Glass Lewis Proxy Talk
ASM International Proxy Contest with Dissident Shareholder Hermes
Moderator: Robert McCormick, Chief Policy Officer, Glass, Lewis & Co. LLC
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OPERATOR: Good day ladies and gentlemen and welcome to the Glass Lewis Proxy Talk conference call. All lines have been placed on a listen-only mode for this call. Institutional investors that would like to ask questions of the participants may do so my e-mailing them to Proxytalk@glasslewis.com. Before we get started I'd like to remind everyone that our conference call series and this call in particular, should not be considered a solicitation of proxies by Glass Lewis & Company.

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As a reminder, this conference call is being recorded. At this time it is my pleasure to send the call over to our host, Robert McCormick, Chief Policy Officer, Glass Lewis & Company.

ROBERT MCCORMICK, CHIEF POLICY OFFICER, GLASS LEWIS & COMPANY: Hello everyone and welcome to Proxy Talk. Today, we'll be discussing the proxy contest, filed by Hermes at Dutch Company ASM International. Hermes will be discussing their reasons for seeking to replace five incumbent members of ASM’s supervisory board in favor of three nominees submitted by Hermes as well as their proposal to elect Mr. Farhad Moghadam to ASM's management board, in effect replacing ASM's current CEO, Mr. Charles del Prado.

Joining me on the call are four representatives from Hermes. We have Wouter Rosingh, Managing Director at Hermes Management Europe, Bertrand Biragnet, also with Hermes, Investment Director. We also have the proposed management board director nominee, Mr. Farhad Moghadam as well as nominee, Nicholas Miller, who is a nominee for the supervisory board.

Those are the backgrounds. Hermes, which holds about 15 percent of ASM is seeking to convince shareholders to remove all five members of Hermes's Supervisory Board who are not for up for elections at this year's annual general meeting. In their place Hermes is submitting three candidates of its own to be elected to ASM supervisory board, namely David Wang and Seitaro Ishii.

Further, as I mentioned, Hermes is also seeking a show of support to remove from the management board, ASM's current CEO, Charles del Prado and to elect Mr. Farhad Moghadam to the management board with the ultimate intention of replacing Mr. del Prado with Mr. Moghadam as CEO.

Just very briefly, Hermes believes that ASM did not address the current losses of the company's front end business adequately despite a public commitment made in 2006 to focus on profitability in these operations. And Hermes believes that the current management has lost its credibility and should replace the supervisory board management before it is too late.

The ASM general meeting is scheduled for May 21, 2008. And again, as a reminder, if you have questions during the call, please e-mail them to us at Proxytalk@glasslewis.com and we'll work them in through the call, particularly, in questions and answer session later in the call. At this point, I'd like to turn it over to representatives from Hermes and the nominees, to provide some background for us on why they think that shareholders should remover members of the supervisory board and elect Hermes nominees in their place, and also to elect Mr. Moghadam, in effect, as CEO. Gentlemen, why don't you go ahead?

WOUTER ROSINGH, MANAGING DIRECTOR, HERMES: Thank you Robert. The reason for filing the motions that we have at the ASM International AGM this year is the long string of broken promises by the company to its shareholders.

For over three years we've been in dialogue with the company. As a result of that dialogue, the company at the AGM in 2006, promised to focus on returning the front end operations to profitability. With the 2007 results it became clear that while apparently there had been improvement in those results that there had been absolutely no action taken in the established products, which constitute the bulk of both the revenue and the margins of that business.

In addition, the company is moving the goalposts, changing the peer group at which it measures itself to make it less demanding. The company has previously promised to bring its governance into line with Dutch Best Practice, the so-called Tabakslat Code, and then failed to follow-up on that. And for all these reasons we have lost trust in the current supervisory board and management board.

There are available, today, a group of very highly qualified candidates to replace the current board and the chief executive of the company. These individuals have a successful track record in the industry. Unlike the existing supervisory board, have worked in the industry, know the clients, know the markets, know the products and in particular, Farhad Moghadam, who has spent 16 years at Intel and subsequently 11 years, Intel, by the way, is the largest client of ASMI, and subsequently 11 years at Applied Materials, the largest competitor of ASMI.

Mr. Moghadam knows this market intimately and is in the best position to take a fresh unbiased external look to restructure the front end operations of this company without any links to the past discussions, which have led us to where we are today, which is with a business that is not sustainable on a long term basis. Farhad, maybe you can say a few words about the need to execute against a challenging plan to restructure this company.

FARHAD Moghadam: Yes. Actually, there are a couple of, three key elements to our business plan. It was reassuring to look at the company's plan which was presented this Monday. It had many elements of our business in their plan, and a lot of the accommodations we made based on the two meeting you had with the company. One in January 10 with the management board and supervisory board, along with our entire group, including David Wang, Nicolas and Seitaro Ishii and myself, but we had a good program and presented the plan to the company on January 10, and subsequently we were asked to go back and elaborate on the plan further, on February 18, which I went with Nick Miller. So, it was reassuring to see that they took a lot of the elements of our business plan and presented it on Monday.

Essentially, one of the biggest weaknesses in the company, I see, has been in the area of commercialization. The R&D investment has been there consistently, year-over-year but we don't see a revenue growth, and more importantly, we don't see profitability on the business. And there are reasons why the profitability is not there. One of the key elements is the operational issues in the company with the fact that the manufacturing of the different products are done locally, in different locations, and there is no economies of scale in the company.

And the other area is the focusing on application-based product developments, such as PCDD. We looked at product portfolio in the company. There are a lot of holes in the product portfolio, which is going to impact the company moving forward in the future as the technology infliction comes in beyond 45 and NM 32 and 22.

It seems like in the PCDDarea, in the area of C-beam and UV treatment for the impact the company's performance in the future. The one area is the market share gain in PCDD. PCDD is a huge market at $1.5

billion is 2007, going to 2.2 billion independent of the customers buying pattern. We get a lot of questions, how does the macro economy affect this business plan?

We are not going to depend on the ups and downs of the market. You're looking at customer roadmaps and the technology infliction and make sure we have the answer for customer needs ahead of time and recapture all the technology buys. There is going to be a need for advanced technology regardless of what the buying pattern is and what the gloss in the market for a slash and so on.

So, we look at Gartner, we look at Dataquest projection but more importantly we look at the customers technology roadmaps, and trying to overlap the company technology roadmap and make sure we are not missing any key customer need.

So, there are opportunities upside for market share gain in the key product areas of PCDD, and especially AFD and proliferating ALD. So that's a huge opportunity for the company, and other applications as well.

The second one, I think one of the key elements of our business plan is streamlining the operation, the company, and creating a sense of excellence for the manufacturing in Asia. And when I say Asia I need to explain. It's not necessarily you're talking about Singapore. Singapore is not necessarily a low cost region in Asia where do the contextual acidity. You won't do a sheet metal work or some of the low level activities in Singapore because it is a high cost area.

Oftentimes, manufacturing is done in China by contract manufacturers such as Boxcon and Singapore is used as a consolidation center, as a warehouse where these things are put together from different locations in Asia, including Vietnam and everywhere else. And that's where the composition happens and you get some government subsidies from Singapore government.

And then expanding available markets, we look at PCDD. NCP is a big acquisition. ALD going beyond logic and putting on the mini-batch to expand. So, those, we look at all these elements and we look at 2010 revenue, we have a good chance to get to 740 million euro revenue from the current 450 to 460.

ROBERT MCCORMICK: OK, thanks. Now, if you can focus on the plan for a moment in the management information, they provide some background information on the plan that they have put in place focusing on stronger commercialization, operational execution, accountability, driving profitability, and they have focused on some key initiatives in terms of driving revenue growth for changes in the sales organization, a new VP of global sales and service, expanding the operating margins by reducing cost and global souring and some other organization and structure.

And I was wondering if you could contrast your plan with what management has either put in place or is proposing currently.

FARHAD Moghadam: I think management is purporting to, being a new player, to make those plans happen, which is pretty much what we talked about all along, that we need to take a fresh look, and at the company operation and the way we do business. I don't believe the problem with the revenue driver is the lack of good sales organization.

I think some of it is because of lack of the product offering. For example, in MCP was a $400 million business where there was no operating or there was no working process for companies to adopt it and that opportunity was missed. So, no matter how good a sales organization you have, if you don't have the right technology element and product working for customers, I don't believe that's going to fix the problem.

So, it is necessary but not sufficient in terms of, it's something that serves the organization. We did talk about, in our business plan, improving the accountability or having a product general manager and also, account general manager, and go from regional-based focus to customer-based focus. Because if you look at the customers in Korea, there are giant customers at Samsung, which deserve to have whole region focus.

And these are the things which we discussed in our plan, which was reflected in the company's plan. But I think you have to look at details of what needs to happen in the product and technology area to drive the revenue. But hiring new sales people is not going to drive the revenue up. You have to see, do you have the product offering for the customers' technology needs for 45 and 32 for memory for the logic as well as memory.

WOUTER ROSINGH, MANAGING DIRECTOR, HERMES: Also add that the difference between the plans is not enormous and that's not surprising because the company's plan is largely based on the plan that Farhad and his colleagues presented to the company. The difference, I think, lies in execution. In a company turnaround, 10 percent is the plan, 90 percent is the execution. We've got a team with a track record ready to execute. That team will have to be assembled and is currently not present at the company as the results of the past several years have shown.

ROBERT MCCORMICK: OK. Now, one of the concerns raised by the company is that they say, although not specifically mentioned by Hermes, they believe that a key element of your plan would be to separate the front end and back end operations into separating operating companies. And certainly given the history of first, Mellon advocating splitting the company in 2006, is that part of the plan to split the company in two?

FARHAD MOGHADAM: So, Wouter, you want to answer that? I can answer from a technology standpoint. One thing which we have to put it in the right perspective, that there is no synergy. Now, that's one of the key differences from what we say and what the company said. There is absolutely no synergy within front end and back end. And there will not be any. There's not going to be any convergence through the 3-D packaging. There is no driving force, which is going to bring the front end and back end together.

NICHOLAS MILLER: This is Nicholas. There's only currently about three technology nodes that the industry can see, 45 nanometers where they are today, 32 nanometers, which is the next node and 22 nanometers, which is about further south as anyone can see. In none of those three nodes is there any convergence that anyone has discussed in any of the papers, in any of the roadmap, technology roadmap. No other customers have positioned themselves because they don't see it either.

This is the only company in the world which thinks that there is a convergence between the front end and the back end, and again, they are alone in their own thinking on this and they don't see it technology in anybody else's roadmap. So, where this comes from, I don't know and why they say, I really have no understanding.

FARHAD MOGHADAM: We’re coming into this with an open mind. But we would not have the argument or excuse that these two should have stayed together for whatever other reason, which is behind making that claim. Because we have to look at it from a customer need point of view, and are the customers saying that. There are no customers saying that. Therefore, there is no convergence between the two.

So, we keep an open mind and whatever is to the benefit of the shareholder, to the best interest of shareholder, we are open to those ideas. We are not coming with preconceived notions that these should stay together under any circumstance. Because there are successful companies in this industry such as Variant, such as Lamb, and they're still very profitable.

So, you don't have to have packaging to be successful. I can tell you, I started my career in packaging. There are no synergies between the ways you manufacture these tools, they're intensity versus machine parts in the front end systems. The customer-base is different. The decision makers are different. Assembly plants, which usually are in Asia, they're in China, they're in Malaysia and the Philippines, so, the customer decision makers are different.

And the tools are different and the technologies are different and this technology has gone to C-4 packaging, wafer bumping, all these went through and there hasn't been any convergence.

WOUTER ROSINGH, MANAGING DIRECTOR, HERMES: Well, we're concerned about, in the question of the front end and the back end. The company talks about the so-called back end activities. In fact, the back end is represented by a 53 percent stake in a separately quoted company with a different shareholder-base.

All transactions between ASM International and ASMPT need to be on an arms length basis, to the extent that there is any benefit to be had from joint collaboration on anything that is still possible just as well, if the back end stake in ASMPT is separated from the front end business.

Since all transactions have to be at an arms length basis, in any case, at the moment the concept that these two belong together is one of the aspects that distracts management attention from fixing the issues in the front end that they need to be doing.

We will keep the, as Farhad said, new management will keep an open mind to maximize shareholder value from both the assets that are, today, in ASMI, namely the 53 percent stake and the separately quoted ASMPT, and the front end operations, which Farhad will brought in to manage and turnaround and turn into a profitable enterprise, which it has not been the last seven years.

ROBERT MCCORMICK: I think it's a great point to talk about the performance now. Obviously, since the, sort of mid to late last year, the company's stock price has fallen. But if you look at performance in several parameters since 2005, whether it's ROA, ROE, net income, EPS, those have all shown improvements.

And if you look at stock price performance over that longer period, we looked at December 2005 through April 30th, then AFM actually outperformed Applied Materials, KLA Tencer, Novellus as well as S&P 500 Semiconductors as well the broader S&P 500. And so, the performance certainly has suffered in more recent months, in very recent months, but over a longer period from 2005, the performance has actually outperformed some of its peers, in particular, Applied Materials. And I was wondering if you can comment on, sort of the overall performance and why you believe there was such a drop towards the mid to end of last year?

FARHAD MOGHADAM: Are you referring to ASMPT? You are referring mostly to ASMPT effect, not ASMI because the ASMPT component is the major contributor to that performance.

UNIDENTIFIED PARTICIPANT: Maybe Bertrand Biragnet can address that.

BERTRAND BIRAGNET: Yes, Bertrand here. I think what you see the company we, I think the metrics that you were referring are for the entire company, which ... includes the ASMPT. So, we should look at the underlying performance of the front end. Well, they've been losing money since 2001. So, your ROE since 2001 were negative...

UNIDENTIFIED PARTICIPANT: In the front end.

BERTRAND BIRAGNET: Yes, in the front end, thank you. So, what those numbers we're referring to are telling us that the AMPT has been a great success story. That's what he's saying. But it doesn't say anything about the front end. If you want to know about the front end, just look at how that EBITA has been in the past seven years.

ROBERT MCCORMICK: OK. Thank you for that...

FARHAD MOGHADAM: And the numbers have founded with ASMPT performance, if you delineate ASMPT from the ASMI component and look at the ASMI as a standalone entity, then the real truth will come out.

UNIDENTIFIED PARTICIPANT: The ASMI front end carries a negative valuation.

UNIDENTIFIED PARTICIPANT: On the stock market today, yes.

ROBERT MCCORMICK: OK. Now, turn to personnel, in terms of why you think this company needs a CEO. And the company mentioned that they announced the appointment of a new CEO back in May of last year and there were no objections raised. And they note that changing a CEO, as well the board, would be very risky, destructive and harmful for their plan to improve profitability and increase shareholder value. Is this a concern you raised about the appointment of the new CEO back in May of last year?

UNIDENTIFIED PARTICIPANT: We have raised our concerns about the management of the company quite consistently over the last three years. And we've also raised concerns about the nature of the selection process for the current CEO. So, I think this is an example of the company being just slightly less than forthright about the nature of our communications with them.

Secondly, what is disruptive is the fact that we have a supervisory board that does not really know this industry. And the reason why we are proposing three new candidates, and we are happy to support the other two candidates that the company is proposing, is because that will constitute a board with real in-depth industry expertise, people who know the clients, people who know the markets, people that also, geographically, cover the markets in which this company's clients are located, namely Japan, China, the Far East and the United States.

The current supervisory board does not, in fact, have a background with the exception, potentially, of Mr. Daniels and Mr. Schumacher, who's being proposed, who we'd be happy to have join the supervisory board. They don't have the knowledge to provide a real set of checks and balances on the management, which has resulted in expensive adventures like the Nutal acquisition, which needed to be written off.

The lack of focus on application engineering of their product range rather than long term research intensive projects like the supposed convergence of back end and front end. So, what we need in this company are, this is a complex high-tech industry and we need people on the board that understand it but know the technologies that can be an effective set of checks and balances on management, which the company has not had over the last six or seven years, at least.

ROBERT MCCORMICK: OK. And there's one interesting note the company made in its proxy that their front end operations were both technologically and financially crippled by the lengthy patent litigation with Applied Materials during the 1990s. And given that your nominees, as well as Mr. Moghadam, worked at Applied Materials over the years, I wondering is that an accurate contention? And is there any remaining affiliation between the nominees or Mr. Moghadam, with Applied Materials?

FARHAD Moghadam: I left Applied Materials September of last year, and there is no affiliation. I have a non-compete agreement, which if I forego and join ASMI, I would forego the rest of the money, which would come to me otherwise. So, it should be a clear indication of my level of commitment, personal commitment to this cause.

NICHOLAS MILLER: This is Nick Miller. I've worked at two other companies besides Applied Materials, which are Semiconductor Capital Equipment Company. But while I have a background in Applied Materials, I have a background in two other companies. So, I don't know that I'm any more affiliated with one than the other and I have no actual ties to any of them at this time.

ROBERT MCCORMICK: OK. Now, back to that contention about the patent legation really hampering their ability to improve the printed operations. How do you see that contention?

BERTRAND BIRAGNET: It's Bertrand here and if I could say a few words about that. Just if we focus on the financial impact of that settlement back in the '90s, what you have to know is that some of the settlement was restructure because ASMI didn't want to want to pay cash and some of that was in store.

So, Applied Materials subsequently sold stock of ASMI on the stock market during the internet bubble. And after that period you should look at how much money ASMI has collected in dividends from AMPT. I mean, it's a multiple of the price that they had to pay, all the fines they had to pay to for that settlement.

So, I mean, the proposition that the company was bankrupt, and had to rebuild itself is not exactly reflecting the truth. One point to adhere is that this suit was purely on business line, which did not concern the other products sold by ASMI.

ROBERT MCCORMICK: OK, thank you. I think the experience of you, Mr. Miller, I was wondering if you could help us learn more about your expertise in turnaround situations, if indeed you think this is a turnaround situation, as well as the other nominees in terms of providing some comfort to shareholders that you sort of faced this situation before and how you've responded

NICHOLAS MILLER: Yes, I'd be very happy to. I have worked at half a dozens different companies in my career. They range from startups to companies in which we actually turned around a front end equipment company in the areas that ASMI operates in. That was at Silk and Dolly Group. So, I've had experience not only in large companies like Applied Materials but they all go all the way the startups, which grew into relatively reasonable size activities to mid-sized companies.

So, I've had that kind of expertise. I know that David Wang, who is proposed as a chairman to this supervisory board, has an extraordinary range of entrepreneurial activities beyond simply the fact the he grew Applied Materials from roughly a $100 million to a $10 billion company in about 25 years.

So, his credentials are really legendary in the Semiconductor Capital Equipment business and he is, by himself, is quite a force in this industry. The other person who would be involved in the supervisory board, of course, would be Sam Ishii and he was the number two man at Applied Materials Japan. He helped Applied Materials to develop a successful business in Japan at a time when no other equipment could do business in Japan that wasn't Japanese. He successfuly grew that business. He then moved on and became head of human resources for the entire company, so, again, a very versatile executive with experience not only in Japan but in the United States, as well.

UNIDENTIFIED PARTICIPANT: And currently he has a consulting company in Japan, which helps the European and American companies to go to Japan, how to operate in an effective manner and his expertise is in organization development in Japan. Which is something, which is badly needed, given the fact that one-third of the company business PCDD is in Japan and they have him a whole lot of communication and understanding between the headquarter in building a program in Japan for PCDD division.

ROBERT MCCORMICK: Now, obviously you're nominating three directors to replace five directors. Why only three directors and as indicated you're not advocating voting against either Mr. Daniels or the proposed Mr. Schumacher, are five directors going to be enough on this board? Why not submit a few more to match the current number?

NICHOLAS MILLER: This is Nick Miller. I think, really, the issue is quality rather than quantity. No doubt we have other possibilities as we get in and start to deal with the day-to-day operations. But I think that I would see us focusing on the quality of the selections rather than the quantity at this stage.

If we can put together a team of five competent board members for now, with the possibility of adding others as the need arises, I think we'll go a long way towards making this a very successful company. But we will go from having five directors with no expertise in the industry to a board that has at least four of them with substantial industry experience. I think that's a huge step forward.

ROBERT MCCORMICK: OK. So, but isn't that some indication that the board itself realizes it needs more expertise by appointing someone like Dr. Schumacher, given that three of the directors to move, joined within the last three years, indicating there is some indication that management and the board realizes that they need some blood on the board already?

NICHOLAS MILLER: Given their track record, it's a little late in realizing it to start putting the single number from the industry in the company that has the losses that they've had.

WOUTER ROSINGH, MANAGING DIRECTOR, HERMES: To be fair, the company's moves are also, in part, a response to very emphatic requests for more industry expertise on the board that we have put. And we have expressed, for example, in the 2006 AGM, a matter of public record, where we pointed out the lack of industry expertise to the board.

And yes, the company has taken some steps in that direction but I would qualify them as too little and too late. And the fact is that the company has made promises along that time that it has simply not lived up to. You know, the improvement in performance of the front end, such as it was over the last two years, was simply due to stopping some unprofitable research activities and not dealing with any of the underlying problems in their core business.

They continue to have four different manufacturing locations, laying off people in one and hiring in another, when their competitors group their production in one location so that you just shift people, depending on where the demand is, just one example.

The fact is, yes, because of pressure from shareholders, the company did make promises to achieve peer level profitability. Did make promises to adapt its articles, did also make promises to add industry expertise to the board. They have partially delivered on that promise of starting to add industry expertise to the board. They have not done, scored very highly, on average, of fulfilling their promises to shareholders, which is why we are taking these steps now.

ROBERT MCCORMICK: In terms of some of the corporate governance changes you alluded to in terms of compliance with the Dutch Code and also your findings including a one-tier board. How do you see those enhancing the company's performance, or at least responsiveness to shareholders?

UNIDENTIFIED PARTICIPANT: Well, let's take a look very briefly at some of the specific governance issues of the company. This company is the only one, to our knowledge, in Holland, that has a special provision in its articles, giving the chief executive more power than the rest of the management board combined.

We are worried about this because it indicates that the company will have difficulty attracting strong independent executives that will have their own opinion. So, that is a weakness we've pointed out and we've been told by Chuck del Prado, when he came in, we asked him would you please take that down? It'll help you attract stronger members to your management team and he said, no, that is something that I think will help me run the company and I do not want to change that.

Another governance provision is the fact that shareholders need to muster 50 percent of the votes in order to depose members of the board or management. Whereas the Dutch Corporate Governance Code recommends a simple majority, subject to quorum of at least a third of the shareholders being present.

The company had actually promised to bring that article into line with the Tabakslat Code in Holland and then simply decided, on reflection, not to do that, and again, a question of broken promises and of not bringing the company into line with the generally accepted code that most of the other Dutch quota companies follow.

ROBERT MCCORMICK: And these are changes that you would make if successful?

UNIDENTIFIED PARTICIPANT: These are changes we would propose if successful.

ROBERT MCCORMICK: OK. Now, we can turn to, so people can get a sense of the likelihood of success and then we can touch on the relationship between Versa and Hermes in terms of overall percentage ownership of the company's shares. But also if you can give us some indication, as much as you can, about sort of the people who have publicly supported you in terms of supporting your nominees and the removal of Mr. del Prado as CEO.

UNIDENTIFIED PARTICIPANT: We are obviously not authorized to speak on behalf of shareholders and we have given shareholders comfort that we will, in the process of explaining our plans to them and introducing them to the team that we would not speak on their behalf.

There have been public expressions of support for our position by Versa and by Centauraus. So, far we have spoken to about 50 percent of the shareholders in the company and we are expecting to speak to more over the coming week. The overwhelming majority supports our position, understands our position and supports it.

Will that translates into votes at the meeting? That is not a given because not all votes show up at meetings. If, however, we should, in a sense, win the popular vote but not the election because of these special rules put in place at ASMI, we would be forced to take a look at other methods, such as potentially an exchange offer to put through the wishes of the majority of the shareholders.

ROBERT MCCORMICK: It sounds like you're alluding to an American Presidential election in that example.

UNIDENTIFIED PARTICIPANT: It is a possibility. And I think that if there is an overwhelming majority of the shareholders that would support this plan, then we should look at all means to make it happen, especially given that the governance is not in line with the Dutch Code. And, now, obviously it depends how the vote goes at the general meeting. If we do not win a very clear majority then that's a different matter. The shareholders should decide based on the merits of this case.

ROBERT MCCORMICK: This may be more of a long shot, but there is any interest in looking at acquiring the company if you're not successful with this contest?

UNIDENTIFIED PARTICIPANT: Well, we are institutional money managers and we do not take the companies private. It is somewhat what we've discussed with the del Prados. They would be in a position to take the front end private if they want to continue running it the way they have been running it, then it is entirely within their possibility to take the company, at least the front end, private.

There has been some private equity interest expressed in the company. The difficulty is twofold. At the moment, one is that the credit market is not very kind or not very available to the private equity community, but also, the company has some potential defenses in place that would make a hostile bid on the company, you know, having only a low to moderate chance of success. And it would have to be friendly ... or, take the form of an exchange offer as I mentioned earlier.

ROBERT MCCORMICK: OK. Just to remind anyone that has any questions, please e-mail them to us at Proxytalk@glasslewis.com. And then if I can just as a general question. In general, the company has raised some concerns about certain parts of your plan, they feel that some aspects are impractical based on fraudulent assumptions, are too risky, and especially likely to yield to bad results, kind of a broad concern in general about your plan and do you have any general comments about that in terms of the overall concerns and particularly the fraudulent assumptions or two risky aspects of the plan.

UNIDENTIFIED PARTICIPANT: Wouter, you want me to answer that?

WOUTER ROSINGH: Yes. May I just say two things? Our plan is based on publicly available information. And in no way, shape or form have we had access to any internal data and so, undoubtedly the plan will need to be refined with the help of the management team of the company.

One of the issues that the company has had is that with the del Prados with 22 percent of the stock, there's very little stock among the rest of the management. That is one of the things that we would like to change. We would see a broad-based incentive plan contributes to the success of the company, would allow participation in that success and reassure that such potential flaws in the plan as might exist because we do not have access to the internal information of the company, would very be taken out by the new team as they work with the existing senior management who would be incented on the success of the front end business.

Obviously current management has much more detailed information than we can possibly have. Although I think Farhad and his colleagues have a very good understanding of client needs and what the clients are looking for, which the company, we have to say, has not given sufficient importance to based on what clients are telling us.

FARHAD MOGHADAM: Yes, I think that in terms of our plan, we did build some safety margin in it, and our goal is under commit and over deliver. So, this is what we presented in our plan, it is not a stretch goal. And all our information is what's in the public domain. I happen to have good visibility into performance of the company because in my previous role, I had to know the competitive landscape and I had a pretty good insight into what competitors are doing, just as ASMI, Novellus and others, because that was part of my job to understand where the customer is going, where the competition is going, where the market is going.

So, I think if we have built some safety margin in there and, you know, the question of risk of change, the question is what's the risk of doing nothing? What the risk of is staying with the status quo.

Given the market is getting tougher and tougher and the situation is going to get more difficult as we move forward. So, just continuing as the status quos with the same team and just modifying the plan, it's not going to make it happen. So, again, it's a question of execution tactics.

BERTRAND BIRAGNET: Bertrand here, if I could also add something. There is a clear difference in ambition between the two plans. And the best way to look at that is just look the peer group that the company has selected and that they wish to become compared up against.

By the way, they changed those peers to make sure the goals are easier to match. But maybe Farhad you would like to say a few words about some of the names they selected, which just shows that they are happy to be compared, well, not the best companies in the business.

FARHAD MOGHADAM: I mean, they chose companies that have been in a bankruptcy mode for a number of years. They pretty much got taken over by Variant and others have been struggling. And you know that company is right now under discussion to be taken over by TPG, which is from Japan.

So, I mean, I wouldn't call that a benchmark or world class company which I want to follow. And you know, they put Semi Tool, they put basically third-tiered companies, which the majority of them had the revenue and had that million dollar U.S. dollar per year, and they comparing the company which has $600 million revenue, U.S. dollar per year with the $100 million company, which are subscale.

So, the reason was, well, we can't compare ourselves with a company with $10 billion revenue, which is Applied Material or KLA, but you know, there is nothing wrong with comparing with, for example, with KLA over Lamb Research because the key is you have to have an ambitious plan and to be a champion among the champions, not among the third-tiered players, which have their own problems and troubles. RICO is another company, you know, benchmark for anybody follow. So, why the benchmarks have changed from last time to this time, to just lower the goalpost, so it's to easier to meet.

ROBERT MCCORMICK: OK. As we're approaching the end of the time, I want to allow you a couple of minutes state your position. If you want to go ahead and, after that, I'll have some closing comments. Thank you.

WOUTER ROSINGH, MANAGING DIRECTOR, HERMES: Yes, the basic reason why we have done this, this is a very uncharacteristic move for Hermes. We engage in serious dialogue with companies, and much prefer to remain behind the scenes rather than with such obvious and apparently aggressive action.

This really represents the fact that we are at the end of our tether after three years of intensive dialogue with the company and just a string of broken promises.

And it also represents the fact that here is an extremely highly qualified team that could do a much better job for shareholders after so many years of disappointing results form ASMI's front end business. And I'd just like to say that if there's anybody that would like, potentially, to meet with Farhad who is on this call other members of the team, then we would be happy to make that happen in the coming weeks, and we'd also be happy to answer any further questions.

You can reach us at Hermes in London or, potentially, I don't, Robert, whether you do this, or via Glass Lewis, if there are further questions or interest in more information.

ROBERT MCCORMICK: Certainly, if anyone is interested, I'd be happy to pass along the contact information, for any of the gentlemen on the call this morning, this afternoon, in London and the East Coast. But I want to thank Wouter, Bertrand, Farhad and Nicholas for joining us on the call. And I want to thank all of you who participated in the call.

And I just want to make a note that we'll be hearing from ASM International Management on Proxy Talk at noon Eastern next Wednesday, May 7th, so, please join us for that call as well. We'll be sending out invitations shortly on that. And just a general comment that if you have any questions or suggestions for future topics or meetings we can cover, please e-mail them to us at Proxytal@glasslewis.com.

Otherwise, that concludes today's call. Appreciate everyone for listening in and have a good day. Thank you.

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