



REMUNERATION REPORT 2016

This remuneration report 2016 is based on the remuneration policy of ASM International NV (ASMI), dated May 21, 2014. The remuneration policy was adopted by the 2014 Annual General Meeting of Shareholders.

REMUNERATION POLICY MANAGEMENT BOARD

The remuneration policy was reviewed by the Supervisory Board in 2014 and is applicable to members of the Management Board of ASMI.

The objective of the remuneration policy is twofold:

- › to create a remuneration structure that will allow ASMI to attract, reward and retain qualified executives in our global competitive industry; and
- › to provide and motivate executives with a balanced and competitive remuneration that is focused on sustainable results, aligned with the long term strategy of ASMI.

The remuneration structure includes four components:

- › a fixed (base) salary component;
- › a variable component (annual performance based bonus or short-term incentive);
- › a long term component (performance based long-term incentive) in the form of stock options, performance shares; and
- › pension provisions and fringe benefits.

The remuneration peer group currently consists of the following companies:

Aalberts Industries NV	ASML Holding NV	LAM Research Corporation	Spirent Communications Plc
Aixtron SE	BE Semiconductor NV	Microchip Technology Inc.	Teradyne Inc
Amkor Technology Ltd	Freescale Semiconductor Ltd ¹	ON Semiconductor Corp.	TomTom NV
Arcadis NV	KLA-Tencor Corporation	Renishaw Plc	Veeco Instruments Inc

¹ Freescale Semiconductor Ltd was acquired by NXP and is therefore excluded from the peer group for future reviews.

BASE SALARY MANAGEMENT BOARD

The amounts paid as base salaries to the members of the Management Board in 2016 were as follows:

C.D. del Prado	€606,553
P.A.M. van Bommel	€407,693

ANNUAL SHORT-TERM INCENTIVE (CASH BONUS) MANAGEMENT BOARD

Each year, a short-term incentive can be earned, based on the achievement of specific challenging targets. These targets are for 75% based on company financial targets, being Sales, EBIT and Free Cash Flow, and for 25% based on non-financial targets. These non-financial targets are derived from ASMI's strategic and organizational priorities and include qualitative targets that are relevant to the responsibilities of the individual Management Board member.

The on-target bonus percentage for the CEO is 100% of base salary, with a maximum pay-out of 150% of base salary. The on-target bonus percentage for the other members of the Management Board is 75% of base salary, with a maximum pay-out of 125% of base salary.

For the year 2016 the Management Board did not meet the financial targets and met the non-financial targets.

Based on the results in 2016, the following bonuses are paid:

C.D. del Prado	€397,699
P.A.M. van Bommel	€203,693

LONG-TERM INCENTIVE (STOCK OPTIONS/PERFORMANCE SHARES) MANAGEMENT BOARD

The long-term incentive scheme for the members of the Management Board, which was approved in the 2014 Annual General Meeting of Shareholders, consists of stock options and performance shares.

The long-term incentive scheme has the following main features:

Stock options:

- › the options will be unconditional;
- › 100% of the options which have been granted will become exercisable after three years;
- › the options will have a term of seven years;
- › the exercise price will be equal to the average closing price on Euronext of ASMI shares during the five trading days preceding the granting of the option and including the date of granting; and
- › the number of options to be granted will be based on a fair value approach.

Performance shares:

- › The number of the performance shares for on target performance to be awarded will be determined by the Supervisory Board depending on the value of performance shares as part of the mix between stock options and performance shares.
- › The shares will become unconditional after three years depending on the achievement of predetermined targets.
- › The financial targets to be achieved are measured over a three year performance period. The first target is sales growth compared to market, which is measured as the average own sales growth during the measurement period compared to the average market growth during the measurement period. The second target is the average EBIT percentage, which is measured as the average EBIT over the measurement period as a percentage of the average sales.
- › The maximum number of shares that can be achieved in case of meeting the stretch target is 150% of the target number of performance shares. The minimum number of shares is zero, in case none of the targets are met.
- › The Management Board members will hold the unconditional shares for at least an additional 2 years, however they are allowed to sell a part of the unconditional shares after 3 years for tax purposes.

The mix between stock options and performance shares will be determined annually by the Supervisory Board, taking into account the objectives of the remuneration policy.

The Supervisory Board decided to grant the following value to:

C.D. del Prado:

Stock options	€244,138
Performance shares	€636,881

P.A.M. van Bommel

Stock options	€119,556
Performance shares	€311,885

The grant date is April 21, 2017.

PENSION MANAGEMENT BOARD

The pension contributions paid in 2016 were as follows:

C.D. del Prado	€97,083
P.A.M. van Bommel	€68,015

As of 2015, the members of the Management Board no longer participate in the industry wide pension fund. They are offered participation in a defined contribution plan for their salary up to € 101,519. For their salary above €101,519, the members of the Management Board are compensated with an amount equal to the employer pension contribution. The members of the Management Board have the option to participate in a net pension plan offered by the company or to have the compensation paid out in cash.

The pension contributions vary from 7.2% - 28.4% of the pensionable salary depending on age. The members of the Management Board contribute 4.6% of the pensionable salary and ASMI pays the remaining part.

There are no arrangements regarding early retirement.

OTHER ARRANGEMENTS MANAGEMENT BOARD

A number of other arrangements are offered to members of the Management Board, such as expense and representation allowance, disability insurance, accident insurance and a car allowance/company car.

ASMI's policy does not allow personal loans to members of the Management Board.

OUTSTANDING STOCK OPTIONS AND PERFORMANCE SHARES

STOCK OPTIONS

The following table shows the outstanding options to purchase ASMI common shares held by current members of the Management Board, and changes in such holdings during 2016:

	YEAR OF GRANT	OUTSTANDING JANUARY 1, 2016	GRANTED IN 2016	EXERCISED IN 2016 ⁴	OUTSTANDING DECEMBER 31, 2016	EXERCISE PRICE	END DATE
C.D. del Prado ¹	2008	147,416	–	(147,416)	–	€10.78	March 1, 2016
C.D. del Prado ²	2009	58,967	–	–	58,967	€12.79	November 30, 2017
C.D. del Prado ³	2011	88,450	–	–	88,450	€18.93	December 31, 2018
C.D. del Prado ³	2012	70,760	–	–	70,760	€22.93	December 31, 2019
C.D. del Prado ³	2013	75,000	–	–	75,000	€23.73	December 31, 2020
C.D. del Prado ³	2015	28,050	–	–	28,050	€44.24	April 24, 2022
C.D. del Prado ³	2016	–	41,589	–	41,589	€37.09	April 22, 2023
P.A.M. van Bommel ³	2010	29,483	–	–	29,483	€13.80	July 1, 2017
P.A.M. van Bommel ³	2011	62,504	–	–	62,504	€18.93	December 31, 2018
P.A.M. van Bommel ³	2012	47,173	–	–	47,173	€22.93	December 31, 2019
P.A.M. van Bommel ³	2013	53,000	–	–	53,000	€23.73	December 31, 2020
P.A.M. van Bommel ³	2015	14,609	–	–	14,609	€44.24	April 24, 2022
P.A.M. van Bommel ³	2016	–	20,966	–	20,966	€37.09	April 22, 2023
TOTAL		675,412	62,555	(147,416)	590,551		

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

The options are granted for a term of eight years.

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

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

⁴ Options were exercised on February 26, 2016 at a share price of €37.64.

The fair value per option of options granted to current members of the Management Board was €12.64 in 2016.

In 2016, 147,416 options to purchase ASM International NV common shares were exercised and 147,416 treasury shares were sold for the exercise of these options.

PERFORMANCE SHARES

The following table shows the outstanding performance shares granted to members of the Management Board in 2016 and held by members of the Management Board per December 31, 2016:

	GRANT DATE	STATUS	NUMBER OF SHARES AT GRANT DATE	FAIR VALUE AT GRANT DATE	VESTING DATE
C.D. del Prado	April 24, 2015	Conditional	8,544	€43.21	April 24, 2018
P.A.M. van Bommel	April 24, 2015	Conditional	4,450	€43.21	April 24, 2018
C.D. del Prado	April 22, 2016	Conditional	11,070	€34.67	April 22, 2019
P.A.M. van Bommel	April 22, 2016	Conditional	5,581	€34.67	April 22, 2019

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

CONTRACTS OF EMPLOYEMENT MANAGEMENT BOARD

All members of the Management Board have a written contract of employment with ASMI or one of its related subsidiaries. The members of the Management Board have been appointed to the Management Board for a four year period:

- › C.D. del Prado, started May 18, 2006; in May 2014 Mr del Prado was reappointed for a new term of 4 years; and
- › P.A.M. van Bommel, started July 1, 2010; in May 2014 Mr van Bommel was reappointed for a new term of 4 years.

For future new appointments to the Management Board, the term of the appointment will also be set at four years. As is mentioned in the employment agreements of the members of the Management Board, in case of termination of the employment on behalf of the company, the members of the Management Board are eligible for a severance payment of maximum one year base salary.

REMUNERATION SUPERVISORY BOARD

In the 2011 AGM the following annual remuneration for the Supervisory Board has been approved.

Chairman of the Supervisory Board	€60,000
Member of the Supervisory Board	€45,000
Chairman of the Audit Committee	€7,500
Member of the Audit Committee	€5,000
Chairman of the Nomination, Selection and Remuneration Committee	€7,500
Member of the Nomination, Selection and Remuneration Committee	€5,000

ASM International NV

Versterkerstraat 8

1322 AP Almere

The Netherlands