



LAYERING THE FUTURE

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ASM AT A GLANCE

ASM International NV (ASMI) is a leading supplier of semiconductor equipment, materials and process solutions for the wafer processing, assembly & packaging, and surface mount technology markets. 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.

Sales

EUR million

1,418

Cash

EUR million

290

Operating result (EBIT)

EUR million

99

Debt

EUR million

81

Bookings

EUR million

1,377

Net earnings (on common shares)

EUR million

16

Operational cash flow

EUR million

62

Earnings per share (diluted)

EUR

0.28

Staff

FTE

17,404

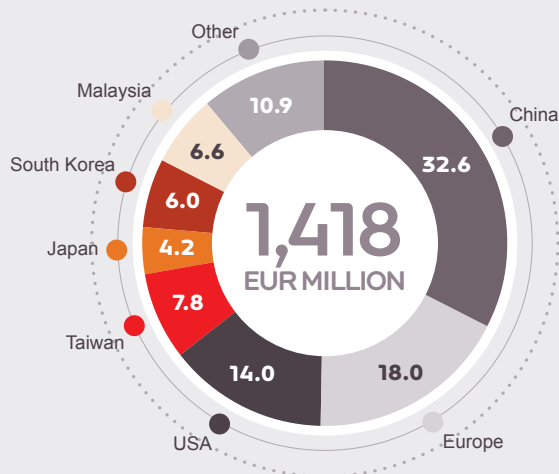
KEY FIGURES

EUR million	YEAR ENDED DECEMBER 31,				
	2008	2009	2010	2011	2012
Operations:					
Net sales	747	591	1,223	1,634	1,418
Front-end	297	160	293	456	370
Back-end	451	430	930	1,178	1,048
Result from operations	64	(37)	337	377	99
Net earnings allocated to shareholders of the parent	38	(119)	119	194	16
Statement of Financial position:					
Net working capital ¹	261	181	293	439	479
Total assets	801	867	1,242	1,622	1,551
Total debt	145	260	211	192	81
Net debt (cash)	(12)	(34)	(129)	(218)	(229)
Backlog					
Front-end	53	50	163	105	92
Back-end	38	146	337	226	198
Number of staff					
Full-time equivalents	11,714	12,067	16,699	16,194	17,404
Front-end	1,667	1,294	1,450	1,631	1,636
Back-end	10,047	10,773	15,249	14,563	15,768
Per Share data (EUR):					
Net earnings (loss) per share:					
Basic	0.73	(2.30)	2.26	3.52	0.28
Diluted	0.44	(2.30)	2.22	3.27	0.28
Weighted average number of shares used in computing per share amounts (thousands)					
Basic	52,259	51,627	52,435	55,210	56,108
Diluted	62,050	51,627	61,494	64,682	56,767

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

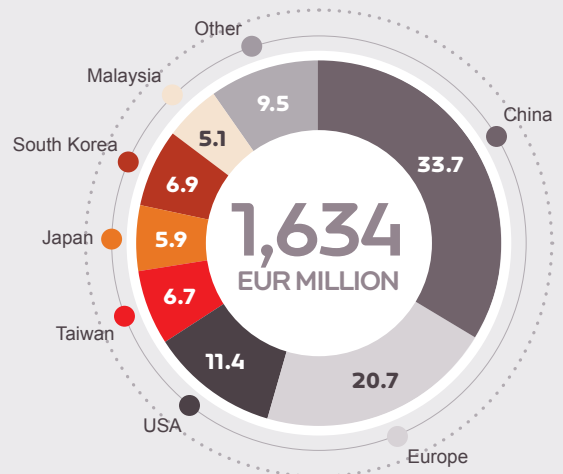
NET SALES 2012

% by region



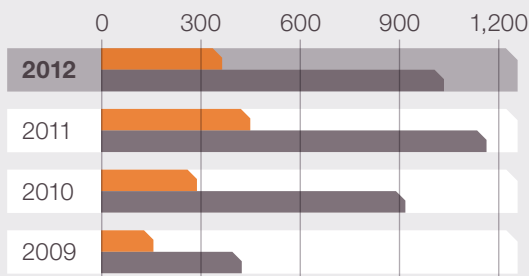
NET SALES 2011

% by region



NET SALES 2012

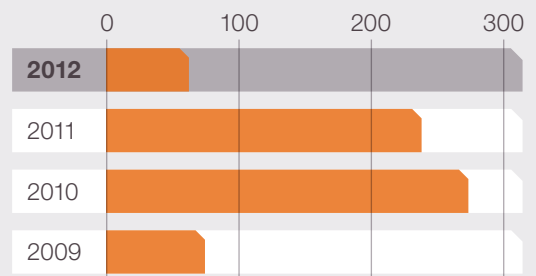
EUR million



Front-end Back-end

CASHFLOW FROM OPERATIONS

EUR million



ASMI

ABOUT ASMI

ASM International NV (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. We're a truly global company. Based in 13 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 ASMI group includes:

- › ASM, a wholly owned subsidiary specializing in wafer processing technologies and products;
- › ASM Pacific Technology (ASMPT), in which ASMI holds a substantial ownership of approximately 40%, is a leading supplier of semiconductor process equipment for assembly & packaging, and for surface mount technology.

WAFER PROCESSING

Within wafer processing, we focus on three distinct processes: wafer manufacturing, transistor formation and interconnect.

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 the key areas on the semiconductor industry roadmap:

- › 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.

ASSEMBLY & PACKAGING

On December 31, 2012 ASMI owned 51.96% of ASM Pacific Technology Ltd (ASMPT). ASMPT is the world's largest assembly & packaging equipment supplier for the semiconductor and LED industries and is a leading supplier of stamped and etched lead-frames.

With headquarters in Hong Kong, and operations in the People's Republic of China, Singapore and Malaysia, ASMPT offers the most comprehensive leading edge portfolio for all of the major process steps in assembly & packaging, from die attach through to encapsulation.

On March 15, 2013 ASMI reduced its stake in ASMPT to approximately 40%.

SURFACE MOUNT TECHNOLOGY

In early 2011, ASMPT entered the Surface Mount Technology (SMT) market through the acquisition of the Siemens Electronics Assembly

Systems business from Siemens AG. With its headquarters in Munich, Germany, ASM Assembly Systems (ASMAS) offers SMT placement tools for the global electronics manufacturing industries.



ASMI AT A GLANCE

Founded:	1968
Headquarters:	Almere, the Netherlands
Ticker:	Nasdaq: ASMI. Euronext: ASMI.
Market capitalization:	€1.8 billion
Fiscal 2012 net sales:	€1,418 million
Manufacturing:	Singapore, Malaysia, Hong Kong, Germany and the People's Republic of China
R&D:	Europe, North America and Asia
Employees:	17,404 FTE

ASM AT A GLANCE

ASM is the part of ASMI that handles equipment for Front-end wafer processing for the semiconductor industry.

Founded:	1968
Headquarters:	Almere, the Netherlands
Fiscal 2012 net sales:	€370 million
Employees:	1,636 FTE

ASMPT AT A GLANCE

ASMPT, in which ASMI holds a substantial ownership of approximately 40%, is a leading supplier of semiconductor process equipment for wafer assembly & packaging, and for surface mount technology.

Founded:	1975
Headquarters:	Hong Kong, People's Republic of China
Fiscal 2012 net sales:	€1,048 million
Employees:	15,768 FTE

LETTER TO SHAREHOLDERS

2012 was a challenging period for our industry. Global economic uncertainty put pressure on customer spending as the year unfolded, resulting in an overall decline in capital expenditures of between 15 and 20% from the prior year. In the second half of 2012, investments in new wafer fab equipment for logic, NAND and DRAM were at relatively low levels. In the foundry segment, however, demand for wafer fab equipment remained relatively strong, which included capacity buys for the 28 nanometer node.



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

ASMI 2012 consolidated revenues came in at EUR 1.4 billion, 13% below 2011. Front-end net sales declined 19% to EUR 370 million. Revenues for technology investments, especially reflected in our ALD and PEALD products held up well, while our other Front-end product lines were impacted by the market decline. Back-end annual revenues decreased 11% to EUR 1,048 million. While revenues for assembly, packaging and SMT equipment fell 23% year-over-year, our lead-frame business grew 9% from the prior year, posting record revenue.

2012 consolidated gross margin was 31%, compared to 35% the prior year, with both Front- and Back-end operations experiencing declines of slightly over 4%. The decrease in the Front-end margin was mainly the result of efficiency losses early in the year, lower loading of our factories that caused under-absorption, and higher investments in evaluation tools. For Back-end, the decrease in gross margin was the result of product mix and lower activity levels, especially for assembly & packaging equipment, combined with lower selling prices.

Front-end SG&A up 7% over the prior year, and Back-end, up 21%. Currencies played an important role causing an increase of 8% both for Front-end as well as Back-end. Besides this the increase in Back-end is reflecting to a large degree costs associated with

strengthening of the overall operation. For the full year, R&D expenses were 10% of consolidated net sales, with Front-end research and development costs up 28%, and Back-end up 12% from the 2011 level. 8% of this increase is due to currency movements.

The net impact was a significant decline in earnings from operations compared to 2011. Front-end operating income was EUR 12 million, and Back-end EUR 87 million. Net earnings allocated to the shareholders of the parent decreased to EUR 16 million, down from EUR 194 million in 2011, which included EUR 57 million related to the recognition of the badwill on the acquisition of the Surface Mount Technology (SMT) business of Siemens.

For the full year 2012, EUR 62 million net cash was provided by operations compared to EUR 236 million in 2011. During 2012, we repurchased 1,500,000 common shares for a total consideration of EUR 41 million. We exercised our option to call the outstanding 6.5% convertible subordinated bonds, due 2014. With the conversion of the EUR 150 million issue into 9,1 million shares ASMI's Front-end business is debt free. Back-end has approximately EUR 80 million in debt. At the 2013 Annual General Meeting of Shareholders (AGM) we will propose that the Company declares an ordinary dividend of EUR 0.50 per share.

FRONT-END: CONTINUED MOMENTUM IN (PE)ALD

Despite the weak macro-economic environment, momentum in our ALD and PEALD technologies remained strong in 2012. Led by a broadening adoption of our ALD and PEALD technologies, we qualified new process applications in the logic, memory and foundry segments, for the 2x and 1x nm technology nodes.

During the year, we launched two new platforms that feature leading edge process performance with high productivity: the Intrepid XP, a four reactor system designed for the deposition of strained silicon-based epitaxial films in advanced CMOS transistors; and, the XP8, an eight reactor PEALD or PECVD platform targeted for double and quadruple patterning spacers, and other applications. This represents a significant step in the further standardization of our product platforms.

We shipped a 450mm PECVD tool to Albany for testing and process development and are actively participating in the G450C consortium as an associate partner.

Due to the weak market circumstances in 2012 we initiated a cost reduction program in the fourth quarter of 2012, as part of which we announced in December to reduce cost in our manufacturing organization in Singapore.

BACK-END: STRONG FIRST HALF, WEAK SECOND HALF

In Back-end, our equipment business (IC/discrete, CIS (CMOS Image Sensor) and LED) experienced a strong pick-up during the first half of 2012. Unfavourable economic conditions, however, stalled the momentum during the second half of 2012, as the industry was hit by a slowdown with significantly lower demand from Chinese customers. 2012 also saw positive strides in our Back-end business.

We made significant progress with our new thermal compression bonder technology used in areas such as fine pitch flip chip bonding, system in package and packaging of 2.5D or 3D devices. We believe that thermal compression bonding offers significant business opportunities and growth potential, driven by future generations of mobile devices.

Our cost effective 100mm x 300mm ultra-wide lead frame packaging solution, our ISLinda die bonder for stack bonding of multiple very-thin memory dies for flash memory in an ultra-clean environment, our comprehensive suite of solutions for various flip chip applications, our mold under fill (MUF) solution for encapsulation of flip chip packages and the CA (Chip Assembly) machine from our SMT equipment business unit that supports direct die attach, flip-chip bonding and placement of SMT components in one pass in large panel format represent other new offerings with advanced capabilities that have been well-received in 2012 at leading edge customers.

We increased SMT shipments to Asian customers during the second half of last year.

In 2012 we launched an aggressive cost reduction program in Back-end. We are adjusting our manufacturing cost structure by increasing outsourcing to provide more flexibility, especially during industry upturns. In addition, we are intensifying our efforts to further integrate our SMT equipment businesses within ASM Pacific Technology, and accelerate our cost reduction efforts, such as in the area of insourcing components in the SMT operations.

STUDY

At the Annual General Meeting of Shareholders (AGM) held in May 2012, the Company announced that it would carry out a study into the causes of the lack of recognition by the markets of the value of the combined businesses (Front-end and Back-end) of the Company. Following that announcement the Company appointed Morgan Stanley and HSBC Bank plc to act as its financial advisers and to assist the Company in carrying out the study.

The study was completed in Q1 2013. As reported in the two press releases that we issued on March 13, 2013, the Management Board and the Supervisory Board of the Company concluded that a partial secondary placement of 8% to 12% of the Company's stake in ASMPT was the most suitable step to be taken to address the non-recognition by the markets of the value of the combined businesses of the Company. This course of action was chosen taking into account, amongst others, equity market capacity, tax efficiency and ongoing corporate stability at ASMI and ASMPT. This step provided flexibility for further action, if deemed appropriate.

The Management and Supervisory Boards of the Company have proceeded with this action. The board of directors of ASMPT had expressed its support to this proposed action. In addition, certain major shareholders of the Company representing approximately 27% of the total outstanding shares in the Company were consulted in advance with regard to this proposed action and expressed support thereof.

After this decision had been taken, on March 15, the Company sold a stake of 12% of the total outstanding share capital in ASM Pacific Technology Ltd (ASMPT) through a partial secondary share placement. The Company proposes to distribute EUR 4.25 per ordinary share to its shareholders, representing approximately 65% of the cash proceeds from the placement. This distribution will be in addition to the proposed ordinary dividend of EUR 0.50 per share. The remainder of the proceeds of the placement will be used to further strengthen the business of the Company. Following the divestment, the Company now owns approximately 40% of the shares in ASMPT. The Company will further report on the outcome of the study at the 2013 AGM, which is scheduled to take place on May 16, 2013.

OUTLOOK

ASM's innovative product and process solutions in both Front-end and Back-end are well positioned to benefit from shrink-related capital spending. Our many years of strategic investments and innovations have enabled our core technologies today to provide industry leading solutions that address our current and future customers' scaling challenges.

Mobile devices, including smartphones, tablets and ultrabook computers, continue to be the dominant market driver for further miniaturization and high performance capability at lower power levels.

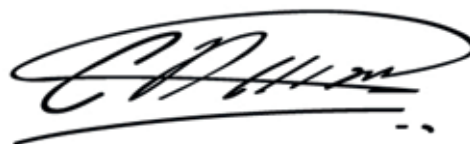
In Front-end, we are currently witnessing a broadening of customer acceptance of atomic layer deposition, by foundry, logic and memory manufacturers. The demand for feature rich portable devices with high performance at lower power levels is driving innovation at our customers, and as a result we are seeing the introduction of new materials in our customers' leading edge devices at an increasing rate. This area of thin film engineering,

and introducing the deposition processes of these new materials in high volume device manufacturing is an area where ASM has demonstrated technology leadership. As more customers will be introducing these new materials in high volume manufacturing in the 2x and 1x node in 2013 and beyond, we expect this to be a major driver in the development of ASM Front-end's top line.

In Back-end, we expect that adoption of 2.5D and 3D packages will accelerate. ASMPT has been investing aggressively in this area, developing technologies and solutions for both thermal compression bonding and encapsulation. We expect these investments to deliver meaningful returns in the foreseeable future. In our LED equipment business, we believe that improvements in LED technology and manufacturing, as well as continuous decrease in the pricing of LED will help to expedite the adoption of LED general lighting. With our strong market position, we expect that ASMPT will benefit from a possible taking off of the LED general lighting market.

We appreciate the commitment of our workforce, our customers and shareholders. We remain confident in the future of ASM as we look forward to new opportunities to maximize the value of ASM for all of our stakeholders.

Almere, the Netherlands
April 4, 2013



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

STRATEGY & FOCUS AREAS

At ASMI, our long 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 & STRATEGY

Our mission and vision guide all of our activities while our strategy outlines our specific current efforts to realize them.

MISSION

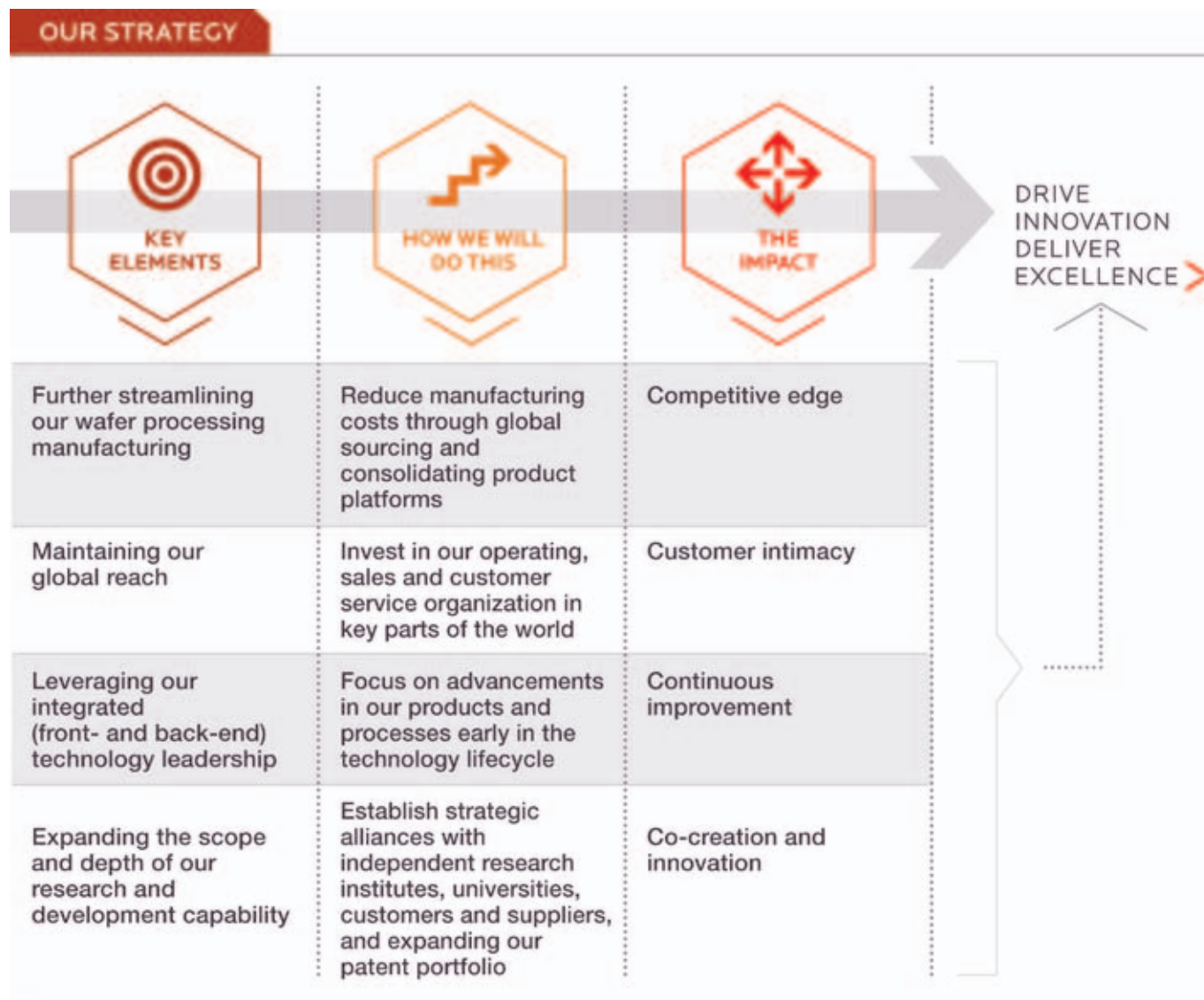
ASMI's mission is to provide our customers with the most advanced, cost-effective, and reliable products, service and global support network in the semiconductor industry and beyond. We bring forward the adoption of our technology platforms by developing new materials and process applications that progressively 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'll 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 (Front-end) 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 combined strong wafer processing (Front-end) and assembly & packaging (Back-end) technology leadership and manufacturing capabilities through advancements in our products and processes early in the technology lifecycle;
- › Expanding the scope and depth of our research and development capabilities through strategic alliances with independent research institutes, universities, customers and suppliers, and expanding our patent portfolio where it is necessary and beneficial.



FOCUS AREAS

ASMI focuses on three parts of the semiconductor industry manufacturing process: wafer processing, assembly & packaging and surface mount technology.

WAFER PROCESSING

Within wafer processing, we focus on three distinct processes: wafer manufacturing, transistor formation and interconnect.

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 the key areas on the semiconductor industry roadmap:

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

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ASSEMBLY & PACKAGING

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With headquarters in Hong Kong, and operations in the People's Republic of China, Singapore and Malaysia, ASMPT offers the most comprehensive leading edge portfolio for all of the major process steps in assembly & packaging, from die attach through to encapsulation. On March 15, 2013 ASMI reduced its stake in ASMPT to approximately 40%.

SURFACE MOUNT TECHNOLOGY

In early 2011, ASMPT entered the Surface Mount Technology (SMT) market through the acquisition of the Siemens Electronics Assembly Systems business from Siemens AG. With its headquarters in Munich, Germany, ASM Assembly Systems (ASMAS) offers SMT placement tools for the global electronics manufacturing industries.

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.

MARKETS

Our wafer processing business supplies equipment to the leading semiconductor manufacturers in the Logic, Foundry and Memory markets, primarily for the deposition of thin films. The Logic market is made up of manufacturers who create chips that are used to process data, the Foundry market consists of businesses that operate semiconductor fabrication plants to manufacture the designs of other semiconductor companies and the Memory market covers manufacturers who make chips that store information either temporarily or permanently such as Random Access Memory (RAM).

We 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.

The assembly & packaging business focuses on assembly & packaging and surface mount technology equipment. For more detail on the markets and products of this business, see our ASM Pacific Technology website, www.asmpacific.com.

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 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, A412 and A4ALD are our batch Vertical Furnace products offering Oxidation/Diffusion, LPCVD and ALD.

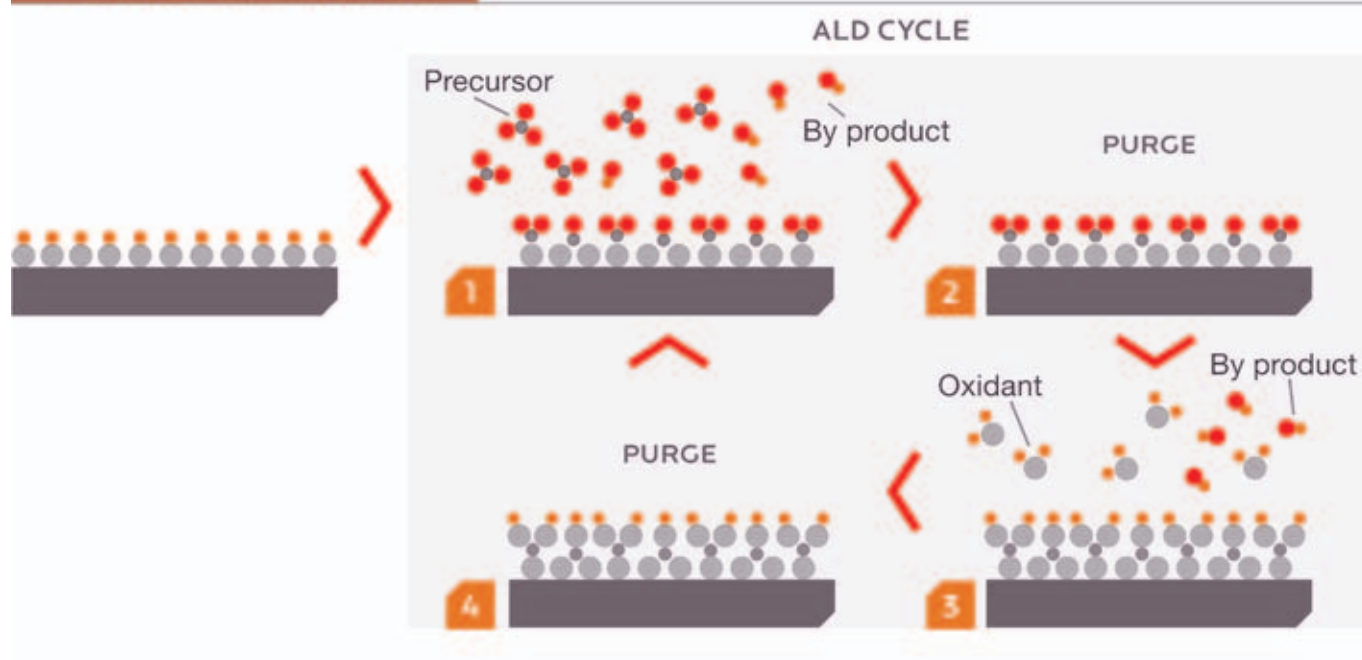
BREAKTHROUGH TECHNOLOGY

For 45 years, we've grown by meeting customer demand for more sophisticated wafer processing. From the very start of the semiconductor industry to the present day, we've been technology leaders who have pioneered innovation and brought new processes into mainstream manufacturing.

RECOGNIZING THE POTENTIAL OF ALD

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 8 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. Creating nanoscale structures and devices with unique properties to meet the challenges posed at 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), plasma is used to further enhance the process.

Using ALD technology, we have been able to scale devices to 45nm and below 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 long 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, the 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 work create new breakthroughs.

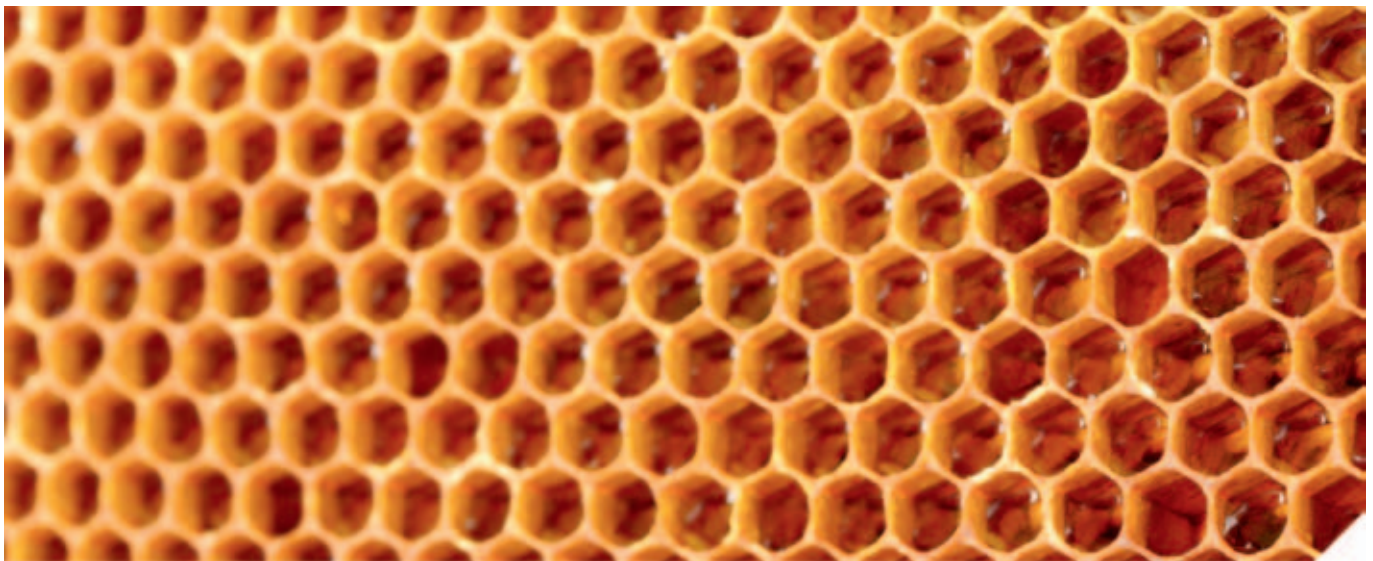
We will continue to expand the scope and depth of our research and development capabilities through strategic alliances with independent research institutes, universities, customers and suppliers. We will also keep expanding our patent portfolio where necessary and beneficial.

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 who want to understand, create and share more of what they love.

CORPORATE RESPONSIBILITY

At ASMI, we help enable leading edge film deposition technologies for semiconductor manufacturing, allowing our customers to introduce electronic devices with better performance at lower power levels. These new technologies increase the quality of life for people everywhere, helping them to understand, create and share more. At the same time, we provide careers for skilled people at our workplaces across the world under good working conditions.



Our continued strong investment in R&D drives fundamental scientific research. We work together with our customers and research partners to go beyond the boundaries of what was previously possible. Advancing society through technology. In both our Front-end and Back-end businesses, we pride ourselves in being responsible corporate citizens. The following addresses our Front-end Corporate Responsibility. More information on our Back-end Corporate Responsibility can be found on ASM Pacific Technology's website: www.asmpacific.com.

ELECTRONICS INDUSTRY CITIZENSHIP COALITION

We are committed to the Electronics Industry Citizenship Coalition (EICC) tenets to conduct our business responsibly in all areas of Environment, Health & safety, Labor, Ethics and Supply chain.

OUR CORPORATE RESPONSIBILITY POLICY

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.

ENVIRONMENT

We strive to minimize our environmental impact on the world around us across all our operations. We are driving continuous improvement in our environmental performance through a global ISO14001 certification and a predetermined framework.

HEALTH & SAFETY

Zero Harm: every one of our people is committed to this philosophy. We believe all injuries are preventable. We believe we can achieve a zero injury work environment with the help of all our people. Safety always comes first, every time, everywhere.

LABOR

We set and maintain high standards governing the way we conduct business. Standards that comprise corporate social responsibility and sound business ethics including compliance with all applicable national and international laws and regulations.

ETHICS

We are committed to conducting our business according to ethical standards. These same ethics guide all our interactions with our customers, suppliers, competitors and the public. We strive to be trustworthy for everyone.

SUPPLY CHAIN

We are committed to driving our beliefs and the EICC tenets throughout our supply chain.

ENVIRONMENTAL

At ASMI, we are committed to minimizing our environmental footprint. 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 should do this without harming the environment.

ISO CERTIFICATION

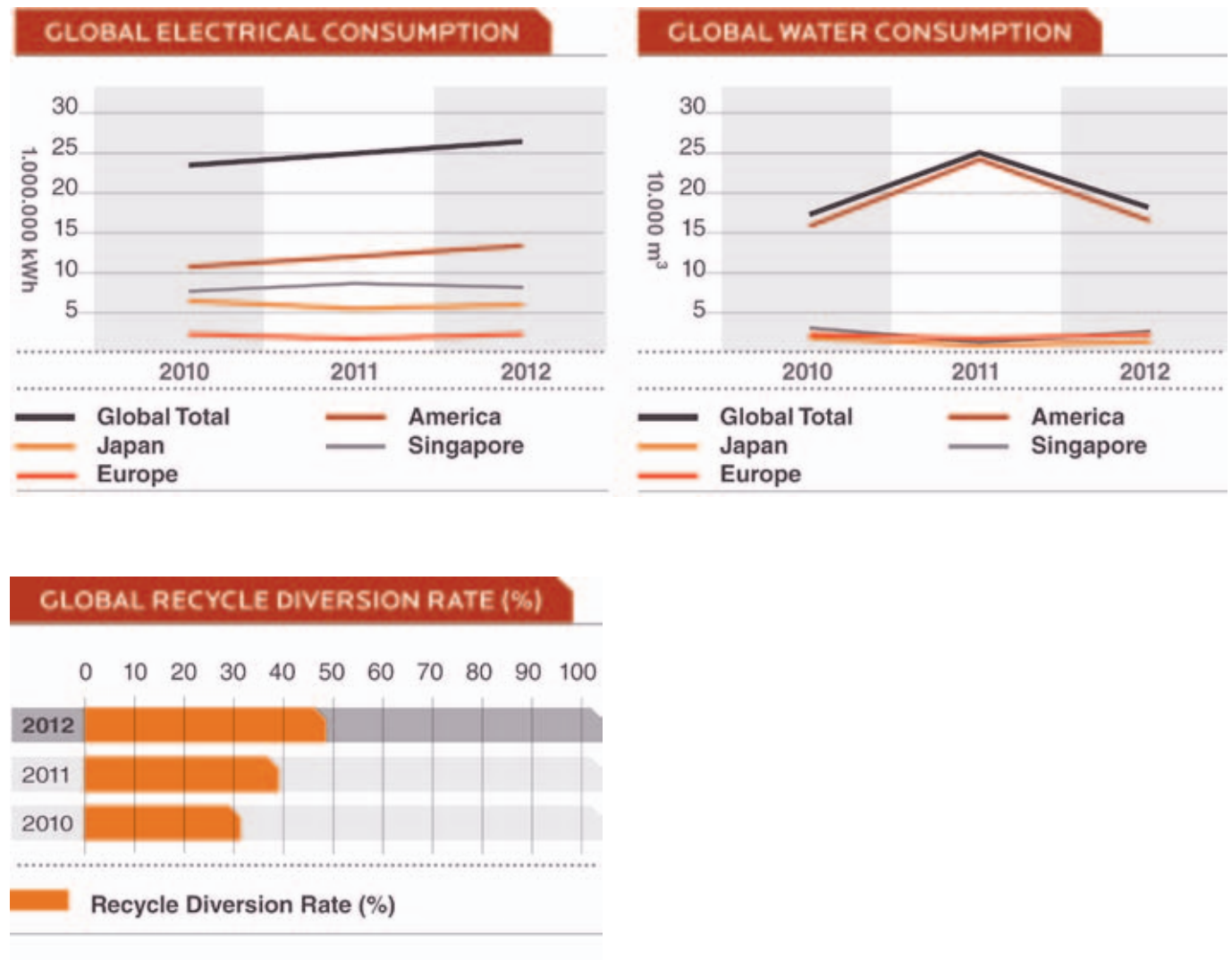
We are currently ISO14001 certified at most of our worldwide facilities, and are actively working to attain a global ISO14001 certification to unify and standardize the environmental programs throughout our organization.

We believe all of our global operations must contribute in order for this to succeed. To drive this, we have set the Global Environmental Targets as outlined below:

2013-2015 ENVIRONMENTAL SCORECARD

KPI	UNIT	2015 TARGET (COMPARED TO 2012 BASELINE)	APPLICABLE ELEMENTS
GHG EMISSION (SCOPE 1 AND 2)	METRIC TON EQUIV CO ₂ (MT-CO ₂ E)	-5%	<ul style="list-style-type: none"> NATURAL GAS PURCHASED ELECTRICITY DISTRICT HEATING GREENHOUSE GAS OTHER FUEL USED ON SITE
WATER USAGE	M ³	-5%	<ul style="list-style-type: none"> SANITARY WATER PROCESS WATER (COOLING ABATEMENT)
RECYCLES SOLID WASTE	PERCENT % OF TOTAL SOLID WASTE	85%	
ENVIRONMENTAL PERMIT EXCURSIONS	TOTAL COUNT	ZERO (0)/YEAR	<ul style="list-style-type: none"> WATER & AIR PERMITS CHEMICAL RELEASES

Our Environmental Performance sets the baseline for these targets:

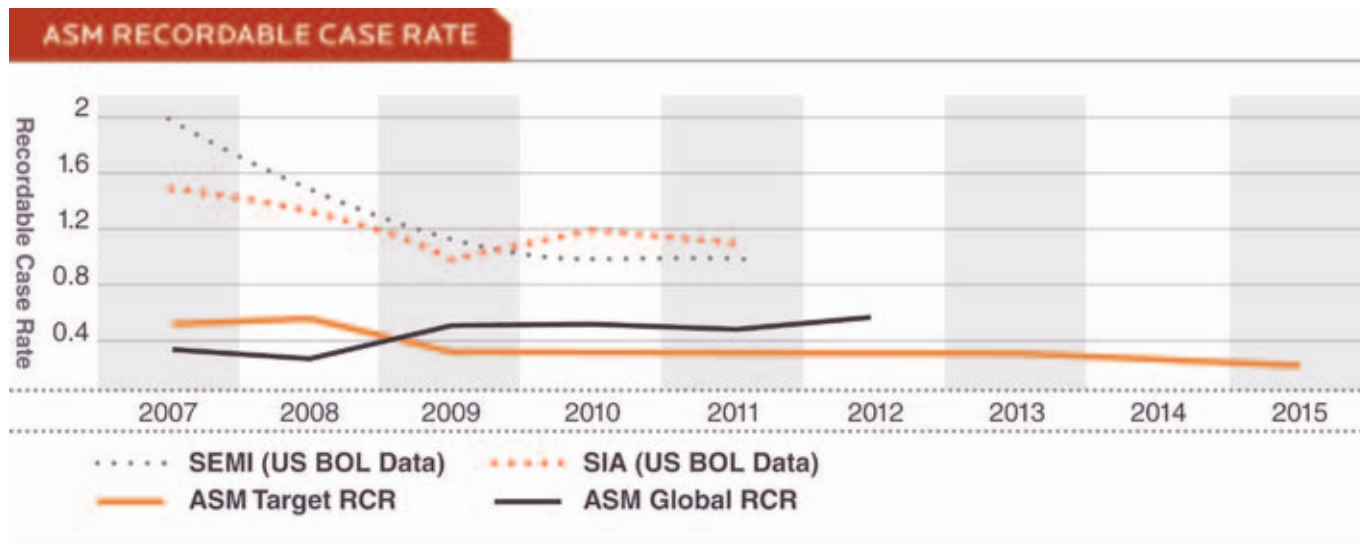


HEALTH & SAFETY

At ASMI, we know that it takes a team to create a safe working environment. This includes management support and commitment and every employee setting aside sufficient time before each task to assess potential risks. We foster a cooperative spirit throughout the

company in order to cause no harm or injury. At ASMI, health and safety is everyone's business.

We maintain an industry-leading Recordable Injury Case Rate (RCR) that we continuously strive to improve.



STOP WORK

At ASMI, every employee has the right to STOP WORK for any safety reason, without any repercussions. This applies regardless of the location they are working at or circumstances they are working under. STOP WORK is an ASMI employee right in any case of any safety concern.

PREVENTION

We believe that prevention is key to a successful safety program. We strongly endorse a "Safety Management By Walking Around" and "Good Catch" program for all employees to participate in. This program encourages everybody to proactively look for and fix hazards in the working environment.

LABOR

We set and maintain standards for the way we conduct business. Our standards comprise corporate social responsibility and sound business ethics including compliance with all applicable national and international laws and regulations. But, at heart, they are simple. They are about mutual respect and support and doing what is right for everyone.

GLOBAL STANDARDS

These standards apply to all categories of ASMI employees. However, they are not meant to describe the full scope of ASMI human resource policies or practices. More detailed statements on policies, procedures and practices are contained in documents such as our Code of Ethics and Global Employment Standards.

Our Global Employment Standards summarizes our position on key human rights issues and our approach to managing our responsibility to respect human rights through our global operations and value chain. The principles embody common principles laid out by the United Nations in several acts and declarations.

Managers and employees are required to comply with all ASM policies, procedures and practices at all times and are responsible for consulting their management if they have any questions. Our goal is to ensure full compliance with these principles by ASMI managers and employees as well as our suppliers.

HUMAN RIGHTS

We are committed to maintaining and improving our systems and processes to avoid complicity in human rights violations related to our own operations, supply chain or products. We are currently setting up management controls and we will introduce due diligence to regularly assess human rights-related risks and potential impacts, review our policies and management processes, and seek input from stakeholders on our approach.

ETHICS

The principles referenced in our Code of Ethics and Global Employment Standards apply without restriction to the whole workforce of ASMI.

We will work towards an integrated approach to managing human rights across our business. We will appoint review committees in each relevant section of our business. The committees will be responsible for conducting due diligence and implementing policies and procedures to support our adherence to the principles as laid down in Global Employment Standards.

ETHICS

We are committed to upholding ethical standards in our workplace and in our business dealings. Our values are at the basis of everything we do. They determine our success. They range from working as a team to creating a safe and trustworthy workplace for our employees. At ASMI, every decision is an ethical decision.

ETHICALLY-BASED DECISIONS

Every day, our employees have to make decisions that impact on our business, our business partners, our co-workers, and the communities in which we operate. Ultimately, our decisions affect our reputation as a company. Even simple decisions can require us to simultaneously consider multiple elements.

We believe that good, ethical decisions are made when adequate information and resources are readily available. At the same time, we want to be explicit. We do not want to leave any doubt as to what we expect in terms of ethical business conduct, which is an integral part of all decision making.

CODE OF ETHICS

At ASMI, we have adopted a Code of Ethics that sets out clear standards in different areas of business life. Its purpose is to promote a clear, strong and consistent culture of ethics that applies to our entire workforce around the globe.

ETHICS TRAINING

These ethical standards are necessary. They serve to guide us in making the best possible decisions. But because written standards alone are not sufficient, we also place great emphasis on training our workforce on an annual basis. During training sessions, we present our workforce with dilemmas based on examples derived from daily practice. Regular training like this focuses and reinforces the behaviors critical to how we wish to conduct business.

PERSONAL RESPONSIBILITY

As ASMI employees, each of us is personally responsible for reading, understanding, embracing and complying with the guidelines set out in our Code of Ethics as well as other company policies. We have a duty to personally understand and interpret the standards. What's more, we are committed to fostering a shared understanding of the standards through open communication and by acting as role models.

SPEAKING UP

We will speak up if we are in doubt about any action or unclear about ASMI's expectations that might conflict with the Code of Ethics. We will speak up if asked to engage in conduct that is not consistent with the Code of Ethics. We will speak up if we become aware of conduct that is not consistent with the Code of Ethics. At any time, ASMI employees can seek guidance from their manager, the Human Resources Department or the Compliance Officer of our company on ethical matters.

At ASMI, we are proud of our reputation for honest and fair business dealings. We are committed to creating, facilitating and reinforcing the conditions required to safeguard that reputation.

SUPPLY CHAIN

At ASMI, we see the bigger picture. Our corporate responsibility does not stop at the factory gates; it applies to everyone across the world that works with us and that includes all of our suppliers.

OUR POLICIES AND OUR SUPPLY CHAIN

The following extracts from our Corporate Responsibility Policy are directly relevant to our relationship with our supply chain.

“ASMI is committed to making positive contributions towards causing no harm to our people or the planet.”

WHAT WE EXPECT FROM OUR SUPPLIERS

We require our supply chain to commit to the Electronic Industry Citizenship Coalition (EICC) tenets to follow guidelines for performance and compliance with critical Corporate Social Responsibility (CSR) policies, including all areas of Ethics, Labor, Environment, Health & safety and Management Systems.

CONFLICT MINERALS

We are actively working with our supply chain to address the issue of Conflict Minerals. We require all suppliers to commit to a Conflict Mineral-free supply chain. Our Conflict Mineral policy serves as the basis upon which we operate. We expect our entire supply chain to comply with this policy.

“ASM is 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.”

ASMI CONFLICT MINERALS POLICY

As a member of the global corporate community, ASMI has a strong commitment to its environmental and sustainability programs and is aware and focused on human rights violations that are associated with the mining of certain minerals under potentially violent conditions in certain parts of the world. ASMI supports the principles endorsed by the Electronic Industry Citizenship Coalition (EICC) and the Dodd-Frank Wall Street Regulation and Consumer Protection Act to avoid the use of Conflict Minerals.

Conflict Minerals refers to minerals or other derivatives including tin, tantalum, gold and tungsten, which when mined in the Democratic Republic of the Congo (DRC) and adjoining countries, directly or indirectly finance armed groups engaged in civil war resulting in social and environmental abuses.

ASMI is committed to sourcing components and materials from companies that share these values concerning human rights, ethics and environmental and social sustainability.

ASMI expects its suppliers to source materials from socially responsible suppliers. ASMI expects its suppliers to comply with all regulations pertaining to Conflict Minerals and to provide all the necessary declarations. As this is an evolving global issue, ASMI is committed to continuous improvement in this area both for itself and its supply chain.

OUR MANAGEMENT

SUPERVISORY BOARD

GERT-JAN KRAMER¹ (1942)

Chairman

Nationality: Dutch

Current term expires: 2013

Vice-Chairman of the Board of Damen

Shipyards Group NV

Member of the Supervisory Board of Fugro NV

Member of the Supervisory Board

of Bronwaterleiding Doorn

Member of the Supervisory Board

of Energie Beheer Nederland BV

Chairman of the Supervisory Board of Delft

Technical University

Chairman of the Service Organization

Protestant Churches in the Netherlands

Chairman of the Foundation of Friends

of the Pieterskerk Leiden

Chairman of the Board of the Pieterskerk

Leiden

Member of the Board of the Foundation

Beelden aan Zee Museum

Member of the Board of the Frans Hals

Museum

Member of the Advisory Board of

De Nieuwe Kerk Amsterdam

Chairman of Amsterdam Sinfonietta

Chairman of The Hague Philharmonic

Member of the Board of the

Concertgebouw Fund Foundation

JOHAN M.R. DANNEELS² (1949)

Nationality: Belgian

Current term expires: 2016

Chief Executive Officer of Essensium NV

HEINRICH W. KREUTZER³ (1949)

Nationality: German

Current term expires: 2014

Chairman of the Supervisory Board

of Micronas Semiconductor GmbH

in Freiburg, Germany

Chairman of the Board of Directors of

Micronas Semiconductor AG in Zurich,

Switzerland

Chairman of the Supervisory Board of

BKtel Communications GmbH, Germany

JAN C. LOBBEZOO⁴ (1946)

Nationality: Dutch

Current term expires: 2013

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

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

Chairman of the Supervisory Board

of the Point One Innovation Fund

MARTIN C.J. VAN PERNIS⁵ (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

Chairman of the Supervisory Board

of GGZ Delfland

Chairman of the Supervisory Board

of SFG/Vlietland Group

President of the Royal Institute

of Engineers – KIVI NIRIA

Chairman of the Platform

'Vernieuwing Bouw'

ULRICH H.R. SCHUMACHER⁶ (1958)

Nationality: German

Current term expires: 2016

Managing Director of CGS Consulting

Member of the Supervisory Board

of Directors of Siano Mobile Silicon

Chairman of the Supervisory Board

of PACT XPP Technologies AG, Munich

¹ Chairman Nomination, Selection and Remuneration Committee

² Member Nomination, Selection and Remuneration Committee

³ Member of the Audit Committee

⁴ Chairman of the Audit Committee

⁵ Member Nomination, Selection and Remuneration Committee

⁶ Member of the Audit Committee

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

FOKKO LEUTSCHER

Vice President Front-end Global Operations

TOM WU

Vice President Front-end Global Sales & Service

J.F.M. (HAN) WESTENDORP

Vice President Corporate Marketing Front-end

J.M.M. (IVO) RAAIJMAKERS

Chief Technology Officer and Director of Research & Development Front-end Operations

PETER GAUDETTE

Vice President Operational Excellence

BAUKE BROERSMA

Director Global Human Resources Front-end

RICHARD W. (DICK) BOWERS

Chief Legal Officer Front-end Operations

LEE WAI KWONG

Member of the Board of Directors and Chief Executive Officer of ASM Pacific Technology Ltd

LO TSAN YIN, PETER

Member of the Board of Directors and Vice Chairman of ASM Pacific Technology Ltd

CHOW CHUEN, JAMES

Member of the Board of Directors and Chief Operating Officer of ASM Pacific Technology Ltd

NG CHER TAT, ROBIN

Member of the Board of Directors and Chief Financial Officer of ASM Pacific Technology Ltd

INVESTOR RELATIONS & OTHER INFORMATION

INVESTOR RELATIONS

Victor Bareño

Almere, The Netherlands
T: +31 (0)88 100 8500
E: victor.bareno@asm.com

Mary Jo Dieckhaus, DD&W LTD

New York, NY, United States
T: +1 212 986 2900
E: investor.relations@asm.com

ASM PACIFIC TECHNOLOGY LTD

Lee Hung Kuen, Leonard

Hong Kong
T: +852 24 24 2021 / +852 2619 2529
E: investor.relation@asmpt.com

Jerry Dellheim

San Jose, CA, United States
T: +1 408 451 0804
E: jerry.dellheim@asmpt.com

OTHER INFORMATION

TRANSFER AGENTS AND REGISTRARS

Citibank
New York, NY, United States

ABN AMRO Bank NV
Amsterdam, the Netherlands

INDEPENDENT AUDITORS

Deloitte Accountants BV
Amsterdam, the Netherlands

TRADE REGISTER

Chamber of Commerce
Number 30037466

ANNUAL GENERAL MEETING OF SHAREHOLDERS

The Annual General Meeting of
Shareholders will be held on May 16, 2013

FINANCIAL CALENDAR FOR 2013

April 23, 2013

Announcement of First Quarter results 2013

July 24, 2013

Announcement of Second Quarter results
2013

October 29, 2013

Announcement of Third Quarter results 2013

TRADEMARK LIST AS OF JANUARY 1, 2013

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

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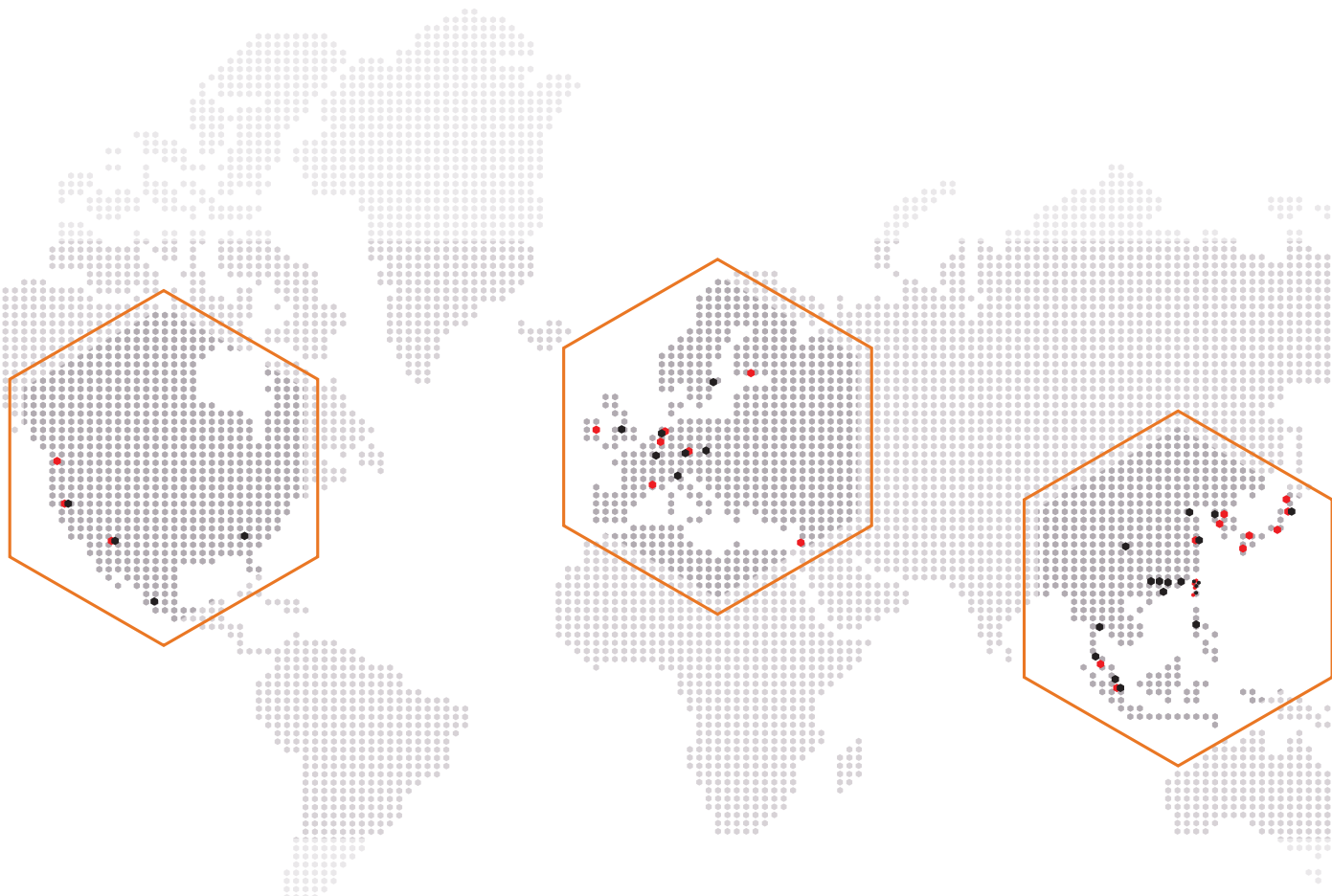
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- › ASM is a registered trademark of ASM International NV;
- › A400 is a trademark of ASM International NV.

ASM INTERNATIONAL WORLDWIDE



FRONT-END

EUROPE

NETHERLANDS

ASM International NV

Versterkerstraat 8

1322 AP Almere

T: +31 88 100 8810

F: +31 88 100 8830

(HEADQUARTERS)

ASM Europe BV

Versterkerstraat 8

1322 AP Almere

T: +31 36 540 6711

F: +31 36 540 6710

BELGIUM

ASM Belgium NV

Kapeldreef 75

3001 Leuven

T: +32 16 28 1639

F: +32 16 28 1221

FINLAND

ASM Microchemistry Oy

Väinö Auerin katu 12 A

00560 Helsinki

T: +358 9 525 540

F: +358 9 525 54600

FRANCE

ASM France SARL

176, avenue de la Royale

ZA les Cousteliers

34160 Castries

T: +33 499 13 6640

F: +33 467 64 2778

GERMANY

ASM Germany Sales BV

Peter-Henlein-Strasse 28

85540 Haar

T: +49 89 462 3650

F: +49 89 462 36566

IRELAND

ASM Services & Support Ireland Ltd

Unit 23

Hills Industrial Estate

Lucan, Co Dublin

T: +353 1 621 9100

F: +353 1 628 0206

ISRAEL

ASM Service & Support Israel Ltd

Edwards Building

Habarzel Street 5

82107 Kiryat Gat

T: +972 8 860 9181

F: +972 8 860 9182

NORTH AMERICA

UNITED STATES

ASM America, Inc

3440 East University Drive
Phoenix, AZ 85034-7200
T: +1 602 470 5700
F: +1 602 437 1403

Regional Sales/Service Office:

97 East Brokaw Road
Suite 100
San Jose, CA 95112-4209
T: +1 408 451 0830

Regional Service Office:

2500 NW 229th Avenue
Suite 100
Hillsboro, OR 97124-7114
T: +1 503 629 1360
F: +1 503 533 4637

ASIA

CHINA

ASM China Ltd

A/N, 15F, No. 720 Pudong Avenue
Shanghai 200120
T: +86 21 50 368588
F: +86 21 50 368878

JAPAN

ASM Japan KK

23-1, 6-chome Nagayama
Tama-shi
Tokyo 206-0025
T: +81 42 337 6311
F: +81 42 389 7555

Kumamoto Service Center

3F, Mayfair-Suizenji
21-30, 1-chome, Suizenji
Kumamoto-shi
Kumamoto 862-0950
T: +81 96 387 7300
F: +81 96 387 7301

Nagaoka Factory

392-1 Mishimashimbo
Nagaoka-shi
Niigata 940-2311
T: +81 258 42 2400
F: +81 258 41 2490

Yokkaichi Service Center

2F-D, NJ Building
1-7 Shimizucho, Yokkaichi-shi
Mie 510-0814
T: +81 59 332 3537
F: +81 59 332 3598

MALAYSIA

ASM Wafer Process Equipment

Singapore Pte Ltd

(Malaysia Branch)
Suite 17&18, Incubator Block
1st Floor, KHTP Techno Centre
Kulim Hi-Tech Park
09000 Kulim
Kedah Darul Aman
T: +604 4039330
F: +604 4080140

SINGAPORE

ASM Front-End Manufacturing

Singapore Pte Ltd

543 Yishun Industrial Park A
Singapore 768765
T: +65 6512 2922
F: +65 6512 2966

ASM Wafer Process Equipment

Singapore Pte Ltd

543 Yishun Industrial Park A
Singapore 768765
T: +65 6512 2962
F: +65 6512 2961

SOUTH KOREA

ASM Genitech Korea Ltd

Head Office

SungKong-Kwan 1 Dong
Cheonan Valley, 514 Sameun-ri
Jiksan-eup, Cheonan-si
Chungcheongnam-do 330-816
T: +82 70 7596 7800
F: +82 41 5890 209

ASM Genitech Korea Ltd

BunDang Branch Office

10F-1001, 1st bldg., Pangyo 7
Venture Valley
633 Sampyoung-dong, Bundang-gu
Sungnam-si
Kyonggi-do 463-400
T: +82 70 7596 7788
F: +82 31 8016 9970

TAIWAN - R.O.C.

ASM Front-End Sales & Services

Taiwan Co Ltd

Hsin-Chu Office
2F-5, No.1, Jinshan 8th St
East dist., Hsinchu City 300
T: +886 3 666 7722
F: +886 3 564 8899

ASM Front-End Sales & Services

Taiwan Co, Ltd

Tai-Chung Office
No.20-2, Lane 128, Sec. 3,
Taichung Port Rd
Situn dist., Taichung City 407
T: +886 4 2465 1086
F: +886 4 2463 3707

ASM Front-End Sales & Services

Taiwan Co, Ltd

Tai-Nan Office
Room 612, 6F, No.13, Guoji Rd
Xinshi dist., Tainan City 744
T: +886 6 589 2368
F: +886 6 589 2710

BACK-END

EUROPE

AUSTRIA

ASM Assembly Systems GmbH

Kuerschnergasse 6
1210 Vienna
T: +43 1 259 0529 100
F: +43 1 259 0529 660

ASM Assembly Systems GmbH & Co KG

Kuerschnergasse 6
1210 Vienna
T: +43 1 259 0529 100
F: +43 1 259 0529 660

FRANCE

ASM Assembly Systems SAS

ZAC Parc Gustave Eiffel
6, avenue Gutenberg
77600 Bussy Saint Georges
T: +33 1 7994 8122
F: +33 1 6003 2153

GERMANY

ASM Assembly Systems Management GmbH

Rupert-Mayer-Str. 44
81379 Munich
T: +49 89 20800 33400
F: +49 89 20800 27438

ASM Assembly Systems GmbH & Co KG

Rupert-Mayer-Str. 44
81379 Munich
T: +49 89 20800 33400
F: +49 89 20800 27438

ITALY

ASM Assembly Systems Srl

Via Firenze 11
20063 Cernusco sul Naviglio (MI)
T: +39 02 9290 4609
F: +39 02 9290 4622

SWEDEN

ASM Assembly Systems AB

Sofielundsvaegen 2
PO Box 700
19127 Sollentuna
T: +46 8 703 3576
F: +46 8 703 3501

UNITED KINGDOM

ASM Assembly Systems UK Ltd

Imperial Court, 2 Exchange Quay
Manchester M5 3EB
T: +44 161 457 2156
F: +44 161 457 2151

NORTH AMERICA

MEXICO

ASM Assembly Systems, S de RL de CV

Av. Periferico Sur 7980-3B
Col. Nueva Sta. Maria CP 45530
Tlaquepaque, Jalisco
T: +1 770 797 3000
F: +1 770 797 3457
T: +52 333 884 1935
F: +52 333 884 1920

UNITED STATES

ASM Assembly Systems, LLC

3975 Lakefield Court, Ste 106 Suwanee
GA 30024
T: +1 770 797 3000
F: +1 770 797 3457

ASM Pacific Assembly Products, Inc

3421 E. Harbor Drive Suite 200
Phoenix, AZ 85034
T: +1 602 437 4760
F: +1 602 437 4630

ASM Pacific Assembly Products, Inc

Western Regional Office
97 East Brokaw Road
Suite 100
San Jose, CA 95112-4209
T: +1 408 451 0800
F: +1 408 451 0808

ASIA

CHINA

ASM Assembly Systems Ltd

20F Majesty Building
138 Pu Dong Avenue
Pu Dong New Area
Shanghai 200120
T: +86 21 5887 3030
F: +86 21 5887 6100

Shenzhen ASM Microelectronic Technology Company Ltd

6/F Block A, Hai Peng Industrial Estate
2052, Wu Tong Road
Yantian, Shenzhen 518081
T: +86 755 8396 3000
F: +86 755 2555 2434

ASM Microelectronic Technical Services (Shanghai) Company Ltd

(Chengdu Branch)
Room D348, Chengdu Hi-Tech Zone
Innovation Service Centre
Chengdu 611731
T: +86 28 8784 6551
F: +86 28 8784 6562

ASM Microelectronic Technical Services (Shanghai) Company Ltd

(Dong Guan Branch)
Room 9-11, 4th Floor
Block A, Tai'an Square Zhang Mu Tou Town
Dong Guan City
Guang Dong 523620
T: +86 769 8712 5600
F: +86 769 8712 5601

ASM Microelectronic Technical Services (Shanghai) Company Ltd

(Nan Chang Branch)
Room 1402-4, Jiangxin Guoji Jiayuan
Yinzuo
No. 85 Jiefangxi Road, Qingyunpu District
Nanchang 330002
T: +86 791 8820 1517
F: +86 791 8820 7178

ASM Microelectronic Technical Services (Shanghai) Company Ltd

(Shanghai Branch)
2/F, No. 55 Zu Chong Zhi Road, Lot 1505
Shanghai Zhangjiang
Hi-Tech Park
Shanghai 201203
T: +86 21 5080 5465
F: +86 21 5080 5467

ASM Microelectronic Technical Services (Shanghai) Company Ltd

(Shenzhen Branch)
4/F, Block 2, East Wing
CATIC (Zhonghang), Shahe Industrial Zone
Qiao Xiang Road, Nanshan District
Shenzhen 518053
T: +86 755 8830 8533
F: +86 755 8344 6245

ASM Microelectronic Technical Services (Shanghai) Company Ltd

(Suzhou Branch)
Room 05-03/06, Block A
No. 5 Xing Han Street
Suzhou Industrial Park
Suzhou 215021
T: +86 512 6762 6278
F: +86 512 6762 6378

ASM Microelectronic Technical Services (Shanghai) Company Ltd

(Tian Jin Branch)
Room 704-705, Block B
Da An Building, No. 41 You Yi Road
He Xi District
TianJin 300211
T: +86 22 5881 3008
F: +86 22 5881 3009

ASM Microelectronics Technical Services (Shanghai) Company Ltd

(Xiamen Branch)
Room B, 31/F, Bi Li Da Building
No. 22 LuLing Road
Xiamen 361009
T: +86 592 550 9125
F: +86 592 550 9121

ASM Microelectronic Technical Services (Shanghai) Company Ltd

(Zhongshan Branch)
Room 203, No.1 MLS Road
Xiaolan Town, Zhongshan City
Guangdong Province 518053
T: +86 760 2382 2335
F: +86 760 2382 2327

Edgeward Trading (ShengZhen) Ltd

9A-01-C08 Tian Xiang Building
Che Gong Miao
Fu Tian District, Shenzhen 518040
T: +86 755 8359 7359
F: +86 755 8344 6245

ASM Materials China Ltd

Block 10-17, Fuqiao 2nd Industrial Estate
Yong Fu Road, Fuyong
Baoan District, Shenzhen 518103
T: +86 755 2961 8000
F: +86 755 2733 5548

ASM Technology (China) Company Ltd

No. 1239, Yizhou Avenue
Hi-Tech District, Chengdu, Sichuan
Chengdu 610041
T: +86 28 6287 0000
F: +86 28 6287 0001

ASM Technology (Huizhou) Company Ltd

198, Jinshi Road 7
Jiulong Hi-tech Industrial Park
Xiaojinkou, Huicheng
Huizhou, Guangdong 516023
T: +86 752 821 3000
F: +86 752 821 3001

ASM Manufacturing Services Ltd

12/F, Watson Centre
16-22 Kung Yip Street
Kwai Chung, NT
Hong Kong
T: +852 2619 2000
F: +852 2619 2118/9

ASM Pacific Technology Ltd

12/F, Watson Center
16-22 Kung Yip Street
Kwai Chung, NT
Hong Kong
T: +852 2424 2021
F: +852 2481 3367
(HEADQUARTERS)

ASM Pacific (Hong Kong) Ltd

4/F, Watson Center
16-22 Kung Yip Street
Kwai Chung, NT
Hong Kong
T: +852 2619 2000
F: +852 2619 2118/9

ASM Technology Hong Kong Ltd

20/F, Watson Center
16-22 Kung Yip Street
Kwai Chung, NT
Hong Kong
T: +852 2619 2000
F: +852 2619 2118/9

ASM Technology Asia Ltd

12/F, Watson Center
16-22 Kung Yip Street
Kwai Chung, NT
Hong Kong
T: +852 2619 2000
F: +852 2619 2118/9

JAPAN

ASM Assembly Technology Co Ltd

5F, Tachikawa F Building
1-7-18, Nishiki-Cho, Tachikawa-shi
Tokyo 190-0022
T: +81 42 521 7751
F: +81 42 521 7750

MALAYSIA

ASM Assembly Equipment (M) Sdn Bhd

Bayan Point, Block A
No. 15-1-23, 15-1-24
Medan Kampung Relau
11900 Penang
T: +604 644 9490
F: +604 645 1294

ASM Technology (M) Sdn Bhd

Plo. 534, Jalan Keluli 3
Kawasan Perindustrian, Pasir Gudang
81700 Pasir Gudang, Johor
T: +60 7 253 3500
F: +60 7 253 3533

PHILIPPINES

Edgeward Development Ltd -

Philippines Branch

7th Floor, NOL Tower
Commerce Avenue
Madrigal Business Park
Ayala Alabang, Muntinlupa City
Philippines 1770
T: +63 2 850 4543
F: +63 2 850 4547

SINGAPORE

ASM Assembly Systems Singapore Pte Ltd

2 Corporation Road
#01-03, Corporation Place
Singapore 618494
T: +65 6866 7000
F: +65 6866 7071

ASM Technology Singapore Pte Ltd

2, Yishun Avenue 7
Singapore 768924
T: +65 6752 6311
F: +65 6758 2287

SOUTH KOREA

ASM Pacific KOR Ltd

3F, 628-6, Deung
Chon Dong
Kangseo Gu
Seoul 157-030
T: +82 22659 4174
F: +82 22659 4216

TAIWAN - R.O.C.

ASM Pacific (Holding) Ltd

(Taiwan Branch) Taipei
10F, No. 530, Sec. 2
Chung Shan Road
Chung Ho Dist
New Taipei City
T: +886 2 2227 3388
F: +886 2 2227 3399

ASM Pacific (Holding) Ltd

(Taiwan Branch) Hsinchu
1F, No. 7, Lane 91
Dongmei Road
Hsinchu City
T: +886 3 5733750
F: +886 3 5733551

ASM Pacific (Holding) Ltd

(Taiwan Branch) Kaohsiung
No. 4-2, East 3 Road Street
N.E.P.Z., Kaohsiung
T: +886 7 367 6300
F: +886 7 367 6399

ASM Pacific (Holding) Ltd

(Taiwan Branch) Taichung
8F-1, No. 135, Sec. 2
Chung-Shan Road
Tantzu dist., Taichung City
T: +886 4 2535 6390
F: +886 4 2535 6820

THAILAND

ASM Assembly Equipment Bangkok Ltd

51/3 Vibhavadi Tower
18/2 Floor
Ngamwongwan Road
Ladyao, Chathuchak
Bangkok 10900
T: +66 2 941 3181/3182
F: +66 2 941 3183

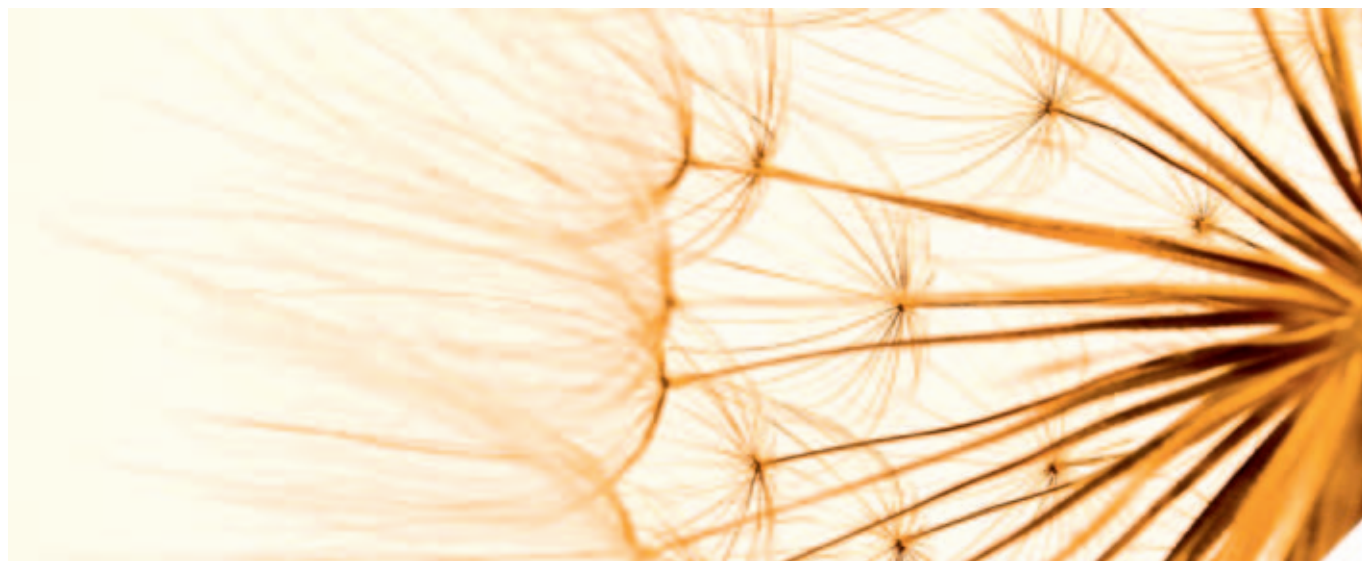
INDIA

ASM Assembly Systems India Pvt Ltd

202 Second Floor
Gold Tower Office Complex
No. 50 Residency Road
Bangalore 560025
Karnataka
T: +91 80 4097 9029/7816
F: +91 80 4112 6183

MANAGEMENT BOARD REPORT – CORPORATE GOVERNANCE

As we are listed on both the NASDAQ Global Select Market (NASDAQ) and the NYSE Euronext Amsterdam Stock Exchanges, we are required to comply with the applicable Sarbanes-Oxley Act corporate governance requirements, and 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 www.commissiecorporategovernance.nl.

Pursuant to rule III.5.11 of the Code, the Chairman of the Supervisory Board should not act as Chairman of the Remuneration Committee. However, ASMI does not have a separate Remuneration Committee. It has rather combined the Remuneration Committee and the Selection and Nomination Committee as envisaged by the Code in a Nomination, Selection and Remuneration Committee (NSRC) which is chaired by Mr Kramer. To the extent that the Chairmanship of Mr Kramer of the NSRC qualifies as a deviation from the Code, ASMI believes that such deviation is in the best interests of the Company and its stakeholders. This is given the overriding importance of having the Chairman of the Supervisory Board deeply involved in the nomination and selection process for Management and Supervisory Board members.

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

MANAGEMENT BOARD



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 our 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 2012, the Report of the Supervisory Board 2012, which is included in our Annual Report 2012, and Item 6.B "Directors, Senior Management and Employee Compensation" and in Note 30 "Board Remuneration" of this Annual Report, which will be posted on our website.

INTERNAL RISK MANAGEMENT AND CONTROL FRAMEWORK

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 2012 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, within our Management Board's guidelines, and supported and supervised by ASMI departments.

AUTHORIZATION

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

PLANNING AND CONTROL CYCLE

The annual budgets of the Front-end and Back-end operating units are approved by the Management Board and the Supervisory Board.

For the Front-end, the planning and control cycle starts with an annual strategy meeting. The budget includes objectives and targets, which provide the basis for monitoring performance. For the Front-end activities, 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.

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

Each quarter, the actual performance of our Front-end and Back-end operating units is compared to the budgets and planning, and this is discussed with the ASMI Audit Committee and the Supervisory Board.

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 2012 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 2012, 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, 2012 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 financial reporting both on the transaction level and entity level, and continuously assess such internal controls. We have identified key controls over financial reporting and embedded these in common business and financial reporting processes to provide further assurance for the reliability of our financial reporting.

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

The Management Board conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) based on the Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this evaluation of the effectiveness of the Company's internal control over financial reporting, in accordance with the requirements of Section 404 of the Sarbanes Oxley Act of 2002 (SOX 404), all of the members of the Management Board concluded that, as of December 31, 2012 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 2012 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 provide an indication below of some risks that we face. We also refer to the section entitled "Risks related to our business" set forth in our Form 20-F filed with the SEC. This does not constitute a complete list of all strategic, operational, compliance, financial and financial reporting risks to which we are exposed, nor does it imply an order of priority.

› **Economic and market risk** ASMI is vulnerable to changing economic circumstance and market conditions. The semiconductor industry and market have always been very cyclical and dependent on the economic climate. The industry has recovered from the severe economic downturn in 2008-2009 and the impact of the resulting credit crisis. In the second half of 2011, the industry faced the consequences of the Euro crisis and slower growth of the Chinese economy, which have negatively impacted the order intake from our customers. 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 which

we experienced in 2010 and the first half of 2011 have been characterized by fairly abrupt increases in demand for semiconductor devices and equipment and insufficient production capacity. During a period of increasing demand and rapid growth, we must be able to quickly increase manufacturing capacity to meet customer demand and to 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 flexibility with our employees. 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 and loans 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 much as 5 to 10 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 time for production and delivery of some of our products creates a risk that we may incur expenditures and purchase inventories for products that we cannot sell.

› **Customer creditworthiness** Our customers operate under volatile market conditions 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 credit facilities for short-term funding of working capital. The renewal of credit facilities may be at risk when financial institutions are not willing to provide new facilities and this can lead to liquidity stringency. The current cash position and credit facilities of ASMI are considered adequate. We refer to Item 5 “Operating and Financial Review and Prospects” set forth in our Form 20-F 2012, for more insight into the financing position of the Company. ASMI has short-term and long-term credit facilities and loans. In November 2012, our outstanding Convertible Subordinated Debt was fully converted into common shares of the Company.

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

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

SUPERVISORY BOARD

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

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

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 (re)appointment 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 Supervisory Board Nomination, Selection and Remuneration Committee. The Chairman of the Nomination, Selection and Remuneration Committee must be interviewed by the Chairman of the Supervisory Board. All members of the Supervisory Board follow an introduction program after their first appointment, in which financial and legal aspects as well as financial reporting and specific features of ASMI are discussed.

REMUNERATION

The remuneration of the Supervisory Board was last approved by the shareholders in the 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 Lobbezoo (Chairman), Mr Schumacher and Mr Kreutzer. The Audit Committee supervises the activities of the Management Board with respect to:
- the structure and operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations;
 - our release of financial information;
 - compliance with recommendations and observations of internal and external auditors;
 - our policy on tax planning;
 - relations with the external auditor, including, in particular, its independence;
 - remuneration, and any non-audit services performed for us;
 - our financing and financial position;
 - and the applications of information and communication technology.

The Audit Committee meets periodically to:

- nominate a firm to be appointed as independent auditors;
- 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 our annual operating results;
- and consider the adequacy of the internal control procedures and the procedures and evaluations relating to the auditor's independence.

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

› Nomination, Selection and Remuneration Committee

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

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

The remuneration structure includes five elements: base salary, annual incentive (bonus), long-term incentive (stock options), pension and other arrangements. The remuneration structure 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 past year and recommends the Remuneration Policy for the following years.

Pursuant to rule III.5.11 of the Code, the Chairman of the Supervisory Board should not act as Chairman of the Remuneration Committee. However, ASMI does not have a separate Remuneration Committee. It has rather combined the Remuneration Committee and the Selection and Nomination Committee as envisaged by the Code in a Nomination, Selection and Remuneration Committee (NSRC) which is chaired by Mr Kramer. To the extent that the Chairmanship of Mr Kramer of the NSRC qualifies as a deviation from the Code, ASMI believes that such deviation is in the best interests of the Company and its stakeholders. This is given the overriding importance of having the Chairman of the Supervisory Board deeply involved in the nomination and selection process for Management and Supervisory Board members.

THE SHAREHOLDERS AND GENERAL MEETING OF SHAREHOLDERS

POWERS

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

In the General Meeting of Shareholders, each ordinary share with a nominal value of EUR 0.04 entitles the holder to cast one vote, each financing preferred share with a nominal value of EUR 40.00 entitles the holder to cast one thousand votes and each preferred share with a nominal value of EUR 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.

ROLE, APPOINTMENT, REMUNERATION AND ASSESSMENT OF THE FUNCTIONING OF THE EXTERNAL AUDITOR

Our external auditor is appointed by the General Meeting of Shareholders and is nominated for appointment by the Audit Committee. Our current external auditor, Deloitte Accountants BV (Deloitte), was reappointed in the 2012 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 2012 were pre-approved by the Audit Committee.

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

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

INTERNAL AUDIT

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

DECLARATIONS

RESPONSIBILITY STATEMENT AS REQUIRED BY ARTICLE 5:25C OF THE DUTCH ACT ON FINANCIAL SUPERVISION

The members of the Management Board state that, to the best of their knowledge, (i) the financial statements, as shown on pages 78 to 154 of this Annual Report 2012, provide a true and fair view of the assets, liabilities, financial position and results for the financial year 2012 of the Company and its subsidiaries included in the consolidated statements, (ii) the Annual Report 2012 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 2012 provides a description of the principal risks and uncertainties that the Company faces.

CORPORATE GOVERNANCE STATEMENT

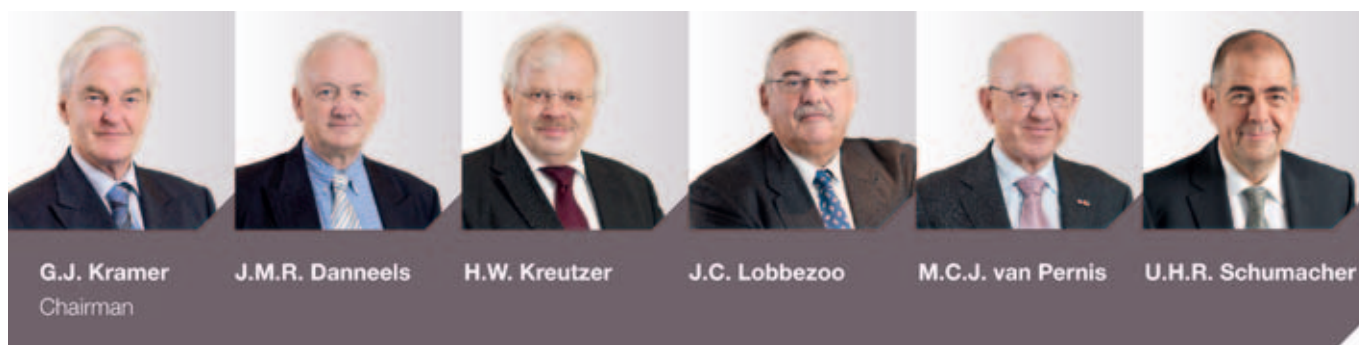
According to the Governmental Decree of December 23, 2004 (as lastly amended on December 10, 2009), the Company has to publish a statement on corporate governance. This statement has to report on compliance with the Code. Furthermore, a description must be included of the main characteristics of the 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 2012 Statutory Annual Report in accordance with IFRS, as prepared by the Management Board and reviewed by the Supervisory Board. Our independent auditors, Deloitte Accountants BV, have audited these Annual Accounts and issued an unqualified opinion. Their report is included in this Annual Report.



All of the members of the Supervisory Board have signed the Financial Statements in respect of the financial year 2012.

SUPERVISION

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

MEETINGS OF THE SUPERVISORY BOARD

During 2012, the Supervisory Board met with the Management Board on eight occasions, and in a number of conference calls. Furthermore, the Supervisory Board held a few conference calls without the Management Board participating. All Supervisory Board members attended all eight meetings with the Management Board in person, with the exception of one meeting where one of the Supervisory Board members attended by telephone. In these meetings, the Boards discussed operations, business risks, product and market developments, the Company's organization, management and financial structure and performance, and initiatives of shareholders. In 2012, an important focus of the Boards was the study into the causes of the lack of recognition by

the markets of the value of the combined businesses (Front-end and Back-end) of the Company. During the course of the study, the Supervisory Board reviewed analyses made by the financial advisers, and reviewed different scenarios as part of the process to conclude that a partial secondary placement of 8% to 12% of the Company's stake in ASMPT was the most suitable step to be taken to address the non-recognition by the markets of the value of the combined businesses of the Company. Another important focus of the Boards was for Front-end to further improve profitability, and in Back-end to further integrate the Surface Mount Technology business which we acquired in 2011. The Supervisory Board devoted also time in discussions on the Company strategy.

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

CORPORATE GOVERNANCE

Included in the responsibilities of the Supervisory Board is to oversee the Company's compliance with corporate governance standards and best practices in the Netherlands and the United States. The changes to the amended Dutch Corporate Governance Code relate, amongst others, to risk management of the Company, remuneration of Management Board members and corporate social responsibility issues. These matters were broadly discussed within the Supervisory Board. The Supervisory Board is of the opinion that the Company complies with the Sarbanes-Oxley Act and applicable

corporate governance requirements and best practices set out by NASDAQ, the 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

The Supervisory Board is currently composed of six members. The composition of the Supervisory Board did not change in 2012.

MANAGEMENT BOARD COMPOSITION

The Management Board is composed of two members.

SUPERVISORY BOARD COMMITTEES

AUDIT COMMITTEE

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

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

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

NOMINATION, SELECTION AND REMUNERATION COMMITTEE

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

In 2012, the Nomination, Selection and Remuneration Committee held two meetings and several conference calls. The topics discussed included the remuneration of the individual members of the Management Board and the evaluation of the remuneration policy for the Management Board. During the meetings of the Committee, the Chief Executive Officer was present, except on the occasion when his own remuneration was discussed.

The remuneration of the members of the Management Board is disclosed in Item 6.B. of the Annual Report on Form 20-F, "Directors, Senior Management and Employees – Compensation." The remuneration of the members of the Management Board during 2012 is fully in accordance with the Remuneration Policy. The Remuneration Policy for the Management Board has been submitted to, and adopted by, the 2010 Annual General Meeting of Shareholders.

WORD OF THANKS

We extend gratitude and appreciation to ASMI employees worldwide for their many contributions and enduring commitment to the Company. It is their commitment and determination that enabled us to make substantial progress in 2012. We recognize that the cumulative efforts of our workforce are truly creating real value for all of our stakeholders.

SUPERVISORY BOARD

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

Almere, The Netherlands
April 4, 2013

MANAGEMENT BOARD REPORT – MANAGEMENT REPORT

We are an equipment supplier mainly to the semiconductor, LED and electronics manufacturing industry. We design, manufacture and provide services to our customers for the production of semiconductor devices, or integrated circuits, for the production of LED's and for electronics manufacturing in general.



The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. ASMI is mainly active in wafer processing (Front-end) and assembly & packaging (Back-end). Front-end equipment performs various fabrication processes in which multiple thin films of electrically insulating or conductive material are grown or deposited onto a round slice of silicon, called a wafer. Back-end equipment separates these processed wafers into numerous individual dies, each containing the circuitry of a single semiconductor device, and assembles packages and tests the dies in order to create semiconductor devices.

We conduct our Front-end business, which accounted for 26% of our net sales in 2012, through our principal facilities in the Netherlands, the United States, Japan and Singapore. We conduct our Back-end business, which accounted for 74% of our net sales in 2012, through our principal facilities in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany. Our Back-end operations are conducted through our 51.96% majority-owned subsidiary, ASM Pacific Technology, which ownership was decreased to 40.08% in March 2013.

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

2012 was a challenging year for ASM. We started the year with a low order book. Order intake in Q1 and Q2 was healthy. While the whole industry was expecting a strong second half of 2012, this didn't happen. As a consequence we ended the year again on a low order book level, below the level at the end of 2011. Towards the end of 2012 we saw strong order intake in our Front-end activities, however order intake in the back end operations remained weak. As a consequence sales for the year ended at a level of EUR 1,418 million, compared to a level of EUR 1,634 million in 2011.

Sales in the Front-end show a decrease from EUR 456 million to EUR 370 million for the full year. This 19% decrease of net sales was driven by lower equipment sales, especially in the older, capacity-driven technologies. Our Back-end segment sales decreased from EUR 1,178 million to EUR 1,048 million. In this segment lower equipment sales in the so-called existing activities, were partly compensated by higher Leadframes sales. The Assembly System (AS) activities, acquired in 2011 of Siemens, contributed approximately EUR 100 million less in sales revenue compared to 2011.

The gross margin for ASMI consolidated decreased from 34.8% in 2011 to 31.1% in 2012. Gross margin in our Front-end segment decreased from 37.4% in 2011 to 33.7% in 2012, while our Back-end segment showed a decrease from 33.8% to 30.2% for the same period. The decrease of the gross margin in our Front-end segment compared to last year is mainly attributable to product mix differences, lower loading of the factories and in-efficiencies. The latter especially had an impact on the first half year margin. The gross profit margin in the comparable Back-end segment decreased due to mix differences between equipment and lead frame sales, higher price pressure in the equipment sales and the lower loading of the factories.

The result from operations as a percentage of sales decreased from 23.1% in 2011 to 7.0% in 2012. In 2011 the purchase price allocation of the newly acquired Siemens Electronics Assembly System (SEAS) business, now called ASM Assembly Systems, resulted in a bargain purchase gain of EUR 108 million, equal to 6.6% of sales. The operating margin of our Front-end segment decreased from 15.8% in 2011 to 3.2% in 2012. For the same period the operating margin of our Back-end segment, excluding the bargain purchase gain, decreased from 16.6% to 8.3%.

Net earnings decreased from EUR 194 million (EUR 137 million excluding the bargain purchase gain of SEAS) in 2011 to EUR 16 million in 2012.

The Company generated a positive operational cash flow in 2012 of EUR 62 million compared to EUR 236 million in 2011. Both the Front-end as the Back-end operations were generating a positive operational cash flow in 2012.

In October 2012, we exercised our right to call the outstanding 6.50% convertible subordinated notes (due 2014), resulting in conversion in shares of all remaining notes at November 20, 2012.

SALES

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

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

(amounts in million)	YEAR ENDED DECEMBER 31,			
	2011		2012	
Front-end:				
United States	148.4	32.5%	131.8	35.6%
Europe	107.8	23.6%	77.9	21.0%
Taiwan	37.8	8.3%	47.2	12.7%
Japan	49.7	10.9%	40.6	11.0%
South Korea	70.2	15.4%	49.1	13.3%
China	23.6	5.2%	16.1	4.3%
Other	18.6	4.1%	7.7	2.1%
	456.1	100.0%	370.4	100.0%
Back-end:				
People's Republic of China	527.6	44.8%	445.8	42.6%
Europe	230.2	19.5%	177.9	17.0%
Taiwan	71.9	6.1%	63.6	6.1%
Malaysia	84.0	7.1%	93.5	8.9%
South Korea	41.4	3.5%	36.2	3.5%
Hong Kong	26.7	2.3%	27.6	2.6%
Thailand	32.5	2.8%	42.7	4.1%
Japan	47.0	4.0%	18.8	1.8%
Singapore	16.7	1.4%	15.0	1.4%
Philippines	34.8	3.0%	25.2	2.4%
United States	37.5	3.2%	65.7	6.3%
Other	28.0	2.4%	35.7	3.4%
	1,178.3	100.0%	1,047.7	100.0%

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

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

A substantial portion of our Front-end sales is for equipping new or upgraded fabrication plants where device manufacturers are installing complete fabrication equipment. As a result our Front-end sales in this segment tend to be uneven across customers and financial periods. Sales to our ten largest Front-end customers accounted for 61.2%, 70.4% and 75.3% of Front-end net sales in 2010, 2011 and 2012, respectively. The composition of our ten largest Front-end customers changes from year to year. The largest Front-end customer from these ten accounted for 21.6%, 22.8% and 33.6% of Front-end net sales in 2010, 2011 and 2012, respectively.

Back-end sales per customer tend to be more level over time than Front-end sales, because Back-end operations can be scaled up in smaller increments at existing facilities. Sales to our ten largest Back-end customers accounted for 27.3%, 20.2% and 25.1% of Back-end net sales in this segment in 2010, 2011 and 2012, respectively. Because our Back-end customers' needs are more level over time, the composition of our ten largest customers is more stable from year to year than in the Front-end segment. Our largest Back-end customer accounted for 4.3%, 3.5% and 4.9% of Back-end net sales 2010, 2011 and 2012, respectively.

RESEARCH AND DEVELOPMENT

We continue to invest heavily in research and development. Please refer to asm.com/en/Pages/Breakthrough-Technology.aspx. 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.

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

We expect to continue investing significant resources in research and development in order to enhance our product offerings. Our research and development activities are chiefly conducted in the principal semiconductor markets of the world, which enables us to draw on innovative and technical capabilities on an international basis. Each geographic center provides expertise for specific products and/or technologies. This approach, combined with the interactions between the individual centers, permits efficient allocation of technical resources and customer interaction during development. In 2010, we formed a globally Platform Engineering group that addresses the needs for common platforms for the various products in our Front-end Segment. Selected resources in Belgium, Almere and Helsinki have been grouped under Corporate R&D, addressing the common needs for advanced materials research and process integration work for the 15nm to 7nm nodes.

As part of our research and development activities, we are engaged in various formal and informal arrangements with customers and institutes. At December 31, 2012, our Front-end segment was engaged in several formal joint development programs with customers for 300mm applications of our products. As part of these efforts, we may sell new products to customers at a significantly reduced margin, and invest significant resources in the joint development and subsequent product qualification. We sometimes also cooperate with other semiconductor capital equipment suppliers in complementary fields, in order to gain knowledge on the performance of our own deposition processes, in cooperation with other processes, either in bilateral or in publicly funded projects. In addition to cooperating with customers and other capital equipment suppliers, we also enter into research projects with technical universities and institutes (including for example TNO and IMEC, in the Netherlands and Belgium respectively).

We participate also in publicly funded programs, mainly in Europe, to develop the production technology for semiconductor devices with line widths of 15 and 11nm and below, and in More-than-Moore technologies. Among our current cooperative efforts are projects awarded under the Information Society Technologies (IST) seventh framework program. We are also a partner in several cluster development programs in the Eureka initiative by MEDEA+ (Micro Electronics Development for European Applications) and its successor CATRENE (Cluster for Application and Technology Research in Europe on Nano-Electronics).

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

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

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

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

RISK FACTORS

In conducting our business, we face a number of risks that each could materially affect our business, revenues, income, assets and liquidity and capital resources. The risks described below are not the only ones facing ASMI. Some risks are not yet known and some that we do not currently believe to be material could later become material. See our 2012 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 perform their obligations to us our financial results will suffer;
- › We derive a significant percentage of our revenue from sales to a small number of large customers, and if we are not able to retain these customers, or if they reschedule, reduce or cancel orders, or fail to make payments, our revenues would be reduced and our financial results would suffer;
- › We may need additional funds to finance our future growth and ongoing research and development activities. If we are unable to obtain such funds, we may not be able to expand our business as planned;
- › Our products (primarily in the Front-end) generally have long sales cycles and implementation periods, which increase our costs of obtaining orders and reduce the predictability of our earnings;
- › Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights from challenges by third parties; claims or litigation regarding intellectual property rights could require us to incur significant costs;
- › We license the use of some patents from a competitor pursuant to a settlement agreement; if the agreement is terminated, our business could be adversely affected;
- › Our net earnings could be negatively impacted by currency fluctuations;
- › Substantially all of our equipment orders are subject to operating, performance, safety, economic specifications and other contractual obligations. We occasionally experience unforeseen difficulties in compliance with these criteria, which can result in increased design, installation and other costs and expenses;
- › We are subject to various legal proceedings and claims, the outcomes of which are uncertain. If we fail to accurately evaluate the probability of loss or the amount of possible losses, an adverse outcome may materially and adversely affect our financial condition and results of operations;
- › If our products are found to be defective, we may be required to recall and/or replace them, which could be costly and result in a material adverse effect on our business, financial position and net earnings;
- › Although we currently are a substantial shareholder of ASM Pacific Technology, we no longer have a majority interest, as a consequence we do not control ASM Pacific Technology, which prevents us from consolidating its results of operations with ours as from the cease of control date of March 15, 2013. This event has a significant negative effect on our consolidated earnings from operations;
- › Although we are a substantial shareholder, ASM Pacific Technology is not obligated to pay dividends to us and may take actions or enter into transactions that are detrimental to us;
- › We may not be able to recruit or retain qualified personnel or integrate qualified personnel into our organization. Consequently, we could experience reduced sales, delayed product development and diversion of management resources;

- › Because the costs to semiconductor manufacturers of switching from one semiconductor equipment supplier to another can be high, it may be more difficult to sell our products to customers having a competing installed base, which could limit our growth in sales and market share;
- › Our reliance on a limited number of suppliers and a single manufacturing facility in our Front-end could result in disruption of our operations;
- › We operate worldwide; economic, political, military or other events in a country where we make significant sales or have significant operations could interfere with our success or operations there and harm our business;
- › Environmental laws and regulations may expose us to liability and increase our costs;
- › Any acquisitions or investments we may make could disrupt our business and harm our financial condition.

RISKS RELATED TO AN INVESTMENT IN OUR SHARES:

- › ASMI announced the sale of a 12% stake in ASMPT and reported on outcome study into causes of non-recognition by the markets of the value of the combined businesses of the Company;
- › Lehman Brothers liquidation administrators have notified us that our common shares purchased by Lehman and held by Lehman in custody accounts on our behalf may have a shortfall;
- › Our founder who is also Chairman of the Board of ASM Pacific Technology controls approximately 17.98% 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;
 - cyclical and other economic conditions in the semiconductor industry;
 - production capacity constraints;
 - the timing of customer orders, cancellations and shipments;
 - the length and variability of the sales cycle for our products;
 - the introduction of new products and enhancements by us and our competitors;
 - the emergence of new industry standards;
 - product obsolescence;
 - disruptions in sources of supply;
 - our ability to time our expenditures in anticipation of future orders;
 - our ability to fund our capital requirements;
 - changes in our pricing and pricing by our suppliers and competitors;
 - our product and revenue mix;
 - seasonal fluctuations in demand for our products;
 - foreign currency exchange rate fluctuations; e.g. appreciation of the euro versus the Japanese yen and US dollar, which would negatively affect the competitiveness of those manufacturing activities that are domiciled in countries whose currency is the euro; and
 - economic conditions generally or in various geographic areas where we or our customers do business.

CRITICAL ACCOUNTING POLICIES

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

The principal differences per December 31, 2012 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 (3) 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, 2011 and December 31, 2012 we have deferred revenues from installations in the amount of EUR 6.3 million and EUR 3.5 million respectively.

Our Front-end sales frequently involve sales of complex equipment, which may include customer-specific criteria, sales to new customers or sales of equipment with new technology. For each sale, the decision whether to recognize revenue is, in addition to shipment and factory acceptance, based on: the contractual agreement with a customer; the experience with a particular customer; the technology and the number of similarly configured equipment previously delivered. Based on these criteria we may decide to defer revenue until completing of installation at the customer's site and obtaining final acceptance from the customer. As per December 31, 2011 we had no deferred revenue from sales of equipment, as per December 31, 2012 this was EUR 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 occurs, which is the case when the fair value of the acquired business exceeds the purchase price, this surplus in fair value is recognized as a gain from bargain purchase.

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

LONG-LIVED ASSETS

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

Goodwill is tested for impairment annually on December 31, 2012 and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. Our Front-end impairment test and the determination of the fair value is based on a discounted future cash flow approach that uses our estimates of future revenues, driven by assumed market growth and estimated costs as well as appropriate discount rates. These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Our Back-end impairment test is based on the market value of the listed shares of ASMPT. The material assumptions used by management for the annual impairment test performed per December 31, 2012 were:

- › For Front-end external market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used.
- › Cash flow projections for the first four years. After these four years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less.
- › An average discount rate of 22.7% (2011: 20.5%) representing the pre-tax weighted average cost of capital. This relative high rate is a consequence of the current situation whereby certain production lines are in the early phase of the product life-cycle, hence reflecting a higher risk.
- › For Back-end the market value of the listed shares of ASMPT on the Hong Kong Stock exchange was used in our analysis.

Management believes that the fair value calculated reflects the amount a market participant would be willing to pay. Based on this analysis management believes that the fair value of the reporting units substantially exceeded its carrying value and that, therefore, goodwill was not impaired as of December 31, 2012.

The calculation of fair value involves certain management judgments and was based on our best estimates and projections at the time of our review. The value may be different if other assumptions are used. In future periods we may be required to record an impairment loss based on the impairment test performed, which may significantly affect our results of operations at that time. On December 31, 2012 we determined that a decrease in estimated cash flows of 10% and an increase of 10% of the discount rate used in calculating the fair value would not result in an impairment of the carrying value of goodwill.

Other intangible assets and property, plant and equipment are reviewed by us for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. The cash flow estimates that we use include certain management judgments and are based on our best estimates and projections at the time of our review, and these may be different if other assumptions are used. In future periods, however, we may be required to record impairment losses, which may significantly affect our results of operations at that time. On December 31, 2012 a decrease in estimated cash flows of 10% would not result in an impairment of the carrying value of long-lived assets.

DEVELOPMENT EXPENSES

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

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

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

ALLOWANCE FOR DOUBTFUL ACCOUNTS

ASMI maintains an allowance for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. This allowance is based on historical experience, credit evaluations, specific customer collection history and any customer-specific issues ASMI has identified. Changes in circumstances, such as an unexpected adverse material change in a major customer's ability to meet its financial obligation to ASMI or its payment trends, may require us to further adjust our estimates of the recoverability of amounts due to ASMI, which could have an adverse material effect on ASMI's financial condition and results of operations. On December 31, 2012 the allowance for doubtful accounts amounted to EUR 8.6 million, which is 2.8% of our total accounts receivable.

INVENTORIES

Inventories are stated at the lower of cost (first-in, first out method) or market value. Inventory in the newly acquired SEAS business is generally determined on the basis of an average method. Costs include net prices paid for materials purchased, charges for freight and custom duties, production labor 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, 2012 our allowance for inventory obsolescence amounted to EUR 63.2 million, which is 15.6% of our total inventory. If circumstances related to our inventories change, our estimate of the values of inventories could materially change. On December 31, 2012 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 EUR 47 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.

	2011	2012
Expected life (years)	7	7
Risk free interest rate	3.51%	3.28%
Dividend yield	0.32	0.64
Expected volatility	40.9%	42.0%

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, 2012 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 EUR 83.3 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, 2012 is not realizable, this would result in an additional valuation allowance and an income tax expense of EUR 2.2 million.

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

RESULTS OF OPERATIONS

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

	FRONT-END		BACK-END		TOTAL	
	2011	2012	2011	2012	2011	2012
Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	(62.6)	(66.3)	(66.2)	(69.8)	(65.2)	(68.9)
GROSS PROFIT	37.4	33.7	33.8	30.2	34.8	31.1
Selling, general and administrative expenses	(13.4)	(17.3)	(9.7)	(13.1)	(10.5)	(14.2)
Research and development expenses	(8.2)	(12.9)	(6.9)	(8.6)	(7.2)	(9.7)
Amortization of other intangible assets	-	(0.1)	(0.1)	(0.1)	-	(0.1)
Impairment of PP&E	-	-	(0.7)	-	(0.5)	-
Gain bargain purchase	-	-	9.3	-	6.6	-
Restructuring expenses	-	(0.2)	-	-	-	(0.1)
EARNINGS (LOSS) FROM OPERATIONS	15.8	3.2	25.9	8.3	23.1	7
Net interest income (expense)	(2.7)	(2.8)	0.2	-	(0.6)	(0.7)
Accretion of interest convertible	(0.9)	(0.1)	-	-	(0.2)	(0.3)
Revaluation conversion option	(1.0)	-	-	-	(0.3)	-
Gain (expense) resulting from early extinguishment of debt	(0.3)	(0.6)	-	-	(0.1)	(0.2)
Foreign currency exchange gains (losses)	1.8	(0.8)	(0.2)	(0.1)	0.3	(0.3)
Result from investments	-	(0.2)	-	-	-	(0.1)
EARNINGS (LOSS) BEFORE INCOME TAXES AND DILUTION	12.8	(2.2)	25.8	8.2	22.2	5.5
Income tax income / (expense)	(1.5)	(3.1)	(2.7)	(1.7)	(2.4)	(2.1)
NET EARNINGS (LOSS)	11.3%	(5.3)%	23.1%	6.5%	19.8%	3.4%
Allocation of net earnings (loss)						
Shareholders of the parent					11.9%	1.1%
Minority interest					7.9%	2.3%

Year ended December 31, 2012 compared to year ended December 31, 2011

NET SALES

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

NET SALES (EUR million)	FULL YEAR		
	2011	2012	% CHANGE
Front-end	456.1	370.4	(19%)
Back-end	1,178.3	1,047.7	(11%)
ASMI CONSOLIDATED	1,634.4	1,418.1	(13%)

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

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

GROSS PROFIT MARGIN

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

GROSS PROFIT MARGIN (EUR million)	GROSS PROFIT		GROSS PROFIT MARGIN		INCREASE OR (DECREASE) PERCENTAGE POINTS
	2011	2012	2011	2012	
Front-end	170.5	124.9	37.4%	33.7%	(3.7)ppt
Back-end	398.3	315.9	33.8%	30.2%	(3.6)ppt
ASMI CONSOLIDATED	568.8	440.8	34.8%	31.1%	(3.7)ppt

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

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

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

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

SG&A (EUR million)	FULL YEAR		
	2011	2012	% CHANGE
Front-end	59.8	63.9	7%
Back-end	113.3	137.6	21%
ASMI CONSOLIDATED	173.1	201.5	16%

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

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

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

RESEARCH AND DEVELOPMENT EXPENSES

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

R&D (EUR million)	FULL YEAR		
	2011	2012	% CHANGE
Front-end:			
Research and development expenses	30.1	40.2	34%
Amortization of capitalized development expenses	6.7	7.9	18%
Impairment of capitalized development expenses	1.4	0.5	(64%)
Research and development grants and credits	(0.8)	(0.9)	13%
FRONT-END TOTAL	37.4	47.7	28%
BACK-END TOTAL	80.9	90.5	12%
ASMI CONSOLIDATED	118.3	138.2	17%

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

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

IMPAIRMENT CHARGE PROPERTY, PLANT AND EQUIPMENT

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

GAIN ON BARGAIN PURCHASE

On January 7 2011, ASMPT acquired the entire equity interest of 13 direct and indirect subsidiaries of Siemens Aktiengesellschaft ("SEAS Entities"). We recognized a gain of EUR 108 million on the bargain purchase representing the excess of the net fair value of the identifiable assets acquired and the liabilities assumed over the aggregate of the consideration transferred.

The gain on bargain purchase of EUR 108 million was recognized upon completion of the acquisition of the SEAS entities. The gain on bargain purchase was mainly attributable to the depressed market value of the acquired business because of years of losses. These were due to the challenging economic environment and the bad global economic environment during the period of negotiation for the acquisition.

EARNINGS FROM OPERATIONS

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

EARNINGS FROM OPERATIONS (EUR million)	FULL YEAR		
	2011	2012	CHANGE
Front-end:			
BEFORE SPECIAL ITEMS	71.9	12.9	(59)
Restructuring	-	(0.9)	(0.9)
AFTER SPECIAL ITEMS	71.9	12.0	(59.9)
Back-end:			-
BEFORE SPECIAL ITEMS	205.6	87.0	(118.6)
Impairments	(8)	-	8.0
Gain bargain purchase SEAS	107.9	-	(107.9)
AFTER SPECIAL ITEMS	305.5	87.0	(218.5)
ASMI CONSOLIDATED	377.4	99.0	(278.4)

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

NET INTEREST

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

ACCRETION INTEREST EXPENSE CONVERTIBLE NOTES

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

The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue, for similar non-convertible debt. Subsequently, the liability is measured at amortized cost. The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes, thus creating a non-cash interest expense. For 2012 this accretion interest was EUR 5.3 million (2011: EUR 5.5 million).

REVALUATION CONVERSION OPTION

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

For the conversion options of the convertible bonds due 2011, the accounting is different from the conversion option of the convertible bonds due 2014. Since the convertible bonds due 2011 were denominated in US\$ and the ASM International common shares to which they can be converted are denominated in euro, these conversion options are recognized as a liability measured at fair value.

The conversion option is measured at fair value through the income statement. For 2011, until early redemption in February 2011, this revaluation at fair value resulted in a loss of EUR 4.4 million.

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

LOSS RESULTING FROM EARLY EXTINGUISHMENT OF DEBT

On October 3, 2012 we announced the redemption, per November 27, 2012 of all outstanding principal balance of our 6.50% Convertible Subordinated Notes due 2014, which resulted in the conversion of almost all outstanding notes prior to the redemption date. The loss from the early extinguishment of the notes of EUR 2,209, which reflects the write-off of unamortized debt issuance costs, has been recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2012.

INCOME TAX EXPENSE

Income tax expense decreased from EUR 39 million in 2011 to EUR 29 million in 2012, resulting from the balance of a decrease of result before tax in 2012 and the usage of a deferred tax position in Japan. This is related to the sale of certain IP to our Dutch IP Holding Company. While having a negative effect on our net result of EUR 13.0 million, there are no cash flow effects. Moreover, it will reduce our tax payments in future years.

NET EARNINGS ALLOCATED TO THE SHAREHOLDERS OF THE PARENT

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

NET EARNINGS (EUR million)	FULL YEAR		
	2011	2012	CHANGE
Front-end			
BEFORE SPECIAL ITEMS	56.9	(16.6)	(73.5)
Restructuring charges	-	(0.9)	(0.9)
Loss from early extinguishment of debt	(0.8)	(2.2)	(1.4)
Fair value change conversion options	(4.4)	-	4.4
SPECIAL ITEMS	(5.2)	(3.1)	2.1
AFTER SPECIAL ITEMS	51.7	(19.7)	(71.4)
Back-end			
BEFORE SPECIAL ITEMS	89.9	35.6	(54.3)
Impairments	(4.2)	-	4.2
Gain bargain purchase SEAS	57.0	-	(57)
SPECIAL ITEMS	52.8	-	(52.8)
AFTER SPECIAL ITEMS	142.7	35.6	(107.1)
ASMI CONSOLIDATED, TOTAL EARNINGS ¹⁾	194.4	15.9	(178.5)

¹⁾ Allocated to the shareholders of the parent.

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

SUBSEQUENT EVENTS

Reduction shareholding ASMPT

On March 13, 2013 ASMI sold a 12% stake in ASMPT. The shares were sold in a partial secondary placement raising proceeds of EUR 422 million. The Company intends to distribute approximately 65% of the cash proceeds to ASMI shareholders; a proposal thereto will be placed on the agenda of the upcoming AGM scheduled for May 16, 2013. The remaining proceeds will be used to further strengthen the business of the Company. As of today, the Company continues to be the largest shareholder of ASMPT with a 40.08% stake.

At the Annual General Meeting of Shareholders (AGM) held in May 2012, the Company announced that it would carry out a study into the causes of the lack of recognition by the markets of the value of the combined businesses (Front-end and Back-end) of the Company. Following that announcement the Company appointed Morgan Stanley and HSBC Bank plc to act as its financial advisers and to assist the Company in carrying out the study.

The study was initiated shortly after the 2012 AGM and has recently been completed. Each of the Company's financial advisers independently carried out an investigation involving frequent discussions with the Company's Management Board and legal and tax advisers. The advisers also presented their findings to the Company's Supervisory Board.

No single or predominant factor was identified in causing the valuation discrepancy. However, a number of causes and circumstances were identified as potentially influencing the valuation discrepancy, including a holding company discount related to the current corporate structure.

Subsequently, an analysis was conducted by the Company in close cooperation with its advisers of the various potential courses of action, including those suggested by shareholders. The alternatives that were investigated included a full or partial placement or sale of the Company's stake in ASMPT, a spin-off of shares in ASMPT and several merger alternatives.

As part of this analysis, the Company has carefully considered the interests of the Company, its shareholders as well as other relevant stakeholders. The Company has also taken into account the various operational connections between the Front-end business and the Back-end business as well as potential accounting, legal and tax implications and execution risks.

The Management Board and the Supervisory Board of the Company have concluded that a partial secondary placement of 8% to 12% of the Company's stake in ASMPT is the most suitable step to be taken to address the non-recognition by the markets of the value of the combined businesses of the Company. This course of action has been chosen taking into account, amongst others, equity market capacity, tax efficiency and ongoing corporate stability at ASMI and ASMPT. This step provides flexibility for further action, if deemed appropriate.

The Management and Supervisory Boards of the Company have resolved to proceed with this proposed action and the board of directors of ASMPT has expressed its support to this proposal. In addition thereto, certain major shareholders of the Company representing approximately 27% of the total outstanding shares in the Company have been consulted in advance with regard to this proposed action and have expressed support thereof.

The Company will further report on the outcome of the study at the upcoming 2013 AGM, which is scheduled to take place on May 16, 2013.

The sale of the 12% stake causes ASMI's cease of control on 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;
- › a purchase of a 40.08% associate.

The first transaction, the sale, will result in a substantial gain and the deconsolidation of ASMPT in the consolidated ASMI accounts. The purchase of the associate will, following a purchase price allocation, result in the recognition of the associate at fair value. We are in the process of determining the financial impact; further information will be disclosed at the announcement of the Q1 2013 results.

Bankruptcy Elpida

The reorganization plan re the Elpida bankruptcy in Japan was approved by creditors and the Court in February 2013. The court approval order has been appealed, subject to resolution of the appeal, the amounts we will receive regarding our secured and unsecured claims are set and approved to be paid in installments over a seven year period. While the dates for the installment payments are not yet finalized as they are subject to certain funding conditions, the dates are anticipated to be set once the appeal is concluded and the installment payments to commence accordingly.

Per December 31, 2012 the allowance for this doubtful account covers the outcome of the aforementioned reorganization plan.

BACKLOG

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

The following table shows the level of new orders during 2011 and 2012, and the backlog and book-to-bill ratios on December 31, 2011 and 2012:

THE BACKLOG AND BOOK-TO-BILL (EUR million, except book-to-bill ratio)	FULL YEAR		
	2011	2012	% CHANGE
Front-end:			
New orders	398.3	360.1	(10)%
Backlog at December 31	105.1	91.7	(13)%
Book-to-bill ratio (new orders divided by net sales)	0.9	1.0	
Back-end:			
New orders	971.2	1,017.10	5%
Backlog at December 31	225.5	197.5	(12)%
Book-to-bill ratio (new orders divided by net sales)	0.8	1.0	
Total			
NEW ORDERS	1,369.5	1,377.2	1%
BACKLOG AT DECEMBER 31	330.6	289.2	(13)%
BOOK-TO-BILL RATIO (NEW ORDERS DIVIDED BY NET SALES)	0.8	1.0	

LIQUIDITY AND CAPITAL RESOURCES

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

CASH FLOW

Net cash provided by operations in 2012 was EUR 62 million as compared to EUR 238 million for 2011. This decrease results mainly from lower net earnings. Net cash used in investing activities in 2012 of EUR 91 million was at the same level compared to EUR 89 million for 2011. Net cash used in financing activities in 2012 was EUR 73 million compared to EUR 79 million for the same period in 2011.

DEBT

In October 2012, we exercised our right to call the outstanding 6.50% Convertible Subordinated Loan (due 2014), resulting in conversion of all remaining notes (EUR 150 million) on November 27, 2012. As a result of the dividend paid in 2012 the conversion rate decreased from EUR 16.85 to EUR 16.53.

In July 2011 we finalized the increase and extension of ASMI's existing standby revolving credit facility. The credit commitment was increased from EUR 90 million to EUR 150 million and the maturity date was extended from November 1, 2012 until July 31 2014. In the event all outstanding convertible bonds due November 6, 2014 are converted, repaid or replaced prior to June 30, 2014 the maturity date will be July 31, 2015. As per December 31, 2011 the amount outstanding of the 6.5% Convertible Subordinated Loan (due 2014) is EUR 150 million. As a result of the dividend paid in 2011 the conversion rate decreased from EUR 17.06 to EUR 16.85.

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

LIQUIDITY

On December 31, 2012 the Company's principal sources of liquidity consisted of EUR 290 million in cash and cash equivalents and EUR 276 million in undrawn bank lines. Approximately EUR 145 million of the cash and cash equivalents and EUR 126 million of the undrawn bank lines are restricted to use for the Company's Back-end operations.

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.

On December 31, 2012 the net cash of ASMI, excluding Back-end was EUR 145 million (2011: EUR 65 million). ASMI excluding Back-end is free of debt. Furthermore, ASMI, excluding Back-end, has available credit lines of EUR 150 million.

WORKING CAPITAL

Net working capital increased from EUR 407 million on December 31, 2011 to EUR 448 million on December 31, 2012. The number of outstanding days of working capital, measured based on quarterly sales, increased from 106 days on December 31, 2011 to 126 days on December 31, 2012. For the same period, our Front-end segment increased from 100 days to 110 days and our Back-end segment increased from 109 days to 132 days.

PENSION PLANS

The Company's employees of the Front-end segment in the Netherlands, approximately 179 full-time employees (FTE), participate in a multi-employer union plan, "Bedrijfstakpensioenfonds Metalektro", (PME) determined in accordance with the collective bargaining agreements effective for the industry in which ASMI operates. This collective bargaining agreement has no expiration date. This multiemployer union plan covers approximately 1,220 companies and 150,000 contributing members. ASMI's contribution to the multiemployer union plan is less than 5.0% of the total contribution to the plan as per the annual report for the year ended December 31, 2011. The plan monitors its risks on a global basis, not by company or employee, and is subject to regulation by Dutch governmental authorities. By law (the Dutch Pension Act), a multiemployer union plan must be monitored against specific criteria, including the coverage ratio of the plan assets to its obligations. This coverage ratio must exceed 104.25% for the total plan. Every company participating in a Dutch multiemployer union plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate. The premium can fluctuate yearly based on the coverage ratio of the multiemployer union plan. The pension rights of each employee are based upon the employee's average salary during employment.

ASMI's net periodic pension cost for this multiemployer union plan for any period is the amount of the required contribution for that period. A contingent liability may arise from, for example, possible actuarial losses relating to other participating entities because each entity that participates in a multiemployer union plan shares in the actuarial risks of every other participating entity. 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 93.9% as of December 31, 2012 (December 31, 2011: 90.0%). Because of the low coverage ratio PME prepared and executed a so-called "Recovery Plan" which was approved by De Nederlandsche Bank, the Dutch central bank, which is the supervisor of all pension companies in the Netherlands. Due to the low coverage ratio and according the obligation of the "Recovery Plan" the pension premium percentage is 24.0% in both 2011 and 2012. The coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities and is based on actual market interest.

ASMPT

Our Back-end segment, which is conducted through ASM Pacific Technology, our 51.96%-owned subsidiary, is on December 31, 2012 had a debt of EUR 81 million. The cash resources and borrowing capacity of ASM Pacific Technology are not available to our Front-end segment due to restrictions imposed by the Hong Kong Stock Exchange, on which the ASM Pacific Technology common shares are listed.

We historically relied on dividends from ASM Pacific Technology for a portion of our cash flow for use in our Front-end Operations. Cash dividends received from ASM Pacific Technology during 2011 and 2012 were EUR 86.9 million and EUR 29.6 million, respectively. In November 2006, we announced our commitment that for at least the next three years we would not use these cash dividends to support our Front-end business, but instead would use such dividends to retire outstanding convertible debt, repurchase our common shares, pay dividends on our common shares or, in the event of dilution resulting from the exercise of employee stock options in ASM Pacific Technology, purchase shares of ASM Pacific Technology to maintain our percentage ownership at its current level.

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

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

DIVIDENDS RECEIVED FROM ASM PACIFIC TECHNOLOGY (In millions)	DIVIDENDS RECEIVED FROM ASM PACIFIC TECHNOLOGY	REPURCHASED COMMON SHARES OF ASM INTERNATIONAL	REPURCHASED CONVERTIBLE BONDS	DIVIDEND PAID TO SHAREHOLDERS OF ASM INTERNATIONAL	BALANCE OF DIVIDENDS RECEIVED
2007	49.1	-	(32.9)	(5.4)	10.8
2008	49.1	(36.5)	(27.1)	-	(14.5)
2009	21.4	-	(27)	-	(5.6)
2010	65.6	-	(55.8)	-	9.8
2011	86.9	-	-	(22.1)	64.8
2012	29.6	(40.6)	-	(27.5)	(38.5)
TOTAL	301.7	(77.1)	(142.8)	(55)	26.8

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

The market value of our investment in ASM Pacific Technology at the end of 2012 was approximately EUR 1,913 million. At the end of 2011 this was approximately EUR 1,799 million.

REMUNERATION OF THE SUPERVISORY BOARD

The remuneration of the members of the Supervisory 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 30 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 30 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 15, 2013 by each beneficial owner known to us of more than 5% of our common shares:

	NUMBER OF SHARES	PERCENT
Arthur H. del Prado ^{1,2)}	11,346,323	17.96%
Aberdeen asset managers Ltd ³⁾	8,351,517	9.87%
Capital Research and Management Company ⁴⁾	3,237,708	5.13%

¹⁾ Calculated on the basis of 63,169,136 Common Shares outstanding as of March 15, 2013, 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⁾ Based on the notification dated August 14, 2012.

⁴⁾ Based on the notification dated March 15, 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.

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 EUR 290.5 million as of December 31, 2012 available borrowings, the ability to renew debt arrangements and to access additional indebtedness and whether or not we will maintain compliance with our financial covenants. Based on this, we believe that our cash on hand at the end of 2012 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, 2012 aggregated by type of contractual obligation:

CONTRACTUAL OBLIGATIONS, CONTINGENT LIABILITIES AND COMMITMENTS (In million)	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Notes payable to banks ¹⁾	62,686	62,686	-	-	-
Long-term debt ¹⁾	19,957	6,821	13,136	-	-
Operating leases	72,526	21,430	29,904	13,963	7,229
Pension liabilities	7,060	418	931	1,603	4,108
Purchase obligations:					
Purchase commitments to suppliers	141,908	139,221	2,687	-	-
Capital expenditure commitments	10,553	10,273	280	-	-
Unrecognized tax benefits (ASC 740)	22,511	22,511	-	-	-
TOTAL CONTRACTUAL OBLIGATIONS	337,201	263,360	46,938	15,566	11,337

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

For a further discussion of our contractual obligations see Notes 14, 17, 18, 21, 23 and 26 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 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. The effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in foreign currencies is periodically reviewed.

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

No unrealized gains were included in accumulated other comprehensive income as of December 31, 2012. Hedge ineffectiveness was insignificant for the years ended December 31, 2012 and December 31, 2011.

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 Income.

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, 2011 we recorded a favorable movement of EUR 13.4 million. For the year ended December 31, 2012 we recorded an unfavorable movement of EUR 7.6 million. See Note 19 to our Consolidated Financial Statements, which is incorporated herein by reference.

The following table summarizes our financial instruments as of December 31, 2012 and analyzes the sensitivity of the fair value of our financial instruments to an immediate change in foreign currency rates. Fair values represent the present value of forecasted future cash flows at market foreign currency exchange rates. The sensitivity analysis assumes an immediate 10% favorable or unfavorable change in all foreign currency exchange rates against the euro from their levels as of December 31 with all other variables kept constant. A favorable 10% change indicates a strengthening of the currency in which our financial instruments are denominated, primarily the US dollar, against the euro and an unfavorable change indicates a weakening of the currency in which our financial instruments are denominated, primarily the US dollar, against the euro. The selection of 10% favorable or unfavorable change in foreign currency exchange rates should not be construed as a prediction by us of future market events, but rather, to illustrate the potential impact of such an event. The modeling technique used to calculate the exposure does not take into account correlation among foreign currency exchange rates, or correlation among various markets (i.e., the foreign exchange, equity and fixed-income markets). Even though we believe it to be possible that all of the foreign currency exchange rates to which we are exposed would simultaneously change by more than 10%, we find it meaningful to "stress test" our exposure under this 10% fluctuation scenario and other hypothetical adverse market scenarios. Our actual experience may differ from the results in the table below due to the correlation assumptions utilized, or if events occur that were not included in the methodology, such as significant liquidity or market events.

FX MANAGEMENT (in million)	SENSITIVITY ANALYSIS				
	CURRENCY AND NOTIONAL AMOUNT	CARRYING AMOUNT	FAIR VALUE	FAVORABLE FX CHANGE OF 10%	UNFAVORABLE FX CHANGE OF 10%
As of December 31, 2012:					
Notes payable to banks, due within twelve months	HK\$ 630.7	61.7	61.7	55.5	67.8
Long-term debt with maturities:					
due November 29, 2015	HK\$ 193.8	18.9	18.9	17.1	20.8
Convertible subordinated debt:					
due November 6, 2014	euro -	-	-	-	-
Foreign exchange contracts:					
sale of currency contracts to be settled within twelve months:	US\$ 27.1	0.1	0.1	0.1	0.2

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

The following tables analyze our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar or Japanese yen against the euro as of December 31, 2012. 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 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 and Japanese yen.

	IMPACT ON EQUITY	
	DECEMBER 31, 2011	DECEMBER 31, 2012
10% increase of US dollar versus euro	6,275	7,512
10% decrease of US dollar versus euro	(6,275)	(7,512)
10% increase of Singapore dollar versus euro	5,091	5,965
10% decrease of Singapore dollar versus euro	(5,091)	(5,965)
10% increase of Hong Kong dollar versus euro	65,732	55,740
10% decrease of Hong Kong dollar versus euro	(65,732)	(55,740)
10% increase of Japanese yen versus euro	6,155	6,898
10% decrease of Japanese yen versus euro	(6,155)	(6,898)

A positive amount indicates a gain in net earnings.

A hypothetical 10% strengthening or 10% weakening of any currency other than the US dollar, Singapore dollar, Hong Kong dollar or Japanese yen against the euro as of December 31, 2011 and December 31, 2012 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 and Japanese yen against the euro at average exchange rates for the years 2011 and 2012. A positive amount indicates an increase in net earnings.

	IMPACT ON NET EARNINGS	
	DECEMBER 31, 2011	DECEMBER 31, 2012
10% increase of US dollar versus euro	2,386	1,433
10% decrease of US dollar versus euro	(2,386)	(1,433)
10% increase of Hong Kong dollar versus euro	14,392	3,630
10% decrease of Hong Kong dollar versus euro	(14,392)	(3,630)
10% increase of Japanese yen versus euro	(236)	1,273
10% decrease of Japanese yen versus euro	236	(1,273)

A hypothetical 10% strengthening or 10% weakening of any currency other than the US dollar, Hong Kong dollar and Japanese yen against the euro at average exchange rates for the years 2011 and 2012 would not result in a material impact on net earnings.

INTEREST RISK

We are exposed to interest rate risk primarily through our borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2012 the Company had EUR 18,948 in long-term debt at fixed interest rates and EUR 61,675 in other borrowings with variable short-term interest rates. A hypothetical change in the average interest rate by 10% on the portion of the Company's debt bearing interest at variable rates would not result in a material change in interest expense at December 31, 2011 and December 31, 2012 borrowing levels.

CREDIT RISK

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

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

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

A significant percentage of our revenue is derived from a small number of large customers. Our largest customer accounted for approximately 8.8% of net sales in 2012 (2011: 6.4%; 2010: 5.2%) and the ten largest customers accounted for approximately 31.6% of net sales in 2011 (2011: 27.9%; 2010: 27.9%). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose us to a concentration of credit risk and difficulties in collecting amounts due, which could harm our financial results. At December 31, 2012 one customer accounted for 6.5% of the outstanding balance in accounts receivable (2011: 4.5%; 2010: 6.0%).

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.

TECHNOLOGY

Since the birth of the semiconductor industry, ASMI has been pioneering new and ever more efficient ways to make integrated circuits (ICs) – more commonly known as chips – smaller, cheaper and more powerful.



MOORE'S LAW

Moore's Law states that the average number of transistors on a chip will double every 18 to 24 months. What is a chip? Chips are pieces of silicon wafer made up of interconnected electrical components created on a microscopic scale. Transistors are the most fundamental component: electrically operated switches that can be turned on or off producing the zeros and ones of binary arithmetic that are at the heart of even the most advanced computer operations.

To keep the industry performing to Moore's Law, ASMI has helped reduce the size of transistors so more can fit in the same space. Creating greater density. So advanced is this effort, that today, our process technologies are making transistors that are only 32 nanometers (nm) in size and smaller.

It's difficult to imagine things at this scale. So let's put it in perspective. There are a billion nanometers in 1 meter. A human hair is roughly 100,000nm thick. A strand of human DNA is 2.5nm in diameter. ASMI's new Atomic Deposition Layering technology works by forming layers atom by atom. In other words, it works at a smaller scale than DNA – the fundamental building block of human life.

THE MANUFACTURING PROCESS

To explain how this is possible, let's take a look at how a chip is made. There are two basic parts to chip manufacturing. We refer to them as Front-end and Back-end. At the Front-end – the start of the manufacturing 'line' – manufacturers process wafers made

of silicon, on which the electrical components are formed. At the Back-end – the end of the manufacturing 'line' – the wafers are divided up into individual chips and tested before being assembled and packaged.

At ASMI, innovation has been part of our way of life since we were founded by visionary entrepreneur Arthur del Prado in 1968. Today, we're a leading edge supplier of the equipment needed to carry out both the Front-end and Back-end parts of manufacturing chips.

LAYERING

During Front-end wafer processing, several technologies that we pioneered deposit thin layers or films, one at a time, on the silicon wafer. Patterns are added using lithography. Guided by these patterns, portions of the films are removed. This process is repeated many times until the basic components 'grow' and start to take shape. Creating the fundamental building blocks of the finished chip.

These components are then electrically connected during further deposition and patterning cycles. The finished wafer will contain up to several thousand individual chips in a diameter space of 300mm and some chips can hold billions of transistors. To manufacture at this scale and density requires incredible precision and reliability.

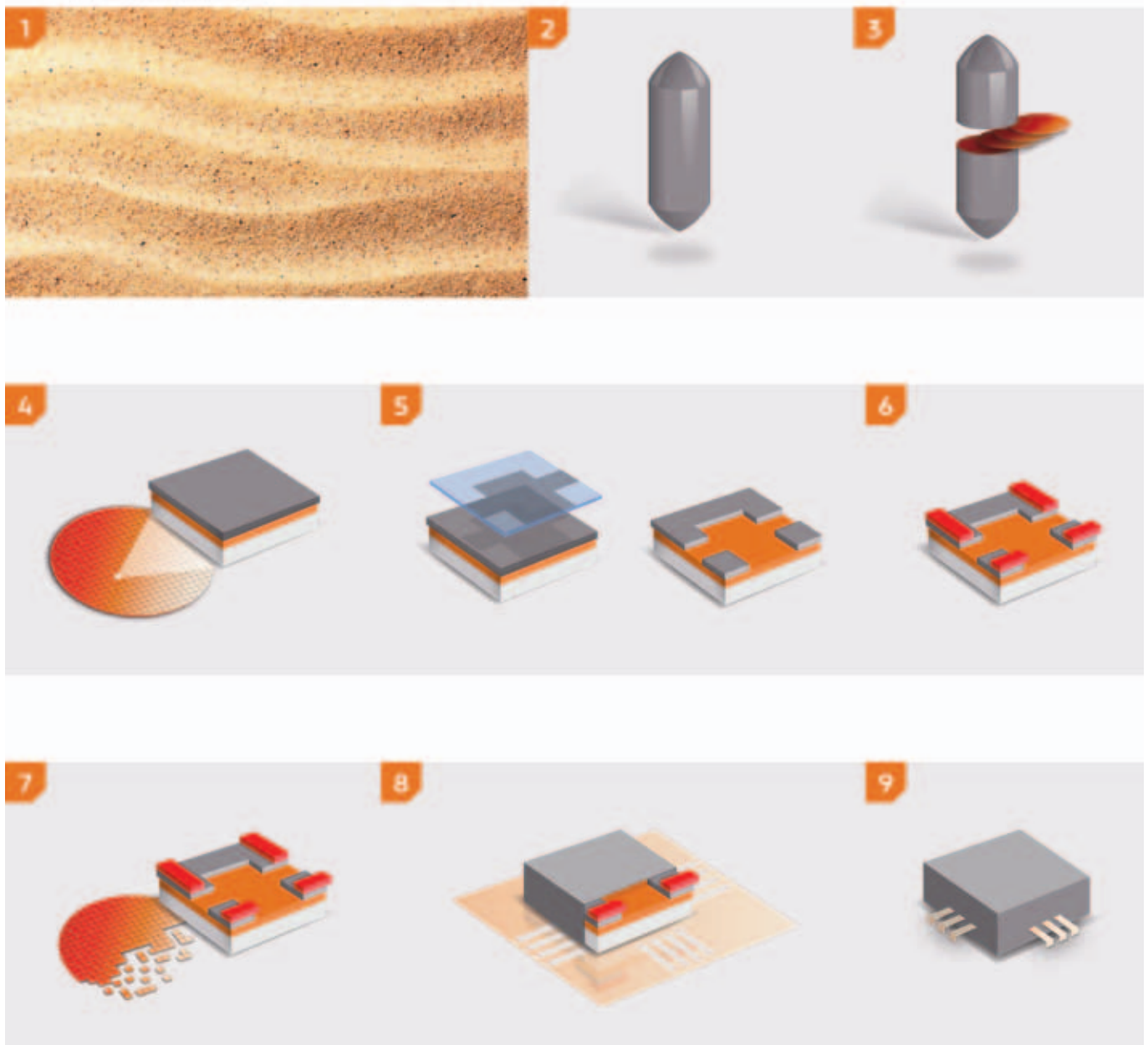
All of this takes place in clean rooms. Manufacturing sites where all foreign particles are kept out. The smallest trace of contamination can render an entire wafer unusable.

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. Here's how it is done.

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 that 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 THE 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 SEPERATED 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

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.



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.

THE FUTURE IS MADE UP OF MANY LAYERS

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.




LESS IS MOORE

MOORE'S LAW

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

Gordon E. Moore (Intel)



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 ASM deposition technology.



MOORE TO COME

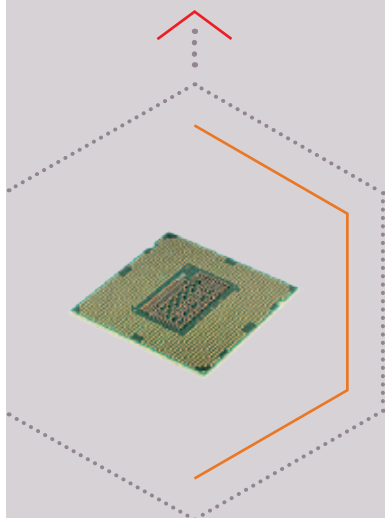
In 1999, ASMI was one of the first companies to recognize the potential of Atomic Layer Deposition (ALD), making it possible to manufacture today's 22nm wide transistors with great precision. ALD is now one of our most important platforms for a whole new set of materials that will keep giving the world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



SMALL IS BIG

Future Innovations

ALD technology enables us to achieve scaling using new materials and 3D chips.



We're all creating more data. 90% of all the data in the world that exists today has been created in the last two years. 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.

INNOVATION CREATES UNDERSTANDING

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.



CHAIN REACTION

Excludat decaprium

Audam reres au tenia
ssit pos mil in et venimpo
Untiis resto vitis nimole.
Rem eribearumqui.

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. Smart devices are bringing a new type of consumer and something else – faster reactions.

CO-CREATION

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 >

CONSOLIDATED ANNUAL ACCOUNTS



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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(EUR thousand except per share data)	NOTES	DECEMBER 31,	
		2011	2012
Assets			
Cash and cash equivalents	4	390,250	290,475
Accounts receivable, net	6	330,891	304,840
Inventories, net	7	378,365	405,506
Income taxes receivable		907	890
Other current assets		82,715	90,807
TOTAL CURRENT ASSETS		1,183,128	1,092,518
Pledged cash	5	20,000	20,000
Prepaid lease payments		2,732	2,816
Deferred tax assets	26	27,797	21,641
Other intangible assets, net	8	67,184	76,151
Goodwill, net	9	41,484	41,407
Evaluation tools at customers	12	13,987	16,922
Investments	13	1,044	278
Property, plant and equipment, net	10	257,448	265,823
Investment property	10	-	6,797
Assets classified as held for sale	11	6,862	5,998
TOTAL NON-CURRENT ASSETS		438,538	457,833
TOTAL ASSETS		1,621,666	1,550,351
Liabilities and shareholders' equity			
Notes payable to banks	14	40,680	61,675
Accounts payable		157,549	151,761
Provision for warranty	15	42,684	38,623
Accrued expenses and other	16	152,890	132,060
Income taxes payable		54,878	27,625
Current portion of long-term debt	17	4,332	6,316
TOTAL CURRENT LIABILITIES		453,013	418,060
Pension liabilities	20	9,675	7,060
Deferred tax liabilities	26	13,120	11,935
Provision for warranty	15	6,828	5,298
Long-term debt	17	15,319	12,632
Convertible subordinated debt	18	131,870	-
TOTAL NON-CURRENT LIABILITIES		176,812	36,925
TOTAL LIABILITIES		629,825	454,985
<i>Commitments and contingencies</i>	21, 22		
Common shares:			
Authorized 110,000,000 shares, par value €0.04, issued and outstanding 55,377,020 and 63,095,986 shares		2,215	2,584
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		378,972	482,907
Retained earnings		326,211	321,532
Accumulated other comprehensive loss		(13,842)	(21,295)
TOTAL SHAREHOLDERS' EQUITY	19	693,556	785,728
Non-controlling interest		298,285	309,638
TOTAL EQUITY		991,841	1,095,366
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1,621,666	1,550,351

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF INCOME

(EUR thousand except per share data)	NOTES	YEAR ENDED DECEMBER 31,	
		2011	2012
NET SALES	27	1,634,334	1,418,067
Cost of sales		(1,065,496)	(977,278)
GROSS PROFIT	27	568,838	440,789
Operating expenses:			
Selling, general and administrative		(172,107)	(201,490)
Research and development, net	24	(118,273)	(138,161)
Amortization of other intangible assets	8	(911)	(1,264)
Impairment charge property, plant and equipment	10	(8,038)	-
Restructuring expenses	25	-	(891)
TOTAL OPERATING EXPENSES		(299,329)	(341,806)
Operating income:			
Gain on bargain purchase	3	107,935	-
RESULT FROM OPERATIONS	27	377,444	98,983
Interest income		2,902	1,989
Interest expense		(11,926)	(10,810)
Loss resulting from early extinguishment of debt	18	-	(2,209)
Accretion interest expense convertible notes	18	(5,479)	(5,328)
Revaluation conversion option	18	(4,378)	-
Debt issuance expenses credit facility		(1,371)	-
Foreign currency exchange gains (losses), net		5,604	(3,957)
Results on investments		-	(766)
EARNINGS (LOSS) BEFORE INCOME TAXES		362,796	77,902
Income tax expense	26	(38,650)	(29,449)
NET EARNINGS (LOSS)		324,146	48,453
<i>Net earnings (loss) for allocation between shareholders of the parent and non-controlling interest</i>			
Allocation of net earnings:			
Shareholders of the parent		194,385	15,903
Non-controlling interest		129,761	32,550
Net earnings per share (in euro):	29		
Basic net earnings from continuing operations		3.52	0.28
Diluted net earnings from continuing operations		3.27	0.28
<i>Weighted average number of shares used in computing per share amounts (in thousands):</i>			
Basic		55,210	56,108
Diluted		64,682	56,767

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31,	
		2011	2012
NET EARNINGS (LOSS)		324,146	48,453
Other comprehensive income (loss):			
Foreign currency translation effect		18,930	(10,597)
Unrealized gains (losses) on derivative instruments, net of tax		(13)	-
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	19	18,917	(10,597)
COMPREHENSIVE INCOME (LOSS)		343,063	37,856
Allocation of comprehensive income (loss):			
Common shareholders		208,201	8,450
Non-controlling interest	19	134,862	29,406

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF TOTAL EQUITY

EUR										
(thousand except for share data)	NOTES	NUMBER OF COMMON SHARES	COMMON SHARES	CAPITAL IN EXCESS OF PAR VALUE	TREASURY SHARES AT COST	RETAINED EARNINGS	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHAREHOLDERS' EQUITY	NON-CONTROLLING INTEREST	TOTAL EQUITY
BALANCE AS OF JANUARY 1, 2011		52,931,881	2,117	314,596	-	148,824	(27,658)	437,879	235,767	673,646
Compensation expense stock options		-	-	1,872	-	-	-	1,872	-	1,872
Conversion of debt into common shares	18	2,151,020	86	58,439	-	-	-	58,525	-	58,525
Exercise stock options by issue of common shares	19	294,119	12	4,065	-	-	-	4,077	-	4,077
Net earnings to common shareholders		-	-	-	-	194,384	-	194,384	129,762	324,146
Dividend paid to common shareholders						(22,262)		(22,262)	-	(22,262)
Other comprehensive income	19	-	-	-	-	-	13,816	13,816	5,100	18,916
Other movements in non-controlling interest:										
Dividend paid		-	-	-	-	-	-	-	(79,474)	(79,474)
Dilution		-	-	-	-	5,265	-	5,265	7,130	12,395
BALANCE AS OF DECEMBER 31, 2011		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	18	9,074,396	363	98,490	40,554	-	-	139,407	-	139,407
Exercise stock options by issue of common shares	19	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	19	-	-	-	-	-	(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

See Notes to Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		YEAR ENDED DECEMBER 31,	
(EUR thousand)	NOTES	2011	2012
Cash flows from operating activities:			
NET EARNINGS (LOSS)		324,146	48,453
Adjustments required to reconcile net earnings(loss) to net cash from operating activities:			
Depreciation and amortization	8, 10	56,239	66,340
Impairments	10	9,458	527
Gain on bargain purchase		(107,935)	-
Share-based compensation	20	13,452	23,065
Non cash result components convertible bonds	18	8,779	6,678
Result investments		-	766
Deferred income taxes		(25,584)	(147)
Changes in assets and liabilities:			
Accounts receivable		67,293	17,905
Inventories		10,029	(40,280)
Other current assets		(20,335)	(6,713)
Accounts payable and accrued expenses		(96,601)	(31,832)
Payment restructuring expenses		(3,159)	-
Current income taxes		80	(22,818)
NET CASH PROVIDED BY OPERATING ACTIVITIES		235,862	61,944
Cash flows from investing activities:			
Capital expenditures	10	(89,218)	(68,162)
Net purchase of intangible assets	8	(26,332)	(24,095)
Acquisition of business	9	(994)	-
Cash acquired in business combination	3	43,434	-
Pledged bank deposit in business combination	5	(20,000)	-
Proceeds from sale of property, plant and equipment	10	3,794	901
NET CASH USED IN INVESTING ACTIVITIES		(89,316)	(91,356)
Cash flows from financing activities:			
Debt redemption		(23,096)	(19,661)
Debt proceeds, net		42,173	42,612
Purchase of treasury shares ASMI		-	(40,554)
Purchase of treasury shares ASMPT		-	(3,552)
Proceeds from issuance of shares and exercise of stock options		4,122	2,209
Dividends to common shareholders of ASMI		(22,262)	(27,519)
Dividends to minority shareholders ASMPT		(79,474)	(27,024)
NET CASH PROVIDED BY / (USED IN) FINANCING ACTIVITIES		(78,537)	(73,489)
FOREIGN CURRENCY TRANSLATION EFFECT		(18,052)	3,125
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		49,956	(99,775)
Cash and cash equivalents at beginning of year	4	340,294	390,250
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	390,250	290,475
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest		10,742	10,124
Income taxes		39,929	52,425

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1-GENERAL INFORMATION / SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

ASM International N.V. ("ASMI" or "the Company") is a 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.

We are an equipment supplier mainly to the semiconductor, LED and electronics manufacturing industry. We design, manufacture and sell equipment and services to our customers for the production of semiconductor devices, or integrated circuits, for the production of LEDs, and for electronics manufacturing in general.

The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. ASMI is mainly active in the wafer processing and assembly and packaging market segments. We also sell lead-frames for semiconductor assembly. In addition, ASM AS is offering surface-mount technology ("SMT") placement tools for the global electronics manufacturing industries. The wafer processing segment is referred to as "Front-end." Assembly and packaging and SMT is referred to as "Back-end."

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

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

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

BASIS OF PREPARATION

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

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

USE OF ESTIMATES

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

CONSOLIDATION

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

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

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

BUSINESS COMBINATIONS

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

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

SEGMENT REPORTING

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

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

Japan and Southeast Asia. The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd., in which the Company holds a majority of 51.96% 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 uses forward exchange contracts to hedge its foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which the Company has a firm commitment from a customer or to a supplier. The terms of these contracts are consistent with the timing of the transactions being hedged. The hedges related to forecasted transactions are designated and documented at the inception of the hedge as cash flow hedges, and are evaluated for

effectiveness quarterly. The effective portion of the gain or loss on these hedges is reported as a component of accumulated other comprehensive income (loss) net of taxes in shareholders' equity, and is reclassified into earnings when the hedged transaction affects earnings.

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

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

ACCOUNTS RECEIVABLE

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

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

INVENTORIES

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

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

EVALUATION TOOLS AT CUSTOMERS

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

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

ACCOUNTS PAYABLE

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

BANK DEBT

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

CONVERTIBLE SUBORDINATED DEBT

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

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

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

EQUITY INSTRUMENTS

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

LONG-LIVED ASSETS

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

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

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

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

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

Prior to December 31, 2004 ASMI's administrative systems did not distinguish between research expenses and development expenses and as a result, the Company could not demonstrate its ability to measure the expenses attributable to the intangible asset during its development reliably. At January 1, 2005, the Company implemented a change to its administrative systems. As a result, from 2005 onwards the Company capitalizes development expenses that meet the above-mentioned criteria in its Consolidated Financial Statements.

Amortization of capitalized development expenses is calculated using the straight-line method over the estimated useful lives of the developed product. Amortization starts when the developed product is transferred to high volume manufacturing.

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

RECOVERABILITY OF LONG-LIVED ASSETS

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

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.
- › 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.

REVENUE RECOGNITION

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

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

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

The Company recognizes revenue from installation of equipment upon completion of installation at the customer's site. At the time of shipment, the Company defers that portion of the sales price related to the installation. The relative selling price of the installation process is measured based upon the per-hour amounts charged to clients for similar installation services. Installation is completed when testing at the customer's site has proven that the equipment has met all of the customer's criteria and specifications. The completion of installation is signed-off by the customer ("final acceptance"). The revenue relating to the undelivered elements of the arrangements is deferred at their relative selling prices until delivery of these elements. At December 31, 2011 and December 31, 2012 we have deferred revenues from installations in the amount of €6.3million and €3.5 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.
- › Actions required to complete the plan indicate that it is unlikely that significant changes to the plan will be made or that the plan will be withdrawn.

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

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

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

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

INCOME TAXES

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

PENSIONS

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

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

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

SHARE-BASED PAYMENTS

IFRS 2 "Share-based Payment" requires expensing the fair value of options granted to employees. The total estimated share-based compensation expense, determined under the fair value based method, net of related tax effect, is amortized rateably over the option vesting periods. Reference is made to Note 20.

ISSUANCE OF SHARES BY A SUBSIDIARY

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

COMMITMENTS AND CONTINGENCIES

The Company has various contractual obligations, some of which are required to be recorded as liabilities in the Company's consolidated financial statements, including long- and short-term debt. Others, namely operating lease commitments, purchase commitments and commitments for capital expenditure, are generally not required to be recognized as liabilities on the Company's balance sheet but are required to be disclosed. Reference is made to Note 21.

COMPREHENSIVE INCOME

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

CAPITALIZATION OF DEVELOPMENT EXPENSES

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

RECENT ACCOUNTING PRONOUNCEMENTS

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

Improvements to IFRSs 2009-2011 Cycle issued in May 2012, requires the Company to group the items in other comprehensive income on the basis of whether they are potentially able to be subsequently reclassified to profit or loss (reclassification adjustments). The application of the amendments to IAS 1 does not result in any impact on profit or loss, other comprehensive income or total comprehensive income. The amendment to IAS 1 was endorsed by the EU in 2012 and the Company will adopt the amendment in 2013.

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

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

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The standard is not applicable until January 1, 2014. We anticipate that that adoption will not have a material impact on our consolidated financial statements.

IFRS 11, 'Joint arrangements' focuses on two types of joint arrangement: joint operation and joint ventures. Joint operation arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts of its interest. Proportional consolidation of joint ventures is no longer allowed. The standard is not applicable until January 1, 2014. We anticipate that that adoption will not have a material impact on our consolidated financial statements.

IFRS 12, 'Disclosures of interests in other entities' includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The standard is not applicable until January 1, 2014 but is available for early adoption. We anticipate that that adoption will not have a material impact on our consolidated financial statements.

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

The IASB has issued Exposure Drafts on several topics in which significant changes on accounting and disclosures are proposed. If the current proposals lead to new or amended standards, the changes will have a substantial impact on ASMI's financial statements in the coming years. ASMI specifically monitors the developments of the exposure drafts on the following topics: 'Revenue recognition' and 'Leasing'. Based on the current planning of the IASB these projects are expected to lead to new revised standards in 2013 or later. The effective date of the revised standards is also under discussion.

2- LIST OF SIGNIFICANT SUBSIDIARIES

NAME	LOCATION	% OWNERSHIP DECEMBER 31,	
		2011	2012
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 Trading Ltd	Shanghai, People's Republic of China	100.00%	100.00%
ASM Wafer Process Equipment Singapore Pte Ltd	Singapore	100.00%	100.00%
ASM Front-End Sales & Services Taiwan Co, Ltd	Hsin-Chu, Taiwan	100.00%	100.00%
ASM Services & Support Malaysia SDN BDH	Kuala Lumpur, Malaysia	0.00%	100.00%
ASM Front-End Manufacturing Singapore Pte Ltd	Singapore	100.00%	100.00%
ASM NuTool, Inc	Phoenix, Arizona, United States	100.00%	100.00%
ASM Genitech Korea Ltd	Cheonan, South Korea	100.00%	100.00%
ASM IP Holding BV ¹⁾	Almere, the Netherlands	100.00%	100.00%
ASM Pacific Technology Ltd	Kwai Chung, Hong Kong, People's Republic of China	52.17%	51.96%
ASM Assembly Automation Ltd ²⁾	Kwai Chung, Hong Kong, People's Republic of China	52.17%	51.96%
ASM Assembly Materials Ltd ²⁾	Kwai Chung, Hong Kong, People's Republic of China	52.17%	51.96%
ASM Technology Singapore Pte Ltd ²⁾	Singapore	52.17%	51.96%
ASM Technology (M) Sdn Bhd ²⁾	Johor Bahru, Malaysia	52.17%	51.96%
ASM Semiconductor Materials (Shenzhen) Co. Ltd ²⁾	Shenzhen, People's Republic of China	52.17%	51.96%
Edgeward Development Ltd ²⁾	Guernsey, Channel Islands	52.17%	51.96%
Shenzhen ASM Micro Electronic Technology Co. Ltd ²⁾	Shenzhen, People's Republic of China	52.17%	51.96%
ASM Assembly Systems Management GmbH. ⁴⁾	Munich, Germany	52.17%	51.96%
ASM Assembly Systems Management GmbH & Co KG ⁴⁾	Munich, Germany	52.17%	51.96%
ASM Assembly Systems Ltd ⁴⁾	Shanghai, People's Republic of China	52.17%	51.96%
ASM Pacific(Hong Kong) Ltd ⁴⁾	Kwai Chung, Hong Kong, People's Republic of China	52.17%	51.96%
ASM Pacific (Holdings) Ltd	Kwai Chung, Hong Kong, People's Republic of China	52.17%	51.96%
ASM Microelectronic Technical Services (Shanghai) Company Ltd	Shanghai, People's Republic of China	52.17%	51.96%
ASM (Assembly Systems) GmbH & Co K G ⁴⁾	Vienna, Austria	52.17%	51.96%
ASM Assembly Systems, LLC ⁴⁾	Suwanee, United States	52.17%	51.96%
ASM Assembly Systems Pte. Ltd ⁴⁾	Singapore	52.17%	51.96%
ASM Technology (Huizhou) Ltd	People's Republic of China	52.17%	51.96%
ASM Technology China Ltd	People's Republic of China	52.17%	51.96%

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

²⁾ 100% subsidiaries of ASM Pacific Technology Ltd.

³⁾ Established in 2008, ASM Pacific Holding B.V. is holding 51.96% of the shares in ASM Pacific Technology Ltd.

⁴⁾ 100% subsidiaries of ASM Pacific Technology Ltd., Acquired January 7, 2011.

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

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

3- ACQUISITION

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

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

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

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

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

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

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

The following table summarizes the total purchase consideration and the identified assets and liabilities that were separately recognized in the purchase price allocation.

	CARRYING VALUE OF NET ASSETS ACQUIRED (EXCLUDING ACQUIRED CASH)	PURCHASE PRICE ALLOCATION	FAIR VALUE
Inventories	91,812	11,529	103,341
Trade and other receivables	132,418	-	132,418
CURRENT ASSETS	224,230	11,529	235,759
Property, plant and equipment	13,077		13,077
Intangible assets	1,542	3,520	5,062
Other non-current assets	494	-	494
NON-CURRENT ASSETS	15,113	3,520	18,633
TOTAL ASSETS	239,343	15,049	254,392
Trade and other payables	153,624	-	153,624
Short-term debt	6,738	-	6,738
Deferred tax liabilities	16,199	-	16,199
CURRENT LIABILITIES	176,561	-	176,561
Deferred tax liabilities	3,772	-	3,772
Other non-current liabilities	10,699	-	10,699
NON-CURRENT LIABILITIES	14,471	-	14,471
TOTAL LIABILITIES	191,032	-	191,032
IDENTIFIED NET ASSETS	48,311	15,049	63,360
Cash acquired			81,075
			144,435
Total consideration			(36,500)
GAIN BARGAIN PURCHASE			107,935

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

The gain from a bargain purchase of €107,935 was recognized upon completion of the acquisition of the SEAS entities in 2011. The gain from a bargain purchase on acquisition was mainly attributable to depressed market value of the acquired business because of years of losses due to challenging economic environment and the bad global economic environment during the period of negotiation of the acquisition.

Estimated future amortization expense associated with the intangible assets acquired SEAS at December 31, 2012 is as follows:

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

The following unaudited pro forma summary presents information as if SEAS had been acquired as of January 1, 2009, the first day of the Company's 2009 fiscal year. In addition to an adjustment to amortization expense to reflect the value of intangibles recorded for this acquisition. No adjustment was made to reduce historical interest income to reflect the Company's use of available cash in this acquisition. The proforma amounts do not reflect any benefits from economies that might be achieved from combining the operations of the two companies.

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

	DECEMBER 31,	
	2009	2010
Net sales	808,042	1,571,357
Net income	(196,117)	279,201
Basic earnings per share	€(3.27)	€2.40
Diluted earnings per share	€(3.27)	€2.33

Since the acquisition date, January 7, 2011, SEAS contributed €444 million to net sales and €53 million to result from operations as reported in the consolidated statement of operations for the year ended December 31, 2011.

4- CASH AND CASH EQUIVALENTS

At December 31, 2012, cash and cash equivalents of the Company's subsidiary ASMPT amounted to €145,414, which are restricted to be used only in the operations of ASMPT. No further restrictions on usage of cash and cash equivalents exist. The carrying amount approximates their fair value.

5- PLEDGED BANK DEPOSIT

Pursuant to the Master Sale and Purchase Agreement of the acquisition (see note 3) entered into between ASMPT and Siemens Aktiengesellschaft, ASMPT provided a bank guarantee to Siemens AG upon completion of the acquisition for the purpose of securing certain obligations to an amount of €20 million. At December 31, 2012, a bank deposit amounting to €20 million is pledged for the purpose of securing the bank guarantee. The pledged bank deposit will be released on January 7, 2015.

The pledged bank deposit carried interest at market rates of 0.1% (2011: 0.95%) per annum.

6- ACCOUNTS RECEIVABLE

The carrying amount of accounts receivable is as follows:

	DECEMBER 31,	
	2011	2012
Current	264,224	223,546
Overdue <30 days	31,529	38,666
Overdue 31-60 days	12,126	13,537
Overdue 61-120 days	13,579	13,954
Overdue >120 days	9,433	15,137
TOTAL	330,891	304,840

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

	BALANCE DECEMBER 31,	
	2011	2012
BEGINNING BALANCE	(9,304)	(7,601)
Charged to selling, general and administrative expenses	(356)	(2,825)
Utilization	2,109	1,841
Foreign currency translation effect	(50)	34
ENDING BALANCE	(7,601)	(8,551)

Accounts receivable are impaired and provided for on an individual basis. As of December 31, 2012, accounts receivable of €66.2 million were pas 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. The allowance for doubtful accounts relates to accounts receivable of €15.1 million among which the receivable on Elpida Memory Inc.

7- INVENTORIES

Inventories consist of the following:

	DECEMBER 31,	
	2011	2012
Components and raw materials	189,174	180,575
Work in process	175,564	196,313
Finished goods	70,918	91,799
TOTAL INVENTORIES, GROSS	435,656	468,687
Allowance for obsolescence	(57,291)	(63,181)
TOTAL INVENTORIES, NET	378,365	405,506

The changes in the allowance for obsolescence are as follows:

BALANCE JANUARY 1, 2011	(37,799)
Charged to cost of sales	(28,122)
Reversals	(1,788)
Utilization	12,526
Foreign currency translation effect	(2,108)
BALANCE AS OF DECEMBER 31, 2011	(57,291)
Charged to cost of sales	(10,858)
reversals	408
Utilization	3,569
Foreign currency translation effect	991
BALANCE AS OF DECEMBER 31, 2012	(63,181)

The addition for the years 2011 and 2012 mainly relates to certain obsolete parts due to technological developments and design changes. In 2012 €0.4million from the provision for obsolete inventory was released as a result of a change in the estimated usability.

At December 31, 2012, 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 €47 million.

8- 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, 2011	49,403	14,433	3,192	67,028
Capitalization of development expenses	19,281	-	-	19,281
Impairment charges	(1,420)	-	-	(1,420)
Additions	-	3,417	3,682	7,099
Acquisitions	-	44	4,782	4,826
Disposals	-	(104)	(47)	(151)
Foreign currency translation effect	715	252	603	1,570
BALANCE DECEMBER 31, 2011	67,979	18,042	12,212	98,233
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
Accumulated amortization:				
BALANCE JANUARY 1, 2011	8,718	7,809	3,011	19,538
Amortization for the year	6,734	2,901	1,570	11,205
Disposals	-	(104)	(47)	(151)
Foreign currency translation effect	119	179	159	457
BALANCE DECEMBER 31, 2011	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
Other intangible assets, net:				
DECEMBER 31, 2011	52,408	7,257	7,519	67,184
DECEMBER 31, 2012	62,236	6,900	7,015	76,151

Impairment charges on capitalized development costs are included in Operating expenses under research and development. These impairment charges reflect the write-off of capitalized development expenses for projects that were terminated.

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

2013	16,777
2014	19,701
2015	14,983
2016	12,654
2017	7,815
2018	4,221
	76,151

9- GOODWILL

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

	FRONT-END	BACK-END	TOTAL
BALANCE JANUARY 1, 2011	10,246	30,235	40,481
Foreign currency translation effect	(2)	1,005	1,003
BALANCE DECEMBER 31, 2011	10,244	31,240	41,484
Foreign currency translation effect	457	(534)	(77)
BALANCE DECEMBER 31, 2012	10,701	30,706	41,407

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

	DECEMBER 31,	
	2011	2012
Front-end segment:		
ASM Microchemistry Oy	2,612	2,612
ASM Genitech Korea Ltd	7,632	8,089
Back-end segment:		
ASM Pacific Technology Ltd	31,240	30,706
TOTAL	41,484	41,407

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

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

- » An average discount rate of 22.7% (2011: 20.5%) representing the pre-tax weighted average cost of capital. This relative high rate is a consequence of the current situation whereby certain production lines are in the early phase of the product lifecycle, hence reflecting a higher risk.
- » For Front-end external market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used.
- » Cash flow calculations are limited to five years of cash flow; after these years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are or less and for enabling technology products the rate used is or less.

» For Back-end the market value of the listed shares of ASMPT on the Hong Kong Stock exchange has been used in our analysis. These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Based on this analysis management believes that as per December 31, 2012 the recoverable amount of the reporting units exceeded the carrying value.

At December 31, 2012, a decrease in estimated cash flows of 10% and an increase of 10% of the discount rate used in calculating the fair value would not result in an impairment of the carrying value of goodwill.

10- PROPERTY, PLANT AND EQUIPMENT

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

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS	MACHINERY, EQUIPMENT, FURNITURE AND FIXTURES	TOTAL
At cost:			
BALANCE JANUARY 1, 2011	131,431	407,142	538,573
Capital expenditures	38,993	50,226	89,219
Acquisition	276	11,249	11,525
Retirements and sales	(9,361)	(30,692)	(40,053)
Reclassification	(235)	235	-
Foreign currency translation effect	8,186	20,680	28,866
BALANCE DECEMBER 31, 2011	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
Accumulated Depreciation:			
BALANCE JANUARY 1, 2011	74,216	269,167	343,383
Depreciation for the year	9,170	30,815	39,985
Impairments	1,416	6,622	8,038
Retirements and sales	(9,310)	(26,920)	(36,230)
Foreign currency translation effect	3,020	12,486	15,506
BALANCE DECEMBER 31, 2011	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
Property, Plant and Equipment, net:			
BALANCE DECEMBER 31, 2011	90,778	166,670	257,448
BALANCE DECEMBER 31, 2012	93,706	172,117	265,823

Useful lives in years:

Buildings and leasehold improvements	10-50
Machinery and equipment	2-10
Furniture and fixtures	2-10

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

As per December 31, 2012, the carrying amount includes assets under construction for land, buildings and leasehold improvements of €2,962 (2011: €18,118), machinery, equipment, furnitures and fixtures of €12,963 (2011: €8,020).

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.

11- ASSETS CLASSIFIED AS HELD FOR SALE

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

	FRONT-END JAPAN	FRONT-END THE NETHERLANDS	TOTAL
BALANCE JANUARY 1, 2011	6,070	277	6,347
Foreign currency translation effect	515	-	515
BALANCE DECEMBER 31, 2011	6,585	277	6,862
Foreign currency translation effect	(864)	-	(864)
BALANCE DECEMBER 31, 2012	5,721	277	5,998

In 2009 the decision was made to dispose certain items of property, plant and equipment. These assets represent a carrying amount as per December 31, 2012 of €5,998. The assets held for sale are located in Japan and The Netherlands. In Japan (Tama) a building that was used for research and development activities was ceased to be used in December 2009. The carrying value of €4.8 million is lower than the fair value less cost to sell. Also in Japan, a piece of land that was purchased to build a research and development center has now been regarded as held for sale. The carrying value of €0.9 million is below the expected selling price. The expected selling prices were determined, based on various inputs and considerations, including an appraisal from an outside firm performed during 2011. In the Netherlands the former ASMI head office located in Bilthoven has been regarded as held for sale. The carrying value of €0.3 million is lower than the fair value less cost to sell. The expected selling prices were determined, based on various inputs and considerations, including an appraisal from an outside firm performed during 2009.

During 2012 both the Japanese and the Dutch properties were under the interest of the market. Though the assets have not been sold yet, mainly as a result of the economical circumstances and the earth quake in Japan in 2011 leading to a low level of interest of the market in these assets, the outside firms maintain the expected selling prices.

12- EVALUATION TOOLS AT CUSTOMERS

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

BALANCE JANUARY 1, 2011	6,644
Evaluation tools shipped	14,901
Depreciation	(2,518)
Evaluation tools sold	(7,830)
Transfer from inventories	1,913
Foreign currency translation effect	877
BALANCE DECEMBER 31, 2011	13,987
Evaluation tools shipped	11,120
Depreciation	(3,798)
Evaluation tools sold	(3,277)
Foreign currency translation effect	(1,110)
BALANCE DECEMBER 31, 2012	16,922
Useful lives in years:	5

The gross carrying amount of the evaluation tools at customers per December 31, 2012 was €21,750 (2011: €15,918), accumulated depreciation per December 31, 2012 was €4,828 (2011: €1,951).

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

13- INVESTMENTS

The investment of €278 as per December 31, 2012 reflects the net equity value of the interest in Levitech BV (Front-end).

Resulting from the management buy-out in 2009 of the RTP business, ASM International N.V. obtained a 20% interest in Levitech B.V.

The changes in the investment are as follows:

BALANCE DECEMBER 31, 2011	1,044
Share of result	(766)
BALANCE DECEMBER 31, 2012	278

14- NOTES PAYABLE TO BANKS

Information on notes payable to banks is as follows:

	DECEMBER 31,	
	2011	2012
Short-term debt outstanding in:		
Japan	7,734	-
ASMPT	32,946	61,675
TOTAL	40,680	61,675

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

	DECEMBER 31,	
	2011	2012
Japanese yen	775,000	-
Hong Kong dollar	331,144	630,686

ASMI and its individual subsidiaries borrow under separate short-term lines of credit with banks in the countries where they are located. The lines contain general provisions concerning renewal and continuance at the option of the banks. 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 of 1.64% (2011: 1.83%) per annum.

Total short-term lines of credit amounted to €337,567 at December 31, 2012. The amount outstanding at December 31, 2012 was €61,675 and the undrawn portion totaled €275,893. The undrawn portion includes the Company's standby revolving credit facility of €150,000 with a consortium of banks. The facility is available through July 31, 2015. Once the facility is used, this usage is secured by a portion of the Company's shareholding in ASMPT. The undrawn portion further includes €125,893 for ASMPT, which amount is restricted to be used only in the operations of ASMPT.

The credit facility of €150,000 bank includes two financial covenants: a minimum long-term committed capital and a total net debt/equity ratio. These financial covenants are measured twice each year, at June 30 and December 31. The minimum level of long-term committed capital for the year ended December 31, 2012 was €320 million, the long-term committed capital as per that date was €742 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 consolidate total equity. For the year ended December 31, 2012 net cash was €145 million and total equity €742 million. The Company is in compliance with these financial covenants as of June 30, 2011 and as of December 31, 2012.

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

15- PROVISION FOR WARRANTY

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

BALANCE JANUARY 1, 2011	8,273
Charged to cost of sales	29,809
Acquisitions	33,733
Deductions	(24,822)
Foreign currency translation effect	2,519
BALANCE DECEMBER 31, 2011	49,512
Charged to cost of sales	26,527
Deductions	(31,948)
Foreign currency translation effect	(170)
BALANCE DECEMBER 31, 2012	43,921
Non-current portion	(5,298)
Current portion	38,623

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

16- ACCRUED EXPENSES AND OTHER

Accrued expenses and other consist of the following:

	DECEMBER 31,	
	2011	2012
Advance payments from customers	29,621	29,350
Accrual for onerous contracts	446	125
Deferred revenue	6,340	5,938
Accrual for salaries, wages and related taxes and expenses	60,039	56,246
Interest payable	1,881	307
Payables arising from acquisition of property, plant and equipment	20,509	14,027
Other	34,055	26,067
	152,891	132,060

The accrual for onerous contracts relates to operating lease contracts for buildings for which no economic benefits are expected. The accrual for onerous contracts is expected to be utilized by 2013.

17- LONG-TERM DEBT

Long-term debt consists of the following:

	DECEMBER 31,	
	2011	2012
Term loans:		
- Japan, 1.2-2.0%, due 2012-2014	17,764	-
- ASMPT LIBOR +2.5%	-	18,948
Mortgage loans:		
- Japan, 2.1-2.2%, due 2012	1,746	-
Capital lease commitments:		
- Japan, 1.8%, due 2012	141	-
	19,651	18,948
Current portion	(4,332)	(6,316)
Non-current portion	15,319	12,632

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

	DECEMBER 31,	
	2011	2012
Japanese yen	1,969,097	-
US dollar	-	25,000

Aggregate annual principal repayments for years subsequent to December 31, 2012 are:

2013	6,316
2014	6,316
2015	6,316
	18,948

Capital lease commitments relate to commitments for equipment and machinery.

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

Preferred shares, authorized 118,000, are entitled to a cumulative preferred dividend based on the amount paid-up on such shares. In the event preferred shares are issued, the Management Board must, within two years after such preferred shares were issued, submit to the general meeting a proposal to annul the preferred shares. On May 14, 2008, 21,985 preferred shares were issued to Stichting Continuïteit ASM International ("Stichting"). The amount paid-up by Stichting was €220, which is the equivalent of one-fourth of the nominal value of the preferred shares. On May 14, 2009 the Annual Meeting of Shareholders resolved to cancel the outstanding preferred shares and to reissue an option to Stichting Continuïteit to acquire preferred shares. The preferred dividend on the amount paid-up was €5 for the year 2009 and €10 for the year 2008.

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

Financing preferred shares are designed to allow ASMI to finance equity with an instrument paying a preferred dividend, linked to EURIBOR loans and government loans, without the dilutive effects of issuing additional common shares. Authorized are 8,000 shares, par value €40. No financing preferred shares were issued as per 31 December 2012.

18- CONVERTIBLE SUBORDINATED DEBT

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

For the conversion options of the convertible bonds due 2011 the accounting was different from that for the conversion option of the convertible bonds due 2014. As the convertible bonds due 2011 were denominated in USD and the ASM International common shares in which they can be converted to are denominated in Euro, these conversion options were recognized as a liability measured at fair value. The conversion option was measured at fair value through the income statement. For 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 €5.3million (2011; €5.4 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.

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

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

	4.25% CONVERTIBLE SUBORDINATED NOTES, DUE 2011	6.50% CONVERTIBLE UNSECURED NOTES, DUE 2014
Liability at redemption value at date of issuance	111,682	150,000
Debt issuance costs	(3,574)	(5,201)
Conversion component at date of issuance	(26,128)	(23,601)
LIABILITY COMPONENT AT DATE OF ISSUANCE	81,980	121,198
BALANCE JANUARY 1, 2011	32,263	126,542
- Conversion of notes	(32,385)	-
- Accrual of interest	151	5,328
- Foreign currency translation effect	(29)	-
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	-	-

	4.25% CONVERTIBLE SUBORDINATED NOTES, DUE 2011	6.50% CONVERTIBLE SUBORDINATED NOTES, DUE 2014
Nominal value in US\$:		
December 31, 2011	-	n/a
December 31, 2012	-	n/a
Nominal value in €:		
December 31, 2011	-	150,000
December 31, 2012	-	-

4.25% CONVERTIBLE SUBORDINATED NOTES, DUE 2011

In December 2004, ASMI issued US\$150.0 million in principal amount of 4.25% convertible subordinated notes due in December 2011 in a private offering. Interest on the notes was payable on June 6 and December 6 of each year. The notes were subordinated in right of payment to all of the Company's existing and future senior indebtedness. The notes were convertible, at the option of the holder, into shares of the Company's common stock initially at a conversion rate of 48.0307 shares of common stock for each US\$1,000 principal amount of notes, subject to adjustment in certain circumstances. This was equivalent to an initial conversion price of US\$20.82 per share. Effective December 6, 2007, the conversion price was adjusted for the cash dividend paid in September 2007 to US\$20.71 per share. On or after December 6, 2007, 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 exceeded 130% of the conversion price for at least P20D trading days in any period of 30 consecutive trading days. In the event of a change in control, the Company could be required to repurchase the notes.

In 2007, US\$14.6 million of the US\$150.0 million convertible subordinated notes were repurchased. The US\$14.6 million were repurchased for a market value of US\$19.4 million.

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

In 2009 US\$26.3 million convertible subordinated notes were repurchased for a market value of US\$33.7 million.

In 2010 US\$56.5 million convertible subordinated notes was repurchased for a market value of US\$74.6 million.

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

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

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.

CONVERSION OPTION

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

19- SHAREHOLDERS' EQUITY

COMMON SHARES, PREFERRED AND FINANCING PREFERRED SHARES

The authorized capital of the Company amounts to 110,000,000 shares of €0.04 par value common shares, 118,000 shares of €40 par value preferred shares and 8,000 shares of €40 par value financing preferred shares, of which 63,095,986 common shares, no preferred and no financing preferred shares were outstanding as at December 31, 2012. All per December 31, 2012 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, ASM engaged Lehman Bros ("Lehman") to repurchase ordinary ASMI shares on the Euronext and Nasdaq markets on behalf of ASMI. As of September 15, 2008, at the time it went into bankruptcy administration, Lehman reported that it had purchased and held on our behalf 2,552,071 shares, which were accounted for as treasury shares accordingly. ASM filed a submission with the Lehman administrators giving notice of the shares held in custody by Lehman. At ASMI's May 2009 Annual General Meeting, our shareholders resolved to cancel all of these treasury shares which, accordingly, was accounted for in our 2009 Annual Report as a reduction of the number of outstanding shares. Lehman was notified of the cancellation of shares at the time.

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

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

Considering the factual and legal uncertainties, it is premature to conclude that the 246,983 shares should still be considered as outstanding or that ASMI has a US\$6,759 receivable from Lehman. ASMI has, therefore, neither reversed the cancellation of these shares that we recorded in 2009, nor recorded a receivable from Lehman. If the shares would be considered as outstanding, the negative impact on our basic and diluted earnings per share (EUR 1) as at December 31, 2012 would have been €0.001 and €0.001 respectively per share.

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

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

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

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

Retained earnings

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

Accumulated other comprehensive loss

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

	FOREIGN CURRENCY TRANSLATION EFFECTS	UNREALIZED GAINS (LOSSES) ON DERIVATIVE INSTRUMENTS, NET OF TAX	TOTAL
BALANCE JANUARY 1, 2011	(27,671)	13	(27,658)
Foreign currency translation effect on translation of foreign operations	13,829	-	13,829
Increase in fair value of derivative instruments, net of tax	-	(13)	(13)
BALANCE DECEMBER 31, 2011	(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)

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On May 15, 2012, the General Meeting of Shareholders authorized the Company, for an 18-month period, to be calculated from the date of the General Meeting, to repurchase its own shares up to the statutory maximum, at a price at least equal to the shares' nominal value and at most a price equal to 110% of the share's average closing price according to the listing on the Euronext Amsterdam stock exchange during the five trading days preceding the purchase date.

Per March 15, 2013, 1,500,000 shares were bought back under the authorization of May 15, 2012. All of these repurchased shares were bought back in 2012.

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, 2012 there were no treasury shares held) and the maximum number of common shares which the Company can hold according to its Articles of Association. This maximum is 10% of the number of common shares issued.

20- EMPLOYEE BENEFITS

PENSION PLANS

Front-end

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

Multi-employer plan

The Company's employees of the Front-end segment in the Netherlands, approximately 179 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 1,220 companies and 150,000 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 104.25% for the total plan. Every company participating in a Dutch multi-employer union plan contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same percentage contribution rate. The premium can fluctuate yearly based on the coverage ratio of the multi-employer union plan. The pension rights of each employee are based upon the employee's average salary during employment.

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

The coverage ratio of the multi-employer union plan decreased to 93.9% as of December 31, 2012 (December 31, 2011: 90.0%). Because of the low coverage ratio PME prepared and executed a so-called "Recovery Plan" which was approved by De Nederlandsche Bank, the Dutch central bank, which is the supervisor of all pension companies in the Netherlands. Due to the low coverage ratio and according the obligation of the "Recovery Plan" the pension premium percentage is 24.0% in both 2013 and 2012. The coverage ratio is calculated by dividing the plan assets by the total sum of pension liabilities and is based on actual market interest.

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

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

Defined benefit plan

The Company's employees of the Front-end segment in Japan participate in a defined benefit plan. The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2012. The present value of the defined benefit obligation and the related current service cost and passed service cost were measured using the Projected Unit Credit Method.

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

	DECEMBER 31,	
	2011	2012
Defined benefit obligations	(9,485)	(8,357)
Fair value of plan assets	4,090	4,794
FUNDED STATUS DEFICIT	(5,395)	(3,563)
Unrecognized actuarial loss	1,215	669
Unrecognized prior service cost	(684)	(628)
NET LIABILITIES	(4,864)	(3,522)

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

	DECEMBER 31,	
	2011	2012
<i>Defined benefit obligations</i>		
Balance January 1	8,805	9,485
- Current service cost	664	731
- Interest on obligation	107	121
- Actuarial losses (gains)	(53)	(436)
- Benefits paid	(176)	(423)
- Curtailment and settlement	(630)	-
- Foreign currency translation effect	768	(1,121)
BALANCE DECEMBER 31	9,485	8,357
<i>Fair value of plan assets</i>		
Balance January 1	3,189	4,090
- Expected return on plan assets	103	144
- Actuarial losses	(219)	52
- Company contribution	852	1,544
- Benefits paid	(176)	(423)
- Foreign currency translation effect	341	(613)
BALANCE DECEMBER 31	4,090	4,794

The history of the experience adjustments is as follows:

	2008	2009	2010	2011	2012
Present value of defined benefit obligation	10,046	6,560	8,808	9,485	8,357
Fair value of plan assets	4,973	2,119	3,189	4,090	4,794
DEFICIT	5,073	4,441	5,619	5,395	3,563
Experience adjustments on plan obligations, loss (gain)	(159)	605	795	(53)	(436)
Experience adjustments on plan assets, (loss) gain	(1,485)	(20)	658	(219)	52

The net periodic benefit cost consists of the following:

	DECEMBER 31,	
	2011	2012
Current service cost	664	731
Interest on obligation	107	121
Expected return on plan assets	(103)	(144)
Amortization deferred actuarial loss	6	46
Amortization of past service cost	(12)	(55)
NET PERIODIC PENSION BENEFIT COST	662	699

The actual return on plan assets was €(116) and €196 for the years ended December 31, 2011 and 2012 respectively.

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

	DECEMBER 31,	
	2011	2012
Discount rate for obligations	1.25%	1.55%
Expected return on plan assets	3.00%	3.00%
Expected rate of compensation increase	2.93%	2.93%

The allocation of plan assets is as follows:

	DECEMBER 31,			
		2011		2012
Equity	940	23%	1,087	23%
Bonds	2,488	61%	2,957	62%
Loans	368	9%	463	10%
Real estate	66	2%	72	2%
Other	228	6%	215	4%
	4,090	100%	4,794	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,	
	2011	2012
Defined benefit obligations	(22,303)	(33,987)
Fair value of plan assets	21,364	27,035
FUNDED STATUS DEFICIT	(939)	(6,952)
Unrecognized actuarial loss (gain)	(1,016)	4,536
NET LIABILITIES	(1,955)	(2,416)

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

	DECEMBER 31,	
	2011	2012
Defined benefit obligations		
Balance January 1	-	22,303
Obligation assumed in the acquisition of SEAS	22,305	-
Current service cost	1,502	1,691
Interest on obligation	898	1,095
Past service costs	-	104
Actuarial losses (gain)	(2,662)	8,532
Benefits paid	(26)	(55)
Transfers	(65)	85
Contribution participants	89	222
Foreign currency translation effect	262	10
BALANCE DECEMBER 31	22,303	33,987
Fair value of plan assets		
Balance January 1	-	21,364
Fair value of plan assets at completion date of acquisition of SEAS	22,199	-
Expected return	673	853
Actuarial (losses) gains	(1,646)	2,981
Contribution participants	89	222
Contribution employer	-	1,615
Foreign currency translation effect	49	-
BALANCE DECEMBER 31	21,364	27,035

The actual return on plan assets was €973 for the year ended December 31, 2011 and €3,834 for the year ended December 31, 2012.

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
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,	
	2011	2012
Discount rate for obligations	5.25%	3.50%
Expected return on plan assets	4.00%	3.50%
Expected rate of compensation increase	2.26%	2.25%

The allocation of plan assets is as follows:

	DECEMBER 31,			
	2011		2012	
Equity	3,418	16.0%	5,677	21.0%
Fixed income and corporate bonds	17,519	82.0%	20,817	77.0%
Cash and other assets	427	2.0%	541	2.0%
	21,364	100.0%	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 funded status of the other post-employment benefit plans to the amount recognized in the consolidated statement of financial position per December 31, 2012 is as follows:

Defined benefit obligation (unfunded)	1,634
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The reconciliation of the changes in the benefit obligation for the other post-employment benefits for the year ended December 31, 2012 is as follows:

	DECEMBER 31,	
	2011	2012
<i>Defined benefit obligations</i>		
BALANCE JANUARY 1	1,470	1,414
- Current service cost	63	45
- Interest on obligation	65	69
- Actuarial losses	(174)	372
- Benefits paid	(18)	(181)
- Foreign currency translation effect	8	-
BALANCE DECEMBER 31	1,414	1,634
Unrecognized actuarial loss (gain)	174	(198)
NET LIABILITIES	1,580	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 for year ended December 31, 2012 are as follows:

	DECEMBER 31, 2011			DECEMBER 31, 2012		
	PRINCIPAL DEFINED BENEFIT PLANS	OTHER POST- EMPLOYMENT BENEFIT PLANS	TOTAL	PRINCIPAL DEFINED BENEFIT PLANS	OTHER POST- EMPLOYMENT BENEFIT PLANS	TOTAL
Current service cost	(1,502)	(63)	(1,565)	(1,691)	(45)	(1,736)
Interest on obligation	(897)	(65)	(962)	(1,095)	(69)	(1,164)
Past service costs	-	-	-	(104)	-	(104)
Expected return on plan assets	673	-	673	853	-	853
NET PERIODIC PENSION BENEFIT COST	(1,726)	(128)	(1,854)	(2,037)	(114)	(2,151)

Other retirement benefit obligations ASMPT

The consolidated statement of financial position also includes liabilities for other retirement benefit obligations consisting of liabilities for severance payments in Italy and Austria amounting to €353 as at December 31, 2012 (2011: €317).

Retirement plan costs for ASMI consolidated

ASMI expects to contribute €4,525 to the defined benefit plan in 2012. The Company expects to pay benefits for years subsequent to December 31, 2012 as follows:

	FRONT-END SEGMENT	BACK-END SEGMENT	TOTAL
2013	250	168	418
2014	254	143	397
2015	307	227	534
2016	431	321	752
2017	451	400	851
Aggregate for the years 2018-2022	3,495	4,259	7,754
TOTAL	5,188	5,518	10,706

Retirement plan costs consist of the following:

	DECEMBER 31,	
	2011	2012
Defined contribution plans	15,990	16,952
Multi-employer plans	1,111	1,420
Defined benefit plans	1,844	2,779
TOTAL RETIREMENT PLAN COSTS	18,945	21,151

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

Employee Stock Option Plan

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

In 2011 a new Stock Option Plan was adopted. In the new plan to limit potential dilution, the amount of outstanding (vested and non-vested) options granted to the Management Board and to other employees will not exceed 7.5% of the issued ordinary share capital of ASMI. The new Stock Option Plan 2011 consists of two sub-plans: the ASMI Stock Option Plan for employees (ESOP) and the ASMI Stock Option for members of the Management Board (MSOP).

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

By resolution of the AGM of 23 May 2011 the formal authority to issue options and shares was allocated to the Management Board subject to the approval of the Supervisory Board. This authority is valid for 18 months and needs to be refreshed annually by the AGM to allow the continued application of the SOPS beyond 23 November 2012. The ESOP is principally administered by the Management Board and the MSOP is principally administered by the Supervisory Board. This complies with applicable corporate governance standards. However, the Supervisory Board has no power to represent the Company. For external purposes the Management Board remains the competent body under both SOPS. The SOPS envisage that the Supervisory Board, or-in the case of the ESOP-the Management Board with the approval of the Supervisory Board, will determine the number of options to be granted to the Management Board members and to employees as of 31 December of any financial year (the Grant date).

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

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

At December 31, 2012, options to purchase 1,396,005 shares have been issued under the 2011 Stock Option Plan representing 2.2% of the shares outstanding per December 31, 2012. Under previous plans no more options to purchase shares can be issued. Under the various stock option plans a total of 2,325,088 options to purchase common stock were outstanding at December 31, 2012, expiring at various dates through 2019. The number of options outstanding at December 31, 2011 and 2012 were 1,835,067 and 2,325,088 respectively.

The following is a summary of changes in options outstanding:

	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN US\$	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN €
BALANCE JANUARY 1, 2011	686,060	20.40	759,463	15.74
Options granted	-	-	687,114	22.33
Options forfeited	(1,080)	16.65	-	-
Options exercised	(169,870)	19.10	(126,620)	14.82
BALANCE DECEMBER 31, 2011	515,110	20.83	1,319,957	19.08
Options granted	-	-	708,891	27.04
Options forfeited	(24,400)	21.16	(36,100)	15.36
Options expired	(5,000)	18.08	(8,400)	16.03
Options exercised	(85,310)	20.42	(59,660)	15.08
BALANCE DECEMBER 31, 2012	400,400	20.94	1,924,688	22.22

The weighted average fair values of employee stock option granted in Euro were €10.43 in 2011 and €12.27 in 2012.

The weighted average remaining contractual life of the outstanding options granted in 2012 is 7 years at December 31, 2012.

The total intrinsic value of options exercised was €4,307 and €2,220 for the years ended December 31, 2011 and 2012 respectively. In 2011 and 2012 new shares have been issued for the exercise of 296,490 options and 144,970 options respectively.

At December 31, 2012 options outstanding and options exercisable classified by range of exercise prices are:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
In US\$		In years	In US\$		In US\$
1.00-10.00	50,000	6.13	7.50	18,000	7.41
10.00-15.00	66,500	3.21	11.94	41,420	11.84
15.00-20.00	30,900	4.54	18.35	18,500	17.98
20.00-30.00	211,000	4.08	24.54	117,400	25.12
30.00-40.00	42,000	4.00	35.01	16,800	35.01
US\$1.00-40.00	400,400	4.22	20.94	212,120	21.18
In €		In years	In €		In €
1.00-10.00	11,200	0.89	7.90	6,000	7.79
10.00-15.00	130,500	3.07	12.65	127,060	12.69
15.00-20.00	378,983	3.43	16.27	218,383	17.00
20.00-30.00	655,614	6.00	22.33	-	-
€1.00-30.00	1,924,688	5.59	22.22	367,243	15.77

At December 31, 2012, the aggregate intrinsic value of all options outstanding and all options exercisable is €14,160 and €5,681 respectively.

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

	DECEMBER 31,	
	2011	2012
Expected life (years)	7	7
Risk free interest rate	3.51%	3.28%
Dividend yield	0.32%	0.64%
Expected volatility	40.9%	41.98%

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 €1,872 and €3,242 for 2011 and 2012 respectively.

Employee Share Incentive Scheme ASMPT

In 1989, the shareholders of ASMPT approved a plan to issue up to 5.0 percent of the total issued shares of ASMPT to directors and employees. This plan was extended in 1999 for a term up to March 23, 2010. At the annual general meeting of the ASMPT held on 24 April 2009, the shareholders approved to extend the period of the Scheme for a term of a further 10 years up to 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 2010 and 2011, respectively 1,726,900 and 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, 0.19% in 2011 and 0.23% in 2010. The shares issued under the plan in 2012 have diluted ASMI's ownership in ASMPT to 51.96% as of December 31, 2012.

The fair value of the 2012 Incentive shares granted was determined with reference to the market value of the shares at the grant date taking into account the expected dividends as the employees are not entitled to received dividends paid during the vesting period, while for the 2012 Awarded Shares, its fair value was determined with reference to the cost of purchase from the market included transaction costs, which is not significantly different from the fair value at the grant date. Total compensation expenses related to the Employee Share Incentive Scheme of respectively €11,580 in 2011 and €19,823 in 2012 were charged to the Consolidated Statement of Operations.

21- COMMITMENTS AND CONTINGENCIES

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

	DECEMBER 31,	
	2011	2012
Machinery and equipment	3,953	3,485
Furniture and fixtures	389	344
	4,342	3,829
Less accumulated depreciation	(4,075)	(3,829)
	267	-

At December 31, 2012 operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

2013	21,430
2014	17,548
2015	12,356
2016	8,539
2017	5,424
Years thereafter	7,229
TOTAL	72,526

Aggregate rental expense for operating leases was €22,335 in 2011 and €24,661 in 2012.

At December 31, 2012 the Company had entered into purchase obligations with suppliers in the amount of €141,908 for purchases, of which €139,221 for purchases within the next 12 months. Purchase obligations include purchase commitments with suppliers in the ordinary course of business.

Commitments for capital expenditures at December 31, 2012 were €10,552.

CHANGE OF CONTROL TRANSACTION

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

22- LITIGATION AND ENVIRONMENTAL MATTERS

The Company is 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.

23- FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

FINANCIAL INSTRUMENTS

Financial instruments include:

Financial assets:

	DECEMBER 31,	
	2011	2012
Cash and cash equivalents	390,250	290,475
Pledged cash deposits	20,000	20,000
Accounts receivable	330,891	304,840
Investments	1,044	278
Derivative instruments designated in cash flow hedges	-	145

Financial liabilities:

	DECEMBER 31,	
	2011	2012
Notes payable to banks	40,680	61,675
Accounts payable	157,549	151,761
Current portion of long-term debt	4,332	6,316
Long-term debt	15,319	12,632
Convertible subordinated debt	131,870	-
Derivative instruments designated in fair value hedges	1,764	-

Gains or losses related to financial instruments are as follows:

	YEAR ENDED DECEMBER 31,	
	2011	2012
Interest income	2,902	1,989
Interest expense	(11,926)	(10,810)
Accretion interest expense convertible notes at amortized value	(5,479)	(5,328)
Loss resulting from early extinguishment of debt	-	(2,209)
Result from investments	-	(766)
Revaluation conversion option	(4,378)	-
Losses Foreign currency exchange, net	7,040	(3,957)
Addition to allowance for doubtful accounts receivable	(356)	(2,825)

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

Level 1

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

Level 2

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

Level 3

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

There were no transfers between levels during the years ended December 31, 2012 and December 31, 2011.

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

	AT FAIR VALUE				
	AT CARRYING VALUE	AT FAIR VALUE LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
December 31, 2011					
Liabilities:					
Derivative financial instruments	1,764	-	1,764	-	1,764
TOTAL	1,764	-	1,764	-	1,764
December 31, 2012					
Assets:					
Derivative financial instruments	145	-	145	-	145
TOTAL	145	-	145	-	145

¹ Derivative financial instruments consist of forward foreign exchange contracts.

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

FINANCIAL RISK FACTORS

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

Foreign Exchange Risk

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

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

The majority of revenues and costs of the Company's Back-end segment are denominated in Hong Kong dollars, Chinese Yuan and US dollars. The effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in foreign currencies is periodically reviewed.

Changes in the fair value of derivatives that do not qualify for hedge treatment, as well as the ineffective portion of any hedges, are recognized in earnings. The Company records all derivatives, including forward exchange contracts, on the balance sheet at fair value in other current assets or accrued expenses. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Unrealized losses included in accumulated other comprehensive loss as of December 31, 2011 of €0 were reclassified to earnings in 2012. 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 19.

The outstanding forward exchange contracts are as follows:

	CURRENCY	NOTIONAL AMOUNT	FAIR VALUE	INCLUDED IN ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)
December 31, 2011				
Assets:				
Fair value hedge contracts:				
Short position	US\$	(56,975)	1,764	-
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 and Japanese yen against the euro as of December 31, 2011 and December 31, 2012. 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 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	
	DECEMBER 31, 2011	DECEMBER 31, 2012
10% increase of US dollar versus euro	6,275	7,512
10% decrease of US dollar versus euro	(6,275)	(7,512)
10% increase of Singapore dollar versus euro	5,091	5,965
10% decrease of Singapore dollar versus euro	(5,091)	(5,965)
10% increase of Hong Kong dollar versus euro	65,732	55,740
10% decrease of Hong Kong dollar versus euro	(65,732)	(55,740)
10% increase of Japanese yen versus euro	6,155	6,898
10% decrease of Japanese yen versus euro	(6,155)	(6,898)

A hypothetical 10% strengthening or 10% weakening of any currency other than the US dollar, Hong Kong dollar, Singapore dollar and Japanese yen against the euro as of December 31, 2011 and December 31, 2012 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, Hong Kong dollar and Japanese Yen against the euro at average exchange rates for the years 2011 and 2012. A positive amount indicates an increase in net earnings.

	IMPACT ON NET EARNINGS	
	DECEMBER 31, 2011	DECEMBER 31, 2012
10% increase of Japanese yen versus euro	(236)	1,273
10% decrease of Japanese yen versus euro	236	(1,273)
10% increase of US dollar versus euro	2,386	1,433
10% decrease of US dollar versus euro	(2,386)	(1,433)
10% increase of Hong Kong dollar versus euro	14,392	3,630
10% decrease of Hong Kong dollar versus euro	(14,392)	(3,630)

A hypothetical 10% strengthening or 10% weakening of any currency other than the US dollar, Hong Kong dollar and the Japanese yen against the euro at average exchange rates for the years 2011 and 2012 would not result in a material impact on net earnings.

Interest Risk

We are exposed to interest rate risk primarily through our borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2012 the Company had €18,948 in long-term debt at fixed interest rates and €61,675 in other borrowings with variable short-term interest rates. A hypothetical change in the average interest rate by 10% on the portion of the Company's debt bearing interest at variable rates would not result in a material change in interest expense at December 31, 2011 and December 31, 2012 borrowing levels.

Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash and cash equivalents, accounts receivable and derivative instruments. These instruments contain a risk of counterparties failing to discharge their obligations. We monitor credit risk and 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 Company's largest customer accounted for approximately 8.8% of net sales in 2012 (2011: 6.4%) and the ten largest customers accounted for approximately 31.6% of net sales in 2012 (2011: 27.9%). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results. At December 31, 2012 one customer accounted for 6.5% of the outstanding balance in accounts receivable (2011: 4.5%).

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

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

Liquidity Risk

The following table summarizes the Company's contractual obligations as at December 31, 2012 aggregated by type of contractual obligation:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Notes payable to banks ¹⁾	62,686	62,686	-	-	-
Long-term debt ¹⁾	19,957	6,821	13,136	-	-
Operating leases	72,526	21,430	29,904	13,963	7,229
Pension liabilities	7,060	418	931	1,603	4,108
Purchase obligations:					
Purchase commitments to suppliers	141,908	139,221	2,687	-	-
Capital expenditure commitments	10,553	10,273	280	-	-
Unrecognized tax benefits (ASC 740)	22,511	22,511	-	-	-
TOTAL CONTRACTUAL OBLIGATIONS	337,201	263,360	46,938	15,566	11,337

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

Total short-term lines of credit amounted to €337,567 at December 31, 2012. The amount outstanding at December 31, 2012 was €61,675 and the undrawn portion totaled €275,893. The undrawn portion includes the standby revolving credit facility of €150,000 with a consortium of banks. The facility, available through July 31, 2015, is secured by a portion of the Company's shareholding in ASMPT. The undrawn portion includes €61,675 for ASMPT, which amount is restricted to be used only in the operations of ASMPT.

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

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

24- RESEARCH AND DEVELOPMENT

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

	YEAR ENDED DECEMBER 31,	
	2011	2012
Research and development expenses	110,872	130,653
Amortization of capitalized development expenses	6,734	7,880
Impairment of capitalized development expenses	1,420	527
Research and development grants and credits	(753)	(899)
TOTAL RESEARCH AND DEVELOPMENT EXPENSES	118,273	138,161

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

With the disposal of our RTP business in 2009 the liability has been transferred to Levitech B.V., the vehicle in which the management buy-out has been constructed. ASM International N.V. participates for 20% in Levitech B.V. With the disposal of our RTP business we have licensed our RTP portfolio of 61 issued patents and 11 pending patents to Levitech BV.

25- RESTRUCTURING EXPENSES

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

26- INCOME TAXES

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

	YEAR ENDED DECEMBER 31,	
	2011	2012
The Netherlands	(2,451)	(69,873)
Other countries	365,247	147,775
EARNINGS (LOSS) BEFORE INCOME TAXES AND NON-CONTROLLING INTEREST	362,796	77,902

The income tax expense consists of:

	YEAR ENDED DECEMBER 31,	
	2011	2012
Current:		
The Netherlands	(494)	(110)
Other countries	(64,684)	(26,337)
	(65,178)	(26,447)
Deferred:		
The Netherlands	-	-
Other countries	26,528	(3,002)
INCOME TAX EXPENSE	(38,650)	(29,449)

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,	
	2011	2012
Earnings (Loss) before income taxes and Non-controlling interest	362,796	77,902
Netherlands statutory income tax rate	25.0%	25.0%
Income tax provision at statutory rate	(90,699)	(19,476)
Non-deductible expenses	(8,228)	(6,508)
Foreign taxes at a rate other than the Netherlands statutory rate	11,936	(4,335)
Valuation allowance	19,565	(13,596)
Non-taxable income	30,156	4,887
Other ¹⁾	(1,380)	9,579
INCOME TAX EXPENSE	(38,650)	(29,449)

¹ Other for 2012 consist of tax credits €3,163 and unwinding of temporary differences in the current year for which no deferred tax was recognized in prior years €5,549.

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 May 29, 2006 and June 8, 2009 the Singapore Economic Development Board ("EDB") granted Pioneer Certificates to ASM Front End Manufacturing Singapore Pte Ltd ("FEMS", a principal subsidiary of the Group,) to the effect that profits arising from certain manufacturing activities by FEMS of Front End equipment will in principle be exempted from tax for a period of 10 years effective from dates ranging between April 1, 2005 and 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 concessional 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 concessional tax rate of 5% for a period of 10 years from January 1, 2011, subject to fulfillment of certain criteria during the period.

The Netherlands statutory tax rate amounted to 25.0% in 2011 and 2012. 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, 2011	ACQUISITIONS	RECLASSI- FICATIONS	CONSOLIDATED STATEMENT OF OPERATIONS	EQUITY	EXCHANGE DIFFER- ENCES	DECEMBER 31, 2011
Deferred tax assets:							
Reserves and allowances	7,020	255	163	3,860	(337)	(546)	10,415
Net operating losses	153,407	7,038	-	(74,935)	-	1,210	86,720
Depreciation	2,331	(1,164)	-	(801)	-	(3)	363
Other	282	(12,302)	-	18,438	767	(419)	6,766
GROSS DEFERRED TAX ASSETS	163,040	(6,173)	163	(53,438)	430	242	104,264
Less: valuation allowance	(143,276)	-	-	71,330	-	13	(71,933)
NET DEFERRED TAX ASSETS	19,764	(6,173)	163	17,892	430	255	32,331
Deferred tax liabilities:							
Convertible subordinated notes	(6,325)	-	-	1,792	-	-	(4,533)
Capitalized development expenses	(6,651)	-	-	(2,219)	-	203	(8,667)
Other	-	(13,295)	(163)	9,063	(112)	54	(4,453)
DEFERRED TAX LIABILITIES	(12,976)	(13,295)	(163)	8,636	(112)	257	(17,653)
NET DEFERRED INCOME TAXES	6,788	(19,468)	-	26,528	318	512	14,678

	JANUARY 1, 2012	ACQUISITIONS	RECLASSI- FICATIONS	CONSOLIDATED STATEMENT OF OPERATIONS	EQUITY	EXCHANGE DIFFER- ENCES	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 notes	(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

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

	DECEMBER 31,	
	2011	2012
Deferred tax assets – non-current	27,798	21,641
Deferred tax liabilities – non-current	(13,120)	(11,935)
	14,678	9,706

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2012 of €318,477 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 €71,935 in 2011 and €83,250 in 2012 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
2013	16,309	-
2014	37,607	-
2015	-	-
2016	-	-
2017	47,429	-
2018	47,293	-
2019	35,905	-
2020	147	-
2021	60,564	149
2022-2028	-	-
2029	22,374	-
2030	3,689	-
Unlimited	47,160	80
TOTAL	318,477	229

The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2012 the undistributed earnings of subsidiaries, subject to withholding taxes, were approximately €82,596. These earnings could become subject to foreign (withholding) taxes if they were remitted as dividends and / or if the Company should sell its interest in the subsidiaries.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws. The Company's estimate for the potential outcome of any uncertain tax issue is highly judgmental. Tax contingencies mainly relate to transfer pricing positions, operational activities in countries where the Company is not tax registered and tax deductible costs. The Company provides for these tax contingencies for the duration of the statute of limitation period, which differs per tax jurisdiction. At December 31, 2011 tax contingencies amounted to €22,511 (2011: €21,749) and are included in income taxes payable in the Consolidated Statement of Financial Position. Settlement of tax uncertainties in a manner inconsistent with the Company's expectations could have a material impact on the Company's financial position, net earnings and cash flows.

If our evaluation of the realization of deferred tax assets would indicate that an additional 10% of the net deferred tax assets as of December 31, 2011 is not realizable, this would result in an additional valuation allowance and an income tax expense of €2.3 million.

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

JURISDICTION	
Japan	2009-2012
Hong Kong	2006-2012
The Netherlands	2011-2012
Singapore	2006-2012
United States	1997-2012
South Korea	2007-2012

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws.

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

27- DISCLOSURES ABOUT SEGMENTS AND RELATED INFORMATION

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

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

The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd., in which the Company holds a majority of 51.96% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong. The segment's main operations are located in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany.

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

	YEAR ENDED DECEMBER 31, 2011			YEAR ENDED DECEMBER 31, 2012		
	FRONT-END	BACK-END	TOTAL	FRONT-END	BACK-END	TOTAL
Net sales to unaffiliated customers	456,065	1,178,270	1,634,334	370,409	1,047,658	1,418,067
Gross profit	172,318	398,308	570,626	124,531	315,898	440,429
Result from operations	62,581	304,869	367,450	539	87,717	88,256
Interest income	976	1,925	2,902	1,015	974	1,989
Interest expense	(13,142)	(354)	(13,497)	(11,381)	(732)	(12,113)
Loss resulting from early extinguishment of debt	(824)	-	(824)	(2,209)	-	(2,209)
Accretion interest expense convertible notes	(4,401)	-	(4,401)	(4,329)	(140)	(4,469)
Revaluation conversion option	(4,378)	-	(4,378)	-	-	-
Foreign currency exchange gains (losses), net	8,296	(2,692)	5,604	(3,050)	(907)	(3,957)
Result from investments	-	-	-	(766)	-	(766)
Income tax expense	(4,581)	(32,111)	(36,692)	(8,965)	(17,335)	(26,300)
Net earnings (loss)	44,527	271,637	316,164	(29,146)	69,577	40,431
Allocation of net earnings:						
Shareholders of the parent			186,770			7,149
Non-controlling interest			129,394			33,282
Capital expenditures	16,369	72,849	89,218	21,973	46,189	68,162
Purchase of other intangibles	6,141	910	7,051	2,042	2,588	4,630
Depreciation property, plant & equipment	9,162	30,823	39,985	10,968	36,829	47,797
Depreciation evaluation tools at customers	2,518	-	2,518	3,799	-	3,799
Amortization of other intangible assets	2,655	1,815	4,471	4,071	2,793	6,864
Impairment of property, plant and equipment	-	(8,038)	(8,038)	-	-	-
Cash and cash equivalents	228,114	162,136	390,250	145,061	145,414	290,475
Capitalized goodwill	11,193	40,939	52,131	11,649	40,239	51,888
Other intangible assets	9,643	5,133	14,776	9,049	4,866	13,915
Other identifiable assets	336,090	788,973	1,125,063	334,399	808,829	1,143,228
Total assets	585,040	997,181	1,582,221	500,158	999,348	1,499,506
Total debt	162,464	32,946	195,409	-	80,623	80,623
Headcount in full-time equivalents ¹⁾	1,631	14,563	16,194	1,636	15,768	17,404

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

Reconciliation from US GAAP to IFRS

	YEAR ENDED DECEMBER 31, 2011			YEAR ENDED DECEMBER 31, 2012		
	FRONT-END	BACK-END	TOTAL	FRONT-END	BACK-END	TOTAL
Net earnings (loss)						
Based on US GAAP	44,527	271,637	316,164	(29,146)	69,577	40,431
Adjustments IFRS	7,214	768	7,982	9,433	(1,411)	8,022
BASED ON IFRS	51,741	272,405	324,146	(19,713)	68,166	48,453
Purchase and capitalization of other intangibles						
Based on US GAAP	6,141	910	7,051	2,042	2,588	4,630
Adjustments IFRS	19,281	-	19,281	19,465	-	19,465
BASED ON IFRS	25,422	910	26,332	21,507	2,588	24,095
Capitalized goodwill						
Based on US GAAP	11,193	40,939	52,132	11,649	40,239	51,888
Adjustments IFRS	(948)	(9,699)	(10,647)	(948)	(9,533)	(10,481)
BASED ON IFRS	10,245	31,240	41,485	10,701	30,706	41,407
Total assets						
Based on US GAAP	585,040	997,181	1,582,221	500,158	999,348	1,499,506
Adjustments IFRS	48,377	(8,931)	39,446	62,659	(11,422)	51,237
BASED ON IFRS	633,417	988,250	1,621,667	562,817	987,926	1,550,743
Total debt						
Based on US GAAP	162,464	32,946	195,410	-	80,623	80,623
Adjustments IFRS	(3,208)	-	(3,208)	-	-	-
BASED ON IFRS	159,256	32,946	192,202	-	80,623	80,623

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	SOUTHEAST ASIA	CORPORATE	CONSOLIDATED
YEAR ENDED DECEMBER 31, 2011						
Net sales to unaffiliated customers	338,065	185,943	96,697	1,013,629	-	1,634,334
Long-lived assets	16,021	13,110	18,273	209,873	171	257,448
Total assets	408,345	156,484	141,638	725,350	189,849	1,621,666
Capital expenditures	7,425	8,429	1,559	71,720	85	89,218
Purchase of intangible assets	3,928	8,067	8,730	1,378	4,230	26,333
YEAR ENDED DECEMBER 31, 2012						
Net sales to unaffiliated customers	255,795	197,566	59,385	905,321	-	1,418,067
Long-lived assets	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

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, 2011 and 2012 consist of the Company's property, plant and equipment and non-current assets held for sale.

28- SELECTED OPERATING EXPENSES AND ADDITIONAL INFORMATION

Personnel expenses for employees were as follows:

	DECEMBER 31,	
	2011	2012
Wages and salaries	318,944	353,437
Social security	42,622	47,124
Pension expenses	18,945	21,151
	380,511	421,712

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

	DECEMBER 31,	
	2011	2012
The Netherlands	167	178
Other European countries	993	1,057
United States of America	468	594
Southeast Asia	15,716	15,300
Japan	181	203
	17,525	17,332

29- 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:

	2011	2012
Net earnings used for purpose of computing basic earnings per common share	194,385	15,903
After-tax equivalent of interest expense on convertible subordinated notes	17,670	-
NET EARNINGS USED FOR PURPOSES OF COMPUTING DILUTED NET EARNINGS PER COMMON SHARE	212,055	15,903
Basic weighted average number of shares outstanding during the year used for purpose of computing basic earnings per share (thousands)	55,210	56,108
Dilutive effect of stock options	570	659
Dilutive effect of convertible subordinated notes	8,902	-
DILUTIVE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING	64,682	56,767
<i>Net earnings per share:</i>		
Basic net earnings from continuing operations	3.52	0.28
Diluted net earnings from continuing operations	3.27	0.28

For the year ended December 31, 2012, the effect of 8,231,432 conversion rights was anti-dilutive.

For the year ended December 31, 2011, 81,500 option rights were not in the money and therefore not implicated in the dilutive effect of stock options.

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

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

The Lehman administrators also reported a segregated collateral cash account of US\$6,759,000, that ASMI may be entitled to in the absence of the shares. We have not been able to obtain additional information to confirm and understand the potential shortfall of shares or our ability to recover the US\$6,759,000 from the Lehman bankruptcy proceedings in lieu of the shares. Accordingly, we are uncertain at this time as to the accuracy of the shortfall of shares, our ability to claim the collateral cash sum to cover the value of any such discrepancy, and our entitlement to all or a portion of such sum when distributions are determined and made by the administrator since there is likely to also be a shortfall in Lehman assets subject to proprietary rights. Given the magnitude of the overall Lehman administration, we believe it may take several years to obtain clarity or resolution about the potential shortfall or claim to cash. ASMI is in the process of filing a claim with the Lehman administrators to safeguard our interests.

Considering the factual and legal uncertainties, it is premature to conclude that the 246,983 shares should still be considered as outstanding or that ASMI has a US\$6,759,000 receivable from Lehman. ASMI has, therefore, neither reversed the cancellation of these shares that we recorded in 2009, nor recorded a receivable from Lehman. If the shares would be considered as outstanding, the negative impact on our basic and diluted earnings per share (eur 1) as at December 31, 2012 would have been €0.001 and €0.001 respectively per share.

30- BOARD REMUNERATION

The remuneration of members of the Management Board has been determined by the Supervisory Board.

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 ²⁾	OTHER	TOTAL
Management Board:						
C.D. del Prado						
2012 ³⁾	510	177	76	398	59	1,220
2011	500	339	69	182	56	1,146
2010	500	559	84	365	41	1,549
P.A.M. van Bommel ¹⁾						
2012 ³⁾	367	144	88	325	59	983
2011	360	233	54	141	46	834
2010	140	150	26	71	4	391

¹⁾ For the period July 1, 2010 through August 31, 2010 at 40% and for the period September 1, 2010 through December 31, 2010 full time.

²⁾ These amounts represent the vesting expenses related to the financial year.

³⁾ A one-time crisis levy of 16% as imposed by the Dutch government amounts to EUR 174,576 in total. This crisis tax levy is payable by the employer and is charged over income of employees exceeding a EUR 150,000 threshold in 2012. 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 N.V. 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 Metalekro") for the base salary up to the predetermined ceiling. For the base salary above the ceiling, the members of the Management Board are offered participation of a defined contribution plan, insured by Nationale Nederlanden.

OTHER COMPENSATION

Other compensation is covering compensation relative to use of a (company) car, a representation and expense allowance, social security premium and premium for health and disability insurance.

The following table shows the outstanding options to purchase ASM International N.V. common shares held by current and former members of the Management Board, and changes in such holdings during 2012:

	YEAR OF GRANT	OUTSTANDING JANUARY 1, 2012	GRANTED IN 2012	EXERCISED IN 2012	OUTSTANDING DECEMBER 31, 2012	EXERCISE PRICE	END DATE
Current members:							
C.D. del Prado ^{1),5)}	2003	20,000	-	-	20,000	US\$11	February 1, 2013
C.D. del Prado ²⁾	2007	19,645	-	-	19,645	€19	May 23, 2015
C.D. del Prado ²⁾	2008	125,000	-	-	125,000	€13	March 31, 2016
C.D. del Prado ³⁾	2009	50,000	-	-	50,000	€15	December 31, 2017
C.D. del Prado ⁴⁾	2011	75,000	-	-	75,000	€22	December 31, 2018
C.D. del Prado ⁴⁾	2012	-	60,000	-	60,000	€27	December 31, 2019
P.A.M. van Bommel ³⁾	2010	25,000	-	-	25,000	€16	August 7, 2018
P.A.M. van Bommel ⁴⁾	2011	53,000	-	-	53,000	€22	December 31, 2018
P.A.M. van Bommel ⁴⁾	2012	-	40,000	-	40,000	€27	December 31, 2019
Former members:							
A.H. del Prado ²⁾	2007	52,886	-	-	52,886	€19	May 23, 2015
J.F.M. Westendorp ²⁾	2007	22,452	-	-	22,452	€19	May 23, 2015
J.F.M. Westendorp ³⁾	2009	40,000	-	-	40,000	€15	December 31, 2017
		482,983	100,000	-	582,983		

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 3 year vesting period.

⁴⁾ These options are granted for a term of seven years and become exercisable after a 3 year vesting period.

⁵⁾ These options have been exercised on January 25, 2013 at a share price of €29.04.

The fair value per option of options granted to current and former members of the Management Board was €10.43 in 2011 and €12.27 in 2012.

In 2012 no options to purchase ASM International NV common shares were exercised and new shares were issued for the exercise of these options.

The following table sets forth as to all current and former members of the Supervisory Board of the Company information concerning all remuneration (base compensation, no bonuses or pensions were paid) from the Company (including its subsidiaries) for services in all capacities:

	YEAR ENDED DECEMBER 31,	
	2011	2012
Supervisory Board:		
G.J. Kramer	68	68
J.M.R. Danneels	50	50
H.W. Kreutzer	50	50
J.C. Lobbezoo	53	53
M.C.J. van Pernis	50	50
U.H.R. Schumacher	50	50
	321	321

The remuneration of members of the Supervisory Board has been determined by the General Meeting of Shareholders.

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

31- 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, 2011		DECEMBER 31, 2012	
	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING
A.H. del Prado	9,204,284	16.62%	9,204,284	14.59%
C.D. del Prado (member of the Management Board)	132,945	0.24%	132,945	0.21%
Stichting Administratiekantoor ASMI	2,142,039	3.87%	2,142,039	3.39%

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 30 "Board Remuneration".

The Group has no significant transactions or outstanding balances with its equity-accounted investees other than its equity-interest holdings.

32- 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 2011 and 2012:

	EUR THOUSAND		AS A % OF TOTAL FEES	
	2011	2012	2011	2012
Audit fees	1,345	1,195	77%	75%
Audit-related fees	193	158	11%	10%
Tax fees	218	241	12%	15%
TOTAL	1,756	1,594	100%	100%

AUDIT COMMITTEE PRE-APPROVAL POLICIES

The Audit Committee has determined that the provision of services by Deloitte described in the preceding paragraphs is compatible with maintaining Deloitte's independence. All audit and permitted non-audit services provided by Deloitte during 2012 were pre-approved by the Audit Committee.

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

Audit Services

Management submits to the Audit Committee for pre-approval the scope and estimated fees for specific services directly related to performing the independent audit of our Consolidated Financial Statements for the current year.

Audit-Related Services

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

Tax Services

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

Other Services

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

33- SUBSEQUENT EVENTS

REDUCTION SHAREHOLDING ASMPT

On March 13, 2013, ASMI sold a 12% stake in ASMPT. The shares were sold in a partial secondary placement raising proceeds of €422 million. The Company intends to distribute approximately 65% of the cash proceeds to ASMI shareholders; a proposal thereto will be placed on the agenda of the upcoming AGM scheduled for May 16, 2013. The remaining proceeds will be used to further strengthen the business of the Company. As of today, the Company continues to be the largest shareholder of ASMPT with a 40% stake.

At the Annual General Meeting of Shareholders (AGM) held in May 2012, the Company announced that it would carry out a study into the causes of the lack of recognition by the markets of the value of the combined businesses (Front-end and Back-end) of the Company. Following that announcement the Company appointed Morgan Stanley and HSBC Bank plc to act as its financial advisers and to assist the Company in carrying out the study.

The study was initiated shortly after the 2012 AGM and has recently been completed. Each of the Company's financial advisers independently carried out an investigation involving frequent discussions with the Company's Management Board and legal and tax advisers. The advisers also presented their findings to the Company's Supervisory Board.

No single or predominant factor was identified in causing the valuation discrepancy. However, a number of causes and circumstances were identified as potentially influencing the valuation discrepancy, including a holding company discount related to the current corporate structure.

Subsequently, an analysis was conducted by the Company in close cooperation with its advisers of the various potential courses of action, including those suggested by shareholders. The alternatives that were investigated included a full or partial placement or sale of the Company's stake in ASMPT, a spin-off of shares in ASMPT and several merger alternatives.

As part of this analysis, the Company has carefully considered the interests of the Company, its shareholders as well as other relevant stakeholders. The Company has also taken into account the various operational connections between the Front-end business and the Back-end business as well as potential accounting, legal and tax implications and execution risks.

The Management Board and the Supervisory Board of the Company have concluded that a partial secondary placement of 8% to 12% of the Company's stake in ASMPT is the most suitable step to be taken to address the non-recognition by the markets of the value of the combined businesses of the Company. This course of action has been chosen taking into account, amongst others, equity market capacity, tax efficiency and ongoing corporate stability at ASMI and ASMPT. This step provides flexibility for further action, if deemed appropriate.

The Management and Supervisory Boards of the Company have resolved to proceed with this proposed action and the board of directors of ASMPT has expressed its support to this proposal. In addition thereto, certain major shareholders of the Company representing approximately 27% of the total outstanding shares in the Company have been consulted in advance with regard to this proposed action and have expressed support thereof.

The Company will further report on the outcome of the study at the upcoming 2013 AGM, which is scheduled to take place on May 16, 2013.

The sale of the 12% stake causes ASMI's cease of control on 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;
- » a purchase of a 40.08% associate.

The first transaction, the sale, will result in a substantial gain and the deconsolidation of ASMPT in the consolidated ASMI accounts. The purchase of the associate will, following a purchase price allocation, result in the recognition of the associate at fair value. We are in the process of determining the financial impact; further information will be disclosed at the announcement of the Q1 2013 results.

BANKRUPTCY ELPIDA

The reorganization plan re the Elpida bankruptcy in Japan was approved by creditors and the Court in February 2013. The court approval order has been appealed, subject to resolution of the appeal, the amounts we will receive regarding our secured and unsecured claims are set and approved to be paid in installments over a seven year period. While the dates for the installment payments are not yet finalized as they are subject to certain funding conditions, the dates are anticipated to be set once the appeal is concluded and the installment payments to commence accordingly.

Per December 31, 2012 the allowance for this doubtful account covers the outcome of the aforementioned reorganization plan.

34- RECONCILIATION OF IFRS TO US GAAP

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

GOODWILL

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

DEVELOPMENT EXPENSES

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

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

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

PENSION PLANS

Under US GAAP, ASMI applies ASC 715, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of SFAS No. 87, 88, 106, and 132(R)". Accordingly, the Company recognizes in its Consolidated Balance Sheet an asset or a liability for the plan's overfunded status or underfunded status respectively. IAS 19 "Employee Benefits" does not require recognition of a plan's overfunded status or underfunded status. In accordance with IAS 19, the Company recognizes a plan's net assets or liabilities, taking into account unrecognized actuarial losses and transition amounts.

INVENTORY OBSOLESCENCE

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

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

	YEAR ENDED DECEMBER 31,	
	2011	2012
Net earnings in accordance with IFRS	324,146	48,453
Allowance for inventory obsolescence	1,639	(335)
Tax rate difference on eliminated intercompany profit	(768)	718
Pensions	-	691
Debt issuance expenses credit facility	55	(446)
Development expenses	(8,908)	(8,650)
NET EARNINGS IN ACCORDANCE WITH US GAAP	316,164	40,431

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

	DECEMBER 31,	
	2011	2012
Total equity in accordance with IFRS	991,841	1,095,366
Goodwill	10,647	10,481
Allowance for inventory obsolescence	(1,626)	(2,009)
Tax rate difference on eliminated intercompany profit	(768)	(49)
Debt issuance expenses credit facility	1,181	735
Development expenses	(43,740)	(51,386)
Pension plans	179	(3,329)
TOTAL EQUITY IN ACCORDANCE WITH US GAAP	957,714	1,049,809

Almere

April 4, 2013

SUPERVISORY BOARD

G.J. Kramer

J.M.R. Danneels

H.W. Kreutzer

J.C. Lobbezoo

M.C.J. van Pernis

U.H.R. Schumacher

MANAGEMENT BOARD

C.D. del Prado

P.A.M. van Bommel

ANNUAL ACCOUNTS ASM INTERNATIONAL NV



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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,	
		2011	2012
Assets			
Cash and cash equivalents		128,655	38,512
Accounts receivable, net		1,280	1
Amounts due from subsidiaries		95,957	108,437
Other current assets		1,539	690
TOTAL CURRENT ASSETS		227,431	147,640
Property, plant and equipment, net	5	171	119
Goodwill, net	4	2,612	2,612
Other intangible assets, net	3	8,489	7,282
Investments in subsidiaries	2	456,125	471,815
Other investments		1,044	278
Loan advances due from investments	2	141,794	168,289
Assets held for sale		277	277
TOTAL ASSETS		837,943	798,312
Liabilities and shareholders' equity			
Amounts due to subsidiaries		5,672	3,409
Accrued expenses and other		6,629	8,832
Taxes and social securities		216	343
Total current liabilities		12,517	12,584
Convertible subordinated debt		131,870	-
TOTAL LIABILITIES		144,387	12,584
Common shares:			
Authorized 110,000,000 shares, par value €0.04, issued and outstanding 55,377,020 and 63,095,986 shares		2,215	2,584
Capital in excess of par value		356,710	433,126
Accumulated net earnings		14,859	26,730
Legal reserves		333,616	344,583
Accumulated other comprehensive loss		(13,844)	(21,295)
TOTAL SHAREHOLDERS' EQUITY	6	693,556	785,728
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		837,943	798,312

See Notes to Financial Statements ASM international N.V.

STATEMENTS OF OPERATIONS

ASM INTERNATIONAL NV

(EUR thousand)	YEAR ENDED DECEMBER 31,	
	2011	2012
Net earnings of subsidiaries	208,673	39,153
Net earnings from holding activities	(14,288)	(23,250)
TOTAL NET EARNINGS	194,385	15,903

See Notes to Financial Statements ASM international N.V.

NOTES TO FINANCIAL STATEMENTS

ASM INTERNATIONAL NV

1- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Investments – Investments in subsidiaries 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.

2- INVESTMENTS AND LOAN ADVANCES DUE FROM INVESTMENTS

	INVESTMENTS	LOAN ADVANCES DUE FROM INVESTMENTS	TOTAL
BALANCE JANUARY 1, 2011	283,719	165,136	448,855
Capital investments	29,659	-	29,659
Net result of subsidiaries	208,672	-	208,672
Dividend received	(87,236)	-	(87,236)
Repayments of loans	-	(23,174)	(23,174)
Foreign currency translation effect	21,311	(168)	21,143
BALANCE DECEMBER 31, 2011	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

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, 2011	9,638	8,241	17,879
Additions	1,584	2,646	4,230
BALANCE DECEMBER 31, 2011	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
Accumulated amortization:			
BALANCE JANUARY 1, 2011	3,814	7,161	10,975
Amortization for the year	1,827	818	2,645
BALANCE DECEMBER 31, 2011	5,641	7,979	13,620
Disposal	-	(7,581)	(7,581)
Amortization for the year	1,802	513	2,315
BALANCE DECEMBER 31, 2012	7,443	911	8,354
Other intangible assets net:			
DECEMBER 31, 2011	5,581	2,908	8,489
DECEMBER 31, 2012	5,096	2,186	7,282

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

2013	2,706
2014	1,810
2015	1,136
2016	1,144
2017	486
TOTAL	7,282

4- GOODWILL

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

	TOTAL
At cost:	
BALANCE JANUARY 1, 2011	4,746
Balance December 31, 2011	4,746
BALANCE DECEMBER 31, 2012	4,746
Accumulated amortization:	
BALANCE JANUARY 1, 2011	2,134
Balance December 31, 2011	2,134
BALANCE DECEMBER 31, 2012	2,134
Goodwill, net:	
BALANCE DECEMBER 31, 2011	2,612
BALANCE DECEMBER 31, 2012	2,612

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, 2011	47	191	238
Capital expenditures	-	85	85
BALANCE DECEMBER 31, 2011	47	276	323
BALANCE DECEMBER 31, 2012	47	276	323
Accumulated depreciation:			
BALANCE JANUARY 1, 2011	20	83	103
Depreciation for the year	10	39	49
BALANCE DECEMBER 31, 2011	30	122	152
Depreciation for the year	8	44	52
BALANCE DECEMBER 31, 2012	38	166	204
Property, plant and equipment, net:			
DECEMBER 31, 2011	17	154	171
DECEMBER 31, 2012	9	110	119

Useful lives in years:

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

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	ACCUMULATED (DEFICIT/ EARNINGS	LEGAL RESERVES	ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	TOTAL SHARE- HOLDERS' EQUITY
BALANCE AS OF JANUARY 1, 2011	2,117	314,596	-	(94,287)	243,110	(27,658)	437,878
Reclassification legal reserve, accumulated deficit	-	-	-	(16,012)	16,012	-	-
Compensation expense stock options	-	1,872	-	-	-	-	1,872
Conversion of debt into common shares	86	58,439	-	-	-	-	58,525
Exercise stock options by issuance of common shares	12	4,065	-	-	-	-	4,077
Increased retained earnings subsidiaries	-	-	-	(62,771)	62,771	-	-
Dividend paid on common shares	-	(22,262)	-	-	-	-	(22,262)
Capitalized development expenses	-	-	-	(11,723)	11,723	-	-
Other comprehensive income	-	-	-	-	-	13,816	13,816
Dilution	-	-	-	5,266	-	-	5,266
Net earnings	-	-	-	194,384	-	-	194,384
BALANCE AS OF DECEMBER 31, 2011	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

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 2012 and 2011 were as follows:

	RETAINED EARNINGS OF SUBSIDIARIES	RESERVE FOR CAPITALIZED DEVELOPMENT EXPENSES	TOTAL
Balance as of January 1, 2011	202,425	40,685	243,110
Retained earnings subsidiaries	78,783	-	78,783
Development expenditures	-	11,723	11,723
BALANCE AS OF DECEMBER 31, 2011	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

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 19 to the Consolidated Financial Statements.

EMPLOYEE STOCK OPTION PLAN

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. For more detailed information, reference is made to Note 20 to the Consolidated Financial Statements.

7- 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 30 and 31 to the Consolidated Financial Statements.

8- PERSONNEL

The average number of employees of ASM International NV in full-time equivalents during 2012 was 21 (2011: 21). Salaries, social security charges and pension expenses amounted to €4.1 million, €0.2 million and €0.3 million, respectively, for 2012 (2011: expenses of €5.0 million, €0.1 million and €0.2 million, 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 20 and 30, to the consolidated annual accounts.

For information regarding auditor's fees we refer to note 32 of the consolidated annual accounts.

9- COMMITMENTS AND CONTINGENCIES

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

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

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

Almere

April 4, 2013

SUPERVISORY BOARD

G.J. Kramer

J.M.R. Danneels

H.W. Kreutzer

J.C. Lobbezoo

M.C.J. van Pernis

U.H.R. Schumacher

MANAGEMENT BOARD

C.D. del Prado

P.A.M. van Bommel

ADDITIONAL INFORMATION

INDEPENDENT AUDITOR'S REPORT

The independent auditor's report is included on page 154 of the Annual Accounts 2012.

Appropriation and Determination of Profits

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

Para 1-3:

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

Para 4-6:

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

Para 7:

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

Para 9:

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

Article 33, para 3 of the Articles of Association provides that dividend claims expire after the lapse of five years. In 2013 the Management Board will propose to the forthcoming Annual General Meeting of Shareholders to declare a dividend of Euro 0.50 per share to be paid from the available reserves. The net earnings for the year 2012 have been added to the accumulated deficit / net earnings.

Special Statutory Control Rights

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

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

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

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

Stichting Continuïteit ASM International

The objective of Stichting Continuïteit ASM International ("Stichting") is to serve the interests of the Company. To that objective Stichting may, amongst others, acquire, own and vote our preferred shares in order to maintain our independence and/or continuity and/or identity.

The members of the board of Stichting are:

Michael J.C. van Galen (Chairman), Retired Managing Director, Breevast N.V.

Rinze Veenenga Kingma, President Archeus Consulting B.V.

Jan Klaassen, Emeritus Professor, Vrije Universiteit Amsterdam

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

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

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

List of Subsidiaries and Offices

The subsidiaries and offices of the Company are listed from page 92 of the Statutory Annual Report.

Subsequent events

Reduction shareholding ASMPT

On March 13, 2013, ASMI sold a 12% stake in ASMPT. The shares were sold in a partial secondary placement raising proceeds of €422 million. The Company intends to distribute approximately 65% of the cash proceeds to ASMI shareholders; a proposal thereto will be placed on the agenda of the upcoming AGM scheduled for May 16, 2013. The remaining proceeds will be used to further strengthen the business of the Company. As of today, the Company continues to be the largest shareholder of ASMPT with a 40% stake.

At the Annual General Meeting of Shareholders (AGM) held in May 2012, the Company announced that it would carry out a study into the causes of the lack of recognition by the markets of the value of the combined businesses (Front-end and Back-end) of the Company. Following that announcement the Company appointed Morgan Stanley and HSBC Bank plc to act as its financial advisers and to assist the Company in carrying out the study.

The study was initiated shortly after the 2012 AGM and has recently been completed. Each of the Company's financial advisers independently carried out an investigation involving frequent discussions with the Company's Management Board and legal and tax advisers. The advisers also presented their findings to the Company's Supervisory Board.

No single or predominant factor was identified in causing the valuation discrepancy. However, a number of causes and circumstances were identified as potentially influencing the valuation discrepancy, including a holding company discount related to the current corporate structure.

Subsequently, an analysis was conducted by the Company in close cooperation with its advisers of the various potential courses of action, including those suggested by shareholders. The alternatives that were investigated included a full or partial placement or sale of the Company's stake in ASMPT, a spin-off of shares in ASMPT and several merger alternatives.

As part of this analysis, the Company has carefully considered the interests of the Company, its shareholders as well as other relevant stakeholders. The Company has also taken into account the various operational connections between the Front-end business and the Back-end business as well as potential accounting, legal and tax implications and execution risks.

The Management Board and the Supervisory Board of the Company have concluded that a partial secondary placement of 8% to 12% of the Company's stake in ASMPT is the most suitable step to be taken to address the non-recognition by the markets of the value of the combined businesses of the Company. This course of action has been chosen taking into account, amongst others, equity market capacity, tax efficiency and ongoing corporate stability at ASMI and. This step provides flexibility for further action, if deemed appropriate.

The Management and Supervisory Boards of the Company have resolved to proceed with this proposed action and the board of directors of ASMPT has expressed its support to this proposal. In addition thereto, certain major shareholders of the Company representing approximately 27% of the total outstanding shares in the Company have been consulted in advance with regard to this proposed action and have expressed support thereof.

The Company will further report on the outcome of the study at the upcoming 2013 AGM, which is scheduled to take place on May 16, 2013.

The sale of the 12% stake causes ASMI's cease of control on 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;
- › a purchase of a 40.08% associate.

The first transaction, the sale, will result in a substantial gain and the deconsolidation of ASMPT in the consolidated ASMI accounts. The purchase of the associate will, following a purchase price allocation, result in the recognition of the associate at fair value. We are in the process of determining the financial impact; further information will be disclosed at the announcement of the Q1 2013 results.

Bankruptcy Elpida

The reorganization plan re the Elpida bankruptcy in Japan was approved by creditors and the Court in February 2013. The court approval order has been appealed, subject to resolution of the appeal, the amounts we will receive regarding our secured and unsecured claims are set and approved to be paid in installments over a seven year period. While the dates for the installment payments are not yet finalized as they are subject to certain funding conditions, the dates are anticipated to be set once the appeal is concluded and the installment payments to commence accordingly.

Per December 31, 2012 the allowance for this doubtful account covers the outcome of the aforementioned reorganization plan.

INDEPENDENT AUDITOR'S REPORT

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements 2012 of ASM International N.V., Almere. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2012, the consolidated statements of comprehensive income, total equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2012, 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 at December 31, 2012 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 at December 31, 2012 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 4, 2013

SAFE HARBOR STATEMENT

In addition to historical information, this Annual Report contains statements relating to our future business and/or results, including, among others, statements regarding future revenue, sales, income, expenditures, sufficiency of cash generated from operations, maintenance of a substantial interest in ASM Pacific Technology Ltd, business strategy, product development, product acceptance, market penetration, market demand, return on investment in new products, facility completion dates and product shipment dates, corporate transactions, restructurings, liquidity and financing matters, outlooks and any other non-historical information in this Annual Report. These statements include certain projections and business trends, which are “forward-looking” within the meaning of the United States Private Securities Litigation Reform Act of 1995.

You can identify these statements by the use of words like “may”, “could”, “should”, “project”, “believe”, “anticipate”, “expect”, “plan”, “estimate”, “forecast”, “potential”, “intend”, “continue” and variations of these words or comparable words. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. You should be aware that our actual results may differ materially from those contained in the forward-looking statements as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to, economic conditions and trends in the semiconductor industry and the duration of industry downturns, currency fluctuations, the timing of significant orders, market acceptance of new products, competitive factors, litigation involving intellectual property, shareholder and other issues, commercial and economic disruption due to natural

disasters, terrorist activity, armed conflict or political instability, epidemics and other risks indicated in our Annual Report on Form 20-F for the year ended December 31, 2012 and other filings from time to time with the SEC. The risks described are not the only ones facing ASMI. Some risks are not yet known and some that we do not currently believe to be material could later become material. Each of these risks could materially affect our business, revenues, income assets, liquidity and capital resources. All statements are made as of the date of this report unless otherwise noted, and we assume no obligation to update or revise any forward-looking statements to reflect future developments or circumstances.

US GAAP ANNUAL REPORT

The Consolidated Financial Statements included in this Statutory Annual Report are prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the European Union. These accounting principles are different from generally accepted accounting principles in the United States (US GAAP), which are the accounting principles followed by ASM International NV as a listed company on NASDAQ Global Select Market in the United States. The 2012 Annual Report, prepared in accordance with US GAAP, will be available free of charge by writing to our corporate offices, sending an email to investor.relations@asm.com or downloading the file through our corporate website www.asm.com. An explanation and a reconciliation of the differences between US GAAP and IFRS is included in Note 34 to the Consolidated Financial Statements.

ASM International

Versterkerstraat 8
1322 AP Almere
The Netherlands
www.asm.com