,535
Interest income	1,583	–	–	1,583
Interest expense	(2,312)	(11,745)	11,745	(2,312)
Foreign currency exchange gains (losses), net	26,439	–	–	26,439
Result from investments and associates	(278)	–	38,910	38,632
Income tax expense	(17,569)	(43,728)	43,728	(17,569)
Net earnings (loss)	98,398	153,966	(115,056)	137,308
<b>Allocation of net earnings (loss)</b>				
Shareholders of the parent			–	137,308
Non-controlling interest			–	–
Capital expenditures and purchase of intangible assets	32,143	30,992	(30,992)	32,143
Depreciation and amortization	21,222	40,416	(40,416)	21,222
Cash and cash equivalents	385,777	275,431	(275,431)	385,777
Capitalized goodwill	12,104	43,076	(43,076)	12,104
Other intangible assets	3,960	66,617	(66,617)	3,960
Investments and associates	–	–	1,092,097	1,092,097
Other identifiable assets	332,995	755,106	(755,106)	332,995
Total assets	734,836	1,140,230	(48,133)	1,826,933
Total debt	–	247,608	(247,608)	–
Headcount in full-time equivalents <sup>1)</sup>	1,635	15,946	(15,946)	1,635

<sup>1)</sup> Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.

The table for the year ended December 31, 2014, shows the full results for ASMPT under the column heading, Back-end 100%. The information reported in the reconciling column under the heading, Elimination non-consolidated, represents the amounts included in the Back-end 100% column in excess of the amounts reported in the consolidated financial statements. As such, the information in this reconciling column reflects the summarized financial information for ASMPT for the fiscal year 2014 and the ASMPT balance sheet items as of December 31, 2014, which are the amounts that were eliminated in the consolidation.

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 consistent to those used in the Consolidated Financial Statements. The measurement methods used to determine reported segment earnings are consistently applied for all periods presented. There were no asymmetrical allocations to segments.



Geographical information is summarized as follows:

	EUROPE	UNITED STATES OF AMERICA	JAPAN	SOUTH KOREA	TAIWAN	OTHER ASIA	CORPORATE	CONSOLIDATED
<b>YEAR ENDED DECEMBER 31, 2012</b>								
Net sales	255,795	197,566	59,385	85,272	110,797	709,252	–	<b>1,418,067</b>
Long-lived assets	17,587	22,567	17,313	5,314	127	212,408	120	<b>275,436</b>
<b>YEAR ENDED DECEMBER 31, 2013</b>								
Net sales	97,777	147,036	36,623	119,097	85,545	126,199	–	<b>612,277</b>
Long-lived assets	2,871	24,429	15,112	3,868	63	10,144	44	<b>56,531</b>
<b>YEAR ENDED DECEMBER 31, 2014</b>								
Net sales	94,518	177,006	62,482	93,595	81,143	36,860	–	<b>545,604</b>
Long-lived assets	6,762	33,881	15,598	11,667	51	11,253	24	<b>79,236</b>

Long-lived assets for the years ended December 31, 2012, 2013 and 2014 consist of the Company's property, plant and equipment.

## NOTE 25. SELECTED OPERATING EXPENSES AND ADDITIONAL INFORMATION

Personnel expenses for employees were as follows:

	DECEMBER 31,		
	2012	2013	2014
Wages and salaries	353,437	136,936	<b>96,468</b>
Social security	47,124	16,049	<b>11,342</b>
Pension expenses	21,151	7,539	<b>4,162</b>
	<b>421,712</b>	<b>160,524</b>	<b>111,972</b>

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

	YEAR AVERAGE		
	2012	2013	2014
The Netherlands	178	156	<b>138</b>
Other European countries	1,057	448	<b>167</b>
United States of America	594	556	<b>569</b>
Other Asia	15,300	5,050	<b>504</b>
Japan	203	181	<b>180</b>
	<b>17,332</b>	<b>6,391</b>	<b>1,558</b>

The average number of employees for the year 2013 includes the weighted average of the ASMPT employees for the period January 1 - March 15.

## NOTE 26. EARNINGS PER SHARE

Basic net earnings per common share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding for that period. The dilutive effect is calculated using the treasury stock method. The calculation of diluted net income per share assumes the exercise of options issued under our stock option plans (and the issuance of shares under our share plans) for periods in which exercised (or issuances) would have a dilutive effect. The calculation of diluted net income per share does not assume exercise of options (or issuance of shares) when such exercises (or issuances) would be anti-dilutive.

The calculation of basic and diluted net income per share attributable to common shareholders is based on the following data:

	DECEMBER 31,		
	2012	2013	2014
<b>NET INCOME USED FOR PURPOSE OF CALCULATING BASIC EARNINGS PER COMMON SHARE</b>	<b>7,149</b>	<b>1,051,893</b>	<b>137,308</b>
Basic weighted average number of shares outstanding during the year (thousands)	56,108	63,202	63,510
Effect of dilutive potential common shares from stock options	659	994	699
<b>DILUTIVE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>56,767</b>	<b>64,196</b>	<b>64,209</b>
Net income from continuing operations per share			
Basic	0.13	16.64	2.16
Diluted	0.13	16.39	2.14

## NOTE 27. BOARD REMUNERATION

The remuneration of members of the Management Board has been determined by the Supervisory Board.

During 2014, the Company considered the members of the Management Board and the Supervisory Board to be the key management personnel.

In 2014, the Annual General Meeting of shareholders approved the revision of the Remuneration Policy for the Management Board proposed by the Supervisory Board.

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

	BASE COMPENSATION <sup>2)</sup>	BONUSES	PENSIONS	SHARE BASED PAYMENT EXPENSES <sup>1)</sup>	FRINGE BENEFITS	TOTAL
<b>Management Board</b>						
<b>C.D. del Prado</b>						
<b>2014</b>	<b>520</b>	<b>663</b>	<b>78</b>	<b>762</b>	<b>60</b>	<b>2,083</b>
2013	520	527	92	506	60	1,705
2012	510	177	76	398	59	1,220
<b>P.A.M. van Bommel</b>						
<b>2014</b>	<b>386</b>	<b>412</b>	<b>69</b>	<b>528</b>	<b>46</b>	<b>1,441</b>
2013	375	391	79	418	45	1,308
2012	367	144	88	325	59	983

<sup>1</sup> These amounts represent the vesting expenses related to the financial year.

<sup>2</sup> An incidental crisis levy of 16% as imposed by the Dutch government amounted to €145 for 2013 and €175 for 2012. This crisis tax levy is payable by the employer and is charged over income of employees exceeding a €150 threshold for both years. These expenses do not form part of the remuneration costs mentioned.

### Short-term incentive (cash bonus)

Each year, a short-term incentive can be earned, based on achievement of specific challenging targets. These targets are for 75% based on company financial targets and for 25% based on non-financial targets. The on-target bonus percentage for the CEO is 100% of base salary, with a maximum pay-out of 150% of base salary. The on-target bonus percentage for the other members of the Management Board is 75% of base salary, with a maximum pay-out of 125% of base salary.

### Long-term incentive (stock options / performance shares)

The members of the Management Board are eligible to receive stock options and performance shares under the ASM International NV 2014 Long-Term Incentive plan for members of the Management Board (plan) in order to focus on the long term interest of the company. Stock options vest after three years subject to continued employment and expire after seven years. Performance shares vest after 3 years subject to meeting certain conditions. The members of the Management Board are required to hold the vested performance shares for an additional two years however they are allowed to sell a part of the unconditional shares after three years for tax purposes. The next grant of stock options and/or performance shares will take place in April 2015.

### Pension arrangement

The members of the Management Board are offered participation of the pension plan of the industry wide pension fund (Pensioenfonds van de Metalektro) for the base salary up to the predetermined ceiling. For the base salary above the ceiling, the members of the Management Board are offered participation of a defined contribution plan, insured by Nationale Nederlanden. Due to the changes in Dutch pension legislation, the pension arrangement for members of the Management Board will change in 2015.

### Fringe benefits

Fringe benefits are covering compensation relative to use of a (company) car, a representation and expense allowance, social security premium and premium for health and disability insurance.

### Outstanding options

The following table shows the outstanding options to purchase ASM International NV common shares held by members of the Management Board. There were no changes in such holdings during 2014:

	YEAR OF GRANT	OUTSTANDING JANUARY 1, 2014	GRANTED IN 2014	EXERCISED IN 2014	OUTSTANDING DECEMBER 31, 2014	EXERCISE PRICE	END DATE
C.D. del Prado <sup>1)</sup>	2007	23,168	–	–	<b>23,168</b>	€16.51	May 23, 2015
C.D. del Prado <sup>1)</sup>	2008	147,416	–	–	<b>147,416</b>	€10.78	Mar 1, 2016
C.D. del Prado <sup>2)</sup>	2009	58,967	–	–	<b>58,967</b>	€12.79	Nov 30, 2017
C.D. del Prado <sup>3)</sup>	2011	88,450	–	–	<b>88,450</b>	€18.93	Dec 31, 2018
C.D. del Prado <sup>3)</sup>	2012	70,760	–	–	<b>70,760</b>	€22.93	Dec 31, 2019
C.D. del Prado <sup>3)</sup>	2013	75,000	–	–	<b>75,000</b>	€23.73	Dec 31, 2020
P.A.M. van Bommel <sup>2)</sup>	2010	29,483	–	–	<b>29,483</b>	€13.80	July 1, 2017
P.A.M. van Bommel <sup>3)</sup>	2011	62,504	–	–	<b>62,504</b>	€18.93	Dec 31, 2018
P.A.M. van Bommel <sup>3)</sup>	2012	47,173	–	–	<b>47,173</b>	€22.93	Dec 31, 2019
P.A.M. van Bommel <sup>3)</sup>	2013	53,000	–	–	<b>53,000</b>	€23.73	Dec 31, 2020
		<b>655,921</b>	<b>–</b>	<b>–</b>	<b>655,921</b>		

<sup>1)</sup> The vesting of these options was conditional. A percentage, not exceeding 150%, of the options which have been granted conditionally will become unconditional after three years, based on the total return of the Company's shares for the three years after the options are granted compared to the average total return of the shares of a relevant number of companies which are similar to the Company during the same three-year period. The options are granted for a term of eight years.

<sup>2)</sup> These options are granted for a term of eight years, and become exercisable after a three years vesting period.

<sup>3)</sup> These options are granted for a term of seven years and become exercisable after a three years vesting period.





The fair value per option of options granted to current members of the Management Board was €10.40 in 2012 and €10.22 in 2013.

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,		
	2012	2013	2014
<b>Supervisory Board</b>			
J.C. Lobbezoo	53	61	70
J.M.R. Danneels	50	50	50
H.W. Kreutzer	50	51	53
M.C.J. van Pernis	50	51	53
U.H.R. Schumacher	50	50	50
G.J. Kramer <sup>1)</sup>	68	25	–
	<b>321</b>	<b>288</b>	<b>276</b>

<sup>1)</sup> Mr Kramer resigned from the Supervisory Board on May 16, 2013.

The remuneration of members of the Supervisory Board has been determined by the General Meeting of Shareholders.

No stock options or performance shares have been granted to members of the Supervisory Board.

## NOTE 28. SHARE OWNERSHIP AND RELATED PARTY TRANSACTIONS

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

	DECEMBER 31, 2013		DECEMBER 31, 2014	
	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING
A.H. del Prado	9,204,284	14.50%	9,204,284	14.62%
C.D. del Prado (member of the Management Board)	132,945	0.21%	132,945	0.21%
Stichting Administratiekantoor ASMI	2,142,039	3.37%	2,142,039	3.40%

Stichting Administratiekantoor ASMI is a trust controlled by Mr A.H. del Prado. The number of shares owned by Stichting Administratiekantoor ASMI includes 713,000 common shares which are beneficially owned by Mr C.D. del Prado.

The Company has a related party relationship with its subsidiaries, equity accounted investees and members of the Supervisory Board and the Management Board. Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. For transactions with the Supervisory Board and the Management Board see note 27 Board Remuneration.

The Group has no significant transactions or outstanding balances with its equity-accounted investees other than its equity-interest holdings.



### **NOTE 29. SUBSEQUENT EVENTS**

Subsequent events were evaluated up to April 9, 2015, which is the issuance date of this Annual Report 2014. There are no subsequent events to report.

**ASM International**

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