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# INVESTOR PRESENTATION

Q2 2016 RESULTS

July 28, 2016

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## › **ALD is a key growth market**

- ALD market expected to double in the next three to four years
- ASMI has leadership position in ALD

## › **Strong revenue performance**

- Revenue increased by a CAGR of 18% since 2010, clearly outperforming the overall equipment market

## › **Structurally improved profitability**

- Gross margin steady at 43.8% in H1 2016, operating margin 12.6%

## › **Solid balance sheet**

- Strong cash position, no debt
- Second consecutive EUR 100m share buyback program, to be executed in 2015/2016
- 17% higher dividend of EUR 0.70 per share paid in 2016

# Q2 2016 KEY RESULTS - IFRS

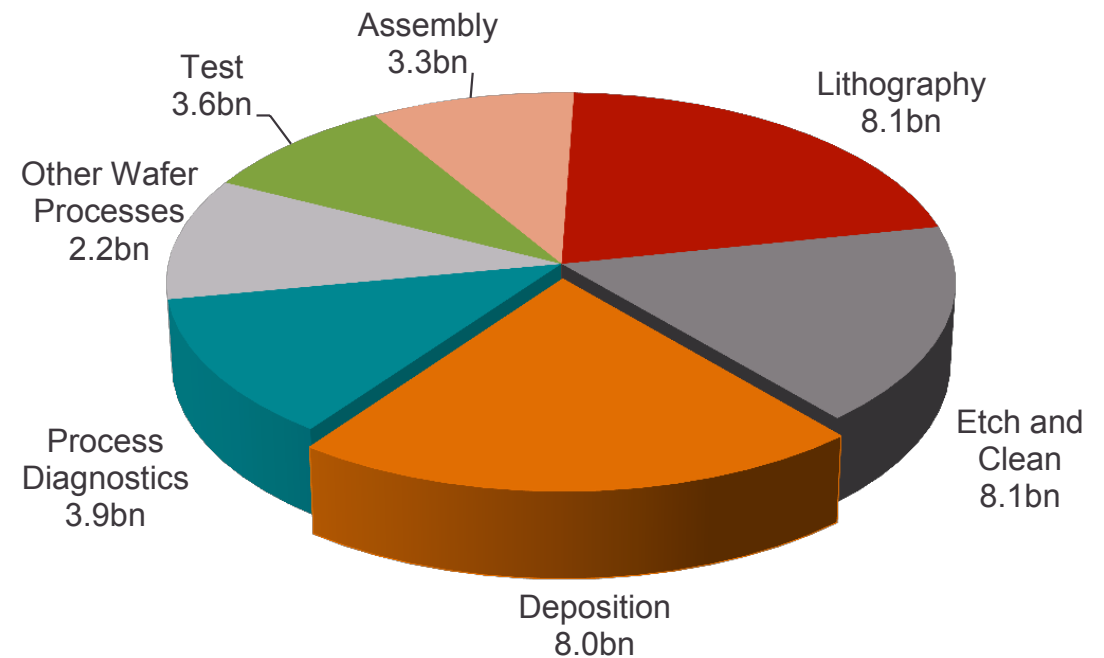


	Q2 2015	Q1 2016	Q2 2016
New orders	166.6	163.8	159.1
Net sales	201.0	142.4	138.7
Gross profit margin %	45.1%	43.9%	43.8%
Operating results	45.4	18.8	16.7
Result from investments	20.0	6.3	16.4
Amortization intangible assets resulting from the sale of the 12% stake of ASMPT	(6.8)	(6.8)	(6.7)
Net earnings	41.8	5.4	35.6
Normalized net earnings (excl. amortization intangible assets resulting from the sale of the 12% stake of ASMPT)	48.6	12.2	42.3

*Note that as from 2016 ASMI reports its results based on IFRS instead of US GAAP*

- › ASM focuses on deposition equipment
- › ASM is a market leader in ALD
- › Positions in Epitaxy, PECVD and Vertical Furnaces

## Equipment market segments (US\$)

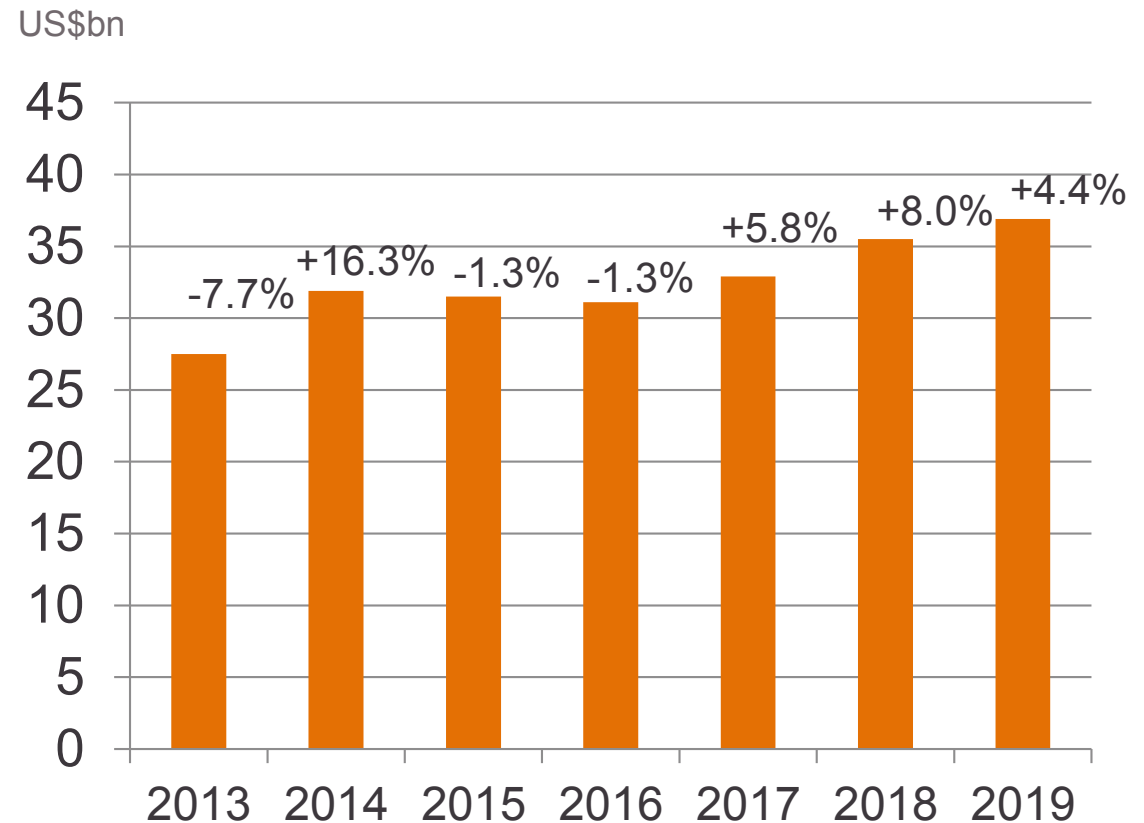


VLSI Research, April 2016

**ASM's focus is on deposition equipment**

- › Gartner forecasts WFE spending to decrease by 1% in 2016, followed by 6% increase in 2017
- › Investment in leading edge equipment remains the key driver

## Wafer Fab Equipment Spending

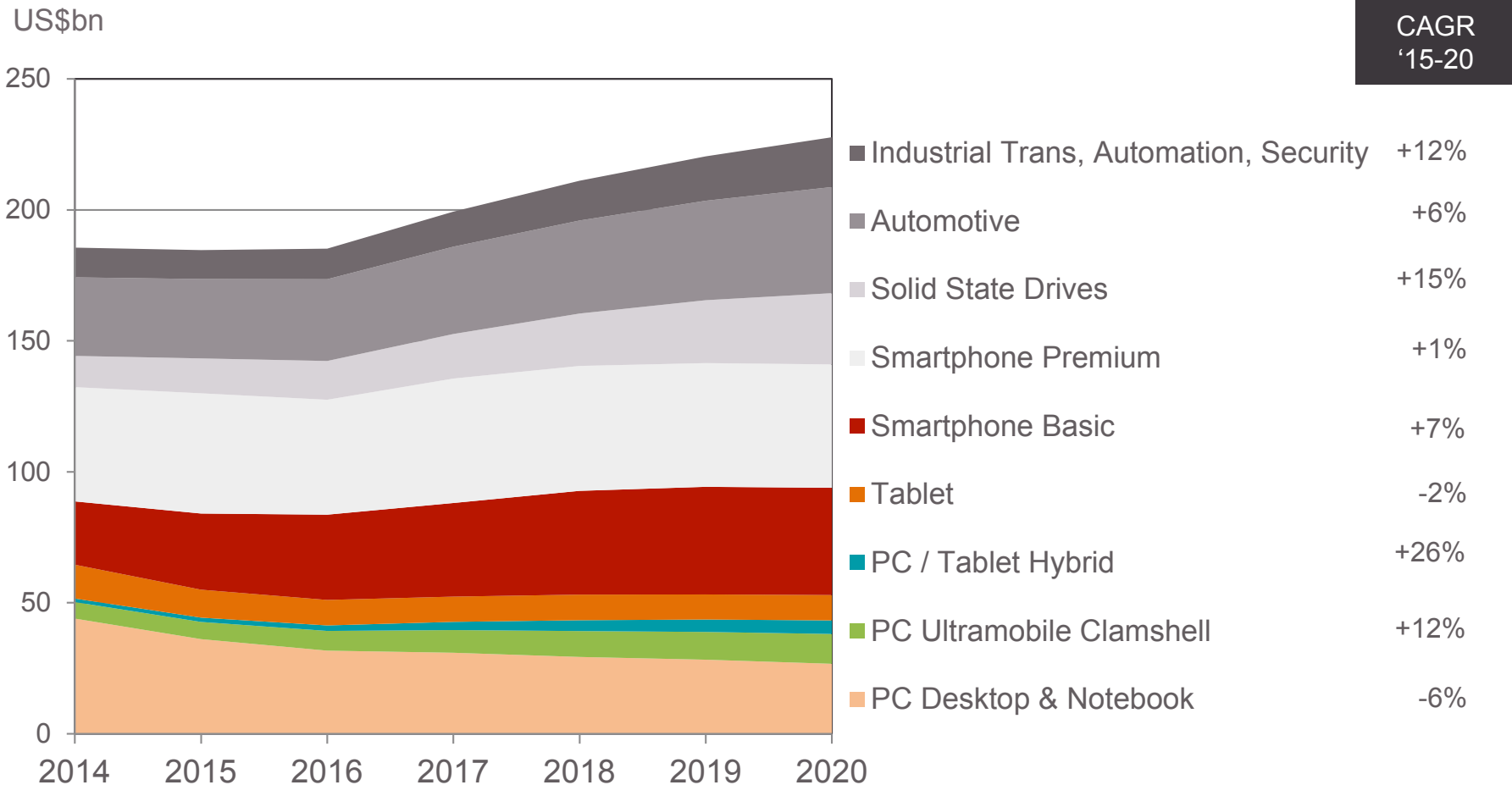


Gartner, July 2016

**Gartner forecasts a slightly lower Wafer Fab Equipment market in 2016**

# SEMICONDUCTOR GROWTH DRIVERS

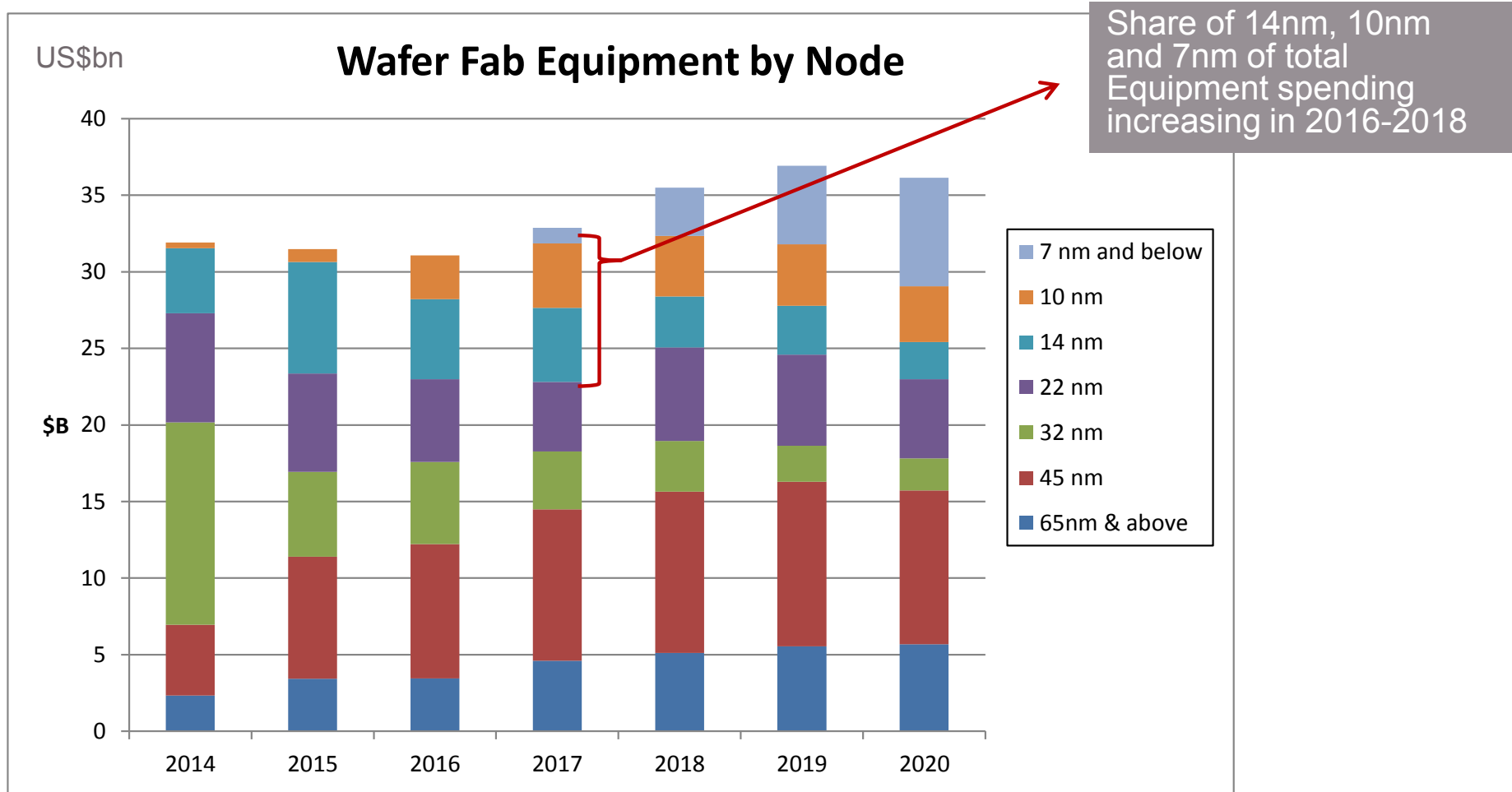
## SEMICONDUCTOR SALES BY KEY APPLICATION



Source: Gartner, April 2016

- > Semiconductor drivers are mobile devices, but long term growth rate is slowing
- > New semi growth drivers are solid state drives, servers, automotive and IoT

# WAFER FAB EQUIPMENT SPENDING BY NODE



Gartner, July 2016

**Advanced nodes: market segments with high expected growth**



## › ALD technology is a key enabler of Moore's Law

- Strengths of Atomic Layer Deposition: high-precision deposition of smooth and conformal ultra-thin films, ability to deposit new materials
- Device scaling, new materials and 3D architectures drive increased demand for ALD

## › ASMI has leading positions in ALD

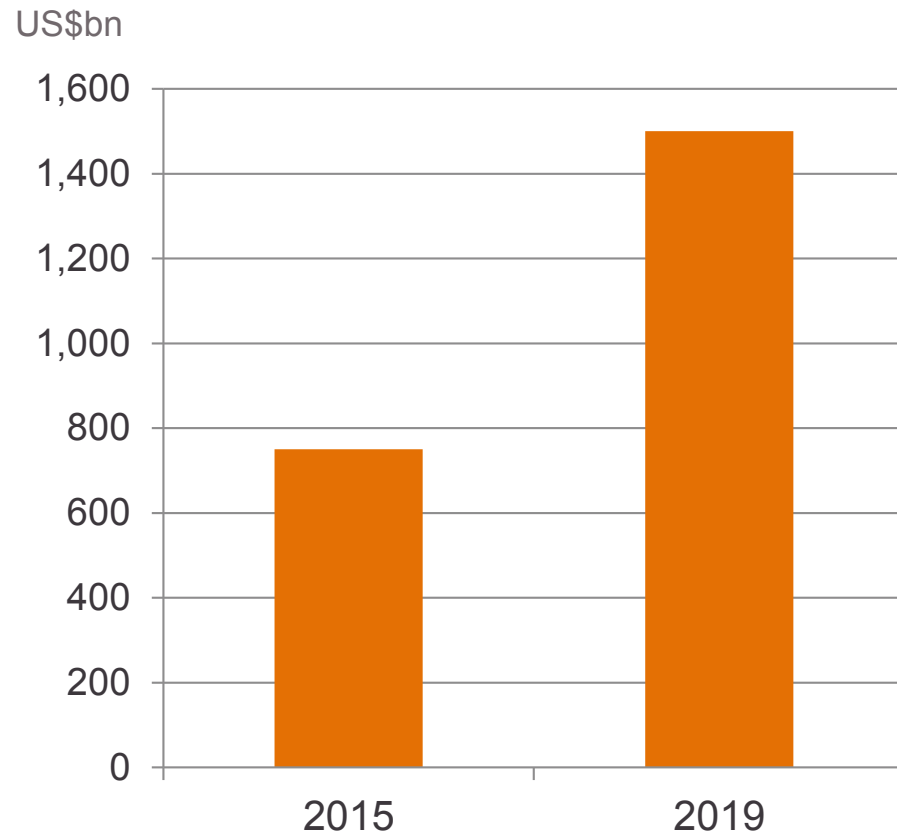
- Leadership positions in ALD for high-k metal gate applications as well as for spacer defined multiple patterning and for new applications
- ALD business accounted for clearly more than half of ASM's equipment revenue in 2015

## › Strong market outlook ALD

- Drivers are further deployment of ALD in volume manufacturing, new applications and process steps
- The CAGR '15-'19 of the ALD segment is highest within the deposition equipment market

# ESTIMATED ALD MARKET GROWTH

## ALD MARKET SINGLE WAFER / MINIBATCH



Source: ASMI, Gartner, VLSI, April 2016

### > Long term growth 2015-2019

- Single wafer ALD market ~\$750m in 2015
- Expected to double to approximately ~\$1.5bn in the next 3-4 years

### > Key market growth drivers

- In Logic/Foundry a strong rise in the number of ALD steps going from 16/14nm to 10/7nm: new patterning steps, next generation high-k/metal gates and new applications for advanced FinFET devices
- In Memory new films for 3D NAND devices and advanced patterning layers & non-patterning films for DRAM

# COMPETITIVE ADVANTAGES

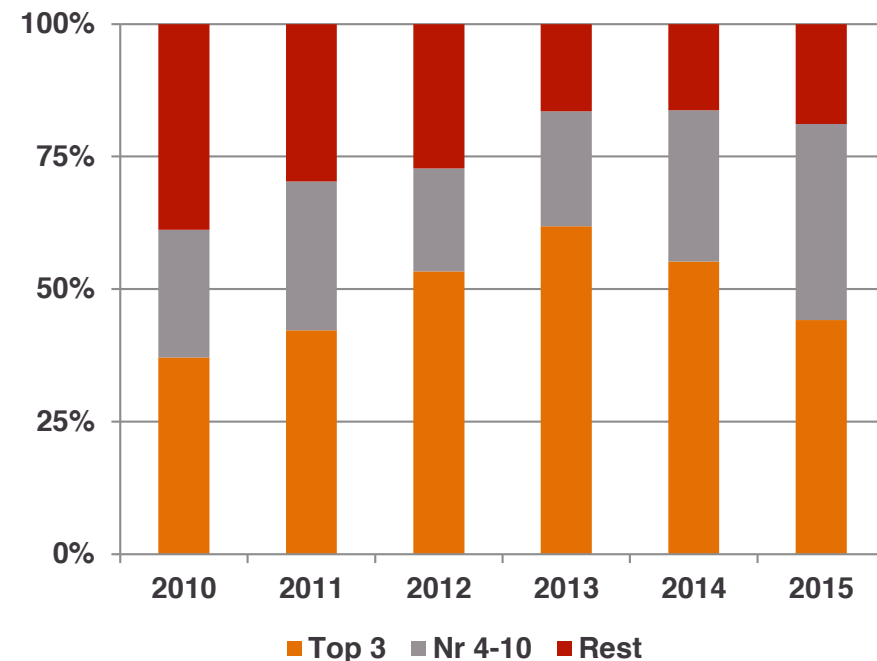
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- › **Focused player, differentiated technologies**
- › **Track record of innovation**
- › **Global network, streamlined operations**
- › **Leadership in ALD**
  - Developing ALD technology since 1999
  - Leading market share in ALD
- › **Close cooperation with the leading IC manufacturers**
- › **Strong IP portfolio**

# CUSTOMER CONCENTRATION

- › Engaged with all of the top-10 semiconductor capital equipment spenders
- › Diversification of customer base from Logic to Memory and Foundries
- › Strong momentum with customers beyond the traditional top-3

## ASMI revenue



**Growing share of wallet with top clients**

## › ALD market outlook

- Strong Logic/Foundry demand in 2016 not expected to offset lower Memory demand, leading to a double digit decrease in the single wafer ALD market
- For 2017, a strong improvement in the ALD market is expected; long term outlook remains solid

## › Shareholder remuneration

- Started a second consecutive EUR 100m share buyback program last November, completed for approximately 71% on July 22, 2016
- Returned EUR 116m in share buybacks and dividend in 2015 (2014: EUR 61m)
- 17% higher dividend of EUR 0.70 per share paid in 2016

## › Intel's Preferred Quality Supplier award

- On March 10, 2016, ASMI was awarded as one of 26 companies with Intel's Preferred Quality Supplier (PQS) award for performance in 2015

	Q2 2015	Q1 2016	Q2 2016
Sales ASMPT (HK\$m)	3,752	2,862	3,669
Net profit ASMPT excluding one-offs (EURm, 100% based)	53	16	51
Result from investments (including ASMI's 40% share of ASMPT net profit)	20.0	6.3	16.4
Amortization intangible assets resulting from the sale of the 12% stake of ASMPT	<u>(6.8)</u>	<u>(6.8)</u>	<u>(6.7)</u>
Result from investments	13.2	(0.5)	9.7

- › As of 15 March 2013, our share of approximately 40% of ASMPT's net earnings is included in 'result from investments'
- › Amortization intangible assets resulting from the sale of the 12% stake in ASMPT is expected to remain stable in 2016, on a currency comparable basis

# FINANCIAL OVERVIEW

## Q2 2016 HIGHLIGHTS

- › Revenues down 3% q-o-q and down 31% y-o-y
- › Bookings down 3% q-o-q and down 5% y-o-y. Book-to-bill ratio of 1.1
- › Q2 backlog of EUR 175m, up from EUR 147m at the end of Q1
- › EBIT margin of 12.0% compared to 13.2% in Q1 and 22.6% in Q2 2015
- › Free cash flow of negative EUR 3m in Q2 2016
- › Normalized net earnings\* of EUR 42m in Q2 2016, up from EUR 12m in Q1 and EUR 49m in Q2 2015
- › Normalized net earnings were impacted by translation differences in financial results (positive EUR 8m in Q2 2016 compared to negative EUR 11m in Q1 and negative EUR 12m in Q2 2015)

*\* excl. amortization intangible assets resulting from the sale of the 12% stake of ASMPT*



Based upon the current backlog and our current visibility:

2015 has shown a strong growth of the single wafer ALD market. We estimate this growth to continue whereby the single wafer ALD equipment market will double in the period 2015-2018/2019. We however expect the single wafer ALD market to show a double digit decline in 2016, caused by a low demand in Memory which will not be offset by the strong increase in Logic/Foundries. Our single wafer ALD market share is expected to show an increase in 2016. We expect the single wafer ALD market to strongly improve again in 2017.

For Q3 we expect sales between €135-150 million, while we expect an order intake of €100-130 million, both on a currency comparable level. We expect a stronger second half in terms of sales as compared to the first half of 2016.

# NET EARNINGS Q2

EUR million	Q2 2015	Q1 2016	Q2 2016	Q2 2016 vs Q1 2016	Q2 2016 vs Q2 2015
New orders	166.6	163.8	159.1	(3)%	(5)%
Backlog	148.5	146.8	175.4	19%	18%
Book-to-bill	0.8	1.2	1.1		
Net sales	201.0	142.4	138.7	(3)%	(31)%
Gross profit	90.5	62.5	60.8	(3)%	(33)%
Gross profit margin %	45.1%	43.9%	43.8%		
Selling, general and administrative expenses	(24.7)	(22.5)	(21.0)	(7)%	(15)%
Research and development expenses	(19.9)	(20.8)	(22.1)	6%	11%
Restructuring expenses	(0.5)	(0.5)	(1.0)	n/a	n/a
Operating result	45.4	18.8	16.7	(2.1)	(28.7)
Operating margin %	22.6%	13.2%	12.0%		
Financing costs	(11.6)	(11.2)	10.0	21.1	21.6
Income tax	(5.2)	(1.7)	(0.8)	0.9	4.4
Result from investments	20.0	6.3	16.4	10.2	(3.6)
Amortization intangible assets resulting from the sale of the 12% stake of ASMPT	(6.8)	(6.8)	(6.7)	0.2	0.1
Net earnings	41.8	5.4	35.6	30.2	(6.3)
Normalized net earnings (excl. amortization intangible assets resulting from the sale of the 12% stake of ASMPT)	48.6	12.2	42.3	30.1	(6.4)
Normalized net earnings per share, diluted	€0.77	€0.20	€0.68	€0.48	€(0.09)

# R&D EXPENDITURE

EUR million	Q2 2015	Q1 2016	Q2 2016
R&D expenditure	(23.4)	(23.8)	(24.5)
Capitalized development expenditure	6.7	7.1	6.6
Amortization capitalized development expenditure	<u>(3.3)</u>	<u>(4.1)</u>	<u>(4.2)</u>
R&D expenses	(19.9)	(20.8)	(22.1)

# CASH FLOW

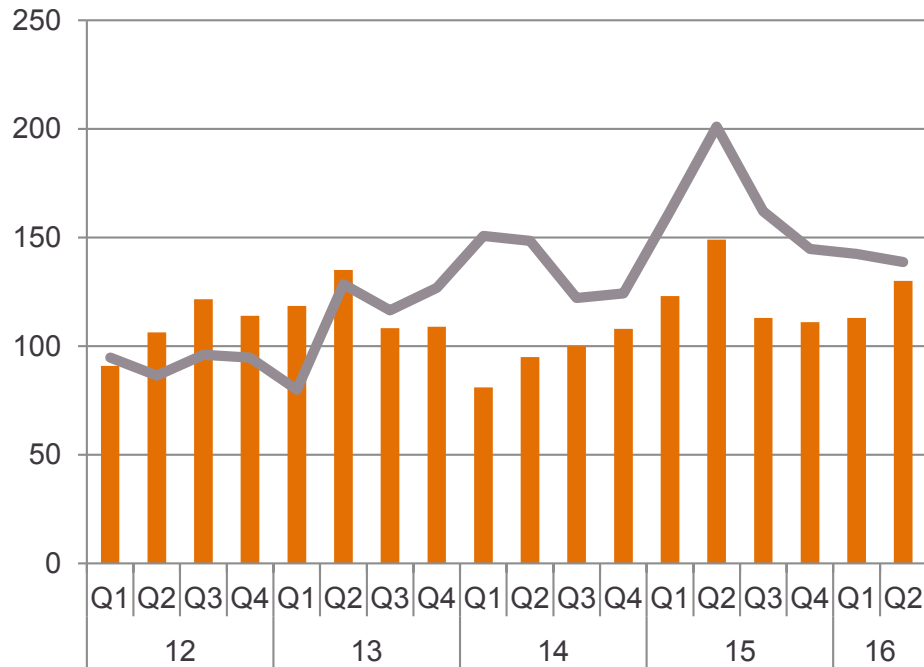
<b>EUR million</b>	<b>Q2 2015</b>	<b>Q1 2016</b>	<b>Q2 2016</b>
Normalized net earnings	48.6	12.2	42.3
Depreciation and amortization	10.1	11.8	12.1
Result from investments	(20.0)	(6.3)	(16.4)
Other adjustments	6.9	9.9	(7.4)
Change in working capital	(27.7)	(8.6)	(18.3)
<b>Net cash from operating activities</b>	<b>17.9</b>	<b>19.0</b>	<b>12.3</b>
Capital expenditure	(9.1)	(5.4)	(8.4)
Capitalized development expenditure	(6.7)	(7.1)	(6.7)
Dividend received from investments	24.5	-	7.2
Other	(6.2)	(1.2)	(2.5)
<b>Net cash from investing activities</b>	<b>2.5</b>	<b>(13.7)</b>	<b>(10.4)</b>
Dividend paid and capital repaid to ASMI shareholders	(32.5)	-	(37.2)
Share buyback	(40.0)	(32.1)	(24.9)
Other	4.4	8.3	2.7
<b>Net cash from financing activities</b>	<b>(68.1)</b>	<b>(23.8)</b>	<b>(59.4)</b>

# BALANCE SHEET

EUR million	Dec 31, 2015	Jun 30, 2016
Cash and cash equivalents	447	370
Accounts receivable	90	112
Inventories	114	103
Other current assets	19	17
Investments and associates	1,181	1,167
Property, plant and equipment	92	96
Capitalized development costs	73	81
Other non-current assets	60	77
<b>Total Assets</b>	<b>2,076</b>	<b>2,024</b>
Accounts payable	54	54
Short-term debt	-	-
Other current liabilities	61	49
Long-term debt	-	-
Other non-current liabilities	13	14
Equity	1,948	1,907
<b>Total Liabilities and Equity</b>	<b>2,076</b>	<b>2,024</b>

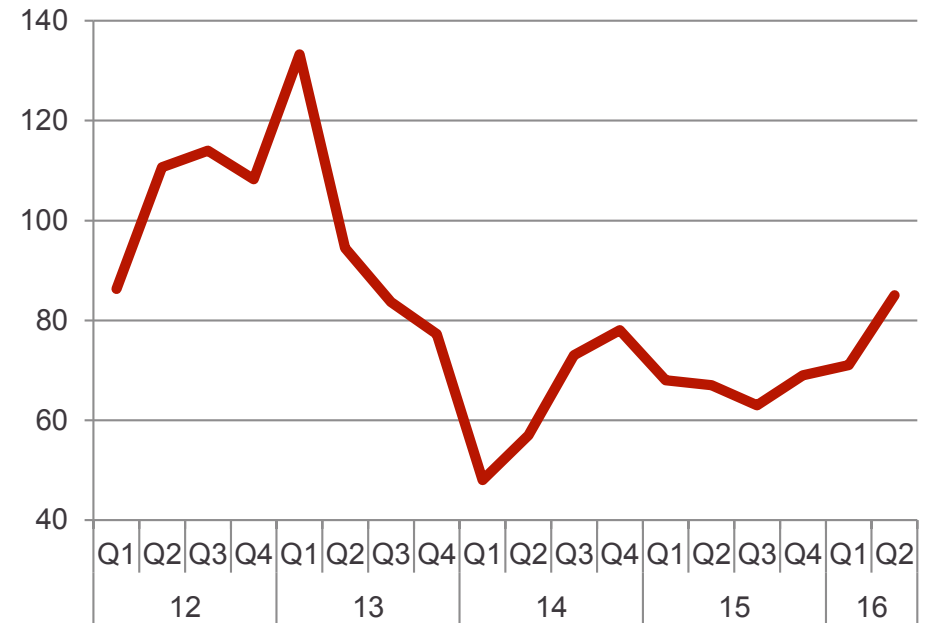
# WORKING CAPITAL

EUR million



Working capital Quarterly sales

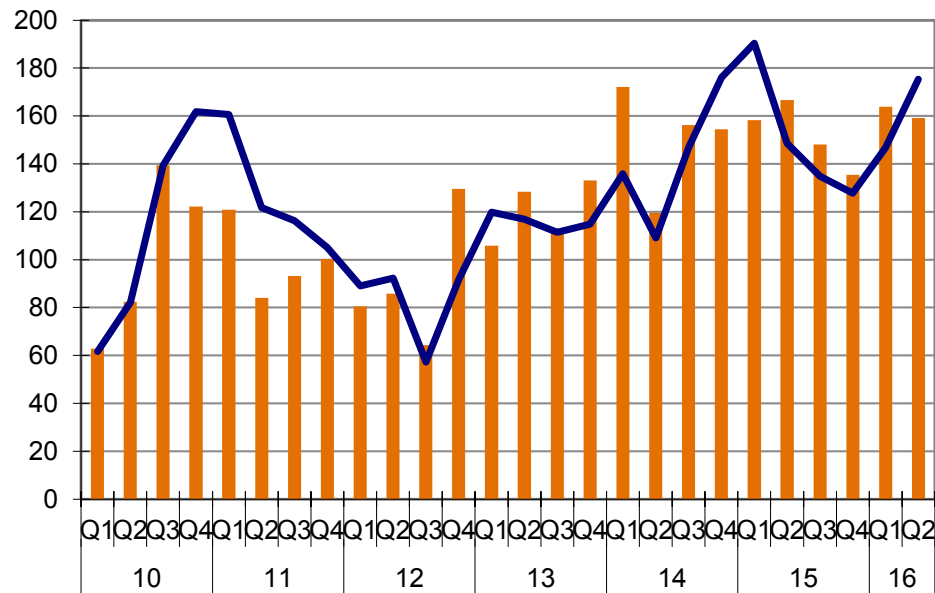
Days



Days of working capital

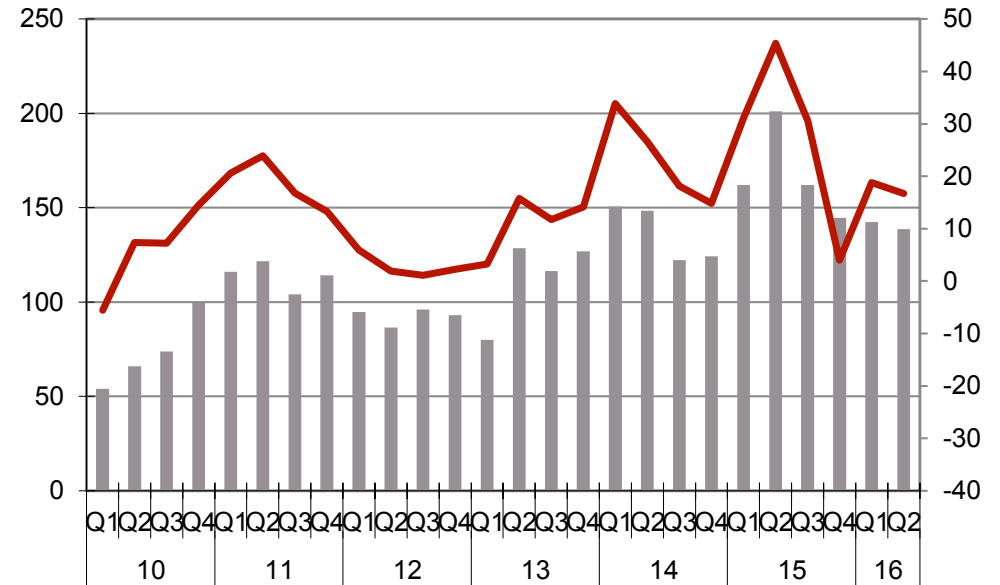
# HISTORICAL DEVELOPMENT

EUR million



Bookings Backlog

EUR million



Net Sales (lhs) EBIT (rhs)

# COMPARABLE RESULTS US GAAP



EUR million	Q2 2015	Q1 2016	Q2 2016	Q2 2016 vs Q1 2016	Q2 2016 vs Q2 2015
Net sales	201.0	142.4	138.7	(3)%	(31)%
Gross profit	90.7	62.4	60.8	(3)%	(33)%
Gross profit margin %	45.1%	43.8%	43.8%		
Selling, general and administrative expenses	(24.7)	(22.5)	(21.0)	(7)%	(15)%
Research and development expenses	(23.4)	(23.8)	(24.5)	3%	5%
Restructuring expenses	(0.5)	(0.5)	(1.0)	n/a	n/a
Operating result	42.1	15.6	14.3	(1.3)	(27.8)
Operating margin %	20.9%	11.0%	10.3%		
Financing costs	(11.7)	(11.3)	9.9	21.2	21.6
Income tax	(4.5)	(1.2)	(0.8)	0.4	3.7
Result from investments	20.7	6.3	16.4	10.1	(4.3)
Amortization intangible assets resulting from the sale of the 12% stake of ASMPT	(6.8)	(6.8)	(6.7)	0.1	0.1
Net earnings	39.9	2.6	33.1	30.5	(6.8)
Normalized net earnings (excl. amortization intangible assets resulting from the sale of the 12% stake of ASMPT)	46.7	9.4	39.8	30.4	(6.9)
Normalized net earnings per share, diluted	€0.74	€0.16	€0.64	€0.48	€(0.10)



