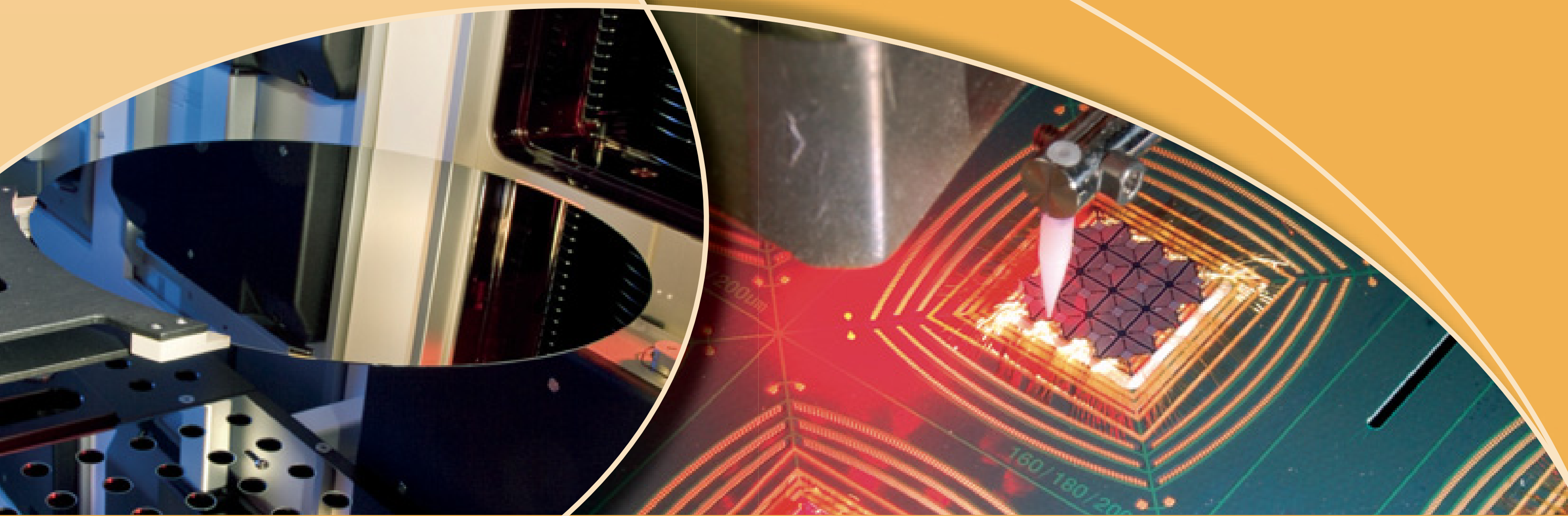
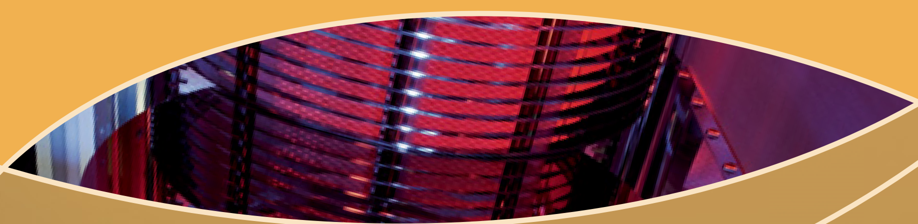
2007 Statutory Annual Report

The Process of Innovation℠





ASM International

2007 Statutory Annual Report

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ASM®

In the 40-year history of our Company, ASM International N.V. has witnessed the evolution of the semiconductor equipment industry, from two inch wafers of the late 1960's, to the 300mm wafers of today. Symbolic of these products is the silicon crystal… the basis of the ASM International logo.

Trademarks

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Safe Harbor Statement

In addition to historical information, this Annual Report contains statements relating to our future business and / or results, including, among others, statements regarding future revenue, sales, income, expenditures, sufficiency of cash generated from operations, maintenance of majority interest in ASM Pacific Technology Ltd., business strategy, product development, product acceptance, market penetration, market demand, return on investment in new products, facility completion dates and product shipment dates, and any other non-historical information in this Annual Report. These statements include certain projections and business trends, which are "forward-looking" within the meaning of the United States Private Securities Litigation Reform Act of 1995. You can identify these statements by the use of words like "may", "could", "should", "project", "believe", "anticipate", "expect", "plan", "estimate", "forecast", "potential", "intend", "continue" and variations of these words or comparable words. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. You should be aware that our actual results may differ materially from those contained in the forward-looking statements as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to, economic conditions and trends in the semiconductor industry and the duration of industry downturns, currency fluctuations, the timing of significant orders, market acceptance of new products, competitive factors, litigation involving intellectual property, shareholder and other issues, commercial and economic disruption due to natural disasters, terrorist activity, armed conflict or political instability, epidemics and other risks indicated in our Annual Report on Form 20-F for the year ended December 31, 2007 and other filings from time to time with the SEC. We assume no obligation nor intend to update or revise any forward-looking statements to reflect future developments or circumstances.

US GAAP Annual Report

The Consolidated Financial Statements included in this Statutory Annual Report are prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union. These accounting principles are different from accounting principles generally accepted in the United States of America ("US GAAP"), which are the accounting principles followed by ASM International N.V. as a listed company on NASDAQ Global Select Market in the United States of America. The 2007 Annual Report, prepared in accordance with US GAAP, is available free of charge by writing to our corporate offices, e-mail to *investor.relations@asm.com* or through our website *www.asm.com*. An explanation and a reconciliation of the differences between US GAAP and IFRS is included in Note 27 to the Consolidated Financial Statements.

	Year ended December 31,	
(millions, except per share data and full-time equivalents)	2006	2007
	EUR	EUR
Operations:		
Net sales:	876.0	955.2
Front-end	407.9	450.9
Back-end	468.1	504.3
Earnings from operations	122.5	162.2
Net earnings allocated to shareholders of the parent	36.0	65.7
Balance sheet:		
Net working capital (1)	226.0	271.5
Total assets	841.4	864.2
Net debt (2)	2.4	(0.5)
Backlog:	234.3	200.4
Front-end	155.5	99.2
Back-end	78.8	101.2
Number of staff:		
Full-time equivalents:	10,868	11,832
Front-end	1,860	1,834
Back-end	9,008	9,989
Per share data:		
Net earnings allocated to shareholders of the parent per share:		
Basic	0.67	1.22
Diluted	0.67	1.21
Weighted average number of shares used in computing per share amounts (in thousands):		
Basic	53,403	53,968
Diluted	53,575	60,960

(1) Net working capital includes accounts receivable, inventories, other current assets, accounts payable, accrued expenses, advance payments from customers and deferred revenue.
(2) Net debt includes long-term debt, convertible subordinated debt and notes payable to banks, less cash and cash equivalents.

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

Mission and Strategy

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

Our strategic objective is to realize profitable, sustainable growth by capitalizing on our technological innovations, manufacturing infrastructure and sales and support offices close to our global customers. This includes:

- Expanding returns on front-end operations while maintaining solid profitability for our back-end segment.

- Executing a vertical manufacturing model in front-end that follows the highly successful model of our back-end segment, by systematically increasing our operating efficiency, reducing manufacturing costs in our supply chain and locating significant parts of our manufacturing capability in more cost efficient countries.

- Maintaining our global reach through our operating, sales and customer service facilities in key parts of the world in order to establish and maintain long-term customer relationships.

- Leveraging our combined strong front-end and back-end technology leadership and manufacturing capabilities through advancements in our products and processes early in the technology lifecycle.

- Expanding the scope and depth of our research and development capabilities through strategic alliances with independent research institutes, universities, customers and suppliers, and expanding our intellectual property portfolio by filing patent applications for key developments in equipment, processes, materials and software, and by licensing programs for our technologies.

Wafer Processing

ASMI participates in three distinct front-end manufacturing processes: wafer manufacturing, transistor formation, and interconnect. By building upon our core strengths in Vertical Furnaces, Epitaxy, and PECVD technologies, as well as our newer platforms in atomic layer deposition and RTP, today we address all of the critical areas driving the semiconductor industry roadmap: silicon-on-insulator (SOI) and strained silicon, high-k gate stacks, shallow junctions and silicides, low-k and interconnect, leading the industry transition to smaller line-widths and better transistors.

Assembly and Packaging

ASM Pacific Technology Ltd. (“ASMPT”), our 53-percent owned back-end subsidiary, is the world's largest assembly and packaging equipment supplier for the semiconductor industry and is a leading supplier of stamped and etched leadframes. With headquarters in Hong Kong, and operations in the People's Republic of China, Singapore and Malaysia, ASMPT offers the most comprehensive leading edge portfolio for all of the major process steps in back-end, from die attach through encapsulation. In addition to the semiconductor industry, ASMPT's geographic and technologically diversified customer base encompasses the photonic and optoelectronics industries.

Global Operations

With corporate headquarters in Bilthoven, the Netherlands, ASMI operates manufacturing facilities in the Netherlands, the United States, Japan, Hong Kong, the People's Republic of China, Singapore, Malaysia, with design, research and development centers in Europe, North America, and Asia, and our sales and service operations spanning 18 countries across the globe. Our workforce totals more than 11,000 worldwide. ASMI trades on the NASDAQ stock market under the symbol “ASMI”, and on Euronext Amsterdam under the symbol “ASM”. ASMPT trades on the Hong Kong Stock Exchanges under the code 0522.

ASMI Achievements 2007

- Our front-end wafer processing operations met our target of net profitability for the year, excluding the expense resulting from early extinguishment of convertible debt.

- Our back-end business hit record revenues and earnings as measured in the local currency, and expanded its leadership position in assembly and packaging industry segment.

- We expanded and diversified our customer base. In front-end we increased our penetration of the memory market in Taiwan and Korea. In back-end we further solidified its market share with semiconductor customers while continuing to broaden the field of product applications beyond its traditional market.

- Both front-end and back-end introduced new products and processes based on proven core concepts that provide innovative solutions as the industry moves to smaller more powerful device architectures. In front-end, the Eagle XP became a standard very high productivity platform that is extendable for use within multiple front-end business units. In back-end, new die and wire bonder models including a chip-on-glass die bonder for LCD application extend our technology leadership in the assembly market.

- We moved forward with our program for vertically-integrated manufacturing in our front-end operations, following the immensely successful business model of back-end. The transfer of generic parts and subsystems production remained on target with both our vertical furnace and epitaxial lines firmly established at our FEMS (Front End Manufacturing Singapore) operation.

- We lead the industry in the adoption of atomic layer deposition, a breakthrough technology for device dimensions of 45nm and below technology nodes. ASMI entered into high volume production of its systems for the production of hafnium-based high-k dielectrics with ALD for 45nm and below.

- We enlarged our intellectual property (IP) licensing program, leveraging our advanced technologies beyond our addressable markets, through an agreement with Hitachi Kokusai Electric Inc. for specific usage of our atomic layer deposition patents.

- Back-end's strong results reflect the exceptionally smooth transition by the new back-end Management team in its first full year at the helm. We announced the front-end Management succession that will assume leadership in 2008. In both sectors, Management is committed to preserving the Company's core values.

- We exercised our option to increase shareholder value by using dividends from back-end to buy back convertible debt, repurchase common shares, and pay a cash dividend. In the process, we strengthened the Company's balance sheet.

2007: The year of the transistor

For its 60th birthday, the TRANSISTOR - that remarkable tiny device, the basic building block of digital electronics - was given a monumental make-over. The ability to shrink the transistor has reached an impasse using traditional silicon materials. The powerful changes implemented last year in the transistor's basic design will now allow the minute switches to drive an even smaller, faster and more powerful future generations of chips.

In every product that houses electronics -- from toasters, cell phones and cameras to computers and automobiles -- transistors play an important role in every segment of the global economy and virtually all aspects of our day-to-day lives. It's hard to image life without them.

So what has happened to this mighty 1947 invention that replaced vacuum tubes in a myriad of electronic applications. Over the decades, the push toward miniaturized components with increased capabilities was achieved by scaling down the size of the transistors and other device elements that form integrated circuits. But at today's cutting edge sizes, there is excessive power loss through the conventional silicon insulators that are too leaky, and in conductors that are too resistive. In short, conventional insulators and conductors have become too thin to work properly.

ASMI offers an industry solution that meets this challenge with atomic layer deposition and a hafnium-based high-k dielectric material. These solutions not only solve present challenges -- they are a key, for at least the next three generations, to the continuation of Moore's Law that postulates the number of transistors per chip doubles approximately every two years.

In order to increase the speed of a device today, that is, reduce the distance an electronic signal travels, the industry must manufacture integrated circuits composed of billions of transistors with gates, or switches, measuring only 45 nanometers or less in length that are controlled through a field in a gate insulator that is only a few atoms thick. Using ASMI's Pulsar reactor for ALCVD, we are able to deposit a hafnium oxide insulator and a capping layer of very thin lanthanum oxide.

In 2007, ASMI's success with its partners in taking these technologies into mass production not only confirmed the feasibility of this breakthrough, it also changed the dynamics of the transistor roadmap. And, according to Moore, "the implementation of high-k and metal materials marks the biggest change in transistor technology since the introduction of polysilicon gate MOS transistors in the late 1960s."

What does this mean for the consumer? For one thing, it means more data can be downloaded, stored and processed on mobile devices at faster speeds, yet at reduced power consumption that translates into longer battery life. It means also that wireless connectivity can explore areas well beyond traditional communications. All of this from the tiny transistor that keeps surprising us -- and enriching our lives.

In 2007, ASMI delivered on our strategic objectives for the year and for the longer-term. Beyond our primary focus to restore net profitability to front-end wafer processing operations, we also continued a disciplined execution of our long-term strategies and commitments to all stakeholders.

Front-end remained profitable throughout the year, despite the industry retrenchment as semiconductor manufacturers absorbed recent equipment purchases while very cautiously committing to additional capacity. Our industry-leading back-end operations once again posted record revenues and earnings, driven by broad-based demand for its assembly and packaging solutions from diverse customers in multiple market segments. At the corporate level, we initiated our first cash dividend to ASMI shareholders as part of our flexible program to employ the dividends received from back-end to increase shareholder value.

Of course, none of these recent accomplishments would have been possible without a steadfast commitment and investment in ASMI's long-term vision: to build a unique technologically-innovative, global enterprise that serves both the wafer processing and assembly and packaging segments of the semiconductor industry. The advantages of ASMI's comprehensive corporate strategy are clearly visible in the progress demonstrated in 2007.

2007 Operating Results

Over the past few years, we have improved significantly the financial profile of our front-end operations. We have turned the front-end bottom line, from a loss of € 87.4 million for 2005, to net earnings of € 12.9 million for 2007 (excluding the expense resulting from early extinguishment of convertible debt). We achieved this by: 1) streamlining our product line and consolidating system platforms, 2) bringing new product lines to maturity, 3) extending our intellectual property licensing program, 4) intensifying our sales efforts in prime Asian markets, and 5) transferring generic parts and subsystem manufacturing from outsourcing to in-house production in Asia. We further strengthened our balance sheet in 2007 with the buy-back of over $ 35 million in convertible securities.

We are proud of the record performance of our back-end operations, which once again outperformed its competitors in the global assembly and packaging market. The foundation of ASMPT's success is its unique business model: a vertically-integrated manufacturing base established in low-cost manufacturing centers in China and Southeast Asia, which produce multiple product lines that serve diverse applications markets. From this solid base, we have built a thriving leading-edge company over the years that is resilient to industry cycles - evident in the Company's outstanding financials and consistent annual returns to shareholders.

The Process of Innovation

Smaller, faster, cheaper has been the refrain of the electronics industry since the first microprocessors and personal computers were commercially introduced some four decades ago. Today in nearly every consumer market - from communications, entertainment, and transportation, to education and healthcare - there is a growing demand for electronic devices that combine high functionality and performance. The semiconductor industry is meeting these challenges with innovative technologies that are changing the face of the transistor as well as device interconnects and packaging.

If you have followed ASMI over the years, you will know that our company has a long history of innovation and of contributing leading-edge solutions to meet these challenges through the successive technology migrations.

ASMI's foremost strengths in front-end are in its process technologies - Epitaxy, LPCVD, thermal processes, PECVD, and now ALCVD - that address the $ 9.2 billion deposition market with single wafer and batch capabilities. We are committed to expanding our lead in advanced technologies, focusing on high-growth markets such as ALCVD, strain engineering, low-k, and high-k. We believe our product pipeline has never been stronger as our customers begin the transition to the 45 nm node and beyond.

ASMI is a recognized leader in establishing strained silicon and low-k as production technologies. In fact, five years ago, we created a new market for our epitaxial tool with strain engineering - a technology that improves chip speed by stretching the distance between silicon atoms in transistors. Our low-k dielectric film led the adoption of low-k in high volume manufacturing at 90 nanometers and successive generations.

In 2007, we also achieved a historic industry breakthrough when our Pulsar ALCVD process was released for use in high volume and pilot production for 45 nm high-k applications using hafnium-based process technologies. Using our patented atomic layer deposition technology that deposits materials on chips atom by atom, and our most advanced epitaxial reactors for strained silicon materials, we and our industry partners were credited with solving the insulating and conducting challenges for the most advanced generation of transistors. This achievement was acclaimed by the industry as the most important development in the transistor's design in forty years.

Our high-k and hafnium advanced materials improve device performance by controlling the movement of current through the transistor, thus minimizing power leakage - by as much as 10,000 times when compared to traditional silicon-based dielectrics. ASMI is proud to be at the forefront of this paradigm shift in transistor technology - and the fact that we earned this position through nearly a decade of pioneering research in ALD.

Smaller dimensions and new materials in front-end designs continue to drive new solutions in back-end. This is particularly true in finer line-width packages for high-performance integrated circuits. At this level, IC packaging becomes an enabling technology for the myriad of new miniature, feature-rich consumer products.

Addressing the $ 4.1 billion assembly and packaging market, our back-end operations offer the most comprehensive state-of-the-art product line in its industry - from die attach, to testing and finishing the device. This highly fragmented market affords a substantial growth opportunity for our back-end operations, which today is the industry leader with an approximately 20 percent market share. Our current back-end strategy is to complement existing product lines with new models in adjacent product arenas, and to create totally new products for untapped market spaces.

As with front-end, back-end is an innovator in its segment. For example, the IDEALine, introduced more than a decade ago, was the first modular, in-line, factory-automation solution. When the Twin Eagle was introduced two years ago, it was the first dual-head gold wire bonder, and is still unique in the industry. In 2007, back-end introduced the first gold wire bonder with 30-micron pad pitch capability that increases the customer productivity ratios for next generation devices. Back-end also enhanced its number one position in die bonders this year, introducing a multi-chip module, and a chip-on-glass tool for the expanding LCD market.

Process Platform Development

In 2007, we continued to refine our equipment platforms, bringing added value to our customers and to ASMI.

In Vertical Furnaces, a core technology long-considered the workhorse of our industry, we have tripled the process and application steps in the past few years, which helped make the A412 dual chamber system one of our top revenue drivers. Today, in our Vertical Furnace line for the memory market, we also offer new chemistries, including ALCVD chemistry and high-k capacitor dielectrics to DRAM manufacturers.

We also continued to streamline production in the year by further consolidating several front-end platforms and introduced our high-productivity Eagle XP PECVD system, an extension of the Eagle 12 platform. Utilizing the same proven reactor concepts, the Eagle XP will be the preferred platform for all PECVD applications, together with the Dragon, from conventional processes to our Aurora low-k and NCP - Nano Carbon Polymer - for advanced patterning applications.

Offering batch and single wafer processing platforms is another important feature of our platform program. This strategic capability increases the versatility and cost-effectiveness of our product line in serving our customers from R&D, to high volume production, as the industry moves toward ever more challenging applications.

In back-end, the pursuit of both differentiated products and low-cost strategies has resulted in a broad international customer base. This concept has enabled ASMPT to penetrate new and emerging markets in recent years, and in 2007 we made major progress in key areas, including CMOS image sensors where ASMI is a major player, micro-SD memory cards, power LED, RFID, chip-on-glass, and package-on-package where we are recognized as a market leader in POP molding technology.

As part of this concept, leadframes, which are the largest portion of the integrated circuit package substrate market, represent approximately 20 percent of total back-end revenues. As the only packaging company that manufactures the leadframes that it processes, ASMI can offer customers an integrated equipment and materials solution engineered by one supplier. Back-end operations have benefited from strategic investments made in new plants in China and Malaysia over the past few years that brought us closer to our customers, increased our cost competitiveness, and allowed us to satisfy larger customer requirements in this consumables market.

Leveraging Existing Technology

ASMI's reputation as an Intellectual Property powerhouse is the result of many years of calculated investments in research and development. In the past decade alone, ASMI invested over € 700 million in R&D, and currently maintains an active portfolio of 1,049 patents worldwide that cover both front-end and back-end technologies.

Two years ago, ASMI initiated an IP licensing policy to both enhance the return on our technology investments, and accelerate industry adoption of new enabling technology. In 2007, we entered into a licensing agreement with Hitachi Kokusai for atomic layer deposition technology. Under this agreement, ASMI grants the use of our ALD patents in the field of batch ALD to another supplier of cost-effective ALD processing capabilities.

Market Opportunities

To maintain our competitive edge, ASMI has focused on the fastest growing markets - by application, technology, and geography. Historically, ASMI has been a key supplier to the world's logic device manufacturers. Today, using the same equipment architecture designed for the logic applications, we are penetrating the memory market with significant customer wins in Taiwan and Korea. In 2007, we quantified those share gains with multiple orders for our Vertical Furnace in high volume manufacturing at major Asian memory customers. We see tremendous opportunity for growth by diversifying our customer base in this expanding market segment, while continuing to serve the logic market with innovative process solutions.

Our recent success in memory also reflects the strength of our Asian sales and marketing organization. With its strong manufacturing and sales presence in Mainland China, back-end was instrumental in revitalizing these critical front-end operations in recent years. We believe these two operations together will be an extremely competitive force as we pursue China's burgeoning market for wafer processing opportunities.

For more than thirty years, our back-end operations have built their business in Asia, at the same time playing an important role in the development of a local semiconductor assembly industry. Today, China is back-end's largest market, comprising about one-third of 2007 sales. In the hub of consumer electronics and manufacturing that Asia is today, back-end continues to create new market opportunities, adapting its wealth of technologies to serve a wide range of applications while maintaining its focus on the semiconductor industry.

We also see increasing opportunities for front-end and back-end to work together as the industry trends toward three-dimensional technology that requires a convergence of wafer processing and assembly and packaging processes. 3-D integration, where chips can interact with each other, and heterogeneous layers of functionality, such as any combination of logic and memory incorporated in one device, will bring fundamental changes to our industry. ASMI is uniquely qualified to bring back-end processes, such as die bonding, into a front-end clean room environment to create the third dimension in chip design. Additionally, our back-end core competencies in precise die placement address one of the most difficult aspects of 3-D, that is accuracy in overlay for the tiny through silicon vias.

Asian-Centric Manufacturing Initiative

Four years ago, ASMI decided to strategically increase its front-end manufacturing capability in Asia in a program to lower manufacturing costs, reduce currency exposure, and increase operational flexibility. As one of the first non-Asian companies to locate a major wafer processing equipment manufacturing facility in Asia, we knew that while this was a major undertaking, we had an outstanding blueprint in-house to guide our initiative. The fundamentals of our highly-profitable back-end operations and their management expertise would be applied to our core wafer processing operations, and in 2004 we established our own vertically-integrated complex in Singapore, under an initiative known as FEMS (Front-end Manufacturing in Singapore).

While maintaining development centers near our customers in Europe, the United States, and Japan, we continue to consolidate front-end generic parts and subsystem manufacturing at FEMS. Based on the success of back-end's model, we believe a low-cost vertically-integrated manufacturing capability in-house better enables us to respond to customer needs while eliminating the variable costs of outsourcing. Furthermore, having proprietary production facilities in Asia increases the overall efficiency between our global development and business centers.

Thanks to support from our back-end operations, we were able to move quickly with all aspects of this program, including the construction of a strong supply chain, that enabled us to realize margin improvement for vertical furnace subsystems and parts manufacture in 2007. The total impact of FEMS on the front-end gross margin for the full year was approximately 3.5%, when compared to the base year 2005.

In truth, we are only at the beginning of realizing the full potential of manufacturing efficiencies with the assistance of back-end. Today, most of the original back-end team remains part of the FEMS staff.

We see further opportunities for securing long-term margin structure at front-end as we transfer the remaining product line generic subassemblies to FEMS. Having completed the transfer of generic subassemblies for the vertical furnace from Europe, and epitaxial reactor product lines from the United States, we are now beginning the transfer of generic subassemblies of our PECVD line, currently manufactured in Japan.

Of equal importance going forward are initiatives for tapping back-end's extensive resources in product manufacturing design. Our back-end operations have a remarkable history of inserting higher performance and lower cost of manufacturing into each new generation of products. In back-end's vertically-integrated model, methods that go deeply into the manufacturing process itself are employed throughout the organization. By integrating these techniques into front-end manufacturing, we can achieve additional cost-savings at all stages of the production cycle.

Focus on Shareholder Value

ASMI's is committed to realigning the cost structure of our front-end operations to increase shareholder value, and as our operating results over the past two years demonstrate, we are making good progress. In 2000, ASMI decided to strategically utilize the monies received from back-end operations to support the rebuilding of our front-end product line that had been constrained by the settlement of litigation in the late 1990s. This timeframe coincided with the industry transition to the 300mm wafer size generation which required a complete redesign of our front-end portfolio. In the technology field, where it can take up to a decade to bring a new product to market, such rebuilding presented us with an enormous task, but one that is now successfully completed. After rebuilding our front-end product line from 2000 to 2005, to address the transition to 300mm wafer size, and technology nodes of 60nm, to 45nm and below, we have one of the most competitive product lines in the industry. Today, after very challenging years, we are pleased that once again we are generating profitable growth in front-end.

Back-end's strong balance sheet - the result of thirty years of consistent profits and a conservative fiscal policy - enables it to annually return excess cash to shareholders. In 2007, we applied € 49 million in monies received from back-end to increase shareholder value.

Based on the positive momentum in our front-end business, we instituted our corporate flexible dividend position for the utilization of such dividends in line with the plan we announced in 2006. At that time, we determined to use the money received, at least for 2007 through 2009, for one or more of the following:

- reduction in our outstanding convertible debt,
- repurchase of ASMI shares,
- payment of cash dividends to our common shareholders,
- purchase of ASM Pacific Technology shares to maintain our ownership at the November 2006 level.

In 2007, we bought back $ 20.8 million of our 51/4% convertible notes due 2010 and $ 14.6 million of the 41/4% convertible notes due 2011, and purchased treasury shares of € 8.2 million. With these convertible buybacks and direct common share repurchases, we ensured that potential dilution went down approximately 2.7 million common shares. We also paid our first-ever cash dividend to shareholders in the amount of € 0.10 per share.

A Global leadership Team

This past year we formalized important steps to assure that a strong, dedicated management team is in place for the coming years. In May 2007, the Supervisory Board appointed Chuck del Prado as the next Chief Executive Officer of ASM International, upon my retirement in March 2008. Chuck brings solid judgment based upon many years experience in both technology and management to the position. He has worked in the electronics industry for other major companies and ASMI for 20 years, and has done an outstanding job as President and General Manager of ASM America in recent years.

Han Westendorp, Chief Operating Officer for Front-end Operations and a Member of the Management Board, has assumed the position of Vice-President Front-end Products. In this capacity, Han will be responsible for the coordination and execution of product roadmaps, and the prioritization of global research and development efforts to ensure ASMI is positioned at the leading edge of technology, today and in the future.

In back-end, our new management embodies the teamwork and hands-on corporate culture established by its co-founder and former CEO, Patrick Lam. With Peter Lo, Vice Chairman of the Board, W.K. Lee, Chief Executive Officer, and James Chow, Chief Operating Officer, we have three seasoned managers and engineers who each have more than 20 years of extraordinary service with ASMPT. This is a cohesive team that has literally grown with the Company, and their seamless transition in directing back-end operations over the past year is evidenced by the group's outstanding 2007 results.

We are fortunate at ASMI to have a very dedicated and driven team throughout the organization. The talents and commitment of each of our more than 12,000 employees around the globe are the backbone of the ASMI group. We thank them for their continued dedication and effort.

Moving Forward

In addition to meeting our targets for front-end net earnings in 2007, we made considerable progress toward sustained front-end success. We believe this achievement serves as confirmation that we are pursuing the best strategies in a highly competitive and cyclical industry that demands constant technological advances. Now that we have gained momentum, our task is to focus on accelerating that pace.

With our highly competitive product portfolio and refined cost structure, we are well-positioned to deliver on our commitments. And, with our front-end and back-end competencies, we are uniquely prepared to capture the most valuable opportunities our industry and markets offer in the years ahead.

With this, my final report to you as chief executive officer of ASM International until March 1, 2008, I look back on my tenure here as an exceptional journey with a company whose development has also paralleled the history of the microprocessor through seven wafer size generations to 300mm and 15 technology nodes to 45 nm today. ASMI was founded at a time when the independent semiconductor equipment industry began to emerge in the late 1960s, just prior to the invention of the first microprocessor at Intel, and years before the first personal computers were on the market. Today, digital electronics have penetrated virtually every aspect of our daily lives. ASMI is pleased to have played such an integral part of this important industry.

My personal thanks go out to those of you who have been part of ASMI's distinguished history. At the top of that list is Patrick Lam, who founded our back-end operations with me. His contributions are well documented in the performance of back-end over the past thirty years. However, as is the case with the growth and development of the semiconductor industry, no one person can be credited for our successes. This has been a group effort, and will continue to be going forward. As dynamic as the past four decades have been in our industry, the future promises to be most fruitful for ASM International. I am confident that this Company has a solid, well-established base for future growth, and is in very good hands for the next generations.

Arthur H. del Prado
President and Chief Executive Officer until March 1, 2008

Bilthoven, the Netherlands
April 28, 2008

Financial Statements

We herewith present to you the 2007 Statutory Annual Report, including the Annual Accounts as prepared by the Management Board and reviewed by the Supervisory Board. Deloitte Accountants B.V., ("Deloitte Accountants"), our independent auditors, have audited these Annual Accounts and issued an unqualified opinion. Their report appears on page 98 of the 2007 Statutory Annual Report. We recommend that the General Meeting of Shareholders approves the Annual Accounts and discharges the members of the Management Board for their management as well as the members of the Supervisory Board for their supervision during the financial year 2007.

Supervision

Supervision of the Management Board, its policy decisions and actions is entrusted to the Supervisory Board. In accordance with Dutch law, the Supervisory Board is a separate body, independent of the Management Board.

Meetings of the Supervisory Board

During 2007, the Supervisory Board met with the Management Board on seven occasions. In these meetings, the Boards discussed operations, business risks, product and market developments, the Company's organization, management, and financial structure and performance, and initiatives from shareholders. In addition, developments in corporate governance and reporting requirements, particularly those required by section 404 of the Sarbanes-Oxley Act were discussed, as well as the composition of the Supervisory Board and the Management Board, and other strategic and operational issues.

In the absence of the Management Board, the Supervisory Board discussed the functioning of the Supervisory Board and its individual members, the relationship between the Supervisory Board and the Management Board, the composition of the Management Board, its performance, and the performance of its individual members.

Corporate Governance

Among the responsibilities of the Supervisory Board one is to oversee the Company's compliance with corporate governance standards and best practices in the United States and the Netherlands. The Supervisory Board believes that the Company complies with the Sarbanes-Oxley Act and several corporate governance requirements and best practices set out by NASDAQ, the U.S. Securities and Exchange Commission (SEC), and the Dutch Corporate Governance Code, apart from those discussed in the Corporate Governance section which follows this report.

Supervisory Board Composition

During the year under review there were no changes in the composition of the Supervisory Board.

Management Board Composition

On May 22, 2007, the Board announced the appointment of Chuck del Prado as Chief Executive Officer of ASMI, effective March 1, 2008. Chuck del Prado has served in the semiconductor and equipment industries for more than 20 years, having been with the Company since 2001, most recently as President and General Manager of ASM America.

Chuck del Prado succeeds Arthur del Prado, the founder of ASMI, who served as President and CEO since the Company was incorporated in Bilthoven, the Netherlands, in 1968.

Upon his retirement, Arthur del Prado will serve as advisor to the Supervisory Board on strategy and industry issues. The Supervisory Board will nominate him at the Meeting of Shareholders in May 2008 to be appointed Honorary Chairman.

The Board wishes to thank Arthur del Prado for his exemplary leadership that has guided the growth of ASM International to become the leading global supplier it is today - one that remains unique in the industry as a provider of leading-edge technologies for both the semiconductor wafer processing and assembly and packaging equipment sectors.

We would also like to acknowledge his extensive contributions, as both entrepreneur and visionary, to the semiconductor equipment industry as a whole, and the European marketplace in particular, over the past four decades. We are especially grateful that Arthur will continue to lend his counsel to the Company, drawing upon the breadth of his experience and knowledge of the semiconductor equipment industry.

Supervisory Board Committees

Audit Committee
The role of the Audit Committee is described in its charter, which is available on the Company's website, www.asm.com. The Audit Committee currently consists of Mr. van den Boom (Chairman), Mr. Brix, and Mr. Kreutzer.

During the year, the Supervisory Board Audit Committee held five meetings with the Management Board and Deloitte Accountants, the Company's independent auditors. Audit Committee discussions included: the Company's internal risk management systems; progress in testing operating effectiveness of internal controls required by Section 404 of the Sarbanes-Oxley Act; the Company's financing program; the application of accounting principles; the establishment of an internal audit function; the appointment of Deloitte Accountants; the audit performed, and its findings; the Annual Report and Annual Accounts; and the quarterly progress reports prepared by the Management Board.

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

Nomination, Selection and Remuneration Committee
The role of the Nomination, Selection and Remuneration Committee is described in its charter, which is available on the Company's website, www.asm.com. In general, the Committee advises the Supervisory Board on matters relating to the selection and nomination of new Management Board members, as well as the remuneration of the members of the Management Board. This Committee consists of Mr. van Amerongen (Chairman), Mr. Danneels, and Mr. van den Hoek.

In 2007, the Nomination, Selection and Remuneration Committee held one meeting. During this meeting, the Chief Executive Officer was present, except on the occasion when his own remuneration was discussed. For practical reasons most of the Committee's work was done by e-mail or telephone.

The Nomination, Selection and Remuneration Committee also reports to the Supervisory Board on an annual basis regarding the application of the Remuneration Policy in the previous year, and the Remuneration Policy for upcoming years. A special committee of the Supervisory Board was formed to work with an external advisor on the composition of the Board and to interview possible candidates.

The remuneration of the members of the Management Board is disclosed in Note 25 "Board Remuneration" to the Consolidated Financial Statements 2007. The remuneration of the members of the Management Board during 2007 is fully in accordance with the Remuneration Policy. The Remuneration Policy for the Management Board has been submitted to, and adopted by, the 2005 Annual General Meeting of Shareholders.

Word of Thanks

The financial and strategic milestones that the Company has achieved in 2007 would not have been possible without the cumulative skills and accomplishments of our dedicated staff. From production and design, to engineering and administrative support, to sales and service -- their focus and commitment to both our Company and our global customer base is our most valuable resource. Once again, we extend our gratitude to each of our employees worldwide for another year of extraordinary service.

Supervisory Board

P.C. van den Hoek, Chairman
E.A. van Amerongen
L.P.E.M. van den Boom
B.C. Brix
J.M.R. Danneels
H.W. Kreutzer

Bilthoven, the Netherlands
April 28, 2008

General

As we are listed on the NASDAQ Global Select Market ("NASDAQ") as well as on Euronext Amsterdam, we are required to comply with the Sarbanes-Oxley Act and several corporate governance requirements and best practices set out by NASDAQ, the U.S. Securities and Exchange Commission ("SEC") and the Dutch Corporate Governance Code.

At ASMI, we are committed to upholding high standards in corporate governance and ethics practices. We believe our numerous internal policies and procedures provide structure for the operation of ASMI that is consistent with the best interests of our shareholders and customers as well as the requirements of the law. We endeavor to ensure that our policies and procedures comply with both U.S. and Dutch corporate governance requirements, to the extent possible and desirable. In this report, we discuss our corporate governance structure in accordance with the Dutch Corporate Governance Code.

We will discuss any material changes in our corporate governance structure in our Annual General Meeting of Shareholders. Corporate governance related documents are available on our website, including the Supervisory Board Profile, Supervisory Board Rules, Management Board Rules, the Audit Committee Charter, the Nomination, Selection and Remuneration Committee Charter, the Code of Ethics, the Whistleblower Policy, the Anti-Fraud Policy, the Rules concerning Insider Trading, and the Remuneration Policy.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code contains principles and best practices for Dutch companies with listed shares and requires companies to either comply with these best practice provisions or to explain why they deviate from the Dutch Corporate Governance Code. Our corporate governance policies with respect to the implementation of the Code were discussed with our shareholders in our 2005 and 2006 Annual General Meetings of Shareholders, including those best practice provisions that we did not comply with. We currently comply with the principles and best practice provisions of the Dutch Corporate Governance Code, except for the following:

Rule II.2.6 - Reporting of trading in Dutch listed companies

The members of our Supervisory Board and Management Board are aware of the limitations under Dutch and U.S. law that apply to trading in listed securities when one is in the possession of material non-public information. We believe that additional quarterly internal reporting by these persons of all trading in securities of all Dutch listed companies would be a significant additional administrative burden without eliminating effectively the possibility of misuse. Our Rules concerning Insider Trading as well as our Supervisory Board Rules and Management Board Rules are explicit on this topic to reflect the spirit of this requirement, but we do not intend to start a formal additional quarterly reporting system.

Rule II.2.7 - Maximum severance for Management Board members

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

Rule III.3.5 - Supervisory Board terms

As ASMI wanted to continue to benefit from the valuable expertise and experience of Mr. P.C. van den Hoek and provide continuity within the Supervisory Board, it was proposed in 2005 to reappoint him to the Supervisory Board for another 4 year term, despite the fact that he has been member of the Supervisory Board since 1981. Our current Articles of Association, as approved by our shareholders at the extraordinary meeting of shareholders of November 27, 2006, now prescribe a maximum term of 12 years in accordance with the Dutch Corporate Governance Code.

Rule IV.1 - Dismissal of Management Board and Supervisory Board members

Dismissal of a Member of the Management Board or 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 at a General Meeting of Shareholders, which affirmative votes represent more than half our issued capital. We are of the opinion that at least 50% of the issued capital plus one vote should decide on dismissal of a member of the Management Board or the Supervisory Board at a relatively modest sized company as ASMI. Following the approval of our shareholders in November 2006, we have amended our Articles of Association to reflect this procedure.

Management Board

Responsibilities

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

- achieving the aims, strategy and policy and results of the Company;
- managing the risks associated with the activities of the Company;
- ensuring proper financing of the Company; and
- establishing and maintaining disclosure controls and procedures which ensure that all major financial information is known to the Management Board, so that the timeliness, completeness and accuracy of the external financial reporting are achieved.

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

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

The Management Board shall ensure that the Company has an adequate functioning Internal Risk Management and Control Framework. The Management Board shall periodically discuss with the Supervisory Board and the Audit Committee the internal risk management and control systems, including any significant changes that have been made and any major improvements that are planned.

The Management Board shall timely provide to the Supervisory Board all information that they reasonably require for the fulfilment of their obligations and the exercise of their powers.

The Management Board shall timely provide to the General Meeting of Shareholders all information that they reasonably require for the fulfilment of their obligations and the exercise of their powers, unless this would be contrary to an overriding interest of the Company. If the Management Board invokes an overriding interest, it must give reasons.

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

Conflicts of interest

Each Management Board member shall immediately report any potential conflict of interest to the Chairman of the Supervisory Board and to the other Management Board members. A Management Board member shall in such case provide the Chairman of the Supervisory Board and the other Management Board members with all information relevant to the conflict and the procedures as set out in the Management Board Rules will be followed.

Appointment, suspension and dismissal

The Supervisory Board nominates candidates for each vacant seat on the Management Board and new members are appointed by the General Meeting of Shareholders. 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, which affirmative votes represent more than half 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 more than half our issued capital.

Remuneration

The remuneration of individual members of the Management Board is decided upon by the Supervisory Board on the recommendations by the Nomination, Selection and Remuneration Committee of the Supervisory Board and is based on the Company's Remuneration Policy. Our Remuneration Policy was last adopted by the General Meeting of Shareholders in 2005. The remuneration structure includes five elements: base salary, annual incentive (bonus), long term incentive (stock options), pension and other arrangements. The remuneration structure mirrors short-term and long-term elements of the responsibilities of members of the Management Board.

ASMI has adopted a stock option plan, which has been submitted to and adopted by the General Meeting of Shareholders at the 2001 Annual General Meeting of Shareholders. This plan has been extended for a five year period ending 2011, at the 2006 Annual General Meeting of Shareholders.

For further information regarding the remuneration of the Management Board, reference is made to the Remuneration Policy, the Remuneration Report 2007, the Report of the Supervisory Board 2007, which is included in our Statutory Annual Report 2007, and to Note 25 “Board Remuneration” to the Consolidated Financial Statements 2007.

Internal Risk Management and Control Framework

The Management Board is responsible for designing, implementing and operating an adequate functioning Internal Risk Management and Control Framework in the Company. The objective of this Framework is to identify and manage the strategic, operational, financial, financial reporting, and compliance risks to which the Company is exposed, to promote effectiveness and efficiency of the Company's operations, to promote reliable financial reporting and to promote compliance with laws and regulations. The Management Board is aware that such Framework can neither provide absolute assurance that its objectives will be achieved, nor can it entirely prevent material errors, losses, fraud and the violation of laws and regulations.

For an overview of our risk factors, see the Management Report in our Statutory Annual Report 2007.

Our Internal Risk Management and Control Framework is based on the framework in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The COSO framework aims to provide reasonable assurance regarding effectiveness and efficiency of an entity's operations, reliability of financial reporting, prevention of fraud and compliance with laws and regulations.

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

Responsibilities

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

Authorization matrix

Management of risks is supported by a matrix of authorization limits for management of our subsidiaries with respect to expenditures and commitments.

Planning and control cycle

The planning and control cycle starts with an annual business plan and budget approved by the Management Board and the Supervisory Board. Business plan and budget include clear objectives and performance indicators, which provide the basis for monitoring performance compared to business plan and budget. Business plan and budget are followed up by quarterly forecasts. The Management Board monitors performance, both operational and financial, on a monthly basis, which includes discussion with management of the operating units. In addition, performance and action plans are discussed in regular operational reviews at the operating units.

Each quarter the actual performance of our operating units compared to budgets and long term strategic plans are discussed with the Audit Committee and the Supervisory Board. In these meetings progress on specific programs as cost reduction and working capital management are also discussed.

Code of Ethics, Whistleblower Policy, Anti-Fraud Policy

Our Code of Ethics is applicable to all of our employees, including the members of our Management Board (which includes the CEO and CFO) and controllers. It is designed to promote honest and ethical conduct and timely and accurate disclosure in our periodic financial reports.

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

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

Environment, Health and Safety Procedures

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

Disclosure Controls and Procedures

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

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

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures and recommendation by the Disclosure Committee, concluded that as of December 31, 2007 our disclosure controls and procedures were effective.

Policies and procedures

We have implemented financial policies and procedures, including accounting policies and a standard chart of accounts, information technology policies and procedures and non-financial policies and procedures to ensure control by the Management Board over the Company's operations. Managing directors and finance directors of our main subsidiaries annually sign a detailed letter of representation to confirm compliance with financial reporting, internal controls and ethical principles.

Risk Management and Internal Controls

We have embedded the Internal Risk Management and Control Framework ("Framework") in the Company in order to comply with Section 404 of the Sarbanes-Oxley Act of 2002 ("SOX 404"). Within the Framework, we continue to enhance our identification and assessment of our strategic, operational, financial, financial reporting, and compliance risks, and continue to expand our risk management policies. We have documented our internal controls both on the transaction level and the entity level and continuously assess such internal controls. We identified key controls over financial reporting and embedded these in common business and financial reporting processes to provide further assurance regarding the reliability of our financial reporting.

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

The Management Board conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) based on the Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this evaluation of the effectiveness of the Company’s internal control over financial reporting in accordance with the requirements of SOX 404, we concluded that as of December 31, 2007, the Company’s internal control over financial reporting was effective and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. There were no changes to the Company’s internal control over financial reporting that occurred during 2007 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

In view of all of the above, the Management Board believes that it is in compliance with the requirements of rule II.1.4 of the Dutch Corporate Governance Code, taking into account the recommendations of the Corporate Governance Code Monitoring Committee in its reports on the application thereof. With respect to financial reporting, the Corporate Governance Code Monitoring Committee has stated that it considers application in full of SOX 404 to meet the Dutch requirements in respect of the internal control objective and financial reporting.

Identification and Assessment of Risks

We are in the process of an overall risk identification and assessment. We have spent time and effort on it in 2007, though it has not been finalized yet. For an initial understanding of our business, we below give an indication of some of the risks we face. It does not constitute a complete list of all strategic, operational and financial risks to which we are exposed, nor does it purport to give an order of priority. For an overview of our risk factors, see the Management Report in our Statutory Annual Report 2007.

- The semiconductor industry is cyclical by nature.

The semiconductor industry is subject to sudden, extreme, cyclical variations in supply and demand. We face the risk not to be able to respond timely and effectively to these industry cycles. During a period of declining demand, we must be able to quickly and effectively reduce expenses and motivate and retain key employees. 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, the long lead time for production and delivery of some of our products creates a risk that we may incur expenditures or purchase inventories for products that we cannot sell. 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.

This cyclicality is inherent to the semiconductor industry, but we endeavor to mitigate its effects. As an example, we have increased the flexibility of our employees. We focus on the sale of spare parts and customer service, as the revenue thereof is expected to continue even in a period of declining demand.

- Our industry is subject to rapid technological change.

Our future success depends to a large extent upon our ability to define and realize Product Roadmaps that are well aligned with the industry, and may have technology projections forward by as much as 5 - 10 years. The definition of these Product Roadmaps depends to a large extent upon the quality of our centrally managed Road-mapping Process, a process that involves multiple disciplines of substantially all business units, and structures substantial amounts of external and internal information originating from industry roadmaps, customers, scientific conferences and our technological capabilities. The realization of the Product Roadmaps depends on the effective deployment of our Technology Assets in timely executed R&D Programs, which are largely managed by the business units. The ongoing coordination between the different Product Roadmaps and the required R&D Programs must be frequent to adapt to the rapid technological change, and is a very complex multivariable task.

- Our operations are subject to fluctuations in foreign currency exchange rates, primarily the U.S dollar.

We conduct business in a number of foreign countries, with certain transactions denominated in currencies other than our functional currency (Euro) or the currency of one of our subsidiaries. We manage the effect of exchange rate fluctuations on revenues, costs and eventual cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in U.S. dollar, by way of derivative instruments (including forward exchange contract) and non-derivative instruments (such as debt borrowings in foreign currencies). In addition, we have initiated programs to purchase to a larger extent materials in foreign currencies.

Supervisory Board

Responsibilities

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

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

- the achievement of the Company objectives;
- corporate strategy and the risks inherent in the business activities;
- the structure and operation of the internal risk management and control systems;
- the financial reporting process;
- compliance with legislation and regulations; and
- disclosure controls and procedures for external reporting.

Conflicts of interest

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

Appointment

In accordance with Dutch law and the Dutch Corporate Governance Code, the Supervisory Board has drawn up a profile for its own composition. This Supervisory Board Profile is available on our website. The Supervisory Board shall consist of at least three members. The members should operate independently of and critically with regard to each other within a good relationship of mutual trust. They should be experienced in the management of an international, publicly listed company and have sufficient time available to fulfil the function of a Supervisory Board member. The Supervisory Board members appoint a chairman from amongst their midst.

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

Any (re)appointment to the Supervisory Board shall be based on consistency with the Supervisory Board Profile. On reappointment, account shall be taken of the candidate's performance in the past period. A Supervisory Board member who is available for reappointment must be interviewed by the chairman of the Supervisory Board Nomination, Selection and Remuneration Committee. The chairman of the Nomination, Selection and Remuneration Committee must be interviewed by the chairman of the Supervisory Board. All members of the Supervisory Board follow an introduction programme after their first appointment, in which financial and legal aspects as well as financial reporting and specific features of ASMI are discussed.

Remuneration

The remuneration of the Supervisory Board was last approved by the shareholders in the 2006 Annual General Meeting of Shareholders.

Independence

Mr. P.C. van den Hoek as partner of Stibbe, our Dutch outside legal counsel, is not considered to be independent under the Dutch Corporate Governance Code. However, he is considered to be independent under the NASDAQ regulations. All other members are considered to be independent under the NASDAQ regulations and the Dutch Corporate Governance Code.

Composition and role of key committees of the Supervisory Board

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

Audit Committee

This committee has a supervisory task with regard to monitoring the integrity of our financial reports and risk management. The Audit Committee currently consists of Mr. van den Boom (Chairman), Mr. Brix, and Mr. Kreutzer.

The Audit Committee supervises the activities of the Management Board with respect 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
- the applications of information and communication technology.

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

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

Nomination, Selection and Remuneration Committee

This committee advises the Supervisory Board on matters relating to the selection and nomination of the members of the Management Board and Supervisory Board. The committee further monitors and evaluates the remuneration policy for the

Management Board. This committee consists of Mr. van Amerongen (Chairman), Mr. Danneels, and Mr. van den Hoek.

The objective of the remuneration policy is twofold:

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

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

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

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

The Shareholders and General Meeting of Shareholders

Powers

A General Meeting of Shareholders is held each year to discuss the Annual Report and to adopt the Annual Accounts.

In the General Meeting of Shareholders, each ordinary share with a nominal value of € 0.04 entitles the holder to cast one vote, each financing preferred share with a nominal value of € 40.00 entitles the holder to cast one thousand votes and each preferred share with a nominal value of € 40.00 entitles the holder to cast one thousand votes. Presently there are no financing preferred shares or preferred shares outstanding.

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

Record date

Our Articles of Association provide that the Management Board can determine a record date for the exercise of voting rights by shareholders at a general meeting, which may by applicable Dutch law not be set earlier than thirty days prior to the meeting. For our 2008 Annual General Meeting of Shareholders we will establish a record date which is seven days prior to the meeting. Only shareholders of record at that date will be entitled to attend and vote at the meeting.

The audit of the financial reporting and the position of the external auditor and the internal auditor function

Role, appointment, remuneration and assessment of the functioning of the external auditor

Our external auditor is appointed by the General Meeting of Shareholders and is nominated for appointment by the Audit Committee. Our current external auditor, Deloitte Accountants, was reappointed in the 2007 General Meeting of

Shareholders. The Audit Committee has determined that the provision of services by Deloitte Accountants and its member firms is compatible with maintaining Deloitte Accountants' independence. All audit and permitted non-audit services provided by Deloitte Accountants and its member firms during 2007 were pre-approved by the Audit Committee.

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

Audit Services. Management submits to the Audit Committee for pre-approval the scope and estimated fees for specific services directly related to performing the independent audit of our consolidated financial statements for the current year.

Audit-Related Services. The Audit Committee may pre-approve expenditures up to a specified amount for services included in identified service categories that are related extensions of audit services and are logically performed by the auditors. Additional services exceeding the specified pre-approved limits require specific Audit Committee approval.

Tax Services. The Audit Committee may pre-approve expenditures up to a specified amount per engagement and in total for identified services related to tax matters. Additional services exceeding the specified pre-approved limits, or involving service types not included in the pre-approved list, require specific Audit Committee approval.

Other Services. In the case of specified services for which utilizing our independent registered public accounting firm creates efficiencies, minimizes disruption, or preserves confidentiality, or for which management has determined that our independent registered public accounting firm possesses unique or superior qualifications to provide such services, the Audit Committee may pre-approve expenditures up to a specified amount per engagement and in total. Additional services exceeding the specified pre-approved limits, or involving service types not included in the pre-approved list, require specific Audit Committee approval.

Internal Audit

The Internal Audit function is established to strengthen the governance of the Company by creating an independent, objective function that adds value by improving operation by providing assurance, audit recommendations and advisory activities.

Internal Audit assists the Audit Committee and the Management Board in accomplishing their objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. In addition, Internal Audit provides an advisory service to the Company, based on the outcome of its experience in reviewing and appraising operations and systems.

Overview

We design, manufacture and sell equipment and systems used to produce semiconductor devices, or integrated circuits. Our production equipment and systems are used by both the front-end and back-end segments of the semiconductor market. Front-end equipment performs various fabrication processes in which multiple thin films of electrically insulating or conductive material are grown or deposited onto a round slice of silicon, called a wafer. Back-end equipment separates these processed wafers into numerous individual dies, each containing the circuitry of a single semiconductor device, and assembles packages and tests the dies in order to create semiconductor devices. We conduct our front-end business, which accounted for 47.2% of our net sales in 2007, through our principal facilities in the Netherlands, the United States, Japan and Singapore. We conduct our back-end business, which accounted for 52.8% of our net sales in 2007, through our principal facilities in Hong Kong, the People's Republic of China, Singapore and Malaysia. Our back-end operations are conducted through our 53.10% majority-owned subsidiary, ASM Pacific Technology.

We sell our products worldwide to the semiconductor industry, which is subject to sudden and extreme cyclical variations in product supply and demand. In the period 2001 - 2003, the semiconductor industry experienced a severe cyclical downturn characterized by overcapacity and reduced demand for products, lower average selling prices across certain product lines, reduced investments in semiconductor capital equipment and other factors, all of which led to lower sales and earnings for our business, in particular for capacity-driven purchases.

To improve our margins in our front-end segment, we established a manufacturing facility in Singapore to manufacture certain generic subsystems and subassemblies for our Vertical Furnaces that we previously outsourced. This facility was launched in the third quarter of 2004 and is expected to further improve cost-effectiveness and strengthen our gross profit margin. At the end of 2007, generic subassemblies for Vertical Furnaces and Epitaxy systems are manufactured in this facility. We intend eventually to manufacture generic systems and parts for all of our front-end products in our manufacturing base in Singapore.

In our back-end segment we continued to benefit from our cost advantage due to the location of our manufacturing facilities and our high vertical integration allowing us to adjust labor costs quickly in volatile market conditions.

The transitions in the industry to new processes and materials require equipment providers to develop sometimes entirely new sets of tools and processes and continue to present us with an opportunity to displace existing suppliers to major semiconductor manufacturers. We believe that we are well positioned and that our firm commitment to research and development, our readiness in new technologies and design-in wins at top-tier customers provide us with a broad basis for substantial long-term market share gains. We have participated fully in the transition to 300mm wafers, as evidenced by the large portion of sales volume of 300mm products.

Sales

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

The following table shows the geographic distribution of our front-end and back-end sales for the years 2006 and 2007:

	Year ended December 31,			
(euro millions)	2006		2007	
	€	%	€	%
Front-end:				
Taiwan	84.7	20.8	122.3	27.1
United States	139.7	34.2	113.1	25.1
Europe	88.5	21.7	81.2	18.0
Japan	58.0	14.2	78.2	17.3
Other	37.0	9.1	56.1	12.5
	407.9	100.0	450.9	100.0
Back-end:				
People's Republic of China	116.9	25.0	161.9	32.1
Taiwan	96.2	20.6	112.9	22.4
Malaysia	72.0	15.4	65.8	13.0
South Korea	24.0	5.1	37.3	7.4
Hong Kong	39.7	8.5	34.7	6.9
Thailand	31.4	6.7	24.4	4.8
Philippines	25.6	5.5	21.1	4.2
United States	20.0	4.3	14.9	3.0
Singapore	13.1	2.8	11.0	2.2
Other	29.2	6.1	20.3	4.0
	468.1	100.0	504.3	100.0

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

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

A substantial portion of our front-end sales is for equipping new or upgraded fabrication plants where device manufacturers are installing complete fabrication equipment. As a result our front-end sales tend to be uneven across customers and financial periods. Sales to our ten largest front-end customers accounted for 60.7% and 59.7% of front-end net sales in 2006 and 2007, respectively. The composition of our ten largest front-end customers changes from year to year. The largest front-end customer accounted for 22.7% and 19.7% of front-end net sales in 2006 and 2007, respectively.

Back-end sales per customer tend to be more level over time than front-end sales, because back-end operations can be scaled up in smaller increments at existing facilities. Sales to our ten largest back-end customers accounted for 28.2% and 29.4% of back-end net sales in 2006 and 2007, respectively. Because our back-end customers' needs are more level over time, the composition of our ten largest customers is more stable from year to year than in the front-end. Our largest back-end customer accounted for 4.4% and 5.3% of back-end net sales in 2006 and 2007, respectively.

Research and Development

We continue to invest in research and development at a high level. As part of our research and development activities, we are engaged in various development programs with customers and research institutes that allow us to develop products that meet customer requirements and to obtain access to new technology and expertise. Research costs are expensed as incurred. We charge to cost of sales the costs relating to prototype and experimental models, which we may subsequently sell to customers.

Our research and development operations in the Netherlands, Germany and the United States receive research and development grants and credits from various sources. The research and development grants and credits received from governmental sources in the Netherlands include a credit which is contingently repayable to the extent we recognize sales of products to which the credit is related within an agreed upon time period. We do not recognize a liability on our Consolidated Balance Sheet in respect of this credit until we recognize sales of products to which the credit is related, within the agreed upon time period and is then charged to cost of sales when such sales are recorded. The repayment amounts to 4.0% of the realized sales of these products. In 2006 and 2007 we accounted for repayments with respect to these credits of € 0.2 million and € 0.1 million respectively. Interest on the contingent repayments is accrued at an interest rate of 6.05% per annum. The contingent repayment, including accrued interest, was € 3.1 million at December 31, 2006 and € 3.0 million at December 31, 2007. This amount has not been recognized as a liability in the Consolidated Balance Sheet since we have not recognized sales of products to which the credit is related.

Impairment and Restructuring

Due to continued negative cash flows and the expected future returns on the invested capital employed, we decided in 2005 to reduce our 100% subsidiary ASM NuTool to a small operation, focusing on process and intellectual property development with the intention of licensing these technologies in the future. In December 2006, we sold substantially all of the ASM NuTool patent portfolio to a third party. See Note 2 to the Consolidated Financial Statements 2007.

Risk Factors

In conducting our business, we face a number of risks that each could materially affect our business, revenues, income, assets and liquidity and capital resources. The risks described below are not the only ones facing ASMI. Some risks are not yet known and some that we do not currently believe to be material could later become material. See our 2007 Annual Report on Form 20-F for a detailed description of the following risk factors:

Risk factors related to our industry:

- Our business could be adversely affected by the cyclical nature of the semiconductor industry.
- Our industry is subject to rapid technological change and we may not be able to forecast or respond to commercial and technological trends in time to avoid competitive harm.
- If we fail to adequately invest in research and development, we may be unable to compete effectively.
- We face intense competition from companies which have greater resources than we do, and potential competition from new companies entering the market in which we compete. If we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.

Risks related to our business:

- Our quarterly revenues and operating results fluctuate due to a variety of factors, which may result in volatility or a decrease in the price of our common shares.
- Our products generally have long sales cycles and implementation periods, which increase our costs in obtaining orders and reduce the predictability of our earnings.
- Any acquisitions or investments we may make in the future could disrupt our business and harm our financial condition.
- Substantially all of our equipment orders are subject to operating, performance, safety, economic specifications and other contractual obligations. We occasionally experience unforeseen difficulties in compliance with these criteria, which can result in increased design, installation and other costs and expenses.
- We 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, our revenues would be reduced and our financial results would suffer.

- We may need additional funds to finance our future growth and ongoing research and development activities. If we are unable to obtain such funds, we may not be able to expand our business as planned.
- We could be harmed by the loss of key management.
- 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.
- Although we currently are a majority shareholder of ASM Pacific Technology, we may not be able to maintain our majority interest, which, if other circumstances are such that we do not control ASM Pacific Technology, would prevent us from consolidating its results of operations with ours. This event would have a significant negative effect on our consolidated earnings from operations.
- Although we are a majority shareholder, ASM Pacific Technology is not obligated to pay dividends to us and may take actions or enter into transactions that are detrimental to us.
- Our reliance on a limited number of suppliers could result in disruption of our operations.
- Because the costs to semiconductor manufacturers of switching from one semiconductor equipment supplier to another can be high, it may be more difficult to sell our products to customers having a competing installed base, which could limit our growth in sales and market share.
- Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights from challenges by third parties; claims or litigation regarding intellectual property rights could require us to incur significant costs.
- We license the use of some patents from a competitor pursuant to a settlement agreement; if the agreement is terminated, our business could be adversely affected.
- We must offer a possible change of control transaction to Applied Materials first.
- 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.
- Our net earnings could be negatively impacted by currency fluctuations.
- 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.
- Environmental laws and regulations may expose us to liability and increase our costs.
- Our founder and members of our Supervisory Board and Management Board control approximately 22.1% of our voting power which gives them 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 the support of our founder and members of our Supervisory Board and Management Board.
- Our anti-takeover provisions may prevent a beneficial change of control.
- Our stock price has fluctuated and may continue to fluctuate widely.
- Compliance with Internal Controls Evaluations and Attestation Requirements. If we fail to maintain effective internal controls over financial reporting, if we do not timely evaluate the effectiveness of internal controls over financial reporting, or if our independent auditor could not timely attest to our evaluation, we could be subject to regulatory scrutiny and decreased public confidence in our internal controls, which may adversely affect the market price of our common shares.

Critical Accounting Policies

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

The principal differences between US GAAP and IFRS relate to accounting for goodwill, accounting for minority interest, accounting for convertible subordinated notes, accounting for development expenses, accounting for option plans and accounting for pension plans. See Note 27 to the Consolidated Financial Statements 2007.

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements prepared in accordance with IFRS. The preparation of these Consolidated Financial Statements requires us to make certain estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition. We recognize revenue when all four revenue recognition criteria have been met: persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; seller's price to buyer is fixed or determinable; and collectibility is reasonably assured. Our revenue includes revenue from contractual arrangements consisting of multiple deliverables, such as equipment and installation. The revenue from the undelivered element of the arrangement is deferred at fair value until delivery of the element.

In general, we recognize revenue from sales of equipment upon shipment of equipment, only if testing at the factory has proven that the equipment has met substantially all of the customer's criteria and specifications. The outcome of the test is signed-off by the customer ("factory acceptance"). Instead of signing-off, the customer may choose to provide a waiver, e.g. with respect to repeat orders.

We recognize revenue from installation of equipment upon completion of installation at the customer's site. At the time of shipment, we defer that portion of the sales price related to the fair value of installation. The fair value of the installation process is measured based upon the per-hour amounts charged by third parties for similar installation services. Installation is completed when testing at the customer's site has proven that the equipment has met all of the customer's criteria and specifications. The completion of installation is signed-off by the customer ("final acceptance"). At December 31, 2006 and December 31, 2007 we have deferred revenues from fair value of installations in the amount of € 13.7 million and € 12.4 million respectively.

Our sales frequently involve complex equipment, which may include customer-specific criteria, sales to new customers or equipment with new technology. For each sale, the decision whether to recognize revenue is, in addition to shipment and factory acceptance, based on the contractual agreement with a customer, the experience with a particular customer, the technology and the number of similarly configured equipment previously delivered. Instead of recognizing revenue, we could decide to defer revenue recognition until completion of installation at the customer's site and obtaining final acceptance from the customer. At December 31, 2006 we have deferred revenues from sales of equipment in the amount € 1.5 million. At December 31, 2007 we had no deferred revenue from sales of equipment.

We provide training and technical support service to customers. Revenue related to such services is recognized when the service is rendered. Revenue from the sale of spare parts and materials is recognized when the goods are shipped.

Valuation of Goodwill. 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 impairment test and the determination of the fair value is based on a discounted future cash flow approach that uses our estimates of future revenues, driven by assumed market growth and estimated costs as well as appropriate discount rates. These estimates are consistent with the plans and estimated costs we use to manage the underlying business. For the year ended December 31, 2006, we recorded an impairment charge of € 11.4 million with respect to goodwill resulting from the acquisition of ASM NuTool. For the year ended December 31, 2007, we did not record an impairment charge to goodwill as a result of our tests performed. The calculation of the fair value involves certain management judgments and was based on our best estimates and projections at the time of our review, and 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 result of operations at that time.

Valuation of Long-Lived Assets. Long-lived assets and certain recognized intangible assets (except those not being amortized) 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 discounted cash flows expected to result from the use of the asset and its eventual disposition. In 2006 we recorded an impairment charge of € 0.3 million related to the discontinuation of ASM NuTool. In 2007 we did not record an impairment charge to long-lived assets. Our cash flow estimates used include certain management judgments and were based on our best estimates and projections at the time of our review, and may be different if other assumptions are used. In future periods, however, we may be required to record impairment losses, which may significantly affect our results of operations at that time.

Valuation of Inventory. Inventories are valued at the lower of cost or market value. 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. In the year ended

December 31, 2007 we have charged € 6.3 million to cost of sales as a result of our analysis of the value of inventory. At December 31, 2007 our allowance for inventory obsolescence amounted to € 27.5 million, which is 11.8% of our total inventory. If circumstances related to our inventories change, our estimate of the values of inventories could materially change. At December 31, 2007, 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 € 20.6 million.

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, as a result of which we adjust our provision for warranty accordingly. Future warranty costs may exceed our estimates, which could result in an increase of our cost of sales.

Income Taxes. We currently have significant deferred tax assets, which resulted primarily from operating losses incurred in prior years as well as other temporary differences. We have established a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Based on available evidence, we regularly evaluate whether it is more likely than not that the deferred tax assets will not be realized. This evaluation includes our judgment on the future profitability and our ability to generate taxable income, changes in market conditions and other factors. At December 31, 2007, 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 € 90.9 million. Future changes in facts and circumstances, if any, may result in a change of the valuation allowance to these deferred tax asset balances which may significantly influence our results of operations at that time. If our evaluation of the realization of deferred tax assets would indicate that an additional 10% of the net deferred tax assets as of December 31, 2007 is not realizable, this would result in an additional valuation allowance and an income tax expense of € 0.5 million.

The calculation of our tax positions involves dealing with uncertainties in the application of complex tax laws. Unrecognized tax positions mainly relate to transfer pricing positions, operational activities in countries where we are not tax registered and tax deductible costs. Our estimate for the potential outcome of any uncertain tax position is highly judgmental. Settlement of uncertain tax positions in a manner inconsistent with our estimates could have a material impact on the Company's earnings, financial position and cash flows.

Results of Operations

The following table shows certain consolidated statement of income data as a percentage of net sales for our front-end and back-end segments for the years 2006 and 2007:

	Year ended December 31,					
	Front-end		Back-end		Total	
	2006	2007	2006	2007	2006	2007
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	(68.7)	(67.8)	(54.9)	(57.2)	(61.3)	(62.2)
Gross profit	31.3	32.2	45.1	42.8	38.7	37.8
Selling and administrative expenses	(16.9)	(16.7)	(11.4)	(10.8)	(14.0)	(13.6)
Research and development expenses	(11.7)	(8.7)	(6.3)	(5.9)	(8.8)	(7.2)
Amortization of other intangible assets	(0.4)	(0.1)	-	-	(0.2)	(0.1)
Impairment of goodwill and disposal of assets	(3.7)	-	-	-	(1.7)	-
Earnings (loss) from operations	(1.4)	6.7	27.4	26.1	14.0	16.9
Net interest income (expense)	(3.7)	(2.7)	0.7	0.5	(1.4)	(1.0)
Expense resulting from early extinguishment of debt	-	(2.3)	-	-	-	(1.0)
Foreign currency transaction gains (losses)	(1.2)	(0.9)	-	0.2	(0.5)	(0.3)
Income tax benefit (expense)	(0.7)	(1.0)	(2.8)	(3.3)	(1.8)	(2.2)
Gain on dilution of investment in subsidiary	0.3	0.7	-	-	0.1	0.3
Net earnings (loss)	(6.7)%	0.5 %	25.3 %	25.3 %	10.4 %	12.7 %
Allocation of net earnings (loss)						
Shareholders of the parent	(6.7)%	0.5 %	13.6 %	13.6 %	4.1 %	6.9 %
Minority interest	-	-	11.7 %	11.7 %	6.3 %	5.8 %

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Net Sales. The following table shows our net sales for our front-end and back-end segments and the percentage change between the years 2006 and 2007:

(euro millions)	Year ended December 31,		
	2006	2007	% Change
Front-end	407.9	450.9	11 %
Back-end	468.1	504.3	8 %
Total net sales	876.0	955.2	9 %

In 2007, net sales of wafer processing equipment (front-end segment) represented 47% of total net sales. Net sales of assembly and packaging equipment and materials (back-end segment) represented 53% of total net sales in 2007.

The weakening of foreign currencies (amongst others the Yen, US dollar and US dollar related currencies) against the euro in 2007 as compared to 2006 impacted total sales negatively by 7%. The impact on front-end sales was 5%, the impact on back-end sales was 9%.

Gross Profit Margin. The following table shows our gross profit and gross profit margin for front-end and back-end segments and the percentage point increase or decrease in gross profit as a percentage of net sales between the years 2006 and 2007:

	Year ended December 31,				
	€ 2006	€ 2007	% 2006	% 2007	Percentage point change
Front-end	127.6	145.0	31.3%	32.2%	0.9
Back-end	211.0	216.1	45.1%	42.8%	(2.3)
Total gross profit	338.6	361.1	38.7%	37.8%	(0.9)

The gross profit margin of our front-end segment for 2007 is positively impacted by increased margins of our product lines in developments, by changes in the product mix, and by cost reduction programs. In addition, revenue from a licensing agreement which commenced in the fourth quarter of 2007 contributed to the higher gross profit margin in 2007. Increased manufacturing of generic subassemblies and components by ASM Front-End Manufacturing Singapore ("FEMS") also contributed to the higher gross profit margin in 2007. At the end of 2007, generic subassemblies for Vertical Furnaces and Epitaxy systems are manufactured in this facility. These positive factors more than compensated pressure on sales prices mainly resulting from foreign currency developments.

The gross profit margin of our back-end segment decreased due to the cost of increasing manufacturing capacity.

Selling, General and Administrative Expenses. The following table shows selling, general and administrative expenses for our front-end and back-end segments and the percentage change between the years 2006 and 2007:

(euro millions)	Year ended December 31,		
	2006	2007	% Change
Front-end	69.0	75.4	9 %
Back-end	53.3	54.3	2 %
Total selling, general and administrative expenses	122.3	129.7	6 %

Selling, general and administrative expenses of our front-end segment increased as a result of increased effort to achieve the sales recorded in 2007 and to position our front-end segment product lines in the market for future sales.

Selling, general and administrative expenses were 14% of net sales, in 2006 and 2007.

Research and Development Expenses. The following table shows research and development expenses for our front-end and back-end segments and the percentage change between the years 2006 and 2007:

(euro millions)	Year ended December 31,		
	2006	2007	% Change
Front-end	47.8	38.8	(19)%
Back-end	29.5	29.8	1 %
Total research and development expenses	77.3	68.6	(11)%

The decrease in the front-end segment was the result of increased focus in the research and development project portfolio.

As a percentage of net sales, research and development expenses decreased from 9% for the year 2006 to 7% in 2007.

We expect research and development expenses, under IFRS, to be between € 60 and € 70 million in 2008.

Earnings from Operations. The following table shows net earnings from operations for our front-end and back-end segments and the percentage change between the years 2006 and 2007:

(euro millions)	Year ended December 31,		
	2006	2007	% Change
Front-end	(5.6)	30.3	na
Back-end	128.1	131.9	3 %
Total earnings from operations	122.5	162.2	32 %

Earnings from operations for our front-end segment in 2006 included charges for impairment of goodwill and disposal of assets of € 14.9 million related to ASM NuTool.

Net Interest Expense amounted to € 9.1 million in 2007 compared to € 12.1 million in 2006.

The decrease is due to less debt, the repurchase of US$ 35.4 million in convertible subordinated notes in 2007 and increased interest income resulting from increased interest rates.

Income Tax Expense amounted to € 21.3 million in 2007 compared to € 15.9 million in 2006. The increase is caused by increased earnings from operations and an increase of the liability for unrecognized tax benefits.

Net Earnings. The following table shows net earnings for our front-end and back-end segments and the percentage change between the years 2006 and 2007:

(euro millions)	Year ended December 31,		
	2006	2007	% Change
Front-end	(27.4)	2.5	na
Back-end	118.2	118.6	-
Total net earnings	90.8	121.1	33 %

Net earnings for the front-end segment for 2007 and 2006 include a gain on dilution of our investment in ASM Pacific Technology of € 3.0 million, respectively € 1.3 million.

Net earnings for the front-end segment for 2007 includes the expense resulting from early extinguishment of convertible debt of € 10.4 million.

Net earnings for the front-end segment for 2006 includes restructuring charges related to ASM NuTool of € 20.4 million.

Net earnings for the back-end segment allocated to shareholders of the parent amounted to € 63.3 million for 2007 and € 63.4 million for 2006 and reflects our 53.10%, respectively 53.35% ownership of ASM Pacific Technology.

We expect the level of headcount in 2008 to be similar to, or slightly below, the level of headcount in 2007.

Backlog

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

The following table shows the level of new orders during 2006 and 2007 and the backlog at December 31, 2006 and December 31, 2007 and the percentage change:

(euro millions)	2006	2007	% Change
Front-end:			
New orders for the year	428.0	394.6	(8)%
Backlog at the end of the year	155.5	99.2	(36)%
Book-to-bill ratio (new orders divided by net sales)	1.05	0.88	
Back-end:			
New orders for the year	460.4	526.7	14 %
Backlog at the end of the year	78.8	101.2	28 %
Book-to-bill ratio (new orders divided by net sales)	0.98	1.04	
Total			
New orders for the year	888.4	921.3	4 %
Backlog at the end of the year	234.3	200.4	(14)%
Book-to-bill ratio (new orders divided by net sales)	1.01	0.96	

Liquidity and Capital Resources

Our liquidity is affected by many factors, some of which are related to our ongoing operations and others of which are related to the semiconductor and semiconductor equipment industries and to the economies of the countries in which we operate. Although our cash requirements fluctuate based on the timing and extent of these factors, we believe that cash generated by operations, together with the liquidity provided by our existing cash resources and our financing arrangements, will be sufficient to fund working capital, capital expenditures and other ongoing business requirements for at least the next twelve months. The cyclicality of the industry could result in lower customer demand and continued fixed costs and as a result, cash generated by operations may be lower than forecasted. In such a situation we might need to further utilize our short-term credit facilities or investigate additional financing.

For the year 2007, net cash provided by operations was € 120.7 million as compared to € 153.4 million for 2006. The decrease noticed in 2007 is primarily the result of increased working capital.

For the year 2007, net cash used in investing activities was € 61.9 million as compared to € 43.3 million for 2006. Net cash used in investing activities for the year 2006 was positively impacted by the proceeds of € 11.0 million of the sale of substantially all of ASM NuTool's patent portfolio. Our capital expenditures increased from € 39.4 million in 2006 to € 47.2 million in 2007. We expect capital expenditures to be between € 40 million and € 50 million in 2008. Our capital expenditure commitments at December 31, 2007 were € 8.6 million.

Net cash used in financing activities for 2007 was € 81.3 million. During that period, we repaid € 2.0 million of short term bank facilities, repaid € 42.3 million of long-term debt and convertible subordinated debt, received € 14.5 million in new long-term debt, purchased treasury shares of € 8.2 million, paid € 5.4 million dividend and received € 5.0 million from the issuance of common shares. In 2007, ASM Pacific Technology paid € 42.9 million in dividends to its minority shareholders. With the purchase of treasury shares, the buy back of convertible debt and the payment of dividend, we have completed the distribution of € 49.0 million cash dividend received from ASM Pacific Technology in 2007. In 2006 net cash used in financing activities was € 41.8 million. During that period, we received € 1.1 million in short term bank facilities, repaid € 6.3 million of long-term debt, received proceeds of € 2.7 million in new long-term debt and received € 11.8 million from the issuance of common shares. In 2006, ASM Pacific Technology paid € 51.1 million in dividends to its minority shareholders.

Net working capital, consisting of accounts receivable, inventories, other current assets, accounts payable, accrued expenses, advance payments from customers and deferred revenue, increased from € 226.0 million at December 31, 2006 to € 271.5 million at December 31, 2007. The increase is primarily the result of increased sales and manufacturing levels. The number of outstanding days of working capital, measured based on annual sales, increased from 94 days at December 31, 2006 to 104 days at December 31, 2007. For the same period, our front-end segment increased from 121 days to 125 days and our back-end segment increased from 71 days to 85 days.

At December 31, 2007, our principal sources of liquidity consisted of € 167.9 million in cash and cash equivalents and € 102.2 million in undrawn bank lines. Approximately € 67.8 million of the cash and cash equivalents and € 26.2 million of the undrawn bank lines are restricted to use in our back-end operations and € 11.4 million of the cash and cash equivalents and € 25.8 million in undrawn bank lines are restricted to use in our front-end operations in Japan. We believe that our cash on hand at the end of 2007 is adequate to fund our operations, our investments in capital expenditures and to fulfill our existing contractual obligations for the next 12 months.

As of December 31, 2007 we have entered into purchase commitments with suppliers for delivery in 2008 in the amount of € 65.3 million and for delivery in 2009 in the amount of € 0.2 million.

We historically relied on dividends from ASM Pacific Technology for a portion of our cash flow for use in our front-end operations. Cash dividends received from ASM Pacific Technology during 2006 and 2007 were € 59.0 million and € 49.0 million, respectively. In November 2006, we announced our commitment that for at least the next three years we would not use these cash dividends to support our front-end business, but instead would use such dividends to retire outstanding convertible debt, purchase our common shares, pay cash dividends on our common shares or, in the event of dilution resulting from the exercise of employee stock options in ASM Pacific Technology, purchase shares of ASM Pacific Technology to maintain our percentage ownership at its current level. We will determine the most appropriate use or combination of uses, of these funds, from time to time.

Our back-end segment, which is conducted through ASM Pacific Technology, our 53.10%-owned subsidiary, is entirely self-financed. The cash resources and borrowing capacity of ASM Pacific Technology are not available to our front-end segment due to restrictions imposed by the Hong Kong Stock Exchange, on which the ASM Pacific Technology common shares are listed.

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

The market value of our investment in ASM Pacific Technology at the end of 2007 was approximately € 1,036.2 million, which is higher than the market value of approximately € 876.8 million at the end of 2006.

Contractual Obligations, Contingent Liabilities and Commitments

The following table summarizes our contractual obligations as at December 31, 2007 aggregated by type of contractual obligation:

Contractual obligations (in millions of euro)	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Forward exchange contracts	30,211	30,211	-	-	-
Notes payable to banks [1]	17,014	17,014	-	-	-
Long-term debt [1] [2]	32,407	15,958	10,393	6,056	-
Convertible subordinated debt [1]	159,566	6,377	57,303	95,886	-
Total contractual obligations arising from financial instruments	239,198	69,560	67,696	101,942	-
Operating leases	22,556	6,892	8,993	3,566	3,105
Purchase obligations:					
Purchase commitments to suppliers	65,460	65,276	184	-	-
Capital expenditure commitments	8,556	8,556	-	-	-
Total contractual obligations not arising from financial instruments	96,572	80,724	9,177	3,566	3,105
Total contractual obligations	335,770	150,284	76,873	105,508	3,105

(1) Including interest expense based on the percentages at the reporting date.
(2) Capital lease obligations of € 2.2 million are included in long-term debt.

For a further discussion of our contractual obligations see Notes 10, 13, 14 and 17 to the Consolidated Financial Statements.

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

At December 31, 2007 we had contingent payables of € 3.0 million, including accrued interest, related to a research and development credit received. The credit received is repayable only to the extent we recognize sales of products to which the credit is related within an agreed upon time period.

Market Risk Disclosure

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

Foreign exchange risk management

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

Our front-end segment uses forward exchange contracts to hedge its foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which 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 U.S. dollar. The functional currency of our back-end segment (Hong Kong dollar) is linked to the U.S. dollar. 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.

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.

We expect that substantially all of the € 0.1 million unrealized gains included in accumulated other comprehensive income as of December 31, 2007 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. Unrealized losses included in other comprehensive income as of December 31, 2006 of € 0.1 million were reclassified to earnings in 2007. Hedge ineffectiveness was insignificant for the years ended December 31, 2006 and December 31, 2007.

Furthermore, we 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, 2006, we recorded an unfavorable movement of € 30.0 million. For the year ended December 31, 2007, we recorded an unfavorable movement of € 25.8 million.

The following table summarizes our financial instruments as of December 31, 2007 and analyzes the sensitivity of the fair value of our financial instruments to an immediate change in foreign currency rates. Fair values represent the present value of forecasted future cash flows at market foreign currency exchange rates. The sensitivity analysis assumes an immediate 10% favorable or unfavorable change in all foreign currency exchange rates against the euro from their levels as of December 31 with all other variables kept constant. A favorable 10% change indicates a strengthening of the currency in which our financial instruments are denominated, primarily the U.S. dollar, against the euro and an unfavorable change indicates a weakening of the currency in which our financial instruments are denominated, primarily the U.S. dollar, against the euro. The selection of 10% favorable or unfavorable change in foreign currency exchange rates should not be construed as a prediction by us of future market events, but rather, to illustrate the potential impact of such an event. The modeling technique used to calculate the exposure does not take into account correlation among foreign currency exchange rates, or correlation among various markets (i.e., the foreign exchange, equity and fixed-income markets). Even though we believe it to be possible that all of the foreign currency exchange rates to which we are exposed would simultaneously change by more than 10%, we find it meaningful to “stress test” our exposure under this 10% fluctuation scenario and other hypothetical adverse market scenarios. Our actual experience may differ from the results in the table below due to the correlation assumptions utilized, or if events occur that were not included in the methodology, such as significant liquidity or market events.

	Currency and notional amount		Carrying amount	Fair value	Sensitivity analysis: Favorable change of 10%	Sensitivity analysis: Unfavorable change of 10%
	(in millions)		(in millions of euro)			
As of December 31, 2007:						
Notes payable to banks,						
due within twelve months	yen	2,600.0	15.8	15.8	14.2	17.3
	SG$	2.0	0.9	0.9	0.8	1.0
Long-term debt with maturities						
due from 2008 - 2012	yen	4,662.5	28.3	28.3	25.4	31.1
due from 2010	euro	0.6	0.6	0.6	0.6	0.6
due from 2008 - 2011	SG$	4.9	2.3	2.3	2.1	2.6
due from 2008	KRW	50.0	0.1	0.1	0.1	0.1
Convertible subordinated debt:						
due May 15, 2010	US$	69.2	50.4	62.3	56.1	68.5
due December 6, 2011	US$	135.4	92.8	112.2	101.0	123.4
Foreign exchange contracts:						
purchase of currency contracts to be settled within twelve months:	US$	42.5	28.9	28.9	26.0	31.8
	euro	1.4	1.3	1.3	1.3	1.3
sale of currency contracts to be settled within twelve month:	US$	21.8	14.8	14.8	13.4	16.3

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

The following table analyzes our sensitivity to a hypothetical 10% strengthening respectively 10% weakening of the U.S. dollar, Hong Kong dollar or Japanese yen against the Euro as of December 31, 2007. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase respectively 10% decrease of the U.S. dollar, Hong Kong dollar or Japanese yen against the Euro. A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in U.S. dollar, Hong Kong dollar and Japanese yen.

	2006 Impact on equity	2007 Impact on equity
10% increase of U.S. dollar versus euro	(5,791)	(6,868)
10% increase of U.S. dollar versus euro	5,791	6,868
10% increase of Hong Kong dollar versus euro	12,361	12,793
10% increase of Hong Kong dollar versus euro	(12,361)	(12,793)
10% increase of Japanese yen versus euro	4,055	4,651
10% increase of Japanese yen versus euro	(4,055)	(4,651)

A hypothetical 10% strengthening or 10% weakening of any other currency than the U.S. dollar, Hong Kong dollar and Japanese yen against the Euro as of December 31, 2007 would not result in a material impact on equity.

A hypothetical 10% strengthening or 10% weakening of the U.S. dollar, Hong Kong dollar, Japanese yen or any other currency against the Euro as of December 31, 2007 would not result in a material impact on net earnings.

Interest risk

We are exposed to interest rate risk primarily through our borrowing activities. We do not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2007 we had convertible subordinated debt borrowings outstanding with nominal values of € 47,016 at a fixed interest rate, maturing in May 2010 and € 91,977 at a fixed interest rate, maturing in December 2011 and € 31,266 in long-term debt at fixed interest rates and € 16,667 in other borrowings with variable short-term interest rates. A hypothetical change in the average interest rate by 10% on the portion of debt bearing interest at variable rates would not result in a material change in interest expense at December 31, 2006 and December 31, 2007 borrowing levels.

Credit risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and derivative instruments. These instruments contain a risk of counterparties failing to discharge their obligations. We monitor credit risk and manage 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.

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

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

A significant percentage of our revenue is derived from a small number of large customers. Our largest customer accounted for approximately 9.6% of net sales in 2007 (2006: 11.4%) and the ten largest customers accounted for approximately 32.4% of net sales in 2007 (2006: 33.9%). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose us to a concentration of credit risk and difficulties in collecting amounts due, which could harm our financial results. At December 31, 2007 one customer accounted for 7.8% of the outstanding balance in accounts receivable (2006: 8.8%).

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

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

Corporate Information

Honorary Chairman

Arthur H. del Prado (1931)
Nationality: Dutch
Chairman of the Board of ASM Pacific Technology Ltd.
Director of MEDEA
(will be nominated at the General Meeting of Shareholders in May 2008 to be appointed Honorary Chairman)

Supervisory Board

Paul C. van den Hoek(1) (1939)
Chairman
Nationality: Dutch
Current term expires: 2009
Partner in the law firm of Stibbe
Chairman of the Supervisory Boards of AON Groep Nederland B.V., Robeco Groep N.V. and related companies, and Wavin N.V.

Eric A. van Amerongen(1) (1953)
Vice-Chairman
Nationality: Dutch
Current term expires: 2010
Chairman of the Supervisory Boards of Centraal Bureau Rijvaardigheid, and Universiteit Twente
Vice-Chairman of the Supervisory Board of HITT N.V.
Member of the Supervisory Boards of ANWB and Imtech N.V.
Senior independent non-executive director Shanks Group Plc

Leon P.E.M. van den Boom(2) (1952)
Nationality: Dutch
Current term expires: 2009
Chairman of the Supervisory Boards of Broekhuis Training Groep B.V., FD Media Groep and IE Holding B.V.
Member of the Supervisory Boards of Blue Fox Enterprises N.V., Inter Access Groep B.V., Nyloplast N.V. and RFS Holding (Wehkamp) B.V.

Berend C. Brix(2) (1949)
Nationality: Dutch
Will resign May 21, 2008
Partner in Lesuut Finance B.V.
Non-executive director of Computer Patent Annuities Holdings Limited

Johan M.R. Danneels(1) (1949)
Nationality: Belgian
Current term expires: 2008
Chief Executive Officer of Essensium N.V.

Heinrich W. Kreutzer(2) (1949)
Nationality: German
Current term expires: 2010
Chairman of the Supervisory Board of Micronas Semiconductor GmbH, Germany
Member of the Board of Directors of Micronas Semiconductor AG, Switzerland
Chairman of the Supervisory Board of BKtel communications GmbH, Germany

Management Board

Charles D. (Chuck) del Prado
Chairman of the Management Board, President and Chief Executive Officer

Lee Wai Kwong
Member of the Management Board, Chief Executive Officer of ASM Pacific Technology Ltd.

A. (Naud) J.M. van der Ven
Member of the Management Board and Chief Financial Officer

J. (Han) F.M. Westendorp
Member of the Management Board and Vice President front-end products

Senior Management

Per Öve (Peo) Hansson
Regional Manager front-end operations U.S.A. and General Manager ASM America, Inc.

Albert Hasper
Regional Manager front-end operations Europe and General Manager of ASM Europe B.V.

Fukumi Tomino
Regional Manager front-end operations Asia and Managing Director of ASM Japan K.K.

Ivo J. M.M. Raaijmakers
Chief Technology Officer front-end operations and Director of Research and Development

Hans van Selm
Finance Director front-end operations

Richard W. Bowers
Chief Legal Officer front-end operations

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

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

Tang Koon Hung, Eric
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Wong Yam Mo
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Trade Register

Chamber of Commerce
Utrecht, the Netherlands
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Annual Meeting of Shareholders

The Annual General Meeting of Shareholders will be held on May 21, 2008

Financial Calendar for 2008

May 5, 2008
Announcement of first quarter results 2008

July 31, 2008
Announcement of second quarter results 2008

October 29, 2008
Announcement of third quarter results 2008

(1) *Member Nomination, Selection and Remuneration Committee*
(2) *Member Audit Committee*

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(After proposed appropriation of net earnings for the year)

(thousands except share data)			EUR
			December 31,
Assets	**Note**	2006	**2007**
Cash and cash equivalents	**4**	193,872	**167,923**
Accounts receivable (less allowance for doubtful accounts of € 5,926 and € 5,075)	**5**	198,359	**229,160**
Inventories, net	**6**	197,089	**205,504**
Income taxes receivable		49	**117**
Other current assets		24,009	**26,786**
Total current assets		613,378	**629,490**
Deferred tax assets	**21**	3,594	**4,494**
Other intangible assets, net	**7**	28,025	**40,074**
Goodwill, net	**8**	45,126	**40,452**
Property, plant and equipment, net	**9**	151,265	**149,642**
Total assets		841,388	**864,152**
Liabilities and Shareholders' Equity			
Notes payable to banks	**10**	19,657	**16,677**
Accounts payable		99,841	**99,046**
Provision for warranty	**11**	16,299	**17,039**
Accrued expenses and other	**12**	77,346	**73,853**
Income taxes payable		15,952	**19,686**
Current portion of long-term debt	**13**	7,344	**15,438**
Total current liabilities		236,439	**241,739**
Pension liabilities	**16**	2,032	**2,606**
Deferred tax liabilities	**21**	4,632	**6,905**
Long-term debt	**13**	19,267	**15,828**
Convertible subordinated debt	**14**	149,964	**119,526**
Total liabilities		412,334	**386,604**
Commitments and contingencies	**17, 18**		
Common shares			
Authorized 110,000,000 shares, par value € 0.04, issued and outstanding 53,828,745 and 54,005,214 shares		2,153	**2,160**
Financing preferred shares			
Authorized 8,000 shares, par value € 40, none issued		-	**-**
Preferred shares			
Authorized 118,000 shares, par value € 40, none issued		-	**-**
Capital in excess of par value		319,506	**322,412**
Treasury shares at cost		-	**(3,985)**
Retained earnings (accumulated deficit)		19,204	**84,330**
Accumulated other comprehensive loss		(26,725)	**(47,993)**
Total shareholders' equity	**15**	314,138	**356,924**
Minority interest		114,916	**120,624**
Total equity		429,054	**477,548**
Total liabilities and shareholders' equity		841,388	**864,152**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Operations

(thousands, except per share data)			EUR
		Year ended December 31,	
	Note	2006	**2007**
Net sales	**22**	876,013	**955,239**
Cost of sales		(537,388)	**(594,163)**
Gross profit	**22**	338,625	**361,076**
Operating expenses:			
Selling, general and administrative		(122,293)	**(129,670)**
Research and development, net	**20**	(77,325)	**(68,624)**
Amortization of other intangible assets	**7**	(1,584)	**(553)**
Impairment of goodwill and disposal of assets	**2**	(14,926)	**-**
Total operating expenses		(216,128)	**(198,847)**
Earnings from operations	**22**	122,497	**162,229**
Interest income		5,903	**6,113**
Interest expense		(17,993)	**(15,224)**
Expense resulting from early extinguishment of debt	**14**	-	**(10,407)**
Foreign currency exchange losses, net		(4,883)	**(3,289)**
Earnings before income taxes		105,524	**139,422**
Income tax expense	**21**	(15,932)	**(21,339)**
Earnings		89,592	**118,083**
Gain on dilution of investment in subsidiary	**16**	1,255	**3,010**
Net earnings		90,847	**121,093**
Allocation of net earnings:			
Shareholders of the parent		35,965	**65,748**
Minority interest		54,882	**55,345**
Net earnings per share, allocated to shareholders of the parent:	**24**		
Basic		0.67	**1.22**
Diluted		0.67	**1.21**
Weighted average number of shares used in computing per share amounts (in thousands):			
Basic		53,403	**53,968**
Diluted		53,575	**60,960**

See Notes to Consolidated Financial Statements.

(thousands)			EUR
		Year ended December 31,	
	Note	2006	**2007**
Net earnings		90,847	**121,093**
Derecognition of equity component convertible subordinated notes, net	**15**	-	**(8,332)**
Other comprehensive income (loss):			
Foreign currency translation effect		(30,032)	**(25,841)**
Reclassification to Consolidated Statement of Operations of cumulative translation adjustment ASM NuTool	**2**	4,832	**-**
Unrealized gains (losses) on derivative instruments, net of tax	**15**	244	**270**
Total other comprehensive income (loss)		(24,956)	**(25,571)**
Comprehensive income		65,891	**87,190**
Allocation of comprehensive income:			
Shareholders of the parent		23,408	**44,480**
Minority interest		42,483	**42,710**

See Notes to Consolidated Financial Statements.

(thousands)								EUR
	Attributable to shareholders of the parent						Minority interest	Total equity
	Common shares	Capital in excess of par value	Treasury shares at cost	Retained earnings (accumulated deficit)	Accumulated other comprehensive income (loss)	Total share-holders' equity		
Balance January 1, 2006	2,107	303,325	-	(16,761)	(14,168)	274,503	119,665	394,168
Issuance of common shares:								
For stock options	36	10,931	-	-	-	10,967	-	10,967
Settlement agreement with former shareholders NuTool	10	3,914	-	-	-	3,924	-	3,924
Compensation expense stock options	-	1,336	-	-	-	1,336	-	1,336
Net earnings	-	-	-	35,965	-	35,965	54,882	90,847
Other comprehensive loss	-	-	-	-	(12,557)	(12,557)	(12,399)	(24,956)
Other movements in minority interest:								
Dividend paid	-	-	-	-	-	-	(51,125)	(51,125)
Gain on dilution	-	-	-	-	-	-	3,893	3,893
Balance December 31, 2006	**2,153**	**319,506**	**-**	**19,204**	**(26,725)**	**314,138**	**114,916**	**429,054**
Issuance of common shares:								
For stock options	**7**	**2,319**	**-**	**-**	**-**	**2,326**	**-**	**2,326**
Compensation expense stock options	**-**	**1,712**	**-**	**-**	**-**	**1,712**	**-**	**1,712**
Purchase of common shares	**-**	**-**	**(8,162)**	**-**	**-**	**(8,162)**	**-**	**(8,162)**
Exercise of stock options out of treasury shares	**-**	**(1,125)**	**4,177**	**(363)**	**-**	**2,689**	**-**	**2,689**
Derecognition of equity component convertible subordinated notes, net	**-**	**-**	**-**	**5,138**	**(8,332)**	**(3,194)**	**-**	**(3,194)**
Dividend	**-**	**-**	**-**	**(5,397)**	-	**(5,397)**	**-**	**(5,397)**
Net earnings	**-**	**-**	**-**	**65,748**	-	**65,748**	**55,345**	**121,093**
Other comprehensive loss	**-**	**-**	**-**	**-**	**(12,936)**	**(12,936)**	**(12,635)**	**(25,571)**
Other movements in minority interest:								
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**(42,900)**	**(42,900)**
Gain on dilution	**-**	**-**	**-**	**-**	**-**	**-**	**4,150**	**4,150**
Financial restructuring	**-**	**-**	**-**	**-**	**-**	**-**	**1,748**	**1,748**
Balance December 31, 2007	**2,160**	**322,412**	**(3,985)**	**84,330**	**(47,993)**	**356,924**	**120,624**	**477,548**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(thousands)			EUR
		Year ended December 31,	
	Note	2006	**2007**
Cash flows from operating activities:			
Net earnings		90,847	**121,093**
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation	**9**	35,067	**33,250**
Amortization of other intangible assets	**7**	2,439	**1,752**
Impairment of property, plant and equipment	**9**	-	**(788)**
Impairment of goodwill and disposal of assets	**2**	12,841	**-**
Impairment of capitalized development expenses	**7**	-	**2,184**
Compensation expense employee share incentive scheme	**16**	7,290	**7,685**
Compensation expense employee stock option plan	**16**	1,336	**1,712**
Deferred income taxes		(151)	**(913)**
Expense resulting from early extinguishment of debt	**14**	-	**10,407**
Gain on dilution of investment in subsidiary	**16**	(1,255)	**(3,010)**
Increase in allowance for doubtful receivables	**5**	(169)	**(260)**
Accrual of interest convertible subordinated notes	**14**	7,242	**6,182**
Changes in other assets and liabilities:			
Accounts receivable		(6,974)	**(47,599)**
Inventories		(26,095)	**(26,613)**
Other current assets		(1,632)	**(5,184)**
Accounts payable and accrued expenses		15,585	**9,872**
Advance payments from customers		1,403	**3,044**
Deferred revenue		4,241	**(741)**
Pension liabilities		629	**775**
Income taxes		10,797	**7,875**
Net cash provided by operating activities		153,441	**120,723**
Cash flows from investing activities:			
Capital expenditures	**9**	(39,374)	**(47,206)**
Capitalization of development expenses	**7**	(13,282)	**(17,389)**
Purchase of intangible assets	**7**	(3,298)	**(695)**
Acquisition of business, net of common shares issued and cash acquired	**8**	(1,162)	**(281)**
Proceeds from sale of other intangible assets	**2**	11,032	**-**
Proceeds from sale of property, plant and equipment	**9**	2,750	**3,652**
Net cash used in investing activities		(43,334)	**(61,919)**
Cash flows from financing activities:			
Notes payable to banks, net		1,052	**(2,013)**
Proceeds from long-term debt and subordinated debt		2,694	**14,496**
Repayments of long-term debt and subordinated debt		(6,282)	**(42,344)**
Purchase of treasury shares		-	**(8,162)**
Proceeds from issuance of common shares and exercise of stock options		11,843	**5,015**
Dividends to minority shareholders ASMPT		(51,125)	**(42,900)**
Dividends to shareholders ASMI		-	**(5,397)**
Net cash used in financing activities		(41,818)	**(81,305)**
Foreign currency translation effect		(9,417)	**(3,448)**
Net increase (decrease) in cash and cash equivalents		58,872	**(25,949)**
Cash and cash equivalents at beginning of year	**4**	135,000	**193,872**
Cash and cash equivalents at end of year	**4**	193,872	**167,923**
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest		6,000	**3,890**
Income taxes		5,893	**14,329**

See Notes to Consolidated Financial Statements.

Amounts in euro thousands, except per share data and unless otherwise stated

NOTE 1 *Summary of Significant Accounting Policies*

Basis of presentation – ASM International N.V. ('ASMI' or 'the Company') is a Netherlands public liability company domiciled in the Netherlands with its principal operations in Europe, the United States, Southeast Asia and Japan. The Company dedicates its resources to the research, development, manufacturing, marketing and servicing of equipment and materials used to produce semiconductor devices. The Company provides production solutions for the main areas of semiconductor production: wafer processing (front-end), assembly and packaging (back-end).

These Consolidated Financial Statements, prepared for statutory purposes, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union.

The Company applies the going concern basis in preparing its Consolidated Financial Statements. Historical cost is used as the measurement basis unless otherwise indicated.

Principles of Consolidation – The Consolidated Financial Statements include the accounts of ASMI and its subsidiaries ('the Company'), where ASMI holds a controlling interest. The minority interest of third parties is disclosed separately in the Consolidated Financial Statements. All intercompany profits, transactions and balances have been eliminated in consolidation.

Foreign Currency Translation – The functional and reporting currency of ASMI is the euro ("EUR"). The financial information for subsidiaries outside the Netherlands is measured using local currencies as the functional currency of that subsidiary. Assets and liabilities of foreign subsidiaries, of which the functional currency is not the euro, are translated into euros at foreign currency exchange rates prevailing at the end of the year. Revenues and costs relating to the operation of such subsidiaries are translated at weighted average foreign currency exchange rates during the year. Resulting translation adjustments are directly recorded in Shareholders' Equity. Exchange rate differences on translations of other transactions in foreign currencies are reflected in the Consolidated Statement of Operations.

Reclassifications – Certain reclassifications have been made to the prior year Consolidated Financial Statements to conform to the current year presentation.

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

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, current accounts with banks, and short-term deposits with a maturity of three months or less at the date of purchase.

Accounts receivable

Accounts receivable are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Allowances for doubtful accounts are recognized when the asset is impaired. The allowance is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate at initial recognition.

Accounts payable

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

Bank debt

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

Convertible subordinated debt
Convertible subordinated notes are regarded as compound instruments, consisting of a liability instrument and an equity instrument. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible subordinated notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the notes into equity of the Company, is included in equity (accumulated other comprehensive loss).

The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes.

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

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 revenues, costs and cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in U.S. dollar.

The Company's front-end segment uses forward exchange contracts to hedge its foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which the Company has a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions being hedged. The hedges related to forecasted transactions are designated and documented at the inception of the hedge as cash flow hedges, and are evaluated for effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive 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.

Substantially all amounts included in accumulated other comprehensive loss at December 31, 2007 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 manages 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.

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, direct wages of employees and charges for material handling.

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

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

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

Other intangible assets also include purchased technology from third parties and software developed or purchased for internal use, which have finite lives and are amortized over the estimated useful lives using the straight-line method.

Goodwill – Business combinations are accounted for under the purchase method. As from January 1, 2004, goodwill and other intangibles assets with indefinite lives are no longer amortized. Instead, the Company tests its recorded goodwill and other intangible assets with indefinite lives for impairment each year on December 31 or if events or changes in circumstances indicate that the carrying amount exceeds the fair value of the goodwill and other intangible assets with indefinite lives. Reference is made to Note 2.

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.

Recoverability of Long-Lived Assets – Long-lived assets and other intangible assets (except those not being amortized) to be held and used by the Company are reviewed by the Company for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, the Company estimates the future discounted cash flows expected to result from the use of the asset. If the discounted 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.

Revenue Recognition – The Company recognizes revenue when relevant revenue recognition criteria have been met, including persuasive evidence of an arrangement exists; delivery has occurred or services have been rendered; seller's price to buyer is fixed or determinable; and collectibility is reasonably assured. The Company's revenue includes revenue from contractual arrangements consisting of multiple deliverables, such as equipment and installation. The revenue from the undelivered element of the arrangement is deferred at fair value until delivery of the element.

In general, the Company recognizes revenue from sales of equipment upon shipment of equipment, only if testing at the factory has proven that the equipment has met substantially all of the customer's criteria and specifications. The outcome of the test is signed-off by the customer ("factory acceptance"). Instead of signing-off, the customer may choose to provide a waiver, e.g. with respect to repeat orders.

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 fair value of installation. The fair value of the installation process is measured based upon the per-hour amounts charged by third parties for similar installation services. Installation is completed when testing at the customer's site has proven that the equipment has met all of the customer's criteria and specifications. The completion of installation is signed-off by the customer ("final acceptance").

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

Revenue related to training and technical support service is recognized when the service is rendered. Revenue from the sale of spare parts and materials is recognized when the goods are shipped.

Cost of Sales – Cost of sales includes direct costs such as materials, labor and related overhead. Cost of sales also includes cost of warranty, third party commission and 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. The warranty period is usually one to two years. The Company accrues for the estimated cost of the warranty on its 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.

Restructuring – A restructuring provision is recognized for exit or disposal activities when the conditions of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" have been met.

Research and Development Expenses, net – Research expenses are expensed as incurred. Costs, which relate to prototype and experimental models that 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. Technical development credits received from the government of the Netherlands, to offset the costs of certain research and development projects, are contingently repayable to the extent sales of products developed in such projects occur within the agreed upon period. Such repayments are calculated as a percentage of sales and are charged to cost of sales. No such repayments are required if such sales do not occur within the agreed upon period. Reference is made to Note 20.

Income Taxes – The Company recognizes deferred tax assets and liabilities for the estimated future tax consequences of events attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of changes in tax rates is recognized in the Consolidated Statement of Operations in the period in which the enacted rate changes. Deferred tax assets are reduced through a valuation allowance at such time as, based on available evidence, it is more likely than not that the deferred tax assets will not be realized.

Pensions – The Company has retirement plans covering substantially all employees. The principal plans are defined contribution plans, except for the plans of the Company's operations in the Netherlands and Japan. The Company's employees in the Netherlands participate in a multi-employer defined benefit plan. Payments to defined contribution plans and the multi-employer plan are recognized as an expense in the Consolidated Statement of Operations as they fall due. The Company accounts for the multi-employer plan as if it were a defined contribution plan as the manager of the plan is not able to provide the Company with the required Company-specific information to enable the Company to account for the plan as a defined benefit plan.

The Company's employees in Japan participate in a defined benefit plan. Pension costs in respect of this defined benefit plan are determined using the projected unit credit method. These costs primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect of employee service in previous years, net of the expected return on plan assets. Actuarial gains and losses are recognized in income, spread over the average remaining service lives of employees, using the corridor approach. Reference is made to Note 16.

Share-Based Payments – IFRS 2 "Share-based Payment" requires expensing the fair value of options granted to employees. The Company applies IFRS 2 with respect to options granted after November 7, 2002 and not yet vested at January 1, 2005. The total estimated share-based compensation expense, determined under the fair value based method, net of related tax effect, is amortized ratably over the option vesting periods. Reference is made to Note 16.

Issuance of Shares by a Subsidiary – As further described in the Notes to Consolidated Financial Statements herein, from time to time, the consolidated subsidiary ASM Pacific Technology Ltd. (“ASMPT”) will issue common shares pursuant to their Employee Share Incentive Scheme. The effect of these issuances is a dilution of the ownership in ASMPT. The Company recognizes the impact of these issuances in the Consolidated Statement of Operations as a gain on dilution of investment in subsidiary.

Net Earnings (Loss) per Share – Basic earnings (loss) per share, allocated to shareholders of the parent, is computed by dividing net earnings (loss), allocated to shareholders of the parent, by the weighted average common shares outstanding for the year. Diluted earnings (loss) per share reflects the potential dilution that could occur if options issued under the Company’s stock option plan were exercised and if the Company’s convertible subordinated debt borrowings were converted, unless the conversion would have an anti-dilutive effect.

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

Use of Estimates –The preparation of the Company’s Consolidated Financial Statements, and applying the Company’s accounting policies as described, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet dates and the reported amounts of revenues and expenses during the reported periods. Actual results could differ from those estimates.

Impairment of goodwill, long-lived assets and other intangible assets
Reference is made to the corresponding accounting policies.

Revenue Recognition
Reference is made to the corresponding accounting policy.

Warranty
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 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.

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

Income Taxes
Reference is made to Note 21.

New Accounting Pronouncements

New Standards and Interpretations, which became effective in 2007, did not have a material impact on the Company’s financial statements. The adoption of IFRS 7 “Financial Instruments: Disclosures” did have a significant impact on the disclosures. Reference is made to Note 19.

At the date of authorisation of these financial statements, the IASB and its interpretation committee IFRIC have issued amongst others the following Standards and Interpretations, which are not effective yet:

- IAS 1 (Amendments) “Presentation of Financial Statements” (effective for annual periods beginning on or after January 1, 2009). The amendments mainly concern the presentation of changes in equity, and the presentation of an opening balance sheet of the corresponding period where restatement have occurred;
- IAS 23 (Amendment), “Borrowing costs” (effective for annual periods beginning on or after January 1, 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed;

- IFRS 2 (Amendments) “Share-based Payment” (effective for annual reports beginning on or after January 1, 2009). The amendments clarify the definition of vesting conditions and the accounting treatment of cancellations by the counterparty to a shared-based arrangement;
- IFRS 3 (Revised) “Business Combinations” and IAS 27 (Revised) “Consolidated and Separate Financial Statements” (effective for annual period beginning on or after July 1, 2009). The revised standards result in a greater emphasis on the use of fair value, focuses on changes in control as a significant economic event and focuses on what is given to the vendor as consideration, rather than what is spent to achieve the acquisition;
- IFRS 8, “Operating Segments” (effective for annual periods beginning on or after January 1, 2009). IFRS 8 includes requirements for disclosure of information about an entity’s operating segments, its products and services, the geographical areas in which it operates, and its major customers;
- IFRIC 11, “IFRS 2 - Group and Treasury Share Transactions” (effective for annual periods beginning on or after March 1, 2007). This interpretation addresses the issue whether certain transactions should be accounted for as equity-settled or as cash-settled under the requirements of IFRS 2. IFRIC 11 also addresses share-based payment arrangements that involve two or more entities within the same group;
- IFRIC 14, “IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction” (effective for annual periods beginning on or after January 1, 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

The Company has not yet adopted these Standards and Interpretations in its Consolidated Financial Statements and anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on its Consolidated Financial Statements.

NOTE 2 *Impairment and Disposal of ASM NuTool*

Due to continued negative cash flows and the expected future returns on the invested capital employed, the Company decided in 2005 to reduce its 100% subsidiary ASM NuTool to a small operation, focusing on process and intellectual property development with the intention of licensing these technologies in the future. In December 2006, the Company sold substantially all of the ASM NuTool patent portfolio to a third party.

In 2005, the Company recorded impairment charges for goodwill and property, plant and equipment, the write-down of inventories and other current assets and the recognition of contractual purchase commitments in the amount of € 34,422, net of taxes.

In 2006, the Company recorded impairment charges for goodwill and disposal of assets in the amount of € 14,926. Of these charges € 1,093 was accrued for as of December 31, 2007 and is expected to be paid in cash through 2009.

The sale of IP resulted in a gain in the amount of € 6,689.

The details of the charges for impairment of goodwill and disposal of assets, as included in the Consolidated Statement of Operations for the year ended December 31, 2006, are as follows:

Gain from the sale of patent portfolio	6,689
Impairment of goodwill	(11,364)
Settlement agreement with former shareholders NuTool	(3,048)
Reclassification to Consolidated Statement of Operations of cumulative translation adjustment ASM NuTool	(4,832)
Other restructuring charges	(2,371)
	(14,926)

The gain from the sale of patent portfolio is specified as follows:

Net cash proceeds	11,908
Settlement charges former shareholders NuTool	(876)
	11,032
Carrying value of patent portfolio	(4,343)
Gain from the sale of patent portfolio	6,689

In January 2006, the Company reached a settlement agreement in the dispute with former NuTool shareholders regarding the number of additional common shares of the Company to be issued in connection with the potential satisfaction of financial performance targets following the 2004 acquisition of NuTool. The Company issued 193,883 common shares of the Company with a fair value of € 3,048 in March 2006 and 56,258 common shares of the Company with a fair value of € 876 in December 2006 related to the sale of the patent portfolio of ASM NuTool.

The impairment charges recorded in 2005 and 2006 for goodwill are the result of a comparison between the fair value of the goodwill with respect to ASM NuTool and the carrying amount of the goodwill. The fair value is estimated by management using a discounted cash flow technique of expected future returns.

In 2006, the Company reclassified the cumulative translation adjustment of ASM NuTool's operations in the amount of € 4,832, included in Shareholders' Equity, as a loss to the Consolidated Statement of Operations, in accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates."

Other restructuring charges recorded by the Company in 2006 include the write-down of other current assets and the recognition of contractual lease obligations.

A breakdown of adjustments to reconcile impairment of goodwill and disposal of assets to net cash from operating activities, as reported in the Consolidated Statements of Cash Flows, is as follows:

	Year ended December 31,
	2006
Gain from the sale of patent portfolio	(6,689)
Impairment of property, plant and equipment	286
Impairment of goodwill	11,364
Settlement agreement with former shareholders NuTool	3,048
Reclassification of cumulative translation adjustment	4,832
	12,841

Reference is made to Note 8 and Note 9.

NOTE 3 *List of Significant Subsidiaries*

Name	Location	% Ownership December 31, 2006	2007
ASM Europe B.V. [1]	Almere, the Netherlands	100.00%	100.00%
ASM United Kingdom Sales B.V. [1]	Almere, the Netherlands	100.00%	100.00%
ASM Germany Sales B.V. [1]	Almere, the Netherlands	100.00%	100.00%
Advanced Semiconductor Materials (Netherlands Antilles) N.V.	Willemstad, Curacao, Netherlands Antilles	100.00%	100.00%
ASM France S.A.R.L.	Montpellier, France	100.00%	100.00%
ASM Belgium N.V.	Leuven, Belgium	100.00%	100.00%
ASM Italia S.r.l.	Agrate, Italy	100.00%	100.00%
ASM Microchemistry Oy	Helsinki, Finland	100.00%	100.00%
ASM Services and Support Ireland Ltd.	Dublin, Ireland	100.00%	100.00%
ASM Services and Support Israel Ltd.	Tel Aviv, Israel	100.00%	100.00%
ASM America, Inc.	Phoenix, Arizona, United States	100.00%	100.00%
ASM Japan K.K.	Tokyo, Japan	100.00%	100.00%
ASM Wafer Process Equipment Ltd.	Quarry Bay, Hong Kong, People's Republic of China	100.00%	100.00%
ASM China Ltd.	Shanghai, People's Republic of China	100.00%	100.00%
ASM Wafer Process Equipment Singapore Pte Ltd.	Singapore	100.00%	100.00%
ASM Far East Marketing Ltd.	Hsin-Chu, Taiwan	100.00%	100.00%
ASM Front-End Sales & Services Taiwan Co., Ltd.	Hsin-Chu, Taiwan	100.00%	100.00%
ASM Front-End Manufacturing Singapore Pte Ltd.	Singapore	100.00%	100.00%
ASM NuTool, Inc.	Phoenix, Arizona, United States	100.00%	100.00%
ASM Genitech Korea Ltd.	Cheonan, South Korea	100.00%	100.00%
NanoPhotonics AG	Mainz, Germany	71.10%	72.86%
ASM Pacific Technology Ltd.	Kwai Chung, Hong Kong, People's Republic of China	53.35%	53.10%
ASM Assembly Automation Ltd. [2]	Kwai Chung, Hong Kong, People's Republic of China	53.35%	53.10%
ASM Assembly Materials Ltd. [2]	Kwai Chung, Hong Kong, People's Republic of China	53.35%	53.10%
ASM Technology Singapore Pte Ltd. [2]	Singapore	53.35%	53.10%
ASM Technology (M) Sdn. Bhd. [2]	Johor Bahru, Malaysia	53.35%	53.10%
ASM Semiconductor Materials (Shenzhen) Co. Ltd. [2]	Shenzhen, People's Republic of China	53.35%	53.10%
ASM Pacific Investments Ltd. [2]	Kwai Chung, Hong Kong, People's Republic of China	53.35%	53.10%
Edgeward Development Ltd. [2]	Guernsey, Channel Islands	53.35%	53.10%
Edgeward USA L.L.C. [2]	Wilmington, Delaware, United States	53.35%	53.10%
Shenzhen ASM Micro Electronic Technology Co. Ltd. [2]	Shenzhen, People's Republic of China	53.35%	53.10%

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

(2) 100% subsidiaries of ASM Pacific Technology Ltd.

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

NOTE 4 *Cash and Cash Equivalents*

At December 31, 2007, cash and cash equivalents of the Company's subsidiaries ASMPT and ASM Japan amounted to € 67,780 and € 11,417 respectively, which are restricted to be used only in the operations of ASMPT and ASM Japan respectively.

NOTE 5 *Accounts receivable*

The carrying amount of accounts receivable is as follows:

	Current	Overdue < 30 days	Overdue 31 – 60 days	Overdue 61 – 120 days	Overdue > – 120 days	Total
December 31, 2006	154,385	21,312	11,338	6,401	4,923	198,359
December 31, 2007	**175,195**	**24,989**	**14,123**	**9,537**	**5,316**	**229,160**

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

Balance January 1, 2006	(6,693)
Charged to selling, general and administrative expenses	(1,176)
Deductions	1,345
Foreign currency translation effect	598
Balance December 31, 2006	(5,926)
Charged to selling, general and administrative expenses	**(137)**
Deductions	**397**
Foreign currency translation effect	**591**
Balance December 31, 2007	**(5,075)**

NOTE 6 *Inventories*

Inventories consist of the following:

	December 31,	
	2006	**2007**
Components and raw materials	100,462	**106,565**
Work in process	93,205	**83,444**
Finished goods	31,484	**42,988**
Total inventories, gross	225,151	**232,997**
Allowance for obsolescence	(28,062)	**(27,493)**
Total inventories, net	197,089	**205,504**

The changes in the allowance for obsolescence are as follows:

Balance January 1, 2006	(27,922)
Charged to cost of sales	(7,747)
Deductions	5,136
Foreign currency translation effect	2,471
Balance December 31, 2006	(28,062)
Charged to cost of sales	**(6,268)**
Deductions	**4,320**
Foreign currency translation effect	**2,517**
Balance December 31, 2007	**(27,493)**

NOTE 7 *Other Intangible Assets*

	Capitalized development expenses	Software	Purchased technology and other intangible assets	Total
At cost:				
Balance January 1, 2006	11,541	746	11,777	24,064
Capitalization of development expenses	13,282	-	-	13,282
Additions	-	2,922	376	3,298
Sale of patent portfolio ASM NuTool, Inc.	-	-	(7,446)	(7,446)
Foreign currency translation effect	(1,746)	(63)	(1,032)	(2,841)
Balance December 31, 2006	**23,077**	**3,605**	**3,675**	**30,357**
Capitalization of development expenses	**17,389**	**-**	**-**	**17,389**
Additions	**-**	**695**	**-**	**695**
Impairment charges	**(2,184)**	**-**	**-**	**(2,184)**
Reclassification	**-**	**718**	**-**	**718**
Foreign currency translation effect	**(2,098)**	**(278)**	**(359)**	**(2,735)**
Balance December 31, 2007	**36,184**	**4,740**	**3,316**	**44,240**

	Capitalized development expenses	Software	Purchased technology and other intangible assets	Total
Accumulated amortization:				
Balance January 1, 2006	-	115	3,231	3,346
Amortization for the year	-	855	1,584	2,439
Sale of patent portfolio ASM NuTool, Inc.	-	-	(3,103)	(3,103)
Foreign currency translation effect	-	(15)	(335)	(350)
Balance December 31, 2006		**955**	**1,377**	**2,332**
Amortization for the year	**361**	**838**	**553**	**1,752**
Reclassification	**-**	**409**	**-**	**409**
Foreign currency translation effect	**-**	**(146)**	**(181)**	**(327)**
Balance December 31, 2007	**361**	**2,056**	**1,749**	**4,166**

Other intangible assets, net:				
December 31, 2006	23,077	2,650	2,298	28,025
December 31, 2007	**35,823**	**2,684**	**1,567**	**40,074**

Other intangible assets 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. The Company recorded impairment charges with respect to selected development projects for which the Company estimated no future economic benefits.

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

2008	3,258
2009	8,811
2010	7,979
2011	7,279
2012	6,996
Years thereafter	5,751
	40,074

NOTE 8 *Goodwill*

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

Balance January 1, 2006	62,353
Addition:	
NanoPhotonics AG	300
ASM Genitech Korea Ltd.	957
Impairment:	
ASM NuTool, Inc.	(11,364)
Other charges:	
ASM Pacific Technology Ltd.	(1,776)
Foreign currency translation effect	(5,344)
Balance December 31, 2006	**45,126**
Other charges:	
ASM Genitech Korea Ltd.	**(444)**
Foreign currency translation effect	**(4,230)**
Balance December 31, 2007	**40,452**

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

	December 31,	
	2006	**2007**
Front-end segment:		
ASM Microchemistry Oy	2,612	**2,612**
NanoPhotonics AG	1,648	**1,648**
ASM NuTool, Inc.	-	**-**
ASM Genitech Korea Ltd.	10,089	**8,657**
Back-end segment:		
ASM Pacific Technology Ltd.	30,777	**27,535**
Total	45,126	**40,452**

NanoPhotonics AG – In 1999, the Company acquired a 24.0% interest in NanoPhotonics, a German supplier of precision thin film metrology equipment, for € 407. In 1999, the Company's then Chief Executive Officer also purchased a 44.5% interest in NanoPhotonics. Due to the issuance of new shares by NanoPhotonics to third parties in 2003, the Company's interest diluted to 23.61% and the then Chief Executive Officer's interest diluted to 43.77%. In 2004 the then Chief Executive Officer purchased an additional 1.72% interest in NanoPhotonics from another shareholder. For all the shares purchased by the then Chief Executive Officer, the Company and the then Chief Executive Officer agreed that the Company could purchase such shares at the same price the officer paid to acquire the shares. The Company exercised this option in December 2005 for a total consideration of € 1,101. In 2006, the Company acquired an additional 2.0% interest in NanoPhotonics for a consideration of € 300. The acquisitions were accounted for using the purchase accounting method. The Company estimated that no amounts could be allocated to identifiable net assets and the entire consideration has been recorded as goodwill. In 2007, the Company acquired an additional 1.8% interest in NanoPhotonics following a financial restructuring of NanoPhotonics. At December 31, 2007 the Company holds a 72.86% interest in NanoPhotonics.

ASM NuTool, Inc. – From December 2001 through June 2, 2004, the Company acquired 100% interest in NuTool for a total consideration of € 57,649. The excess of the purchase price over the fair value of the identifiable net assets has been recorded as goodwill in the amount of € 44,437 in 2004. In 2005 and 2006 the Company recorded impairment charges for goodwill with respect to ASM NuTool of € 28,582 and € 11,364 respectively. Reference is made to Note 2.

ASM Genitech Korea Ltd. – In 2004, the Company acquired 100% of the common shares in Genitech in exchange for 247,638 common shares of the Company, € 4,640 in cash and the possible future variable cash payments of up to US$ 9,200 if certain financial performance targets are satisfied at various times during the period ending December 31, 2008. The total consideration at the date of the acquisition in 2004, including expenses, amounted to € 8,948, including variable cash payments that may be payable in the future based on certain financial performance targets.

The excess of the purchase price over the fair value of the identifiable net assets has been recorded as goodwill in the amount of € 7,926 in 2004. In 2006 the Company revised its assessment of future variable cash payments related to financial performance targets and recorded an additional purchase consideration of € 957. In 2007 the Company revised its assessment of future variable cash payments related to financial performance targets and recorded a decrease of the purchase consideration of € 444.

ASM Pacific Technology Ltd. – In 2006, the Company recorded against goodwill a charge of € 1,776 to the Consolidated Statement of Operations. Reference is made to Note 16.

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
At cost:			
Balance January 1, 2006	107,226	303,040	410,266
Capital expenditures	4,549	34,825	39,374
Impairment charges	-	(286)	(286)
Retirements and sales	(5,655)	(24,191)	(29,846)
Foreign currency translation effect	(7,900)	(29,617)	(37,517)
Balance December 31, 2006	**98,220**	**283,771**	**381,991**
Capital expenditures	**11,942**	**35,264**	**47,206**
Reclassification	**-**	**(718)**	**(718)**
Revaluation fixed assets held for sale	**788**	**-**	**788**
Retirements and sales	**(603)**	**(9,304)**	**(9,907)**
Foreign currency translation effect	**(7,382)**	**(27,249)**	**(34,631)**
Balance December 31, 2007	**102,965**	**281,764**	**384,729**
Accumulated depreciation:			
Balance January 1, 2006	53,603	193,320	246,923
Depreciation for the year	6,289	28,778	35,067
Retirements and sales	(5,441)	(21,655)	(27,096)
Foreign currency translation effect	(4,685)	(19,483)	(24,168)
Balance December 31, 2006	**49,766**	**180,960**	**230,726**
Depreciation for the year	**6,400**	**26,850**	**33,250**
Reclassification	**-**	**(409)**	**(409)**
Retirements and sales	**(75)**	**(6,179)**	**(6,254)**
Foreign currency translation effect	**(4,386)**	**(17,840)**	**(22,226)**
Balance December 31, 2007	**51,705**	**183,382**	**235,087**
Property, plant and equipment, net:			
December 31, 2006	48,454	102,811	151,265
December 31, 2007	**51,260**	**98,382**	**149,642**

Useful lives in years:	- Buildings and leasehold improvements	10-25
	- Machinery, equipment, furniture and fixtures	2-10

Property, plant and equipment include real estate held for sale with a carrying value of € 2,540.

With respect to impairment charges, reference is made to Note 2.

ASM Japan and ASM Front-End Manufacturing Singapore have pledged real estate with a carrying value of € 21,165 to secure loan facilities outstanding in Japan and Singapore.

NOTE 10 *Notes Payable to Banks*

Information on notes payable to banks is as follows:

Short-term debt outstanding in:		December 31,
	2006	**2007**
Japan	17,984	**15,756**
Singapore	966	**921**
Hong Kong	707	**-**
	19,657	**16,677**

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

		December 31,
	2006	**2007**
Japanese yen	2,810,000	**2,600,000**
Singapore dollar	1,950	**1,950**
Hong Kong dollar	7,244	**-**

Short-term debt outstanding in Japan in the amount of € 7,272 is collateralized by real estate with a carrying value of € 5,924 of ASM Japan.

ASMI and its individual subsidiaries borrow under separate short-term lines of credit with banks in the countries where they are located. The lines contain general provisions concerning renewal and continuance at the option of the banks. The weighted average interest rate of the outstanding notes payable was 2.02% at December 31, 2007.

Total short-term lines of credit amounted to € 118,871 at December 31, 2007. The amount outstanding at December 31, 2007 was € 16,677 and the undrawn portion totaled € 102,194. The undrawn portion includes the Company's bank credit facility of € 50,000 with Rabobank. The facility, available through February 28, 2010, is secured by a portion of the Company's shareholding in ASMPT. The undrawn portion includes € 26,165 for ASMPT, which amount is restricted to be used only in the operations of ASMPT. The undrawn portion includes € 25,816 for ASM Japan, which amount is restricted to be used only in the operations of ASM Japan.

ASMI is guarantor with respect to all short-term debt outstanding of ASM Front-End Manufacturing Singapore. ASMI is guarantor with respect to a credit line of € 9,090, with no debt outstanding, of ASM Japan. ASMI does not provide guarantees for borrowings of ASMPT and there are no guarantees from ASMPT to secure indebtedness of ASMI. Under the rules of the Stock Exchange of Hong Kong, ASMPT is precluded from providing loans and advances other than trade receivables in the normal course of business, to ASMI or its non ASMPT subsidiaries.

NOTE 11 *Provision for Warranty*

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

Balance January 1, 2006	19,389
Charged to cost of sales	10,474
Deductions	(12,678)
Foreign currency translation effect	(886)
Balance December 31, 2006	**16,299**
Charged to cost of sales	**13,808**
Deductions	**(12,228)**
Foreign currency translation effect	**(840)**
Balance December 31, 2007	**17,039**

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 12 *Accrued Expenses and Other*

Accrued expenses and other consist of the following:

	December 31,	
	2006	**2007**
Advance payments from customers	8,095	**10,039**
Deferred revenue	13,652	**12,377**
Personnel related items	24,686	**24,219**
Other	30,913	**27,218**
	77,346	**73,853**

NOTE 13 *Long-term Debt*

Long-term debt consists of the following:

	December 31,	
	2006	**2007**
Term loans:		
Japan, 0.5-3.2%, due 2008 – 2012	17,722	**21,780**
Finland, 1.0%, due 2010	1,134	**641**
Singapore, 3.6-3.8%, due 2008 – 2011	3,693	**2,333**
South Korea, 4.9%, due 2008	779	**37**
Germany, 5.0-7.5%, due 2007 – 2010	1,748	**-**
Mortgage loans:		
Japan, 2.1-2.2%, due 2012	-	**4,242**
Capital lease commitments:		
United States, 7.9%, due 2007	182	**-**
Japan, 1.8%, due 2009 – 2012	1,353	**2,233**
	26,611	**31,266**
Current portion	(7,344)	**(15,438)**
	19,267	**15,828**

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

	December 31,	
	2006	**2007**
Euro	2,882	**641**
United States dollars	240	**-**
Japanese yen	2,980,400	**4,662,546**
Singapore dollars	7,455	**4,939**
Korean won	950,000	**50,000**

Aggregate annual principal repayments for years subsequent to December 31, 2007 are:

2008	15,438
2009	5,111
2010	4,801
2011	3,285
2012	2,631
	31,266

Long-term debt outstanding in Japan in the amount of € 4,242 is collateralized by real estate with a carrying value of € 3,837.of ASM Japan

Long-term debt outstanding in Singapore in the amount of € 2,333 is collateralized by real estate with a carrying value of € 11,404 and other assets with a carrying value of € 16,709 of ASM Front-End Manufacturing Singapore.

ASMI is guarantor with respect to all long-term debt outstanding of ASM Front-End Manufacturing Singapore.

Capital lease commitments relate to commitments for equipment and machinery.

NOTE 14 *Convertible Subordinated Debt*

In May 2003, ASMI issued US$ 90.0 million in principal amount of 5.25% convertible subordinated notes due in May 2010 in a private offering. Interest on the notes is payable on May 15 and November 15 of each year. The notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness. The notes are convertible, at the option of the holder, into shares of the Company's common stock initially at a conversion rate of 52.0237 shares of common stock for each US$ 1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of US$ 19.22 per share. On or after May 20, 2006, the Company may redeem any of the notes at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if the closing price of the Company's common shares has exceeded 150% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days and if certain other conditions are satisfied. In the event of a change in control, the Company may be required to repurchase the notes. In 2007, US$ 20.8 million of the US$ 90.0 million convertible subordinated notes has been repurchased and as a result US$ 69.2 million remains outstanding at December 31, 2007. The US$ 20.8 million nominal value has been repurchased for a market value of US$ 29.0 million. The premium of € 8,138, paid above the carrying value of the notes, has been recorded as expense resulting from early extinguishment of debt in the Consolidated Statement of Operations for the year 2007 for an amount of € 6,172 and as derecognition of equity component convertible subordinated notes in the Consolidated Satement of Equity for the year 2007 for an amount of € 1,966.

In December 2004, ASMI issued US$ 150.0 million in principal amount of 4.25% convertible subordinated notes due in December 2011 in a private offering. Interest on the notes is payable on June 6 and December 6 of each year. The notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness. The notes are convertible, at the option of the holder, into shares of the Company's common stock initially at a conversion rate of 48.0307 shares of common stock for each US$ 1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of US$ 20.82 per share. Effective December 6, 2007, the conversion price is adjusted for the cash dividend paid in September 2007 to US$20.71 per share. On or after December 6, 2007, the Company may redeem any of the notes at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if the closing price of the Company's common shares has exceeded 130% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days. In the event of a change in control, the Company may be required to repurchase the notes. In 2007, US$ 14.6 million of the US$ 150.0 million convertible subordinated notes has been repurchased and as a result US$ 135.4 million remains outstanding at December 31, 2007. The nominal value US$ 14.6 million has been repurchased for a market value of US$ 19.4 million. The premium of € 5,463, paid above the carrying value of the notes, has been recorded as expense resulting from early extinguishment of debt in the Consolidated Statement of Operations for the year 2007 for an amount of € 4,235 and as derecognition of equity component convertible subordinated notes in the Consolidated Satement of Equity for the year 2007 for an amount of € 1,228.

The US$ 150.0 million convertible subordinated notes rank pari passu with the US$ 90.0 million convertible subordinated notes.

The Company's convertible subordinated notes include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company. IAS 32 "Financial Instruments: Disclosure and Presentation," requires separate recognition of these components.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. Subsequently, the liability is measured at amortized cost. The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes.

The difference between the proceeds of issue of the convertible subordinated notes and the fair value assigned to the liability component, representing the embedded option for the holder to convert the notes into equity of the Company, is included in equity (accumulated other comprehensive loss).

The net proceeds of the issuance of the Company's convertible subordinated notes have been recognized separately as follows:

	5.25% convertible subordinated notes, due 2010	4.25% convertible subordinated notes, due 2011
Nominal value at date of issuance	79,267	111,682
Debt issuance costs	(3,303)	(3,574)
Equity component (net of deferred tax) at date of issuance	(13,653)	(18,329)
Deferred tax liability at date of issuance	(6,136)	(7,799)
Liability component at date of issuance	56,175	81,980
Liability component at January 1, 2006	61,782	98,008
Accrual of interest	2,960	4,282
Foreign currency translation effect	(6,604)	(10,464)
Liability component at December 31, 2006	**58,138**	**91,826**
Accrual of interest	**2,374**	**3,808**
Repurchasing of notes	**(13,451)**	**(8,932)**
Foreign currency translation effect	**(5,067)**	**(9,170)**
Liability component at December 31, 2007	**41,994**	**77,532**

	5.25% convertible subordinated notes, due 2010	4.25% convertible subordinated notes, due 2011
Nominal value in US$:		
December 31, 2006	90,000	150,000
December 31, 2007	**69,212**	**135,400**
Nominal value in €:		
December 31, 2006	68,337	113,895
December 31, 2007	**47,016**	**91,977**

NOTE 15 *Shareholders' Equity*

Common 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 54,005,214 common shares and no preferred or financing preferred shares were outstanding as at December 31, 2007. There are currently no preferred or financing preferred shares issued. All shares have one vote per € 0.04 par value.

Preferred and financing preferred shares

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

Retained earnings

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

Accumulated other comprehensive loss

The changes in the amount of accumulated other comprehensive loss, allocated to shareholders of the parent, are:

	Foreign currency translation effects	Unrealized gains (losses) on derivative instruments, net	Equity component convertible subordinated notes, net	Total
Balance January 1, 2006	(45,782)	(368)	31,982	(14,168)
Foreign currency translation effect on translation of foreign operations	(17,633)	-	-	(17,633)
Increase in fair value of derivative instruments	-	190	-	190
Transfer to Consolidated Statement of Operations of derivative instruments	-	54	-	54
Reclassification to Consolidated Statement of Operations of cumulative translation adjustment ASM NuTool	4,832	-	-	4,832
Total change in accumulated other comprehensive loss	(12,801)	244	-	(12,557)
Balance December 31, 2006	**(58,583)**	**(124)**	**31,982**	**(26,725)**
Foreign currency translation effect on translation of foreign operations	**(13,206)**	**-**	**-**	**(13,206)**
Derecognition of equity component convertible subordinated notes, net	**-**	**-**	**(8,332)**	**(8,332)**
Increase in fair value of derivative instruments	**-**	**1,159**	**-**	**1,159**
Transfer to Consolidated Statement of Operations of derivative instruments	**-**	**(889)**	**-**	**(889)**
Total change in accumulated other comprehensive loss	**(13,206)**	**270**	**(8,332)**	**(21,268)**
Balance December 31, 2007	**(71,789)**	**146**	**23,650**	**(47,993)**

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On May 18, 2006, 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 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 acquisition date.

The number of shares bought back under the authorization of May 18, 2006 was 178,706. Of this number, 178,706 were sold upon the exercise of options by employees of ASMI, under the Employee Stock Option Plan.

The following table summarizes shares repurchased under the authorization of May 18, 2006:

Period	Total Number of Shares Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Number of Shares that May Yet be Purchased under the Programs
May 2007	178,706	178,706	€ 19.56	-

On May 22, 2007, 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 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 acquisition date.

The number of shares bought back under the authorization of May 22, 2007 was 250,000. Of this number, 36,213 were sold upon the exercise of options by employees of ASMI, under the Employee Stock Option Plan.

The following table summarizes shares repurchased under the authorization of May 22, 2007:

Period	Total Number of Shares Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Number of Shares that May Yet be Purchased under the Programs
August 2007	250,000	250,000	€ 18.67	5,150,521

NOTE 16 *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.

The Company's employees in the Netherlands participate in a multi-employer plan ("Bedrijfstakpensioenfonds Metalektro"). The plan monitors the risks of the entire investment portfolio, not by individual company or employee, and is subject to regulation by Dutch governmental authorities. By Dutch law, a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of its assets to its obligations. This ratio must exceed 100%. Each company participating in the plan contributes a percentage of its total pensionable salaries, each company contributes the same percentage. The pension rights of individual employees are based on the employee's average salary during employment

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. In January 2008, PME issued a press release on its website which stated a coverage ratio of 133 percent as of December 31, 2007. The Company's net periodic pension cost for the multi-employer plan for a fiscal period is equal to the required contribution for that period.

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

The Company's employees in Japan participate in a defined benefit plan. The funded status of the plan and the amounts not yet recognized in the Consolidated Statement of Operations and the amounts recognized in the Consolidated Balance Sheet are as follows:

		December 31,
	2006	**2007**
Defined benefit obligations	(7,024)	**(7,401)**
Fair value of plan assets	4,375	**4,831**
Funded status surplus / (deficit)	(2,649)	**(2,570)**
Unrecognized actuarial loss (gain)	5	**(6)**
Unrecognized transition amount	1,453	**1,272**
Adjustment to recognize minimum liability	-	**-**
Net assets / (liabilities)	(1,191)	**(1,304)**

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

	Year ended December 31,	
	2006	**2007**
Defined benefit obligations		
Balance January 1	7,176	**7,024**
Current service cost	679	**650**
Interest on obligation	134	**135**
Actuarial losses (gains)	(17)	**52**
Benefits paid	(112)	**(70)**
Foreign currency translation effect	(836)	**(390)**
Balance December 31	7,024	**7,401**
Fair value of plan assets		
Balance January 1	4,069	**4,375**
Expected return on plan assets	142	**156**
Actuarial losses	190	**64**
Company contribution	584	**555**
Benefits paid	(112)	**(70)**
Foreign currency translation effect	(498)	**(249)**
Balance December 31	4,375	**4,831**

The net periodic benefit cost consists of the following:

	Year ended December 31,	
	2006	**2007**
Current service cost	679	**650**
Interest on obligation	134	**135**
Expected return on plan assets	(142)	**(156)**
Amortization of transition amount	116	**106**
Net periodic pension benefit cost	787	**735**

The actual return on plan assets was € 333 and € 219 for the years ended December 31, 2006 and 2007 respectively.

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

	Year ended December 31,	
	2006	**2007**
Discount rate for obligations	2.00%	2.00%
Expected return on plan assets	3.50%	3.50%
Future salary increases	2.94%	2.94%

The allocation of plan assets is as follows:

	Year ended December 31,	
	2006	**2007**
Shares	2,171	**2,508**
Bonds	1,867	**1,912**
Loans	134	**125**
Real estate	32	**34**
Other	171	**252**
	4,375	**4,831**

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

The Company expects to contribute € 617 to the defined benefit plan in 2008. The Company expects to pay benefits for years subsequent to December 31, 2007 as follows:

2008	140
2009	173
2010	179
2011	229
2012	247
Aggregate for the years 2013-2017	1,785
Total	2,753

Retirement plan costs consist of the following:

	Year ended December 31,	
	2006	**2007**
Defined contribution plans	7,343	**7,813**
Multi-employer plans	2,197	**2,586**
Defined benefit plans	787	**735**
Total retirement plan costs	10,327	**11,134**

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

Employee Stock Option Plan

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. Options are priced at market value in euros or U.S. dollars on the date of grant, are generally vesting in equal parts over a period of five years and generally expire after five or ten years. Under the 2001 Stock Option Plan the Company is authorized to issue 4,000,000 shares. At December 31, 2007, options to purchase 2,469,345 shares have been issued under the 2001 Stock Option Plan. Under previous plans no more options to purchase shares can be issued. Under the various stock option plans a total of 1,189,797 options to purchase common stock were outstanding at December 31, 2007, expiring at various dates through 2017. The number of options outstanding at December 31, 2006 were 1,399,711.

The following is a summary of changes in options outstanding:

	Number of options	Weighted average exercise price in US$	Number of options	Weighted average exercise price in €
Balance January 1, 2006	1,369,146	15.70	505,466	14.26
Options granted	177,500	15.03	327,532	13.97
Options forfeited	(56,715)	20.88	(23,566)	15.49
Options exercised	(844,403)	15.23	(55,249)	12.12
Balance December 31, 2006	**645,528**	**15.69**	**754,183**	**14.26**
Options granted	**72,000**	**24.35**	**217,868**	**18.46**
Options forfeited	**(18,594)**	**16.80**	**(90,600)**	**18.07**
Options exercised	**(256,137)**	**16.76**	**(134,451)**	**13.80**
Balance December 31, 2007	**442,797**	**16.43**	**747,000**	**15.10**

The weighted average fair value of employee stock options granted in U.S. dollars were US$ 6.21 in 2006 and US$ 13.85 in 2007. The weighted average fair values of employee stock option granted in euros were € 4.90 in 2006 and € 7.27 in 2007.

The weighted average remaining contractual life of the outstanding options granted in 2007 is 6.9 years at December 31, 2007.

The total intrinsic value of options exercised was € 3,451 and € 2,320 for the years ended December 31, 2006 and 2007 respectively. For all exercises of options in 2006 new shares have been issued. New shares have been issued for the exercise of 176,469 options in 2007.

The average closing prices of the Company's common shares on NASDAQ for the years ended December 31, 2006 and 2007 were US$ 18.70 and US$ 25.08 respectively. The average closing prices of the Company's common shares on Euronext Amsterdam for the years ended December 31, 2006 and 2007 were € 14.84 and € 18.37 respectively.

At December 31, 2007 options outstanding and options exercisable classified by range of exercise prices are:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
In US$		In years	In US$		In US$
1.00-10.00	18,433	1.14	5.56	18,433	5.56
10.00-15.00	240,100	4.30	13.87	92,600	12.56
15.00-20.00	84,984	5.16	16.99	40,184	17.67
20.00-30.00	99,280	8.00	24.17	25,400	23.65
1.00-30.00	442,797	5.16	16.43	176,617	14.59
In €		In years	In €		In €
10.00-15.00	441,132	4.65	13.26	74,496	12.42
15.00-20.00	300,868	5.26	17.72	32.200	16.05
20.00-30.00	5,000	0.20	20.00	5.000	20.00
10.00-30.00	747,000	4.86	15.10	111,696	13.81

At December 31, 2007, the aggregate intrinsic value of all options outstanding and all options exercisable is € 3,493 and € 1,452 respectively.

The Company applies IFRS 2 with respect to options granted after November 7, 2002 and not yet vested at January 1, 2005. The cost relating to employee stock options is measured at fair value on the grant date. The fair value was computed using the Black-Scholes option pricing model with the following weighted average assumptions:

	Year ended December 31,	
	2006	**2007**
Expected life (years)	5 – 10	**5 – 10**
Risk free interest rate	4.0%	**4.0%**
Dividend yield	-	**-**
Expected volatility	35.8%	**30.0%**

The Company recorded compensation expenses of € 1,336 in 2006 and € 1,712 in 2007.

Employee Share Incentive Scheme ASMPT

In 1989, the shareholders of ASMPT approved a plan to issue up to 5.0 percent of the total issued shares of ASMPT to directors and employees. This plan has been extended in 1999 for a term up to March 23, 2010. The directors annually may approve an amount of supplemental compensation to the designated directors and officers, which will be used to issue or purchase ASMPT's common shares for the designees at current market value. In December 2007, 1,789,000 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. In 2006 1,779,500 ASMPT shares were issued to certain directors and employees under the plan. The effect of this transaction on ASMI was a dilution of its ownership interest in ASMPT of 0.25% in 2007 and 0.24% in 2006. The shares issued under the plan in 2007 have diluted ASMI's ownership in ASMPT to 53.10% as of December 31, 2007. Total compensation expenses related to the Employee Share Incentive Scheme of respectively € 7,290 in 2006 and € 7,685 in 2007 were charged to the Consolidated Statement of Operations.

The dilution in ownership has resulted in a gain on the investment in ASMPT of € 3,031 in 2006 and € 3,010 in 2007, which gain has been separately included in the Consolidated Statement of Operations. Due to the participation exemption in the Netherlands no deferred income taxes have been provided for these gains. In 2006, the Company charged € 1,776 as a loss on the investment of ASMPT related to the repurchase of shares of ASMPT by ASMPT in 2004, initially recorded as goodwill.

NOTE 17 *Commitments and Contingencies*

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

	December 31,	
	2006	**2007**
Machinery and equipment	4,085	**4,990**
Furniture and fixtures	596	**597**
	4,681	**5,587**
Less accumulated depreciation	(2,863)	**(3,380)**
	1,818	**2,207**

At December 31, 2007 minimum rental commitments under capital leases and operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

	Capital leases	Operating leases
2008	843	6,892
2009	666	5,741
2010	509	3,252
2011	197	2,419
2012	86	1,147
Years thereafter	-	3,105
Total	2,301	22,556
Less amount representing interest	(68)	
Present value of net minimum lease payments	2,233	

Aggregate rental expense for operating leases was € 8,881 in 2006 and € 7,873 in 2007. At December 31, 2007 the Company had entered into purchase commitments with suppliers in the amount of € 65,460 for purchases, of which € 65,276 for purchases within the next 12 months. Commitments for capital expenditures at December 31, 2007 were € 8,556.

Change of Control Transaction

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

NOTE 18 *Litigation and Environmental Matters*

The Company is party to various legal proceedings generally incidental to its business and is subject to a variety of environmental and pollution control laws and regulations. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. 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 materially adverse effect on the financial position of the Company, but could materially affect the Company's results of operations in a given reporting period.

NOTE 19 *Financial Instruments and Risk Management*

Categories of Financial Instruments

Financial instruments include:

Financial assets:	December 31,	
	2006	**2007**
Cash and cash equivalents	193,872	**167,923**
Accounts receivable	198,359	**229,160**
Derivative instruments designated in cash flow hedges	109	**163**
Derivative instruments designated in fair value hedges	271	**226**

Financial liabilities:	December 31,	
	2006	**2007**
Notes payable to banks	19,657	**16,677**
Accounts payable	99,841	**99,046**
Current portion of long-term debt	7,344	**15,438**
Long-term debt	19,267	**15,828**
Convertible subordinated debt (excluding equity component)	149,964	**119,526**
Derivative instruments designated in cash flow hedges	396	**29**
Derivative instruments designated in fair value hedges	29	**7**

Gains or losses related to financial instruments are as follows:

	Year ended December 31,	
	2006	**2007**
Interest income	5,903	**6,113**
Interest expense	(17,993)	**(15,224)**
Early extinguishment of debt expense	-	**(10,407)**
Foreign currency exchange losses, net	(4,883)	**(3,289)**
Addition to allowance for doubtful accounts receivable	(1,176)	**(137)**

Financial Risk Factors

ASMI is exposed to a number of risk factors: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Company uses forward exchange contracts to hedge its foreign exchange risk. The Company does not enter into financial instrument transactions for trading or speculative purposes.

Foreign Exchange Risk

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

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

The majority of revenues and costs of the Company's back-end segment are denominated in Hong Kong dollars, Chinese Yuan and U.S. dollar. The functional currency of our back-end segment (Hong Kong dollar) is linked to the U.S. dollar. 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.

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.

The Company expects that substantially all of the € 146 unrealized gains included in accumulated other comprehensive loss as of December 31, 2007 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. Unrealized losses included in other comprehensive income as of December 31, 2006 of € 124 were reclassified to earnings in 2007. Hedge ineffectiveness was insignificant for the years ended December 31, 2006 and December 31, 2007.

Furthermore, the Company manages 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 15.

The outstanding forward exchange contracts are as follows:

	Currency	Notional amount	Forward contract value	Fair value	Difference between forward value and fair value	Included in accumulated other comprehensive income (loss)
			Euro	Euro	Euro	Euro
December 31, 2006:						
Assets:						
Cash flow hedge contracts:						
Short position	US$	(26,604)	(19,467)	(19,766)	(299)	(131)
Fair value hedge contracts:						
Short position	US$	(16,530)	(12,740)	(12,511)	229	-
Liabilities:						
Cash flow hedge contracts:						
Long position	US$	1,100	806		12	7
Fair value hedge contracts:						
Long position	US$	6,441	4,870		13	-
December 31, 2007:						
Assets:						
Cash flow hedge contracts:						
Short position	US$	(14,073)	(9,671)	(9,537)	134	146
Fair value hedge contracts:						
Short position	US$	(7,774)	(5,499)	(5,273)	226	-
Liabilities:						
Fair value hedge contracts:						
Long position	US$	42,500	28,900	28,870	(30)	-
	Euro	1,350	1,318	1,341	23	-

For forward exchange contracts, market values based on external quotes from banks have been used to determine the fair value.

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening respectively 10% weakening of the U.S. dollar, Hong Kong dollar or Japanese yen against the euro as of December 31, 2006 and December 31, 2007. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase respectively 10% decrease of the U.S. dollar, Hong Kong dollar or Japanese yen against the euro. A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in U.S. dollar, Hong Kong dollar and Japanese yen.

	2006	**2007**
	Impact on equity	**Impact equity**
10% increase of U.S. dollar versus euro	(5,791)	**(6,868)**
10% decrease of U.S. dollar versus euro	5,791	**6,868**
10% increase of Hong Kong dollar versus euro	12,361	**12,793**
10% decrease of Hong Kong dollar versus euro	(12,361)	**(12,793)**
10% increase of Japanese yen versus euro	4,055	**4,651**
10% decrease of Japanese yen versus euro	(4,055)	**(4,651)**

A hypothetical 10% strengthening or 10% weakening of any other currency than the U.S. dollar, Hong Kong dollar and Japanese yen against the euro as of December 31, 2006 and December 31, 2007 would not result in a material impact on equity.

A hypothetical 10% strengthening or 10% weakening of the U.S. dollar, Hong Kong dollar, Japanese yen or any other currency against the euro as of December 31, 2006 and December 31, 2007 would not result in a material impact on net earnings.

Interest Risk

The Company is exposed to interest rate risk primarily through its borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2007 the Company had convertible subordinated debt borrowings outstanding of € 47,016 at a fixed interest rate, maturing in May 2010 and € 91,977 at a fixed interest rate, maturing in December 2011 and € 31,266 in long-term debt at fixed interest rates and € 16,667 in other borrowings with variable short-term interest rates. A hypothetical change in the average interest rate by 10% on the portion of the Company's debt bearing interest at variable rates would not result in a material change in interest expense at December 31, 2006 and December 31, 2007 borrowing levels.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and derivative instruments. These instruments contain a risk of counterparties failing to discharge their obligations. The Company monitors credit risk and manages credit risk exposure by type of financial instrument by assessing the creditworthiness of counterparties. The Company does not anticipate nonperformance by counterparties given their high creditworthiness.

The Company's customers are semiconductor device manufacturers located throughout the world. The Company generally does not require collateral or other security to support financial instruments with credit risk.

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

The Company derives a significant percentage of its revenue from a small number of large customers. The Company's largest customer accounted for approximately 9.6% of net sales in 2007 (2006: 11.4%; 2005: 17.2%) and the ten largest customers accounted for approximately 32.4% of net sales in 2007 (2006: 33.9%; 2005: 43.7%). 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, 2007 one customer accounted for 7.8% of the outstanding balance in accounts receivable (2006: 8.8%; 2005: 12.4%).

The Company places its cash and cash equivalent and derivative instruments with high quality financial institutions to limit the amount of credit risk exposure.

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

Liquidity Risk

The following table summarizes the Company's contractual obligations as at December 31, 2007 aggregated by type of contractual obligation:

Contractual obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Forward exchange contracts	30,211	30,211	-	-	-
Notes payable to banks [1]	17,014	17,014	-	-	-
Long-term debt [1, 2]	32,407	15,958	10,393	6,056	-
Convertible subordinated debt [1]	159,566	6,377	57,303	95,886	-
Total contractual obligations arising from financial instruments	239,198	69,560	67,696	101,942	-
Operating leases	22,556	6,892	8,993	3,566	3,105
Purchase obligations:					
Purchase commitments to suppliers	65,460	65,276	184	-	-
Capital expenditure commitments	8,556	8,556	-	-	-
Total contractual obligations not arising from financial instruments	96,572	80,724	9,177	3,566	3,105
Total contractual obligations	335,770	150,284	76,873	105,508	3,105

(1) Including interest expense based on the percentages at the reporting date.

(2) Capital lease obligations of € 2,233 are included in long-term debt.

Total short-term lines of credit amounted to € 118,871 at December 31, 2007. The amount outstanding at December 31, 2007 was € 16,677 and the undrawn portion totaled € 102,194. The undrawn portion includes the Company's bank credit facility of € 50,000 with Rabobank. The facility, available through February 28, 2010, is secured by a portion of the Company's shareholding in ASMPT. The undrawn portion includes € 26,165 for ASMPT, which amount is restricted to be used only in the operations of ASMPT. The undrawn portion includes € 25,816 for ASM Japan, which amount is restricted to be used only in the operations of ASM Japan.

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

For the majority of purchase commitments, the Company has flexible delivery schedules depending on the market conditions, which allows the Company, to a certain extent, to delay delivery beyond originally planned delivery schedules.

Methods and Assumptions Used in Estimating Fair Value Disclosure for Financial Instruments

For cash and cash equivalents, accounts receivable, notes payable to banks, accounts payable and accrued expenses, the carrying amounts approximate fair value due to their short maturities.

For long-term debt, the estimated fair values of the Company's long-term debt are based on current interest rates available to the Company for debt instruments with similar terms and remaining maturities. The estimated fair values of long-term debt approximate the carrying amount of long-term debt.

The fair values of the Company's convertible subordinated debt borrowings are based on the Company's estimates:

	2006			**2007**
	Carrying amount	Fair value	**Carrying amount**	**Fair value**
Convertible subordinated debt, including equity component	181,946	215,034	**143,176**	**174,508**

NOTE 20 *Research and Development Expenses*

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

	Year ended December 31,	
	2006	**2007**
Research and development expenses	78,914	**66,951**
Amortization of capitalized development expenses	-	**361**
Impairment of capitalized development expenses	-	**2,184**
Research and development grants and credits	(1,589)	**(872)**
Total research and development	77,325	**68,624**

The Company's operations in the Netherlands, Germany and the United States receive research and development grants and credits from various sources. The research and development grants and credits received from governmental sources in the Netherlands include a credit which is contingently repayable to the extent the Company recognizes sales of products to which the credit is related within an agreed upon period. The Company does not recognize a liability on the Consolidated Balance Sheet in respect of this credit until it recognizes sales of products to which the credit is related, within the agreed upon period and is then charged to cost of sales when such sales are recorded. The repayment amounts to 4.0% of the realized sales of these products. In 2006 and 2007 the Company accounted for repayments with respect to such credits of € 243 and € 114 respectively. Interest on the contingent repayments is accrued at an interest rate of 6.05% per annum. The contingent repayment, including accrued interest, was € 3,093 at December 31, 2006 and € 2,953 at December 31, 2007. This amount has not been recognized as a liability in the Consolidated Balance Sheet since the Company has not recognized sales of products to which the credit is related.

With respect to capitalized development expenses, reference is made to Note 7.

NOTE 21 *Income Taxes*

The components of earnings before income taxes consist of:

	Year ended December 31,	
	2006	**2007**
The Netherlands	6,982	**2,949**
Other countries	98,542	**136,473**
	105,524	**139,422**

The income tax expense consists of:

	Year ended December 31,	
	2006	**2007**
Current:		
The Netherlands	-	**(320)**
Other countries	(14,246)	**(19,838)**
	(14,246)	**(20,158)**
Deferred:		
The Netherlands	-	**-**
Other countries	(1,686)	**(1,181)**
	(1,686)	**(1,181)**
Income tax expense	(15,932)	**(21,339)**

The provisions for income taxes as shown in the Consolidated Statements of Operations differ from the amounts computed by applying the Netherlands statutory income tax rates to earnings before taxes. A reconciliation of the provisions for income taxes and the amounts that would be computed using the Netherlands statutory income tax rates is set forth as follows:

	Year ended December 31,	
	2006	**2007**
Earnings before income taxes	105,524	**139,422**
Netherlands statutory income tax rate	29.6%	**25.5%**
Income tax provision at statutory rate	(31,234)	**(35,553)**
Non-deductible expenses	(8,405)	**(10,081)**
Foreign taxes at a rate other than the Netherlands statutory rate	30,012	**17,317**
Valuation allowance	(7,493)	**994**
Non-taxable income	9,340	**11,776**
Other	(8,152)	**(5,792)**
Income tax expense	(15,932)	**(21,339)**

Included in non-taxable income is € 10,068 regarding the Company's manufacturing operations in Singapore and other countries where income covering certain products is non-taxable under tax incentive schemes granted by the local tax authority. The majority of these tax exemption schemes have terms ending in 2010.

The government of the Netherlands has enacted income tax rate reductions at the end of 2004 to 31.5% in 2005, at the end of 2005 to 29.6 % in 2006, and at the end of 2006 to 25.5% for 2007 and following years. The Company's deferred tax assets and liabilities have been determined in accordance with these statutory income tax rates.

Deferred income taxes consist of the following:

	December 31,	
	2006	**2007**
Deferred tax assets:		
Reserves and allowances	2,961	**3,311**
Net operating loss carry forwards	105,280	**91,874**
Other	376	**724**
Gross deferred tax assets	108,617	**95,909**
Less: valuation allowance	(96,905)	**(87,024)**
Net deferred tax assets	11,712	**8,885**
Deferred tax liabilities:		
Depreciation	(725)	**(63)**
Research and development credits	(789)	**(753)**
Convertible subordinated notes	(7,224)	**(4,374)**
Capitalized development expenses	(4,012)	**(6,106)**
Deferred tax liabilities	(12,750)	**(11,296)**
Net deferred income taxes	(1,038)	**(2,411)**

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

	December 31,	
	2006	**2007**
Deferred tax assets – non-current	3,594	**4,494**
Deferred tax liabilities – non-current	(4,632)	**(6,905)**
	(1,038)	**(2,411)**

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2007 of € 321,368 for tax return purposes to reduce future income taxes, mainly in Europe and the United States. 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 € 96,905 in 2006 and € 87,024 in 2007 has been recorded.

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

Expiration year	
2008	**1,028**
2009	**1,866**
2010	**2,560**
2011	**139,142**
2012	**50,367**
2013	**19,371**
2014	**5,648**
2016	**7,068**
2017	**50,003**
2018	**3,664**
2022	**6,752**
2023	**3,547**
2024	**383**
2025	**4,307**
2026	**1,687**
2027	**4,170**
Unlimited	**19,805**
Net operating losses	**321,368**

The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2007 undistributed earnings of subsidiaries, subject to withholding taxes, were approximately € 23,794. These earnings could become subject to foreign withholding taxes if they were remitted as dividends or if the Company should sell its interest in the subsidiaries. However, the Company believes that Netherlands tax credits would largely eliminate any foreign withholding tax that might otherwise be due.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws. The Company's estimate for the potential outcome of any uncertain tax issue is highly judgmental. Tax contingencies mainly relate to transfer pricing positions, operational activities in countries where the Company is not tax registered and tax deductible costs. The Company provides for these tax contingencies for the duration of the statute of limitation period, which differs per tax jurisdiction. At December 31, 2007 tax contingencies amounted to € 12,908 and are included in income taxes payable in the Consolidated Balance Sheet. Settlement of tax uncertainties in a manner inconsistent with the Company's expectations could have a material impact on the Company's earnings, financial position and cash flows.

NOTE 22 *Disclosures about Segments and Related Information*

The Company organizes its activities in two operating segments, front-end and back-end.

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

The back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd., in which the Company holds a majority of 53.10% 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 and Malaysia.

	Front-end	Back-end	Total
Year ended December 31, 2006			
Net sales to unaffiliated customers	407,905	468,108	876,013
Gross profit	127,664	210,961	338,625
Earnings (loss) from operations	(5,593)	128,090	122,497
Net interest income (expense)	(15,397)	3,307	(12,090)
Foreign currency exchange losses	(4,861)	(22)	(4,883)
Income tax expense	(2,813)	(13,119)	(15,932)
Gain on dilution of investment in subsidiary	1,255	-	1,255
Net earnings (loss)	(27,409)	118,256	90,847
Net earnings (loss) allocated to:			
Shareholders of the parent	(27,409)	63,374	35,965
Minority interest	-	54,882	54,882
Capital expenditures	18,811	20,563	39,374
Purchase and capitalization of other intangibles	15,893	687	16,580
Depreciation	18,070	16,997	35,067
Amortization of intangible assets	2,053	386	2,439
Impairment of property, plant and equipment	286	-	286
Impairment of goodwill	11,364	-	11,364
Cash and cash equivalents	104,599	89,273	193,872
Capitalized goodwill	14,349	30,777	45,126
Other intangible assets	27,723	302	28,025
Other identifiable assets	323,721	250,644	574,365
Total assets	470,392	370,996	841,388
Total debt [1]	195,525	707	196,232
Headcount in full-time equivalents [2]	1,860	9,008	10,868

	Front-end	Back-end	Total
Year ended December 31, 2007			
Net sales to unaffiliated customers	450,899	504,340	955,239
Gross profit	145,036	216,040	361,076
Earnings from operations	30,375	131,854	162,229
Net interest income (expense)	(11,636)	2,525	(9,111)
Expense resulting from early extinguishment of debt	(10,407)	-	(10,407)
Foreign currency exchange losses, net	(4,171)	882	(3,289)
Income tax expense	(4,706)	(16,633)	(21,339)
Gain on dilution of investment in subsidiary	3,010	-	3,010
Net earnings	2,465	118,628	121,093
Net earnings allocated to:			
Shareholders of the parent	2,465	63,283	65,748
Minority interest	-	55,345	55,345
Capital expenditures	17,411	29,795	47,206
Purchase and capitalization of other intangibles	17,642	442	18,084
Depreciation	14,997	18,253	33,250
Amortization of intangible assets	1,448	304	1,752
Impairment of property, plant and equipment	(788)	-	(788)
Impairment of capitalized development expenses	(2,184)	-	(2,184)
Cash and cash equivalents	100,143	67,780	167,923
Capitalized goodwill	12,917	27,535	40,452
Other intangible assets	39,399	675	40,074
Other identifiable assets	330,178	285,525	615,703
Total assets	482,637	381,515	864,152
Total debt [1]	167,469	-	167,469
Headcount in full-time equivalents [2]	1,843	9,989	11,832

(1) Excluding the equity component and including accreted interest of convertibles subordinated notes. Refer to Note 14.

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

There are no inter-segment transactions, other than charges for management services, which are based on actual cost. The accounting policies used to measure the net earnings and total assets in each segment are identical to those used in the Consolidated Financial Statements. The measurement methods used to determine reported segment earnings are consistently applied for all periods presented. There were no asymmetrical allocations to segments.

Geographical information is summarized as follows:

	Europe	United States	Japan	Southeast Asia	Corporate	Consolidated
Year ended December 31, 2006						
Net sales to unaffiliated customers	100,620	159,686	69,746	545,961	-	876,013
Long-lived assets	11,616	20,690	18,449	99,281	1,229	151,265
Total assets	99,319	130,439	104,380	421,139	86,111	841,388
Capital expenditures	2,264	8,078	3,452	25,580	-	39,374
Purchase and capitalization of other intangibles	3,027	5,207	5,398	1,022	1,926	16,580

	Europe	United States	Japan	Southeast Asia	Corporate	Consolidated
Year ended December 31, 2007						
Net sales to unaffiliated customers	**89,306**	**128,002**	**87,162**	**650,769**	**-**	**955,239**
Long-lived assets	**11,115**	**12,153**	**21,947**	**101,599**	**2,828**	**149,642**
Total assets	**126,069**	**104,069**	**125,113**	**433,046**	**75,855**	**864,152**
Capital expenditures	**3,700**	**1,179**	**8,718**	**33,586**	**23**	**47,206**
Purchase and capitalization of other intangibles	**4,325**	**7,106**	**5,978**	**489**	**186**	**18,084**

Long-lived assets for the years ended December 31, 2006 and 2007 consist of the Company's assets in property, plant and equipment.

NOTE 23 *Selected Operating Expenses and Additional Information*

Personnel expenses for employees were as follows:

	Year ended December 31,	
	2006	**2007**
Wages and salaries	187,757	**194,047**
Social security	17,414	**18,578**
Pension expenses	10,327	**11,134**
	215,498	**223,759**

Personnel expenses exclude option expenses, reference is made to Note 16.

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

	Year ended December 31,	
	2006	**2007**
The Netherlands	340	**352**
Other European countries	178	**209**
United States	614	**593**
Southeast Asia	8,704	**9,993**
Japan	284	**293**
	10,120	**11,440**

NOTE 24 *Earnings (Loss) per Share*

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

	Year ended December 31,	
	2006	**2007**
Net earnings allocated to shareholders of the parent used for purpose of computing basic earnings	35,965	**65,748**
After-tax equivalent of interest expense on convertible subordinated notes	-	**8,289**
Net earnings allocated to shareholders of the parent used for purposes of computing diluted net earnings per share	35,965	**74,037**
Basic weighted average number of shares outstanding during the year used for purpose of computing basic earnings per share	53,403	**53,968**
Dilutive effect of stock options	172	**94**
Dilutive effect of convertible subordinated notes	-	**6,898**
Dilutive weighted average number of shares outstanding	53,575	**60,960**
Net earnings (loss) per share allocated to shareholders of the parent:		
Basic	**0.67**	**1.22**
Diluted	**0.67**	**1.21**

For the year ended December 31, 2006, the effect of 11,887 conversion rights to acquire common stock was anti-dilutive. For the year ended December 31, 2007, the effect of 4,116 conversion rights to acquire common stock was anti-dilutive.

NOTE 25 *Board Remuneration*

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

				Year ended December 31,	
				2007	2006
	Base compensation	Bonuses	Pensions	Total	Total
Management Board:					
A.H. del Prado [1]	583	58	-	641	583
P. Lam See Pong [2]	-	-	-	-	1,596
W.K. Lee [3]	295	249	18	562	314
C.D. del Prado [4]	289	28	19	336	270
A.J.M. van der Ven	282	14	18	314	293
J.F.M. Westendorp [4]	330	-	21	351	359
	1,779	349	76	2,204	3,415
Supervisory Board:					
P.C. van den Hoek	54	-	-	54	54
E.A. van Amerongen	30	-	-	30	35
L.P.E.M. van den Boom	33	-	-	33	31
B.C. Brix [5]	30	-	-	30	15
J.M.R. Danneels	29	-	-	29	29
H.W. Kreutzer [6]	30	-	-	30	3
J. den Hoed [7]	-	-	-	-	16
	206	-	-	206	183

(1) Mr. A.H. del Prado retired March 1, 2008.

(2) All remuneration for Mr. P. Lam See Pong relates to the compensation he received in his former capacity

as member of the Board of Directors of ASMPT.

(3) Mr. W.K. Lee was appointed member of the Management Board effectively January 1, 2007. All remuneration for the year ended December 31, 2006 relates to the compensation he received in his former capacity as General Manager Southern Region of ASM Pacific Technology. All remuneration for the year ended December 31, 2007 relates to the compensation he received in his capacity as member of the Board of Directors of ASMPT.

(4) Appointed member of the Management Board effectively May 18, 2006, remuneration for serving in all capacities during the year ended December 31, 2006.

(5) For the period May 18, 2006 through December 31, 2006.

(6) For the period November 27, 2006 through December 31, 2006.

(7) For the period January 1, 2006 through July 31, 2006.

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

No stock options have been issued to members of the Supervisory Board. The following table shows the outstanding options to purchase ASM International N.V. common shares held by current and former members of the Management Board, and changes in such holdings during 2007:

	Year of grant	Outstanding January 1, 2007	Granted in 2007	Forfeited in 2007	Exercised in 2007	Outstanding December 31, 2007	Exercise price	Remaining term, in years
A.H. del Prado [1]	2006	100,856	-	-	-	100,856	€ 14.08	7
A.H. del Prado [1]	2007	-	60,441	-	-	60,441	€ 19.47	8
C.D. del Prado [2]	2003	20,000	-	-	-	20,000	US$ 11.35	6
C.D. del Prado [1]	2006	35,680	-	-	-	35,680	€ 14.08	7
C.D. del Prado [1]	2007	-	22,451	-	-	22,451	€ 19.47	8
A.J.M. van der Ven [3]	2005	30,000	-	-	-	30,000	€ 11.18	6
A.J.M. van der Ven [1]	2006	20,000	-	-	-	20,000	€ 14.13	7
A.J.M. van der Ven [1]	2006	15,680	-	-	-	15,680	€ 14.08	7
A.J.M. van der Ven [1]	2007	-	21,917	-	-	21,917	€ 19.47	8
J.F.M. Westendorp [4]	2001	7,500	-	-	7,500	-	€ 15.00	-
J.F.M. Westendorp [4]	2006	56,000	-	-	-	56,000	€ 15.40	4
J.F.M. Westendorp [1]	2006	42,816	-	-	-	42,816	€ 14.08	7
J.F.M. Westendorp [1]	2007	-	25,659	-	-	25,659	€ 19.47	8
		328,532	130,468	-	7,500	451,500		

The fair value per option of options granted to current and former members of the Management Board was € 4.98 in 2006 and € 8.31 in 2007. The compensation expense recorded in the Consolidated Statements of Operations related to options held by current and former members of the Management Board was € 408 in 2006 and € 658 in 2007.

New shares have been issued for the exercise of options.

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

(1) These options are conditional. A percentage – not exceeding 150% – of the options which have been granted conditionally will become unconditional after three years, based on the total return of the Company's shares for the three years after the options are granted compared to the average total return of the shares of a relevant number of companies which are similar to the Company during the same three-year period. The options are granted for a term of eight years.

(2) These options are granted for a term of ten years, and become exercisable in equal parts over a five year period.

(3) These options are granted for a term of eight years, and become exercisable in equal parts over a three year period, starting 2008.

(4) These options are granted for a term of five years, and become exercisable in equal parts over a five year period.

In February 2006, Mr. P. Lam See Pong in his former capacity of member of the Board of Directors of ASMPT was granted 180,000 shares in the share capital of ASMPT under the Employee Share Incentive Scheme of ASMPT. These shares were issued in December 2006. The fair value of the shares granted amounted to € 737.

In February 2007, Mr. W.K. Lee in his capacity of member of the Board of Directors of ASMPT was granted 100,000 shares in the share capital of ASMPT under the Employee Share Incentive Scheme of ASMPT. The shares were issued in December 2007. The fair value of the shares granted amounted to € 430. In February 2006, Mr. W.K. Lee in his former capacity of General Manager Southern Region of ASMPT was granted 65,000 shares in the share capital of ASMPT under the Employee Share Incentive Scheme of ASMPT. The shares were issued in December 2006. The fair value of the shares granted amounted to € 266.

NOTE 26 *Share Ownership and Related Party Transactions*

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

	December 31, 2006		December 31, 2007	
	Shares owned	Percentage of shares outstanding	Shares owned	Percentage of shares outstanding
Management Board:				
A.H. del Prado	3,784,839	7.03%	3,784,839	7.01%
P. Lam See Pong [1]	20,000	0.04%	-	-
C.D. del Prado	132,945	0.25%	132,945	0.25%
J.F.M. Westendorp	6,000	0.01%	6,000	0.01%
Supervisory Board:				
P.C. van den Hoek	300,000	0.56%	300,000	0.56%
Stichting Administratiekantoor ASMI	7,692,039	14.29%	7,692,039	14.24%

(1) Mr. Lam See Pong retired December 31, 2006.

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.

In 2006, Mr. P. Lam See Pong sold 375,300 shares in the share capital of the Company at market prices. In 2006, Mr. P. Lam See Pong sold 811,000 shares in the share capital of ASMPT at market prices and Mr. P.C. van den Hoek sold 450,000 shares in the share capital of ASMPT at market prices.

At December 31, 2006 Mr. P. Lam See Pong was owner of 339,000 shares in the share capital of ASMPT. This represents 0.09% of the total outstanding shares of ASMPT.

NanoPhotonics AG – In 1999, the Company acquired a 24.0% interest in NanoPhotonics, a German supplier of precision thin film metrology equipment, for € 407. In 1999, the Company's then Chief Executive Officer also purchased a 44.5% interest in NanoPhotonics. Due to the issuance of new shares by NanoPhotonics to third parties in 2003, the Company's interest diluted to 23.61% and the then Chief Executive Officer's interest diluted to 43.77%. In 2004 the then Chief Executive Officer purchased an additional 1.72% interest in NanoPhotonics from another shareholder. For all the shares purchased by the then Chief Executive Officer, the Company and the then Chief Executive Officer agreed that the Company could purchase such shares at the same price the officer paid to acquire the shares. The Company exercised this option in December 2005, for a total consideration of € 1,101. In 2006 the Company acquired an additional 2% interest in NanoPhotonics for a consideration of € 300. At December 31, 2007 the Company holds a 72.86% interest in NanoPhotonics. At December 31, 2006 and December 31, 2007, the Company has provided NanoPhotonics with intercompany loans of € 10,409 and € 300, respectively. Intercompany loans decreased as a result of a financial restructuring of NanoPhotonics in 2007. In 2005 and 2006 the Company purchased equipment from NanoPhotonics in the amount of € 427 and € 648 respectively. In 2007 the Company purchased no equipment from NanoPhotonics.

In March 2000, the Company made an interest-bearing loan to its then Chief Executive Officer in connection with the exercise of stock options at an average interest rate for 2007 of 6.24%. At December 31, 2007 the loan is fully repaid.

The Chairman of the Supervisory Board, Mr. P.C. van den Hoek, is a partner in the European law firm of Stibbe. Another partner at Stibbe serves as the Company's general outside legal counsel. Mr. van den Hoek has been with Stibbe since 1965. Mr. P.C. van den Hoek also serves on the boards of directors of various European companies. Fees for services to Stibbe amounted to € 521 and € 360 in 2006 and 2007, respectively.

NOTE 27 *Reconciliation of IFRS to US GAAP*

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

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

Classification of Minority Interest – IAS 27 requires ASMI to classify minority interest of third parties in the Company's subsidiaries in its equity. Under US GAAP, minority interest is classified between liabilities and equity. Accordingly, IAS 27 requires ASMI not to deduct minority interest from net earnings. Instead, the allocation of net earnings to shareholders and minority interest is presented below the Consolidated Statement of Operations. Under US GAAP, minority interest in net earnings of subsidiaries is deducted from the Company's net earnings.

Convertible Subordinated Notes – The Company's convertible subordinated notes include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible subordinated notes to convert it into common shares of the Company. IAS 32 "Financial Instruments: Disclosure and Presentation,"requires separate recognition of these components. The liability is initially measured at fair value and subsequently measured at amortized cost. Under US GAAP such a separation is not required. Subsequent to the initial separation, the liability component accrues over time to its nominal value, resulting in additional interest expenses.

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

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

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

Option Plans – IFRS 2 "Share-based Payment" requires expensing the fair value of options granted to employees. ASMI applies IFRS 2 with respect to options granted after November 7, 2002 and not yet vested at January 1, 2005.

Under US GAAP, ASMI applied APB No. 25 until December 31, 2005 and provided pro forma disclosure of the impact of the fair value of options on net earnings. On January 1, 2006 ASMI adopted SFAS No. 123R "Share-Based Payment" ("SFAS 123R"). ASMI applied SFAS 123R to all share-based payments, including employee stock options granted, vested, modified or settled subsequent to the date of adoption.

Pension Plans – Under US GAAP, ASMI applies Statement of Financial Accounting Standard No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans--an amendment of SFAS No. 87, 88, 106, and 132(R)". Accordingly, the Company recognizes in its Consolidated Balance Sheet an asset or a liability for the plan's overfunded status or underfunded status respectively. IAS 19 "Employee Benefits" does not require recognition of a plan's overfunded status or underfunded status. In accordance with IAS 19, the Company recognizes a plan's net assets or liabilities, taking into account unrecognized actuarial losses and transition amounts.

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

	Year ended December 31,	
	2006	**2007**
Net earnings in accordance with IFRS	90,847	**121,093**
Impairment of goodwill	-	**-**
Classification of minority interest	(54,882)	**(55,345)**
Convertible subordinated notes	9,899	**7,985**
Development expenses	(11,445)	**(12,750)**
Options plans	(85)	**(6)**
Net earnings in accordance with US GAAP	34,334	**60,977**

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

	December 31,	
	2006	**2007**
Total equity in accordance with IFRS	429,054	**477,548**
Goodwill	10,575	**9,569**
Classification of minority interest	(114,916)	**(120,624)**
Convertible subordinated notes	(28,330)	**(17,151)**
Development expenses	(19,065)	**(29,717)**
Pension plans	(860)	**(747)**
Total shareholders' equity in accordance with US GAAP	276,458	**318,878**

Bilthoven,
April 28, 2008

Supervisory Board

P.C. van den Hoek
E.A. van Amerongen
L.P.E.M. van den Boom
B.C. Brix
J.M.R. Danneels
H.W. Kreutzer

Management Board

C.D. del Prado
W.K. Lee
A.J.M. van der Ven
J.F.M. Westendorp

Balance Sheets ASM International N.V.

(After proposed appropriation of net earnings for the year)

(thousands except share data)			EUR
			December 31,
Assets	**Note**	2006	**2007**
Cash and cash equivalents		77,371	**71,069**
Amounts due from subsidiaries		178,101	**174,164**
Other current assets		1,459	**1,172**
Total current assets		256,931	**246,405**
Loan advances due from investments	**2**	175,370	**162,392**
Investments	**2**	35,236	**66,215**
Other intangible assets, net	**3**	5,998	**5,202**
Goodwill, net	**4**	4,260	**4,260**
Property, plant and equipment, net	**5**	1,229	**2,828**
Total assets		479,024	**487,302**
Liabilities and Shareholders' Equity			
Amounts due to subsidiaries		5,901	**3,250**
Accrued expenses and other		8,593	**7,164**
Taxes and social securities		428	**438**
Total current liabilities		14,922	**10,852**
Convertible subordinated debt		149,964	**119,526**
Total liabilities		164,886	**130,378**
Common shares			
Authorized 110,000,000 shares, par value € 0.04,			
issued and outstanding 53,828,745 and 54,005,214 shares		2,153	**2,160**
Financing preferred shares			
Authorized 8,000 shares, par value € 40, none issued		-	**-**
Preferred shares			
Authorized 118,000 shares, par value € 40, none issued		-	**-**
Capital in excess of par value		319,506	**322,412**
Treasury shares at cost		-	**(3,985)**
Accumulated deficit		(114,075)	**(64,056)**
Legal reserves		133,279	**148,386**
Accumulated other comprehensive loss		(26,725)	**(47,993)**
Total shareholders' equity	**6**	314,138	**356,924**
Total liabilities and shareholders' equity		479,024	**487,302**

Statements of Operations ASM International N.V.

(thousands)		EUR
		Year ended December 31,
	2006	**2007**
Net earnings of subsidiaries	38,441	**80,165**
Net loss from holding activities	(2,476)	**(14,417)**
Net earnings	35,965	**65,748**

See Notes to Financial Statements ASM International N.V.

Amounts in euro thousands, unless otherwise stated

NOTE 1 *Summary of Significant Accounting Policies*

Significant Accounting Policies – In accordance with Article 362, Part 8, of Book 2 of the Netherlands Civil Code, ASM International N.V. has prepared its Statutory Financial Statements in accordance with accounting principles generally accepted in the Netherlands (Dutch GAAP). The same accounting principles as used in the Consolidated Financial Statements were applied in order to maintain the consistency between the Consolidated Financial Statements and the Financial Statements of ASM International N.V. Reference is made to Note 1 to the Consolidated Financial Statements. In addition to those accounting policies, the following accounting policies for the Statutory Financial Statements are described below.

Presentation of Amounts - The same presentation as used in the Consolidated Balance Sheets is applied in order to maintain the consistency between the Consolidated Balance Sheets and the Balance Sheets of ASM International N.V. Amounts presented in the Statutory Statements of Operations are presented net of income taxes under application of Article 402, Part 9 of Book 2 of the Netherlands Civil Code.

Investments – Investments include capital investments in subsidiaries in which ASM International N.V. owns more than 50% of the shares and participating minority interests in legal entities with a capital investment less than 50% of the shares. Investments in participations with a capital investment of more than 20% of the shares are valued using the equity method of accounting. Investments with a capital investment of less than 20% of the shares are carried at cost, unless significant influence can be demonstrated.

NOTE 2 *Investments and Loan Advances due from Investments*

	Investments	Loan advances due from investments	Total
Balance January 1, 2006	64,595	175,175	239,770
Capital investments	862	-	862
Net result of subsidiaries	38,441	-	38,441
Dividend received	(59,033)	-	(59,033)
Issuance of loans	-	15,025	15,025
Repayments of loans	-	(11,032)	(11,032)
Unrealized losses on derivative instruments	(180)	-	(180)
Foreign currency translation effect	(9,449)	(3,798)	(13,247)
Balance December 31, 2006	**35,236**	**175,370**	**210,606**
Capital investments	**10,817**	**-**	**10,817**
Repayment of capital	**(1,232)**	**-**	**(1,232)**
Net result of subsidiaries	**80,165**	**-**	**80,165**
Dividend received	**(49,052)**	**-**	**(49,052)**
Issuance of loans	**-**	**12,594**	**12,594**
Repayments of loans	**-**	**(11,499)**	**(11,499)**
Financial restructuring	**-**	**(10,409)**	**(10,409)**
Unrealized gains on derivative instruments	**216**	**-**	**216**
Foreign currency translation effect	**(9,935)**	**(3,664)**	**(13,599)**
Balance December 31, 2007	**66,215**	**162,392**	**228,607**

NOTE 3 *Other Intangible Assets*

	Software	Purchased technology and other intangible assets	Total
At cost:			
Balance January 1, 2006	9	7,867	7,876
Additions	1,551	374	1,925
Balance December 31, 2006	**1,560**	**8,241**	**9,801**
Additions	**186**	**0**	**186**
Balance December 31, 2007	**1,746**	**8,241**	**9,987**
Accumulated amortization:			
Balance January 1, 2006	-	2,884	2,884
Amortization for the year	89	830	919
Balance December 31, 2006	**89**	**3,714**	**3,803**
Amortization for the year	**120**	**862**	**982**
Balance December 31, 2007	**209**	**4,576**	**4,785**
Other intangible assets, net:			
December 31, 2006	1,471	4,527	5,998
December 31, 2007	**1,537**	**3,665**	**5,202**

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

2008	1,088
2009	1,233
2010	1,184
2011	1,125
2012	506
Years thereafter	66
	5,202

NOTE 4 *Goodwill*

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

At cost:	
Balance January 1, 2006	6,254
Acquired	300
Balance December 31, 2006	**6,554**
Acquired	**-**
Balance December 31, 2007	**6,554**
Accumulated amortization:	
Balance January 1, 2006	2,294
Amortization for the year	-
Balance December 31, 2006	**2,294**
Amortization for the year	**-**
Balance December 31, 2007	**2,294**
Goodwill, net:	
December 31, 2006	4,260
December 31, 2007	**4,260**

NOTE 5 *Property, Plant and Equipment*

	Land, buildings and improvements	Machinery, equipment, furniture and fixtures	Total
At cost:			
Balance January 1, 2006	**4,348**	**467**	**4,815**
Capital expenditures	**-**	**-**	**-**
Balance December 31, 2006	**4,348**	**467**	**4,815**
Capital expenditures	**-**	**23**	**23**
Transfer from subsidiaries	**902**	**-**	**902**
Revaluation fixed assets held for sale	**788**	**-**	**788**
Balance December 31, 2007	**6,038**	**490**	**6,528**
Accumulated depreciation:			
Balance January 1, 2006	3,080	423	3,503
Depreciation for the year	46	37	83
Balance December 31, 2006	**3,126**	**460**	**3,586**
Depreciation for the year	**84**	**30**	**114**
Balance December 31, 2007	**3,210**	**490**	**3,700**
Property, plant and equipment, net:			
December 31, 2006	1,222	7	1,229
December 31, 2007	**2,828**	**-**	**2,828**

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

Property, plant and equipment include real estate held for sale with a carrying value of € 2,540.

NOTE 6 *Shareholders' Equity*

The changes in shareholders' equity are as follows:

(thousands)							EUR
	Common shares	Capital in excess of par value	Treasury shares at cost	Accumulated deficit	Legal reserves	Accumulated other comprehensive loss	Total shareholders' equity
Balance January 1, 2006	2,107	303,325	-	(147,434)	130,673	(14,168)	274,503
Issuance of common shares:							
For stock options	36	10,931	-	-	-	-	10,967
Settlement agreement with former shareholders NuTool	10	3,914	-	-	-	-	3,924
Compensation expense stock options	-	1,336	-	-	-	-	1,336
Decreased retained earnings subsidiaries	-	-	-	8,930	(8,930)	-	-
Capitalized development expenses	-	-	-	(11,536)	11,536	-	-
Other comprehensive income	-	-	-	-	-	(12,557)	(12,557)
Net earnings	-	-	-	35,965	-	-	35,965
Balance December 31, 2006	**2,153**	**319,506**	**-**	**(114,075)**	**133,279**	**(26,725)**	**314,138**
Issuance of common shares:							
For stock options	**7**	**2,319**	**-**	**-**	**-**	**-**	**2,326**
Compensation expense stock options	**-**	**1,712**	**-**	**-**	**-**	**-**	**1,712**
Purchase of common shares	**-**	**-**	**(8,162)**	**-**	**-**	**-**	**(8,162)**
Exercise of stock options out of treasury shares	**-**	**(1,125)**	**4,177**	**(363)**	**-**	**-**	**2,689**
Increased retained earnings subsidiaries	**-**	**-**	**-**	**(2,000)**	**2,000**	-	**-**
Derecognition of equity component convertible subordinated notes, net	**-**	**-**	**-**	**5,138**	**-**	**(8,332)**	**(3,194)**
Capitalized development expenses	**-**	**-**	**-**	**(13,107)**	**13,107**	-	**-**
Other comprehensive income	**-**	**-**	**-**	**-**	**-**	**(12,936)**	**(12,936)**
Dividend	**-**	**-**	**-**	**(5,397)**	**-**	**-**	**(5,397)**
Net earnings	**-**	**-**	**-**	**65,748**	**-**	**-**	**65,748**
Balance December 31, 2007	**2,160**	**322,412**	**(3,985)**	**(64,056)**	**148,386**	**(47,993)**	**356,924**

Legal reserves include legal reserves regarding retained earnings of subsidiaries, capitalized development expenses and the cumulative foreign currency translation effect on translation of foreign operations. Since the cumulative foreign currency translation effect on translation of foreign operations is negative, the related legal reserve is nil.

For more detailed information, reference is made to Note 15 to the Consolidated Financial Statements.

Employee Stock Option Plan

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. For more detailed information, reference is made to Note 16 to the Consolidated Financial Statements.

NOTE 7 *Remuneration and Share Ownership of the Management Board and Supervisory Board*

With respect to remuneration and share ownership of the Management Board and Supervisory Board, reference is made to Note 25 and 26 to the Consolidated Financial Statements.

NOTE 8 *Commitments and Contingencies*

ASM International N.V. has guaranteed available short-term facilities of certain subsidiaries of € 15,232. With respect to certain Dutch subsidiaries ASM International N.V. has assumed joint and several liability in accordance with Article 403, Part 9 of Book 2 of the Netherlands Civil Code.

ASM International N.V. forms a tax unity together with its Dutch subsidiaries ASM Europe B.V. and ASM United Kingdom Sales B.V. for purposes of Netherlands tax laws and is as such jointly and severally liable for the tax debts of the unity.

Bilthoven,
April 28, 2008

Supervisory Board

P.C. van den Hoek
E.A. van Amerongen
L.P.E.M. van den Boom
B.C. Brix
J.M.R. Danneels
H.W. Kreutzer

Management Board

C.D. del Prado
W.K. Lee
A.J.M. van der Ven
J.F.M. Westendorp

Auditor's Report

The auditor's report is included on page 98 of the Annual Accounts 2007.

Appropriation and Determination of Profits

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

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

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

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

Para 9:
The Company may only make distributions to the shareholders and other persons entitled to profit eligible for distribution insofar as its equity exceeds the amount of the paid-up and called amount of the share capital increased with the reserves that must be kept by virtue of law;

Article 33, para 3 of the Articles of Association provides that dividend claims expire after the lapse of five years.

The Management Board has decided with the approval of the Supervisory Board that the net earnings for the year 2007 will be added to the reserves.

Special Statutory Control Rights

Article 27 of the Articles of Association provides that each common share gives the right to cast one vote, each preferred financing share to cast one thousand votes and each preferred share to cast one thousand votes;

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

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

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

Stichting Continuïteit ASM International

The objective of Stichting Continuïteit ASM International ("Stichting") is to serve the interests of the Company. Towards 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:

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

The Company has, as approved in the General Meeting of May 28, 1997, granted a right 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. For the subscription of preferred shares only 25% of the par value needs to be paid up. The shareholders must be informed in a shareholders meeting about the Company's motives within four weeks after issuance of preferred shares. Within two years after issuing preferred shares, a proposal to withdraw or repurchase the shares must be submitted to shareholders and, if not accepted, every two years thereafter. No preferred shares are outstanding as per December 31, 2007.

List of Subsidiaries and Offices

The subsidiaries and offices of the Company are listed on page 42 and 43 of the Statutory Annual Report.

To the Supervisory Board and Shareholders of
ASM International N.V.
Bilthoven, the Netherlands

Report on the financial statements

We have audited the accompanying financial statements 2007 of ASM International N.V., Bilthoven. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated Balance Sheet as at December 31, 2007, Statements of Operations, Statements of Shareholders' Equity and Statements of Cash Flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company Balance Sheet as at December 31, 2007, the company Statements of Operations for the year then ended and the notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ASM International N.V. as at December 31, 2007, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

In our opinion, the company financial statements give a true and fair view of the financial position of ASM International N.V. as at December 31, 2007, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Deloitte Accountants B.V.

was signed: M.J. van der Vegte

Amsterdam, the Netherlands

April 28, 2008

ASM International

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