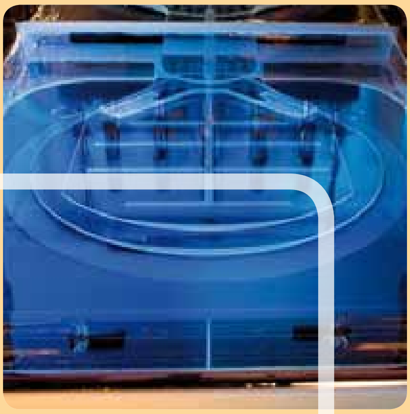
2010 Statutory Annual Report

The Process of Innovation℠



ASM International

2010 Statutory Annual Report

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Safe Harbor Statement

In addition to historical information, this Annual Report contains statements relating to our future business and / or results, including, among others, statements regarding future revenue, sales, income, expenditures, sufficiency of cash generated from operations, maintenance of majority interest in ASM Pacific Technology Ltd., business strategy, product development, product acceptance, market penetration, market demand, return on investment in new products, facility completion dates and product shipment dates, corporate transactions, restructurings, liquidity and financing matters, outlooks and any other non-historical information in this Annual Report. These statements include certain projections and business trends, which are “forward-looking” within the meaning of the United States Private Securities Litigation Reform Act of 1995.
You can identify these statements by the use of words like “may”, “could”, “should”, “project”, “believe”, “anticipate”, “expect”, “plan”, “estimate”, “forecast”, “potential”, “intend”, “continue” and variations of these words or comparable words. Forward-looking statements do not guarantee future performance and involve risks and uncertainties. You should be aware that our actual results may differ materially from those contained in the forward-looking statements as a result of certain risks and uncertainties. These risks and uncertainties include, but are not limited to, economic conditions and trends in the semiconductor industry and the duration of industry downturns, currency fluctuations, the timing of significant orders, market acceptance of new products, competitive factors, litigation involving intellectual property, shareholder and other issues, commercial and economic disruption due to natural disasters, terrorist activity, armed conflict or political instability, epidemics and other risks indicated in our Annual Report on Form 20-F for the year ended December 31, 2010 and other filings from time to time with the SEC. The risks described are not the only ones facing ASM. Some risks are not yet known and some that we do not currently believe to be material could later become material. Each of these risks could materially affect our business, revenues, income assets, liquidity and capital resources. All statements are made as of the date of this report unless otherwise noted, and we assume no obligation 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 2010 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 32 to the Consolidated Financial Statements.

Contents

ASM

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

	Year ended December 31,	
	2009	**2010**
In million Euro		
Operations:		
Net sales:	590.7	**1,222.9**
Front-end	160.4	**293.4**
Back-end	430.4	**929.5**
Result from operations	(37.3)	**336.5**
Net earnings allocated to shareholders of the parent	(118.6)	**118.6**
Statement of financial position:		
Net working capital[1]	181.3	**296.0**
Total assets	867.3	**1,242.0**
Total debt[2]	259.7	**211.2**
Net debt (cash)[3]	(34.2)	**(129.1)**
Backlog:	196.7	**499.8**
Front-end	50.3	**162.9**
Back-end	146.4	**336.9**
Number of staff:		
Full-time equivalents:	12,067	**16,699**
Front-end	1,294	**1,450**
Back-end	10,773	**15,249**
In Euro		
Per share data:		
Net earnings allocated to shareholders of the parent per share:		
Basic	(2.30)	**2.26**
Diluted	(2.30)	**2.22**
In thousands		
Weighted average number of shares used in computing per share amounts:		
Basic	51,627	**52,435**
Diluted	51,627	**61,494**

[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:

- 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 patent portfolio by filing applications for key developments in equipment, processes, materials and software where this is deemed necessary and beneficial.

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, PECVD and Atomic Layer Deposition technologies, today we address all of the critical areas driving the semiconductor industry roadmap: silicon-on-insulator (SOI) and strained silicon, high-k dielectrics and metal electrodes for logic and memory, dielectrics for double patterning, 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 52.4% owned Back-end subsidiary, is the world's largest assembly and packaging equipment supplier for the semiconductor and LED industries and is a leading supplier of stamped and etched lead frames. With headquarters in Hong Kong, and operations in the People's Republic of China, Singapore and Malaysia, ASMPT offers the most comprehensive leading edge portfolio for all of the major process steps in Back-end, from die attach through encapsulation. In early 2011, ASMPT entered the Surface Mount Technology market through the acquisition of the Siemens Electronics Assembly Systems business from Siemens AG.

Global Operations

With corporate headquarters in Almere, the Netherlands, ASMI operates manufacturing facilities in Singapore, Malaysia, Hong Kong, and the People's Republic of China, 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 16,500 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 our desktop PC's, and the low power chips in our wireless handheld devices are now built using ASM's ALD technology.

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 ASM 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.

ASM: 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, ASM 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

ASM 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 ASM, developments in ALD are a priority, and a dynamic and ongoing process.

ALD: Driving Sustainable Growth

Despite the early invention of 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 4 years, the market for ALD equipment is expected to grow, from about $320 million in 2010 to about $580 million in 2014 [VLSI Research, January 2011].

At ASM, 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, a technology that has been invented in the early seventies, is now quickly 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.

2010 was a momentous year for the semiconductor equipment industry and for ASM International. It was a year of achievements in both our Front-end, or wafer processing, and Back-end, or assembly and packaging, segments.

In 2010, the semiconductor industry emerged from one of the most severe downturns on record, fueled by hefty global consumer demand for electronic products, particularly for newer generations of mobile communication devices. With production expanding, semiconductor manufacturers unleashed capital equipment spending. As a result, the semiconductor equipment industry more than doubled in size from the depressed levels of 2009.

The positive market environment was only one of the factors contributing to ASMI's performance that included higher revenues and margins in both our Front-end and Back-end operations. Net sales for the year reached EUR1.2 billion, an increase of 107% from the prior year. Front-end sales rose 83% and Back-end climbed 116%. Consolidated net profits allocated to the shareholders of the parent of EUR 119 million represented a 200% positive swing from the loss reported for 2009. For Back-end, 2010 was a record year for bookings, billings and earnings.

For ASMI, 2010 new orders more than doubled from the prior year, as customers responded to the semiconductor cyclical recovery, technology transitions, and the more secular growth in the LED market. In Front-end, bookings of EUR 405 million represented an increase of 156% year-over-year; in Back-end new orders were broad-based, and increased 105% compared to the 2009 level. At year end we recorded very healthy backlogs in both business segments.

We also ended the year in a stronger financial position. Net cash from operations at year end stood at EUR 271 million, up from EUR 74 million at the end of 2009. During the year we reduced our convertible debt by US$73 million through the repurchase of 2011 debentures and conversion into common shares of the remaining 2010 convertibles. The repurchase was financed with the dividends received from our Back-end operation. In early 2011, we took further action by calling the remaining approximately US$45 million outstanding of the 2011 convertible notes.

Our strong 2010 results form the basis for our financial policy going forward to include a sustainable annual dividend to our shareholders. Accordingly, we will propose at the 2011 Annual Meeting of Shareholders in May that the Company declare a dividend of EUR 0.40 per share.

Front-end

Our Front-end business made solid progress at all levels of operation during the year. We increased our engagements with industry leaders in both the logic, memory and foundry segments with our advanced deposition technologies and innovative solutions to extend Moore's Law.

In 2010, we further strengthened our foothold as leader in ALD high-k metal gate for gate stack, forming the basis for an acceleration in the industry transition of high-k gate dielectrics from R&D to high volume manufacturing. Further, our PEALD solution for low-temperature dielectrics gained further traction in memory for double patterning applications. Demand for our Epitaxy product line increased in 2010, led by systems for power management applications, while our Vertical Furnace business continued to provide steady revenue streams.

The significant turnaround in Front-end's operating performance towards profitability was largely due to the successful execution of our PERFORM! restructuring program, which met its financial targets and was concluded at the end of 2010.

Highlights of the PERFORM! program obtained in 2010 include:

- Completion of the transfer of our United States and Japan manufacturing to our central manufacturing facility in Singapore.
- Completion of the restructuring program ahead of schedule, while keeping our PERFORM!-related expenses lower than anticipated over the two-year implementation period.
- The establishment of a third business unit: Global Service and Spares to generate increased revenue and improved margin from our growing installed equipment base.
- Completion of the consolidation of finance and administrative functions in our new Global Service Center in Singapore.

By the middle of 2010 we had obtained the target of a more than 40% reduction of our cost base, meaning R&D, SG&A and indirect overhead, compared to the run rate in the fourth quarter of 2008. This contributed to the substantial improvement to our operating margin as the year unfolded.

Back-end

2010 was a very strong year for ASM Pacific Technology, Ltd., our 52.4% owned Asian-based assembly and packaging operation. The upturn in the Back-end semiconductor equipment cycle, which began in 2009, combined with the surge in demand from the LED market drove our Back-end results past their historical peak.

As demand in Back-end accelerated to record levels, we quickly expanded our manufacturing capability with capacity additions for both equipment and lead frames that will help meet ongoing demand from our expanded market base. Our new Back-end factory in Huizhou, China, became fully operational in 2010, increasing capacity for our customers. We also increased our capacity for packaging products and stamped leadframes at our Fuyong, China facility.

With the bulk of our manufacturing and related activities located in China, the fastest growing geography for Back-end growth, we benefit from our 30-year ties to this important region.

In 2010 we announced the acquisition of SEAS the Surface Mount Technology division of Siemens AG, now renamed "ASM Assembly Systems". This is the first major acquisition in our Back-end segment and one that we expect will provide another major growth engine for our Company. Surface Mount Technology (SMT), the construction of electronic circuits by mounting components directly on the circuit boards, is expected to offer synergies in engineering and manufacturing and marketing. We believe that with our cost efficient manufacturing expertise, our cost efficient Asian supplier base, and our Asian marketing infrastructure, we can build upon SEAS' existing position in this market.

Outlook

As we enter 2011, ASMI is well-positioned as a key enabler of the technology transitions that are shaping the future of our industry. In the past two years we have undergone substantial operational improvements while addressing long-term growth initiatives. We have shaped the Company around our core strengths, establishing innovative product portfolios that differentiate us in the marketplace. We have created new markets and aligned adjacent markets for our products that provide us with opportunities to build both our Front-end and Back-end businesses.

With many industry pundits forecasting a semiconductor industry expansion driven by consumer electronics demand, global communications infrastructures, and prior underinvestment in chip capacity, the industry environment for 2011 remains promising. At the same time, we acknowledge the unpredictability of global macro economic forces that could affect our performance at any point in the future.

Our growth drivers in 2011 include:

- the further adoption of ALD for high-volume manufacturing, and the expansion of ALD and PEALD applications.
- a higher level of sustainable business in Back-end than in prior cycles as a result of competitive gains in the LED market, and an acquired presence in SMT, which have substantially increased the size of our addressable market, and
- the introduction of new generations of Back-end products.

We are grateful to our very dedicated employees for their hard work that made the achievements of the past year possible. We also thank our customers and investors who continue to support the execution of our long-term vision. We look forward to growing our business, at this very strategic point in the Company's evolution, for the benefit of all our stakeholders.

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

Almere, The Netherlands
April 11, 2011

Financial Statements

We present the ASMI 2010 Annual Report accordance with IFRS, as prepared by the Management Board and reviewed by the Supervisory Board. Our independent auditors, Deloitte Accountants B.V., have audited these Annual Accounts and issued an unqualified opinion. Report appears on page 116.

All of the members of the Supervisory Board have signed the Statutory Annual Report in respect of the financial year 2010.

Introduction

On July 9, 2010 the Supreme Court annulled the Enterprise Court ruling of August 5, 2009. The Enterprise Court had ordered in August of 2009 an inquiry in respect of certain affairs of the Company having to do with litigation that arose in 2008 from a conflict with a group of shareholders. In 2008 two ASMI shareholders requested the Dutch Enterprise Court to investigate certain matters in relation to the Company and Stichting Continuïteit ASM International.

With the annulment of the order in July 2010 the Dutch Supreme Court reverted the decision back to the Enterprise Court, whereby certain observations of the Supreme Court are to be taken into account. The Enterprise Court has not yet rendered a new decision whether an inquiry into the affairs of ASMI is to be held. Following the annulment by the Supreme Court in July of 2010, the investigation was suspended.

2010 was also characterized by a recovery of the semiconductor equipment industry. In 2010 ASM also completed the aggressive restructuring plan for the Front-end activities, called PERFORM!, that had been adopted in 2009 following the deep global recession in the second half of 2008 and the first half of 2009. More on this program is discussed in the Letter to Shareholders in the 2010 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 is of the view that all its members qualify as "independent" in accordance with Rule III.2.1. of the Code. The Supervisory Board supervises and advises the Management Board in executing its responsibilities. The profile of the Supervisory Board describes the range of expertise that should be represented within the Board. The procedures of the Supervisory Board and the division of its duties are laid down in the Supervisory Board Rules. Both documents are available on our website www.asm.com.

Meetings of the Supervisory Board

During 2010, the Supervisory Board met with the Management Board on six 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. In 2010, an important focus area for the Boards was the execution of the aggressive Front-end restructuring plan. This comprehensive roadmap focused on cost-reduction, product portfolio positioning and increasing the effectiveness of Front-end's global organization in order to become a financially healthy organization throughout industry cycles.

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

Corporate Governance

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

Board is of the opinion that the Company complies with the Sarbanes-Oxley Act and applicable corporate governance requirements and best practices set out by NASDAQ, the 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 20, 2010, Mr. Eric van Amerongen retired from the Supervisory Board after having been on the Board for 8 years. In the same meeting Mr. Martin.C.J. van Pernis was elected to the Supervisory Board. The Supervisory Board is currently composed of six members.

Management Board Composition

At the Annual General Meeting of Shareholders on May 20, 2010, Mr. Peter A.M. van Bommel was elected a member of the Management Board effective July 1, 2010 and Chief Financial Officer effective September 1, 2010. Mr Peter van Bommel previously held positions as Chief Financial Officer of NXP and Odersun AG. Effective September 1, 2010, Mr. Robert A. Ruijter retired from his position as interim Chief Financial Officer.

Supervisory Board Committees

Audit Committee

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

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

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

Nomination, Selection and Remuneration Committee

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

In 2010, 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 was submitted to the Annual General Meeting of Shareholders in May 2010 and approved. 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. The remuneration of the members of the Management Board during 2010 is fully in accordance with the Remuneration Policy. The Remuneration Policy for the Management Board has been submitted to, and adopted by, the 2010 Annual General Meeting of Shareholders.

Word of Thanks

We extend gratitude and appreciation to ASMI employees worldwide for their many contributions and enduring commitment to the Company 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
J.M.R. Danneels
H.W. Kreutzer
J.C. Lobbezoo
M.C.J. van Pernis
U.H.R. Schumacher

Almere, The Netherlands
April 11, 2011

General

As we are listed on both the NASDAQ Global Select Market ("NASDAQ") and on Euronext Amsterdam, we are required to comply with the applicable Sarbanes-Oxley Act corporate governance requirements and applicable 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 applicable legal requirements. We endeavour to ensure that our policies and procedures comply with both applicable 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. A copy of the Code can be downloaded from www.commissiecorporategovernance.nl.

We currently comply with the principles and best practice provisions of the Code, except for the following:
Pursuant to rule III.5.11 of the Code the chairman of the Supervisory Board should not act as chairman of the Remuneration Committee. However, ASMI does not have a separate Remuneration Committee but has combined the Remuneration Committee and the Selection and Nomination Committee as envisaged by the Code in a Nomination, Selection and Remuneration Committee (NSRC) which is chaired by Mr Gert-Jan Kramer. To the extent that the chairmanship of Mr Kramer of the NSRC qualifies as a deviation from the Code ASMI believes that such deviation is in the best interest of the company and its stakeholders given the overriding importance of the chairman of the supervisory board's significant involvement in the nomination and selection process for management and supervisory board members.

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

Management Board

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

A Management Board member may 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 at least one third of 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 2010. The remuneration structure includes four components: a fixed (base) salary component, a variable component (annual bonus or short term incentive), long-term component (stock options) and pension provisions and fringe benefits. 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. We intend to implement a new stock option plan going forward.

For further information regarding the remuneration of the Management Board, reference is made to the Remuneration Policy, which is posted on our website, the Remuneration Report 2010, which is posted on our website, the Report of the Supervisory

Board 2010, which is included in our Statutory Annual Report 2010 and Note 28 “Board Remuneration” to the Consolidated Financial Statements.

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 Item 3.D. “Risk Factors” of our Annual Report on Form 20-F.

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 business / operating units. In addition, performance and action plans are discussed in operational performance reviews of the business / operating units.

The ASMPT Board is responsible for ongoing monitoring of 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 the 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 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, 2010 our disclosure controls and procedures were effective.

Policies and Procedures

We have implemented financial policies and procedures, including accounting policies and a standard chart of accounts, information technology policies and procedures and non-financial policies and procedures to ensure control by the Management Board over the Company's operations. Managing directors and finance directors of our main subsidiaries and business / operating units quarterly 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 for 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.

The Management Board conducted an evaluation of the effectiveness of our internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15(d)-15(f)) based on the *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this evaluation of the effectiveness of the Company's internal control over financial reporting in accordance with the requirements of Section 404 of the Sarbanes Oxley Act of 2002 ("SOX 404") all of the members of the Management Board concluded that as of December 31, 2010, the Company's internal control over financial reporting was effective and provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. In addition, to the best of the knowledge of the Management Board the management report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation as a whole, as well as a description of the principal risks and uncertainties that the Company faces. No changes to the Company's internal control over financial reporting have occurred during 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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

In view of all of the above, the Management Board believes that it 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. Interviews and meetings 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 below of some risks that we face. We also refer to the section entitled "Risks related to our business" set forth in our Form 20-F filed with the SEC. This does not constitute a complete list of all strategic, operational, compliance, financial and financial reporting risks to which we are exposed, nor does it imply an order of priority.

- Economic and Market Risk

  ASMI is vulnerable to changing economic circumstance and market conditions. The semiconductor industry and market have always been very cyclical and dependent on the economic climate. The industry has recovered from the severe economic downturn in 2008-2009 and the impact of the resulting credit crisis. Potential ASMI customers may have difficulties in obtaining credit facilities from financial institutions to fund investments in our equipment. 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 which we are now experiencing 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. These variable economic and market conditions materially affect our revenues, income, assets and liquidity and capital resources.

  The cyclicality 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

  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.

  ASMI has short term and long term credit facilities and borrowings. We enlarged the standby revolving credit facility in 2010.

• Foreign Currency Exchange Rates Risk

The foreign currency exchange risk exists for 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 the Singapore Dollar, the Korean Won 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 transition 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 to these projects.

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 of the Company to its shareholders; and
- relevant aspects of corporate social responsibility.

Conflicts of Interest

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

Appointment

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

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

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

  The Audit Committee meets periodically to nominate a firm to be appointed as independent auditors 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 control procedures and the procedures and evaluations relating to the auditor's independence.

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

- Nomination, Selection and Remuneration Committee

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

  The objective of the remuneration policy is twofold:

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

  The remuneration structure includes five elements: base salary, annual incentive (bonus), long term incentive (stock options), pension and other arrangements. The remuneration structure 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 2011 Annual General Meeting of Shareholders the record date is twenty-eight days prior to the meeting. Only shareholders of record at that date will be entitled to attend and vote at the meeting.

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 2010 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 2010 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 53 to 115 of our Annual Report, provide a true and fair view of the assets, liabilities, financial position and result for the financial year 2010 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 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 governmental (as lastly amended on December 10, 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 December 23, 2004 (as lastly amended on December 10, 2009) is included in this "Corporate Governance" chapter.

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 24.0% of our net sales in 2010, through our principal facilities in the Netherlands, the United States, Japan and Singapore. We conduct our Back-end business, which accounted for 76.0% of our net sales in 2010, through our principal facilities in Hong Kong, the People's Republic of China, Singapore and Malaysia. Our Back-end operations are conducted through our 52.36% 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. After the dramatic and unprecedented decline in demand for semiconductor devices due to the worldwide economic downturn in late 2008 and first half of 2009, which has led to the announcement of significant layoffs, plant closings, reduced capital expenditures and other cost reduction measures by semiconductor manufacturers, the industry was experiencing a pick-up in demand in the second half of 2009. The year 2010 showed a further, and rather extraordinary, demand increase. This became visible in our sales and order book development. In 2009 we saw a sales decrease of 21% to a level of € 591 million, while in 2010 sales increased with 107% to a level of € 1,223 million. In the same period our order book, which were € 100 million at the end of 2008, increased at the end of 2009 to a level of € 200 million and were € 500 million at the end of 2010.

We implemented major restructuring plans in 2010. In particular, our PERFORM! program which was designed to streamline our Front-end global operations and reduce our cost base including a focused effort on lowering our working capital requirements demanded great efforts of the organization. This program involved the material restructuring of our significant Front-end operating, manufacturing and administrative units. By the end of 2010 we finalized our PERFORM! restructuring program in a shorter period and with substantially lower costs than earlier indicated. The total (cash) expenses were € 42 million against an earlier guidance of € 50-60 million, while total impairments (including inventories) were € 29 million against a guidance of € 30-35 million. Among others the program initiatives included the consolidation of our manufacturing operations in Singapore, the 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. 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. During 2010 we completed the transfer and closure of our production facilities in Nagaoka, Japan and Phoenix, Arizona. The goal of all those actions was to improve our cost-effectiveness and to strengthen our gross profit margin in our Front-end segment. The effect of those efforts are already becoming visible in our 2010 results.

For a discussion of our restructuring and the related impairment charges, see Note 23 of the Notes to our Consolidated Financial Statements included elsewhere in this report.

The year 2010 showed strong result improvements, in both Front-end and our Back-end operations. Sales in the Front-end segment increased with 83% as compared to 2009, to a level of € 293 million, while our Back-end segment showed a sales increase of 116% to a level of € 930 million. The gross margin for ASMI consolidated increased from 30.7% in 2009 to 45.2% in 2010. Adjusted for inventory impairment charges these margins increased from 34.8% to 45.2%. Gross margin in our Front-end segment increased from 5.4% in 2009 to 40.2% in 2010, adjusted for restructuring expenses and impairment charges these margins increased from 20.5% in 2009 to 40.2% in 2010 while our Back-end segment showed an increase from 40.1% to 46.8% for the same period.

The result from operations as a percentage of sales increased from negative 6.3% in 2009 to 27.5% in 2010. Here we also saw impressive improvements in both our Front-end and our Back-end segments. While the Front-end segment for the year 2009 showed a negative operating margin of 82.6% (adjusted for restructuring expenses and impairment charges negative 37.4%), mainly due to higher activity levels and especially the effects of the restructuring, the operating margin improved to a positive 8.1% (adjusted for restructuring expenses and impairment charges 11.9%) for the year 2010. For the same period the operating margin of our Back-end segment improved from 22.1% to 33.6%.

Net earnings for 2010 were strongly affected by the revaluation of the conversion option included in the 4.25% Senior Subordinated Convertible notes. The valuation at fair value of this option resulted in a non-cash charge of € 19 million in

2010. In January 2011, we exercised our right to call these notes, resulting in conversion of all remaining notes. As a result the last effects of this revaluation will be included in our results for the first quarter of the year 2011.

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 2009 and 2010:

				Year ended December 31,
(amounts in millions)	2009		2010	
	€	%	€	%
Front-end:				
United States	51.9	32.4	91.7	31.3
Europe	36.8	22.9	67.9	23.2
Taiwan	17.3	10.8	35.1	12.0
Japan	33.1	20.7	33.0	11.2
South Korea	9.2	5.7	37.3	12.7
China	7.8	4.9	21.5	7.3
Other	4.3	2.6	6.9	2.3
	160.4	100	293.4	100
Back-end:				
People's Republic of China	144.6	33.6	350.0	37.6
Taiwan	86.2	20.0	148.8	16.0
Malaysia	42.4	9.8	112.1	12.1
South Korea	63.9	14.9	97.8	10.5
Hong Kong	16.1	3.7	39.9	4.3
Thailand	24.4	5.7	42.1	4.5
Japan	5.7	1.3	57.4	6.2
Singapore	5.1	1.2	13.8	1.5
Philippines	21.6	5.0	34.4	3.7
United States	15.0	3.5	21.1	2.3
Other	5.4	1.3	12.1	1.3
	430.4	100	929.5	100

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 61.4% and 61.2% of Front-end net sales in 2009 and 2010, respectively. The composition of our ten largest Front-end customers changes from year to year. The largest Front-end customer accounted for 30.6% and 21.6% of Front-end net sales in 2009 and 2010, 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 32.7% and 27.3%

of Back-end net sales in 2009 and 2010, 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 6.0% and 4.3% of Back-end net sales in 2009 and 2010, 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 and development costs are expensed as incurred. The costs relating to prototypes and experimental models, which we may subsequently sell to customers are charged to the cost of sales.

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

Risk factors

In conducting our business, we face a number of risks that each could materially affect our business, revenues, income, assets and liquidity and capital resources. The risks described below are not the only ones facing ASMI. Some risks are not yet known and some that we do not currently believe to be material could later become material. See our 2010 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 continues to recover from an unprecedented downturn which 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:

- Commencing in 2009 and continuing through 2010, we implemented a major restructuring plan, the execution of which involves risks to our business and financial results.
- Our customers face challenges in economic downturns and if they cannot perform their obligations to us our financial results will suffer.
- We derive a significant percentage of our revenue from sales to a small number of large customers, and if we are not able to retain these customers, or if they reschedule, reduce or cancel orders, or fail to make payments, our revenues would be reduced and our financial results would suffer.
- We may need additional funds to finance our future growth and ongoing research and development activities. If we are unable to obtain such funds, we may not be able to expand our business as planned.
- Our products (primarily in the Front-end) generally have long sales cycles and implementation periods, which increase our costs 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.
- 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 could disrupt our business and harm our financial condition.

Risks related to an investment in our shares:

- Lehman Bros. liquidation administrators have notified us that our common shares purchased by Lehman and held by Lehman in custody accounts on our behalf may have a shortfall.
- Our founder who is also Chairman of the Board of ASM Pacific Technology controls approximately 21.4% of our voting power which gives him significant influence over matters voted on by our shareholders, including the election of members of our Supervisory Board and Management Board and makes it substantially more difficult for a shareholder group to remove or elect such members without his support.
- Our anti-takeover provisions may prevent a beneficial change of control.
- We must offer a possible change of control transaction to Applied Materials first.
- Our 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:
  - cyclicality and other economic conditions in the semiconductor industry;
  - production capacity constraints;
  - the timing of customer orders, cancellations and shipments;
  - the length and variability of the sales cycle for our products;
  - the introduction of new products and enhancements by us and our competitors;
  - the emergence of new industry standards;
  - product obsolescence;
  - disruptions in sources of supply;
  - our ability to time our expenditures in anticipation of future orders;
  - our ability to fund our capital requirements;
  - changes in our pricing and pricing by our suppliers and competitors;
  - our product and revenue mix;
  - seasonal fluctuations in demand for our products;
  - 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, in our Front-end segment we derive a substantial portion of our net sales from products that have a high average selling price and significant lead times between the initial order and delivery of the product. The timing and recognition of net sales from customer orders can cause significant fluctuations in our earnings from operations from quarter to quarter. Gross margins realized on product sales vary depending upon a variety of factors, including the mix of products sold during a particular period, negotiated selling prices, the timing of new product introductions and enhancements and manufacturing costs. A delay in a shipment near the end of a fiscal quarter or year, due, for example, to rescheduling or cancellations by customers or to unexpected manufacturing difficulties experienced by us, may cause sales in a particular period to fall significantly below our expectations and may materially adversely affect our earnings from operations for that period. Further, our need to continue expenditures for research and development and engineering make it difficult for us to reduce expenses in a particular quarter even if our sales goals for that quarter are not met. Our inability to adjust spending quickly enough to compensate for any sales shortfall would magnify the adverse impact of a sales shortfall on our earnings from operations. In addition, announcements by us or our competitors of new products and technologies could cause customers to defer purchases of our existing systems, which could negatively impact our financial position and net earnings.

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

Critical Accounting Policies

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

The principal differences per December 31, 2010 between US GAAP and IFRS relate to accounting for goodwill, accounting for development expenses, accounting for inventory obsolescence reserve and accounting for pension plans.

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:

Use of estimates

The preparation of our financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, net sales and expenses, and related disclosure of contingent assets and liabilities. On an ongoing basis, we evaluate our estimates, including those related to revenue recognition, warranty, long-lived assets, inventories, convertible bonds and conversion option, provisions, share-based compensation expenses and income tax. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. While we regularly evaluate our estimates and assumptions, actual results may differ from these estimates if these assumptions prove incorrect. To the extent there are material differences between actual results and these estimates, our future results of operations could be materially and adversely affected. We believe that the accounting policies described below require us to make significant judgments and estimates in the preparation of our consolidated financial statements.

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. 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, 2009 and December 31, 2010 we have deferred revenues from fair value of installations in the amount of € 2.5 million and € 4.4 million respectively.

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

At December 31, 2009 we had € 0.7 million deferred revenue from sales of equipment. At December 31, 2010 we had no deferred revenue from sales of equipment. We provide training and technical support service to customers. Revenue related to such services is recognized when the service is rendered. Revenue from the sale of spare parts and materials is recognized when the goods are shipped.

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.

Long-lived assets

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

Goodwill is tested for impairment annually on December 31 and whenever events or changes in circumstances indicate that the carrying amount of the goodwill may not be recoverable. Our Front-end impairment test and the determination of the fair value is based on a discounted future cash flow approach that uses our estimates of future revenues, driven by assumed market growth and estimated costs as well as appropriate discount rates. These estimates are consistent with the plans and estimated costs we use to manage the underlying business. Our Back-end impairment test is based on the market value of the listed shares of ASMPT. The material assumptions used by management for the annual impairment test performed per December 31, 2010 were:

- For Front-end external market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used.
- Cash flow projections for the first four years; after these four years perpetuity growth rates are set based on market maturity of the products. For maturing product the perpetuity growth rates used are 1% or less and for enabling technology products the rate used is 3% or less.
- A discount rate of 20.5% (last year 13.0%) representing the pre-tax weighted average cost of capital. This relative high rate is a consequence of the current situation whereby certain production lines are in the early phase of the product lifecycle, hence reflecting a higher risk.
- For 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, 2010.

The calculation of fair value involves certain management judgments and was based on our best estimates and projections at the time of our review. The value may be different if other assumptions are used. In future periods we may be required to record an impairment loss based on the impairment test performed, which may significantly affect our results of operations at that time. At December 31, 2010, a decrease in estimated cash flows of 10% and an increase of 10% of the discount rate used in calculating the fair value would not result in an impairment of the carrying value of goodwill.

Other intangible assets and property, plant and equipment are reviewed by us for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In performing the review for recoverability, we estimate the future undiscounted cash flows expected to result from the use of the asset and its eventual disposition. 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, 2010, 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.

Inventories

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

We regularly evaluate the value of our inventory of components and raw materials, work in progress and finished goods, based on a combination of factors 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, 2010 we have charged € 3.2 million and released € 3.5 to cost of sales as a result of our analysis of the value of inventory. At December 31, 2010 our allowance for inventory obsolescence amounted to € 37.8 million, which is 12.8% of our total inventory. If circumstances related to our inventories change, our estimate of the values of inventories could materially change. At December 31, 2010, 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 € 29.6 million.

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, and for 2010 this revaluation at fair value resulted in a loss of € 19.0 million (2009: loss € 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 into which they can be converted are denominated in the functional currency (Euro). Based on the before mentioned criteria the conversion option qualifies as permanent equity.

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 2010 this accretion interest was € 5.9 million (2009: € 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, 2010, 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 € 143.3 million. Future changes in facts and circumstances, if any, may result in a change of the valuation allowance to these deferred tax asset balances which may significantly influence our results of operations at that time. If our evaluation of the realization of deferred tax assets would indicate that an additional 10% of the net deferred tax assets as of December 31, 2010 is not realizable, this would result in an additional valuation allowance and an income tax expense of € 1.4 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.

Provisions

As a result of the implementation of our major restructuring plan PERFORM!, that started 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 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 2009 and 2010:

	Year ended December 31,					
	Front-end		Back-end		Total	
	2009	2010	2009	2010	2009	2010
Net sales	100.0 %	100 %	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	(94.6)	(59.7)	(59.8)	(53.2)	(69.3)	(54.8)
Gross profit	5.4	40.3	40.2	46.8	30.7	45.2
Selling, general and administrative expenses	(36.5)	(17.2)	(11.5)	(8.6)	(18.2)	(10.7)
Research and development expenses	(29.0)	(11.0)	(6.6)	(4.6)	(12.7)	(6.1)
Amortization of other intangible assets	(0.3)	(0.1)	-	-	(0.3)	(0.0)
Restructuring expenses	(22.3)	(3.8)	-	-	(6.0)	(0.9)
Earnings (loss) from operations	(82.6)	8.1	22.1	33.6	(6.3)	27.5
Net interest income (expense)	(4.6)	(5.1)	0.1	0.1	(1.2)	(1.2)
Accretion of interest convertible	(3.1)	(2.1)	-	-	(0.8)	(0.5)
Revaluation conversion option	(15.2)	(6.5)	-	-	(4.1)	(1.6)
Gain (expense) resulting from early extinguishment of debt	(1.1)	(1.2)	-	-	(0.3)	(0.3)
Foreign currency exchange gains (losses)	(0.4)	(0.6)	(0.1)	0.2	(0.2)	(0.0)
Earnings (loss) before income taxes and dilution	(107.0)	(7.3)	22.1	33.9	(13.0)	24.0
Income tax expense	5.8	(2.1)	(2.7)	(4.0)	(0.4)	(3.5)
Earnings (loss) before dilution	(101.2)	(9.4)	19.4	29.9	(13.4)	20.5
Gain on dilution of investment in subsidiary	-	-	-	-	0.2	-
Net earnings (loss)	(101.2)%	(9.4)%	19.4 %	29.9 %	(13.2)%	20.5 %
Allocation of net earnings (loss)						
Shareholders of the parent					(19.9)%	9.7 %
Minority interest					6.7 %	10.8 %

Year Ended December 31, 2010 Compared to Year Ended December 31, 2009

Net Sales. The following table shows net sales of our Front-end and Back-end segments for the full year 2010 compared to 2009:

(EUR millions)	2009	2010	% Change
Front-end	160.4	293.4	83
Back-end	430.4	929.5	116
Total net sales	590.7	1,222.9	107

The increase of net sales for the full year of 2010 in our Front-end segment, compared to the same period last year, was driven by higher customer demand in all our equipment segments and in spares and service. In our Back-end segment record quarterly sales were realized in the first quarter, the second quarter and in the third quarter of 2010 due to the high continued strong demand for our traditional products and increasing demand for our LED related products.

The strengthening of the Yen, U.S. dollar and U.S. dollar related currencies against the Euro in 2010 as compared to the same period of 2009 impacted total net sales by 5%.

Gross Profit Margin. The following table shows gross profit and gross profit margin for the Front-end and Back-end segments for the full year 2010 compared to the same period in 2009. 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
	2009	2010	2009	2010	
Gross profit before impairment of inventory charge	32.9	118.2	20.5 %	40.2 %	19.7pt
Impairment of inventory charge	(24.2)	–	(15.1)%	–	15.1pt
Gross profit Front-end	8.7	118.2	5.4 %	40.2 %	34.8pt
Gross profit Back-end	172.8	435.0	40.1%	46.8 %	6.6pt
Total gross profit	181.5	553.2	30.7 %	45.2 %	10.4pt

The gross profit margin of both our Front-end segment and our Back-end segment strongly improved in 2010 compared to 2009, driven by significantly higher activity levels. The Front-end margin further improved due to the execution of our PERFORM! program which, among other things, resulted in a lower manufacturing overhead.

In 2009, 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 was recorded of € 24.2 million.

The strengthening of the Yen, U.S. dollar and U.S. dollar related currencies against the Euro in 2010 as compared to the same period of 2009 negatively impacted gross profit by 6%.

Selling, General and Administrative Expenses. The following table shows selling, general and administrative expenses (including amortization of other intangible assets) for our Front-end and Back-end segments 2010 compared to 2009:

(EUR millions)	2009	2010	% Change
Front-end	58.9	51.0	(13)
Back-end	49.3	79.9	62
Total selling, general and administrative expenses	108.2	131.0	21
Total selling, general and administrative expenses as a percentage of net sales	18%	11%	

For 2010, selling, general and administrative expenses as a percentage of net sales of our Front-end segment, were reduced to 17% compared with 37% for 2009, reflecting our focus to reduce our fixed cost base as part of our restructuring program PERFORM!.

The selling, general and administrative expenses in the Back-end segment as a percentage of net sales decreased from 12% in 2009 to 9% in 2010.

The strengthening of the Yen, U.S. dollar and U.S. dollar related currencies against the Euro in 2010 as compared to the same period of 2009 increased selling, general and administrative expenses by 5%.

Research and Development Expenses. The following table shows research and development expenses for our Front-end and Back-end segments for the full year 2010 compared to 2009:

(EUR millions)	2009	2010	% Change
Front-end:			
Research and development expenses	24.4	25.7	5
Amortization of capitalized development expenses	1.7	4.5	165
Impairment of capitalized development expenses	21.6	2.5	(88)
esearch and development grants and credits	(1.1)	(0.5)	55
	46.6	32.2	(31)
Back-end	28.4	42.3	49
Total research and development expenses	75.0	74.5	(1)

The decrease in research and development expense as a percentage of sales, in both our Front-end and Back-end segment, is the result of a further prioritization of research and development projects in combination with a substantial sales increase. In the course of 2010 we saw an increase in the absolute amount of development costs driven by those higher activity levels and related customer specific development activities.

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.

The strengthening of the Yen, U.S. dollar and U.S. dollar related currencies against the Euro in 2010 as compared to the same period of 2009 increased research and development expenses by 6%.

Restructuring Expenses. In 2009 ASMI started the implementation of a major restructuring in the Front-end segment (PERFORM!) 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.

The following table summarizes the aggregated restructuring expenses by type:

	Year ended December 31,	
(EUR millions)	2009	2010
Employee related expenses	19,437	4,534
Contract termination related expenses	2,799	779
Impairment charges	4,623	–
Transition expenses	4,366	3,806
Expenses buy out RTP	3,940	–
Other expenses	522	2,082
Total restructuring expenses	35,687	11,201

Related to these execution plans, an amount of € 11.2 million in restructuring expenses was recorded for of 2010. These expenses were mainly costs for severance packages, retention costs, provisions for vacancy and other costs related to the transition of activities to Singapore.

Related to these execution plans, an amount of € 35.7 million in restructuring expenses was recorded in 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.

Result from Operations. The following table shows earnings (loss) from operations for our Front-end and Back-end segments for the full year 2010 compared to the same period in 2009. In order to improve comparability, impairment and restructuring charges have been disclosed separately in the table below:

(EUR millions)	2009	2010	% Change
Front-end:			
Before impairments and restructuring charges	(60.0)	35.0	95.0
Impairments and restructuring charges	(72.4)	(11.2)	61.2
After impairments and restructuring charges	(132.4)	23.8	156.2
Back-end	95.1	312.7	217.6
Total result from operations	(37.3)	336.5	373.8

The strengthening of the Yen, U.S. dollar and U.S. dollar related currencies against the Euro in 2010 as compared to the same period of 2009 impacted operating result by 6%.

Net Interest Expense. Net interest expense amounted to € 14.5 million in 2010 compared to the net interest expense of € 6.9 million in 2009. This increase in net interest expenses mainly resulted from a higher average debt, higher interest rates and a strengthening of the USD in 2010 against the Euro.

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 2010 this accretion interest was € 5.9 million (2009; € 4.9 million).

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

For the conversion options of the convertible bonds due 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 2010 this revaluation at fair value resulted in a loss of € 19.0 million (2009: 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 2010 US$ 56.5 million convertible subordinated notes have been repurchased for a market value of US$ 74.6 million. The loss from the early extinguishment of the notes of € 3,609, which includes the write-off of unamortized issuance costs and the amortization of unamortized interest expenses, has been recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2010.

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 were 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 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.

Income Tax Expense. Income tax expense increased from € 2.4 million in 2009 to € 43.0 million in 2010, resulting from the increase of result before tax in 2010.

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 2010 compared to the same period in 2009. In order to improve comparability, impairment and restructuring charges, results on early extinguishment of debt and the fair value changes of the conversion option have been disclosed separately in the table below:

	Full year		
(EUR millions)	2009	2010	% Change
Front-end:			
Before impairments, restructuring charges, result on early extinguishment of debt and fair value change conversion option	(65.0)	6.1	71.1
Impairments and restructuring charges	(72.4)	(11.2)	61.2
Loss from early extinguishment of debt	(1.8)	(3.6)	(1.9)
Fair value change conversion options	(24.4)	(19.0)	5.3
Incomparable items	(98.6)	(33.8)	64.8
After impairments, restructuring charges result on early extinguishment of debt and fair value change conversion options	(163.6)	(27.7)	135.9
Back-end	44.0	146.3	102.3
Gain on dilution of investment in ASMPT (Back-end)	1.0	–	(1.0)
Total net earnings (loss) allocated to the shareholders of the parent	(118.6)	118.6	237.2

Net earnings for the Back-end segment reflect our 52.36% ownership of ASM Pacific Technology (2009; 52.59%).

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 2009 and 2010, and the backlog and book-to-bill ratios at December 31, 2009 and 2010:

	Full year		
(EUR millions, except book-to-bill ratio)	2009	2010	% Change
Front-end:			
New orders	158.2	404.8	155
Backlog at December 31	50.3	162.9	224
Book-to-bill ratio (new orders divided by net sales)	1.0	1.	
Back-end:			
New orders	543.9	1,113.3	105
Backlog at December 31	146.4	336.9	130
Book-to-bill ratio (new orders divided by net sales)	1.3	1.2	
Total			
New orders	702.1	1,518.1	116
Backlog at December 31	196.7	499.8	154
Book-to-bill ratio (new orders divided by net sales)	1.2	1.2	

Liquidity and Capital Resources

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

Net cash provided by operations in 2010 was € 271.2 million as compared to € 73.8 million for 2009. This increase results mainly from the improved net earnings, partly offset by investments in working capital resulting from the increased level of activity.

Net cash used in investing activities in 2010 was € 111.9 million compared to € 26.6 million for 2009. The increase results mainly from increased capital expenditures in our Back-end segment.

Net cash used in financing activities in 2010 was EUR 123.0 million compared to proceeds of EUR 90.9 million for the same period in 2009. The increase mainly results from the increased payment of dividend to minority shareholders and the repurchase of convertible bonds during the year 2010. In November 2009 we received the net proceeds of the issued convertible bonds (EUR 144.5 million) and we repurchased a part of the outstanding convertibles (EUR 26.8 million).

In January 2010, we increased the standby revolving credit facility from € 65 million to € 90 million. The interest rate for the facility is based on EURIBOR.

In May 2010 the remaining outstanding US$ 16.9 million of our 5.25% Convertible bonds due 2010 were converted into common shares.

In January, July and December 2010 respectively US$ 39.4 million, US$ 7.2 million and US$ 9.9 million of our 4.25% Convertible bonds due 2010 were repurchased.

On January 3, 2011 we announced the redemption for all of the outstanding principal balance of our 4.25% Convertible Subordinated Notes due 2011, which resulted in the conversion of all remaining notes prior to the redemption date scheduled for February 15, 2011.

At December 31, 2010, the Company's principal sources of liquidity consisted of EUR 340 million in cash and cash equivalents and EUR 119 million in undrawn bank lines. Approximately EUR 198 million of the cash and cash equivalents and EUR 22 million of the undrawn bank lines are restricted to use in the Company's Back-end operations. EUR 16 million of the cash and cash equivalents and EUR 6 million in undrawn bank lines are restricted to use in the Company's Front-end operations in Japan. The use of EUR 22 million of cash and cash equivalents is restricted in use for buy-back of outstanding convertible bonds due 2011.

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.

Net working capital, consisting of accounts receivable, inventories, other current assets, accounts payable, accrued expenses, advance payments from customers and deferred revenue, increased from EUR 170 million December 31, 2009 to EUR 296 million at December 31, 2010. The number of outstanding days of working capital, measured based on quarterly sales, per December 31, 2009 was stable compared to December 31, 2010 at 77 days. For the same period, our Front-end segment increased from 79 days to 97 days and our Back-end segment decreased from 77 days to 70 days.

The net debt of ASMI, excluding Back-end, at December 31, 2010 was € 68.8 million (2009; € 78.1 million). This net debt is the balance of € 142.4 million cash and € 211.2 million debt. The debt of € 211.2million consists of € 182.7 million convertible debt and € 28.6 million other debt. Furthermore, ASMI, excluding Back-end, has useable undrawn credit lines of € 97 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 € 651,000. 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, 2010 the coverage ratio of the multi-employer plan was 96 % (December 31, 2009: 99%) This decrease is mainly the result of the implementation of up dated mortality tables. Consequently, the Board of the multi-employer plan decided that existing pension obligations will not be indexed for the year 2011. 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 52.36%-owned subsidiary, is entirely self-financed and at December 31, 2010 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, 2009 and 2010 were € 49.1 million, € 21.4 million and € 65.6 million, respectively. In November 2006, we announced our commitment that for at least the next three years we would not use these cash dividends to support our Front-end business, but instead would use such dividends to retire outstanding convertible debt, repurchase our common shares, pay dividends on our common shares or, in the event of dilution resulting from the exercise of employee stock options in ASM Pacific Technology, purchase shares of ASM Pacific Technology to maintain our percentage ownership at its current level.

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

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

(EUR millions)	Dividends received from ASM Pacific Technology	Repurchased common shares of ASM International	Repurchased Convertible bonds	Dividend paid to shareholders of ASM International	Balance of dividends received and the use of those dividends
2007	49.1	–	(32.9)	(5.4)	10.8
2008	49.1	(36.5)	(27.1)	–	(14.5)
2009	21.4	–	(27.0)	–	(5.6)
2010	65.6	–	(55.8)	–	9.8
Total	185.2	(36.5)	(142.8)	(5.4)	0.5

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

The market value of our investment in ASM Pacific Technology at the end of 2010 was approximately € 1,962 million. At the end of 2009 this was approximately € 1,371 million.

Major shareholders

The following table sets forth information with respect to the ownership of our common shares as of March 2, 2011 by each beneficial owner known to us of more than 5% of our common shares:

	Year ended December 31,	
(EUR millions)	Number of Shares	Percent[1]
Arthur H. del Prado[2]	11,342,878	20.66

1 Calculated on the basis of 54,893,106 Common Shares outstanding as of March 2, 2011, and without regard to options.

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

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

Outlook

We have developed forecasts and projections of cash flows and liquidity needs for the upcoming year 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. We have also considered in the forecasts the total cash balances amounting to € 340.3 million as of December 31, 2010, 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 2010 is adequate to fund our operations, our investments in capital expenditures and to fulfill our existing contractual obligations for the next twelve months.

Contractual Obligations, Contingent Liabilities and Commitments

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

The following table summarizes our contractual obligations as of December 31, 2010 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]	8,532	8,532	–	–	–
Long-term debt[1, 2]	20,684	16,292	4,392	–	–
Convertible subordinated debt[1]	221,149	43,524	19,500	158,125	–
Operating leases	30,167	10,061	13,023	4,693	2,390
Purchase obligations:					
Purchase commitments to suppliers	58,006	57,726	280	–	–
Capital expenditure commitments	22,359	22,359	–	–	–
Tax contingencies	20,057	20,057	–	–	–
Total contractual obligations	380,954	178,551	37,195	162,818	2,390

1 Including interest expense based on the percentages at the reporting date.
2 Capital lease obligations of € 425 are included in long-term debt.

For a further discussion of our contractual obligations see Notes 12, 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.

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 € 13,000 unrealized gains included in accumulated other comprehensive income as of December 31, 2010 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 Income. Hedge ineffectiveness was insignificant for the years ended December 31, 2009 and December 31, 2010.

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 Income. 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, 2009, we recorded an un favorable movement of € 3.3 million. For the year ended December 31, 2010, we recorded a favorable movement of € 32.5 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, 2010 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.

					Sensitivity analysis	
		Currency and notional amount	Carrying amount	Fair value	Favorable FX change of 10%	Unfavorable FX change of 10%
		(in million)				
Notes payable to banks, due within twelve months	yen	775.0	7.1	7.1	6.4	7,8
	SG$	2.0	1.2	1.2	1.1	1.3
Long-term debt with maturities:						
due from 2011–2012	yen	2,166.2	19.9	19.9	17.9	21.9
due from 2011	SG$	0.6	0.3	0.3	0.3	0.4
Convertible subordinated debt:						
due December 6, 2011	US$	44.9	33.6	57.9	30.2	37.0
due November 6, 2014	euro	150.0	150.0	255.4	150.0	150.0
Foreign exchange contracts:						
sale of currency contracts to be settled within twelve months:	US$	2.3	1.7	1.7	1.6	1.9

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, 2010. 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, Singapore 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, Singapore dollars and Japanese yen.

	2009	**2010**
	Impact on equity	**Impact on equity**
10% increase of U.S. dollar versus euro	1,237	**3,072**
10% decrease of U.S. dollar versus euro	(1,237)	**(3,072)**
10% increase of Singapore dollar versus euro	NM	**1,542**
10% decrease of Singapore dollar versus euro	NM	**(1,542)**
10% increase of Hong Kong dollar versus euro	19,640	**52,519**
10% decrease of Hong Kong dollar versus euro	(19,640)	**(52,519)**
10% increase of Japanese yen versus euro	4,393	**6,083**
10% decrease of Japanese yen versus euro	(4,393)	**(6,083)**

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 Singapore dollar or Japanese yen against the euro as of December 31, 2009 and December 31, 2010 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, Japanese yen and Hong Kong dollar against the euro at average exchange rates for the years 2009 and 2010. A positive amount indicates an increase in net earnings.

	2009	**2010**
	Impact on net earnings	**Impact on net earnings**
10% increase of Japanese yen versus euro	(1,348)	**652**
10% decrease of Japanese yen versus euro	1,348	**(652)**
10% increase of U.S. dollar versus euro	(8,307)	**47**
10% decrease of U.S. dollar versus euro	8,307	**(47)**
10% increase of Hong Kong dollar versus euro	4,570	**14,632**
10% decrease of Hong Kong dollar versus euro	(4,570)	**(14,632)**

A hypothetical 10% strengthening or 10% weakening of any currency other than the U.S. dollar the Japanese Yen and the Hong Kong dollar against the euro at average exchange rates for the years 2009 and 2010 would not result in a material impact on net earnings.

Interest risk

We are exposed to interest rate risk primarily through our borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2010 the Company had convertible subordinated debt borrowings outstanding of € 33,609 (US$ 44,909) at a fixed interest rate, maturing in December 2011 (on January 3, 2011 we announced the redemption for all of the outstanding principal balance of our 4.25% Convertible Subordinated Notes due 2011, which resulted in the conversion of all remaining notes prior to the redemption date scheduled for February 15, 1011) and € 150,000 at a fixed rate, maturing in November 2014, € 20,266 in long-term debt at fixed interest rates and € 8,297 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, 2009 and December 31, 2010 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 5.2% of net sales in 2010 (2009: 9.1%) and the ten largest customers accounted for approximately 27.9% of net sales in 2010 (2009: 32.9%). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose us to a concentration of credit risk and difficulties in collecting amounts due, which could harm our financial results. At December 31, 2010 one customer accounted for 6.0% of the outstanding balance in accounts receivable (2009: 7.8%).

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

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

Corporate information

Supervisory Board

Gert-Jan Kramer [1] (1942)
Chairman
Nationality: Dutch
Current term expires: 2013
Supervisory Boards of Scheuten Solar (Chairman), Damen Shipyards Group (Vice-Chairman), 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, Nieuwe Kerk/Hermitage, Frans Hals Museum, Museum Beelden aan Zee and the Pieterskerk in Leiden.

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: 2014
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); Mutracx B.V. (Chairman), A.L.S.I.; and Point One Innovation.
Fund. Member of the Board of FEI Inc, USA (member of the Audit Committee)

Martin C.J. van Pernis [2] (1945)
Nationality: Dutch
Current term expires: 2014
Chairman of the Supervisory Board of Dutch Space B.V.
Member of the Supervisory Boards of Aalberts Industries N.V., Feyenoord Rotterdam N.V. and Batenburg Beheer N.V.

Ulrich H.R. Schumacher [4] (1958)
Nationality: German
Current term expires: 2012
CGS Consulting
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.

Senior Management

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

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

J. (Han) F.M. Westendorp
Vice President Corporate Marketing Front-end

Per Ove (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 Global Operations

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

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

Richard W. Bowers
Chief Legal Officer Front-end Operations

Lee Wai Kwong
Member of the Board of Directors and Chief Executive Officer of ASM Pacific Technology Ltd.

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

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

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

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

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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 23, 2011

Financial Calendar for 2011

April 27, 2011
Announcement of first quarter results 2011

July 27, 2011
Announcement of second quarter results 2011

October 27, 2011
Announcement of third quarter results 2011

1 Chairman Nomination, Selection and Remuneration Committee
2 Member Nomination, Selection and Remuneration Committee
3 Chairman Audit Committee
4 Member Audit Committee

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			December 31,
(EUR thousands, except share and per share data)	**Note**	2009	**2010**
Assets			
Cash and cash equivalents	**3**	293,902	**340,294**
Accounts receivable (less allowance for doubtful accounts of € 8,968 and € 9,304)	**4**	165,754	**271,271**
Inventories, net	**5**	150,645	**258,058**
Income taxes receivable		43	**57**
Other current assets		31,129	**59,402**
Total current assets		641,473	**929,082**
Deferred tax assets	**24**	15,167	**13,981**
Other intangible assets, net	**6**	41,477	**47,489**
Goodwill, net	**7**	37,551	**40,482**
Evaluation tools at customers	**10**	11,282	**6,644**
Investments	**11**	50	**50**
Property, plant and equipment, net	**8**	114,811	**197,937**
Assets held for sale	**9**	5,508	**6,347**
Total assets		867,319	**1,242,011**
Liabilities and Shareholders' Equity			
Notes payable to banks	**12**	17,008	**8,297**
Accounts payable		93,117	**170,553**
Provision for warranty	**13**	5,650	**8,273**
Accrued expenses and other	**14**	78,061	**117,401**
Income taxes payable		17,658	**47,493**
Current portion convertible subordinated debt	**16**	11,516	**32,263**
Current portion conversion option	**16**	—	**23,875**
Current portion of long-term debt	**15**	5,795	**15,950**
Total current liabilities		228,806	**424,106**
Pension liabilities	**18**	4,894	**6,210**
Deferred tax liabilities	**24**	5,928	**7,193**
Long-term debt	**15**	16,554	**4,316**
Convertible subordinated debt	**16**	186,680	**126,542**
Conversion option	**16**	22,181	**—**
Total liabilities		465,043	**568,367**
Commitments and contingencies	**19,20**		
Common shares:			
Authorized 110,000,000 shares, par value € 0.04, issued and outstanding 51,745,140 and 52,931,881 shares		2,070	**2,117**
Capital in excess of par value		290,523	**314,596**
Treasury shares at cost		—	**—**
Retained earnings		25,267	**148,824**
Accumulated other comprehensive loss		(60,269)	**(27,658)**
Total shareholders' equity	**17**	257,591	**437,878**
Non-controlling interest		144,684	**235,767**
Total equity		402,275	**673,645**
Total liabilities and shareholders' equity		867,319	**1,242,011**

See Notes to Consolidated Financial Statements.

		Year ended December 31,	
(EUR thousands, except per share data)	**Note**	2009	**2010**
Net sales	**25**	590,739	**1,222,900**
Cost of sales		(409,224)	**(669,736)**
Gross profit	**25**	181,515	**553,164**
Operating expenses:			
Selling, general and administrative		(107,777)	**(130,596)**
Research and development, net	**22**	(74,967)	**(74,476)**
Amortization of other intangible assets	**6**	(401)	**(357)**
Restructuring expenses	**23**	(35,687)	**(11,201)**
Total operating expenses		(218,832)	**(216,630)**
Result from operations	**25**	(37,317)	**336,535**
Interest income		1,018	**1,221**
Interest expense		(7,905)	**(15,677)**
Gain (loss) resulting from early extinguishment of debt	**16**	(1,759)	**(3,609)**
Accretion interest expense convertible notes	**16**	(4,942)	**(5,853)**
Revaluation conversion option	**16**	(24,364)	**(19,037)**
Debt issuance expenses credit facility		(1,283)	**—**
Foreign currency exchange gains (losses), net		(1,384)	**(65)**
Earnings (loss) before income taxes		(77,936)	**293,514**
Income tax expense	**24**	(2,409)	**(43,030)**
Earnings (loss) before dilution on investment in subsidiary		(80,345)	**250,484**
Gain on dilution of investment in subsidiary	**18**	956	**—**
Net earnings (loss)		(79,389)	**250,484**
Net earnings (loss) for allocation between shareholders of the parent and non-controlling interest			
Allocation of net earnings (loss)			
Shareholders of the parent		(118,633)	**118,600**
Non-controlling interest		39,244	**131,884**
Net earnings (loss) per share:	**27**		
Basic net earnings (loss) from continuing operations		(2.30)	**2.26**
Diluted net earnings (loss) from continuing operations		(2.30)	**2.22**
Weighted average number of shares used in computing per share amounts (in thousands):			
Basic		51,627	**52,435**
Diluted		51,627	**61,494**

See Notes to Consolidated Financial Statements.

		Year ended December 31,	
(EUR thousands)	**Note**	2009	**2010**
Net earnings (loss)		(79,389)	**250,484**
Other comprehensive income (loss):			
Foreign currency translation effect		(6,314)	**43,318**
Unrealized gains (losses) on derivative instruments, net of tax		(170)	**136**
Total other comprehensive income (loss)	**17**	(6,484)	**43,454**
Comprehensive income (loss)		(85,873)	**293,938**
Allocation of comprehensive income (loss):			
Common shareholders		(122,055)	**151,211**
Non-controlling interest	**17**	36,182	**142,727**

See Notes to Consolidated Financial Statements.

Consolidated Statements of Total Equity

(EIR thousands, except 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 share-holders' equity	Non-controlling interest	EUR Total equity
Balance January 1, 2009		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
Compensation expense stock options		**—**	**—**	**2,526**	**—**	**—**	**—**	**2,526**	**—**	**2,526**
Conversion of debt into common shares		**878,491**	**35**	**17,614**	**—**			**17,649**		**17,649**
Exercise stock options by issue of common shares	17	**308,250**	**12**	**3,932**	**—**	**—**	**—**	**3,944**	**—**	**3,944**
Net earnings to common shareholders		**—**	**—**	**—**	**—**	**118,600**	**—**	**118,600**	**131,884**	**250,484**
Other comprehensive income	17	**—**	**—**	**—**	**—**	**—**	**32,611**	**32,611**	**10,843**	**43,454**
Other movements in non-controlling interest:										
Dividend paid		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(58,162)**	**(58,162)**
Dilution		**—**	**—**	**—**	**—**	**4,957**	**—**	**4,957**	**6,518**	**11,475**
Balance December 31, 2010		**52,931,881**	**2,117**	**314,596**	**—**	**148,824**	**(27,658)**	**437,878**	**235,767**	**673,645**

See Notes to Consolidated Financial Statements.

		Year ended December 31,	
(EUR thousands)	Note	2009	2010
Cash flows from operating activities:			
Net earnings (loss)		(79,389)	250,484
Adjustments to reconcile net earnings to net cash from operating activities:			
Depreciation	8	32,054	30,630
Depreciation evaluation tools at customers		2,032	2,477
Amortization of other intangible assets	6	3,990	7,188
Amortization of capitalized debt issuance costs		1,283	1,795
Impairment of property, plant and equipment	8	4,628	–
Impairment of capitalized development expenses		21,630	2,532
Accruals for restructuring expenses and onerous contracts		26,657	1,863
Compensation expense employee share incentive scheme ASMPT	18	3,685	11,375
Compensation expense employee stock option plan	18	2,127	2,526
Accretion interest convertible bonds	16	5,188	6,010
Change in fair value conversion option	16	24,364	19,037
Accrual of interest preferred shares		5	–
Deferred income taxes		(9,081)	4,092
Accretion interest convertible notes			
Loss resulting from early extinguishment of debt	16	1,759	3,609
Gain on dilution of investment in subsidiary	18	(956)	–
Increase (decrease) in allowance for doubtful receivables	4	1,667	(187)
Changes in assets and liabilities:			
Accounts receivable		1,338	(95,073)
Inventories		30,044	(80,601)
Other current assets		(5,449)	(31,478)
Accounts payable and accrued expenses		23,171	104,095
Advance payments from customers		11,052	9,646
Deferred revenue		(1,674)	1,100
Payments from provision restructuring expenses		(16,105)	(9,297)
Pension liabilities		(280)	390
Income taxes		(9,963)	28,966
Net cash provided by operating activities		73,777	271,179
Cash flows from investing activities:			
Capital expenditures	8	(12,718)	(102,974)
Capitalization of development expenses		(11,124)	(11,294)
Purchase of intangible assets	6	(3,294)	(624)
Acquisition of business	7	(50)	–
Proceeds from sale of property, plant and equipment	8	570	3,032
Net cash used in investing activities		(26,616)	(111,860)
Cash flows from financing activities:			
Notes payable to banks, net		966	(10,817)
Debt issuance costs for stand-by facility paid		(1,075)	–
Net-proceeds from long-term debt and subordinated debt		144,516	–
Repayments of long-term debt and subordinated debt		(32,466)	(57,994)
Proceeds from issuance of common shares and exercise of stock options		1,447	3,944
Dividend tax paid on withdrawal of common shares		(3,399)	–
Dividends to minority shareholders ASMPT		(19,099)	(58,162)
Net cash provided by / (used in) financing activities		90,890	(123,029)
Foreign currency translation effect		(1,427)	10,102
Net increase in cash and cash equivalents		136,623	46,392
Cash and cash equivalents at beginning of year	3	157,277	293,902
Cash and cash equivalents at end of year	3	293,902	340,294
Supplemental disclosures of cash flow information			
Cash paid during the year for:			
Interest		5,918	14,786
Income taxes		21,144	9,751

See Notes to Consolidated Financial Statements.

NOTE 1 *General information / Summary of Significant Accounting Policies*

General information – 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).

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

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

Basis of preparation – 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.

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

Use of estimates – The preparation of the Company’s consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities on the balance sheet dates and the reported amounts of revenue and expenses during the reported periods. While we regularly evaluate our estimates and assumptions, actual results may differ from these estimates if these assumptions prove incorrect.

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

Subsidiaries are all entities over which ASMI has the power to govern the financial and operating policies. The existence and effect of potential voting rights that are currently exercisable are considered when assessing ASMI controls another entity.

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

Subsidiaries are fully consolidated from the date on which control is transferred to ASMI and are deconsolidated from the date on which ASMI’s control ceases.

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

The Front-end segment manufactures and sells equipment used in wafer processing, encompassing the fabrication steps in which silicon wafers are layered with semiconductor devices. The segment is a product driven organizational unit comprised of manufacturing, service, and sales operations in Europe, the United States, Japan and Southeast Asia. The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd., in which the Company holds a majority of 52.36% interest, whilst the remaining shares are listed on the Stock Exchange of Hong Kong.

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

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

Derivative Financial Instruments – ASMI and its subsidiaries conduct business in a number of foreign countries, with certain transactions denominated in currencies other than the functional currency of the Company (euro) or one of its subsidiaries conducting the business. The purpose of the Company's foreign currency management is to manage the effect of exchange rate fluctuations on income, expenses, cash flows and assets and liabilities denominated in selected foreign currencies, in particular denominated in 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, which are net of taxes, included in accumulated other comprehensive loss at December 31, 2010 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.

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

Cash and Cash Equivalents – Cash and cash equivalents comprise cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturity of three months or less. Bank overdrafts are included within notes payable to banks in current liabilities on the consolidated balance sheet.

Cash and cash equivalents of the Company's subsidiaries ASMPT and ASM Japan are restricted to be used only in the operations of ASMPT and ASM Japan respectively. The use of the equivalent of 67% of the outstanding 2011 4.25% convertible bonds due is restricted in use under the credit facility agreement.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. the technical feasibility of completing the intangible asset so that it will be available for use or sale;

2. its intention to complete the intangible asset and use or sell it;

3. its ability to use or sell the intangible asset;

4. how the intangible asset will generate probable future economic benefits;

5. the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and

6. its ability to measure the expenditure attributable to the intangible asset during its development reliably.

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

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

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

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

A major portion of our revenue is derived from contractual arrangements with customers that have multiple deliverables, such as installation. The revenue relating to the undelivered elements of the arrangements, the installation, is deferred at fair value until delivery of these elements. The fair value is determined by vendor specific objective evidence ("VSOE"). VSOE is determined based upon the prices that the Company charges for installation on a stand-alone basis, which are subject to normal price negotiations.

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").

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

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

Freight charges billed to customers are recognized as revenue, the related costs are recognized as cost of sales.

Revenues are recognized excluding the taxes levied on revenues.

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

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

Restructuring costs – Restructuring expenses are recognized for exit or disposal activities when the liability arising from restructuring plans is incurred. In 2008, 2009 and 2010 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. As from the year 2010 the Company recognizes the impact of these issuances directly into equity.

Commitments and Contingencies – The Company has various contractual obligations, some of which are required to be recorded as liabilities in the Company’s consolidated financial statements, including long- and short-term debt. Others, namely operating lease commitments, purchase commitments and commitments for capital expenditure, are generally not required to be recognized as liabilities on the Company’s balance sheet but are required to be disclosed. Reference is made to Note 19.

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

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

Adoption of new and revised International Financial Reporting Standards
The financial statements have been prepared on the basis of International Financial Reporting Standards (“IFRS”) as adopted by the European Union (“EU”). New Standards and Interpretations, which became effective in 2010, did not have a material impact on The Company’s consolidated financial statements.

Standards and Interpretations effective in 2010
IFRS 2 (Amendments), “Group Cash-settled Share-based Payment Transactions” (effective for annual periods beginning on or after January 1, 2010). The amendments to IFRS 2 clarify the accounting for group cash-settled share-based payment transactions. The amendments clarify how an individual subsidiary in a group should account for some share-based payment arrangements in its own financial statements. In these arrangements, the subsidiary receives goods or services from employees or suppliers but its parent or another entity in the group must pay those suppliers. The amendments make clear that: (a) an entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash and (b) in IFRS 2 a ‘group’ has the same meaning as in IAS 27, that is, it includes only a parent and its subsidiaries. The adoption of these Amendments did not have any effect on the Company’s consolidated financial statements.

IFRS 3 (Revised), “Business combinations” (effective for annual periods beginning on or after July 1, 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently remeasured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s net assets. All acquisition related costs should be expensed. The adoption of this Revised standard did not have any effect on the Company’s consolidated financial statements.

From January 1, 2010 the Company has applied IAS 27 (revised 2008), ‘Consolidated and Separate Financial Statements’ in accounting for acquisitions of non-controlling interests. The effects of all transactions with non-controlling interests are recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. When control is lost, any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognized in profit or loss. The change in accounting policy has been applied prospectively and has had no impact on the Company’s financial position and income as at and for the year ended December 31, 2009.
IAS 36 (Amendment), ‘Impairment of assets’, (effective for annual periods beginning on or after January 1, 2010). The amendment clarifies that the largest cash-generating unit (or group of units) to which goodwill should be allocated

for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS 8, 'Operating segments' (that is, before the aggregation of segments with similar economic characteristics). The adoption of this Amendment did not have any effect on the Company's consolidated financial statements.

IAS 39 (Amendment), "Eligible Hedged Items" (effective for annual periods beginning on or after July 1, 2009). The Amendment clarifies how the principles that determine whether a risk or portion of cash flows that is eligible for designation should be applied in particular situations. The adoption of this Amendment did not have any effect on the Company's consolidated financial statements.

At the date of authorization of these financial statements, the following Standards and Interpretations have been issued however are not yet effective and have not yet been adopted

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after January 1, 2013). IFRS 9 is subject to endorsement by the European Union. IFRS 9 addresses the classification and measurement of financial assets. The publication of IFRS 9 represents the completion of the first part of a three-part project to replace IAS 39 "Financial Instruments: Recognition and Measurement" with IFRS 9. IFRS 9 enhances the ability of investors and other users of financial information to understand the accounting of financial assets and reduces complexity. The Company is currently in the process of determining the impact of adopting this Standard on the Company's consolidated financial statements.

IAS 24 (Revised), "Related Party Disclosures" (effective for annual periods beginning on or after January 1, 2011). This revised standard has not yet been endorsed by the EU. The revised standard simplifies the disclosure requirements for government related entities by providing a partial exemption for government-related entities and clarifies the definition of a related party. The Company is currently in the process of determining the impact of adopting the Revised Standard on the Company's consolidated financial statements.

IAS 32 (Amendment) "Classification of Rights Issues" (effective for annual periods beginning on or after February 1, 2010). The amendment to IAS 32 is subject to endorsement by the European Union. The amendment to IAS 32 addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. The amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Company is currently in the process of determining the impact of adopting the Amendment on the Company's consolidated financial statements.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments' (effective for annual periods beginning on or after July 1, 2010 and subject to EU endorsement). The interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments issued cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The Company is currently in the process of determining the impact of adopting the Interpretation on the Company's consolidated financial statements.

NOTE 2 *List of Significant Subsidiaries*

Name	Location	% Ownership December 31, 2009	**2010**
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 Trading Ltd.	Shanghai, People's Republic of China	100.00%	**100.00%**
ASM Wafer Process Equipment Singapore Pte Ltd.	Singapore	100.00%	**100.00%**
ASM 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	52.59%	**52.36%**
ASM Assembly Automation Ltd. [2]	Kwai Chung, Hong Kong, People's Republic of China	52.59%	**52.36%**
ASM Assembly Materials Ltd. [2]	Kwai Chung, Hong Kong, People's Republic of China	52.59%	**52.36%**
ASM Technology Singapore Pte Ltd. [2]	Singapore	52.59%	**52.36%**
ASM Technology (M) Sdn. Bhd. [2]	Johor Bahru, Malaysia	52.59%	**52.36%**
ASM Semiconductor Materials (Shenzhen) Co. Ltd· [2]	Shenzhen, People's Republic of China	52.59%	**52.36%**
Edgeward Development Ltd. [2]	Guernsey, Channel Islands	52.59%	**52.36%**
Shenzhen ASM Micro Electronic Technology Co. Ltd. [2]	Shenzhen, People's Republic of China	52.59%	**52.36%**

(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 52.36% 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, 2010, cash and cash equivalents of the Company's subsidiaries ASMPT and ASM Japan amounted to € 197,865 and € 15,647 respectively, which are restricted to be used only in the operations of ASMPT and ASM Japan respectively. The use of € 22,406 (USD 29,939) of cash and cash equivalents is restricted in use under the credit facility agreement for the repurchase of outstanding convertible bonds due 2011. No further restrictions on usage of cash and cash equivalents exist.

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, 2009	127,409	19,712	11,195	4,627	2,811	165,754
December 31, 2010	**213,059**	**28,684**	**15,814**	**10,368**	**3,346**	**271,271**

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

Balance January 1, 2009	(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)**
Charged to selling, general and administrative expenses	**(461)**
Utilization	**648**
Foreign currency translation effect	**(522)**
Balance December 31, 2010	**(9,304)**

NOTE 5 *Inventories*

Inventories consist of the following:

	December 31, 2009	December 31, **2010**
Components and raw materials	92,352	**138,965**
Work in process	64,516	**128,728**
Finished goods	40,716	**28,165**
Total inventories, gross	197,584	**295,857**
Allowance for obsolescence	(46,939)	**(37,799)**
Total inventories, net	150,645	**258,058**

The changes in the allowance for obsolescence are as follows:

Balance January 1, 2009	(32,615)
Addition	(27,236)
Utilization	11,818
Foreign currency translation effect	1,094
Balance December 31, 2009	(46,939)
Addition	**(3,248)**
Reversals	**(3,586)**
Utilization	**14,628**
Foreign currency translation effect	**(5,827)**
Balance December 31, 2010	**(37,799)**

The addition for the year 2010 mainly relates to certain obsolete parts due to technological developments and design changes. In the year 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

In 2010 EUR 3.6 million from the provision for obsolete inventory was released as a result of a subsequent increase in net realizable value.

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, 2009	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**
Capitalization of development expenses	**11,294**	**—**	**—**	**11,294**
Impairment charges	**(2,532)**	**—**	**—**	**(2,532)**
Additions	**—**	**624**	**—**	**624**
Reclassification	**—**	**131**	**—**	**131**
Foreign currency translation effect	**4,157**	**354**	**272**	**4,783**
Balance December 31, 2010	**49,403**	**14,433**	**3,192**	**67,028**
Accumulated amortization:				
Balance January 1, 2009	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**
Amortization for the year	**4,453**	**2,376**	**358**	**7,187**
Reclassification	**—**	**240**	**—**	**240**
Foreign currency translation effect	**321**	**305**	**233**	**859**
Balance December 31, 2010	**8,718**	**7,809**	**3,011**	**19,538**
Other intangible assets, net:				
December 31, 2009	32,540	8,437	500	41,477
December 31, 2010	**40,685**	**6,624**	**181**	**47,489**

Impairment charges on capitalized development expenses are included in Operating expenses under research and development. 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:

2011	10,571
2012	10,186
2013	9,776
2014	8,815
2015	8,141
	47,489

NOTE 7 *Goodwill*

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

	Front-end	Back-end	Total
Balance January 1, 2009	8,897	29,108	38,005
Foreign currency translation effect	551	(1,005)	(454)
Balance December 31, 2009	**9,448**	**28,103**	**37,551**
Foreign currency translation effect	**798**	**2,132**	**2,930**
Balance December 31, 2010	**10,246**	**30,235**	**40,482**

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

		December 31,
	2009	**2010**
Front-end segment:		
ASM Microchemistry Oy	2,612	**2,612**
ASM Genitech Korea Ltd	6,835	**7,634**
Back-end segment:		
ASM Pacific Technology Ltd	28,103	**30,235**
Total	37,551	**40,482**

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

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

- A discount rate of 20.5% (last year 13.0%) representing the pre-tax weighted average cost of capital. This relative high rate is a consequence of the current situation whereby certain production lines are in the early phase of the product lifecycle, hence reflecting a higher risk.

- For Front- end external market segment data, historical data and strategic plans to estimate cash flow growth per product line have been used.

- Cash flow calculations are limited to five years of cash flow; after these 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, 2010 the recoverable amount 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 lease hold improvements	Machinery, equipment, furniture and fixtures	Total
At cost:			
Balance January 1, 2009	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**
Capital expenditures	**24,716**	**78,258**	**102,974**
Retirements and sales	**(1,612)**	**(18,787)**	**(20,399)**
Reclassification	**74**	**(206)**	**(132)**
Foreign currency translation effect	**11,778**	**33,690**	**45,468**
Balance December 31, 2010	**131,431**	**409,889**	**541,320**
Accumulated depreciation:			
Balance January 1, 2009	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**
Depreciation for the year	**7,092**	**23,538**	**30,630**
Retirements and sales	**(1,607)**	**(15,757)**	**(17,364)**
Reclassification	**—**	**(240)**	**(240)**
Foreign currency translation effect	**6,147**	**25,609**	**31,756**
Balance December 31, 2010	**74,216**	**269,167**	**343,383**
Property, plant and equipment, net:			
December 31, 2009	**33,893**	**80,919**	**114,811**
December 31, 2010	**57,215**	**140,722**	**197,937**

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 € 28,586 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.

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*

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

	Japan	The Netherlands	Total
Balance January 1, 2009	–	–	–
Assets reclassified as held for sale	5,231	277	5,508
Balance December 31, 2009	5,231	277	5,508
Foreign currency translation effect	839	–	839
Balance December 31, 2010	6,070	277	6,347

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, 2010 of € 6,347. The assets held for sale are located in Japan (Front-end) 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 € 5.3 million is lower than the fair value less cost to sell. Also in Japan a piece of land that was purchased to build a research and development center has now been regarded as held for sale. The carrying value of € 0.8 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 lower than the fair value less cost to sell. The expected selling prices were determined, based on various inputs and considerations, including an appraisal from an outside firm performed during 2009. During 2010 both the Japanese and the Dutch properties were under the interest of the market, though the assets have not been sold yet, the outside firms maintain the expected selling prices.

NOTE 10 *Evaluation tools at customers*

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

Balance as at 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**
Evaluation tools shipped	**5,381**
Depreciation	**(2,477)**
Evaluation tools sold	**(8,526)**
Foreign currency translation effect	**984**
Balance December 31, 2010	**6,644**

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, 2010 reflects the cost of 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,	
	2009	**2010**
Short-term debt outstanding in:		
Japan	13,518	**7,130**
Singapore	990	**1,167**
Overdraft in:		
The Netherlands	2,500	**–**
Total	17,008	**8,297**

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

	December 31,	
	2009	**2010**
Japanese yen	1,800,000	**775,00**
Singapore dollar	2,000	**2,000**

Short-term debt outstanding in Japan in the amount of € 7,130 is collateralized by real estate with a carrying value of € 8,780 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 2.8% at December 31, 2010.

Total short-term lines of credit amounted to € 126,833 at December 31, 2010. The amount outstanding at December 31, 2010 was €8,297 and the undrawn portion totaled € 118,536. The undrawn portion includes the Company's standby revolving credit facility of € 90,000 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 € 22,464 for ASMPT, which amount is restricted to be used only in the operations of ASMPT. The undrawn portion further includes € 6,072 for ASM Japan, which amount is restricted to be used only in the operations of ASM Japan.

The credit facility of € 90,000 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 June 30, 2010 and as of December 31, 2010.

Short-term line of credits of ASM Japan of € 1,610 include financial covenants, of which the most important covenants, measured at December 31 of each year are ,no two loss making years in a row and 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, 2010.

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 € 13,202, with € 7,130 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, 2009	9,913
Charged to cost of sales	2,082
Deductions	(6,153)
Foreign currency translation effect	(192)
Balance December 31, 2009	**5,650**
Charged to cost of sales	**7,066**
Deductions	**(4,824)**
Foreign currency translation effect	**381**
Balance December 31, 2010	**8,273**

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

NOTE 14 *Accrued Expenses and Other*

Accrued expenses and other consist of the following:

	December 31,	
	2009	**2010**
Advance payments from customers	16,371	**28,272**
Accrual for employee contract termination benefits	9,236	**2,065**
Accrual for onerous contracts	1,396	**1,449**
Deferred revenue	3,254	**4,367**
Personnel related items	22,115	**47,060**
Interest payable	2,424	**2,102**
Other	23,265	**32,086**
	78,061	**117,401**

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

NOTE 15 *Long-term Debt*

Long-term debt consists of the following:

	December 31, 2009	**2010**
Term loans:		
Japan, 1.3-2.4%, due 2011 – 2012	16,898	**16,606**
Finland, 1.0%, due 2011	214	**-**
Singapore, 4.5%, due 2011	855	**337**
Mortgage loans:		
Japan, 2.1-2.2%, due 2012	3,417	**2,898**
Capital lease commitments:		
Japan, 1.8%, due 2011 – 2012	965	**425**
Financing preferred shares	–	**–**
Preferred shares	–	**–**
	22,349	**20,266**
Current portion	(5,795)	**(15,950)**
	16,554	**4,316**

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

	December 31, 2009	**2010**
Euro	214	**—**
Japanese yen	2,833,514	**2,166,175**
Singapore dollars	1,727	**578**

Aggregate annual principal repayments for years subsequent to December 31, 2010 are:

2011	15,950
2012	4,316
	20,266

Long-term debt outstanding in Japan in the amount of € 13,938 is collateralized by real estate with a carrying value of € 5,612 of ASM Japan.

Long-term debt outstanding in Singapore in the amount of € 337 is collateralized by real estate with a carrying value of € 14,269 and other assets with a carrying value of € 65,227 of ASM Front-End Manufacturing Singapore.

Long-term debt of ASM Japan of € 11,040 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, 2010.

ASMI is guarantor with respect to all long-term debt outstanding of ASM Front-End Manufacturing Singapore and is guarantor with respect to € 5,152 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 2010.

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.

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 2010 this revaluation at fair value resulted in a loss of € 19.0 million (2009 a loss of € 24.4million). 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 2010 this accretion interest expense was € 5.9 million (2009, € 4.9 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 cost	(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, 2009	14,089	80,841	—
Issue of notes	—	—	121,198
Accrual of interest	684	3,549	709
Repurchase of notes	(2,640)	(16,047)	—
Foreign currency translation effect	(618)	(3,572)	—
Balance December 31, 2009	**11,516**	**64,773**	**121,907**
Accrual of interest	**207**	**1,707**	**4,635**
Repurchase of notes	**–**	**(37,946)**	**–**
Conversion of notes into common shares	**(12,677)**	**(5)**	**–**
Foreign currency translation effect	**954**	**3,734**	**–**
Balance December 31, 2010	**–**	**32,263**	**126,542**

	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, 2009	16,880	101,387	–
December 31, 2010	**–**	**44,909**	**–**
Nominal value in €:			
December 31, 2009	11,718	70,383	150,000
December 31, 2010	**–**	**33,609**	**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 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 was repurchased for a market value of US$ 5.2 million. The loss from the early extinguishment of the notes of € 211, which includes the premium paid above par and the write-off of unamortized issuance costs, was recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2009.

In 2010 the remaining US$ 16.9 million in convertible subordinated notes were converted into 878,154 common shares, newly issued by the Company.

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 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 were 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 write-off of unamortized issuance costs and the amortization of unamortized interest expenses, was recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2009.

In 2010 US$ 56.5 million convertible subordinated notes was repurchased for a market value of US$ 74.6 million. The loss from the early extinguishment of the notes of € 3,609, which includes the write-off of unamortized issuance costs and the amortization of unamortized interest expenses, was recorded as a loss from early extinguishment of debt in the Consolidated Statement of Operations for the year 2010.

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

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

The 4.25% convertible subordinated notes ranked 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..

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 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
Valuation per 31 December 2010:				
Implied volatility		n/a		31.0%
USD interest average		n/a		0.78%
Stock price		n/a	€	26.50
Conversion price		n/a	US$	20.71
Value of the option		n/a	US$	710.35

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 52,931,881 common shares, no preferred and no financing preferred shares were outstanding as at December 31, 2010. All shares have one vote per € 0.04 par value. Treasury shares held by the Company cannot be voted on.

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

In September 2010, Lehman's administrators notified us that there is a possible shortfall in the number of shares held by Lehman of 479,279 shares (out of the 2,552,071 shares), which cannot currently be accounted for by Lehman. The Lehman administrators also reported a segregated collateral cash account of US$ 6,759, that ASMI may be entitled to in the absence of the shares. We have not been able to obtain additional information to confirm and understand the potential shortfall of shares or our ability to recover the US$ 6,759 from the Lehman bankruptcy proceedings in lieu of the shares. Accordingly, we are uncertain at this time as to the accuracy of the shortfall of shares, our ability to claim the collateral cash sum to cover the value of any such discrepancy, and our entitlement to all or a portion of such sum when distributions are determined and made by the administrator since there is likely to also be a shortfall in Lehman assets subject to proprietary rights. Given the magnitude of the overall Lehman administration, we believe it may take several years to obtain clarity or resolution about the potential shortfall or claim to cash. ASMI is in the process of filing a claim with the Lehman administrators to safeguard our interests.

Considering the factual and legal uncertainties, it is premature to conclude that the 479,279 shares should still be considered as outstanding or that ASMI has a US$ 6,759 receivable from Lehman. ASMI has, therefore, neither reversed the cancellation of these shares that we recorded in 2009, nor recorded a receivable from Lehman. If the shares would be considered as outstanding, the impact on our basic and diluted earnings per share as at December 31, 2010 would have been € (0.02) and € (0.01) respectively per share.

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

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

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

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

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, 2009	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	—	—	—
Balance December 31, 2010	**–**	**–**	**–**

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.

Following the adoption of IAS 27.30 as per 2010 results on dilution of investments in subsidiaries are accounted for directly in equity.

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, 2009	(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)
Foreign currency translation effect on translation of foreign operations	**32,475**	**—**	**32,475**
Increase in fair value of derivative instruments, net of tax	**—**	**136**	**136**
Total change in accumulated other comprehensive loss	**32,475**	**136**	**32,611**
Balance December 31, 2010	**(27,671)**	**13**	**(27,658)**

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 ASMI, 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.

Reference is made to the paragraph "Common shares, preferred and financing preferred shares" of this note to the consolidated financial statements for the uncertainty about the shares held in custody by Lehman.

.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, 2010 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, 2010 the coverage ratio of the multi-employer plan was 96% (December 31, 2009: 99%). This decrease mainly resulted from the use of the latest mortality tables. The Board of the multi-employer plan decided that existing pension obligations will not be indexed for the years 2010 and 2011.

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.

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,	
	2009	**2010**
Defined benefit obligations	(6,560)	**(8,805)**
Fair value of plan assets	2,119	**3,189**
Funded status deficit	(4,441)	**(5,617)**
Unrecognized actuarial loss	662	**954**
Net liabilities defined benefit plan Japan	(3,779)	**(4,663)**
Other pension liabilities (mainly South Korea)	(1,115)	**(1,547)**
Total pension liabilities	(4,894)	**(6,210)**

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

	December 31,	
	2009	**2010**
Defined benefit obligations		
Balance January 1	10,046	**6,560**
Current service cost	675	**629**
Interest on obligation	154	**139**
Actuarial losses	605	**795**
Benefits paid	(365)	**(819)**
Curtailment and settlement	(4,095)	**–**
Foreign currency translation effect	(461)	**1,502**
Balance December 31	6,560	**8,805**
Fair value of plan assets		
Balance January 1	4,973	**2,119**
Expected return on plan assets	98	**77**
Actuarial losses (gaines)	(20)	**658**
Company contribution	629	**647**
Benefits paid	(365)	**(819)**
Settlement	(2,996)	**–**
Foreign currency translation effect	(201)	**507**
Balance December 31	2,119	**3,189**

The net periodic benefit cost consists of the following:

	December 31,	
	2009	**2010**
Current service cost	675	**629**
Interest on obligation	154	**139**
Expected return on plan assets	(98)	**(77)**
Amortization deferred actuarial loss	44	**1**
Net periodic pension benefit cost	775	**692**

The actual return on plan assets was € 78 and € 734 for the years ended December 31, 2009 and 2010 respectively.

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

	December 31,	
	2009	**2010**
Discount rate for obligations	1.70%	**1.25%**
Expected return on plan assets	3.00%	**3.00%**
Future salary increases	2.93%	**2.93%**

The allocation of plan assets is as follows:

	December 31,			
	2009		**2010**	
Shares	868	41.0%	**798**	**25.0%**
Bonds	1,010	47.6%	**1,965**	**61.6%**
Loans	126	5.9%	**235**	**7.4%**
Real estate	25	1.2%	**51**	**1.6%**
Other	91	4.3%	**140**	**4.4%**
	2,119	100.0%	**3,189**	**100.0%**

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

The Company expects to contribute € 651 to the defined benefit plan in 2011. The Company expects to pay benefits for years subsequent to December 31, 2010 as follows:

2011	251
2012	257
2013	262
2014	286
2015	286
Aggregate for the years 2016-2020	1,897
Total	3,239

Retirement plan costs consist of the following:

	December 31, 2009	December 31, 2010
Defined contribution plans	6,875	**10,423**
Multi-employer plans	2,089	**1,207**
Defined benefit plans	775	**673**
Total retirement plan costs	9,739	**12,303**

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

Employee Stock Option Plan

The Company has adopted various stock option plans and has entered into stock option agreements with various employees. Under these plans, employees may purchase a specific number of shares of the Company's common stock. Options are priced at market value in Euro or 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, 2010, options to purchase 3,838,320 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 1,445,523 options to purchase common stock were outstanding at December 31, 2010, 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. In 2011, a new stock option plan will be adopted. In the new plan to limit potential dilution, the Supervisory Board will require that at any time the amount of outstanding (vested and non-vested) options granted to the Management Board and to other employees will not exceed 7.5% of the issued ordinary share capital of ASMI.

The 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, 2009	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**
Options granted	**42,000**	**35.01**	**64,500**	**22.53**
Options forfeited	**(35,700)**	**19.73**	**(67,185)**	**16.97**
Options exercised	**(143,140)**	**16.83**	**(165,110)**	**13.12**
Balance December 31, 2010	**686,060**	**20.40**	**759,463**	**15.74**

The weighted average fair value of employee stock options granted in U.S. dollars were US$ 9.31 in 2009 and US$ 17.02 in 2010. The weighted average fair values of employee stock option granted in Euro were € 7.26 in 2009 and € 13.94 in 2010.

The weighted average remaining contractual life of the outstanding options granted in 2010 is 6.36 years at December 31, 2010.

The total intrinsic value of options exercised was € 684, and € 2,322 for the years ended December 31, 2009 and 2010 respectively. In 2009 and in 2010 new shares have been issued for the exercise of 23,009 and 308,250 options respectively.

At December 31, 2010 options outstanding and options exercisable classified by range of exercise prices are:

	Options outstanding			Options exercisable	
Range of exercise prices	Number outstanding	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable	Weighted average exercise price
In US$		In years	In US$		In US$
1.00-10.00	68,000	8.14	7.47	4,000	6.30
10.00-15.00	139,060	4.11	12.88	62,020	13.35
15.00-20.00	71,700	6.43	18.27	26,800	17.48
20.00-30.00	365,300	5.97	24.41	103,900	25.22
30.00-40.00	42,000	6.01	35.01	—	—
US$1.00-40.00	686,060	5.85	20.40	196,720	20.04
In €		In years	In €		In €
1.00-10.00	14,800	2.92	7.95	400	7.79
10.00-15.00	145,380	4.11	12.33	11,800	12.11
15.00-20.00	559,783	4.47	16.07	210,623	17.38
20.00-30.00	39,500	6.01	26.50	—	—
€1.00-30.00	759,463	4.45	15.74	222,823	17.08
Total	1,445,523	5.12	17.95	419,543	18.47

At December 31, 2010, the aggregate intrinsic value of all options outstanding and all options exercisable is € 15,672 and € 4,302 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,	
	2009	**2010**
Expected life (years)	5 – 10	**5 – 10**
Risk free interest rate	3.0%	**2.8%**
Dividend yield	—	**—**
Expected volatility	52.1%	**45.6%**

When establishing the expected life assumption the Company takes into account the contractual terms of the option. The grant date fair value of the stock options is expensed on a straight-line basis over the vesting period, based on the Company's estimate of stock options that will eventually vest. The impact of the true up of the estimates is recognized in the consolidated statement of operations in the period in which the revision is determined. We recorded compensation expenses of € 2,127 and € 2,526 for 2009 and 2010 respectively.

Employee Share Incentive Scheme ASMPT

In 1989, the shareholders of ASMPT approved a plan to issue up to 5.0 percent of the total issued shares of ASMPT to directors and employees. This plan was extended in 1999 for a term up to March 23, 2010. At the annual general meeting of the ASMPT held on 24 April 2009, the shareholders approved to extend the period of the Scheme for a term of a further 10 years up to 23 March 2020 and allow up to 7.5% of the issued share capital of ASMPT from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) to be subscribed for or purchased pursuant to the Scheme during such extended period and that no more than 3.5% of the issued share capital of ASMPT from time to time (excluding any shares subscribed for or purchased pursuant to the Scheme since 23 March 1990) to be subscribed for or purchased pursuant to the Scheme for the period from 24 March 2010 to 23 March 2015.

The directors annually may approve an amount of supplemental compensation to the designated directors and officers, which will be used to issue or purchase ASMPT's common shares for the designees at current market value. In December 2010, 1,726,900 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 2009 and 2008, respectively 2,035,400 and 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 0.23% in 2010 and 0.28% in 2009. The shares issued under the plan in 2010 have diluted ASMI's ownership in ASMPT to 52.36% as of December 31, 2010.

Total compensation expenses related to the Employee Share Incentive Scheme of respectively € 3,685 in 2009, and € 11,375 in 2010 were charged to the Consolidated Statement of Operations.

Dilution investment ASMPT

The dilution in ownership has resulted in a gain on the investment in ASMPT of € 956 in 2009, which gain has been separately included in the Consolidated Statement of Income. Due to the participation exemption in the Netherlands no deferred income taxes have been provided for these gains. Following the adoption of IAS 27.30 as per 2010 results on dilution of investments in subsidiaries are accounted for directly in equity. For 2010 the dilution gain was € 4,957.

NOTE 19 *Commitments and Contingencies*

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

	December 31,	
	2009	**2010**
Machinery and equipment	4,305	**3,644**
Furniture and fixtures	739	**359**
	5,044	**4,003**
Less accumulated depreciation	(3,939)	**(3,211)**
	1,105	**792**

At December 31, 2010 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
2011	299	10,061
2012	131	7,871
2013	—	5,152
2014	—	2,854
2015	—	1,839
Years thereafter	—	2,390
Total	430	30,167
Less amount representing interest	(5)	
Present value of net minimum lease payments	425	

Aggregate rental expense for operating leases was € 10,719 in 2009 and € 10,173 in 2010. At December 31, 2010 the Company had entered into purchase commitments with suppliers in the amount of € 58,006 for purchases, of which € 57,726 for purchases within the next 12 months. Commitments for capital expenditures at December 31, 2010 were € 22,359.

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, its cash flows and result of operations.

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$ 5.8 million (€ 4.3 million) for royalties as of December 31, 2010.

NOTE 21 *Financial Instruments and Risk Management*

Categories of Financial Instruments

Financial instruments include:

Financial assets:

	December 31,	
	2009	**2010**
Cash and cash equivalents	293,902	**340,294**
Accounts receivable	165,754	**271,271**
Derivative instruments designated in cash flow hedges	—	**14**
Derivative instruments designated in fair value hedges	94	**—**

Financial liabilities:

	December 31,	
	2009	**2010**
Notes payable to banks	17,008	**8,297**
Accounts payable	93,117	**170,553**
Current portion of long-term debt	5,795	**15,950**
Current portion of convertible subordinated debt	11,516	**32,263**
Long-term debt	16,554	**4,316**
Convertible subordinated debt	186,680	**126,542**
Conversion option	22,181	**23,875**
Derivative instruments designated in cash flow hedges	167	**—**
Derivative instruments designated in fair value hedges	28	**31**

Gains or losses related to financial instruments are as follows:

	Year ended December 31, 2009	2010
Interest income	1,018	**1,221**
Interest expense	(7,905)	**(15,677)**
Accretion interest expense convertible notes at amortized value	(4,942)	**(5,853)**
Gain (loss) resulting from early extinguishment of debt	(1,759)	**(3,609)**
Revaluation conversion option	(24,364)	**(19,037)**
Foreign currency exchange gains (losses), net	(1,384)	**(65)**
Addition to allowance for doubtful accounts receivable	(2,812)	**(461)**

We adopted IFRS 7.27, for financial 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.

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

	At carrying value	At fair value Level 1	Level 2	Level 3	Total
December 31, 2009					
Assets:					
Derivative financial instruments	94	—	14,500	—	14,500
Total	94	—	14,500	—	14,500
Liabilities:					
Conversion options	22,181	—	22,181	—	22,181
Derivative financial instruments	195	—	421	—	421
Total	22,376	—	22,602	—	22,602
December 31, 2010					
Assets:					
Derivative financial instruments	**14**	**—**	**1,743**	**—**	**1,743**
Total	**14**	**—**	**1,743**	**—**	**1,743**
Liabilities:					
Conversion options	**23,875**	**—**	**23,875**	**—**	**23,875**
Total	**23,875**	**—**	**23,875**	**—**	**23,875**

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 € 13 unrealized gains included in accumulated other comprehensive loss as of December 31, 2010 will be reclassified to net earnings within the next twelve months, upon completion of the underlying transactions. If the underlying transaction being hedged fails to occur, or if a portion of any derivative is ineffective, the gain or loss is immediately recognized in earnings under foreign currency exchange gains (losses) in the Consolidated Statement of Operations. Unrealized losses included in accumulated other comprehensive loss as of December 31, 2009 of € 123 were reclassified to earnings in 2010. Hedge ineffectiveness was insignificant for the years ended December 31, 2009 and December 31, 2010.

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	Fair value	Difference between forward value and fair value	Included in accumulated other comprehensive income (loss)
			Euro	Euro	Euro	Euro
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)	—
December 31, 2010:						
Assets:						
Cash flow hedge contracts:						
Short position	**US$**	**(452)**	**(350)**	**(336)**	**14**	**13**
Fair value hedge contracts:						
Short position	**US$**	**(1,881)**	**(1,376)**	**(1,407)**	**(31)**	**—**
Liabilities:						
Cash flow hedge contracts						
Long position	**—**	**—**	**—**	**—**	**—**	**—**
Fair value hedge contracts:						
Long position	**US$**	**—**	**—**	**—**	**—**	**—**

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

The following table analyzes the Company's sensitivity to a hypothetical 10% strengthening and 10% weakening of the U.S. dollar, Singapore dollar, Hong Kong dollar and Japanese yen against the euro as of December 31, 2009 and December 31, 2010. 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	
	2009	**2010**
10% increase of U.S. dollar versus euro	1,237	**3,072**
10% decrease of U.S. dollar versus euro	(1,237)	**(3,072)**
10% increase of Singapore dollar versus euro	NM	**1,542**
10% decrease of Singapore dollar versus euro	NM	**(1,542)**
10% increase of Hong Kong dollar versus euro	19,640	**52,519**
10% decrease of Hong Kong dollar versus euro	(19,640)	**(52,519)**
10% increase of Japanese yen versus euro	4,393	**6,083**
10% decrease of Japanese yen versus euro	(4,393)	**(6,083)**

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, 2009 and December 31, 2010 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 2009 and 2010. A positive amount indicates an increase in net earnings.

	Impact on net earnings	
	2009	**2010**
10% increase of Japanese yen versus euro	(1,348)	**652**
10% decrease of Japanese yen versus euro	1,348	**(652)**
10% increase of U.S. dollar versus euro	(8,307)	**47**
10% decrease of U.S. dollar versus euro	8,307	**(47)**
10% increase of Hong Kong dollar versus euro	4,570	**14,632**
10% decrease of Hong Kong dollar versus euro	(4,570)	**(14,632)**

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 2009 and 2010 would not result in a material impact on net earnings.

Interest Risk

We are exposed to interest rate risk primarily through our borrowing activities. The Company does not enter into financial instrument transactions for trading or speculative purposes or to manage interest rate exposure. At December 31, 2010 the Company had convertible subordinated debt borrowings outstanding of € 33,609 (US$ 44,909) at a fixed interest rate, maturing in December 2011 (on January 3, 2011 we announced the redemption for all of the outstanding principal balance of our 4.25% Convertible Subordinated Notes due 2011, which resulted in the conversion of all remaining notes prior to the redemption date scheduled for February 15, 2011) and € 150,000 at a fixed rate, maturing in November 2014, € 20,266 in long-term debt at fixed interest rates and € 8,297 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, 2009 and December 31, 2010 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 5.2% of net sales in 2010 (2009: 9.1%) and the ten largest customers accounted for approximately 27.9% of net sales in 2010 (2009: 32.9). Sales to these large customers also may fluctuate significantly from time to time depending on the timing and level of purchases by these customers. Significant orders from such customers may expose the Company to a concentration of credit risk and difficulties in collecting amounts due, which could harm the Company's financial results. At December 31, 2010 one customer accounted for 6.0% of the outstanding balance in accounts receivable (2009: 7.8%).

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, 2010 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]	8,532	8,532	—	—	—
Long-term debt [1, 2]	20,684	16,292	4,392	—	—
Convertible subordinated debt 1	221,149	43,524	19,500	158,125	—
Operating leases	30,167	10,061	13,023	4,693	2,390
Purchase obligations:					
Purchase commitments to suppliers	58,006	57,726	280	—	—
Capital expenditure commitments	22,359	22,359	—	—	—
Tax contingencies	20,057	20,057	—	—	—
Total contractual obligations	380,954	178,551	37,195	162,818	2,390

(1) Including interest expense based on the percentages at the reporting date.
(2) Capital lease obligations of € 425 are included in long-term debt.

Total short-term lines of credit amounted to € 126,833 at December 31, 2010. The amount outstanding at December 31, 2010 was € 8,297 and the undrawn portion totaled € 118,536. The undrawn portion includes the standby revolving credit facility of € 90,000 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 € 22,464 for ASMPT, which amount is restricted to be used only in the operations of ASMPT. The undrawn portion includes € 6,072 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.

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,	
	2009	**2010**
Research and development expenses	52,809	**68,037**
Amortization of capitalized development expenses	1,655	**4,453**
Impairment of capitalized development expenses	21,630	**2,532**
Research and development grants and credits	(1,128)	**(546)**
Total research and development expenses	74,967	**74,476**

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.

NOTE 23 *Restructuring expenses*

In 2009 ASMI started the implementation of a major restructuring in the Front-end segment (PERFORM!) 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.

The following table summarizes the aggregated restructuring expenses by type:

	Year ended December 31,	
	2009	**2010**
Employee related expenses	19,437	**4,534**
Contract termination related expenses	2,799	**779**
Impairment charges	4,623	**—**
Transition expenses	4,366	**3,806**
Expenses buy out RTP	3,940	**—**
Other expenses	522	**2,082**
Total restructuring expenses	35,687	**11,201**

Related to these execution plans, an amount of € 11.2 million in restructuring expenses was recorded in 2010. These expenses were mainly costs for severance packages, retention costs, provisions for vacancy and other costs related to the transition of activities to Singapore.

Related to these execution plans, an amount of € 35.7 million in restructuring expenses was recorded for 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

NOTE 24 *Income Taxes*

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

	Year ended December 31,	
	2009	**2010**
The Netherlands	(96,048)	**(47,662)**
Other countries	18,112	**341,176**
Earnings before income taxes and Non-controlling interest	(77,936)	**293,514**

The income tax expense consists of:

	Year ended December 31,	
	2009	**2010**
Current:		
The Netherlands	(297)	**(505)**
Other countries	(12,570)	**(38,342)**
	(12,867)	**(38,847)**
Deferred:		
The Netherlands	—	**—**
Other countries	10,458	**(4,184)**
Income tax expense	(2,409)	**(43,030)**

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:

	2009	**2010**
Earnings (loss)	(77,936)	**293,514**
Netherlands statutory income tax rate	25.5%	**25.5%**
Income tax provision at statutory rate	19,874	**(74,846)**
Non-deductible expenses	(8,376)	**(8,250)**
Foreign taxes at a rate other than the Netherlands statutory rate	16,524	**24,230**
Valuation allowance	(34,564)	**(1,768)**
Non-taxable income	4,870	**18,536**
Other	(737)	**(932)**
Income tax expense	(2,409)	**(43,030)**

Included in non-taxable income for 2010 is € 13,793 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.

On May 29, 2006 and June 8, 2009 the Singapore Economic Development Board ("EDB") granted Pioneer Certificates to ASM Front End Manufacturing Singapore Pte Ltd ("FEMS", a principal subsidiary of the Group,) to the effect that profits arising from certain manufacturing activities by FEMS of Front End equipment will in principle be exempted from tax for a period of 10 years effective from dates ranging between April 1, 2005 and July 1, 2008, subject to fulfillment of certain criteria during the period.

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

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

Manufacturing Headquarters ("MH") status granted to ATS previously :

- The Group's profit arising from the manufacturing of semiconductor equipment and materials by ATS in Singapore is non-taxable under a tax incentive covering certain new products under the Manufacturing Headquarters ("MH") status granted by the Singapore Government. The tax exemption applies to profits arising for a period of 10 years from January 1, 2001, subject to the fulfillment of certain criteria during the period."

- Income arising from activities not covered under the abovementioned incentives is taxed at the prevailing Singapore corporate tax rate.

The Netherlands statutory tax rate amounted to 25.5% in 2009 and 2010. 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,	
	2009	**2010**
Deferred tax assets:		
Reserves and allowances	5,673	**7,020**
Net operating losses	147,551	**153,407**
Depreciation	1,801	**2,331**
Other	924	**282**
Gross deferred tax assets	155,949	**163,040**
Less: valuation allowance	(132,450)	**(143,276)**
Net deferred tax assets	23,499	**19,764**
Deferred tax liabilities:		
Convertible subordinated notes	(8,646)	**(6,325)**
Capitalized development expenses	(5,614)	**(6,651)**
Deferred tax liabilities	(14,260)	**(12,976)**
Net deferred income taxes	9,239	**6,788**

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

	December 31,	
	2009	**2010**
Deferred tax assets—non-current	15,167	**13,981**
Deferred tax liabilities—non-current	(5,928)	**(7,193)**
	9,239	**6,788**

Based on tax filings, ASMI and its individual subsidiaries have net operating losses available at December 31, 2010 of € 550,469 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 € 132,450 in 2009 and € 143,276 in 2010 has been recorded.

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

Expiration year	
2011	**142,176**
2012	**52,715**
2013	**22,290**
2014	**40,800**
2015	**0**
2016	**917**
2017	**96,691**
2018	**61,758**
2019	**27,814**
2020	**0**
2021	**1,560**
2022	**10,156**
2023	**3,907**
2024	**423**
2025	**4,745**
2026	**1,483**
2027	**2,846**
2028	**0**
2029	**25,798**
Unlimited	**54,389**
Net operating losses	**550,469**

The Company has not provided for deferred foreign withholding taxes, if any, on undistributed earnings of its foreign subsidiaries. At December 31, 2010 undistributed earnings of subsidiaries, subject to withholding taxes, were approximately € 19,928. These earnings could become subject to foreign withholding taxes if they were remitted as dividends or if the Company should sell its interest in the subsidiaries. However, the Company believes that Netherlands tax credits would largely eliminate any foreign withholding tax that might otherwise be due.

The calculation of the Company's tax liabilities involves dealing with uncertainties in the application of complex tax laws. The Company's estimate for the potential outcome of any uncertain tax issue is highly judgmental. Tax contingencies mainly relate to transfer pricing positions, operational activities in countries where the Company is not tax registered and tax deductible costs. The Company provides for these tax contingencies for the duration of the statute of limitation period, which differs per tax jurisdiction. At December 31, 2010 tax contingencies amounted to € 20,057 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. Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO"), which is the chief operating decision maker.

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

The Back-end segment manufactures and sells equipment and materials used in assembly and packaging, encompassing the processes in which silicon wafers are separated into individual circuits and subsequently assembled, packaged and tested. The segment is organized in ASM Pacific Technology Ltd., in which the Company holds a majority of 52.36% 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. Segment performance is evaluated by the Company's management based on U.S. GAAP net earnings or loss which in certain respect is measured differently from net income or loss reported by the Company in its consolidated financial statements, which are based on IFRS, as adopted by the EU. For a reconciliation between IFRS and US GAAP see page 99 and Note 32.

(euro thousands, except for headcount) Information based on US GAAP as prescribed by IFRS 8	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.

(euro thousands, except for headcount) Information based on US GAAP as prescribed by IFRS 8	Front-end	Back-end	Total
Year ended December 31, 2010			
Net sales to unaffiliated customers	293,356	929,544	1,222,900
Gross profit	114,624	434,954	549,578
Result from operations	15,954	312,686	328,640
Interest income	615	605	1,221
Interest expense	(15,677)	—	(15,677)
Loss resulting from early extinguishment of debt	(3,609)	—	(3,609)
Accretion interest expense convertible notes	(6,010)	—	(6,010)
Revaluation conversion option	(19,037)	—	(19,037)
Foreign currency exchange gains (losses), net	(1,809)	1,744	(65)
Income tax expense	(6,106)	(36,833)	(42,939)
Net earnings (loss)	(35,679)	278,202	242,523
Allocation of net earnings:			
Shareholders of the parent			110,639
Non-controlling interest			131,884
Capital expenditures	17,653	85,320	102,974
Purchase of other intangibles	43	582	625
Depreciation property, plant & equipment	8,930	21,700	30,630
Depreciation evaluation tools at customers	2,477	—	2,477
Amortization of other intangible assets	2,338	397	2,735
Cash and cash equivalents	142,420	197,874	340,294
Capitalized goodwill	11,193	39,622	50,815
Other intangible assets	6,089	715	6,804
Other identifiable assets	281,076	535,129	816,204
Total assets	440,777	773,340	1,214,117
Total debt	215,681	—	215,681
Headcount in full-time equivalents [1]	1,450	15,249	16,699

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

Reconciliation from US GAAP to IFRS

(euro thousands)	Front-end	Back-end	Total
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

(euro thousands)	Front-end	Back-end	Total
Year ended December 31, 2010			
Net earnings (loss) before gain on dilution of investment in subsidiary:			
Based on US GAAP	(35,679)	278,202	242,523
Adjustments to IFRS	7,961	—	7,961
Based on IFRS	(27,718)	278,202	250,484
Purchase and capitalization of other intangibles			
Based on US GAAP	43	582	625
Adjustments to IFRS	11,294	—	11,294
Based on IFRS	11,337	582	11,918
Capitalized goodwill			
Based on US GAAP	11,193	39,622	50,815
Adjustments to IFRS	(947)	(9,387)	(10,333)
Based on IFRS	10,246	30,235	40,482
Total assets			
Based on US GAAP	440,777	773,340	1,214,117
Adjustments to IFRS	37,281	(9,387)	27,894
Based on IFRS	478,058	763,953	1,242,011
Total debt			
Based on US GAAP	215,681	—	215,681
Adjustments to IFRS	(4,438)	—	(4,438)
Based on IFRS	211,243	—	211,243

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, 2009						
Net sales to unaffiliated customers	40,236	66,955	38,834	444,714	—	590,739
Long-lived assets	2,246	4,119	15,417	92,762	267	114,811
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
Year ended December 31, 2010						
Net sales to unaffiliated customers	**76,235**	**112,863**	**90,394**	**943,408**	**—**	**1,222,900**
Long-lived assets	**1,978**	**9,395**	**19,409**	**167,020**	**135**	**197,937**
Total assets	**40,166**	**105,171**	**108,914**	**831,446**	**156,315**	**1,242,011**
Capital expenditures	**186**	**7,059**	**5,388**	**90,279**	**62**	**102,974**
Purchase and capitalization of intangible assets	**1,133**	**5,278**	**4,883**	**607**	**17**	**11,918**

Long-lived assets for the years ended December 31, 2009 and 2010 consist of the Company's property, plant and equipment.

NOTE 26 *Selected Operating Expenses and Additional Information*

Personnel expenses for employees were as follows:

	December 31, 2009	December 31, 2010
Wages and salaries	157,789	**236,746**
Social security	14,314	**17,402**
Pension expenses	9,849	**12,303**
	181,952	**266,451**

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

	December 31, 2009	December 31, 2010
The Netherlands	288	**170**
Other European countries	154	**139**
United States of America	418	**358**
Southeast Asia	10,136	**13,389**
Japan	246	**197**
	11,242	**14,253**

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,	
	2009	**2010**
Net earnings used for purpose of computing basic earnings per common share	(118,633)	**118,600**
After-tax equivalent of interest expense on convertible subordinated notes and of fair value change conversion option	—	**17,670**
Net earnings used for purposes of computing diluted net earnings per common share	(118,633)	**136,270**
Basic weighted average number of shares outstanding during the year used for purpose of computing basic earnings per share (thousands)	51,627	**52,435**
Dilutive effect of stock options	—	**282**
Dilutive effect of convertible subordinated notes	—	**8,777**
Dilutive weighted average number of shares outstanding	51,627	**61,494**
Net earnings per share:		
Basic net earnings from continuing operations	(2.30)	**2.26**
Diluted net earnings from continuing operations	(2.30)	**2.22**

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

In September 2010, Lehman's administrators notified us that there is a possible shortfall in the number of shares held by Lehman of 479,279 shares (out of the 2,552,071 shares), which cannot currently be accounted for by Lehman. The Lehman administrators also reported a segregated collateral cash account of US$ 6,759, that ASMI may be entitled to in the absence of the shares. We have not been able to obtain additional information to confirm and understand the potential shortfall of shares or our ability to recover the US$ 6,759 from the Lehman bankruptcy proceedings in lieu of the shares. Accordingly, we are uncertain at this time as to the accuracy of the shortfall of shares, our ability to claim the collateral cash sum to cover the value of any such discrepancy, and our entitlement to all or a portion of such sum when distributions are determined and made by the administrator since there is likely to also be a shortfall in Lehman assets subject to proprietary rights. Given the magnitude of the overall Lehman administration, we believe it may take several years to obtain clarity or resolution about the potential shortfall or claim to cash. ASMI is in the process of filing a claim with the Lehman administrators to safeguard our interests.

Considering the factual and legal uncertainties, it is premature to conclude that the 479,279 shares should still be considered as outstanding or that ASMI has a US$ 6,759 receivable from Lehman. ASMI has, therefore, neither reversed the cancellation of these shares that we recorded in 2009, nor recorded a receivable from Lehman. If the shares would be considered as outstanding, the impact on our basic and diluted earnings per share as at December 31, 2010 would have been € (0.02) and € (0.01) respectively per share.

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,	
				2010	2009
	Base compensation	Bonuses [6]	Pensions	**Total**	Total
Management Board:					
C.D. del Prado	529	—	84	**613**	497
P.A.M. van Bommel [1]	142	—	26	**168**	—
W.K. Lee [2]	365	223	21	**609**	513
R.A. Ruijter [3]	323	—	—	**323**	314
J.F.M. Westendorp [4]	148	—	7	**155**	333
A.J.M. van der Ven [5]	—	—	—	**—**	306
	1,507	223	138	**1,868**	1,963

(1) For the period July 1, 2010 through August 31, 2010 at 40% and for the period September 1, 2010 through December 31, 2010 full time.
(2) All remuneration relates to the compensation Mr. W.K. Lee received in his capacity as member of the Board of ASMPT.
(3) For the period May 15, 2009 through December 31, 2009 and for the period January 1, 2010 through August 31, 2010.
(4) For the period January 1, 2010 through May 20, 2010.
(5) 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.
(6) Bonuses paid in 2010 were calculated and paid in respect of performance in 2009.

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

	Year ended December 31,	
	2010	2009
	Total	Total
Supervisory Board:		
G.J. Kramer [1]	**54**	31
J.M.R. Danneels	**29**	29
H.W. Kreutzer	**30**	31
J.C. Lobbezoo [1]	**33**	21
M.C.J. van Pernis [2]	**18**	—
U.H.R. Schumacher	**28**	25
E.A. van Amerongen [3]	**15**	35
P.C. van den Hoek [4]	**—**	23
L.P.E.M. van den Boom [5]	**—**	5
	206	200

(1) For the period May 15, 2009 through December 31, 2009.
(2) For the period May 20, 2010 through December 31, 2010.
(3) For the period January 1, 2010 through May 20, 2010.
(4) For the period January 1, 2009 through May 15, 2009.
(5) For the period January 1, 2009 through March 9, 2009.

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 2010:

	Year of grant	Outstanding January 1, 2010	Granted in 2010	Adjustment from vesting condition 2010 [7]	Exercised in 2010	Forfeited in 2010	Outstanding December 31, 2010	Exercise price	Remaining term, in years
Current members:									
C.D. del Prado [2]	2003	20,000	—	—	—	—	20,000	US$ 11.35	3
C.D. del Prado [1]	2007	22,451	—	(2,806)	—	—	19,645	€ 19.47	5
C.D. del Prado [1]	2008	100,000	—	—	—	—	100,000	€ 12.71	6
C.D. del Prado [1]	2009	50,000	—	—	—	—	50,000	€ 15.09	7
P.A.M. van Bommel [6]	2010	—	25,000	—	—	—	25,000	€ 16,27	8
Former members:									
A.J.M. van der Ven [3,5]	2005	30,000	—	—	(20,000)	(10,000)	—	€ 11.18	—
A.J.M. van der Ven [1,5]	2006	17,500	—		(17,500)	—	—	€ 14.13	—
A.J.M. van der Ven [1,5]	2007	21,917	—	—	—	(21,917)	—	€ 19.47	—
A.H. del Prado [1]	2007	60,441	—	(7,555)	—	—	52,886	€ 19.47	1
J.F.M. Westendorp [4]	2006	56,000	—	—	—	—	56,000	€ 15.40	1
J.F.M. Westendorp [1]	2007	25,659	—	(3,207)	—	—	22,452	€ 19.47	5
J.F.M. Westendorp [4]	2009	40,000	—	—	—	—	40,000	€ 15.09	7
		443,968	25,000	(13,568)	(37,500)	(31,917)	385,983		

The fair value per option of options granted to current and former members of the Management Board was € 8.98 in 2009 and € 16.92 in 2010. The compensation expense recorded in the Consolidated Statements of Operations related to options held by current and former members of the Management Board was € 737 in 2009 and € 572 in 2010.

In 2010, 37,500 options to purchase ASM International N.V. common shares were exercised and new shares were issued for the exercise of these 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 became exercisable in equal parts over a five year period.
(3) These options were granted for a term of eight years, and became 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 expired per the end of March, 2010.
(6) These options are granted for a term of eight years and become exercisable after a 3 year vesting period.
(7) As a result of the final ranking of ASM International in a predefined peer group the options granted in May 2007 to all members of the Management Board have vested at 87.5%.

In March 2010, 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 2010. The fair value of the shares granted amounted to € 705. 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.

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, 2009		**December 31, 2010**	
	Shares owned	Percentage of Common shares outstanding	**Shares owned**	**Percentage of Common shares outstanding**
Management Board:				
A.H. del Prado	9,275,839	17.93%	**9,200,839**	**17.38%**
C.D. del Prado	132,945	0.26%	**132,945**	**0.26%**
J.F.M. Westendorp	6,000	0.01%	**6,000**	**0.01%**
Stichting Administratiekantoor ASMI	2,142,039	4.14%	**2,142,039**	**4.05%**

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.

NOTE 30 *Remuneration of the External Auditor*

Deloitte Accountants B.V. ("Deloitte"), has served as our independent registered public accounting firm for each of the three financial years up to December 31, 2010. The following table sets out the aggregate fees for professional audit services and other services rendered by Deloitte Accountants B.V. and its members firms and/or affiliates in 2009 and 2010:

	EUR thousands		**As a % of total fees**	
	2009	**2010**	2009	**2010**
Audit fees	2,074	**1,798**	82%	**68%**
Audit-related fees	5	**—**	—	**—**
Tax fees	426	**665**	17	**25**
Other fees	36	**197**	1	**7**
Total	2,541	**2,660**	100%	**100%**

Audit Committee pre-approval policies.
The Audit Committee has determined that the provision of services by Deloitte described in the preceding paragraphs is compatible with maintaining Deloitte's independence. All audit and permitted non-audit services provided by Deloitte during 2010 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.

31- Subsequent events
On July 28, 2010, the ASM PT entered into an acquisition agreement (the "Acquisition Agreement") with Siemens Aktiengesellschaft (the "Seller") pursuant to which the Company has conditionally agreed to acquire the entire interest of 13 direct and indirect subsidiaries of the Seller operating the Siemens Electronics Assembly Systems Business (the "SEAS Business") in 11 countries, including Germany, the PRC, the United Kingdom, France, Austria, the United States of America, Mexico, Singapore, Sweden, Italy and Brazil.

An extraordinary general meeting of the ASM PT was held on January 6, 2011 ("EGM") for the purpose of considering and approval of the acquisition of the SEAS Business. The acquisition was approved by the shareholders of the ASM PT at the EGM. The acquisition of SEAS Business was completed on January 7, 2011.

Pursuant to the Acquisition Agreement, the ASM PT paid to Siemens Electronics Assembly Systems GmbH & Co. KG ("SEAS KG"), one of the 13 entities comprising the SEAS Business and an indirect wholly-owned subsidiary of the Company upon completion of the Acquisition Agreement, an amount of EUR 20 million (equivalent to approximately HK $208 million) on January 7, 2011 by increasing SEAS KG's registered limited partnership interest and granted SEAS KG a revolving loan facility of up to € 20 million (equivalent to approximately HK $208 million) for a period of at least three years from January 7, 2011 subject to the terms and conditions as set out in the Acquisition Agreement. The Company also provided a letter of support to SEAS KG amounting to € 120 million (equivalent to approximately HK $1,246 million), valid as for a duration of six years following completion. The Company also provided the Seller with a bank guarantee in an amount of € 20 million (equivalent to approximately HK $208 million) which shall secure certain obligations of the Group as set out in the Acquisition Agreement.

At the time of the issuance of these financial statements, the Purchase Price Allocation on the SEAS acquisition was not yet finalized. As a result, the disclosure required by IFRS with respect to the opening balance of the SEAS acquisition is omitted.

NOTE 32 *Reconciliation of IFRS to US GAAP*

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

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

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,	
	2009	**2010**
Net earnings in accordance with IFRS	(79,389)	**250,484**
Gain on dilution of investments in subsidiary	(956)	**—**
Allowance for inventory obsolescence	—	**(3,365)**
Debt issuance expenses credit facility	1,283	**(157)**
Development expenses	10,784	**(4,439)**
Preferred shares	5	**—**
Net earnings in accordance with US GAAP	(68,273)	**242,523**

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

	December 31,	
	2009	**2010**
Total equity in accordance with IFRS	402,275	**673,645**
Goodwill	9,672	**10,333**
Debt issuance expenses credit facility	1,283	**1,126**
Development expenses	(26,926)	**(34,034)**
Allowance for inventory obsolescence	—	**(3,280)**
Pension plans	(391)	**(565)**
Total shareholders' equity in accordance with US GAAP	385,913	**647,227**

Almere,
April 11, 2011

Supervisory Board

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

Management Board

C.D. del Prado
P.A.M. van Bommel

Statements of Financial Position ASM International N.V.
(After proposed appropriation of net earnings for the year)

		December 31,	
(EUR thousands except share data)	**Note**	2009	**2010**
Assets			
Property, plant and equipment, net	**5**	111	**135**
Goodwill, net	**4**	2,612	**2,612**
Other intangible assets, net	**3**	9,627	**6,904**
Investments in subsidiaries	**2**	133,730	**283,719**
Other investments		50	**50**
Loan advances due from investments	**2**	170,182	**165,136**
Assets held for sale		277	**277**
Total non-current assets		316,589	**458,833**
Accounts Receivable		—	**1,643**
Amounts due from subsidiaries		37,310	**75,291**
Other current assets		1,230	**1,610**
Cash and cash equivalents		136,134	**97,627**
Total current assets		174,674	**176,171**
Total assets		491,263	**635,004**
Liabilities and Shareholders' Equity			
Amounts due to subsidiaries		4,364	**3,092**
Accrued expenses and other		8,738	**11,201**
Taxes and social securities		193	**153**
Current portion convertible subordinated notes		11,516	**32,263**
Current portion conversion option		—	**23,875**
Total current liabilities		24,811	**70,584**
Convertible subordinated debt		186,680	**126,542**
Conversion option		22,181	**—**
Total liabilities		233,672	**197,126**
Common shares			
Authorized 110,000,000 shares, par value € 0.04, issued and outstanding 51,745,140 and 52,931,881 shares		2,070	**2,117**
Capital in excess of par value		290,523	**314,596**
Treasury shares at cost		—	**—**
Accumulated deficit		(132,440)	**(94,286)**
Legal reserves		157,707	**243,110**
Accumulated other comprehensive loss		(60,269)	**(27,658)**
Total shareholders' equity	**6**	257,591	**437,878**
Total liabilities and shareholders' equity		491,263	**635,004**

Statements of Operations ASM International N.V.

	Year ended December 31,	
(EUR thousands)	2009	**2010**
Net earnings of subsidiaries	(68,835)	**176,737**
Net earnings from holding activities	(49,798)	**(58,137)**
Net earnings	(118,633)	**118,600**

See Notes to Financial Statements ASM International N.V.

Amounts in euro thousands, unless otherwise stated

NOTE 1 *Summary of Significant Accounting Policies*

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

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, joint-ventures 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, 2009	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**
Capital investments	**5,766**	**—**	**5,766**
Repayment of capital	**(286)**	**—**	**(286)**
Net result of subsidiaries	**176,737**	**—**	**176,737**
Dividend received	**(65,579)**	**—**	**(65,579)**
Issuance of loans	**—**	**13,392**	**13,392**
Repayments of loans	**—**	**(22,035)**	**(22,035)**
Unrealized gains on derivative instruments	**136**	**—**	**136**
Foreign currency translation effect	**33,215**	**3,597**	**36,812**
Balance December 31, 2010	**283,719**	**165,136**	**448,855**

NOTE 3 *Other Intangible Assets*

	Software	Purchased technology and other intangible assets	Total
At cost:			
Balance January 1, 2009	6,580	8,241	14,821
Additions	2,910	—	2,910
Balance December 31, 2009	**9,490**	**8,241**	**17,731**
Reclassification	**131**	**—**	**131**
Additions	**17**	**—**	**17**
Balance December 31, 2010	**9,638**	**8,241**	**17,879**
Accumulated amortization:			
Balance January 1, 2009	378	5,438	5,816
Reclassification	121	—	121
Amortization for the year	1,306	861	2,167
Balance December 31, 2009	**1,805**	**6,299**	**8,104**
Reclassification	**119**	**—**	**119**
Amortization for the year	**1,890**	**862**	**2,752**
Balance December 31, 2010	**3,814**	**7,161**	**10,975**
Other intangible assets, net:			
December 31, 2009	7,685	1,942	9,627
December 31, 2010	**5,824**	**1,080**	**6,904**

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

NOTE 4 *Goodwill*

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

At cost:	
Balance January 1, 2009	4,746
Balance December 31, 2009	4,746
Balance December 31, 2010	**4,746**
Accumulated amortization:	
Balance January 1, 2009	2,134
Balance December 31, 2009	2,134
Balance December 31, 2010	**2,134**
Goodwill, net:	
December 31, 2009	2,612
December 31, 2010	**2,612**

NOTE 5 *Property, Plant and Equipment*

	Land, buildings and improvements	Machinery, equipment, furniture and fixtures	Total
At cost:			
Balance January 1, 2009	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**
Capital expenditures	**-**	**62**	**62**
Disposals	**-**	**(85)**	**(85)**
Reclassification	**-**	**(131)**	**(131)**
Balance December 31, 2010	**47**	**191**	**238**
Accumulated depreciation:			
Balance January 1, 2009	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**
Depreciation for the year	**11**	**15**	**26**
Disposals	**-**	**(85)**	**(85)**
Reclassification	**-**	**(119)**	**(119)**
Balance December 31, 2010	**20**	**83**	**103**
Property, plant and equipment, net:			
December 31, 2009	38	73	111
December 31, 2010	**27**	**108**	**135**

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

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, 2009	2,171	327,462	(37,215)	(30,742)	151,066	(56,847)	355,895
Compensation expense stockoptions	—	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**
Compensation expense stock options	**—**	**2,526**	**—**	**—**	**—**	**—**	**2,526**
Conversion of debt into common shares	**35**	**17,614**	**—**	**—**	**—**	**—**	**17,649**
Exercise of stock options by issuance of common shares	**12**	**3,932**	**—**	**—**	**—**	**—**	**3,944**
Increased retained earnings subsidiaries	**—**	**—**	**—**	**(89,842)**	**89,842**	**—**	**—**
Capitalized development expenses	**—**	**—**	**—**	**4,439**	**(4,439)**	**—**	**—**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**32,611**	**32,611**
Dilution	**—**	**—**	**—**	**4,957**			**4,957**
Net earnings	**—**	**—**	**—**	**118,600**	**—**	**—**	**118,600**
Balance December 31, 2010	**2,117**	**314,596**	**—**	**(94,286)**	**243,110**	**(27,658)**	**437,878**

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.
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 18 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 € 19,858. With respect to certain Dutch subsidiaries ASM International N.V. has assumed joint and several liability in accordance with Article 403, Part 9 of Book 2 of the Netherlands Civil Code.

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

- ASM Europe BV (operational company)
- ASM UK Sales BV (operational company)
- ASM Germany Sales BV (operational company)
- ASM Pacific Holding BV (holding company)
- CVTR Development BV (dormant)
- Beheer- en Beleggingsmaatschappij Ingebel BV (dormant)
- Hamilcar Investments BV (dormant)
- Rembrandt Lease and Finance BV (dormant)

Almere,
April 11, 2011

Supervisory Board

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

Management Board

C.D. del Prado
P.A.M. van Bommel

Independent Auditor's Report
The independent auditor's report is included on page 116 of the Annual Accounts 2010.

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

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

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

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

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

Article 33, para 3 of the Articles of Association provides that dividend claims expire after the lapse of five years. In 2011 the Management Board will propose to the forthcoming Annual General Meeting of Shareholders to declare a dividend of Euro 0.40 per share. The net earnings will be added to the retained earnings. The net loss for the year 2009 was charged to the retained earnings.

Special Statutory Control Rights

Article 27 of the Articles of Association provides that each common share gives the right to cast one vote, each preferred financing share to cast one thousand votes and each preferred share to cast one thousand votes.
Article 29 of the Articles of Association provides that meetings of holders of preferred shares or of financing preferred shares shall be convened as often and insofar as a decision of the meeting of holders of preferred shares or financing shares desires this, and furthermore as often as the Management Board and or the Supervisory Board shall decide to hold such a meeting. At the meeting resolutions will be passed with an absolute majority of the votes. In the event that there is a tie of votes, no resolution will take effect.

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

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

Stichting Continuïteit ASM International

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

The members of the board of Stichting are:

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

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

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. In July 2010 the Dutch Supreme Court annulled the order of the Enterprise Court and remanded the decision to the Enterprise Court to consider certain observations of the Supreme Court. The Enterprise Court has not yet rendered a new decision on whether an inquiry into the affairs of ASMI is to be held.

List of Subsidiaries and Offices

The subsidiaries and offices of the Company are listed on page 48 and 66 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 2010 of ASM International N.V., Almere, as included on the pages 53 up to and including 115. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at December 31, 2010, the consolidated statements of income, comprehensive income, total equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at December 31, 2010 the company profit and loss account for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements
In our opinion, the consolidated financial statements give a true and fair view of the financial position of ASM International N.V. as at December 31, 2010 and of its result and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the company financial statements
In our opinion, the company financial statements give a true and fair view of the financial position of ASM International N.V. as at December 31, 2010 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements
Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the management board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the management board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Deloitte Accountants B.V.
was signed: M.J. van der Vegte

Amsterdam, The Netherlands
April 11, 2011

ASM International

The Process of Innovation℠

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