

AGM Q&A

**Questions asked by shareholders relating to the AGM and answered by the Company**

The listed questions in this document are received from shareholders by email prior to May 15, 2020; 3:00 p.m. CET

The questions are received from:

- Mr. W. Burgers from Add Value Fund Management
- Mr. M. van Kuijk from VBDO

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Time: 9:00 a.m. CET

The received questions and the answers are shown below and are grouped with the agenda item they refer to:

**A. Agenda item 2 Report on the financial year 2019**

1. **Q:** Gross margin increased from 40.9% to 42.6% in 2019. Is there a further upside potential for the gross margin, given the fact that ASM should benefit from increased economies of scale? (Add Value)

**A:** Economies of scale are relatively limited given our outsourced model and low fixed-cost base. However, we do expect further improvement over time as margins on newly introduced products further improve and inefficiencies in our current manufacturing will be addressed by the new manufacturing facility. This is expected to bring our gross margins more in the direction of the higher end of the earlier indicated range of low-to mid- forties.

2. **Q:** What is the current percentage of the single wafer ALD market relative to the total deposition equipment market and to what level, in your opinion, is it set to rise within the next 3-5 years? (Add Value)

**A:** We estimate the size of the ALD market was in excess of US\$1bn in 2019, compared to a total size of more than US\$ 13bn for the deposition equipment market according to VLSI. Over time, we expect ALD to continue growing faster than the overall deposition equipment market.

3. **Q:** ASM strengthened its supply chain performance by further improving statistical methods with key suppliers. Is further strengthening of ASMIs supply chain positioning needed in light of the recent covid-19 threat? (Add Value)

**A:** We responded to the impact of COVID-19 lockdown measure on our supply chain by detailed planning and constant tracking potential bottlenecks, maintaining close contacts with our suppliers and customers and looking for alternative solutions and workarounds. Despite that this in general went well, it goes without saying that we also learned that further improvements can be made and we will work on this.

4. **Q:** Is ASMIs exposure to the Chinese market expected to markedly increase in the next 3-5 years? (Add Value)

**A:** Our sales in China, in particular domestic Chinese customers, had a strong contribution to our sales growth in Q1. Compared to some of our peers our sales exposure to China is still relatively limited, but over time we expect this contribution to increase, as customers in China start investing in the more advanced nodes.

5. **Q:** Is it a fair assumption that epitaxy will constitute an ever increasing percentage of ASMI sales in the coming years? (Add Value)

**A:** Our epitaxy business has shown strong double digit growth in the last three consecutive years. It has now become our second largest product line, after ALD. We consider epi to be an important growth engine in our portfolio.

**B. Agenda item 5 Adoption of Annual Accounts 2019**

6. **Q:** Patents in Force were +16% in 2019. Will there be another double digit increase in the current year? (Add Value)

**A:** We have not provided guidance of the development in patents in 2019. Expanding our patent position over time is an important focus for ASM.

7. **Q:** What was the amount of legal costs related to the patent litigation and arbitration case included in SG&A expenses in 2019? (Add Value)

**A:** We have not disclosed the size of the legal expenses but it was a meaningful factor in the rise of the SG&A expenses in the first half of 2019.

8. **Q:** Research & Development Expenses were +22% in 2019 and 10% of sales compared with 11% in 2018. What is the R&D-budget for 2020 and can you elaborate on the main projects? (Add Value)

**A:** We expect our R&D to grow in line with our sales over time. R&D is the key investment for ASM. Projects include new ALD applications in the logic/foundry and memory as well as new opportunities in our other product lines.

9. **Q:** What is the projected tax rate for 2020? (Add Value)

**A:** We have not provided guidance for the tax rate in 2020. For the coming years we expect the tax rate to be in a mid-to-high teens percentage range.

10. **Q:** When exactly may the stakeholders of ASM International expect the disclosure of new climate related objectives (i.e. on mitigation and adaptation) and when will the company start to implement the TCFD-recommendations? (VBDO)

**A:** Consideration of TCFD requirements and climate adaptation is integral to our 2021-2025 analysis, planning, and target setting work. The scope of our climate related scenario analysis will include our operations, the communities where we operate, and our supply chain.

11. **Q:** Is ASM International willing to communicate transparently about when and how the impact on the availability of water as well as other impacts of climate change on local communities surrounding the company's operating facilities' will be valuated? (VBDO)

**A:** We intend to continue to communicate transparently about the availability of water and other impacts of climate change on our business and the communities in which we operate.

12. **Q:** Is ASM International planning to start reporting about any negative impacts on labor conditions occurring in the company's supply chain? And, is ASM International willing to collaborate with other companies, in RBA capacity, in order to strive for more transparency towards external stakeholders regarding labor conditions in the supply chain? (VBDO)

**A:** ASM International has started to address potential negative impacts of sourcing and labor conditions in our supply chain. We completed mapping of key strategic suppliers' foreign migrant workforce, including development of action plans where risks may exist.

ASM is already collaborating with other companies in our RBA capacity. We are currently sponsoring a LW amendment to the RBA Code of Conduct respecting the right of workers to earn a living wage. ASM will continue to collaborate with other companies, in an RBA member capacity, to achieve greater transparency on labor conditions in the supply chain.

13. **Q:** Has ASM International considered to extend the company's current diversity policy for the supervisory board combined with the EVP-framework to a companywide policy for all underrepresented groups and is ASM International planning to set corresponding targets for different levels of the company? (VBDO)

**A:** ASM's diversity policy stipulates that diversity is considered in any event to consist of a broader range including gender, specific knowledge, work background, nationality, age and ethnic diversity, (technical) experience and skills. ASM is an equal opportunity employer as workforce diversity continues to be part of the strategic objectives that help us drive for innovation.

As our Diversity policy clearly indicates, our focus on diversity is broader than solely on gender. We recognize and respect the differences between individuals and we understand that these differences can include ethnicity, religious beliefs, nationality, age, gender, sexual orientation, family status, physical ability, experience, and perspective.

### **C. Agenda item 6 Adoption of dividend proposal**

14. **Q:** Can you provide an update of the dividend (pay-out ratio) policy? (Add Value)

**A:** ASMI's dividend policy is to pay a sustainable dividend. Over the last several years we have steadily increased the dividend. In addition, our policy is to use excess cash for the benefit of the shareholders. In view of the very strong cash position at the end of 2019, the Board decided to propose an extra-ordinary dividend of EUR 1.50 per share and the authorization of a new share buyback program.

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