STATUTORY ANNUAL REPORT 2013

ASM INTERNATIONAL

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* Corporate governance and Management report are referred to as Management Board Report.

OUR COMPANY

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

STRATEGY & FOCUS AREAS

ABOUT

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

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LETTER TO SHAREHOLDERS

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

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

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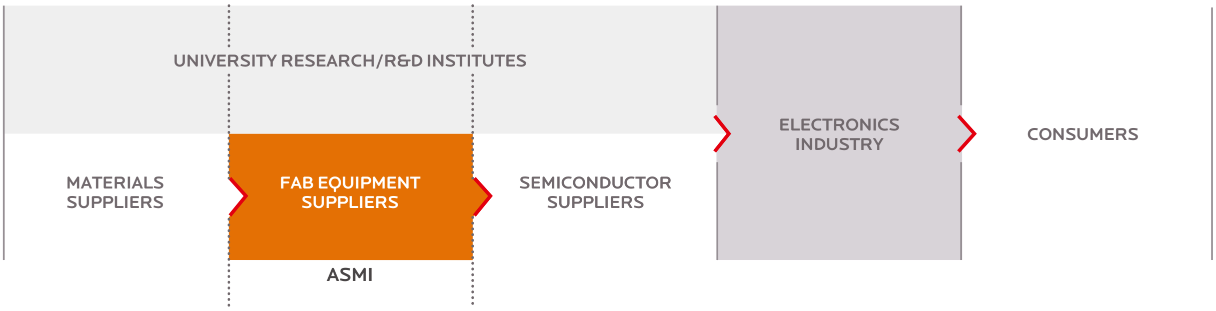
ABOUT

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

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

THE VALUE CHAIN IN OUR INDUSTRY



WAFER PROCESSING

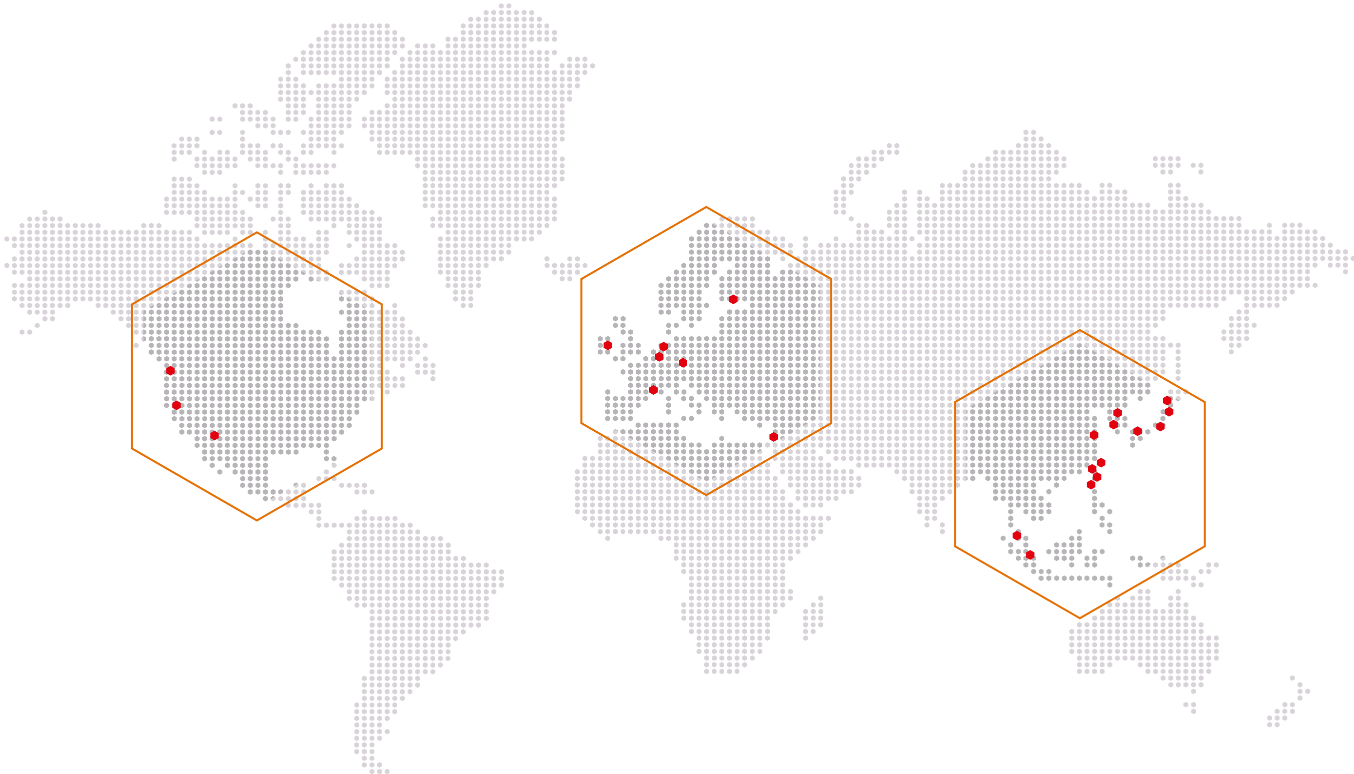
We focus primarily on equipment and process solutions for the deposition of thin films.

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

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

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

WORLDWIDE OPERATIONS



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AT A GLANCE

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

ORGANIZATION STRUCTURE

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

HIGHLIGHTS

BOOKINGS*
EUR million
480

NET SALES*
EUR million
452

OPERATING RESULT * (EBIT)
EUR million
45

NET EARNINGS*
EUR million
49

RESULT ON INVESTMENT
EUR billion
1,3

EARNINGS PER SHARE* (DILUTED)
EUR million
0.75

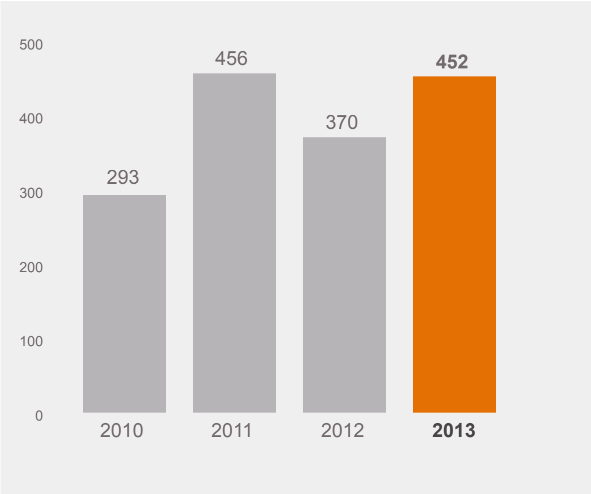
OPERATIONAL CASH FLOW*
EUR million
40

CASH
EUR million
312
(NO DEBT)

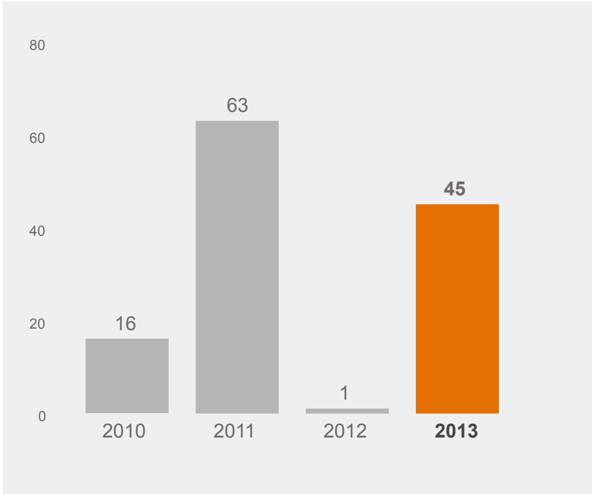
STAFF
FTE
1,503

* Front-end segment, excluding effects sale ASMPT share.

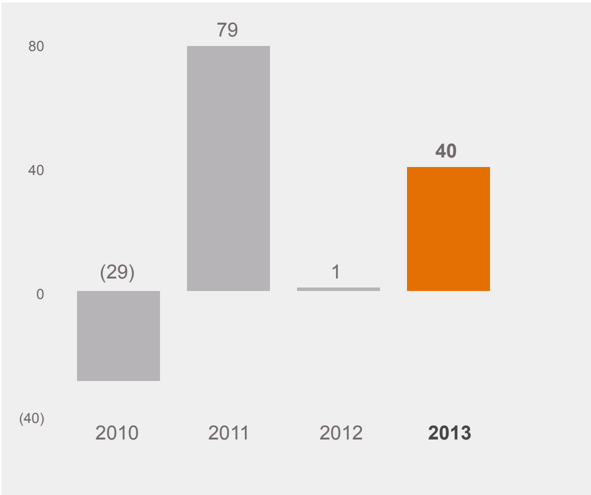
NET SALES* EUR million



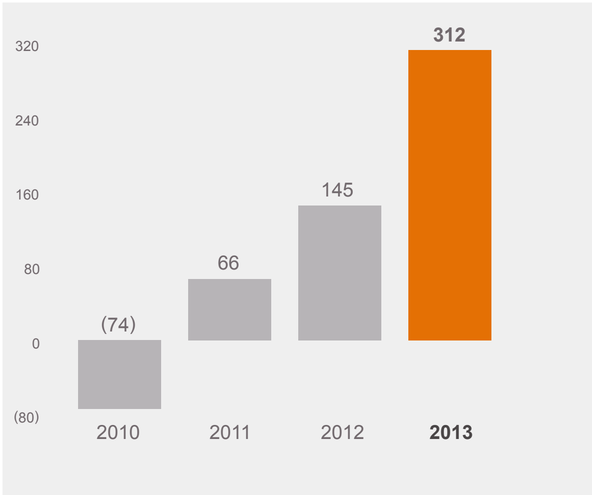
OPERATING RESULT* EUR million



CASH FLOW* EUR million



NET (DEBT) CASH* EUR million



* Front-end segment.

KEY FIGURES

(EUR million, except per share data and full-time equivalents)	EUR 2009	EUR 2010	EUR 2011	EUR 2012	EUR 2013
Operations:					
Net sales:					
Front-end	160	293	456	370	**452**
Back-end (discontinued operation)	430	930	1,178	1,048	**160**
Earnings from operations:					
Front-end	(132)	24	73	12	**45**
Back-end (discontinued operation)	95	313	304	87	**(4)**
Net earnings (loss) from continuing operations	(68)	243	316	40	**(343)**
Net earnings (loss) from discontinued operations					**1,405**
Net earnings (loss) from operations					**1,063**
Balance sheet:					
Net working capital [1)]	181	289	430	477	**109**
Total assets	852	1,214	1,582	1,500	**1,608**
Net cash [2)]	29	125	215	230	**312**
Backlog:					
Front-end	50	163	105	92	**115**
Back-end	146	337	226	198	
Number of staff:					
Full-time equivalents:					
Front-end	1,294	1,450	1,631	1,636	**1,503**
Back-end	10,773	15,249	14,563	15,768	**14,400**
Per share data:					
Net earnings (loss) on operations per share:					
Basic net earnings (loss)	(2.30)	2.26	3.52	0.28	**16.81**
Diluted net earnings (loss)	(2.30)	2.22	3.27	0.28	**16.55**
Weighted average number of shares used in computing per share amounts (in thousands):					
Basic	51,627	52,435	55,210	56,108	**63,202**
Diluted	51,627	61,494	64,682	56,767	**64,196**

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

2 Net cash includes cash and cash equivalents less long-term debt, convertible subordinated debt, the conversion option and notes payable to banks.

LETTER TO SHAREHOLDERS

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

Charles D. (Chuck) del Prado

Chairman of the Management Board,
President and Chief Executive Officer

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

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

ASMI OUTPERFORMED THE WAFER FAB EQUIPMENT MARKET

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

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

SG&A as a percentage of sales dropped to 14%, down 3% from the 2012 level, while R&D remained flat at 13% of sales.

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

The comparable result from our 40% investment in ASM Pacific Technology was €20.9 million. Further the sale of a 12% share in ASMPT resulted in a gain of €1 billion, which mainly reflected the net remeasurement gain.

Net earnings, (net earnings from continuing operations including our 40% share of ASMPT's net earnings) were €45.5 million, equal to €0.71 per share.

Operating cash flow improved significantly from €20 million in 2012 to €65 million in 2013. Despite the growth in our business, working capital decreased to €109 million by the end of 2013 compared to €114 million by the end of 2012. The number of outstanding days of working capital, measured against quarterly sales, decreased from 110 days to 77 days over the same period. We ended 2013, debt free, with €312 million in cash.

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

CONTINUED MOMENTUM IN ALD AND PEALD

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

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

The transition to a FinFET device architecture, which was introduced at the 22nm technology node, is important in this respect as these high aspect ratio 3D structures require highly conformal films. ALD enables the deposition on these high aspect ratio structures, which is far more difficult to achieve with conventional deposition technologies. As a consequence, with the transition to FinFET, we see a further increase in the demand for ALD. In logic, one of our leading customers is currently ramping the 4th generation high-k gate technology, using our ALD products.

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

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

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

REDUCTION OF STAKE IN ASMPT TO 40%

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

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

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

OUTLOOK

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

The introduction of new materials and 3D architectures plays an increasing role in the roadmaps of our customers to continuously introduce faster and more power efficient devices. The area of thin film engineering and introducing the deposition processes of these new materials in high-volume device manufacturing is an area where ASMI has leadership with differentiated technology offerings. ASMI is well positioned to participate in the current and future industry technology transitions, particularly with our ALD and (PE) ALD technologies. Over the next three to four years, we believe the ALD market to have substantial growth opportunities.

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

Almere, the Netherlands
April 9, 2014

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

STRATEGY & FOCUS AREAS

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

MISSION AND STRATEGY

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

MISSION

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

VISION

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

STRATEGY

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

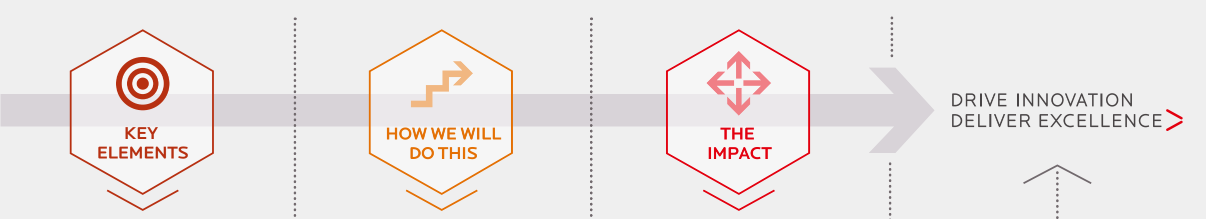
› Further streamlining our wafer processing manufacturing by systematically reducing manufacturing costs through global sourcing and consolidating our product platforms;

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

› Leveraging our wafer processing innovation and manufacturing capabilities through advancements in our products and processes early in the technology lifecycle; and

› Expanding the scope and depth of our research and development capabilities through strategic alliances with independent research institutes, universities, customers and suppliers, and expanding our patent portfolio where it is necessary and beneficial.

OUR STRATEGY



Key elements	How we will do this	The impact
Further streamlining our wafer processing manufacturing	Reduce manufacturing costs through global sourcing and consolidating product platforms	Competitive edge
Maintaining our global reach	Invest in our operating, sales and customer service organization in key parts of the world	Customer intimacy
Leveraging our wafer processing innovation and manufacturing capabilities	Focus on advancements in our products and processes early in the technology lifecycle	Continuous improvement
Expanding the scope and depth of our research and development capability	Establish strategic alliances with independent research institutes, universities, customers and suppliers, and expanding our patent portfolio	Co-creation and innovation

FOCUS AREAS

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

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

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

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

MARKETS & PRODUCTS

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

MARKETS

Our semiconductor wafer processing business supplies equipment to the leading semiconductor manufacturers in the logic, foundry and memory markets, primarily for the deposition of thin films. The logic market is made up of manufacturers who create chips that are used to process data, the foundry market consists of businesses that operate semiconductor fabrication plants to manufacture the designs of other semiconductor companies, and the memory market covers manufacturers who make chips that store information either temporarily or permanently such as Random Access Memory (RAM). We also supply equipment to leading manufacturers of analog semiconductor devices that are important for enabling the increasing semiconductor content in most products in use worldwide.

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

PRODUCTS

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

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

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

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

TECHNOLOGY & INNOVATION

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

CREATING POSSIBILITIES

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

INNOVATIVE TECHNOLOGIES, RELIABLE RESULTS

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

LAYERING

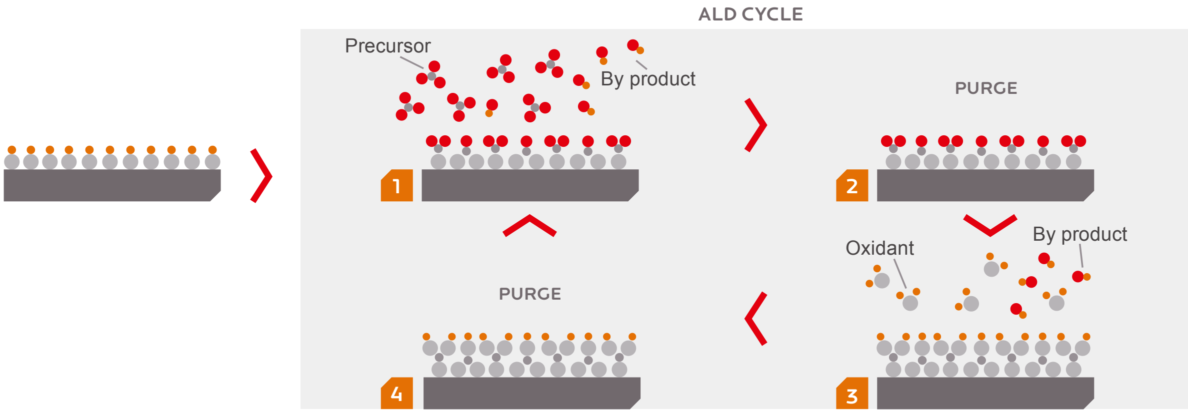
In order to create ever-smaller components on a chip, the industry had to invent new processes. ASMI's Atomic Layer Deposition (ALD) technology is one of these processes.

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

BREAKTHROUGH TECHNOLOGIES

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

ATOMIC LAYER DEPOSITION



INCREDIBLE PRECISION

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

To put it in perspective, a 22 nanometer (nm) transistor is roughly 3000 times thinner than a single hair. And a single strand of human DNA is 2.5 atoms wide. ALD creates films as thin as a single atom thick.

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

ALD – A DRIVER OF FUTURE GROWTH

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

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

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

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

ALD IS NOW MAINSTREAM

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

Enhancing innovation

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

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

GLOBAL R&D

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

Our research centers in Finland, US, Japan, Korea, the Netherlands, and Belgium are all working on ALD. We also have joint research projects with Europe's largest independent research institute, IMEC, in Belgium. ASMI is a truly global company. Diversity means that we get the benefit of wider viewpoints while being able to bring together the best minds in the world to create new breakthroughs.

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

SUSTAINABLE GROWTH FOR THE NEXT DECADE

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

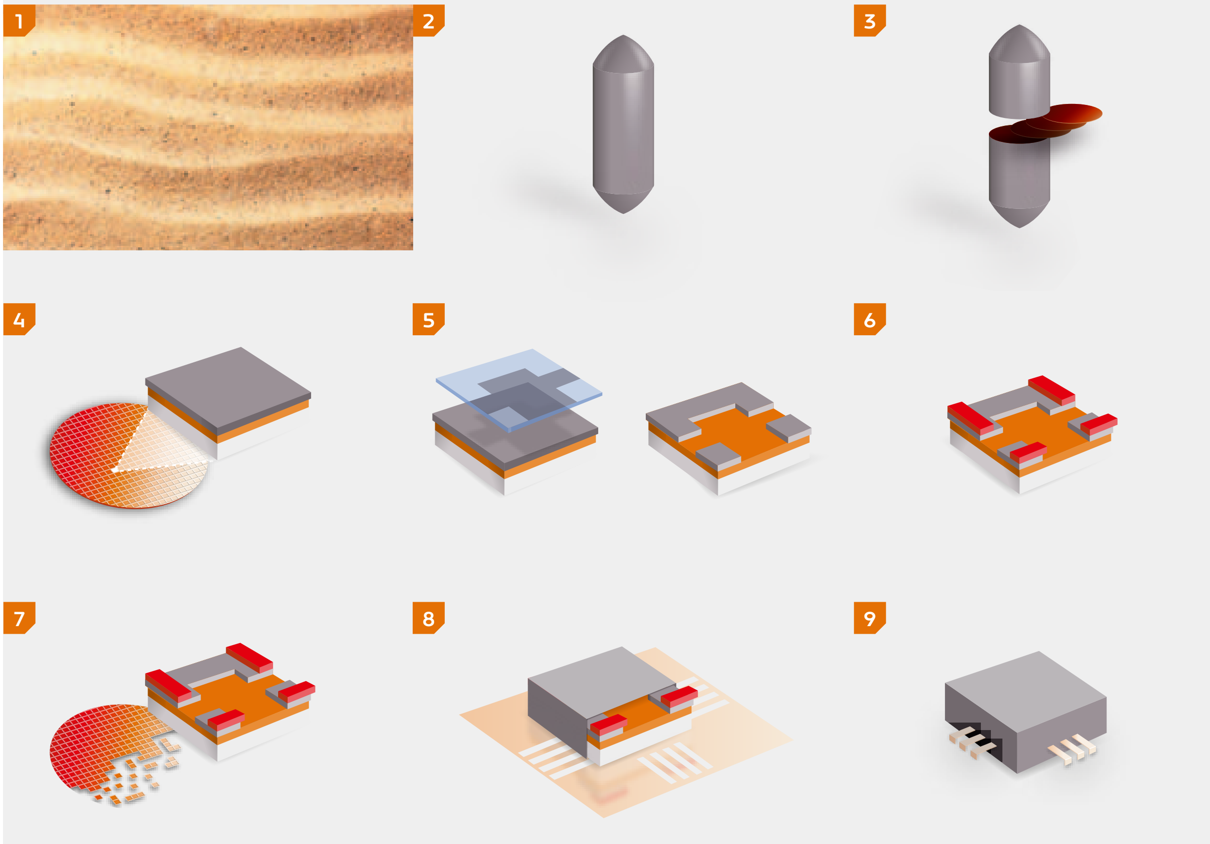
CHIP MAKING

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

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

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

CHIP MAKING PROCESS



1. FROM SAND TO PURE SILICON

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

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

2. WAFER BLANKS

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

3. WAFERS ARE CUT

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

4. COATING A WAFER

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

5. CREATING MASKS

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

6. ADDING A PATTERN

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

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

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

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

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

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

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

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

LAYERING THE FUTURE

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

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

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

MOORE TO COME

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

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

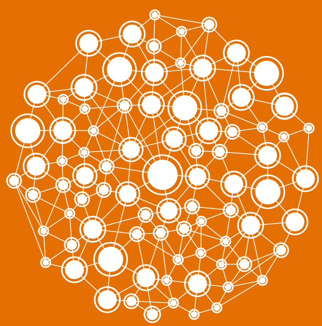
Robin shares his excitement of pushing boundaries working at the leading edge of technology.

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

GORDON E. MOORE (INTEL)

REALTIME INSIGHTS

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



90%

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

FROM LAB TO FAB

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

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

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

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

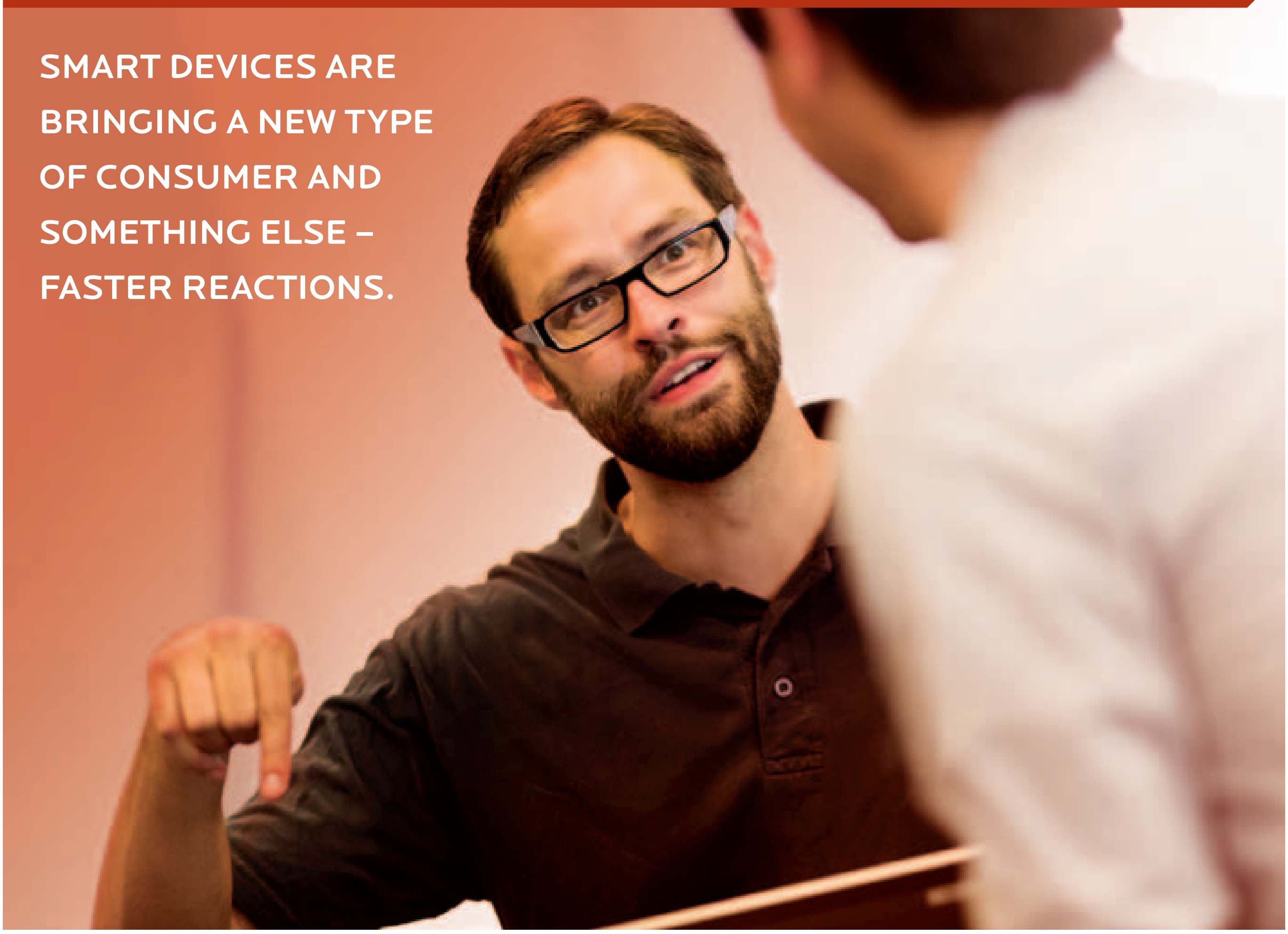
INNOVATION EXISTS TO SERVE OUR CUSTOMERS' BUSINESS NEEDS.

CO-CREATION

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

DRIVE INNOVATION
DELIVER EXCELLENCE

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



MANAGEMENT

SUPERVISORY BOARD

JAN C. LOBBEZOO (1946)
Chairman
Nationality: Dutch
Current term expires: 2017
- Member of the Board of FEI, a US-based nanotechnology equipment company
- Non-executive Member of the one-tier Board of TMC Group NV
- Chairman of the Supervisory Board of Mapper Lithography BV (until December 31, 2013)
- Chairman of the Supervisory Board of Mutracx BV
- Chairman of the Supervisory Board of Salland Engineering BV
- Member of the Supervisory Board of ALSI NV (until mid February 2014)
- Chairman of the Supervisory Board of the Point One Innovation Fund

JOHAN M.R. DANNEELS (1949)
Nationality: Belgian
Current term expires: 2016

Chief Executive Officer of Essensium NV

HEINRICH W. KREUTZER (1949)
Nationality: German
Current term expires: 2014
- Chairman of the Supervisory Board of Micronas Semiconductor GmbH in Freiburg, Germany
- Chairman of the Board of Directors of Micronas Semiconductor AG in Zurich, Switzerland
- Chairman of the Supervisory Board of BKtel Communications GmbH, Germany

MARTIN C.J. VAN PERNIS (1945)
Nationality: Dutch
Current term expires: 2014
- Chairman of the Supervisory Board of Batenburg Techniek NV
- Chairman of the Supervisory Board of Dutch Space BV – a subsidiary of EADS
- Vice Chairman of the Supervisory Board of Aalberts Industries NV
- Member of the Supervisory Board of Feyenoord Rotterdam NV (until March 1, 2014)
- Chairman of the Supervisory Board of GGZ Delfland (until May 1, 2014)
- Chairman of the Supervisory Board of Sint Franciscus Vlietland Groep
- President of the Royal Institute of Engineers – KIVI
- Chairman of the Platform 'Vernieuwing Bouw'

ULRICH H.R. SCHUMACHER (1958)
Nationality: German
Current term expires: 2016
- Chairman of the Executive Board and CEO of Zumtobel AG
- Managing Director of CGS Consulting
- Chairman of the Supervisory Board of PACT XPP Technologies AG, Munich

HONORY CHAIRMAN

ARTHUR H. DEL PRADO (1931)
Nationality: Dutch

Chairman of the Board of ASM Pacific Technology Ltd

SENIOR MANAGEMENT

CHARLES D. (CHUCK) DEL PRADO
Chairman of the Management Board, President and Chief Executive Officer

PETER A.M. VAN BOMMEL
Member of the Management Board, Chief Financial Officer

PER OVE (PEO) HANSSON
General Manager Thermal Products Business Unit,
General Manager ASM America Inc and ASM Europe BV

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

FOKKO LEUTSCHER
Vice President Global Operations

TOM WU
Vice President Global Sales & Services

J.F.M. (HAN) WESTENDORP
Vice President Corporate Marketing

J.M.M. (IVO) RAAIJMAKERS
Chief Technology Officer and Director of Research & Development

PETER GAUDETTE
Vice President Operational Excellence

RALPH OTTE
Vice President Global Human Resources

RICHARD W. (DICK) BOWERS
Chief Legal Officer

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OTHER INFORMATION

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New York, NY, United States

ABN AMRO Bank NV
Amsterdam, the Netherlands

INDEPENDENT AUDITORS
Deloitte Accountants BV
Amsterdam, the Netherlands

TRADE REGISTER
Chamber of Commerce
Number 30037466

ANNUAL GENERAL MEETING OF SHAREHOLDERS
The Annual General Meeting of Shareholders will be held on May 21, 2014.

FINANCIAL CALENDAR FOR 2014
April 23, 2014
Announcement of First Quarter results 2014

July 23, 2014
Announcement of Second Quarter results 2014

October 29, 2014
Announcement of Third Quarter results 2014

TRADEMARK LIST AS OF JANUARY 1, 2014
ASM, the ASM International logo, Advance, Aurora, Dragon, Eagle, EmerALD, Epsilon, Intrepid, Polygon, Pulsar and Silcore are registered trademarks of ASM International NV. A400, A412, ALCVD, Atomic Layer CVD, NCP and PEALD are trademarks of ASM International NV.

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

CORPORATE RESPONSIBILITY

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

ENVIRONMENT

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

29

SUPPLY CHAIN

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

35

SOCIAL

People 31

Health & safety 33

Ethics 33

CSR POLICY AND STRATEGY

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

27

CSR POLICY AND STRATEGY

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

OUR CSR AMBITION

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

OUR CSR COMMITMENT

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

ENVIRONMENT

SOCIAL

- People
- Health & safety
- Ethics

SUPPLY CHAIN

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

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

We know that customers seek to purchase from businesses that are managed ethically and responsibly, and our customers actively encourage us to put in place the right management processes for social responsibility and plan for the long term with objectives and goals. This industry engagement ensures we are focused on responsible management practices to ensure a win-win for society and ASMI.

STRATEGY AND PROFILE

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

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

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

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

OUR CORPORATE RESPONSIBILITY POLICY

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

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

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

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

EICC COMPLIANCE

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

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

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

ENVIRONMENT

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

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

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

2013-2015 ENVIRONMENT SCORECARD

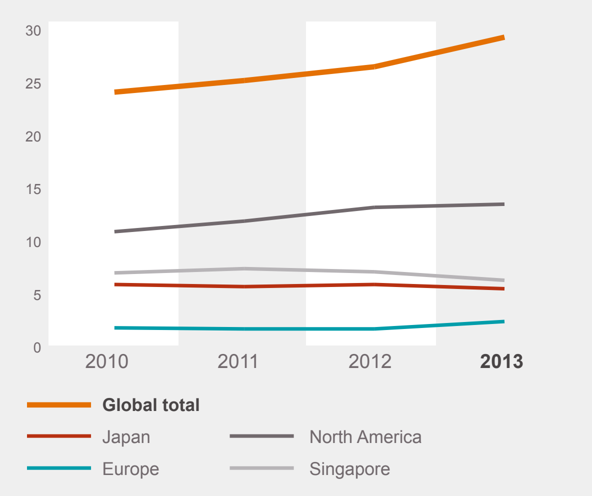
	OBJECTIVE	UNIT	2012 BASELINE	2013 ACTUAL	2015 TARGET (VS. 2012 BASELINE)	PROGRESS COMMENTS
ENVIRONMENT	GHG EMISSION (SCOPE 1 AND 2)	METRIC TON EQUIV CO_2 ($MT\text{-}CO_2E$)	14.24K	14.20K	-5%	1% REDUCTION IN 2013
	WATER USAGE	M^3	196.2K	199.2K	-5%	1.5% INCREASE IN 2013
	RECYCLED SOLID WASTE	PERCENT (%) OF TOTAL SOLID WASTE	49%	58%	85%	9% IMPROVEMENT IN 2013
	UNINTENDED DISCHARGES	TOTAL COUNT	0	0	ZERO / YEAR	TARGET MET

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

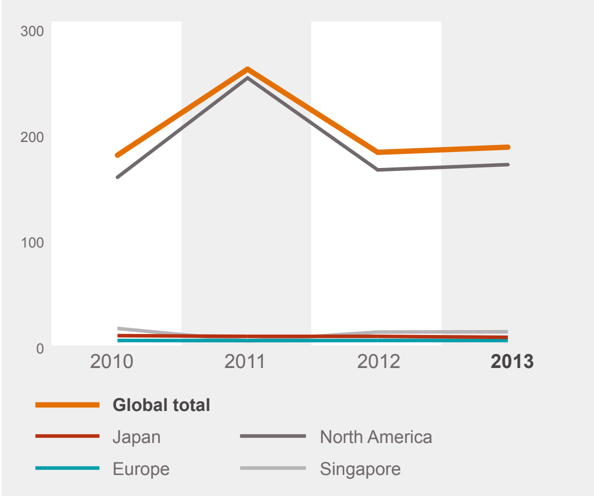
Our 2013 performance fell short of our expectations in making progress toward three-year targets in greenhouse gas (GHG) emissions and water consumption. An essentially flat GHG trend was attributable to outsourcing of fabrication activities in one region offset by the necessary resumed operations in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

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

GLOBAL ELECTRICAL CONSUMPTION in million kWh

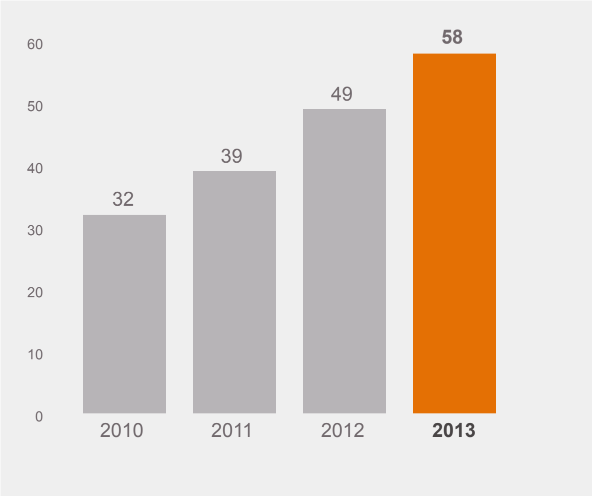


GLOBAL WATER CONSUMPTION in 10,000 m^3



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

GLOBAL RECYCLE DIVERSION RATE (%)



SOCIAL

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

In 2013, we continued our investment in research and development related to improved computing productivity which totaled €58 million. For further information on ASMI's research and development, see Management report.

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

PEOPLE

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

ATTRACTION AND SELECTION

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

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

INTERNSHIPS

We are proud to be able to offer internships throughout our organization because they provide opportunities to students to explore a dynamic work environment and the possibilities provided by working in technology. We are convinced that internships are valuable both to us and the interns who work with us. Interns are selected based on the quality of their application, with a typical internship period running for six months. In some cases, such as a thesis project, this period may be extended.

NEW COLLEGE GRADUATE (NCG) PROGRAM

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

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

TALENT DEVELOPMENT

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

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

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

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

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

WORKFORCE DIVERSITY

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

WORKFORCE

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

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

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

TURNOVER RATE

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

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

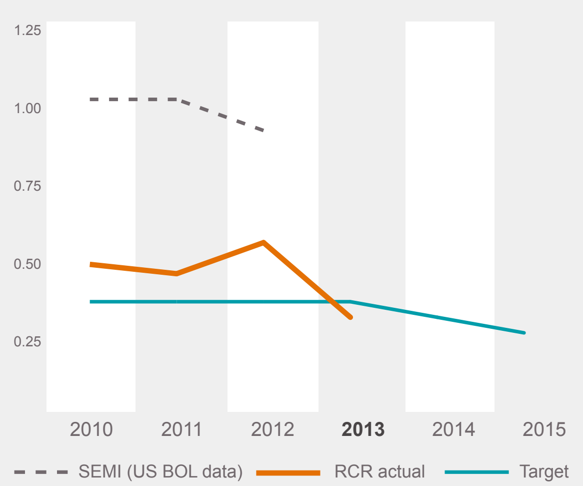
HEALTH & SAFETY

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

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

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

GLOBAL RECORDABLE CASE RATE (RCR)*



* Recordable cases per 100 employees

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

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

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

ETHICS

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

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

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

- The development and introduction of an Ethics scorecard to define and measure the performance of our ethics systems.
- The introduction of SpeakUp!, an anonymous global reporting program for employees and suppliers to report potential ethics or compliance issues in their own languages.
- Expansion of the Ethics Committee with the inclusion of the Director of Global EHS and CSR, helping to ensure alignment with the EICC framework and further diversify the committee.
- The introduction of the internal ethics homepage on the ASMI intranet, to improve communication and transparency with our workforce.

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

ANNUAL ETHICS SCORECARD 2013

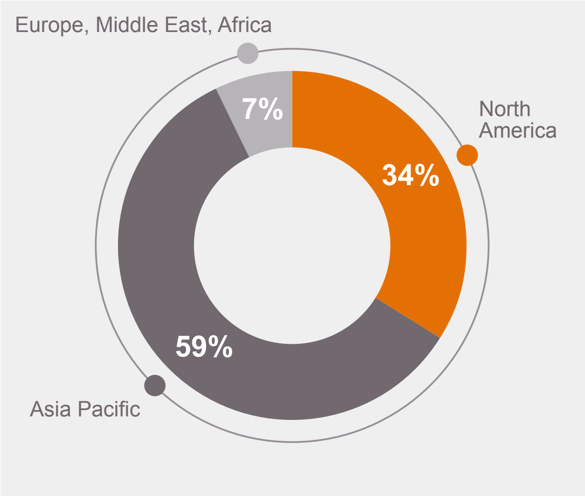
SCOPE	PERFORMANCE CRITERIA	2013 TARGET	2013 RESULT
NEW HIRES	Mandatory sign off on having received, read, understood and agreed to the Code of Ethics	100%	100%
	Sign off to be registered in SAP	100%	100%
	Training and passing the certification exam	100%	98%
ALL EMPLOYEES	Number of employees trained annually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

[1] Received and admissible by the Ethics Committee.
[2] Discovered via internal controls.
[3] Improvements implemented:
- implemented SpeakUp! Integrity line globally;
- flow chart developed for SpeakUp! process;
- ethics homepage launched on intranet;
- additional members added to the committee outside of HR.

SUPPLY CHAIN

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

SUPPLY CHAIN SPEND BY REGION 2013



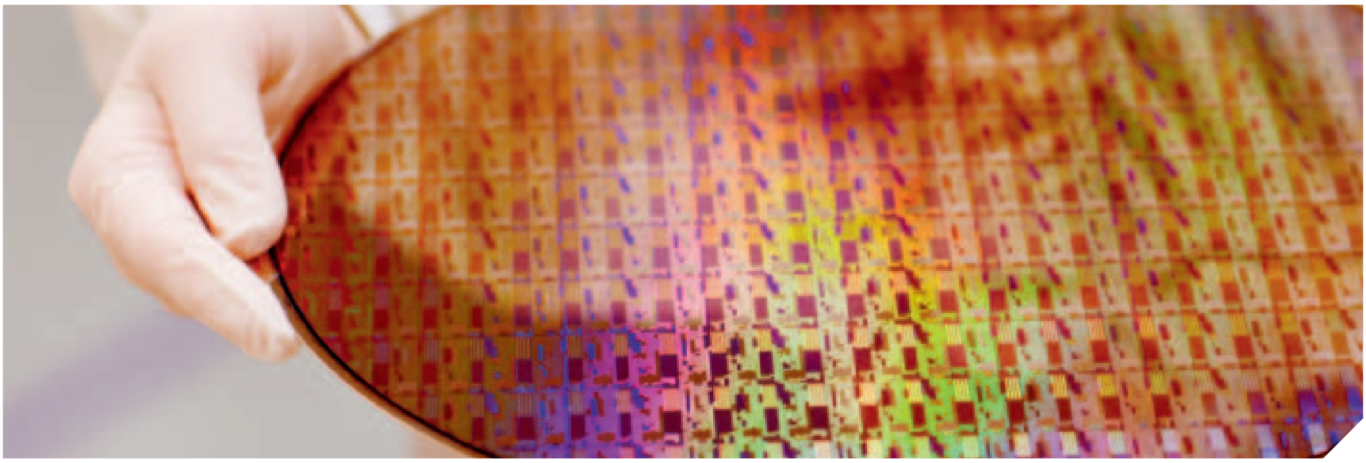
Our supply chain is diverse, not only in geography but also in categories of businesses. The main categories of suppliers include contract manufacturers, metal fabrication, gas systems, robotics, heaters, electronics, and high-tech chemistries, just to name a few. This diversity offers jobs at all skill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

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

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

CORPORATE GOVERNANCE

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



RISK MANAGEMENT

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

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SUPERVISORY BOARD

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

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MANAGEMENT BOARD

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

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CORPORATE GOVERNANCE PRINCIPLES

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

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

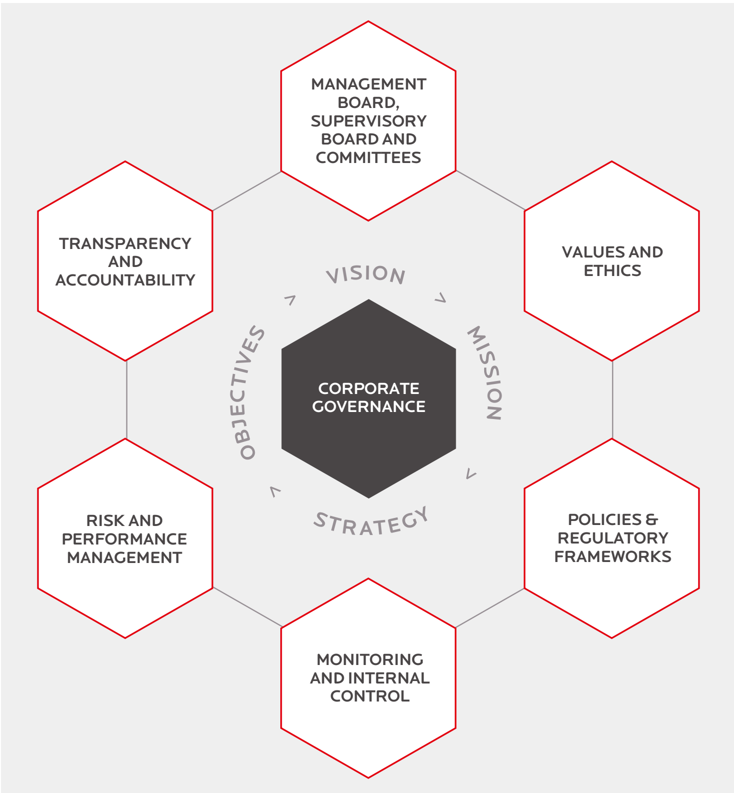
Corporate governance-related documents are available on our website. These include the Supervisory Board Profile, Supervisory Board Rules, Management Board Rules, the Audit Committee Charter, the Nomination, Selection and Remuneration Committee Charter, the Code of Ethics, the Whistleblower Policy, the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

DUTCH CORPORATE GOVERNANCE CODE

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

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

CORPORATE GOVERNANCE FRAMEWORK



MANAGEMENT BOARD

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

Peter A.M. van Bommel
Member of the Management Board,
Chief Financial Officer

RESPONSIBILITIES

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

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

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

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

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

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

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

CONFLICTS OF INTEREST

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

APPOINTMENT, SUSPENSION AND DISMISSAL

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

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

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

REMUNERATION

The remuneration of individual members of the Management Board is decided upon by the Supervisory Board, based on the recommendations by the Nomination, Selection and Remuneration Committee of the Supervisory Board and on the Company's Remuneration Policy. Our Remuneration Policy was last adopted by the General Meeting of Shareholders in 2010. The remuneration structure includes four components: a fixed (base) salary component, a variable component (annual bonus or short-term incentive), a long-term component (stock options) and pension provisions and fringe benefits. The remuneration structure reflects short-term and long-term elements of the responsibilities of members of the Management Board.

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

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

RISK MANAGEMENT

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

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

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

RESPONSIBILITIES

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

AUTHORIZATION

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

PLANNING AND CONTROL CYCLE

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

The planning and control cycle starts with an annual strategy meeting. The budget includes objectives and targets, which provide the basis for monitoring performance. The budget is followed up by monthly outlooks and quarterly forecasts. The Management Board monitors both operational and financial performance on a monthly basis, which includes discussion with management of the operating (business and support) units. In addition, performance and action plans are discussed in operational performance reviews of the operating units.

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

CODE OF ETHICS, WHISTLEBLOWER POLICY AND ANTI-FRAUD POLICY

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

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

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

ENVIRONMENT, HEALTH AND SAFETY PROCEDURES

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

DISCLOSURE CONTROLS AND PROCEDURES

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

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

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

POLICIES AND PROCEDURES

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The Management Board conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) 1992. Based on this evaluation of the effectiveness of the Company's internal control over financial reporting, in accordance with the requirements of Section 404 of the Sarbanes-Oxley Act of 2002 (SOX 404), all members of the Management Board concluded that, as of December 31, 2013, the Company's internal control over financial reporting was effective and provides reasonable assurance for the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In addition, to the best of the knowledge of the Management Board, the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, as well as a description of the principal risks and uncertainties that the Company faces. No changes to the Company's internal control over financial reporting have occurred during 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

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

IDENTIFICATION AND ASSESSMENT OF RISKS

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

- **Economic and market risk** ASMI is vulnerable to changing economic circumstances and market conditions. The semiconductor industry and market have always been very cyclical and dependent on the economic climate. We face the risk of not being able to respond rapidly and effectively to these industry cycles, and of not being able to reduce our activities and expenses in time. On the other hand, industry upturns have been characterized by fairly abrupt increases in demand for semiconductor devices and equipment and insufficient production capacity. During a period of increasing demand and rapid growth, we must be able to quickly increase manufacturing capacity to meet customer demand and to take on a sufficient number of additional qualified personnel. These variable economic and market conditions materially affect our revenues, income, assets and liquidity and capital resources. This cyclical nature is inherent to the semiconductor industry, but we endeavor to mitigate its effects. As an example, we have increased the flexibility of our capacity. We also focus on the sales of spare parts and customer service, which are less affected by the economic climate and are expected to continue even in a period of declining demand.
- **Cash resources risk** Managing our cash position becomes more important in periods of economic decline and affects our revenues and the creditworthiness of customers. As a result, our cash position may be severely impacted. Credit facilities are in place to mitigate the impact on our cash position. We also try to find a balance between cost control and reduction of expenses on the one hand, and continued investment in engineering, and research and development in advanced technology on the other hand.
- **Balancing cost control and long-term investments** As market conditions affect our business through a decline in revenues, cost control becomes an important measure to reduce the impact on financial results. Our industry is subject to rapid declines in revenues and we may not be able to respond in time by reducing costs and expenses to avoid this having a negative impact on financial results. Furthermore, our future success depends to a large extent upon our ability to define and realize product roadmaps that are well aligned with the industry, and may contain technology projections for as many as five to ten years forward. The execution of a product roadmap requires expenditures in investments for research and development programs.

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

- **Customer creditworthiness** Our customers operate under volatile market conditions and this affects the creditworthiness of several of these companies. We may not succeed in completely avoiding the effect of bad debts. It has become more critical to assess the creditworthiness of customers and to closely monitor our outstanding receivables. Therefore, we review risk profiles of customers and adjust them, based on due diligence information. The assessment process is carried out under the responsibility of the sales managers with support from the regional and finance managers. Furthermore, provisioning has taken place to mitigate the impact of bad debts.
- **Availability of financial back-up facilities** ASMI has a credit facility for short-term funding of working capital. The renewal of credit facilities may be at risk when financial institutions are not willing to provide new facilities

and this can lead to liquidity stringency. The current cash position and credit facilities of ASMI are considered adequate. We refer to the paragraph Liquidity and capital resources of the Management report, for more insight into the financing position of the Company. Per December 31, 2013 ASMI has a long-term credit facility and is debt-free.

› **Foreign currency exchange rates risk** The foreign currency exchange risk exists for three types of risk:
  - **Transaction risk** We conduct business in a number of foreign countries, with certain transactions denominated in currencies other than our functional currency (euro) or the currency of one of our subsidiaries. We might manage the effect of exchange rate fluctuations on revenues, costs and eventual cash flows and assets and liabilities denominated in selected foreign currencies, in particular in the US dollar, through derivative instruments (including forward exchange contracts).
  - **Translation risk** The translation of financial results from our foreign entities could lead to translation effects of reported results. These translation effects (especially from the Hong Kong dollar, the US dollar, the Singapore dollar, the Korean won and the Japanese yen to the euro) may have a material effect on the reported results. Since the translation to the reporting currency does not lead to realized currency exchange results, and local activities are done in the same currency, the translation risk is not covered.
  - **Economic risk** The activities in different countries and foreign currencies may have the economic risk that exchange rate changes lead to unfavorable competitive circumstances. The mismatch of currency between revenues and expenditures leads to economic exposure. We have taken the following mitigating measures: loans in local currency to mitigate the economic risk from currency mismatch, increased flexibility in the currency of sourcing, and bringing manufacturing activities to Singapore. The move to Singapore should primarily improve our competitive edge, but will also limit our economic risk to a certain extent.

SUPERVISORY BOARD

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

RESPONSIBILITIES

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

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

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

CONFLICTS OF INTEREST

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

APPOINTMENT

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

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

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

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

REMUNERATION

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

INDEPENDENCE

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

COMPOSITION AND ROLE OF KEY COMMITTEES OF THE SUPERVISORY BOARD

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

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

The Audit Committee meets periodically to:

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

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

- **Nomination, Selection and Remuneration Committee** This Committee advises the Supervisory Board on matters relating to the selection and nomination of the members of the Management Board and Supervisory Board. The Committee further monitors and evaluates the Remuneration Policy for the Management Board. This Committee consists of Mr van Pernis (Chairman), Mr Danneels and Mr Lobbezoo. The objective of the Remuneration Policy is twofold:
  - To create a remuneration structure that will allow ASMI to attract, reward and retain qualified executives who will lead ASMI in achieving its strategic objectives; and
  - To provide and motivate these executives with a balanced and competitive remuneration.

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

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

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

SHAREHOLDERS

POWERS

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

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

RECORD DATE

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

EXTERNAL AUDIT

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

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

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

INTERNAL AUDIT

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

DECLARATIONS

RESPONSIBILTY STATEMENT

The members of the Management Board state that, to the best of their knowledge, (i) the financial statements, as shown on pages 79 to 159 of this Annual report 2013, provide a true and fair view of the assets, liabilities, financial position and results for the financial year 2013 of the Company and its subsidiaries included in the consolidated statements, (ii) the Annual report 2013 provides a true and fair view of the position and the business of the Company and its subsidiaries (details of which are contained in the financial statements), and (iii) the Annual report 2013 provides a description of the principal risks and uncertainties that the Company faces.

CORPORATE GOVERNANCE STATEMENT

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

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

REPORT OF THE SUPERVISORY BOARD

FINANCIAL STATEMENTS

We present the ASMI 2013 Statutory Annual report in accordance with IFRS, as prepared by the Management Board and reviewed by the Supervisory Board. Our independent auditors, Deloitte Accountants B.V., have audited these Annual accounts and issued an unqualified opinion. Their report appears on page 163 and 164 of the Annual accounts.

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

SUPERVISION

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

MEETINGS OF THE SUPERVISORY BOARD

During 2013, the Supervisory Board met with the Management Board on eight occasions. Furthermore, the Supervisory Board held a few conference calls without the Management Board participating. All Supervisory Board members attended all meetings with the Management Board. In these meetings, the Boards discussed strategy, operations, business risks, product and market developments, the Company's organization, management and financial structure and performance, including further profitability improvements. In 2013, an important step was taken by the Company to reduce its stake in ASMPT from 53% to 40% via a partial secondary placement. This step was effected in the course of March 2013 and was the result of the decision taken by the Management Board and concurred by the Supervisory Board to address the non-recognition by the markets of the value of the combined businesses of the Company. As a consequence of the reduction in ASMPT shareholding to 40%, the ASMPT financial figures had to be de-consolidated from the ASMI consolidated figures. This had a substantial effect on the reported figures for 2013 reported by ASMI; both in terms of P&L account as well as the balance sheet.

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

CORPORATE GOVERNANCE

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

SUPERVISORY BOARD COMPOSITION

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

MANAGEMENT BOARD COMPOSITION

The Management Board is composed of two members.

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

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

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

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

NOMINATION, SELECTION AND REMUNERATION COMMITTEE

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

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

The remuneration of the members of the Management Board is disclosed in Note 29 of the Annual accounts. The remuneration of the members of the Management Board during 2013 is fully in accordance with the Remuneration Policy. The Remuneration Policy for the Management Board has been submitted to, and adopted by, the 2010 Annual General Meeting of Shareholders.

COMMITTEES STRUCTURE AND MEMBER INFORMATION

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

C Chairperson M Member € Financial expert

WORD OF THANKS

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

SUPERVISORY BOARD

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

Almere, the Netherlands
April 9, 2014

MANAGEMENT REPORT

2013 was a year in which ASMI outgrew the market. Our strong performance in 2013 reflects the growing customer acceptance of atomic layer deposition as a mainstream technology enabling further scaling in ever more complex device architectures. Virtually all of the leading players in the logic, foundry and memory sectors have now adopted ALD in high-volume manufacturing.

SUMMARY

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A POSITIVE YEAR

We achieved a significant improvement in operating profit to €44.9 million in 2013 compared to €0.5 million in 2012. We ended the year on a solid note, driven once again by demand for ALD and PEALD technologies.

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RESEARCH & DEVELOPMENT

Technology leadership remains at the core of ASMI, which is why we continue to invest strongly in research and development. As part of our research and development activities, we are engaged in various development programs with customers and research institutes. These allow us to develop products that meet customer requirements and obtain access to new technology and expertise.

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SUMMARY

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

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

FRONT-END

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

BACK-END

Our investment in ASM Pacific Technology represents the Back-end business. The Back-end operations are conducted through principal facilities in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany. On March 15, 2013 we reduced our shareholding in ASMPT from 52% to 40%. The sale of the 12% stake in ASMPT caused ASMI's cease of control on ASMPT and required deconsolidation of ASMPT. Since that date our share of the net result of ASMPT is reported on the line result from investments. The sale transaction resulted in a substantial gain. This gain consists of two elements, the realized gain on the sale of the 11.88% stake and an unrealized remeasurement gain on the remaining 40% of the shares. Both the gain on the sale and the unrealized measurement gain are reported as result from discontinued operations.

Net results from our 40% investment in ASMPT was €24.1 million (March 16 - December 31). Including impairment and amortization of intangibles resulting from the purchase price allocation an amount of €(368.3) million is reported as result from investments and associates.

An amount of €1,403 million was reported as a gain from discontinued operations, which reflects the net result of ASMPT as from January 1- March 16, an amount of €(5) million, the realized gain on the sale of 12% ASMPT shares €252 million and the net re-measurement gain of €1,156 million.

A POSITIVE YEAR

2013 was an important year for ASMI. First of all, our net sales increased by 22% substantially outperforming the overall wafer fab equipment markets, which declined year-over-year in 2013. Secondly, gross margin improved by more than 500 basis points to 39% year-over-year due to higher sales volume, improved efficiencies and a positive mix. We achieved a significant improvement in operating profit to €44.9 million in 2013 compared to €12.0 million in 2012. We ended the year on a solid note, driven once again by demand for ALD and PEALD technologies. Revenues for the fourth quarter were €127 million, a 9% increase over the third quarter.

IMPROVING STRUCTURAL PROFITABILITY

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

ALD IS A STRONG GROWTH DRIVER

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

SALES

Our sales are concentrated in the United States, Europe, Japan and South East Asia.

The following table shows the geographic distribution of our sales for the years 2012 and 2013:

	YEAR ENDED DECEMBER 31,			
(amounts in million)	2012		2013	
United States	€131.8	35.6%	**€131.2**	**29.0%**
Europe	77.9	21.0%	**73.1**	**16.2%**
Taiwan	47.2	12.7%	**78.2**	**17.3%**
Japan	40.6	11.0%	**33.8**	**7.5%**
South Korea	49.1	13.3%	**110.6**	**24.5%**
China	16.1	4.3%	**20.0**	**4.4%**
Other	7.7	2.1%	**5.1**	**1.1%**
	€370.4	**100.0%**	**€452.0**	**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.

A substantial portion of our sales is for equipping new or upgraded fabrication plants where device manufacturers are installing complete fabrication equipment. As a result our sales in this segment tend to be uneven across customers and financial periods. Sales to our ten largest customers accounted for 75.3% and 85.6% of net sales in 2012 and 2013, respectively. The composition of our ten largest Front-end customers changes from year to year. The largest customer from these ten accounted for 33.6% and 28.1% of Front-end net sales in 2012 and 2013, respectively.

RESEARCH & DEVELOPMENT

We continue to invest strongly in research and development. As part of our research and development activities, we are engaged in various development programs with customers and research institutes these allow us to develop products that meet customer requirements and to obtain access to new technology and expertise.

The costs relating to prototypes and experimental models, which we may subsequently sell to customers are charged to the cost of sales.

Our research and development operations in the Netherlands and the United States receive research and development grants and credits from various sources.

RISK FACTORS

In conducting our business, we face a number of risks that each could materially affect our business, revenues, income, assets and liquidity and capital resources. The risks described below are not the only ones facing ASMI. Some risks are not yet known and some that we do not currently believe to be material could later become material. See our 2013 Annual report on Form 20-F for a detailed description of the following risk factors:

RISKS RELATED TO OUR INDUSTRY

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

RISKS RELATED TO OUR BUSINESS

- Our customers face challenges in economic downturns and if they cannot meet their obligations to us our financial results will suffer.
- We derive a significant percentage of our revenue from sales to a small number of large customers, and if we are not able to retain these customers, or if they reschedule, reduce or cancel orders, or fail to make payments, our revenues would be reduced and our financial results would suffer.
- We may need additional funds to finance our future growth and ongoing research and development activities. If we are unable to obtain such funds, we may not be able to expand our business as planned.
- Our products generally have long sales cycles and implementation periods, which increase our costs of obtaining orders and reduce the predictability of our earnings.
- Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights from challenges by third parties; claims or litigation regarding intellectual property rights could require us to incur significant costs.
- We license the use of some patents from a competitor pursuant to a settlement agreement; if the agreement is terminated, our business could be adversely affected.
- Our net earnings could be negatively impacted by currency fluctuations.
- Substantially all of our equipment orders are subject to operating, performance, safety, economic specifications and other contractual obligations. We occasionally experience unforeseen difficulties in compliance with these criteria, which can result in increased design, installation and other costs and expenses.
- We are subject to various legal proceedings and claims, the outcomes of which are uncertain. If we fail to accurately evaluate the probability of loss or the amount of possible losses, an adverse outcome may materially and adversely affect our financial condition and results of operations.
- 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.
- We may not be able to recruit or retain qualified personnel or integrate qualified personnel into our organization. Consequently, we could experience reduced sales, delayed product development and diversion of management resources.
- Because the costs to semiconductor manufacturers of switching from one semiconductor equipment supplier to another can be high, it may be more difficult to sell our products to customers having a competing installed base, which could limit our growth in sales and market share.
- Our reliance on a limited number of suppliers and a single manufacturing facility could result in disruption of our operations.
- We operate worldwide; economic, political, military or other events in a country where we make significant sales or have significant operations could interfere with our success or operations there and harm our business.
- Environmental laws and regulations may expose us to liability and increase our costs.
- Any acquisitions or investments we may make could disrupt our business and harm our financial condition.

RISKS RELATED TO OUR MINORITY INTEREST IN ASM PACIFIC TECHNOLOGY

- A significant portion of our total assets is composed of our minority interest in ASM Pacific Technology. Changes in ASMPT's market, business or results of operations may adversely impact our reported earnings and the trading price of our common shares.
- Although we are a substantial shareholder, ASM Pacific Technology is not obligated to pay dividends to us and may take actions or enter into transactions that are detrimental to us.

RISKS RELATED TO AN INVESTMENT IN OUR SHARES

- Our founder who is also Chairman of the Board of ASM Pacific Technology controlled as per December 31, 2013 approximately 17.88% of the voting power which gives him significant influence over matters voted on by our shareholders, including the election of members of our Supervisory Board and Management Board and makes it substantially more difficult for a shareholder group to remove or elect such members without his support.
- Our anti-takeover provisions may prevent a beneficial change of control.
- We must offer a possible change of control transaction to Applied Materials first.
- Our stock price has fluctuated and may continue to fluctuate widely.
- Our quarterly revenues and earnings from operations have varied significantly in the past and may vary in the future due to a number of factors, including, without limitation:
  - Cyclicality and other economic conditions in the semiconductor industry;
  - Production capacity constraints;
  - The timing of customer orders, cancellations and shipments;
  - The length and variability of the sales cycle for our products;
  - The introduction of new products and enhancements by us and our competitors;
  - The emergence of new industry standards;
  - Product obsolescence;
  - Disruptions in sources of supply;
  - Our ability to time our expenditures in anticipation of future orders;
  - Our ability to fund our capital requirements;
  - Changes in our pricing and pricing by our suppliers and competitors;
  - Our product and revenue mix;
  - Seasonal fluctuations in demand for our products; and
  - Foreign currency exchange rate fluctuations; e.g. appreciation of the euro versus the Japanese yen and US dollar, which would negatively affect the competitiveness of those manufacturing activities that are domiciled in countries whose currency is the euro; and economic conditions generally or in various geographic areas where we or our customers do business.

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

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

CRITICAL ACCOUNTING POLICIES

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

The principal differences per December 31, 2013 between US GAAP and IFRS relate to accounting for goodwill, accounting for development expenses, accounting for inventory obsolescence reserve, pensions and accounting for debt issuance fees.

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with IFRS. We apply the going concern basis in preparing our Consolidated Financial Statements. Historical cost is used as the measurement basis unless otherwise indicated. The preparation of consolidated financial statements and related disclosures in conformity with IFRS requires management to make judgments, assumptions and estimates that affect the amounts reported. Note 1 of Notes to Consolidated Financial Statements describes the significant accounting policies used in the preparation of the consolidated financial statements. Certain of these significant accounting policies are considered to be critical accounting policies.

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

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

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

Management believes that the following are critical accounting policies:

REVENUE RECOGNITION

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

A major portion of our revenue is derived from contractual arrangements with customers that have multiple deliverables, such as equipment and installation. For each of the specified deliverables ASMI determines the selling price by using the best estimate of the selling price ("BESP"). The total arrangement consideration is allocated at inception of the arrangement to all deliverables on the basis of their relative selling price. The revenue relating to the undelivered elements of the arrangements is deferred at their relative selling prices until delivery of these elements. On December 31, 2013 we have deferred revenues from installations in the amount of €3.9 million (2012: and €3.5 million).

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

WARRANTY

We provide maintenance on our systems during the warranty period, which is usually one to two years. Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period.

We accrue for the estimated cost of the warranty on products shipped in a provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty. The actual warranty costs may differ from estimated warranty costs, and we adjust our provision for warranty accordingly. Future warranty costs may exceed our estimates, which could result in an increase of our cost of sales.

BUSINESS COMBINATIONS

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

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

NON-CURRENT ASSETS

Non-current assets include goodwill, other intangible assets and property, plant and equipment.

Goodwill is tested for impairment annually on December 31 and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. Our Front-end impairment test and the determination of the fair value is based on a discounted future cash flow approach that uses our estimates of future revenues, driven by assumed market growth and estimated costs as well as appropriate discount rates. These estimates are consistent with the plans and estimated costs we use to manage the underlying business. The material assumptions used by management for the annual impairment test performed per December 31, 2013 were:

- External market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used;
- Cash flow projections for the first four years. After these four years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are1% or less and for enabling technology products the rate used is 3% or less; and
- An average discount rate of 16.0% (2012: 22.7%) representing the pre-tax weighted average cost of capital. This rate decreased compared to the rate used in 2012 as a consequence of the current situation whereby certain production lines have now passed the early phase of the product life-cycle, hence reflecting a lower risk.

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

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

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

DEVELOPMENT EXPENSES

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

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

From 2005 onwards ASMI capitalizes development expenses that meet the above-mentioned criteria in its Consolidated Financial Statements prepared in accordance with IFRS. US GAAP prohibits capitalization of research and development costs.

ALLOWANCE FOR DOUBTFUL ACCOUNTS

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

INVENTORIES

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

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

On December 31, 2013 our allowance for inventory obsolescence amounted to €23.7 million, which is 22.2% of our total inventory. If circumstances related to our inventories change, our estimate of the values of inventories could materially change. On December 31, 2013, an increase of our overall estimate for obsolescence and lower market value by 10% of our total inventory balance would result in an additional charge to cost of sales of €13.1 million.

SHARE-BASED COMPENSATION EXPENSES

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

	DECEMBER 31, 2012	2013
Expected life (years)	7	**7**
Risk free interest rate	3.28%	**2.93%**
Dividend yield	0.64%	**0.90%**
Expected volatility	41.98%	**41.52%**

INCOME TAXES

We currently have significant deferred tax assets, which resulted primarily from operating losses incurred in prior years as well as other temporary differences. We have established a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Based on available evidence, we regularly evaluate whether it is more likely than not that the deferred tax assets will not be realized. This evaluation includes our judgment on the future profitability and our ability to generate taxable income, changes in market conditions and other factors. On December 31, 2013, we believe that there is insufficient evidence to substantiate recognition of substantially all net deferred tax assets with respect to net operating loss carry forwards, and we have established a valuation allowance in the amount of €70 million. Future changes in facts and circumstances, if any, may result in a change of the valuation allowance to these deferred tax asset balances which may significantly influence our results of operations at that time. If our evaluation of the realization of deferred tax assets would indicate that an additional 10% of the net deferred tax assets as of December 31, 2013 is not realizable, this would result in an additional valuation allowance and an income tax expense of €5 million.

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

RESULTS OF OPERATIONS

As a result of the sale of a 12% share in ASMPT, ASMI lost control over ASMPT, the Back-end segment. Following the cease of control ASMPT was presented as a discontinued operation. Consequently the historic net results of ASMPT as well as the gain on the sale of the ASMPT share and the remeasurement gain are presented in the consolidated statement of income on the line results from discontinued operations. From the date ASMI lost control the investment in ASMPT has been accounted for under the equity method and the related results are presented under results from investments and associates.

	2012	2013
Net sales	100.0%	**100.0%**
Cost of sales	(66.3%)	**(61.0%)**
GROSS PROFIT	**33.7%**	**39.0%**
Selling, general and administrative expenses	(17.3%)	**(15.5%)**
Research and development expenses	(12.9%)	**(12.8%)**
Amortization of other intangible assets	(0.1%)	**(0.1%)**
Restructuring expenses	(0.2%)	**(0.5%)**
EARNINGS (LOSS) FROM OPERATIONS	**3.2%**	**10.1%**
Net interest income (expense)	(2.7%)	**(0.3%)**
Accretion of interest convertible	(0.6%)	**–**
Gain (expense) resulting from early extinguishment of debt	(1.2%)	**–**
Foreign currency exchange gains (losses)	(0.8%)	**(2.0%)**
Result from investments	(0.2%)	**(81.5%)**
EARNINGS (LOSS) BEFORE INCOME TAXES	**(2.2%)**	**(73.8%)**
Income tax income / (expense)	(3.1%)	**(2.0%)**
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS	**(5.3%)**	**(75.8%)**
NET EARNINGS FROM DISCONTINUED OPERATIONS	**18.4%**	**310.9%**
NET EARNINGS FROM OPERATIONS	**13.1%**	**235.1%**
Allocation of net earnings (loss):		
Shareholders of the parent	4.3%	**235.7%**
Minority interest	8.8%	**(0.6%)**

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

RESULTS

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

(EUR million)	2012	2013	CHANGE
New orders	360.1	**479.6**	33%
Backlog	91.7	**114.8**	25%
Book-to-bill	1.0	**1.1**	
Net sales	370.4	**452.0**	22%
Gross profit	124.9	**176.2**	41%
Gross profit margin %	33.6%	**39.0%**	
Selling, general and administrative expenses	(63.9)	**(62.1)**	(3%)
Research and development expenses	(47.6)	**(58.1)**	22%
Impairment charges property, plant and equipment and other intangible assets	(0.5)	**(8.6)**	n/a
Restructuring expenses	(0.9)	**(2.5)**	n/a
Operating result	12.0	**44.9**	32.9
Operating margin %	3.2%	**9.9%**	
Financing costs	(19.5)	**(10.2)**	9.3
Income tax	(11.4)	**(8.9)**	2.5
NET EARNINGS FROM CONTINUING OPERATIONS BEFORE RESULTS FROM INVESTMENTS	**(18.9)**	**25.8**	**44.7**
Result from investments	(0.8)	**(368.3)**	(367.5)
Result from discontinued operations	68.2	**1,402.6**	1,334.4
Net earnings	48.5	**1,060.1**	1,011.6
Net earnings allocated to the shareholders of the Company	15.9	**1,062.7**	1,046.8
Net earnings per share	€0.85	**€16.51**	€15.66
Net earnings per share excluding remeasurement gain, realized gain on sale of ASMPT shares, amortization, impairment and fair value adjustments	€0.28	**€16.55**	€16.27

As a result of the sale of a 12% share in ASMPT, ASMI lost control over ASMPT, the Back-end segment. Following the cease of control ASMPT was presented as a discontinued operation. Consequently the historic net results of ASMPT as well as the gain on the sale of the ASMPT share and the remeasurement gain are presented in the consolidated statement of income on the line results from discontinued operations. From the date ASMI lost control the investment in ASMPT has been accounted for under the equity method and the related results are presented under results from investments and associates (see Note 3 to the consolidated annual accounts).

NET SALES

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

Total net sales developed as follows:

(EUR million)	FULL YEAR 2012	2013	% CHANGE
Front-end (continuing operations)	370.4	**452.0**	22%

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 backlog for continuing operations at the end of December 2013 increased with 25% to a level of €115 million, compared to December 31 last year. The book-to-bill was 1.1.

The following table shows the level of new orders for the full year 2013 and the backlog for the same period of 2012:

(EUR million)	FULL YEAR 2012	2013	% CHANGE
Backlog at the beginning of the year	105.1	**91.7**	(13%)
New orders	360.1	**479.6**	33%
Net sales	(370.4)	**(452.0)**	22%
FX-effect	(3.2)	**(4.4)**	
BACKLOG AS PER REPORTING DATE	**91.7**	**114.8**	**25%**
BOOK-TO-BILL RATIO (NEW ORDERS DIVIDED BY NET SALES)	**1.0**	**1.1**	

GROSS PROFIT

The gross profit for continuing operations for the year 2013 increased with 41%. This increase resulted from positive mix effects and improved efficiency. The impact of currency changes on gross profit was a decrease of 6% year-over-year. The gross profit margin as a percentage of sales improved from 33.6% for 2012 to 39.0% for 2013.

Total gross profit developed as follows:

	FULL YEAR				
	GROSS PROFIT		GROSS PROFIT MARGIN		INCREASE (DECREASE) PERCENTAGE POINTS
(EUR million)	2012	2013	2012	2013	
Front-end (continuing operations)	124.9	**176.2**	33.6%	**39.0%**	5.4ppt

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

Total selling, general and administrative expenses developed as follows:

	FULL YEAR		
(EUR million)	2012	2013	% CHANGE
Front-end (continuing operations)	64.4	**70.7**	10%

RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses from continuing operations for the year, 2013 decreased with 1% compared to the previous year. As a percentage of sales R&D was 13%, the same as for the comparable period of 2012. The impact of currency changes on R&D expenses was a decrease of 7% year-over-year.

Total research and development expenses developed as follows:

	FULL YEAR		
(EUR million)	2012	2013	% CHANGE
Front-end (continuing operations):			
Research and development expenses	40.1	**41.3**	3%
Amortization of capitalized development expenses	7.9	**10.0**	27%
Impairment capitalized development expenses	0.5	**7.8**	n/a
Research and development grants and credits	(0.9)	**(1.0)**	11%
TOTAL	**47.6**	**58.1**	**22%**

Impairment of capitalized development expenses primarily related to development of new hardware for which the customers demand has shifted out in time, and purchased technology which became obsolete.

RESTRUCTURING EXPENSES

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

OPERATING RESULT

Operating result from continuing operations was affected by currency changes with a decrease of 8% year-over-year.

Total operating result developed as follows:

	FULL YEAR		
(EUR million)	2012	2013	CHANGE
Front-end:			
BEFORE SPECIAL ITEMS	**12.9**	**47.4**	**34.5**
Restructuring expenses	(0.9)	**(2.5)**	(1.6)
AFTER SPECIAL ITEMS	**12.0**	**44.9**	**32.9**

FINANCING COSTS

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

RESULTS FROM INVESTMENTS

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

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

The sale transaction resulted in a substantial gain. This gain consisted of two elements, the realized gain on the sale of the 11.88% stake of €252 million and initially an unrealized remeasurement gain on the remaining 40.08% of the shares of approximately €1,156 million. The purchase of the associate has been recognized at fair value, being the value of the ASMPT shares on the day of closing of the purchase transaction. Both US GAAP and IFRS require that the composition of such a fair value needs to be determined through a purchase price allocation process ("PPA"). This process took place in the second quarter of 2013 and was finalized in the fourth quarter of 2013. The PPA resulted in the recognition of intangible assets for customer relationship, technology, trade name and product names. For inventories and property, plant & equipment a fair value adjustment was recognized.

During the period after March 15, 2013 the ASMPT share traded for a longer period below the price at the close of sale. Considering the extent to which in the last quarter of 2013 the market price of the ASMPT shares was below cost management did a further investigation to evaluate whether this results in an impairment other than temporary. In its assessment management evaluated other factors based on its knowledge of the business and of ASMPT specifically. Management did not identify persuasive factors that the diminution of the value would be other-than-temporary and accordingly recorded an impairment charge, in which the value was adjusted to the share price on December 31, 2013 of HK$64.90. The impairment charge amounts to €336 million.

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

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

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

INCOME TAX EXPENSE

Income tax expenses of €8.9 million (2012: €11.4 million) reflect a effective tax rate of 25.7% excluding the net results on investments. For further information see Note 25 on the consolidated financial statements.

Net earnings developed as follows:

	FULL YEAR		
(EUR million)	2012	2013	CHANGE
Front-end:			
BEFORE SPECIAL ITEMS	**(16.6)**	**28.4**	**45.0**
Early extinguishment of debt	(2.2)	-	2.2
Restructuring expenses	(0.9)	(2.5)	(1.6)
TOTAL	**(19.7)**	**25.9**	**45.6**
Back-end:			
As from March 16, 2013 40% investment in ASMPT	-	24.1	24.1
Amortization other intangible assets and fair value changes from purchase price allocation	-	(56.7)	(56.7)
Impairment loss	-	(335.8)	(335.8)
TOTAL	**-**	**(368.4)**	**(368.4)**
NET RESULT FROM CONTINUING OPERATIONS	**(19.7)**	**(342.5)**	**(322.8)**
Net result ASMPT prior to March 15, 2013	35.6	(2.8)	(38.4)
Realized gain on the sale of 11.88% of the ASMPT shares	-	252.4	252.4
Unrealized remeasurement gain including amortization and impairment on the remaining 40% of the ASMPT shares	-	1,155.6	1,155.6
NET RESULT FROM DISCONTINUED OPERATIONS	**35.6**	**1,405.2**	**1,369.6**
NET RESULT FROM OPERATIONS	**15.9**	**1,062.7**	**1,046.8**

Cash flow

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

	CONTINUING OPERATIONS	
(EUR million)	2012	2013
NET EARNINGS FROM CONTINUING OPERATIONS	**(19.7)**	**(342.5)**
Adjustments to cash from operating activities:		
Depreciation, amortization and impairments	27.3	**38.4**
Income tax	8.8	**7.4**
Result from investments	0.8	**368.3**
Other adjustments	5.7	**3.9**
Changes in other assets and liabilities:		
Accounts receivable	32.3	**(26.5)**
Inventories	(8.3)	**7.7**
Accounts payable and accrued expenses	(28.5)	**12.7**
Other assets and liabilities	1.5	**(3.8)**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	**19.9**	**65.6**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES FROM DISCONTINUED OPERATIONS	**42.0**	**0.9**
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES FROM OPERATIONS	**61.9**	**66.5**
Capital expenditures	(22.0)	**(10.8)**
Net purchase of intangible assets	(21.5)	**(18.2)**
Other	0.4	**3.8**
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	**(43.1)**	**(25.2)**
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS	**(48.2)**	**291.9**
NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES FROM OPERATIONS	**(91.3)**	**266.7**
Loans	(27.0)	**-**
Purchase treasury shares	(40.6)	**-**
Shares issued	2.2	**5.8**
Dividend paid and capital repaid to shareholders ASMI	(27.5)	**(301.2)**
Dividend received from investments	29.5	**10.2**
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	**(63.4)**	**(285.2)**
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES FROM DISCONTINUED OPERATIONS	**(10.1)**	**(21.9)**
NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES FROM OPERATIONS	**(73.5)**	**(307.1)**

Balance sheet

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

	COMPARABLE PER DECEMBER 31,	
(EUR million)	2012	2013
Cash and cash equivalents	145.1	**312.4**
Accounts receivable	62.6	**83.0**
Inventories	124.2	**106.4**
Other current assets	14.6	**14.4**
TOTAL CURRENT ASSETS	**346.5**	**516.2**
Investments and associates	365.8	**944.0**
Property, plant and equipment	63.8	**56.5**
Goodwill	10.7	**10.5**
Other intangible assets	71.3	**61.2**
Other non-current assets	30.0	**18.9**
TOTAL NON-CURRENT ASSETS	**541.6**	**1,091.1**
TOTAL ASSETS	**888.1**	**1,607.3**
Accounts payable	45.2	**44.8**
Other current liabilities	42.7	**56.2**
TOTAL CURRENT LIABILITIES	**87.9**	**101.0**
Deferred tax	10.9	**8.2**
Pension liabilities	3.6	**2.5**
TOTAL NON-CURRENT LIABILITIES	**14.5**	**10.7**
Shareholders' equity	785.7	**1,495.6**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**888.1**	**1,607.3**

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

Sources of liquidity

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

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW

Net cash provided by continuing operations in 2013 was €65.6 million as compared to €20.0 million for 2012. Net cash used for investing activities from continuing operations in 2013 was €25.2 million compared to an amount of €43.1 million in 2012. Net cash used in financing activities in 2013 was €285.2 million compared to €63.4 million for the same period in 2012.

DEBT

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

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

LIQUIDITY

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

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

PENSION PLANS

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

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

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

ASMPT

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

Cash dividends received from ASM Pacific Technology during 2012 and 2013 were €29.6 million and €10.3 million, respectively. Although certain directors of ASM Pacific Technology are directors of ASM International, ASM Pacific Technology is under no obligation to declare dividends to shareholders or enter into transactions that are beneficial to us. As a substantial 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 2013 was approximately €971 million (40%). At the end of 2012 this was approximately €1,913 million (52%).

REMUNERATION

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory Board is not dependent on our financial results. No member of the Supervisory Board personally maintains a business relationship with ASMI other than as a member of the Supervisory Board. The Nomination, Selection and Remuneration Committee is responsible for reviewing and, if appropriate, recommending changes to the remuneration of the Supervisory Board. Any recommended changes to the remuneration of the members of the Supervisory Board must be submitted to the general Meeting of Shareholders for approval. For more details regarding the remuneration of the Supervisory Board we refer to Note 29 to our consolidated annual accounts.

REMUNERATION OF THE MANAGEMENT BOARD

The remuneration of the individual members of the Management Board is determined by the Supervisory Board based on the advice of the Nomination, Selection and Remuneration Committee of the Supervisory Board. For more details regarding the remuneration of the Management Board, we refer to Note 29 to our consolidated annual accounts.

MAJOR SHAREHOLDERS

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

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

1 Calculated on the basis of 63,468,390 Common Shares outstanding as of March 14, 2014, and without regard to options.
2 Includes 3,039 common shares owned by Stichting Administratiekantoor ASMI, a trust controlled by Arthur H. del Prado and 713,000 common shares beneficially owned by Chuck D. del Prado, Arthur H. del Prado's son.
3 Of the share capital interest and voting rights held by J.P. Morgan Chase & Co 4,922,724 shares are indirect actual and 3,251,796 are indirect potential. Based on the notification filed with the AFM on January 10, 2014.
4 Aberdeen Asset Managers holds 3,132,133 voting rights but no corresponding share capital interest. Based on the AFM notification dated March 6, 2014.
5 Capital Research & Management Company holds 3,088,541 voting rights but no share capital interest. Based on the AFM notification dated October 10, 2013.
6 Based on the notification filed with the AFM on December 13, 2013.
7 Of the share capital interest and voting rights that Norges Bank holds 1,816,984 shares are direct actual and 220,789 are direct potential. Based on the AFM notification dated December 31, 2013.
8 Massachusetts Financial Services Company capital interest amounts to 1,829,905 shares held directly actual and 68,206 shares indirectly actual. Of the voting rights 1,990,252 are direct actual and and 516,317 indirect actual. Based on the notification dated August 20, 2013.

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

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

OUTLOOK

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

CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS

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

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

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

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

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

MARKET RISK DISCLOSURE

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

FOREIGN EXCHANGE RATE RISK MANAGEMENT

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

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

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

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

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

No unrealized gains were included in accumulated other comprehensive income as of December 31, 2013. Hedge ineffectiveness was insignificant for the years ended December 31, 2013 and December 31, 2012.

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

We do not use forward exchange contracts for trading or speculative purposes.

To the extent that foreign currency fluctuations affect the value of our investments in our foreign affiliates, they are not hedged. The cumulative effect of these fluctuations is separately reported in Consolidated Shareholders' Equity. For the year ended December 31, 2012, we recorded an unfavorable movement of €7.0 million. For the year ended December 31, 2013, we recorded a unfavorable movement of €34.4 million. See Note 18 to our Consolidated Financial Statements, which is incorporated herein by reference.

As per December 31, 2013 the Company is debt free and has no foreign exchange contracts in place.

The following tables analyze our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro as of December 31, 2013.

This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro.

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

	IMPACT ON EQUITY	
(EUR thousand)	2012	2013
10% increase of US dollar versus euro	4,564	**4,938**
10% decrease of US dollar versus euro	(4,564)	**(4,938)**
10% increase of Singapore dollar versus euro	5,868	**6,088**
10% decrease of Singapore dollar versus euro	(5,868)	**(6,088)**
10% increase of Hong Kong dollar versus euro	56,693	**94,396**
10% decrease of Hong Kong dollar versus euro	(56,693)	**(94,396)**
10% increase of Korean won versus euro	3,969	**5,840**
10% decrease of Korean won versus euro	(3,969)	**(5,840)**
10% increase of Japanese yen versus euro	5,294	**4,561**
10% decrease of Japanese yen versus euro	(5,294)	**(4,561)**

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2012 and December 31, 2013 would not result in a material impact on equity.

The following table analyzes our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Hong Kong dollar, Korean won and Japanese yen against the euro at average exchange rates for the years 2012 and 2013. A positive amount indicates an increase in net earnings.

	IMPACT ON NET EARNINGS	
(EUR thousand)	2012	2013
10% increase of US dollar versus euro	915	**601**
10% decrease of US dollar versus euro	(915)	**(601)**
10% increase of Singapore dollar versus euro	644	**671**
10% decrease of Singapore dollar versus euro	(644)	**(671)**
10% increase of Hong Kong dollar versus euro	3,630	**100,072**
10% decrease of Hong Kong dollar versus euro	(3,630)	**(100,072)**
10% increase of Korean won versus euro	1,400	**1,962**
10% decrease of Korean won versus euro	(1,400)	**(1,962)**
10% increase of Japanese yen versus euro	923	**485**
10% decrease of Japanese yen versus euro	(923)	**(485)**

The significant possible impact on net earnings denominated in Hong Kong dollar results from the realized and unrealized gain following the sale of 12% stake in ASMPT. A hypothetical 10% strengthening or 10% weakening of any other currency against the euro at average exchange rates for the years 2012 and 2013 would not result in a material impact on net earnings.

Interest risk

The Company is debt free as per December 31, 2013 and is not exposed to interest rate risk through borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure.

Credit risk

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

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

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

The Front-end segment derives a significant percentage of its revenue from a small number of large customers. The largest customer accounted for approximately 28.3% of net sales in 2013 (2012: 33.6%) and the ten largest customers accounted for approximately 85.6% of net sales in 2013 (2012: 75.3%). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results. At December 31, 2013 one customer accounted for 28.1% of the outstanding balance in accounts receivable (2012: 24.9%).

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.

ANNUAL ACCOUNTS

As we are listed in both North America (NASDAQ) and the Netherlands (EURONEXT), ASMI prepares two separate annual reports according to the relevant standards. Our Statutory Annual Report is prepared in accordance with the International Financial Reporting Standards (IFRS) as endorsed by the European Union.

CONSOLIDATED ANNUAL ACCOUNTS

FINANCIAL STATEMENTS

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(EUR thousand except per share data)	NOTES	DECEMBER 31, 2012	DECEMBER 31, 2013
Assets			
Cash and cash equivalents	4	290,475	312,437
Accounts receivable, net	5	304,840	83,016
Inventories, net	6	405,506	106,398
Income taxes receivable		890	1,226
Other current assets		90,807	13,156
TOTAL CURRENT ASSETS		1,092,518	516,233
Pledged cash		20,000	-
Prepaid lease payments		2,816	-
Deferred tax assets	25	21,641	4,875
Other intangible assets, net	7	76,151	61,229
Goodwill, net	8	41,407	10,472
Evaluation tools at customers	11	16,922	13,332
Investments and Associates	3,12	278	943,953
Property, plant and equipment, net	9	265,823	56,531
Investment property	9	6,797	-
Assets classified as held for sale	10	5,998	738
TOTAL NON-CURRENT ASSETS		457,833	1,091,130
TOTAL ASSETS		1,550,351	1,607,363
Liabilities and shareholders' equity			
Notes payable to banks	13	61,675	-
Accounts payable		151,761	44,837
Provision for warranty	14	38,623	7,966
Accrued expenses and other	15	132,060	38,168
Income taxes payable		27,625	10,087
Current portion of long-term debt	16	6,316	-
TOTAL CURRENT LIABILITIES		418,060	101,058
Pension liabilities	19	7,060	2,477
Deferred tax liabilities	25	11,935	8,187
Provision for warranty	14	5,298	-
Long-term debt	16	12,632	-
TOTAL NON-CURRENT LIABILITIES		36,925	10,664
TOTAL LIABILITIES		454,985	111,722
Commitments and contingencies	21,22		
Common shares: Authorized 110,000,000 shares, par value €0.04, issued and outstanding 63,095,986 and 63,468,390 shares		2,584	2,539
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		482,907	253,726
Retained earnings		321,532	1,326,093
Accumulated other comprehensive loss		(21,295)	(86,717)
TOTAL SHAREHOLDERS' EQUITY	19	785,728	1,495,641
Non-controlling interest	19	309,638	-
TOTAL EQUITY		1,095,366	1,495,641
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,550,351	1,607,363

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

		YEAR ENDED DECEMBER 31,	
(EUR thousand, except per share data)	NOTES	2012	2013
NET SALES	26	370,409	451,991
Cost of sales		(245,518)	(275,839)
GROSS PROFIT	26	124,891	176,152
Operating expenses:			
Selling, general and administrative		(63,377)	(61,583)
Research and development, net	23	(47,626)	(58,074)
Impairment charges	7, 10	(527)	(8,557)
Amortization of other intangible assets	7	(513)	(544)
Restructuring expenses	24	(891)	(2,473)
TOTAL OPERATING EXPENSES		(112,934)	(131,231)
Result from operations	26	11,957	44,921
Interest income		1,461	904
Interest expense		(11,381)	(2,094)
Loss resulting from early extinguishment of debt	17	(2,209)	-
Accretion interest expense convertible notes	17	(4,329)	-
Foreign currency exchange gains (losses), net		(3,051)	(9,004)
Result from investments and associates		(766)	(368,331)
EARNINGS (LOSS) BEFORE INCOME TAXES		(8,318)	(333,604)
Income tax expense	25	(11,395)	(8,910)
NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS		(19,713)	(342,514)
Net earnings from discontinued operations		68,166	1,402,596
NET EARNINGS FROM OPERATIONS		48,453	1,060,082
Net earnings (loss) for allocation between shareholders of the parent and non-controlling interest			
Allocation of net earnings:			
Shareholders of the parent		15,903	1,062,675
Non-controlling interest		32,550	(2,593)
Per share data:	28		
(EUR)			
Basic net earnings (loss) per share:			
From continuing operations		(0.35)	(5.42)
From discontinued operations		0.63	22.23
From operations		0.28	16.81
Diluted net earnings (loss) per share:			
From continuing operations		(0.35)	(5.34)
From discontinued operations		0.63	21.89
From operations		0.28	16.55
(Thousand)			
Weighted average number of shares used in computing per share amounts:			
Basic		56,108	63,202
Diluted		56,767	64,195

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31, 2012	2013
NET EARNINGS FROM OPERATIONS		**48,453**	**1,060,082**
Other comprehensive income (loss):			
Proportionate share other comprehensive income investments		-	**480**
Foreign currency translation effect continuing operations		(7,453)	**(65,902)**
Foreign currency translation effect discontinued operations		(3,144)	**-**
COMPREHENSIVE INCOME (LOSS)	**19**	**37,856**	**994,660**
Allocation of comprehensive income (loss):			
Shareholders of the parent		8,450	**997,253**
Non-controlling interest	**19**	29,406	**(2,593)**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

(thousand except for share data)	NOTES	NUMBER OF COMMON SHARES	COMMON SHARES	CAPITAL IN EXCESS OF PAR VALUE	TREASURY SHARES AT COST	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTEREST	TOTAL EQUITY
		EUR								
BALANCE AS OF JANUARY 1, 2012		**55,377,020**	**2,215**	**378,972**	**-**	**326,211**	**(13,842)**	**693,556**	**298,285**	**991,841**
Compensation expense stock options		-	-	3,242	-	-	-	3,242	-	**3,242**
Purchase of common shares		(1,500,000)	-	-	(40,554)	-	-	(40,554)	-	**(40,554)**
Conversion of debt into newly issued common shares		9,074,396	363	98,490	40,554	-	-	139,407	-	**139,407**
Conversion of debt into treasury shares		-	-	-	-	-	-	-	-	**-**
Exercise stock options by issue of common shares		144,570	6	2,203	-	-	-	2,209	-	**2,209**
Net earnings to common shareholders		-	-	-	-	15,903	-	15,903	32,550	**48,453**
Dividend paid to common shareholders						(27,519)	-	(27,519)	-	**(27,519)**
Other comprehensive income	18	-	-	-	-	-	(7,453)	(7,453)	(3,144)	**(10,597)**
Other movements in non-controlling interest:										
Dividend paid		-	-	-	-	-	-	-	(27,024)	**(27,024)**
Dilution		-	-	-	-	6,937	-	6,937	8,971	**15,908**
BALANCE AS OF DECEMBER 31, 2012		**63,095,986**	**2,584**	**482,907**	**-**	**321,532**	**(21,295)**	**785,728**	**309,638**	**1,095,366**
Compensation expense stock options		-	-	4,440	-	-	-	4,440	-	**4,440**
Reclassification		-	(60)	60	-	-	-	-	-	**-**
Exercise stock options by issue of common shares		125,402	5	1,646	-	-	-	1,651	-	**1,651**
Re-issued shares following the settlement of the Lehman treasury shares		247,002	10	4,180	-	-	-	4,190	-	**4,190**
Net earnings to common shareholders		-	-	-	-	1,062,675	-	1,062,675	-	**1,062,675**
Dividend paid to common shareholders		-	-	-	-	(31,666)	-	(31,666)	-	**(31,666)**
Capital repayment		-	-	(239,507)	-	(30,035)	-	(269,542)	-	**(269,542)**
Other comprehensive income	18	-	-	-	-	-	(65,422)	(65,422)	-	**(65,422)**
Other movements in non-controlling interest:								**-**		**-**
Dilution		-	-	-	-	3,587	-	3,587	-	**3,587**
Deconsolidation ASMPT		-	-	-	-	-	-	-	(309,638)	**(309,638)**
BALANCE AS OF DECEMBER 31, 2013		**63,468,390**	**2,539**	**253,726**	**-**	**1,326,093**	**(86,717)**	**1,495,641**	**-**	**1,495,641**

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31, 2012	2013
Cash flows from operating activities:			
NET EARNINGS (LOSS) FROM CONTINUES OPERATIONS		(19,713)	(342,514)
Adjustments required to reconcile net earnings(loss) to net cash from operating activities:			
Depreciation and amortization	8, 10	26,718	29,831
Impairments	10	527	8,557
Share-based compensation	20	3,242	4,439
Non cash interest	18	2,501	(414)
Result investments and associates		766	368,331
Deferred income taxes		8,802	7,416
Changes in assets and liabilities:			
Accounts receivable		32,308	(26,487)
Inventories		(8,279)	7,733
Other current assets		3,737	(2,578)
Accounts payable and accrued expenses		(28,487)	12,671
Current income taxes		(2,165)	(1,347)
CASH FLOWS FROM OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		19,957	65,638
Cash flows from operating activities from discontinued operations		41,987	850
NET CASH PROVIDED BY OPERATING ACTIVITIES		61,944	66,488
Cash flows from investing activities:			-
Capital expenditures	10	(21,973)	(10,776)
Net purchase of intangible assets	8	(21,507)	(18,239)
Proceeds from sale of property, plant and equipment	10	358	3,832
CASH FLOWS FROM INVESTING ACTIVITIES FROM DISCONTINUED OPERATIONS		(43,122)	(25,183)
Cash flows from investing activities from discontinued operations		(48,234)	291,930
NET CASH PROVIDED BY / (USED IN) INVESTING ACTIVITIES		(91,356)	266,747
Cash flows from financing activities:			
Debt redemption		(26,953)	-
Purchase of treasury shares ASMI		(40,554)	-
Proceeds from issuance of shares and exercise of stock options		2,209	5,841
Dividends to common shareholders of ASMI		(27,519)	(31,541)
Capital repayment		-	(269,667)
Dividend received from investments and associates		29,471	10,171
CASH FLOW FROM FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		(63,346)	(285,196)
Cash flow from financing activities from discontinued operations		(10,143)	(21,909)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		(73,489)	(307,105)
FOREIGN CURRENCY TRANSLATION EFFECT		3,126	(4,168)
Net (decrease) increase in cash and cash equivalents		(99,775)	21,962
Cash and cash equivalents at beginning of year	4	390,250	290,475
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	290,475	312,437
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest		10,124	2,933
Income taxes		52,425	6,493

See Notes to Consolidated Financial Statements.

NOTES TO THE CONSOLIDATED ANNUAL ACCOUNTS

NOTE 1. GENERAL INFORMATION / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

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

ASMI is a leading supplier of semiconductor equipment, materials and process solutions for the wafer processing, assembly and packaging, and surface mount technology markets. Our customers include all of the top semiconductor device manufacturers in the world. Based in 14 countries, we benefit from a wider perspective and the advantages of bringing together the best brains in the world to create new breakthroughs.

We pioneered important aspects of many established wafer-processing technologies used in industry, including lithography, deposition, ion implant and single-wafer epitaxy. In recent years, we brought Atomic Layer Deposition (ALD) and Plasma Enhanced Atomic Layer Deposition (PEALD) from R&D right through to mainstream production at advanced manufacturers sites.

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

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

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

BASIS OF PREPARATION

The accompanying consolidated financial statements, prepared for statutory purposes, have been prepared in accordance with International Financial Reporting Standards ("IFRS") as endorsed by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code. The Company applies the going concern basis in preparing its consolidated financial statements. Historical cost is used as the measurement basis unless otherwise indicated.

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

USE OF ESTIMATES

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

CONSOLIDATION

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

Subsidiaries are all entities over which ASMI has the power to govern financial and operating policies generally accompanying a shareholding of more than 50% of the voting rights. As from the date that these criteria are met, the financial data of the relevant company are included in the consolidation. The financial data are deconsolidated from the date on which ASMI's control ceases.

LOSS OF CONTROL

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

DISCONTINUED OPERATIONS

An operation is classified as discontinued at the date on which the operation meets the criteria to be classified as held for sale or when the entity has disposed of the operation. Although balance sheet information is neither restated nor remeasured for discontinued operations, the statement of (comprehensive) income information is restated for the comparative period. Discontinued operations are presented separately in the income statement and the cash flow statement. The date of disposal of a subsidiary or disposal group is the date on which control passes. The consolidated income statement includes the results of a subsidiary or disposal group up to the date of disposal; the gain or loss on disposal is the difference between (a) the carrying amount of the net assets plus any attributable goodwill and amounts accumulated in other comprehensive income (for example, foreign translation adjustments and available-for-sale reserves); and (b) the proceeds of sale.

BUSINESS COMBINATIONS

IFRS 3 ("Business Combinations") requires that companies record business combinations under the acquisition method of accounting. Accordingly, the purchase price is allocated to the tangible assets and liabilities and intangible assets acquired, based on their estimated fair values. The excess purchase price over the fair value is recorded as goodwill. Purchased intangibles with definite lives are amortized over their respective useful lives. When a bargain purchase incurs, which is the case when the fair value of the acquired business exceeds the purchase price, this surplus in fair value is recognized as a gain from bargain purchase.

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

SEGMENT REPORTING

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

The Back-end segment remains reported as a separate segment since the cease of control per March 15, 2013. Since that date the segment is reported as an equity method investment as the CEO reviews this information as part of his CODM package.

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

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

The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. In January 2011 ASM Pacific Technology Ltd ("ASMPT") acquired the surface-mount technology from Siemens. The segment is organized in ASM Pacific Technology Ltd., in which the Company holds a 39.94% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong.

FOREIGN CURRENCY TRANSLATION

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

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

DERIVATIVE FINANCIAL INSTRUMENTS

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

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

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

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

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

The Company does not use forward exchange contracts for trading or speculative purposes. Financial assets and financial liabilities are recognized on the Company's Consolidated Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

CASH AND CASH EQUIVALENTS

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

ACCOUNTS RECEIVABLE

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

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

INVENTORIES

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

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

EVALUATION TOOLS AT CUSTOMERS

Evaluation tools at customers ("evaluation tools") are systems generally delivered to customers under evaluation or a conditional purchase order and include substantial customization by ASMI engineers and ASMI-R&D staff in the field. Evaluation tools are recorded at cost and depreciated over their useful life (5 years). The depreciation period may be shorter, depending on circumstances. The depreciation expenses are reported as cost of sales.

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

ACCOUNTS PAYABLE

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

BANK DEBT

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

CONVERTIBLE SUBORDINATED DEBT

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

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

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

EQUITY INSTRUMENTS

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

NON-CURRENT ASSETS

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

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

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

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

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

As from 2005 onwards the Company capitalizes development expenses that meet the above-mentioned criteria in its Consolidated Financial Statements.

Amortization of capitalized development expenses is calculated using the straight-line method over the estimated useful lives of the developed product. Amortization starts when the developed product is transferred to high-volume manufacturing. Other intangible assets with finite lives are amortized over the estimated useful lives using the straight-line method.

RECOVERABILITY OF NON-CURRENT ASSETS

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

ASSETS CLASSIFIED AS HELD FOR SALE

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

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

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

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

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

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

If at any time the criteria for classification as held for sale are no longer met, the entity shall cease to classify the asset as held for sale. The entity shall measure a non-current asset that ceases to be classified as held for sale at the lower of:
› Its carrying amount before the asset was classified as held for sale, adjusted for any depreciation that would have been recognized had the asset not been classified as held for sale; and
› Its recoverable amount at the date of the subsequent decision not to sell.

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

INVESTMENTS AND ASSOCIATED COMPANIES

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

IMPAIRMENT OF INVESTMENTS AND ASSOCIATED COMPANIES

ASMI does not separately test an investments underlying assets for impairment. However, ASMI recognizes its share of any impairment charge recorded by an investee and considers the effect, if any, of the impairment on the basis difference in the assets giving rise to the investee's impairment charge.

The ASMPT investment is accounted for under the equity method on a go forward basis. Equity method investments are tested for prolonged decline in value. An investment is considered impaired if the fair value of the investment is less than its carrying value. If after a prior recognized impairment the fair value is more than its carrying value this impairment is reversed. The determination of whether an investment is impaired is made at the individual security level in each reporting period.

If the fair value of an investment is less than its carrying value at the balance sheet date, the Company determines whether the decline in value is temporary or prolonged. The Company considers the following facts and guidelines when determining whether a prolonged decline in value exists:
› Positive factors as the reasons that a prolonged decline in value does not exist must be more objectively verifiable; and
› With respect to measuring a prolonged decline in value, an investment's fair value as of the balance sheet date should be used to determine the new carrying value.

A prolonged decline in value is measured as of a balance sheet reporting date. Summarized below is a discussion of various factors (positive, negative, and otherwise) the Company considers when assessing the potential impairment of ASMPT.

Positive Evidence

If an investment's fair value declines below cost the Company determines whether there is adequate evidence to overcome the presumption that the decline is prolonged. Such evidence may include:
› Recoveries in fair value subsequent to the balance sheet date;
› The investee's financial performance and near-term prospects (as indicated by factors such as Earnings trends, dividend payments, asset quality, volatility, and specific events); and
› The financial condition and prospects for the investee's geographic region and industry.

Negative Evidence

The positive factors are weighed against any negative evidence that is gathered about the security. Some of those factors and circumstances are as follows:

- A prolonged period during which the fair value of the security remains at a level substantially below cost;
- The investee's deteriorating financial condition and a decrease in the quality of the investee's assets, without positive near-term;
- The investee's level of earnings or the quality of its assets is below that of the investee's peers;
- Severe losses sustained by the investee in the current year or in both current and prior years;
- A reduction or cessation in the investee's dividend payments;
- A change in the economic or technological environment in which the investee operates that is expected to adversely affect the investee's ability to achieve profitability in its operations;
- Suspension of trading in the security;
- A qualification in the accountant's report on the investee because of the investee's liquidity or due to problems that jeopardize the investee's ability to continue as a going concern;
- The investee's announcement of adverse changes or events, such as changes in senior management, salary reductions and/or freezes, elimination of positions, sale of assets, or problems with equity investments;
- Adverse conditions specifically related to the security, an industry, or a geographic area (for example, changes in the financial condition of the issuer of the security (or in the case of an asset backed debt security, in the financial condition of the underlying loan obligor), including changes in technology or the discontinuance of a segment of the business that may affect the future earnings potential of the issuer (or underlying loan obligor) of the security);
- A downgrading of the investee's debt rating;
- Factors, such as an order or action by a regulator, that (1) require an investee to (a) reduce or scale back operations or (b) dispose of significant assets or (2) impair the investee's ability to recover the carrying amount of assets;
- Unusual changes in reserves (such as loan losses, product liability, or litigation reserves), or inventory write-downs due to changes in market conditions for products;
- The investee loses a principal customer or supplier; and
- Other factors that raise doubt about the investee's ability to continue as a going concern, such as negative cash flows from operations, working-capital deficiencies, or noncompliance with statutory capital requirements.

REVENUE RECOGNITION

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

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

In general, the Company recognizes revenue from sales of equipment upon shipment of equipment, only if testing at the factory has proved that the equipment has met substantially all of the customer's criteria and specifications.

The Company recognizes revenue from installation of equipment upon completion of installation at the customer's site. At the time of shipment, the Company defers that portion of the sales price related to the installation. The relative selling price of the installation process is measured based upon the per-hour amounts charged by third parties for similar installation services. Installation is completed when testing at the customer's site has proved that the equipment has met all of the customer's criteria and specifications. The completion of installation is signed-off by the customer ("final acceptance"). The revenue relating to the undelivered elements of the arrangements is deferred at their relative selling prices until delivery of these elements. At December 31, 2012 and December 31, 2013 we have deferred revenues from installations in the amount of €3.5 million and €3.9 million respectively.

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

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

Freight charges billed to customers are recognized as revenue, the related costs are recognized as cost of sales. Revenues are recognized excluding the taxes levied on revenues.

COST OF SALES

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

WARRANTY

We provide maintenance on our systems during the warranty period, usually one to two years. Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period. We accrue for the estimated cost of the warranty on products shipped in a provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically.

RESTRUCTURING COSTS

Restructuring expenses are recognized for exit or disposal activities when the liability arising from restructuring plans is incurred. In 2012 restructuring expenses were incurred, reference is made to Note 25. Distinction is made in one-time employee termination expenses, contract termination expenses and other associated expenses. For the accounting on the distinguished elements of restructuring expenses we apply to the policy as mentioned below. The expenses have been charged to "restructuring expenses".

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

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

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

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

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

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

INCOME TAXES

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

PENSION PLANS AND SIMILAR COMMITMENTS

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

The Company's employees in Japan participate in defined benefit plans. Pension costs in respect to this defined benefit plan are determined using the projected unit credit method. These costs primarily represent the increase in the actuarial present value of the obligation for pension benefits based on employee service during the year and the interest on this obligation in respect to employee service in previous years, net of the expected return on plan assets.

For the defined benefit plan of Japan the Company recognizes in its Consolidated Balance Sheet an asset or a liability for the plan's over-funded status or underfunded status respectively. Actuarial gains and losses are recognized in income when incurred. Reference is made to Note 19.

SHARE-BASED PAYMENTS

IFRS 2 "Share-based Payment" requires expensing the fair value of options granted to employees. The total estimated share-based compensation expense, determined under the fair value based method, net of related tax effect, is amortized ratebly over the option vesting periods. Reference is made to Note 19.

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 directly into equity.

COMMITMENTS AND CONTINGENCIES

The Company has various contractual obligations, some of which are required to be recorded as liabilities in the Company's consolidated financial statements, including long- and short-term debt. Others, namely operating lease commitments, purchase commitments and commitments for capital expenditure, are generally not required to be recognized as liabilities on the Company's balance sheet but are required to be disclosed. Reference is made to Note 20.

COMPREHENSIVE INCOME

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

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.

RECENT ACCOUNTING PRONOUNCEMENTS

The International Accounting Standards Board (IASB) has issued certain International Financial Reporting Standards or amendments to these, and the IFRS IC has issued certain interpretations. The impact of changes, when adopted by the EU, on ASMI's consolidated financial statements, has been assessed.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2013 and have been adopted by the Company:

Amendment to IAS 1 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The Company has applied the amended standard as of 1 January 2013, which had no impact on equity and result.

In 2011, the IASB issued the revised IAS 19 'Employee Benefits'. The revised IAS 19 was endorsed by the European Union on 5 June 2012 and is effective from 1 January 2013. The impact of the revised IAS 19 on the 2013 consolidated financial position and consolidated income statement of the Company is insignificant.

The main changes in IAS 19R are:

- The requirement to recognize all actuarial gains and losses immediately within other comprehensive income, with the cancellation of the amortization of the unrecognized actuarial gains and losses as a consequence; and
- The interest costs and the expected return on plan assets are replaced by a net interest amount that is calculated by applying the discount rate at the beginning of the year to the net defined benefit liability/asset.

The Company has applied the changes as of 1 January 2013.

As future actuarial results must also be recognized immediately and are heavily dependent on interest rate movements and actual investment returns, consolidated equity will show fluctuations when actual developments differ from expected developments.

IFRS 13 'Fair value measurement' aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRS standards. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRS. The Company has applied the new standard as from 1 January 2013, which had no impact on equity and result.

There are no other IFRS standards or IFRIC interpretations taking effect for the first time for the financial year beginning 1 January 2013 that would be expected to have a material impact on the 2013 accounts of the Company.

NOTE 2. LIST OF SIGNIFICANT SUBSIDIARIES

		% OWNERSHIP DECEMBER 31,	
NAME	LOCATION	2012	2013
Subsidiaries (fully consolidated)			
ASM Europe BV [1]	Almere, the Netherlands	100.00%	**100.00%**
ASM United Kingdom Sales BV [1]	Almere, the Netherlands	100.00%	**100.00%**
ASM Germany Sales BV [1]	Almere, the Netherlands	100.00%	**100.00%**
ASM Pacific Holding BV [1] [3]	Almere, the Netherlands	100.00%	**100.00%**
ASM France S.A.R.L.	Montpellier, France	100.00%	**100.00%**
ASM Belgium NV	Leuven, Belgium	100.00%	**100.00%**
ASM Italia Srl	Agrate, Italy	100.00%	**100.00%**
ASM Microchemistry Oy	Helsinki, Finland	100.00%	**100.00%**
ASM Services and Support Ireland Ltd	Dublin, Ireland	100.00%	**100.00%**
ASM Services and Support Israel Ltd	Tel Aviv, Israel	100.00%	**100.00%**
ASM America, Inc	Phoenix, Arizona, United States	100.00%	**100.00%**
ASM Japan KK	Tokyo, Japan	100.00%	**100.00%**
ASM Wafer Process Equipment Ltd	Quarry Bay, Hong Kong, People's Republic of China	100.00%	**100.00%**
ASM China Ltd	Shanghai, People's Republic of China	100.00%	**100.00%**
ASM Wafer Process Equipment Singapore Pte Ltd	Singapore	100.00%	**100.00%**
ASM Front-End Sales & Services Taiwan Co, Ltd	Hsin-Chu, Taiwan	100.00%	**100.00%**
ASM Services & Support Malaysia SDN BDH	Kuala Lumpur, Malaysia	–	**100.00%**
ASM Front-End Manufacturing Singapore Pte Ltd	Singapore	100.00%	**100.00%**
ASM Genitech Korea Ltd	Cheonan, South Korea	100.00%	**100.00%**
ASM IP Holding BV [1]	Almere, the Netherlands	100.00%	**100.00%**
ASM Pacific Technology Ltd [2]	Kwai Chung, Hong Kong, People's Republic of China	51.96%	**n/a**
Associates (non-consolidated)			
ASM Pacific Technology Ltd	Kwai Chung, Hong Kong, People's Republic of China	n/a	**39.94%**

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

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

3 Established in 2008, ASM Pacific Holding BV holds 39.94% of the shares in ASM Pacific Technology Ltd.

NOTE 3. DIVESTMENT

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

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

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

The sale of the 11.88% stake caused ASMI to cease control of ASMPT. According to US GAAP the accounting of this sale consists of two separate transactions:
› A sale of a 51.96% subsidiary; and
› A purchase of a 40.08% associate.

These transactions resulted in a substantial gain and the deconsolidation of ASMPT. This gain consisted of two elements, the realized gain on the sale of the 11.88% stake amounting to €252 million and an unrealized re-measurement gain on the remaining 40.08% of the retained interest in ASMPT approximating €1,156 million. The 'purchase' of the associate resulted in the recognition of the associate at fair value.

After the initial accounting of the sale transaction and related gains, subsequent accounting under IAS 28R, "Investments in Associates and Joint ventures", requires that future income from ASMPT will need to be adjusted for the fair value adjustments arising the 'basis differences' as if a business combination had occurred under IFRS 3R, "Business Combinations", i.e. a purchase price allocation ("PPA").

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

Prior to accounting for the ASMPT investment under the equity method it was concluded that the Company lost control of ASMPT upon the sale of the 11.88% stake in ASMPT. The Company has concluded that its 40.08% retained interested in ASMPT does not constitute control under IFRS.

In December 2013, 1,389,200 common shares of ASMPT were issued, for cash at par value of HK$0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT. The shares issued under the plan in 2013 have diluted ASMI's ownership in ASMPT to 39.94% as of December 31, 2013.

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

At December 31, 2013, the book value of our equity method investment after the aforementioned impairment in ASMPT was €944 million. The historical cost basis of our 39.94% share of net assets on the books of ASMPT was €264 million as of December 31, 2013, resulting in a basis difference of €680 million. €162 million of this basis difference has been allocated property, plant and equipment and intangibles assets. The remaining amount was allocated to equity method goodwill. The basis difference attributed to inventory an related tax issues was recognized as expense during the year ending December 31, 2013, and totaled €40 million. Each individual, identifiable asset will periodically be reviewed for any indicators of potential impairment which, if required, would result in acceleration of basis difference amortization. We amortize the basis differences allocated to the assets on a straight-line basis, and include the impact within the results of our equity method investments. Amortization and depreciation are adjusted for related deferred tax impacts. Included in net income attributable to ASMI for 2013 was after-tax expense of €17 million, representing the depreciation and amortization of the basis differences. The market value of our 39.94% investment ASMPT at December 31, 2013 approximates €971 million.

Reporting of ASMI's share in associates in the consolidated balance sheet:

	DECEMBER 31, 2013
Associates:	
ASMI share (39.94%) in equity value ASMPT	264,747
Recognized other intangible assets and fair value changes from PPA	188,986
Goodwill	517,397
TOTAL VALUE INVESTMENT IN ASMPT	**971,130**
Deferred value related to the use of the trade name "ASM"	(27,454)
TOTAL VALUE REPORTED ON LINE INVESTMENTS AND ASSOCIATES	**943,676**

Presentation

Under IFRS, the 'disposal' of the ASMPT business classifies as discontinued operations. Therefore, the gain on disposal is included in the profit or loss on discontinued operations. The discontinued operations presentation also requires the comparative periods in all 2013 financial statements to be adjusted.

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

	YEAR ENDED DECEMBER 31, 2013
Result investments and associates:	
ASMI share net earnings March 16 - December 31, 2013	24,093
Amortization other intangible assets and fair value changes from PPA	(56,654)
Impairment loss	(335,770)
REPORTED ON LINE RESULT INVESTMENTS AND ASSOCIATES	**(368,331)**
Discontinued operations:	
ASMI share net earnings January 1 - December 31, 2013	(5,398)
Realized gain on sale 11.88% ASMPT shares	252,370
Unrealized remeasurement gain on retained 40.08% ASMPT shares	1,155,624
REPORTED ON LINE RESULT DISCONTINUED OPERATIONS	**1,402,596**

Summarized 100% earnings information for ASMPT equity method investment excluding basis adjustments:

	YEAR ENDED DECEMBER 31, 2013
Net sales	1,051,376
Income before income tax	65,269
Net earnings	53,244

Summarized 100% balance sheet information for ASMPT equity method investment excluding basis adjustments:

	MARCH 15, 2013	DECEMBER 31, 2013
Current assets	725,805	749,924
Non-current assets	248,584	254,525
Current liabilities	294,648	308,922
Non-current liabilities	41,762	33,287
Equity	637,979	662,240

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

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

NOTE 4. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include deposits with high-rated financial institutions of €312 million. Our cash and cash equivalents are predominantly denominated in US$ and partly in euro and Korean won.

Cash and cash equivalents have insignificant interest rate risk and deposits have a remaining maturity of three months or less at the date of acquisition. As a result of issued guarantees restrictions on usage of cash and cash equivalents for an amount of approximately €3 million exist. The carrying amount approximates their fair value.

NOTE 5. ACCOUNTS RECEIVABLE

The carrying amount of accounts receivable is as follows:

	DECEMBER 31,	
	2012	2013
Current	223,546	**54,614**
Overdue <30 days	38,666	**18,787**
Overdue 31-60 days	13,537	**783**
Overdue 61-120 days	13,954	**2,527**
Overdue >120 days	15,137	**6,305**
TOTAL	**304,840**	**83,016**

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

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

	DECEMBER 31,	
	2012	2013
BALANCE AT BEGINNING OF YEAR	**(7,601)**	**(8,551)**
Deconsolidation ASMPT	-	**6,191**
Charged to selling, general and administrative expenses	(2,825)	**756**
Utilization	1,841	**1,469**
Foreign currency translation effect	34	**62**
BALANCE AT END OF YEAR	**(8,551)**	**(73)**

Accounts receivable are impaired and provided for on an individual basis. As of December 31, 2013, accounts receivable of €28.4 million were past due but not impaired. These balances are still considered to be recoverable because they relate to customers for whom there is no recent history of default.

NOTE 6. INVENTORIES

Inventories consist of the following:

	DECEMBER 31,	
	2012	2013
Components and raw materials	180,575	**78,579**
Work in process	196,313	**31,442**
Finished goods	91,799	**20,073**
TOTAL INVENTORIES, GROSS	**468,687**	**130,094**
Allowance for obsolescence	(63,181)	**(23,696)**
TOTAL INVENTORIES, NET	**405,506**	**106,398**

The changes in the allowance for obsolescence are as follows:

	DECEMBER 31,	
	2012	2013
BALANCE AT BEGINNING OF YEAR	**(57,291)**	**(63,181)**
Deconsolidation ASMPT	-	**39,146**
Charged to cost of sales	(10,858)	**(8,648)**
Reversals	408	**(8)**
Utilization	3,569	**6,464**
Foreign currency translation effect	991	**2,531**
BALANCE AT END OF YEAR	**(63,181)**	**(23,696)**

The addition for the years 2012 and 2013 mainly relates to certain obsolete parts due to technological developments and design changes.

At December 31, 2013, an increase of our overall estimate for obsolescence and lower market value by 10% of our total inventory balance would result in an additional charge to cost of sales of €13 million.

NOTE 7. OTHER INTANGIBLE ASSETS

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

	CAPITALIZED DEVELOPMENT COSTS	SOFTWARE	PURCHASED TECHNOLOGY AND OTHER INTANGIBLE ASSETS	TOTAL
At cost:				
BALANCE JANUARY 1, 2012	**67,979**	**18,042**	**12,212**	**98,233**
Capitalization of development expenses	19,465	-	-	**19,465**
Impairment charges	(527)	-	-	**(527)**
Additions	-	2,447	2,183	**4,630**
Retirement of assets	(1,828)	-	-	**(1,828)**
Disposals	-	(10)	-	**(10)**
Foreign currency translation effect	(1,569)	(133)	(2)	**(1,704)**
BALANCE DECEMBER 31, 2012	**83,520**	**20,346**	**14,393**	**118,259**
Capitalization of development expenses	17,943	-	-	**17,943**
Impairment charges	(7,761)	-	-	**(7,761)**
Additions	-	437	33	**470**
Deconsolidation ASMPT	-	(4,931)	(7,215)	**(12,146)**
Disposals	-	(1)	-	**(1)**
Foreign currency translation effect	(9,410)	(248)	(169)	**(9,827)**
BALANCE DECEMBER 31, 2013	**84,292**	**15,603**	**7,042**	**106,937**
Accumulated amortization:				
BALANCE JANUARY 1, 2012	**15,571**	**10,785**	**4,693**	**31,049**
Amortization for the year	7,880	2,784	2,634	**13,298**
Retirement of assets	(1,828)	-	-	**(1,828)**
Disposals	-	(10)	-	**(10)**
Foreign currency translation effect	(339)	(113)	51	**(401)**
BALANCE DECEMBER 31, 2012	**21,284**	**13,446**	**7,378**	**42,108**
Amortization for the year	9,957	2,118	2,071	**14,146**
Deconsolidation ASMPT	-	(3,744)	(3,895)	**(7,639)**
Disposals	-	(1)	-	**(1)**
Foreign currency translation effect	(2,541)	(211)	(154)	**(2,906)**
BALANCE DECEMBER 31, 2013	**28,700**	**11,608**	**5,400**	**45,708**
Other intangible assets, net:				
DECEMBER 31, 2012	**62,236**	**6,900**	**7,015**	**76,151**
DECEMBER 31, 2013	**55,592**	**3,995**	**1,642**	**61,229**

Impairment charges on capitalized development costs are included in operating expenses under research and development. Impairment of capitalized development expenses primarily related to development of new hardware for which the customers demand has shifted out in time, and purchased technology which became obsolete.

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

2014	11,571
2015	12,587
2016	13,556
2017	10,442
2018	7,594
2019	5,479
	61,229

NOTE 8. GOODWILL

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

	FRONT-END	BACK-END	TOTAL
BALANCE JANUARY 1, 2012	**10,244**	**31,240**	**41,484**
Foreign currency translation effect	457	(534)	**(77)**
BALANCE DECEMBER 31, 2012	**10,701**	**30,706**	**41,407**
Deconsolidation ASMPT	-	(29,366)	**(29,366)**
Foreign currency translation effect	(229)	(1,340)	**(1,569)**
BALANCE DECEMBER 31, 2013	**10,472**	**-**	**10,472**

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

	DECEMBER 31,	
	2012	2013
Front-end segment:		
ASM Microchemistry Oy	2,612	**2,611**
ASM Genitech Korea Ltd	8,089	**7,861**
Back-end segment:		
ASM Pacific Technology Ltd	30,706	**-**
TOTAL	**41,407**	**10,472**

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

For Back-end, goodwill is included in the investment value of ASMPT. For the impairment test reference is made to Note 3.

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

- An average discount rate of 16.0% (2011: 22.7%) representing the pre-tax weighted average cost of capital. This rate decreased compared to the rate used in 2012 as a consequence of the current situation whereby certain production lines have now passed the early phase of the product life cycle, hence reflecting a lower risk;
- External market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used; and
- Cash flow calculations are limited to five years of cash flow; after these 5 years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less.

These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Based on this analysis management concluded that as per December 31, 2013 the recoverable amount of the reporting units exceeded the carrying value. The excess was over 100% for each of the reporting units. Sensitivity analysis demonstrated that no reasonable possible change in estimated cash flows or the discount rate used in calculating the fair value would cause the carrying value of goodwill to exceed the fair value.

NOTE 9. PROPERTY, PLANT AND EQUIPMENT

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

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS	MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES	TOTAL
At cost:			
BALANCE JANUARY 1, 2012	**169,290**	**458,840**	**628,130**
Capital expenditures	23,355	44,807	**68,162**
Retirements and sales	(278)	(10,253)	**(10,531)**
Transfer to investment property	(6,797)	-	**(6,797)**
Reclassification	428	(748)	**(320)**
Foreign currency translation effect	(3,499)	(13,211)	**(16,710)**
BALANCE DECEMBER 31, 2012	**182,499**	**479,435**	**661,934**
Capital expenditures	1,580	15,483	**17,063**
Retirements and sales	(13,792)	(10,966)	**(24,758)**
Deconsolidation ASMPT	(139,909)	(326,204)	**(466,113)**
Reclassification	-	(66)	**(66)**
Reclassification from classified as held for sale	3,393	-	**3,393**
Foreign currency translation effect	(4,824)	(15,823)	**(20,647)**
BALANCE DECEMBER 31, 2013	**28,947**	**141,859**	**170,806**
Accumulated depreciation:			
BALANCE JANUARY 1, 2012	**78,512**	**292,170**	**370,682**
Depreciation for the year	12,420	35,282	**47,702**
Retirements and sales	(81)	(9,558)	**(9,639)**
Reclassification	3	(323)	**(320)**
Foreign currency translation effect	(2,061)	(10,253)	**(12,314)**
BALANCE DECEMBER 31, 2012	**88,793**	**307,318**	**396,111**
Depreciation for the year	4,502	15,545	**20,047**
Retirements and sales	(13,700)	(7,089)	**(20,789)**
Deconsolidation ASMPT	(66,115)	(199,203)	**(265,318)**
Reclassification	-	(66)	**(66)**
Foreign currency translation effect	(2,751)	(12,959)	**(15,710)**
BALANCE DECEMBER 31, 2013	**10,729**	**103,546**	**114,275**
Property, plant and equipment, net:			
DECEMBER 31, 2012	**93,706**	**172,117**	**265,823**
DECEMBER 31, 2013	**18,218**	**38,313**	**56,531**

USEFUL LIVES IN YEARS:	
Buildings and leasehold improvements	10-25
Machinery and equipment	2-10
Furniture and fixtures	2-10

As per December 31, 2013, the carrying amount includes assets under construction for land, buildings and leasehold improvements of €0 (2012: €2,962), machinery, equipment, furnitures and fixtures of €11,483 (2012: €12,963).

INVESTMENT PROPERTY

During the year 2012, a part of ASMPT's research and development centre located in Chengdu held under a medium-term lease with a carrying value of €6,797 was transferred from property, plant and equipment to investment property.
The ASMPT's property interests held to earn rentals or for capital appreciation purposes are measured using the cost model and are classified and accounted for as investment property. Investment property is depreciated over the shorter of the terms of the lease and 48 years on a straight-line basis.

NOTE 10. ASSETS CLASSIFIED AS HELD FOR SALE

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

	JAPAN	THE NETHERLANDS	TOTAL
BALANCE JANUARY 1, 2012	**6,585**	**277**	**6,862**
Foreign currency translation effect	(864)	-	**(864)**
BALANCE DECEMBER 31, 2012	**5,721**	**277**	**5,998**
Impairment	(796)	-	**(796)**
Reclassification to assets held in use	(3,393)	-	**(3,393)**
Foreign currency translation effect	(1,071)	-	**(1,071)**
BALANCE DECEMBER 31, 2013	**461**	**277**	**738**

In 2009 the decision was made to dispose certain items of property, plant and equipment. These assets represent a carrying value as per December 31, 2013 of 738. The assets held for sale are located in Japan and the Netherlands.

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

Also in Japan, a piece of land was purchased to build a research and development center is regarded as held for sale. The carrying value of €461 is below the expected selling price. The expected selling prices were determined, based on various inputs and considerations.

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

NOTE 11. EVALUATION TOOLS AT CUSTOMERS

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

	December 31,	
	2012	2013
BALANCE AT BEGINNING OF YEAR	**13,987**	**16,922**
Evaluation tools shipped	11,120	**8,329**
Depreciation	(3,798)	**(3,771)**
Evaluation tools sold	(3,277)	**(6,221)**
Foreign currency translation effect	(1,110)	**(1,927)**
BALANCE AT END OF YEAR	**16,922**	**13,332**

Useful lives in years:	5

The gross carrying amount of the evaluation tools at customers per December 31, 2013 was €18,082 (2012: €21,750), accumulated depreciation per December 31, 2013 was €4,750 (2012: €4,828).

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

NOTE 12. INVESTMENTS AND ASSOCIATES

The changes in the investment and associates are as follows:

		ASSOCIATES				
	INVESTMENTS	NET EQUITY SHARE	OTHER(IN) TANGIBLE ASSETS AND FAIR VALUE CHANGES	GOODWILL	TOTAL ASSOCIATES	TOTAL
BALANCE JANUARY 1, 2012	**1,044**	**-**	**-**	**-**	**-**	**1,044**
Share in income of investments and associates	(766)	-	-	-	-	**(766)**
BALANCE DECEMBER 31, 2012	**278**	**-**	**-**	**-**	**-**	**278**
40.08% investment in ASMPT March 15, 2013	-	255,701	227,010	898,599	1,381,310	**1,381,310**
Results from investments and associates	-	24,093	-	-	24,093	**24,093**
Amortization recognized (in)tangible assets	-	-	(16,848)	-	(16,848)	**(16,848)**
Fair value changes	-	-	(39,807)	-	(39,807)	**(39,807)**
Impairment	-	-	-	(335,772)	(335,772)	**(335,772)**
Dividends	-	(10,171)	-	-	(10,171)	**(10,171)**
Dilution ASMPT share to 39.94%	-	3,541	-	-	3,541	**3,541**
Other changes in equity	-	480	-	-	480	**480**
Foreign currency translation effect	-	(8,894)	(8,824)	(45,433)	(63,151)	**(63,151)**
BALANCE DECEMBER 31, 2013	**278**	**264,750**	**161,531**	**517,394**	**943,675**	**943,953**

The investment of €278 as per December 31, 2013 reflects the net equity value of the interest in Levitech BV resulting from the management buy-out in 2009 of the RTP business ASM International NV obtained a 20% interest in Levitech BV.

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

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

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

These transactions resulted in a substantial gain and the deconsolidation of ASMPT. This gain consisted of two elements, the realized gain on the sale of the 11.88% stake amounting to €252 million and an unrealized re-measurement gain on the remaining 40.08% of the retained interest in ASMPT approximating €1,156 million. The ‘purchase’ of the associate resulted in the recognition of the associate at fair value.

After the initial accounting of the sale transaction and related gains, subsequent accounting under IAS 28R, “Investments in Associates and Joint ventures”, requires that future income from ASMPT will need to be adjusted for the fair value adjustments arising the ‘basis differences’ as if a business combination had occurred under IFRS 3R, “Business Combinations”, i.e. a purchase price allocation (“PPA”).

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

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

If the fair value of an investment is less than its cost or amortized cost at the balance sheet date, the Company determines whether the impairment is temporary or other prolonged. During the period after March 15, 2013 the ASMPT share traded for a longer period below the price at the close of sale. Based on this other than temporary share price decrease, the book value of our equity method investment in ASMPT was adjusted reflecting the share price on December 31, 2013 of HK$64.90 resulting in an impairment charge of €336 million.

In December 2013, 1,389,200 common shares of ASMPT were issued, for cash at par value of HK$0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT. The shares issued under the plan in 2013 have diluted ASMI’s ownership in ASMPT to 39.94% as of December 31, 2013.

At December 31, 2013, the book value of our equity method investment after the aforementioned impairment in ASMPT was €944 million. The historical cost basis of our 39.94% share of net assets on the books of ASMPT under US GAAP was €264 million as of December 31, 2013, resulting in a basis difference of €680 million. €162 million of this basis difference has been allocated property, plant and equipment and intangibles assets. The remaining amount was allocated to equity method goodwill. The basis difference attributed to inventory an related tax issues was recognized as expense during the year ending December 31, 2013, and totaled €40 million. Each individual, identifiable asset will periodically be reviewed for any indicators of potential impairment which, if required, would result in acceleration of basis difference amortization. We amortize the basis differences allocated to the assets on a straight-line basis, and include the impact within the results of our equity method investments. Amortization and depreciation are adjusted for related deferred tax impacts. Included in net income attributable to ASMI for 2013 was after-tax expense of €17 million, representing the depreciation and amortization of the basis differences.

The market value of our 39.94% investment ASMPT at December 31, 2013 approximates €971 million.

NOTE 13. NOTES PAYABLE TO BANKS

Information on notes payable to banks is as follows:

	DECEMBER 31,	
	2012	2013
Short-term debt outstanding in:		
ASMPT	61,675	-
TOTAL	**61,675**	**-**

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

	DECEMBER 31,	
	2012	2013
Hong Kong dollar	630,686	-

ASMI is debt free as per December 31, 2013. ASMI borrows under separate short-term lines of credit with banks. The lines contain general provisions concerning renewal and continuance at the option of the banks.

At December 31, 2012, short-term debt bears interest at LIBOR plus a margin per annum or HIBOR plus a margin per annum, at a weighted average effective interest rate for 2012 of 1.64% per annum.

Total short-term lines of credit amounted to €150,000 at December 31, 2013. The amount outstanding at December 31, 2013 was nil so the undrawn portion totaled €150,000. The undrawn portion represents the Company's standby revolving credit facility of €150,000 with a consortium of banks. The facility was extended in 2013 and will be available through December 31, 2018. Once the facility is used, this usage is secured by a portion of the Company's shareholding in ASMPT or accounts receivable.

The credit facility of €150,000 includes two financial covenants based on US GAAP: a minimum long-term committed capital and a total net debt/equity ratio. These financial covenants are measured twice each year, at June 30 and December 31. The minimum level of long-term committed capital for the year ended December 31, 2013 was €320 million, the long-term committed capital as per that date was €1,447 million. Long-term committed capital is defined as the consolidated total equity. The net debt/equity ratio should not exceed 2.0, whereby equity is defined as consolidated total equity.

For the year ended December 31, 2013 net cash was €312 million and total equity €1,447 million. The Company is in compliance with these financial covenants as of June 30, 2013 and as of December 31, 2013.

ASMI does not provide guarantees for borrowings of ASMPT and there are no guarantees from ASMPT to secure indebtedness of ASMI. Under the rules of the Stock Exchange of Hong Kong, ASMPT is precluded from providing loans and advances other than trade receivables in the normal course of business, to ASMI or its non ASMPT subsidiaries.

NOTE 14. PROVISION FOR WARRANTY

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

	DECEMBER 31, 2012	2013
BALANCE AT BEGINNING OF YEAR	**49,512**	**43,921**
Charged to cost of sales	26,527	**8,491**
Deconsolidation ASMPT	-	**(34,290)**
Deductions	(31,948)	**(9,850)**
Foreign currency translation effect	(170)	**(306)**
BALANCE AT END OF YEAR	**43,921**	**7,966**
Non-current portion	5,298	**-**
Current portion	38,623	**7,966**

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

NOTE 15. ACCRUED EXPENSES AND OTHER

Accrued expenses and other consist of the following:

	DECEMBER 31, 2012	2013
Advance payments from customers	29,350	**213**
Deferred revenue	5,938	**7,346**
Accrual for salaries, wages and related taxes and expenses	60,246	**20,967**
Interest payable	307	**-**
Payables arising from acquisition of property, plant and equipment	14,027	**-**
Other	22,192	**9,642**
	132,060	**38,168**

NOTE 16. LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31, 2012	2013
Term loans:		
ASMPT, LIBOR+2.5%	18,948	**-**
Current portion	(6,316)	**-**
Non-current portion	12,632	**-**

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

	DECEMBER 31,	
	2012	2013
US dollar	25,000	-

Preferred shares 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. Financing preferred shares are entitled to a cumulative dividend based on the par value and share premium paid on such shares. Financing preferred shares are designed to allow ASMI to finance equity with an instrument paying a preferred dividend, linked to EURIBOR loans and government loans, without the dilutive effects of issuing additional common shares. Authorized are 8,000 shares, par value €40. No preferred shares and financing preferred shares were issued as per 31 December 2013.

NOTE 17. CONVERTIBLE SUBORDINATED DEBT

Our convertible bonds initially due 2014, include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company ("conversion option"). IFRS requires separate recognition of these components.

For the conversion options of the convertible bonds due 2014 the fixed–for-fixed principle is met as both the debt instrument (the bond) and the Company's equity shares, in which they can be converted to, are denominated in the same currency (euro). Based on this criterion the conversion option qualifies as permanent equity.

The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue, for similar non-convertible debt. Subsequently, the liability is measured at amortized cost. The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes, thus creating a non-cash interest expense. For the financial year 2012 this accretion interest expense was €4.0 million.

On October 8, 2012 we initiated a full redemption for all of the outstanding principle balance of our 6.50% Convertible Subordinated notes due 2014, as per November 27, 2012. This proposal for redemption resulted in a full conversion of convertible notes into 9,074,396 common shares.

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

	6.50% CONVERTIBLE UNSECURED NOTES, DUE 2014
Liability at redemption value at date of issuance	150,000
Debt issuance costs	(5,201)
Conversion component at date of issuance	(23,601)
LIABILITY COMPONENT AT DATE OF ISSUANCE	**121,198**
BALANCE DECEMBER 31, 2011	**131,870**
Accrual of interest	5,328
Impairment capitalized debt issuance expenses	2,209
Conversion of notes	(139,407)
BALANCE DECEMBER 31, 2012	**-**

6.50% CONVERTIBLE SUBORDINATED NOTES, DUE 2014

In November 2009, ASMI issued €150.0 million in principal amount of 6.50% convertible unsecured notes due in November 2014 in a private offering. Interest on the notes is payable on February 6, May 6, August 6 and November 6 of each year. The notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness. The notes are convertible into shares of the Company's common stock only, initially at a conversion rate of 58.5851 shares of common stock for each €1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of €17.09 per share. As a result of the dividend paid on common shares during 2011 and 2012 the conversion price was adjusted to €16.85 and €16.53 respectively. On or after November 27, 2012, the Company could redeem any of the notes at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if the closing price of the Company's common shares had exceeded 130% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days.

On October 8, 2012 we announced that we initiated a full redemption for all of the all outstanding 6.5% senior unsecured convertible bonds on November 27, 2012 at their principal amount, together with accrued but unpaid interest. The Notice of Redemption for the Notes was sent to all registered holders on October 8, 2012. Bondholders could exercise their right to convert their Bonds into ordinary shares ultimately on November 20, 2012. This proposal for redemption resulted in a full conversion of convertible notes into 9,074,396 common shares.

NOTE 18. SHAREHOLDERS' EQUITY

COMMON SHARES, PREFERRED AND FINANCING PREFERRED SHARES

The authorized capital of the Company amounts to 110,000,000 shares of €0.04 par value common shares, 118,000 shares of €40 par value preferred shares and 8,000 shares of €40 par value financing preferred shares, of which 63,468,390 common shares, no preferred and no financing preferred shares were outstanding as at December 31, 2013. All per December 31, 2013 outstanding common shares were fully paid. All shares have one vote per €0.04 par value. Treasury shares held by the Company cannot be voted on.

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

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

Under the terms of a settlement agreement with the Lehman administrators entered into in 2013 the Company has received a compensation in cash of USD 6,251 and will receive a further €273 in compensation of dividends paid on the unaccounted shares.

Depending on the outcome of the Lehman bankruptcy the Company may receive further payments since the amounts received to date represent 92.2 % of the principal of the Company's claims for compensation. In addition the Company is entitled to the payment of interest over the principal of its claims.

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

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

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

Preferred shares are entitled to a cumulative preferred dividend based on the amount paid-up on such shares. Financing preferred shares are entitled to a cumulative dividend based on the par value and share premium paid on such shares.

Under IFRS, Common Shares are recorded as equity attributable to shareholders of the Company. Preferred Shares and financing preferred shares are recorded as liabilities. No preferred shares and financing preferred shares were issued as per 31 December 2013.

RETAINED EARNINGS

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

ACCUMULATED OTHER COMPREHENSIVE LOSS

The changes in the amount of accumulated other comprehensive reflect the foreign currency translation effects.

	PROPORTIONATE SHARE IN OTHER COMPREHENSIVE INCOME INVESTMENTS	FOREIGN CURRENCY TRANSLATION EFFECTS	TOTAL OTHER COMPREHENSIVE INCOME
BALANCE JANUARY 1, 2012	**-**	**(13,842)**	**(13,842)**
Foreign currency translation effect on translation of foreign operations	-	(7,453)	**(7,453)**
BALANCE DECEMBER 31, 2012	**-**	**(21,295)**	**(21,295)**
Realization deferred accumulative translation result following the sale of the 12% share of ASMPT	-	23,053	**23,053**
Proportionate share other comprehensive income investments and associates	480	-	**480**
Foreign currency translation effect on translation of foreign operations	-	(88,955)	**(88,955)**
BALANCE DECEMBER 31, 2013	**480**	**(87,197)**	**(86,717)**

PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On May 16, 2013, the General Meeting of Shareholders authorized the Company, for an 18-month period, to be calculated from the date of the General Meeting, to repurchase its own shares up to the statutory maximum, at a price at least equal to the shares' nominal value and at most a price equal to 110% of the share's average closing price according to the listing on the Euronext Amsterdam stock exchange during the five trading days preceding the purchase date.

The maximum of shares that may yet be purchased under the program takes into account the treasury shares held by the Company (at December 31, 2013 there were no treasury shares held) and the maximum number of common shares which the Company can hold according to its Articles of Association. This maximum is 10% of the number of common shares issued.

NOTE 19. EMPLOYEE BENEFITS

PENSION PLANS

Front-end

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

Multi-employer plan

The Company's employees in the Netherlands, approximately 140 employees, participate in a multi-employer union plan, "Bedrijfstakpensioenfonds Metalektro", ("PME") determined in accordance with the collective bargaining agreements effective for the industry in which ASMI operates. This collective bargaining agreement has no expiration date. This multi-employer union plan covers approximately 1,300 companies and 147,000 contributing members. ASMI's contribution to the multi-employer union plan is less than 5.0% of the total contribution to the plan as per the annual report for the year ended December 31, 2013. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. This coverage ratio must exceed 104.3% for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate. The premium can fluctuate yearly based on the coverage ratio of the multi-employer union plan. The pension rights of each employee are based upon the employee's average salary during employment.

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

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

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

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.

Defined benefit plan

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2013. The present value of the defined benefit obligation and the related current service cost and passed service cost were measured using the Projected Unit Credit Method. Significant actuarial assumptions for the determination of the defined obligation are discount rate, future general salary increases and future pension increases.

The net liability of the plan developed as follows:

	DECEMBER 31,	
	2012	2013
Defined benefit obligations	(8,357)	**(7,604)**
Fair value of plan assets	4,794	**5,127**
NET LIABILITY FOR DEFINED BENEFIT PLANS	**(3,563)**	**(2,477)**

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

	DECEMBER 31,	
	2012	2013
Defined benefit obligations		
Balance January 1	**9,485**	**8,357**
Current service cost	731	**529**
Interest on obligation	121	**113**
Remeasurement losses (gains)	(436)	**660**
Benefits paid	(423)	**(128)**
Foreign currency translation effect	(1,121)	**(1,927)**
BALANCE DECEMBER 31	**8,357**	**7,604**
Fair value of plan assets		
BALANCE JANUARY 1	**4,090**	**4,794**
Interest income	62	**74**
Remeasurement gains	134	**358**
Company contribution	1,544	**1,233**
Benefits paid	(423)	**(128)**
Foreign currency translation effect	(613)	**(1,204)**
BALANCE DECEMBER 31	**4,794**	**5,127**

The remeasurement results on the defined benefit obligation consist of financial assumptions €559 and experience assumptions €101. The remeasurement gains on the plan assets relates to changes in financial assumptions.

The history of the experience adjustments is as follows:

	2009	2010	2011	2012	2013
Present value of defined benefit obligation	6,560	8,808	9,485	8,357	**7,604**
Fair value of plan assets	2,119	3,189	4,090	4,794	**5,127**
DEFICIT	**4,441**	**5,619**	**5,395**	**3,563**	**2,477**

The net defined benefit cost consists of the following:

	DECEMBER 31,	
	2012	2013
Current service cost	731	**529**
Net interest costs	59	**39**
Other result	(91)	**(112)**
NET DEFINED BENEFIT COST	**699**	**456**

The actual return on plan assets was €196 and €382 for the years ended December 31, 2012 and 2013 respectively.

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

	2012	2013
Discount rate for obligations	1.55%	**0.90%**
Expected rate of compensation increase	2.93%	**2.93%**

The main risk in the pension plan relates to the discount rate. The defined benefit obligation is sensitive to a change in discount rate, a change of the discount rate with 25 basis points would have resulted in a change of the defined benefit obligation with 2.7%.

The allocation of plan assets is as follows:

	DECEMBER 31,			
	2012		2013	
Equity	1,087	23%	**1,351**	**26%**
Bonds	2,957	62%	**3,019**	**59%**
Loans	463	10%	**453**	**9%**
Real estate	72	2%	**89**	**2%**
Other	215	4%	**215**	**4%**
	4,794	**100%**	**5,127**	**100%**

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

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

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

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

Back-end

For the Back-end segment the ASMPT has retirement plans covering a substantial portion of its employees. The principal plans are defined contribution plans.

The plans for employees in Hong Kong are registered under the Occupational Retirement Schemes Ordinance ("ORSO Scheme") and a Mandatory Provident Fund Scheme ("MPF Scheme") established under the Mandatory Provident Fund Schemes Ordinance in December 2000. The assets of the schemes are held separately from those of ASMPT in funds under the control of trustees. The ORSO Scheme is funded by monthly contributions from both employees and ASMPT at rates ranging from 5% to 12.5% of the employee's basic salary, depending on the length of services with ASMPT. For members of the MPF Scheme, ASMPT contributes 5% of relevant payroll costs to the MPF Scheme subject only to the maximum level of payroll costs amounting to HK$25,000 per employee, which contribution is matched by the employees.

The employees of ASMPT in Mainland China, Singapore and Malaysia are members of state managed retirement benefit schemes operated by the relevant governments. ASMPT is required to contribute a certain percentage of payroll costs to these schemes to fund the benefits. The only obligation of ASMPT with respect to these schemes is to make the specified contributions. The assets of the schemes are held separately from those of ASMPT in funds under the control of trustees, and in the case of Singapore and Malaysia, by the Central Provident Fund Board of Singapore and Employee Provident Fund of Malaysia respectively.

Certain ASM AS (the former SEAS) entities operate funded defined benefits pension scheme for all their qualified employees. Pension benefits provided by ASM AS Entities are currently organized primarily through defined benefit pension plans which cover virtually all German employees and certain foreign employees of ASM AS entities. Furthermore, ASM AS entities provide other post-employment benefits, which consist of transition payments and death benefits to German employees after retirement. These predominantly unfunded other post-employment benefit plans qualify as defined benefit plans. Defined benefit plans determine the entitlements of their beneficiaries. An employee’s final benefit entitlement at regular retirement age may be higher than the fixed benefits at the reporting date due to future compensation or benefit increases. The net present value of this ultimate future benefit entitlement for service already rendered is represented by the Defined Benefit Obligation (“DBO”), which is calculated with consideration of future compensation increases by actuaries. The DBO is calculated based on the projected unit credit method and reflects the net present value as of the reporting date of the accumulated pension entitlements of active employees, former employees with vested rights and of retirees and their surviving dependents with consideration of future compensation and pension increases.

In the case of unfunded plans, the recognized pension liability is equal to the DBO adjusted by unrecognized past service cost. In the case of funded plans, the fair value of the plan assets is offset against the benefit obligations. The net amount, after adjusting for the effects of unrecognized past service cost, is recognized as a pension liability or prepaid pension asset.

	DECEMBER 31,	
	2012	2013
Defined benefit obligations	(33,987)	-
Fair value of plan assets	27,035	-
DEFINED BENEFIT OBLIGATIONS UNFUNDED	**(6,952)**	**-**
Unrecognized actuarial loss	4,536	-
NET LIABILITIES	**(2,416)**	**-**

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

	DECEMBER 31,	
	2012	2013
Defined benefit obligations		
BALANCE JANUARY 1	**22,303**	**33,987**
Obligation assumed in the deconsolidation of ASMPT	-	**(34,691)**
Current service cost	1,691	**472**
Interest on obligation	1,095	**262**
Past service costs	104	**-**
Actuarial losses	8,532	**-**
Benefits paid	(55)	**(30)**
Transfers	85	**-**
Contribution participants	222	**-**
Foreign currency translation effect	10	**-**
BALANCE DECEMBER 31	**33,987**	**-**
Fair value of plan assets		
BALANCE JANUARY 1	**21,364**	**27,035**
Fair value of plan assets at completion date of deconsolidation ASMPT	-	**(27,820)**
Expected return	853	**423**
Actuarial losses	2,981	**-**
Contribution participants	222	**-**
Contribution employer	1,615	**362**
BALANCE DECEMBER 31	**27,035**	**-**

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

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

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

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

The history of the experience adjustments is as follows:

	DECEMBER 31,		
	2011	2012	2013
Present value of defined benefit obligation	22,303	33,987	-
Fair value of plan assets	21,364	27,035	-
DEFICIT	**939**	**6,952**	**-**
Experience adjustments on plan obligations, loss (gain)	(2,552)	8,532	-
Experience adjustments on plan assets, (loss) gain	(1,646)	2,981	-

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

	DECEMBER 31,	
	2012	2013
Discount rate for obligations	3.50%	–
Expected return on plan assets	3.50%	–
Expected rate of compensation increase	2.25%	–

The allocation of plan assets is as follows:

	DECEMBER 31,			
	2012		2013	
Equity	5,677	21.0%	-	–
Fixed income and corporate bonds	20,817	77.0%	-	–
Cash and other assets	541	2.0%	-	–
	27,035	**100.0%**	**-**	**–**

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

OTHER POST-EMPLOYMENT BENEFIT PLANS ASMPT

Employees who joined ASM Assembly Systems GmbH & Co. KG, a subsidiary located in Germany, on or before 30 September 1983, are entitled to transition payments and death benefits. In respect of the transition payments for the first six months after retirement, participants receive the difference between their final compensation and the retirement benefits payable under the corporate pension plan. Employees of the Group in France are entitled to retirement indemnity plans as required by the French labor laws.

The reconciliation of the changes in the benefit obligation for the other post-employment benefits is as follows:

	DECEMBER 31, 2012	DECEMBER 31, 2013
Defined benefit obligations		
Balance January 1	**1,414**	**1,634**
Current service cost	45	**12**
Interest on obligation	69	**12**
Actuarial losses	372	**-**
Benefits paid	(181)	**(12)**
Transfers	(85)	**-**
Deconsolidation ASMPT	-	**(1,646)**
BALANCE DECEMBER 31	**1,634**	**-**
Unrecognized actuarial loss (gain)	(198)	**-**
NET LIABILITY	**1,436**	**-**

The components of the principal pension benefit plans and the other post-employment benefit plans recognized in the consolidated statement of operations in respect of these defined benefit plans and other post-employment benefits are as follows:

	DECEMBER 31, 2012			DECEMBER 31, 2013		
	PRINCIPAL DEFINED BENEFIT PLANS	OTHER POST-EMPLOYMENT BENEFIT PLANS	TOTAL	PRINCIPAL DEFINED BENEFIT PLANS	OTHER POST-EMPLOYMENT BENEFIT PLANS	TOTAL
Current service cost	(1,691)	(45)	(1,736)	**(472)**	**(12)**	**(484)**
Interest on obligation	(1,095)	(69)	(1,164)	**(262)**	**(12)**	**(274)**
Past service cost	(104)	-	(104)	**-**	**-**	**-**
Expected return on plan assets	853	-	853	**-**	**-**	**-**
NET PERIODIC PENSION BENEFIT COST	**(2,037)**	**(114)**	**(2,151)**	**(734)**	**(24)**	**(758)**

RETIREMENT PLAN COSTS FOR ASMI CONSOLIDATED

ASMI expects to contribute €1,105 to the defined benefit plan in 2014. The Company expects to pay benefits for years subsequent to December 31, 2013 as follows:

	FRONT-END SEGMENT
2014	209
2015	313
2015	337
2016	493
2017	629
Aggregate for the years 2019-2023	2,796
TOTAL	4,777

Retirement plan costs consist of the following:

	DECEMBER 31,	
	2012	2013
Defined contribution plans	1,420	2,043
Multi-employer plans	742	1,274
Defined benefit plans	2,491	527
TOTAL RETIREMENT PLAN COSTS	4,653	3,844

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

EMPLOYEE STOCK OPTION PLAN

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

In 2011 a new Stock Option Plan was adopted. In the new plan to limit potential dilution, the amount of outstanding (vested and non-vested) options granted to the Management Board and to other employees will not exceed of the issued ordinary share capital of ASMI. The new Stock Option Plan 2011 consists of two sub-plans: the ASMI Stock Option Plan for employees (ESOP) and the ASMI Stock Option for members of the Management Board (MSOP).

A leading principle of the option plans is that options are issued to employees and Management Board members once per annum as at 31 December of the relevant year, this includes the possible grant to newly hired employees. The number of options outstanding under the option plans or under any other plan or arrangement in aggregate may never exceed 7.5% of ASMI's share capital. This is in accordance with the ASMI Remuneration Policy.

By resolution of the AGM of 16 May 2013 the formal authority to issue options and shares was allocated to the Management Board subject to the approval of the Supervisory Board. This authority is valid for 18 months and needs to be refreshed annually by the AGM to allow the continued application of the SOPS beyond 15 November 2013. The ESOP is principally administered by the Management Board and the MSOP is principally administered by the Supervisory Board. This complies with applicable corporate governance standards. However, the Supervisory Board has no power to represent the Company. For external purposes the Management Board remains the competent body under both SOPS. The SOPS envisage that the Supervisory Board, or – in the case of the ESOP – the Management Board with the approval of the Supervisory Board, will determine the number of options to be granted to the Management Board members and to employees as of 31 December of any financial year (the Grant date).

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

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

At December 31, 2013, options to purchase 2,172,455 shares have been issued under the 2011 Stock Option Plan representing 3.4% of the shares outstanding per December 31, 2013. Under previous plans no more options to purchase shares can be issued. Under the various stock option plans a total of 3,308,502 options to purchase common stock were outstanding at December 31, 2013, expiring at various dates through 2020. The number of options outstanding at December 31, 2012 and 2013 were 2,325,088 and 3,308,502 respectively.

Following the sale of a 12% share of ASMPT, a capital distribution of €4.25 per common share was effectuated on July 25, 2013. As a result of this capital distribution the underlying value of ASMI option holders was diluted. The Management Board of ASMI and the Supervisory Board of ASMI decided to apply a theoretical adjustment ratio of 0.84974 to the outstanding options granted to employees including members of the Management Board as determined based on the specific rules issued and applied by NYSE Liffe. These specific rules issued by NYSE Liffe are similar to the adjustment ratio as applied to traded securities that are also not entitled to receive the capital distribution. Under these rules a theoretical adjustment ratio was determined based on the value and the effective date of the capital distribution and this ratio was applied to adjust the original number of the options and the original exercise price of the outstanding options.

The following is a summary of changes in options outstanding:

	US DOLLAR-PLANS		EURO-PLANS	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN US$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN €
BALANCE JANUARY 1, 2012	**515,110**	**20.83**	**1,319,957**	**19.08**
Options granted	-	-	708,891	27.04
Options forfeited	(29,400)	20.63	(44,500)	15.49
Options exercised	(85,310)	20.42	(59,660)	15.08
BALANCE DECEMBER 31, 2012	**400,400**	**20.94**	**1,924,688**	**22.22**
Options forfeited	(1,220)	13.65	(25,050)	23.11
Options exercised	(52,670)	15.97	(23,550)	15.91
BALANCE JULY 25, 2013	**346,510**	**21.72**	**1,876,088**	**22.27**
Adjustment following capital distribution	62,145	18.42	336,446	18.88
Options granted	-	-	776,450	23.73
Options forfeited	(2,830)	9.06	(39,271)	20.93
Options exercised	(17,675)	12.66	(29,361)	10.70
BALANCE DECEMBER 31, 2013	**388,150**	**18.75**	**2,920,352**	**20.22**

The weighted average fair values of employee stock option granted in euro were €12.27 in 2012 and €10.22 in 2013.

The remaining contractual life of the outstanding options granted in 2013 is 7 years at December 31, 2013.

The total intrinsic value of options exercised was €2,209 and €1,651 for the years ended December 31, 2012 and 2013 respectively. In 2012 and 2013 new shares have been issued for the exercise of 144,970 options and 125,402 options respectively.

On December 31, 2013 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	65,313	5.1	6.75	46,443	6.90
10.00-15.00	30,265	3.6	11.57	21,513	11.83
15.00-20.00	128,057	2.2	18.88	88,194	18.67
20.00-25.00	114,985	4.4	22.59	114,985	22.59
25.00-30.00	49,530	3.0	29.69	29,719	29.69
US$1.00-30.00	**388,150**	**3.5**	**18.75**	**300,854**	**21.18**
In €		**In years**	**In €**		**In €**
1.00-10.00	2,715	0.3	8.32	803	8.62
10.00-15.00	445,993	2.7	12.20	390,318	12.11
15.00-20.00	854,171	4.5	18.61	112,016	16.51
20.00-25.00	1,617,473	6.4	21.57	20,875	22.47
€1.00-25.00	**2,920,352**	**5.3**	**19.26**	**524,012**	**13.46**

At December 31, 2013, the aggregate intrinsic value of all options outstanding and all options exercisable is €17,702 and €8,562 respectively.

The cost relating to employee stock options is measured at fair value on the grant date. The fair value was determined using the Black-Scholes option valuation model with the following weighted average assumptions:

	DECEMBER 31,	
	2012	2013
Expected life (years)	7	**7**
Risk free interest rate	3.28%	**2.93%**
Dividend yield	0.64%	**0.90%**
Expected volatility	41.98%	**41.52%**

The expected volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the the last three years.

The grant date fair value of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of stock options that will eventually vest. The impact of the true up of the estimates is recognized in the consolidated statement of operations in the period in which the revision is determined. We recorded compensation expenses of €3,242 and €4,440 for 2012 and 2013 respectively.

Employee Share Incentive Scheme ASMPT

In 1989, the shareholders of ASMPT approved a plan to issue up to 5 percent of the total issued shares of ASMPT to directors and employees. This plan was extended in 1999 for a term up to March 23, 2010. At the annual general meeting of the ASMPT held on 24 April 2009, the shareholders approved to extend the period of the Scheme for a term of a further 10 years up to March 23, 2020 and allow up to 7.5% of the issued share capital of ASMPT from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) to be subscribed for or purchased pursuant to the Scheme during such extended period and that no more than 3.5% of the issued share capital of ASMPT from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) to be subscribed for or purchased pursuant to the Scheme for the period from 24 March 2010 to 23 March 2015.

The directors annually may approve an amount of supplemental compensation to the designated directors and officers, which will be used to issue or purchase ASMPT's common shares for the designees at current market value.

On 21 March 2012, the directors resolved to grant, and the Company granted, a total of 1,950,300 shares (the "2012 Incentive Shares") in the Company to certain employees and members of the management of the Group upon expiration of the defined qualification period. The vesting period of such grant, which is the qualification period, was from 21 March 2012 to 15 December 2012.

On 28 March 2012 (the "Adoption Date"), a Share Award Scheme was adopted by the Company to establish a trust to subscribe and purchase shares of the Company for the benefit of employees and members of the management of the Group under the Employee Share Incentive Scheme. The scheme is valid and effective for a period of 8 years commencing from the Adoption Date. Pursuant to the rules of the scheme, the Company has appointed a trustee, Law Debenture Trust (Asia) Limited, for purpose of administering the scheme and holding the awarded shares. As a result of such Share Award Scheme, 328,000 shares (the "2012 Awarded Share") was allocated from the 2012 Incentive Shares as the 2012 Awarded Shares.

On December 15, 2012, 1,607,400 common shares of ASMPT were issued, for cash at par value of HK$0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT and 14,900 shares were forfeited and unallocated by ASMPT. 328,000 shares of the 2012 Awarded Shares were vested on the same date.

In 2011, respectively 1,518,100 ASMPT shares were issued to certain directors and employees under the plan. The effect of this transaction on ASMI was a dilution of its ownership interest in ASMPT of 0.21% in 2012 and 0.19% in 2011. The shares issued under the plan in 2012 have diluted ASMI's ownership in ASMPT to 51.96% as of December 31, 2012.

The fair value of the 2012 Incentive shares granted was determined with reference to the market value of the shares at the grant date taking into account the expected dividends as the employees are not entitled to received dividends paid during the vesting period, while for the 2012 Awarded Shares, its fair value was determined with reference to the cost of purchase from the market included transaction costs, which is not significantly different from the fair value at the grant date.

Total compensation expenses related to the Employee Share Incentive Scheme of €19,823 in 2012 were recognized.

The fair value of the 2012 Incentive shares granted was determined with reference to the market value of the shares at the grant date taking into account the expected dividends as the employees are not entitled to received dividends paid during the vesting period, while for the 2012 Awarded Shares, its fair value was determined with reference to the cost of purchase from the market included transaction costs, which is not significantly different from the fair value at the grant date.

NOTE 20. COMMITMENTS AND CONTINGENCIES

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

	DECEMBER 31, 2012	DECEMBER 31, 2013
Machinery and equipment	3,485	**2,737**
Furniture and fixtures	344	**269**
	3,829	**3,006**
Less accumulated depreciation	(3,829)	**(3,006)**
	-	-

At December 31, 2013 operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

2014	**4,857**
2015	**3,801**
2016	**3,279**
2017	**2,707**
2018	**2,423**
Years thereafter	**3,660**
TOTAL	**20,727**

Aggregate rental expense for operating leases was €24,661 in 2012 and €9,529 in 2013. At December 31, 2013 the Company had entered into purchase commitments with suppliers in the amount of €48,982 for purchases within the next 12 months. Commitments for capital expenditures at December 31, 2013 were €458.

CHANGE OF CONTROL TRANSACTION

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

NOTE 21. LITIGATION AND ENVIRONMENTAL MATTERS

The Company is a party to various legal proceedings incidental to its business and is subject to a variety of environmental and pollution control laws and regulations. As is the case with other companies in similar industries, the Company faces exposure from actual or potential claims and legal proceedings. Although the ultimate disposition of legal proceedings cannot be predicted with certainty, it is the opinion of the Company's management that the outcome of any claim which is pending or threatened, either individually or on a combined basis, will not have a material effect on the financial position of the Company, its cash flows and result of operations.

NOTE 22. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL INSTRUMENTS

Financial instruments include:

Financial assets:

	DECEMBER 31,	
	2012	2013
Cash and cash equivalents	290,475	**312,437**
Pledged cash deposits	20,000	**-**
Accounts receivable	304,840	**83,016**
Derivative instruments designated in cash flow hedges	145	**-**

Financial liabilities:

	DECEMBER 31,	
	2012	2013
Notes payable to banks	61,675	**-**
Accounts payable	151,761	**44,837**
Current portion of long-term debt	6,316	**-**
Long-term debt	12,632	**-**

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable their fair values because of the short-term nature of these instruments. The fair value of these financial instruments has been determined by the Company using available market information and appropriate valuation methods (level 2 only).

Gains or losses related to financial instruments are as follows:

	YEAR ENDED DECEMBER 31,	
	2012	2013
Interest income	1,989	**904**
Interest expense	(10,810)	**(2,094)**
Accretion interest expense convertible notes at amortized value	(5,328)	**-**
Loss resulting from early extinguishment of debt	(2,209)	**-**
Losses foreign currency exchange, net	(3,957)	**(9,004)**
Addition to allowance for doubtful accounts receivable	(2,825)	**(377)**

Fair value is the price that would be received to sell an asset pr paid to transfer a liability in an orderly transaction between market participants at the measurement date. ASMI uses the following fair value hierarchy, which prioritizes the inputs to valuation techniques used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

Level 1

Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.

Level 2

Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3

Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There were no transfers between levels during the years ended December 31, 2013 and December 31, 2012.

The following table presents the Company's (financial) assets and liabilities that are measured at fair value on a recurring basis or non-recurring basis.

	AT CARRYING VALUE	AT FAIR VALUE			
		LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
December 31, 2012					
Assets:					
Derivative financial instruments (recurring basis) [1)]	145	-	145	-	**145**
TOTAL	**145**	**-**	**145**	**-**	**145**
December 31, 2013					
Assets:					
Associates (non-recurring basis) [2)]	971,131	971,131	-	-	**971,131**
TOTAL	**971,131**	**971,131**	**-**	**-**	**971,131**

[1] Derivative financial instruments consist of forward foreign exchange contracts.
[2] The valuation technique is described in note 3 and note 12.

The valuation technique used to determine the fair value of forward foreign exchange contracts (used for hedging purposes) approximates the Net Present Value technique which is the estimated amount that a bank would receive or pay to terminate the forward foreign exchange contracts at the reporting date, taking into account current interest rates and current exchange rates.

FINANCIAL RISK FACTORS

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

Foreign Exchange Risk

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

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

Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized in earnings. The Company records all derivatives, including forward exchange contracts, on the balance sheet at fair value in other current assets or accrued expenses. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Hedge ineffectiveness was insignificant for the years ended December 31, 2011 and December 31, 2012.

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

To the extent that exchange rate fluctuations impact the value of the Company's investments in its foreign subsidiaries, they are not hedged. The cumulative effect of these fluctuations is separately reported in Consolidated Shareholders' Equity. Reference is made to Note 18.

The outstanding forward exchange contracts are as follows:

	CURRENCY	NOTIONAL AMOUNT	FAIR VALUE	INCLUDED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
			EURO	EURO
December 31, 2012				
Assets:				
Fair value hedge contracts:				
Short position	US$	(27,100)	(145)	-

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

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen against the euro as of December 31, 2012 and December 31, 2013. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro. A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in US dollar, Singapore dollar, Hong Kong dollar and Japanese yen.

	IMPACT ON EQUITY	
	2012	2013
10% increase of US dollar versus euro	7,512	**7,741**
10% decrease of US dollar versus euro	(7,512)	**(7,741)**
10% increase of Singapore dollar versus euro	5,965	**6,155**
10% decrease of Singapore dollar versus euro	(5,965)	**(6,155)**
10% increase of Hong Kong dollar versus euro	55,740	**94,369**
10% decrease of Hong Kong dollar versus euro	(55,740)	**(94,369)**
10% increase of Korean won versus euro	3,969	**5,855**
10% decrease of Korean won versus euro	(3,969)	**(5,855)**
10% increase of Japanese yen versus euro	6,898	**5,870**
10% decrease of Japanese yen versus euro	(6,898)	**(5,870)**

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2012 and December 31, 2013 would not result in a material impact on equity.

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen against the euro at average exchange rates for the years 2012 and 2013. A positive amount indicates an increase in net earnings.

	IMPACT ON NET EARNINGS	
	2012	2013
10% increase of US dollar versus euro	1,433	**534**
10% decrease of US dollar versus euro	(1,433)	**(534)**
10% increase of Singapore dollar versus euro	644	**671**
10% decrease of Singapore dollar versus euro	(644)	**(671)**
10% increase of Hong Kong dollar versus euro	3,630	**101,025**
10% decrease of Hong Kong dollar versus euro	(3,630)	**(101,025)**
10% increase of Korean won versus euro	1,400	**2,071**
10% decrease of Korean won versus euro	(1,400)	**(2,071)**
10% increase of Japanese yen versus euro	1,273	**553**
10% decrease of Japanese yen versus euro	(3,630)	**(553)**

The significant possible impact on net earnings denominated in Hong Kong dollar results from the realized and unrealized gain following the sale of 12% stake in ASMPT. A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2012 and December 31, 2013 would not result in a material impact on net earnings.

Interest Risk

We are not exposed to interest rate risk through our borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2013 the Company had no debt.

Credit Risk

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

The Company's customers are semiconductor device manufacturers located throughout the world. We perform ongoing credit evaluations of our customers' financial condition. We take additional measures to mitigate credit risk when considered appropriate by means of down payments, letters of credit. We generally do not require collateral or other security to support financial instruments with credit risk.

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

The Company derives a significant percentage of its revenue from a small number of large customers. The largest customer accounted for approximately 28.3% of net sales in 2013 (2012: 8.8%) and the ten largest customers accounted for approximately 85.6% of net sales in 2013 (2012: 31.6%). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results. At December 31, 2013 one customer accounted for 28.1% of the outstanding balance in accounts receivable (2012: 6.5%).

We invest our cash and cash equivalents in short-term deposits and derivative instruments with high-rated financial institutions. We only enter into transactions with a limited number of major financial institutions that have high credit ratings and we closely monitor the creditworthiness of our counterparties. Concentration risk is mitigated by limiting the exposure to a single counterparty.

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

Liquidity Risk

The following table summarizes the Company's contractual obligations as at December 31, 2013 aggregated by type of contractual obligation:

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

Total short-term lines of credit amounted to €150,000 at December 31, 2013. The amount outstanding at December 31, 2013 was nil and the undrawn portion totaled €150,000. The standby revolving credit facility of €150,000 with a consortium of banks. The facility, available through December 20, 2018, is secured by a portion of the Company's shareholding in ASMPT and certain and certain accounts receivable.

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

NOTE 23. RESEARCH AND DEVELOPMENT

Research and Development consists of the following:

	YEAR ENDED DECEMBER 31,	
	2012	2013
Research and development expenses, net of capitalized development expenses	40,118	**41,392**
Amortization of capitalized development expenses	7,880	**9,957**
Impairment of capitalized development expenses	527	**7,761**
Research and development grants and credits	(899)	**(1,036)**
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	**47,626**	**58,074**

The impairment of capitalized development expenses for 2013 of €7,761 (2012: €527) is primarily related to development of new hardware for which the customers demand has shifted out in time, and purchased technology which became obsolete.

NOTE 24. RESTRUCTURING EXPENSES

In the fourth quarter of 2012 we started a cost reduction program in our Front-end operation. We have reduced headcount in our manufacturing organization in Singapore and our product management organization in Europe and the US with approximately 100 people. Related to these actions, an amount of €2.5 million (2012: €0.9) employee related expenses were recorded in 2013.

NOTE 25. INCOME TAXES

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

	YEAR ENDED DECEMBER 31,	
	2012	2013
The Netherlands	(70,334)	**(386,518)**
Other countries	62,016	**52,914**
EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	**(8,318)**	**(333,604)**

The income tax expense consists of:

	YEAR ENDED DECEMBER 31,	
	2012	2013
Current:		
The Netherlands	(110)	**(1,938)**
Other countries	(53)	**(6,773)**
	(163)	**(8,711)**
Deferred:		
Other countries	(11,232)	**(199)**
INCOME TAX EXPENSE	**(11,395)**	**(8,910)**

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,	
	2012	2013
Earnings (Loss) before income taxes from continuing operations	(8,319)	**(333,604)**
Dutch statutory income tax rate	25.0%	**25.0%**
Income tax provision at statutory rate	2,080	**83,401**
Non-deductible expenses	(2,771)	**(1,957)**
Foreign taxes at a rate other than the Netherlands statutory rate	(4,365)	**(422)**
Valuation allowance	(12,118)	**(3,347)**
Non-taxable income [1)]	2	**(88,492)**
Other [2)]	5,777	**1,907**
INCOME TAX EXPENSE	**(11,395)**	**(8,910)**

[1] Non-taxable income for 2013 mainly consist of revenues deriving from the disposal of the 12% shareholding in ASMPT in March which are exempt under the Dutch participation exemption.
[2] Other in 2013 mainly consists of tax credits, adjustments to prior years, changes in (enacted) tax laws and revaluation of certain assets.

Included in non-taxable income for 2012 is €3,244 regarding the Company's manufacturing operations in Singapore and other countries where income covering certain products is non-taxable or subject to concessional tax rates under tax incentive schemes granted by the local tax authority. The majority of these tax incentive schemes have terms ending by December 31, 2020.

On June 8, 2009 the Singapore Economic Development Board ("EDB") granted a Pioneer Certificate to ASM Front End Manufacturing Singapore Pte Ltd ("FEMS", a principal subsidiary of the Group,) to the effect that profits arising from certain manufacturing activities by FEMS of Front-end equipment will in principle be exempted from tax for a period of 10 years effective from dates ranging between July 1, 2008, subject to fulfillment of certain criteria during the period.

On July 12, 2010, the EDB granted a Pioneer Certificate to ASM Technology Singapore Pte Limited ("ATS"), a principal subsidiary of the Group, to the effect that profits arising from certain products will be exempted from tax for a period of 10 years effective from dates ranging between June 1, 2010 and January 1, 2012 across specified products, subject to fulfillment of certain criteria during the period. EDB had also granted a 5 year Development and Expansion Incentive (DEI) to ATS to the effect that the profits arising from certain existing products shall be subject a concessionary tax rate of 10% for a period of 5 years from January 1, 2011, subject to the fulfillment of certain criteria during the period.

On the same date, the EDB also granted ATS an International Headquarters ("IHQ") Award to the effect that certain income arising from qualifying activities conducted by ATS, excluding income from business transactions with companies or end customers in Singapore, shall be subject to concessionary tax rate of 5% for a period of 10 years from January 1, 2011, subject to fulfillment of certain criteria during the period.

In Korea a High Technology Tax Exemption has been granted to the effect that profits arising from certain equipment sales will in principle be partly exempted from tax in the period ending by 2016, subject to fulfillment of certain criteria during the period.

Since 2011 the Dutch statutory tax rate amounted to 25.0%. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. The Company's deferred tax assets and liabilities have been determined in accordance with these statutory income tax rates.

Deferred income taxes consist of the following:

	JANUARY 1, 2012	ACQUISITIONS	RECLASSIFICATIONS	CONSOLIDATED STATEMENT OF OPERATIONS	EQUITY	EXCHANGE DIFFERENCES	DECEMBER 31, 2012
Deferred tax assets:							
Reserves and allowances	10,415	-	3,593	4,928	184	(736)	18,384
Net operating losses	86,720	-	-	(2,303)	-	(939)	83,478
Depreciation	363	-	508	1,478	-	(89)	2,260
Other	6,767	-	(6,134)	627	(364)	(127)	769
GROSS DEFERRED TAX ASSETS	**104,265**	**-**	**(2,033)**	**4,730**	**(180)**	**(1,891)**	**104,891**
Less: valuation allowance	(71,935)	-	(4,712)	(6,442)	-	(161)	(83,250)
NET DEFERRED TAX ASSETS	**32,330**	**-**	**(6,745)**	**(1,712)**	**(180)**	**(2,052)**	**21,641**
Deferred tax liabilities:							
Convertible Subordinated Bonds	(4,533)	-	4,533	-	-	-	-
Capitalized development expenses	(8,667)	-	-	(2,406)	-	223	(10,850)
Other	(4,452)	-	2,212	1,117	-	38	(1,085)
DEFERRED TAX LIABILITIES	**(17,652)**	**-**	**6,745**	**(1,289)**	**-**	**261**	**(11,935)**
NET DEFERRED INCOME TAXES	**14,678**	**-**	**-**	**(3,001)**	**(180)**	**(1,791)**	**9,706**

	JANUARY 1, 2013	DECONSOLIDATION ASMPT	RECLASSIFICATIONS	CHANGES IN TAX RATES	CONSOLIDATED STATEMENT OF OPERATIONS	EQUITY	EXCHANGE DIFFERENCES	DECEMBER 31, 2013
Deferred tax assets:								
Reserves and allowances	**18,384**	(13,276)	(341)	(258)	(473)	71	(1,137)	**2,970**
Net operating losses	**83,478**	(11,905)	(1,664)	-	-	-	50	**69,959**
Depreciation	**2,260**	(2,121)	1,336	(88)	266	-	(319)	**1,334**
Other	**769**	150	-	(37)	(146)	-	(164)	**572**
GROSS DEFERRED TAX ASSETS	**104,891**	**(27,152)**	**(669)**	**(383)**	**(353)**	**71**	**(1,570)**	**74,835**
Less: valuation allowance	**(83,250)**	11,675	1,664	-	-	-	(49)	**(69,960)**
NET DEFERRED TAX ASSETS	**21,641**	**(15,477)**	**995**	**(383)**	**(353)**	**71**	**(1,619)**	**4,875**
Deferred tax liabilities:								
Capitalized development expenses	**(10,850)**	-	-	792	(218)	-	2,221	**(8,055)**
Other	**(1,085)**	921	74	-	(37)	-	(6)	**(133)**
DEFERRED TAX LIABILITIES	**(11,935)**	**921**	**74**	**792**	**(255)**	**-**	**2,215**	**(8,188)**
NET DEFERRED INCOME TAXES	**9,706**	**(14,556)**	**1,069**	**409**	**(608)**	**71**	**596**	**(3,313)**

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

	DECEMBER 31, 2012	2013
Deferred tax assets - non-current	21,641	**4,875**
Deferred tax liabilities - non-current	(11,935)	**(8,187)**
	9,706	**(3,312)**

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2013 of €272,610 for tax return purposes to reduce future income taxes, mainly in Europe. The Company believes that realization of its net deferred tax assets is dependent on the ability of the Company to generate taxable income in the future. Given the volatile nature of the semiconductor equipment industry, past experience, and the tax jurisdictions where the Company has net operating losses, the Company believes that there is currently insufficient evidence to substantiate recognition of substantially all net deferred tax assets with respect to net operating losses. Accordingly, a valuation allowance of €83,250 in 2012 and €69,960 in 2013 has been recorded.

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

EXPIRATION YEAR	TOTAL OF NET OPERATING LOSSES FOR TAX PURPOSES	NET OPERATING LOSSES FOR WHICH DEFERRED TAX ASSETS ARE RECOGNIZED
2014	37,607	-
2015-2016	-	-
2017	47,429	-
2018	44,664	-
2019	35,905	-
2020	4	-
2021	60,198	-
2022	28,556	-
2023-2028	-	-
2029	14,343	-
2030	3,779	-
Unlimited	125	-
TOTAL	**272,610**	**-**

Further the Company has unrecognized tax credits amounting to US$20.9 million. The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2013 the undistributed earnings of subsidiaries, subject to withholding taxes, were approximately €26,734. These earnings could become subject to foreign (withholding) taxes if they were remitted as dividends and / or if the Company should sell its interest in the subsidiaries.

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, 2013 tax contingencies amounted to nil (2012: €22,511) and are included in income taxes payable in the Consolidated Statement of Financial Position. Settlement of tax uncertainties in a manner inconsistent with the Company's expectations could have a material impact on the Company's financial position, net earnings and cash flows.

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

JURISDICTION	
Japan	2009-2013
The Netherlands	2009-2013
Singapore	2008-2013
United States of America	1997-2013
South Korea	2008-2013

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws. The Company's estimate for the potential outcome of any unrecognized tax benefits is highly judgmental. Settlement of unrecognized tax benefits in a manner inconsistent with the Company's expectations could have a material impact on the Company's financial position, net earnings and cash flows. The Company is subject to tax audits in its major tax jurisdictions, local tax authorities may challenge the positions taken by the Company.

NOTE 26. DISCLOSURES ABOUT SEGMENTS AND RELATED INFORMATION

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

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 South East Asia.

The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd., in which the Company holds a substantial share of 39.94% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong. The segment's main operations are located in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany.

The Back-end segment remains reported as a separate segment since the cease of control per March 15, 2013. Since that date the segment is reported as an equity method investment as the CEO reviews this information as part of his CODM package.

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

Segment performance is evaluated by the Company's management based on US GAAP net earnings or loss which in certain respect is measured differently from net income or loss reported by the Company in its consolidated financial statements, which are based on IFRS, as adopted by the EU. For a reconciliation between IFRS and US GAAP see Note 32.

	YEAR ENDED DECEMBER 31, 2012				
	FRONT-END	BACK-END 100%	DISCONTINUED	RECONCILIATION FROM US GAAP TO IFRS	TOTAL
Net sales to unaffiliated customers	370,409	1,047,658	(1,047,658)	-	**370,409**
Gross profit	124,531	315,898	(315,898)	360	**124,891**
Result from operations	539	87,717	(87,717)	11,418	**11,957**
Interest income	1,015	974	(974)	446	**1,461**
Interest expense	(11,381)	(732)	732	-	**(11,381)**
Loss resulting from early extinguishment of debt	(2,209)	-	-	-	**(2,209)**
Accretion interest expense convertible notes	(4,329)	(140)	140	-	**(4,329)**
Foreign currency exchange gains (losses), net	(3,051)	(907)	907	-	**(3,051)**
Result on investments	(766)	-	-	-	**(766)**
Income tax expense	(8,965)	(17,335)	17,335	(2,430)	**(11,395)**
Net earnings (loss)	(29,146)	69,577	-	8,022	**48,453**
Allocation of net earnings (loss):					
Shareholders of the parent					**15,903**
Non-controlling interest					**32,550**
Capital expenditures	21,973	46,189	(46,189)		**21,973**
Net purchase of other intangibles	2,042	2,588	(2,588)	19,465	**21,507**
Depreciation property, plant and equipment	10,968	36,829	(36,829)		**10,968**
Depreciation evaluation tools at customers	3,799	-	-	-	**3,799**
Amortization of other intangible assets	4,071	2,793	(2,793)	9,957	**14,028**
Cash and cash equivalents	145,061	145,414	-		**290,475**
Capitalized goodwill	11,649	40,239	-	(10,841)	**41,047**
Other intangible assets	9,049	4,866	-	62,236	**76,151**
Other identifiable assets	334,399	808,829	-	(550)	**1,142,678**
Total assets	500,158	999,348	-	50,845	**1,550,351**
Total debt	-	80,623		-	**80,623**
Headcount in full-time equivalents [1]	1,636	15,768	(15,768)	-	**1,636**

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

	YEAR ENDED DECEMBER 31, 2013				
	FRONT-END	BACK-END 100%	DECONSOLIDATED AND DISCONTINUED	RECONCILIATION FROM US GAAP TO IFRS	TOTAL
Net sales to unaffiliated customers	451,991	1,051,376	(1,051,376)		**451,991**
Gross profit	176,160	307,618	(307,618)	(8)	**176,152**
Result from operations	44,704	66,352	(66,352)	217	**44,921**
Interest income	904	272	(272)	-	**904**
Interest expense	(2,553)	(2,082)	2,082	459	**(2,094)**
Foreign currency exchange gains (losses), net	(9,004)	847	(847)	-	**(9,004)**
Result from investments	-	-	1,030,132	9,540	**1,039,672**
Income tax expense	(9,484)	(11,308)	11,308	574	**(8,910)**
Net earnings (loss)	24,565	54,081	970,654	10,782	**1,060,082**
Allocation of net earnings (loss):					
Shareholders of the parent					**1,062,675**
Non-controlling interest					**(2,593)**
Capital expenditures and purchase of intangible assets	11,072	34,003	(34,003)	(21,848)	**(10,776)**
Depreciation and amortization	19,415	41,066	(41,066)	10,416	**29,831**
Cash and cash equivalents	312,437	149,313	(149,313)	-	**312,437**
Capitalized goodwill	11,421	-	-	(679)	**10,742**
Other intangible assets	5,637	902	(902)	55,592	**61,229**
Investments and associates	278	-	943,675	-	**943,953**
Other identifiable assets	277,800	599,709	(599,709)	1,201	**279,001**
Total assets	607,573	749,924	193,752	56,114	**1,607,363**
Total debt	-	65,105	(65,105)	-	**-**
Headcount in full-time equivalents [1]	1,502	14,400	(14,400)	-	**1,502**

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

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

Geographical information is summarized as follows:

	EUROPE	UNITED STATES OF AMERICA	JAPAN	SOUTH EAST ASIA	CORPORATE	CONSOLIDATED
			YEAR ENDED DECEMBER 31, 2012			
Net sales to unaffiliated customers	77,895	131,766	40,585	120,163	-	**370,409**
Property, plant and equipment	17,587	22,567	17,313	215,033	120	**272,620**
Total assets	476,915	157,829	98,449	709,913	107,637	**1,550,743**
Capital expenditures	7,098	12,837	4,947	43,280	-	**68,162**
Purchase of intangible assets	3,359	9,419	8,928	997	1,392	**24,095**
			YEAR ENDED DECEMBER 31, 2013			
Net sales to unaffiliated customers	73,077	131,036	33,823	214,056	-	**451,992**
Property, plant and equipment	2,871	24,429	15,112	14,075	45	**56,532**
Total assets	67,165	133,979	82,660	1,114,145	209,415	**1,607,364**
Capital expenditures	3,693	8,179	1,128	4,063	-	**17,063**
Purchase of intangible assets	2,061	5,140	9,455	1,519	238	**18,413**

For geographical reporting, net sales are attributed to the geographic location in which the customer's facilities are located.

Long-lived assets for the years ended December 31, 2012 and 2013 consist of the Company's property, plant and equipment and non-current assets held for sale.

NOTE 27. SELECTED OPERATING EXPENSES AND ADDITIONAL INFORMATION

Personnel expenses for employees were as follows:

	DECEMBER 31,	
	2012	2013
Wages and salaries	90,964	**88,711**
Social security	12,556	**8,847**
Pension expenses	4,653	**3,844**
	108,173	**101,402**

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

	DECEMBER 31, 2012	DECEMBER 31, 2013
The Netherlands	196	**155**
Other European countries	174	**166**
United States of America	525	**527**
South East Asia	673	**537**
Japan	210	**175**
	1,778	**1,560**

The average number of employees for the year 2013 includes the weighted average of the ASMPT employees for the period January 1 - March 15.

NOTE 28. EARNINGS PER SHARE

Basic net earnings per common share is computed by dividing net earnings by the weighted average ordinary shares outstanding for that period. Diluted net earnings per ordinary share reflects the potential dilution that could occur if stock options under the ASMI Option Plan were exercised and if convertible notes were converted, unless potential dilution would have an anti-dilutive effect.

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

	DECEMBER 31, 2012	DECEMBER 31, 2013
Net earnings used for purposes of computing net earnings per common share:		
Net earnings (loss) from continuing operations	(19,713)	**(342,514)**
Net earnings from discontinued operations (see note 3)	35,616	**1,405,189**
NET EARNINGS FROM OPERATIONS	**15,903**	**1,062,675**
Basic weighted average number of shares outstanding during the year used for purpose of computing basic earnings per share (thousands)	56,108	**63,202**
Dilutive effect of stock options	659	**994**
DILUTIVE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	**56,767**	**64,196**
Basic net earnings (loss) per share:		
from continuing operations	(0.35)	**(5.42)**
from discontinued operations	0.63	**22.23**
FROM OPERATIONS	**0.28**	**16.81**
Diluted net earnings (loss) per share:		
from continuing operations	(0.35)	**(5.34)**
from discontinued operations	0.63	**21.89**
from operations	0.28	**16.55**

For the year ended December 31, 2012, the effect of 8,231,432 conversion rights was anti-dilutive.

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

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

Under the terms of a settlement agreement with the Lehman administrators entered into in 2013 the Company has received a compensation in cash of USD 6,250,596 and will receive a further €273,062 in compensation of dividends paid on the unaccounted shares.

Depending on the outcome of the Lehman bankruptcy the Company may receive further payments since the amounts received to date represent 92.2% of the principal of the Company's claims for compensation. In addition the Company is entitled to the payment of interest over the principal of its claims.

The 221.359 shares unaccounted for by the Lehman administrators are and remain outstanding and have not been cancelled by the resolution adopted by the AGM in 2009. As a result of the settlement agreement the Company recorded €4,190 as paid in capital to account for the compensation received.

NOTE 29. BOARD REMUNERATION

The remuneration of members of the Management Board has been determined by the Supervisory Board.

During 2013, the Company considered the members of the Management Board and the Supervisory Board to be the key management personnel. Total remuneration for key management personnel in 2013 amounts to

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

	BASE COMPENSATION	BONUSES	PENSIONS	SHARE BASED PAYMENT EXPENSES [1]	OTHER	TOTAL
Management Board:						
C.D. del Prado						
2013 [2]	**520**	**527**	**92**	**506**	**60**	**1,705**
2012 [2]	510	177	76	398	59	**1,220**
2011	500	339	69	182	56	**1,146**
P.A.M. van Bommel						
2013 [2]	**375**	**391**	**79**	**418**	**45**	**1,308**
2012 [2]	367	144	88	325	59	**983**
2011	360	233	54	141	46	**834**

1 These amounts represent the vesting expenses related to the financial year.

2 A one-time crisis levy of 16% as imposed by the Dutch government amounts to €145 (2012: €175) in total. This crisis tax levy is payable by the employer and is charged over income of employees exceeding a €150 threshold for both years. These expenses do not form part of the remuneration costs mentioned.

BONUS

Each year, a variable cash incentive can be earned, based on achievement of specific challenging targets. These targets are for 75% based on company financial targets and for 25% based on non-financial targets. The on-target bonus percentage for the members of the Management Board is 75%, with a maximum pay-out of 125% of base salary.

STOCK OPTIONS

The members of the Management Board are eligible to receive stock options under the ASM International NV 2011 Stock Option Plan for members of the Management Board ("plan") in order to focus on the long term interest of the company. Stock options vest in three years subject to continued employment and expire after 7 years.

PENSION BENEFIT

The members of the Management Board are offered participation of the pension plan of the industry wide pension fund ("Bedrijfstakpensioenfonds Metalektro") for the base salary up to the predetermined ceiling. For the base salary above the ceiling, the members of the Management Board are offered participation of a defined contribution plan, insured by Nationale Nederlanden.

OTHER COMPENSATION

Other compensation is covering compensation relative to use of a (company) car, a representation and expense allowance, social security premium and premium for health and disability insurance.

The following table shows the outstanding options to purchase ASM International NV common shares held by current and former members of the Management Board, and changes in such holdings during 2013:

	YEAR OF GRANT	OUTSTANDING JANUARY 1, 2013	GRANTED IN 2013	EXERCISED IN 2013 [7]	ADJUSTMENTS FOLLOWING THE CAPITAL DISTRIBUTION [6]	OUTSTANDING DECEMBER 31, 2013	EXERCISE PRICE	END DATE
C.D. del Prado [1] [5]	2003	20,000	-	(20,000)	-	**-**	US$11.35	Feb 1, 2013
C.D. del Prado [2]	2007	19,645	-	-	3,523	**23,168**	€16.51	May 23, 2015
C.D. del Prado [2]	2008	125,000	-	-	22,416	**147,416**	€10.78	Mar 31, 2016
C.D. del Prado [3]	2009	50,000	-	-	8,967	**58,967**	€12.79	Dec 31, 2017
C.D. del Prado [4]	2011	75,000	-	-	13,450	**88,450**	€18.93	Dec 31, 2018
C.D. del Prado [4]	2012	60,000	-	-	10,760	**70,760**	€22.93	Dec 31, 2019
C.D. del Prado [4]	2013	-	75,000	-	-	**75,000**	€23.73	Dec 31, 2020
P.A.M. van Bommel [3]	2010	25,000	-	-	4,483	**29,483**	€13.80	Jun 7, 2018
P.A.M. van Bommel [4]	2011	53,000	-	-	9,504	**62,504**	€18.93	Dec 31, 2018
P.A.M. van Bommel [4]	2012	40,000	-	-	7,173	**47,173**	€22.93	Dec 31, 2019
P.A.M. van Bommel [4]	2013	-	53,000	-	-	**53,000**	€23.73	Dec 31, 2020
		467,645	**128,000**	**(20,000)**	**80,276**	**655,921**		

1 These options are granted for a term of ten years, and became exercisable in equal parts over a five year period.
2 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.
3 These options are granted for a term of eight years, and become exercisable after a three year vesting period.
4 These options are granted for a term of seven years and become exercisable after a three year vesting period.
5 These options have been exercised on January 25, 2013 at a share price of €29.04.
6 Following the sale of a 12% share of ASMPT, a capital distribution of €4.25 per common share was effectuated on July 25, 2013. As a result of this capital distribution the underlying value of ASMI option holders was diluted. The Management Board of ASMI and the Supervisory Board of ASMI decided to apply a theoretical adjustment ratio of 0.84794 to the outstanding options granted to employees including members of the Management Board as determined based on the specific rules issued and applied by NYSE Liffe. These specific rules issued by NYSE Liffe are similar to the adjustment ratio as applied to traded securities that are also not entitled to receive the capital distribution. Under these rules a theoretical adjustment ratio was determined based on the value and the effective date of the capital distribution and this ratio was applied to adjust the original number of the options and the original exercise price of the outstanding options.
7 These options were exercised in January 2013 at a share price of US$38.87.

The fair value per option of options granted to current and former members of the Management Board was €12.27 in 2012 and €10.22 in 2013.

In 2013, 20,000 options to purchase ASM International NV common shares were exercised and as a result 20,000 new shares were issued for the exercise of these options.

The following table sets forth as to all current and former members of the Supervisory Board of the Company information concerning all remuneration (base compensation, no bonuses or pensions were paid) from the Company (including its subsidiaries) for services in all capacities:

	YEAR ENDED DECEMBER 31,	
	2012	2013
Supervisory Board:		
J.C. Lobbezoo	53	**61**
G.J. Kramer [1]	68	**25**
J.M.R. Danneels	50	**50**
H.W. Kreutzer	50	**51**
M.C.J. van Pernis	50	**51**
U.H.R. Schumacher	50	**50**
	321	**288**

[1] Mr Kramer resigned from the Supervisory Board on May 16, 2013.

The remuneration of members of the Supervisory Board has been determined by the General Meeting of Shareholders.

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

NOTE 30. SHARE OWNERSHIP AND RELATED PARTY TRANSACTIONS

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

	DECEMBER 31, 2012		DECEMBER 31, 2013	
	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING
A.H. del Prado	9,204,284	14.59%	**9,204,284**	**14.50%**
C.D. del Prado (member of the Management Board)	132,945	0.21%	**132,945**	**0.21%**
Stichting Administratiekantoor ASMI	2,142,039	3.39%	**2,142,039**	**3.37%**

Stichting Administratiekantoor ASMI is a trust controlled by Mr. A.H. del Prado. The number of shares owned by Stichting Administratiekantoor ASMI includes 713,000 common shares which are beneficially owned by Mr. C.D. del Prado.

The Company has a related party relationship with its subsidiaries, equity accounted investees and members of the Supervisory Board and the Management Board. Related party transactions are conducted on an at arm's length basis with terms comparable to transactions with third parties. For transactions with the Supervisory Board and the Management Board see note 29 "Board Remuneration".

The Group has no significant transactions or outstanding balances with its equity-accounted investees other than its equity-interest holdings.

NOTE 31. REMUNERATION OF THE EXTERNAL AUDITOR

Deloitte Accountants B.V. ("Deloitte"), has served as our independent registered public accounting firm for the year 2012. The following table sets out the aggregate fees for professional audit services and other services rendered by Deloitte Accountants B.V. and its member firms and/or affiliates in 2012 and 2013:

	EUR THOUSAND		AS A % OF TOTAL FEES	
	2012	2013 [1]	2012	2013
Audit fees	1,195	**594**	77%	**88%**
Audit-related fees	115	**48**	7%	**7%**
Tax fees	241	**36**	16%	**5%**
TOTAL	**1,551**	**678**	**100%**	**100%**

[1] Excluding fees for ASMPT 2013 relating to audit (EUR 927 thousands) and tax fees and other (EUR 121 thousands).

AUDIT COMMITTEE PRE-APPROVAL POLICIES

The Audit Committee has determined that the provision of services by Deloitte described in the preceding paragraphs is compatible with maintaining Deloitte's independence. All audit and permitted non-audit services provided by Deloitte during 2013 were pre-approved by the Audit Committee.

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

Audit Services

Management submits to the Audit Committee for pre-approval the scope and estimated fees for specific services directly related to performing the independent audit of our Consolidated Financial Statements for the current year.

Audit-Related Services

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

Tax Services

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

Other Services

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

NOTE 32. 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, pension plans and accounting for development expenses and accounting for inventory obsolescence.

GOODWILL

IFRS 1 "First time adoption of IFRS" includes a transition option to apply IFRS 3 prospectively from the transition date (January 1, 2004). ASMI has elected to apply this option and accordingly, all accounting under Dutch GAAP for business combinations prior to January 1, 2004 is fixed at the transition date and the corresponding value of goodwill is fixed as well. As a result of amortization of goodwill under Dutch GAAP prior to January 1, 2004, the value of goodwill under IFRS as of January 1, 2004 is lower when compared to the value of goodwill under US GAAP as of January 1, 2004. Since the difference relates to non-euro denominated acquisitions, this difference will fluctuate over time with currency rate fluctuations. In addition, IFRS requires the inclusion of contingent consideration in the cost of acquisition if it is probable and can be estimated reliably, while under US GAAP, contingent consideration is generally excluded from the cost of acquisition until the contingency is resolved. As a result of the sale of the 12% share in ASMPT the difference in goodwill between US GAAP and IFRS was released.

DEVELOPMENT EXPENSES

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

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

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.

PENSION PLANS

Under US GAAP, ASMI applies ASC 715, "Employers' Accounting for Defined Benefit Pension and Other Post retirement 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 19R, the Company recognizes a plan's net assets or liabilities, taking into account unrecognized actuarial losses and transition amounts.

INVENTORY OBSOLESCENCE

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

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

	YEAR ENDED DECEMBER 31,	
	2012	2013
Net earnings allocated to the parent of the Company in accordance with IFRS	15,903	**1,062,675**
Goodwill	-	**(9,532)**
Allowance for inventory obsolescence	(335)	**8**
Tax rate difference on eliminated intercompany profit	345	**-**
Pension expenses	332	**-**
Debt issuance expenses credit facility	(446)	**(459)**
Development expenses	(8,650)	**(799)**
NET EARNINGS ALLOCATED TO THE PARENT OF THE COMPANY IN ACCORDANCE WITH US GAAP	**7,149**	**1,051,893**

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

	DECEMBER 31,	
	2012	2013
Shareholders' equity in accordance with IFRS	785,728	**1,495,641**
Goodwill	10,481	**949**
Allowance for inventory obsolescence	(2,009)	**(1,834)**
Tax rate difference on eliminated intercompany profit	(55)	**-**
Debt issuance expenses credit facility	735	**276**
Development expenses	(51,386)	**(47,537)**
Pension plans	(1,618)	**(246)**
SHAREHOLDERS' EQUITY IN ACCORDANCE WITH US GAAP	**741,876**	**1,447,249**

SIGNING

Almere, the Netherlands
April 9, 2014

Supervisory Board
J.C. Lobbezoo
J.M.R. Danneels
H.W. Kreutzer
M.C.J. van Pernis
U.H.R. Schumacher

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

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BALANCE SHEETS ASM INTERNATIONAL NV

(after proposed appropriation of net earnings for the year)

(EUR thousand except per share data)	NOTES	December 31, 2012	December 31, 2013
Assets			
Cash and cash equivalents		38,512	201,792
Accounts receivable, net		1	-
Amounts due from subsidiaries		108,437	84,682
Other current assets		690	2,949
TOTAL CURRENT ASSETS		147,640	289,423
Property, plant and equipment, net	5	119	43
Goodwill, net	4	2,612	2,612
Other intangible assets, net	2	7,282	5,296
Investments in subsidiaries	1	471,815	1,214,110
Other investments		278	278
Loan advances due from investments	1	168,289	1,640
Assets classified as held for sale		277	277
TOTAL NON-CURRENT ASSETS		650,672	1,224,256
TOTAL ASSETS		798,312	1,513,679
Liabilities and shareholders' equity			
Amounts due to subsidiaries		3,409	720
Accrued expenses and other		8,832	17,180
Taxes and social securities		343	138
TOTAL CURRENT LIABILITIES		12,584	18,038
Common shares:			
Common shares: Authorized 110,000,000 shares, par value €0.04, issued and outstanding 63,095,986 and 63,468,390 shares		2,584	2,539
Capital in excess of par value		433,126	203,945
Accumulated net earnings		26,730	375,469
Legal reserves	6	344,583	973,804
Accumulated other comprehensive loss		(21,295)	(60,116)
TOTAL SHAREHOLDERS' EQUITY	6	785,728	1,495,641
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		798,312	1,513,679

See Notes to Financial Statements ASM International NV.

STATEMENTS OF OPERATIONS ASM INTERNATIONAL NV

	YEAR ENDED DECEMBER 31,	
(EUR thousand except per share data)	2012	2013
Net earnings of subsidiaries	39,153	**1,085,648**
Net earnings from holding activities	(23,250)	**(22,973)**
TOTAL NET EARNINGS	**15,903**	**1,062,675**

See Notes to Financial Statements ASM International NV.

NOTES TO FINANCIAL STATEMENTS ASM INTERNATIONAL NV

Amounts in euro thousand, unless otherwise stated

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Significant Accounting Policies – For establishing the principles for the recognition and measurement of assets and liabilities and determination of the result for its Company financial statements, ASM International NV makes use of the option provided in Section 362, Part 9, of Book 2 of the Dutch Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as principles for recognition and measurement) of the Company financial statements of are the same as those applied for the consolidated annual accounts (see note 1 of the consolidated annual accounts). The consolidated annual accounts are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Investments – Investments in subsidiaries are stated at net asset value as we effectively exercise significant influence over the operational and financial activities of these investments. The net asset value is determined on the basis of the IFRS accounting principles applied by ASMI.

NOTE 2. INVESTMENTS AND LOAN ADVANCES DUE FROM INVESTMENTS

	INVESTMENTS	LOAN ADVANCES DUE FROM INVESTMENTS	TOTAL
BALANCE JANUARY 1, 2012	**456,125**	**141,794**	**597,919**
Capital investments	5,603	-	**5,603**
Net result of subsidiaries	39,153	-	**39,153**
Dividend received	(29,470)	-	**(29,470)**
Issuance of loans	-	28,772	**28,772**
Foreign currency translation effect	404	(2,277)	**(1,873)**
BALANCE DECEMBER 31, 2012	**471,815**	**168,289**	**640,104**
Capital investments	140,325	(140,201)	**124**
Net result of subsidiaries	1,085,649	-	**1,085,649**
Dividend received	(424,431)	-	**(424,431)**
Issuance of loans	-	(20,274)	**(20,274)**
Foreign currency translation effect	(59,248)	(6,174)	**(65,422)**
BALANCE DECEMBER 31, 2013	**1,214,110**	**1,640**	**1,215,750**

NOTE 3. OTHER INTANGIBLE ASSETS

The changes in the carrying amount of other intangible assets are as follows:

	SOFTWARE	PURCHASED TECHNOLOGY AND OTHER INTANGIBLE ASSETS	TOTAL
At cost:			
BALANCE JANUARY 1, 2012	11,222	10,887	22,109
Disposal	-	(7,866)	(7,866)
Additions	1,317	76	1,393
BALANCE DECEMBER 31, 2012	12,539	3,097	15,636
Additions	239	-	239
BALANCE DECEMBER 31, 2013	12,778	3,097	15,875
Accumulated amortization:			
BALANCE JANUARY 1, 2012	5,641	7,979	13,620
Disposal	-	(7,581)	(7,581)
Amortization for the year	1,802	513	2,315
BALANCE DECEMBER 31, 2012	7,443	911	8,354
Amortization for the year	1,681	544	2,225
BALANCE DECEMBER 31, 2013	9,124	1,455	10,579
Other intangible assets net:			
DECEMBER 31, 2012	5,096	2,186	7,282
DECEMBER 31, 2013	3,654	1,642	5,296

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

2014	1,810
2015	1,136
2016	1,136
2017	494
2018	481
>2018	239
TOTAL	5,296

NOTE 4. GOODWILL

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

	TOTAL
At cost:	
BALANCE JANUARY 1, 2012	4,746
Balance December 31, 2012	4,746
BALANCE DECEMBER 31, 2013	4,746
Accumulated amortization:	
BALANCE JANUARY 1, 2012	2,134
Balance December 31, 2012	2,134
BALANCE DECEMBER 31, 2013	2,134
Goodwill, net:	
Balance December 31, 2012	2,612
BALANCE DECEMBER 31, 2013	2,612

NOTE 5. 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, 2012	47	276	323
BALANCE DECEMBER 31, 2012	47	276	323
Disposal	-	(24)	(24)
BALANCE DECEMBER 31, 2013	47	252	299
Accumulated depreciation:			
BALANCE JANUARY 1, 2012	30	122	152
Depreciation for the year	8	44	52
BALANCE DECEMBER 31, 2012	38	166	204
Depreciation for the year	9	43	52
BALANCE DECEMBER 31, 2013	47	209	256
Property, plant and equipment, net:			
DECEMBER 31, 2012	9	110	119
DECEMBER 31, 2013	-	43	43

USEFUL LIVES IN YEARS:	
Buildings and leasehold improvements	10-25
Machinery and equipment	2-10
Furniture and fixtures	2-10

NOTE 6. SHAREHOLDERS' EQUITY

The changes in shareholders' equity are as follows:

	EUR						
(thousand except for share data)	COMMON SHARES	CAPITAL IN EXCESS OF PAR VALUE	TREASURY SHARES AT COST	ACCUMU-LATED (DEFICIT/ EARNINGS)	LEGAL RESERVES	ACCUMU-LATED OTHER COMPRE-HENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY
BALANCE AS OF JANUARY 1, 2012	**2,215**	**356,710**	**-**	**14,857**	**333,616**	**(13,842)**	**693,556**
Compensation expense stock options	-	3,242	-	-	-	-	**3,242**
Purchase of common shares	-	-	(40,554)	-	-	-	**(40,554)**
Conversion of debt into newly issued common shares	363	98,490	40,554	-	-	-	**139,407**
Exercise stock options by issue of common shares	6	2,203	-	-	-	-	**2,209**
Increased retained earnings subsidiaries	-	-	-	(1,139)	1,139	-	**-**
Dividend paid to common shareholders	-	(27,519)	-	-	-	-	**(27,519)**
Capitalized development expenses	-	-	-	(9,828)	9,828	-	**-**
Other comprehensive income	-	-	-	-	-	(7,453)	**(7,453)**
Dilution	-	-	-	6,937	-	-	**6,937**
Net earnings	-	-	-	15,903	-	-	**15,903**
BALANCE AS OF DECEMBER 31, 2012	**2,584**	**433,126**	**-**	**26,730**	**344,583**	**(21,295)**	**785,728**
Compensation expense stock options	-	4,440	-	-	-	-	**4,440**
Reclassification	(60)	60	-	-	-	-	**-**
Re-issued shares following the settlement of the Lehman treasury shares	10	4,180	-	-	-	-	**4,190**
Exercise stock options by issue of common shares	5	1,646	-	-	-	-	**1,651**
Decreased retained earnings subsidiaries	-	-	-	63,660	(63,660)	-	**-**
Fair value accounting investments	-	-		(699,525)	699,525	-	**-**
Dividend paid to common shareholders	-	-	-	(31,666)	-	-	**(31,666)**
Capital repayment	-	(239,507)	-	(30,035)	-	-	**(269,542)**
Capitalized development expenses	-	-	-	6,644	(6,644)	-	**-**
Other comprehensive income	-	-	-	-	-	(65,422)	**(65,422)**
Dilution	-	-	-	3,587	-	-	**3,587**
Net earnings	-	-	-	1,062,675	-	-	**1,062,675**
BALANCE AS OF DECEMBER 31, 2013	**2,539**	**203,945**	**-**	**402,070**	**973,804**	**(86,717)**	**1,495,641**

LEGAL RESERVES

Legal reserves include reserves regarding retained earnings of subsidiaries, capitalized development expenses and the cumulative foreign currency translation effect on translation of foreign operations and is included in the accumulated other comprehensive income (loss).

Changes in legal reserves during 2013 and 2012 were as follows:

	EUR		
	RETAINED EARNINGS OF SUBSIDIARIES	RESERVE FOR CAPITALIZED DEVELOPMENT EXPENSES	TOTAL
BALANCE AS OF JANUARY 1, 2012	**281,208**	**52,408**	**333,616**
Retained earnings subsidiaries	1,139	-	**1,139**
Development expenditures	-	9,828	**9,828**
BALANCE AS OF DECEMBER 31, 2012	**282,347**	**62,236**	**344,583**
Retained earnings subsidiaries and investments	(63,660)	-	**(63,660)**
Fair value accounting investments	699,525	-	**699,525**
Development expenditures	-	(6,644)	**(6,644)**
BALANCE AS OF DECEMBER 31, 2013	**918,212**	**55,592**	**973,804**

The cumulative foreign currency translation effect on translation of foreign operations was negative for the reported periods.

For more detailed information, reference is made to Note 18 to the Consolidated Financial Statements.

EMPLOYEE STOCK OPTION PLAN

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. For more detailed information, reference is made to Note 20 to the Consolidated Annual Accounts.

NOTE 7. SHARE OWNERSHIP OF THE MANAGEMENT BOARD AND SUPERVISORY BOARD

With respect to share ownership of the Management Board and Supervisory Board, reference is made to Note 29 and 30 to the Consolidated Financial Statements.

NOTE 8. PERSONNEL

The average number of employees of ASM International NV in full-time equivalents during 2013 was 21 (2012: 21). Salaries, social security charges and pension expenses amounted to €3,981, €147 and €361, respectively, for 2013 (2012: expenses of €4,062, €168 and €279, respectively).

For information on the parent company's defined benefit pension plan, the remuneration of the Corporate Executive Board and the Supervisory Board and the parent company's share-based compensation plans, see Notes 19 and 29, to the consolidated annual accounts.

For information regarding auditor's fees we refer to Note 31 of the consolidated annual accounts.

NOTE 9. COMMITMENTS AND CONTINGENCIES

With respect to certain Dutch subsidiaries ASM International NV has assumed joint and several liability in accordance with Article 403, Part 9 of Book 2 of the Netherlands Civil Code.

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

› ASM Europe BV (operational company)
› ASM UK Sales BV (operational company)
› ASM Germany Sales BV (operational company)
› ASM Pacific Holding BV (holding company)
› CVTR Development BV (dormant)
› Beheer- en Beleggingsmaatschappij Ingebel BV (dormant)
› Hamilcar Investments BV (dormant)
› Rembrandt Lease and Finance BV (dormant)
› ASM IP Holding BV (operational company)
› ASM Netherlands Holding BV (holding company).

SIGNING

Almere, the Netherlands
April 9, 2014

Supervisory Board
J.C. Lobbezoo
J.M.R. Danneels
H.W. Kreutzer
M.C.J. van Pernis
U.H.R. Schumacher

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

ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report is included on page 163 and 164 of the Annual accounts 2013.

APPROPRIATION AND DETERMINATION OF PROFITS

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

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

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

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

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

Article 33, para 3 of the Articles of Association provides that dividend claims expire after the lapse of five years. In 2014 the Management Board will propose to the forthcoming Annual General Meeting of Shareholders to declare a dividend of €0.50 per share to be paid from the available reserves. The net earnings for the year 2013 have been added to the accumulated deficit / net earnings.

SPECIAL STATUTORY CONTROL RIGHTS

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

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

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

› The amendment of the Articles of the Company; and
› The dissolution of the Company.

STICHTING CONTINUÏTEIT ASM INTERNATIONAL

The objective of Stichting Continuïteit ASM International ("Stichting") is to serve the interests of the Company. To that objective Stichting may, amongst others, acquire, own and vote our preferred shares in order to maintain our independence and/or continuity and/or identity.

The members of the board of Stichting are:

› Jan Klaassen (Chairman), Emiritus Professor, Vrije Universiteit Amsterdam
› Dick Bouma, Retired Chairman Board Pels Rijcken & Droogleever Fortuijn
› Rinze Veenenga Kingma, President Archeus Consulting B.V.

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

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

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

LIST OF SUBSIDIARIES AND OFFICES

The subsidiaries and offices of the Company are listed on page 97 of the Statutory Annual Report.

INDEPENDENT AUDITOR'S REPORT

To the General Meeting of ASM International NV, Almere, the Netherlands

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2013 of ASM International NV, Almere. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statements of financial position as per December 31, 2013, the consolidated statements of comprehensive income, consolidated statements of total equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise the company balance sheet as per December 31, 2013, the company statement of operations for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

MANAGEMENT'S RESPONSIBILITY

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

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

OPINION WITH RESPECT TO THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ASM International NV as per December 31, 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

OPINION WITH RESPECT TO THE COMPANY FINANCIAL STATEMENTS

In our opinion, the company financial statements give a true and fair view of the financial position of ASM International NV as per December 31, 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Deloitte Accountants B.V.

was signed: P.J.M.A. van de Goor

Amsterdam, the Netherlands

April 9, 2014

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