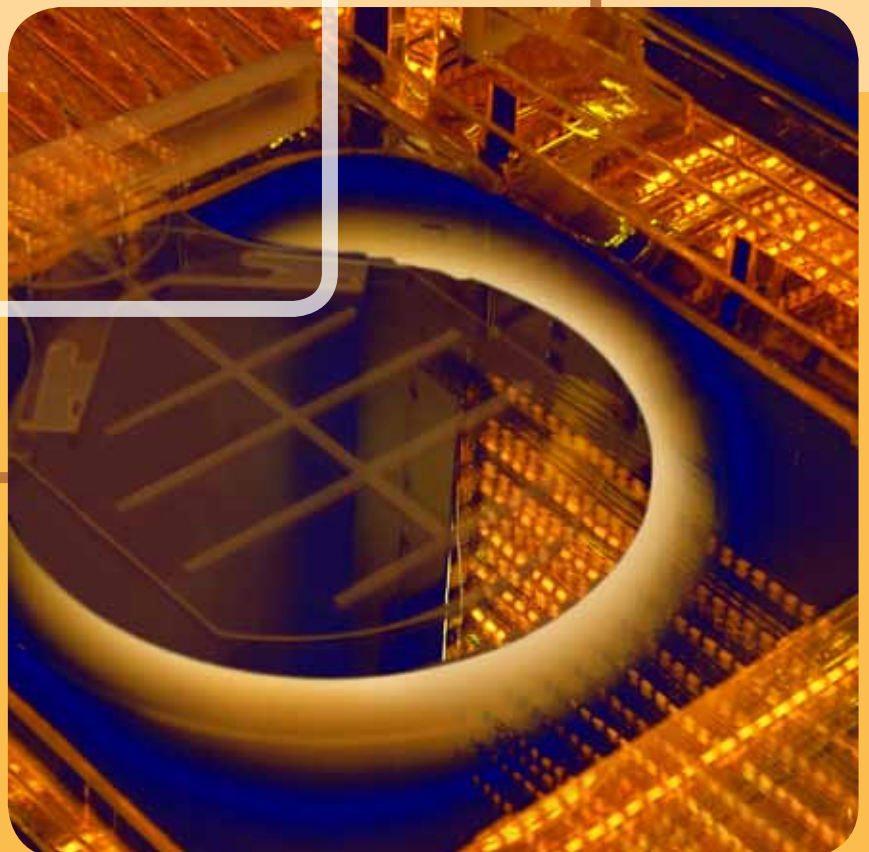
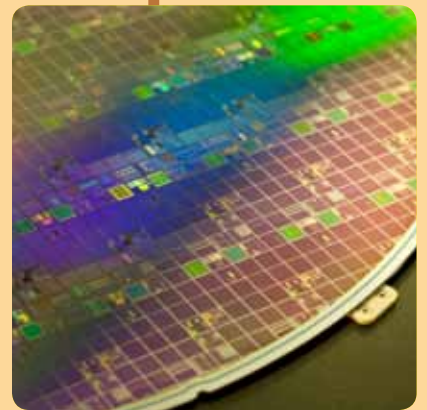


2009 Statutory Annual Report

The Process of InnovationSM



2009 Statutory Annual Report

Trademarks

ASM, the ASM International logo, Advance, Aurora, Dragon, Eagle, EmerALD, Epsilon, Polygon, Pulsar, SiGePLUS, Silcore and Stellar are our registered trademarks. A400, A412, A4ALD, ALCVD, Atomic Layer CVD, CarbonPLUS, Eagle TRIDENT, NCP, PEALD, Pore Builder, SmartBatch, and Superfill CVD are our trademarks. “The Process of Innovation” and “The Switch Is On” are our service marks.

AB500B, DreamPAK, DRYLUB, EQUIPMANAGER, EQUIPMGR, IDEALine, IDEALsystem, IDEALab, IDEALNet, PGS, SMARTWALK, SOFTEC, SmartSurf, and Ultravac are registered trademarks of ASM Pacific Technology Ltd. Cheetah, Eagle60, Harrier, Hummingbird, IDEALCompress, IDEALmold, Osprey, TwinEagle, FAB Farming and SolarCSI are trademarks of ASM Pacific Technology.

Safe Harbor Statement

In addition to historical information, this Annual Report contains statements relating to our future business and / or results, including, among others, statements regarding future revenue, sales, income, expenditures, sufficiency of cash generated from operations, maintenance of majority interest in ASM Pacific Technology Ltd., business strategy, product development, product acceptance, market penetration, market demand, return on investment in new products, facility completion dates and product shipment dates, restructurings, liquidity and financing matters and any other non-historical information in this Annual Report. These statements include certain projections and business trends, which are “forward-looking” within the meaning of the United States Private Securities Litigation Reform Act of 1995.

You can identify these statements by the use of words like “may”, “could”, “should”, “project”, “believe”, “anticipate”, “expect”, “plan”, “estimate”, “forecast”, “potential”, “intend”, “continue” and variations of these words or comparable words. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. You should be aware that our actual results may differ materially from those contained in the forward-looking statements as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to, economic conditions and trends in the semiconductor industry and the duration of industry downturns, currency fluctuations, the timing of significant orders, market acceptance of new products, competitive factors, litigation involving intellectual property, shareholder and other issues, commercial and economic disruption due to natural disasters, terrorist activity, armed conflict or political instability, epidemics and other risks indicated in our Annual Report on Form 20-F for the year ended December 31, 2009 and other filings from time to time with the SEC. We assume no obligation nor intend to update or revise any forward-looking statements to reflect future developments or circumstances.

US GAAP Annual Report

The Consolidated Financial Statements included in this Statutory Annual Report are prepared in accordance with International Financial Reporting Standards (“IFRS”) as endorsed by the European Union. These accounting principles are different from accounting principles generally accepted in the United States of America (“US GAAP”), which are the accounting principles followed by ASM International N.V. as a listed company on NASDAQ Global Select Market in the United States of America. The 2009 Annual Report, prepared in accordance with US GAAP, is available free of charge by writing to our corporate offices, e-mail to investor.relations@asm.com or through our website www.asm.com. An explanation and a reconciliation of the differences between US GAAP and IFRS is included in Note 31 to the Consolidated Financial Statements.

5	Financial Highlights and Selected Comparative Financial Data
6	ASM International
8	Letter to Shareholders
10	Report from the Supervisory Board
14	Management Board Report: Corporate Governance
26	Management Board Report: Management Report
46	Corporate Information
48	ASM International Worldwide
51	Annual Accounts
53	Consolidated Statements of Financial Position
54	Consolidated Statements of Income
55	Consolidated Statements of Comprehensive Income
56	Consolidated Statements of Total Equity
57	Consolidated Statements of Cash Flows
58	Notes to the Consolidated Financial Statements
103	Statements of Financial Position ASM International N.V.
104	Statements of Income ASM International N.V.
105	Notes to the Financial Statements of ASM International N.V.
110	Additional Information
112	Auditor's Report



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

Financial Highlights and Selected Comparative Financial Data

	Year ended December 31,	
	2008	2009
<i>In million Euro</i>		
Operations:		
Net sales:	747.4	590.7
Front-end	296.8	160.4
Back-end	450.6	430.4
Earnings (loss) from operations	64.4	(37.3)
Net earnings (loss) allocated to shareholders of the parent	38.2	(118.6)
Balance sheet:		
Net working capital ¹	260.5	181.3
Total assets	801.0	867.3
Total debt ²	145.0	259.7
Net debt (cash) ³	(12.3)	(34.2)
Backlog:	90.7	196.7
Front-end	53.0	50.3
Back-end	37.7	146.4
Number of staff:		
Full-time equivalents:	11,714	12,067
Front-end	1,667	1,294
Back-end	10,047	10,773
<i>In Euro</i>		
Per share data:		
Net earnings (loss) allocated to shareholders of the parent per share:		
Basic	0.73	(2.30)
Diluted	0.44	(2.30)
<i>In thousands</i>		
Weighted average number of shares used in computing per share amounts		
Basic	52,259	51,627
Diluted	62,050	51,627

¹ Net working capital includes accounts receivable, inventories, other current assets, accounts payable, accrued expenses, advance payments from customers and deferred revenue.

² Total debt includes long-term debt, the convertible subordinated debt, the conversion option and notes payable to banks.

³ Net debt (cash) includes long-term debt, the convertible subordinated debt, the conversion option and notes payable to banks minus cash and cash equivalents.

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

Mission and Strategy

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

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

- Expanding returns on Front-end operations by executing on our “PERFORM! program” that focuses on product commercialization, operating efficiencies and working capital reductions, while maintaining solid profitability for our Back-end segment.
- Streamlining our Front-end manufacturing processes to follow the highly successful vertical manufacturing model of our Back-end segment, by systematically reducing manufacturing costs through global sourcing, product platform consolidation, and locating significant parts of our manufacturing capability in more cost efficient countries.
- Maintaining our global reach through our operating, sales and customer service facilities in key parts of the world in order to establish and maintain long-term customer relationships.
- Leveraging our combined strong Front-end and Back-end technology leadership and manufacturing capabilities through advancements in our products and processes early in the technology lifecycle.
- Expanding the scope and depth of our research and development capabilities through strategic alliances with independent research institutes, universities, customers and suppliers, and expanding our intellectual property portfolio by filing patent applications for key developments in equipment, processes, materials and software, and by licensing programs for our technologies.

Wafer Processing

ASMI participates in three distinct Front-end manufacturing processes: wafer manufacturing, transistor formation, and interconnect. By building upon our core strengths in Vertical Furnaces, Epitaxy, and PECVD technologies, as well as our newer Atomic Layer Deposition technology platform, today we address all of the critical areas driving the semiconductor industry roadmap: silicon-on-insulator (SOI) and strained silicon, high-k and metal electrodes for logic and memory, and low-k for interconnect, enabling the industry transition to smaller line-widths and better transistors employing new materials.

Assembly and Packaging

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

Global Operations

With corporate headquarters in Almere, the Netherlands, ASMI operates manufacturing facilities in the United States, Japan, Hong Kong, the People’s Republic of China, Singapore and Malaysia, with design, research and development centers in Europe, North America, and Asia, and our sales and service operations spanning 18 countries across the globe. Our workforce totals more than 12,000 worldwide. ASMI trades on the NASDAQ stock market under the symbol “ASMI”, and on Euronext Amsterdam under the symbol “ASM”. ASMPT trades on the Hong Kong Stock Exchanges under the code 0522.

ATOMIC LAYER DEPOSITION - A CRITICAL NANOTECHNOLOGY

Building Atom by Atom

Atomic Layer Deposition (ALD) is an advanced process that enables the formation of thin films atom by atom. This truly enabling technology creates atomically-engineered nanoscale structures and devices with unique properties that address the challenges of very small dimensions. Building devices at the atomic level provides precise process control for uniform thickness of deposition materials over all topographies.

Expanding Application Markets

ALD serves an expanding range of applications within the semiconductor industry and beyond, in consumer, medical and government sectors. Many leading edge products in use today from the high performance chips to the hard disk drives in desktop PC's and the low power chips in wireless handheld devices are now built using ASMI's ALD technology. In addition, several applications outside the traditional semiconductor market also benefit from ALD as an enabling technology – from automotive electroluminescent dashboard displays to LED displays in mobile communication devices.

Materials-Enabled Scaling

In the vast field of microelectronics, ALD is a critical technology for manufacturing integrated circuits that enables the continuation of Moore's Law. Inspired by Intel founder, Gordon Moore, Moore's Law states that the density of ICs will double approximately every two years. What makes ALD such a critical technology for the miniaturization of both transistors and capacitors is that it enables the semiconductor industry to lay down a myriad of new materials with atomic precision.

Like thermal ALD, PEALD or "Plasma Enhanced ALD" is an ASMI innovation. PEALD not only widens the spectrum of materials that can be deposited, its capability to deposit many materials at temperatures as low as room temperature makes processes possible on temperature sensitive substrates such as photoresist. The technology is currently in use for so-called direct spacer defined double patterning, a technique that can reduce device dimensions at 32nm and below, postponing the need for new lithography technologies.

ASMI: Pioneer and Industry Leader

ASMI pioneered ALD technology for the semiconductor industry in 1999, following the acquisition of Microchemistry in Finland, who researched ALD for over 20 years. Today, ASMI is a leading supplier of ALD tools and process solutions, offering both single wafer and batch systems. Based on its current success with semiconductor industry leaders, ASMI is well positioned to leverage its market leadership in ALD by also penetrating the industry fast-followers.

Global R&D: the Foundation for Future Enhancements

ASMI maintains the broadest and most diversified ALD development organization in the industry, with access to all the stages in its life cycle, from developing basic chemistry to the implementation in production. With research centers around the globe working on ALD - in Finland, the U.S., Japan, Korea, the Netherlands, and Belgium, as well as joint research projects with Europe's largest independent research institute, IMEC - at ASMI, developments in ALD are a priority, and a dynamic and ongoing process.

ALD: Driving Sustainable Growth

Despite the early work on ALD around 30 years ago, it is a technology still very early in its lifecycle. Over the next decade, ALD is expected to be one of the principal drivers of growth in microelectronics. In the next 5 years, the market for single wafer ALD equipment is expected to grow, from about \$77 million in 2009 to about \$270 million in 2014 [VLSI Research, January 2010], representing a compound annual growth rate of over 28%.

At ASMI, ALD has grown from an emerging technology a decade ago to a core technology today, and a principal driver of our growth going forward.

As the parameters of miniaturization forge new paths, atomic layer deposition is now finally on the brink of becoming a core technology for the semiconductor industry. ASMI is strongly positioned and strategically focused to benefit from this momentum as ALD continues to shape the cutting edge of our industry - one atom at a time - as a true nanotechnology.

Letter to Shareholders

In 2009 the global financial crisis and economic downturn pushed our industry into the most severe semiconductor industry downturn in history, demanding tough cost-reduction measures that in Front-end, in particular, included fundamental structural changes across all our operations. Our imperative was to effect these changes without compromising the long term continuity of our technology leadership and to assure that ASMI would emerge from this crisis as an even stronger global competitor.

For Front-end we accelerated our restructuring plan towards solid performance throughout industry cycles, a program that was formally started in 2008. In fact, the semiconductor crisis created the opportunity to implement the necessary changes at a much faster pace. For Back-end we focused on balancing cost-cutting programs with refinements in manufacturing processes and designs, and leveraging the opportunities in the LED packaging market that increased significantly as the year played out.

Net sales for the year equaled €591 million, a decrease of 21% from 2008, with Front-end contributing 27% and Back-end, 73%. The market conditions in the semiconductor industry impacted the sales levels for the full year 2009 compared to 2008. Lower sales levels of 46% in our front-end segment and 4% in our back-end segment were recorded.

Front-end operating earnings were negatively impacted by the downturn and the restructuring and inventory impairment charges. The restructuring plan resulted in a significantly lower cost base, while maintaining our strategic focus on our R&D programs. Back-end recovered strongly after a weak first quarter in 2009. Front-end achieved a substantial reduction in working capital in 2009.

A major initiative of 2009 was to strengthen ASMI's financial position. In that regard, we successfully completed a €150 million convertible bond offering and secured commitments from banks for a new standby revolving credit facility of €65 million, which was increased to €90 million in January 2010. Both the convertible offering and the credit facility provide a meaningful level of financial resources to support our growth initiatives in the coming year.

Front-end

We continued to gain recognition among the industry leaders as the early provider of innovative solutions that enable Moore's law. ALD and PEALD, our flagship new technologies, continued to gain traction with multiple customers as further acceptance of ALD for high-k metal gate and the qualification of PEALD for advanced double patterning markets materialized. For the existing products, the downward momentum in the first half of the year reversed towards the end of the year, and sales of substantially all products showed growth again.

Simultaneously with managing a challenging top-line, Front-end adopted a major restructuring program in 2009, called PERFORM!, whose mission was threefold:

- Execute a pervasive cost reduction program to significantly reduce Front-end's cost base and control working capital;
- Position our innovative product portfolio for the market recovery by creating the right conditions for success; and
- Increase the effectiveness of the ASMI global organization.

We booked significant progress on all three fronts. Highlights of the 2009 restructuring achievements include the:

- Completion of the transfer of our Almere, the Netherlands, vertical furnace manufacturing to our central manufacturing facility in Singapore,
- Successful spin-off of our Levitor product line,
- Establishment of a platform group in Japan driving standardization through all single wafer products, and
- Implementation of a common organizational structure in all product groups.

Although some aspects of these initiatives will be implemented further in 2010, we believe we are well on track to achieve our PERFORM! goals. As a result, we remain firmly on schedule to reduce our cost base – that is SG&A, R&D and Indirect Overhead, by mid- 2010, by at least 40% versus the run rate at the fourth quarter of 2008. Through 2009, we reduced the number of Front-end full-time employees by 24%. Additionally, as a result of strong focus, we reduced working capital from €136 million in 2008 to €54 million by the end of 2009, of which €24 million was the result of non cash impairment charges.

Back-end

For ASM Pacific Technology, Ltd., our 52.6% owned assembly and packaging operation, 2009 was the most atypical year on record. While demand fell to the lowest level of the cycle in the first quarter, by the fourth quarter business volumes had returned to exceed pre-recession levels in a broad-based product and geographic recovery.

Back-end was well prepared to benefit from a rapid recovery, having completed the major portion of its cost-cutting initiatives by early 2009. In addition to an immediate tightening of operating expenses, Back-end's cost-reduction program also targeted longer-term structural changes. These included further innovation in the automation of manufacturing facilities to improve productivity, the re-design of parts for use in a wider range of products, and an overall streamlining of business and manufacturing processes to improve efficiency.

Adherence to its long term successful business strategy of remaining flexible even during downturns, providing multiple innovative products to diversified application markets, and its strong presence in China, positioned Back-end to capture opportunities in the early stages of the market recovery. Additionally, having the largest assembly and packaging product portfolio serving the LED market allowed Back-end to participate in the strong demand in this sector.

Outlook

Entering 2010, we see improved prospects for the semiconductor equipment sector and a brighter view for ASMI's businesses in an upturn. It is difficult to quantify how the business flow will evolve over the year and we remain cautious going forward. We do however expect to benefit from the overall industry rebound reflecting capacity additions and particularly the increased application of new technologies and materials where ASMI traditionally has demonstrated a leading edge. Additionally, we expect to continue to reap benefits from our Front-end restructuring program.

Overall, we remain confident that our initiatives to broaden our customer portfolio in both Front-end and Back-end, continuing investments at advanced technology nodes, and an extensive list of opportunities for ASMI's leading edge solutions optimally position the Company for both growth and value-creation as business conditions strengthen.

Against the turbulent backdrop of 2009, we are proud of all ASMI employees, their commitments and their contributions to the Company. We are also grateful for the support of our customers and investors in 2009. As ASM enters a new phase of growth, we look forward to working together to create a new and successful chapter in the Company's history.



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

Almere, the Netherlands
April 28, 2010

Report from the Supervisory Board

Financial Statements

We present the ASMI 2009 Statutory Annual Report in accordance with IFRS, as prepared by the Management Board and reviewed by the Supervisory Board. Our independent auditors, Deloitte Accountants B.V., have audited these Statutory Annual Accounts and issued an unqualified opinion. Report appears on page 112.

All of the members of the Supervisory Board have signed the Statutory Annual Report in respect of the financial year 2009.

Introduction

2009 saw continuation of the litigation in the Enterprise Chamber of the Amsterdam Court of Appeal that arose in 2008 from a conflict with a group of shareholders. In August 2009 the Enterprise Chamber of the Amsterdam Court of Appeal ordered an inquiry in respect of certain affairs of the Company. In November 2009, the Court appointed two investigators in order to carry out the inquiry. The inquiry is currently ongoing and it is expected that the investigators will present their findings to the Court during the second half of 2010.

2009 was also characterized by the global economic and financial crisis that precipitated the worst decline in the history semiconductor equipment industry. The global recession clearly disrupted Front-end's timetable for a return to profitability. The Board's response was immediate adoption of an aggressive restructuring plan for Front-end activities. The major elements of the plan are scheduled for completion in 2010. More on this program is discussed in the Letter to Shareholders in the 2009 Statutory Annual Report.

Supervision

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

Meetings of the Supervisory Board

During 2009, the Supervisory Board met with the Management Board on 8 occasions, and in a number of conference calls. Furthermore, the Supervisory Board held a few conference calls without the Management Board participating. In these meetings, the Boards discussed operations, business risks, product and market developments, the Company's organization, management and financial structure and performance, and initiatives of shareholders. Early in 2009, the Boards adopted an aggressive Front-end restructuring plan titled PERFORM! This comprehensive roadmap focuses on cost-reduction, product portfolio positioning and increasing the effectiveness of Front-end's global organization in order to become a stronger organization throughout industry cycles.

In addition, developments in corporate governance and reporting requirements, particularly those required by the new Dutch Corporate Governance Code of December 2008 and Section 404 of the Sarbanes-Oxley Act were discussed, as well as the composition of the Supervisory Board and the Management Board, and other strategic and operational issues.

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

Corporate Governance

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

Supervisory Board Composition

At the Annual General Meeting on May 14, 2009, Mr. Gert-Jan Kramer, former President and Chief Executive Officer of Fugro N.V., and Mr. Jan Lobbezoo, who previously held the position of Vice-President Philips Electronics International, were elected to the Supervisory Board. The Supervisory Board is currently composed of six members.

The Supervisory Board subsequently elected Mr. Kramer as Chairman, succeeding Mr. Paul van den Hoek who retired from the Supervisory Board after 28 years of service. Mr. Jan Lobbezoo succeeded a director who resigned from the Supervisory Board early in 2009 and was elected as chairman of the Audit Committee.

Management Board Composition

Effective May 15, 2009, Mr. Robert A. Ruijter assumed the position of interim Chief Financial Officer. Mr. Robert Ruijter previously held positions as Chief Financial Officer of The Nielsen Company B.V. and KLM N.V. Mr. Ruijter is formally not a member of the Management Board as his appointment is for a limited period until the recruitment of a permanent Chief Financial Officer is completed.

Supervisory Board Committees

Audit Committee

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

During the year, the Audit Committee held 6 meetings with the Management Board and Deloitte Accountants, the Company's independent auditors. Audit Committee discussions included: the Company's internal risk management systems; progress in testing operating effectiveness of internal controls required by Section 404 of the Sarbanes-Oxley Act; the Company's financial position and financing programs; the application of accounting principles; the establishment of an internal audit function; the appointment of Deloitte Accountants; the audit performed, and its findings, the Annual Report and Annual Accounts; and the budget and the quarterly progress reports prepared by the Management Board.

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

Nomination, Selection and Remuneration Committee

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

In 2009, the Nomination, Selection and Remuneration Committee held two meetings. The topics discussed included the remuneration of the individual members of the Management Board and the evaluation of remuneration policy for the Management Board. A proposal to update the remuneration policy will be submitted to the Annual General Meeting of Shareholders in May 2010. During the meetings of the committee, the Chief Executive Officer was present, except on the occasion when his own remuneration was discussed. For practical reasons most of the committee's work was done by e-mail or telephone.

The remuneration of the members of the Management Board is disclosed in Note 28 "Board Remuneration" to the Consolidated Financial Statements 2009. The remuneration of the members of the Management Board during 2009 is fully in accordance with the Remuneration Policy. The Remuneration Policy for the Management Board has been submitted to, and adopted by, the 2005 Annual General Meeting of Shareholders.

Report from the Supervisory Board (*continued*)

Word of Thanks

We extend gratitude and appreciation to ASMI employees worldwide for their many contributions and enduring commitment to the Company during a difficult year for our Company, our industry and the entire global economy. It is their commitment and determination that enabled us to pursue our ambitious restructuring goals in this unsettled environment. As we progress through this dynamic transition period for the Company, we recognize that the cumulative efforts of our work force are truly creating real value for all of our stakeholders.

Supervisory Board

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

Almere, the Netherlands
April 28, 2010

General

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

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

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

Dutch Corporate Governance Code

The Code contains principles and best practices for Dutch companies with listed shares and requires companies to either comply with these best practice provisions or to explain why they deviate from the Code. The Code has been granted statutory force by designating it as a code of conduct pursuant to article 2:391 subsection 5 of the Dutch Civil Code and replaces the former Corporate Governance Code of December 2003. A copy of the Code can be downloaded from www.commissiecorporategovernance.nl. We will discuss our corporate governance structure and compliance with the Code in the upcoming Annual General Meeting of Shareholders in May 2010, including the best practice provisions we do not comply with.

We currently comply with the principles and best practice provisions of the Code, except for the following:

Rule II.2.7 – Maximum severance for Management Board members

In general, we agree with 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.

Rule IV.1 – Appointment and dismissal of Management Board and Supervisory Board members

The Company acknowledges that the threshold set for dismissal of a Member of the Management Board or the Supervisory Board, other than in accordance with a proposal of the Supervisory Board, is currently not in line with best practice provision IV.1. There has also been a discussion between the Company and some of its shareholders to what extent the Company complies with best practice provision IV.1 as regards the appointment of Members of the Management Board and the Supervisory Board. A proposal to amend the Articles of Association in this respect will be submitted for approval to the Annual General Meeting of Shareholders in May 2010. Pursuant to this proposal the appointment and dismissal of a Member of the Management Board or the Supervisory Board, other than in accordance with a proposal of the Supervisory Board, shall require the affirmative vote of a majority of the votes cast at a General Meeting of Shareholders, which affirmative votes represent more than one third of our issued capital.

Management Board

Responsibilities

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

- achieving the aims, strategy, 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 which ensure that all major financial information is known to the Management Board to ensure the timeliness, completeness and accuracy of the external financial reporting are achieved; and
 - determining relevant aspects and achieve aims in relation to corporate social responsibility and sustainability.

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

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

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

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

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

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

Conflicts of Interest

Each Management Board member shall immediately report any potential conflict of interest to the Chairman of the Supervisory Board and to the other Management Board members. A Management Board member shall in such cases 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 Supervisory Board nominates candidates for each vacant seat on the Management Board and new members are appointed by the General Meeting of Shareholders. Persons nominated by the Supervisory Board to be appointed by the shareholders to the Management Board are elected if they receive a majority of the votes cast at a meeting of shareholders. Nominees to the Management Board who are not proposed by the Supervisory Board are appointed if they receive the affirmative vote of a majority of the votes cast at a meeting, which affirmative votes represent more than half our issued capital.

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

Remuneration

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

pension and other arrangements. The remuneration structure mirrors short-term and long-term elements of the responsibilities of members of the Management Board.

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

For further information regarding the remuneration of the Management Board, reference is made to the Remuneration Policy, which will be posted on our website, the Remuneration Report 2009, which is posted on our website, the Report of the Supervisory Board 2009, which is included in our Statutory Annual Report 2009 and in Note 28 “Board Remuneration” to the Consolidated Financial Statements 2009.

Internal Risk Management and Control Framework

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

For a detailed discussion of our risk factors, see page 29 of the Statutory Annual Report.

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

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

Responsibilities

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

Authorization

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

Planning and Control Cycle

The planning and control cycle starts with an annual budget approved by the Management Board and the Supervisory Board. The budget includes objectives and targets, which provide the basis for monitoring performance. For the Front-end activities the budget is followed up by monthly outlooks and quarterly forecasts. The Management Board monitors performance, both operational and financial, on a monthly basis, which includes discussion with management of the product lines. In addition, performance and action plans are discussed in operational performance reviews of the product lines.

The ASMPT Board is responsible for ongoing monitoring the performance of the Back-end activities. The actual results of Back-end are discussed with the ASMPT Audit Committee and reported to the ASMI-Management Board on a quarterly basis. On a monthly basis informal updates are discussed between ASMPT board and ASMI Management Board.

Finally each quarter for our operating units Front-end and Back-end the actual performances compared to budgets and planning are discussed with the ASMI Audit Committee and the Supervisory Board. In these meetings progress on specific programs such as cost reduction and working capital management are also discussed.

Code of Ethics, Whistleblower Policy, Anti-Fraud Policy

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

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

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

Environment, Health and Safety Procedures

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

Disclosure Controls and Procedures

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

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

Our Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures and recommendation by the Disclosure Committee, concluded that as of December 31, 2009 our disclosure controls and procedures were effective.

Policies and Procedures

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

Risk Management and Internal Controls

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

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

Our CEO and CFO, after evaluating the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by our Annual Report on Form 20-F, have concluded that as of December 31, 2009 our disclosure controls and procedures were effective.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Internal control over financial reporting is a process to provide reasonable assurance regarding the reliability of our financial reporting for external purposes in accordance with applicable generally accepted accounting principles. Internal control over financial reporting includes policies and procedures for maintaining records that in reasonable detail accurately and fairly reflect our transactions; providing reasonable assurance that transactions are recorded as necessary for preparation of our financial statements; providing reasonable assurance that receipts and expenditures of Company assets are made in accordance with management authorization; and providing reasonable assurance that unauthorized acquisition, use or disposition of Company assets that could have a material effect on our financial statements would be prevented or detected on a timely basis. Management, including our CEO and CFO, conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). Based on this evaluation, management concluded that the Company’s internal control over financial reporting was effective as of December 31, 2009. Deloitte Accountants B.V., an independent registered public accounting firm, has audited the Consolidated Financial Statements included in our Annual Report on Form 20-F and, as part of the audit, has issued an attestation report, included therein, on management’s assessment of ASMI’s internal control over financial reporting.

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

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

Identification and Assessment of Risks

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

- Economic and Market Risk

ASMI is vulnerable to changing economic circumstance and market conditions. The semiconductor industry and market have always been very cyclical and dependent on the economic climate. The industry is currently recovering from the economic downturn and the impact of the credit crisis. Potential ASMI customers have difficulties in obtaining credit facilities from financial institutions to fund investments in our equipment. Furthermore these customers suffer from the decrease of prices in the market (especially DRAM) and lower sales volumes. We face the risk of not being able to respond timely and effectively to these industry cycles, and not being able to reduce our activities and expenses in time. On the other hand industry upturns have been characterized by fairly abrupt increases in demand for semiconductor devices and equipment and insufficient production capacity. During a period of increasing demand and rapid growth, we must be able to quickly increase manufacturing capacity to meet customer demand and to assimilate a sufficient number of additional qualified personnel. The economic and market conditions materially affect our revenues, income, assets and liquidity and capital resources.

The cyclical nature is inherent to the semiconductor industry, but we endeavor to mitigate its effects. As an example, we have increased flexibility of our employees. Furthermore we focus as well on the sales of spare parts and customer service, which are less correlated with the economic climate and are expected to continue even in a period of declining demand.

- Cash Resources Risk

Managing our cash position becomes more important in periods of economic decline affecting our revenues and creditworthiness of customers. As a result, our cash position may be severely impacted. Credit facilities and borrowings are in place to mitigate the impact on our cash position. Furthermore we try to find a balance between cost control and reduction of expenses on the one hand, and continued investment in engineering and research and development for advanced technology on the other hand.

- Balancing Cost Control and Long Term Investments

As market conditions affect our business by a decline of revenues, cost control becomes an important measure to reduce the impact on financial results. Our industry is subject to rapid decline of revenues and we may not be able to respond in time by reducing costs and expenses to avoid negative impact on financial results.

Furthermore our future success depends to a large extent upon our ability to define and realize Product Roadmaps that are well aligned with the industry, and may have technology projections forward by as much as 5-10 years. The execution of product roadmap needs expenditures in investments for research and development programs.

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

Cost and expense reduction programs are currently in place e.g. by strong reduction of head count and transferring operational activities to the central production facilities at FEMS in Singapore.

- Customer Creditworthiness

Our customers operate under difficult market conditions affecting the creditworthiness of several of these companies; some of these companies are actively pursuing funding from governments. We may not succeed in avoiding the effect of bad debts completely.

Creditworthiness assessments of customers and the close monitoring of outstanding receivables have become more critical. Therefore risk profiles of customers are reviewed and based on due diligence information and adjusted. The assessment process is carried out under responsibility of the product managers with support from the regional and finance managers. Furthermore, provisioning has taken place to mitigate the impact of bad debts.

- Availability of Financial Back-up Facilities

Our cash position may be severely impacted by the current economic climate. ASMI has credit facilities for short term funding of working capital. The renewal of credit facilities may be at risk when financial institutions are not willing to provide new facilities leading to liquidity stringency. The current cash position and credit facilities of ASMI are considered adequate. We refer to the "Management Report" set forth in our Statutory Annual Report, for more insight in the financing position of the company.

ASMI has short term and long term credit facilities and borrowings. We entered into a new standby revolving credit facility in 2009.

- Foreign Currency Exchange Rates Risk

The foreign currency exchange risk exists of three types of risks:

- Transaction Risk

We conduct business in a number of foreign countries, with certain transactions denominated in currencies other than our functional currency (Euro) or the currency of one of our subsidiaries.

We manage the effect of most exchange rate fluctuations on revenues, costs and eventual cash flows and assets and liabilities denominated in selected foreign currencies, in particular in U.S dollar, by way of derivative instruments (including forward exchange contract).

- Translation Risk

The translation of financial results from our foreign entities could lead to translation effects of reported results. These translation effects (especially from the U.S. Dollar and the Japanese Yen to the Euro) may have material effect on the reported results.

As the translation to reporting currency does not lead to realized currency exchange results, and local activities are in the same currency, the translation risk is not covered.

- Economic Risk

The activities in different countries and foreign currencies may have the economic risk that exchange rates changes are leading to unfavorable competitive circumstances. The mismatch of currency between revenues and expenditures leads to economic exposure.

We have taken the following mitigating measures: borrowings in local currency mitigating the economic risk from currency mismatch, increased flexibility in the currency of sourcing and bringing manufacturing activities to Singapore. The movement to Singapore should primarily improve our competitive edge, but will also limit our economic risk to a certain extent.

- Change and Transition Risk

Our future success depends on the successful execution of strategic goals as stated in the PERFORM! and other programs within ASMI. The organizational changes and business transitions may be subject to risks that could have impact on the success of the change or transition process. Furthermore, the following inherent risks with impact on the change and transition processes could threaten ASMI in the achievement of its objectives e.g. control over costs incurred not sufficient, no actual achievement of pursued benefits, and finally, distraction of management from the business.

Project management and change management are key instruments for the successful transitions to a more global organization including e.g. a global sales organization, a more centralized and cost efficient R&D, the development and implementation of a shared service center, re-design of our SAP system aligned with the new global organization, and the sharing of platforms between products. We have allocated dedicated resources.

Supervisory Board

Responsibilities

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

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

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

Conflicts of Interest

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

Appointment

In accordance with Dutch law and the Code, the Supervisory Board has drawn up a profile for its own composition. This Supervisory Board Profile is available on our website. The Supervisory Board shall consist of at least three members. The members should operate independently of with regard to 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 fulfil the function of a Supervisory Board member. The Supervisory Board members appoint a chairman from amongst their midst.

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

Any (re)appointment to the Supervisory Board shall be based on consistency with the Supervisory Board Profile.

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

Remuneration

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

Independence

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

Composition and Role of Key Committees of the Supervisory Board

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

- Audit Committee

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

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

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

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

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

- **Nomination, Selection and Remuneration Committee**

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

The objective of the remuneration policy is twofold:

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

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

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

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

The Shareholders and General Meeting of Shareholders

Powers

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

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

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

Record Date

Our Articles of Association provide that the Management Board can determine a record date for the exercise of voting rights by shareholders at a general meeting. In accordance with Dutch law, this date cannot be set earlier than thirty days prior to the meeting. For our 2010 Annual General Meeting of Shareholders we will establish a record date which is seven days prior to the meeting. Only shareholders of record at that date will be entitled to attend and vote at the meeting.

The Audit of the Financial Reporting, and the Position of the External Auditor and the Internal Auditor Function

Role, Appointment, Remuneration and Assessment of the Functioning of the External Auditor

Our external auditor is appointed by the General Meeting of Shareholders and is nominated for appointment by the Audit Committee. Our current external auditor, Deloitte Accountants B.V. ("Deloitte"), was reappointed in the 2009 General Meeting of Shareholders. The Audit Committee has determined that the provision of services by Deloitte and its member firms is compatible with maintaining Deloitte's independence. All audit and permitted non-audit services provided by Deloitte and its member firms during 2009 were pre-approved by the Audit Committee.

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

- **Audit Services.** Management submits to the Audit Committee for pre-approval the scope and estimated fees for specific services directly related to performing the independent audit of our consolidated financial statements for the current year.
- **Audit-Related Services.** The Audit Committee may pre-approve expenditures up to a specified amount for services included in identified service categories that are related extensions of audit services and are logically performed by the auditors. Additional services exceeding the specified pre-approved limits require specific Audit Committee approval.
- **Tax Services.** The Audit Committee may pre-approve expenditures up to a specified amount per engagement and in total for identified services related to tax matters. Additional services exceeding the specified pre-approved limits, or involving service types not included in the pre-approved list, require specific Audit Committee approval.

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

Internal Audit

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

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

Declarations

Responsibility Statement as required by article 5:25C of the Dutch Act on Financial Supervision

The members of the Management Board state that, to the best of their knowledge, (i) the financial statements, as shown on pages 51 to 102 of our Statutory Annual Report, provide a true and fair view of the assets, liabilities, financial position and result for the financial year 2009 of ASM International and its subsidiaries included in the consolidated statements, (ii) the Management Report, as shown on pages 26 to 45 of this report, provides a true and fair view of the position and the business of ASM International and its subsidiaries (details of which are contained in the financial statements), and (iii) the Statutory Annual Report provides a description of the principal risks and uncertainties that ASM International faces.

Corporate Governance Statement

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

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

Management Report

Overview

We design, manufacture and sell equipment and systems used to produce semiconductor devices, or integrated circuits. Our production equipment and systems are used by both the front-end and back-end segments of the semiconductor market. Front-end equipment performs various fabrication processes in which multiple thin films of electrically insulating or conductive material are grown or deposited onto a round slice of silicon, called a wafer. Back-end equipment separates these processed wafers into numerous individual dies, each containing the circuitry of a single semiconductor device, and assembles packages and tests the dies in order to create semiconductor devices. We conduct our front-end business, which accounted for 27.1% of our net sales in 2009, through our principal facilities in the Netherlands, the United States, Japan and Singapore. We conduct our back-end business, which accounted for 72.9% of our net sales in 2009, through our principal facilities in Hong Kong, the People's Republic of China, Singapore and Malaysia. Our back-end operations are conducted through our 52.59% majority-owned subsidiary, ASM Pacific Technology.

We sell our products to the semiconductor manufacturing industry, which is subject to sudden, extreme, cyclical variations in product supply and demand. Starting late in 2008 and continuing in 2009, this industry is experiencing a dramatic and unprecedented decline in demand for semiconductor devices due to the worldwide economic downturn, which has led to the announcement of significant layoffs, plant closings, reduced capital expenditures and other cost reduction measures by semiconductor manufacturers. These conditions caused a substantial diminution in the demand for our products, which represent capital expenditures for our customers although a pick up in demand was evident in the second half of 2009. In addition, these conditions may lead to consolidation in the semiconductor manufacturing industry, which could further reduce demand for our products in the future. As with all such cycles, the timing, length and continued severity of this cycle cannot be predicted. The unprecedented nature of the current global financial crisis and economic downturn may result in changes in the semiconductor manufacturing industry and the manner in which we must conduct our business, in ways that cannot now be predicted.

We are currently implementing major restructuring plans. In particular, our PERFORM! program is designed to streamline our front-end global operations and reduce our cost base, and includes a focused effort on lowering our working capital requirements. This program involves the material restructuring of our significant front-end operating, manufacturing and administrative units. These efforts and other initiatives will continue through 2010 and beyond as we transition to a more global sales organization, a more centralized and cost efficient R&D function, the implementation of a global Enterprise Reporting Process (ERP) system, and the sharing of platforms among products. For a discussion of our restructuring and the related current and expected impairment charges, see Note 23 of the Notes to our Consolidated Financial Statements included in this report.

In late 2004, we established FEMS in Singapore as a low-cost manufacturing hub for front-end production. We established FEMS to manufacture generic subsystems and parts for our front-end products that we previously outsourced, in order to improve cost-effectiveness and strengthen our gross profit margin in our front-end segment. During 2009, we restructured our ASM Europe (ASME) operations by transferring all manufacturing in our Almere facility in the Netherlands to our FEMS operation in Singapore. This restructuring was completed and the Almere manufacturing facility was closed by the end of 2009. We are in the process of transferring manufacturing responsibility to FEMS for all Single Wafer Products. Our plans are to complete these transfers in 2010. As part of this process, our production facilities in Nagaoka, Japan and Phoenix, Arizona will be closed.

In April 2008, we announced our plan to dispose of our rapid thermal processing line. This disposition was completed in August 2009.

The global downturn started to negatively impact our back-end operations in the second half of 2008. Accordingly, in the fourth quarter of 2008, and in 2009, we implemented significant cost reduction measures in our back-end segment, including a hiring freeze, elimination of overtime and plant shutdowns. In the second half of 2009 our back-end revenue had recovered, and these measures have mostly been reversed.

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

especially if activity in our markets remains at low levels, which may result in substantial write-downs upon any such default. To manage these challenges, we are monitoring our sales activities closely and taking a disciplined approach to evaluating and addressing customer credit risks. Where we deem it appropriate, we are bearing increased customer credit risk.

In this difficult economic environment, we also are subject to increased risk of performance failures of our suppliers, which could disrupt our manufacturing and/or increase our costs.

As a result of the current prolonged contraction in the market and strategic focus of certain of our product configurations a write down of inventories has been recorded of € 24.2 million.

Despite the difficult industry market, we must maintain our research and development at a high level to remain competitive in the future. The decrease of research and development costs in the front-end segment is the result of the prioritization of research and development projects. In the fourth quarter research and development activities increased focus on enabling technologies and platforms based on strategic prioritization.

On November 6, 2009 we issued € 150 million senior unsecured convertible bonds due November 2014. The Bonds will be convertible into new and/or existing shares of the Company and will carry a quarterly coupon of 6.5% per annum and a conversion price of € 17.09. The issue was done to extend our debt maturity profile. We intend to use part of the proceeds of the offering for general corporate purposes. In addition, we intend to partially use the proceeds to buy back our outstanding convertible bonds due 2010 and 2011 on an ongoing basis. In December 2009 US\$ 4 million of our convertible bonds due 2010 and US\$ 26 million of the convertible bonds due 2011 were repurchased. During January 2010, a further US\$ 39 million of the outstanding convertible bonds due 2011 were repurchased

We also negotiated a new standby revolving credit facility of € 65 million. This secured credit facility replaced our former secured credit facility provided by Rabobank and has a term of 3 years. The facility was increased to € 90 million on January 11, 2010.

At December 31, 2009, our principal sources of liquidity consisted of € 293.9 million in cash and cash equivalents and € 92.9 million in useable undrawn bank lines. Approximately € 112.2 million of the cash and cash equivalents and € 26.7 million of the undrawn bank lines are restricted to use in the Company's back-end operations and € 29.8 million of the cash and cash equivalents and € 1.2 million in undrawn bank lines are restricted to use in the Company's front-end operations in Japan.

In the past, industry downturns have been followed by robust market upturns. It is important for us to retain sufficient production capacity to be able effectively to respond to such a market upturn, which limits our ability to reduce costs by reducing our manufacturing capacity and our commitments to our suppliers. If we are unable to retain adequate production capacity and supplier production capacity, whether due to cost reduction measures or otherwise, we may be unable to respond timely to a subsequent increase in demand, which would negatively affect our customer relationships and financial performance.

Management Report (continued)

Sales

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

The following table shows the geographic distribution of our front-end and back-end sales for the years 2008 and 2009:

(amounts in millions)	Year ended December 31,			
	2008		2009	
	€	%	€	%
Front-end:				
Taiwan	54.4	18.3	17.3	10.8
United States	96.7	32.6	51.9	32.4
Europe	73.4	24.7	36.8	22.9
Japan	54.0	18.2	33.1	20.7
Other	18.3	6.2	21.3	13.2
	296.8	100.0	160.4	100.0
Back-end:				
People's Republic of China	159.4	35.4	144.6	33.6
Taiwan	76.2	16.9	86.2	20.0
Malaysia	60.6	13.4	42.4	9.8
South Korea	26.4	5.9	63.9	14.9
Hong Kong	30.5	6.8	16.1	3.7
Thailand	23.7	5.3	24.4	5.7
Singapore	12.4	2.8	5.1	1.2
Philippines	20.5	4.5	21.6	5.0
United States	13.6	3.0	15.0	3.5
Other	27.3	6.0	11.1	2.6
	450.6	100.0	430.4	100.0

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

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

A substantial portion of our front-end sales is for equipping new or upgraded fabrication plants where device manufacturers are installing complete fabrication equipment. As a result our front-end sales tend to be uneven across customers and financial periods. Sales to our ten largest front-end customers accounted for 60.4% and 61.4% of front-end net sales in 2008 and 2009, respectively. The composition of our ten largest front-end customers changes from year to year. The largest front-end customer accounted for 31.7% and 30.6% of front-end net sales in 2008 and 2009, respectively.

Back-end sales per customer tend to be more level over time than front-end sales, because back-end operations can be scaled up in smaller increments at existing facilities. Sales to our ten largest back-end customers accounted for 26.3% and 32.7% of back-end net sales in 2008 and 2009, respectively. Because our back-end customers' needs are more level over time, the composition of our ten largest customers is more stable from year to year than in the front-end. Our largest back-end customer accounted for 4.4% and 6.0% of back-end net sales in 2008 and 2009, respectively.

Research and Development

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

Our research and development operations in the Netherlands and the United States receive research and development grants and credits from various sources. The research and development grants and credits received from governmental sources in the Netherlands include a credit which is contingently repayable to the extent we recognize sales of products to which the credit is related within an agreed upon time period. We do not recognize a liability on our Consolidated Balance Sheet in respect of this credit until we recognize sales of products to which the credit is related, within the agreed upon time period and is then charged to cost of sales when such sales are recorded. The repayment amounts to 4.0% of the realized sales of these products. In 2008 we accounted for repayments with respect to these credits of € 0.1 million. Interest on the contingent repayments is accrued at an interest rate of 6.05% per annum. The contingent repayment, including accrued interest, was € 3.1 million at December 31, 2008. This amount has not been recognized as a liability in the Consolidated Balance Sheet. As a result of the management buy-out of our RTP business in 2009 this contingent liability conveyed to Levitech B.V.

Risk factors

In conducting our business, we face a number of risks that each could materially affect our business, revenues, income, assets and liquidity and capital resources. The risks described below are not the only ones facing ASML. Some risks are not yet known and some that we do not currently believe to be material could later become material. See our 2009 Annual Report on Form 20-F for a detailed description of the following risk factors:

Risks related to our industry:

- The industry in which we operate is highly cyclical and is currently slowly recovering from an unprecedented downturn which has negatively impacted our business.
- Our industry is subject to rapid technological change and we may not be able to forecast or respond to commercial and technological trends in time to avoid competitive harm.
- If we fail to adequately invest in research and development, we may be unable to compete effectively.
- We face intense competition from companies which have greater resources than we do, and potential competition from new companies entering the market in which we compete. If we are unable to compete effectively with these companies, our market share may decline and our business could be harmed.
- Industry Alliances May Not Select our Equipment.

Risks related to our business:

- During 2009 we implemented a major restructuring plan, the execution of which involves risks to our business and financial results.
- Our customers are facing challenges in the current economic downturn and if they cannot perform their obligations to us our financial results will suffer.
- We derive a significant percentage of our revenue from sales to a small number of large customers, and if we are not able to retain these customers, or if they reschedule, reduce or cancel orders, or fail to make payments, our revenues would be reduced and our financial results would suffer.
- We may need additional funds to finance our future growth and ongoing research and development activities. If we are unable to obtain such funds, we may not be able to expand our business as planned.
- Our products (primarily in the front-end) generally have long sales cycles and implementation periods, which increase our costs in obtaining orders and reduce the predictability of our earnings.
- Our ability to compete could be jeopardized if we are unable to protect our intellectual property rights from challenges by third parties; claims or litigation regarding intellectual property rights could require us to incur significant costs.
- We license the use of some patents from a competitor pursuant to a settlement agreement; if the agreement is terminated, our business could be adversely affected.
- As of December 18, 2007, we ceased paying royalties under certain Applied Materials patent licenses in respect of patents that we no longer practice. If it is determined that we still practice these patents, we will owe royalty payments to Applied Materials on our sales of covered products since that time.

Management Report (continued)

- Our net earnings could be negatively impacted by currency fluctuations.
- Substantially all of our equipment orders are subject to operating, performance, safety, economic specifications and other contractual obligations. We occasionally experience unforeseen difficulties in compliance with these criteria, which can result in increased design, installation and other costs and expenses.
- We are subject to various legal proceedings and claims, the outcomes of which are uncertain. If we fail to accurately evaluate the probability of loss or the amount of possible losses, an adverse outcome may materially and adversely affect our financial condition and results of operations.
- The Dutch Enterprise Court is reviewing certain matters in relation to ASMI and Stichting Continuïteit ASM International, the timeline and outcome of which are uncertain.
- If our products are found to be defective, we may be required to recall and/or replace them, which could be costly and result in a material adverse effect on our business, financial position and net earnings.
- Although we currently are a majority shareholder of ASM Pacific Technology, we may not be able to maintain our majority interest, which, if other circumstances are such that we do not control ASM Pacific Technology, would prevent us from consolidating its results of operations with ours. This event would have a significant negative effect on our consolidated earnings from operations.
- Although we are a majority shareholder, ASM Pacific Technology is not obligated to pay dividends to us and may take actions or enter into transactions that are detrimental to us.
- We may not be able to recruit or retain qualified personnel or integrate qualified personnel into our organization. Consequently, we could experience reduced sales, delayed product development and diversion of management resources.
- Because the costs to semiconductor manufacturers of switching from one semiconductor equipment supplier to another can be high, it may be more difficult to sell our products to customers having a competing installed base, which could limit our growth in sales and market share.
- Our reliance on a limited number of suppliers and a single manufacturing facility in our front-end could result in disruption of our operations.
- We operate worldwide; economic, political, military or other events in a country where we make significant sales or have significant operations could interfere with our success or operations there and harm our business.
- Environmental laws and regulations may expose us to liability and increase our costs.
- Any acquisitions or investments we may make in the future could disrupt our business and harm our financial condition.

Risks related to an investment in our shares:

- Our founder and members of our Supervisory Board and Management Board control approximately 22.4% of our voting power which gives them significant influence over matters voted on by our shareholders, including the election of members of our Supervisory Board and Management Board and makes it substantially more difficult for a shareholder group to remove or elect such members without the support of our founder and members of the Supervisory Board and Management Board.
- Our anti-takeover provisions may prevent a beneficial change of control.
- We must offer a possible change of control transaction to Applied Materials first.
- Our failure to maintain effective internal controls over financial reporting may prevent our auditor from attesting to our evaluation of our controls.
- Our stock price has fluctuated and may continue to fluctuate widely.
- Our quarterly revenues and earnings from operations have varied significantly in the past and may vary in the future due to a number of factors, including, without limitation:
 - cyclical and other economic conditions in the semiconductor industry;
 - production capacity constraints;
 - the timing of customer orders, cancellations and shipments;
 - the length and variability of the sales cycle for our products;
 - the introduction of new products and enhancements by us and our competitors;
 - the emergence of new industry standards;
 - product obsolescence;
 - disruptions in sources of supply;
 - our ability to time our expenditures in anticipation of future orders;
 - our ability to fund our capital requirements;
 - changes in our pricing and pricing by our suppliers and competitors;
 - our product and revenue mix;
 - seasonal fluctuations in demand for our products;

- foreign currency exchange rate fluctuations; e.g. appreciation of the euro versus the Japanese yen and U.S. dollar, which would negatively affect the competitiveness of those manufacturing activities that are domiciled in countries whose currency is the euro; and
- economic conditions generally or in various geographic areas where we or our customers do business.

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

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

Critical Accounting Policies

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

The principal differences per December 31, 2009 between US GAAP and IFRS relate to accounting for goodwill, accounting for development expenses and accounting for pension plans. For the year ended December 31, 2008 there were additional differences in accounting for minority interest and accounting for convertible subordinated notes.

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which have been prepared in accordance with IFRS. We apply the going concern basis in preparing our Consolidated Financial Statements. Historical cost is used as the measurement basis unless otherwise indicated. The preparation of these Consolidated Financial Statements requires us to make estimates, judgments and assumptions that we believe are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities at the date of the Consolidated Financial Statements and the reported amounts of revenues and expenses during the periods presented. The significant accounting policies which we believe are the most critical to aid in fully understanding and evaluating our reported financial results include the following:

Revenue Recognition. We recognize revenue when all four revenue recognition criteria have been met:

- persuasive evidence of an arrangement exists;
- delivery has occurred or services have been rendered;
- seller’s price to buyer is fixed or determinable; and
- collectibility is reasonably assured.

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

Our revenue includes revenue from contractual arrangements consisting of multiple deliverables, such as equipment and installation. The revenue from the undelivered element of the arrangement is deferred at fair value until delivery of the element.

Management Report (continued)

We recognize revenue from installation of equipment upon completion of installation at the customer's site. At the time of shipment, we defer that portion of the sales price related to the fair value of installation. The fair value of the installation process is measured based upon the per-hour amounts charged by third parties for similar installation services. Installation is completed when testing at the customer's site has proven that the equipment has met all of the customer's criteria and specifications. The completion of installation is signed-off by the customer ("final acceptance"). At December 31, 2008 and December 31, 2009 we have deferred revenues from fair value of installations in the amount of € 5.0 million and € 2.5 million respectively.

Our front-end 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.

Based on these criteria we may decide to defer revenue recognition until completion of installation at the customer's site and obtaining final acceptance from the customer.

At December 31, 2008 we had no deferred revenues from sales of equipment. At December 31, 2009 we had € 0.7 million deferred revenue from sales of equipment.

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

Valuation of Goodwill. Goodwill is tested for impairment annually on December 31 and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. Our front-end impairment test and the determination of the fair value is based on a discounted future cash flow approach that uses our estimates of future revenues, driven by assumed market growth and estimated costs as well as appropriate discount rates. These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Our back-end impairment test is based on the market value of the listed shares of ASMPT. The annual impairment test performed per December 31, 2009 was based on the following assumptions and data:

- A pre-tax WACC of 13%.
- For Front-end external market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used
- Cash flow calculations are limited to five years of cash flow; after these five years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less.
- For Back-end the market value of the listed shares of ASMPT on the Hong Kong Stock exchange has been used in our analysis.

Management believes that the fair value calculated reflects the amount a market participant would be willing to pay. Based on this analysis management believes that the fair value of the reporting units substantially exceeded its carrying value and that, therefore, goodwill was not impaired as of December 31, 2009. For the year ended December 31, 2007, we did not record an impairment charge to goodwill as a result of our tests performed. For the year ended December 31, 2008 we recorded impairment charges of € 1.3 million with respect to goodwill resulting from the acquisition of NanoPhotonics.

The calculation of the fair value involves certain management judgments and was based on our best estimates and projections at the time of our review, and the value may be different if other assumptions are used. In future periods we may be required to record an impairment loss based on the impairment test performed, which may significantly affect our results of operations at that time. At December 31, 2009, a decrease in estimated cash flows of 10% and an increase of 10% of the discount rate used in calculating the fair value would not result in an impairment of the carrying value of goodwill.

Valuation of Long-Lived Assets. Long-lived assets and certain recognized intangible assets (except those not being amortized) are reviewed by us for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. In 2007 we did not record an impairment charge to

long-lived assets. In 2008 we recorded an impairment charge of € 7.1 million related to the restructuring of ASM Europe. In 2009 we recorded impairment charges mainly related to certain demo tools which were as a result of the strategic reorientation determined end of life. Our cash flow estimates used include certain management judgments and were based on our best estimates and projections at the time of our review, and may be different if other assumptions are used. In future periods, however, we may be required to record impairment losses, which may significantly affect our results of operations at that time. At December 31, 2009, a decrease in estimated cash flows of 10% would not result in an impairment of the carrying value of long-lived assets.

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

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

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

Valuation of Inventory. Inventories are valued at the lower of cost or market value. We regularly evaluate the value of our inventory of components and raw materials, work in progress and finished goods, based on a combination of factors including the following: forecasted sales, historical usage, product end of life cycle, estimated current and future market values, service inventory requirements and new product introductions, as well as other factors. Purchasing requirements and alternative uses for the inventory are explored within these processes to mitigate inventory exposure. We record write downs for inventory based on the above factors and take into account worldwide quantities and demand into our analysis. In the year ended December 31, 2009 we have charged € 27.2 million to cost of sales as a result of our analysis of the value of inventory. Of this charge € 24.2 million was recognized as a result of the current prolonged contraction in the market and strategic refocusing of certain of our product configurations. At December 31, 2009 our allowance for inventory obsolescence amounted to € 46.9 million, which is 23.8% of our total inventory. If circumstances related to our inventories change, our estimate of the values of inventories could materially change. At December 31, 2009, an increase of our overall estimate for obsolescence and lower market value by 10% of our total inventory balance would result in an additional charge to cost of sales of € 20.0 million.

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

Convertible bonds and conversion option. All our convertible bonds due 2010, 2011 and 2014, include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company (“conversion option”). IFRS requires separate recognition of these components.

For the conversion options of the convertible bonds due 2010 and 2011 the accounting is different from that for the conversion option of the convertible bonds due 2014. As the convertible bonds due 2010 and 2011 are denominated in USD and the ASM International common shares in which they can be converted to are denominated in Euro, these conversion options are recognized as a liability measured at fair value. The conversion option is measured at fair value through the income statement, for 2009 this revaluation at fair value resulted in a loss of € 24.4 million. For the conversion options of the

Management Report (continued)

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

The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue, for similar non-convertible debt. Subsequently, the liability is measured at amortized cost. The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes, thus creating a non-cash interest expense. For 2009 this accretion interest was € 4.9 million.

Income Taxes. We currently have significant deferred tax assets, which resulted primarily from operating losses incurred in prior years as well as other temporary differences. We have established a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Based on available evidence, we regularly evaluate whether it is more likely than not that the deferred tax assets will not be realized. This evaluation includes our judgment on the future profitability and our ability to generate taxable income, changes in market conditions and other factors. At December 31, 2009, we believe that there is insufficient evidence to substantiate recognition of substantially all net deferred tax assets with respect to net operating loss carry forwards, and we have established a valuation allowance in the amount of € 140.8 million. Future changes in facts and circumstances, if any, may result in a change of the valuation allowance to these deferred tax asset balances which may significantly influence our results of operations at that time. If our evaluation of the realization of deferred tax assets would indicate that an additional 10% of the net deferred tax assets as of December 31, 2009 is not realizable, this would result in an additional valuation allowance and an income tax expense of € 1.5 million.

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

Restructuring expenses. In 2009 significant restructuring expenses incurred. Distinction is made in one-time employee termination expenses, contract termination expenses and other associated expenses. For the accounting on the distinguished elements of restructuring expenses we apply to the policy as mentioned below. The expenses have been charged to "restructuring expenses".

One-time termination expenses represent the payments provided to employees that have become redundant and are terminated under the terms and conditions of a restructuring plan.

A restructuring plan exists at the date the plan meets all of the following criteria and has been communicated to employees:

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

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

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

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

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

Results of Operations

The following table shows certain Consolidated Statement of Operations data as a percentage of net sales for our front-end and back-end segments for the years 2008 and 2009:

	Year ended December 31,					
	Front-end		Back-end		Total	
	2008	2009	2008	2009	2008	2009
Net sales	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	(68.4)	(94.6)	(60.9)	(59.8)	(63.8)	(69.3)
Gross profit	31.6	5.4	39.1	40.2	36.2	30.7
Selling, general and administrative expenses	(24.1)	(36.5)	(12.2)	(11.5)	(16.9)	(18.2)
Research and development expenses	(13.2)	(29.0)	(6.9)	(6.6)	(9.4)	(12.7)
Amortization of other intangible assets	(0.2)	(0.3)	-	-	(0.1)	(0.3)
Impairment of goodwill	(0.4)	-	-	-	(0.2)	-
Restructuring expenses	(2.4)	(22.3)	-	-	(0.9)	(6.0)
Earnings (loss) from operations	(8.7)	(82.6)	20.0	22.1	8.6	(6.3)
Net interest income (expense)	(2.1)	(4.6)	0.2	0.1	(0.7)	(1.2)
Accretion of interest convertible	(1.9)	(3.1)	-	-	(0.8)	(0.8)
Revaluation conversion option	6.5	(15.2)	-	-	2.6	(4.1)
Gain (expense) resulting from early extinguishment of debt	3.8	(1.1)	-	-	1.5	(0.3)
Foreign currency exchange gains (losses)	-	(0.4)	0.3	(0.1)	0.2	(0.2)
Earnings (loss) before income taxes and dilution	(2.4)	(107.0)	20.5	22.1	11.4	(13.0)
Income tax expense	(0.8)	5.8	(2.3)	(2.7)	(1.7)	(0.4)
Earnings (loss) before dilution	(3.2)	(101.2)	18.2	19.4	9.7	(13.4)
Gain on dilution of investment in subsidiary	-	-	-	-	0.5	0.2
Net earnings (loss)	(3.2)%	(101.2)%	18.2 %	19.4 %	10.2 %	(13.2)%
Allocation of net earnings (loss)						
Shareholders of the parent					5.1 %	(19.9)%
Minority interest					5.1 %	6.6 %

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Net Sales. The following table shows net sales of our front-end and back-end segments and the percentage change for the full years 2009 and 2008:

(EUR millions)	2008	2009	% Change
Front-end	296.8	160.4	(46)%
Back-end	450.6	430.4	(4)%
Total net sales	747.4	590.7	(21)%

In 2009 net sales of wafer processing equipment (front-end segment) represented 27% of total net sales and sales of assembly and packaging equipment and materials (back-end segment) represented 73% of total net sales.

The market conditions in the semiconductor industry impacted the sales levels for the full year 2009 compared to 2008. Lower sales levels of 46% in our front-end segment and 4% in our back-end segment were recorded.

In our front-end segment the decrease continued in the first two quarters, but recovered from the third quarter onwards. This pattern is noticed in all product lines.

Management Report (continued)

In the back-end segment 2009 started with weak sales levels which rebounded after the first quarter of 2009 as market conditions improved significantly in the assembly and packaging equipment industry due to the stimulus packages implemented by especially the Chinese government and the right product mix. The improvement in the second half year is more broad-based from a geographical perspective.

The strengthening of the Yen, U.S. dollar and U.S. dollar related currencies against the Euro in 2009 as compared to the same period of 2008 impacted total net sales by 5%.

Gross Profit Margin. The following table shows the gross profit margin of our front-end and back-end segments for the full years 2009 and 2008. In order to improve comparability impairment charges have been disclosed separately in the table below.

(EUR millions)	Gross profit		Gross profit margin		Increase or (decrease) percentage points
	2008	2009	2008	2009	
Gross profit before impairment of inventory charge	97.8	32.9	33.0 %	20.5 %	(12.5)pt
Impairment of inventory charge	(3.9)	(24.2)	(1.4)%	(15.1)%	(13.7)pt
Gross profit front-end	93.9	8.7	31.6 %	5.4 %	(26.2)pt
Gross profit back-end	176.4	172.8	39.1 %	40.1 %	1.0 pt
Total gross profit	270.3	181.5	36.7 %	34.8 %	(1.9)pt

The decrease in the gross profit margin before the impairment of inventories of our front-end segment is the result of the low sales level, the mix of products sold and the absorption of our manufacturing overhead. As a result of the current prolonged contraction in the market and strategic focus of certain of our product configurations a write down of inventories has been recorded of € 24.2 million. In 2008 an impairment charge of € 3.9 million on RTP inventory was charged to the cost of sales. In our back-end segment gross margins decreased in the first quarter, but due to the industry dynamics rebounded in the remaining three quarters of 2009.

Selling, General and Administrative Expenses. The following table shows selling, general and administrative expenses for our front-end and back-end segments for the full year 2009 and the full year 2008:

(EUR millions)	2008	2009	% Change
Front-end	71.6	58.5	(18)%
Back-end	55.0	49.3	(10)%
Total selling, general and administrative expenses	126.6	107.8	(15)%

As a percentage of net sales, selling, general and administrative expenses were 18% for the full year of 2009 and 17% in the same period of 2008.

Selling, general and administrative expenses of our front-end segment decreased for the full year 2009 as a result of our focus to reduce our expenses given the current market circumstances, including the reduction of headcount of the front-end segment.

The decrease in the back-end segment compared with the same period in 2008 is the result of the implementation of costs reduction programs.

Headcount of the front-end segment was reduced by 24% in 2009 while the headcount of the back-end segment increased with 7% in 2009.

Research and Development Expenses. The following table shows research and development expenses for our front-end and back-end segments for the full year 2009 and the full year 2008:

(EUR millions)	2008	2009	% Change
Front-end:			
Research and development expenses	27.6	24.4	(12)%
Amortization of capitalized development expenses	2.5	1.7	(32)%
Impairment of capitalized development expenses	9.7	21.6	122%
Research and development grants and credits	(0.6)	(1.1)	(83)%
	39.2	46.6	19 %
Back-end	31.2	28.4	(9)%
Total research and development expenses	70.4	75.0	6 %

As a percentage of net sales, total research and development expenses were 12.7% in 2009 and 9.4% in 2008.

The decrease of research and development expenses in the front-end segment is the result of the prioritization of research and development projects. The reduction in the back-end segment is result of cost reduction efforts.

In the impairment charge of capitalized development expenses for 2009 an amount of € 12.5 million relates to certain projects which were as a result of the strategic reorientation determined end of life.

Restructuring Expenses. In 2009 ASMI started the implementation of a major restructuring in the front-end segment as announced on January 9, 2009 and on July 20, 2009. The main components of the Company's accelerated execution plans are:

- The consolidation of our global front-end manufacturing operations from Europe, the United States and Japan, into our front-end manufacturing operations in Singapore by the end of 2010. This will be achieved by completing the previously announced transfer from Almere, the Netherlands, which was finalized during 2009; the phasing out the manufacturing operation in Phoenix, Arizona, in the first half of 2010; and by transferring manufacturing from Nagaoka, Japan, no later than the fourth quarter of 2010.
- The reduction of selling, general and administration expenses by making fundamental changes in our global support infrastructure. This includes a significant simplification and streamlining of our warehousing operations and the further strengthening of the global sales & service organization which was created last year.
- The leveraging of research and development and our product portfolio by reprioritization of strategic programs in order to maximize their potential.

Related to these execution plans, an amount of € 35.7 million restructuring expenses was recorded for the full year of 2009.

These charges include:

- Employee related expenses of € 19.4 million. Included are unconditional one-time termination benefits of € 15.8 million, conditional one-time termination benefits subject to the final termination date of € 1.7 million and other employee related expenses of € 1.9 million.
- Contract termination related expenses of € 2.8 million. These expenses mainly relate to operational lease contracts and include both the valuating of the onerous contracts at fair value, the decommissioning expenses and impairments of leasehold improvements.
- Impairment charges of € 4.6 million mainly related to machinery and equipment. We impaired certain demo tools which were as a result of the strategic reorientation determined end of life. The impairment charges were determined based on the difference between the asset's estimated fair value and their carrying amount.
- Expenses of € 4.4 million resulting from the transition of our global front-end manufacturing operations from Europe, the United States and Japan, into our front-end manufacturing operations in Singapore.
- Expenses of € 3.9 million related to the management buy-out of our RTP.
- Other expenses of € 0.6 million.

Management Report (continued)

Earnings (Loss) from Operations. The following table shows earnings (loss) from operations for our front-end and back-end segments for the full year 2009 compared to the same period in 2008. In order to improve comparability, impairment and restructuring charges have been disclosed separately in the table below.

(EUR millions)	2008	2009	Change
Front-end:			
Before impairments and restructuring charges	(14.8)	(60.0)	(45.2)
Impairments and restructuring charges	(11.0)	(72.4)	(61.4)
After impairments and restructuring charges	(25.8)	(132.4)	(106.6)
Back-end	90.2	95.1	4.9
Total earnings (loss) from operations	64.4	(37.3)	(101.7)

Net Interest Expense. Net interest expense amounted to € 6.9 million in 2009 compared to the net interest expense of € 5.2 million in 2008. This increase in net interest expenses mainly results from decreased interest income.

Accretion interest expense convertible notes. Both our convertible bonds due 2010, 2011 and 2014, include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company (“conversion option”). IFRS requires separate recognition of these components.

The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue, for similar non-convertible debt. Subsequently, the liability is measured at amortized cost. The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes, thus creating a non-cash interest expense. For 2009 this accretion interest was € 4.9 million.

Revaluation conversion option. Both our convertible bonds due 2010, 2011 and 2014, include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company (“conversion option”). IFRS requires separate recognition of these components.

For the conversion options of the convertible bonds due 2010 and 2011 the accounting is different from that for the conversion option of the convertible bonds due 2014. As the convertible bonds due 2010 and 2011 are denominated in USD and the ASM International common shares in which they can be converted to are denominated in Euro, these conversion options are recognized as a liability measured at fair value. The conversion option is measured at fair value through the income statement, for 2009 this revaluation at fair value resulted in a loss of € 24.4 million. For the conversion options of the convertible bonds due 2014 the fixed-for-fixed principle is met as both the debt instrument (the bond) and the entity's equity shares in which they can be converted to are denominated in the functional currency (Euro). Based on the before mentioned criteria the conversion option qualifies as permanent equity.

Gain (expense) resulting from early extinguishment of debt. In 2009 US\$ 4.0 million 5.25% convertible subordinated notes due 2010 and US\$ 26.3 million 4.25% convertible subordinated notes due 2011 have been repurchased for a market value of US\$ 38.9 million. The loss from the early extinguishment of the notes of € 1.8 million, which includes the difference between the nominal value and the higher market value and the write-off of unamortized issuance costs, has been recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2009.

In 2008, we repurchased US\$ 48.3 million in convertible debt at a lower market value than the nominal value of the outstanding convertible debt. The difference between the market value and the nominal value and the write off of unamortized issuance costs amounted to a gain of € 11.3 million.

Income Tax Expense. Income tax expense declined from € 13.0 million in 2008 to € 2.4 million in 2009, principally due to the reduction in operating income in 2009.

Net Earnings (Loss) allocated to the shareholders of the parent. The following table shows net earnings (loss) for our front-end and back-end segments for the full year 2009 compared to the same period in 2008. In order to improve comparability, impairment and restructuring charges, results on early extinguishment of debt, accretion of interest on the convertible bonds and the fair value changes of the conversion option have been disclosed separately in the table below.

(EUR millions)	2008	2009	Change
Front-end:			
Before impairments, restructuring, result early extinguishment, accretion interest and fair value change conversion option	(29.1)	(65.0)	(35.9)
Impairments and restructuring	(11.0)	(72.4)	(61.4)
Gain / (loss) on early extinguishment of debt	11.3	(1.8)	(13.1)
Fair value change conversion option	19.4	(24.4)	(43.8)
Uncomparable items	19.7	(98.6)	(118.3)
After impairments, restructuring and fair value change conversion option	(9.4)	(163.6)	(154.2)
Back-end	43.5	44.0	0.5
Gain on dilution of investment in ASMPT (back-end)	4.1	1.0	(3.1)
Total net earnings (loss) ¹⁾	38.2	(118.6)	(156.8)

1) allocated to the shareholders of the parent

Net earnings for the back-end segment reflect our 52.59% ownership of ASM Pacific Technology (2008; 52.87%).

Backlog

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

The following table shows the level of new orders during 2008 and 2009 and the backlog at December 31, 2008 and 2009 and the percentage change:

(EUR millions, except book-to-bill ratio)	Full year		
	2008	2009	% Change
Front-end:			
New orders	250.6	157.7	(37)%
Backlog at December 31	53.0	50.3	(5)%
Book-to-bill ratio (new orders divided by net sales)	0.84	0.98	
Back-end:			
New orders	387.1	539.1	39 %
Backlog at December 31	37.7	146.4	288 %
Book-to-bill ratio (new orders divided by net sales)	0.86	1.25	
Total			
New orders	637.7	696.8	9 %
Backlog at December 31	90.7	196.7	117 %
Book-to-bill ratio (new orders divided by net sales)	0.85	1.18	

Liquidity and Capital Resources

Our liquidity is affected by many factors, some of which are related to our ongoing operations and others of which are related to the semiconductor and semiconductor equipment industries and to the economies of the countries in which we operate. Although our cash requirements fluctuate based on the timing and extent of these factors, we believe that cash generated by operations, together with the liquidity provided by our existing cash resources and our financing arrangements, will be

Management Report (continued)

sufficient to fund working capital, capital expenditures and other ongoing business requirements for at least the next twelve months.

Net cash provided by operations in 2009 was € 73.8 million as compared to € 154.8 million for 2008. This decrease results mainly from the decreased earnings partly offset by cash inflows from lower working capital.

Net cash used in investing activities in 2009 was € 26.6 million compared to € 49.8 million for 2008. The decrease mainly results from lower capital expenditures.

We issued € 150 million senior unsecured convertible bonds due 6 November 2014. The Bonds will be convertible into new and/or existing shares of the Company and will carry a quarterly coupon of 6.5% per annum and a conversion price of € 17.09.

The issue was done to extend our debt maturity profile and we intend to use part of the proceeds of the offering for general corporate purposes. In addition, we intend to partially use the proceeds to buy back our outstanding convertible bonds due 2010 and 2011 on an ongoing basis. In December 2009 US\$ 4 million of our convertible bonds due 2010 and US\$ 26 million of the convertible bonds due 2011 were repurchased. During January 2010 a further US\$ 39 million of the outstanding convertible bonds due 2011 were repurchased.

We also negotiated a new standby revolving credit facility of € 65 million with an interest rate based on EURIBOR. This secured credit facility replaced our former secured credit facility provided by Rabobank and has a term of 3 years. The facility was increased to € 90 million on January 11, 2010.

Net cash from financing activities for 2009 was € 90.9 million, in 2008 net cash used in financing activities was € 121.5 million. In the fourth quarter of 2009, we received the net proceeds of the newly issued convertible bond (€ 144.5 million) and repurchased a part of the outstanding convertibles (€ 26.8 million). In 2008, € 38.0 million was spent on the repurchase of the convertible bond and € 36.5 million on the repurchase of treasury shares.

Net working capital, consisting of accounts receivable, inventories, other current assets, accounts payable, accrued expenses, advance payments from customers and deferred revenue, decreased from € 253.9 million at December 31, 2008 (adjusted for evaluation tools at customers which as per January 1, 2009 are reported under non-current) to € 181.3 million at December 31, 2009. The decrease includes the (non-cash) impairment in 2009 of € 24.2 million in inventories and the balance of lower manufacturing and sales levels in the front-end segment and the higher manufacturing and sales levels in the back-end segment. The number of outstanding days of working capital, measured based on quarterly sales, decreased from 155 days at December 31, 2008 to 83 days at December 31, 2009. For the same period, as a result of the focus on reduction of working capital, our front-end segment working capital ratio decreased from 173 days to 100 days. Our back-end segment decreased from 138 days to 77 days.

At December 31, 2009, our principal sources of liquidity consisted of € 293.9 million in cash and cash equivalents and € 92.9 million in useable undrawn bank lines. Approximately € 112.2 million of the cash and cash equivalents and € 26.7 million of the undrawn bank lines are restricted to use in the Company's back-end operations and € 29.8 million of the cash and cash equivalents and € 1.2 million in undrawn bank lines are restricted to use in the Company's front-end operations in Japan.

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.

The net debt of ASMI, excluding back-end, at December 31, 2009 was € 83.7 million. This net debt is the balance of € 181.7 million cash and € 265.4 million debt. The debt of € 265.4 million consists of € 226.1 million convertible debt and € 39.4 million other debt. Furthermore, ASMI, excluding back-end, has useable undrawn credit lines of € 66.2 million.

See notes 3, 12, 15, 16 and 21 to our consolidated financial statements for discussion of our funding, treasury policies and our long-term debt.

We are obligated to fund defined benefit pension plans for our employees in Japan. We expect that the amount of this funding in 2010 will be approximately € 501,000. Our employees in the Netherlands participate in a multi-employer plan. The plan monitors the risks of the entire investment portfolio, not by individual company or employee, and is subject to regulation by Dutch governmental authorities. By Dutch law, a multi-employer union plan must be monitored against specific

criteria, including the coverage ratio of its assets to its obligations. This ratio includes a minimum coverage ratio of 105%. At December 31, 2009 the coverage ratio of the multi-employer plan was 100% (December 31, 2008: 90%) as a result of the economic crisis. Consequently, the Board of the multi-employer plan decided that existing pension obligations will not be indexed for the year 2010. For a discussion of our pension obligations, see Note 18 of the Notes to our Consolidated Financial Statements included elsewhere in this report.

Our back-end segment, which is conducted through ASM Pacific Technology, our 52.59%-owned subsidiary, is entirely self-financed and at December 31, 2009 had no long-term debt. The cash resources and borrowing capacity of ASM Pacific Technology are not available to our front-end segment due to restrictions imposed by the Hong Kong Stock Exchange, on which the ASM Pacific Technology common shares are listed.

We historically relied on dividends from ASM Pacific Technology for a portion of our cash flow for use in our front-end operations. Cash dividends received from ASM Pacific Technology during 2008 and 2009 were € 49.1 million and € 21.4 million, respectively. In November 2006, we announced our commitment that for at least the next three years we would not use these cash dividends to support our front-end business, but instead would use such dividends to retire outstanding convertible debt, repurchase our common shares, pay dividends on our common shares or, in the event of dilution resulting from the exercise of employee stock options in ASM Pacific Technology, purchase shares of ASM Pacific Technology to maintain our percentage ownership at its current level. We are currently evaluating whether or not to modify or continue this policy regarding the use of such cash dividends for 2010 and beyond and expect to discuss the matter at our upcoming Annual General Meeting of Shareholders in May 2010.

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

The market value of our investment in ASM Pacific Technology at the end of 2009 was approximately € 1,371 million. At the end of 2008 this was approximately € 488 million.

Outlook

We have developed forecasts and projections of cash flows and liquidity needs for the upcoming year taking into account the current market conditions, reasonably possible changes in trading performance based on such conditions, and our ability to modify our cost structure as a result of changing economic conditions and sales levels and the fact that we have already started with the implementation of the restructuring program. We have also considered in the forecasts the total cash balances amounting to € 293.9 million as of December 31, 2009, available borrowings, the ability to renew debt arrangements and to access additional indebtedness and whether or not we will maintain compliance with our financial covenants. Based on this, we believe that our cash on hand at the end of 2009 is adequate to fund our operations, our investments in capital expenditures and to fulfill our existing contractual obligations for the next twelve months.

Contractual Obligations, Contingent Liabilities and Commitments

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

Management Report (continued)

The following table summarizes our contractual obligations as of December 31, 2009 aggregated by type of contractual obligation:

Contractual obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Notes payable to banks ¹	14,840	14,840	-	-	-
Bank overdraft	2,500	2,500	-	-	-
Long-term debt ^{1,2}	23,018	6,181	16,574	263	-
Convertible subordinated debt ¹	285,824	25,075	92,874	167,875	-
Operating leases	31,823	8,601	12,705	5,829	4,688
Purchase obligations:					
Purchase commitments to suppliers	62,983	62,841	142	-	-
Capital expenditure commitments	9,675	9,374	301	-	-
Unrecognized tax benefits (FIN 48)	15,663	15,663	-	-	-
Total contractual obligations	446,326	145,075	122,596	173,967	4,688

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

² Capital lease obligations of € 1.0 million are included in long-term debt.

For a further discussion of our contractual obligations see Notes 9, 15, 16, 19, 21 and 24 to our Consolidated Financial Statements.

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

Subsequent to the management buy-out of our RTP business, contingent payables of € 3.1 million, including accrued interest, related to a research and development credit received, were conveyed to Levitech B.V.

Market Risk Disclosure

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

Foreign exchange rate risk management

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

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

The majority of revenues and costs of our back-end segment are denominated in Hong Kong dollars, Chinese Yuan and U.S. dollars. The functional currency of our back-end segment (Hong Kong dollar) is linked to the U.S. dollar. Since foreign currency exposure is not significant, no forward exchange contracts are used. The effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in foreign currencies is periodically reviewed.

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

We expect that substantially all of the € 123,000 unrealized losses included in accumulated other comprehensive income as of December 31, 2009 will be reclassified to net earnings within the next twelve months, upon completion of the underlying transactions. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Hedge ineffectiveness was insignificant for the years ended December 31, 2008 and December 31, 2009.

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

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

To the extent that foreign currency fluctuations affect the value of our investments in our foreign affiliates, they are not hedged. The cumulative effect of these fluctuations is separately reported in Consolidated Shareholders' Equity. For the year ended December 31, 2008, we recorded a favorable movement of € 10.0 million. For the year ended December 31, 2009, we recorded an unfavorable movement of € 1.9 million. See Note 17 to our Consolidated Financial Statements, which is incorporated herein by reference.

The following table summarizes our financial instruments as of December 31, 2009 and analyzes the sensitivity of the fair value of our financial instruments to an immediate change in foreign currency rates. Fair values represent the present value of forecasted future cash flows at market foreign currency exchange rates. The sensitivity analysis assumes an immediate 10% favorable or unfavorable change in all foreign currency exchange rates against the euro from their levels as of December 31 with all other variables kept constant. A favorable 10% change indicates a strengthening of the currency in which our financial instruments are denominated, primarily the U.S. dollar, against the euro and an unfavorable change indicates a weakening of the currency in which our financial instruments are denominated, primarily the U.S. dollar, against the euro. The selection of 10% favorable or unfavorable change in foreign currency exchange rates should not be construed as a prediction by us of future market events, but rather, to illustrate the potential impact of such an event. The modeling technique used to calculate the exposure does not take into account correlation among foreign currency exchange rates, or correlation among various markets (i.e., the foreign exchange, equity and fixed-income markets). Even though we believe it to be possible that all of the foreign currency exchange rates to which we are exposed would simultaneously change by more than 10%, we find it meaningful to "stress test" our exposure under this 10% fluctuation scenario and other hypothetical adverse market scenarios. Our actual experience may differ from the results in the table below due to the correlation assumptions utilized, or if events occur that were not included in the methodology, such as significant liquidity or market events.

Management Report (continued)

	Currency and notional amount (in millions)	Carrying amount	Fair value	Sensitivity analysis		
				Favorable change of 10%	Unfavorable change of 10%	
As of December 31, 2009:						
Notes payable to banks, due within twelve months	yen	1,800.0	13.5	13.5	12.2	14.9
	SG\$	2.0	1.0	1.0	0.9	1.1
Long-term debt with maturities:						
due from 2009–2012	yen	2,833.5	21.3	21.3	19.2	23.4
due from 2010	euro	0.2	0.2	0.2	0.2	0.2
due from 2011	SG\$	1.7	0.9	0.9	0.8	0.9
Convertible subordinated debt:						
due May 15, 2010	US\$	16.9	11.7	15.5	10.5	12.9
due December 6, 2011	US\$	101.4	70.4	88.8	63.3	77.4
due November 6, 2014	euro	150.0	150.0	186.5	150.0	150.0
Foreign exchange contracts:						
purchase of currency contracts to be settled within twelve months:	US\$	0.6	0.4	0.4	0.4	0.5
sale of currency contracts to be settled within twelve months:	US\$	20.9	14.5	14.5	13.1	16.0

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

The following tables analyze our sensitivity to a hypothetical 10% strengthening and 10% weakening of the U.S. dollar, Hong Kong dollar or Japanese yen against the euro as of December 31, 2009. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the U.S. dollar, Hong Kong dollar or Japanese yen against the euro.

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

	2008	2009
	Impact on equity	Impact on equity
10% increase of U.S. dollar versus euro	(686)	1,237
10% decrease of U.S. dollar versus euro	686	(1,237)
10% increase of Hong Kong dollar versus euro	16,853	19,640
10% decrease of Hong Kong dollar versus euro	(16,853)	(19,640)
10% increase of Japanese yen versus euro	5,404	4,393
10% decrease of Japanese yen versus euro	(5,404)	(4,393)

A positive amount indicates a gain in net earnings.

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar, Hong Kong dollar or Japanese yen against the euro as of December 31, 2008 and December 31, 2009 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 U.S. dollar and Hong Kong dollar against the euro at average exchange rates for the years 2008 and 2009. A positive amount indicates an increase in net earnings.

	2008	2009
	Impact on net earnings	Impact on Net earnings
10% increase of Japanese yen versus euro	not material	(1,348)
10% decrease of Japanese yen versus euro	not material	1,348
10% increase of U.S. dollar versus euro	2,646	(8,307)
10% decrease of U.S. dollar versus euro	(2,646)	8,307
10% increase of Hong Kong dollar versus euro	4,819	4,570
10% decrease of Hong Kong dollar versus euro	(4,819)	(4,570)

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar and the Hong Kong dollar against the euro at average exchange rates for the years 2008 and 2009 would not result in a material impact on net earnings.

Interest risk

We are exposed to interest rate risk primarily through its borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2009 the Company had convertible subordinated debt borrowings outstanding of € 11,718 (US\$ 16,880) at a fixed interest rate, maturing in May 2010, € 70,383 (US\$ 101,387) at a fixed interest rate, maturing in December 2011 and € 150,000 at a fixed rate, maturing in November 2014, € 22,349 in long-term debt at fixed interest rates and € 14,508 in other borrowings with variable short-term interest rates. A hypothetical change in the average interest rate by 10% on the portion of the Company's debt bearing interest at variable rates would not result in a material change in interest expense at December 31, 2008 and December 31, 2009 borrowing levels.

Credit risk

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

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

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

A significant percentage of our revenue is derived from a small number of large customers. Our largest customer accounted for approximately 9.1% of net sales in 2009 (2008: 13.8%) and the ten largest customers accounted for approximately 32.9% of net sales in 2009 (2008: 32.0%). 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, 2009 one customer accounted for 7.8% of the outstanding balance in accounts receivable (2008: 12.3%).

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

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

Supervisory Board

Gert-Jan Kramer ² (1942)
Chairman
Nationality: Dutch
Current term expires: 2013
Supervisory Boards of Scheuten Solar (Chairman), Damen Shipyards Group (Vice-Chairman), ABN AMRO N.V. (member of the Audit Committee), Trajectum B.V. (Mammoet), Fugro N.V., Bronwaterleiding Doorn and Energie Beheer Nederland B.V., and IRO (Chairman).
Chairman of the Supervisory Board of Delft Technical University.
Advisory boards of cultural organisations such as the Royal Concertgebouw Orchestra, Nieuwe Kerk/Hermitage, Frans Hals Museum, Museum Beelden aan Zee and the Pieterskerk in Leiden.

Eric A. van Amerongen ^{1,4} (1953)
Vice-Chairman
Nationality: Dutch
Current term expires: 2010
Chairman of the Supervisory Boards of BT Nederland N.V. and Thales Nederland B.V.
Vice-Chairman of the Supervisory Board of HITT N.V.
Member of the Supervisory Boards of ANWB, Essent, Imtech N.V. and Wegener N.V.
Senior independent non-executive director Shanks Group Plc

Johan M.R. Danneels ² (1949)
Nationality: Belgian
Current term expires: 2012
Chief Executive Officer of Essensium N.V.

Heinrich W. Kreutzer ⁴ (1949)
Nationality: German
Current term expires: 2010
Chairman of the Supervisory Boards of Micronas Semiconductor GmbH, Germany and BKtel communications GmbH, Germany
Chairman of the Board of Directors of Micronas Semiconductor AG, Switzerland

Jan C. Lobbezoo ³ (1946)
Nationality: Dutch
Current term expires: 2013
Supervisory Boards of TMC Group N.V. (Chairman); Smartrac N.V.; Mapper Lithography (Chairman); A.L.S.I.; and Point One Innovation.
Fund. Member of the Board of FEI Inc, USA (member of the Audit Committee) and Signet Solar Inc, USA.
Member of the Board of Royal NIVRA

Ulrich H.R. Schumacher (1958)
Nationality: German
Current term expires: 2012
CEO & President, Member of the Board Grace Semiconductor Manufacturing Corporation
Member Board of Directors Siano Mobile Silicon

Honorary Chairman

Arthur H. del Prado (1931)
Nationality: Dutch
Chairman of the Board of ASM Pacific Technology Ltd.
Director of MEDEA

Senior Management

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

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

Robert A. Ruijter
Interim Chief Financial Officer

J. (Han) F.M. Westendorp
Member of the Management Board,
Vice President Front-end Strategy

Per Öve (Peo) Hansson
General Manager ASM America, Inc. and ASM Europe B.V.
Business Unit Manager – Thermal Products

Tominori Yoshida
General Manager ASM Japan K.K.
Business Unit Manager – Plasma Products

Albert Hasper
Vice President Front-end Global Operations

Wu, Tom
Vice President Front-end Global Sales & Service

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

Hans van Selm
Finance Director Front-end Operations

Richard W. Bowers
Chief Legal Officer Front-end Operations

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

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

Ng, Cher Tat Robin Gerard
Chief Financial Officer of ASM Pacific Technology Ltd.

Wong Yam Mo
Chief Technical Officer of ASM Pacific Technology Ltd.

Investor Relations

Erik J.R. Kamerbeek
Tel +31 88100 8500
E-mail: erik.kamerbeek@asm.com

Mary Jo Dieckhaus, DD & W Ltd.
New York, NY, U.S.A.
Tel +1 212 986 2900
E-mail: investor.relations@asm.com

ASM Pacific Technology Ltd.:

Lee Hung Kuen, Leonard
Hong Kong
Tel +852 2619 2528
E-mail: leonard.lee@asmpt.com
www.asmpacific.com

Jerry Dellheim
San Jose, CA, U.S.A.
Tel +1 408 451 0804
E-mail: jerry.dellheim@asmpt.com

Transfer Agents and Registrars

Citibank
New York, NY, U.S.A.

The Royal Bank of Scotland N.V.
Amsterdam, the Netherlands

Independent Auditors

Deloitte Accountants B.V.
Amsterdam, the Netherlands

Trade Register

Chamber of Commerce
Number 30037466

Annual Meeting of Shareholders

The Annual General Meeting of Shareholders will be held on May 20, 2010

Financial Calendar for 2010

April 28, 2010
Announcement of first quarter results 2010

July 28, 2010
Announcement of second quarter results 2010

October 28, 2010
Announcement of third quarter results 2010

¹ Chairman Nomination, Selection and Remuneration Committee

² Member Nomination, Selection and Remuneration Committee

³ Chairman Audit Committee

⁴ Member Audit Committee

EUROPE

ASM International N.V.
Versterkerstraat 8
1322 AP Almere
The Netherlands
Tel +31 8810 08810
Fax +31 8810 08830

ASM Europe B.V.
Versterkerstraat 8
1322 AP Almere
The Netherlands
Tel +31 36 540 67 11
Fax +31 36 540 67 10

ASM Belgium N.V.
Kapeldreef 75
3001 Leuven
Belgium
Tel +32 1628 1639
Fax +32 1628 1221

ASM France S.A.R.L.
Domaine de Massane
Espace Méditerranée
34670 Baillargues
France
Tel +33 499 13 66 40
Fax +33 467 64 27 78

ASM France S.A.R.L.
223 Rue des Bécasses
38920 Crolles
France
Tel +33 476 92 28 24
Fax +33 438 92 04 72

ASM Germany Sales B.V.
Peter-Henlein-Strasse 28
85540 Haar
Germany
Tel +49 89 462 36 50
Fax +49 89 462 36 566

ASM Services & Support Ireland Ltd.
Unit 23
Hills Industrial Estate
Lucan, Co. Dublin
Ireland
Tel +353 1 621 91 00
Fax +353 1 628 02 06

ASM Service and Support Israel Ltd.
Edwards Building
5 Habarzel St.
Gat 2000 Industrial Zone
Kiryat Gat, 82107
Israel
Tel +972 8 860 9181
Fax +972 8 860 9182

ASM Microchemistry Oy
Väinö Auerin katu 12 A
FI-00560 Helsinki
Finland
Tel +358 9 525 540
Fax +358 9 525 54 600

ASM Assembly Products B.V.
Weltevreden 4A
3731 AL De Bilt
The Netherlands
Tel +31 30 8906 310
Fax +31 30 8906 320

U.S.A.

ASM America, Inc.
3440 East University Drive
Phoenix, AZ 85034-7200
Tel +1 602 470 5700
Fax +1 602 437 1403

Regional Sales/Service Office:
97 East Brokaw Road
Suite 100
San Jose, CA 95112-4209
Tel +1 408 451 0830
Fax +1 408 451 0835

Regional Service Office:
2500 NW 229th Avenue
Suite 400
Hillsboro, OR 97124-7114
Tel +1 503 629 1360
Fax +1 503 533 4637

ASM Pacific Assembly Products, Inc.
3440 East University Drive
Phoenix, AZ 85034-7200
Tel +1 602 437 4760
Fax +1 602 437 4630

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

ASIA

EAST ASIA

ASM Japan K.K.
23-1, 6-chome Nagayama
Tama-shi
Tokyo 2060025
Japan
Tel +81 42 337 6311
Fax +81 42 389 7555

Nagaoka Factory
392-1 Mishimashimbo
Nagaoka-shi
Niigata 940-2311
Japan
Tel +81 258 42 2400
Fax +81 258 41 2490

Higashi-Hiroshima Service Center
1F, Prestige
24-9, 3-chome Saijo-Chuo
Higashi-Hiroshima-shi
Hiroshima 739-0025
Japan
Tel +81 82 4 22 1991
Fax +81 82 422 1992

Yokkaichi Service Center
2F-D, NJ Building
1-7 Shimizucho, Yokkaichi-shi,
Mie 510-0814
Japan
Tel +81 59 332 3537
Fax +81 59 332 3598

Kumamoto Service Center
3F, Mayfair-Suizenji,
21-30, 1-chome, Suizenji
Kumamoto-shi,
Kumamoto, 862-0950
Japan
Tel +81 96 387 7300
Fax +81 96 387 7301

ASM Assembly Technology Co. Ltd.
5F, Tachikawa F Building
1-7-18, Nishiki-Cho, Tachikawa-shi
Tokyo 190-0022
Japan
Tel +81 42521 7751
Fax +81 42 521 7750

ASM Assembly Automation Ltd.
Taiwan Branch
10F-No.530 Sec 2,
Chung Shan Road,
Chung Ho City,
Taipei Hsien,
Taiwan, R.O.C.
Tel +886 2 2227 3388
Fax +886 2 2227 3399

Edgeward Development Ltd. –
Taiwan Branch
No. 4-2, East 3 Road Street
N.E.P.Z. Kaohsiung
Taiwan, R.O.C.
Tel +886 7 367 6300
Fax +886 7 367 6399

ASM Taiwan Branch
Office
2F No. 9, Lane 379, Sec. 1
Ching Kuo Road
Hsin-Chu
Taiwan, R.O.C.
Tel +886 3 543 1500
Fax +886 3 543 1555

ASM Taiwan Branch
Office
8F-1, No. 135, Sec. 2
Chung Shan Road,
Tantzu, Taichung
Taiwan, R.O.C.
Tel +886 4 2535 6390
Fax +886 4 2535 6820

ASM Front-End Sales & Services
Taiwan Co., Ltd.
Hsin-Chu office:
2F.-5, No.1, Jinshan 8th St., East
Dist., Hsinchu City 300, Taiwan
(R.O.C.)
Tel +886 3 666 7722
Fax +886 3 564 8899

ASM Front-End Sales & Services
Taiwan Co., Ltd.
Lin-Kou office:
10F.-6, No.38-10, Wenhua 2nd Rd.,
Guishan Township, Taoyuan County
333, Taiwan (R.O.C.)
Tel +886 3 396 0950
Fax +886 3 396 1108

ASM Front-End Sales & Services
Taiwan Co., Ltd.
Tai-Chung office:
4F.-1, No.673, Sec. 4, Wenxin Rd.,
Beitun Dist., Taichung City 406
Taiwan, R.O.C.
Tel +886 4 2242 1086
Fax +886 4 2242 1909

ASM Front-End Sales & Services
Taiwan Co., Ltd.
Tai-Nan office:
6F.-607-5, No.8, Daye 1st Rd.,
Xinshi Township, Tainan County
744,
Taiwan, R.O.C.
Tel +886 6 505 5598
Fax +886 6 505 1596

ASM Pacific Technology Ltd.
12F., Watson Center
16-22 Kung Yip Street
Kwai Chung, N.T.,
Hong Kong, R.O.C.
Tel +852 2424 2021
Fax +852 2481 3367

ASM Assembly
Automation Ltd.
4/F., Watson Center
16-22 Kung Yip Street
Kwai Chung, N.T.,
Hong Kong, R.O.C.
Tel +852 2619 2000
Fax +852 2619 2118

ASM Assembly Materials Ltd.
4/F., Watson Centre
16-22 Kung Yip Street
Kwai Chung, N.T.,
Hong Kong, R.O.C.
Tel +852 2619 2000
Fax +852 2480 5852

Shenzhen ASM Micro Electronic
Technology Co. Ltd.
6/F., Block A, Hai Peng
Industrial Estate
2052, Wu Tung Road
Sha Tou Jiao, Shenzhen
People's Republic of China
Tel +86 755 8396 3000
Fax +86 755 2555 2434

ASM Semiconductor Materials
(Shenzhen) Ltd.
Block 15, Fuqiao 2nd Industrial
Estate, Gong Ye Road, Fuyong Town
Baoan District 518103 Shenzhen
People's Republic of China.
Tel +86 755 2961 8000
Fax +86 755 2733 5548

ASM Microelectronics Technical
Services (Shanghai) Co., Ltd.
Suzhou Branch Office
Room 05-03/06, Block A
No. 5 Xing Han Street Suzhou
Industrial Park
Suzhou 215021
People's Republic of China
Tel +86 512 6762 6278
Fax +86 512 6762 6378

ASM Microelectronics
Technical Services
(Shanghai) Co. Ltd.
2/F, Zu Chong Zhi
Road Lot 1505
Shanghai Zhangjiang
Hi-Tech Park
Shanghai 201203
People's Republic of China
Tel +86 215080 5465/6
Fax +86 215080 5467

ASM Microelectronics
Technical Services
(Shanghai) Co. Ltd.
7/F, Asia Light Building, West Wing,
No. 8, Tai Ran Road 8, Block 503,
Tai Ran Industry & Commerce Zone,
Chengong Temple
Fu Tian District
Shenzhen City 518040
People's Republic of China
Tel +86 755 8830 8533
Fax +86 755 8344 6245

ASM China Ltd.
A/N, 15F,
No 720 Pudong Avenue Shanghai
200120
People's Republic of China
Tel +86 2150 36 8588
Fax +86 2150 36 8878

ASM Technology China Limited
7/F, B6 Building, Tian Fu Software
Park, Tian Fu Road, High-Tech
Section, ChengDu City 610041,
China
Tel +86 28 6553 5000
Fax +86 28 6553 5001

ASM Microelectronics Technical
Services (Shanghai) Co. Ltd.
Dong Guan Branch Office
Room 9-11, 4th Floor
Block A, Tai'an Square Zhang Mu
Tou Town
Dong Guan City
Guang Dong, 523620
People's Republic of China
Tel +86 769 8712 5600
Fax +86 769 8712 5601

ASM MicroElectronics Technical
Services (Shanghai) Co., Ltd.
Chengdu Sub-Branch
Room C345-4, Chengdu Hi-Tech
Zone, Innovation Service Centre,
Chengdu 611731, China
Tel +86 28 8784 6551
Fax +86 28 8784 6562

ASM MicroElectronics Technical
Services (Shanghai) Co., Ltd.
Room 704-705, Block B, Da An
Building, No. 41 You Yi Road,
TianJin
Tel +86 22 5881 3008
Fax +86 22 5881 3009

ASM MicroElectronics Technical
Services (Shanghai) Co., Ltd.
Room B, 31/F., Pelita Building,
No.22 LuLing Road Xiemen
People's Republic of China
Tel +86 592 550 9125
Fax +86 592 550 9121

ASM Pacific KOR Ltd.
3F., 628-6, Deung
Chon Dong
Kangseo Gu, Seoul
157-030, Korea
Tel +82 22659 4174
Fax +82 22659 4216

ASM Genitech Korea Ltd.
Head Office
SungKong-Kwan 1 dong,
Cheonan Valley, 514 Sameun-ri,
Jiksan-eup, Cheonan-si,
Chungcheongnam-do,
330816, South Korea
Tel +82 70 7596 7800
Fax +82 41 5890 209

BunDang Branch Office
2F., DaeWoo Engineering Bldg.
93 SuNae-Dong, BunDang-Ku,
SungNam-City,
KyoungGi-Do
463-020, South Korea
Tel +82 70 7596 7788
Fax +82 31 738 1012

SOUTHEAST ASIA

Edgeward Development Ltd. –
Philippines Branch
2108 Prime Street
Corner Enterprise Street
Madrigal Business Park
Alabang, Muntinlupa City
Philippines 1770
Tel +63 2 850 4543 /
809 3917 / 850 6112 /
850 6115
Fax +63 2850 4547

ASM Technology Singapore Pte. Ltd.
2, Yishun Avenue 7
Singapore 768924
Tel +65 6752 6311
Fax +65 6758 2287

ASM Wafer Process
Equipment Singapore Pte. Ltd.
543 Yishun Ind. Park A
Singapore 768765
Tel +65 6512 2962
Fax +65 6512 2961

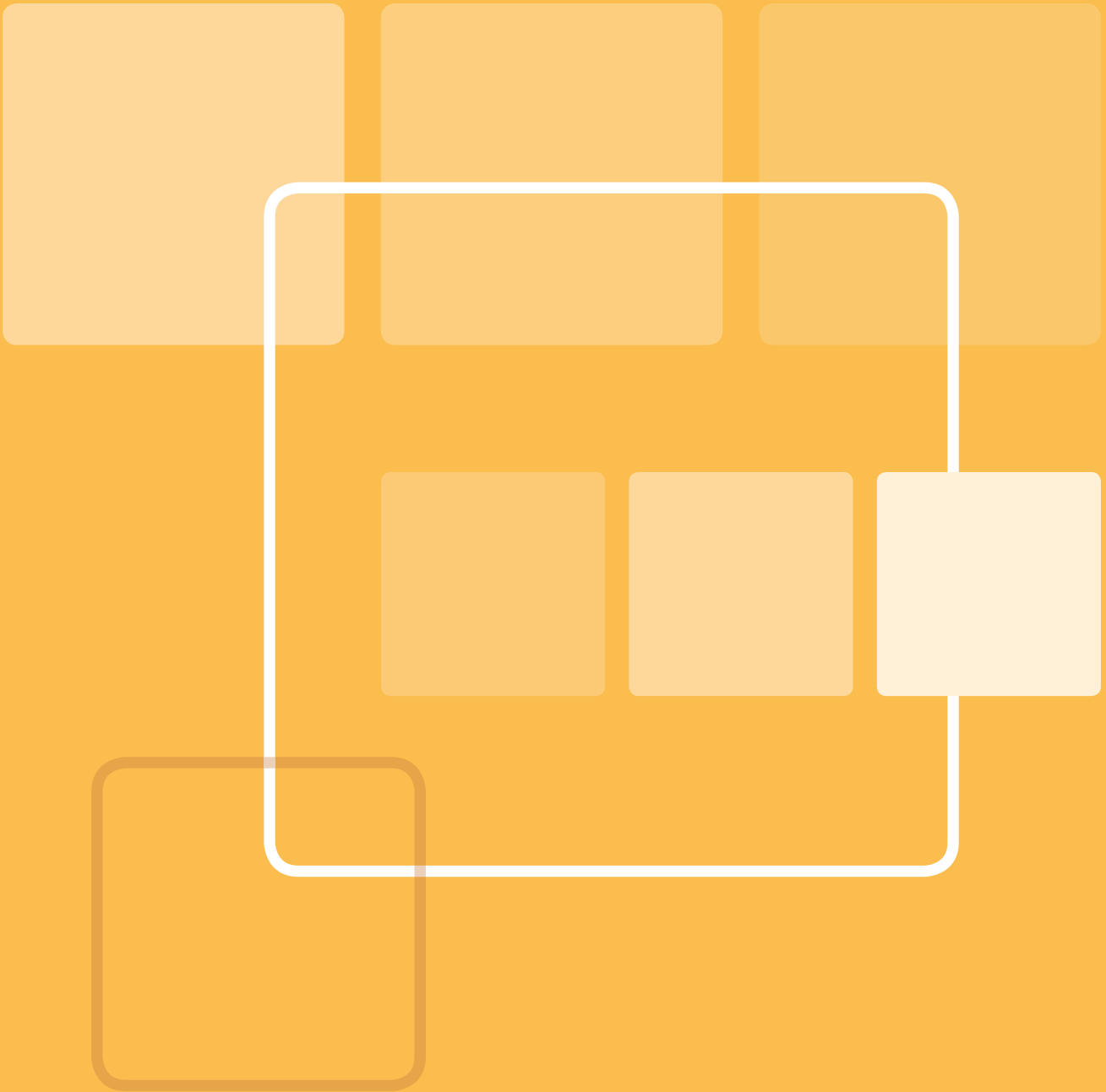
ASM Front-End Manufacturing
Singapore Pte. Ltd.
543 Yishun Ind. Park A
Singapore 768765
Tel +65 6512 2922
Fax +65 6512 2966

ASM Assembly Equipment
Malaysia Sdn. Bhd.
Bayan Point, Block A
No. 15-1-23, 15-1-24
Medan Kampung Relau
11900 Penang, Malaysia
Tel +604 644 9490/
642 0291/ 644 5769
Fax +604 645 1294

ASM Technology (M) Sdn. Bhd.
Plo. 534, Jalan Keluli 3
Kawasan Perindustrian
81700 Pasir Gudang, Johor
Malaysia
Tel +60 7 253 3500
Fax +60 7 253 3533

ASM Assembly Equipment
Bangkok Ltd.
51/3, Vibhavadi Tower
18/2 Floor
Ngamwongwan Road
Ladyao, Chathuchak
Bangkok, 10900, Thailand
Tel +66 2 941 3181/3182
Fax +66 2 941 3183

ASM Wafer Process Equipment
Singapore (Regional Office)
Suite 210, Level 2 Information
Technology Centre,
Kulim Hi-Tech Park
09000 Kulim, Kedah Darul Aman,
Malaysia
Tel +60 4 403 9330
Fax +60 4 403 9332



Consolidated Statements of Financial position

(EUR thousands except share data)	Note	December 31,	
		2008	2009
Assets			
Cash and cash equivalents	3	157,277	293,902
Accounts receivable (less allowance for doubtful accounts of € 7,300 and € 8,968)	4	172,603	165,754
Inventories, net	5	197,700	150,645
Income taxes receivable		108	43
Other current assets		27,323	31,129
Total current assets		555,011	641,473
Deferred tax assets	24	5,693	15,167
Other intangible assets, net	6	53,711	41,477
Goodwill, net	7	38,005	37,551
Evaluation tools at customers	10	-	11,282
Investments	11	-	50
Property, plant and equipment, net	8	148,557	114,811
Assets held for sale	9	-	5,508
Total assets		800,977	867,319
Liabilities and Shareholders' Equity			
Notes payable to banks	12	16,858	17,008
Accounts payable		69,718	93,117
Provision for warranty	13	9,913	5,650
Accrued expenses and other	14	57,451	78,061
Income taxes payable		26,964	17,658
Current portion convertible subordinated debt	16	-	11,516
Current portion of long-term debt	15	6,763	5,795
Total current liabilities		187,667	228,806
Pension liabilities	18	3,375	4,894
Deferred tax liabilities	24	7,530	5,928
Long-term debt	15	23,488	16,554
Convertible subordinated debt	16	94,931	186,680
Conversion option	16	2,952	22,181
Total liabilities		319,943	465,043
Commitments and contingencies	19, 20		
Common shares:			
Authorized 110,000,000 shares, par value € 0.04, issued and outstanding 54,275,131 and 51,745,140 shares		2,171	2,070
Capital in excess of par value		327,462	290,523
Treasury shares at cost		(37,215)	-
Retained earnings		120,324	25,267
Accumulated other comprehensive loss		(56,847)	(60,269)
Total shareholders' equity	17	355,895	257,591
Non-controlling interest		125,139	144,684
Total equity		481,034	402,275
Total liabilities and shareholders' equity		800,977	867,319

See Notes to Consolidated Financial Statements.

Consolidated Statements of Income

(EUR thousands, except per share data)	Note	Year ended December 31,	
		2008	2009
Net sales	25	747,362	590,739
Cost of sales		(477,100)	(409,224)
Gross profit	25	270,262	181,515
Operating expenses:			
Selling, general and administrative		(126,591)	(107,777)
Research and development, net	22	(70,414)	(74,967)
Amortization of other intangible assets	6	(475)	(401)
Impairment of goodwill	7	(1,314)	-
Restructuring expenses	23	(7,068)	(35,687)
Total operating expenses		(205,862)	(218,832)
Earnings (loss) from operations	25	64,400	(37,317)
Interest income		4,047	1,018
Interest expense		(9,282)	(7,905)
Gain (loss) resulting from early extinguishment of debt	16	11,254	(1,759)
Accretion interest expense convertible notes	16	(5,673)	(4,942)
Revaluation conversion option	16	19,372	(24,364)
Debt issuance expenses credit facility		-	(1,283)
Foreign currency exchange gains (losses), net		1,343	(1,384)
Earnings (loss) before income taxes		85,461	(77,936)
Income tax expense	24	(13,029)	(2,409)
Earnings (loss) before dilution on investment in subsidiary		72,432	(80,345)
Gain on dilution of investment in subsidiary	18	4,088	956
Net earnings (loss)		76,520	(79,389)
Net earnings (loss) for allocation between shareholders of the parent and non-controlling interest			
Allocation of net earnings (loss)			
Shareholders of the parent		38,222	(118,633)
Non-controlling interest		38,298	39,244
Net earnings (loss) per share:	27		
Basic net earnings (loss) from continuing operations		0.73	(2.30)
Diluted net earnings (loss) from continuing operations		0.44	(2.30)
Weighted average number of shares used in computing per share amounts (in thousands):			
Basic		52,259	51,627
Diluted		62,050	51,627

See Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

(EUR thousands)	Note	Year ended December 31,	
		2008	2009
Net earnings (loss)		76,520	(79,389)
Other comprehensive income (loss):			
Foreign currency translation effect		19,781	(6,314)
Unrealized gains (losses) on derivative instruments, net of tax		(99)	(170)
Total other comprehensive income (loss)	17	19,682	(6,484)
Comprehensive income (loss)		96,202	(85,873)
Allocation of comprehensive income (loss):			
Common shareholders		53,018	(122,055)
Non-controlling interest	17	43,184	36,182

See Notes to Consolidated Financial Statements.

Consolidated Statements of Total Equity

(EUR thousands, except for share data)	Note	Number of common shares	Common shares	Capital in excess of par value	Treasury shares at cost	Retained earnings	Accumulated other comprehensive income (loss)	Total shareholders' equity	Non-controlling interest	Total equity
Balance January 1, 2008		54,005,214	2,160	322,412	(3,985)	82,358	(71,643)	331,302	120,624	451,926
Compensation expense stock options		-	-	2,024	-	-	-	2,024	-	2,024
Purchase of common shares					(36,453)			(36,453)		(36,453)
Conversion of debt into common shares		269,917	11	3,582				3,593		3,593
Conversion of debt into common shares out of treasury shares					1,373			1,373		1,373
Exercise of stock options out of treasury shares		-	-	(556)	1,850	(25 5)	-	1,039	-	1,039
Net earnings to common shareholders						38,222		38,222	38,298	76,520
Other comprehensive income	17	-	-	-	-	-	14,796	14,796	4,886	19,682
Other movements in non-controlling interest:										
Dividend paid		-	-	-	-	-	-	-	(43,398)	(43,398)
Dilution		-	-	-	-	-	-	-	4,729	4,729
Balance December 31, 2008		54,275,131	2,171	327,462	(37,215)	120,324	(56,847)	355,895	125,139	481,034
Compensation expense stock options		-	-	2,127	-	-	-	2,127	-	2,127
Withdrawal of common shares	17	(2,553,000)	(102)	(35,529)	35,631	-	-	-	-	-
Dividend tax paid on withdrawal of common shares		-	-	(3,399)	-	-	-	(3,399)	-	(3,399)
Exercise of stock options out of treasury shares		-	-	(323)	1,584	(25)	-	1,236	-	1,236
Exercise stock options by issue of common shares	17	23,009	1	185	-	-	-	186	-	186
Recognition conversion option subsequent to issuance of convertible notes	16	-	-	-	-	23,601	-	23,601	-	23,601
Net earnings to common shareholders		-	-	-	-	(118,633)	-	(118,633)	39,244	(79,389)
Other comprehensive income	17	-	-	-	-	-	(3,422)	(3,422)	(3,062)	(6,484)
Other movements in non-controlling interest:										
Dividend paid		-	-	-	-	-	-	-	(19,099)	(19,099)
Dilution		-	-	-	-	-	-	-	2,462	2,462
Balance December 31, 2009		51,745,140	2,070	290,523	-	25,267	(60,269)	257,591	144,684	402,275

See Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

(EURO thousands)	Note	Year ended December 31,	
		2008	2009
Cash flows from operating activities:			
Net earnings (loss)		76,520	(79,389)
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation	8	33,176	32,054
Amortization of other intangible assets	6	3,887	3,990
Debt issuance costs		-	1,283
Impairment of property, plant and equipment	8	7,068	4,628
Impairment of capitalized development expenses		9,736	21,630
Impairment of goodwill	7	1,395	-
Accruals for restructuring expenses and onerous contracts		-	26,657
Compensation expense employee share incentive scheme ASMPT	18	7,524	3,685
Compensation expense employee stock option plan	18	2,024	2,127
Accretion interest convertible bonds	16	7,941	5,188
Accrual of interest convertible subordinated notes		10	5
Deferred income taxes		(514)	(9,081)
(Gain) loss on revaluation conversion option	16	(19,372)	24,364
Accretion interest convertible notes			
(Gain) loss resulting from early extinguishment of debt	16	(11,254)	1,759
Gain on dilution of investment in subsidiary	18	(4,088)	(956)
Increase in allowance for doubtful receivables	4	1,927	1,667
Changes in assets and liabilities:			
Accounts receivable		73,159	1,338
Inventories		23,980	32,076
Other current assets		1,699	(5,449)
Accounts payable and accrued expenses		(54,471)	23,171
Advance payments from customers		(4,339)	11,052
Deferred revenue		(7,680)	(1,674)
Payments from provision restructuring expenses		-	(16,105)
Pension liabilities		743	(280)
Income taxes		5,705	(9,963)
Net cash provided by operating activities		154,775	73,777
Cash flows from investing activities:			
Capital expenditures	8	(31,450)	(12,718)
Capitalization of development expenses		(16,817)	(11,124)
Purchase of intangible assets	6	(5,362)	(3,294)
Acquisition of business	7	(176)	(50)
Proceeds from sale of business	7	410	-
Proceeds from sale of property, plant and equipment	8	3,569	570
Net cash used in investing activities		(49,826)	(26,616)
Cash flows from financing activities:			
Notes payable to banks, net		(5,172)	966
Debt issuance costs for stand-by facility paid		-	(1,075)
Net-proceeds from long-term debt and subordinated debt		8,200	144,516
Repayments of long-term debt and subordinated debt		(45,754)	(32,466)
Purchase of treasury shares	17	(36,453)	-
Proceeds from issuance of common shares and exercise of stock options		1,039	1,447
Dividend tax paid on withdrawal of common shares		-	(3,399)
Dividends to minority shareholders ASMPT		(43,398)	(19,099)
Dividend to shareholders ASMI		-	-
Net cash provided by / (used in) financing activities		(121,538)	90,890
Foreign currency translation effect		5,943	(1,427)
Net (decrease) increase in cash and cash equivalents		(10,646)	136,623
Cash and cash equivalents at beginning of year	3	167,923	157,277
Cash and cash equivalents at end of year	3	157,277	293,902
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest		3,843	5,918
Income taxes		8,438	21,144

See Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

Amounts in euro thousands, except per share data and unless otherwise stated. All amounts in these financial statements are rounded to the nearest thousand Euro; therefore amounts may not equal (sub) totals due to rounding.

NOTE 1 *Summary of Significant Accounting Policies*

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Substantially all amounts included in accumulated other comprehensive loss at December 31, 2009 will be reclassified to net earnings within the next twelve months, upon completion of the underlying transactions. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations.

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

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

Inventories – Inventories are stated at the lower of cost (first-in, first-out method) or market value. Costs include net prices paid for materials purchased, charges for freight and custom duties, direct wages of employees and charges for material handling.

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

- 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.

Notes to Consolidated Financial Statements (continued)

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

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

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

Evaluation tools at customers – Evaluation tools at customers (“evaluation tools”) are systems generally delivered to customers under evaluation or a conditional purchase order and include substantial customization by ASM engineers and ASM-R&D staff in the field. Evaluation tools are recorded at cost and depreciated over their useful life (5 years). The depreciation period may be shorter, depending on circumstances. The depreciation expenses are reported as Cost of sales. Until December 31, 2008 evaluation tools were reported under inventories. As per January 1, 2009 based on their useful life, these evaluation tools are reported separately on the face of the consolidated balance sheet as non-current assets.

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

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

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

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

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

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

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

Cost of Sales – Cost of sales includes direct costs such as materials, labor and related overhead. Cost of sales also includes cost of warranty, third party commission, depreciation expenses of evaluation tools at customers and royalty payments and costs relating to prototype and experimental products, which the Company may subsequently sell to customers. Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period. The warranty period is usually one to two years. The Company accrues for the estimated cost of the warranty on its products shipped in a provision for warranty, upon recognition of the sale of the product. The costs are estimated based on actual historical expenses incurred and on estimated future expenses related to current sales, and are updated periodically. Actual warranty costs are charged against the provision for warranty.

Restructuring expenses – Restructuring expenses are recognized for exit or disposal activities when the conditions of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" have been met. In 2008 and 2009 restructuring expenses incurred, reference is made to note 23.

Distinction is made in one-time employee termination expenses, contract termination expenses and other associated expenses. For the accounting on the distinguished elements of restructuring expenses we apply to the policy as mentioned below. The expenses have been charged to "restructuring expenses".

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

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

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

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

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

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

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

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

The Company's employees in Japan participate in a defined benefit plan. 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. Actuarial gains and losses are recognized in income, spread over the average remaining service lives of employees, using the corridor approach. Reference is made to Note 18.

Share-Based Payments – IFRS 2 "Share-based Payment" requires expensing the fair value of options granted to employees. The total estimated share-based compensation expense, determined under the fair value based method, net of related tax effect, is amortized ratably over the option vesting periods. Reference is made to Note 18.

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

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

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

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

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

Revenue Recognition – Reference is made to the corresponding accounting policy.

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

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

New accounting policies not yet effective for 2009

The International Accounting Standards Board (“IASB”) issued several Standards, or revisions thereto, and Interpretations in 2009 and 2008, which have been endorsed by the European Union, but which are not yet effective for 2009. The Company expects these will not have a significant impact on its financial statements.

Changes in accounting policies and disclosures

Our Annual Report 2008 mentioned the following standards, interpretations and amendments which had or could potentially have had an impact on the Company’s financial position and/or results in 2009 or disclosures:

- As of January 1, 2009, IAS 1 (revised) ‘Presentation of Financial Statements’ became effective and has been applied by ASMI. This standard uses the terms ‘statement of income’ (previously ‘income statement’), ‘statement of financial position’ (previously ‘balance sheet’). As the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share, statement of income and statement of financial position.
- As of January 1, 2009, IAS 23 (revised) ‘Borrowings Costs’ became effective and has been applied by ASMI. In accordance with this revision of this standard as of January 1, 2009, borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized as part of the cost of that asset. In 2009, IAS 23 (revised) did not have a material impact.
- The IASB issued IFRIC 14 ‘The limit on a Defined Benefit Asset, Minimum funding Requirements and their Interaction’ and has been applied by the Company which did not have an impact on ASMI’s pension assets or costs in 2009.
- During 2009 the following amendment became effective as from January 1, 2009, which had or could potentially have had an impact on the Company’s financial position and/or results in 2009 or disclosures:
IFRS 7 (Amendments) ‘Improving Disclosures about Financial instruments’ the amendment requires enhanced disclosures about fair value measurement and liquidity risk and has been applied by ASMI. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share, statement of income and statement of financial position;

Notes to Consolidated Financial Statements (continued)

NOTE 2 List of Significant Subsidiaries

Name	Location	% Ownership December 31,	
		2008	2009
ASM Europe B.V. ¹	Almere, the Netherlands	100.00%	100.00%
ASM United Kingdom Sales B.V. ¹	Almere, the Netherlands	100.00%	100.00%
ASM Germany Sales B.V. ¹	Almere, the Netherlands	100.00%	100.00%
ASM Pacific Holding B.V. ³	Almere, the Netherlands	100.00%	100.00%
Advanced Semiconductor Materials (Netherlands Antilles) N.V.	Willemstad, Curacao, Netherlands Antilles	100.00%	100.00%
ASM France S.A.R.L.	Montpellier, France	100.00%	100.00%
ASM Belgium N.V.	Leuven, Belgium	100.00%	100.00%
ASM Italia S.r.l.	Agrate, Italy	100.00%	100.00%
ASM Microchemistry Oy	Helsinki, Finland	100.00%	100.00%
ASM Services and Support Ireland Ltd.	Dublin, Ireland	100.00%	100.00%
ASM Services and Support Israel Ltd	Tel Aviv, Israel	100.00%	100.00%
ASM America, Inc.	Phoenix, Arizona, United States	100.00%	100.00%
ASM Japan K.K.	Tokyo, Japan	100.00%	100.00%
ASM Wafer Process Equipment Ltd.	Quarry Bay, Hong Kong, People's Republic of China	100.00%	100.00%
ASM China Ltd.	Shanghai, People's Republic of China	100.00%	100.00%
ASM Wafer Process Equipment Singapore Pte Ltd.	Singapore	100.00%	100.00%
ASM Far East Marketing Ltd.	Hsin-Chu, Taiwan	100.00%	100.00%
ASM Front-End Sales & Services Taiwan Co., Ltd.	Hsin-Chu, Taiwan	100.00%	100.00%
ASM Front-End Manufacturing Singapore Pte Ltd.	Singapore	100.00%	100.00%
ASM NuTool, Inc.	Phoenix, Arizona, United States	100.00%	100.00%
ASM Genitech Korea Ltd.	Cheonan, South Korea	100.00%	100.00%
ASM Pacific Technology Ltd.	Kwai Chung, Hong Kong, People's Republic of China	52.87%	52.59%
ASM Assembly Automation Ltd. ²	Kwai Chung, Hong Kong, People's Republic of China	52.87%	52.59%
ASM Assembly Materials Ltd. ²	Kwai Chung, Hong Kong, People's Republic of China	52.87%	52.59%
ASM Technology Singapore Pte Ltd. ²	Singapore	52.87%	52.59%
ASM Technology (M) Sdn. Bhd. ²	Johor Bahru, Malaysia	52.87%	52.59%
ASM Semiconductor Materials (Shenzhen) Co. Ltd. ²	Shenzhen, People's Republic of China	52.87%	52.59%
ASM Pacific Investments Ltd. ²	Kwai Chung, Hong Kong, People's Republic of China	52.87%	52.59%
Edgeward Development Ltd. ²	Guernsey, Channel Islands	52.87%	52.59%
Edgeward USA L.L.C. ²	Wilmington, Delaware, United States	52.87%	52.59%
Shenzhen ASM Micro Electronic Technology Co. Ltd. ²	Shenzhen, People's Republic of China	52.87%	52.59%

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

² 100% subsidiaries of ASM Pacific Technology Ltd.

³ Established in 2008, ASM Pacific Holding B.V. is holding 52.59% of the shares in ASM Pacific Technology Ltd.

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

NOTE 3 Cash and Cash Equivalents

At December 31, 2009, cash and cash equivalents of the Company's subsidiaries ASMPT and ASM Japan amounted to € 112,221 and € 29,753 respectively, which are restricted to be used only in the operations of ASMPT and ASM Japan respectively.

NOTE 4 Accounts receivable

The carrying amount of accounts receivable is as follows:

	Current	Overdue < 30 days	Overdue 31 – 60 days	Overdue 61 – 120 days	Overdue > 120 days	Total
December 31, 2008	138,430	15,982	8,236	8,468	1,487	172,603
December 31, 2009	127,409	19,712	11,195	4,627	2,811	165,754

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

Balance January 1, 2007	(5,926)
Charged to selling, general and administrative expenses	(137)
Utilization	397
Foreign currency translation effect	591
Balance December 31, 2007	(5,075)
Charged to selling, general and administrative expenses	(2,859)
Utilization	932
Foreign currency translation effect	(298)
Balance December 31, 2008	(7,300)
Charged to selling, general and administrative expenses	(2,812)
Utilization	1,145
Foreign currency translation effect	(1)
Balance December 31, 2009	(8,968)

NOTE 5 Inventories

Inventories consist of the following:

	December 31,	
	2008	2009
Components and raw materials	97,824	92,352
Work in process	82,341	64,516
Finished goods	50,150	40,716
Total inventories, gross	230,315	197,584
Allowance for obsolescence	(32,615)	(46,939)
Total inventories, net	197,700	150,645

Notes to Consolidated Financial Statements (continued)

The changes in the allowance for obsolescence are as follows:

Balance January 1, 2007	(28,062)
Charged to cost of sales	(6,268)
Utilization	4,320
Foreign currency translation effect	2,517
Balance December 31, 2007	(27,493)
Charged to cost of sales	(11,711)
Utilization	8,299
Foreign currency translation effect	(1,710)
Balance December 31, 2008	(32,615)
Charged to cost of sales	(27,236)
Utilization	11,818
Foreign currency translation effect	1,094
Balance December 31, 2009	(46,939)

During 2009 EUR 27,236 was charged to cost of sales as a result of the current prolonged contraction in the market and strategic focus of certain of our product configurations in 2009.

NOTE 6 Other Intangible Assets

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

	Capitalized development expenses	Software	Purchased technology and other intangible assets	Total
At cost:				
Balance January 1, 2008	36,184	4,740	3,316	44,240
Capitalization of development expenses	16,817	-	-	16,817
Impairment charges	(9,737)	-	-	(9,737)
Additions	-	5,362	-	5,362
Sale of NanoPhotonics AG	-	(146)	-	(146)
Foreign currency translation effect	5,374	155	(562)	4,967
Balance December 31, 2008	48,638	10,111	2,754	61,503
Capitalization of development expenses	11,124	-	-	11,124
Impairment charges	(21,630)	-	-	(21,630)
Scrapping of amortized projects	(512)	-	-	(512)
Additions	-	3,294	-	3,294
Foreign currency translation effect	(1,136)	(81)	166	(1,051)
Balance December 31, 2009	36,484	13,324	2,920	52,728
Accumulated amortization:				
Balance January 1, 2008	361	2,056	1,749	4,166
Amortization for the year	2,484	1,009	475	3,968
Sale of NanoPhotonics AG	-	(138)	-	(138)
Foreign currency translation effect	-	115	(319)	(204)
Balance December 31, 2008	2,845	3,042	1,905	7,792
Amortization for the year	1,655	1,934	401	3,990
Scrapping of amortized projects	(512)	-	-	(512)
Foreign currency translation effect	(45)	(89)	114	(20)
Balance December 31, 2009	3,944	4,887	2,420	11,251
Other intangible assets, net:				
December 31, 2008	45,793	7,069	849	53,711
December 31, 2009	32,540	8,437	500	41,477

Included in the impairment charge of capitalized development expenses for 2009 is an amount of €12.5 million related to certain projects which were as a result of the strategic reorientation determined end of life.

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

2010	10,039
2011	9,506
2012	8,563
2013	7,508
2014	5,861
	41,477

NOTE 7 Goodwill

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

	Front-end	Back-end	Total
Balance January 1, 2008	12,917	27,535	40,452
Impairment charge:			
NanoPhotonics AG	(1,314)	-	(1,314)
Deductions:			
Release contingency ASM Genitech Korea Ltd	(224)	-	(224)
Sale of NanoPhotonics AG	(334)	-	(334)
Foreign currency translation effect	(2,148)	1,573	(575)
Balance December 31, 2008	8,897	29,108	38,005
Foreign currency translation effect	551	(1,005)	(454)
Balance December 31, 2009	9,448	28,103	37,551

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

	December 31,	
	2008	2009
<i>Front-end segment:</i>		
ASM Microchemistry Oy	2,612	2,612
ASM Genitech Korea Ltd	6,285	6,835
<i>Back-end segment:</i>		
ASM Pacific Technology Ltd	29,108	28,103
Total	38,005	37,551

NanoPhotonics AG – In September 2008, the Company sold its entire 72.86% interest in NanoPhotonics AG. The Company recorded an impairment charge of € 1,314 related to goodwill of its investment in NanoPhotonics AG in June 2008.

The proceeds from the sale of NanoPhotonics AG and the impairment charge can be summarized as follows:

Carrying value of assets and liabilities:	
Intangible assets:	8
Goodwill	1,648
Property, plant & equipment	346
Other assets and liabilities	(278)
	1,724
Cash proceeds from sale of NanoPhotonics AG	(410)
Impairment charge	1,314

Notes to Consolidated Financial Statements (continued)

ASM Genitech Korea Ltd. – In 2004, the Company acquired 100% of the common shares in Genitech in exchange for 247,638 common shares of the Company, € 4,640 in cash and possible future variable cash payments of up to US\$ 9,200 if certain financial performance targets are satisfied at various times from the acquisition date in 2004 through the year ended December 31, 2008. The total consideration at the date of the acquisition in 2004, including expenses, amounted to € 7,939, excluding variable cash payments that may be payable in the future based on certain financial performance targets.

The excess of the purchase price over the fair value of the identifiable net assets has been recorded as goodwill in the amount of € 6,917 in 2004. In 2006, 2007 and 2008 the Company recorded € 862, € 281 and € 176 respectively as additional purchase consideration as certain financial performance targets were satisfied.

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

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

- A pre-tax WACC of 13%.
- For Front-end external market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used.
- Cash flow calculations are limited to five years of cash flow; after these five years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less.
- For Back-end the market value of the listed shares of ASMPT on the Hong Kong Stock exchange has been used in our analysis.

These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Based on this analysis management believes that as per December 31, 2009 the fair value of the reporting units exceeded the carrying value.

NOTE 8 Property, Plant and Equipment

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

	Land, buildings and leasehold improvements	Machinery, equipment, furniture and fixtures	Total
At cost:			
Balance January 1, 2008	102,965	281,764	384,729
Capital expenditures	6,406	25,044	31,450
Reclassification	766	(766)	-
Impairment charges	(7,068)	-	(7,068)
Sale of NanoPhotonics AG	-	(1,043)	(1,043)
Retirements and sales	(6,838)	(4,535)	(11,373)
Foreign currency translation effect	8,629	27,319	35,948
Balance December 31, 2008	104,860	327,783	432,643
Capital expenditures	1,849	10,869	12,718
Reclassification as held for sale	(6,634)	-	(6,634)
Impairment charges	(132)	(4,496)	(4,628)
Retirements and sales	(217)	(6,240)	(6,457)
Foreign currency translation effect	(3,251)	(10,981)	(14,232)
Balance December 31, 2009	96,475	316,935	413,410
Accumulated depreciation:			
Balance January 1, 2008	51,705	183,382	235,087
Depreciation for the year	7,332	25,844	33,176
Sale of NanoPhotonics AG	-	(697)	(697)
Retirements and sales	(4,149)	(3,655)	(7,804)
Foreign currency translation effect	4,268	20,056	24,324
Balance December 31, 2008	59,156	224,930	284,086
Depreciation for the year	6,778	25,276	32,054
Reclassification as held for sale	(1,126)	-	(1,126)
Retirements and sales	(213)	(5,427)	(5,640)
Foreign currency translation effect	(2,012)	(8,764)	(10,776)
Balance December 31, 2009	62,583	236,016	298,599
Property, plant and equipment, net:			
December 31, 2008	45,704	102,853	148,557
December 31, 2009	33,893	80,919	114,811
Useful lives in years:	- Buildings and leasehold improvements		10-25
	- Machinery and equipment		2-10
	- Furniture and fixtures		2-10

ASM Japan and ASM Front-End Manufacturing Singapore have pledged real estate with a carrying value of € 22,526 to secure loan facilities outstanding in Japan and Singapore.

In 2009 the Company recorded impairment charges of € 4,628 mainly related to machinery and equipment. The Company impaired certain demo tools which were as a result of the strategic reorientation determined end of life. Valuations of these assets are classified as Level 3 in the fair value hierarchy since their fair values were determined based on unobservable inputs. The impairment charges were determined based on the difference between the asset's estimated fair value and their carrying amount.

Notes to Consolidated Financial Statements (continued)

In 2008 the Company recorded an impairment charge related to the manufacturing plant at ASM Europe in the Netherlands of € 7,068. The impairment is the consequence of the announcement in January 2009 of the restructuring of the ASM Europe operations including the transfer of the manufacturing operations to the Company's subsidiary ASM Front-End Manufacturing Singapore. ASM Europe will cease using the manufacturing plant upon completion of the transfer. The impairment charges are included in the Consolidated Statements of Operations as restructuring expenses.

In 2009 the decision was made to dispose certain items of property, plant and equipment. These assets are reported as held for sale.

NOTE 9 Assets held for sale

In 2009 the decision was made to dispose certain items of property, plant and equipment. These assets represent a carrying value as per December 31, 2009 of € 5,508. The assets held for sale are located in Japan and The Netherlands. In Japan (Tama) a building that was used for research and development activities was ceased to be used in December 2009. The carrying value of € 4.6 million is below the expected selling price.

Also in Japan a piece of land that was purchased to build a research and development center has now been regarded as held for sale. The carrying value of € 0.7 million is below the expected selling price. In the Netherlands the former ASMI head office located in Bilthoven has been regarded as held for sale. The carrying value of € 0.3 million is below the expected selling price. The expected selling prices were determined, based on various inputs and considerations, including an appraisal from an outside firm performed during 2009.

NOTE 10 Evaluation tools at customers

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

Reclassification from inventories as per January 1, 2009	6,693
Evaluation tools shipped	8,588
Depreciation	(2,032)
Evaluation tools sold	(1,776)
Foreign currency translation effect	(191)
Balance December 31, 2009	11,282
Useful lives in years:	5

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

NOTE 11 Investments

The investment of € 50 as per December 31, 2009 reflects the interest in Levitech B.V. Resulting from the management buy-out of the RTP business, ASM International N.V. obtained a 20% interest in Levitech B.V.

NOTE 12 Notes Payable to Banks

Information on notes payable to banks is as follows:

	December 31,	
	2008	2009
Short-term debt outstanding in:		
Japan	15,860	13,518
Singapore	998	990
Overdraft in:		
The Netherlands	-	2,500
Total	16,858	17,008

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

	December 31,	
	2008	2009
Japanese yen	2,000,000	1,800,000
Singapore dollar	2,000	2,000

Short-term debt outstanding in Japan in the amount of € 5,257 is collateralized by real estate with a carrying value of € 7,420 of ASM Japan.

ASMI and its individual subsidiaries borrow under separate short-term lines of credit with banks in the countries where they are located. The lines contain general provisions concerning renewal and continuance at the option of the banks. The weighted average interest rate of the outstanding notes payable was 2.3% at December 31, 2009.

Total short-term lines of credit amounted to € 107,396 at December 31, 2009. The amount outstanding at December 31, 2009 was € 14,508 and the undrawn portion totaled € 92,888. The undrawn portion includes the Company's newly negotiated standby revolving credit facility of € 65,000 with a consortium of banks. The facility, available through November 6, 2012, is secured by a portion of the Company's shareholding in ASMPT. The undrawn portion further includes € 26,686 for ASMPT, which amount is restricted to be used only in the operations of ASMPT. The undrawn portion further includes € 1,202 for ASM Japan, which amount is restricted to be used only in the operations of ASM Japan.

The credit facility of € 65,000 bank includes two financial covenants: a minimum long-term committed capital and a total net debt/equity ratio. These financial covenants are measured twice each year, at June 30 and December 31. The Company is in compliance with these financial covenants as of December 31, 2009. Short-term line of credits of ASM Japan of € 5,257 include financial covenants, of which the most important covenants, measured at December 31 of each year are as follows:

- no two loss making years in a row ;
- no annual loss in excess of a certain percentage of the equity of ASM Japan.

ASM Japan is in compliance with these financial covenants as of December 31, 2009.

ASMI is guarantor with respect to all short-term debt outstanding of ASM Front-End Manufacturing Singapore. ASMI is guarantor with respect to a credit line of € 14,720, with € 13,518 outstanding, of ASM Japan. ASMI does not provide guarantees for borrowings of ASMPT and there are no guarantees from ASMPT to secure indebtedness of ASMI. Under the rules of the Stock Exchange of Hong Kong, ASMPT is precluded from providing loans and advances other than trade receivables in the normal course of business, to ASMI or its non ASMPT subsidiaries.

NOTE 13 *Provision for Warranty*

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

Balance January 1, 2008	17,039
Charged to cost of sales	6,610
Deductions	(14,882)
Foreign currency translation effect	1,146
Balance December 31, 2008	9,913
Charged to cost of sales	2,082
Deductions	(6,153)
Foreign currency translation effect	(192)
Balance December 31, 2009	5,650

Costs of warranty include the cost of labor, material and related overhead necessary to repair a product during the warranty period. The warranty period is usually one to two years. The Company accrues for the estimated cost of the warranty on its products shipped in the provision for warranty, upon recognition of the sale of the product. The costs

Notes to Consolidated Financial Statements (continued)

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

Accrued expenses and other consist of the following:

	December 31,	
	2008	2009
Advance payments from customers	5,728	16,731
Accrual for employee contract termination benefits	-	9,236
Accrual for onerous contracts	-	1,396
Deferred revenue	4,979	3,254
Personnel related items	24,284	22,115
Other	22,460	25,329
	57,451	78,061

In 2009 ASMI started the implementation of a major restructuring in the Front-end segment as announced on January 9, 2009 and on July 20, 2009. The restructuring costs consisted among others of employee contract termination benefits and lease contract termination costs (onerous contracts).

The accrual for employee termination benefits relates to the benefits payable to employees that have become redundant and are terminated under the terms and conditions of a restructuring plan. The accrual for employee termination benefits will be fully spent in 2010.

The accrual for onerous contracts relates to operating lease contracts for buildings for which no economic benefits are expected. The accrual for onerous contracts is expected to be utilized by 2012.

NOTE 15 Long-term Debt

Long-term debt consists of the following:

	December 31,	
	2008	2009
Term loans:		
Japan, 1.3-2.4%, due 2010 – 2012	21,585	16,898
Finland, 1.8%, due 2010	427	214
Singapore, 3.8%, due 2011	1,436	855
Mortgage loans:		
Japan, 2.1-2.2%, due 2012	4,718	3,417
Capital lease commitments:		
Japan, 1.8%, due 2010 – 2012	1,865	965
Financing preferred shares	-	-
Preferred shares	220	-
	30,251	22,349
Current portion	(6,763)	(5,795)
	23,488	16,554

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

	December 31,	
	2008	2009
Euro	647	214
Japanese yen	3,552,162	2,833,514
Singapore dollars	2,876	1,727

Aggregate annual principal repayments for years subsequent to December 31, 2009 are:

2010	5,795
2011	4,019
2012	12,272
2013	263
	<hr/>
	22,349

Long-term debt outstanding in Japan in the amount of € 12,429 is collateralized by real estate with a carrying value of € 4,641 of ASM Japan.

Long-term debt outstanding in Singapore in the amount of € 855 is collateralized by real estate with a carrying value of € 10,464 and other assets with a carrying value of € 29,955 of ASM Front-End Manufacturing Singapore.

Long-term debt of ASM Japan of € 9,012 include financial covenants, of which the most important covenants, measured at December 31 of each year are as follows:

- no two loss making years in a row;
- no annual loss in excess of a certain percentage of the equity of ASM Japan.

ASM Japan is in compliance with these financial covenants as of December 31, 2009

ASMI is guarantor with respect to all long-term debt outstanding of ASM Front-End Manufacturing Singapore and is guarantor with respect to € 6,308 long-term debt outstanding of ASM Japan.

Capital lease commitments relate to commitments for equipment and machinery.

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

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

Financing preferred shares are entitled to a cumulative dividend based on the par value and share premium paid on such shares. Financing preferred shares are designed to allow ASMI to finance equity with an instrument paying a preferred dividend, linked to EURIBOR loans and government loans, without the dilutive effects of issuing additional common shares. Authorized are 8,000 shares, par value € 40. No financing preferred shares were issued as per 31 December 2009.

NOTE 16 *Convertible Subordinated Debt*

All our convertible bonds due 2010, 2011 and 2014, include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible note to convert it into common shares of the Company ("conversion option"). IFRS requires separate recognition of these components.

Notes to Consolidated Financial Statements (continued)

For the conversion options of the convertible bonds due 2010 and 2011 the accounting is different from that for the conversion option of the convertible bonds due 2014. As the convertible bonds due 2010 and 2011 are denominated in USD and the ASM International common shares in which they can be converted to are denominated in Euro, these conversion options are recognized as a liability measured at fair value. The conversion option is measured at fair value through the income statement, for 2009 this revaluation at fair value resulted in a loss of € 24.4 million (2008 a benefit of € 19.4 million) including loss from early extinguishments. For the conversion options of the convertible bonds due 2014 the fixed-for-fixed principle is met as both the debt instrument (the bond) and the Company's equity shares, in which they can be converted to, are denominated in the same currency (Euro). Based on this criterion the conversion option qualifies as permanent equity.

The fair value of the liability component is estimated using the prevailing market interest rate at the date of issue, for similar non-convertible debt. Subsequently, the liability is measured at amortized cost. The interest expense on the liability component is calculated by applying the market interest rate for similar non-convertible debt at the date of issue to the liability component of the instrument. The difference between this amount and the interest paid is added to the carrying amount of the convertible subordinated notes, thus creating a non-cash interest expense. For 2009 this accretion interest expense was € 4.9 million (2008, € 5.7 million).

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

	5.25% convertible subordinated notes, due 2010	4.25% convertible subordinated notes, due 2011	6.50% convertible unsecured notes, due 2014
Liability at redemption value at date of issuance	79,267	111,682	150,000
Debt issuance costs	(3,303)	(3,574)	(5,201)
Conversion component at date of issuance	(19,789)	(26,128)	(23,601)
Liability component at date of issuance	56,175	81,980	121,198
Balance January 1, 2008	41,994	77,532	-
Accrual of interest	2,314	3,359	-
Repurchasing of notes	(33,429)	-	-
Conversion of notes into common shares	(7)	(4,162)	-
Foreign currency translation effect	3,218	4,112	-
Balance December 31, 2008	14,089	80,841	-
Issue of notes	-	-	121,198
Accrual of interest	684	3,549	709
Repurchasing of notes	(2,640)	(16,047)	-
Foreign currency translation effect	(618)	(3,572)	-
Balance December 31, 2009	11,516	64,773	121,907

	5.25% convertible subordinated notes, due 2010	4.25% convertible subordinated notes, due 2011	6.50% convertible subordinated notes, due 2014
Nominal value in US\$:			
December 31, 2008	20,925	127,687	-
December 31, 2009	16,880	101,387	-
Nominal value in €:			
December 31, 2008	15,037	91,756	-
December 31, 2009	11,718	70,383	150,000

5.25% convertible subordinated notes, due 2010

In May 2003, ASMI issued US\$ 90.0 million in principal amount of 5.25% convertible subordinated notes due in May 2010 in a private offering. Interest on the notes is payable on May 15 and November 15 of each year. The notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness. The notes are convertible, at the option of the holder, into shares of the Company's common stock initially at a conversion rate of 52.0237 shares of common stock for each US\$ 1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of US\$ 19.22 per share. On or after May 20, 2006, the Company may redeem any of the notes at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if the closing price of the Company's common shares has exceeded 150% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days and if certain other conditions are satisfied. In the event of a change in control, the Company may be required to repurchase the notes.

In 2007, US\$ 20.8 million of the US\$ 90.0 million convertible subordinated notes has been repurchased. The US\$ 20.8 million nominal value has been repurchased for a market value of US\$ 29.0 million. The premium of € 8,138, paid above the carrying value of the notes, has been recorded as expense resulting from early extinguishment of debt in the Consolidated Statement of Operations for the year 2007 for an amount of € 1,152.

In 2008, US\$ 48.3 million convertible subordinated notes has been repurchased. The US\$ 48.3 million has been repurchased for a market value of US\$ 37.7 million. The gain from the early extinguishment of the notes of € 11,254, which includes the difference between the nominal value and the lower market value and the write-off of unamortized issuance costs, has been recorded as a gain from early extinguishment of debt in the Consolidated Statement of Operations for the year 2008.

In 2008 US\$ 0.01 million in convertible subordinated notes were converted into 520 common shares out of the treasury shares, previously purchased by the Company.

In 2009 US\$ 4.0 million convertible subordinated notes has been repurchased for a market value of US\$ 5.2 million. The loss from the early extinguishment of the notes of € 211, which includes the difference between the nominal value and the higher market value and the write-off of unamortized issuance costs, has been recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2009.

4.25% convertible subordinated notes, due 2011

In December 2004, ASMI issued US\$ 150.0 million in principal amount of 4.25% convertible subordinated notes due in December 2011 in a private offering. Interest on the notes is payable on June 6 and December 6 of each year. The notes are subordinated in right of payment to all of the Company's existing and future senior indebtedness. The notes are convertible, at the option of the holder, into shares of the Company's common stock initially at a conversion rate of 48.0307 shares of common stock for each US\$ 1,000 principal amount of notes, subject to adjustment in certain circumstances. This is equivalent to an initial conversion price of US\$ 20.82 per share. Effective December 6, 2007, the conversion price is adjusted for the cash dividend paid in September 2007 to US\$ 20.71 per share. On or after December 6, 2007, the Company may redeem any of the notes at a redemption price equal to 100% of the principal amount of the notes being redeemed, plus accrued and unpaid interest, if the closing price of the Company's common shares has exceeded 130% of the conversion price for at least 20 trading days in any period of 30 consecutive trading days. In the event of a change in control, the Company may be required to repurchase the notes.

In 2007, US\$ 14.6 million of the US\$ 150.0 million convertible subordinated notes has been repurchased. The nominal value US\$ 14.6 million has been repurchased for a market value of US\$ 19.4 million. The premium of € 5,463, paid above the carrying value of the notes, has been recorded as expense resulting from early extinguishment of debt in the Consolidated Statement of Operations for the year 2007 for an amount of € 1,154.

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

In 2009 US\$ 26.3 million convertible subordinated notes has been repurchased for a market value of US\$ 33.7 million. The loss from the early extinguishment of the notes of € 1,548, which includes the difference between the nominal

Notes to Consolidated Financial Statements (continued)

value and the higher market value and the write-off of unamortized issuance costs, has been recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2009.

The 4.25% convertible subordinated notes rank pari passu with the 5.25% convertible subordinated notes.

6.50% convertible subordinated notes, due 2014

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

The 6.50% convertible subordinated notes rank pari passu amongst themselves and equally with all other unsecured and unsubordinated obligations of the Company.

Conversion option

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

Valuation in US\$ per note of nominal US\$ 1,000	5.25% Convertible subordinated notes, due May 2010	4.25% Convertible subordinated notes due December 2011
Valuation per 31 December 2007:		
Implied volatility	28.3%	106.9%
USD interest average	4.25%	4.25%
Stock price	€ 16.75	€ 16.75
Conversion price	US\$ 19.22	US\$ 20.71
Value of the option	US\$ 251.60	US\$ 149.96
Valuation per 31 December 2008:		
Implied volatility	17.4%	10.0%
USD interest average	1.86%	1.86%
Stock price	€ 6.16	€ 6.16
Conversion price	US\$ 19.22	US\$ 20.71
Value of the option	US\$ 13.32	US\$ 29.99
Valuation per 31 December 2009:		
Implied volatility	32.0%	32.0%
USD interest average	0.37%	1.27%
Stock price	€ 17.76	€ 17.76
Conversion price	US\$ 19.22	US\$ 20.71
Value of the option	US\$ 312.97	US\$ 263.04

NOTE 17 Shareholders' Equity

Common shares, preferred and financing preferred shares

The authorized capital of the Company amounts to 110,000,000 shares of € 0.04 par value common shares, 118,000 shares of € 40 par value preferred shares and 8,000 shares of € 40 par value financing preferred shares, of which 51,745,140 common shares, no preferred and no financing preferred shares were outstanding as at December 31, 2009. All shares have one vote per € 0.04 par value. Treasury shares held by the Company cannot be voted on.

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

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

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

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

Treasury shares at cost

The changes in the number and amount of treasury shares at cost is as follows:

	Number of treasury shares	Amount	Amount per share
Balance January 1, 2008	213,787	3,985	18.64
Purchase of common shares	2,655,100	36,453	13.73
Issuance of treasury shares upon exercise of options	(99,367)	(1,850)	18.63
Issuance of treasury shares upon conversion of convertible subordinated notes	(103,029)	(1,373)	13.32
Balance December 31, 2008	2,666,491	37,215	13.96
Withdrawal of common shares	(2,553,000)	(35,631)	13.96
Issuance of treasury shares upon exercise of options	(113,491)	(1,584)	13.96
Balance December 31, 2009	-	-	-

From the treasury shares outstanding on December 31, 2008 2,552,071 shares were held in custody with Lehman Brothers Europe International. These shares were withdrawn in the year 2009.

Retained earnings

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

Notes to Consolidated Financial Statements (continued)

Accumulated other comprehensive loss

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

	Foreign currency translation effects	Unrealized gains (losses) on derivative instruments, net of tax	Total
Balance January 1, 2008	(71,789)	146	(71,643)
Foreign currency translation effect on translation of foreign operations	14,895	-	14,895
Increase in fair value of derivative instruments, net of tax	-	799	799
Transfer to Consolidated Statement of Operations of derivative instruments, net of tax	-	(898)	(898)
Total change in accumulated other comprehensive loss	14,895	(99)	14,796
Balance December 31, 2008	(56,894)	47	(56,847)
Foreign currency translation effect on translation of foreign operations	(3,252)	-	(3,252)
Increase in fair value of derivative instruments, net of tax	-	81	81
Transfer to Consolidated Statement of Operations of derivative instruments, net of tax	-	(251)	(251)
Total change in accumulated other comprehensive loss	(3,252)	(170)	(3,422)
Balance December 31, 2009	(60,146)	(123)	(60,269)

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

On May 22, 2007, 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 number of shares bought back under the authorization of May 22, 2007 was 2,655,100. Of this number, 249,071 were sold upon the exercise of options by employees of ASML, under the Employee Stock Option Plan, 103,029 were issued upon conversion of convertible subordinated debt and 2,553,000 were withdrawn in July 2009.

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

Period	Total Number of Shares Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Number of Shares that May Yet be Purchased under the Programs
August 2007	250,000	250,000	€ 18.67	-
March and April 2008	2,405,100	2,405,100	€ 13.31	-

On May 21, 2008, 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 number of shares bought back under the authorization of May 21, 2008 was 250,000.

The following table summarizes shares repurchased under the authorization of May 21, 2008:

Period	Total Number of Shares Purchased	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Average Price Paid per Share	Maximum Number of Shares that May Yet be Purchased under the Programs
September 2008	250,000	250,000	€ 17.74	2,758,656

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, 2009 there were no treasury shares held) and the maximum number of common shares which the Company can hold according to its Articles of Association. This maximum is 10% of the number of common shares issued.

NOTE 18 *Employee Benefits*

Pension plans

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

The Company's employees in the Netherlands participate in a multi-employer plan ("Bedrijfstakpensioenfonds Metalektro"). The plan monitors the risks of the entire investment portfolio, not by individual company or employee, and is subject to regulation by Dutch governmental authorities. By Dutch law, a multi-employer union plan must be monitored against specific criteria, including the coverage ratio of its assets to its obligations. This ratio includes a minimum coverage ratio of 105%. Each company participating in the plan contributes a percentage of its total pensionable salaries and each company contributes the same percentage. The pension rights of individual employees are based on the employee's average salary during employment.

At December 31, 2009 the coverage ratio of the multi-employer plan was 100% (December 31, 2008: 90%) as a result of the economic crisis in 2008 and 2009. Consequently the Board of the multi-employer plan decided that existing pension obligations will not be indexed for the years 2009 and 2010.

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

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

Notes to Consolidated Financial Statements (continued)

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

	December 31,	
	2008	2009
Defined benefit obligations	(10,046)	(6,560)
Fair value of plan assets	4,973	2,119
Funded status deficit	(5,073)	(4,441)
Unrecognized actuarial loss	1,586	662
Unrecognized transition amount	1,530	-
Net liabilities Defined benefit plan Japan	(1,957)	(3,779)
Other pension liabilities (mainly South Korea)	(1,418)	(1,115)
Total pension liabilities	(3,375)	(4,894)

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

	December 31,	
	2008	2009
Defined benefit obligations		
Balance January 1	7,401	10,046
Current service cost	739	675
Interest on obligation	160	154
Actuarial losses (gains)	(159)	605
Benefits paid	(439)	(365)
Curtailed and settlement	-	(4,095)
Foreign currency translation effect	2,344	(461)
Balance December 31	10,046	6,560
Fair value of plan assets		
Balance January 1	4,831	4,973
Expected return on plan assets	193	98
Actuarial losses	(1,485)	(20)
Company contribution	610	629
Benefits paid	(439)	(365)
Settlement	-	(2,996)
Foreign currency translation effect	1,263	(201)
Balance December 31	4,973	2,119

The net periodic benefit cost consists of the following:

	December 31,	
	2008	2009
Current service cost	739	675
Interest on obligation	160	154
Expected return on plan assets	(193)	(98)
Amortization deferred actuarial loss	-	44
Amortization of transition amount	113	-
Net periodic pension benefit cost	819	775

The actual return on plan assets was € (1,293), and € 78 for the years ended December 31, 2008 and 2009 respectively.

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

	December 31,	
	2008	2009
Discount rate for obligations	2.00%	1.70%
Expected return on plan assets	3.00%	3.00%
Future salary increases	2.94%	2.93%

The allocation of plan assets is as follows:

	December 31,			
	2008		2009	
Shares	2,229	44.8%	868	41.0%
Bonds	2,150	43.2%	1,010	47.6%
Loans	267	5.4%	126	5.9%
Real estate	54	1.1%	25	1.2%
Other	273	5.5%	91	4.3%
	4,973	100.0%	2,119	100.0%

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

The Company expects to contribute € 501 to the defined benefit plan in 2010. The Company expects to pay benefits for years subsequent to December 31, 2009 as follows:

2010	266
2011	271
2012	309
2013	313
2014	377
Aggregate for the years 2015-2019	2,105
Total	3,641

Retirement plan costs consist of the following:

	December 31,	
	2008	2009
Defined contribution plans	7,863	6,875
Multi-employer plans	2,792	2,089
Defined benefit plans	819	775
Total retirement plan costs	11,474	9,739

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

Employee Stock Option Plan

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. Options are priced at market value in euros or U.S. dollars on the date of grant, are generally vesting in equal parts over a period of five years and generally expire after five or ten years. Under the 2001 Stock Option Plan the Company is authorized to issue 4,000,000 shares. At December 31, 2009, options to purchase 3,723,345 shares have been issued under the 2001 Stock Option Plan. Under previous plans no more options to purchase shares can be issued. Under the various stock option plans a total of 1,750,158 options to purchase common stock were outstanding at December 31, 2009, expiring at various dates through 2019. The number of options outstanding at December 31, 2008 and 2009 were 1,460,730 and 1,750,158 respectively.

Notes to Consolidated Financial Statements (continued)

The following is a summary of changes in options outstanding:

	Number of options	Weighted average exercise price in US\$	Number of options	Weighted average exercise price in €
Balance January 1, 2008	442,797	16.43	747,000	15.10
Options granted	276,000	20.49	148,000	12.36
Options forfeited	(36,500)	16.43	(17,200)	17.55
Options exercised	(79,357)	15.07	(20,010)	13.85
Balance December 31, 2008	602,940	18.47	857,790	14.61
Options granted	358,400	17.83	381,600	14.76
Options forfeited	(68,740)	14.27	(245,332)	14.43
Options exercised	(69,700)	12.99	(66,800)	12.20
Balance December 31, 2009	822,900	19.00	927,258	14.89

The weighted average fair value of employee stock options granted in U.S. dollars were US\$ 11.01 in 2008 and US\$ 9.31 in 2009. The weighted average fair values of employee stock option granted in Euro were € 5.55 in 2008 and € 7.26 in 2009.

The weighted average remaining contractual life of the outstanding options granted in 2009 is 6.58 years at December 31, 2009.

The total intrinsic value of options exercised was € 818, and € 684 for the years ended December 31, 2008 and 2009 respectively. No new shares have been issued for the exercise of options in 2008. In 2009 new shares have been issued for the exercise of 23,009 options.

At December 31, 2009 options outstanding and options exercisable classified by range of exercise prices are:

Range of exercise prices	Options outstanding			Options exercisable	
	Number outstanding	Weighted average	Weighted	Number exercisable	Weighted
		remaining contractual life	average exercise price		average exercise price
In US\$		In years	In US\$		In US\$
1.00-10.00	80,000	9.13	7.55	0	0
10.00-15.00	205,400	4.78	13.10	82,400	13.46
15.00-20.00	107,500	7.09	17.99	34,500	17.26
20.00-30.00	430,000	6.71	24.21	66,800	25.17
1.00-30.00	822,900	6.51	19.00	183,700	18.43
In €		In years	In €		In €
1.00-10.00	24,600	3.90	7.91	4,000	7.79
10.00-15.00	280,790	3.57	12.42	117,391	12.73
15.00-20.00	621,868	5.22	16.28	64,560	16.18
1.00-20.00	927,258	4.68	14.89	185,951	13.82

At December 31, 2009, the aggregate intrinsic value of all options outstanding and all options exercisable is € 6,509 and € 1,664 respectively.

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

	December 31,	
	2008	2009
Expected life (years)	5 – 10	5 – 10
Risk free interest rate	4.0%	3.0%
Dividend yield	0.85	-
Expected volatility	72.5%	52.1%

When establishing the expected life assumption the Company takes into account the contractual terms of the option. We recorded in 2008 compensation expenses of € 2,024 and in 2009 compensation expenses of € 2,127.

Employee Share Incentive Scheme ASMPT

In 1989, the shareholders of ASMPT approved a plan to issue up to 5.0 percent of the total issued shares of ASMPT to directors and employees. This plan has been extended in 1999 for a term up to March 23, 2010. The directors annually may approve an amount of supplemental compensation to the designated directors and officers, which will be used to issue or purchase ASMPT's common shares for the designees at current market value. In December 2009, 2,035,400 common shares of ASMPT were issued, for cash at par value of HK\$ 0.10 per share, pursuant to the Employee Share Incentive Scheme of ASMPT. In 2008 1,728,700 ASMPT shares were issued to certain directors and employees under the plan. The effect of this transaction on ASMI was a dilution of its ownership interest in ASMPT of 0.28% in 2009, and 0.23% in. The shares issued under the plan in 2009 have diluted ASMI's ownership in ASMPT to 52.59% as of December 31, 2009. Total compensation expenses related to the Employee Share Incentive Scheme of respectively € 7,524 in 2008, and € 3,685 in 2009 were charged to the Consolidated Statement of Operations.

The dilution in ownership has resulted in a gain on the investment in ASMPT of € 4,088 in 2008, and € 956 in 2009, which gain has been separately included in the Consolidated Statement of Operations. Due to the participation exemption in the Netherlands no deferred income taxes have been provided for these gains.

NOTE 19 Commitments and Contingencies

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

	December 31,	
	2008	2009
Machinery and equipment	6,530	4,305
Furniture and fixtures	780	739
	7,310	5,044
Less accumulated depreciation	(5,418)	(3,939)
	1,892	1,105

Notes to Consolidated Financial Statements (continued)

At December 31, 2009 minimum rental commitments under capital leases and operating leases having initial or remaining non-cancelable terms in excess of one year are as follows:

	Capital leases	Operating leases
2010	630	8,601
2011	244	7,319
2012	107	5,386
2013	-	3,767
2014	-	2,062
Years thereafter	-	4,688
Total	981	31,823
Less amount representing interest	(16)	
Present value of net minimum lease payments	965	

Aggregate rental expense for operating leases was € 9,748 in 2008 and € 10,719 in 2009. At December 31, 2009 the Company had entered into purchase commitments with suppliers in the amount of € 62,983 for purchases, of which € 62,841 for purchases within the next 12 months. Commitments for capital expenditures at December 31, 2009 were € 9,675.

Change of Control Transaction

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

NOTE 20 *Litigation and Environmental Matters*

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

Under our license agreement with Applied Materials, we pay royalties based upon our sales of equipment that employs technology covered by the licensed patents. We believe that we no longer practice patents applicable to certain equipment and ceased paying royalties on the sale of such equipment as of December 18, 2007 and gave written notice to Applied Materials in December 2007. The agreement provides a process to address royalty issues in a prescribed manner: the first step is written notice of a royalty matter to a party; the second step is amicable resolution with the participation of an expert if desired by Applied Materials; and the final step if not resolved by the parties is through binding arbitration. Initiation of this process is not considered a default event and the remedy is the payment of any unpaid royalties for equipment shipped after the written notice that are ultimately agreed to by the parties or determined by arbitration. Applied Materials is verifying our position through the review by an independent expert. While we consider the matter closed, Applied Materials notified us in late 2009 that they are continuing to evaluate the matter and will contact us if they require additional information. Although we believe our position is correct, the outcome of any possible arbitration is uncertain and, if we are not successful, we could be required to pay up to approximately US\$ 4.2 million (€ 2.9 million) for royalties as of December 31, 2009.

NOTE 21 *Financial Instruments and Risk Management*

Categories of Financial Instruments

Financial instruments include:

Financial assets:

	December 31,	
	2008	2009
Cash and cash equivalents	157,277	293,902
Accounts receivable	172,603	165,754
Derivative instruments designated in cash flow hedges	172	0
Derivative instruments designated in fair value hedges	613	94

Financial liabilities:

	December 31,	
	2008	2009
Notes payable to banks	16,858	17,008
Accounts payable	69,718	93,117
Current portion of long-term debt	6,763	5,795
Current portion of convertible subordinated debt	-	11,516
Long-term debt	23,488	16,554
Convertible subordinated debt	94,931	186,680
Conversion option	2,952	22,181
Derivative instruments designated in cash flow hedges	55	167
Derivative instruments designated in fair value hedges	360	28

Gains or losses related to financial instruments are as follows:

	Year ended December 31,	
	2008	2009
Interest income	4,047	1,018
Interest expense	(9,282)	(7,905)
Accretion interest expense convertible notes at amortized value	(5,673)	(4,942)
Gain (loss) resulting from early extinguishment of debt	11,254	(1,759)
Revaluation conversion option	19,372	(24,364)
Foreign currency exchange gains (losses), net	1,343	(1,384)
Addition to allowance for doubtful accounts receivable	(2,859)	(2,812)

We adopted IFRS 7.27, for financial assets and liabilities and for nonfinancial assets and liabilities that are remeasured at least annually. This standard defines fair value as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The standard establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels.

Level 1. Quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2. Observable inputs other than quoted prices in active markets.

Level 3. Unobservable inputs for which there is little or no market data available. The fair value hierarchy gives the lowest priority to Level 3 inputs.

Notes to Consolidated Financial Statements (continued)

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

	Level 1	Level 2	Level 3	Total
December 31, 2008				
Assets:				
Derivative financial instruments	-	16,974	-	16,974
Total	-	16,974	-	16,974
Liabilities:				
Conversion options	-	2,952	-	2,952
Derivative financial instruments	-	3,072	-	3,072
Total	-	6,024	-	6,024
December 31, 2009				
Assets:				
Derivative financial instruments	-	14,500	-	14,500
Total	-	14,500	-	14,500
Liabilities:				
Conversion options	-	22,181	-	22,181
Derivative financial instruments	-	421	-	421
Total	-	22,602	-	22,602

Financial Risk Factors

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

Foreign Exchange Risk

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

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

The majority of revenues and costs of the Company's back-end segment are denominated in Hong Kong dollars, Chinese Yuan and U.S. dollars. Since foreign currency exposure is not significant, no forward exchange contracts are used. The effect of exchange rate fluctuations on revenues, costs and cash flows and assets and liabilities denominated in foreign currencies is periodically reviewed.

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

The Company expects that substantially all of the € 123 unrealized losses included in accumulated other comprehensive loss as of December 31, 2009 will be reclassified to net earnings within the next twelve months, upon

completion of the underlying transactions. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Unrealized gains included in accumulated other comprehensive loss as of December 31, 2008 of € 47 were reclassified to earnings in 2009. Hedge ineffectiveness was insignificant for the years ended December 31, 2008 and December 31, 2009.

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

To the extent that exchange rate fluctuations impact the value of the Company's investments in its foreign subsidiaries, they are not hedged. The cumulative effect of these fluctuations is separately reported in Consolidated Shareholders' Equity. Reference is made to Note 17.

The outstanding forward exchange contracts are as follows:

	Currency	Notional amount	Forward contract value Euro	Fair value Euro	Difference between forward value and fair value Euro	Included in accumulated other comprehensive income (loss) Euro
December 31, 2008:						
Assets:						
Cash flow hedge contracts:						
Short position	US\$	(3,892)	(2,988)	(2,789)	199	128
Fair value hedge contracts:						
Short position	US\$	(19,724)	(14,531)	(14,185)	346	-
Liabilities:						
Cash flow hedge contracts						
Long position	US\$	2,228	1,687	1,606	(81)	(81)
Fair value hedge contracts:						
Long position	US\$	2,038	1,560	1,466	(94)	-
December 31, 2009:						
Assets:						
Cash flow hedge contracts:						
Short position	US\$	(10,767)	(7,293)	(7,460)	(167)	(123)
Fair value hedge contracts:						
Short position	US\$	(10,135)	(7,134)	(7,040)	94	-
Liabilities:						
Cash flow hedge contracts						
Long position	-	-	-	-	-	-
Fair value hedge contracts:						
Long position	US\$	607	449	421	(28)	-

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

Notes to Consolidated Financial Statements (continued)

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the U.S. dollar, Hong Kong dollar and Japanese yen against the euro as of December 31, 2008 and December 31, 2009. This analysis includes foreign currency denominated monetary items and adjusts their translation at year end for a 10% increase and 10% decrease of the U.S. dollar, Hong Kong dollar or Japanese yen against the euro. A positive amount indicates an increase in equity. Recognized in equity is the revaluation effect of subsidiaries denominated in U.S. dollar, Hong Kong dollar and Japanese yen.

	Impact on equity	
	2008	2009
10% increase of U.S. dollar versus euro	(686)	1,237
10% decrease of U.S. dollar versus euro	686	(1,237)
10% increase of Hong Kong dollar versus euro	16,853	19,640
10% decrease of Hong Kong dollar versus euro	(16,853)	(19,640)
10% increase of Japanese yen versus euro	5,404	4,393
10% decrease of Japanese yen versus euro	(5,404)	(4,393)

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar, Hong Kong dollar and Japanese yen against the euro as of December 31, 2008 and December 31, 2009 would not result in a material impact on equity.

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the U.S. dollar and Hong Kong dollar against the euro at average exchange rates for the years 2008 and 2009. A positive amount indicates an increase in net earnings.

	Impact on net earnings	
	2008	2009
10% increase of Japanese yen versus euro	not material	(1,348)
10% decrease of Japanese yen versus euro	not material	1,348
10% increase of U.S. dollar versus euro	2,646	(8,307)
10% decrease of U.S. dollar versus euro	(2,646)	8,307
10% increase of Hong Kong dollar versus euro	4,819	4,570
10% decrease of Hong Kong dollar versus euro	(4,819)	(4,570)

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar and Hong Kong dollar against the euro at average exchange rates for the years 2008 and 2009 would not result in a material impact on net earnings.

Interest Risk

The Company is exposed to interest rate risk primarily through its borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2009 the Company had convertible subordinated debt borrowings outstanding of € 11,718 (US\$ 16,880) at a fixed interest rate, maturing in May 2010, € 70,383 (US\$ 101,387) at a fixed interest rate, maturing in December 2011 and € 150,000 at a fixed rate, maturing in November 2014, € 22,349 in long-term debt at fixed interest rates and € 14,508 in other borrowings with variable short-term interest rates. A hypothetical change in the average interest rate by 10% on the portion of the Company's debt bearing interest at variable rates would not result in a material change in interest expense at December 31, 2008 and December 31, 2009 borrowing levels.

Credit Risk

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

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

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

The Company derives a significant percentage of its revenue from a small number of large customers. The Company's largest customer accounted for approximately 9.1% of net sales in 2009 (2008: 13.8%), which is 30.6% for our largest front-end customer and 6.0% for our largest back-end customer. The ten largest customers accounted for approximately 32.9% of net sales in 2009 (2008: 32.0%), which is 61.4% for our ten largest front-end customers and 32.7% for our ten largest back-end customers. 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, 2009 one customer accounted for 7.8% of the outstanding balance in accounts receivable (2008: 12.3%).

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

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

Liquidity Risk

The following table summarizes the Company's contractual obligations as at December 31, 2009 aggregated by type of contractual obligation:

Contractual obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Forward exchange contracts	421	421	-	-	-
Notes payable to banks ¹	14,840	14,840	-	-	-
Bank overdraft	2,500	2,500	-	-	-
Long-term debt ^{1, 2}	23,018	6,181	16,574	263	-
Convertible subordinated debt ¹	285,824	25,075	92,874	167,875	-
Operating leases	31,823	8,601	12,705	5,829	4,688
Purchase obligations:					
Purchase commitments to suppliers	62,983	62,841	142	-	-
Capital expenditure commitments	9,675	9,374	301	-	-
Total contractual obligations	431,084	129,833	122,596	173,967	4,688

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

² Capital lease obligations of € 956 are included in long-term debt.

Total short-term lines of credit amounted to € 107,396 at December 31, 2009. The amount outstanding at December 31, 2009 was € 14,508 and the undrawn portion totaled € 92,888. The undrawn portion includes the Company's newly negotiated standby revolving credit facility of € 65,000 with a consortium of banks. The facility, available through November 6, 2012, is secured by a portion of the Company's shareholding in ASMPT. The undrawn portion includes € 26,686 for ASMPT, which amount is restricted to be used only in the operations of ASMPT. The undrawn portion includes € 1,202 for ASM Japan, which amount is restricted to be used only in the operations of ASM Japan.

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

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

Notes to Consolidated Financial Statements (continued)

NOTE 22 Research and Development Expenses

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

	Year ended December 31,	
	2008	2009
Research and development expenses	58,832	52,809
Amortization of capitalized development expenses	2,484	1,655
Impairment of capitalized development expenses	9,737	21,630
Research and development grants and credits	(639)	(1,128)
Total research and development expenses	70,414	74,967

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

With the disposal of our RTP business in October 2009, the liability has been transferred to Levitech B.V., the vehicle in which the management buy-out has been constructed. ASM International N.V. participates for 20% in Levitech B.V. With the disposal of our RTP business we have licensed our RTP portfolio of 50 issued patents and 23 pending patents to Levitech BV.

In 2008 the Company accounted for repayments with respect to such credits of € 86. Interest on the contingent repayments is accrued at an interest rate of 6.05% per annum. The contingent repayment, including accrued interest, was € 3,162 at December 31, 2008. This amount has not been recognized as a liability in the Consolidated Balance Sheet since the Company has not recognized sales of products to which the credit is related.

NOTE 23 Restructuring expenses

In 2009 ASMI started the implementation of a major restructuring in the front-end segment as announced on January 9, 2009 and on July 20, 2009. The main components of the Company's accelerated execution plans are:

- The consolidation of our global front-end manufacturing operations from Europe, the United States and Japan, into our front-end manufacturing operations in Singapore by the end of 2010. This will be achieved by completing the previously announced transfer from Almere, the Netherlands, which was finalized during 2009; the phasing out the manufacturing operation in Phoenix, Arizona, in the first half of 2010; and by transferring manufacturing from Nagaoka, Japan, no later than the fourth quarter of 2010.
- The reduction of selling, general and administration expenses by making fundamental changes in our global support infrastructure. This includes a significant simplification and streamlining of our warehousing operations and the further strengthening of the global sales & service organization which was created last year.
- The leveraging of research and development and our product portfolio by reprioritization of strategic programs in order to maximize their potential.

Related to these execution plans, an amount of € 35.7 million restructuring expenses was recorded for the full year of 2009. These charges include:

- Employee related expenses of € 19.4 million. Included are unconditional one-time termination benefits of € 15.8 million, conditional one-time termination benefits subject to the final termination date of € 1.7 million and other employee related expenses of € 1.9 million.

- Contract termination related expenses of € 2.8 million. These expenses mainly relate to operational lease contracts and include both the valuating of the onerous contracts at fair value, the decommissioning expenses and impairments of leasehold improvements.
- Impairment charges of € 4.6 million mainly related to machinery and equipment. We impaired certain demo tools which were as a result of the strategic reorientation determined end of life. The impairment charges were determined based on the difference between the asset's estimated fair value and their carrying amount.
- Expenses of € 4.4 million resulting from the transition of our global front-end manufacturing operations from Europe, the United States and Japan, into our front-end manufacturing operations in Singapore.
- Expenses of € 3.9 million related to the management buy-out of our RTP.
- Other expenses of € 0.6 million.

In 2008 the Company recorded an impairment charge related to the manufacturing plant at ASM Europe in the Netherlands of € 7,1 million. The impairment was the consequence of the announcement in January 2009 of the restructuring of the ASM Europe operations including the transfer of the manufacturing operations to the Company's subsidiary ASM Front-End Manufacturing Singapore. ASM Europe will cease using the manufacturing plant upon completion of the transfer. The impairment charges are included in the Consolidated Statements of Operations as restructuring expenses.

NOTE 24 *Income Taxes*

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

	Year ended December 31,	
	2008	2009
The Netherlands	(15,504)	(96,048)
Other countries	100,965	18,112
Earnings (loss) before income taxes and Non-controlling interest	85,461	(77,936)

The income tax expense consists of:

	Year ended December 31,	
	2008	2009
Current:		
The Netherlands	(64)	(297)
Other countries	(12,594)	(12,570)
	(12,658)	(12,867)
Deferred:		
The Netherlands	-	-
Other countries	(371)	10,458
Income tax expense	(13,029)	(2,409)

Notes to Consolidated Financial Statements (continued)

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

	2008	2009
Earnings before income taxes and Non-controlling interest	85,461	(77,936)
Netherlands statutory income tax rate	25.5%	25.5%
Income tax provision at statutory rate	(21,793)	19,874
Non-deductible expenses	4,050	(8,376)
Foreign taxes at a rate other than the Netherlands statutory rate	10,706	16,524
Valuation allowance	(10,604)	(34,564)
Non-taxable income	4,609	4,870
Other	3	(737)
Income tax expense	(13,029)	(2,409)

Included in non-taxable income is € 3,239 regarding the Company's manufacturing operations in Singapore and other countries where income covering certain products is non-taxable under tax incentive schemes granted by the local tax authority. The majority of these tax exemption schemes have terms ending in 2010.

The Netherlands statutory tax rate amounted to 25.5% in 2008 and 2009. Taxations 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:

	December 31,	
	2008	2009
Deferred tax assets:		
Reserves and allowances	4,010	5,673
Net operating losses	110,525	147,551
Depreciation	506	1,801
Other	1,711	924
Gross deferred tax assets	116,752	155,949
Less: valuation allowance	(108,112)	(132,450)
Net deferred tax assets	8,640	23,499
Deferred tax liabilities:		
Convertible subordinated notes	(2,680)	(8,646)
Capitalized development expenses	(6,991)	(5,614)
Research and development credits	(806)	-
Deferred tax liabilities	(10,477)	(14,260)
Net deferred income taxes	(1,837)	9,239

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

	December 31,	
	2008	2009
Deferred tax assets – non-current	5,693	15,167
Deferred tax liabilities – non-current	(7,530)	(5,928)
	(1,837)	9,239

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2009 of € 521,218 for tax return purposes to reduce future income taxes, mainly in Europe and the United States. The Company believes that realization of its net deferred tax assets is dependent on the ability of the Company to generate taxable income in the future. Given the volatile nature of the semiconductor equipment industry, past experience, and the tax jurisdictions where the Company has net operating losses, the Company believes that there is currently

insufficient evidence to substantiate recognition of substantially all net deferred tax assets with respect to net operating losses. Accordingly, a valuation allowance of € 109,515 in 2008 and € 140,825 in 2009 has been recorded.

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

Expiration year	
2010	2,511
2011	144,075
2012	60,526
2013	21,665
2014	41,335
2015	11
2016	6,193
2017	85,723
2018	66,364
2019	75
2022	9,421
2023	3,624
2024	392
2025	4,401
2026	1,518
2027	4,203
2028	25,676
Unlimited	45,503
Net operating losses	521,218

The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2009 undistributed earnings of subsidiaries, subject to withholding taxes, were approximately € 12,183. These earnings could become subject to foreign withholding taxes if they were remitted as dividends or if the Company should sell its interest in the subsidiaries. However, the Company believes that Netherlands tax credits would largely eliminate any foreign withholding tax that might otherwise be due.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws. The Company's estimate for the potential outcome of any uncertain tax issue is highly judgmental. Tax contingencies mainly relate to transfer pricing positions, operational activities in countries where the Company is not tax registered and x deductible costs. The Company provides for these tax contingencies for the duration of the statute of limitation period, which differs per tax jurisdiction. At December 31, 2009 tax contingencies amounted to € 15,663 and are included in income taxes payable in the Consolidated Balance Sheet. Settlement of tax uncertainties in a manner inconsistent with the Company's expectations could have a material impact on the Company's financial position, net earnings and cash flows.

NOTE 25 *Disclosures about Segments and Related Information*

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

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

The back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd., in which the Company holds a majority of 52.59% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong. The segment's main operations are located in Hong Kong, the People's Republic of China, Singapore and Malaysia.

Notes to Consolidated Financial Statements (continued)

Segment performance is evaluated by the Company's management based on US GAAP net earnings or loss which in certain respect is measured differently from net income or loss reported by the Company in its consolidated financial statements, which are based on IFRS, as endorsed by the EU. For a reconciliation between IFRS and US GAAP see note 31.

(euro thousands, except for headcount)			
Information based on US GAAP as prescribed by IFRS 7	Front-end	Back-end	Total
Year ended December 31, 2008			
Net sales to unaffiliated customers	296,737	450,625	747,362
Gross profit	93,898	176,364	270,262
Earnings (loss) from operations	(30,445)	90,167	59,722
Interest income	3,002	1,045	4,047
Interest expense	(7,745)	-	(7,745)
Gain resulting from early extinguishment of debt	7,956	-	7,956
Foreign currency exchange gains (losses), net	(566)	1,351	785
Income tax expense	(1,486)	(10,658)	(12,144)
Net earnings (loss) before gain on dilution of investment in subsidiary	(29,284)	81,905	52,621
Gain on dilution of investment in subsidiary			4,088
Allocation of net earnings:			
Shareholders of the parent			18,411
Non-controlling interest			38,298
Capital expenditures	11,173	20,277	31,450
Purchase of other intangibles	4,994	368	5,362
Depreciation	14,440	18,736	33,176
Amortization of other intangible assets	985	499	1,484
Impairment of goodwill	1,395	-	1,395
Impairment of property, plant and equipment	7,068	-	7,068
Cash and cash equivalents	78,897	78,380	157,277
Capitalized goodwill	9,844	38,145	47,989
Other intangible assets	7,335	583	7,918
Other identifiable assets	282,340	272,274	554,614
Total assets	378,416	389,382	767,798
Total debt	153,682	-	153,682
Headcount in full-time equivalents ¹	1,667	10,047	11,714

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

(euro thousands, except for headcount)			
Information based on US GAAP as prescribed by IFRS 7			
	Front-end	Back-end	Total
Year ended December 31, 2009			
Net sales to unaffiliated customers	160,378	430,361	590,739
Gross profit	8,726	172,789	181,515
Earnings (loss) from operations	(120,269)	95,113	(25,156)
Interest income	541	477	1,018
Interest expense	(8,556)	-	(8,556)
Loss resulting from early extinguishment of debt	(1,759)	-	(1,759)
Accretion interest expense convertible notes	(4,286)	-	(4,286)
Revaluation conversion option	(24,364)	-	(24,364)
Foreign currency exchange gains (losses), net	(733)	(651)	(1,384)
Income tax expense	7,890	(11,676)	(3,786)
Net earnings (loss) before gain on dilution of investment in subsidiary	(151,535)	83,262	(68,273)
Gain on dilution of investment in subsidiary			956
Allocation of net earnings:			
Shareholders of the parent			(106,561)
Non-controlling interest			39,244
Capital expenditures	3,269	9,450	12,718
Purchase of other intangibles	2,934	360	3,294
Depreciation	11,436	20,619	32,054
Amortization of other intangible assets	1,884	451	2,335
Impairment of property, plant and equipment	4,628	-	4,628
Cash and cash equivalents	181,681	112,222	293,902
Capitalized goodwill	10,395	36,828	47,223
Other intangible assets	8,440	497	8,936
Other identifiable assets	187,194	314,445	501,638
Total assets	387,709	463,991	851,700
Total debt	265,430	-	265,430
Headcount in full-time equivalents ¹	1,294	10,773	12,067

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

Notes to Consolidated Financial Statements (continued)

Reconciliation from US GAAP to IFRS

(euro thousands)	Front-end	Back-end	Total
Year ended December 31, 2008			
Net earnings (loss) before gain on dilution of investment in subsidiary:			
Based on US GAAP	(29,284)	81,905	52,621
Adjustments to IFRS	19,811	-	19,811
Based on IFRS	(9,473)	81,905	72,432
Purchase and capitalization of other intangibles			
Based on US GAAP	4,994	368	5,362
Adjustments to IFRS	16,817	-	16,817
Based on IFRS	21,811	368	22,179
Capitalized goodwill			
Based on US GAAP	9,844	38,145	47,989
Adjustments to IFRS	(947)	(9,037)	(9,984)
Based on IFRS	8,897	29,108	38,005
Total assets			
Based on US GAAP	378,416	389,382	767,798
Adjustments to IFRS	42,216	(9,037)	33,179
Based on IFRS	420,632	380,345	800,977
Total debt			
Based on US GAAP	153,682	-	153,682
Adjustments to IFRS	(8,690)	-	(8,690)
Based on IFRS	144,992	-	144,992
Year ended December 31, 2009			
Net earnings (loss) before gain on dilution of investment in subsidiary:			
Based on US GAAP	(151,535)	83,262	(68,273)
Adjustments to IFRS	(12,072)	-	(12,072)
Based on IFRS	(163,607)	83,262	(80,345)
Purchase and capitalization of other intangibles			
Based on US GAAP	2,934	360	3,294
Adjustments to IFRS	11,124	-	11,124
Based on IFRS	14,058	360	14,418
Capitalized goodwill			
Based on US GAAP	10,395	36,828	47,223
Adjustments to IFRS	(947)	(8,725)	(9,672)
Based on IFRS	9,448	28,103	37,551
Total assets			
Based on US GAAP	387,709	463,991	851,700
Adjustments to IFRS	24,343	(8,725)	15,619
Based on IFRS	412,052	455,267	867,319
Total debt			
Based on US GAAP	265,430	-	265,430
Adjustments to IFRS	(5,696)	-	(5,696)
Based on IFRS	259,734	-	259,734

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

Geographical information, based on IFRS, is summarized as follows:

	Europe	United States of America	Japan	Southeast Asia	Corporate	Consolidated
Year ended December 31, 2008						
Net sales to unaffiliated customers	80,237	110,264	70,948	485,913	-	747,362
Long-lived assets	5,809	9,679	26,050	106,763	256	148,557
Total assets	81,380	105,115	130,877	427,289	56,316	800,977
Capital expenditures	5,655	1,909	2,383	21,400	103	31,450
Purchase and capitalization of intangible assets	4,860	8,884	3,215	386	4,834	22,179
Year ended December 31, 2009						
Net sales to unaffiliated customers	40,236	66,955	38,834	444,714	-	590,739
Long-lived assets	2,799	4,119	20,372	92,762	267	120,319
Total assets	33,833	62,511	108,773	509,619	152,583	867,319
Capital expenditures	49	401	953	11,309	6	12,718
Purchase and capitalization of intangible assets	1,873	6,523	2,729	383	2,910	14,418

Long-lived assets for the years ended December 31, 2008 and 2009 consist of the Company's property, plant and equipment and assets held for sale.

NOTE 26 *Selected Operating Expenses and Additional Information*

Personnel expenses for employees were as follows:

	December 31,	
	2008	2009
Wages and salaries	184,371	157,789
Social security	18,050	14,314
Pension expenses	11,474	9,849
	213,895	181,952

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

	December 31,	
	2008	2009
The Netherlands	352	288
Other European countries	197	154
United States of America	494	418
Southeast Asia	10,687	10,136
Japan	292	246
	12,022	11,242

Notes to Consolidated Financial Statements (continued)

NOTE 27 Earnings per Share

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

	December 31,	
	2008	2009
Net earnings used for purpose of computing basic earnings per common share	38,222	(118,633)
After-tax equivalent of interest expense on convertible subordinated notes	11,713	-
After tax equivalent of fair value change conversion option	(22,670)	
Net earnings used for purposes of computing diluted net earnings per common share	27,265	(118,633)
Basic weighted average number of shares outstanding during the year used for purpose of computing basic earnings per share (thousands)	52,259	51,627
Dilutive effect of stock options	130	-
Dilutive effect of convertible subordinated notes	9,661	-
Dilutive weighted average number of shares outstanding	62,050	51,627
Net earnings per share:		
Basic net earnings from continuing operations	0.73	(2.30)
Diluted net earnings from continuing operations	0.44	(2.30)

NOTE 28 Board Remuneration

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

	Year ended December 31,				
	Base compensation	Bonuses ¹⁰	Pensions	2009 Total	2008 Total
Management Board:					
C.D. del Prado	478	-	19	497	548
W.K. Lee ¹	307	188	18	513	573
R.A. Ruijter ²	314	-	-	314	-
J.F.M. Westendorp	310	-	23	333	423
A.J.M. van der Ven ³	288	-	18	306	354
A.H. del Prado ⁴	-	-	-	-	97
	1,697	188	78	1,963	1,995
Supervisory Board:					
G.J. Kramer ²	31	-	-	31	-
E.A. van Amerongen	35	-	-	35	33
J.M.R. Danneels	29	-	-	29	29
H.W. Kreutzer	31	-	-	31	30
J.C. Lobbezoo ²	21	-	-	21	-
U.H.R. Schumacher ⁵	25	-	-	25	15
P.C. van den Hoek ⁶	23	-	-	23	54
L.P.E.M. van den Boom ^{7, 8}	5	-	-	5	131
B.C. Brix ⁹	-	-	-	-	15
	200	-	-	200	307

¹ All remuneration relates to the compensation Mr. W.K. Lee received in his capacity as member of the Board of ASMPT.

² For the period May 15, 2009 through December 31, 2009.

³ For the period January 1, 2009 through December 31, 2009. Mr van der Ven resigned from the Management board as per May 14, 2009. Per December 31, 2009 Mr van der Ven resigned from the Company and subsequently received a termination benefit of € 141.

⁴ For the period January 1, 2008 through February 29, 2008.

⁵ For the period May 21, 2008 through December 31, 2008.

⁶ For the period January 1, 2009 through May 14, 2009.

⁷ For the period January 1, 2009 through March 9, 2009.

⁸ The remuneration of 2008 for Mr. L.P.E.M. van den Boom includes the compensation of € 99 for additional services performed as the Supervisory Board's designee on the Company's Transaction Committee.

⁹ For the period January 1, 2008 through May 21, 2008.

¹⁰ All bonuses paid in 2009 were calculated and paid in respect of performance in 2008.

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

No stock options have been issued to members of the Supervisory Board. The following table shows the outstanding options to purchase ASM International N.V. common shares held by current and former members of the Management Board, and changes in such holdings during 2009:

	Year	Outstanding of grant	Outstanding of January 1, 2009	Granted in 2009	Adjustment from vesting condition 2009 6	Exercised in 2009	Outstanding December 31, 2009	Exercise price	Remaining term, in years
A.H. del Prado ¹	2006		100,856	-	(100,856)	-	-	€ 14.08	-
A.H. del Prado ¹	2007		60,441	-	-	-	60,441	€ 19.47	2
C.D. del Prado ²	2003		20,000	-	-	-	20,000	US\$ 11.35	4
C.D. del Prado ¹	2006		35,680	-	(35,680)	-	-	€ 14.08	-
C.D. del Prado ¹	2007		22,451	-	-	-	22,451	€ 19.47	6
C.D. del Prado ¹	2008		100,000	-	-	-	100,000	€ 12.71	7
C.D. del Prado ¹	2009		-	50,000	-	-	50,000	€ 15.09	8
A.J.M. van der Ven ^{3, 5}	2005		30,000	-	-	-	30,000	€ 11.18	0
A.J.M. van der Ven ^{1, 5}	2006		20,000	-	(2,500)	-	17,500	€ 14.13	0
A.J.M. van der Ven ^{1, 5}	2006		15,680	-	(15,680)	-	-	€ 14.08	-
A.J.M. van der Ven ^{1, 5}	2007		21,917	-	-	-	21,917	€ 19.47	0
J.F.M. Westendorp ⁴	2006		56,000	-	-	-	56,000	€ 15.40	2
J.F.M. Westendorp ¹	2006		42,816	-	(42,816)	-	-	€ 14.08	-
J.F.M. Westendorp ¹	2007		25,659	-	-	-	25,659	€ 19.47	6
J.F.M. Westendorp ⁴	2009		-	40,000	-	-	40,000	€ 15.09	8
			551,500	90,000	(197,532)	-	443,968		

The fair value per option of options granted to current and former members of the Management Board was € 5.82 in 2008 and € 8.98 in 2009. The compensation expense recorded in the Consolidated Statements of Operations related to options held by current and former members of the Management Board was € 868 in 2008 and € 737 in 2009.

As in 2009 no options to purchase ASM International N.V. common shares have been exercised no new shares have been issued for the exercise of options.

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

- (1) These options are conditional. A percentage – not exceeding 150% – of the options which have been granted conditionally will become unconditional after three years, based on the total return of the Company's shares for the three years after the options are granted compared to the average total return of the shares of a relevant number of companies which are similar to the Company during the same three-year period. The options are granted for a term of eight years. Upon the retirement of Mr. A.H. del Prado in 2008, the remaining term of his options has been shortened.
- (2) These options are granted for a term of ten years, and become exercisable in equal parts over a five year period.
- (3) These options are granted for a term of eight years, and become exercisable in equal parts over a three year period, starting 2008.
- (4) These options are granted for a term of five years, and become exercisable in equal parts over a five year period.
- (5) As a result of his resignation the options granted to Mr. A.J.M. van der Ven will expire per the end of March, 2010.
- (6) As a result of the final ranking of ASM International in a predefined peer group the options granted in January 2006 to Mr. A.J.M. van der Ven have vested at 87.5% and the options granted in May 2006 to all members of the Management Board have vested at 0%.

In March 2009, Mr. W.K. Lee in his capacity of member of the Board of Directors of ASMPT was granted 110,000 shares in the share capital of ASMPT under the Employee Share Incentive Scheme of ASMPT. The shares were issued in December 2009. The fair value of the shares granted amounted to € 199. In February 2008, Mr. W.K. Lee in his

Notes to Consolidated Financial Statements (continued)

capacity of member of the Board of Directors of ASMPT was granted 110,000 shares in the share capital of ASMPT under the Employee Share Incentive Scheme of ASMPT. The shares were issued in December 2008. The fair value of the shares granted amounted to € 479.

NOTE 29 Share Ownership and Related Party Transactions

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

	December 31, 2008		December 31, 2009	
	Shares owned	Percentage of Common shares outstanding	Shares owned	Percentage of Common shares outstanding
Management Board:				
A.H. del Prado	6,684,839	12.32%	9,275,839	17.93%
C.D. del Prado	132,945	0.24%	132,945	0.26%
J.F.M. Westendorp	6,000	0.01%	6,000	0.01%
Stichting Administratiekantoor ASMI	4,792,039	8.83%	2,142,039	4.14%

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.

NanoPhotonics AG – In 1999, the Company acquired a 24.0% interest in NanoPhotonics, a German supplier of precision thin film metrology equipment, for € 407. In 1999, the Company's then Chief Executive Officer also purchased a 44.5% interest in NanoPhotonics. Due to the issuance of new shares by NanoPhotonics to third parties in 2003, the Company's interest diluted to 23.61% and the then Chief Executive Officer's interest diluted to 43.77%. In 2004 the then Chief Executive Officer purchased an additional 1.72% interest in NanoPhotonics from another shareholder. For all the shares purchased by the then Chief Executive Officer, the Company and the then Chief Executive Officer agreed that the Company could purchase such shares at the same price the officer paid to acquire the shares. The Company exercised this option in December 2005, for a total consideration of € 1,101. In 2006 the Company acquired an additional 2% interest in NanoPhotonics for a consideration of € 300. In September 2008, the Company finalized the sale of its interest for a total consideration of € 410. Related to this sale, the Company recorded an impairment charge of € 1,314. At December 31, 2007 the Company has provided NanoPhotonics with intercompany loans of € 300. In 2007 and 2008 the Company purchased no equipment from NanoPhotonics.

The former Chairman of the Supervisory Board, Mr. P.C. van den Hoek who resigned on May 14, 2009, was a partner in the European law firm of Stibbe until March 2009, and is now Of Counsel to Stibbe. Another partner at Stibbe serves as the Company's general outside legal counsel. Mr. van den Hoek has been with Stibbe since 1965. Mr. van den Hoek also serves on the boards of directors of various European companies. Fees for services to Stibbe amounted to € 1,415 and € 1,115 in 2008 and 2009, respectively.

NOTE 30 Remuneration of the External Auditor

Audit fees.

Deloitte Accountants B.V., its affiliates, and its member firms ("Deloitte") billed us an aggregate € 2,512,596 (of which Deloitte Accountants B.V. billed € 766,236) and € 2,073,646 (of which Deloitte Accountants B.V. billed € 627,420) for the audit of our Consolidated Financial Statements for the years ended December 31, 2008 and 2009, respectively, and certain agreed upon procedures regarding our quarterly financial results. These amounts accounted for 80% and 82% of the total fees billed to us by Deloitte in 2008 and 2009, respectively.

Audit-related fees.

Deloitte billed us an aggregate of € 10,550 (of which Deloitte Accountants B.V. billed € 9,000) and € 5,150 (of which Deloitte Accountants B.V. billed € 3,000) for fees for audit related services for the years ended December 31, 2008 and 2009, respectively. These amounts accounted for 1% and <1% of the total fees billed to us by Deloitte in 2008 and 2009, respectively.

Tax fees.

Deloitte billed us an aggregate of € 533,144 (of which Deloitte Accountants B.V. billed € 19,000) and € 425,694 (of which Deloitte Accountants B.V. billed € 16,620) in 2008 and 2009, respectively, for tax services relating to tax compliance, tax planning and advice. These amounts accounted for 17% and 17% of the total fees billed to us by Deloitte in 2008 and 2009, respectively.

All other fees.

Deloitte billed us an aggregate of € 57,907 (of which Deloitte Accountants B.V. billed € 18,020) and € 36,147 (of which Deloitte Accountants B.V. billed € 12,000) in 2008 and 2009, respectively, for all other services. These amounts accounted for 2% and 1% of the total fees billed to us by Deloitte in 2008 and 2009, respectively.

NOTE 31 Reconciliation of IFRS to US GAAP

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

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

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

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

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

Convertible Subordinated Notes – The Company's convertible subordinated notes include a component that creates a financial liability to the Company and a component that grants an option to the holder of the convertible subordinated notes to convert it into common shares of the Company (conversion component). IAS 32 "Financial Instruments: Disclosure and Presentation," requires separate recognition of these components. The liability is initially measured at fair value and subsequently measured at amortized cost. The conversion option is measured at fair value. Under US GAAP such a separation is not required. Subsequent to the initial separation, the liability component accrues over time to its nominal value, resulting in additional interest expenses. As per January 1, 2009 under US GAAP the Company adopted ASC 815 as a consequence of which starting that date the accounting for the convertible subordinated notes is the same under IFRS and US GAAP.

Notes to Consolidated Financial Statements (continued)

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

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

	Year ended December 31,	
	2008	2009
Net earnings (loss) in accordance with IFRS	76,520	(79,389)
Goodwill	(81)	-
Convertible subordinated notes	(16,028)	-
Debt issuance expenses credit facility	-	1,283
Development expenses	(3,712)	10,784
Preferred shares	10	5
Net earnings (loss) in accordance with US GAAP	56,709	(67,317)

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

	December 31,	
	2008	2009
Total equity in accordance with IFRS	481,034	402,275
Goodwill	9,984	9,672
Convertible notes	(7,556)	-
Debt issuance expenses credit facility	-	1,283
Development expenses	(38,802)	(26,926)
Preferred shares	220	-
Pension plans	(1,838)	(391)
Total shareholders’ equity in accordance with US GAAP	443,041	385,913

Almere,
April 28, 2010

Supervisory Board

G.J. Kramer
E.A. van Amerongen
J.M.R. Danneels
H.W. Kreutzer
J.C. Lobbezoo
U.H.R. Schumacher

Management Board

C.D. del Prado
W.K. Lee
R.A. Ruijter
J.F.M. Westendorp

Statements of Financial Position ASM International N.V.

Balance Sheets ASM International N.V.

(After proposed appropriation of net earnings for the year)

(EUR thousands except share data)	Note	December 31,	
		2008	2009
Assets			
Loan advances due from investments	2	149,669	170,182
Investments in subsidiaries	2	150,679	133,730
Other investments		-	50
Other intangible assets, net	3	9,005	9,627
Goodwill, net	4	2,612	2,612
Assets held for sale		-	277
Property, plant and equipment, net	5	256	111
Total non-current assets		312,221	316,589
Cash and cash equivalents		50,002	136,134
Amounts due from subsidiaries		102,876	37,310
Other current assets		604	1,230
Total current assets		153,482	174,674
Total assets		465,703	491,263
Liabilities and Shareholders' Equity			
Amounts due to subsidiaries		4,562	4,364
Accrued expenses and other		6,977	8,738
Taxes and social securities		166	193
Current portion convertible subordinated notes		-	11,516
Total current liabilities		11,705	24,811
Long term debt		220	-
Convertible subordinated debt		94,931	186,680
Conversion option		2,952	22,181
Total liabilities		109,808	233,672
Common shares			
Authorized 110,000,000 shares, par value € 0.04, issued and outstanding 54,275,131 and 51,745,140 shares		2,171	2,070
Capital in excess of par value		327,462	290,523
Treasury shares at cost		(37,215)	-
Accumulated deficit		(30,742)	(132,440)
Legal reserves		151,066	157,707
Accumulated other comprehensive loss		(56,847)	(60,269)
Total shareholders' equity	6	355,895	257,591
Total liabilities and shareholders' equity		465,703	491,263

Statements of Income ASM International N.V.

(EUR thousands)	Year ended December 31,	
	2008	2009
Net earnings (loss) of subsidiaries	26,378	(68,835)
Net earnings (loss) from holding activities	11,844	(49,798)
Net earnings (loss)	38,222	(118,633)

See Notes to Financial Statements ASM International N.V.

Notes to Financial Statements ASM International N.V.

Amounts in euro thousands, unless otherwise stated

NOTE 1 Summary of Significant Accounting Policies

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

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

Investments – Investments in subsidiaries, jointventures and associates are accounted for using the net equity value. The net equity value of subsidiaries comprises the cost, excluding goodwill of ASMI's share in the net assets of the subsidiary, plus ASMI's share in income or losses since acquisition, less dividends received.

NOTE 2 Investments and Loan Advances due from Investments

	Investments	Loan advances due from investments	Total
Balance January 1, 2008	66,215	162,392	228,607
Capital investments	99,263	-	99,263
Repayment of capital	(424)	-	(424)
Net result of subsidiaries	26,378	-	26,378
Dividend received	(49,225)	-	(49,225)
Issuance of loans	-	20,307	20,307
Repayments of loans	-	(36,273)	(36,273)
Unrealized gains on derivative instruments	64	-	64
Foreign currency translation effect	8,408	3,243	11,651
Balance December 31, 2008	150,679	149,669	300,348
Capital investments	77,089	-	77,089
Net result of subsidiaries	(68,835)	-	(68,835)
Dividend received	(21,300)	-	(21,300)
Issuance of loans	-	40,881	40,881
Repayments of loans	-	(20,442)	(20,442)
Unrealized gains on derivative instruments	(170)	-	(170)
Foreign currency translation effect	(3,733)	74	(3,659)
Balance December 31, 2009	133,730	170,182	303,912

Notes to Financial Statements ASM International N.V. (continued)

NOTE 3 Other Intangible Assets

	Software	Purchased technology and other intangible assets	Total
At cost:			
Balance January 1, 2008	1,746	8,241	9,987
Additions	4,834	-	4,834
Balance December 31, 2008	6,580	8,241	14,821
Additions	2,910	-	2,910
Balance December 31, 2009	9,490	8,241	17,731
Accumulated amortization:			
Balance January 1, 2008	209	4,576	4,785
Amortization for the year	169	862	1,031
Balance December 31, 2008	378	5,438	5,816
Reclassification from property, plant and equipment	121	-	121
Amortization for the year	1,306	861	2,167
Balance December 31, 2009	1,805	6,299	8,104
Other intangible assets, net:			
December 31, 2008	6,202	2,803	9,005
December 31, 2009	7,685	1,942	9,627

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

2009	2,810
2010	2,755
2011	1,994
2012	1,519
2013	549
	9,627

NOTE 4 Goodwill

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

At cost:		
Balance January 1, 2008		6,554
Impairment charge		(1,314)
Sold		(494)
Balance December 31, 2008		4,746
No changes		-
Balance December 31, 2009		4,746
Accumulated amortization:		
Balance January 1, 2008		2,294
Sold		(160)
Balance December 31, 2008		2,134
No changes		-
Balance December 31, 2009		2,134
Goodwill, net:		
December 31, 2008		2,612
December 31, 2009		2,612

NOTE 5 Property, Plant and Equipment

	Land, buildings and improvements	Machinery, equipment, furniture and fixtures	Total
At cost:			
Balance January 1, 2008	6,038	490	6,528
Capital expenditures	47	56	103
Sold	(4,712)	(241)	(4,953)
Balance December 31, 2008	1,373	305	1,678
Capital expenditures	-	40	40
Reclassification as held for sale	(1,326)	-	(1,326)
Balance December 31, 2009	47	345	392
Accumulated depreciation:			
Balance January 1, 2008	3,210	490	3,700
Depreciation for the year	124	11	135
Sold	(2,172)	(241)	(2,413)
Balance December 31, 2008	1,162	260	1,422
Depreciation for the year	17	12	29
Reclassification to other intangible assets	(121)	-	(121)
Reclassification as held for sale	(1,049)	-	(1,049)
Balance December 31, 2009	9	272	281
Property, plant and equipment, net:			
December 31, 2008	211	45	256
December 31, 2009	38	73	111

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

Notes to Financial Statements ASM International N.V. (continued)

NOTE 6 Shareholders' Equity

The changes in shareholders' equity are as follows:

	Common shares	Capital in excess of par value	Treasury shares at cost	Accumulated deficit	Legal reserves	Accumulated other comprehensive loss	Total shareholders' equity
Balance January 1, 2008	2,160	322,412	(3,985)	(66,028)	148,386	(71,643)	331,302
Compensation expense stock options	-	2,024	-	-	-	-	2,024
Purchase of common shares	-	-	(36,453)	-	-	-	(36,453)
Exercise of stock options out of treasury shares	-	(556)	1,850	(255)	-	-	1,039
Conversion of debt into common shares	11	3,582	1,373	-	-	-	4,966
Decreased retained earnings subsidiaries	-	-	-	1,032	(1,032)	-	-
Capitalized development expenses	-	-	-	(3,712)	3,712	-	-
Other comprehensive income	-	-	-	-	-	14,796	14,796
Net earnings	-	-	-	38,222	-	-	38,222
Balance December 31, 2008	2,171	327,462	(37,215)	(30,742)	151,066	(56,847)	355,895
Compensation expense stock options	-	2,127	-	-	-	-	2,127
Withdrawal of common shares	(102)	(35,529)	35,631	-	-	-	-
Dividend tax paid on withdrawal of common shares	-	(3,399)	-	-	-	-	(3,399)
Exercise of stock options out of treasury shares	-	(323)	1,584	(25)	-	-	1,236
Exercise of stock options by issuance of common shares	1	185	-	-	-	-	186
Recognition conversion option subsequent to issuance of convertible notes	-	-	-	23,601	-	-	23,601
Increased retained earnings subsidiaries	-	-	-	(17,425)	17,425	-	-
Capitalized development expenses	-	-	-	10,784	(10,784)	-	-
Other comprehensive income	-	-	-	-	-	(3,422)	(3,422)
Net earnings	-	-	-	(118,633)	-	-	(118,633)
Balance December 31, 2009	2,070	290,523	-	(132,440)	157,707	(60,269)	257,591

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

For more detailed information, reference is made to Note 17 to the Consolidated Financial Statements.

Employee Stock Option Plan

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. For more detailed information, reference is made to Note 15 to the Consolidated Financial Statements.

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

With respect to remuneration and share ownership of the Management Board and Supervisory Board, reference is made to Note 28 and 29 to the Consolidated Financial Statements.

NOTE 8 Commitments and Contingencies

ASM International N.V. has guaranteed available facilities of certain subsidiaries of € 22,873. With respect to certain Dutch subsidiaries ASM International N.V. has assumed joint and several liability in accordance with Article 403, Part 9 of Book 2 of the Netherlands Civil Code.

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

Almere,
April 28, 2010

Supervisory Board

G.J. Kramer
E.A. van Amerongen
J.M.R. Danneels
H.W. Kreutzer
J.C. Lobbezoo
U.H.R. Schumacher

Management Board

C.D. del Prado
W.K. Lee
R.A. Ruijter
J.F.M. Westendorp

Auditor's Report

The auditor's report is included on page 112 of the Annual Accounts 2009.

Appropriation and Determination of Profits

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

Para 1-3:

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

Para 4-6:

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

Para 7:

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

Para 9:

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

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

The Management Board has decided with the approval of the Supervisory Board that the net loss for the year 2009 will be charged to the reserves.

Special Statutory Control Rights

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

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

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

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

Stichting Continuïteit ASM International

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

The members of the board of Stichting are:

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

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

The issuance of preferred shares to Stichting has since been the subject of litigation in the Enterprise Chamber of the Amsterdam court of appeal. This litigation was initiated by shareholders Hermes Focus Asset Management Ltd. and Fursa Alternative Investment Strategies LLC. In August 2009 the Enterprise Court ordered an inquiry in respect of the affairs of the Company. The Court also ruled that there are no reasons for any immediate measures and it therefore denied the appointment of a supervisory director with extensive powers as well as all other immediate measures requested by such shareholders. The inquiry will concern the period from January 1, 1996 to January 1, 1998 (inclusive) as far as it relates to the granting of the option to Stichting to subscribe for preferred shares in the Company and the period since January 1, 2006. The inquiry is currently ongoing.

List of Subsidiaries and Offices

The subsidiaries and offices of the Company are listed on page 48 and 49 of the Statutory Annual Report.

To the supervisory Board and Shareholders of
ASM International N.V.
Almere, The Netherlands

Report on the financial statements

We have audited the accompanying financial statements 2009 of ASM International N.V., Almere as included on the pages 51 up to and including 111. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2009, consolidated statements of income, of comprehensive income, of total equity and cash flows for the year then ended and notes, comprising a summary of significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2009, the company profit and loss account for the year then ended and the notes.

Management's responsibility

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

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of ASM International N.V. as at December 31, 2009, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the company financial statements

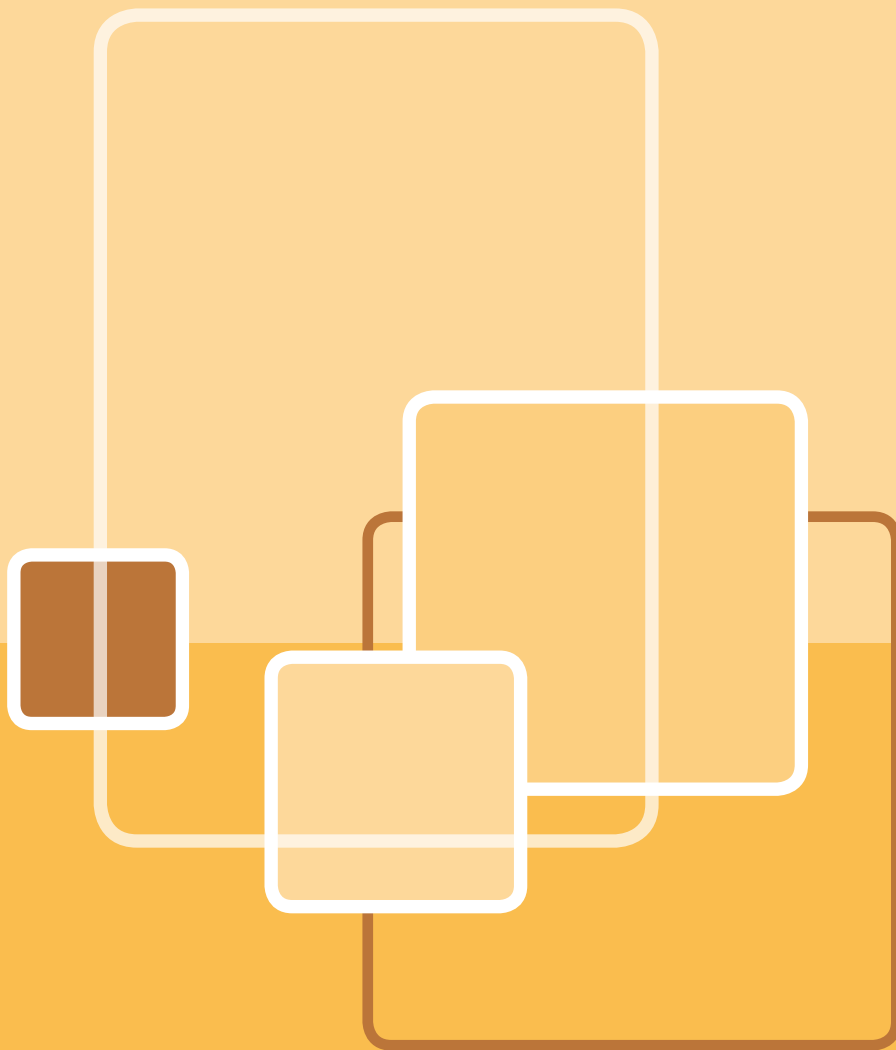
In our opinion, the company financial statements give a true and fair view of the financial position of ASM International N.V. as at December 31, 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

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

Deloitte Accountants B.V.
Was signed: M.J. van der Vegte

Amsterdam, The Netherlands
April 28, 2010



ASM  International

The Process of InnovationSM

ASM International N.V.
Versterkerstraat 8
1322 AP Almere
The Netherlands | www.asm.com