

## Farewell Dinner Speech

Dear colleagues and your spouses:

Good evening!

I dare to say that every great company has a large pool of high-calibre and loyal employees who devote their careers to the success of the company. ASM is no exception. ASM employees really deserve the praise and recognition for their tremendous contributions. In fact, it is my honour to be associated with and my privilege to lead this successful company for the past 31+ years.

Most companies turned complacent and arrogant because their leaders did. Therefore, it has always been my strategy to keep ASM somewhat a low profile and our employees humble in dealing with customers and suppliers. It is now my last opportunity to instill a sense of pride in ASM's beloved employees on their achievements, to boost their morale and a sense of belonging. Together we have built a role-model high-tech company in Asia – with a financial track record envied by people in business, a team of technical and business talents sought after by others, and a wealth of technologies astounding to non-believers.

As a professional manager, it is my responsibility to optimize the interest of ASM's stakeholders. To our shareholders and investors, we have delivered more than a fair share of returns, in multiples of a few, ten, hundred, thousand, ten-thousand or hundred-thousand times. I made the following statement verbally in public during our mid-year announcement: *Irrespective of the acquisition price, as long as an ASM shareholder holds on to his or her shares, nobody has lost money investing in ASM.* It is a bold statement, but true. To our customers, we can all say with a clear conscience that we have delivered quality products at fair prices and we have done our utmost to serve and support them. To our suppliers, even though ASM pursues vertical integration and has replaced a few vendors to reduce cost, we have treated all our suppliers equitably, sharing the fruits of our success.

From time to time, I asked myself the same searching questions: have I set too high performance standards for ASM employees to meet, and have I balanced the interest of ASM's talented employees sufficiently? Frankly speaking, these are difficult questions, and we will get a wide spectrum of answers from our employees. Unlike the case of many CEOs in the West, it is fortunate that my and other executives' remunerations are not tied to any profit number or share price. Furthermore, as ASM is a public company, our employees can choose to become our

shareholders if they think the interest is biased towards the latter. Overall, I have strived to make ASM an interesting place for our employees to work, to learn and to contribute. We have met the yardstick if our employees feel that their precious years in ASM are not a waste of time, and that ASM has freed them from the hassle of job-hunting year after year.

As we'll soon bid farewell, it is time for me to express my personal thanks and appreciation. As a Christian, I thank God for directing my path, making clear my mission in life, and allowing me to co-work with Him to deliver something worthwhile. It is God's grace that has kept me unharmed in the millions of miles I traveled for this business over the past 31+ years, passing through a number of undeveloped countries in the early years such as Indonesia in the 70s, and China and India in the early 80s. I thank God for granting me the health to withstand executive stress, the wisdom to learn from my own mistakes and others, the opportunity to grow in tandem with the dynamic semiconductor industry, and the diversified experience in coping with failure and success in life.

I'd also like to express my gratitude to Arthur and ASMI, for your prudent choice to let ASMPT go public in 1988, your long-term view in doing business and your wise decision to give me a free hand to run ASMPT since the beginning. I would certainly say that the autonomy given to ASMPT's management is one of our success factors.

Over the years, I am indebted to my wife and children for not spending sufficient time with them to be a good husband and father. Till now, I still have not found the appropriate words to express my appreciation to their support, but I have vowed to spend more time with my grandchildren to make up for my past inadequacy.

Last but not least, I am thankful to all my colleagues in ASM. With your hard work, we have built this great company together: an impeccable financial track record, corporate longevity, impact to our industry, role model for people in business, and the respect of all ASM stakeholders and outsiders. When the news of my retirement was announced in end of July, I received feedbacks from some employees who expressed their commitments to establish new turnover and profit records for ASM this year as their retirement gifts to me. It was really a warm feeling!

Since the news was publicized, a number of people congratulated me for my retirement. Chief executive officer (CEO) is a high-risk job. Among the publicly-listed companies in America, in the past two years there were more than a thousand CEOs terminating their employments each year. The average tenure of CEOs in U.S. listed companies is now reduced to seven years (from nine in the past). I have been fortunate to be at ASM's helm for more than 31 years, achieving consistent profitability and a rapidly-rising market capitalization now in excess of US\$2 billion. With ASM being the number one in the global semiconductor assembly and

packaging equipment industry for the past five consecutive years, attaining new turnover records for the Group, in our equipment and leadframe businesses in 2006, and beating our archrival K&S by at least 75% in turnover, what more can I expect and when would be a better time to retire?

After walking through its management succession and having stronger financial resources than its competitors, ASM is ready to embark on parallel growth strategies in the coming years – to pursue both organic growth, like the past 25 years, and merger and acquisition (M&A). While M&A may be the fastest and most powerful tool for a company to change its competitive position, the M&A champion – Jack Welch, ex-CEO of General Electric – warned people “the six sins of M&A” in a recent BusinessWeek (October 23, 2006) article. He reminded readers the typical M&A pitfalls: an incorrect acquisition target, the strategic and cultural misfits, the over-paid price for the acquisition, the post-acquisition integration issues, etc. Once ASM announces its intention to pursue acquisition, I am sure a lot of investment bankers will knock on our doors persuading us to go after certain deals. We must learn from the past lessons of K&S, ESEC and ASMI, all of whom we have followed their developments intensively, and be prudent in the future decisions on M&A.

It was almost sixty years ago that Bell Lab invented the first transistor, giving birth to the semiconductor industry. But it won't be long before AT&T completes the disposal transaction of their semiconductor business – Agere systems. Giants like Philips and HP, boasting the famous Philips Lab and HP Lab known for their innovations, as well as the communication powerhouse – Motorola, have spun off their semiconductor businesses in the recent years to become NXP, Avago and Freescale respectively. These spin-offs are now in the hands of private equity firms, forcing the management of these semiconductor companies to be short-term-driven as their shareholders – these financial institutions – demand their quick and sizable returns. The storm of private equity firms is not only around the semiconductor device companies, but they have also made their presence known in the assembly and packaging companies and semiconductor equipment companies.

No company, no matter how well-managed, is immune to the challenges of its external environment and the changing shareholder demands. If a ship only sails in a bay and not far from the shore, it could anchor itself or head for the shelter quickly when strong winds come. But as ASM has powered up its engine and headed towards deep water for the larger catch, we will inevitably be confronted with bigger waves. It is important that we keep the ASM corporate culture – the beliefs and behaviors – developed over the years, as it has been proven to be powerful ammunition applicable in any competitive environment.

In the coming years, I intend to remain at the bay to be a beacon reminding people the rock underneath the water and also be the guide to help smaller ships in their smooth sailing. Taking this opportunity, I'd like to ask for your full support to

the succeeding leadership team in the future, just as you have rendered the same to me in the past 31 years. I'd also like to remind the new shepherds to do their utmost to fend off the attack when wolves come to harm their sheep.

Even though I will soon pursue another mission in life, I do hope our friendship will remain forever. Thank you.

*Best regards,*

*Patrick Lam  
Managing Director  
ASM Pacific Technology Ltd.*