



BEYOND  
THE LAYERS

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# ABOUT

**EMPLOYEES**  
**1,597**  
in front-end  
operations

**NET SALES**  
**670**  
EUR million

**BASED IN**  
**3**  
**CONTINENTS AND**  
**14**  
**COUNTRIES**

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## THE WORLD IN WHICH WE OPERATE

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# PROFILE

We are a global supplier of semiconductor wafer processing equipment and process solutions mainly for the semiconductor industry, with operations in 14 countries. Our customers include the world's top semiconductor device manufacturers. Since 1968 we have helped the industry to create smaller, cheaper and more powerful microchips. Our focus is on continuing to help our customers develop their technology roadmap, by expanding our broad portfolio of innovative technologies and products.

## SEMICONDUCTOR EQUIPMENT AND SERVICES

We design, manufacture and sell equipment and services to our customers for the production of semiconductor devices, or integrated circuits (ICs). Semiconductor ICs, often called chips, are a key technology that enable the advanced electronic products used by consumers and businesses everywhere. Our innovative technologies are used by the most advanced semiconductor manufacturers, primarily for the deposition of thin films.

## SMALLER FASTER CHEAPER CHIPS

Semiconductor 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 are driving the demand for smaller, faster, cheaper chips. The semiconductor industry is committed to reducing the size of transistors, so that the transistors will be faster, and that more of them fit in the same physical space. For over 50 years, following the trend called Moore's Law, the average number of components per integrated semiconductor device, at the optimum cost-per-component, has increased by a factor of two every 18 to 24 months. Currently, the most advanced microprocessor chips include over 3 billion transistors.

Our technology is an enabler of the deposition of the extremely thin material layers that create these advanced chips. As a driver of innovation, we have established a leading position in the fast-growing market of Atomic Layer Deposition (ALD), and also provide equipment for PECVD, epitaxy, and vertical furnace applications. Our portfolio of ALD products is an enabling technology for our customers, helping them to build faster, cheaper and more powerful semiconductors.

## COMPLEX PROCESSES

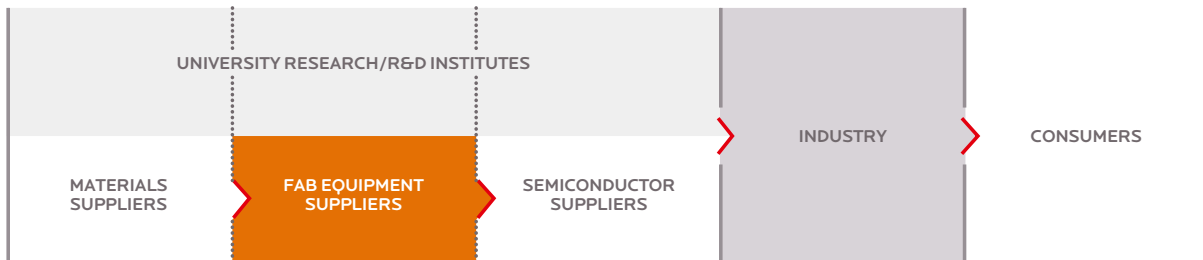
The process of making semiconductor ICs is highly complex and very costly. Semiconductor fabrication plants, called fabs, house a large set of wafer processing equipment which performs a series of process steps on round silicon wafers, which are typically 300mm in diameter. The equipment is operated in cleanrooms that filter the air to avoid small particles that could negatively affect the circuitry on the chips. There are many chips on each wafer. Most of our systems are designed for deposition processes when thin films, or layers, of various materials are grown or deposited onto the wafer. After testing the individual circuits for correct performance, the chips on the wafer are separated and then packaged in a protective housing before ultimately becoming part of a set of IC chips on circuit boards within an electronic product.



## SUPPLYING THE WORLD'S TOP MANUFACTURERS

Our innovative technologies and products are used by all of the world's top semiconductor manufacturers, primarily for the deposition of thin films. We are a truly global company. Based in 14 countries, we benefit from the advantages of bringing together the best brains in the world to help our customers develop their technology roadmap.

### THE VALUE CHAIN IN OUR INDUSTRY

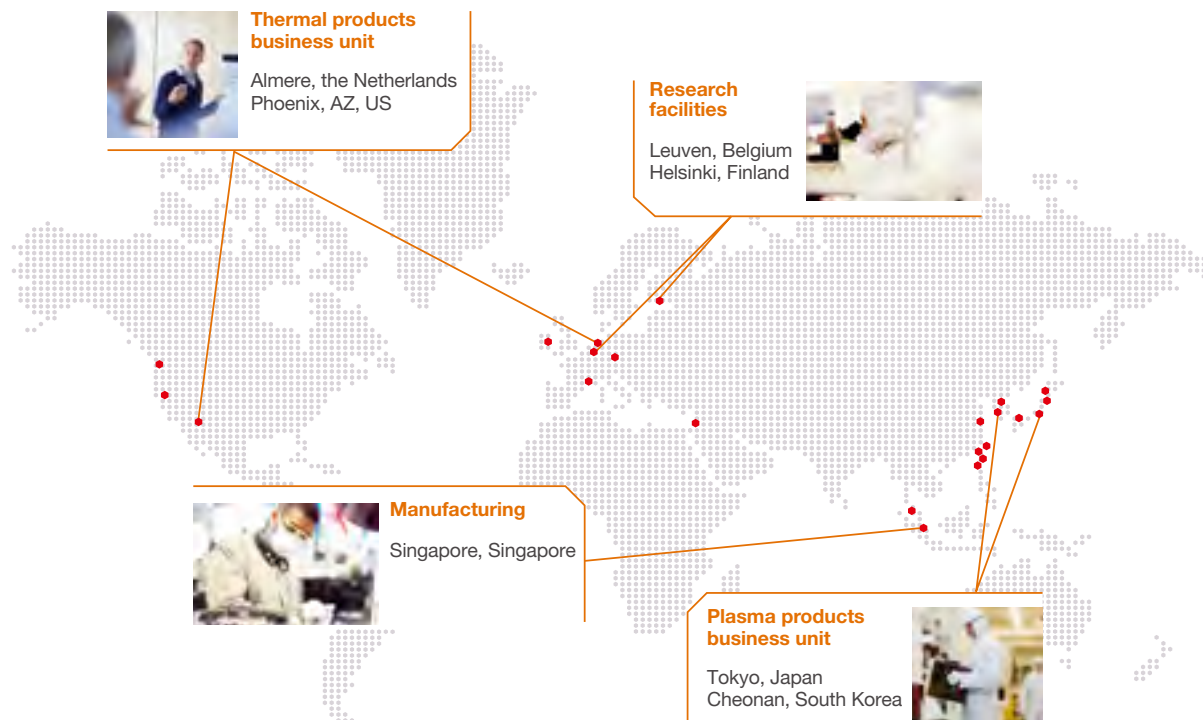


## WAFER PROCESSING

We focus primarily on equipment and process solutions for the deposition of thin films. Our core strengths are in ALD, epitaxy, plasma enhanced chemical vapor deposition (PECVD), low-pressure chemical vapor deposition (LPCVD), and oxidation/diffusion. In order to meet our customers' needs, we have developed – and are still developing – the deposition technology for many new materials. With this portfolio of established and newer technologies, we are addressing many of the key areas on the semiconductor industry roadmap, including:

- › high-k metal gate;
- › new applications for advanced FinFET transistors;
- › dielectrics for spacer-defined double patterning;
- › liners and spacers;
- › 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 result in greater efficiencies for businesses and greater opportunities for everyone.



# AT A GLANCE

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

## ORGANIZATION STRUCTURE

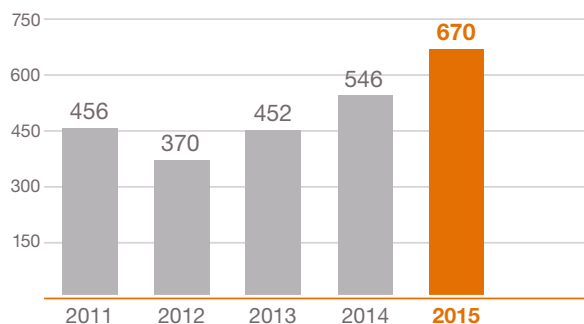
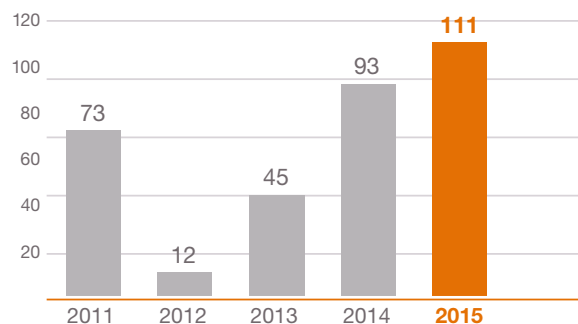
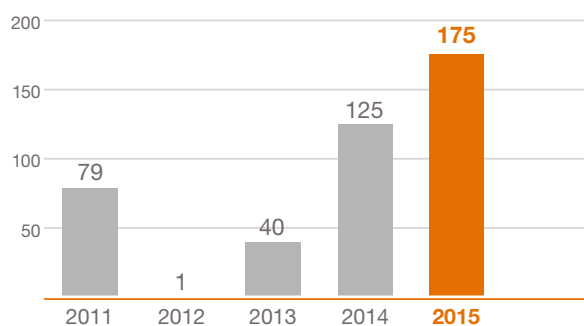
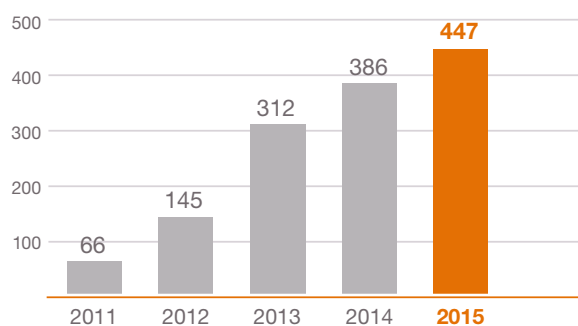
ASMI organizes its activities in two operating segments, Front-end (wafer processing) and Back-end (assembly and packaging).



## HIGHLIGHTS\*\*

<b>BOOKINGS</b> EUR million <b>608</b>	<b>NET SALES</b> EUR million <b>670</b>	<b>OPERATING RESULT</b> (EBIT) EUR million <b>111</b>
<b>NET EARNINGS*</b> EUR million <b>157</b>	<b>RESULT ON INVESTMENT*</b> EUR million <b>44</b>	<b>EARNINGS PER SHARE*</b> (Diluted) EUR <b>2.93</b>
<b>OPERATIONAL CASH FLOW</b> EUR million <b>175</b>	<b>CASH</b> EUR million <b>447</b>	<b>STAFF</b> FTE <b>1,597</b>

\* Excluding effects sale ASMPT shares.  
 \*\* Front-end segment.

**NET SALES\*** EUR million

**OPERATING RESULT\*** EUR million

**OPERATIONAL CASH FLOW\*** EUR million

**CASH\*** EUR million


\* Front-end segment.

## KEY FIGURES

(EUR million, except per share data and full-time equivalents)	2011	2012	2013 <sup>3</sup>	2014	2015
<b>Operations:</b>					
<b>Net sales:</b>					
Front-end	456	370	452	546	670
Back-end	1,178	1,048	160	-	-
<b>Result from operations</b>					
Front-end	73	12	45	93	111
Back-end	304	87	(4)	-	-
Net earnings (loss) from continuing operations	316	40	(343)	138	157
Net earnings (loss) from discontinued operations	-	-	1,405	3	-
<b>NET EARNINGS (LOSS) FROM OPERATIONS</b>	<b>316</b>	<b>40</b>	<b>1,062</b>	<b>141</b>	<b>157</b>
<b>Balance sheet:</b>					
Net working capital <sup>1</sup>	430	477	109	108	114
Total assets	1,582	1,500	1,608	1,889	2,076
Net cash <sup>2</sup>	215	230	312	386	447
<b>Backlog:</b>					
Front-end	105	92	115	176	128
Back-end	226	198	-	-	-
<b>Number of staff:</b>					
<b>Full-time equivalents:</b>					
Front-end	1,631	1,636	1,502	1,635	1,597
Back-end	14,563	15,768	-	-	-
<b>Per share data:</b>					
<b>Net earnings (loss) on operations per share:</b>					
Basic net earnings (loss)	3.52	0.28	16.81	2.23	2.53
Diluted net earnings (loss)	3.27	0.28	16.55	2.20	2.50
<b>Weighted average number of shares used in computing per share amounts (in thousands):</b>					
Basic	55,210	56,108	63,202	63,510	62,114
Diluted	64,682	56,767	64,196	64,209	62,928

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

<sup>2</sup> Net cash includes cash and cash equivalents less long-term debt and notes payable to banks.

<sup>3</sup> ASMP (Back-end) was deconsolidated as from March 15, 2013.



# LETTER TO SHAREHOLDERS



**CHARLES D. (CHUCK)  
DEL PRADO**

Chairman of the Management  
Board, President and  
Chief Executive Officer

**“AS A LEADER IN THE ALD MARKET  
OUR COMPANY IS WELL POSITIONED  
FOR FURTHER GROWTH.”**

## ANOTHER YEAR OF HEALTHY GROWTH

2015 has been another year of healthy growth for our company. Thanks to continued strong momentum in our ALD business we increased our revenue by solid double digits and again outperformed the broader wafer fab equipment market. We significantly increased investments in R&D during the year. Profits further improved and cash generation was again solid. We increased the dividend and started another share buyback program, while maintaining a strong balance sheet. With the need for ALD further increasing at the next technology node transitions ASMI is well positioned for a continued strong performance.

Looking back at 2015, conditions in the semiconductor end-markets slowed down in the course of the year. The market for wafer fab equipment ended the year relatively flat, with the first half being stronger than the second half. For the year as a whole Memory was again the strongest segment within the wafer fab equipment market. Our company increased revenue by 14% on a constant currency basis in 2015, which was again driven by the ALD business. ALD now accounts for clearly more than half of our equipment revenue.

After the strong improvement in 2014 the gross margin further improved by 100 basis points to more than 44% in 2015. We continue to benefit from various efficiency programs that we started in 2013 including new outsourcing initiatives and the migration of a larger part of our supply base to Asia. Successful execution of these programs has contributed to an improved and competitive cost structure as well as structurally increased and more robust gross margins.

We stepped up our investments in research and development and raised our staff numbers in R&D by 15% during the year. The operating margin remained at a solid level of almost 17%, despite one-off charges included in R&D related to the write off of the remaining 450 millimeter assets. Net profits increased by 11% in 2015.

Working capital remained well under control during the year. Combined with the strong level of profitability, free cash flow<sup>1</sup> increased by 33% to EUR 104 million in 2015. Our financial position remains solid.

<sup>1</sup> Free cash flow= Net cash flow from operating activities less the sum of capital expenditure, capitalized development expenditure and purchase of intangible assets.

“WITH A CONTINUED STRONG LEVEL OF PROFITABILITY, FREE CASH FLOW INCREASED.”

>33%  
FREE CASH FLOW

With the publication of the third quarter results we announced a second consecutive share buyback program, again for an amount of €100 million and to be executed in the 2015-2016 timeframe. This is part of the company's policy to use excess cash for the benefit of its shareholders. In addition, we remain committed to our policy to pay a sustainable dividend. We will propose to the Annual General Meeting of Shareholders 2016 an ordinary dividend of €0.70 per share, an increase of 17% compared to the dividend of €0.60 paid in 2015.

### ALD FIRMLY ESTABLISHED AS A KEY ENABLING TECHNOLOGY

ALD is now firmly established as a key enabling technology. Today, ALD has become a critical technology for the manufacture of virtually all leading-edge semiconductor devices. The leading customers in our industry have already ramped several device generations based on our ALD equipment – for high-k metal gate applications in Logic and Foundry and for multiple patterning applications in the Memory sector.

In the more recent years, we have also broadened our customer base beyond the leading device manufacturers. In 2015, for the first time, all of the top 10 semiconductor companies, ranked by capital spending, have adopted our ALD technologies in high-volume manufacturing. In combination with an expanded client base, we have also achieved a more robust and balanced customer mix over the years. Apart from expanding our presence in the Logic-Foundry segment we have built a much stronger exposure and customer relationships in the Memory sector. Our ALD technology for multiple patterning is used by virtually all of the Memory customers and has been a strong growth driver.

Over the last five years we have positioned our company as a leader in the ALD market. As the number of customers and ALD applications continued to expand we have grown our total revenue by an average annual growth rate of 18% since 2010. The wafer fab equipment market grew by an average annual growth rate barely above 0% during the same period.

We believe that growth prospects for the ALD market remain strong. Further miniaturization, introduction of 3D device architectures such as next generation FinFET devices and new and complex material integration schemes increase the need for more precise film deposition. We expect that this will in turn continue to drive the demand for ALD at the most advanced technology nodes.

Building on our leadership in ALD remains a key element in our strategy to further grow our company. As reflected by the increase in R&D investments during the year we continue to commit significant resources in further enhancing our leading platforms and to grow the pipeline of new ALD applications that will help transitioning our industry to the future technology generations.

Our VF and EPI activities continue to show a healthy contribution to the bottom line. Moreover the increase in our installed base shows a gradually increase in our Spares- and Services business. In the past years, thanks to our leading ALD position, we have been able to build up a stronger relationship with all major Logic, Foundry and Memory players. On the back of this relationship we are now increasing R&D efforts in our other activities, which will create further growth opportunities for the future.

### CORPORATE RESPONSIBILITY

In 2015 we continued to strengthen Corporate Responsibility (CR) across ASMI and into our supply chain. We raised the bar with our performance objective to EICC (Electronics Industry Citizenship Coalition) Code of Conduct. We validated our progress with external audits, and are driving expanded accountability in our supply chain with our Supplier Code of Conduct and assessment process. We continue to make progress against key CR objectives. We are releasing our second Corporate responsibility report with the release of this Annual report.

## ASMPT

ASMPT's net profits decreased markedly in 2015 following a strong recovery in 2014. At a strategic level, ASMPT reported a number of important achievements. In SMT Solutions the company continued to increase its market share and overtook the number 1 position. In the Back-end Equipment activity, ASMPT strengthened its position in the Advanced Packaging segments. Despite the overall drop in revenue, ASMPT managed to increase gross margins last year due to a strong improvement in SMT and an effective strategy to reduce the volatility of the gross margin in Back-end Equipment.

## OUTLOOK

Against the backdrop of an uncertain macro-economic outlook, market research firms have forecasted the wafer fab equipment market to be down by a low- to mid-single-digit percentage in 2016. At the same time, 2016 wafer fab equipment spending is expected to be supported by healthy investments in leading-edge manufacturing capacity. The transition to the most advanced technology nodes continues to enable our customers to produce new semiconductor devices that are smaller, faster and more power efficient. This in turn will support their customers to bring new and innovative end-products to market such as solid-state drives (SSD) and smartphones with enhanced functionality. Our ALD solutions support our customers to stay on Moore's law and to transition to the next-technology nodes.

2016 spending in the Logic and Foundry segment is expected to be driven by the transition to the 10 nanometer technology node. The first investments in 10 nanometer volume manufacturing have started in the early part of 2016, although the ultimate size and timing of this ramp are still uncertain. This node transition in Logic and Foundry is expected to result in a significant increase in the number of single wafer ALD applications.

The market research firms expect 2016 equipment spending in the DRAM segment to drop by a double digit percentage compared to the strong level in 2015. At the next technology node, however, the number of multiple patterning layers is expected to increase further. Our company is well-placed to support DRAM customers in their ever increasing technology and productivity requirements, as soon as equipment demand for the next 1x node starts to pick up.

In NAND Flash a larger part of spending is projected to shift from planar NAND to the new 3D NAND technology. This transition is initially expected to have a mixed impact on the ALD market opportunity. The requirements for patterning are less in 3D NAND. At the same time, our company is engaged with customers in new 3D NAND applications that are expected to start contributing to revenue in 2016 with a growing contribution in the coming years.

As a leader in the ALD market we believe our company is well positioned for further healthy growth. The continued strong performance of ASMI in 2015 strengthens us in our belief that we have taken the right strategic steps over the last years. We would like to thank our employees for their continued dedication and hard work that contributed to the successful results in 2015. We are also grateful for the trust of our customers and the continued support of our shareholders. Our focus remains the creation of sustainable value for our all our stakeholders.

April 13, 2016

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



# BEYOND THE LAYERS

**OUR TECHNOLOGY HELPS CREATE THE WORLD'S MOST ADVANCED SEMICONDUCTOR CHIPS. CHIPS THAT LIE BEHIND THE LATEST TECHNOLOGICAL DEVELOPMENTS THAT ARE CHANGING OUR WORLD.**

Today's consumers want ever more processing power in smaller and smaller devices so they can benefit from smart technology in all areas of their lives. Helping them to be more productive at work and making their leisure time more rewarding.

To meet their demands, the world's top chip manufacturers rely on our state-of-the-art thin layer deposition technology. Our technology is used to make chips that are used to help people to make the most of their lives. From helping them to connect with each other instantly, anytime, anywhere on their portable smart devices, to the intelligence behind new smart vehicles.

But let's take a look beyond these layers. Let us show you how we create value now and how we're powering the future.



# BEYOND THE LAYERS



# THE (UN)IMAGINABLE POTENTIAL

WHO KNEW THAT WE WOULD ONE DAY HAVE SMART PHONES ENABLING US TO RECORD A HIGH QUALITY VIDEO AND INSTANTLY UPLOAD IT TO THE WORLD?

Today, we take them for granted but they're only possible because of the power of the latest semiconductor chips and their potential to keep increasing in power. Technological potential is enabling human potential.

But behind this 'magic' lies pure science. Our equipment and process technology is a vital link, translating the underlying physics and chemistry into the steps needed to deposit the complex layers in precise locations.

So can anyone say what will happen in the next twenty years? As semiconductor manufacturers produce microchips with ever-greater processing power, what new uses will human beings find for them?

How will our lives change? Where will the journey take us?

To see into the future, we need to imagine the unimaginable.

# BEYOND THE LAYERS



# THE (IN)CREDIBLE DISCOVERIES

YOU WOULD BE AMAZED IF YOU SAW THE INNOVATIONS TAKING PLACE AT THE ATOMIC LEVEL HELPING TO MAKE SEMICONDUCTOR DEVICES EVER SMALLER.

And you wouldn't be alone. These advances never cease to amaze us and we are the ones making them happen. Every few years we witness something extraordinary, as the incredible in our R&D labs becomes reality in the form of innovative new technologies.

Today, we can deposit layers measured in atoms on advanced transistors measured in nanometers. To put that in perspective, a human hair is 100,000 nanometers in diameter.

Helping to create devices that enable us to immerse ourselves in virtual worlds to experience the thrill of walking on the moon or the wonder of travelling to the bottom of the ocean. While providing the innovative technologies that support amazing advances in healthcare.

If that's not incredible, we don't know what is.



# BEYOND THE LAYERS

# THE (UN)COUNTABLE NUMBERS

Q. HOW LONG WOULD IT TAKE YOU TO COUNT THE NUMBER OF BITS IN A 256 GIGABIT MEMORY CHIP? A. OVER EIGHT YEARS.

And that's only if you counted 24 hours a day without sleep.

It's a mindboggling statistic and yet the numbers just keep getting bigger as chips become more powerful. But if you work in medical robotics or virtual reality gaming, you (or, perhaps, your computer) are familiar with working with huge numbers; in fact you rely on them.

Our innovations are used to deposit extremely precise, thin film layers for double patterning technology, which makes it possible to produce cutting-edge chips.

More bits, more bytes. As semiconductor-makers continue to follow Moore's Law, our technology has to become ever more precise to make computing huge numbers possible.

Don't worry, even if you can't count the numbers, you can count on our technology to do the job.

# BEYOND THE LAYERS

# THE (IN)VISIBLE POWER

OUR TECHNOLOGY DEPOSITS THE ULTRA-THIN LAYERS OF MATERIAL NEEDED TO FORM THE BILLIONS OF TRANSISTORS CONTAINED ON THE MOST ADVANCED MICROPROCESSOR CHIPS.

Transistors are the basic building blocks of silicon chips that combine to make a system that has the power to perform computing tasks faster than we can comprehend.

Transistors can be as small as a few dozen atoms across and can control the flow of electricity itself. The most advanced microprocessors now being made use billions of transistors enabling our customers to further reduce the size of their chips.

The same transistors drive the high tech systems that enable smart power grids, providing us with an extraordinary opportunity to take energy production into a new age of productivity, accessibility, and sustainability benefitting both our economic and our environmental health.

Transistors: the invisible power helping to make visions of a sustainable future a reality.



# BEYOND THE LAYERS

# THE (IN)TANGIBLE DIMENSIONS

**TODAY'S MOST ADVANCED TRANSISTORS ARE SMALLER THAN MOST PEOPLE CAN EVEN IMAGINE – ONLY A FEW NANOMETERS ACROSS.**

The smallest transistors currently capable of being manufactured are around the same diameter as six strands of DNA – the very essence of life itself. Smaller transistors help manufacturers fit more of them into the design of their chips increasing their processing power.

Yet as transistors shrink in width, they are starting to head upwards. They are moving into the third dimension.

As the industry shifts from 2D to 3D chips, our advances will be used in the new devices that will connect the cities of tomorrow. Growing smarter urban environments where people, their homes, devices, vehicles, and offices can connect, collect and exchange data.

Today's transistors might be too small to see and touch but they are helping to transform the very tangible physical world around us.

# GLOBAL TRENDS

We live in a society that is increasingly connected. From the way we interact and travel, to the cities we inhabit, we rely on electronic devices to help us communicate, navigate, learn and play. The next phase in this journey is the move towards the Internet of Things, where devices connect online and share data. As objects become 'smarter' and provide us with more information about our world, we will see greater connectivity between individuals, societies and businesses, resulting in more freedom, economic growth and innovations in health, safety and energy.

## 3D TRANSISTORS

These developments are only possible because of the industry's relentless push to follow Moore's Law, which results in the development of devices with greater performance at lower costs. One result of this advanced technology drive is higher complexity in transistors and memory devices. Historically, new technology nodes have been achieved by shrinking the transistor size, although certain physical limits have recently been reached. To solve this problem, the trend is to build 3D (three-dimensional) transistors, as more performance functionality can be stacked vertically than in two dimensions. The result is that FinFETs and several 3D memory architectures are now in volume production.

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

## SEMICONDUCTOR ROADMAP

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

## GREATER COMPLEXITY

Semiconductor chips are manufactured in wafer fabrication plants, where silicon wafers 300mm in diameter move through a series of process steps, including lithography, deposition and etching. Demand for the semiconductor equipment we manufacture is driven both by growth in the end market for semiconductor devices, and by new technology needed to realize the next generation of devices. The result of this advanced technology drive is greater complexity in transistors and memory devices, which means wafer processing equipment gets ever more complex, driving the trend of higher wafer fab capital costs.

## ALD TECHNOLOGY

By driving innovations at the atomic level, we play an integral part in enabling our customers to fulfil their ambitions. The chip-making process is in the age of the nanometer, and we are now creating transistors that are only a few nanometers across. But connecting billions of transistors on a single chip requires astonishing precision. As a leading supplier of ALD process solutions to the semiconductor industry, our ALD technology supports our customers with this.

ALD allows us to deposit thin films atom-by-atom on silicon wafers, meaning we can deliver atomic-scale thickness control, high quality deposition and large area uniformity. Such precision means we can use materials that could not be considered before and develop 3D structures, such as FinFETs, which are vital to the future of electronics.

As the industry continues to shift from working in a single plane to 3D, our ALD deposition technology will enable customers to produce the chips of tomorrow.

# CORPORATE RESPONSIBILITY

We innovate at the atomic level, yet the solutions we provide contribute to solving global challenges. And as proud as we are to be a leading supplier of ALD semiconductor technology and process solutions, we always think bigger – striving to be a leader in responsible, sustainable business practices. By continuing to strengthen the way we manage our social and environmental performance and non-financial risk, we create value for our customers, our business partners, and our other stakeholders.

ASMI is committed to the vision of **ZERO HARM!** This means we strive to prevent all injuries to our employees and customer employees, reduce our environmental impact, and make positive contributions to society. We believe that this ambition, and our focus on sustainability, not only creates value for our company, our stakeholders and society, but also strengthens our brand and creates stronger relationships with our customers, employees, and investors. These strengthened relationships further drive our ability for innovation and bolster our product portfolio. We know that doing the right thing is good for society and good for business.

## MATERIALITY AND STAKEHOLDER ANALYSIS

To help achieve our Corporate responsibility (CR) ambitions, we have integrated our CR strategy into our overall strategy. We set our own CR strategies and goals, but one aspect of our approach is to improve our stakeholder engagement and feedback to the process. In 2015, we formalized how we engage with our stakeholders and worked on improving our dialogue with them by conducting a stakeholder priority assessment. Using the Global Reporting Initiative's G4 Sustainability Reporting Framework, we identified the environmental, social, and economic material aspects that have the greatest impact on our business, and generated the greatest level of interest among stakeholders within our value chain. The identified direct and indirect aspects represent opportunities and risks that we consider when developing our strategy, and improve how we identify and prioritize the aspects stakeholders perceive are relevant and important to our business, both financially and non-financially. The assessment identified five key areas that our stakeholders view as having the greatest potential impact on our business:

- › ethics and code conformance;
- › worker health and safety;
- › attracting and retaining talent;
- › R&D investment and innovation;
- › company financial health.

The stakeholder engagement and materiality process, coupled with regular market research and benchmarking of technology and management practices, enables us to further align our CR objectives with our overall business strategies, and will aid us in preparing to integrate our financial and non-financial reporting. Our goal is to continually improve how we identify stakeholder concerns and priorities, actively engage and partner with them for the design of our future strategies, while being transparent with our performance measurement.

## CUSTOMER SATISFACTION

In 2015 we conducted a customer satisfaction survey covering many aspects of our interactions with our customers, including key aspects of corporate responsibility. The results validate actions taken by us in response to what we had learned from previous surveys, and suggest areas where we can further improve.



## EICC

As part of the semiconductor industry value chain, many of our customers are Electronic Industry Citizenship Coalition (EICC) members. Many of the material issues that impact our business, and which are priorities for our stakeholders, such as labor and human rights, worker health and safety, environmental standards, and ethics, are embedded in the EICC Code of Conduct. We have adopted the EICC Code of Conduct, and in 2015 our global EICC Committee met regularly to ensure we were driving the right programs, systems and culture of EICC code and corporate responsibility compliance.

## ANNUAL SELF-ASSESSMENT

We conduct an annual self-assessment, which is a standard part of the overall EICC members' risk assessment process of the electronics industry supply chain. Following strict guidelines for assessment, our results demonstrate that our operations continue to be 'low-risk' per EICC and customer criteria. In addition to our annual self-assessment, in 2015 we invited an independent third party to conduct EICC audits of our operations and facilities. The results fully support the self-assessments and our belief that we have strong programs in place to manage compliance with the EICC Code of Conduct.

## TAX PRINCIPLE

We believe that tax should follow the business. Hence income is reported in the countries where value is created. We do not use artificial tax structures solely aimed at tax avoidance. Taxes are determined and paid in accordance with all relevant rules and regulations in the countries in which ASMI operates. ASMI aims to follow both the letter as well as the spirit of the law.

ASMI applies the at arm's length principle to determine transfer prices in accordance with domestic and international rules and standards, such as the OECD (Organization for Economic Cooperation and Development) guidelines for Multinational Companies.

Our disclosures are made in accordance with the relevant local and or international regulations.

ASMI seeks an open and constructive dialogue with the tax authorities in the countries where we operate. Our aim is to disclose all relevant facts and circumstances. We believe that this will enhance certainty on our respective tax position in view of the applicable tax rules and regulations.

## LOOKING AHEAD

While we believe we made solid progress towards achieving our CR ambitions in 2015, we are convinced that there is always more to do. In 2016 we will further improve in the areas of EICC code compliance, our environmental objectives, sustainability in the product life cycle, and workforce diversity. More information on these and other CR topics can be found in our Corporate responsibility report 2015.

# STRATEGY & BUSINESS

## FUTURE INNOVATION

Nano technology  
3D solutions  
New materials

## PRODUCTS

Pulsar XP ALD  
EmerALD XP ALD  
Eagle XP8 PEALD  
Dragon XP8 PECVD  
A400/A412 batch vertical furnace  
Intrepid XP epitaxy  
Epsilon 2000/3200 epitaxy

## WAFER PROCESSING

Front-end deposition equipment for:

ALD  
Epitaxy  
PECVD  
LPCVD  
Oxidation/diffusion

## OUR STRATEGY

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# MISSION, STRATEGY AND FOCUS AREAS

Our track record as an experienced innovation leader is a result of focusing on key issues and challenges within the semiconductor technology roadmap, enabling us to make the greatest difference to our customers. While these issues may change over time, one thing will always remain the same: we will continue to transform the results of our breakthrough technologies into volume manufacturing, benefiting our customers.

## MISSION

Our mission is to provide our customers with the most advanced, cost-effective, and reliable products, service and global support network in the semiconductor industry and beyond. We advance the adoption of our technology platforms by developing new materials and process applications that support our customers' long-term technology roadmaps. Our ALD technique provides us with a platform for a whole new generation of technologies and processes, and acts as a strategic enabler for our business.

## VISION

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

## STRATEGY

Our strategic objective is to realize profitable, sustainable growth by capitalizing on our innovative strength, operational excellence, our leadership in ALD, and our strong relationships with key customers. We have also integrated corporate responsibility (CR) into our strategic goals, and aim to continue to help improve the quality of people's lives.

The key elements of our strategy are:

### › INNOVATIVE STRENGTH

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

### › LEADERSHIP IN ALD

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

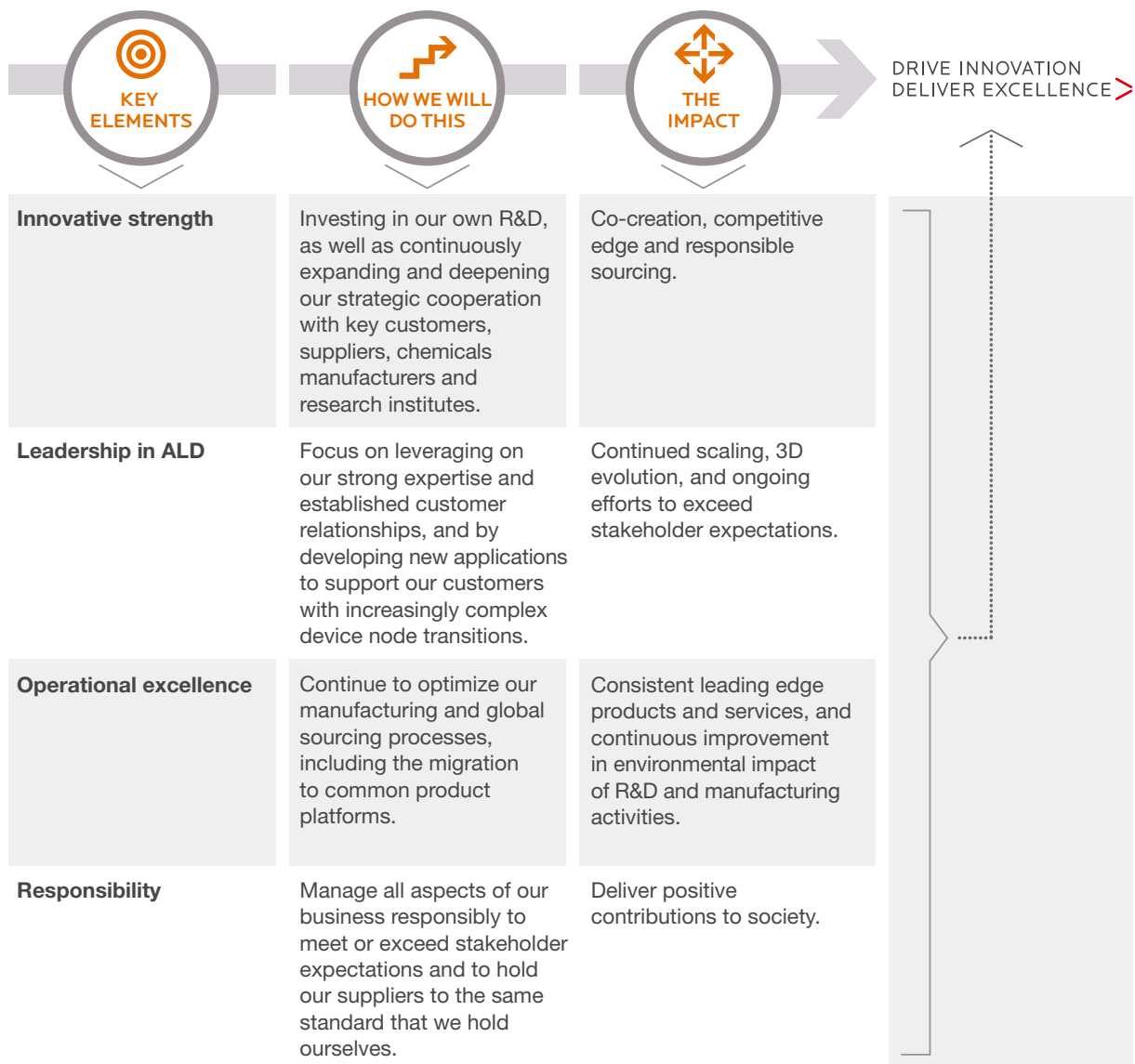
### › OPERATIONAL EXCELLENCE

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

### › RESPONSIBILITY

We believe that being a responsible company creates value for our company, our stakeholders and society, which is why we have integrated CR into our strategic goals. Our goal is to manage all aspects of our business responsibly to meet or exceed stakeholder expectations, while holding our suppliers to high standards. This will enable us to continue to help improve the quality of people's lives.

### OUR STRATEGY



## FOCUS AREAS

Within wafer processing, we focus primarily on equipment and process solutions for the deposition of thin films. Our core strengths are in ALD, Epitaxy, Plasma Enhanced Chemical Vapor Deposition (PECVD), Low Pressure Chemical Vapor Deposition (LPCVD) and Oxidation/Diffusion. With this broad portfolio of technologies, we are addressing many of the key areas on the semiconductor industry roadmap, including:

- › high-k metal gate;
- › new applications for advanced FinFET transistors;
- › dielectrics for spacer-defined double patterning;
- › liners and spacers;
- › low-k dielectrics for interconnect; and
- › strained silicon.

Our breakthrough technologies enable the industry to move to smaller line widths and better transistors that use new materials. In addition to addressing the technology needs of our customers, in order to meet the requirements of the industry to reduce costs, we focus on further increasing equipment throughput and equipment reliability, further lowering the cost per wafer of our wafer processing systems. In addition, to enable further efficiencies in our manufacturing process, we exert significant effort on improving the level of standardization in our equipment portfolio by migrating to common platforms, sub-assemblies and components.

# VALUE CREATION

Creating value is the core of our business. We began as pioneers at the birth of the semiconductor industry, and since then we have helped shape the industry through a series of breakthrough innovations. Our challenge today is to create new opportunities for a fast-changing global society, by driving innovations at the atomic level. The chip-making process is in the age of the nanometer and we are now creating transistors that are a small number of nanometers across. But connecting billions of nanoscopic transistors on a single chip requires astonishing precision. As a leading supplier of ALD process solutions to the semiconductor industry, our ALD technology makes this possible.

## GREATER PERFORMANCE, REDUCED ENERGY CONSUMPTION

Delivering excellence through advanced technologies like ALD and dependable, cost-effective products enables us to realize the technology roadmaps we co-create with our customers, leading to the development of electronic devices that deliver ever greater performance while reducing their energy consumption. Higher performance translates into more processing power, while lower energy requirements mean the production of smaller, more efficient devices. This enables our customers to further integrate smart technology into their products, helping everyone to understand more, create more and share more of what they love. The result is value creation not only for our customers, but for all of our stakeholders.

## 10 NANOMETER DEVICES

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

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

- › introduction of new thin film materials and device designs needed for continued scaling;
- › reliable manufacturing of taller and narrower 3D structures in devices;
- › lithography of ever smaller feature sizes, now much smaller than the wavelength of visible light; and
- › new manufacturing processes that reduce device variability and increase yield.

## DEVELOPING NEW MATERIALS

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



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

### LOW-K MATERIAL SUITE

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

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

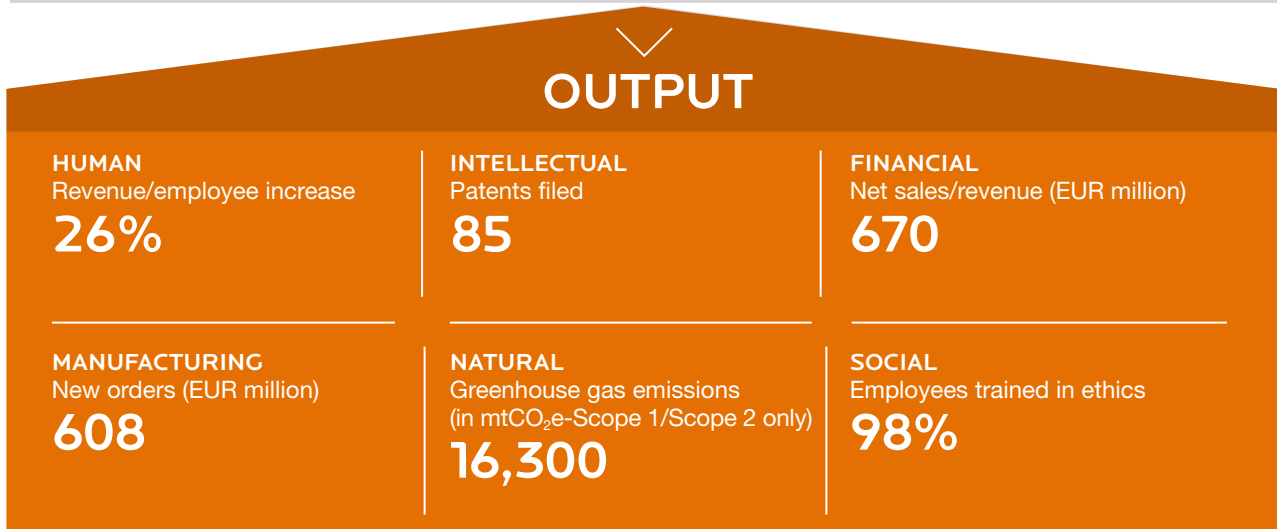
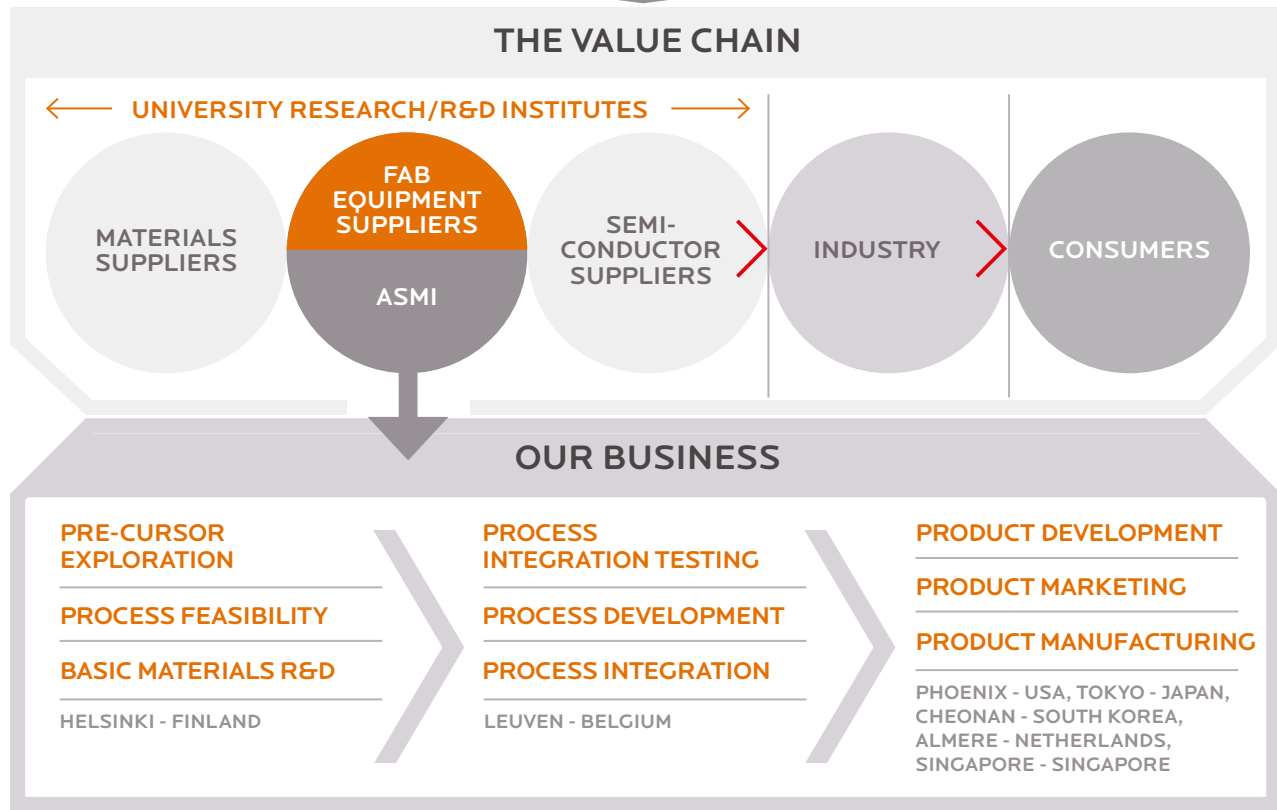
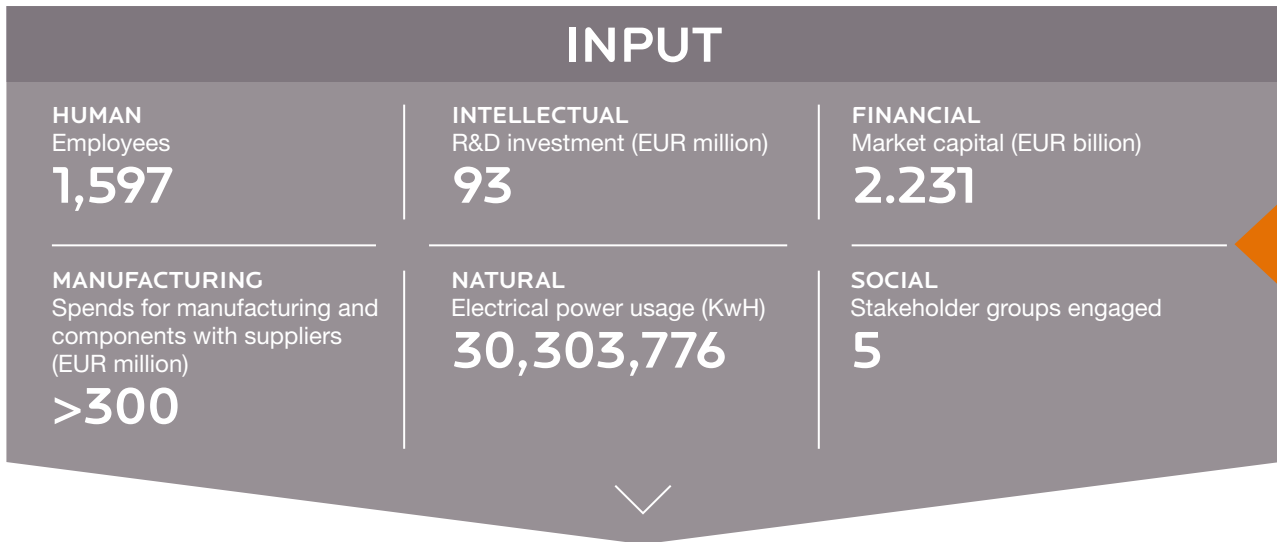
In addition to addressing the technology needs of our customers, the relentless drive of the industry to reduce cost corresponds to significant spending on development programs that further increase throughput, equipment reliability, and yield in our customer's line, and further lower the cost per wafer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

### ALD AT ASMI

ALD is one of the newest technologies to deposit ultra-thin films of exceptional flatness and uniformity. This technology was brought into ASMI in 1999 with the acquisition of ASM Microchemistry, who first developed the thermal ALD technology. Plasma Enhanced ALD, PEALD, is an extension of this original ALD technology that uses plasma, which was brought into ASMI in 2001 through a partnership with Genitech and a subsequent acquisition in 2004 and formation of ASM Genitech Korea. The use of plasma enables us to deposit high-quality films at very low temperatures. ALD is a very versatile technology that can be used to deposit high-k insulating materials, conductors, silicon oxide and silicon nitride. We expect that the trends of continued scaling, and evolution towards 3D device structures play into the strength of our ALD position. We offer ALD/PEALD processes on several of our product platforms, including single wafer and batch systems, and for multiple wafer sizes.

### OUR BUSINESS MODEL

At ASMI we have developed a business model that enables us to create value for the company and all of our stakeholders. We achieve this by working with our customers to develop innovative solutions, while constantly looking at what is best for our investors, our people, society, and other stakeholders.



All figures related to 2015 unless otherwise noted.

# PEOPLE

Perhaps the greatest contribution we can make to society is to continue to innovate. But to achieve this we need the right people. Talented people who are able to provide our customers with innovative solutions. People who share our fascination for the future, but want answers today. From the sharpest graduates, to skillful engineers and inspirational leaders.

## ASMI'S WORKFORCE

In 2015 we employed 1,597 people across the globe. In line with our increased investments in R&D and innovation, 26% of our staff were employed in R&D. This is an increase of 15% compared to the end of 2014.

## EQUAL OPPORTUNITIES

We are an equal opportunities employer. We understand that every individual is unique. We recognize and respect the differences between individuals and we understand that these differences can include ethnicity, religious beliefs, national origin, age, gender, sexual orientation, family status, physical ability, experience and perspective. In 2015 we continued to maintain a diverse workforce throughout the company, employing 29 nationalities. The percentage of women remained stable at 14% of the workforce.

## WORKFORCE

	2012	2013	2014	2015
Employees	1,636	1,503	1,635	<b>1,597</b>
Nationalities	30	28	26	<b>29</b>
Male	87%	87%	86%	<b>86%</b>
Female	13%	13%	14%	<b>14%</b>

## ATTRACTING THE RIGHT TALENT

Recruiting and developing a diverse workforce gives us a wide range of perspectives, and allows us to explore and adopt new ideas and innovations in technology. It also allows us to better understand and meet the needs of our diverse customers, suppliers and communities. Workforce diversity continues to be part of the strategic objectives that help us drive for innovation. We benefit from this diverse perspective and the advantages of bringing talented men and women of all backgrounds together to create new breakthrough innovations, turning today's challenges into tomorrow's opportunities.

## ASMI NEW COLLEGE GRADUATE PROGRAM

To help secure the right talent, we have established the ASM New College Graduate (NCG) program, which enables us to attract, develop and retain recent graduates with advanced degrees in physics, physical chemistry, chemistry, materials science and engineering. Working with a select list of universities that focus on the education and training that fits our technology needs, we participate in career events that give us the opportunity to showcase the company. After new graduates are hired, they are given the resources, opportunities and support to succeed in their careers. They are trained and begin working at the cutting edge of technology, alongside experienced innovators, to resolve some of our toughest scientific challenges. During the first few years of their career they are based at one of our innovation centers in Helsinki, Finland, or Leuven, Belgium, before being given the opportunity to apply their knowledge in different product areas and at our other global facilities.

In 2016 we aim to further develop the way we source graduate talent and will introduce a new enhanced recruitment process. The aim is to make the connection between our internal employees, external candidates and our global vacancies stronger and more transparent.

## ENABLING OUR PEOPLE

We have invested in an integrated people technology platform and service delivery model, which enables us to leverage the different people processes in operation across the company. This means we can maximize value and collate data, enabling managers to further enhance our people development and their performance.

At the same time it is vital that we listen to our people. By being transparent and focusing on open, honest dialogue, we understand their needs more fully and create stronger connections, leading to better results and practices. To help achieve this, we have established HR Business Partners in each key business and support area. Their role is to help strengthen the connection between our people and our business and strategic aims, contributing to our long-term success.

## TALENT MANAGEMENT SOUNDING BOARD

Next to this we launched a Talent Management Sounding Board, which brings together key people from all levels and backgrounds. The Sounding Board provides crucial feedback on business priorities for our talent management roadmap.

When developing people practices, we use a group of employees to benchmark our progress and deliverables against pre-set goals and clear key performance indicators (KPIs). We also initiated a Change & Communication approach, ensuring that we embed initiatives in a way that delivers the greatest value. And because every initiative is integrated in our technology platform, we are developing a set of clear, connected processes, tools and metrics.

In 2016 we aim to embed our Onboarding Process in the HR Technology platform, building on existing practices. This will offer new hires a consistent Onboarding experience and a base to understand the company, how they can add value, and help them accelerate their performance and engagement.

## ENGAGE AND EXCEL

Achieving bottom line business results starts with capable people being committed to ASMI and its customers. We employ a diverse range of experienced, talented people who have in-depth understanding and experience of our technology, products and customers. This, combined with the introduction of new talent at all levels of the company to add fresh perspectives and new insights and diversity to existing knowledge and experience, enables us to blend internal expertise and commitment with external perspective and accelerated change. And because we are a relatively small company, our people can make an immediate impact, leading to greater learning and engagement. This is one of the reasons we expect more and more people will want to be part of our growing, dynamic company – a company that provides its customers with solutions that count.

## ASMI LEADERSHIP ACADEMY

Once we have attracted the right people, we work hard to ensure they engage with the company and its strategic goals, and provide an enabling environment that allows them to excel and turn today's challenges into tomorrow's opportunities. One example is the ASMI Leadership Academy, which offers our people different leadership programs. In 2015 we launched a (Senior) Directors Program as part of our Leadership Academy. Senior employees from around the world participate in an intense training week, including course curriculum, team dynamics, and a real-time ASMI business case. Our Leadership Academy helps managers and leaders from all levels of the organization to develop their employees and build high-performing teams. Using consistent content and bringing managers and leaders together in these programs has also led to increased understanding, and greater cross-culture and business collaboration. In the coming period our aim is to further enhance the Leadership Academy, creating more engagement and further improving its business relevance and value to the company.

Additionally, to strengthen the connection of our people with our strategy, we deploy a performance management process and initiated a Succession and Talent review process. These processes are supported by a globally aligned competency set and a talent scorecard. Both processes support setting the right direction for our people development and maximizing the potential of our people to deliver our strategy.



# RESEARCH & DEVELOPMENT

We have been an innovation leader for nearly 50 years. We have not only contributed to the remarkable advance of the semiconductor industry, we have shaped the industry itself. But this success, and our future success, is largely dependent on our ability to develop new products and processes and to improve the features of existing products. Achieving this requires an unparalleled commitment to research and development (R&D). In 2014 and 2015, our net R&D investments were €64.7 million and €93.0 million respectively.

## GLOBAL RESEARCH

As a global company we carry out R&D on different continents, giving us access to some of the smartest professionals working in the semiconductor sector today. We maintain the widest and most diverse ALD development organization in the industry. We are active at all stages in its life cycle, from developing the basic chemistry to implementing solutions on our equipment at our customers' production sites. Our research centers in Finland, the United States, Japan, South Korea, the Netherlands, and Belgium are all active in ALD development. We also work with specialists across a wide range of disciplines to develop our research goals, including from research institutes, universities and suppliers. However, our most important collaboration is with our global customers, with whom we co-create and jointly develop our technology roadmaps to bring new technologies and processes to market, faster. Such diversity means that we get the benefit of wider viewpoints while being able to bring together the best minds in the world to create new breakthroughs.

## REGIONAL EXPERTISE

Going forward, we expect to continue to invest significantly in R&D to enhance our product offerings. With our R&D activities chiefly conducted in the principal semiconductor markets of the world, we are able to draw on innovative and technical capabilities internationally. Each geographic center provides expertise for specific products or technologies. This approach, combined with the interactions between the individual centers, enables efficient allocation of technical resources and customer interaction during development.

Our global product development policies and local activities are for the most part directed towards expanding and improving present product lines to incorporate technology advances and reduce product cost, while simultaneously developing new products that can penetrate new markets. These activities require the application of physics, chemistry, materials science, chemical engineering, electrical engineering, precision mechanical engineering, software engineering, and systems engineering.

## GLOBAL PLATFORM ENGINEERING GROUP

In 2010 we formed a global Platform Engineering group that addresses the needs for common platforms for the various products in our wafer processing product portfolio. Selected resources in Leuven, Almere and Helsinki have been grouped under Corporate R&D, addressing the common needs for advanced materials research and process integration work for the 10nm to 5nm nodes.

LOCATION	NUMBER OF R&D EMPLOYEES AS OF DECEMBER 31, 2015, EXCLUSIVE OF TEMPORARY WORKERS
Almere, the Netherlands	36
Leuven, Belgium	27
Helsinki, Finland	20
Phoenix, Arizona, United States	168
Cheonan, South Korea	63
Singapore, Singapore	4
Tama, Japan	102
<b>TOTAL</b>	<b>420</b>

## ARRANGEMENTS WITH CUSTOMERS, INSTITUTES & UNIVERSITIES

As part of our research and development activities, we are engaged in various formal and informal arrangements with customers, institutes and universities. As of December 31, 2015, we were 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. Additionally, we also occasionally cooperate with other semiconductor capital equipment suppliers in complementary fields, in order to gain knowledge on the performance of our own deposition processes, in cooperation with other processes, either in bilateral or in publicly funded projects. In addition to cooperating with customers and other capital equipment suppliers, we also enter into research projects with technical universities and institutes (for example imec in Belgium).

## PUBLICLY-FUNDED PROGRAMS

Mainly in Europe, we participate in publicly funded programs to research and develop the production technology for semiconductor devices with line widths of 7nm and below, and in more-than-Moore technologies. We are also involved in several cluster development programs in the Eureka initiative, as an active member of the AENEAS association as mentor or reviewer, and we are involved in roadmapping activities for the chapters on Process Technology and Integration. In the Netherlands we participate in projects focused on efficiency improvements for photovoltaic cells within the TKI Solar Energy Program.

In 2011 we renewed our strategic R&D partnership with the Interuniversity Micro-Electronics Center (imec) in Leuven, Belgium. Our Epsilon, A412, Pulsar, EmerALD, Dragon and Eagle based products are involved in this partnership. From 2012 through 2015 we significantly expanded our partnership with additional ALD and epitaxy 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 partnered with imec since 1990, with significant on-site representation since 1994.

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

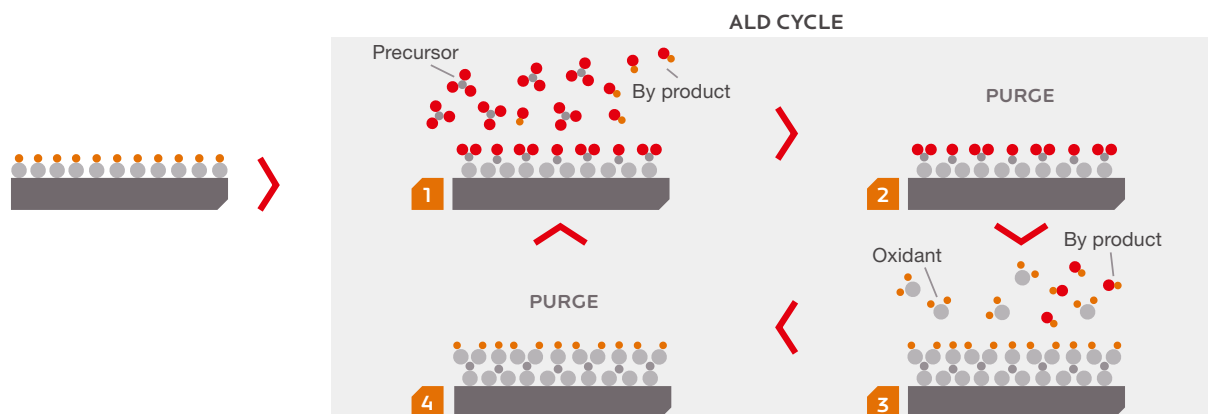
We contribute to several process and equipment development projects at the major Dutch technical universities through the Dutch FOM and STW funding organizations for fundamental and applied research.

As of year-end 2015, 420 employees were employed in R&D, representing 26% of our total staff.

# BREAKTHROUGH TECHNOLOGIES

We were one of the first companies to have the vision to realize the potential of ALD technology for the semiconductor industry. In 1999, we acquired Microchemistry in Finland, forming ASM Microchemistry. Originally developed for use in the flat panel display industry, ALD had been researched for various applications for over 20 years. We dedicated a further eight years of 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? ALD allows us to deposit thin films atom-by-atom on silicon wafers, meaning we can deliver atomic-scale thickness control, high-quality deposition film properties and large area uniformity.

Such precision means we can use materials that could not be considered before and develop 3D structures, which are vital to the future of electronics. 3D technology provides a number of real benefits. These include saving space, while delivering chips with higher performance that consume less power.

## 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 PEALD, plasma is used to provide the reaction energy for the process, enabling lower temperatures for low thermal budget applications. Using ALD technology, we have been able to scale devices to smaller dimensions while reducing the power consumption of transistors, all of which helps the industry follow Moore's Law and create smaller, more powerful semiconductors.

ALD is now our basic platform for the development of a wide range of new materials. Our research centers across the globe are working on ALD, and we are also conducting joint research projects with Europe's largest independent research institute, imec. Taken together, this helps make ALD one of the principal drivers for future growth in microelectronics.

## ALD IS NOW MAINSTREAM

ALD is now a mainstream technology used in volume manufacturing in the semiconductor industry. Our ALD technology is now being used to build ICs for a wide range of leading-edge products, including high-performance computers and smartphones. The results of ALD are everywhere in the world around us.

### ENHANCING INNOVATION

Plasma Enhanced ALD (PEALD) is another innovation in our long line of 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 was introduced in DRAM and planar NAND flash manufacturing in the 3x nm node, for spacer-defined double patterning (SDDP), a technique that can reduce device dimensions, postponing the need for new lithography technologies. The technology continues to be used for DRAM and planar NAND flash manufacturing in the 2x nm node. This is just one example of how ALD continues to open up new possibilities for further process breakthroughs.

### SUSTAINABLE GROWTH FOR THE NEXT DECADE

Yet this is just the beginning of ALD. While the fundamental technology has been around for 30 years, in the semiconductor manufacturing industry it is still relatively new. We expect it to be one of the principal drivers of growth in microelectronics over the coming decade. Looking ahead, we will continue to develop the huge potential of ALD in support of the semiconductor industry, enabling the industry to support the future demands of consumers.

# CHIP MAKING

The world uses semiconductors like never before. From the way we communicate and travel, to the cities we inhabit, they enable modern life. From our dishwashers, microwaves and TVs, to our smartphones, PCs and tablets, the tiny chips we all take for granted drive the everyday devices we have come to rely on. Their use has revolutionized how we live, work and play. Enabling us to understand, create and share information faster and more easily. Today, we expect devices to become more powerful and smaller every year, without fully understanding how.

## SEMICONDUCTOR DEVICE MANUFACTURING

To explain how this all works, let's take a look at how a chip is made. The manufacturing process of semiconductor devices on a wafer can be divided into three distinct parts: wafer manufacturing, transistor formation (known as front-end of the line (FEOL) processing), and interconnect formation (known as back-end of the line (BEOL) processing). We develop, manufacture and sell equipment, and provide services used by semiconductor device manufacturers in each of these sections of semiconductor device manufacturing.

## WAFER PROCESSING

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

## FROM WAFER TO DEVICES

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

## PROCESS STEPS

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



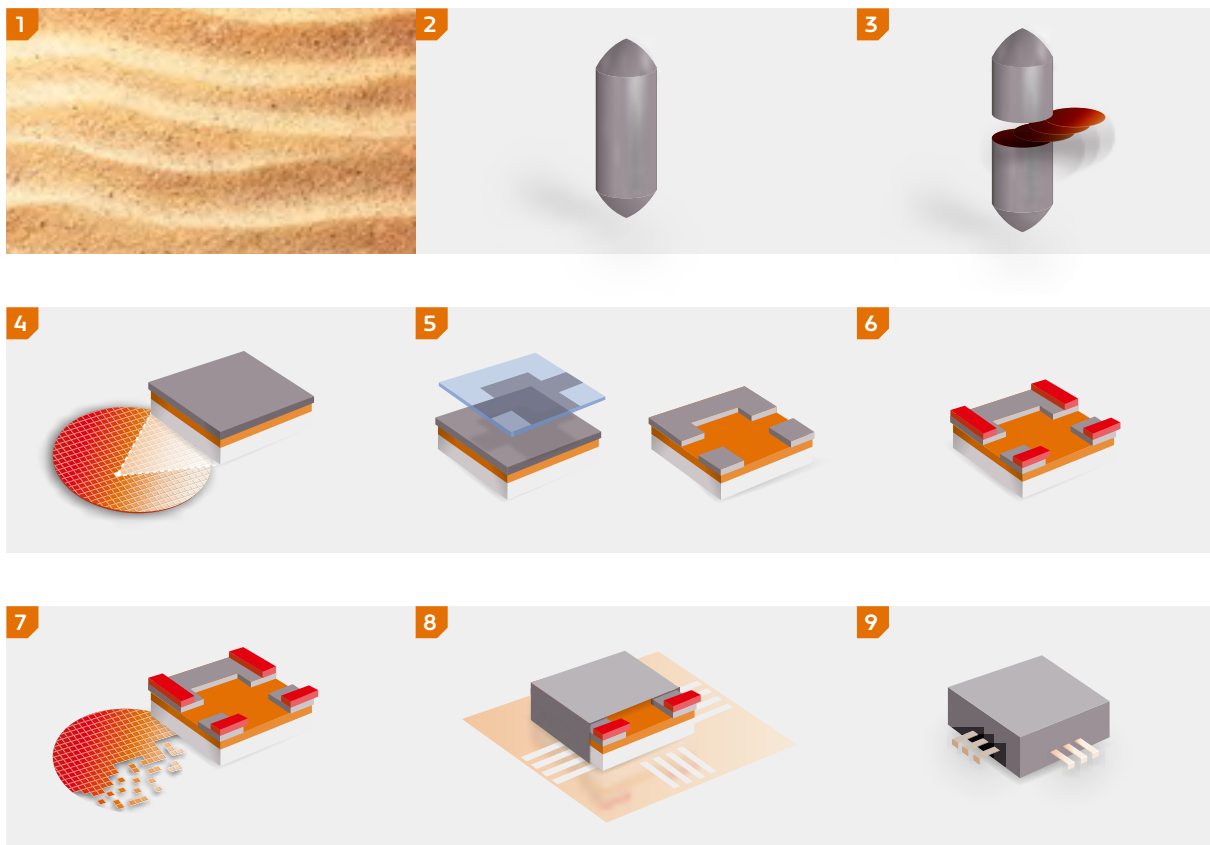
## CLEAN ROOMS

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

## FRONT-END AND BACK-END PROCESSING

There are two basic segments of chip manufacturing to complete a final packaged chip product. We refer to them as wafer processing and assembly and packaging. We are an equipment supplier for the front-end part: wafer processing. During wafer processing – the start of the manufacturing line – manufacturers process wafers made of silicon, on which the electrical components are formed. During assembly and packaging – the back end of the manufacturing line – the wafers are divided up into individual chips and tested before being assembled and packaged.

## CHIP MAKING PROCESS



### 1. FROM SAND TO PURE SILICON

It all starts with one simple, common substance – sand. The silicon found in sand is in the form of silicon dioxide. To make chips, manufacturers need pure silicon, which means 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 in monocrystalline form. The way atoms are organized in this form of silicon is essential to some of the later processes.

## 2. WAFER BLANKS

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

## 3. WAFERS ARE CUT

Wafers are then cut from the ingots before being polished to produce a smooth surface. They are 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 to help copy the design onto the surface of the wafer. Several masks are used in sequence to add more and more complexity to the chips.

## 6. ADDING A PATTERN

Now comes the 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, which 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, which are then etched, leaving the parts not exposed to UV light intact. The surface now contains 'trenches' that run across the surface.

### Deposition

A dielectric or insulating film is deposited in the trenches by one of a number of deposition technologies such as CVD or ALD. Gates are formed between the trenches, creating parts of the many millions of transistors that may be created on a single chip. Gates can be switched to allow charge carriers, such as electrons, to flow or to prevent them from flowing. 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 200mm to 300mm, and some chips can hold billions of transistors.

## 7. WAFERS SEPARATED INTO INDIVIDUAL CHIPS

Once wafer processing has been completed, the finished wafers are transported to another plant for cutting, assembly and packaging. The individual wafers are cut into separate chips.

## 8. LEAD FRAMES

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

## 9. TESTING PACKING

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

## SUMMARY

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

# MARKETS AND 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 and packaging equipment, and test equipment. We operate in the semiconductor wafer processing equipment market.

## MARKETS

The semiconductor industry was driven in 2015 by a US\$2.0 trillion global electronics industry (VLSI Research Chip Insider, March 1, 2016) that required approximately US\$284 billion in semiconductors. The semiconductor industry in turn supported the approximately US\$49.3 billion semiconductor capital equipment industry, which supplies the needed production systems and services. Within the capital equipment segment, we serve the wafer processing equipment segment, which is worth approximately US\$32.2 billion annually. Demand for semiconductor capital equipment is driven both by growth in the market for semiconductor devices and also by new technology needed to realize the next generation of devices. The semiconductor industry declined by about -1.3% in 2015, driving the equipment business down less than 1%. The equipment segment in 2015 was driven mostly by capacity expansion in Memory fabs and new technology generation investments in Logic and Foundry fabs.

### ANALOG DEVICES

We also supply equipment to leading manufacturers of analog semiconductor devices, which are important for enabling the increasing semiconductor content used in most products worldwide.

### LOGIC, FOUNDRY & MEMORY MARKETS

Our semiconductor wafer processing business supplies equipment to the leading semiconductor manufacturers in the Logic, Foundry and Memory markets, primarily for the deposition of thin films.

- › The Logic market is made up of manufacturers who create chips that are used to process data. Known as the central processing unit (CPU), this microprocessor is the 'brains' of a computer system, and can be found in smartphones, laptops and computers.
- › The Foundry market consists of businesses that operate semiconductor fabrication plants to manufacture the designs of other semiconductor companies.
- › The Memory market covers manufacturers who make chips that store information either temporarily or permanently, such as Random Access Memory (RAM) and NAND.

## PRODUCTS

### MARKET COVERAGE

The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. We are active in the wafer processing segment. Within wafer processing equipment, the major segments are Lithography, CMP, Ion Implant, Deposition, Etch & Clean, and Process Diagnostics. The principal market segment in which we participate is Deposition and Related Tools. According to VLSI, the Deposition segment was worth approximately US\$8.3 billion in 2015.

### ASMI PRODUCTS

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

## TECHNOLOGY – PRODUCT MATRIX

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

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

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

## PRODUCT DESCRIPTIONS

### Advance platform

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

### A412 batch vertical furnace

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

### A400 batch vertical furnace

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

### XP platform

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

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

**Pulsar XP ALD system**

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

**EmerALD XP ALD system**

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

**Intrepid XP epitaxy system**

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

**XP8 platform**

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

**Eagle XP8 PEALD system**

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

**Dragon XP8 PECVD system**

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

**Epsilon**

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

**Polygon**

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



# PATENTS AND TRADEMARKS

We have been an innovation leader for nearly 50 years. We have not only contributed to the remarkable advance of the semiconductor industry, we have shaped the industry itself through a series of breakthrough innovations in technologies such as plasma deposition and epitaxy and, since 2000, through ALD.

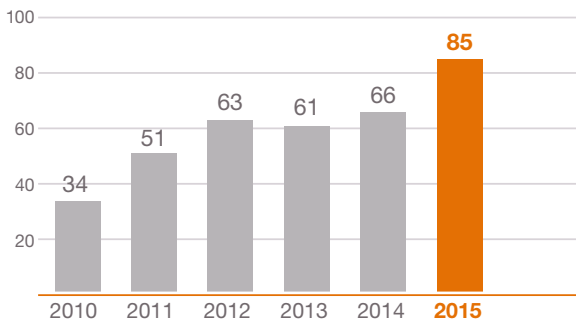
## CULTURE OF INNOVATION

We are an innovative company and have created a culture of innovation at every level of the organization. We attract and retain creative people from all over the world, who help us create a steady stream of innovations that we bring into volume manufacturing through close cooperation with our customers.

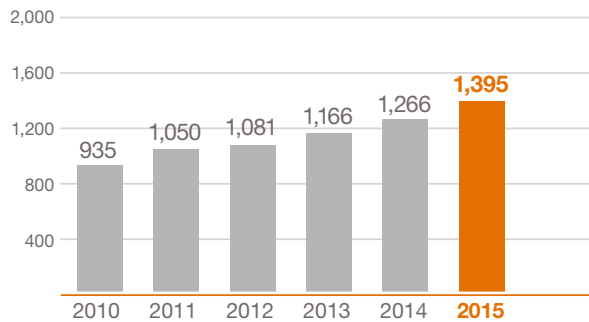
## CAPTURING IDEAS EFFICIENTLY

Intellectual Property (IP) managers work at all of our major global R&D sites, where they capture all patentable material resulting from our R&D activities. Each year we file between 50 and 100 initial patent applications, and now have over 1,300 patents in force worldwide. Many hundreds of those relate specifically to the ALD process technology platform, and we expect new deposition technologies and chemistries to be a major driver for new IP in the future. Patents protect our discoveries and enable us to speak more openly about our inventions and share ideas in the marketplace that benefit our customers. Our patents are usually registered in the principal countries where semiconductor devices or equipment are manufactured and/or sold.

### INITIAL PATENT FILINGS



### PATENTS IN FORCE



## TRADEMARK LIST AS OF JANUARY 1, 2016

We have registered a number of trademarks covering our product portfolio in the principal countries.

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

# OPERATIONAL EXCELLENCE

In 2012 we began making further significant steps to improve the structural maturity and operational performance of ASMI. For example, strategic focus areas were identified in relation to our longer-term ambitions.

## STRATEGIC FOCUS AREAS

These strategic focus areas, each sponsored by a member of the Senior Management Team, are:

### CUSTOMERS

Nurture the relationships we have with them and deliver the performance critical to our continued success.

### PRODUCTS

Drive Innovation to ensure that our future product portfolio will sustain our technology leadership positions.

### TALENT

Build and sustain a high-performance organization.

### PRODUCT LIFE CYCLE

Maximize the effectiveness of our product development process to Deliver Excellence.

### GLOBAL OPERATIONS

Optimize our manufacturing capabilities and performance.

### SYSTEMS

Achieve leading edge information systems and infrastructure performance.

## KEY OPERATIONAL IMPROVEMENTS

In parallel and consistent with the above strategic focus areas, we carried out a rigorous self-assessment in 2013 against a comprehensive, industry-specific, business process, systems, and performance framework. From this self-assessment, we selected key operational improvement opportunities across a range of business process areas, based on their potential to both improve our performance and deliver excellence to our customers.

The collective set of improvement projects was established as a company objective, with the imperative to globally harmonize our business practices. These projects were largely completed within 2014, which validated our program management methodology, and established a foundation of continuous improvement. In 2015, the critical prerequisites established in the preceding years enabled us to initiate an even more challenging and impactful set of projects, with commensurate progress. The cumulative progress in structural maturity, results, and ambition is recognized by our customers. For 2016 we will continue to drive further development in both the strategic focus areas and the operational continuous improvement program.

We recognize that our focus on operational excellence is a never-ending journey. Concentrating on the above areas collectively represents a considerable investment in our future, and is yielding significant improvements in capabilities and results. We review our progress in these strategic focus areas quarterly, regularly refresh how we search for further improvement opportunities, and continually raise the bar in our relentless drive to deliver excellence.

## OPERATIONS AND MANUFACTURING

Our broad portfolio of innovative technologies and products are used by the most advanced semiconductor fabrication plants around the world, helping them to progress along their technology roadmaps. Manufacturing these products involves the fabrication and assembly of various critical components, product assembly, quality control and testing.

In addition to technology leadership, we also continue to focus on further improving the effectiveness of our organization and the efficiency of our processes. This involves providing our customers with dependable, leading-edge products and services of consistent quality that offer the best cost of ownership, increasing our flexibility to meet customer expected lead times. To achieve this, we continually optimize our manufacturing and global sourcing processes, including the migration to common product platforms.

### ESTABLISHMENT OF FEMS

In 2004, we established FEMS, a manufacturing Center of Excellence in Singapore, to manufacture generic subsystems for our Vertical Furnaces product offering. This enabled us to reduce manufacturing costs in our wafer processing equipment operations. In 2009 we began the transition to full product manufacturing, including final assembly, testing and shipping systems to our customers from our Singapore location. In 2012 we strengthened the company with the addition of a global supply chain function, which includes responsibility for procurement, supply chain quality and inventories. In 2013 we made fundamental changes in the global manufacturing model, transforming from a vertically integrated model to an outsourced model, which reduced complexity, increased supply chain leverage, and drove improvements into our core internal manufacturing capabilities. Over the last few years we have continued to move non-core activities to value-added contract manufacturing, which has resulted in lower total costs and increased capability and flexibility. By 2014 we had expanded our outsourced manufacturing model to manage all production into FEMS.

In 2015 we invested in a Supply Chain Excellence team to focus on critical technologies and key suppliers, which will drive supplier capability in alignment with our technology roadmap.

As we enter 2016, we are continuing to focus on increased order flexibility through lead time and cycle time reduction programs, such as a Merge-In-Transit (MIT) delivery model and the introduction of lean/Six Sigma production processes to optimize our manufacturing capability.

### CUSTOMER RECOGNITION

In March 2016, we were awarded Intel's prestigious Preferred Quality Supplier (PQS) award for performance in 2015. This is our first such award. The PQS Award is part of Intel's Supplier Continuous Quality Improvement (SCQI) program that encourages suppliers to strive for excellence and continuous improvement. This achievement reflects our long partnership with Intel, the value of our leading-edge materials deposition technology – essential to Intel's success – and the significant progress we have made in our relentless drive toward operational excellence and safety leadership.

The PQS achievement requires outstanding performance in quality, cost, availability, technology, customer service, labor and ethics systems, environmental sustainability, as well as social responsibility and governance goals. This achievement is the culmination of many years' focus on operational excellence across all key areas of our business.

The press release detailing this award can be found on our corporate website. Further details are available at Intel's website: <https://newsroom.intel.com/>.

# PERFORMANCE REVIEW



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# FINANCIAL PERFORMANCE

## MANAGEMENT BOARD REPORT

### INTRODUCTION

We are an equipment supplier mainly to the semiconductor manufacturing industry. We design, manufacture and sell equipment and services to our customers for the production of semiconductor devices, or integrated circuits. The semiconductor capital equipment market is composed of three major market segments: wafer processing equipment, assembly and packaging equipment, and test equipment. Through our front-end business, we are active in the wafer-processing segment. In addition, as per December 31, 2015, we have a 39.55% stake in ASM Pacific Technology (ASMPT), which is a leading supplier of assembly and packaging equipment to the semiconductor, LED and electronics markets.

ASMI sells its products to the semiconductor manufacturing industry and, through its 39.55% stake in ASMPT, to the assembly industry, which is subject to sudden, extreme, cyclical variations in product supply and demand. We conduct our front-end business through wholly-owned subsidiaries, the most significant being ASM front-End Manufacturing Singapore Pte Ltd (FEMS), located in Singapore, ASM Europe BV (ASM Europe), located in the Netherlands, ASM America, Inc (ASM America), located in the United States, ASM Japan KK (ASM Japan), located in Japan, and ASM Genitech Korea Ltd (ASM Genitech), located in South Korea. The location of our facilities allows us to interact closely with customers in the world's major geographical market segments: Europe, North America, and Asia.

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

The principal markets that we address in wafer processing are selected segments of the deposition equipment market. The total deposition equipment market was estimated to be US\$8.3 billion in 2015 (VLSI Research, January 2016). Within this market we focus on the following segments: vertical furnaces, epitaxy, PECVD and Atomic Layer Deposition (ALD). ALD is an advanced technology that deposits atomic layers one at a time on wafers. This process is used to create ultra-thin films of exceptional quality and flatness. Plasma is sometimes used to enhance the process further (Plasma Enhanced ALD, or PEALD) and may enable the deposition at reduced process temperature.

### MOORE'S LAW

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



### Advanced deposition techniques

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

### BACK-END OPERATIONS

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

### STRATEGY

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

#### Innovative strength

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

#### Leadership in ALD

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

#### Operational excellence

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

#### Responsibility

We believe that being a responsible company creates value for our company, our stakeholders and society, which is why we have integrated corporate responsibility (CR) into our strategic goals. Our goal is to manage all aspects of our business responsibly to meet or exceed stakeholder expectations, while holding our suppliers to the same high standards that we set for ourselves. This will enable us to continue to help improve the quality of people's lives.

## OPERATIONS

Following a strong increase in 2014, the semiconductor equipment market was relatively stable in 2015. Gartner estimated that the Wafer Fab Equipment market decreased marginally by 0.5% in 2015. While spending in the Foundry and Logic segments moderated in the course of the year, the Memory segment was again the key driver behind industry equipment spending. Leading-edge equipment continued to represent the largest part of global equipment spending in 2015.

### Record revenue

Following a strong order intake in the latter part of 2014 and the first part of 2015, revenue increased to new record heights in the first half of 2015 at €162 million in the first quarter and €201 million in the second quarter. While still higher year-over-year revenue decreased sequentially in the second half, due to lower spending levels in the Logic/Foundry and DRAM customer segment. For the full year, net sales increased by 23% to a new record high for the wafer processing equipment business. On a constant currency basis our sales increased by 14% year-on-year. For the third consecutive year we have grown our sales by solid double digits and for the fourth time in five years we have outperformed the broader equipment market.

The revenue growth in 2015 was again led by increased tool sales in our ALD business. Momentum in the ALD market during the year remained strong. ALD is required for an increasing number of process steps and applications as customers transition to the most advanced technology nodes. ALD is now firmly established as a key enabling technology. In Logic, Foundry and Memory, the leading customers have already ramped several technology generations based on our ALD equipment. Our ALD equipment is an enabling technology for spacer-defined multiple patterning and used by virtually all of the Memory customers. In the Logic and Foundry sector, ALD has become a mainstream technology for high-k metal gate applications.

### Broadening the customer base

In recent years, we have further broadened our customer base. In 2015 our total revenue growth was to a large extent driven by an increased contribution from the top four to 10 customers. In combination with the expanded client base, we have also achieved a more balanced customer mix over the years, including a substantially stronger presence in the Memory sector. This allowed our company to benefit again in 2015 from healthy levels of equipment spending by Memory customers. Following several years of steady growth in customer deployment and the development of new applications, ALD has turned into a key growth driver for our company. Our ALD product lines accounted for clearly more than half of total equipment revenue in 2015.

For the year in total, our new bookings increased by 1% in 2015 to €608 million. The book-to-bill as measured by orders divided by sales decreased from 1.1 in 2014 to 0.9 in 2015. Equipment bookings in 2015 for ASMI as a whole were led by the Memory segment, followed by Foundry and Logic. Unlike 2014, bookings in 2015 were first-half loaded. We finished the year with an order backlog of €128 million, a 27% decrease compared to the end of 2014.

### Gross margin

The gross margin increased by 100 basis points in 2015 to 44.1%. Throughout the year, the margin was relatively stable at around the 44% level, with most of the quarter-by-quarter fluctuations explained by changes in the sales mix. Apart from positive mix effects during the year, we also benefited from ongoing efficiency improvements. The improvement in gross margin in 2015 followed on strong increases already achieved in 2013 and 2014. Starting in 2013, we began executing a number of programs to further increase the efficiency and flexibility of our manufacturing operations and supply chain. Measures included new outsourcing initiatives, a stronger focus on the sourcing of complete sub-assemblies and the migration of a larger part of our supply base to Asia.

## Expenses

Selling, general and administrative expenses as a percentage of sales dropped from 15% in 2014 to 14% in 2015. Research and development (R&D) expenses excluding impairment charges on capitalized development costs remained stable at 11% of sales. The impairment charges were related to the write-off of the remaining 450mm assets for an amount of €13 million and for an amount of €3 million for other development projects. The total investment in R&D – including capitalized R&D – increased substantially during 2015 and was in response to an increase in customer requests for new applications.

## Operating profit

Operating profit increased from €93.4 million in 2014 to €111.1 million in 2015. Excluding the aforementioned impairment charges, the operating margin increased from 17.3% to 19.0%.

## Results from investments

Results from investments, which primarily reflects our shareholding of 39.55% in ASMPT, dropped from €61.9 million to €44.2 million. These exclude the amortization of intangible assets related to ASMPT. Following a strong improvement in 2014, the contribution by ASMPT fell in 2015 as the company was impacted by the slowdown of the assembly and packaging equipment market during the year. ASMPT's revenue dropped by 9% in 2015 in Hong Kong dollar. After a strong start of the year, momentum slowed in the second quarter. In the third quarter, the assembly and packaging equipment market weakened substantially, followed by some recovery in demand conditions in the fourth quarter. Despite the revenue decrease, ASMPT slightly increased gross margins during the year, driven by strong improvements in SMT Solutions and reduced volatility in the assembly and packaging equipment margin. In assembly and packaging equipment, revenue dropped by 15% in 2015, even though ASMPT achieved positive growth in a number of products such as flip-chip bonders and CMOS Image Sensor equipment. In SMT Solutions (Surface Mount Technology) revenue decreased slightly by 2% and ASMPT overtook the position as the global top supplier in this market.

## OPERATIONS UPDATE

### RESULTS OF OPERATIONS 2015 COMPARED TO 2014

#### Results

The following table shows the operating performance for 2015, versus 2014:

(EUR million)	2014	2015	CHANGE
New orders	602.1	608.4	1%
Backlog	176.1	127.8	(27%)
Book-to-bill	1.1	0.9	
Net sales	545.6	669.6	23%
Gross profit	235.3	295.5	26%
Gross profit margin %	43.1%	44.1%	
Selling, general and administrative expenses	(80.6)	(94.7)	18%
Research and development expenses	(60.4)	(73.6)	22%
Impairment charges property, plant and equipment and other intangible assets	(0.9)	(16.2)	n/a
Operating result	93.4	111.1	19%
Operating margin %	17.1%	16.6%	
Financing income /(expense)	24.8	24.8	-
Income tax	(19.4)	5.4	24.8
Net earnings before share in income of investments in associates	98.8	141.3	42.5
Share in income of investments in associates	39.4	16.1	(23.3)
Result from discontinued operations	3.2	-	(3.2)
<b>NET EARNINGS</b>	<b>141.4</b>	<b>157.3</b>	<b>16.0</b>
Net earnings per share, diluted	€2.20	€2.50	€0.30
Net earnings per share excluding effects from the sale of ASMPT shares	€2.49	€2.93	€0.44

As a result of the sale on March 15, 2013 of a 12% share in ASMPT, ASMI lost control over ASMPT. Following the cease of control, ASMPT was presented as a discontinued operation. Consequently, the historic net results of ASMPT as well as the gain on the sale of the ASMPT share and the remeasurement gain are presented in the consolidated statement of income on the line results from discontinued operations. From the date ASMI lost control, the investment in ASMPT has been accounted for under the equity method and the related results are presented under results from investments and associates.

The following table shows certain consolidated statement of profit or loss data as a percentage of net sales for our continued operations for 2014 and 2015:

in %	2014	2015
Net sales	100.0%	100.0%
Cost of sales	(56.9%)	(55.9%)
<b>GROSS PROFIT</b>	<b>43.1%</b>	<b>44.1%</b>
Selling, general and administrative expenses	(14.8%)	(14.1%)
Research and development expenses	(11.1%)	(11.0%)
Impairment charges	(0.2%)	(2.4%)
<b>EARNINGS (LOSS) FROM OPERATIONS</b>	<b>17.1%</b>	<b>16.6%</b>
Net interest income (expense)	(0.3%)	(0.1%)
Foreign currency exchange gains (losses)	4.8%	3.8%
Share in income of investments in associates	7.2%	2.4%
<b>EARNINGS (LOSS) BEFORE INCOME TAXES</b>	<b>28.9%</b>	<b>22.7%</b>
Income tax income/(expense)	(3.6%)	0.8%
<b>NET EARNINGS (LOSS) FROM CONTINUING OPERATIONS</b>	<b>25.3%</b>	<b>23.5%</b>
Net earnings from discontinued operations	0.6%	-
<b>NET EARNINGS FROM OPERATIONS</b>	<b>25.9%</b>	<b>23.5%</b>

### Net sales

The sales cycle from quotation to shipment for our front-end equipment generally takes several months, depending on capacity utilization and the urgency of the order. Usually, acceptance is within one to three months after shipment. The sales cycle is longer for equipment that 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.

Our sales are concentrated in the United States, Europe and Asia. The following table shows the geographic distribution of our sales from continuing operations for 2014 and 2015:

(EUR million)	YEAR ENDED DECEMBER 31,			
	2014		2015	
United States	€177.0	32.4%	€123.9	18.5%
Europe	94.5	17.3%	99.3	14.8%
Taiwan	81.1	14.9%	106.8	15.9%
Japan	62.5	11.5%	179.6	26.8%
South Korea	93.6	17.2%	109.9	16.4%
China	24.6	4.5%	38.3	5.7%
Other	12.3	2.3%	11.8	1.8%
	<b>€545.6</b>	<b>100.0%</b>	<b>€669.6</b>	<b>100.0%</b>

A substantial portion of our sales is for equipping new or upgraded fabrication plants where device manufacturers are installing complete fabrication equipment. As a result, our sales in this segment tend to be uneven across customers and financial periods. Sales to our ten largest customers accounted for 84% and 81% of net sales in 2014 and 2015, respectively. The composition of our ten largest front-end customers changes from year to year. The three largest customers from these ten accounted each for more than 10% of front-end net sales in 2014 and 2015, respectively.



### Increase in net sales

For the full year, net sales increased by 23% in 2015 to a new record high for the front-end business. On a constant currency basis, our sales increased by 14%. For the third consecutive year we have grown our sales by solid double digits and for the fourth time in five years we have outperformed the broader equipment market.

The revenue growth in 2015 was again led by increased tool sales in our ALD business. Momentum in the ALD market during the year remained strong. ALD is required for an increasing number of process steps and applications as customers transition to the most advanced technology nodes. ALD is now firmly established as a key enabling technology. In Logic, Foundry and Memory, the leading customers have already ramped several technology generations based on our ALD equipment. Our ALD equipment is an enabling technology for spacer-defined multiple patterning and used by virtually all of the Memory customers. In the Logic and Foundry sector, ALD has become a mainstream technology for high-k metal gate applications.

The following table shows the level of new orders for full year 2015 and the backlog for the same period over 2014:

(EUR million)	FULL YEAR		
	2014	2015	% CHANGE
<b>BACKLOG AT THE BEGINNING OF THE YEAR</b>	<b>114.8</b>	<b>176.1</b>	<b>53%</b>
New orders	602.1	<b>608.4</b>	1%
Net sales	(545.6)	<b>(669.6)</b>	23%
FX-effect	4.8	<b>12.9</b>	
<b>BACKLOG AS PER REPORTING DATE</b>	<b>176.1</b>	<b>127.8</b>	<b>(27%)</b>
<b>BOOK-TO-BILL RATIO (NEW ORDERS DIVIDED BY NET SALES)</b>	<b>1.1</b>	<b>0.9</b>	

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

For the year in total, our new bookings increased by 1% in 2015 to €608 million. The book-to-bill as measured by orders divided by sales decreased from 1.1 in 2014 to 0.9 in 2015. Equipment bookings in 2015 for ASMI as a whole were led by the Memory segment, followed by Foundry, and Logic. Unlike the previous year, bookings in 2015 were first-half loaded. We finished the year with an order backlog of €128 million, a 27% decrease compared to the end of 2014.

## Gross profit

Total gross profit developed as follows:

(EUR million)	GROSS PROFIT		FULL YEAR GROSS PROFIT MARGIN		INCREASE (DECREASE) PERCENTAGE POINTS
	2014	2015	2014	2015	
Front-end	235.3	295.5	43.1%	44.1%	100

Gross margin increased by 100 basis points in 2015 to 44.1%. Throughout the year the margin was relatively stable at around the 44% level, with most of the quarter-by-quarter fluctuations explained by changes in the sales mix. Apart from positive mix effects during the year, we also benefited from ongoing efficiency improvements. The improvement in gross margin in 2015 followed on strong increases already achieved in 2013 and 2014. Starting in 2013, we have executed a number of programs to further increase the efficiency and flexibility of our manufacturing operations and supply chain. Measures included new outsourcing initiatives, a stronger focus on the sourcing of complete sub-assemblies and the migration of a larger part of our supply base to Asia.

Currency changes led to an 8% increase in gross profit compared to 2014.

## Selling, general and administrative expenses

Total selling, general and administrative expenses developed as follows:

(EUR million)	FULL YEAR		% CHANGE
	2014	2015	
Front-end	80.6	94.7	17%

Selling, general and administrative (SG&A) expenses increased by 17% in 2015 compared to the previous year. As a percentage of sales, SG&A expenses were 14% in 2015 and 15% in 2014. SG&A included restructuring expenses of €1.7 million in 2015.

The impact of currency changes on SG&A expenses resulted in an increase of 7% year-over-year.

## Research and development expenses

Total research and development (R&D) expenses, excluding impairment charges, increased by 22% in 2015 compared to the previous year, driven by additional investments to fulfill customer requirements. As a percentage of sales, R&D expenses remained stable at 11% compared to 2014. Currency changes resulted in an 11% increase in R&D expenses year-over-year.

Total research and development expenses developed as follows:

(EUR million)	FULL YEAR		
	2014	2015	% CHANGE
<b>Front-end:</b>			
Research and development expenses	50.4	62.8	25%
Research and development grants and credits	(0.9)	(1.0)	11%
Amortization of capitalized development expenses	10.9	11.8	8%
	<b>60.4</b>	<b>73.6</b>	<b>22%</b>
Impairment research and development related assets	0.9	16.2	n/a
<b>TOTAL</b>	<b>61.3</b>	<b>89.7</b>	<b>46%</b>

Impairment of capitalized development expenses related primarily to the development of new hardware that is now no longer as in-demand from customers, and purchased technology which became obsolete. Of the impairment charges for 2015, €13.4 million relate to the impairment of capitalized development expenditures and other assets related to the 450mm technology. Of the impairment charges for 2015, €2.8 million relate to the impairment of capitalized development expenses for other projects.

### Research and development investment

We continue to invest strongly in R&D. As part of our R&D activities, we are engaged in various development programs with customers and research institutes. These allow us to develop products that meet customer requirements and obtain access to new technology and expertise. The costs relating to prototypes and experimental models, which we may subsequently sell to customers, are charged to the cost of sales.

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

### Operating result

The operating result developed as follows:

(EUR million)	FULL YEAR		
	2014	2015	CHANGE
<b>Front-end:</b>			
<b>BEFORE SPECIAL ITEMS</b>	<b>94.4</b>	<b>129.0</b>	<b>37%</b>
Impairment charges	(0.9)	(16.2)	
Restructuring expenses	(0.1)	(1.7)	
<b>INCLUDING SPECIAL ITEMS</b>	<b>93.4</b>	<b>111.1</b>	<b>19%</b>

Operating profit increased to €111.1 million from €93.4 million in 2014. Excluding the previously mentioned impairment charges, the operating margin increased to 19.3% from 17.3%.

### Financing costs

Financing costs mainly reflect translation results. A substantial part of our cash position is denominated in US dollars.

### Results from investments in associates

Results from investments, which primarily reflects our 39.55% shareholding in ASMPT, dropped to €44.2 million from €61.9 million in 2014. These exclude the amortization of intangible assets related to ASMPT. Following a strong improvement in 2014, the contribution by ASMPT fell in 2015 as the company was impacted by the slowdown of the assembly and packaging equipment market during the year. ASMPT's revenue dropped by 9% in 2015 in Hong Kong dollars. After a strong start of the year, momentum slowed in the second quarter. In the third quarter, the assembly and packaging equipment market weakened substantially, followed by some recovery in demand conditions in the fourth quarter. Despite the revenue decrease, ASMPT slightly increased gross margins during the year, driven by strong improvement in SMT Solutions and reduced volatility in the assembly and packaging equipment margin. In assembly and packaging equipment, revenue dropped by 15% in 2015, even though ASMPT achieved positive growth in a number of products such as flip-chip bonders and CMOS Image Sensor equipment. In SMT Solutions (Surface Mount Technology) revenue decreased slightly by 2% and ASMPT became the global top supplier in this market.

The amortization of the recognized intangible assets and the depreciation of the fair value adjustment for property, plant & equipment had a €27.2 million impact on net earnings in 2015 (2014: €22.5 million). For further information on the divestment of ASMPT, see Note 6 to the Consolidated financial statements.

### Income tax

The income tax benefit of €5.4 million (2014: €19.4 million expense) reflects an effective tax rate of 3.5% negative (2014: 12.3%). The tax benefit includes €9 million in a one-off cash benefit due to tax refunds in South Korea from previous years related to higher tax exemptions than originally assumed and a €5 million one-off benefit resulting from the recognition of deferred tax assets on tax losses, incurred in the past, in the Netherlands. For further information on tax, see Note 20 to the Consolidated financial statements.

### Net earnings

Net earnings developed as follows:

(EUR million)	FULL YEAR		
	2014	2015	CHANGE
<b>Front-end:</b>			
<b>BEFORE SPECIAL ITEMS</b>	<b>99.5</b>	<b>156.8</b>	<b>57.4</b>
Impairment charges	(0.9)	(14.8)	(13.9)
Restructuring expenses	(0.1)	(1.7)	(1.6)
<b>TOTAL</b>	<b>98.5</b>	<b>140.3</b>	<b>41.8</b>
<b>Back-end:</b>			
Investment in ASMPT (approximately 40%)	62.2	44.2	(18.0)
Amortization other intangible assets from purchase price allocation	(22.5)	(27.2)	(4.7)
<b>TOTAL</b>	<b>39.7</b>	<b>17.0</b>	<b>(22.7)</b>
<b>NET RESULT FROM CONTINUING OPERATIONS</b>	<b>138.2</b>	<b>157.3</b>	<b>19.1</b>
Unrealized remeasurement gain on the remaining approximately 40% of ASMPT shares	3.2	-	(3.2)
<b>NET RESULT FROM DISCONTINUED OPERATIONS</b>	<b>3.2</b>	<b>-</b>	<b>(3.2)</b>
<b>NET RESULT FROM OPERATIONS</b>	<b>141.4</b>	<b>157.3</b>	<b>15.9</b>

## Cash flow

The following table shows the cash flow statement:

(EUR million)	2014	2015
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>	<b>138.2</b>	<b>157.3</b>
<b>Adjustments to cash from operating activities:</b>		
Depreciation, amortization and impairments	33.0	54.3
Income tax	19.4	(5.4)
Share in income of investments in associates	(39.4)	(16.1)
Share-based compensation	7.5	8.2
Non cash financing costs	(22.3)	(17.1)
<b>Changes in other assets and liabilities:</b>		
Accounts receivable	6.8	(2.8)
Inventories	(20.0)	13.4
Accounts payable and accrued expenses	21.0	(3.0)
Other assets and liabilities	(7.5)	(4.9)
Income tax paid	(11.8)	(9.2)
<b>NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>	<b>124.7</b>	<b>174.8</b>
Capital expenditures	(30.6)	(33.6)
Capitalized development expenditure	(14.3)	(30.2)
Purchase of intangible assets	(1.5)	(7.2)
Dividend received from investments	20.0	42.9
Other	0.4	(0.5)
<b>NET CASH PROVIDED (USED) IN INVESTING ACTIVITIES FROM CONTINUING OPERATIONS</b>	<b>(26.2)</b>	<b>(28.6)</b>
Purchase treasury shares	(29.3)	(79.1)
Debt issuance fees paid	(1.4)	-
Proceeds from shares issued	4.8	11.3
Dividend paid and capital repaid to shareholders ASMI	(31.8)	(37.2)
<b>NET CASH PROVIDED (USED) IN FINANCING ACTIVITIES FROM CONTINUING OPERATIONS</b>	<b>(57.8)</b>	<b>(104.9)</b>
<b>TOTAL NET CASH PROVIDED</b>	<b>40.8</b>	<b>41.3</b>

## Statement of financial position

Working capital at December 31, 2015 was €114 million (2014: €112 million). Working capital consists of: inventories, accounts receivable, other current assets, accounts payable, provision for warranty and accrued expenses and other payables. The number of outstanding days of working capital, measured against quarterly sales, decreased from 78 days at December 31, 2014 to 69 days on December 31, 2015.



## Employees

The following tables list the total number of employees and the number of employees in our front-end business, at the dates indicated, exclusive of temporary workers:

GEOGRAPHIC LOCATION	DECEMBER 31,	
	2014	2015
Europe:		
- the Netherlands	140	146
- EMEA	171	168
United States	600	516
Japan	186	209
South Korea	123	148
Singapore	325	318
Asia, other	90	92
<b>TOTAL</b>	<b>1,635</b>	<b>1,597</b>

We had 1,597 employees as per December 31, 2015. The following table lists the number of employees per function:

FUNCTION	DECEMBER 31,	
	2014	2015
Research and development	365	420
Manufacturing	286	283
Marketing and sales	303	253
Customer service	517	476
Finance and administration	164	165
<b>TOTAL</b>	<b>1,635</b>	<b>1,597</b>

Our Dutch operations, which employed 146 as per December 31, 2015, is subject to standardized industry bargaining under Dutch law, and is required to pay wages and meet conditions established as a result of negotiations between all Dutch employers in their industry and unions representing employees of those employers. As required by Dutch law, management in our Dutch facilities meet with a works council consisting of elected employee representatives to discuss working conditions and personnel policies, as well as to explain major corporate decisions and to solicit their advice on major issues.

The assembly and packaging segment, ASMPT, had 14,348 employees as per December 31, 2015 (December 31, 2014: 15,946).

## Subsequent events

Subsequent events were evaluated up to April 13, 2016, which is the issuance date of this Statutory annual report 2015. There are no subsequent events to report.

## LIQUIDITY AND CAPITAL RESOURCES

### LIQUIDITY

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

On December 31, 2015, our principal sources of liquidity consisted of €447 million in cash and cash equivalents and €150 million in undrawn bank lines.

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.

### CASH FLOW

We generated cash from operating activities of €174.8 million in 2015 (2014: €124.7 million). We invested €28.6 million (2014: €26.2 million), and used €104.9 million (2014: €57.8 million) to finance operations.

### DEBT

We were debt-free as of December 31, 2015.

In December 2013, we finalized the extension of our current standby revolving credit facility. The maturity date of the credit commitment of €150 million was extended to December 31, 2018. As per December 31, 2015, this facility was undrawn. Once the facility is used, this usage is secured by a portion of our shareholding in ASMPT or accounts receivable.

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

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

These financial covenants are measured twice each year, on June 30 and December 31. We were in compliance with these financial covenants as per June 30, 2015 and December 31, 2015.

See notes 10, 15 and 16 to our Consolidated financial statements for more on our funding, treasury policies and our long-term debt.

### ASMPT

The assembly and packaging segment of our business is organized in ASM Pacific Technology Ltd. Net cash of our 39.55%-owned associate was €239 million on December 31, 2015. The cash resources and borrowing capacity of ASMPT are not available to our wafer processing equipment segment.

Although certain directors of ASMPT are directors of ASMI, ASMPT is under no obligation to declare dividends to shareholders or enter into transactions that are beneficial to us. As a substantial shareholder, we can participate in the shareholders approval of the payment of dividends, but cannot compel their payment or size. Cash dividends received from ASMPT during 2014 and 2015 were €20.0 million and €42.9 million, respectively.

The market value of our 39.55% investment ASMPT was approximately €1,155 million as per December 31, 2015.

## OUTLOOK

We have developed forecasts and projections of cash flows and liquidity needs for the upcoming year. These take into account the current market conditions, reasonable 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. In the forecasts we have also taken into account: the total cash balances amounting to €447 million on December 31, 2015; the ability to renew debt arrangements and to access additional indebtedness; and whether or not we will comply with our financial covenants. Based on this, we believe that our cash on hand at the end of 2015 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 statement of financial position, but are required to be disclosed.

The following table summarizes our contractual and other obligations as per December 31, 2015, aggregated by type of contractual obligation:

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Accounts payable	54,441	54,441	-	-	-
Income tax payable	6,841	6,841	-	-	-
Accrued expenses and other payables	44,791	44,791	-	-	-
Operating leases	21,577	6,052	8,917	5,300	1,308
Pension liabilities	6,207	378	1,323	1,171	3,335
<b>Purchase obligations:</b>					
Purchase commitments to suppliers	53,985	53,985	-	-	-
Capital expenditure and other commitments	1,068	1,068	-	-	-
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>188,910</b>	<b>167,556</b>	<b>10,240</b>	<b>6,471</b>	<b>4,643</b>

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

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

## FOREIGN EXCHANGE RATE RISK

We conduct business in a number of foreign countries, with certain transactions denominated in currencies other than the functional currency of ASMI (euro) or one of our subsidiaries conducting the business. The purpose of our 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 in US dollars.

The majority of revenues and costs of our wafer processing equipment segment are denominated in US dollars, Singapore dollars, Korean won and Japanese yen. Since foreign currency exposure on our trading positions 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 reviewed periodically.

### Forward contracts

We may use forward exchange contracts to hedge foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which we have 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. As per December 31, 2015 we had no foreign exchange contracts in place.

The majority of revenues and costs of our assembly and packaging segment are denominated in Hong Kong dollars, Chinese yuan and US dollars. The functional currency of our assembly and packaging segment (Hong Kong dollar) is linked to the US dollar.

As we did not use forward exchange contracts, no unrealized gains were included in accumulated other comprehensive income as per December 31, 2015.

### Derivative instruments

Furthermore, we may 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 profit or loss. 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 profit or loss.

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, 2015, we recorded a favorable movement of €137 million (year-ended December 31, 2014: €146 million). See Note 11 to our Consolidated financial statements.

The following tables analyze our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro as per December 31, 2014 and December 31, 2015. This analysis includes foreign currency-denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the US dollar, Singapore dollar, Hong Kong dollar, Korean won or Japanese yen against the euro.

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

**CURRENCY IMPACT ON EQUITY**

(EUR thousand)	2014	2015
10% increase of US dollar versus euro	9,381	<b>11,109</b>
10% decrease of US dollar versus euro	(9,381)	<b>(11,109)</b>
10% increase of Singapore dollar versus euro	7,967	<b>9,925</b>
10% decrease of Singapore dollar versus euro	(7,967)	<b>(9,925)</b>
10% increase of Hong Kong dollar versus euro	109,211	<b>118,085</b>
10% decrease of Hong Kong dollar versus euro	(109,211)	<b>(118,085)</b>
10% increase of Korean won versus euro	8,163	<b>12,123</b>
10% decrease of Korean won versus euro	(8,163)	<b>(12,123)</b>
10% increase of Japanese yen versus euro	6,925	<b>8,211</b>
10% decrease of Japanese yen versus euro	(6,925)	<b>(8,211)</b>

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as per December 31, 2014 and December 31, 2015 would not result in a material impact on equity.

The following table analyzes our sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Hong Kong dollar, Korean won and Japanese yen against the euro at average exchange rates for 2014 and 2015. A positive amount indicates an increase in net earnings.

**CURRENCY IMPACT ON NET EARNINGS**

(EUR thousand)	2014	2015
10% increase of US dollar versus euro	520	<b>640</b>
10% decrease of US dollar versus euro	(520)	<b>(640)</b>
10% increase of Singapore dollar versus euro	1,233	<b>1,580</b>
10% decrease of Singapore dollar versus euro	(1,233)	<b>(1,580)</b>
10% increase of Hong Kong dollar versus euro	3,969	<b>1,700</b>
10% decrease of Hong Kong dollar versus euro	(3,969)	<b>(1,700)</b>
10% increase of Korean won versus euro	1,552	<b>3,509</b>
10% decrease of Korean won versus euro	(1,552)	<b>(3,509)</b>
10% increase of Japanese yen versus euro	1,125	<b>344</b>
10% decrease of Japanese yen versus euro	(1,125)	<b>(344)</b>

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro at average exchange rates for 2014 and 2015 would not result in a material impact on net earnings.

**INTEREST RISK**

We are not exposed to interest rate risk through our borrowing activities. We do not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. As per December 31, 2015 the company is debt-free.

**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. We do not anticipate nonperformance by counterparties given their high creditworthiness.

Our 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 or 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.

### **Small number of large clients**

We derive a significant percentage of our revenue from a small number of large customers. Our three largest customers accounted each for more than 10% of net sales in 2015 and 2014. The ten largest customers accounted for approximately 81.0% of net sales in 2015 (2014: 84.1%). 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, 2015, one customer accounted for 20.5% of total accounts receivable.

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

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

### **EQUITY PRICE RISK**

The ASMP investment is accounted for under the equity method on a go forward basis. Equity method investments are tested for prolonged decline in value. The determination of whether an investment is impaired is made at the individual security level in each reporting period.

If the fair value of an investment is less than its carrying value at the balance sheet date, we determine whether the impairment is temporary or prolonged. The amount per share recognized on December 31, 2015 under equity accounting amounts to HK\$62.27, whereas the level 1 fair value per share (being the market price of a share on the Hong Kong Stock Exchange) was HK\$60.90 on December 31, 2015. Management concluded that based on quantitative analysis, no impairment of our share in ASMP existed as of December 31, 2015.



# CR PERFORMANCE

Our 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.

## ZERO HARM!

As a truly global citizen, we have a vision of **ZERO HARM!** This means that we strive to prevent all injuries to our employees and customer employees, reduce our impact to the environment, and make positive contributions to society. Achieving this ambition involves setting goals and working towards them at all levels of the company.

In 2015, our performance target regarding injuries was to reduce the total injury rate to 0.80 injuries per 100 employees. To reduce our impact on the planet, we responsibly manage our energy and water consumption, our product footprint, and our enabling technologies. Our three-year goal over the 2013-2015 period was to implement Greenhouse Gas reduction measures of 800 mtCO<sub>2</sub>e per year and reduce water consumption by 10,000 m<sup>3</sup> from the 2012 baseline.

At the same time, we make a positive contribution to society through innovation, which leads to faster computing, greater productivity, and in many cases improves the energy efficiency of electronics. For 2015, our top strategic priorities included recruiting, developing and retaining research and development (R&D) talent, while maintaining our technology leadership through our patents filing.

## PROGRESS IN 2015

We made good progress towards our main CR goals in 2015. This included:

### INJURY RATE

We continued to significantly reduce the injury rate at our facilities. Our 2015 injury rate was 0.62 injuries per 100 employees, which exceeded our target of 0.80 by over 20%. This was a 35% reduction compared to 2014.

### WATER CONSUMPTION

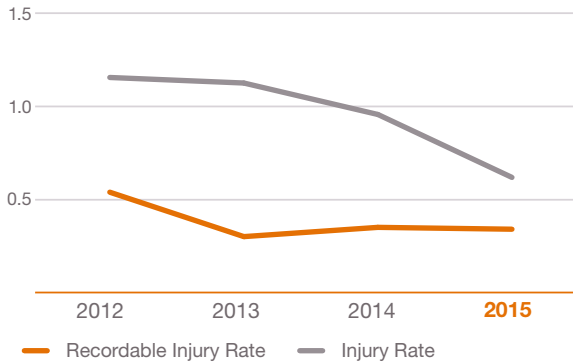
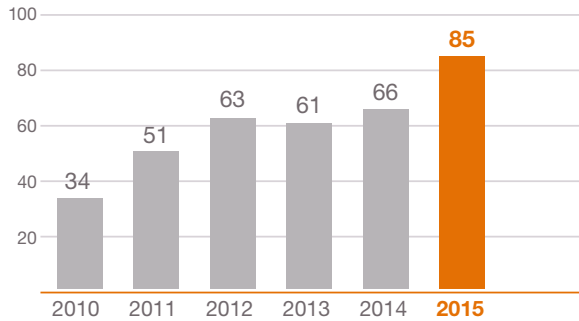
We surpassed our water consumption target with a 24,766 m<sup>3</sup> reduction, and implemented projects totaling 751 mtCO<sub>2</sub>e of greenhouse gas reductions per year.

### INVESTMENTS IN R&D

Our investments in R&D totaled €93.0 million, a 43% increase over 2014. The outcomes of our R&D efforts are technological innovations, which can be measured by the number of new patent filings we make. In 2015, we increased our intellectual property holdings by 85 initial patent filings, a 29% increase over 2014.

### R&D TALENT

We increased our R&D talent to 26% of all employees, up from 22% in 2014.

**GLOBAL INJURY AND RECORDABLE RATES**

**INITIAL PATENT FILINGS**

**GHG REDUCTION PROJECTS (mtCO<sub>2</sub>e/year)**

# 800

**Target** project completions  
2013-2015

# 751

**Actual** project completions  
2013-2015

**EMPLOYEES IN R&D**

# 420

**WATER USAGE REDUCTION (1,000 meters<sup>3</sup>)**

# 10.0

**Target** reductions 2015 per  
2012 baseline

# 24.8

**Actual** reductions 2015 per  
2012 baseline

**INVESTED IN R&D**

# 93

EUR million

# SHAREHOLDERS

ABOUT

STRATEGY &amp; BUSINESS

PERFORMANCE REVIEW

SHAREHOLDERS

GOVERNANCE

FINANCIAL STATEMENTS

EARNINGS  
PER SHARE

**2.93**  
diluted in EUR

DIVIDEND  
INCREASE  
(PROPOSED)

**+17%**

CASH  
RETURNED TO  
SHAREHOLDERS

**116**  
EUR million

## SHAREHOLDER INFORMATION

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# SHARE LISTING

Our strategy aims to create sustainable value for all our stakeholders. As part of this strategy, we are committed to the creation of long-term shareholder value. This chapter provides information that is particularly relevant for shareholders and investors, including information related to the share listing and share price performance, dividends and share buybacks.

ASMI's shares are listed on the NYSE Euronext Stock Exchange in Amsterdam (symbol: ASM) where ASMI is included in the Midcap index.

On March 18, 2016, we had 61,236,072 outstanding common shares, with 2,142,039 registered with us in the Netherlands; 58,628,604 registered with our transfer agent in the Netherlands, ABN AMRO Bank NV; and 465,429 registered with our transfer agent in the United States, Citibank, NA, New York.

## MARKET CAPITALIZATION

At year-end, ASMI had a total of 61,706,387 shares outstanding. The market capitalization of ASMI was €2,231 million on December 31, 2015, based on that day's closing share price of €36.16 at Euronext Amsterdam.

An overview of the largest reported shareholders can be found in the Corporate governance chapter on page 89.

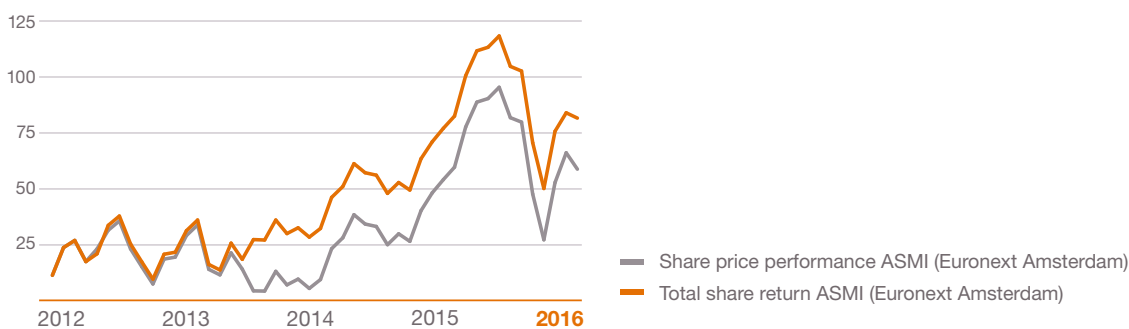
## VOLUNTARY DELISTING FROM NASDAQ

On July 29, 2015, we announced that we would apply for the voluntary delisting from the Nasdaq market. The reason was the low and declining trading volume of the NY Registry Shares on Nasdaq, which at that time accounted for less than 1% of the worldwide trading volume of our shares. On August 21, 2015, we announced that the delisting from Nasdaq had become effective. Since that date, our NY Registry Shares have been eligible for trading on the over-the-counter (OTC) market in the United States under the symbol ASMIY ([www.otcmarkets.com](http://www.otcmarkets.com)).

## SHARE PERFORMANCE

On December 31, 2015, the closing price of ASMI's share on Euronext Amsterdam was €36.16. The highest closing price during the year was €45.91 on June 6, 2015 and the lowest was €27.57 on September 24, 2015. The average daily trading volume of ASMI shares on Euronext Amsterdam was 236,152 in 2015. This compares to an average daily volume of 208,872 in 2014.

### SHARE PRICE PERFORMANCE AND TOTAL SHARE RETURN %



Information on the trading and share price of our shares on the OTC market in the United States can be found on [www.otcmarkets.com](http://www.otcmarkets.com).

# SHAREHOLDER RETURNS

We are committed to paying a sustainable dividend. Additionally, in recent years we have returned excess cash to the financial markets in the form of share buyback programs and an extraordinary return of capital.

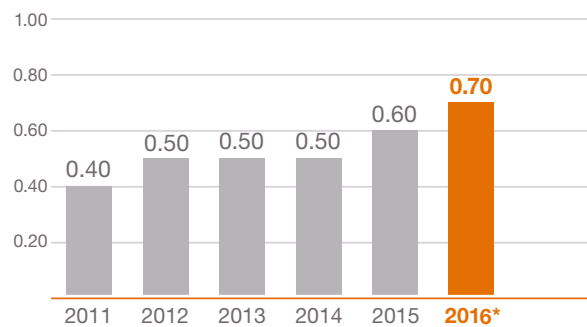
## DIVIDENDS AND CAPITAL REPAYMENT

ASMI aims to pay a sustainable annual dividend. The proposed dividend for 2016 will mark the sixth consecutive year that we pay a dividend. In 2012, 2013 and 2014, we paid a dividend of €0.50 per common share, and in 2015 we paid a dividend of €0.60 per common share.

ASMI will propose to the forthcoming 2016 Annual General Meeting of Shareholders, which will be held on 25 May 2016, to declare a dividend of €0.70 per common share.

Ex-dividend date: May 27, 2016.  
Record date shares Euronext: May 30, 2016.  
Record date shares OTC US: May 31, 2016.  
Payment date: June 7, 2016.

### DIVIDEND PAID EUR



\* Proposed.

In July 2013, ASMI distributed €4.25 per ordinary share to its shareholders. This followed on the sale of 12% of the total shares in ASMPT in March 2013. The extraordinary return of capital in 2013 was in addition to the dividend paid that year.

## SHARE BUYBACK

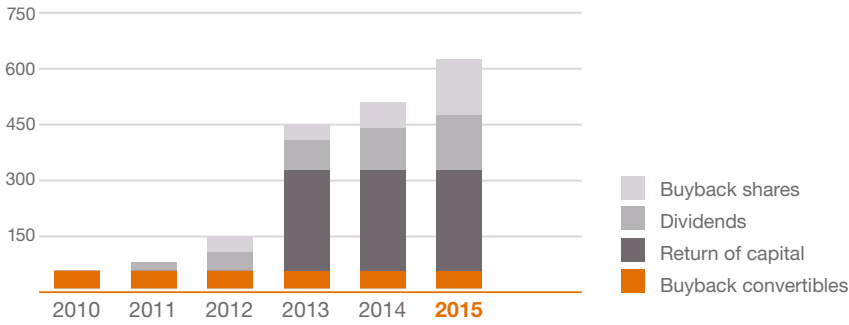
On October 28, 2015, ASMI announced a new €100 million share buyback. The program started on November 26, 2015, and is to be executed within the 2015-2016 time frame. This share buyback program is part of ASMI's commitment to use excess cash for the benefit of its shareholders. As part of this program, we will purchase shares that we intend to cancel upon repurchase, as well as shares to cover employee stock and stock option plans. The buyback will be realized through a program executed by intermediaries, and will end as soon as the aggregate purchase price of the common shares acquired has reached €100 million, but ultimately by November 20, 2016. The buyback program will be executed in accordance with the conditions of the mandate given by the General Meeting of Shareholders.

By December 31, 2015, 251,979 shares had been repurchased under the 2015-2016 program at an average price of €38.55, totaling €9.1 million. We update the markets on the progress of the buyback program on a weekly basis. This information can be found on our website ([www.asm.com](http://www.asm.com)).

The program announced in October 2015 followed on from the 2014-2015 share buyback program, announced in October 2014. This previous program started on November 24, 2014, and was completed on May 20, 2015.

Under the 2014-2015 share buyback program, 2,594,420 shares were repurchased at an average price of €38.55, totaling €100 million.

### CUMULATIVE CASH RETURNED TO MARKET EUR



During 2015 we returned €116 million in total to shareholders in the form of dividends and share buybacks. This was up from €61 million in 2014. Over the 2010-2015 period, we returned €625 million to the financial markets through dividends, share repurchases, return of capital and buyback of convertible bonds.



# KEY DATES

Below you can find the date of the AGM 2016 as well as a the quarterly results announcement. An up-to-date investor calendar is available on our website.

## **ANNUAL GENERAL MEETING OF SHAREHOLDERS**

The Annual General Meeting of Shareholders will be held on May 25, 2016.

### **APRIL 21, 2016**

Announcement of first quarter results 2016.

### **JULY 28, 2016**

Announcement of second quarter results 2016.

### **OCTOBER 26, 2016**

Announcement of third quarter results 2016.

# KEY FIGURES

## KEY FIGURES PER SHARE

The table below shows the key figures per share and other relevant share data for the last three years.

(EUR, except number of shares)	2013	2014	2015
Net earnings per share, diluted	16.55	2.20	<b>2.50</b>
Normalized net earnings per share, diluted	0.71	2.49	<b>2.93</b>
Dividend per share	0.50	0.60	<b>0.70<sup>1)</sup></b>
Capital distribution per share	4.25	-	-
Shareholders' equity	23.94	27.66	<b>31.58</b>
Outstanding shares (thousand)	63,468	62,968	<b>61,706</b>
Average shares basic (thousand)	63,202	63,510	<b>62,114</b>
Average shares diluted (thousand)	64,196	64,209	<b>62,928</b>
<b>Closing share price Euronext Amsterdam</b>			
Year end	23.95	35.10	<b>36.16</b>
High	31.30	35.10	<b>45.91</b>
Low	22.64	23.54	<b>27.57</b>
Market capitalization year-end (EUR million)	1,520	2,210	<b>2,231</b>

<sup>1)</sup> Proposed.

# CONTACT INFORMATION

## OPEN DIALOGUE AND TIMELY INFORMATION

We maintain an open dialogue with our shareholders and investors. We provide the financial markets with accurate and timely information through, amongst others, press releases, our Annual reports, quarterly earnings calls and webcasts and investor meetings. Investors can find up-to-date and comprehensive information about ASMI and the ASMI shares on our website.

### VICTOR BAREÑO

Almere, the Netherlands

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E: victor.bareno@asm.com

# GOVERNANCE



## CORPORATE GOVERNANCE

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# CORPORATE GOVERNANCE PRINCIPLES

Good corporate governance is about following sound business practices. At ASM International we do business in an ethical and transparent manner. We achieve this with transparent processes and following internal policies and procedures that enable us to operate in the best interests of all our stakeholders, which comply with applicable Dutch corporate governance requirements, as far as is possible and desirable, and the law.

## HIGH STANDARDS OF CORPORATE GOVERNANCE

ASMI aspires to high standards of corporate governance and ethics practices. Sound corporate governance is a key component of ASMI's culture, behavior and management and is consistent with our core values. Our corporate governance is supported by a strong focus on integrity, transparency and clear and timely communication. We endeavor to ensure that our policies and procedures comply with both applicable Dutch corporate governance requirements, to the extent possible and desirable, and the relevant laws. Furthermore our corporate governance structure supports our business and meets the needs of our stakeholders.

## COMPANY STRUCTURE

ASMI is a public company established under Dutch law. The company's management and supervision structure is organized in a two-tier system, comprising a Management Board, composed of executive directors, and a Supervisory Board, composed of non-executive directors. The Company's Management Board has ultimate responsibility for the overall management of ASMI. The Management Board is supervised and advised by an independent Supervisory Board. The Management Board and the Supervisory Board are accountable to ASMI's shareholders.

ASMI's common stock trades on the Euronext Amsterdam Stock Exchange (symbol ASM) and is required to comply with the Dutch Corporate Governance Code adopted in 2003 as amended in 2008 (the Code).

Corporate governance-related documents are available on our website, these include:

- › Supervisory Board Profile;
- › Supervisory Board Rules;
- › Management Board Rules;
- › Audit Committee Charter;
- › Nomination, Selection and Remuneration Committee Charter;
- › Remuneration Policy;
- › Code of Ethics;
- › Whistleblower Policy;
- › Anti-Fraud Policy; and
- › Rules concerning Insider Trading.

## CORPORATE GOVERNANCE FRAMEWORK



# MANAGEMENT BOARD

**CHARLES D. (CHUCK) DEL PRADO**

Chairman of the Management Board,  
President and Chief Executive Officer

**PETER A.M. VAN BOMMEL**

Member of the Management Board  
and Chief Financial Officer

The Management Board, supervised and advised by the Supervisory Board, manages ASMI's strategic, commercial, financial and organizational matters, and appoints senior managers. The Supervisory Board supervises and advises the Board of Management in the execution of its tasks and responsibilities and establishes their individual remuneration within the boundaries of the remuneration policies approved by the General Meeting of Shareholders and the recommendations by the Nomination, Selection and Remuneration Committee.

## COMPOSITION OF THE MANAGEMENT BOARD

**CHARLES D. (CHUCK) DEL PRADO – CEO**

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

**PETER A.M. VAN BOMMEL – CFO**

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



On April 12, 2012 Mr van Bommel was appointed as a member of the Supervisory Board and Audit Committee of Royal KPN NV. On April 16, 2015 Mr van Bommel was appointed as a member of the Supervisory Board of Neways Electronics International NV.

## THE IMPORTANCE OF DIVERSITY

We recognize the advantages of diversity. Diversity in our view consists of gender, but also relate to specific knowledge, background, (technical) experience, and skills. For the selection of future members of the Management Board the criteria will therefore also include a wider range of diversity aspects, and gender will be one of them.

## 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 is guided by the interests of the Company taking 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.

## RISK MANAGEMENT AND CONTROL FRAMEWORK

The Management Board ensures that the Company has an adequately functioning Internal Risk Management and Control Framework. A comprehensive Risk Management and Control Framework, based on the 'three lines of defense model', has been established that allows the Audit Committee and the Management Board a clear overview of the effectiveness of internal controls and risk management. This is explained in more detail in the Risk Management chapter.

The Management Board periodically discusses the internal risk management and control systems with the Supervisory Board and the Audit Committee. The Management Board provides the Supervisory Board with all information required for the fulfillment of their obligations and the exercise of their powers.

The Management Board provides the General Meeting of Shareholders with all information reasonably required for the fulfillment of its obligations and the exercise of its powers in a timely fashion. The Management Board is responsible for the quality and completeness of financial and other reports that are publicly disclosed by or on behalf of the Company, including all reports and documents the Company is required to file with regulatory agencies.

## CONFLICTS OF INTEREST

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

## APPOINTMENT, SUSPENSION AND DISMISSAL

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

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

## 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 (NSR) 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 2014. The remuneration structure includes five components: a fixed (base) salary component, a variable component (annual bonus or short-term incentive), a long-term component (performance shares and stock options), pension provisions and fringe benefits. The remuneration structure reflects short-term and long-term elements of the responsibilities of members of the Management Board.

## REVISIONS OF THE REMUNERATION POLICY

The principal revisions of the Remuneration Policy are the following:

- › the annual bonus for the CEO is set at up to 100% of the annual fixed salary for on-target performance and up to a maximum of 150% in the case of out-performance;
- › the annual bonus for other members of the Management Board is set at up to 75% of the annual fixed salary for on-target performance and up to a maximum of 125% in the case of outperformance;
- › performance shares are introduced as part of the long-term component for the Management Board;
- › the total value of stock options and performance shares for the CEO will be 133% of the annual base salary for on-target performance and up to a maximum of 200% of annual fixed salary in the case of outperformance;
- › the total value of stock options and performance shares for other members of the Management Board will be 100% of the annual base salary for on-target performance and up to a maximum of 150% of annual fixed salary in the case of outperformance;
- › performance shares will become unconditional after three years depending on the achievement of pre-determined financial targets for those three years; and
- › members of the Management Board are required to hold the vested performance shares for an additional two years after vesting.

The relevant targets will be set annually by the Supervisory Board upon the recommendation of the NSR Committee. These targets will be pre-determined, assessable, influenceable and supportive of the Company's long-term strategy in accordance with the best practices of the Dutch Corporate Governance Code.

For further information regarding the remuneration of the Management Board, please see the Remuneration Policy and the Remuneration report 2015 which are posted on our website, and the report of the Supervisory Board 2015, which is included in our Statutory annual report 2015.

### **LIMITING SHARE DILUTION**

In order to limit potential dilution of the long-term incentive to be awarded to the Management Board and the restricted shares to be awarded to other employees, the Supervisory Board reduced the maximum previously applicable dilution percentage of 7.5% of the issued ordinary share capital of ASMI to 5% of the issued ordinary share capital of ASMI. This previous applied dilution limit of 7.5% was applicable to the number of outstanding (vested and non-vested) stock options granted to the Management Board and other employees up to and including 2014. In order to facilitate the transition to the new share- and option-based program and to attain this dilution limit of 5%, the Supervisory Board will apply a transition period of maximum four years, during which the potential dilution may exceed 5% but will not exceed 7.5%. In addition, ASMI may repurchase outstanding shares in order to mitigate possible dilution.

# SUPERVISORY BOARD



## Top left to right

Jan C. Lobbezoo - Chairman  
 Johan M.R. Danneels  
 Heinrich W. Kreutzer

## Bottom left to right

Martin C.J. van Pernis  
 Ulrich H.R. Schumacher

The Supervisory Board oversees strategic and commercial policymaking by the Management Board and the way in which it manages and directs ASMI's operations and affiliated/associated companies. Members of the Supervisory Board are appointed by the Annual General Meeting of Shareholders upon binding nomination by the Supervisory Board.

## COMPOSITION

NAME	POSITION	NATIONALITY	YEAR OF BIRTH	INITIAL APPOINTMENT	TERM EXPIRES
Jan C. Lobbezoo <sup>1, 2</sup>	Chairman of the Supervisory Board	Dutch	1946	2009	2017
Johan M.R. Danneels <sup>2</sup>	Member of the Supervisory Board	Belgian	1949	2000	2016
Heinrich W. Kreutzer <sup>1</sup>	Member of the Supervisory Board	German	1949	2006	2018
Martin C.J. van Pernis <sup>2</sup>	Member of the Supervisory Board	Dutch	1945	2010	2018
Ulrich H.R. Schumacher <sup>1</sup>	Member of the Supervisory Board	German	1958	2008	2016

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

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

## JAN C. LOBBEZOO

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

### **JOHAN M.R. DANNEELS**

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

After four terms Mr Danneels will not be nominated for re-election. At the Annual General Meeting of Shareholders taking place on May 25, 2016, Mr Danneels' appointment as a Supervisory Board member will cease.

### **HEINRICH W. KREUTZER**

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

### **MARTIN C.J. VAN PERNIS**

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

### **ULRICH H.R. SCHUMACHER**

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

## 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:

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

The Supervisory Board is responsible for monitoring and assessing its own performance.

## CONFLICTS OF INTEREST

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

## APPOINTMENT

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

The Supervisory Board is currently composed of five members. Supervisory Board members serve a four-year term and may be re-elected twice. Pursuant to section III.3.5 of the Code, a Supervisory Board member can serve for a maximum period of three four-year terms. However, the Code includes best practices only and deviations are possible on the basis of the 'comply or explain' principle.



## THE IMPORTANCE OF DIVERSITY

We recognize the advantages of diversity. Diversity in our view consists of gender, but also relate to specific knowledge, background, (technical) experience, and skills. For the selection of future members of the Supervisory Board the criteria will therefore also include a wider range of diversity aspects, and gender will be one of them.

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

## REMUNERATION

The remuneration of the members of the Supervisory Board is not dependent on our financial results. No member of the Supervisory Board personally maintains a business relationship with ASMI other than as a member of the Supervisory Board. The Nomination, Selection and Remuneration Committee is responsible for reviewing and, if appropriate, recommending changes to the remuneration of the Supervisory Board. Any recommended changes to the remuneration of the members of the Supervisory Board must be submitted to the General Meeting of Shareholders for approval.

The remuneration of the Supervisory Board was approved by the shareholders in the 2011 Annual General Meeting of Shareholders. The Supervisory Board's annual remuneration has been fixed as follows:

(Amount in euros)

<b>Base remuneration:</b>	
- Member of the Supervisory Board (other than the Chairman)	<b>45,000</b>
- Chairman of the Supervisory Board	<b>60,000</b>
<b>Additional remuneration:</b>	
- Member of the Audit Committee (other than the Chairman)	<b>5,000</b>
- Chairman of the Audit Committee	<b>7,500</b>
- Member of the Nomination, Selection and Remuneration Committee (other than the Chairman)	<b>5,000</b>
- Chairman of the Nomination, Selection and Remuneration Committee	<b>7,500</b>

## INDEPENDENCE

The Supervisory Board is of the opinion that its current members are all independent as defined by the Code. Neither the Chairman nor any other member of the Supervisory Board is a former member of ASMI's Management Board, or has another relationship with ASMI which can be judged 'not independent' of ASMI.

## COMMITTEES

In order to more efficiently fulfill its role and in compliance with the Code, the Supervisory Board has created two committees: the Audit Committee and the Nomination, Selection and Remuneration Committee.

### AUDIT COMMITTEE

The Audit Committee assists the Supervisory Board in its responsibility to oversee ASMI's financing, financial statements, financial reporting process and system of internal business controls and risk management.

The Audit Committee consists of:

- › Heinrich Kreutzer (Chairman);
- › Jan Lobbezoo; and
- › Ulrich Schumacher.

The Audit Committee supervises the activities of the Management Board with respect to:

- › the structure and operation of the internal risk management and control systems, including supervision of the enforcement of the relevant legislation and regulations;
- › role and functioning of Internal Audit;
- › policy on tax planning;
- › the applications of information and communication technology;
- › financing of the Company;
- › compliance with recommendations and observations of internal and external auditors;
- › release of financial information; and
- › relations with the external auditor including, in particular, its independence, remuneration and any non-audit services performed for the Company.

The Audit Committee meets periodically to:

- › consider the adequacy of the internal control procedures;
- › review the operating results with management and the independent auditors;
- › review the scope and results of the audit with the independent auditors;
- › review the scope and results of internal audits with Internal Audit;
- › nominate a firm to be appointed as independent auditors;
- › review performance evaluations relating to the auditor's independence; and
- › review performance and services of the external auditor.

The Chief Executive Officer, Chief Financial Officer, Director Internal Audit, Director External Reporting & Treasury and representatives of the external auditor are invited to, and also attend, the Audit Committee meetings.

Mr Lobbezoo, Chairman of the Supervisory Board and member of the Audit Committee, is the Supervisory Board's financial expert, taking into consideration his extensive financial background and experience.

### NOMINATION, SELECTION AND REMUNERATION COMMITTEE

The Nomination, Selection and Remuneration Committee (NSR 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.

The NSR Committee consists of:

- › Martin van Pernis (Chairman);
- › Johan Danneels; and
- › Jan Lobbezoo.

The objective of the Remuneration Policy is two-fold:

- › 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 share-based incentive;
- › pension; and
- › other arrangements.

This remuneration structure reflects short-term and long-term elements of the responsibilities of members of the Management Board.

The NSR 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 NSR 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 NSR Committee reports to the Supervisory Board on the application of the Remuneration Policy in the previous year and recommends the Remuneration Policy for the following years.

The Chief Executive Officer and the Vice President Global Human Resource are invited to, and also attend, the Nomination, Selection and Remuneration Committee meetings.

# SUPERVISORY BOARD REPORT

During the year under review, the Supervisory Board performed its duties in accordance with applicable legislation and the Articles of Association of ASM International NV and supervised and advised the Management Board on an ongoing basis.

## FINANCIAL STATEMENTS

We present the ASMI 2015 Statutory annual report in accordance with IFRS, as prepared by the Management Board and reviewed by the Supervisory Board. Our independent auditors, KPMG Accountants NV, have audited these Financial statements and issued an unqualified opinion. Their report appears on pages 164 to 170 of the Financial statements.

All of the members of the Supervisory Board have signed the Financial statements in respect of the financial year 2015.

## 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 expertises 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](http://www.asm.com).

## MEETINGS OF THE SUPERVISORY BOARD

During 2015, the Supervisory Board met with the Management Board on six occasions. Jan Lobbezoo, Heinrich Kreutzer, Johan Danneels and Martin van Pernis attended all Supervisory Board meetings with the Management Board, while Ulrich Schumacher attended all meetings except one. In these meetings, the Boards discussed strategy progress, operations, business risks, product and market developments, the Company's organization, management and financial structure and performance, including further profitability improvements. One of those meetings was specifically earmarked to discuss with Management the long-term strategy of the company, the planned implementation of it and the risks attached to its realization.

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. The Supervisory Board is of the opinion that the Company complies with the Code, except for those discussed in this Corporate Governance section.

## SHAREHOLDERS

Also in 2015, the Company announced a share buyback program of €100 million with the announcement of the third quarter results, in line with the earlier communicated message that the Company uses excess cash for the benefit of its shareholders.

## SUPERVISORY BOARD COMPOSITION

The Supervisory Board is composed of five members. During 2015 no changes have taken place in the composition of the Supervisory Board. All five members are independent in line with the Corporate Governance Code.

## MANAGEMENT BOARD COMPOSITION

The Management Board remains composed of two members. During 2015 no changes have taken place in its composition.

## DIVERSITY

We recognize the advantages of diversity. Diversity in our view consists of gender, but also relate to specific knowledge, background, (technical) experience, and skills. For the selection of future members of the Boards the criteria will therefore also include a wider range of diversity aspects, and gender will be one of them.

## 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](http://www.asm.com)). The Audit Committee consists of Messrs Heinrich Kreutzer (Chairman), Jan Lobbezoo and Ulrich Schumacher. During the year, the Audit Committee met with the Management Board and KPMG Accountants, the Company's independent auditors, on four occasions, and in one conference call. Audit committee discussions included: the Company's financial reporting including the application of accounting principles; the Company's financial position and financing programs; the Company's internal risk management systems; effectiveness of internal controls; the audit performed, and its findings, the annual report and financial statements; and the budget and the quarterly progress reports prepared by the Management Board. The internal auditor participated in all four Audit Committee meetings presenting her own actions and findings.

On several occasions, the Audit Committee met with KPMG 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 KPMG 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](http://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 Martin van Pernis (Chairman), Jan Lobbezoo and Johan Danneels.

In 2015, the Nomination, Selection and Remuneration Committee held one meeting and one conference call. The topics discussed included the remuneration of the individual members of the Management Board. During the meetings of the Committee, the Chief Executive Officer was present, except on the occasion when his own remuneration was discussed.

The remuneration of the members of the Management Board is disclosed in Note 24 on the Financial statements of the Statutory annual report. The remuneration of the members of the Management Board during 2015 is fully in accordance with the Remuneration Policy.

## 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 2015. We recognize that the cumulative efforts of our workforce are truly creating real value for all of our stakeholders.

## SUPERVISORY BOARD

J.C. Lobbezoo, Chairman

J.M.R. Danneels

H.W. Kreutzer

M.C.J. van Pernis

U.H.R. Schumacher

Almere, the Netherlands

April 13, 2016



# SHARES AND SHAREHOLDERS' RIGHTS

## GENERAL MEETING OF SHAREHOLDERS

ASMI shareholders exercise their rights through Annual and Extraordinary General Meetings of Shareholders. ASMI is required to convene an Annual General Meeting of Shareholders in the Netherlands each year, no later than six months after the end of the Company's financial year. Additional extraordinary General Meetings of Shareholders may be convened at any time by the Supervisory Board or the Management Board.

The convocation date is legally set at 42 days prior to the date of the Annual General Meeting of Shareholders.

The record date is legally set at 28 days prior to the date of the General Meeting of Shareholders. Those who are registered as shareholders at the record date are entitled to attend the meeting and to exercise other shareholder rights. Shareholders may be represented by written proxy.

## PUBLICATION IN ENGLISH

The Annual report, the Financial statements and other regulated information such as defined in the Dutch Act on Financial Supervision (Wet op het Financieel Toezicht), will solely be published in English on the Company's website ([www.asm.com](http://www.asm.com)).

The draft minutes of the General Meeting of Shareholders are available on the Company's website no later than three months after the meeting. Shareholders may provide their comments in the subsequent three months. Thereafter, the minutes are adopted.

## 2015 AGM OF ASMI

On May 21, 2015, ASMI held its Annual General Meeting of Shareholders in Almere, the Netherlands. The attendance rate was 68.3% of the total issued share capital of ASMI as per the registration date. In line with the ASMI Boards' recommendations, the shareholders approved all resolutions as proposed to the Annual General Meeting of Shareholders.

The main resolutions were as follows:

- › the Financial statements for the year 2014 were adopted and the shareholders granted discharge to the members of the Management Board and the Supervisory Board from liability in relation to the exercise of their duties in the financial year 2014; and
- › the shareholders voted in favor of the dividend payment of €0.60 per ordinary share.

## VOTING RIGHTS

In the General Meeting of Shareholders, each ordinary share with a nominal value of €0.04 entitles the holder to cast one vote, each financing preferred share with a nominal value of €40.00 entitles the holder to cast one thousand votes and each preferred share with a nominal value of €40.00 entitles the holder to cast one thousand votes. Presently there are no preferred shares and financing preferred shares outstanding. Treasury shares held by the Company cannot be voted on.

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 61,706,387 common shares, no preferred and no financing preferred shares were outstanding as at December 31, 2015. All per December 31, 2015 outstanding common shares were fully paid.

Of our 61,236,072 outstanding common shares at March 18, 2016, excluding treasury shares, 2,142,039 are registered with us in the Netherlands, 58,628,604 are registered with our transfer agent in the Netherlands, and 465,429 are registered with our transfer agent in the United States.

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 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.

### STICHTING AGREEMENT

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

The members of the board of Stichting are:

- › Dick Bouma, Retired Chairman Board Pels Rijcken & Droogleever Fortuijn;
- › Rob Ruijter, Chairman Supervisory Board Delta Loyd; and
- › Rinze Veenenga Kingma, President Archeus Consulting BV.

## POWERS

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;
- › adopt the financial statements;
- › declare dividends;
- › discharge the Management Board and Supervisory Board from responsibility for the performance of their respective duties for the previous financial year;
- › appoint the external auditors;
- › adopt amendments to the Articles of Association;
- › issue shares and grant subscriptions for shares;
- › authorize the Management Board to issue shares and grant subscriptions for shares;
- › withdraw pre-emptive rights of shareholders upon issuance of shares;
- › authorize the Management Board to withdraw pre-emptive rights of shareholders upon issuance of shares; and
- › authorize the Management Board to repurchase or cancel outstanding shares.

## MAJOR SHAREHOLDERS

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

The following table sets forth information with respect to the ownership of our common shares as of March 18, 2016 by each beneficial owner known to us of more than 3% of our common shares:

	NUMBER OF SHARES	PERCENT	NUMBER OF VOTING RIGHTS	PERCENT <sup>1</sup>
Arthur H. del Prado <sup>2</sup>	11,346,323	18.4%	11,346,323	18.4%
J.P. Morgan Chase & Co <sup>3</sup>	8,130,418	13.2%	8,130,418	13.2%
Eminence Capital, LLC <sup>4</sup>	5,134,627	8.3%	1,910,167	3.1%
Massachusetts Financial Services Company <sup>5</sup>	3,528,207	5.7%	3,383,183	5.5%
BlackRock, Inc <sup>6</sup>	2,312,279	3.8%	2,442,634	4.0%
Investec Asset Management Limited <sup>7</sup>	2,022,346	3.3%	2,022,346	3.3%
Norge Bank <sup>8</sup>	1,969,052	3.2%	1,969,052	3.2%
Schroders Plc <sup>9</sup>	-	-	1,936,476	3.1%

<sup>1</sup> Calculated on the basis of 61,236,072 common shares outstanding as of March 18, 2016, and without regard to options.

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

<sup>3</sup> Of the share capital interest and voting rights held by J.P. Morgan Chase & Co, 3,209,817 shares are indirectly actual and 4,920,601 are indirectly potential. Based on the notification filed with the AFM on January 11, 2016.

<sup>4</sup> Of the share capital interest that Eminence Capital, LLC holds, 1,910,167 shares are directly actual and 3,224,460 are directly potential. Based on the AFM notification dated May 29, 2015.

<sup>5</sup> Massachusetts Financial Services Company's capital interest amounts to 3,426,795 shares held directly actual and 101,412 shares indirectly actual. Of the voting rights, 2,911,778 are held directly actual and 471,405 indirectly actual. Based on the notification filed with the AFM on May 27, 2015.

<sup>6</sup> Of the share capital interest that BlackRock, Inc holds, 2,312,279 shares are indirectly actual and 60,032 are indirectly potential. Of the voting rights, 2,442,634 are held indirectly actual and 60,032 indirectly potential. Based on the AFM notification dated October 1, 2015.

<sup>7</sup> All of the 2,022,346 shares and voting rights held by Investec Asset Management Limited are held directly actual. Based on the AFM notification dated July 27, 2015.

<sup>8</sup> Of the share capital interest and voting rights held by Norges Bank 1,536,961 shares are directly actual and 432,091 are directly potential. Based on the notification filed with the AFM on March 7, 2016.

<sup>9</sup> All of the 1,936,476 voting rights held by Schroders Plc are indirectly actual. Based on the notification filed with the AFM on August 3, 2015.

## BENEFICIAL OWNERS

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.

## DIVIDEND

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

In 2014, we paid a dividend of €0.50 per common share. In 2015 we paid a dividend of €0.60 per common share and in July 2013 we paid €4.25 per common share as an extraordinary capital repayment subsequent to the realized gain on the sale of a 12% share in our associate ASMPT. We proposed to the forthcoming 2016 Annual General Meeting of Shareholders to declare a dividend of €0.70 per share.

# EXTERNAL AUDITOR

In accordance with Dutch law, ASMI's external auditor is appointed by the General Meeting of Shareholders and is nominated for appointment by the Supervisory Board upon advice from the Audit Committee and the Management Board. Our current external auditor, KPMG, was appointed as new external auditor by the 2014 General Meeting of Shareholders for the reporting year 2015, in order to comply with the mandatory audit firm rotation.

The external auditor is present at our General Meeting of Shareholders to respond to questions, if any, from the shareholders about the auditor's report on the financial statements.

The Audit Committee has determined that the provision of services by KPMG and its member firms is compatible with maintaining KPMG's independence. All audit and permitted non-audit services provided by KPMG and its member firms during 2015 were pre-approved by the Audit Committee.

## AUDIT COMMITTEE POLICIES AND PROCEDURES

The Audit Committee has adopted the following policies and procedures for pre-approval of all audit and permitted non-audit services provided by our external auditor:

### 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 statutory and 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 external auditor creates efficiencies, minimizes disruption or preserves confidentiality, or for which management has determined that our external auditor 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.

# DECLARATIONS

## COMPLIANCE WITH DUTCH CORPORATE GOVERNANCE CODE

The Dutch Corporate Governance Code (the Code) was last amended on December 10, 2008. The full text of the Dutch Corporate Governance Code can be found on the website of the Monitoring Commission Corporate Governance Code ([www.commissiecorporategovernance.nl](http://www.commissiecorporategovernance.nl)).

ASMI applies the relevant principles and best practices of the Code applicable to the Company, to the Management Board and to the Supervisory Board, in the manner set out in this Corporate Governance section, as long as it does not entail disclosure of commercially sensitive information, as accepted under the Code.

In general, ASMI agrees 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.

Pursuant to section III.3.5 of the Code, a Supervisory Board member can serve for a maximum period of three four-year terms. However, the Code includes best practices only and deviations are possible on the basis of the 'comply or explain' principle.

Mr Danneels was first appointed as a member of the Supervisory Board during the AGM in 2000. Although Mr Danneels already had served three consecutive four year terms, he was reappointed on May 15, 2012 for a fourth term of four years. During that AGM a justification was provided which was accepted by the shareholders. After four terms Mr Danneels will not be nominated for re-election.

## RESPONSIBILITY STATEMENT

The members of the Management Board state that, to the best of their knowledge, the statutory financial statements prepared in accordance with IFRS-EU and Title 9 of part 2 of the Dutch Civil Code as included in this Statutory annual report 2015 provide a true and fair view of the assets, liabilities, financial position and results of the Company and its subsidiaries included in the consolidated statements and that the management report provides a true and fair view of the position and the business of the Company and its subsidiaries, and the Statutory annual report 2015 provides a description of the principal risks and uncertainties that the Company faces.

## CORPORATE GOVERNANCE STATEMENT

According to the Government Code, the Company is required to publish a statement on corporate governance. This statement has to report on compliance with the Code. Furthermore, a description must be included of the main characteristics of the internal risk management and control systems connected with the Company's financial reporting process. The corporate governance statement must also provide information on the functioning of the General Meeting of Shareholders, including its main rights, the composition of the Management Board and the Supervisory Board, including its committees.

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 and in the Risk Management chapter.

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.

## DECREE ARTICLE 10 EU TAKEOVER DIRECTIVE

The Management Board states that the information required under Article 10 of the EU Takeover Directive Decree is disclosed in this Corporate Governance chapter to the extent that it is applicable to ASMI.



# RISK MANAGEMENT APPROACH

ASMI can be adversely affected by a variety of business risks and economic developments. A structured risk management process helps management to better understand how risks might impact the Company and to take appropriate risk mitigation initiatives.

Doing business inherently involves taking risks. ASMI strives for a culture of openness and transparency in which identified risks are disclosed pro-actively and unexpected events are reported as soon as they occur. The following is an overview of ASMI's approach to risk management and control systems. Also, we include an assessment of the key strategic, operational, financial and compliance risks that we consider currently impact ASMI.

## IFRS

As per January 1, 2015, ASMI no longer applies requirements based on the US Exchange Rules Act. This has as a result that this Risk Management paragraph has been changed in its form, and also means that the risks mentioned in this paragraph now reflects the risks to be reported in accordance with the Dutch law and requirements – among others the Dutch Corporate Governance Code (Code) and IFRS. The requirements as provided for in the (US) Exchange Rules Act are no longer applicable and therefore certain risks may not be mentioned any more in this Statutory annual report, however these risks may still be relevant.

## RISK MANAGEMENT FRAMEWORK

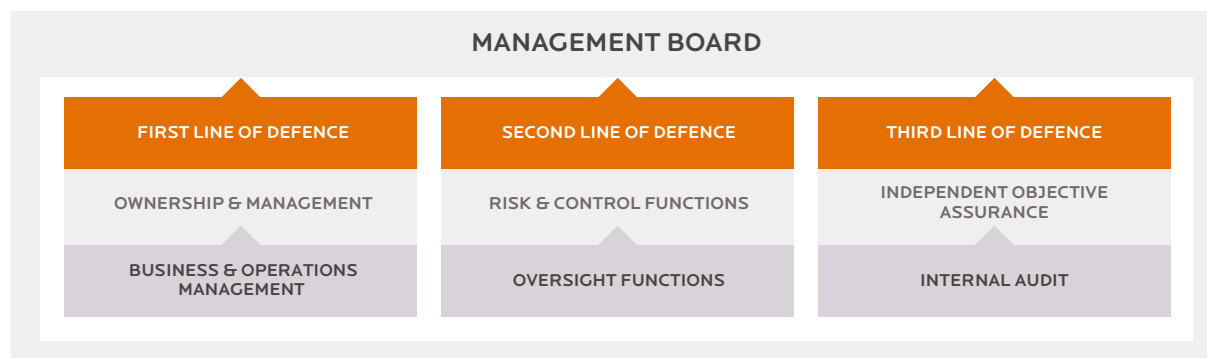
A comprehensive Risk Management and Control Framework, based on the 'three lines of defense model', has been established that allows the Audit Committee and the Management Board a clear overview of the effectiveness of internal controls and risk management. Within the framework, the Management Board 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.

Supporting the Management Board are the following three pillars:

- › Business & Operations management. These management functions own and manage risk, and are responsible for maintaining effective controls and for executing risk and control procedures on a daily basis. This involves identifying and assessing risks being undertaken and establishing appropriate controls to mitigate the risks. There are adequate management controls in place to monitor ongoing compliance and to highlight control breakdowns;
- › Oversight functions. These management functions support Business & Operations management and help ensure that the risk and control procedures are operating as intended; and
- › Internal Audit. This function provides independent objective assurance on the effectiveness of governance, risk management and internal controls including the manner in which Business & Operations Management and the oversight functions manage and control risk. Internal audit brings a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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.

We have embedded an Internal Risk Management and Control 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 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.



## RISK APPETITE

Undertaking business activity inevitably leads to taking risks. Risk appetite is the level of risk we deem acceptable to achieve our objectives. ASMI's risk appetite is primarily established based on the defined and agreed strategy and the individual objectives within this strategy. Risk appetite is further guided by our code of ethics as well as detailed policies and procedures.

Our risk appetite differs per risk type:

- › Strategic risks: we aim to deliver on our strategic ambitions and priorities, and are willing to accept reasonable risks to achieve this;
- › Operational risks: we face operational challenges which require an appropriate level of management attention. The overall objective is to avoid risks that could negatively impact our goal to achieve operational efficiency, while ensuring our quality standards are unaffected;
- › Financial risks: our financial strategy is focused on a strong financial position and creating long-term value for our shareholders; and
- › Legal and regulatory risks: we strive to be fully compliant with our code of conduct and national and international laws and regulations of the markets in which we operate.

## INTERNAL AUDIT

The internal audit function of ASMI forms one of the key elements to address the topics of risk management and internal control over financial reporting as required under the Code. To ensure the independence of this function, the Director Internal Audit reports to the Management Board and the Audit Committee. The Audit Committee is involved in reviewing and approving the audit plan for the year which the internal auditor executes.

The internal auditor regularly provides updates on its findings to the Audit Committee.

## CONTROL EFFECTIVENESS STATEMENT

The Management Board is responsible for ASMI's Internal Risk Management and Control Framework. This system is designed to manage the main risks that may prevent ASMI from achieving its objectives. However, this system cannot provide absolute assurance that material misstatements, fraud and violations of laws and regulations can be avoided. The Internal Risk Management and Control Framework and the evaluation of the effectiveness of our internal controls and areas for improvement are regularly discussed with the Audit Committee and KPMG 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 based on the Internal Control – Integrated Framework issued by the COSO. Based on this evaluation of the effectiveness of the Company's internal control over financial reporting, all members of the Management Board concluded that, as of December 31, 2015, 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 2015 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 due to 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 best practice provision II.1.5 of the Code.

# RISK CATEGORIES AND FACTORS

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

## STRATEGIC RISKS

- › The semiconductor industry is highly cyclical and is subject to rapid technological change. 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. Therefore we invest in research and development, in an effort to compete effectively. Our primary competitors for our wafer processing equipment include Applied Materials, LAM Research Corporation, Tokyo Electron, Hitachi Kokusai, Wonik IPS and Jusung.
- › We have to recruit or retain qualified personnel or integrate qualified personnel into our organization in order to avoid reduced sales, delayed product development and diversion of management resources. Our business and future operating results depend in part upon our ability to attract and retain qualified management, technical, sales and support personnel for our operations on a worldwide basis. Competition for qualified personnel is intense, and we cannot guarantee that we will be able to continue to attract and retain qualified personnel.
- › The costs of semiconductor manufacturers for switching from one semiconductor equipment supplier to another can be high, therefore it may be more difficult to sell our products to customers having a competing installed base.

## OPERATIONAL RISKS

- › The Company derives a significant percentage of its revenue from a small number of large customers. Our three largest customers accounted each for more than 10% of net sales in 2015 and 2014. The ten largest customers accounted for approximately 81.0% of net sales in 2015 (2014: 84.1%). Reduction, rescheduling or cancellation of orders would reduce our revenues.
- › Our products generally have long sales cycles and implementation periods, which increase our costs of obtaining orders and reduce the predictability of our earnings. Our products are technologically complex. Prospective customers generally must commit significant resources to test and evaluate our products and to install and integrate them into larger systems. In addition, customers often require a significant number of product presentations and demonstrations, in some instances evaluating equipment on site, before reaching a sufficient level of confidence in the product's performance and compatibility with the customer's requirements to place an order. As a result, our sales process is often subject to delays associated with lengthy approval processes that typically accompany the design and testing of new products.
- › We outsource a significant portion of the manufacturing of our business to a limited number of suppliers. If our suppliers were unable or unwilling to deliver products in a timely manner to us in the quantities we require, we may be unable to fill customer orders on a timely basis, which could negatively affect our customer relationships and financial performance. We have shifted much of our operational activities to our front-end Manufacturing Singapore (FEMS) facility. If this facility experiences a manufacturing disruption for any reason, our ability to timely meet our customers' needs may be impaired, which would negatively affect our customer relationships and financial performance.

- › Our internal information technology systems are a fundamental component of our business operations. In today's world, these systems are subject to compromise by aging and other matters such as computer viruses, unauthorized access and general system failures or unforeseen difficulties. Such incidents could result in business disruption and theft of confidential information. We focus on proactive measures to prevent and mitigate such risks.

## LEGAL AND REGULATORY RISKS

- › Our success and ability to compete depend in large part upon protecting our proprietary technology. We rely on a combination of patent, trade secret, copyright and trademark laws, non-disclosure and other contractual agreements and technical measures to protect our proprietary rights and confidential information. These agreements and measures may turn out not to be sufficient. Our technology may be infringed by third parties. This however does not protect us from claims by third parties. In addition, patents issued to us may be challenged, invalidated or circumvented, rights granted to us under patents may not provide competitive advantages to us, and third parties may assert that our products infringe their patents, copyrights or trade secrets. In addition, monitoring unauthorized use of our products is difficult and we cannot be certain that the steps we have taken will prevent unauthorized use of our technology. The laws of some countries in which our products are or may be developed, manufactured or sold, including various countries in Asia, may not protect our products or intellectual property rights to the same extent as do the laws of the Netherlands and the United States and thus make the possibility of piracy of our technology and products more likely in such countries. In past years, there has been substantial litigation regarding patent and other intellectual property rights in our semiconductor and related technology industries. In the future, litigation may be necessary to enforce patents issued to us, to protect trade secrets or know-how owned by us or to defend us against claimed infringement of the rights of others and to determine the scope and validity of the proprietary rights of others.
- › We are party from time to time to various legal proceedings and claims generally incidental to our business including without limitation intellectual property and product liability claims. For each of these proceedings and claims, our management evaluates, based on the relevant facts and legal principles, the likelihood of an unfavorable outcome and whether the amount of the loss can be reasonably estimated, in connection with our determination of whether or not to record a charge to earnings.
- › Our operations are subject to many environmental laws and regulations wherever we operate. To the extent such regulations or directives apply to our business throughout the world, these measures could adversely affect our manufacturing costs or product sales by forcing us or our suppliers to change production processes or use more costly or scarce materials. As with other companies engaged in similar activities, we face inherent risks of environmental liability in our current and historical manufacturing, R&D activities, and operations. Accordingly, costs and regulatory fines associated with such future environmental compliance or remediation obligations could adversely affect our business. We seek to mitigate these environmental and operational risks through preventative and protective safety and health practices.
- › Changes in taxation could affect our future profitability.

## RISKS RELATED TO OUR MINORITY INTEREST IN ASM PACIFIC TECHNOLOGY

- › A significant portion of our total assets is composed of our minority interest in ASMPT. Prior to March 2013, we owned approximately 52% of the outstanding equity of ASMPT, and the assets and operating results of ASMPT were reported by us on a consolidated basis. On March 15, 2013, we disposed of a 12% stake in ASMPT, which reduced our ownership to approximately 40% of the outstanding equity. As a result of this, ASMPT ceased to be a consolidated subsidiary as of that date and our pro rata interest in the net earnings of ASMPT is reported in our consolidated statements of operations. As per December 31, 2015, our interest in ASMPT was 39.55%. Although ASMPT operates in the same industry as ASMI, ASMPT addresses a different segment of the industry, which may involve different market dynamics and competitive factors from time to time, as well as different business risks unique to their operations. ASMPT is a public company traded on the Hong Kong Stock Exchange.

The significant risks currently considered relevant, potential consequences, and applicable mitigating measures can be outlined as follows:

RISK	POTENTIAL CONSEQUENCES	MITIGATING MEASURES
<b>STRATEGIC</b>		
Ability to respond to changes in product demand and technology change.	Financial loss due to decreased orders and/or reputation damage.	Appropriate investment in R&D initiatives to support both strategic objectives and customer requests.
Ability to attract and retain appropriately qualified and experienced personnel.	Reduced sales, delayed product development and diversion of management resources.	Robust talent management and succession planning tools.
Cyclical nature of the semiconductor market.	Financial loss due to reduced demand and fixed overheads during industry downturns. Abrupt increases in demand for semiconductor devices and insufficient production capacity during industry upturns.	<ul style="list-style-type: none"> <li>› Outsourcing generic manufacturing; and</li> <li>› Financial structure, cash, standby credit facility.</li> </ul>
<b>OPERATIONAL</b>		
Failure to deliver product of sufficient quality or on time.	Financial loss due to penalties, rework and/or reduced future demand.	Commitment to: <ul style="list-style-type: none"> <li>› delivering quality tools and equipment with robust quality assurance processes and controls in place; and</li> <li>› timely response to customer requests through 24/7.</li> </ul>
Dependence on small number of large customers.	Loss of a customer or significant reduction in demand could result in significant downturn in financial results.	Commitment to: <ul style="list-style-type: none"> <li>› delivering quality tools and equipment with robust quality assurance processes and controls in place;</li> <li>› timely response to customer requests; and</li> <li>› pro-actively working with customers to strengthen relationships and ensure as far as possible we meet expectations.</li> </ul>
IT security breaches including cyber attacks.	Reputation damage.	IT risk management framework.
Failure of contract manufacturer to deliver.	Financial loss due to penalties, rework and/or reduced future demand.	Effective disaster recovery plan in place for contract manufacturers.
Disruption of material supplies.	Loss of reputation and/or financial loss.	Effective disaster recovery plan to ensure continuity of material supplies.
Disruption of critical business processes through IT downtime.	Potential loss of reputation and/or financial loss.	Comprehensive IT disaster recovery plan based on detailed business impact analysis.
Safety, health and environment (SHE).	Incidents and accidents in the supply chain.	Effective global SHE organization and tracking, monitoring and evaluation of accidents.
<b>FINANCIAL</b>		
Financial reporting is not complete or accurate.	Reputation damage and/or financial loss.	Finance Control Framework.
<b>LEGAL AND REGULATORY RISKS</b>		
Non adherence to laws and regulations in respect of environment, labor and data privacy.	Reputation damage and/or financial loss.	Detailed policies, procedures and work instructions.
Failure to adequately protect our Intellectual Property (IP) and/or leakage of our IP.	Loss of competitive advantage could adversely impact demand and financial performance.	Robust governance framework and controls in place to establish, maintain and protect our intellectual property rights. Control framework established to minimize as far as possible the risk of data leakage.



# FINANCIAL STATEMENTS



## CONSOLIDATED FINANCIAL STATEMENTS

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## COMPANY FINANCIAL STATEMENTS

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(EUR thousand, except per share data)	NOTES	YEAR ENDED DECEMBER 31,	
		2014	2015
<b>Net sales</b>	19	545,604	669,621
Cost of sales		(310,326)	(374,094)
<b>GROSS PROFIT</b>	19	235,278	295,527
<b>Operating expenses:</b>			
Selling, general and administrative	21	(80,606)	(94,729)
Research and development	22	(61,298)	(89,735)
<b>TOTAL OPERATING EXPENSES</b>		<b>(141,904)</b>	<b>(184,464)</b>
<b>RESULT FROM OPERATIONS</b>	19	93,374	111,063
Finance income		1,583	1,112
Finance expense		(3,272)	(1,620)
Foreign currency exchange gain (loss), net		26,439	25,264
Share in income of investments in associates	6	39,413	16,108
<b>INCOME BEFORE INCOME TAXES</b>		<b>157,537</b>	<b>151,927</b>
Income taxes	20	(19,377)	5,350
<b>NET EARNINGS FROM CONTINUING OPERATIONS</b>		<b>138,160</b>	<b>157,277</b>
Net earnings from discontinued operations	6	3,157	-
<b>NET EARNINGS FROM OPERATIONS, ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>		<b>141,317</b>	<b>157,277</b>
<b>Per share data</b>	23		
<b>Basic net earnings per share (EUR):</b>			
From continuing operations		2.18	2.53
From discontinued operations		0.05	-
<b>FROM OPERATIONS</b>		<b>2.23</b>	<b>2.53</b>
<b>Diluted net earnings per share (EUR):</b>			
From continuing operations		2.15	2.50
From discontinued operations		0.05	-
<b>FROM OPERATIONS</b>		<b>2.20</b>	<b>2.50</b>
<b>Weighted average number of shares (thousand):</b>			
Basic		63,510	62,114
Diluted		64,209	62,928

## CHANGES OF PRESENTATION

We reclassified certain items to conform to the current presentation.

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31,	
		2014	2015
<b>NET EARNINGS FROM OPERATIONS, ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>		<b>141,317</b>	<b>157,277</b>
Other comprehensive income, items that may be subsequently reclassified to profit or loss:			
Foreign currency translation effect		146,025	136,744
Proportionate part in other comprehensive income (loss) investments in associates		(2,179)	567
Reclassification of deferred accumulative translation result to income following the sale of the 12% share of ASMPT		(3,157)	-
<b>TOTAL</b>		<b>140,689</b>	<b>137,311</b>
Related tax		-	-
<b>TOTAL COMPREHENSIVE INCOME, ATTRIBUTABLE TO COMMON SHAREHOLDERS</b>	<b>11</b>	<b>282,006</b>	<b>294,588</b>

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR thousand)	NOTES	DECEMBER 31,	
		2014	2015
<b>Assets</b>			
Property, plant and equipment	3	79,236	91,794
Goodwill	4	11,270	11,270
Other intangible assets	5	65,214	81,535
Investments in associates	6	1,092,948	1,180,839
Deferred tax assets	20	3,217	11,563
Evaluation tools at customers	7	17,767	28,999
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,269,652</b>	<b>1,406,000</b>
Inventories	8	125,930	113,502
Accounts receivable	9	81,971	90,190
Income taxes receivable	20	2,868	515
Other current assets		23,087	18,855
Cash and cash equivalents	10	385,777	446,915
<b>TOTAL CURRENT ASSETS</b>		<b>619,633</b>	<b>669,977</b>
<b>TOTAL ASSETS</b>		<b>1,889,285</b>	<b>2,075,977</b>
<b>Equity and liabilities</b>			
<b>EQUITY</b>			
Pension liabilities	12	1,782	1,170
Deferred tax liabilities	20	9,952	11,332
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>11,734</b>	<b>12,502</b>
Accounts payable		61,053	54,441
Provision for warranty	13	9,910	9,023
Income taxes payable	20	15,952	6,841
Accrued expenses and other payables	14	47,615	44,791
<b>TOTAL CURRENT LIABILITIES</b>		<b>134,530</b>	<b>115,096</b>
<b>TOTAL LIABILITIES</b>		<b>146,264</b>	<b>127,598</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,889,285</b>	<b>2,075,977</b>

## CHANGES OF PRESENTATION

We reclassified certain items to conform to the current presentation.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(EUR thousand except for share data)	NOTES	NUMBER OF COMMON SHARES	COMMON SHARES	CAPITAL IN EXCESS OF PAR VALUE	TREASURY SHARES	RETAINED EARNINGS	OTHER RESERVES <sup>1</sup>	TOTAL EQUITY
<b>BALANCE AS OF JANUARY 1, 2014</b>		<b>63,468,390</b>	<b>2,539</b>	<b>203,945</b>	<b>-</b>	<b>1,375,874</b>	<b>(85,919)</b>	<b>1,496,439</b>
Net earnings		-	-	-	-	141,317	-	141,317
Other comprehensive income	11	-	-	-	-	-	140,689	140,689
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>141,317</b>	<b>140,689</b>	<b>282,006</b>
Dividend paid to common shareholders		-	-	-	-	(31,828)	-	(31,828)
Compensation expense share based payments	12	-	-	7,476	-	-	-	7,476
Exercise stock options by issue of common shares	12	354,650	14	5,398	-	-	-	5,412
Exercise stock options out of treasury shares		124,339	-	(497)	4,158	(1,762)	-	1,899
Purchase of common shares	11	(953,552)	-	-	(31,891)	-	-	(31,891)
Withdrawal shares following the settlement of the Lehman treasury shares	11	(25,643)	-	-	-	-	-	-
<b>Other movements in investments in associates:</b>								
Dilution	6	-	-	-	-	3,561	-	3,561
Allocation equity component convertible bond <sup>2</sup>	6	-	-	-	-	9,947	-	9,947
<b>BALANCE AS OF DECEMBER 31, 2014</b>		<b>62,968,184</b>	<b>2,553</b>	<b>216,322</b>	<b>(27,733)</b>	<b>1,497,109</b>	<b>54,770</b>	<b>1,743,021</b>
Net earnings		-	-	-	-	157,277	-	157,277
Other comprehensive income	11	-	-	-	-	-	137,311	137,311
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>			<b>-</b>	<b>-</b>	<b>-</b>	<b>157,277</b>	<b>137,311</b>	<b>294,588</b>
Dividend paid to common shareholders		-	-	-	-	(37,158)	-	(37,158)
Compensation expense share based payments	12	-	-	8,213	-	-	-	8,213
Exercise stock options out of treasury shares	12	630,600	-	(2,667)	20,985	(6,886)	-	11,432
Purchase of common shares	11	(1,892,397)	-	-	(77,252)	-	-	(77,252)
<b>Other movements in investments in associates:</b>								
Dilution	6	-	-	-	-	5,535	-	5,535
<b>BALANCE AS OF DECEMBER 31, 2015</b>		<b>61,706,387</b>	<b>2,553</b>	<b>221,868</b>	<b>(84,000)</b>	<b>1,615,877</b>	<b>192,081</b>	<b>1,948,379</b>

<sup>1</sup> Other reserves consist of the currency translation reserve and the reserve for proportionate share in other comprehensive income investments in associates. See Note 11.

<sup>2</sup> In 2014 convertible bonds were issued by ASMPT that containing both liability and conversion option components. These components are classified separately into respective items on initial recognition in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognized and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised.

# CONSOLIDATED STATEMENT OF CASH FLOWS

(EUR thousand)	NOTES	YEAR ENDED DECEMBER 31,	
		2014	2015
<b>Cash flows from operating activities</b>			
Net earnings from operations		141,317	157,277
<b>Adjustments to reconcile net earnings to net cash from operating activities</b>			
Depreciation, amortization and impairments	3,5	33,008	54,290
Share-based compensation	12	7,476	8,213
Non cash financing costs		(22,265)	(17,105)
Share in income of investments in associates	6	(39,413)	(16,108)
Income tax		19,377	(5,350)
Net earnings from discontinued operations		(3,157)	-
<b>Changes in assets and liabilities</b>			
Accounts receivable		6,756	(2,835)
Inventories		(20,022)	13,436
Other current assets		(7,531)	(4,860)
Accounts payable and accrued expenses		20,979	(2,976)
Income tax paid		(11,789)	(9,165)
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>124,736</b>	<b>174,817</b>
<b>Cash flows from investing activities</b>			
Capital expenditures	3	(30,647)	(33,576)
Proceeds from sale of property, plant and equipment	3	359	411
Capitalized development expenditure	5	(14,346)	(30,178)
Purchase of intangible assets	5	(1,496)	(7,215)
Dividend received from associates		19,974	42,865
Investments in associates	6	-	(900)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		<b>(26,156)</b>	<b>(28,593)</b>
<b>Cash flows from financing activities</b>			
Debt issuance fees paid		(1,416)	-
Purchase of treasury shares ASMI	11	(29,338)	(79,076)
Proceeds from issuance of shares and exercise of stock options	12	4,758	11,323
Dividends to common shareholders of ASMI		(31,828)	(37,158)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>		<b>(57,824)</b>	<b>(104,911)</b>
<b>FOREIGN CURRENCY TRANSLATION EFFECT ON CASH AND CASH EQUIVALENTS</b>			
		<b>32,584</b>	<b>19,825</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>73,340</b>	<b>61,138</b>
Cash and cash equivalents at beginning of year	10	312,437	385,777
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>10</b>	<b>385,777</b>	<b>446,915</b>

## CHANGES OF PRESENTATION

We reclassified certain items to conform to the current presentation.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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

### GENERAL INFORMATION

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

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

The accompanying Consolidated financial statements include the financial statements of ASM International NV, headquartered in Almere, the Netherlands, and its consolidated subsidiaries (together referred to as ASMI or the Company). ASMI's significant subsidiaries and associates are listed in Note 2.

### BASIS OF ACCOUNTING

The Consolidated financial statements for the year ended December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and also comply with the financial reporting requirements included Section 362(9) of Part 9, Book 2 of the Dutch Civil Code. As the financial data of ASM International NV (the parent company) are included in the Consolidated financial statements, the statement of profit or loss in the parent company financial statements is presented in condensed form (in accordance with section 402, Part 9, Book 2 of the Dutch Civil Code).

The Consolidated financial statements have been prepared under the historical cost convention, unless otherwise indicated. The Company applies the going concern basis in preparing its Financial statements.

The accompanying Consolidated financial statements are presented in thousands of euro (EUR), which is the Company's functional currency. All financial information is presented in euro thousand unless stated otherwise and has been rounded to the nearest thousand.

The Financial statements have been prepared by the Management Board of the Company and authorized for issue on April 13, 2016 and will be submitted for adoption to the Annual General Meeting of Shareholders (AGM) on May 25, 2016.

The Financial statements will be filed at the Trade Register of the Chamber of Commerce in Almere, the Netherlands within eight days after adoption by the 2016 AGM.

### USE OF ESTIMATES AND JUDGMENTS

The preparation of the Company's Consolidated financial statements in conformity with IFRS 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 we evaluate our estimates and underlying assumptions. We base our 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. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future periods affected.

## 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. 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, and provide a meaningful presentation of ASMI's financial condition and results of operations. An analysis of specific sensitivity to changes of estimates and assumptions is included in the notes to the financial statement.

Management believes that the following are critical accounting policies:

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

## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Consolidation

The Consolidated financial statements include the accounts of ASMI NV and all of its subsidiaries where ASMI holds a controlling interest. Non-controlling interest is disclosed separately, as appropriate, in the Consolidated financial statements. All intercompany profits, transactions and balances have been eliminated in the consolidation. Unrealized inter company losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Control exists when ASMI has:

- › the power over an investee;
- › exposure, or rights, to variable returns from its involvement with the investee; and
- › the ability to use its power over the investee to affect the amount of the investor's returns.

As from the date that these criteria are met, the financial data of the relevant company are included in the consolidation. The financial data are deconsolidated from the date on which ASMI's control ceases.

**Loss of control**

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

**Discontinued operations**

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

**Business combinations**

ASMI records 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.

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.

**Foreign currency translation**

The individual financial statements of each group entity are presented in their functional currency. For the purpose of the Consolidated financial statements, the results and financial position of each entity are expressed in euros, which is ASMI's functional currency, and the presentation currency for the Consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in foreign currencies are recorded at the rates of exchange prevailing the date of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined.

Exchange rate differences arising on the settlement of monetary items, and on the translation of monetary items, are recognized in the consolidated statement of profit or loss in the period in which they arise. Exchange rate differences arising on the translation of non-monetary items carried at fair value are recognized in the consolidated statement of profit or loss for the period except for differences arising on the translation of non-monetary items in respect of which gains and losses are recognized directly in equity.

For the purpose of presenting Consolidated financial statements, the assets and liabilities of our foreign subsidiaries (including comparatives) are expressed in euros using exchange rates prevailing on the balance sheet date. Income and cost items (including comparatives) are translated at the average exchange rates for the period. Exchange rate differences arising are classified as other comprehensive income in equity. Such translation differences are recognized in the consolidated statement of profit or loss in the period in which the foreign operation is disposed. Currency differences on intercompany loans that have the nature of a long-term investment are also accounted for directly in equity.

### Segment reporting

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

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 CODM.

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

The front-end segment manufactures and sells equipment used in wafer processing, encompassing the fabrication steps in which silicon wafers are layered with semiconductor devices. The segment is a product driven organizational unit comprised of manufacturing, service, and sales operations in Europe, the United States, 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 39.55% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong.

### 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.

We may use forward exchange contracts to hedge our foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which we have 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 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. We record all derivatives, including forward exchange contracts, on the statement of financial position at fair value at inception or at trade date and balance sheet date in other current assets or accrued expenses and other payables or in long-term assets or long-term payables.

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 profit or loss. 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 profit or loss.

We do not use forward exchange contracts for trading or speculative purposes. Financial assets and financial liabilities are recognized on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

### **Fixed assets**

Fixed assets include goodwill, other intangible assets, property, plant and equipment and Evaluation tools at customers.

Property, plant and equipment are carried at cost, less accumulated depreciation and any impairment losses. Finance 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 acquisition method. The Company reviews its recorded goodwill and other intangible assets with indefinite lives for impairment each year on December 31 and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Goodwill represents the excess of the costs of an acquisition over the fair value of the amounts assigned to assets acquired and liabilities incurred or assumed of the acquired subsidiary at the date of acquisition. Goodwill on acquisition of subsidiaries is allocated to cash generating units (CGUs) for the purpose of impairment testing. The allocation is made to those CGUs that are expected to benefit from the business combination in which the goodwill arose. Goodwill is tested for impairment annually at the start of the December and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is recognized. An impairment loss recognized for goodwill is not reversed in a subsequent period. Goodwill is stated at cost less accumulated impairment losses.

Other intangible assets are carried at cost, less accumulated amortization and any impairment losses. Amortization is calculated using the straight-line method over the estimated useful lives.

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.

Development expenses are capitalized when all of the following criteria are demonstrated:

- › 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.

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.

Evaluation tools at customers (evaluation tools) are systems generally delivered to customers under evaluation or a conditional purchase order and include substantial customization by our engineers and R&D staff in the field. Evaluation tools are recorded at cost and depreciated over their estimated useful life of 5 years, or their shorter economic life. 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).

### **Impairment of fixed assets**

Each year on December 31 the Company reviews the carrying amounts of its tangible and intangible assets (other than goodwill) to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its Recoverable Amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in the Consolidated Statement of Profit or Loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### **Associates**

Associates are investments in entities in which ASMI can exert significant influence but which ASMI does not control, generally by ASMI having between 20% and 50% of the voting rights. These entities are accounted for using the equity method and are initially recognized at cost. Dividend income from the Company's associated companies is recognized when the right to receive payment is established. Their carrying value includes goodwill identified upon acquisition, net of any accumulated impairment.



When ASMI's share of losses in an associate equals or exceeds its interest in the associate, including any other receivables for which settlement is neither planned nor likely to occur in the foreseeable future, ASMI does not recognize further losses, unless ASMI has obligations to or made payments on behalf of the associate.

At each reporting date, the Company determines if there is any objective evidence that the associate is impaired. An impairment, being the difference between the recoverable amount of the associate and its carrying value, is recognized in the Consolidated Statement of Profit or Loss.

ASMI does not separately test associates' underlying assets for impairment. However, ASMI recognizes its share of any impairment charge recorded by an investee and considers the effect, if any, of the impairment on the basis difference in the assets giving rise to the investee's impairment charge. A loss in value of an investment which is significant or prolonged will be recognized. Significant is defined as at least 20% over an uninterrupted period of nine months, or more than 40% on the reporting date. Prolonged is defined as measured below cost for more than a year.

Equity method investments are tested for prolonged decline in value. If the fair value of an investment is less than its carrying value, the Company determines whether the decline in value is temporary or prolonged. A prolonged decline in value is measured as of a balance sheet date. If after a prior recognized impairment the fair value is more than its carrying value this impairment is reversed. The determination of whether an investment is impaired is made at the individual security level in each reporting period.

### **Inventories**

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

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

### **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.

The allowance is based on historical experience, credit evaluations, specific customer collection history and any customer-specific issues ASMI has identified. Changes in circumstances, such as an unexpected adverse material change in a major customer's ability to meet its financial obligation to ASMI or its payment trends, may require us to further adjust our estimates of the recoverability of amounts due to ASMI, which could have an adverse material effect on ASMI's financial condition and results of operations.

### **Cash and cash equivalents**

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

### **Accounts payable**

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

### **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 for the total transaction is first allocated to its components, based on their relative selling prices. Then the revenue that was allocated to the undelivered component is deferred. The revenue from the undelivered element of the arrangement is deferred at their relative selling prices until delivery of the element.

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

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

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

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, on average one year. 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.

### **Income tax**

#### **Current income tax**

The current corporate income tax charge recognized in the Consolidated Statement of Profit or Loss is calculated in accordance with the prevailing tax regulations and rates, taking into account non-taxable income and non-deductible expenses. The current income tax expense reflects the amount for the current reporting period that the Company expects to recover from or pay to the tax authorities. Current income tax related to items recognized directly in equity is recorded in equity and not in the Consolidated Statement of Profit or Loss. ASMI's management periodically evaluates positions taken in the tax returns regarding situations in which applicable tax regulations are subject to interpretation and establishes provisions when deemed appropriate.

#### **Deferred income taxes**

Deferred income tax positions are recognized for temporary differences between the tax basis of assets and liabilities and their carrying values in ASMI's Consolidated Statement of Financial Position.

Deferred tax assets are recognized for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Both the recognized and unrecognized deferred tax assets are reassessed at each reporting date. Deferred tax assets are recorded for deductible temporary differences associated with investments in subsidiaries and are recorded only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

Deferred tax liabilities are recognized for all taxable temporary differences except when they affect neither the profit or loss reported in the Consolidated Statement of Profit or Loss nor the taxable profit or loss. Also, no deferred tax liabilities are recorded for taxable temporary differences associated with investments in subsidiaries when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax positions are stated at nominal value and are measured at the corporate income tax rates the Company expects to be applicable in the year when the asset is realized or liability is settled based on enacted or substantially enacted tax laws.

Deferred income tax assets and liabilities are netted if there is a legally enforceable right to set off current tax assets against current tax liabilities, deferred income tax assets and deferred income tax liabilities relate to income taxes levied by the same taxation authority on the same taxable entity and there is an intention to settle on a net basis.

We recognize a liability for uncertain tax positions when it is probable that an outflow of economic resources will occur. Measurement of the liability for uncertain tax positions is based on management's best estimate of the amount of tax benefit that will be lost.

### Retirement benefit costs

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

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

For the defined benefit plan the Company recognizes in its Consolidated Statement of Financial Position an asset or a liability for the plan's over-funded status or underfunded status respectively. Actuarial gains and losses are recognized when incurred.

### Share-based payments

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

The grant date fair value of the stock options and shares is expensed on a straight-line basis over the vesting period, based on the Company's estimate of stock options and shares that will eventually vest. The impact of the true up of the estimates is recognized in the Consolidated Statement of Profit or Loss in the period in which the revision is determined. The total estimated share-based compensation expense, determined under the fair value based method is amortized proportionally over the option vesting periods.

### Operating lease

Leases in which the company is the lessee and in which substantially all risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are recognized in the Statement of Profit or Loss on a straight-line basis over the term of the lease.

### Issuance of shares by an associate

The associate ASMPT yearly issues common shares pursuant to their Employee Share Incentive Scheme. The effect of these issuances is a dilution of the Company's ownership in ASMPT. The Company recognizes the impact of these issuances directly into equity.

### Commitments and contingencies

The Company has various contractual obligations such as operating lease commitments, purchase commitments and commitments for capital expenditure. These obligations are generally not recognized as liabilities on the Company's statement of financial position but are disclosed in the notes to the Financial statements.

### 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 equity.

### ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS EFFECTIVE IN 2015 OR THEREAFTER

Implementation of new and revised IFRS-EU in 2015 did not have a material impact on our Consolidated financial statements.

At the date of authorization of these Consolidated financial statements, the following standards and interpretations have been issued however are not yet effective and/or have not yet been adopted by the EU and have not yet been adopted by us.

In July 2014, the IASB finalized the reform of financial instruments accounting and issued IFRS 9 (as revised in 2014), which will supersede IAS 39 'Financial Instruments: Recognition and Measurement' in its entirety (the IASB tentatively decided that the mandatory effective date of IFRS 9 will be no earlier than annual periods beginning on or after January 1, 2018). Compared to IFRS 9 (as revised in 2013), the 2014 version includes limited amendments to the classification and measurement requirements by introducing a 'fair value through other comprehensive income' measurement category for simple debt instruments. It also adds the impairment requirements relating to the accounting for an entity's expected credit losses on its financial assets and commitments to extend credit. The completed IFRS 9 (as revised in 2014) contains the requirements for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology, and c) general hedge accounting.

IFRS 15 'Revenue from Contracts with Customers' was issued in May 2014. In April 2015, the effective date of this standard has been postponed to January 1, 2018. Endorsement is expected in 2016. IFRS 15 introduces new guidance on the recognition and measurement requirements of revenues. The standard applies to revenue from contracts with customers and also provides a model for the sale of some non-financial assets that are not an output of a company's ordinary business activities. IFRS 15 provides more detailed requirements than the current standards. We are currently reviewing the extent of the impact of this new standard in anticipation of endorsement.

IFRS 16 'Leases' was issued in January 2016. The standard has an effective date of January 1, 2019. Endorsement has not been scheduled yet. IFRS 16 will replace IAS 17 and introduces on balance sheet accounting for (almost) all leases. Therefore, assets in use under an operating lease contract, reported as off balance sheet obligation under IAS 17, will be recognized on the balance sheet. Paid lease fees will no longer be part of operating expenses but will become part of depreciation and interest expenses. The standard will have an impact on our consolidated statement of financial position due to the recognition of the leased assets and corresponding financial liabilities. Also, an impact is expected on our consolidated statement of profit or loss. Result from operations is expected to increase, but the impact on income before income taxes is not expected to be material. We are currently reviewing the extent of the impact of this new standard.

Changes to Standards following Amendments by the IASB and the Annual Improvement Cycles as issued per date of these Financial statements are not expected to have a material impact on our Financial statements.

## NOTE 2. SUBSIDIARIES

Unless otherwise indicated, these are, directly or indirectly, wholly-owned subsidiaries. With respect to the separate Financial statements of the Dutch legal entities included in the consolidation, the Company availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Dutch Civil Code.

NAME	LOCATION	% OWNERSHIP DECEMBER 31,	
		2014	2015
<b>Subsidiaries (consolidated)</b>			
ASM Europe BV <sup>1</sup>	Almere, the Netherlands	100%	100%
ASM United Kingdom Sales BV <sup>1</sup>	Almere, the Netherlands	100%	100%
ASM Germany Sales BV <sup>1</sup>	Almere, the Netherlands	100%	100%
ASM Pacific Holding BV <sup>1 3</sup>	Almere, the Netherlands	100%	100%
ASM France SARL	Crolles, France	100%	100%
ASM Belgium NV	Leuven, Belgium	100%	100%
ASM Italia Srl	Agrate, Italy	100%	100%
ASM Microchemistry Oy	Helsinki, Finland	100%	100%
ASM Services and Support Ireland Ltd	Dublin, Ireland	100%	100%
ASM Services and Support Israel Ltd	Kiryat Gat, Israel	100%	100%
ASM America, Inc	Phoenix, Arizona, United States of America	100%	100%
ASM Japan KK	Tokyo, Japan	100%	100%
ASM Netherlands Holding BV	Almere, the Netherlands	100%	100%
ASM China Ltd	Shanghai, People's Republic of China	100%	100%
ASM Wafer Process Equipment Singapore Pte Ltd	Singapore	100%	100%
ASM Front-End Sales & Services Taiwan Co Ltd	Hsin-Chu, Taiwan	100%	100%
ASM Services & Support Malaysia SDN BDH	Kuala Lumpur, Malaysia	100%	100%
ASM Front-End Manufacturing Singapore Pte Ltd	Singapore	100%	100%
ASM Genitech Korea Ltd	Cheonan, South Korea	100%	100%
ASM IP Holding BV <sup>1</sup>	Almere, the Netherlands	100%	100%
ASM NuTool Inc	Wilmington, Delaware, United States of America	100%	100%
ASM Europe Holding BV	Almere, the Netherlands	100%	100%
Beheer- en Beleggingsmaatschappij Ingebel BV	Almere, the Netherlands	100%	100%
ASM Ion Implant BV	Almere, the Netherlands	100%	100%
Hamilcar Investments BV	Almere, the Netherlands	100%	100%
CVTR Development BV	Almere, the Netherlands	100%	100%
Rembrand Lease and Finance BV	Almere, the Netherlands	100%	100%
ASM Wafer Process Equipment Ltd	Hong Kong, People's Republic of China	100%	100%
<b>Associates (non-consolidated)</b>			
Levitech BV	Almere, the Netherlands	19.9%	24.0%
ASM Pacific Technology Ltd <sup>2</sup>	Kwai Chung, Hong Kong, People's Republic of China	39.75%	39.55%

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

<sup>2</sup> This shareholding diluted in December 2015 as a result of the issuance of shares to 39.55%.

<sup>3</sup> ASM Pacific Holding BV holds 39.55% of the shares in ASM Pacific Technology Ltd.



**NOTE 3. 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 AND OTHER EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
<b>At cost</b>					
<b>BALANCE JANUARY 1, 2014</b>	<b>37,931</b>	<b>102,882</b>	<b>20,860</b>	<b>9,133</b>	<b>170,806</b>
Capital expenditures	353	749	425	29,120	30,647
Retirements and sales	(809)	(13,388)	(3,683)	(25)	(17,905)
Transfers from assets under construction	657	20,881	645	(22,183)	-
Foreign currency translation effect	1,764	8,818	510	1,698	12,790
<b>BALANCE DECEMBER 31, 2014</b>	<b>39,896</b>	<b>119,942</b>	<b>18,757</b>	<b>17,743</b>	<b>196,338</b>
Capital expenditures	123	707	821	31,925	33,576
Retirements and sales	-	(5,563)	(1,773)	-	(7,336)
Transfer from assets under construction	230	31,132	30	(31,392)	-
Reclassification to other intangible assets	117	(44)	3	(441)	(365)
Reclassification to evaluation tools	-	-	-	(4,659)	(4,659)
Foreign currency translation effect	2,928	12,727	1,652	1,559	18,866
<b>BALANCE DECEMBER 31, 2015</b>	<b>43,294</b>	<b>158,901</b>	<b>19,490</b>	<b>14,735</b>	<b>236,420</b>
<b>Accumulated depreciation and impairment</b>					
<b>BALANCE JANUARY 1, 2014</b>	<b>19,713</b>	<b>76,396</b>	<b>18,166</b>		<b>114,275</b>
Depreciation for the year	2,001	9,256	1,320		12,577
Retirements and sales	(732)	(13,137)	(3,677)		(17,546)
Foreign currency translation effect	1,040	6,397	359		7,796
<b>BALANCE DECEMBER 31, 2014</b>	<b>22,022</b>	<b>78,912</b>	<b>16,168</b>		<b>117,102</b>
Depreciation for the year	1,830	16,692	1,226		19,748
Impairment charges	-	2,378	-		2,378
Retirements and sales	-	(5,274)	(1,741)		(7,015)
Foreign currency translation effect	1,549	9,406	1,458		12,413
<b>BALANCE DECEMBER 31, 2015</b>	<b>25,401</b>	<b>102,114</b>	<b>17,111</b>		<b>144,626</b>
<b>Carrying amounts</b>					
<b>DECEMBER 31, 2014</b>	<b>17,874</b>	<b>41,030</b>	<b>2,589</b>	<b>17,743</b>	<b>79,236</b>
<b>DECEMBER 31, 2015</b>	<b>17,893</b>	<b>56,787</b>	<b>2,379</b>	<b>14,735</b>	<b>91,794</b>
Useful lives in years	10-25	2-10	2-10		

The impairment charges in 2015 on machinery and equipment relates to a write off of remaining 450 mm assets and is reported in the consolidated statement of profit and loss as research and development expenses.

**NOTE 4. GOODWILL**

The carrying amount of the goodwill is related to the acquisitions operations in the following business units:

	DECEMBER 31,	
	2014	2015
Thermal products business unit	2,611	2,611
Plasma products business unit	8,659	8,659
<b>TOTAL</b>	<b>11,270</b>	<b>11,270</b>

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

For back-end, goodwill is included in the investment value of ASMPT. For the impairment test reference is made to Note 6.

The material assumptions used for the discounted future cash flows of the cash generating units (CGUs) are:

- › an average discount rate of 11.2% (2014: 13.0%) representing the pre-tax weighted average cost of capital;
- › external market segment data, historical data and strategic plans to estimate cash flow growth per product line; and
- › cash flow calculations are limited to 4 years of cash flow; after these 4 years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less.

These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Based on this analysis management concluded that as per December 31, 2015 the recoverable amount of the CGUs exceeded the carrying value. The excess was over 100% for each of the CGUs. Sensitivity analysis demonstrated that no reasonable possible change in estimated cash flows or the discount rate used in calculating the fair value would cause the carrying value of goodwill to exceed the fair value.

**NOTE 5. OTHER INTANGIBLE ASSETS**

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

	DEVELOPMENT COSTS	SOFTWARE	PURCHASED TECHNOLOGY AND OTHER INTANGIBLE ASSETS	TOTAL
<b>At cost</b>				
<b>BALANCE JANUARY 1, 2014</b>	<b>84,292</b>	<b>15,603</b>	<b>7,042</b>	<b>106,937</b>
Additions	14,346	1,496	–	15,842
Reclassification from evaluation tools	–	–	2,269	2,269
Disposals	–	(414)	(1,202)	(1,616)
Foreign currency translation effect	5,008	216	680	5,904
<b>BALANCE DECEMBER 31, 2014</b>	<b>103,646</b>	<b>16,901</b>	<b>8,789</b>	<b>129,336</b>
Additions	30,178	3,826	3,300	37,304
Reclassification	–	365	–	365
Disposals	(24,900)	(50)	(888)	(25,838)
Foreign currency translation effect	9,059	161	503	9,723
<b>BALANCE DECEMBER 31, 2015</b>	<b>117,983</b>	<b>21,203</b>	<b>11,704</b>	<b>150,890</b>
<b>Accumulated amortization and impairment losses</b>				
<b>BALANCE JANUARY 1, 2014</b>	<b>28,700</b>	<b>11,608</b>	<b>5,400</b>	<b>45,708</b>
Amortization for the year	10,893	3,695	1,033	15,621
Impairments	893	–	–	893
Reclassification from evaluation tools	–	–	878	878
Disposals	–	(414)	(1,202)	(1,616)
Foreign currency translation effect	1,906	193	539	2,638
<b>BALANCE DECEMBER 31, 2014</b>	<b>42,392</b>	<b>15,082</b>	<b>6,648</b>	<b>64,122</b>
Amortization for the year	11,794	446	2,067	14,307
Impairments	12,854	–	–	12,854
Disposals	(24,900)	(50)	(888)	(25,838)
Foreign currency translation effect	3,365	136	409	3,910
<b>BALANCE DECEMBER 31, 2015</b>	<b>45,505</b>	<b>15,614</b>	<b>8,236</b>	<b>69,355</b>
<b>Carrying amounts</b>				
<b>DECEMBER 31, 2014</b>	<b>61,254</b>	<b>1,819</b>	<b>2,141</b>	<b>65,214</b>
<b>DECEMBER 31, 2015</b>	<b>72,478</b>	<b>5,589</b>	<b>3,468</b>	<b>81,535</b>

Impairment charges on capitalized development costs are included in operating expenses under research and development. Impairment of capitalized development expenses primarily related to development of new hardware for which the customers demand has shifted out in time, and purchased technology which became obsolete. The impairment charge for 2015 relates for an amount of €10.1 million to the impairment of capitalized development expenditures related to the 450mm technology and for an amount of €2.8 million to the capitalized development expenditures of other projects. As a result of these impairments the carrying value of these project was reduced to zero.

The purchased technology in 2015 amounting €3.3 million relates to patents acquired from our equity investment Levitech BV.

Capitalized development costs are amortized over their estimated useful lives of 5 years, other intangible assets are amortized over their estimated useful lives of 3 to 7 years.

Estimated amortization expenses relating to other intangible assets are as follows:

	DEVELOPMENT COSTS	SOFTWARE	PURCHASED TECHNOLOGY AND OTHER INTANGIBLE ASSETS	TOTAL
2016	11,719	754	1,204	<b>13,677</b>
2017	16,911	1,299	669	<b>18,879</b>
2018	14,459	1,081	660	<b>16,200</b>
2019	12,084	925	660	<b>13,669</b>
2020	10,733	872	275	<b>11,880</b>
Years thereafter	6,572	658	–	<b>7,230</b>
<b>TOTAL</b>	<b>72,478</b>	<b>5,589</b>	<b>3,468</b>	<b>81,535</b>

**NOTE 6. INVESTMENTS IN ASSOCIATES**

The changes in the investment and associates are as follows:

	ASMPT					TOTAL
	LEVITECH <sup>2</sup>	NET EQUITY SHARE	OTHER (IN) TANGIBLE ASSETS	GOODWILL	TOTAL ASMPT	
<b>BALANCE JANUARY 1, 2014</b>	<b>278</b>	<b>264,750</b>	<b>161,531</b>	<b>517,394</b>	<b>943,675</b>	<b>943,953</b>
Share in net earnings of investments in associates	(278)	62,209	–	–	62,209	<b>61,931</b>
Other comprehensive income of investments in associates	–	(2,109)	–	–	(2,109)	<b>(2,109)</b>
Amortization recognized (in) tangible assets	–	–	(22,517)	–	(22,517)	<b>(22,517)</b>
Dividends	–	(19,974)	–	–	(19,974)	<b>(19,974)</b>
Dilution ASMPT share to 39.75%	–	3,561	–	–	3,561	<b>3,561</b>
Allocation equity component convertible bond <sup>1</sup>	–	9,947	–	–	9,947	<b>9,947</b>
Foreign currency translation effect	–	28,179	19,830	70,147	118,156	<b>118,156</b>
<b>BALANCE DECEMBER 31, 2014</b>	<b>–</b>	<b>346,563</b>	<b>158,844</b>	<b>587,541</b>	<b>1,092,948</b>	<b>1,092,948</b>
Increase of interest	900	–	–	–	–	<b>900</b>
Share in net earnings of investments in associates	–	44,158	–	–	44,158	<b>44,158</b>
Other comprehensive income of investments in associates	–	567	–	–	567	<b>567</b>
Amortization recognized (in) tangible assets	–	–	(27,151)	–	(27,151)	<b>(27,151)</b>
Value reduction as resulting from start-up costs	(900)	–	–	–	–	<b>(900)</b>
Dividends	–	(42,865)	–	–	(42,865)	<b>(42,865)</b>
Dilution ASMPT share to 39.55%	–	5,535	–	–	5,535	<b>5,535</b>
Foreign currency translation effect	–	21,214	18,169	68,264	107,647	<b>107,647</b>
<b>BALANCE DECEMBER 31, 2015</b>	<b>–</b>	<b>375,172</b>	<b>149,862</b>	<b>655,805</b>	<b>1,180,839</b>	<b>1,180,839</b>

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

<sup>2</sup> Investments reflects the net equity value of the interest in Levitech BV resulting from the management buy-out in 2009 of the RTP business. ASM International NV obtained a 20% interest in Levitech BV. In 2015 ASMI increased its interest to 24%. The value has been reduced in 2014 and 2015 due to (start-up) losses of Levitech caused by the introduction of their advanced products in the market.

On March 15, 2013, the Company divested a controlling stake in its subsidiary ASM Pacific Technology Ltd (ASMPT). After the initial accounting of the sale transaction and related gains future income from ASMPT was adjusted for the fair value adjustments arising from the 'basis differences' as if a business combination had occurred under IFRS 3R, 'Business Combinations', i.e. a purchase price allocation (PPA).

The purchase of the associate has been recognized at fair value, being the value of the ASMPT shares on the day of closing of the purchase transaction. The composition of this fair value was determined through a PPA. The PPA resulted in the recognition of intangible assets for customer relationship, technology, trade name, product names and goodwill. For inventories and property, plant & equipment a fair value adjustment was recognized.

The ASMPT investment is accounted for under the equity method on a go forward basis. Equity method investments are tested for prolonged impairment. An investment is considered impaired if the fair value of the investment is less than its carrying value.

If the fair value of an investment is less than its carrying value at the balance sheet date, the Company determines whether the impairment is temporary or prolonged. The amount per share recognized as per December 31, 2015 under equity accounting amounts to HK\$62.27 whereas the level 1 fair value per share (being the market price of a share on the Hong Kong Stock Exchange) was HK\$60.90 as per December 31, 2015. Management concluded that based on quantitative analysis no impairment of its share in ASMPT existed as per December 31, 2015.

In December 2015, 2,010,800 common shares of ASMPT were issued, for cash at par value of HK\$0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT. The shares issued under the plan in 2015 have diluted ASMI's ownership in ASMPT to 39.55% as of December 31, 2015.

At December 31, 2015, the book value of our equity method investment after the aforementioned impairment in ASMPT was €1,181 million. The historical cost basis of our 39.55% share of net assets on the books of ASMPT under IFRS was €375 million as of December 31, 2015, resulting in a basis difference of €806 million. €150 million of this basis difference has been allocated to property, plant and equipment and intangibles assets. The remaining amount was allocated to equity method goodwill. Each individual, identifiable asset will periodically be reviewed for any indicators of potential impairment. We amortize the basis differences allocated to the assets on a straight-line basis, and include the impact within the results of our equity method investments. Amortization and depreciation are adjusted for related deferred tax impacts. Included in net income attributable to ASMI for 2015 was after-tax expense of €27 million, representing the depreciation and amortization of the basis differences.

The market value of our 39.55% investment ASMPT at December 31, 2015 approximates €1,155 million.

Summarized 100% earnings information for ASMPT equity method investment excluding basis adjustments (foreign currency exchange rate per December 31, 2015 1 HK\$: €0.119 for December 31, 2014: 1HK\$: €0.106).

(HK\$ million)	2014	2015
Net sales	14,229	12,977
Income before income tax	2,028	1,363
Net earnings	1,600	953
Other comprehensive income	(353)	(384)
Total comprehensive income	1,247	569



Summarized 100% statement of financial position information for ASMPT equity method investment excluding basis adjustments (foreign currency exchange rate average 2015 1 HK\$: €0.11852 for December 31, 2014: 1 HK\$: €0.097).

(HK\$ million)	DECEMBER 31,	
	2014	2015
Current assets	10,840	10,094
Non-current assets	3,654	3,774
Current liabilities	3,759	3,133
Non-current liabilities	2,532	2,699
Equity	8,203	8,036

Equity of ASMPT per December 31, 2015 translated into euro at a rate of 0.11852 was €952 million (our 39.55% share: €375 million).

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

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

## NOTE 7. EVALUATION TOOLS AT CUSTOMERS

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

	DECEMBER 31,	
	2014	2015
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>13,332</b>	<b>17,767</b>
Evaluation tools shipped	12,845	15,651
Depreciation	(3,448)	(5,003)
Evaluation tools sold	(4,814)	(6,313)
Reclassification to purchased technology	(1,391)	-
Reclassification from assets under construction	-	4,659
Foreign currency translation effect	1,243	2,238
<b>BALANCE AT END OF YEAR</b>	<b>17,767</b>	<b>28,999</b>

Useful lives in years: **5**

The gross carrying amount of the evaluation tools at customers per December 31, 2015 was €38,631 (2014: €23,133) accumulated depreciation per December 31, 2015 was €9,632 (2014: €5,366).

**NOTE 8. INVENTORIES**

Inventories consist of the following:

	DECEMBER 31,	
	2014	2015
Components and raw materials	69,709	74,362
Work in process	30,040	30,627
Finished goods	45,064	27,863
<b>TOTAL INVENTORIES, GROSS</b>	<b>144,813</b>	<b>132,852</b>
Allowance for obsolescence	(18,883)	(19,350)
<b>TOTAL INVENTORIES, NET</b>	<b>125,930</b>	<b>113,502</b>

The changes in the allowance for obsolescence are as follows:

	DECEMBER 31,	
	2014	2015
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>(23,696)</b>	<b>(18,883)</b>
Charged to cost of sales	(2,282)	(5,204)
Reversals	279	3,859
Utilization of the provision	8,514	2,167
Foreign currency translation effect	(1,698)	(1,289)
<b>BALANCE AT END OF YEAR</b>	<b>(18,883)</b>	<b>(19,350)</b>

On December 31, 2015 our allowance for inventory obsolescence amounted to €19,350, which is 14.6% of total inventory. The major part of the allowance is related to components and raw materials. The addition for the years 2014 and 2015 mainly relate to inventory items which were ceased to be used due to technological developments and design changes which resulted in in obsolescence of certain parts.

The cost of inventories recognized as costs and included in cost of sales amounted to €288.7 million (2014: €234.3 million).

**NOTE 9. ACCOUNTS RECEIVABLE**

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

The carrying amount of accounts receivable is as follows:

	DECEMBER 31,	
	2014	2015
Current	65,985	80,569
Overdue <30 days	5,949	3,046
Overdue 31-60 days	2,142	1,117
Overdue 61-120 days	1,785	3,443
Overdue >120 days	6,110	2,015
<b>TOTAL</b>	<b>81,971</b>	<b>90,190</b>

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

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

	DECEMBER 31,	
	2014	2015
<b>BALANCE AT BEGINNING OF YEAR</b>	<b>(73)</b>	<b>(19)</b>
Charged to selling, general and administrative expenses	-	(22)
Utilization of the provision	57	-
Foreign currency translation effect	(3)	(3)
<b>BALANCE AT END OF YEAR</b>	<b>(19)</b>	<b>(44)</b>

Accounts receivable are impaired and provided for on an individual basis. As of December 31, 2015, accounts receivable of €9.6 million were past due but not impaired. These balances are still considered to be recoverable because they relate to customers for whom there is neither recent history of default nor expectation this will incur.

For further information on credit risk see Note 16.

## NOTE 10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents at December 31, 2015 include deposits with financial institutions that have good credit ratings of €101 million (2014: €99 million) and interest-bearing bank accounts of €346 million (2014: €287 million). Our cash and cash equivalents are predominantly denominated in US dollar and partly in euro and Korean won.

Cash and cash equivalents have insignificant interest rate risk and remaining maturities of three months or less at the date of acquisition. Except for an amount of €3.7 million (2014: €3.4 million), no restrictions on usage of cash and cash equivalents exist. The carrying amount of these assets approximates their fair value.

## NOTE 11. EQUITY

Our Management Board has the power to issue ordinary shares and (financing) preference shares insofar as the Management Board has been authorized to do so by the General Meeting of Shareholders. The Management Board requires approval of the Supervisory Board for such an issue. The authorization by the General Meeting of Shareholders can only be granted for a certain period. In case the General Meeting of Shareholders has not authorized the Management Board to issue shares, the General Meeting of Shareholders shall have the power to issue shares.

### COMMON SHARES, PREFERRED AND FINANCING PREFERRED SHARES

The authorized capital of the Company amounts to 110,000,000 common shares of €0.04 par value, 118,000 preferred shares of €40 par value and 8,000 financing preferred shares of €40 par value.

As at December 31, 2015, 63,797,394 ordinary shares with a nominal value of €0.04 each were issued and fully paid up, of which 2,091,007 ordinary shares are held by us in treasury. All shares have one vote per €0.04 par value. Treasury shares held by the Company cannot be voted on. Of our 61,706,387 outstanding common shares at December 31, 2015, 2,142,039 are registered with us in the Netherlands, 59,025,925 are registered with our transfer agent in the Netherlands, ABN AMRO Bank NV and 487,391 are registered with our transfer agent in the United States, Citibank, NA, New York.

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.

As per December 31, 2015 no preference shares are issued.

### RETAINED EARNINGS

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

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

In 2015 we paid a dividend of €0.60 per common share. We proposed to the forthcoming 2016 Annual General Meeting of Shareholders to declare a dividend of €0.70 per share.

Results on dilution of investments in associates are accounted for directly in equity. For 2015 and 2014 these dilution results were €5,535 and €3,561 respectively.

### TREASURY SHARES

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

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

The buyback program was executed by intermediaries through on-exchange purchases or through off-exchange trades. ASMI updated the markets on the progress of the buyback program on a weekly basis. The program started on November 24, 2014, and was completed on May 20, 2015. Under the 2014-2015 share buyback program we repurchased 2,593,970 shares at an average price of €38.55.

On October 29, 2015, ASMI announced a share buyback program, to purchase up to an amount of €100 million of its own shares within the 2015-2016 time frame. The program started on November 26, 2015. On December 31, 2015 of the program 9% was repurchased.

## OTHER RESERVES

The changes in the amount of other reserves are as follows:

	PROPORTIONATE SHARE IN OTHER COMPREHENSIVE INCOME INVESTMENTS IN ASSOCIATES <sup>1</sup>	TRANSLATION RESERVE	TOTAL OTHER RESERVES
<b>BALANCE JANUARY 1, 2014</b>	<b>480</b>	<b>(86,399)</b>	<b>(85,919)</b>
Proportionate share in other comprehensive income investments in associates	(2,179)	–	(2,179)
Reclassification of deferred accumulative translation result to income following the sale of the 12% share of ASMPT	–	(3,157)	(3,157)
Foreign currency translation effect on translation of foreign operations	–	146,025	146,025
<b>BALANCE DECEMBER 31, 2014</b>	<b>(1,699)</b>	<b>56,469</b>	<b>54,770</b>
Proportionate share other comprehensive income investments in associates	567	–	567
Foreign currency translation effect on translation of foreign operations	–	136,744	136,744
<b>BALANCE DECEMBER 31, 2015</b>	<b>(1,132)</b>	<b>193,213</b>	<b>192,081</b>

<sup>1</sup> Proportionate share in other comprehensive income investments in associates and translation reserve, items may be subsequently reclassified to profit or loss.

## PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

On May 21, 2015, the General Meeting of Shareholders authorized the Company, for an 18-month period, to be calculated from the date of the General Meeting, to repurchase its own shares up to the statutory maximum, at a price at least equal to the shares' nominal value and at most a price equal to 110% of the share's average closing price according to the listing on the Euronext Amsterdam stock exchange during the five trading days preceding the purchase date.

The maximum of shares that may yet be purchased under the program takes into account the treasury shares held by the Company (at December 31, 2015 there were 2,091,007 treasury shares held) and the maximum number of common shares which the Company can hold according to its Articles of Association. This maximum is 10% of the number of common shares issued.

On October 29, 2014, ASMI announced a share buyback program, to purchase up to an amount of €100 million of its own shares within the 2014-2015 time frame.

The following tables provide a summary of shares repurchased by ASMI under this program:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE (EUR)	CUMULATIVE NUMBER OF SHARES PURCHASED	MAXIMUM VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PROGRAM (EUR)
<b>Share buyback program 2014-2015:</b>				
November, 2014	555,671	€33.18	555,671	81,563
December, 2014	397,881	€33.86	953,552	68,092
January, 2015	259,302	€35.12	1,212,854	58,986
February, 2015	200,710	€36.97	1,413,564	51,586
March, 2015	277,253	€42.76	1,690,817	39,731
April, 2015	629,381	€44.36	2,320,198	11,815
May, 2015	273,772	€43.17	2,593,970	-
<b>TOTAL</b>	<b>2,593,970</b>	<b>€38.55</b>		

On October 29, 2015, ASMI announced a share buyback program, to purchase up to an amount of €100 million of its own shares within the 2015-2016 time frame.

The following tables provide a summary of shares repurchased by ASMI under this program:

PERIOD	TOTAL NUMBER OF SHARES PURCHASED	AVERAGE PRICE PAID PER SHARE (EUR)	CUMULATIVE NUMBER OF SHARES PURCHASED	MAXIMUM VALUE OF SHARES THAT MAY YET BE PURCHASED UNDER THE PROGRAM (EUR)
<b>Share buy back program 2015-2016:</b>				
November, 2015	23,788	€37.59	23,788	99,105
December, 2015	228,191	€36.16	251,979	90,853
<b>TOTAL</b>	<b>251,979</b>	<b>€36.30</b>		

## NOTE 12. EMPLOYEE BENEFITS

### PENSION PLANS

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

#### Multi-employer plan

There are 148 eligible employees in the Netherlands. These employees participate in a multi-employer union plan (PME) determined in accordance with the collective bargaining agreements effective for the industry in which we operate. This collective bargaining agreement has no expiration date. This multi-employer union plan, accounted for as a defined-contribution plan, covers approximately 1,282 companies and approximately 147,000 contributing members. Our contribution to the multi-employer union plan was less than 5 percent of the total contribution to the plan as per the Statutory annual report for the year ended December 31, 2014. The plan monitors its risks on a global basis, not by participating 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's assets to its obligations. As of January 1, 2015 new pension legislation has been enacted. This legislation results in amongst others, an increase of legally required coverage levels. The coverage percentage is calculated by dividing the funds capital by the total sum of pension liabilities and is based on actual market interest rates. The coverage ratio as per December 31, 2015 of 97.7 percent (December 31, 2014: 104.1 percent) is calculated giving consideration to the new pension legislation and is

below the legally required level. We have however no obligation to pay off any deficits the pension fund may incur, nor have we any claim to any potential surpluses.

Every company participating in the PME contributes a premium calculated as a percentage of its total pensionable salaries, with each company subject to the same contribution rate. The premium can fluctuate yearly based on the coverage ratio of the multi-employer union plan, for 2015 the contribution percentage was 23.6%, for 2016 this will be 23.2% (approximately €3.4 million). The pension rights of each employee are based upon the employee's average salary during employment.

Our net periodic pension cost for this multi-employer union plan for any period is the amount of the required employer contribution for that period.

### Defined benefit plan

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

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out at December 31, 2015. The present value of the defined benefit obligation and the related current service cost and passed service cost were measured using the Projected Unit Credit Method. Significant actuarial assumptions for the determination of the defined obligation are discount rate, future general salary increases and future pension increases.

The net liability of the plan developed as follows:

	DECEMBER 31,	
	2014	2015
Defined benefit obligations	(8,079)	(9,800)
Fair value of plan assets	6,297	8,630
<b>NET LIABILITY FOR DEFINED BENEFIT PLANS</b>	<b>(1,782)</b>	<b>(1,170)</b>



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

	DECEMBER 31,	
	2014	2015
<b>Defined benefit obligations</b>		
<b>BALANCE JANUARY 1</b>	<b>7,604</b>	<b>8,079</b>
Current service cost	515	567
Interest on obligation	69	77
Remeasurement losses (gains)	98	236
Benefits paid	(164)	(54)
Foreign currency translation effect	(43)	895
<b>BALANCE DECEMBER 31</b>	<b>8,079</b>	<b>9,800</b>
<b>Fair value of plan assets</b>		
<b>BALANCE JANUARY 1</b>	<b>5,127</b>	<b>6,297</b>
Interest income	52	65
Return on plan assets	113	294
Company contribution	1,162	1,306
Benefits paid	(164)	(54)
Foreign currency translation effect	7	722
<b>BALANCE DECEMBER 31</b>	<b>6,297</b>	<b>8,630</b>

The defined benefit cost consists of the following:

	DECEMBER 31,	
	2014	2015
Current service cost	515	567
Net interest costs	17	12
Other	(69)	-
<b>NET DEFINED BENEFIT COST</b>	<b>463</b>	<b>579</b>

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

	2014	2015
Discount rate for obligations	0.90%	0.80%
Expected rate of compensation increase	2.93%	2.93%

Assumptions regarding life expectancy are based on mortality tables published in 2015 by the Ministry of Health, Labour and Welfare of Japan.

The main risk on the pension plan relates to the discount rate. The defined benefit obligation is sensitive to a change in discount rates, a relative change of the discount rate with 25 basis points would have resulted in a change of the defined benefit obligation with 2.52%.

The allocation of plan assets is as follows:

	DECEMBER 31,			
	2014		2015	
Equity	1,655	26%	2,390	28%
Bonds	3,639	58%	4,702	54%
Loans	674	11%	947	11%
Real estate	78	1%	105	1%
Other	251	4%	486	6%
<b>TOTAL</b>	<b>6,297</b>	<b>100%</b>	<b>8,630</b>	<b>100%</b>

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

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

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

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

### Retirement plan costs

ASMI contributed €1,306 to the defined benefit plan in 2015. The Company expects to pay benefits for years subsequent to December 31, 2015 as follows:

	EXPECTED CONTRIBUTION DEFINED BENEFIT PLAN
2016	378
2017	577
2018	746
2019	698
2020	473
Aggregate for the years 2021-2025	3,335
<b>TOTAL</b>	<b>6,207</b>

Retirement plan costs consist of the following:

	DECEMBER 31,	
	2014	2015
Defined contribution plans	2,479	3,407
Multi-employer plans	1,220	1,465
Defined benefit plans	463	579
<b>TOTAL RETIREMENT PLAN COSTS</b>	<b>4,162</b>	<b>5,451</b>

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

### MANAGEMENT BOARD AND EMPLOYEE AND LONG-TERM INCENTIVE PLAN

The Company has adopted various share plans (e.g. stock option plans, a restricted share plan and a performance share plan) and has entered into share agreements with the Management Board and various employees. Under the stock option plans, the Management Board and employees may purchase per the vesting date a specific number of shares of the Company's common stock at a certain price. Options are priced at market value in euro or US dollars on the date of grant. Under the restricted share plan, employees receive per the vesting date a specific number of shares of the Company's common stock. Under the performance share plan, the Management Board receives per the vesting date and provided the performance criteria have been met a specific number of shares of the Company's common stock.

#### Authority to issue options and shares

By resolution of the Annual General Meeting (AGM) of May 21, 2015 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 by the 2016-AGM to allow the continued application of the Long-Term Incentive (LTI) plans beyond November 20, 2016.

The ASM International N.V. 2014 Long Term Incentive Plan for Employees (ELTI) is principally administered by the Management Board and the ASM International N.V. 2014 Long Term Incentive Plan for members of the Management Board (MLTI) is principally administered by the Supervisory Board. This complies with applicable corporate governance standards. However, the Supervisory Board has no power to represent the Company. For external purposes the Management Board remains the competent body under both LTI plans. The LTI plans envisage that the Supervisory Board, or – in the case of the ELTI – the Management Board with the approval of the Supervisory Board, will determine the number of options and shares to be granted to the Management Board members and to employees.

#### 2011 Long-term Incentive Plan

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

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

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

The following table is a summary of changes in options outstanding under the 2011 and previous Long-term Incentive Plan:

	EURO-PLANS		US DOLLAR-PLANS	
	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN €	NUMBER OF OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE IN US\$
<b>BALANCE JANUARY 1, 2014</b>	<b>2,920,352</b>	<b>20.22</b>	<b>388,150</b>	<b>18.75</b>
Options forfeited	(37,121)	22.13	-	-
Options expired	(4,245)	20.86	(1,416)	18.08
Options exercised	(175,650)	15.68	(300,509)	12.53
<b>BALANCE DECEMBER 31, 2014</b>	<b>2,703,336</b>	<b>20.49</b>	<b>86,225</b>	<b>21.18</b>
Options forfeited	(105,968)	23.30	-	-
Options expired	(19,360)	12.80	(1,887)	19.33
Options exercised	(565,298)	18.08	(62,129)	21.69
<b>BALANCE DECEMBER 31, 2015</b>	<b>2,012,710</b>	<b>21.09</b>	<b>22,209</b>	<b>19.91</b>

The total intrinsic value of options exercised was €11,432 for the year ended December 31, 2015 (2014: €7,311). In 2015 treasury shares have been sold for the exercise of 627,427 options.

On December 31, 2015 options outstanding and options exercisable classified by range of exercise prices are:

RANGE OF EXERCISE PRICES	OPTIONS OUTSTANDING			OPTIONS EXERCISABLE	
	NUMBER OUTSTANDING	WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE	WEIGHTED AVERAGE EXERCISE PRICE	NUMBER EXERCISABLE	WEIGHTED AVERAGE EXERCISE PRICE
<b>US dollar plans</b>		<b>In years</b>	<b>In US\$</b>		<b>In US\$</b>
US\$1.00-20.00	11,804	2.7	11.62	11,804	11.62
US\$20.00-30.00	10,405	1.1	29.30	10,405	29.30
<b>US\$1.00-30.00</b>	<b>22,209</b>	<b>1.9</b>	<b>19.91</b>	<b>22,209</b>	<b>19.91</b>
<b>Euro plans</b>		<b>In years</b>	<b>In EUR</b>		<b>In EUR</b>
€1.00-15.00	283,039	1.1	11.85	283,039	11.85
€15.00-20.00	282,001	3.0	18.94	282,001	18.94
€20.00-25.00	1,447,670	4.5	23.32	734,519	22.83
<b>€1.00-25.00</b>	<b>2,012,710</b>	<b>3.8</b>	<b>21.09</b>	<b>1,299,559</b>	<b>19.59</b>

At December 31, 2015, the aggregate intrinsic value of all options outstanding and exercisable under these plans is €35,976 and €10,189.

Under these plans no more options to purchase shares can be issued. Under the various stock option plans a total of 2,034,919 options to purchase common stock were outstanding at December 31, 2015, expiring at various dates through 2020.

### 2014 Long-Term Incentive Plan

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

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

### Performance and Restricted shares outstanding

The following table is a summary of changes in performance shares and restricted shares outstanding under the 2014 Long-term Incentive Plan.

	NUMBER OF PERFORMANCE SHARES	NUMBER OF RESTRICTED SHARES	STATUS	FAIR VALUE AT GRANT DATE (WEIGHTED AVERAGE)
<b>BALANCE JANUARY 1, 2014</b>	-	-		
Shares granted	-	15,381	Unconditional	€30.53
Shares forfeited	-	(5,166)		
<b>BALANCE DECEMBER 31, 2014</b>	-	<b>10,215</b>		
Shares granted, employees	-	165,519	Unconditional	€43.79
Shares granted, Management Board	12,994	-	Conditional	€43.21
Shares vested	-	(3,173)		
Shares forfeited	-	(6,224)		
<b>BALANCE DECEMBER 31, 2015</b>	<b>12,994</b>	<b>166,337</b>		

In 2015 treasury shares have been sold for the vesting of 3,173 restricted shares.

### Options outstanding

The following table is a summary of changes in options outstanding under the 2014 Long-term Incentive Plan.

	NUMBER OF OPTIONS	EXERCISE PRICE IN €	FAIR VALUE AT GRANT DATE
<b>BALANCE JANUARY 1, 2015</b>	-	-	
Options granted, April 24, 2015	42,659	44.24	€17.33
<b>BALANCE DECEMBER 31, 2015</b>	<b>42,659</b>		

The cost relating to 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:

	2015
Expected life (years)	7
Risk free interest rate	2.27%
Dividend yield	1.34%
Expected volatility	40.85%
Exercise price	€44.24
Fair value per grant date	€17.33

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

At December 31, 2015, the aggregate intrinsic value of all options outstanding and exercisable under the 2014 Long-Term Incentive Plan is nil.

### Share based payments expenses

The grant date fair value of the stock options, the restricted shares and the performance shares is expensed on a straight-line basis over the vesting period, based on the Company's estimate of stock options, restricted shares and performance shares that will eventually vest. The impact of the true up of the estimates is recognized in the consolidated statement of profit or loss in the period in which the revision is determined. We recorded compensation expenses of €8,312 for 2015 (2014: €7,476). The compensation expenses for 2015 include a true up for a lower non-vesting assessment of €568.

### NOTE 13. PROVISION FOR WARRANTY

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

	DECEMBER 31,	
	2014	2015
<b>BALANCE JANUARY 1</b>	<b>7,966</b>	<b>9,910</b>
Charged to cost of sales	11,779	10,675
Deductions	(10,172)	(9,755)
Releases	(377)	(2,571)
Foreign currency translation effect	714	764
<b>BALANCE DECEMBER 31</b>	<b>9,910</b>	<b>9,023</b>

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

### NOTE 14. ACCRUED EXPENSES AND OTHER PAYABLES

Accrued expenses and other payables consist of the following:

	DECEMBER 31,	
	2014	2015
Personnel related items	21,898	23,657
Deferred revenue	8,409	6,198
Financing related items	3,106	1,059
Other	14,202	13,877
<b>TOTAL ACCRUED EXPENSES AND OTHER PAYABLES</b>	<b>47,615</b>	<b>44,791</b>

Personnel related items comprise accrued management bonuses, accrued vacation days, accrued wage tax, social securities and pension premiums. Deferred revenue consists of the revenue relating to the undelivered elements of the arrangements. This part of revenue is deferred at their relative selling prices until delivery of these elements. Financing related items as of December 31, 2015 comprises the accrual for settlement of shares repurchased. Other include accruals for VAT and other taxes and down payments from customers.

**NOTE 15. CREDIT FACILITY**

As per December 31, 2015 ASMI is debt-free. ASMI may borrow under separate short-term lines of credit with banks. The lines contain general provisions concerning renewal and continuance at the option of the banks.

Total short-term lines of credit amounted to €150 million at December 31, 2015. The amount outstanding at December 31, 2015 was nil so the undrawn portion totaled €150 million. The undrawn portion represents the Company's standby revolving credit facility of €150 million with a consortium of banks. The facility will be available through December 31, 2018. Once the facility is used, this usage is secured by a portion of the Company's shareholding in ASMPT or accounts receivable.

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

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

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

The minimum level of consolidated tangible net worth for the year ended December 31, 2015 required was €320 million, the consolidated tangible net worth as per that date was €1,072 million.

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

Total equity is defined as the aggregate of:

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

The net debt/total equity ratio should not exceed 1.5. For the year ended December 31, 2015 net cash was €447 million and total equity amounted to €1,072 million. The Company is in compliance with these financial covenants as of June 30, 2015 and as of December 31, 2015.

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



## NOTE 16. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

### FINANCIAL INSTRUMENTS

Financial instruments include:

	DECEMBER 31,	
	2014	2015
<b>Financial assets:</b>		
Cash and cash equivalents	385,777	446,915
Accounts receivable	81,971	90,190
<b>Financial liabilities:</b>		
Accounts payable	61,053	54,441

The carrying amounts of cash and cash equivalents, accounts receivable and accounts payable equal their fair values because of the short-term nature of these instruments.

Gains or losses related to financial instruments are as follows:

	2014	2015
Interest income	1,583	1,112
Interest expense	(3,272)	(1,620)
Result from foreign currency exchange	26,439	25,264
Addition to allowance for doubtful accounts receivable	-	(22)

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, 2015 and December 31, 2014.

### FINANCIAL RISK FACTORS

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

### Foreign Exchange Risk

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

We may use forward exchange contracts to hedge our foreign exchange risk of anticipated sales or purchase transactions in the normal course of business, which occur within the next twelve months, for which we have 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 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. We record all derivatives, including forward exchange contracts, on the statement of financial position at fair value in accrued expenses and payables. In case contracts extend beyond one year these are classified as long-term.

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 profit or loss. 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 profit or loss.

We do not use forward exchange contracts for trading or speculative purposes. Financial assets and financial liabilities are recognized on the Company's consolidated statement of financial position when the Company becomes a party to the contractual provisions of the instrument.

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 11.

Per December 31, 2014 and December 31, 2015 there were no forward exchange contracts outstanding.

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen against the euro as of December 31, 2014 and December 31, 2015. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease against the euro. A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen.

	IMPACT ON EQUITY	
	2014	2015
10% increase of US dollar versus euro	9,381	11,109
10% decrease of US dollar versus euro	(9,381)	(11,109)
10% increase of Singapore dollar versus euro	7,967	9,925
10% decrease of Singapore dollar versus euro	(7,967)	(9,925)
10% increase of Hong Kong dollar versus euro	109,211	118,085
10% decrease of Hong Kong dollar versus euro	(109,211)	(118,085)
10% increase of Korean won versus euro	8,163	12,123
10% decrease of Korean won versus euro	(8,163)	(12,123)
10% increase of Japanese yen versus euro	6,925	8,211
10% decrease of Japanese yen versus euro	(6,925)	(8,211)

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2014 and December 31, 2015 would not result in a material impact on equity. The revaluation effect of subsidiaries denominated in other currencies than euro are recognized in equity.

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the US dollar, Singapore dollar, Hong Kong dollar, Korean won and Japanese yen against the euro at average exchange rates for the years 2014 and 2015. A positive amount indicates an increase in net earnings.

	IMPACT ON NET EARNINGS	
	2014	2015
10% increase of US dollar versus euro	520	640
10% decrease of US dollar versus euro	(520)	(640)
10% increase of Singapore dollar versus euro	1,233	1,580
10% decrease of Singapore dollar versus euro	(1,233)	(1,580)
10% increase of Hong Kong dollar versus euro	3,969	1,700
10% decrease of Hong Kong dollar versus euro	(3,969)	(1,700)
10% increase of Korean won versus euro	1,552	3,509
10% decrease of Korean won versus euro	(1,552)	(3,509)
10% increase of Japanese yen versus euro	1,125	344
10% decrease of Japanese yen versus euro	(1,125)	(344)

A hypothetical 10% strengthening or 10% weakening of any other currency against the euro as of December 31, 2014 and December 31, 2015 would not result in a material impact on net earnings.

### Interest Risk

We are not exposed to interest rate risk through our borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. As per December 31, 2015 the Company had no debt.

### **Credit Risk**

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

Our 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 or 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.

We derive a significant percentage of its revenue from a small number of large customers. Our three largest customers accounted each for more than 10% of net sales in 2015 and 2014. The ten largest customers accounted for approximately 81.0% of net sales in 2015 (2014: 84.1%). 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, 2015 one customer accounted for 20.5% of total accounts receivable.

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

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

### **Liquidity Risk**

Our policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Our liquidity needs are affected by many factors, some of which are based on the normal on-going operations of the business, and others that relate to the uncertainties of the global economy and the semiconductor industry. Although our cash requirements fluctuate based on the timing and extent of these factors, we believe that cash generated from operations, together with our principal sources of liquidity are sufficient to satisfy our current requirements, including our expected capital expenditures in 2016.

We intend to return cash to our shareholders on a regular basis in the form of dividend payments and, subject to our actual and anticipated liquidity requirements and other relevant factors, share buybacks.

The following table summarizes the Company's contractual and other obligations as at December 31, 2015.

	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Accounts payable	54,441	54,441	-	-	-
Income tax payable	6,841	6,841	-	-	-
Accrued expenses and other payables	44,791	44,791	-	-	-
Operating leases	21,577	6,052	8,917	5,300	1,308
Pension liabilities	6,207	378	1,323	1,171	3,335
<b>Purchase obligations:</b>					
Purchase commitments to suppliers	53,985	53,985	-	-	-
Capital expenditure and other commitments	1,068	1,068	-	-	-
<b>TOTAL CONTRACTUAL OBLIGATIONS</b>	<b>188,910</b>	<b>167,556</b>	<b>10,240</b>	<b>6,471</b>	<b>4,643</b>

Total short-term lines of credit amounted to €150,000 at December 31, 2015. The amount outstanding at December 31, 2015 was nil and the undrawn portion totaled €150,000. The standby revolving credit facility of €150,000 with a consortium of banks will be available through December 20, 2018 is secured by a portion of the Company's shareholding in ASMPT and certain accounts receivable.

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

### Equity price risk

The shares of ASMPT, our 39.55% equity investment, are listed on the Hong Kong Stock Exchange. If the fair value of an investment is less than its carrying value at the balance sheet date, the Company determines whether the impairment is temporary or prolonged. The amount per share recognized as per December 31, 2015 under equity accounting amounts to HK\$62.27 whereas the level 1 fair value per share (being the market price of a share on the Hong Kong Stock Exchange) was HK\$60.90. Management concluded that based on quantitative analysis no impairment of its share in ASMPT existed as per December 31, 2015.

### NOTE 17. COMMITMENTS AND CONTINGENCIES

At December 31, 2015 operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

2016	6,052
2017	4,897
2018	4,020
2019	2,703
2020	2,597
Years thereafter	1,308
<b>TOTAL</b>	<b>21,577</b>

Operating lease obligations include leases of equipment and facilities. Lease payments recognized as an expense were €6,886 for the year ended December 31, 2015 (2014: €5,964). Per December 31, 2015 the Company had entered into purchase commitments with suppliers in the amount of €53,985 for purchases within the next 12 months. Commitments for capital expenditures and other commitments per December 31, 2015 were €1,068.

### CHANGE OF CONTROL TRANSACTION

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

### NOTE 18. LITIGATION AND ENVIRONMENTAL MATTERS

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

### NOTE 19. SEGMENT DISCLOSURE

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, South Korea 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 substantial share of 39.55% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong. The segment's main operations are located in Hong Kong, the People's Republic of China, Singapore, Malaysia and Germany.

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

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

	YEAR ENDED DECEMBER 31, 2014			TOTAL
	FRONT-END	BACK-END 100%	DECONSOLI- DATED	
Net sales	545,604	1,386,776	(1,386,776)	<b>545,604</b>
Gross profit	235,278	492,137	(492,137)	<b>235,278</b>
Result from operations	93,374	209,439	(209,439)	<b>93,374</b>
Interest income	1,583	-	-	<b>1,583</b>
Interest expense	(3,272)	(11,745)	11,745	<b>(3,272)</b>
Foreign currency exchange gains (losses), net	26,439	-	-	<b>26,439</b>
Result on investments in associates	(278)	-	39,691	<b>39,413</b>
Income tax expense	(19,377)	(43,728)	43,728	<b>(19,377)</b>
Net earnings discontinued operations	-	-	3,157	<b>3,157</b>
Net earnings (loss)	98,469	153,966	(111,118)	<b>141,317</b>
Cash flows from operating activities	124,736	144,734	(144,734)	<b>124,736</b>
Cash flows from investing activities	(46,130)	(142,431)	162,405	<b>(26,156)</b>
Cash flows from financing activities	(57,824)	104,222	(104,222)	<b>(57,824)</b>
Cash and cash equivalents	385,777	275,431	(275,431)	<b>385,777</b>
Goodwill	11,270	43,076	(43,076)	<b>11,270</b>
Other intangible assets	65,214	66,617	(66,617)	<b>65,214</b>
Investments in associates	-	-	1,092,948	<b>1,092,948</b>
Other identifiable assets	334,076	755,106	(755,106)	<b>334,076</b>
Total assets	796,337	1,140,230	(47,282)	<b>1,889,285</b>
Total debt	-	247,608	(247,608)	<b>-</b>
Headcount <sup>1</sup>	1,635	15,946	(15,946)	<b>1,635</b>

<sup>1</sup> Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.



	YEAR ENDED DECEMBER 31, 2015			
	FRONT-END	BACK-END 100%	DECONSOLI- DATED	TOTAL
Net sales	669,621	1,505,625	(1,505,625)	<b>669,621</b>
Gross profit	295,527	547,079	(547,079)	<b>295,527</b>
Result from operations	111,063	176,360	(176,360)	<b>111,063</b>
Interest income	1,112	-	-	<b>1,112</b>
Interest expense	(1,620)	(18,181)	18,181	<b>(1,620)</b>
Foreign currency exchange gains (losses), net	25,264	-	-	<b>25,264</b>
Result on investments in associates	(900)	-	17,008	<b>16,108</b>
Income tax expense	5,350	(47,622)	47,622	<b>5,350</b>
Net earnings (loss)	140,269	110,557	(93,549)	<b>157,277</b>
Cash flows from operating activities	174,817	137,991	(137,991)	<b>174,817</b>
Cash flows from investing activities	(71,458)	(34,470)	77,335	<b>(28,593)</b>
Cash flows from financing activities	(104,911)	(112,571)	112,571	<b>(104,911)</b>
Cash and cash equivalents	446,915	239,428	(239,428)	<b>446,915</b>
Goodwill	11,270	50,697	(50,697)	<b>11,270</b>
Other intangible assets	81,535	71,691	(71,691)	<b>81,535</b>
Investments in associates	-	-	1,180,839	<b>1,180,839</b>
Other identifiable assets	355,418	910,481	(910,481)	<b>355,418</b>
Total assets	895,138	1,272,297	(91,458)	<b>2,075,977</b>
Total debt	-	304,775	(304,775)	<b>-</b>
Headcount <sup>1</sup>	1,597	14,348	(14,348)	<b>1,597</b>

<sup>1</sup> Headcount includes those employees with a fixed contract, and is exclusive of temporary workers.

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

Geographical information is summarized as follows:

	EUROPE	UNITED STATES OF AMERICA	JAPAN	SOUTH KOREA	TAIWAN	OTHER ASIA	CORPORATE	CONSOLIDATED
<b>Year ended December 31, 2014</b>								
Net sales	94,518	177,006	62,482	93,595	81,143	36,860	-	<b>545,604</b>
Non-current assets	6,762	33,881	15,598	11,667	51	11,253	24	<b>79,236</b>
<b>Year ended December 31, 2015</b>								
Net sales	99,326	123,859	179,595	109,919	106,833	50,089	-	<b>669,621</b>
Non-current assets	7,467	37,091	19,776	16,008	139	11,272	41	<b>91,794</b>

For geographical reporting, net sales are attributed to the geographic location in which the customer's facilities are located.

**NOTE 20. INCOME TAXES**

The components of income before income taxes consist of:

	YEAR ENDED DECEMBER 31,	
	2014	2015
The Netherlands	91,466	95,760
Other countries	66,071	56,167
<b>INCOME BEFORE INCOME TAXES</b>	<b>157,537</b>	<b>151,927</b>

The income tax expense consists of:

	YEAR ENDED DECEMBER 31,	
	2014	2015
<b>Current:</b>		
The Netherlands	(4,539)	736
Other countries	(9,988)	(2,850)
	<b>(14,527)</b>	<b>(2,114)</b>
<b>Deferred:</b>		
The Netherlands	-	5,000
Other countries	(4,850)	2,464
<b>INCOME TAX (EXPENSE) BENEFIT</b>	<b>(19,377)</b>	<b>5,350</b>

The provisions for income taxes as shown in the Consolidated statements of profit or loss differ from the amounts computed by applying the Dutch statutory income tax rate to earnings before taxes. A reconciliation of the provisions for income taxes and the amounts that would be computed using the Dutch statutory income tax rate is set forth as follows:

	YEAR ENDED DECEMBER 31,			
	2014		2015	
<b>EARNINGS BEFORE INCOME TAXES FROM CONTINUING OPERATIONS</b>	<b>157,537</b>	<b>100.0%</b>	<b>151,927</b>	<b>100.0%</b>
Income tax provision based on Dutch statutory income tax rate	(39,384)	25.0%	(37,982)	25.0%
Non-deductible expenses	(4,727)	3.0%	(3,027)	2.0%
Foreign taxes at a rate other than the Dutch statutory rate	(1,454)	0.9%	255	(0.2%)
Recognition of net operating losses	-	-	6,619	(4.4%)
Utilization of net operating losses, previously not recognized	15,322	(9.7%)	17,805	(11.7%)
Non-taxable income <sup>1</sup>	11,888	(7.5%)	5,514	(3.6%)
Adjustments in respect of prior years' current taxes <sup>2</sup>	-	-	9,470	(6.2%)
Other <sup>3</sup>	(1,022)	0.6%	6,696	(4.4%)
<b>INCOME TAX (EXPENSE) BENEFIT</b>	<b>(19,377)</b>	<b>12.3%</b>	<b>5,350</b>	<b>(3.5%)</b>

<sup>1</sup> Non-taxable income for 2015 mainly consist of revenues deriving from the share in income of investments in associates which are exempt under the Dutch participation exemption.

<sup>2</sup> The Adjustments prior years mainly regards one off benefits due to tax refunds for prior years from the Korean Tax Authorities relating to higher tax exemptions than originally assumed.

<sup>3</sup> Other in 2015 mainly consists of tax credits, withholding taxes, changes in (enacted) tax laws and revaluation of certain assets.

Included in Other for 2015 is €2,684 regarding the Company's manufacturing operations in Singapore and other countries where income covering certain products is subject to concessional tax rates under tax incentive

schemes granted by the local tax authority. The majority of these tax incentive schemes have terms ending by July 1, 2018.

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

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

Since 2011 the Dutch statutory tax rate amounts to 25%. 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, 2014	CONSOLIDATED STATEMENT OF PROFIT OR LOSS	EQUITY	EXCHANGE DIFFERENCES	DECEMBER 31, 2014
<b>Deferred tax assets:</b>					
Reserves and allowances	2,970	(983)	45	77	2,109
Depreciation	1,334	(744)	-	37	627
Other	571	(251)	-	161	481
<b>DEFERRED TAX ASSETS</b>	<b>4,875</b>	<b>(1,978)</b>	<b>45</b>	<b>275</b>	<b>3,217</b>
<b>Deferred tax liabilities:</b>					
Capitalized development expenses	(8,055)	(1,762)	-	8	(9,809)
Other	(133)	(8)	-	(2)	(143)
<b>DEFERRED TAX LIABILITIES</b>	<b>(8,188)</b>	<b>(1,770)</b>	<b>-</b>	<b>6</b>	<b>(9,952)</b>
<b>NET DEFERRED INCOME TAXES</b>	<b>(3,313)</b>	<b>(3,748)</b>	<b>45</b>	<b>281</b>	<b>(6,735)</b>

	JANUARY 1, 2015	CONSOLIDATED STATEMENT OF PROFIT OR LOSS	EQUITY	EXCHANGE DIFFERENCES	DECEMBER 31, 2015
<b>Deferred tax assets:</b>					
Reserves and allowances	2,109	(502)	(4)	308	1,911
Depreciation	627	1,630	-	96	2,353
Recognition net operating losses	-	6,619	-	(74)	6,545
Other	481	230	-	43	754
<b>DEFERRED TAX ASSETS</b>	<b>3,217</b>	<b>7,977</b>	<b>(4)</b>	<b>373</b>	<b>11,563</b>
<b>Deferred tax liabilities:</b>					
Capitalized development expenses	(9,809)	(607)	-	(866)	(11,282)
Other	(143)	93	-	-	(50)
<b>DEFERRED TAX LIABILITIES</b>	<b>(9,952)</b>	<b>(514)</b>	<b>-</b>	<b>(866)</b>	<b>(11,332)</b>
<b>NET DEFERRED INCOME TAXES</b>	<b>(6,735)</b>	<b>7,463</b>	<b>(4)</b>	<b>(493)</b>	<b>231</b>

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2015 of €161,028 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 sufficient evidence to recognize a deferred tax asset in the amount of €6,619.

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 TAX PURPOSES THE NETHERLANDS	NET OPERATING LOSSES FOR TAX PURPOSES OTHER COUNTRIES
2018	10,112	10,112	-
2019	35,905	35,905	-
2020	204	-	204
2021	58,478	58,478	-
2022	26,815	26,815	-
2023	16	-	16
2025	15,959	-	15,959
2029	8,752	-	8,752
2030	4,787	-	4,787
<b>TOTAL</b>	<b>161,028</b>	<b>131,310</b>	<b>29,718</b>

The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2015 the undistributed earnings of subsidiaries, subject to withholding taxes, were approximately €28,812. 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.

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

JURISDICTION	
Japan	2011-2015
The Netherlands	2013-2015
Singapore	2011-2015
United States of America	1997-2015
South Korea	2010-2015

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

**NOTE 21. SELECTED OPERATING EXPENSES AND ADDITIONAL INFORMATION**

Personnel expenses for employees were as follows:

	DECEMBER 31,	
	2014	2015
Wages and salaries	96,468	115,622
Social security	11,342	14,857
Pension expenses	4,162	5,451
Share based payment expenses	7,476	8,213
Restructuring expenses	80	1,710
<b>TOTAL</b>	<b>119,528</b>	<b>145,853</b>

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

GEOGRAPHIC LOCATION	DECEMBER 31,	
	2014	2015
Europe:		
- the Netherlands	140	146
- EMEA	171	168
United States	600	516
Japan	186	209
South Korea	123	148
Singapore	325	318
Asia, other	90	92
<b>TOTAL</b>	<b>1,635</b>	<b>1,597</b>

The number of employees, exclusive of temporary workers, by function at year end was as follows:

PER FUNCTION	DECEMBER 31,	
	2014	2015
Research and development	365	420
Manufacturing	286	283
Marketing and sales	303	253
Customer service	517	476
Finance and administration	164	165
<b>TOTAL</b>	<b>1,635</b>	<b>1,597</b>

**NOTE 22. RESEARCH AND DEVELOPMENT**

Research and Development consists of the following:

	YEAR ENDED DECEMBER 31,	
	2014	2015
Research and development expenses, net of capitalized development expenses	50,417	62,772
Amortization of capitalized development expenses	10,893	11,794
Research and development grants and credits	(905)	(985)
<b>TOTAL RESEARCH AND DEVELOPMENT EXPENSES</b>	<b>60,405</b>	<b>73,581</b>
Impairment of research and development related assets	893	16,154
<b>TOTAL</b>	<b>61,298</b>	<b>89,735</b>

The impairment of capitalized development expenses are primarily related to development of new hardware for which the customers demand has shifted out in time, and purchased technology which became obsolete. Of the impairment of capitalized development expenses an amount of relates to the 450mm development.

The Company's operations in the Netherlands and the United States receive research and development grants and credits from various sources.

**NOTE 23. EARNINGS PER SHARE**

Basic net earnings per common share is calculated by dividing net income attributable to common shareholders by the weighted average number of common shares outstanding for that period. The dilutive effect is calculated using the treasury stock method. The calculation of diluted net income per share assumes the exercise of options issued under our stock option plans (and the issuance of shares under our share plans) for periods in which exercised (or issuances) would have a dilutive effect. The calculation of diluted net income per share does not assume exercise of options (or issuance of shares) when such exercises (or issuances) would be anti-dilutive.

The calculation of basic and diluted net income per share attributable to common shareholders is based on the following data:

	DECEMBER 31,	
	2014	2015
<b>Net earnings used for purposes of calculating net income per common share</b>		
Net earnings from continuing operations, attributable to common shareholders	138,160	157,277
Net earnings from discontinued operations	3,157	-
<b>NET EARNINGS FROM OPERATIONS</b>	<b>141,317</b>	<b>157,277</b>
Basic weighted average number of shares outstanding during the year (thousands)	63,510	62,114
Effect of dilutive potential common shares from stock options and restricted shares	699	814
<b>DILUTIVE WEIGHTED AVERAGE NUMBER OF SHARES OUTSTANDING</b>	<b>64,209</b>	<b>62,928</b>
<b>Basic net earnings per share:</b>		
from continuing operations	2.18	2.53
from discontinued operations	0.05	-
from operations	2.23	2.53
<b>Diluted net earnings per share:</b>		
from continuing operations	2.15	2.50
from discontinued operations	0.05	-
from operations	2.20	2.50

## NOTE 24. BOARD REMUNERATION

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

During 2015, the Company considered the members of the Management Board and the Supervisory Board to be the key management personnel. Total remuneration for key management personnel in 2015 amounts to €3,619 (2014: €3,800).

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

	BASE-COMPENSATION	BONUSES	PENSIONS	SHARE BASED PAYMENT EXPENSES <sup>1</sup>	FRINGE BENEFITS	TOTAL
<b>Management Board:</b>						
<b>C.D. del Prado</b>						
2015	572	631	81	697	67	2,048
2014	520	663	78	762	60	2,083
<b>P.A.M. van Bommel</b>						
2015	397	340	66	446	45	1,294
2014	386	412	69	528	46	1,441

<sup>1</sup> These amounts represent the vesting expenses related to the financial year.

### SHORT-TERM INCENTIVE (CASH BONUS)

Each year, a short-term incentive can be earned, based on achievement of specific challenging targets. These targets are for 75% based on company financial targets and for 25% based on non-financial targets. The on-target bonus percentage for the CEO is 100% of base salary, with a maximum pay-out of 150% of base salary. The on-target bonus percentage for the other members of the Management Board is 75% of base salary, with a maximum pay-out of 125% of base salary. For the year 2015 the Management Board exceeded the company financial targets and met the non-financial targets.

### LONG-TERM INCENTIVE (STOCK OPTIONS/PERFORMANCE SHARES)

The members of the Management Board are eligible to receive stock options and performance shares under the ASM International NV 2014 Long-Term Incentive Plan for members of the Management Board (plan) in order to focus on the long term interest of the company. Stock options vest after three years subject to continued employment and expire after seven years. Performance shares vest after three years subject to meeting certain conditions. The members of the Management Board are required to hold the vested performance shares for an additional two years, however, they are allowed to sell a part of the unconditional shares after three years for tax purposes. The next grant of stock options and restricted shares will take place in April 2016.

### PENSION ARRANGEMENT

As of 2015, the members of the Management Board no longer participate in the industry wide pension fund. They are offered participation of a defined contribution plan for their salary up to €100,000. For their salary above €100,000, the members of the Management Board are compensated with an amount equal to the employer pension contribution. The members of the Management Board have the option to participate in a net pension plan offered by the company or to have the compensation paid out in cash.

### FRINGE BENEFITS

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



## OUTSTANDING OPTIONS

The following table shows the outstanding options to purchase ASM International NV common shares held by current members of the Management Board, and changes in such holdings during 2015:

	YEAR OF GRANT	OUTSTANDING JANUARY 1, 2015	GRANTED IN 2015	EXERCISED IN 2015 <sup>4</sup>	OUTSTANDING DECEMBER 31, 2015	EXERCISE PRICE	END DATE
C.D. del Prado <sup>1</sup>	2007	23,168	–	(23,168)	–	€ 16.51	May 23, 2015
C.D. del Prado <sup>1</sup>	2008	147,416	–	–	<b>147,416</b>	€ 10.78	Mar 1, 2016
C.D. del Prado <sup>2</sup>	2009	58,967	–	–	<b>58,967</b>	€ 12.79	Nov 30, 2017
C.D. del Prado <sup>3</sup>	2011	88,450	–	–	<b>88,450</b>	€ 18.93	Dec 31, 2018
C.D. del Prado <sup>3</sup>	2012	70,760	–	–	<b>70,760</b>	€ 22.93	Dec 31, 2019
C.D. del Prado <sup>3</sup>	2013	75,000	–	–	<b>75,000</b>	€ 23.73	Dec 31, 2020
C.D. del Prado <sup>3</sup>	2015	–	28,050	–	<b>28,050</b>	€ 44.24	Apr 24, 2022
P.A.M. van Bommel <sup>3</sup>	2010	29,483	–	–	<b>29,483</b>	€ 13.80	July 1, 2017
P.A.M. van Bommel <sup>3</sup>	2011	62,504	–	–	<b>62,504</b>	€ 18.93	Dec 31, 2018
P.A.M. van Bommel <sup>3</sup>	2012	47,173	–	–	<b>47,173</b>	€ 22.93	Dec 31, 2019
P.A.M. van Bommel <sup>3</sup>	2013	53,000	–	–	<b>53,000</b>	€ 23.73	Dec 31, 2020
P.A.M. van Bommel <sup>3</sup>	2015	–	14,609	–	<b>14,609</b>	€ 44.24	Apr 24, 2022
<b>TOTAL</b>		<b>655,921</b>	<b>42,659</b>	<b>(23,168)</b>	<b>675,412</b>		

<sup>1</sup> The vesting of these options was conditional. A percentage, not exceeding 150%, of the options which have been granted conditionally became unconditional after three years, based on the total return of the Company's shares for the three years after the options are granted compared to the average total return of the shares of a relevant number of companies which are similar to the Company during the same three-year period. The options are granted for a term of eight years.

<sup>2</sup> Options are granted for a term of eight years, and become exercisable after a three year vesting period.

<sup>3</sup> Options are granted for a term of seven years and become exercisable after a three year vesting period.

<sup>4</sup> Options were exercised on May 22, 2015 at a share price of €43.83.

The fair value per option of options granted to current members of the Management Board was €17.33 in 2015.

In 2015, 23,168 options to purchase ASM International NV common shares were exercised and 23,168 treasury shares were sold for the exercise of these options.

## OUTSTANDING PERFORMANCE SHARES

The following table shows the outstanding performance shares granted to members of the Management Board in 2015 and held by members of the Management Board per December 31, 2015:

	GRANT DATE	STATUS	NUMBER OF SHARES AT GRANT DATE	FAIR VALUE AT GRANT DATE	VESTING DATE
C.D. del Prado	April 24, 2015	Conditional	8,544	€43.21	April 24, 2018
P.A.M. van Bommel	April 24, 2015	Conditional	4,450	€43.21	April 24, 2018

The shares will become unconditional after three years depending on the achievement of predetermined targets. The financial targets to be achieved are measured over a three year performance period and relate to a sales growth compared to market and an average EBIT percentage performance measure. The Management Board members will hold the unconditional shares for at least an additional two years, however they are allowed to sell a part of the unconditional shares after three years for tax purposes.

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,	
	2014	2015
<b>Supervisory Board:</b>		
J.C. Lobbezoo	70	70
J.M.R. Danneels	50	50
H.W. Kreutzer	53	53
M.C.J. van Pernis	53	53
U.H.R. Schumacher	50	50
<b>TOTAL</b>	<b>276</b>	<b>276</b>

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

No stock options or performance shares have been granted to members of the Supervisory Board.

## NOTE 25. 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, 2014		DECEMBER 31, 2015	
	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING	SHARES OWNED	PERCENTAGE OF COMMON SHARES OUTSTANDING
A.H. del Prado	9,204,284	14.62%	9,204,284	14.92%
C.D. del Prado (member of the Management Board)	132,945	0.21%	132,945	0.22%
Stichting Administratiekantoor ASMI	2,142,039	3.40%	2,142,039	3.47%

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 24.

In May 2015 the company entered into an agreement with Levitech BV for the acquisition of certain patents for an amount of €3.3 million. Levitech BV is a 24% owned equity investment of ASMI.

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

**NOTE 26. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

KPMG Accountants NV has served as our external auditor for the year 2015 (2014: Deloitte Accountants BV). The following table sets out the aggregate fees for professional audit services and other services rendered by the external auditors and its member firms and/or affiliates in 2014 and 2015:

	2014	2015		
	DELOITTE ACCOUNTANTS BV	KPMG ACCOUNTANTS NV	KPMG NETWORK	KPMG TOTAL
Audit fees	535	345	95	440
Audit-related fees	21	-	-	-
Tax fees	10	-	-	-
Other fees	65	-	-	-
<b>TOTAL</b>	<b>631</b>	<b>345</b>	<b>95</b>	<b>440</b>

**AUDIT COMMITTEE PRE-APPROVAL POLICIES**

The Audit Committee has determined that the provision of services by KPMG described in the preceding paragraphs is compatible with maintaining KPMG's independence. All audit and permitted non-audit services provided by KPMG during 2015 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 external auditor:

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

**NOTE 27. SUBSEQUENT EVENTS**

Subsequent events were evaluated up to April 13, 2016, which is the issuance date of this Statutory annual report 2015. There are no subsequent events to report.

**SIGNING**

Almere

April 13, 2016

**SUPERVISORY BOARD**

J.C. Lobbezoo

J.M.R. Danneels

H.W. Kreutzer

M.C.J. van Pernis

U.H.R. Schumacher

**MANAGEMENT BOARD**

C.D. del Prado

P.A.M. van Bommel

# COMPANY BALANCE SHEET

(before proposed appropriation of net earnings for the year)

(EUR thousand except per share data)	NOTES	DECEMBER 31,	
		2014	2015
<b>Non-current</b>			
Goodwill, net	4	11,270	11,270
Other intangible assets, net	3	2,602	8,628
Property, plant and equipment, net	5	23	41
Investments in subsidiaries	2	1,467,921	1,695,681
Loans to subsidiaries	2	45,934	48,958
Deferred tax assets	6	–	5,000
<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,527,750</b>	<b>1,769,578</b>
<b>Current assets</b>			
Accounts receivable, net		16	–
Amounts due from subsidiaries		47,676	6,692
Other current assets		5,966	297
Cash and cash equivalents		180,655	189,234
<b>TOTAL CURRENT ASSETS</b>		<b>234,313</b>	<b>196,223</b>
<b>TOTAL ASSETS</b>		<b>1,762,063</b>	<b>1,965,801</b>
<b>Equity</b>			
Common shares		2,553	2,553
Capital in excess of par value		216,322	221,868
Treasury shares		(27,733)	(84,000)
<b>Legal reserves</b>			
Translation reserve		54,770	192,081
Other legal reserves		1,109,000	1,228,688
Accumulated net earnings		246,792	229,912
Net earnings current year		141,317	157,277
<b>TOTAL EQUITY</b>	7	<b>1,743,021</b>	<b>1,948,379</b>
<b>Current liabilities</b>			
Amounts due to subsidiaries		423	654
Accrued expenses and other payables	8	18,473	16,594
Taxes and social securities		146	174
<b>TOTAL CURRENT LIABILITIES</b>		<b>19,042</b>	<b>17,422</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,762,063</b>	<b>1,965,801</b>

# ABBREVIATED COMPANY STATEMENT OF PROFIT OR LOSS

(EUR thousand)	YEAR ENDED DECEMBER 31,	
	2014	2015
Net earnings from subsidiaries	132,843	134,504
Net earnings from holding activities	8,474	22,773
<b>TOTAL NET EARNINGS</b>	<b>141,317</b>	<b>157,277</b>

# NOTES TO THE COMPANY FINANCIAL STATEMENTS

## NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

ASM International NV ('ASMI' or 'the Company') is a Dutch public liability company. Statutory seat: Versterkerstraat 8, 1322AP Almere, the Netherlands.

The description of our activities and our structure, as included in the Notes to the Consolidated financial statements, also apply to the Company financial statements.

In accordance with article 402 Part 9 of Book 2 of the Dutch Civil Code the Company Statement of Profit or Loss is presented in abbreviated form.

The accompanying Company financial statements are stated in thousands of euro unless otherwise indicated.

### ACCOUNTING POLICIES APPLIED

The Financial statements of the Company included in this section are prepared in accordance with Part 9 of Book 2 of the Dutch Civil Code. Section 362 (8), Book 2, Dutch Civil Code, allows companies that apply IFRS as endorsed by the European Union in their Consolidated financial statements to use the same measurement principles in their Company financial statements. The Company has prepared these Company financial statements using this provision.

### Investments in subsidiaries

Investments in subsidiaries are stated at net asset value as we effectively exercise influence of significance over the operational and financial activities of these investments. For a list of all significant subsidiaries see Note 2 of the Consolidated financial statements.

## NOTE 2. INVESTMENTS AND LOAN ADVANCES DUE FROM SUBSIDIARIES

	INVESTMENTS IN SUBSIDIAR- IES	LOAN ADVANCES SUBSIDIARIES	TOTAL
<b>BALANCE JANUARY 1, 2014</b>	<b>1,206,249</b>	<b>40,310</b>	<b>1,246,559</b>
Net result of subsidiaries	132,843	–	132,843
Other comprehensive income investments	(2,179)	–	(2,179)
Dividend received	(19,974)	–	(19,974)
Issuance of loans	–	218	218
Foreign currency translation effect	150,982	5,406	156,388
<b>BALANCE DECEMBER 31, 2014</b>	<b>1,467,921</b>	<b>45,934</b>	<b>1,513,855</b>
Net result of subsidiaries	134,504	–	134,504
Other comprehensive income investments	567	–	567
Dividend received	(94,322)	–	(94,322)
Capitalizations	48,556	–	48,556
Repayments of loans	–	(2,223)	(2,223)
Dilution	5,535	–	5,535
Foreign currency translation effect	132,920	5,247	138,167
<b>BALANCE DECEMBER 31, 2015</b>	<b>1,695,681</b>	<b>48,958</b>	<b>1,744,639</b>

The interest on the loan to subsidiaries is based on the Bank of America's prime rate with a rise of 2 percent points. The repayment schedule of the loan is as follows: 24 annual installments of US\$2 million, starting December 31, 2018 followed by a final installment of US\$5.3 million on December 31, 2043.



ASMI's share in the negative equity of an equity investment as per December 31, 2015 amounts to €(1,097), ASMI's share in the net loss for the year 2015 of the same equity investments amounts to €(900). The investment is valued at nil since there are no liabilities for ASMI.

### NOTE 3. OTHER INTANGIBLE ASSETS

The changes in the carrying amount of other intangible assets are as follows:

	SOFTWARE	PURCHASED TECHNOLOGY AND OTHER INTANGIBLE ASSETS	TOTAL
<b>At cost:</b>			
<b>BALANCE JANUARY 1, 2014</b>	<b>12,778</b>	<b>3,097</b>	<b>15,875</b>
Additions	1,276	–	1,276
<b>BALANCE DECEMBER 31, 2014</b>	<b>14,054</b>	<b>3,097</b>	<b>17,151</b>
Additions	3,904	3,300	7,204
<b>BALANCE DECEMBER 31, 2015</b>	<b>17,958</b>	<b>6,397</b>	<b>24,355</b>
<b>Accumulated amortization:</b>			
<b>BALANCE JANUARY 1, 2014</b>	<b>9,124</b>	<b>1,455</b>	<b>10,579</b>
Amortization for the year	3,425	545	3,970
<b>BALANCE DECEMBER 31, 2014</b>	<b>12,549</b>	<b>2,000</b>	<b>14,549</b>
Amortization for the year	249	929	1,178
<b>BALANCE DECEMBER 31, 2015</b>	<b>12,798</b>	<b>2,929</b>	<b>15,727</b>
<b>Other intangible assets net:</b>			
<b>DECEMBER 31, 2014</b>	<b>1,505</b>	<b>1,097</b>	<b>2,602</b>
<b>DECEMBER 31, 2015</b>	<b>5,160</b>	<b>3,468</b>	<b>8,628</b>

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

	SOFTWARE	PURCHASED TECHNOLOGY AND OTHER INTANGIBLE ASSETS	TOTAL
2016	571	1,204	1,775
2017	1,156	669	1,825
2018	1,014	660	1,674
2019	897	660	1,557
2020	864	275	1,139
Years thereafter	658	–	658
<b>TOTAL</b>	<b>5,160</b>	<b>3,468</b>	<b>8,628</b>

**NOTE 4. GOODWILL**

The carrying amount of the goodwill is related to the acquisitions operations in the following business units:

	DECEMBER 31,	
	2014	2015
Thermal products business unit	2,611	2,611
Plasma products business unit	8,659	8,659
<b>TOTAL</b>	<b>11,270</b>	<b>11,270</b>

**NOTE 5. PROPERTY, PLANT AND EQUIPMENT**

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

	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS	FURNITURE AND FIXTURES	TOTAL
<b>At cost:</b>			
<b>BALANCE JANUARY 1, 2014</b>	<b>47</b>	<b>252</b>	<b>299</b>
Disposal	-	(7)	(7)
Additions	-	1	1
<b>BALANCE DECEMBER 31, 2014</b>	<b>47</b>	<b>246</b>	<b>293</b>
Additions	-	30	30
<b>BALANCE DECEMBER 31, 2015</b>	<b>47</b>	<b>276</b>	<b>323</b>
<b>Accumulated depreciation:</b>			
<b>BALANCE JANUARY 1, 2014</b>	<b>47</b>	<b>209</b>	<b>256</b>
Disposal	-	(7)	(7)
Depreciation for the year	-	21	21
<b>BALANCE DECEMBER 31, 2014</b>	<b>47</b>	<b>223</b>	<b>270</b>
Depreciation for the year	-	12	12
<b>BALANCE DECEMBER 31, 2015</b>	<b>47</b>	<b>235</b>	<b>282</b>
<b>Property, plant and equipment, net:</b>			
<b>DECEMBER 31, 2014</b>	<b>-</b>	<b>23</b>	<b>23</b>
<b>DECEMBER 31, 2015</b>	<b>-</b>	<b>41</b>	<b>41</b>

**USEFUL LIVES IN YEARS:**

Land, buildings and leasehold improvements	10-25
Furniture and fixtures	2-10

**NOTE 6. DEFERRED TAX ASSETS**

Based on tax filings, ASMI has net operating losses available at December 31, 2015 of €131,310 to reduce future income taxes. 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 and past experience, the Company believes that there is currently sufficient evidence to recognize a deferred tax asset in the amount of €5,000.

**NOTE 7. EQUITY**

The changes in equity are as follows:

	COM- MON SHARES	CAPITAL IN EXCESS OF PAR VALUE	TREASURY SHARES	ACCUMU- LATED NET EARNINGS	NET EARNINGS CURRENT YEAR	LEGAL RESERVES		TOTAL EQUITY
						TRAN- SLATION RESERVE	OTHER LEGAL RESERVES	
(EUR thousand except for share data)								
<b>BALANCE AS OF JANUARY 1, 2014</b>	<b>2,539</b>	<b>203,945</b>	<b>-</b>	<b>(660,605)</b>	<b>1,062,675</b>	<b>(85,919)</b>	<b>973,804</b>	<b>1,496,439</b>
Appropriation of net earnings	-	-	-	1,062,675	(1,062,675)	-	-	-
Components of comprehensive income								
Net earnings	-	-	-	-	141,317	-	-	141,317
Other comprehensive income	-	-	-	-	-	140,689	-	140,689
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>141,317</b>	<b>140,689</b>	<b>-</b>	<b>282,006</b>
Compensation expense stock options	-	7,476	-	-	-	-	-	7,476
Exercise stock options by issue of common shares	14	5,398	-	-	-	-	-	5,412
Exercise stock options out of treasury shares	-	(497)	4,158	(1,762)	-	-	-	1,899
Repurchase shares	-	-	(31,891)	-	-	-	-	(31,891)
Dividend paid to common shareholders	-	-	-	(31,828)	-	-	-	(31,828)
Increased retained earnings subsidiaries	-	-	-	(59,643)	-	-	59,643	-
Fair value accounting investments	-	-	-	(69,891)	-	-	69,891	-
Capitalized development expenses subsidiaries	-	-	-	(5,662)	-	-	5,662	-
<b>Other movements in investments in associates:</b>								
Dilution	-	-	-	3,561	-	-	-	3,561
Allocation equity component convertible bond	-	-	-	9,947	-	-	-	9,947
<b>BALANCE AS OF DECEMBER 31, 2014</b>	<b>2,553</b>	<b>216,322</b>	<b>(27,733)</b>	<b>246,792</b>	<b>141,317</b>	<b>54,770</b>	<b>1,109,000</b>	<b>1,743,021</b>
Appropriation of net earnings	-	-	-	141,317	(141,317)	-	-	-
Components of comprehensive income								
Net earnings	-	-	-	-	157,277	-	-	157,277
Other comprehensive income	-	-	-	-	-	137,311	-	137,311
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>157,277</b>	<b>137,311</b>	<b>-</b>	<b>294,588</b>
Compensation expense stock options	-	8,213	-	-	-	-	-	8,213
Exercise stock options out of treasury shares	-	(2,667)	20,985	(6,886)	-	-	-	11,432
Repurchase shares	-	-	(77,252)	-	-	-	-	(77,252)
Dividend paid to common shareholders	-	-	-	(37,158)	-	-	-	(37,158)
Increased retained earnings subsidiaries	-	-	-	(46,893)	-	-	46,893	-
Fair value accounting investments	-	-	-	(61,571)	-	-	61,571	-
Capitalized development expenses subsidiaries	-	-	-	(11,224)	-	-	11,224	-
<b>Other movements in investments in associates:</b>								
Dilution	-	-	-	5,535	-	-	-	5,535
<b>BALANCE AS OF DECEMBER 31, 2015</b>	<b>2,553</b>	<b>221,868</b>	<b>(84,000)</b>	<b>229,912</b>	<b>157,277</b>	<b>192,081</b>	<b>1,228,688</b>	<b>1,948,379</b>

## COMMON SHARES, PREFERRED AND FINANCING PREFERRED SHARES

The authorized capital of the Company amounts to 110,000,000 common shares of €0.04 par value, 118,000 preferred shares of €40 par value and 8,000 financing preferred shares of €40 par value.

As at December 31, 2015, 63,797,394 ordinary shares with a nominal value of €0.04 each were issued and fully paid up, of which 2,091,007 ordinary shares are held by us in treasury. All shares have one vote per €0.04 par value. Treasury shares held by the Company cannot be voted on.

As at December 31, 2015 no preferred shares are issued.

## TREASURY SHARES

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

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

The buyback program was executed by intermediaries through on-exchange purchases or through off-exchange trades. ASMI updated the markets on the progress of the buyback program on a weekly basis. The program started on November 24, 2014, and was completed on May 20, 2015. Under the 2014-2015 share buyback program we repurchased 2,594,420 shares at an average price of €38.55.

On October 29, 2015, ASMI announced a share buyback program, to purchase up to an amount of €100 million of its own shares within the 2015-2016 time frame. The program started on November 26, 2015. On December 31, 2015 of the program 9% was repurchased.

## OTHER LEGAL RESERVES

Legal reserves include reserves regarding participating interests, 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).

The legal reserve for participating interests regarding retained earnings, which amounts to €1,156,210 (2014: €1,047,746), pertains to participating interests that are accounted for according to the equity accounting method. The reserve represents the difference between the participating interests' retained profit and direct changes in equity, as determined on the basis of the Company's accounting policies, and the share thereof that the Company may distribute. As to the latter share, this takes into account any profits that may not be distributable by participating interests that are Dutch limited companies based on the distribution tests to be performed by the management of those companies. The legal reserve is determined on an individual basis.

In accordance with applicable legal provisions, a legal reserve for the carrying amount of €72,478 (2014: €61,254) has been recognized for capitalized development and start-up costs.

Changes in legal reserves in 2014 and 2015 were as follows:

	RESERVE FOR PARTICIPATING INTERESTS, REGARDING RETAINED EARNINGS	RESERVE FOR PARTICIPATING INTERESTS, REGARDING CAPITALIZED DEVELOPMENT EXPENSES	OTHER LEGAL RESERVES
<b>BALANCE AS OF JANUARY 1, 2014</b>	<b>918,212</b>	<b>55,592</b>	<b>973,804</b>
Retained earnings subsidiaries and investments	59,643	-	59,643
Fair value accounting investments	69,891	-	69,891
Development expenditures	-	5,662	5,662
<b>BALANCE AS OF DECEMBER 31, 2014</b>	<b>1,047,746</b>	<b>61,254</b>	<b>1,109,000</b>
Retained earnings subsidiaries and investments	46,893	-	46,893
Fair value accounting investments	61,571	-	61,571
Development expenditures	-	11,224	11,224
<b>BALANCE AS OF DECEMBER 31, 2015</b>	<b>1,156,210</b>	<b>72,478</b>	<b>1,228,688</b>

For more detailed information, reference is made to Note 11 to the Consolidated financial statements.

#### EMPLOYEE STOCK OPTION PLAN AND EMPLOYEE RESTRICTED SHARES PLAN

The Company has adopted various stock option plans and restricted share plans and has entered into related agreements with various employees. For detailed information, reference is made to Note 12 to the Consolidated financial statements.

#### NOTE 8. ACCRUED EXPENSES AND OTHER PAYABLES

The major part of accrued expenses and other payables is related to personnel, Personnel related items comprise accrued management bonuses, accrued vacation days, accrued wage tax, social securities and pension premiums.

#### NOTE 9. 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 24 and 25 to the Consolidated financial statements.

#### NOTE 10. PERSONNEL

The average number of employees of ASMI in full-time equivalents during 2015 was 22.7 (2014: 20.5). Salaries, social security charges and pension expenses amounted to €5,589, €77 and €476, respectively, for 2015 (2014: expenses of €4,942, €85 and €340, respectively). Further information of the number of employees can be found in Note 21 on the consolidated financial statements.

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 12 and 24, to the Consolidated financial statements.

## NOTE 11. COMMITMENTS AND CONTINGENCIES

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

ASM International NV forms a fiscal unity (tax group for Corporate Income Tax purposes) together with its Dutch subsidiaries for purposes of Dutch tax laws and is as such jointly and severally liable for the tax debts of the unity. The tax unity consists of ASM International NV and the following subsidiaries:

- › ASM Europe BV (operational company)
- › ASM UK Sales BV (operational company)
- › ASM Germany Sales BV (operational company)
- › ASM Pacific Holding BV (holding company)
- › CVTR Development BV
- › Beheer- en Beleggingsmaatschappij Ingebel BV
- › Hamilcar Investments BV
- › Rembrandt Lease and Finance BV
- › ASM IP Holding BV (operational company)
- › ASM Netherlands Holding BV (holding company)

## NOTE 12. AUDITOR'S FEES

For information regarding auditor's fees we refer to Note 26 of the Consolidated financial statements.

## SIGNING

Almere  
April 13, 2016

## SUPERVISORY BOARD

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

## MANAGEMENT BOARD

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

# INDEPENDENT AUDITOR'S REPORT

To: the General Meeting and the Supervisory Board of ASM International NV

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS 2015

### OPINION

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, 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code;
- › the Company financial statements give a true and fair view of the financial position of ASM International NV as at December 31, 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

### WHAT WE HAVE AUDITED

We have audited the Financial statements 2015 of ASM International NV (ASMI), based in 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, 2015;
- › the following Consolidated statements for 2015: the statement of profit or loss, the statements of comprehensive income, changes in equity and cash flows; and
- › the 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, 2015;
- › the company abbreviated statement of profit or loss for 2015; and
- › the notes comprising a summary of the significant accounting policies and other explanatory information.

### BASIS FOR OUR OPINION

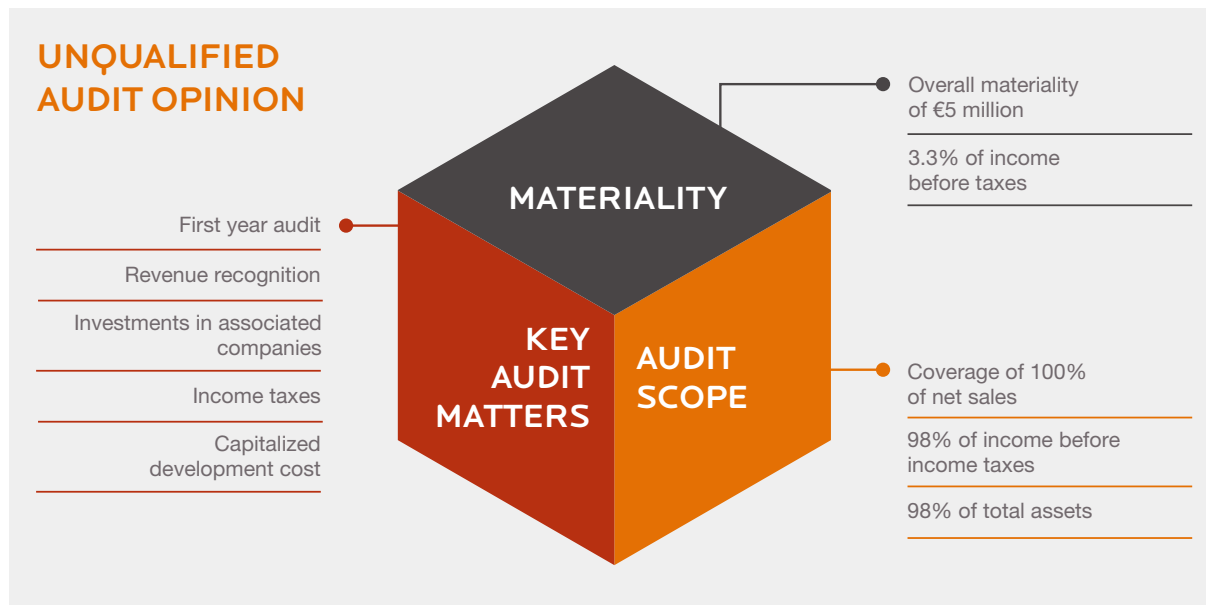
We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the Financial statements' section of our report.

We are independent of ASM International NV in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten' (ViO) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



## AUDIT APPROACH SUMMARY



### Materiality

Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgment we determined the materiality for the Financial statements as a whole at €5 million. The materiality is determined with reference to income before income taxes (3.3%). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the Financial statements, such as possible misstatements in the information on remuneration disclosures.

The audits undertaken for group reporting purposes at the group entities were all performed with materiality levels set by, or agreed with, us. In our audit instructions sent to our component auditors, we instructed the component auditors to apply allocated group materiality in the range of €2.7 million and €4.0 million depending on the size of the respective group entities or, in case of a statutory audit requirement, the lower statutory materiality.

We agreed with the Supervisory Board that misstatements in excess of €250,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.



## Scope of the group audit

ASM International NV is the parent company of a group of entities. The financial information of this group is included in the Financial statements of ASM International NV

Considering our ultimate responsibility for the opinion, we are also responsible for directing, supervising and performing the group audit. In this context, we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive factors were the significance and/or the risk profile of the group entities or operations (components). On this basis, we selected components for which an audit of account balance or specified procedures had to be performed. Furthermore, we have determined the nature and extent of the audit procedures that we perform at group level and in the shared services center.

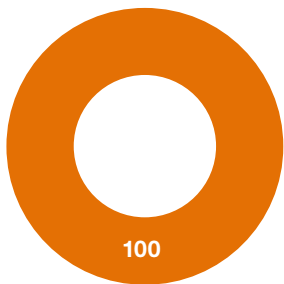
Our group audit mainly focused on significant group entities where account balances are of significant size, have significant risks of material misstatement to the Group associated with them or are considered significant for other reasons.

Our procedures cover the significant operations in Japan, Korea, the Netherlands, Singapore and the United States of America, all mainly through our audit procedures in the shared services center(SSC), supplemented with local audit procedures for audits of account balances. Further, our procedures cover the (results from) investment in associates, including the work performed by the non-KPMG member firm auditors of ASM Pacific Technology Ltd. Further, we performed limited procedures on the remaining balances, including desktop reviews and audit procedures on specific transactions.

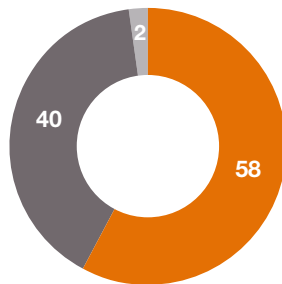
We sent detailed instructions to all component auditors, covering the significant areas that should be covered (which included the relevant risks of material misstatement detailed below) and set out the information required to be reported to the group auditor. We visited Singapore and 'ASMPT' in Hong Kong for site visits and file reviews and held various telephone calls with the auditors of the components, to discuss the Group audit, risks, audit approach and instructions, as well as the audit findings and observations reported to the group auditor.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion on the Financial statements.

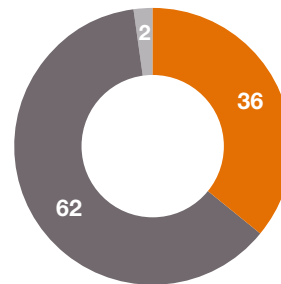
### NET SALES



### INCOME BEFORE INCOME TAXES



### TOTAL ASSETS



■ Group audit and SSC procedures
 ■ Combined group audit and component auditor
 ■ Limited procedures



## Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the Financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

### FIRST YEAR AUDIT

#### KEY AUDIT MATTER

Financial year 2015 is the first year that KPMG Accountants NV audited the Financial statements of ASMI. As a result, our audit involved considerations not associated with recurring audits. Additional planning activities and considerations were necessary to establish an appropriate audit strategy and audit plan.

#### OUR RESPONSE

Our audit procedures included, among other things, meeting with the Board of Management and Audit Committee in the final meeting with the predecessor auditor. We have had several meetings at the Company's headquarters and shared services center to gain an initial understanding of the Company and its business, including its control environment and information systems, sufficient to make audit risk assessments and develop the audit strategy and audit plan. We also have inquired with the predecessor auditor and performed a file review to obtain sufficient appropriate audit evidence in respect of the opening balance per January 1, 2015, including evidence with respect to the appropriate selection and application of accounting principles. During the performance of our procedures, we were provided with sufficient information to gain an understanding to base our audit strategy and detailed audit plan on.

### REVENUE RECOGNITION

#### KEY AUDIT MATTER

Net sales is measured taking into account multiple element arrangements, for example a single sales transaction that combines the delivery of goods and rendering of (installation) services, as contracts with customers typically include separately identifiable components that are recognized based on the relative selling price. Furthermore, net sales is recognized when the risk and rewards of products and services have been transferred to the customer. Due to the multitude and variety of contractual terms, the different pricing elements and the risk of management override, revenue recognition is considered to be complex and involves significant management judgement.

#### OUR RESPONSE

Our audit procedures included, among other things, assessing the appropriateness of ASMI's revenue recognition accounting policy in line with IFRS. We tested the effectiveness of controls over the various categories of net sales. In addition to testing the internal controls, we also assessed the existence and accuracy of the sales recorded, based among other things on inspection of sales contracts, final acceptances, and the allocation of revenue to the various elements in the contracts, reconciliation of cash received throughout the year for revenue recognized and sales transactions taking place before and after year-end to ensure that net sales was recognized in the correct period.

We further assessed the adequacy of the net sales disclosures contained in Note 19 Segment disclosure.

## ACCOUNTING FOR INVESTMENTS IN ASSOCIATED COMPANIES

### KEY AUDIT MATTER

ASMI owns 39.55% in ASM Pacific Technology Ltd (ASMPT), an entity listed on the Hong Kong Stock Exchange. The investments in associated companies are accounted for under the equity method and considered for impairment in case of a significant or prolonged decline in value. The accounting for the results of and investment in ASMPT is significant to our audit due to the share in ASMI's net income, the book value of the investment, the fluctuating share price of ASMPT and judgment applied in determining if a decline in value is significant and temporary or prolonged.

At December 31, 2015, the Investments in associates amounted to €1,181 million, including goodwill and other intangibles of €806 million, and the share in income from investments in associates amounted to €16 million and mainly relates to the investment in ASMPT, including amortization of recognized (in) tangible assets.

### OUR RESPONSE

Our audit procedures included, among other things, instructing the statutory auditor of ASMPT to perform an audit on the relevant financial information of ASMPT for the purpose of the Consolidated financial statements of ASMI. During the year, we discussed the risk assessment, audit strategy of the statutory auditor, as well as any significant developments on a quarterly basis. Subsequently we have performed a file review at the statutory auditor's office.

We have further evaluated management's considerations of the impairment indicators of the investment, including goodwill and other intangibles, in ASMPT. In such consideration, the fair value of the listed shares of ASMPT is used as a starting point to assess whether any significant or prolonged and other than temporary decline in value exists, next to a qualitative assessment. We have among other things analyzed the trend in the share price of ASMPT to the Hong Kong Stock Exchange, compared the share price with external data used by analysts expectations, and evaluated the results of ASMPT for potential valuation issues for the investment in ASMPT.

We also assessed the adequacy of the company's disclosure in Note 6 Investments in associates.

## ACCOUNTING FOR INCOME TAX POSITIONS

### KEY AUDIT MATTER

Income tax positions are significant to our audit because the assessment process is complex, includes a certain level of estimation uncertainty and the amounts involved are material to the Financial statements as a whole. ASMI's operations are subject to income taxes in various jurisdictions which results in complexities of transfer pricing and the applicability of various tax legislation. Furthermore, the Company has a significant amount of unrecognized Deferred Tax Assets for net operating losses.

At December 31, 2015, the deferred tax assets amounted to €12 million and the total net operating losses amounted to €161 million.

### OUR RESPONSE

We have, among other things, performed audit procedures on the completeness and accuracy of the amounts recognized as current and deferred tax, including the assessment of correspondence with tax authorities and the evaluation of tax exposures. In addition, in respect of deferred tax assets, we reviewed and tested management's assumptions that substantiate the probability that deferred tax assets (un)recognized in the balance sheet will be recovered through taxable income in future years and available tax planning strategies. During our procedures, we use, among other things, budgets, forecasts and tax laws and in addition, we assessed the historical accuracy of management's assumptions. In those components determined to be part of jurisdictions with significant tax risk, we involved tax specialists to analyze the tax positions and to challenge the assumptions used to determine the tax positions. Based on our procedures performed we consider management's key assumptions to be within a reasonable range. We also assessed the adequacy of the company's disclosure in Note 20 Income taxes.

## ACCOUNTING FOR CAPITALIZED DEVELOPMENT COSTS

### DESCRIPTION

Capitalized development costs of €72 million are deemed significant to our audit, given the significance of the position per December 31, 2015, the rapid technological change in the industry, as well as the specific criteria that have to be met for capitalization. This involves management judgment, such as with respect to technical feasibility, intention and ability to complete the intangible asset, ability to use or sell the asset, generation of future economic benefits and the ability to measure the costs reliably. In addition, determining whether there is any indication of impairment of the carrying value of assets, requires management judgment and assumptions which are affected by future market or economic developments.

### OUR RESPONSE

We have performed audit procedures over the accuracy and valuation of amounts recognized. Our audit procedures included, among other things, assessing the recognition criteria for intangible assets, challenging the key assumptions used or estimates made in capitalizing development costs, including the authorization of the stage of the project in the development phase and the accuracy of costs included and assessing the useful economic life attributed to the asset.

In addition, we considered whether any indicators of impairment were present by understanding the business rationale for projects and performing reviews for indicators of impairment.

We also assessed the adequacy of the company's disclosure in Note 5 Other intangible assets.

## RESPONSIBILITIES OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD FOR THE FINANCIAL STATEMENTS

The Management Board is responsible for the preparation and fair presentation of the Financial statements in accordance with EU-IFRS and with Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the Management Board Report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, the Management Board is responsible for such internal control as the Management Board determines is necessary to enable the preparation of the Financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the Financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the Management Board should prepare the Financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the Financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

### OUR RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objective is to plan and perform the audit to obtain sufficient and appropriate audit evidence for our opinion. Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud. For a further description of our responsibilities in respect of an audit of Financial statements we refer to the website of the professional body for accountants in the Netherlands (NBA) [www.nba.nl/standardtexts-auditorsreport](http://www.nba.nl/standardtexts-auditorsreport).

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

### REPORT ON THE MANAGEMENT BOARD REPORT AND THE OTHER INFORMATION

Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the Management Board Report and other information):

- › 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 the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- › We report that the Management Board Report, to the extent we can assess, is consistent with the Financial statements.

### ENGAGEMENT

We were engaged for the first time by the Annual General Meeting as auditor of ASM International NV on May 21, 2014, as of the audit for year 2015.

Amsterdam, April 13, 2016

KPMG Accountants N.V.  
R.P. Kreukniet RA

## OTHER INFORMATION

The additional information below includes a brief summary of the most significant provisions of our Articles of Association.

### INFORMATION ON THE PROVISIONS IN THE ARTICLES OF ASSOCIATION RELATING TO THE APPROPRIATION OF PROFIT

The Articles of Association of ASM International NV (the Company) provides the following with regard to distribution of profit and can be summarized as follows:

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;

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;

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;

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

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

### THE PROPOSED APPROPRIATION OF THE RESULT

It is proposed that the net earnings for the year 2015 are carried to the accumulated deficit/net earnings. The Management Board proposed to the forthcoming Annual General Meeting of Shareholders to declare a dividend of €0.70 per share to be paid from the available reserves.

### SPECIAL STATUTORY CONTROL RIGHTS

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

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



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

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

### **STICHTING CONTINUÏTEIT ASM INTERNATIONAL**

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

The members of the board of Stichting are:

- › Dick Bouma, retired Chairman Board Pels Rijcken & Droogleever Fortuijn
- › Rob Ruijter, Chairman Supervisory Board Delta Loyd
- › Rinze Veenenga Kingma, President Archeus Consulting BV

### **LIST OF SUBSIDIARIES AND OFFICES**

The subsidiaries and offices of the Company are listed on page 116 of the Statutory annual report.

### **SUBSEQUENT EVENTS**

Subsequent events were evaluated up to April 13, 2016, which is the issuance date of this Statutory annual report 2015. There are no subsequent events to report.

### **STATUTORY ANNUAL REPORT**

A copy of our Statutory annual report prepared in accordance with International Financial Reporting Standards (IFRS), is available free of charge by writing to our corporate offices, sending an email to [investor.relations@asm.com](mailto:investor.relations@asm.com) or downloading the file through our website.

# LOCATIONS WORLDWIDE

## EUROPE

### THE NETHERLANDS **ASM International NV (HEADQUARTERS)**

Versterkerstraat 8  
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T: +31 88 100 8810  
F: +31 88 100 8830

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F: +31 36 540 6710

### BELGIUM

### **ASM Belgium NV**

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### FINLAND

### **ASM Microchemistry Oy**

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F: +33 4 3892 0472

### GERMANY

### **ASM Germany Sales BV**

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T: +49 89 462 3650  
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### IRELAND

### **ASM Services & Support**

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### ISRAEL

### **ASM Services & Support**

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T: +972 8 6123077

## NORTH AMERICA

### UNITED STATES

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T: +1 602 470 5700

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T: +1 408 451 0830

Regional Service Office:

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F: +86 21 50 368878

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### **Kumamoto Service Center**

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**MALAYSIA****ASM Services & Support  
Malaysia Sdn Bhd**

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**SINGAPORE****ASM Front-End Manufacturing  
Singapore Pte Ltd**

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**ASM Wafer Process****Equipment Singapore Pte Ltd**

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**SOUTH KOREA****ASM Genitech Korea Ltd**

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**ASM Genitech Korea Ltd**

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**TAIWAN****ASM Front-End Sales &  
Services Taiwan Co, Ltd**

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**ASM Front-End Sales &  
Services Taiwan Co, Ltd**

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F: +886 6 589 2710

# SAFE HARBOR STATEMENT

In addition to historical information, some of the information posted or referenced in this report contains statements relating to our future business and/or results, including, among others, statements regarding future revenue, sales, income, expenditures, sufficiency of cash generated from operations, maintenance of majority interest in ASM Pacific Technology Ltd., business strategy, product development, product acceptance, market penetration, market demand, return on investment in new products, facility completion dates and product shipment dates, corporate transactions, restructurings, liquidity and financing matters, outlooks, and any other non-historical information. These statements include certain projections and business trends, which are 'forward-looking'. We caution readers that no forward-looking statement is a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking statements.

You can identify forward looking 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 or other issues, commercial and economic disruption due to natural disasters, terrorist activity, armed conflict or political instability, epidemics and other risks indicated in our most recently filed Annual report and other filings from time to time. The risks described are not the only ones. 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 posting unless otherwise noted, and we assume no obligation to update or revise any forward-looking statements to reflect future developments or circumstances.

**ASM International**

Versterkerstraat 8

1322 AP Almere

The Netherlands