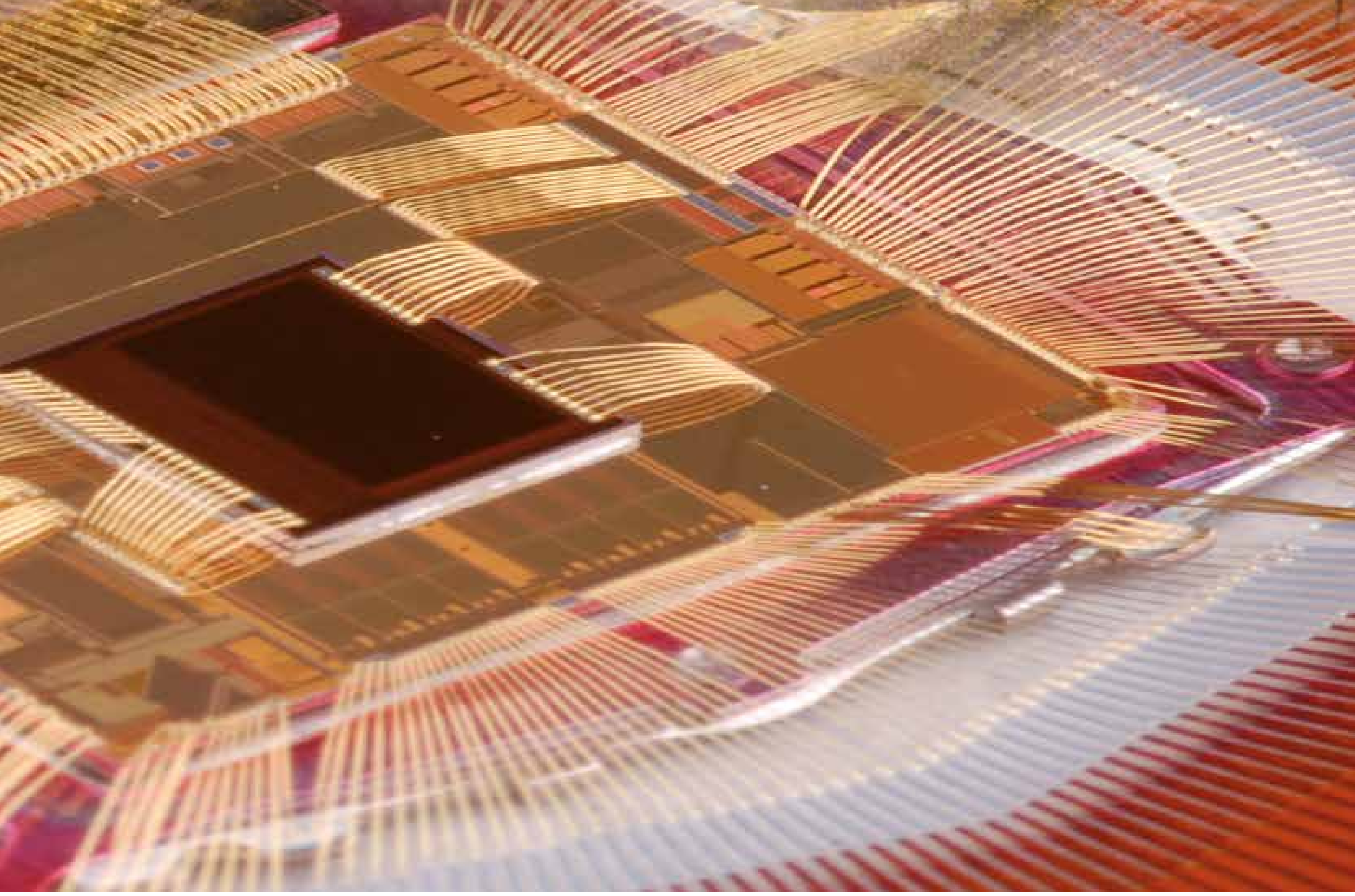
Annual Report 2014

CREATIVITY & FLEXIBILITY

Besi

Contents



Report of the Board of Management

From processed wafer to assembled chip

Dicing	Die Attach		Wire Bond	Packaging		Plating	
	Die Sort	Die Bond	Wire Bond	Molding	Trim & Form	Plating	
	●	●		●	●	●	Leadframe Assembly
					Singulation		
	●	●		●	●	Ball Grid Array	Substrate Wire Bond Assembly
	Die Sort	FC Die Bond		Molding	Singulation		
	●	●		●	●	Ball Grid Array	Substrate Flip Chip Assembly
	●	●		●	●		Wafer Level Packaging Flip Chip Assembly
Process steps	Die Attach			Packaging		Ball Attach	

Company Profile

BE Semiconductor Industries N.V. ("Besi") is engaged in one line of business, the development, manufacturing, marketing, sales and service of semiconductor assembly equipment for the global semiconductor and electronics industries.

Our market

The semiconductor manufacturing process involves two distinct phases, wafer processing, commonly referred to as the front-end, and assembly/test operations which are commonly referred to as the back-end. Our equipment is used by customers principally to produce advanced semiconductor assemblies or "packages". Typically, such assemblies provide the electronic interface and physical connection between a semiconductor device, or "chip", and other electronic components and protect the chip from the external environment. VLSI Research (a leading independent industry analyst) estimated that the size of the assembly equipment market was approximately $ 3.7 billion in 2014, or 9.4% of the total semiconductor equipment market. Annual growth rates in the semiconductor assembly equipment market can fluctuate greatly based on global economic cycles and the capital investment programs of our semiconductor and industrial customers.

Semiconductor assembly shares certain common processes but involves three distinct technologies currently depending on the product application required:

Leadframe assembly, the most traditional approach, involves the electrical connection of the chip via a wire bonding process to a metal leadframe. Leadframe assembly technology is most frequently used to produce semiconductor devices for mass market and consumer electronics applications.

Substrate assembly, an alternative assembly process, has gained increased market acceptance and is used most frequently in new product applications that require high degrees of miniaturization and chip density such as smart phones, tablets, portable personal computers and wireless internet applications. In a typical substrate assembly, no metal leadframes are utilized and the electrical connection of the chip is made directly to a multi-layer substrate or through the creation of direct connections to the multi-layer substrate via a flip chip die bonding process.

Wafer level packaging, the most advanced assembly technology, eliminates the use of either a metal leadframe or laminated substrate for semiconductor assembly. In wafer level packaging, the electrical connections are directly applied to the chip without the need for an interposer. This process technology enables customers to achieve even higher degrees of miniaturization, chip density and performance and lower energy consumption than substrate assembly but at a higher cost and reduced yield currently.

The markets which we serve offer significant long-term opportunities for growth particularly in the most advanced packaging applications. Besi is well positioned to capitalize on end-user market opportunities, the most prominent of which include: (i) mobile internet devices (smart phones, wearable internet devices, other wireless devices and logistical systems), (ii) intelligent automotive components and sensors, (iii) computing (tablets, PCs, flat panel displays, internet applications), (iv) the Internet of Things such as the management of residential and industrial equipment and functions, (v) advanced medical equipment and devices, (vi) solar and renewable energy applications and (vii) LED device applications.

Our products and services

Besi develops and supplies leading edge systems offering high levels of accuracy, reliability and productivity at a low cost of ownership. We offer customers a broad portfolio of systems which address substantially all the assembly process steps involved in leadframe, substrate and wafer level packaging. Our principal product and service offerings include:

- **Die attach equipment:** single chip, multi-chip, multi module, flip chip and TCB die bonding systems and die sorting systems.
- **Packaging equipment:** conventional and ultra thin molding, trim and form and singulation systems.
- **Plating equipment:** tin, copper and precious metal plating systems.
- **Services/other:** tooling, conversion kits, spare parts and other services to our customer installed base.

Our customers

Our customers are primarily leading multinational chip manufacturers, assembly subcontractors and electronics and industrial companies and include ASE, Amkor, Infineon, Micron, Nantong Fujitsu, Osram, Skyworks, SPIL, Stats ChipPAC and STMicroelectronics. Customers are either independent device manufacturers ("IDMs") which purchase our equipment for internal use at their assembly facilities or assembly subcontractors which purchase our equipment to produce packages for third parties on a contract basis. Our equipment performs critical functions in our customers' assembly operations and in many cases represents a significant percentage of their installed base of assembly equipment.

Our global presence

We are a global company with headquarters in Duiven, the Netherlands. We operate seven facilities comprising 478,800 square feet of space for production and development activities as well as eight sales and service offices across Europe, Asia and North America. We employed a total staff of 1,632 fixed and temporary personnel at December 31, 2014, of whom approximately 59% were based in Asia and 41% were based in Europe and North America.

Our listings

Besi was incorporated under the laws of the Netherlands in May 1995 and had an initial public offering in December 1995. Besi's Ordinary Shares are listed on Euronext Amsterdam (symbol: BESI) and also trade on the OTCQX International (symbol: BESIY). More detailed information about Besi can be found at our website: **www.besi.com**.

Key Highlights 2014

Significantly increased revenue, market share and profit:
- Revenue of € 378.8 million up 48.6% vs. 2013. Approximately 2x estimated VLSI assembly equipment market growth of 24% for 2014
- Gross margin of 43.8%, up 4.0% vs. 2013
- Operating expense ratio of 24.8%, down from 32.4% in 2013
- Net income of € 71.1 million, up 341% vs. € 16.1 million in 2013
- Net margin of 18.8%, up significantly vs. 6.3% in 2013

Growth in advanced packaging markets:
- Smart phones, tablets and automotive electronics continue to drive business
- Internet of Things and wearable devices offer additional market opportunities
- Multi module, flip chip, soft solder and TCB die bonding and ultra thin molding systems enjoyed particular market success and share gains in 2014
- Move to more complex <20 nanometer device geometries aids market growth and Besi's market share development
- Increased penetration of Chinese hand set market and Japanese electronics supply chain also aided revenue development

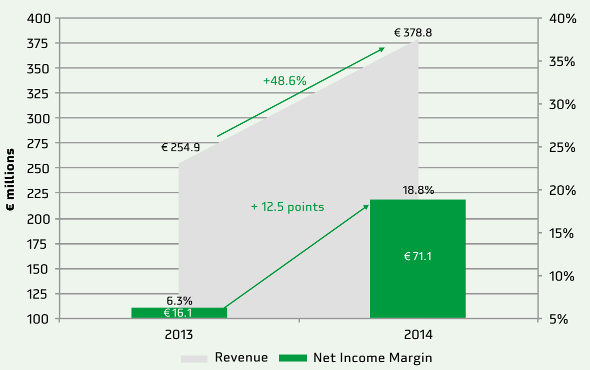
Structural changes and cost controls continue to enhance operating efficiency:
- Overhead reduction continued:
  - 3.8% decrease in European and North American fixed headcount
  - 6.8% reduction in average cost per fixed and temporary production employee
  - Rationalization and transfer of US die sorting operations to Besi Die Attach Austria
- Productivity enhanced as revenue/fixed headcount increased by 46%
- Cost controls limited operating expense increase to 13.4% relative to 48.6% revenue growth
- Appoximately 50% of materials supply chain transferred to qualified Asian vendors

Progress in new advanced packaging development:
- Introduced next generation epoxy, flip chip and soft solder die bonding systems
- Ongoing development of new assembly technologies such as Thermo Compression Bonding ("TCB"), Through Silicon Via ("TSV"), copper pillar and Wafer Level Packaging ("WLP")
- TCB die bonding bookings increased significantly compared to 2013 primarily for memory applications

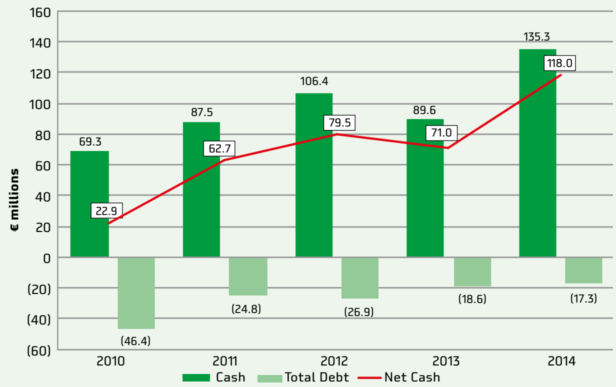
Strong cash flow generation. Solid liquidity position to finance future growth:
- Cash of € 135.3 million (€ 3.54 per share) vs. € 89.6 million at year end 2013
- Net cash of € 118.0 million vs. € 71.0 million at year end 2013

Shareholder value enhanced:
- Besi stock price up 125.4%
- € 12.4 million cash utilized for dividend payments
- Proposed 2014 dividend of € 1.50 per share. 355% increase over 2013 (€ 0.33)

OPERATIONAL PROGRESS YIELDS INCREASED EFFICIENCY



LIQUIDITY TRENDS



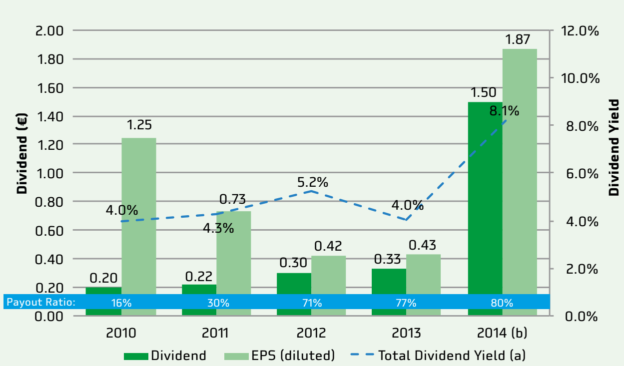
Key Financial Highlights

Year Ended December 31,	2014	2013	2012	2011*	2010
Operating data (in euro millions, except share and per share data)					
Orders	407.6	251.9	276.1	301.1	376.5
Revenue	378.8	254.9	273.7	326.9	351.1
Operating income	72.1	18.9	20.8	34.4	49.9
EBITDA	82.1	27.9	32.4	45.6	60.5
Net income	71.1	16.1	15.8	26.4	47.3
Net income per share					
Basic	1.89	0.43	0.42	0.73	1.39
Diluted	1.87	0.43	0.42	0.73	1.25
Dividend per share	1.50**	0.33	0.30	0.22	0.20
Shares outstanding (excluding Treasury Shares)	37,712,540	37,306,966	37,629,148	36,687,068	33,943,901
Backlog	78.7	50.0	53.0	50.6	76.4
Balance sheet data					
Cash and cash equivalents	135.3	89.6	106.4	87.5	69.3
Total debt	17.3	18.6	26.9	24.8	46.4
Net cash	118.0	71.0	79.5	62.7	22.9
Total equity	328.8	264.2	265.0	256.9	219.0
Financial ratios					
Operating income as % of revenue	19.0	7.4	7.6	10.5	14.2
Net income as % of revenue	18.8	6.3	5.8	8.1	13.5
Current ratio	3.4	3.7	2.9	3.0	2.5
Solvency ratio	74.0	77.5	72.9	73.6	62.5
Headcount data					
Headcount fixed	1,510	1,434	1,479	1,543	1,510
Headcount temporary	122	24	60	64	185
Total headcount	1,632	1,458	1,539	1,607	1,695
Geographic data					
Revenue from Asia as % of total revenue	67.4	75.1	73.8	74.4	78.9
Headcount in Asia as % of total headcount	59.4	55.7	54.3	50.9	54.0

* Besi's Income Statement and Balance Sheet have been restated in accordance with IAS 19R related to a change in the calculation of pension obligations. The adoption of IAS 19R reduced net income in 2011 by € 0.2 million.

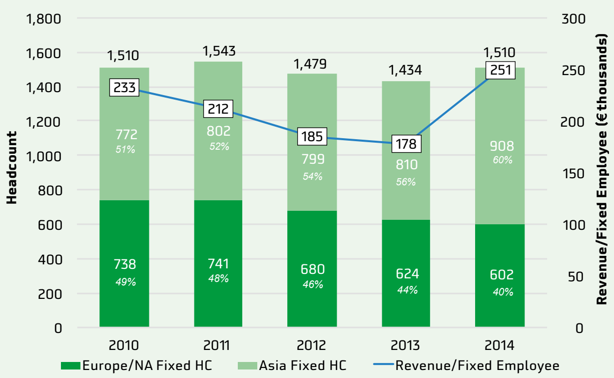
** Proposed for approval at Besi's AGM to be held on April 30, 2015.

DIVIDEND TRENDS



a) Based on year end stock price
b) Proposed for approval at April 2015 AGM

HEADCOUNT AND PRODUCTIVITY TRENDS



Letter to Shareholders

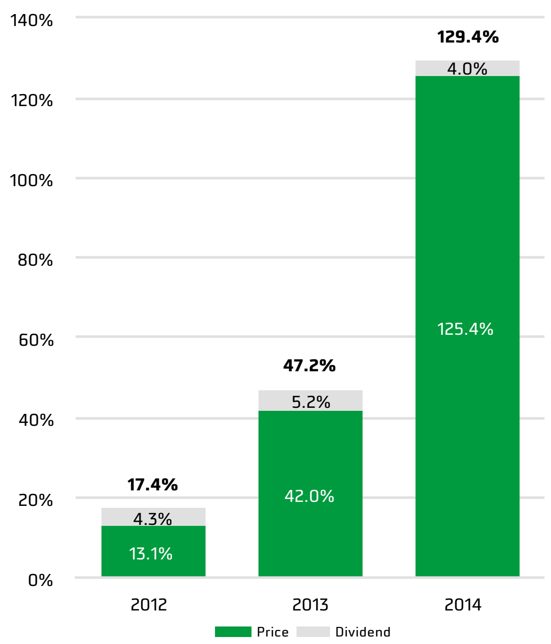
Dear Shareholders,

In 2014, Besi generated substantial revenue and profit growth and delivered another year of strong total returns to shareholders. Revenue grew by 48.6% and net income increased by 341% to a record € 71.1 million. Our strong performance was due to renewed growth in the semiconductor assembly equipment market, new device introductions, market share gains and continued progress in making our business model more scalable, flexible and profitable. Market share growth continued as a result of the success of our leading edge die attach and packaging systems serving higher growth advanced packaging applications such as smart phones, tablets and intelligent automotive electronics. From a customer perspective, revenue growth this year resulted primarily from significant purchases by the world's leading IDMs in each of our respective geographic markets. Besi's market position in 2014 was also enhanced by increased penetration of the China smart phone market and Japanese suppliers of electronic devices and subassemblies. Besi's profit improvement resulted from strong revenue growth, expanding gross margins and significant operating leverage inherent in our business model. We ended the year in a strong financial position with total cash of € 135.3 million which represented € 3.54 per share, or 19.1% of the value of our year end stock price of € 18.53.

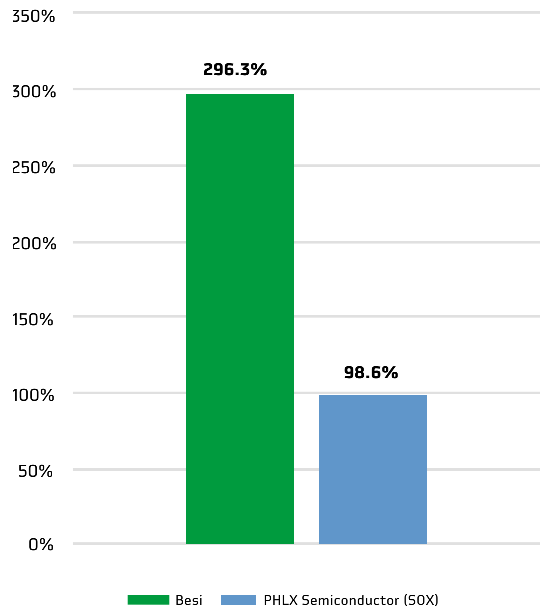
Shareholder value increased

We have significantly increased shareholder value over the past three years through our improved profit and cash flow generation, stock price development, share repurchases and dividends paid to shareholders. Besi generated a total shareholder return of 129.4% in 2014 and a cumulative total return of 296.3% over the past three years, significantly outpacing returns of our benchmark Philadelphia Semiconductor ("SOX") index for such periods. Total dividends and share repurchases aggregated € 12.4 million in 2014 and € 35.4 million over the past three years, confirming our commitment to provide a current return to our shareholders while holding sufficient cash to fund future growth opportunities.

BESI SHAREHOLDER TOTAL RETURN



CUMULATIVE SHAREHOLDER TOTAL RETURN BESI VS. SOX INDEX 2012 - 2014



Given increased profits in 2014, encouraging prospects for 2015 and our healthy cash position, we propose to pay a cash dividend of € 1.50 per share for approval at Besi's Annual General Meeting of Shareholders in April 2015. The proposed dividend represents an increase of 355% over 2013 (€ 0.33) and the fifth consecutive annual dividend paid by our Company.

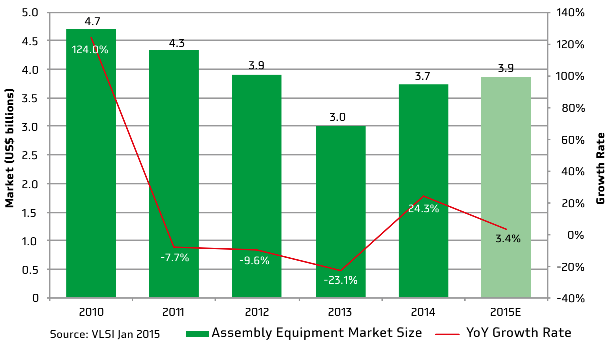
Business review

Semiconductor assembly equipment market returns to growth trajectory in 2014. Market volatility and seasonality continue

VLSI Research (a leading independent research analyst for the semiconductor equipment industry) currently estimates that the semiconductor assembly equipment market increased by approximately 24% in 2014 reversing a secular downward trend since 2010.

Renewed growth in 2014 was primarily due to (i) improved global economic conditions, (ii) new device introductions by semiconductor manufacturers and (iii) the industry's move to more advanced packaging technologies to handle the substantial increase in demand for smart phone, tablet and automotive applications. During 2014, Besi's principal semiconductor assembly equipment markets continued to be volatile both on a quarterly and semi annual basis influenced primarily by seasonal

ASSEMBLY EQUIPMENT MARKET TRENDS



demand for consumer electronics and new device introductions. However, the year was notable for generally higher year end backlog levels in comparison to prior years, reinforcing analyst estimates for a favourable 2015 outlook.

Well positioned to capitalize on technology trends driving advanced packaging growth

In the context of an improving industry environment in 2014, Besi made important progress in its revenue and market share development as can be seen in the chart below.

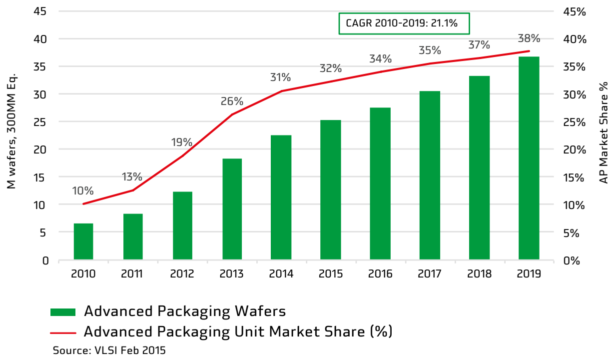
BESI MARKET SHARE DEVELOPMENT 2012 - 2014

Source: VLSI, Jan 2015 and Besi estimates	2012	2013	2014E
Total Assembly Equipment Sales	8.6%	10.8% ⬆	13.4% ⬆
Besi Addressable Market	21.8%	27.0% ⬆	31.7% ⬆
Total Die Attach Equipment	27.7%	33.1% ⬆	38.7% ⬆
Total Packaging Equipment	11.1%	16.0% ⬆	18.0% ⬆
Total Plating	75.8%	83.8% ⬆	90%+ ⬆

It is our belief that Besi offers customers the most accurate, reliable and productive systems on the market today at the most compelling cost of ownership. Besi has increased its market share versus the assembly equipment market in five of the past six years. Sales and market share growth in recent years have been gained in key products such as multi module and flip chip die bonding equipment and ultra thin molding systems for advanced packaging applications. We also increased Thermo Compression Bonding ("TCB") orders significantly year over year and have a leading position in this emerging growth category.

Our advanced packaging product lines are important to future revenue growth as customers increase spending on wafer level and 3D stacked die solutions to (i) shrink next generation device geometries below 16 nanometers, (ii) significantly reduce power consumption requirements and (iii) increase chip density and functionality in such areas as smart phones, tablets, automotive electronics, wearable devices and the Internet of Things ("IOT"). Many analysts believe that the advent of wearable devices and IOT (smart machines communicating with other smart machines) can drive semiconductor equipment market growth over the next five to ten years in a manner comparable to the proliferation of the smart phone in recent years. We are well positioned with the right product strategy for projected advanced packaging growth as emerging trends play to the technological strengths of our systems.

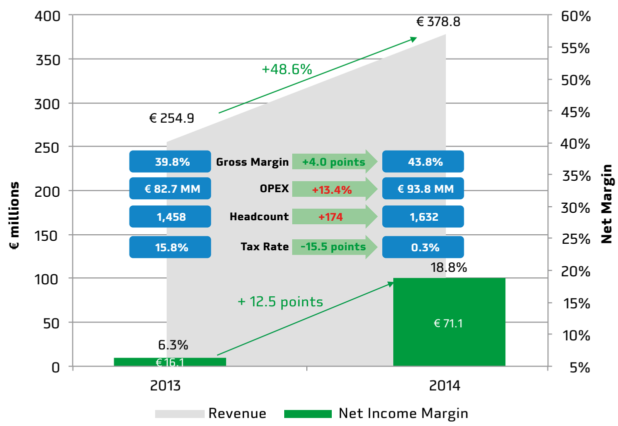
ADVANCED PACKAGING SILICON DEMAND GROWTH & MARKET SHARE 2010 - 2019



Operational transformation delivers industry benchmark performance in 2014

Besi's operational strategy focuses on ever increasing scalability and structural cost reduction to profitably navigate high levels of industry volatility and competition. In 2014, we were able to scale our business to achieve revenue growth of 48.6%, a level far exceeding industry average growth rates and those of our peers. In addition, net margins reached 18.8% approximately triple the net margins of 2013. A financial road map to our 2014 net margin improvement is set forth below:

OPERATIONAL PROGRESS YIELDS INCREASED EFFICIENCY



Gross margins have benefited as we capture more labor and production overhead efficiencies from our Asian production transfer and reduce European and North American based costs. In addition, even as Besi's revenue has ramped this year, operating expenses have stayed within a recent historical range of € 20-25 million per quarter providing a healthy tailwind to profitability. We also made significant progress in moving our supply chain from Europe to Asia as a means of further reducing material costs. Material costs represented about 45% of our revenue in 2014 so it is an important area of focus.

"Essentially it was a congratulatory year for Besi's laser focus on packaging and solid results with even more solid management."

VLSI Research January 2015

Further operational improvement anticipated in 2015

Our objective is to continue enhancing the operating expense model in 2015 to further optimize margins and returns to shareholders. We are particularly focused on reducing Swiss based overhead in light of the approximate 15% increase in the value of the Swiss franc relative to the euro since January 2015. Besi decided on February 25, 2015, to transfer certain die attach software, engineering, logistics and administrative functions from Switzerland to Besi's Singapore applications engineering facility by Q3-2015 which is anticipated to save on an annualized basis approximately € 6.5 million, net, including facility savings. Other 2015 initiatives include further advancement of our supply chain move to Asia and the development of certain die bonding production capabilities at Besi China specifically for the local Chinese market.

Progress in new advanced packaging development

Besi's product strategy focuses on the development of advanced packaging systems as the driver of its future growth. Customer device shrinks below 16 nanometers, 3D technology and more complex functionality offer us both great revenue opportunities and technological challenges. In 2014, Besi's development focus was primarily on further increasing the speed and accuracy of its die attach product offering through next generation introductions. We also introduced a new wafer molding system which was successfully shipped in Q2-14. Significantly increased customer shipments of TCB die bonders reinforced Besi's leadership position in this technology. We believe that we have the fastest, most accurate TCB platform on the market and are hard at work to develop systems capable of handling ever larger and thinner dies. Finally, in a validation of our portfolio capabilities, we significantly expanded orders for packaging and micro processor sorting, inspection and lid attach systems for a major US multinational customer.

For 2015, we anticipate the introduction of next generation packaging systems and the expansion of TCB applications beyond the memory market. We are also actively engaged in common parts/ platform development designed to streamline R&D and manufacturing processes as well as shorten cycle times for the next generation of die bonding equipment.

Outlook 2015

Many industry analysts and customers have a favourable outlook for 2015. At the time of this report, VLSI Research expects that the semiconductor assembly equipment market grew by 24.3% in 2014 and will increase by an additional 3.4% in 2015. From our perspective, the outlook appears favourable going into 2015 given increased order and backlog levels at year end 2014 in comparison to 2013 and order trends through February 2015. Applications such as IOT, wearable devices, memory and streaming video content should further push demand for advanced packaging equipment in the future. We are cautiously optimistic as to the industry's direction in 2015 as customers continue to be generally more positive in their outlook this year than in prior years. As such, Besi anticipates continued revenue growth and market share gains in its addressable markets.

In closing, we want to thank all our employees, customers, suppliers, business partners and shareholders for helping us achieve truly remarkable results in 2014. Such results are not a one time event but reflect years of effort to transform Besi into an industry leader with benchmark levels of profitability. We thank you all for your continued support as we move along on the exciting road ahead.

Board of Management
Richard W. Blickman

February 25, 2015

Strategy

S t r a t e g y

I. Strategic objective
Besi's objective is to become the world's leading supplier of semiconductor assembly equipment for advanced packaging applications and to exceed industry average benchmarks of financial performance.

II. Strategic initiatives
The key initiatives to realize Besi's strategic objectives include:
1. Developing new products and markets.
2. Strengthening and expanding strategic long-term customer relationships.
3. Expanding Asian operations, materials sourcing and direct shipments.
4. Developing common platforms and common parts for its systems.
5. Achieving a more scalable, flexible and lower cost manufacturing model.
6. Selectively acquiring companies with complementary technologies and products.

Through the implementation of its strategy, Besi seeks to (i) become a more efficient and profitable company with increased market share in the segments of the assembly equipment market with the greatest potential for long-term growth and (ii) significantly enhance its scalability and flexibility to respond more effectively to increasingly volatile industry order patterns.

1. Developing new products and markets
Besi seeks to provide global semiconductor manufacturers and subcontractors a compelling value proposition combining superior levels of accuracy and reliability at the lowest cost of ownership. As a result, Besi's technology efforts are focused on developing leading edge processes and equipment for leadframe, substrate and wafer level packaging applications that are consistent with customers' needs and have the greatest potential for long-term growth.

Besi seeks to differentiate itself in the marketplace by means of a technology led product strategy that exploits revenue opportunities in both premium and mainstream assembly equipment markets. Besi enters such markets with leading edge technology and products appealing to the first movers of its industry, typically leading global semiconductor manufacturers and other advanced industrial end-users. Upon commercial acceptance, Besi then seeks to maximize the return on investment of its products through continued system cost reduction so that they appeal to a broader, more mainstream customer base and extend their product life cycle. Mainstream customers are typically Asian assembly subcontractors. Besi exits product markets when its technology becomes commoditized and returns on investment become unattractive.

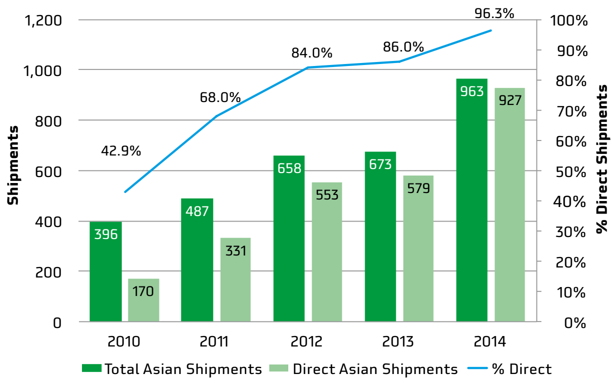
In pursuing its product strategy, Besi uses its core competency to (i) increase revenue by expanding its addressable market and market share and (ii) maximize the return on its technology investment. Besi anticipates increasing its penetration of the mainstream assembly market given (i) its leading edge equipment portfolio for advanced packaging applications, (ii) its cost reduction and Asian manufacturing initiatives, (iii) reduced cycle times and (iv) increased direct shipments to Asian customers via the expansion of Asian production capabilities.

2. Strengthening and expanding strategic long-term customer relationships
One of Besi's primary business objectives is to develop close, strategic relationships with customers deemed critical to its technological leadership and growth. Besi's customer relationships, many of which exceed forty-five years, provide Besi with valuable knowledge about semiconductor assembly requirements as well as new opportunities to jointly develop assembly systems. As such, they provide Besi with an important insight into future market trends as well as an opportunity to broaden the range of products sold to customers.

In order to sustain close relationships with customers and generate new product sales, Besi believes that it is critical to maintain a significant presence in after-sales and service in each of its principal markets. As such, Besi has currently eight regional sales and service offices in Europe, the Asia Pacific region and the United States and a direct sales force and customer service staff of approximately 180 people. Consistent with the ongoing migration of its customer base to Asia, Besi intends to further strengthen its sales and customer service activities in this region and has shifted a significant portion of its resources to countries such as Malaysia, Singapore, China, Taiwan and Korea.

3. Expanding Asian operations, materials sourcing and direct shipments
In 2014, approximately 67% of revenue was derived from sales to Asian customer locations. Besi has significantly restructured its operations in recent years in an effort to improve profitability and better service a customer base that has migrated from Europe and North America to Asia. Besi's strategy focuses on the transfer of substantially all component sourcing, system manufacturing, product application engineering and tooling/spares operations to its Asian facilities. In this concept, product ownership and responsibility for new product development remains at its European operations. Only highly customized systems are produced in Europe for which Besi generates attractive gross margins.

ASIAN PRODUCTION AND DIRECT SHIPMENTS SIGNIFICANTLY EXPANDED



The key priority for 2015 is to expand Besi's Asian supply chain network to help drive down raw material and component costs. Besi also plans to outsource certain system modules to local contract manufacturers to help reduce freight and labor costs as well as lower inventory and cycle times. Further, the completion of Besi's Asian production and supply chain transfer should help better align Besi's US dollar/CHF/euro foreign currency exposure. The Company decided on February 25, 2015, to transfer certain die attach software, engineering, logistics and administrative functions from Switzerland to Besi's Singapore applications engineering facility by Q3-2015 which is anticipated to save on an annualized basis approximately € 6.5 million, net, including facility savings. Finally, Besi also intends to commence production of certain die bonding systems at its Leshan, China facility for the Chinese market to improve its presence and cycle times for local customers and reduce manufacturing costs.

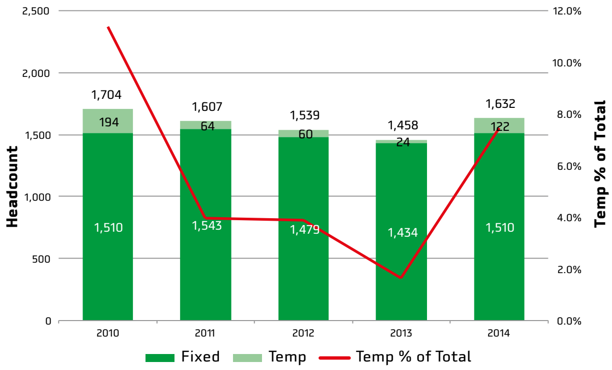
4. Developing common platforms and common parts for its systems

Besi is in the process of re-engineering several of its existing product platforms to reduce their overall cost and manufacturing cycle time through more standardized design and manufacturing processes. As part of the streamlining process, Besi has focused on the development of common parts and common platforms for its die bonding and packaging systems with the objective of decreasing the number of platforms for such products. Such decrease will enable Besi to (i) reduce the number of components and machine parts per system, (ii) decrease average component costs, (iii) greatly simplify design engineering, (iv) shorten cycle times and (v) lower warranty expense. In this manner, Besi expects to achieve additional labour cost, supply chain and working capital efficiencies.

5. Achieving a more scalable, flexible and lower cost manufacturing model

The semiconductor equipment market has become increasingly more volatile in recent years due to lingering macro-economic uncertainty stemming from the global financial crisis of 2008/2009 and changing end market applications and seasonal purchasing patterns. As a result, Besi has adjusted its manufacturing model to be more responsive to rapid changes in customer demand, to optimize its revenue potential and to become more profitable in both cyclical upturns and downturns. Key initiatives include the consolidation and Asian expansion of its supply chain network, the development of common platforms and common parts, the consolidation of production and certain engineering functions in Asia, the further integration of its European die attach operations and the simplification and harmonization of manufacturing processes.

MORE SCALABLE AND FLEXIBLE PRODUCTION MODEL



6. Selectively acquiring companies with complementary technologies and products

In order to provide customers with leading edge process solutions, it is critically important to identify and incorporate new technologies on a timely and continuous basis. As a result, Besi actively identifies and evaluates acquisition candidates that can assist it in (i) maintaining process technology leadership and increasing market share in those assembly markets with the greatest long-term potential, (ii) growing its less cyclical, "non-system" related revenues from tooling, spares and service and (iii) enhancing the productivity of its Asian manufacturing operations.

III. Implementation of strategic initiatives

Besi has undertaken a series of actions and completed important acquisitions to advance its strategic initiatives, accelerate revenue growth and reduce its cost structure.

Development of new products and markets

Besi has a history of innovation and leadership in developing systems for leadframe, substrate and wafer level assembly technologies covering a wide variety of end-use applications.

Over the past five years, Besi has developed next generation die attach and packaging systems designed to address its customers' requirements for miniaturization, accuracy, performance and higher chip density at lower overall cost of ownership in substrate and wafer level packaging applications. Key highlights during this period include:

- Development and shipment of industry leading die bonding and molding systems for ultra thin packaging applications such as smart phones and tablets (2010/2011).
- Qualification and receipt of volume orders for die attach systems assembling lens cap camera modules to digital devices for smart phone and tablet applications (2011/2013).
- Receipt of first orders and shipment of TCB die bonding equipment to assemble next generation <20 nanometer device geometries (2013).

In recent years, Besi has also expanded its product portfolio to address rapidly growing end-use customer applications including mobile internet devices (smart phones, tablets), LED lighting, thin-film solar cell, fingerprint recognition and sensors.

Implementation of "One Besi" corporate organization

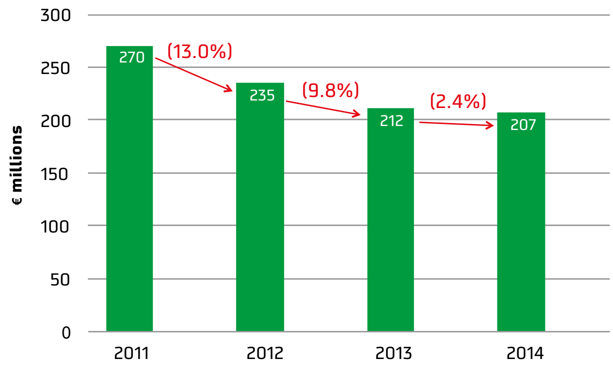
The implementation of the "One Besi" concept has involved the change from a holding company structure containing seven autonomous entities in favour of three principal business units over which a single management structure was established. In this structure, key operating responsibilities are now centrally managed on a global basis. The development of this structure also facilitated the acquisition of Esec in 2009 under which Besi incorporated additional die bonding and wire bonding products to the "One Besi" platform. Besi also established a centralized spares and tooling organization in order to increase customer responsiveness and revenue potential and better align inventory with customer demand. Similarly, management has adopted and implemented an enterprise software system in order to help further harmonize business processes and improve efficiency and communication throughout the global organization. In 2014, management introduced a new One-Besi initiative designed to further standardize work processes, software and lines of communication and rolled out its ERP system to its Dutch packaging operations.

Reduction of structural costs in business model

In 2007, Besi agreed to fundamentally re-organize its global operations and management structure to streamline operations, improve returns from its product portfolio, reduce its break even cost levels and increase profitability. Since then, the Company has (i) significantly rationalized its manufacturing operations, (ii) reduced its unit manufacturing costs, (iii) transferred substantially all of its European production to Asia, (iv) significantly reduced its European headcount and operations and (v) reduced break even cost levels to gain through cycle profitability on a consistent basis. Key organizational changes included:

- The adoption of the "One Besi" concept (2007).
- The consolidation of Besi's packaging equipment activities under one product management (2007).
- A headcount reduction plan which realized € 6 million of cost savings in 2008 (2007).
- A headcount reduction plan which achieved € 15 million of cost savings in 2010 (2009).
- The rationalization of Besi's plating unit and the termination of its Hungarian die bonding operations (2009).
- A realignment of Besi's packaging systems business and a 10% company-wide headcount reduction plan which realized annualized cost savings of approximately € 7 million (2009).
- The combination of Besi's Austrian and Swiss die attach operations into the Die Attach product group (2009).
- The restructuring of its wire bonding unit to improve its return on investment from its product portfolio and redeploy resources to more profitable product applications (2010).
- A company-wide headcount reduction plan to realize € 8.5 million of annualized cost savings in 2012 (2011).
- A headcount reduction plan to achieve € 11 million of annualized cost savings including the further integration of its European die attach activities and profit enhancement of its Dutch plating operations (2012).
- Realignment of Besi's European operational structure. Further reduction of European overhead and personnel costs from final production transfer to Asia (2013).
- Rationalization of Besi's US die sorting operations. Development and production transfer to Besi Austria (2014).
- The restructuring of Besi Switzerland consisting of the transfer of certain die attach software, engineering, logistics and administrative functions from Switzerland to Besi's Singapore applications engineering facility (2015).

BREAK EVEN REVENUE LEVELS DECLINING



Increased scale and flexibility in manufacturing operations

As a result of significant changes in Besi's Asian production capacity, supply chain and processes, it was able to ramp orders in 2012, 2013 and 2014 by 65%, 70% and 117%, respectively, from trough to peak in response to rapidly increased customer demand for assembly equipment. Similarly, Besi was able to downscale production by 47%, 42% and 34% from peak to trough in 2012, 2013 and 2014, respectively, while maintaining profitability. This manufacturing scalability and flexibility is unprecedented in Besi's history.

Expansion of Besi's Asian operations

To support its Asian production strategy, Besi has invested approximately € 22 million since 2008 to expand its Asian production capacity including a significant upgrade of its Malaysian production facility and the construction and expansion of a dedicated Chinese tooling facility. As a consequence of its Asian capacity upgrade, Besi has significantly reduced its European and North American workforce, closed inefficient operations and transferred substantially all its European production and all its tooling capacity to its Malaysian and Chinese facilities over the past five years. The Asian production transfer has helped reduce labour and materials costs, increase manufacturing flexibility and scalability and improve delivery times to customers.

To effect the transition, Besi:

- Terminated production at its Hungarian die bonding manufacturing facility and transferred it to its Malaysian facility (2009).
- Commenced the production transfer of epoxy die bonding system manufacturing from Switzerland to its Malaysian facility (2011) which was completed in 2012.
- Completed an approximate doubling of its Chinese production capacity to support increased tooling volumes and an approximately 50% increase in Malaysian manufacturing capacity (2012).
- Finalized the production transfer of epoxy die bonding systems to Malaysia (2012).
- Commenced the transfer of soft solder die bonding system production from Switzerland to Malaysia (2012).
- Completed the production transfer to Asia of its soft solder die bonding systems (2013).
- Produced over 90% of systems in Asia from which 96% of systems were shipped directly to Asian customers (2014).

Completion of strategic acquisitions
Besi has made four important acquisitions since 2000:

- In September 2000, Besi acquired RD Automation (USA) in order to advance its product strategy into the front end of the assembly process with the addition of flip chip capabilities into its product portfolio.
- In January 2002, Laurier (USA) was acquired adding intelligent die sorting capabilities into its product range.
- In January 2005, Besi further advanced its strategy by acquiring Datacon (Austria) in order to extend its presence in the flip chip and die bonding equipment markets and to increase its overall scale in the semiconductor assembly equipment market.
- In April 2009, Besi acquired Esec (Switzerland) to expand its position of the mainstream die bonding market, one of the most rapidly growing segments of the assembly equipment business.

Financial Review

Financial Review

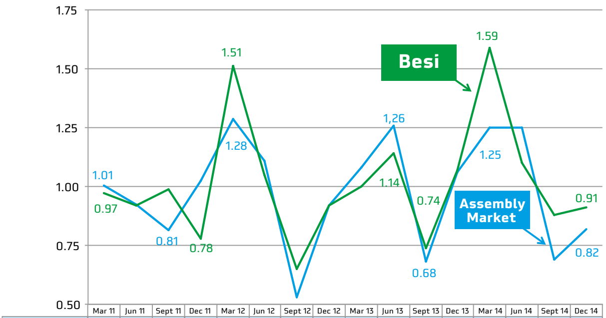
General

BE Semiconductor Industries N.V. ("Besi" or the "Company") is engaged in one line of business, the development, manufacturing, marketing, sales and service of semiconductor assembly equipment for the global semiconductor and electronics industries. Since Besi operates in one segment and in one group of similar products and services, all financial segment and product line information can be found in the Consolidated Financial Statements.

Besi's revenue and results of operations depend in significant part on the level of capital expenditures by semiconductor manufacturers, which in turn depends on the current and anticipated market demand for semiconductors and for products utilizing semiconductors. Demand for semiconductor devices and expenditures for the equipment required to assemble semiconductors is highly cyclical, depending in large part on levels of demand worldwide for smart phones, tablets and other personal productivity devices, computing and peripheral equipment and automotive and industrial components, as well as the production capacity of global semiconductor manufacturers. Furthermore, a rise or fall in the level of sales of semiconductor equipment typically lags any downturn or recovery in the semiconductor market by approximately three to six months due to the lead times associated with the production of semiconductor equipment.

Over the past five years, Besi has experienced significant upward and downward movements in quarterly order rates due to global macro-economic concerns and increased seasonality of end-user application revenue. Customer order patterns have become increasingly more seasonal due to the growing influence of more retail oriented electronics applications in the overall demand for semiconductor devices such as smart phones, tablets, wearable devices and automotive electronics. As is evident in the chart below, order patterns have been characterized by a strong upward ramp in the first half of the year to build capacity for anticipated year end demand followed by a subsequent decline in the second half of the year as capacity additions are digested by customers. Volatile global macro-economic conditions and seasonal influences have also contributed to the significant upward and downward movements in Besi's quarterly and semi annual revenue and net income.

QUARTERLY BOOK TO BILL RATIOS 2011-2014
BESI VS. ASSEMBLY EQUIPMENT MARKET

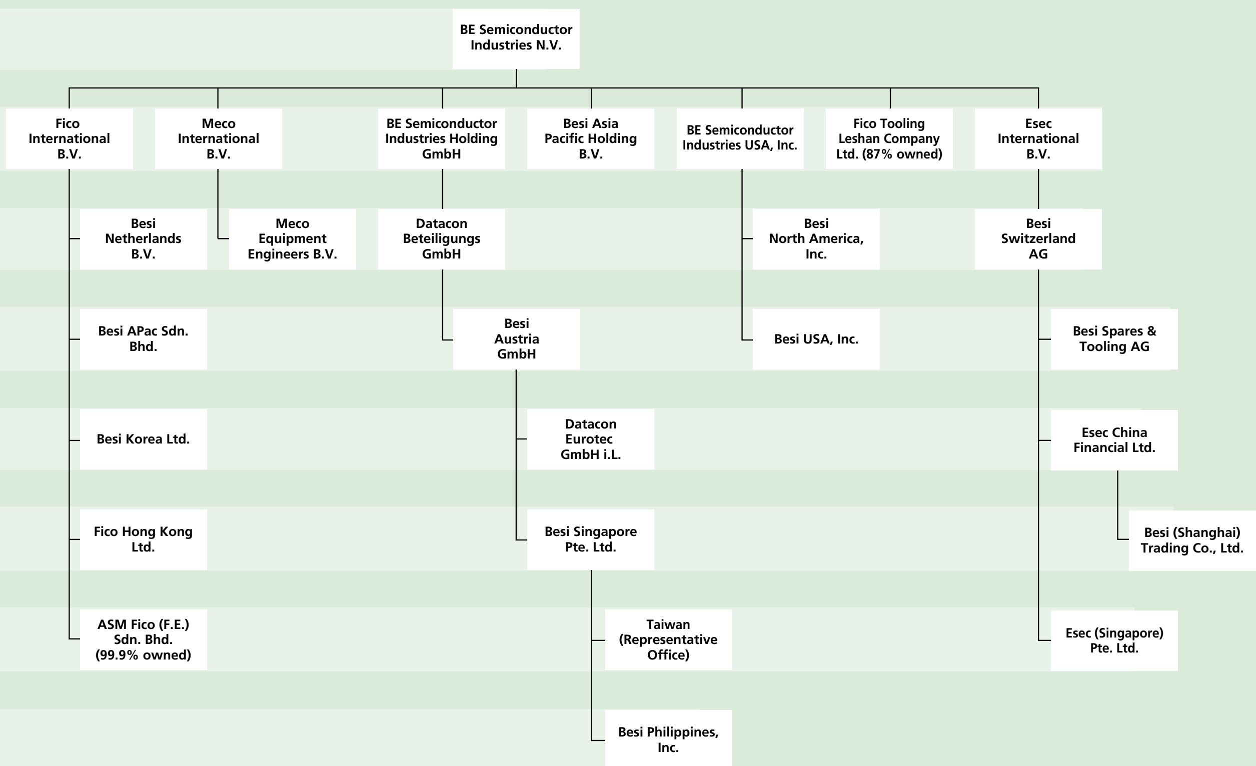


	Mar 11	Jun 11	Sept 11	Dec 11	Mar 12	Jun 12	Sept 12	Dec 12	Mar 13	Jun 13	Sept 13	Dec 13	Mar 14	Jun 14	Sept 14	Dec 14
Assembly Market	1.01	0.92	0.81	1.02	1.28	1.11	0.53	0.92	1.08	1.26	0.68	1.06	1.25	1.25	0.69	0.82
Besi	0.97	0.92	0.99	0.78	1.51	1.05	0.65	0.92	1.00	1.14	0.74	1.07	1.59	1.10	0.88	0.91

Source: Semi Jan 2015

Besi's revenue is generated primarily by shipments to the Asian manufacturing operations of leading European and American semiconductor manufacturers and Taiwanese, Chinese, Korean and other Asian manufacturers and

Legal Chart



subcontractors. Besi's sales to specific customers tend to vary significantly from year to year depending on their capital expenditure budgets, new product introductions, production capacity and packaging requirements.

For the year ended December 31, 2014, one customer accounted for 8.9% of Besi's revenue and its three largest customers accounted for 25.2% of revenue. In addition, Besi derives a substantial portion of its revenue from products that have an average selling price in excess of € 300,000 and that have lead times of approximately 4-8 weeks between the initial order and delivery of the product. The timing and recognition of revenues from customer orders can cause significant fluctuations in operating results from quarter to quarter.

Corporate and financial structure

Besi's corporate organization consists of a Dutch holding company in which shareholders own Ordinary Shares and a network of predominantly wholly-owned subsidiaries located globally which reflects its product group and business activities. The chart on page 16 presents Besi's legal organization as of December 31, 2014. To get a better overview of Besi's largest shareholders, reference is made to Besi Shareholder Information.

In general, Besi funds its operations through available cash on hand, cash generated from operations and, in some instances, funds the operations of its subsidiaries through intercompany loans. In addition, some of its subsidiaries maintain lines of credit with various local commercial banks to meet their internal working capital needs. Please refer to pages 20 and 21 for a detailed analysis of Besi's financial structure at December 31, 2014.

Organizational restructuring and integration activities

Restructuring activities

In order to improve its profitability and scalability in light of volatility in uncertain semiconductor markets, Besi has undertaken operational restructurings over the past five years. Restructuring charges aggregated € 1.6 million and € 0.8 million in 2014 and 2013, respectively. Such charges related primarily to the rationalization of Besi's US die sorting operations in 2014 and severance charges in 2013 associated primarily with the 2012 headcount reduction plan.

Integration of acquisitions

Besi has made four acquisitions since 2000 primarily to establish and expand its presence in the die attach equipment market. Its last purchase was the acquisition of the Esec die bonding subsidiary in April 2009 from OC Oerlikon AG. Besi has actively integrated Esec's operations into the "One Besi" corporate platform since the date of acquisition. Integration activities have included (i) merging its sales, service and spare parts business, (ii) incorporating its SAP IT platform into Besi's IT platform, (iii) transferring its die bonding system production to Besi's Malaysian operations from Switzerland and (iv) combining Esec's operations with those of its other die attach operations into one Die Attach product group.

Currency exposure

Besi's principal functional and reporting currency is the euro. In 2014 and 2013, Besi's revenue denominated in euro represented 34% and 28% of its total revenue, respectively, while its costs and expenses denominated in euro represented 28% and 34%, respectively. As seen in the table below, the substantial majority of Besi's revenue is denominated in US dollars while the majority of its costs and expenses is denominated in the Malaysian ringgit, euro and Swiss franc. Besi seeks to manage its exposure to currency fluctuations in part by hedging firmly committed sales contracts denominated in US dollars, and in part by hedging net exposures in Besi's principal transaction currencies at its Swiss and Malaysian operations.

	Revenue		Costs and Expenses	
	2014	**2013**	**2014**	**2013**
Euro	34%	28%	28%	34%
US dollar	65%	71%	4%	7%
Swiss franc	-	-	20%	26%
Malaysian ringgit	-	-	40%	22%
Other	1%	1%	8%	11%
Total	**100%**	**100%**	**100%**	**100%**

Given the foreign currency composition of its revenue and costs and expenses, Besi's results of operations are affected by fluctuations in the value of the euro, the US dollar, Swiss franc and Malaysian ringgit. The reduction in the value of the euro versus the US dollar benefited Besi's revenue and gross margins in 2014 and have continued to benefit Besi's results to date in 2015. However, such benefits have been partially offset by the actions of the Swiss National Bank in January 2015 to abandon its euro/Swiss franc peg. This announcement caused an approximate 15% increase in the value of the Swiss franc versus the euro since January 2015 and caused an increase in Besi's supply chain costs and operating expenses. In response, the Company is actively engaged in accelerating the move of its remaining European supply chain to Asia and reducing Swiss based headcount commensurately to compensate for the upward revaluation of the Swiss franc.

Results of operations

2014 compared to 2013

Besi's results of operations and financial condition in the 2013-2014 period was influenced by volatility in the global economy and customer order patterns which caused its revenue, orders and profit levels to vary on a quarterly and semi annual sequential basis in each year.

(euro in millions)				**2013**				**2014**
	Q1	**Q2**	**Q3**	**Q4**	**Q1**	**Q2**	**Q3**	**Q4**
Revenue	64.0	72.4	65.4	53.1	70.0	116.2	103.5	89.0
Orders	63.9	82.7	48.2	57.2	111.1	124.2	90.9	81.4
Net income	3.8	6.5	4.4	1.4	7.0	22.9	21.5	19.7
Ending backlog	52.8	63.1	45.8	50.0	91.1	99.0	86.4	78.7

In recent years, Besi's first half year orders and profits have accelerated as compared to the prior semi annual period as customers significantly increased demand for incremental semiconductor assembly capacity to meet rising orders for smart phone, tablet, and automotive applications and new device introductions. Typically, the upcycle has ended by early summer as customers digested incremental capacity additions and became cautious in placing new orders as a result of macro economic concerns. However, Besi's 2014 results varied from the traditional pattern in that second half year backlog levels were much higher than in prior second half periods and that profitability was maintained at a much higher level than in previous years. Improved second half 2014 net income was due primarily to a more positive customer outlook for semiconductor usage in smart phones and other electronic devices, the success of new device introductions and market share gains achieved combined with tight controls over spending and headcount.

Revenue/Orders

(euro in millions)	**Year ended December 31, 2014**	**2013**	**% Change 2014/2013**
Revenue	378.8	254.9	48.6%
Orders	407.6	251.9	61.8%

Besi's revenue increased by € 123.9 million (48.6%) in 2014 as compared to 2013 and was across all product lines. Renewed growth in 2014 was primarily due to (i) improved global economic conditions, (ii) successful new device introductions by semiconductor manufacturers, (iii) the industry's move to more advanced packaging technologies in support of increased demand for smart phone, tablet and automotive applications and (iv) market share gained by the Company. Besi's leading edge multi module, flip chip, TCB and soft solder die bonding systems as well as ultra thin molding systems for advanced packaging applications enjoyed particular market success. Similarly, orders in 2014 increased by € 155.7 million (61.8%) as compared to 2013 primarily as a result of increased bookings by global IDMs for smart phone and automotive applications. Orders by IDMs and subcontractors represented approximately 60% and 40%, respectively, of Besi's total orders in 2014 as compared to 49% and 51%, respectively, in 2013.

Backlog

Besi includes in backlog only those orders for which it has received a completed purchase order. Such orders are subject to cancellation by the customer with payment of a negotiated charge. Besi's backlog as of any particular date may not be representative of actual sales for any succeeding period because of the possibility of customer changes in delivery schedules, cancellation of orders and potential delays in product shipments.

Backlog increased from € 50.0 million at December 31, 2013 to € 78.7 million at December 31, 2014 (+57.4%) although quarterly levels fluctuated significantly during the year reflecting customer order patterns and industry volatility. The book-to-bill ratio increased to 1.08x in 2014 as compared to 0.99x in 2013.

Gross profit

Besi's gross profit as a percentage of revenue for the years ended December 31, 2014 and 2013, respectively, were as follows:

(euro in millions)			**Year ended December 31,**		**% Change**
	2014	**% revenue**	**2013**	**% revenue**	**2014/2013[1]**
Gross profit	165.8	43.8%	101.5	39.8%	4.0%
Restructuring charges	0.7	0.2%	(0.1)	-	0.2%
Adjusted gross profit	166.5	44.0%	101.4	39.8%	4.2%

[1] Change in absolute percentage points

Gross profit increased by € 64.3 million, or 63.3% to € 165.8 million in 2014 primarily as a result of the 48.6% year over year revenue increase. Gross margins improved by 4.0% to 43.8% due primarily to (i) increased labor and freight efficiencies related to Besi's Asian production transfer and increased Asian direct shipments, (ii) the reduction in the value of the euro versus the US dollar most of which occurred in the second half of the year and (iii) lower inventory provisions. The gross margin increase was partially offset by € 0.7 million of restructuring charges associated with the rationalization of Besi's North American die sorting operations.

In 2014, Besi's R&D expenses increased by € 3.1 million (12.5%) versus 2013 but, as a percentage of revenue, decreased to 7.4% versus 9.7% in 2013. The € 3.1 million increase in 2014 was primarily due to higher fixed and temporary personnel in support of Besi's TCB and Die Lid Attach technology development and higher amortization charges. Restructuring charges in 2014 related primarily to the rationalization of the Company's North American die sorting operations whereas in 2013 they related primarily to the integration of Besi's die attach development activities. Adjusted R&D expenses in 2014 increased by € 2.1 million, or 7.0% versus 2013.

Selling, general and administrative expenses

The details of Besi's selling, general and administrative ("SG&A") expenses for the years ended December 31, 2014 and 2013 were as follows:

(euro in millions)			Year ended December 31,		% Change
	2014	% revenue	2013	% revenue	2014/2013[1]
SG&A expenses	65.9	17.4%	57.9	22.7%	(5.3%)
Restructuring charges	(0.5)	(0.1%)	(0.7)	(0.3%)	0.2%
Amortization of intangible assets	(1.1)	(0.3%)	(2.1)	(0.8%)	0.5%
Non-recurring charge[2]	-	-	(2.2)	(0.9%)	0.9%
Adjusted SG&A expenses	**64.3**	**17.0%**	**52.9**	**20.7%**	**(3.7%)**

[1] Change in absolute percentage points
[2] Non-recurring charge related to theft of monies from Besi's North American operations

Total SG&A expenses increased by € 8.0 million or 13.8% in 2014 versus 2013 and represented 17.4% of revenue as compared to 22.7% of revenue in 2013. The 2014 increase was due primarily to (i) € 3.1 million of higher warranty costs related to higher revenue levels, (ii) € 2.7 million of higher personnel and travel expenses in support of higher sales activities, (iii) € 2.5 million of increased share based compensation expense associated with higher stock price levels and (iv) € 1.3 million of higher pension costs partially offset by the absence of € 2.2 million of costs associated with the theft of monies in 2013 from Besi's North American operations. On an adjusted basis, Besi's SG&A expenses increased by € 11.4 million, or 21.6% in 2014 versus 2013 but, as a percentage of revenue, declined by 3.7 points year over year to 17.0%.

Research and development expenses

Set forth below are the details of Besi's research and development ("R&D") activities for the years ended December 31, 2014 and 2013, respectively:

Restructuring charges

Restructuring charges are recognized in the following line items in Besi's Consolidated Statement of Comprehensive Income:

(euro in millions)	Year ended December 31, 2014	2013
Cost of sales	0.7	(0.1)
SG&A expenses	0.5	0.7
R&D expenses	0.4	0.2
Total	**1.6**	**0.8**

In order to improve its profitability and scalability in light of volatility in uncertain semiconductor markets, Besi has undertaken operational restructurings over the past five years. Restructuring charges aggregated € 1.6 million and € 0.8 million in 2014 and 2013, respectively. Such charges in 2014 related primarily to the rationalization of Besi's US die sorting operations and the transfer of

(euro in millions)			Year ended December 31,		% Change
	2014	% revenue	2013	% revenue	2014/2013[1]
R&D expenses	27.9	7.4%	24.8	9.7%	(2.3%)
Capitalization of development costs	9.3	2.4%	7.9	3.1%	(0.7%)
Amortization of development costs	(4.9)	(1.3%)	(2.7)	(1.0%)	(0.3%)
Restructuring charges	(0.4)	(0.1%)	(0.2)	(0.1%)	0.0%
Adjusted R&D expenses, net	**31.9**	**8.4%**	**29.8**	**11.7%**	**(3.3%)**

[1] Change in absolute percentage points

most development and production activities to Besi's Austrian die attach operations. In 2013, such charges were associated primarily with remaining severance costs from the 2012 headcount reduction plan.

Impairment of intangible assets

Besi tests the value of its goodwill and other intangible assets on its balance sheet according to IFRS on an annual basis or if a trigger for impairment occurs. No impairment charges were recorded in 2014 or 2013.

Operating income

Besi reported operating income of € 72.1 million in 2014 as compared to € 18.9 million in 2013. Set forth below is a table presenting Besi's operating income for 2014 and 2013 and as adjusted for all restructuring and non-recurring charges incurred during each respective period.

(euro in millions)	Year ended December 31, 2014	2013
Operating income	72.1	18.9
% of revenue	19.0%	7.4%
Restructuring charges	1.6	0.8
Non-recurring charge	-	2.2
Adjusted operating income (loss)	**73.7**	**21.9**
% of revenue	19.5%	8.6%

Besi incurs annual patent and other identifiable asset amortization charges related to the acquisitions of various product lines and its capitalization of certain development costs. Such charges were € 5.4 million in 2014 as compared to € 3.3 million in 2013.

Financial income (expense), net

The components of Besi's financial income (expense), net, for the years ended December 31, 2014 and 2013, respectively, were as follows:

(euro in millions)	Year ended December 31, 2014	2013
Interest income	0.7	0.8
Interest expense	(0.3)	(0.5)
Interest income (expense), net	**0.4**	**0.3**
Foreign exchange gains (losses), net	(1.1)	0.0
Financial income (expense), net	**(0.7)**	**0.3**

Besi's financial income (expense), net, decreased from a gain of € 0.3 million in 2013 to an expense of € 0.7 million in 2014 primarily due to higher hedging costs related to the significant increase in sales transaction volume in 2014.

Income taxes (benefit)

Besi recorded income taxes of € 0.2 million in 2014 and € 3.0 million in 2013 with effective tax rates of 0.3% and 15.8%, respectively. The 2014 effective tax rate was significantly lower than 2013 primarily due to a € 8.1 million upward revaluation of tax loss carryforwards at Besi's Swiss and Dutch operations. Excluding such tax benefit, the effective tax rate in 2014 was 11.8%.

Net income

Besi's net income for 2014 was € 71.1 million as compared to € 16.1 million in 2013. Set forth below is a table presenting Besi's reported net income for 2014 and 2013 and as adjusted for all restructuring and non-recurring charges incurred during each respective period.

(euro in millions)	Year ended December 31, 2014	2013
Net income as reported	71.1	16.1
Restructuring charges	1.6	0.8
Non-recurring charge, net of tax	-	2.0
Adjusted net income (loss)	**72.7**	**18.9**
% of revenue	19.2%	7.4%

Besi's net income in 2014 increased by € 55.0 million versus 2013 primarily due to (i) a € 123.9 million revenue increase, (ii) increased production, labor and freight cost efficiencies from its Asian production transfer and increased direct shipments as well as foreign exchange benefits, (iii) economies of scale resulting from revenue growth significantly outpacing expense growth and (iv) a lower effective tax rate partially offset by (i) € 1.0 million of reduced financial income, net and (ii) € 0.8 million of increased restructuring costs.

Balance sheet, cash flow development and financing

Cash flow

Besi's net cash position (cash and cash equivalents less total debt and capital lease obligations) increased by € 47.0 million to € 118.0 million at December 31, 2014 primarily due to:

- € 73.3 million of cash flow generated from operations
- € 1.1 million of cash flow from favourable foreign exchange movements on cash balances
- € 1.1 million of cash flow from the sale of Treasury Shares

Positive cash flow was utilized primarily as follows:

- € 12.4 million of cash dividends were paid to shareholders
- € 9.3 million of development expenses were capitalized
- € 6.5 million of net capital expenditures were made

Working capital

Besi's working capital excluding cash and debt increased from € 85.2 million at December 31, 2013 to € 96.0 million at December 31, 2014 due primarily to an increase in accounts receivable and inventories of € 39.6 million and € 4.3 million, respectively, related to significantly higher sales activities partially offset by increased accrued liabilities and payables aggregating € 32.2 million.

Capital expenditures

Besi's capital expenditures, net of dispositions, were € 3.9 million and € 6.5 million in 2013 and 2014, respectively. Besi's capital expenditures in 2014 consisted primarily of production equipment for the upgrading and expansion of its Malaysian and Chinese production capacity. Besi expects capital expenditures in 2015 of approximately € 6.5 million primarily focused on expenditures to maintain and upgrade its Asian production capacity and expand its Chinese die bonding production capabilities.

Financing

In general, Besi funds its operations through available cash on hand, cash generated from operations and, in some instances, funds the operations of its subsidiaries through intercompany loans. In addition, some of its subsidiaries maintain lines of credit with various local commercial banks to meet their internal working capital needs.

The working capital requirements of its subsidiaries are affected by the receipt of periodic payments on orders from its customers. Although its subsidiaries occasionally receive partial payments prior to final installation, initial payments generally do not cover a significant portion of the costs incurred in the manufacturing of such systems which requires Besi to finance its system production either with internal resources or externally via bank financing.

External financing structure

At December 31, 2014, Besi had € 17.4 million of total indebtedness outstanding, of which € 13.6 million related to bank lines of credit and € 3.8 million related to capital and financing leases for equipment. Management does not foresee any issues in refinancing or redeeming its current indebtedness outstanding given its cash position of € 135.3 million at December 31, 2014 relative to its total indebtedness and cash flow generation prospects for 2015.

Bank lines of credit

At December 31, 2014, Besi and its subsidiaries had available lines of credit aggregating € 36.7 million, under which € 23.0 million of borrowings were outstanding (of which € 13.6 million relates to notes payable to banks and the remaining balance of € 9.4 million relates primarily to bank guarantees). Interest is charged at the banks' base lending rates or Euribor plus an increment between 0.3% and 0.7%. All its credit facility agreements include covenants requiring Besi to maintain certain financial positions or financial ratios and have no stated contractual maturity. Besi and all of its applicable subsidiaries were in compliance with all loan covenants at December 31, 2014. In case of a covenant breach, the respective banks are entitled to redeem the credit lines.

A summary of Besi's principal credit lines is as follows:

- € 8 million of Besi's credit lines relate to its Dutch subsidiaries and are secured by a pledge of inventories and accounts receivable and a parent company guarantee. The principal restrictive covenants contained in each Dutch line of credit include a solvency ratio, net cash to EBITDA ratio and a current ratio, all of which are calculated on a consolidated Besi level. All borrowing facilities have no contractual maturity date.
- € 13.8 million of Besi's credit lines relate to Besi Austria GmbH and are without recourse to the parent company. Consistent with past practice, Besi Austria utilizes short-term bank lines of credit, long-term loans and government-granted loans for export and research and development activities. The principal restrictive covenant contains a minimum equity ratio. All borrowing facilities have no contractual maturity date.
- € 9.1 million of Besi's credit lines relate to its Asian manufacturing operations and are secured by legal charge over the land and building in Malaysia and a debenture creating charges over all fixed and floating present and future assets of Besi APac Sdn. Bhd. The principal restrictive covenant includes a minimum tangible net worth, a maximum gearing ratio, a maximum days receivable and the requirement that Besi APac Sdn. Bhd. remains a direct/indirect 100% owned subsidiary of BE Semiconductor Industries N.V. at all times. All borrowing facilities have no contractual maturity date. An amount of € 1.3 million relates to a credit line for forex transactions.
- € 5.8 million of Besi's credit lines relate to Besi Switzerland AG. Besi Switzerland utilizes this credit facility for contingent liabilities (amongst others guarantees and documentary credits) and for conducting foreign exchange contracts. The credit facility is secured by a parent company guarantee. The principal restrictive covenant contains a minimum cash position to be held on the bank accounts of Credit Suisse. The facility has no contractual maturity date.

Dividends

Besi dividend policy considers the payment of dividends on an annual basis based upon (i) a review of its annual and prospective financial performance and liquidity/financing needs, the prevailing market outlook, Besi's strategy, market position and acquisition strategy and/or (ii) a dividend payout ratio in the range of 40-80% relative to net income to be adjusted accordingly if the factors referred to under (i) so require.

Due to Besi's earnings and cash flow generation in 2013, the Board of Management proposed and Besi paid a dividend to shareholders in cash equal to € 0.33 per share in May 2014 which resulted in cash payments to shareholders of € 12.4 million in 2014.

Due to Besi's earnings and cash flow generation in 2014, the Board of Management has proposed a cash dividend of € 1.50 per share for the 2014 year for approval at Besi's Annual General Meeting of Shareholders on April 30, 2015.

The payments for the year 2013 and proposed for the year 2014 represent a dividend payout ratio relative to net income of 77% and 80%, respectively.

Share repurchase program

In October 2012, Besi announced a share repurchase program under which it may buy back up to approximately 1.5 million Ordinary Shares on the open market from time to time and depending on market conditions. Besi commenced the program in light of the price of its shares relative to anticipated future earnings as well as to further reduce share dilution resulting from the conversion of its Convertible Notes in 2011. In 2013, Besi purchased 429,540 shares at a weighted average price of € 6.37 per share for € 2.7 million. No share purchases were made in 2014 under the program. In aggregate, Besi has shareholder authorization to purchase up to 10% of its Ordinary Shares outstanding (approximately 4.0 million shares) until October 2015.

Besi believes that its cash position, internally generated funds and available lines of credit will be adequate to meet its anticipated levels of capital spending, research and development, working capital and dividend for at least the next twelve months.

Director's Statement of Responsibilities

In accordance with statutory provisions, the director states, to the best of his knowledge that:

1. The Financial Statements provide a true and fair view of the assets, liabilities, financial position and result for the financial year of BE Semiconductor Industries N.V. and its subsidiaries included in the Consolidated Statements.

2. The Report of the Board of Management provides a true and fair view of the position at the balance sheet date and the business conducted during the financial year of BE Semiconductor Industries N.V. and its subsidiaries, details of which are contained in the Financial Statements. The Annual Report provides information on any material risks to which BE Semiconductor Industries N.V. is exposed.

Richard W. Blickman

Besi Shareholder Information

Euronext Amsterdam listing
Besi's Ordinary Shares are listed on Euronext Amsterdam. The stock symbol is BESI and the ISIN code is NL0000339760.

	2014	2013
Number of Ordinary Shares, net of shares held in treasury	37,712,540	37,306,966
Average daily shares traded	117,099	100,879
Highest closing price (in euro)	18.53	9.04
Lowest closing price (in euro)	8.20	5.62
Year end share price (in euro)	18.53	8.22

OTCQX listing
Besi's shares are also traded on OTCQX International (symbol: BESIY) since February 18, 2011. Investors in Besi's New York shares can find real-time quotes, disclosure and financial information about Besi at **www.otcmarkets.com**.

Besi's equity structure
At the end of 2014, the number of issued and outstanding Ordinary Shares was 40,033,921 of which Besi held 2,321,381 shares in treasury.

Besi's authorized share capital consists of 80,000,000 ordinary shares ("Ordinary Shares") and 80,000,000 preference shares ("Preference Shares"). Each share (whether Ordinary Share or Preference Share) carries the right to cast one vote. Resolutions by the General Meeting of Shareholders require the approval of an absolute majority of votes validly cast, unless otherwise required by Dutch law or Besi's articles of association.

As stated on pages 24 and 25 of this Annual Report, the foundation "Stichting Continuïteit BE Semiconductor Industries" (the "Foundation") has been granted an option to acquire protective Preference Shares, which would, if the option were exercised, allow the Foundation to acquire a maximum of 50% of the total issued capital including the Preference Shares.

Issuance of Ordinary Shares and pre-emptive rights
Ordinary Shares may be issued pursuant to a resolution of the General Meeting of Shareholders. The General Meeting of Shareholders may grant the authority to issue Ordinary Shares to the Board of Management for a maximum period of five years. After such designation, the Board of Management may determine the issuance of Ordinary Shares subject to the approval of the Supervisory Board.

Currently, the General Meeting of Shareholders has delegated its authority to the Board of Management until May 14, 2016, subject to the prior approval of the Supervisory Board, to issue Ordinary Shares up to a maximum of 10% of the Ordinary Shares in Besi's issued share capital.

Holders of Ordinary Shares have a pro-rata pre-emptive right of subscription to any Ordinary Shares issued for cash, which right may be limited or excluded. Such shareholders have no pro-rata pre-emptive subscription rights with respect to (i) any Ordinary Shares issued for contributions other than cash, (ii) any issuance of Preference Shares, or (iii) Ordinary Shares issued to employees. On the basis of a designation by the General Meeting of Shareholders, the Board of Management has the power, subject to approval of the Supervisory Board, to limit or exclude shareholder pre-emptive rights through May 14, 2016, subject to the 10% maximum as described herein. The designation may be renewed for a maximum period of five years. In the absence of such designation, the General Meeting of Shareholders has the power to limit or exclude such pre-emptive rights.

Issuance of Preference Shares
The provisions in Besi's articles of association for the issuance of Preference Shares are similar to the provisions for the issuance of Ordinary Shares described herein. However, an issuance of Preference Shares will require prior approval of the General Meeting of Shareholders if it would result in an outstanding amount of Preference Shares exceeding 100% of the outstanding amount of Ordinary Shares and the issuance is effected pursuant to a resolution of a corporate body other than the General Meeting of Shareholders, such as the Board of Management. Furthermore, within two years after the first issuance of such Preference Shares, a General Meeting of Shareholders will be held to determine the repurchase or cancellation of the Preference Shares. If no such resolution is adopted, another General Meeting of Shareholders with the same agenda must be convened and held within two years after the previous meeting and this meeting will be repeated until no Preference Shares are outstanding. This procedure does not apply to Preference Shares that have been issued pursuant to a resolution by, or with the prior approval of, the General Meeting of Shareholders.

In connection with the issuance of Preference Shares, it may be stipulated by the Board of Management that an amount not exceeding 75% of the nominal amount ordinarily payable upon issuance of shares may be paid only if the Company requests payment.

The Foundation
Under the terms of an agreement entered into in April 2002 between the Company and the Foundation, the Foundation has been granted a call option, pursuant to which it may purchase a number of Preference Shares up to a maximum of the total number of outstanding Ordinary Shares. This call option agreement was revised in May 2008 to comply with applicable laws. The purpose of the Foundation is to safeguard the Company's interests, the enterprise connected therewith and all the parties having an interest therein and to exclude as much as possible influences which could threaten, among other things, the Company's continuity, independence and identity. Until the call option is exercised by the Foundation, it can be revoked by the Company, with immediate effect. The aim of the Preference Shares is,

amongst other things, to provide a protective measure against unfriendly take-over bids and other possible influences that could threaten the Company's continuity, independence and identity, including, but not limited to, a proposed resolution to dismiss the Supervisory Board or the Board of Management.

The Foundation was established in April 2000. The board of the Foundation consists of five members, four of whom are independent of Besi and one of whom is a member of the Supervisory Board. Please refer to the chapter "Other Information" for additional information on the Foundation and its board members.

Voting rights
Each share (whether Ordinary Share or Preference Share) carries the right to cast one vote. Resolutions by the General Meeting of Shareholders require the approval of an absolute majority of votes validly cast, unless otherwise required by Dutch law or Besi's articles of association.

Repurchase and cancellation of shares
Pursuant to a resolution by the Board of Management, the Company may repurchase for consideration any class of shares in its own capital which have been paid-up, subject to certain provisions of Dutch law and its articles of association, if (i) shareholders' equity less the payment required to make the acquisition does not fall below the sum of the paid-up and called part of the issued share capital and any reserves required by Dutch law or Besi's articles of association and (ii) the Company and its subsidiaries would thereafter not hold shares with an aggregate nominal value exceeding 10% of the Company's issued share capital. Shares held by the Company or any of its subsidiaries will have no voting rights and the Company may not receive dividends on shares it holds of its own capital. Any such purchases may only take place if the General Meeting of Shareholders has granted the Board of Management the authority to effect such repurchases, which authorization may apply for a maximum period of 18 months. The Board of Management is currently authorized to repurchase up to 10% of Besi's issued share capital through October 30, 2015.

Upon a proposal of the Board of Management and approval of the Supervisory Board, the General Meeting of Shareholders has the power to decide to cancel shares acquired by the Company or to reduce the nominal value of the Ordinary Shares. Any such proposal is subject to the relevant provisions of Dutch law and Besi's articles of association.

Change of control provisions in significant agreements
As of December 31, 2014, there was no change of control provision contained in any of Besi's material agreements.

Dividend policy
Besi considers the payment of dividends on an annual basis based upon (i) a review of its annual and prospective financial performance and liquidity/financing needs, the prevailing market outlook, Besi's strategy, market position and acquisition strategy and/or (ii) a dividend payout ratio in the range of 40-80% relative to net income to be adjusted accordingly if the factors referred to under (i) so require.

Due to Besi's earnings and cash flow generation in 2013, the Board of Management proposed and Besi paid a cash dividend of € 0.33 per share which resulted in cash payments to shareholders of € 12.4 million in May 2014.

Due to Besi's earnings and cash flow generation in 2014, the Board of Management has proposed a cash dividend of € 1.50 per share for the 2014 year for approval at Besi's Annual General Meeting of Shareholders on April 30, 2015.

The payments for the year 2013 and proposed for the year 2014 represent a dividend payout ratio relative to net income of 77% and 80%, respectively.

3% ownership interests in the Ordinary Shares
Under the Dutch Financial Supervision Act (Wet op het financieel toezicht, "Wft"), the following parties/persons have notified the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, or "AFM") of their share interests in the Company exceeding 3% or more:

D. Lindenbergh	
Notification effective December 19, 2008	6.62%
Kempen Capital Management N.V.	
Notification effective June 1, 2014	6.11%
Darlin N.V.	
Notification effective December 19, 2008	5.86%
BE Semiconductor Industries N.V.	
Notification effective August 16, 2011	5.12%
Old Mutual plc	
Notification effective July 1, 2014	5.00%
JP Morgan Asset Management Holdings Inc.	
Notification effective June 10, 2011	4.95%
Via Finis Invest B.V.	
Notification effective May 2, 2012	3.16%

A list of ownership interests in the Company of 3% or more can be found on the AFM website: **www.afm.nl**.

Liquidity providers
ING Securities Services, Rabobank N.V. and SNS Securities N.V. act as market makers for Besi's shares on Euronext Amsterdam.

Analysts
The following sell side analysts cover Besi's shares:

ABN AMRO Bank N.V.	- Marc Hesselink
Canaccord Genuity Inc.	- Jed Dorsheimer
ING Bank N.V.	- Robin van den Broek
Kepler Cheuvreux	- Peter Olofsen
Rabobank	- Hans Slob
SNS Securities N.V.	- Edwin de Jong

Investor relations
Besi uses a range of activities to initiate and maintain contacts with investors. After publication of its annual and quarterly results, roadshows are held in the Netherlands and other countries to meet existing and potential new institutional investors. Besi is represented at these roadshows by the CEO and/or the Senior Vice President Finance. Planned roadshows can be found on the Besi website where the presentations given are also available. Contacts with institutional investors are further maintained by means of conference calls, conferences organized by brokers and Euronext and by investor visits to Besi. A total of 226 meetings with institutional investors were held in 2014 including roadshows, conference calls and broker conferences.

Important investor relations dates in 2015 that are currently planned (subject to change) are as follows:

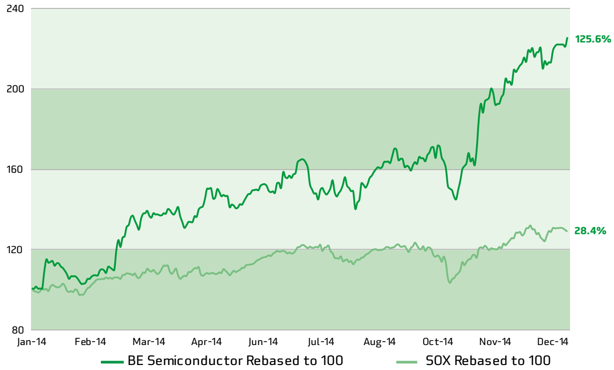
April 30, 2015	Annual General Meeting of Shareholders, to be held at Besi in Duiven at 2.00 p.m.
April 30, 2015	2015 first quarter results
July 23, 2015	2015 second quarter results
October 22, 2015	2015 third quarter results
February 2016	2015 fourth quarter and annual results

Prevention insider trading
In view of its share listing on Euronext Amsterdam, Besi has implemented measures to prevent the use of inside information by its Supervisory Board, the Board of Management and other specified persons who have access to price-sensitive information, including key staff members. The group of persons to whom this applies have agreed in writing to observe the Besi code of conduct regarding the reporting and regulation of transactions in Besi securities (and other designated securities) and treatment of price-sensitive information. Besi has appointed a compliance officer who is responsible for monitoring compliance with its code of conduct and communicating with the AFM.

Besi Incentive Plan
Besi may grant Performance Shares on an annual conditional basis to members of the Board of Management, executive employees and officers under the current Besi Incentive Plan. Further information on this subject is given on pages 52 to 56 and on pages 89 to 94 of this Annual Report.

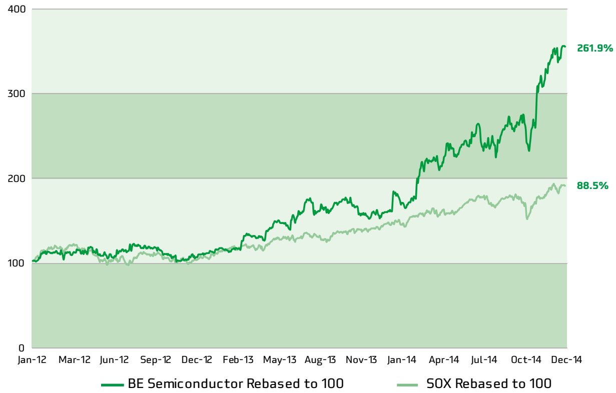
Besi share price development

BESI'S SHARE PRICE VS. SOX
(Since January 1, 2014, rebased to 100)



Source: Capital iQ

BESI'S SHARE PRICE VS. SOX
(Since January 1, 2012, rebased to 100)



Source: Capital iQ

Risks and Risk Management

Risks and Risk Management

Risk management is a very important part of doing business in today's world. Over the past five years, the importance of risk management and control systems has grown substantially for Besi as a result of its increased size and complexity, changing market conditions and substantial expansion of its business operations outside of Europe. In addition, Besi's risk management and control systems have been designed to address and help limit the risk factors described commencing on page 28. In 2014, the most important components of Besi's internal risk management and control system were:

- An extensive and documented process for preparing its annual budget, quarterly estimates and reports of its monthly financial and non-financial information compared with the budgeted and quarterly estimated information.
- Monthly business reviews with product group and production site managers with respect to their monthly and quarterly bookings, revenue, backlog, working capital and results of operations together with discussions of general market, economic, technological, ecological and competitive developments.
- Monthly reviews of the foreign currency positions at all significant operating companies.
- Annual documentation and analysis of key risks and the development and control of such risks.
- Weekly management reviews of its business, operations, cash and inventory development.
- Compliance with finance and controlling guidelines governing its financial accounting and reporting procedures.
- Compliance with internal controls over financial reporting that has been implemented in all significant operating companies.
- Regular management review of key staff development.
- Regular analyses of operational risks at the subsidiary level.
- Regular analyses of Besi's capital structure, financing requirements, tax position and transfer pricing system.

All material findings that result from the use of Besi's internal risk management and control system are discussed with the Audit Committee and Supervisory Board including the:

- Development of Besi's bookings, revenue, backlog, results of operations and balance sheet versus budget as well as developments in the global economy and semiconductor assembly market and their impact on Besi's financial results.
- Progress of ongoing cost reduction efforts.
- Status of key customer relationships.
- Analysis of orders lost to competitors and the development of Besi's competitors' business.
- Material developments in Besi's research and development activities.
- Foreign currency exchange rate developments.
- Status of its current corporate governance procedures.

In addition to internal controls over financial reporting, the operation of Besi's internal control system is also assessed by the external auditor in the context of the audit of the annual Financial Statements. The results of this audit are discussed with the Board of Management and the Audit Committee of the Supervisory Board.

In addition, Besi's operations are governed by a set of guidelines and instructions regarding the following topics:

- Code of Conduct
- Whistleblower procedure
- Guidelines regarding authorizations
- Reporting of fraudulent activities
- Hedging of financial risks
- Internal financial reporting
- Transfer pricing

Insurance policies are in place to cover the typical business risks associated with Besi's operations. These policies are reviewed every year. Besi's policies regarding foreign currency hedging, interest rate, credit, market and liquidity risks are further described in the Financial Statements on pages 100 to 105.

On December 11, 2013, Besi discovered a theft of monies from a bank account managed by one of its US subsidiaries. Based on both internal and external investigations, Besi management, its legal counsel and the auditor concluded that the theft of monies was a fraudulent act from outside the Company. In addition, management concluded that the theft was not a result of the failure of Besi's internal controls but of a well-organized and orchestrated fraud committed by external perpetrators against the Company. The internal investigation is still ongoing. As a result of the theft, management has moved substantially all monies to the holding company level and implemented a variety of new procedures related to the oversight of corporate bank accounts and the processing of customer payments in order to reduce the likelihood of such a loss from occurring again in the future.

There were no indications that Besi's risk management and control systems did not function properly in 2014.

Besi's business and results of operations may be negatively affected by general economic and financial market conditions and volatile spending patterns by its customers.

Though the semiconductor industry's cycle can be independent of the general economy, global economic conditions may have a direct impact on demand for semiconductor devices and ultimately demand for semiconductor manufacturing equipment. Accordingly, Besi's business and financial performance is impacted, both positively and negatively, by fluctuations in the macro-economic environment. As a result, the Company's visibility as to future demand is generally limited and its ability to forecast future demand is difficult.

The world's financial markets experienced significant turmoil in 2008 and 2009 resulting in reductions in available credit and increased costs related thereto, extreme volatility in security prices, changes to existing credit terms, rating downgrades of investments and reduced valuations of securities generally. Besi's order backlog, profit and liquidity position in 2008 and 2009 were materially adversely affected by this global economic and financial market turmoil which greatly reduced demand for Besi's assembly equipment as many customers deferred spending on new assembly technologies and opted to retrofit/extend then current capacity. Between 2010 and 2013, sovereign debt concerns involving euro zone countries significantly adversely affected global economic conditions which, in turn, had a negative impact on demand for semiconductor devices and semiconductor manufacturing equipment.

In addition, Besi's suppliers may also be adversely affected by economic and financial market conditions that may impact their ability to provide important components or modules that are used in their manufacturing processes on a timely basis, or at all.

Besi believes that historic volatility in capital spending by customers is likely to persist in the future. In addition, future economic downturns could adversely affect Besi's customers and suppliers which would in turn have an impact on Besi's business and financial condition.

Besi's business includes significant operations in Europe. Disruptions to European economies could have a material adverse effect on Besi's operations, financial performance, share price and access to credit markets.

The financial markets remain concerned about the ability of certain European countries, particularly Greece, Spain and Italy, to finance their deficits, service growing debt burdens and refinance current debt maturities amidst difficult economic conditions. Global markets are also concerned as to the possible contagion effects of a default by a European sovereign issuer, its impact on economic growth in emerging markets and other developed markets and its impact on corporations' abilities to access credit and capital markets. This loss of confidence led to rescue measures being implemented for Greece, Ireland, Spain and Portugal by euro zone countries, the European Central Bank and agencies related thereto and the International Monetary Fund. Greece's sovereign debt has also been restructured on a number of occasions to help maintain that country's solvency. In addition, the credit ratings of many euro zone countries have been downgraded by the major rating agencies reflecting investor concerns as to the current and future health of the region.

The actions taken by more financially secure euro zone countries as a precondition to providing rescue packages and by other countries to reduce deficits and deal with debt service requirements in their own economies, have resulted in increased political discord within and among euro zone countries and austerity measures being adopted to help reduce current fiscal deficits. The interdependencies among European economies and financial institutions have also exacerbated concerns regarding the stability of European financial markets generally and certain sovereign issuers and individual financial institutions in particular.

Given the scale of its European operations and scope of its relationships with clients and counterparties, Besi's results of operations and financial condition could be materially and adversely affected by persistent disruptions in European financial markets, the attempt of a country to abandon the euro, the effects of austerity measures on euro zone economies, the failure of a significant European financial institution, even if not an immediate counterparty to Besi, persistent weakness in the value of the euro and the potential adverse impact on global economic growth and capital markets if euro zone issues spread to other parts of the world as a result of the default of a euro zone sovereign or corporate issuer.

Besi's revenue and results of operations depend in significant part on demand for semiconductors which is highly cyclical and has increasingly become more seasonal in nature.

Besi's customers' capital expenditures for semiconductor manufacturing equipment depend on the current and anticipated market demand for semiconductors and products using semiconductors. The semiconductor industry is highly cyclical and volatile and is characterized by periods of rapid growth followed by industry-wide retrenchment. These periodic downturns which have been characterized by, among other things, diminished product demand, production overcapacity, oversupply, and reduced prices and which have resulted in decreased revenues, have been regularly associated with substantial reductions in capital expenditures for semiconductor facilities and equipment.

Over the past five years, Besi experienced significant upward and downward movements in quarterly order rates due to global macro-economic concerns and increased seasonality of end-user application revenue which materially affected and, in certain instances, materially adversely affected its revenue, results of operations and backlog. Customer order patterns have become increasingly more seasonal due to the growing influence of more retail oriented electronics applications in the overall demand for semiconductor devices such as smart phones, tablets and automotive electronics. As such, order patterns have been characterized by a strong ramp in the first half of the year to build capacity to meet anticipated year-end demand followed by a subsequent decline in the second half of the year as capacity additions are digested by customers. As a result, Besi has experienced declining orders and backlog in the second half of each of the past five years.

Due to the lead times associated with the production of semiconductor equipment, a rise or fall in the level of sales of semiconductor equipment typically lags any downturn or recovery in the semiconductor market by approximately three to six months. This cyclicality has had, and is expected to continue to have, a direct adverse effect on Besi's revenue, results of operations and backlog. Downturns in the industry can be severe and protracted and will continue to adversely affect Besi's revenue, results of operations and backlog.

Besi's revenue and operating results fluctuate significantly and may continue to do so in the future.
Besi's quarterly revenue and operating results have varied in the past and may continue to fluctuate in the future. Besi believes that period-to-period comparisons of its operating results are not necessarily indicative of future operating results. Factors that have caused Besi's operating results to fluctuate in the past and which are likely to affect them in the future, many of which are beyond its control, include the following:

- The volatility of the semiconductor industry and its impact on semiconductor equipment suppliers.
- Industry capacity utilization, pricing and inventory levels.
- The timing of new customer device introductions and production processes which could require the addition of new assembly equipment capacity.
- The length of sales cycles and lead-times associated with Besi's product offerings.
- The timing, size and nature of Besi's transactions.
- The financial health and business prospects of Besi's customers.
- The proportion of semiconductor demand represented by corporate and retail end-user applications.
- Besi's ability to scale its operations on a timely basis consistent with the demand for its products.
- The ability of Besi's suppliers to meet its needs for products on a timely basis.
- The success of Besi's research and development activities.
- The market acceptance of new products or product enhancements by Besi or its competitors.
- The timing of new personnel hires and the rate at which new personnel becomes productive.
- Changes in pricing policies by Besi's competitors.
- Changes in Besi's operating expenses.
- Besi's ability to adequately protect its intellectual property.
- Besi's ability to integrate any future acquisitions.
- The fluctuation of foreign currency exchange rates.

Because of these factors, investors should not rely on quarter-to-quarter comparisons of Besi's results of operations as an indication of future performance. In future periods, Besi's results of operations could differ from estimates of public market analysts and investors. Such discrepancies could cause the market price of its securities to decline.

Besi's backlog at any particular date may not be indicative of its future operating results.
Besi's backlog was € 78.7 million at December 31, 2014. The orders in Besi's backlog are subject to cancellation by the customer at any time upon payment of a negotiated charge. During market downturns, semiconductor manufacturers historically have cancelled or deferred additional equipment purchases. In the 2008-2009 downturn, Besi's backlog declined by approximately 47% between year end 2007 and 2008. As a result of downturns in 2012, 2013 and 2014, Besi's backlog declined by approximately 37%, 27% and 21%, respectively, from highest to lowest quarterly level during each industry cycle. In addition, because of the possibility of changes in delivery schedules, cancellations of orders and delays in product shipments, Besi's backlog at any particular date may not be representative of actual revenue for any succeeding period. Besi's current and future dependence on a limited number of customers increases the revenue impact of each customer's delay or deferral activity.

Besi may not be able to adjust its costs and overhead levels quickly enough to offset revenue declines that it may experience in the future.
Besi's business is characterized by high fixed cost levels, including personnel costs, facility costs and general and administrative costs, as well as expenses related to the maintenance of its manufacturing equipment. Besi's expense levels in future periods will be based, in large part, on its expectations regarding future revenue sources and, as a result, its operating results for any given period in which material orders fail to occur, are delayed or deferred could vary significantly. Due to the nature of such fixed costs, Besi may not be able to reduce its fixed costs sufficiently or in a timely manner to offset any future revenue declines. Besi's inability to align revenue and expenses in a timely and sufficient manner will have an adverse impact on its gross margins and results of operations.

Because of the lengthy and unpredictable sales cycle for its products, Besi may not succeed in closing transactions on a timely basis, if at all, which could adversely affect its revenue and operating results.
The average selling price for a substantial portion of Besi's equipment exceeds € 300,000, and as a result of such potential investment size, the sales cycles for these transactions are often lengthy and unpredictable. Factors affecting the sales cycle include:

- Customers' capital spending plans, capacity utilization rates and budgetary constraints.
- Timing related to the adoption, testing and qualification of new devices and process technologies and related equipment.
- The timing of customers' budget cycles.
- Customers' internal approval processes.

These lengthy sales cycles may cause Besi's revenue and results of operations to vary from period to period and it may be difficult to predict the timing and amount of any variations. Besi may not succeed in closing such large transactions on a timely basis or at all, which could cause significant variability in its revenue and results of operations for any particular period.

A limited number of customers have accounted for a significant percentage of Besi's revenue, and its future revenue could decline if it cannot maintain or replace these customer relationships.
Historically, a limited number of Besi's customers has accounted for a significant percentage of its revenue. In 2014, Besi's three largest customers accounted for approximately 25.2% of its revenue, with the largest customer accounting for approximately 8.9% of its revenue. Besi anticipates that its results of operations in any given period will continue to depend to a significant extent upon revenue from a relatively limited number of customers. In addition, Besi anticipates that the composition of such customers will continue to vary from year to year so that the achievement of its long-term goals will require the maintenance of relationships with Besi's existing clients and obtaining additional customers on an ongoing basis. Besi's failure to enter into and realize revenue from a sufficient number of customers during a particular period could have a significant adverse effect on Besi's revenue.

In addition, there are a limited number of customers worldwide interested in purchasing semiconductor manufacturing equipment. As a result, if only a few potential customers were to experience financial difficulties or file for bankruptcy protection, the semiconductor equipment manufacturing market as a whole, and Besi's revenue and results of operations specifically, could be negatively affected. Furthermore, there has been and Besi expects that there will continue to be, consolidation within the semiconductor industry resulting in even fewer potential customers for its products and services, and, more significantly, the potential loss of business from existing customers that are party to a merger if the combined entity decides to purchase all of its equipment from one of Besi's competitors. Further industry consolidation could result in additional negative consequences to Besi including increased pricing pressure, increased demands from customers for enhanced or new products, greater sales and promotional costs and the potential for increased oversight from regulatory agencies. Any of the foregoing events would have an adverse impact on Besi's business, results of operations and financial condition.

Industry alliances may not select our equipment.
Some of our customers and potential customers are entering into alliances or other forms of cooperation with one another to expedite the development of processes and other manufacturing technologies. One of the results of this cooperation may be the definition of a system or particular tool set for a certain function or a series of process steps that uses a specific set of manufacturing equipment. These decisions could work to Besi's disadvantage if a competitor's equipment becomes the standard equipment for such function or process. Even if Besi's equipment was previously used by a customer, that equipment may be displaced in current and future applications by the equipment standardized through such cooperation. These forms of cooperation may have a material adverse effect on Besi's business, financial condition and results of operations.

Besi may experience increased price pressure on its product sales.
Typically, Besi's average selling prices for mature products have declined over time. Besi seeks to offset this decline by continually reducing its cost structure by consolidating and transferring production operations to lower cost areas, expanding its Asian sources of supply, reducing other operating costs and by pursuing product strategies focused on product performance and customer service. If these efforts do not fully offset any such price declines, Besi's financial condition and operating results may be materially and adversely affected.

Difficulties in forecasting demand for Besi's product lines may lead to periodic inventory shortages or surpluses.
The Company typically operates its business with limited visibility of future demand. As a result, it sometimes experiences inventory shortages or surpluses. Besi generally orders supplies and otherwise plans production based on internal forecasts for demand. The Company has in the past failed, and may fail again in the future, to accurately forecast demand for its products. This has led to and may in the future lead to, delays in product shipments or, alternatively, an increased risk of inventory obsolescence. If it fails to accurately forecast demand for its products, Besi's business, results of operations and financial condition may be materially and adversely affected.

Undetected problems in Besi's products could directly impair its financial results.
If flaws in design, production, assembly or testing of its products (by Besi or its suppliers) were to occur, the Company could experience a rate of failure in its products that could result in substantial repair, replacement or service costs and potential damage to its reputation. Continued improvements in manufacturing capabilities, control of material and manufacturing quality and costs and product testing are critical factors to Besi's future growth. There can be no assurance that the Company's efforts to monitor, develop, modify and implement appropriate tests and manufacturing processes for its products will be sufficient to permit it to avoid a rate of failure in its products that results in substantial delays in shipments, significant repair or replacement costs and/or potential damage to its reputation, any of which could have a material adverse effect on Besi's business, results of operations and financial condition.

Costs of product defects and errata (deviations from product specifications) due to, for example, problems in Besi's design and manufacturing processes could include:
- Writing off the value of inventory.
- Disposing of products that cannot be fixed.
- Retrofitting products that have been shipped.
- Providing product replacements or modifications.
- Defending against litigation.

Besi may fail to compete effectively in its market.
Besi faces substantial competition on a worldwide basis from established companies based in Japan, Korea, Singapore, China, various other Pacific Rim

countries and the United States, many of which have greater financial, engineering, manufacturing and marketing resources than Besi. Besi believes that once a semiconductor manufacturer has decided to buy semiconductor assembly equipment from a particular vendor, the manufacturer often continues to use that vendor's equipment in the future. Accordingly, it is often difficult to achieve significant sales to a particular customer once another vendor's products have been installed. Furthermore, some companies have historically developed, manufactured and installed back-end assembly equipment internally, and it may be difficult for Besi to sell its products to these companies.

Besi's ability to compete successfully in its markets depends on a number of factors both within and outside its control including:

- Price, product quality and system performance.
- Ease of use and reliability of its products.
- Manufacturing lead times, including the lead times of Besi's subcontractors.
- Cost of ownership.
- Success in developing or otherwise introducing new products.
- Market and economic conditions.

If Besi fails to compete effectively based upon these or other factors, its business and results of operations could be adversely affected.

Besi must introduce new products in a timely fashion and its success is dependent upon the market acceptance of these products.
Besi's industry is subject to rapid technological change and new product introductions and enhancements. The success of Besi's business strategy and results of operations are largely based upon accurate anticipation of customer and market requirements. Besi's ability to implement its overall strategy and remain competitive will depend in part upon its ability to develop new and enhanced products and introduce them at competitive price levels in order to gain market acceptance. Besi must also accurately forecast commercial and technical trends in the semiconductor industry so that its products provide the functions required by Besi's customers and are configured for use in their facilities. Besi may not be able to respond effectively to technological changes or to specific product announcements by competitors. As a result, the introduction of new products embodying new technologies or the emergence of new or enhanced industry standards could render Besi's existing products uncompetitive from a pricing standpoint, obsolete or unmarketable.

In addition, Besi is required to invest significant financial resources in the development of new products or upgrades to existing products and in its sales and marketing efforts before such products are made commercially available and before Besi is able to determine whether they will be accepted by the market. Revenue from such products will not be recognized until long after Besi has incurred the costs associated with designing, creating and selling such products. In addition, due to the rapid technological changes in its market, a customer may cancel or modify a product before it begins manufacture of the product and receives revenue from the customer. While Besi typically imposes a fee when its customers cancel an order, that fee may not be sufficient to offset the costs Besi incurred in designing and manufacturing such product. In addition, the customer may refuse or be unable to pay the cancellation fee Besi assesses. It is difficult to predict with any certainty the frequency with which customers will cancel or modify their projects or the effect that any cancellation or modification would have on Besi's results of operations.

Besi cannot provide any assurance that it will be successful in developing new or enhanced products in a timely manner or that any new or enhanced products that it introduces will achieve market acceptance.

Besi is largely dependent upon its international operations.
Besi has manufacturing and/or sales and service facilities and personnel in the Netherlands, Austria, Malaysia, Korea, Hong Kong, Singapore, China, the Philippines, Taiwan, Switzerland and the United States. Its products are marketed, sold and serviced worldwide. In addition, 83% of its sales in 2014 were to customers outside of Europe and 61% of its employees were located in facilities outside of Europe at year end 2014.

Besi's operations are subject to risks inherent in international business activities including, in particular:

- General economic, credit, banking and political conditions in each country.
- The overlap of different tax structures and potentially conflicting interpretations of tax regulations.
- Management of an organization spread over various countries.
- Currency fluctuations which could result in increased operating expenses and reduced revenue and foreign currency controls.
- Greater difficulty in accounts receivable collection and longer collection periods.
- Difficulty in enforcing or adequately protecting Besi's intellectual property in foreign jurisdictions.
- Unexpected changes in regulatory requirements, compliance with a variety of foreign laws and regulations.
- Import and export licensing requirements, trade restrictions and changes in tariff and freight rates.

In addition, each region in the global semiconductor equipment market exhibits unique characteristics that can cause capital equipment investment patterns to vary significantly from period to period.

Besi's use of global and diverse information technology systems and centralized IT data centre could result in ineffective or inefficient business management and could expose it to threats to the security of its data resources.

Besi currently utilizes a variety of information technology ("IT") systems to run its global operations. At present, Besi's operations rely on a range of different software systems to manage its sales, administrative and production functions. Some of these systems are proprietary and others are purchased from third party vendors. In addition, some of these systems are maintained on site by Besi's personnel while others are maintained off-site by third-parties. Besi has also rolled out an Enterprise Resource Planning ("ERP") system on a phased basis throughout the organization. The ERP system will provide it with a more open, standardized and cost-effective IT environment which will allow Besi to unify many of its global systems and procedures. Implementation of ERP software is a process that often involves a significant resource commitment and is subject to a number of risks. Additionally, some projects are managed by third parties and Besi may have limited insight into issues relating to the specific project. Besi cannot exclude the possibility that implementation projects may take longer than planned, that shortages of trained consultants or resources for development may occur or that the costs may exceed the fees it had planned for software implementation.

Furthermore, Besi believes that there has been a global increase in IT security threats and higher levels of professionalism in computer crime which poses a greater risk to the confidentiality, availability, distribution and integrity of its internal data and information. Besi relies on commercially available systems, software, tools and monitoring to provide security for the processing, transmission and storage of confidential information. Nevertheless, there can be no assurance that Besi's internal data will not be compromised in the future. Improper activities by third parties, advances in computer and software capabilities and encryption technology, new tools and discoveries and other events or developments may facilitate or result in the compromise or breach of Besi's IT systems. Any such compromise or breach could cause interruptions in Besi's operations, damage to its reputation, violation of applicable laws, regulations, orders and agreements and subject it to additional costs and liabilities which could be material.

Many of Besi's IT services are centralized at its IT centre in Radfeld, Austria. This data centre could be subject to disruption for a variety of reasons including work stoppages, fire, flooding or other natural disasters. Besi cannot ensure that an alternative IT data centre would be available on a timely basis if a major disruption occurred. Such a disruption could have a material adverse effect on Besi's business, financial condition and results of operations.

Besi's results of operations have in the past and could in the future be affected by currency exchange rate fluctuations.

The following table sets forth Besi's revenue and costs and expenses by principal functional currency for 2013 and 2014:

	Revenue		Costs and Expenses	
	2014	**2013**	**2014**	**2013**
Euro	34%	28%	28%	34%
US dollar	65%	71%	4%	7%
Swiss franc	-	-	20%	26%
Malaysian ringgit	-	-	40%	22%
Other	1%	1%	8%	11%
Total	**100%**	**100%**	**100%**	**100%**

Besi's principal functional and reporting currency is the euro. In 2013 and 2014, Besi's revenue denominated in euro represented 28% and 34% of its total revenue, respectively, while its costs and expenses denominated in euro represented 34% and 28% each year. A substantial majority of its revenue is denominated in US dollars while the majority of its costs and expenses is denominated in currencies such as the Malaysian ringgit, euro and Swiss franc. Due to its global operations and differences in the foreign currency composition of its revenue and costs and expenses, Besi's results of operations could be adversely affected by fluctuations in the values of the euro, the US dollar, Swiss franc and Malaysian ringgit. The announcement by the Swiss National Bank in January 2015 to abandon its euro/Swiss franc peg caused a substantial and immediate increase in the value of the Swiss franc versus the euro. This increase, if unabated, will have an adverse effect on Besi's supply chain costs and operating expenses in 2015 unless the Company is able to advance its supply chain move to Asia more rapidly and/or reduce headcount commensurately to compensate for the upward revaluation.

Besi seeks to manage its exposure to currency fluctuations in part by hedging firmly committed sales contracts denominated in US dollars. While management will continue to monitor its exposure to currency fluctuations and may use financial hedging instruments to minimize the effect of these fluctuations, Besi cannot assure that exchange rate fluctuations will not have a material adverse effect on its results of operations or financial condition.

Besi's principal competitors are domiciled in countries utilizing primarily US dollars and/or Japanese yen as their principal currencies for the conduct of their operations. Besi believes that a decrease in the value of the US dollar and US dollar-linked currencies or Japanese yen in relation to the euro could lead to intensified price-based competition in its markets resulting in lower prices and margins and could have a negative impact on its business and results of operations.

Weaknesses in its internal controls and procedures could result in material misstatements in Besi's financial statements and/or a deterioration of its financial condition.
Management is responsible for establishing and maintaining adequate internal control over financial reporting. Internal controls over financial reporting are processes designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with IFRS. A material weakness is a control deficiency, or combination of control deficiencies, that results in a more than remote likelihood that a material misstatement of annual or interim financial statements will not be prevented or detected. Besi's internal controls may not prevent all potential errors or fraud. Any control system, no matter how well designed and implemented, can only provide reasonable and not absolute assurance that the objectives of the control system will be achieved.

There were no indications that Besi's risk management and control systems did not function properly in 2013 or 2014. However, there can be no assurance that situations will not arise in the future that could compromise the integrity of Besi's internal controls and systems which could affect investor confidence in Besi and the price of its Ordinary Shares.

If Besi fails to continue to attract and retain qualified personnel, its business may be harmed.
Besi's future operating results depend in significant part upon the continued contribution of its senior executive officers and key employees including a number of specialists with advanced university qualifications in engineering, electronics and computing. In addition, Besi's business and future operating results depend in part upon its ability to attract and retain other qualified management, technical, sales and support personnel for operations. Besi believes that its ability to increase the manufacturing capacity of its subsidiaries has from time to time been constrained by the limited number of such skilled personnel. Competition for such personnel is intense and Besi may not be able to continue to attract and retain such personnel. The loss of any key executive or employee or the inability to attract and retain skilled executives and employees as needed could adversely affect Besi's business, financial condition and results of operations.

Besi may acquire or make investments in companies or technologies any of which could disrupt its ongoing business, distract its management and employees, increase its expenses and adversely affect its results of operations.
As part of its growth strategy, Besi may from time to time acquire or make investments in companies and technologies. Besi could face difficulties in integrating personnel and operations from the acquired businesses or technology and in retaining and motivating key personnel from these businesses. In addition, these acquisitions may disrupt Besi's ongoing operations, divert management resources and attention from day-to-day activities, increase its expenses and adversely affect its results of operations and the market price of its Ordinary Shares. In addition, these types of transactions often result in charges to earnings for items such as business unit restructuring, including charges for personnel and facility termination and the amortization of intangible assets or in-process research and development expenses. Any future acquisitions or investments in companies or technologies could involve other risks, including the assumption of additional liabilities, dilutive issuances of equity securities, the utilization of its cash and the incurrence of debt.

Besi may incur restructuring charges of a material nature that could adversely affect its results of operations.
Commencing in 2007, Besi has undergone an organizational transformation which has involved a series of related restructuring efforts and initiatives designed to reduce its cost structure, increase its profitability and enhance its competitive position. Between 2007 and 2014, Besi incurred restructuring charges aggregating € 26.0 million of which € 1.7 million were incurred in 2014. There can be no assurance that Besi's restructuring efforts will achieve the benefits it seeks, including lower quarterly structural cost levels without placing additional burdens on its management, design and manufacturing teams and operations. In addition, Besi may engage in additional restructuring efforts which could result in additional charges in the future in amounts which could exceed specified estimates. Restructuring charges have adversely affected, and could in the future continue to adversely affect, Besi's results of operations for the periods in which such charges have been, or will be, incurred.

Any significant disruption in Besi's operations could reduce the attractiveness of its products and result in a loss of customers.
The timely delivery and satisfactory performance of Besi's products are critical to its operations, reputation and ability to attract new customers and retain existing customers. Besi's administrative, design and systems manufacturing are located all over the world, including locations in the Netherlands, Malaysia, Singapore, Austria, China and Switzerland. Some of Besi's facilities are in locations that have experienced severe weather conditions, fire, natural disasters, political unrest and/or terrorist incidents. If the operations at any of its facilities were damaged or destroyed as a result of any of the foregoing, or as a result of other factors, Besi could experience interruptions in its service, delays in product deliveries and Besi would likely incur additional expense in arranging new production facilities which may not be available on timely or commercially reasonable terms, or at all. Any interruptions in Besi's operations or delays in delivering its products could harm its customer relationships, damage its brand and reputation, divert its employees' attention, reduce its revenue, subject it to liability and cause customers to cancel their orders, any of which could adversely affect Besi's business, financial condition and results of operations. It is unclear whether

Besi's insurance policies would adequately compensate it for any losses that it would incur as the result of a service disruption or delay.

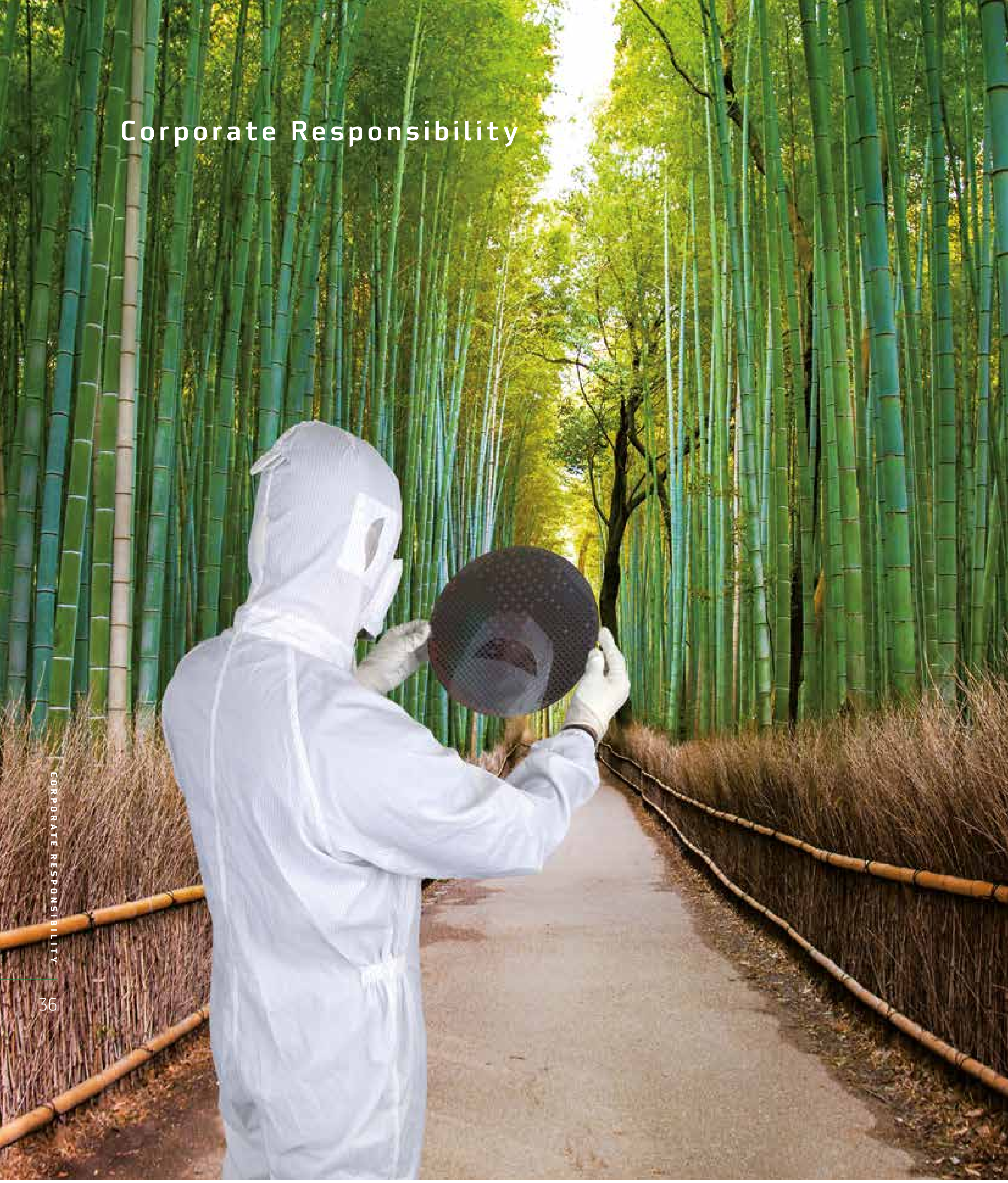
Besi may not be able to protect its intellectual property rights which could make it less competitive and cause it to lose market share.
Although Besi seeks to protect its intellectual property rights through patents, trademarks, copyrights, trade secrets, confidentiality and assignment of invention agreements and other measures, there can be no assurance that it will be able to protect its technology adequately, that Besi's competitors will not be able to develop similar technology independently, that any of Besi's pending patent applications will be issued or that intellectual property laws will protect Besi's intellectual property rights. In addition, Besi operates internationally and intellectual property protection varies among the jurisdictions in which it conducts business. Litigation may be necessary in order to enforce Besi's patents, copyrights or other intellectual property rights, to protect its trade secrets, to determine the validity and scope of the proprietary rights of others or to defend against claims of infringement. Litigation could result in substantial costs and diversion of resources, distract Besi's management from operating the business and could have a material adverse effect on its business and operating results. Due to the competitive nature of its industry, it is unlikely that Besi could increase its prices to cover such costs.

In addition, third parties may seek to challenge, invalidate or circumvent any patent issued to Besi, the rights granted under any patent issued to Besi may not provide competitive advantages and third parties may assert that Besi's products infringe patent, copyright or trade secrets of such parties. In addition, third parties may challenge, invalidate or circumvent technology which Besi licenses from third parties. If any party is able to successfully claim that Besi's creation or use of proprietary technology infringes upon their intellectual property rights, Besi may be forced to pay damages. In addition to any damages Besi may have to pay, a court could require Besi to stop the infringing activity or obtain a license which may not be available on terms which are favourable to Besi or may not be available at all.

Besi is subject to environmental rules and regulations in a variety of jurisdictions.
Besi is subject to a variety of governmental regulations relating to the use, storage, discharge and disposal of chemical by-products of, and water used in, its manufacturing processes. Environmental claims or the failure to comply with any present or future regulations could result in the assessment of damages or imposition of fines against Besi, suspension of production or a cessation of operations. New regulations could require Besi to acquire costly equipment or to incur other significant expenses. Any failure by Besi to control the use or adequately restrict the discharge of hazardous substances could subject it to future liabilities.

Anti-takeover provisions could delay or prevent a change of control including a takeover attempt that might result in a premium over the market price for Besi's Ordinary Shares.
Besi's articles of association provide for the possible issuance of Preference Shares. In April 2000, Besi established the foundation "Stichting Continuïteit BE Semiconductor Industries" (the "Foundation") whose board consists of five members, four of whom are independent of Besi. Besi has granted the Foundation a call option pursuant to which the Foundation may purchase Preference Shares up to a maximum amount equal to the total number of outstanding Ordinary Shares. If the Foundation were to exercise the call option, it may result in delaying or preventing a takeover attempt including a takeover attempt that might result in a premium over the market price for Besi's Ordinary Shares.

Corporate Responsibility



Corporate Responsibility

1. Vision and ambition

Corporate Responsibility ("CR") is of crucial importance as it provides Besi sustainable appreciation from its stakeholders in its balancing of ecological, social and economic interests and outcomes. We recognize our responsibility to our customers and shareholders, our employees and the communities in which we work. We expect all of our employees to do business in a way that reflects our principal corporate values of respect, unity and customer satisfaction and to embed quality and sustainability across our entire value chain. Operating in a responsible and sustainable manner has a positive impact on our business success by increasing quality and lowering costs.

Besi strives to meet international best-practice standards of social and environmental responsibility across all of its operations. We want to be recognized by our stakeholders as responsible and pro-active in terms of our CR focus areas.

Trends that influence our CR strategy

In our view, taking corporate responsibility requires vigilance, obligation and active engagement. Our corporate responsibility is motivated by global trends which affect our business such as a growing and aging world population, the scarcity of raw materials such as fuel and other critical raw materials, a growing concern about climate change and many challenges in the social domain such as poverty and child labor.

Besi monitors these global trends as well as sector and market specific trends and assesses which risks and opportunities arise therefrom that will most affect its stakeholders. In general, we believe that attention to achieving a more sustainable society is an opportunity rather than a threat. Some of the current global trends will drive our business towards the area of clean technology in which semiconductors are indispensable to achieving this objective. New developments in healthcare and the automotive sector also drive our business as they require more and more sophisticated semiconductors to help foster new technologies. The proliferation of semiconductors in the Internet of Things - making our homes, offices and factories more intelligent - is also an area that will contribute to the more efficient utilization of energy, water and other natural resources among other benefits.

Materiality assessment

Besi aims to address CR topics in its strategy that are important to its operations. Such topics can change over the years. Therefore, we reassess periodically our societal impact, taking into account stakeholders' expectations. High and medium CR priorities were generated from an internal materiality assessment conducted in 2014 based on the new GRI G4 guidelines. In this assessment, a list of relevant topics was created for which priorities were defined based on relative significance to Besi and its most important stakeholders. At present, we are focused primarily on the high priority topics. In the coming years, we expect to gradually expand our CR strategy to address medium priority topics which will be reflected in future annual reports.

CR strategy

We continually search for new opportunities to grow our business in an environmentally and socially responsible manner. The semiconductor industry is characterized by rapid innovation and ever changing markets and technologies. To secure and strengthen our competitive position, we have shifted our focus to Asia since 2007 primarily to reduce manufacturing and transportation costs and place our operations closer to our customers. This transition has also greatly increased our flexibility and scalability and made our operations more responsive and profitable in the face of volatile market conditions. Our general company strategy is further described on pages 11 to 14.

We have defined three strategic CR pillars in terms of their impact and the value created. These pillars are part of the Besi Sustainability Program (the "Program") and consist of people, planet and product.

People

Employees are very important to Besi and are critical to its profitability, sustainability and long-term growth. We strive to be a good employer and invest in engaging, supporting and developing our people and treating their safety and wellbeing as a paramount concern. The issue of human wellbeing deserves considerable attention especially given our increased presence in Asian countries. By applying European labor norms to our Asian operations, we hope to improve workers' human rights, provide better working conditions and enhance living standards by providing attractive remuneration. We also find it important to contribute to the wellbeing of those living in the environments in which we operate.

Planet

Besi recognizes the environmental impact of its operations and aims to significantly and systematically decrease its environmental footprint through both reduced CO_2 emissions and costs. As such, our internal energy program encourages and helps employees make positive changes in work place energy consumption. We also focus on water usage and efficiency and a reduction of the total waste generated from our operations. Besi places particular emphasis on transportation and packaging activities where we have identified significant potential for reductions of CO_2 emissions and costs. As a considerable share of our sustainability impact lies in our supply chain, we increasingly work together with our suppliers to minimize any potential negative impacts and maximize all positive impacts on the environment.

Product

We contribute to a more efficient and cleaner industry through our products, particularly low carbon products and services. Besi observes and takes advantage of potential opportunities to develop new ways to assemble semiconductors and components used in advanced electronic devices such as mobile internet devices (smart phones, wearable internet devices and tablets), logistical systems, intelligent automotive technology, the Internet of Things, advanced medical equipment, solar and renewable energy applications and LED devices. We invest in the development of low carbon products and services to help our clients operate more efficiently and in a more environmentally friendly manner, for instance by introducing products with fewer and lighter materials.

Lowering the total cost of ownership is one of the most critical objectives when Besi designs equipment for customers. The design of our products also determines its technical procurement specifications. Consequently, Besi works together closely with its suppliers to reduce the customer's total cost of ownership by means of higher accuracy, greater throughput, smaller footprint, lower energy consumption and lead-free board usage, all of which should favourably impact a customer's usage of environmental resources.

Organizational governance
Besi aims to operate with proper ethical standards and to comply with all relevant laws and regulations in the places where it operates. Accountable to the Supervisory Board and to shareholders, Besi's Board of Management is responsible for ensuring that it achieves its aims, strategy and CR objectives.

Our CR management approach is fully aligned with Besi's hierarchical structure. Line managers are fully responsible for CR issues in their respective departments. Besi has assigned independent staff officers in the fields of environment, quality and integrity at all locations to support line managers. Moreover, we have implemented externally certified ISO 9001 and ISO 14001 management systems in order to manage quality and environmental issues in our production operations. Health & Safety is part of the ISO 14001 management system. In addition, Besi APac in Malaysia has its own Health & Safety Committee as required by law.

Progress and developments in the field of CR are discussed between the Board of Management and the Supervisory Board regularly. On a yearly basis, we report our CR progress in the Annual Report. In 2014, we planned to introduce an internal quarterly CR monitoring and review system. However, it was postponed until 2015 given the substantial business growth this past year which required a substantial amount of management time and attention. When implemented, this system will enable us to monitor our progress more regularly and efficiently.

Our Remuneration Policy (see pages 52 and 53 of this Annual Report) describes our compensation system. During the past five years, steps have been taken to include CR goals in determining the payment of variable remuneration to management. The non-financial remuneration target for 2014 was to create and implement sustainability development programs for three more suppliers and to monitor the progress made at suppliers designated in 2013. In parallel, a broad program was initiated in 2014 to embed the EICC code of conduct in the General Work Agreement with Suppliers ("GWA"). The program is in compliance with the EICC standard and includes a risk assessment of 64 Besi APac suppliers not currently in compliance. In addition, actions will be taken to reduce the exposure at high risk suppliers.

Besi has a Code of Conduct to guide the activities of all Besi employees. The Whistleblower and Reporting of Fraudulent Activities Procedure sets out responsibilities, steps to take and support for reporting violations of the Company's Code of Conduct. Besi's Code of Ethics for Senior Financial Officers sets out further responsibilities for those in positions of leadership across the business. These procedures are made known to employees through the website, intranet, employee handbook and via new employee orientation. In 2014, the HR department in Asia did a roadshow to communicate such procedures to employees. During 2014, there was one violation of the Code of Conduct reported regarding fraud. The violation was detected in the Internal Control Framework and reported through the Whistle Blower Policy. Research was done on the situation and appropriate measures were taken.

Besi also follows the principle of responsible tax practices, meaning full compliance with tax obligations in the areas where the factual economic activities of our operations take place. Besi's production and sales activities determine where taxes need to be paid.

2. Stakeholders
Engagement with stakeholders helps Besi identify the issues and risks that impact its business and performance. We gather vital intelligence through internal and external audits, supplier and customer audits, management reviews and surveys. Besi engages with shareholders through quarterly and annual conference calls, presentations, roadshows, conferences and participation at its Annual General Meeting of Shareholders ("AGM"). Reference is made to Besi's shareholder activities on page 26.

Shareholders/investors: Shareholders expect Besi to protect their investment and provide a competitive return on invested capital while operating responsibly as a corporate citizen. Our investor relations activities ensure that we remain in close contact with investors, invite them to attend meetings and ask questions, including CR related topics, during our earnings calls and AGM.

Customers: Customer relationships are vital to Besi's growth and its ability to improve its sustainability efforts. Providing superior customer support is central to our corporate philosophy. We aim to maintain close, strategic relationships with key customers as they provide valuable insight into semiconductor assembly requirements and future market trends and provide partnership opportunities to develop new assembly systems and sustainability solutions for the market.

We aim to build trust with customers by keeping our promises and communicating openly and proactively. Besi engages with its customers through personal contacts, its website, customer support systems, trade shows and satisfaction surveys. Customer satisfaction is monitored via three methods. First, many of our customers regularly perform supplier performance evaluations in which we are happy to participate. Additionally, once a year, we perform our own customer satisfaction survey. Through this survey we measure our performance on service and support, technology, quality and product management. In 2014, we decided to let an external specialized research organization perform our customer survey. The results of the survey generated a significantly higher response rate and an average increase of 2.3% in overall customer satisfaction as compared with 2013. Finally, perhaps the best indicator of customer satisfaction is the amount, breadth and diversity of customer orders as only a satisfied customer will generate increasing, repetitive order volume. In 2014, our revenue and market share grew substantially which indicates a high degree of customer satisfaction with our current portfolio of products and services.

In addition to surveys, we are in constant contact with customers through Besi's sales and service departments and, as such, receive ongoing feedback about our products and services. Customer feedback indicates that they expect products to meet competitive price and quality standards while having a limited adverse environmental and social impact. In recent years, we have also received customer requests for transparency of our CR policy. In response, we included a chapter on our CR policy in our 2013 Annual Report for which we received positive customer responses. Many customer contracts now also require provisions for ethical behavior for which our CR policy and Code of Conduct are satisfactory.

Employees: Our employees expect Besi to use high social and ethical standards and to provide good and safe working conditions with competitive terms and conditions. A high level of employee satisfaction is a basic precondition to achieve our revenue and profit growth.

In Europe, we hold meetings with Joint Works Councils twice a year to listen to the views of employees and communities. A large and growing share of Besi's operations is now located in Malaysia. At present, Malaysia has neither labor unions nor Works Councils. Each quarter a 'town hall meeting' is held to inform employees of corporate developments. Some have a general character and others address a special theme such as safety. In addition, employees of Besi APac are represented by a member of the Company's Health & Safety Committee. This committee monitors workplace conditions and informs employees on measures taken to ensure the health and safety of the workplace. Due to the significant growth of Besi's Asian operations, particularly in 2014, work pressure has become a serious concern for employees and was discussed with them several times. In response, Besi provided employees more workplace flexibility and appropriate incentive compensation.

Suppliers: Our suppliers expect a long-term relationship that is mutually beneficial and based on trust. We engage with our suppliers through direct dialogue and constructive audits. Besi has a certified external audit annually for all significant production facilities with respect to its ISO 9001 and ISO 14001 capabilities. Social and ethical CR topics are put on the agenda as well. But most of all, we aim to work together with our suppliers in lowering our joint environmental footprint and creating sustainable products.

Societal organizations/NGOs: Society expects Besi to respect national and international laws and regulations, minimize negative impacts and be transparent on economic, environmental and social issues. Besi uses the most appropriate social, ethical and environmental standards for its operations which typically exceed minimum legal and regulatory compliance levels.

Local governments: Local governments expect compliance with local laws, regulations and care for the health, safety and security of the communities in which we operate. In all of its operations, Besi uses European social and ethical standards and participates in dialogue with local chambers of commerce wherever possible.

Local communities: Besi relies on healthy and stable communities to help reach customers, employees, suppliers and potential investors. We aim to have a positive impact on communities through good corporate and employee conduct. In its operations, Besi senior managers review concerns raised by local communities and try to communicate issues and best practices to all its stakeholders. We consider community projects to be part of our responsibility. More information on community projects can be found on page 41.

We listen to the concerns of our stakeholders and try to be as responsive as possible in the context of the conduct of our business. Besi will continue its stakeholder dialogue in 2015 seeking to identify CR and performance related topics of interest to our various stakeholders. We will use this input to define new CR goals and activities for the coming years.

3. 2014 activities and results

People

Human Resources organizational structure

In Besi's organization, three Human Resources ("HR") managers have been appointed who are responsible for a region and/or division. In addition, local HR officers are appointed per country, reporting to the regional HR managers. The regional/divisional HR managers report to the country directors, who report to the CEO. Twice a year, the HR managers meet to discuss corporate HR procedures and timelines.

Diversity

Besi values geographical and gender diversity in its workforce and management to help broaden its perspective and contribute to growth. Equal opportunities are provided to all employees and applicants. This is embodied in its Code of Conduct. At present, many of Besi's female employees work in staff positions. Besi aims to increase the number of female engineers in its operations, but, despite all efforts, this process has gone slowly as the availability of female engineers is still low, especially in

Europe. In Malaysia, we work together with Talentcorp (under the Prime Minister's Department) to increase the number of female engineering and professional employees.

Indicator	2012	2013	2014
Female employees			
- Asia	19%	19%	19%
- Switzerland	12%	14%	13%
- Austria	10%	10%	11%
- Netherlands (incl. Besi N.V.)	10%	9%	9%
Total	15%	16%	16%
Female employees in management positions			
- Asia	9%	13%	13%
- Switzerland	9%	13%	13%
- Austria	6%	5%	3%
- Netherlands (incl. Besi N.V.)	6%	6%	8%

Harmonizing HR policies
Besi's largest product group is Besi Die Attach located in Cham, Switzerland. The focus of the Die Attach group for the past two years has been to harmonize its HR policy and accompanying processes and procedures under the direction of a new HR manager. Previously, the Die Attach sites in Switzerland, Austria, Singapore and the US all had their own HR policy. It is anticipated that this process will be finalized in 2015.

Besi's Packaging and Plating product groups are based in the Netherlands. The HR departments from both product groups were integrated as well in 2014 with the goal of harmonizing HR policies and accompanying processes and procedures over the next two years.

Training and development
Besi performs semi annual and annual employee reviews and has a performance management system with KPIs for all employees. Individual training needs are identified and a program formulated based on functional requirements and competency profiles and is communicated in the annual reviews. Training is organized and provided both at the department level and by the HR department. Many training programs are offered to employees through sessions at recognized training facilities. We also aim to advance technical knowledge exchanges amongst our employees and to develop cross functional skills by organizing training and short or long term overseas exchange projects. In addition, graduates or undergraduates, both local and international, have the opportunity to work at Besi as an intern. In 2014, at least 35 interns worked at Besi at different locations.

In Asia, training and development initiatives are linked to a career development program, in which Besi APac offers both a management and technical career path. An important development program is the Leadership Program for managers. The program contains skills for leadership, communication, coaching and delegating, performance management and teamwork. In 2013, 13 line managers and 24 operational managers participated in the program. In 2014, 24 middle managers participated in this program. The participants have continued with the program via monthly Lunch & Learn sessions in which they discussed the application of what they learned in their work. Asian employees who want to pursue a degree are offered education assistance under the condition that they will work at Besi for two years after completion of their studies. Two employees completed an MBA degree in 2014 and two employees are still participating.

Evaluations are regularly performed on the effectiveness of training programs by means of four criteria:

1. Direct reaction of the participants
2. Tests done by participants before and after the program to test technical knowledge and skills
3. Post completion assessments (complete feedback assessment before and after the program)
4. Performance analysis post program completion

At Besi APac, we are implementing a Lean Six Sigma Program for Continuous Business Improvement. In 2014, a new initiative was rolled out including the training of employees to become experts at this method. Experts are assigned to carry out seven business improvement projects in pairs to improve their business KPIs.
Besi APac also worked on its brand realignment by redeveloping its core values, vision and mission together with employees. 148 employees from various levels participated through interviews and several workshops.

At Besi Die Attach, the 2014 focus was on developing optional career paths for employees. The managerial career path was already available. It was found that there was a need for a technical career path as well. This path was developed together with the Works Council and was introduced in Austria this year. At Besi Die Attach Switzerland, a technical career path was already available and will be harmonized with Besi Die Attach Austria in 2015. If employees choose one of these career paths, assessments and tests will be performed to define the personalized development program for such employee. The Die Attach Vice President, product line managers and R&D managers also participated in a leadership program in 2014. The focus of the program was employee engagement in a fast changing environment. The program consisted of a three-day training session and additional coaching. The feedback from the participants was very positive.

At Besi Packaging and Besi Plating in the Netherlands, employees mainly participated in individual training programs in 2014. An internal training program was provided for all employees on the Scrum software development method. The significant production increase in 2014 gave less room for training than usual. In 2015, more effort will be put into promoting training and the training portfolio will be extended. Also, more attention will be paid to high potential employees and employee engagement activities.

Indicator	2012	2013	2014
Total headcount fixed	1,479	1,434	1,510
Employee turnover	10%	14%	11%
New employee hires	9%	11%	20%
Employees who received a yearly performance review	98%	99%	98%

Employee satisfaction
Besi listens to its people and monitors their satisfaction across regional operations through periodic employee surveys.

In 2014, Besi monitored employee satisfaction at its fast growing Asian operations which represented approximately 60% of total employees in 2014. Employee satisfaction scores ranged from 78% to 86% at various sites. Open communication and company benefits for employees and their families were positive outcomes of the survey. Four main areas of concern were highlighted: career opportunities, branding, reward and recognition and the performance dialogue process. Results were presented to the management team who has organized an action plan which will be implemented in 2015.

At the Die Attach Product Group, an evaluation of employee satisfaction is included in the yearly performance appraisal. Results are analyzed and discussed with the Works Council and local management. When required, appropriate measures are taken to improve issues addressed by employees. In 2014, 83% of the employees had a positive view of their experience, 16% were neutral and only 1% had a negative view. Employees indicated that internal communication could be improved and, as a result, a monthly information session for employees with the Vice President was introduced. In addition, the frequency of meetings between the Works Council and the Vice President were increased from quarterly to monthly.

Health, safety and wellbeing
All of Besi's production sites have health and safety officers and a health and safety management system. Safety inspections are performed regularly and health and safety procedures are regularly shared with employees. In Asia, accidents during commuting traffic is a serious issue. Therefore, a road safety campaign was held in 2014.

Besi's quarterly revenue and orders can be volatile involving rapid shifts of production requirements and resources. Production increased significantly in 2014 which required additional employee commitments of time and effort. During particularly busy periods, Besi pays extra attention to the wellbeing of its employees and tries to recognize their commitment to the Company.

In Asia, increased production in 2014 raised concerns among employees about extra working hours and a proper work-life balance. To improve this balance, Besi APac introduced a flexible time policy which allowed employees to have flexibility in managing their personal and work lives. In addition, the flexible workforce in Asia was increased to 50% to more easily deploy extra capacity during peak production times in order to limit extra working hours of fixed employees. Asian employees indicated in the employee engagement survey that they now are more satisfied about their work-life balance.

In Malaysia, Besi has a Health & Safety Committee in place as required by law. Providing medical insurance is not required by law, but Besi offers medical insurance including hospitalization coverage for all employees and their families with a fixed contract. In Malaysia, benefits for employees with terminal illnesses are not defined by law although Besi APac still provides benefits in which full salary is provided for a period ranging from two to six months. Subsequently, employees receive half salary payments for a period based on their years of service with the Company.

Indicator	2012	2013	2014
Sickness Rate	1.4%	1.3%	1.0%
Number of incidents in the workplace	14	10	7

Community involvement
In 2014, Besi again supported several activities in the local communities where it operates, particularly in Asia where the support is more greatly needed. In 2014, Besi APac committed to support the IDEAS Academy (Education is for ALL), a local non-profit organization. The organization provides education to underprivileged youth in Malaysia. Besi supports the organization financially as well as through the provision of laptops. In 2014, 24 students participated, mostly refugees from various countries, backgrounds, ethnicity and race. We also support local orphanage homes in Malaysia and China by providing food and daily products and organizing special activities for children. In a Health & Safety week that was organized in Malaysia, 72 Besi employees donated blood. In addition, money was donated by Besi APac and its employees for the floods on the east coast of Malaysia. We also support local technical universities in the regions in which we operate through interchange and dialogue.

Planet
Besi aims to minimize its impact on the environment across all subsidiaries and operations – from product development through construction, purchasing, assembly, marketing and customer service. In order to manage this systematically, all operations have a certified ISO 14001 management system in place.

Climate change and energy
Climate change is an important issue in our business. Besi has a unique opportunity to support the development of low carbon products such as energy-efficient LED lighting and smaller, more energy-efficient smart phones and computers. When designing products, Besi considers both sustainability and product cost, analyzing resource type and efficiency as well as

production issues such as reducing energy consumption and the use of hazardous chemicals.

Besides the CO_2 impact of products, we strive to reduce the environmental footprint of our operations. Toward this end, we started the Besi Energy Saving Program in 2013 at our Asian operations where substantially all of our equipment production takes place. Energy consumption at Besi's operations can be broken down as follows: (i) energy required for facilities (light, air conditioning, PC, etc.) and (ii) energy for production processes (machines, engines). Our energy saving program encourages and helps employees make small changes to workplace energy consumption that make a big difference. Conservation efforts are predominantly focused on lighting, computer, laptop and air conditioning usage.

In 2014, aggregate energy usage remained relatively stable versus 2013 even though our consolidated revenue grew by approximately 49% and Asian production grew by 67%. In Europe, energy consumption was reduced by more efficient use of production facilities as we sublet and sold part of our excess production and office space. In Malaysia, we started implementing more efficient LED lighting to reduce energy usage. At present, we are investigating whether LED lighting provides appropriate brightness intensity for the working environment, and, if so, will roll it out to more of our operations.

Indicator	Unit	2012	2013	2014
Electricity use	GWh GWh/revenue	15.3 0.055	15.1 0.059	15.0 0.040

Quality
Besi's Product Quality Policy ensures that it meets appropriate quality, reliability, safety and ecological standards and achieves an excellent standard of customer care and satisfaction. It includes commitments for product, system and service quality including defined targets for its business and employee responsibilities. These policies are reviewed annually.

Material usage
Besi seeks for ways to use more environmentally friendly materials in the design of its products. A number of paints used in the production process have been changed from acrylic and powder coating to water soluble based paints. By changing suppliers, a printed circuit board is now produced without lead, which is a very hazardous material.

Packaging and waste
In its operations, Besi seeks to reduce the generation of material waste. Absolute waste volumes increased in 2014, but, as a percentage of revenue, decreased significantly. In all our operations, extensive waste-separation systems are in place.
Additional efforts to reduce waste are mainly focused on the packaging process. We carefully package all parts and equipment for transport in order to ensure quality and performance and use materials such as plastics, wood and cardboard to ensure their proper safety. In 2015, we aim to reduce packaging material usage by suppliers (inbound packaging) by approximately 50% as compared to 2012. Packaging quality has been improved to better protect products during transport and re-use packaging multiple times. In addition, inbound packaging is either returned to the supplier or re-used for product shipment to clients (outbound packaging). In some cases, if a supplier is located close to our operations, inbound packaging can be eliminated completely. As of yet, we do not have a formal system in place to re-use packaging for outbound applications. In 2015, we will investigate whether such a system is feasible.

Transportation activities
The transportation of our equipment, spare parts and assemblies has been a particular focus in terms of its potential environmental impact. In assessing its transportation activities, Besi focuses on speed, reliability, cost and environmental impact. The objective is a 50% reduction in CO_2 emissions and 20%+ reduction in freight costs by 2015 as compared to 2012. To date, a number of measures has been implemented towards this goal. First, Besi is procuring more on a local level than it was three years ago, because sourcing products, materials and components locally decreases transport cost as well as the associated environmental impact. In 2014, transportation was further optimized through the consolidation, cross docking and reduction of shipment frequency. For example, by efficient planning we were able to reduce the number of flights between Europe and Asia from once a day to once a week. Transportation between Besi and its suppliers was also reduced because of planning measures. In 2015, we will start a dialogue with four suppliers to encourage them to follow our transportation and logistics methods to both reduce related costs and minimize the adverse impact on the environment.

Water usage
Water usage is also an important component of our production processes. Considerable effort is put into the prevention of leaks and spills of contaminated water at all production sites. We are proud that there have been no material leakages or spills at Besi facilities for at least the past three years. At present, Besi's Chinese facility is the only one which uses water as part of its production process. The facility is examing water re-usage whose primary purpose is a positive environmental impact. If the test is successful, it will be implemented in 2015.

Sustainable supply chains
Besi adheres to high ethical standards and expects the same from its suppliers. In 2013, we developed our own Supplier Code of Conduct with the objective of its adoption by our suppliers.

As part of our current quality procedures, we regularly perform audits of our suppliers. In total, 70 suppliers were audited in 2014. There are two types of audits

Indicator	Unit	2012	2013	2014
Hazardous waste	ton	17	23	15
Non-hazardous waste	ton	175	157	204
Total waste	ton	192	180	219
	kg/revenue	700	708	579
Water use	m^3	23,540	26,512	30,020
	m^3/revenue	86	104	79

that are currently being performed, initial audits and operational audits. The latter uses a score card, comprised of financial, environmental and social topics. The score card is completed by the audit team. In Asia, the goal was to audit the top 30 suppliers in 2014 of which 27 were actually audited. Besi audit procedures include both environmental and social aspects but are not fully aligned yet with EICC requirements. Aligning the Besi audit procedure with EICC requirements is a strategic objective for 2015.

The EICC is a non-profit coalition of electronics companies committed to supporting the rights and wellbeing of workers and communities worldwide affected by the global electronics supply chain. This coalition facilitates collaboration and dialogue amongst companies, workers, governments, civil society, investors and academia to gather perspectives and expertise to support and drive our members toward achieving the EICC mission of a responsible global electronics supply chain. An analysis of our code and the EICC Code of Conduct ("EICC Code") showed that the EICC Code was even more complete than our own. Therefore, Besi decided to adopt the EICC Code as the principal method of supply chain oversight. The EICC Code focuses on the following areas:

- Human rights and labor conditions
- Health & Safety and working conditions
- Environment
- Ethics, integrity and transparency
- Compliance with laws and regulations

Besi is not an official member of the EICC yet, but nevertheless still follows the EICC approach. In 2014, Besi conducted research as to what a membership would mean for its business and took the first steps in implementing the EICC Code. We included compliance with the EICC Code in our General Working Agreement and Purchasing Conditions. As such, all of our suppliers have to commit to EICC standards. In addition, the EICC supply chain risk assessment was done for our supply chain and our 63 strategic suppliers (out of all our 400 suppliers). High, medium and low risk suppliers were identified in accordance with the EICC methodology and definitions. Subsequently, we asked two of our high risk, two of our medium risk and two of our low risk suppliers to complete the EICC self-assessment.

We also performed this self-assessment for Besi itself. The analysis showed some gaps between the responses of our suppliers and Besi's response which we are addressing. In the future, high risk suppliers will be audited by on-site visits based on the results of the self-assessment and medium risk suppliers will need to define an improvement plan so that by 2015 all of our high and medium risk suppliers will perform a self-assessment. Subsequently, we want to audit all high risk suppliers to assure that all have been assessed to various degrees.

We intended to introduce performance indicators to monitor and report the progress of supplier initiatives in 2014, but the focus changed to the implementation of the EICC first. In this regard, we intend to introduce a key performance indicator for monitoring the sustainability of our supply chain in 2015.

Conflict minerals

As a consequence of increasing client demand and ethical considerations, Besi is exploring the opportunity to formally implement a due diligence structure to comply with so called 'conflict minerals' legislation and international guidelines. Currently, risks concerning conflict minerals have not been formally identified. In general, risks related to conflict minerals have been estimated to be minimal. However, this needs to be formally assessed as part of a larger company risk assessment. Once a year, a risk analysis of all suppliers is made. At present, the highest potential risks related to the use of conflict minerals are associated with printed circuit boards and certain other electronics.

Besi is committed to utilizing suppliers which use conflict free smelters. At present, we do not believe that any of our suppliers acquire their Tantalum, Tin, Tungsten and Gold (3T+G) from smelters directly and that there are only two or three supply chain steps in between Besi and the smelters. In its investigation, Besi will identify and separate all smelters from their suppliers, using the standardized EICC method. To date, Besi has completed due diligence on 35% of its suppliers. It is expected that significant progress will be made in 2015 and that the goal of conflict free suppliers may be realistic by 2017.

Supervisory Board

Tom de Waard (male, 1946)
Chairman
Dutch nationality
Member since 2000
Appointed 2013 - 2016

Lawyer, arbitrator, mediator De Waard Sinke

Additional functions:
Member of the Supervisory Board of N.V. Nuon Energy.
Chairman of the Board of Administratiekantoor Aandelen Telegraaf Media Group N.V

Douglas J. Dunn (male, 1944)
Vice Chairman
British nationality
Member since 2009
Appointed 2013 - 2015

Additional functions:
Non-Executive Director of the Board of Global Foundries.
Member of the Supervisory Boards of TomTom N.V. and Soitec S.A.

Mona ElNaggar (female, 1967)
British and American nationality
Member since 2012
Appointed 2012 - 2016

Managing Director, The Investment Fund for Foundations (TIFF)

Dirk Lindenbergh (male, 1949)
Dutch nationality
Member since 2009
Appointed 2013 - 2017
Will resign at the AGM to be held on April 30, 2015

Additional functions:
Member of the Supervisory Boards of DOCDATA N.V., Tie-Kinetix N.V. and Midlin N.V.

Jan E. Vaandrager (male, 1943)
Dutch nationality
Member since 2009
Appointed 2014 - 2018

Additional functions:
Member of the Supervisory Boards of Todlin NV and Hydratec Industries N.V.

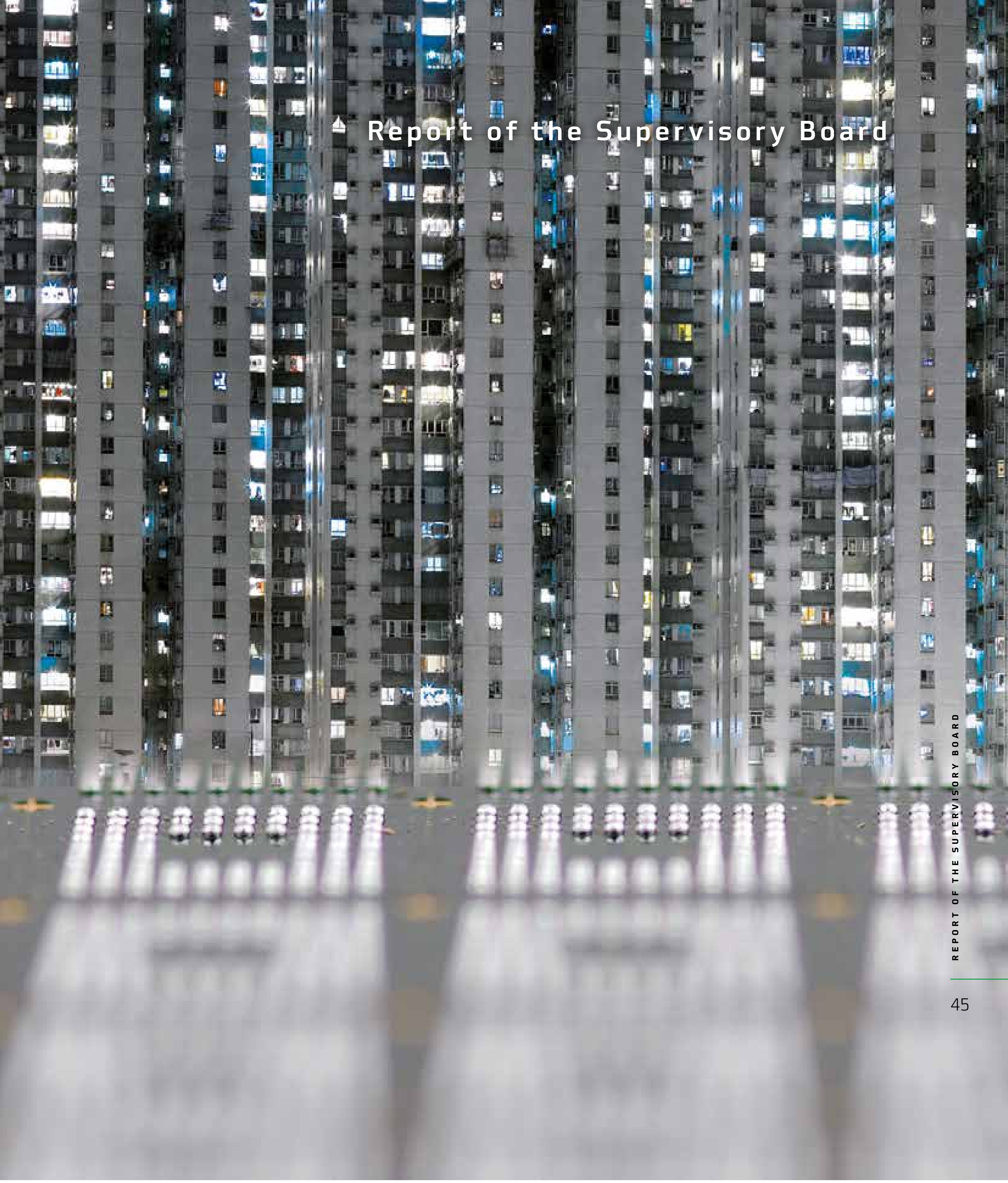
The Supervisory Board has formed the following committees:

Audit Committee:
Members: Jan Vaandrager (Chairman), Douglas Dunn, Mona ElNaggar, Dirk Lindenbergh and Tom de Waard.

Remuneration and Nomination Committee:
Members: Douglas Dunn (Chairman), Mona ElNaggar, Dirk Lindenbergh and Tom de Waard.

The remuneration of the members of the Supervisory Board does not depend on the results of the Company. None of the members of the Supervisory Board personally maintains a business relationship with Besi other than as a member of the Supervisory Board. Two members of the Supervisory Board owned as of December 31, 2014, in total 2,267,034 shares of the Company.

From left to right: Douglas Dunn, Jan Vaandrager, Mona ElNaggar, Dirk Lindenbergh and Tom de Waard.



Report of the Supervisory Board

Report of the Supervisory Board

Besi is pleased to present its 2014 Annual Report prepared by the Board of Management. The Annual Report includes Besi's Financial Statements as prepared by the Board of Management for the financial year ended December 31, 2014. At its meeting on February 25, 2015, the Supervisory Board approved these Financial Statements. KPMG, independent external auditors, duly examined the 2014 Besi Financial Statements and issued an unqualified opinion thereon.

The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2014 Financial Statements as submitted by the Board of Management and approved by the Supervisory Board. The Board of Management has also submitted a proposal stating that a dividend will be declared for the year ended December 31, 2014.

Supervision

Besi has a two-tier board structure consisting of a Board of Management and a Supervisory Board that is responsible for supervising and guiding the Board of Management. The Board of Management is currently comprised of one member, Mr Richard Blickman. The Supervisory Board is currently comprised of five members all of whom are considered independent within the meaning of best practice provision III.2.2. of the Dutch Corporate Governance Code.

At the Annual General Meeting of Shareholders held on April 30, 2014, Mr Jan Vaandrager was reappointed for a four year term.

Mr Douglas Dunn will be available for reappointment upon the expiration of his term in 2015. The Supervisory Board proposes to nominate him for a new four year term at the 2015 Annual General Meeting of Shareholders. In addition, Mr Dirk Lindenbergh has announced that he will resign his position on the Supervisory Board at the 2015 Annual General Meeting of Shareholders prior to the end of his term in 2017. Mr Lindenbergh is resigning to spend more time on other personal interests and investments. The Supervisory Board would like to thank him for his hard work, dedication and important contributions as a member since his 2009 appointment.

The Supervisory Board proposes to nominate Mr Kin Wah Loh to replace Mr Lindenbergh for a four year term at the 2015 Annual General Meeting of Shareholders. Mr Loh, 60, is an experienced manager in the semiconductor and semiconductor equipment industries, with particular expertise in Asian markets. Mr Loh is considered independent for the purposes of the Dutch Corporate Governance Code. He had previously served on Besi's Supervisory Board between 2009 and 2012. The Supervisory Board looks forward to working with Mr Loh in the years ahead to further develop Besi's Asian presence, capabilities and senior management organization.

Name	Year elected	Term end
Mr Tom de Waard, Chairman	2013	2016
Mr Douglas Dunn, Vice Chairman	2013	2015
Ms Mona ElNaggar	2012	2016
Mr Dirk Lindenbergh*	2013	2017
Mr Jan Vaandrager	2014	2018

*Will resign at the AGM to be held on April 30, 2015

The Supervisory Board considers its current composition to be in line with its aim to have sufficient business, financial, legal, geographic and other experience amongst its members. All Supervisory Board members have significant experience required to carry out the supervision over Besi in such respective areas. In addition, all members of the Supervisory Board have adequate time available to give proper attention to their tasks and duties.

Gender and age diversity were enhanced in 2012 by the appointment of Ms ElNaggar as a Supervisory Board member. As such, the current composition of the Supervisory Board and the Board of Management is materially compliant with Dutch law.

During 2014, the Supervisory Board met eight times of which two meetings consisted of conference calls and one meeting consisted of a full week strategy meeting in China and Malaysia. During the Asia trip, the Supervisory Board visited Fico Tooling Leshan in China and Besi APac in Shah Alam, Malaysia. During the year, one member was absent for two meetings. No other members were absent for any Supervisory Board meeting.

Topics of the meetings of the Supervisory Board included, among others:

- Besi's general strategy.
- Regular business reviews with the Board of Management, certain members of senior management and key Besi staff.
- The ongoing operational integration of Besi Switzerland and Besi Austria into the Die Attach product group including the appointment of Mr Ruurd Boomsma as CTO for Besi and Senior Vice President of the Die Attach product group.
- The remuneration of the Board of Management and senior management, the Remuneration Report as well as proposals to revise the Remuneration Policy and Besi's Incentive Plan. These proposals were approved at Besi's Annual General Meeting of Shareholders held on April 30, 2014.
- Consideration of the composition of the Board of Management.
- The performance and tasks of the Board of Management.
- Approval of filings with the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten, or "AFM").
- Corporate Responsibility related topics including the Corporate Responsibility section of the Annual Report. In 2014, the principal focus was the oversight of supplier arrangements including adherence to

sustainability objectives based on EICC principles. Additional consideration was given to Besi's handling of "conflict minerals".
- Potential strategic alliances and acquisitions.
- The general risks associated with Besi's operations.
- The Supervisory Board's self evaluation of its performance, composition, succession and functioning. In 2013, the Supervisory Board decided to involve a third party in the self assessment process which was finalized in February 2014. This third party concluded that there is a proper mix of background and skills at the Supervisory Board level; that gender diversity has improved and that the Supervisory Board works well as a team with open and direct communication.
- The proposal to revise Supervisory Board renumeration in view of the increased number of meetings in Switzerland and trips to Asia. The proposal was approved at Besi's Annual General Meeting of Shareholders held on April 30, 2014.
- The assessment and review provided by Besi's Board of Management of the structure and operation of Besi's internal risk management and control systems as well as any significant changes thereto. In view of increased business and risk management activities in Malaysia and specifically China, Besi has decided to implement a formal internal audit function for the Asia Pacific region.
- The ongoing operational alignment of all Besi's processes, procedures and ERP and IT systems.
- The payment of a dividend for the year 2013 of € 0.33 per share in cash.
- Formal approval of the annual budget.

The Supervisory Board has monitored a broad scope of other topics during the course of 2014. The following topics were of particular focus during the meetings:

- *Inventory control:* As in 2012 and 2013, inventory control was a particular focus in 2014. Inventory control was evaluated according to key performance indicators such as turnover ratio as well as a qualitative evaluation of inventory components and levels. Discussion focused on improvements to inventory control and supply chain management in relation to forecasted performance as well as a further reduction in cycle times to reduce absolute inventory levels.

- *Asian production transfer:* By year end 2013, substantially all European production had been transferred to Asia. However, the Supervisory Board continues to closely monitor and discuss with the Board of Management adjustments to its production model to further transfer functions and supply chain management from Europe to Besi's Asian operations. The objective is to further reduce European based costs, increase flexibility and scalability and enhance the Company's cost competitiveness. In 2014, it was decided to (i) further reduce European headcount, (ii) transfer certain modules and sub-assemblies from Malaysia to Besi's manufacturing site in China and (iii) to start the final assembly of certain die bonding systems in China during 2015.

- *Die Attach integration:* The Supervisory Board actively monitored the further integration of Besi's Austrian and Swiss die attach operations in 2014 including the appointment and performance of Mr Ruurd Boomsma as CTO of Besi and Senior Vice President of the Die Attach product group. The further integration of Besi Austria and Besi Switzerland to create a more centralized and cost efficient Die Attach organization will enable Besi to create a more focused and efficient R&D organization, reduce the time to market of new systems and technologies, lower structural costs and increase tax efficiency. The rationalization program for Besi's US die sorting operations was also monitored.

- *Research and Development activities:* The Supervisory Board has evaluated and monitored Besi's technology roadmap and related R&D programs in 2014. Particular focus and discussion centered on the status and advancement of Besi's TCB systems development and the successful market introduction of next generation die bonding systems. The Supervisory Board also closely monitored the further development of Besi's common parts and common modules project.

- *Management development:* Succession planning and related development programs for Executive Committee members and other key members of management were discussed and monitored in 2014. External as well as internal training and coaching programs were identified and presented to the Supervisory Board and thereafter implemented by management.

- *Theft of monies from Besi North America:* The external investigation and findings associated with the theft of monies from Besi North America in December 2013 was finalized and presented to the Supervisory Board in 2014. The internal investigation is still ongoing and updates related thereto are monitored closely by the Supervisory Board.

- *Other:* The functioning of the Board of Management and its performance during the year were also discussed by the Supervisory Board in 2014 without the member of the Board of Management being present.

Supervisory Board committees

The Supervisory Board has established two committees, the Audit Committee and the Remuneration and Nomination Committee. These committees operate under charters that have been approved by the Supervisory Board. Members of these committees are appointed from and among the Supervisory Board members.

Audit Committee

The Audit Committee consists of all five Supervisory Board members. The Chairman is Mr Jan Vaandrager. The Audit Committee fulfills its responsibilities by carrying out the activities enumerated in its charter including assisting the Supervisory Board in fulfilling its oversight responsibilities by:

- Reviewing the design and effectiveness of internal risk management and control systems as described under "Risks and Risk Management" on page 28 and in the chapter "Internal risk management and control" under Corporate Governance in this Annual Report.
- Reviewing the assessment and analysis provided by the Board of Management of the structure and operation of Besi's internal risk management and control systems and any significant changes thereto.
- Reviewing Besi's capital structure, financing and treasury operations.
- Reviewing Besi's tax position including its European and global tax structure and transfer pricing policy including, in particular, developments affecting fiscal Base Erosion and Profit Shifting ("BEPS"). Besi has no fiscal structure in which profits are allocated to places where no economic activities take place.
- Reviewing auditing, accounting and financial reporting processes generally and critical accounting policies, new accounting pronouncements and the further development of International Financial Reporting Standards ("IFRS").
- Being directly responsible for the oversight of Besi's independent auditor including advice and recommendations to the Supervisory Board as to the independent auditor's selection (subject to appointment by the General Meeting of Shareholders), termination and compensation. In 2014, the Audit Committee organized a tender procedure whereby a number of audit firms were invited to present their audit approach for the 2015 audit including the composition of the audit team and price for the audit. This procedure was finalized in February 2015 and resulted in the proposal to the General Meeting of Shareholders to be held on April 30, 2015 to appoint Deloitte Accountants B.V. in Amsterdam as the new auditor.
- Reviewing on a regular basis the quality of work, reporting, independence and expertise of the auditor and audit teams.
- Recommending to the Supervisory Board all audit fees and terms and all non-audit services provided by the independent auditor.
- Maintaining procedures for (i) the receipt, retention and treatment of complaints, and (ii) the anonymous submission of confidential concerns by employees involving accounting matters.
- Reviewing the internal audit function. In view of increased business and risk management activities in Malaysia and specifically China, Besi has decided to implement a formal internal audit function for the Asia Pacific region.
- Deploying information and communication technology, including the ongoing implementation of the global ERP system and monitoring enhancements made to the SAP system in 2014.
- Finalizing the external investigaton related to the theft of monies at Besi North America which took place in December 2013. The internal investigation is still ongoing and includes the use of relevant legal experts. The Audit Committee has closely followed such developments with regard to each of the internal and external investigations.

In 2014, the Audit Committee met four times to discuss the items above as well as (i) the scope and results of the audit of the Financial Statements by KPMG, Besi's independent external auditor, (ii) a review of Besi's relevant periodic filings with the AFM and (iii) a review of the Company's quarterly Financial Statements prior to issuance of its quarterly earnings releases. KPMG attended two meetings of the Audit Committee. Also, the Audit Committee separately met with KPMG twice without the presence of the Board of Management.

KPMG reported no material adverse findings in its management letter. The Audit Committee proposed to the Supervisory Board a strengthening of the internal control function over financial reporting that operates under management's responsibility, particularly in the Asia Pacific region, by means of a direct line of communication between the Internal Control function and the Chairman of the Audit Committee. As a result of this implementation, the Company will have a de facto internal audit function installed. Reference is made to the chapter "Internal risk management and control" under Corporate Governance. Frequent contact took place between the Chairman of the Audit Committee, the Company's management and the Besi individual responsible for conducting internal control over financial reporting in 2014.

The Audit Committee Charter is posted on Besi's website: **www.besi.com**.

Remuneration and Nomination Committee

The Chairman of the Remuneration and Nomination Committee is Mr Douglas Dunn and its members include Mr Tom de Waard, Mr Dirk Lindenbergh and Ms Mona ElNaggar.

The Remuneration and Nomination Committee shall have the following duties with respect to remuneration:

- Making a proposal to the Supervisory Board for the Remuneration Policy to be pursued.
- Annually reviewing and proposing the corporate goals and objectives related to the compensation of the Board of Management.
- Making a proposal for the remuneration of the Board of Management within the scope of the Remuneration Policy adopted by the General Meeting of Shareholders for adoption by the Supervisory Board. Such proposal shall, in any event, deal with:
  - The remuneration structure.
  - The amount of fixed remuneration, shares to be granted and/or other variable remuneration components, pension rights, severance pay and

other forms of compensation to be awarded as well as the performance criteria and their application.
- Overseeing Besi's equity incentive plans.
- Making recommendations to the Supervisory Board with respect to the Board of Management.
- Preparing the Remuneration Report as referred to in best practice provisions set out in section 7 of the Regulations of the Supervisory Board.

The Remuneration and Nomination Committee shall with respect to the selection and nomination of Supervisory Board members and members of the Board of Management have the following duties:

- Drawing up selection criteria and appointment procedures for Supervisory Board members and members of the Board of Management.
- Periodically assessing the size and composition of the Supervisory Board and the Board of Management and making proposals for the composition profile of the Supervisory Board.
- Periodically assessing the functioning of individual Supervisory Board members and members of the Board of Management and reporting on this to the Supervisory Board.
- Making proposals for appointments and reappointments.
- Supervising the policy of the Board of Management on the selection criteria and appointment procedures for senior management.

The Committee met twice in 2014, of which one meeting consisted of a conference call, to discuss the topics above. The Remuneration Report is included on pages 52 to 56 of this Annual Report.

The Remuneration and Nomination Committee's regulations are posted on the Company's website: **www.besi.com**.

Corporate governance

The Supervisory Board acknowledges the importance of good corporate governance, the most important elements of which are transparency, independence and accountability. The Supervisory Board continuously reviews important corporate governance developments. Reference is made to the Corporate Governance section in this Annual Report on pages 52 to 60. Deviations from the Dutch Corporate Governance Code are explained elsewhere in this Annual Report under Corporate Governance.

The Supervisory Board would like to express its thanks and appreciation to all involved for their hard work and dedication to the Company in 2014.

The Supervisory Board
Tom de Waard, Chairman

February 25, 2015

Corporate Governance

Corporate Governance

Besi acknowledges the importance of good corporate governance, the most important elements of which are transparency, independence and accountability. Important corporate governance developments in applicable jurisdictions are followed closely and rules are implemented where appropriate.

Besi's Ordinary Shares (the "Shares") are listed on Euronext Amsterdam. Accordingly, Besi complies with all applicable listing rules of Euronext Amsterdam.

In 2009, Besi implemented the revised Dutch Corporate Governance Code. Deviations from the Dutch Corporate Governance Code are explained below under "Explanation of Deviations from the Dutch Corporate Governance Code". The Dutch Corporate Governance Code can be found at **www.commissiecorporategovernance.nl**.

Board of Management

The role of the Board of Management is to manage the Company, which means, among other things, that it is responsible for ensuring that Besi is achieving its aims, strategy and associated risk profile, policy results and corporate responsibility issues that are relevant to the Company's business. The Board of Management is accountable to the Supervisory Board and to the shareholders of Besi.

The Board of Management is also responsible for (i) overseeing the Company's compliance with all applicable rules and regulations that govern the Company, (ii) managing the risks associated with its business activities and (iii) ensuring that the Company is properly capitalized. The Board of Management informs the Supervisory Board and its Audit Committee about Besi's internal risk management and control systems and any updates or developments related thereto.

The Board of Management takes into account the interests of the Company and its affiliated enterprises as well as the interests of its shareholders and other stakeholders when making decisions about the operation of the business. Members of the Board of Management are required to put the interests of the Company ahead of their own interests and to act critically and independently when carrying out their responsibilities. The Board of Management is also charged with providing the Supervisory Board all material information required to permit the Supervisory Board to exercise its duties. The articles of association of the Company provide that certain resolutions of the Board of Management require prior approval of the Supervisory Board. Pursuant to Dutch law and the articles of association of the Company, decisions of the Board of Management involving a major change in the Company's identity or character are subject to the approval of the General Meeting of Shareholders.

Appointment and replacement of members of the Board of Management

Members of the Board of Management are appointed by the General Meeting of Shareholders. A resolution of the General Meeting of Shareholders to appoint a member of the Board of Management requires an absolute majority of the votes validly cast in the event and to the extent the appointment occurs pursuant to, and in accordance with, a proposal of the Supervisory Board. Such resolution requires at least two thirds of the votes validly cast representing more than one third of the issued capital in the event and to the extent the appointment does not occur pursuant to a proposal thereto of the Supervisory Board.

Members of the Board of Management may at any time be suspended or dismissed by the General Meeting of Shareholders. A resolution for suspension or dismissal of a member of the Board of Management requires an absolute majority of the votes validly cast in the event and to the extent that the suspension or dismissal occurs pursuant to, and in accordance with, a proposal of the Supervisory Board.

A resolution for suspension or dismissal requires at least two thirds of the votes validly cast representing more than one third of the issued capital in the event and to the extent that the suspension or dismissal does not occur pursuant to, and in accordance with, a proposal thereto of the Supervisory Board. Members of the Board of Management may also be suspended by the Supervisory Board.

Remuneration Report

This Remuneration Report is issued by the Supervisory Board upon recommendation by its Remuneration and Nomination Committee. The Committee reports an overview of the Remuneration Policy, remuneration structure, application of the Remuneration Policy and the components of the remuneration of the Besi Board of Management. In addition, the Committee is informed about the remuneration of the direct reports to the CEO including the Short-Term and Long-Term Incentive Plans applicable thereto.

Remuneration Policy

The Supervisory Board, upon recommendation of its Remuneration and Nomination Committee has approved the proposed revised Remuneration Policy for the years 2011 to 2016 (the "Remuneration Policy 2011-2016"). This proposed amended policy for the years 2015 and 2016 as outlined in this revised Remuneration Policy 2011-2016 has been developed in view of changes in legislation and a review of external market best practices, taking into account the principles and best practice provisions of the Dutch Corporate Governance Code. This revision of the Remuneration Policy 2011 - 2016 will be proposed to the Annual General Meeting of Shareholders to be held on April 30, 2015.

The Supervisory Board seeks to achieve three broad goals in connection with Besi's Remuneration Policy 2011-2016 and decisions regarding individual compensation:

- First, the Supervisory Board structures the Company's remuneration programs in a manner that it believes will enable Besi to attract, motivate and retain executives who are capable of leading the Company to achieve its business objectives.

- Second, the Supervisory Board establishes remuneration programs that are designed to reward members of the Board of Management for achievement of specified business objectives as a whole or the individual executive's particular business unit. By linking remuneration to specific goals, the Supervisory Board believes that it creates a performance-oriented environment for the Company's executives.
- Finally, the Company's remuneration programs are intended to provide members of the Board of Management with an equity interest in the Company so as to link a portion of executive remuneration with the long-term performance of Besi's Ordinary Shares and to align their interests with those of shareholders.

The Supervisory Board regularly (i) reviews Besi's business objectives, (ii) undertakes risk assessments, (iii) assesses Besi's overall performance with respect to its business objectives and (iv) considers the performance of individual members of the Board of Management compared to their own specific business objectives. Based on these objectives, the Supervisory Board determines a balanced mix between fixed and variable remuneration components and a set of key performance indicators linked to the variable remuneration components that are aligned with the Company's business objectives.

In its evaluation of the efficacy of Besi's Remuneration Policy 2011-2016, the Supervisory Board has performed in-depth scenario analyses of the variable remuneration components under the revised policy. The probability of vesting and payout of the performance share awards have been taken into account in these scenario analyses. The Supervisory Board has set the performance targets on the basis of the outcome of the scenario analyses. Pay differentials and position within Besi have also been taken into account and have been considered in this respect.

Remuneration structure

The total remuneration package of the members of the Board of Management is established on an annual basis by the Supervisory Board, upon proposal of its Remuneration and Nomination Committee, and consists of five components based on the goals set forth above:

1. Base Salary
2. Short-Term Incentive (annual performance based cash bonus)
3. Long-Term Incentive (annual conditional award of Performance Shares)
4. Pension
5. Other Benefits

The above components are regularly compared with a balanced remuneration reference group of companies selected based on industry, size and geographical spread to determine the total remuneration package for the members of the Board of Management.

The following companies are included in this remuneration reference group:

Renumeration Reference Group	
Kendrion N.V.	Lam Research Corporation
Mattson Technology, Inc	Aalberts Industries N.V.
Kulicke & Soffa Ind, Inc	STMicroelectronics N.V.
Axcelis Technologies, Inc	Ultratech, Inc
Veeco Industries, Inc	Arcadis N.V.
Süss Microtec AG	USG People N.V.
Brooks Automation, Inc	Royal Ten Cate N.V.
Cohu, Inc	Aixtron SE
Infineon Technologies AG	ASM International N.V.
TKH Group N.V.	Accell Group N.V.

The composition of this remuneration reference group will be reviewed by the Supervisory Board on a regular basis and updated if necessary to ensure an appropriate composition. Any substantial changes to the composition of the remuneration reference group will be subject to the approval of the Annual General Meeting of Shareholders.

In establishing the remuneration for members of the Board of Management, the Supervisory Board consults a professional external remuneration consultant in carrying out its duties. The Supervisory Board will verify that the consultant concerned does not similarly provide advice to the Board of Management so that no conflicts of interest exist.

1. Base Salary

Each year, the Supervisory Board reviews the annual base salaries for members of the Board of Management and considers whether to adjust base salary levels. Base salaries of the members of the Board of Management will be determined by comparing the base salary levels within median and upper quartile levels of the above mentioned remuneration reference group. The Supervisory Board also considers the historic salary levels of the individual and the nature of the individual's roles and responsibilities.

2. Short-Term Incentive (annual cash bonus)

The annual cash bonus opportunity is linked to the achievement of pre-determined performance conditions based on financial and non-financial objectives as determined by the Supervisory Board. The following performance measures apply:

- *Net Income/Revenue, i.e. Net Income expressed as a percentage of Revenue.* The financial measure net income is preferred over other financial ratios for the Short-Term Incentive of Besi as net income is:
  - a key indicator for evaluating the overall performance of Besi for the year and therefore an important contributor to shareholder value;
  - a key factor given the cyclical market that Besi is operating in; and
  - a financial measure that can be influenced by the members of the Board of Management.

- *Personal performance of the respective members of the Board of Management.* The annual criteria to measure the performance of the members of the Board of Management are at the sole discretion of the Supervisory Board, enabling the Supervisory Board to focus on certain targets that are considered important for the upcoming year. The Remuneration and Nomination Committee will propose to the Supervisory Board annually both financial and non-financial criteria to measure the personal performance of each member of the Board of Management.

The total annual cash bonus opportunity per individual member of the Board of Management shall be determined on the basis of the following performance/pay-out grid, however, the Supervisory Board will apply a total annual voluntary bonus cap of 80% of such individuals' gross annual salary over the Company's financial year preceding the year in which such Annual Cash Bonus is awarded, except if the Supervisory Board uses its discretionary power to adjust (upwards or downwards) or to not apply this total annual voluntary bonus cap in the event that extraordinary and/or sustainable performance is delivered:

Short-Term Incentive: Performance versus Pay-Out	**At minimum**	**At target performance**
	in % of the individual's gross annual base salary	
Net Income as % of Revenue[1]	0%	70%
Personal Perfomance Targets[2]	0%	30%
Total annual bonus payout[3]	0%	80%

Notes

1 Net Income/Revenue: the actual payout ranges from 0% to 70% of the individual's gross annual base salary.

2 Personal performance: the actual payout ranges from 0% to maximum 30% of the individual's gross annual base salary.

3 A cumulative annual voluntary cash bonus cap of 80% based on the individual's gross annual voluntary salary is applicable. The composition may vary depending on the Net Income and personal performance. The Supervisory Board holds the discretionary power to decide to not apply this value cap.

3. Long-Term Incentive (annual conditional award of Performance Shares)

The Long-Term Incentive consists of a conditional award of Performance Shares. The award represents a conditional right to receive a certain number of shares in Besi depending on the achievement of pre-determined financial performance objectives set by the Supervisory Board over a three-year performance period, which are:

- *Net income/Revenue over three calender years*, i.e. Net Income expressed as a percentage of Revenue over the three-year performance period. Net Income/Revenue is considered a key measure for creating sustainable long-term shareholder value.

- *Relative Total Shareholder Return ('TSR')* The development of Besi's share price including the reinvestment of dividends during a three year performance period will be compared to a comparator group of 19 listed companies operating in the semiconductor equipment industry, whereby three month share price averaging is being applied at the start and at the end of the TSR performance period. The TSR over the three-year performance period is also considered a key measure for indicating the development of shareholder value and Besi's TSR relative to its comparators in the semiconductor equipment industry and is an appropriate performance measure to align the interests of the members of the Board of Management with those of shareholders. The composition of the comparator group will be reviewed annually by the Supervisory Board and, if required, will be adjusted due to changes in the performance, size and market value, among other considerations, of the companies involved which could affect comparability. Adjustments to the comparator group, including replacements, will be based on predetermined internal guidelines. The TSR comparator group currently consists of the following companies:

TSR comparator group (including Besi)	
Mattson Technology, Inc	Cohu, Inc
Kulicke & Soffa Ind, Inc	Applied Materials, Inc
Axcelis Technologies , Inc	ATMI, Inc
Veeco Industries, Inc	Lam Research Corporation
Aixtron SE	Tokyo Electron Ltd
ASM International N.V.	Disco Corporation
Süss Microtec AG	Tokyo Seimitsu
ASM Pacific Technology	ASML Holding N.V.
Brooks Automation, Inc	Shinkawa
	Ultratech, Inc

Conditional award

The number of Performance Shares conditionally awarded will be determined by the Supervisory Board based on at target level equal to 100% of the individual's gross annual base salary, as follows:

At target number of Performance Shares to be awarded
=
100% of the individual's gross annual base salary
divided by
the average closing price of the shares for all trading days in the calendar quarter immediately preceding the start of the three-year performance period

Vesting

At the end of the three-year performance period, depending on the actual performance of Besi during the performance period, the number of shares that become unconditional (i.e. number of shares vesting) will be determined. The vested shares are subject to a two-year lock-up period which means that the members of the Board of Management will have to retain them for two years following the vesting date. However, they will be allowed to sell sufficient shares to cover their income tax liability upon vesting of the Performance Shares.

The actual number of Performance Shares which will vest at the end of the three-year performance period will be determined on the basis of the following grid:

Long-Term Incentive: Performance versus Vesting	**At minimum**	**At target performance**	**At maximum (stretched performance)**
	in % of the number of Performance Shares awarded		
Net Income as % of Revenue[1]	0%	50%	75%
Relative TSR performance[2]	0%	50%	75%
Total number of shares vesting	0%	100%	150%

Notes

[1] Half of the Performance Shares awarded is linked to Besi's Net Income relative to its revenue over the three-year performance period; the vesting range is between 0% and 75% of the total number of Performance Shares awarded to the individual.

[2] Half of the Performance Shares awarded is linked to Besi's relative TSR performance.

The Performance Shares awarded subject to Besi's TSR performance are based on the actual absolute ranking of Besi within the comparator group and vest in a range between 0% and 75% of the total number of Performance Shares awarded to the individual. The vesting is determined based on the following schedule:

Ranking of Besi in comparator group based on relative TSR during performance period versus pay-out			**Vesting percentage Performance Shares**
Rank 13	-	Rank 20	0%
Rank 7	-	Rank 12	25%
Rank 4	-	Rank 6	50% (at target)
Top 3			75%

Claw back and ultimate remedium

The Short Term Incentive and Long Term Incentive components for the members of the Board of Management as described above are subject to clawback provisions. In addition, risk assessment tests are in place and measures are included in the variable remuneration documentation for members of the Board of Management to ensure that shareholders' interests are protected. In this respect, the Supervisory Board holds the discretionary authority to reclaim all or part of the Short Term Incentive and Long Term Incentive if such grants have been made based on incorrect financial data or other data or in the case of fraud, gross negligence, willful misconduct or any activity detrimental to the Company. This clawback is applicable to both the vested and unvested part of the Long Term Incentive components.

The Short Term Incentive and Long Term Incentive components for members of the Board of Management are also subject to ultimate remedium clauses. The Supervisory Board holds the discretionary authority to adjust the value of the conditional variable remuneration components downwards as well as upwards. The adjustment can be made if the Supervisory Board is of the opinion that an unfair result due to extraordinary circumstances would be produced and in this assessment the overall Besi performance is taken into consideration.

Number of shares available

The aggregate total number of Performance Shares available for awards shall not exceed 1.5% of the total number of outstanding shares as at 31 December of the year prior to the year in which the Performance Shares are awarded.

4. Pensions

Different pension arrangements are provided to members of the Board of Management based on their salaries, local customs, and the rules existing in their countries of origin. A defined contribution scheme is in place for statutory directors, the only one of whom is the CEO currently. Due to legislative changes enacted in the Netherlands as from the beginning of 2015, part of the pension contribution will no longer be tax exempt. As such, in order to provide for a market competitive pension arrangement for Dutch members of the Board of Management, the pension contribution starting in 2015 will be based on a premium ladder as in effect in 2014. However, starting in 2015, a portion of this contribution will be funded directly to the personal pension account of the statutory director as a tax exempt contribution and the balance will be paid to the statutory director as a taxable pension allowance which can be used by the statutory director to build up his net pension on a voluntary basis.

5. Other benefits

Other benefits awarded to members of the Board of Management are linked to base pay and in line with general prevailing market practice.

Loans

As a policy, the Company does not provide loans to members of the Board of Management.

Employment contracts/service contracts

Service contracts with any new member of the Board of Management will in principle be entered into for a period of four years. Existing employment contracts for an indefinite period of time will not be replaced by contracts with a limited period or by contracts with different conditions.

Severance payment

The remuneration paid to members of the Board of Management in the event of dismissal may not exceed the individual's gross annual base salary (fixed component). If the maximum of one year's salary would be manifestly unreasonable for a member of the Board of Management who is dismissed during his first term of office, such Board of Management member shall be eligible for severance pay not exceeding twice his annual base salary.

Application of the Remuneration Policy in 2014

The Supervisory Board upon recommendation of its Remuneration and Nomination Committee applied the Remuneration Policy in 2014 as set forth below. The only member of the Board of Management in 2014 was Richard W. Blickman, Besi's CEO.

1. Base Salary

The Supervisory Board, upon recommendation of the Remuneration Committee, decided to maintain the gross annual base salary of the CEO in 2014 at the same level as in 2011, 2012 and 2013 (€ 450,000).

At the end of 2014, the Remuneration and Nomination Committee reviewed the base salary of the CEO taking into consideration the remuneration reference group as proposed in the Remuneration Policy 2011-2016, revised for the years 2015 and 2016. While maintaining the base salary at a fixed level during the previous four consecutive years at € 450,000, the Supervisory Board decided, upon recommendation of the Remuneration and Nomination Committee, to align his base salary with market levels. As such, the Supervisory Board increased the base salary of the CEO to the median level of the remuneration reference group. The 2015 base salary of the CEO was thus set at € 520,000 as of January 1, 2015.

2. Short-Term Incentive

The Short-Term Incentive (cash bonus) of the member of the Board of Management is based on the following pre-determined performance conditions: (i) Net Income expressed as a percentage of Revenue and (ii) personal performance expressed in certain financial and non-financial targets that were considered important for 2014.

Besi's 2014 Net Income as a percentage of Revenue was 18.8%. Based on pre-defined target ranges and upon recommendation by its Remuneration and Nomination Committee, the Supervisory Board granted the member of the Board of Management for the first financial performance condition a cash bonus equal to 70% of his annual base salary for the year 2014. Furthermore, the Remuneration and Nomination Committee thoroughly reviewed the performance of the member of the Board of Management in relation to six pre-defined financial and non-financial performance objectives including sustainability, strategy, market share development, working capital control, cost savings, investor relations and shareholder value development. Based on this review and upon a recommendation by its Remuneration and Nomination Committee, the Supervisory Board granted the member of the Board of Management a cash bonus related to personal performance equal to 30% of his annual base salary for 2014. Consequently, the total cash bonus for the year 2014 (equal to 100% of the gross base annual salary) is higher than the voluntary cap of 80% of the gross base annual salary for the member of the Board of Management in 2014. Given (i) the Company's extraordinary financial performance achieved in 2014 and (ii) the strategic development of the business realized during 2014 which exceeded the most challenging scenarios as determined prior to the start of the 2014 performance period, the Supervisory Board, upon recommendation of the Remuneration and Nomination Committee, decided not to apply the voluntary cap of 80% and to grant the maximum cash bonus for 2014 equal to 100% of base salary (€ 450,000).

3. Long-Term Incentive

The Long-Term Incentive (annual conditional award of Performance Shares) of the member of the Board of Management is based on the following pre-determined performance conditions: (i) Net Income as a percentage of Revenue over three calendar years and (ii) for the 2012 and 2013 awards, the average annual total shareholder return over three calendar years in each case subject to (a) continued employment and (b) amended for the 2014 awards, the development of Besi's share price including the reinvestment of dividends during a three year performance period compared to a comparator group of 19 listed companies operating in the semiconductor equipment industry.

For the three-year performance periods 2012-2014, 2013-2015 and 2014-2016, the "at target (100%)" number of Performance Shares conditionally awarded equalled 92,393, 82,626 and 54,526 shares, respectively. The number of at target shares awarded is calculated based on the gross annual base salary divided by the average closing share price for all trading days in the fourth quarter of the year immediately preceding the start of the performance period. The Performance Shares conditionally awarded will vest in 2015, 2016 and 2017. The number of shares that will actually vest will be based on the above mentioned pre-determined performance conditions.

On January 28, 2014, the Supervisory Board agreed to eliminate the 80% value cap for the Performance Shares awarded to the current member of the Board of Management for the years 2011, 2012 and 2013 as approved during the Annual General Meeting of Shareholders on April 30, 2014. For more information, please refer to Note 20 of the Notes to the Consolidated Financial Statements.

The number of Performance Shares which could vest for the three-year performance periods 2012-2014, 2013-2015 and 2014-2016 will range between nil (in the case of below threshold performance) to a maximum of 138,590 shares (2012-2014 award), 123,939 shares (2013-2015 award) and 81,789 (2014-2016 award). The member of the Board of Management could receive 150% of the "at target" number of Performance Shares awarded if stretched performance is achieved with respect to both performance measures during each respective performance period subject to the conditional shares awarded.

Under the Incentive Plan, the Supervisory Board may, at its own discretion and upon recommendation of the Remuneration and Nomination Committee, award additional shares to the member of the Board of Management as a reward for extraordinary achievements or exceptional performance, up to a maximum of 60,000 shares. For the year 2014, the Supervisory Board, at its discretion and upon recommendation by the Remuneration and Nomination Committee, awarded the member of the Board of Management the maximum of 60,000 shares due to the Company's extraordinary financial performance and the out-performance of the most challenging strategic targets set. This extraordinary award will be issued in 2015 in recognition of the Company's extraordinary financial performance, more scalable and flexible business model and increased market share in a difficult market climate.

4. Pensions

In 2014, a defined contribution scheme with an annual contribution (based on a maximum allowed percentage of base salary for tax purposes) was in place for the member of the Board of Management.

As from January 1, 2015, the maximum accrual rates of pension arrangements for Dutch tax purposes have been lowered to approximately 13% including defined contribution plans. In addition, tax exempt pension contributions are no longer allowed for earnings exceeding € 100,000.

These legislative changes will have a substantial impact on the future tax exempt pension accrual of the member of the Board of Management. As a result, the Remuneration and Nomination Committee during 2014 reviewed Besi's pension policy for Management Board members both past and future. One of the objectives was to determine whether or not the accrued pension up to 2015 was in line with local market practices. The conclusion of this review was that the pension for the member of the Board of Management was significantly below market practice. As such, the Supervisory Board decided to fund an additional pension premium of € 980,000 to account for insufficient pension accruals in prior periods.

As relates to future periods, the Remuneration and Nomination Committee determined that pension contributions for members of the Board of Management starting in 2015 will be based on premiums applicable for 2014. However, a portion of this contribution will be funded directly to the personal pension account of the member of the Board of Management as a tax exempt contribution and the remaining balance will be paid as a taxed pension allowance which can be used by the member of the Board of Management to build up his net pension on a voluntary basis.

Remuneration of the Board of Management for the year 2014

(in euro, except for Performance Shares)		R.W. Blickman (CEO)
Base salary		450,000
Annual cash bonus		450,000
Other benefits		53,888
Total in cash benefits		**953,888**
Pension provisions (including one time funding of € 980,000)		1,128,601
Share-based payment[1]		1,815,828
Modifications 2000 option grants[2]	212,928	
Discretionary grant made 2014[3]	179,400	
Outstanding Long Term Incentive Plan[4]	1,423,500	
Total remuneration		**3,898,317**
Conditional Performance Shares awarded in 2014[5]		54,526

1 Expense for the period as determined in accordance with IFRS 2, share-based payments.
2 Expense for the period for the modification of the options initially granted on December 5, 2000 with an original exercise price of € 9.80 which was revised to € 7.78 on May 5, 2014 accounting for the dilutive effect of the retrospective adjustment that occurred following the date of grant.
3 Discretionary grant of 20,000 Shares vested and transferred on May 2, 2014 for the continued successful integration of Besi's Die Attach product group.
4 Expenses recognized in 2014 for the 2011, 2012, 2013 and 2014 grants made under the Incentive Plan.
5 May vest in 2017, subject to continued service and the actual performance during the performance period 2014-2016.

5. Other benefits

Loans

The outstanding loan arrangement granted to the member of the Board of Management in 2000 has been fully repaid to the Company in 2014. At the end of 2014 no loans, advances or guarantees were outstanding. For more information, please refer to Note 24 of the Notes to Consolidated Financial Statements.

Conflicts of interests - members of the Board of Management

Any conflicts of interest or apparent conflicts of interest between the Company and members of the Board of Management shall be avoided. If a member of the Board of Management has a direct or indirect personal conflict of interest with the Company, he or she shall not participate in the deliberations and the decision-making process of the Board of Management for such matter. If, as a result thereof, no resolution of the Board of Management can be adopted, the resolution may be adopted by the Supervisory Board. No conflict of interest of material significance to Besi and/or the member of the Board of Management was reported in 2014.

Supervisory Board

The role of the Supervisory Board is to supervise the Board of Management, oversee the general affairs of the Company and its affiliated enterprises and assist the Board of Management by providing advice. In discharging its role, the Supervisory Board is guided by the interests of Besi and its affiliated enterprises, and takes into account the relevant interests of Besi's stakeholders. The Supervisory Board also has due regard for corporate responsibility issues that are relevant to Besi. The Supervisory Board annually evaluates its own performance. Supervisory Board members are required to put the best interests of Besi ahead of their own interests and to act critically and independently when carrying out their responsibilities as Supervisory Board members.

The Dutch Corporate Governance Code allows one Supervisory Board member not to be independent. However, each member of the Supervisory Board currently qualifies as an "independent director" as defined by provision III.2.2 of the Dutch Corporate Governance Code.

Each Supervisory Board member has the expertise required to fulfill the duties assigned to the role designated to him/her within the framework of the Supervisory Board profile. The composition of the Supervisory Board shall be such that it is able to carry out its duties properly and aim for a diverse composition in terms of such factors as gender and age. A Supervisory Board member shall be reappointed only after careful consideration. The profile criteria referred to above shall also be taken into account in the event of a reappointment.

Regulations governing Supervisory Board members ("Regulations Supervisory Board") are posted on our website: **www.besi.com**.

Appointment and replacement of members of the Supervisory Board

Members of the Supervisory Board are appointed with due observance of the requisite profile for its size and composition as adopted by the Supervisory Board from time to time, subject to provisions of Dutch law and Besi's articles of association. Members of the Supervisory Board are appointed by the General Meeting of Shareholders. A resolution for appointment requires an absolute majority of the votes validly cast in the event and to the extent the appointment occurs pursuant to, and in accordance with, a proposal of the Supervisory Board. Such resolution requires at least two thirds of the votes validly cast representing more than one third of the issued capital in the event and to the extent that the appointment does not occur pursuant to a proposal thereto of the Supervisory Board.

Members of the Supervisory Board may be suspended or dismissed by the General Meeting of Shareholders at all times. A resolution for suspension or dismissal requires an absolute majority of the votes validly cast in the event and to the extent the suspension or dismissal occurs pursuant to, and in accordance with, a proposal of the Supervisory Board. A resolution for suspension or dismissal requires at least two thirds of the votes validly cast representing more than one third of the issued capital in the event and to the extent the suspension or dismissal does not occur pursuant to a proposal thereto of the Supervisory Board.

Supervisory Board committees

The Supervisory Board has two committees: the Audit Committee and the Remuneration and Nomination Committee. The function of the committees is to prepare and facilitate the decision-making of the Supervisory Board. In its report, the Supervisory Board comments on how the duties of the committees have been carried out in the most recent financial year.

The charters of the committees are posted on Besi's website: **www.besi.com**.

Remuneration Supervisory Board

The General Meeting of Shareholders shall determine the remuneration of Supervisory Board members. The Notes to the Financial Statements on page 97 contain the information prescribed by applicable law on the level and structure of the remuneration of individual Supervisory Board members. Besi does not grant the Supervisory Board members any personal loans or guarantees.

Conflicts of interests - members of the Supervisory Board

Any conflicts of interest or apparent conflicts of interest between the Company and Supervisory Board members shall be avoided. If a member of the Supervisory Board has a direct or indirect personal conflict of interest with the Company, he or she shall not participate in the deliberations and the decision-making process of the Supervisory Board for such matter. The Supervisory Board is responsible for deciding how to resolve conflicts of interest between members of the Board of Management, members of the Supervisory Board, major shareholders or the external auditor on the one hand and the Company on the other hand.

No conflict of interest of material significance to Besi and/or the members of the Supervisory Board was reported in 2014.

Director's and Officer's insurance policy

Members of the Board of Management, the Supervisory Board and certain senior management members are covered under Besi's Directors and Officers insurance policy. Although the insurance policy provides for broad coverage, directors and certain senior management members may be subject to uninsured liabilities. Besi has agreed to indemnify members of the Board of Management and the Supervisory Board and certain senior management members against certain claims brought against them in connection with their position with the Company provided that such individual acted in good faith and in a manner reasonably believed to be in or not opposed to the best interests of Besi and, with respect to any criminal action or proceedings, such individual had no reasonable cause to believe his conduct was unlawful.

Shareholders and the General Meeting of Shareholders

Good corporate governance requires the full participation of shareholders. It is in the interest of the Company that as many shareholders as possible participate in Besi's decision making at the Annual General Meeting of Shareholders or any Extraordinary General Meeting of Shareholders. Pursuant to applicable law, any decisions of the Board of Management on a major change in the identity or character of the Company or its enterprise shall be subject to the approval of the General Meeting of Shareholders.

The Board of Management or, where appropriate, the Supervisory Board provides shareholders and other parties in the financial markets with equal and simultaneous information about matters that may influence Besi's share price. Contacts between the Board of Management on the one hand and the press, analysts and shareholders on the other hand are carefully handled and structured, and Besi is prohibited from engaging in any acts that compromise the independence of analysts in relation to the Company and vice versa.

The Board of Management and the Supervisory Board shall provide the General Meeting of Shareholders with the information that it requires for the exercise of its powers subject to such limitations allowable under applicable law. If price-sensitive information is provided during a General Meeting of Shareholders or if a response to shareholders' questions has resulted in the disclosure of price-sensitive information, then such information will be made public without delay.

Good corporate governance requires significant attendance by shareholders at Besi's General Meeting of Shareholders. Therefore, Besi is actively involved in proxy solicitation as a means of increasing the attendance and participation of its shareholders at its General Meeting of Shareholders.

Amendment of Besi's articles of association

Besi's articles of association may be amended by a resolution of the General Meeting of Shareholders. A resolution of the General Meeting of Shareholders to amend the articles of association may only be adopted at the proposal of the Board of Management, which proposal requires the approval of the Supervisory Board. Those who have convened a General Meeting of Shareholders at which a proposal to amend the articles of association will be brought up for discussion must deposit simultaneously with the convocation a copy of the proposal in which the proposed amendment has been included at Besi's office for inspection by every person entitled to attend the General Meeting of Shareholders until the end of the relevant meeting. The persons entitled to attend meetings must be given the opportunity to obtain a copy of the proposal free of charge. The proposal will also be published on Besi's website: **www.besi.com**.

External audit

The Board of Management is primarily responsible for the quality and completeness of publicly disclosed financial reports. The Supervisory Board oversees the Board of Management as it fulfills this responsibility.

The General Meeting of Shareholders appoints the external auditor after recommendation for appointment by the Audit Committee and the Board of Management to the Supervisory Board and nomination of the Supervisory Board to the shareholders. The Supervisory Board approves the remuneration of the external auditor based on a recommendation by the Audit Committee and after consultation with the Board of Management. The Audit Committee acts as the principal contact for the auditor if it discovers irregularities in the content of financial reporting.

The external auditor attends meetings of the Audit Committee of the Supervisory Board, at which the annual accounts and semi-annual results are reviewed for subsequent approval by the Supervisory Board. The external auditor reports its findings from the audit of the annual accounts and its review of the semi-annual results to the Supervisory Board and the Board of Management simultaneously.

Internal control and risk management

Besi has an internal control and risk management system that is suitable for the Company. The form and structure of this system is outlined under "Risks and Risk Management" on pages 28 to 35 of this Annual Report.

The Company's internal control and risk management function operates under the responsibility of the Board of Management which is monitored on an ongoing basis. The Board of Management reviews the design and effectiveness of the internal control and risk management system at least one time annually as part of Besi's internal control procedures.

Besi's internal control system consists of a formal framework defining key risks and key controls over financial reporting. Operational, IT, compliance and fraud controls are included in Besi's system. The internal control system over financial reporting also contains clear accounting rules, has been implemented in substantially all operations and material subsidiaries and supports common accounting and regular financial reporting in standard forms.

Besi's finance staff carried out all internal control activities and reported its findings to the Board of Management and the Audit Committee in 2014. In view of increased business and risk management activities in Malaysia and specifically China, Besi decided this year to implement a formal internal audit function for the Asia Pacific region which it considers to be appropriate for an operation the size of and personnel and activity level of, Besi's Asia Pacific business.

In consideration of the above factors, Besi's internal control and risk management system is adequately designed and worked effectively in 2014 and provided reasonable assurance that the 2014 Financial Statements do not contain any material inaccuracies. At present, there are no indications that this system will not function properly in 2015.

Explanation of deviations from the Dutch Corporate Governance Code

Deviations from the Dutch Corporate Governance Code are listed and explained in the sections below.

Provision II.1.1

The Company respects the rights of the member of the Board of Management who was a member at the time of the first implementation of the Dutch Corporate Governance Code. For that reason, there was no adjustment of his employment agreement.

Provision II.2.5

Based on Besi's Remuneration Policy and the Plan as outlined on pages 52 to 57 of this Annual Report, the Supervisory Board upon recommendation of its Remuneration and Nomination Committee may award conditional Performance Shares that vest after three years. The shares vested are subject to a two-year lock up period provided, however, that the member of the Board of Management will be allowed to sell sufficient Shares to cover income tax liability upon vesting of the Performance Shares.

Provision II.2.8

The Company respects the rights of the member of the Board of Management who was a member at the time the Dutch Corporate Governance Code came into force. For that reason, it did not adjust his employment agreement as it was signed prior to that date.

Provision III.5

In order to simplify and enhance the efficiency of Besi's governance structure, the Supervisory Board decided to reduce the number of Committees to two committees: the Audit Committee and the Remuneration and Nomination Committee.

Provision IV.3.1

The Company acknowledges the importance of disclosing material information to all shareholders similarly at the same moment in time. It is currently not practically possible to make every meeting and presentation to analysts and investors accessible to all shareholders. As far as practicably possible, meetings and presentations will be announced and posted on Besi's website: **www.besi.com**.

Financial Statements 2014

Besi

Consolidated Statement of Financial Position

(euro in thousands)	Note	December 31, 2014	December 31, 2013
Assets			
Cash and cash equivalents	3	135,322	89,586
Trade receivables	4	93,248	53,697
Inventories	5	69,428	65,167
Income tax receivable		280	1,228
Other receivables	6	6,363	5,370
Prepayments	7	4,305	3,958
Total current assets		**308,946**	**219,006**
Property, plant and equipment	8	27,248	24,649
Goodwill	9	44,553	43,541
Other intangible assets	10	40,274	35,594
Deferred tax assets	11	21,710	16,485
Other non-current assets	12	1,677	1,435
Total non-current assets		**135,462**	**121,704**
Total assets		**444,408**	**340,710**
Liabilities and equity			
Notes payable to banks	13	13,568	15,574
Current portion of long-term debt and financial leases	18	815	-
Trade payables	15	38,381	21,056
Income tax payable		486	117
Provisions	14	6,931	4,757
Other payables	16	24,221	13,653
Other current liabilities	17	7,591	4,630
Total current liabilities		**91,993**	**59,787**
Long-term debt and financial leases	18	2,978	3,059
Deferred tax liabilities	11	5,956	5,444
Other non-current liabilities	19, 20	14,657	8,262
Total non-current liabilities		**23,591**	**16,765**
Share capital	21	36,431	36,431
Share premium	21	193,562	188,570
Retained earnings	21	85,815	27,333
Foreign currency translation adjustment	21	21,103	14,125
Accumulated other comprehensive income (loss)	21	(9,615)	(3,494)
Equity attributable to owners of the Company		**327,296**	**262,965**
Non-controlling interest		**1,528**	**1,193**
Total equity		**328,824**	**264,158**
Total liabilities and equity		**444,408**	**340,710**

Consolidated Statement of Comprehensive Income

(euro in thousands, except share and per share data)	Note	Year ended December 31, 2014	2013
Revenue	23	378,797	254,936
Cost of sales		212,961	153,406
Gross profit		**165,836**	**101,530**
Selling, general and administrative expenses		65,872	57,918
Research and development expenses		27,896	24,753
Total operating expenses		**93,768**	**82,671**
Operating income		**72,068**	**18,859**
Financial income	26	696	825
Financial expense	26	(1,437)	(532)
Financial income (expense), net		**(741)**	**293**
Income before income tax		**71,327**	**19,152**
Income tax (benefit)	11	196	3,025
Net income for the period		**71,131**	**16,127**
Other comprehensive income			
Actuarial gain (loss), net of income tax		(5,531)	1,256
Items that will not be reclassified to profit and loss		**(5,531)**	**1,256**
Currency translation differences		7,125	(5,306)
Unrealized hedging results, net of income tax		(589)	(84)
Items that may be reclassified subsequently to profit or loss		**6,536**	**(5,390)**
Other comprehensive income (loss) for the period, net of income tax		**1,005**	**(4,134)**
Total comprehensive income for the period		**72,136**	**11,993**
Net income attributable to:			
Equity holders of the parent company		70,884	16,015
Non-controlling interest		247	112
Total income for the period		**71,131**	**16,127**
Total comprehensive income attributable to:			
Equity holders of the parent company		71,741	11,903
Non-controlling interest		395	90
Total comprehensive income for the period		**72,136**	**11,993**
Income per share attributable to the equity holders of the parent company			
Basic		1.89	0.43
Diluted		1.87[1]	0.43[1]
Total comprehensive income per share attributable to the equity holders of the parent company			
Basic		1.92	0.32
Diluted		1.90[1]	0.32[1]
Weighted average number of shares used to compute income per share			
Basic		37,539,938	37,343,336
Diluted		37,982,782[1]	37,550,338[1]

[1] The calculation of the diluted income per share for the year 2014 and 2013 assumes the exercise of equity-settled share-based payments.

Consolidated Statement of Changes in Equity

(euro in thousands, except for shares)	Number of Ordinary Shares outstanding[1]	Share capital	Share premium	Retained earnings	Foreign currency translation adjustment	Accumulated other comprehensive income (loss) (Note 21)	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2014	40,033,921	36,431	188,570	27,333	14,125	(3,494)	262,965	1,193	264,158
Total comprehensive income (loss) for the period	-	-	-	70,884	6,978	(6,121)	71,741	395	72,136
Dividend paid to non-controlling shareholder	-	-	-	-	-	-	-	(60)	(60)
Dividend paid to owners of the Company	-	-	-	(12,402)	-	-	(12,402)	-	(12,402)
Equity-settled share-based payments	-	-	3,869	-	-	-	3,869	-	3,869
Re-issued Treasury Shares	-	-	1,123	-	-	-	1,123	-	1,123
Balance at December 31, 2014	**40,033,921**	**36,431**	**193,562**	**85,815**	**21,103**	**(9,615)**	**327,296**	**1,528**	**328,824**
Balance at January 1, 2013	40,033,921	36,431	190,134	22,486	19,409	(4,666)	263,794	1,157	264,951
Total comprehensive income (loss) for the period	-	-	-	16,015	(5,284)	1,172	11,903	90	11,993
Dividend paid to non-controlling shareholder	-	-	-	-	-	-	-	(54)	(54)
Dividend paid to owners of the Company	-	-	-	(11,168)	-	-	(11,168)	-	(11,168)
Equity-settled share-based payments	-	-	1,173	-	-	-	1,173	-	1,173
Shares bought and taken into treasury	-	-	(2,737)	-	-	-	(2,737)	-	(2,737)
Balance at December 31, 2013	**40,033,921**	**36,431**	**188,570**	**27,333**	**14,125**	**(3,494)**	**262,965**	**1,193**	**264,158**

[1] The outstanding number of Ordinary Shares includes 2,321,381 and 2,726,955 Treasury Shares at December 31, 2014 and December 31, 2013, respectively.

Consolidated Statement of Cash Flows

(euro in thousands)	Year ended December 31, 2014	2013
Cash flows from operating activities		
Operating income	72,068	18,859
Depreciation and amortization	10,040	9,084
Share-based payment transactions	3,869	1,173
Other non-cash items	31	(841)
Loss (gain) on disposal of assets	(3)	(78)
Effects on changes in assets and liabilities		
Decrease (increase) in trade receivables	(37,515)	4,119
Decrease (increase) in inventories	(1,840)	1,212
Increase (decrease) in trade payables	14,747	(1,028)
Changes in other working capital	13,696	(5,482)
Income tax paid	(2,175)	(9,041)
Interest received	678	811
Interest paid	(301)	(641)
Net cash provided by (used for) operating activities	**73,295**	**18,147**
Cash flows from investing activities		
Capital expenditures	(6,474)	(3,920)
Capitalized development expenditures	(9,314)	(7,919)
Proceeds from sale of property, plant and equipment	34	202
Net cash provided by (used for) investing activities	**(15,754)**	**(11,637)**
Cash flows from financing activities		
Proceeds from (payments of) bank lines of credit	(1,520)	(8,746)
Proceeds from (payments of) long-term debt and financial leases	(81)	1,133
Purchase Treasury Shares	-	(2,737)
Re-issued Treasury Shares	1,123	-
Dividend paid to shareholders	(12,402)	(11,168)
Other financing activities	(58)	(50)
Net cash provided by (used for) financing activities	**(12,938)**	**(21,568)**
Net change in cash and cash equivalents	44,603	(15,058)
Effect of changes in exchange rates on cash and cash equivalents	1,133	(1,714)
Cash and cash equivalents at beginning of the period	89,586	106,358
Cash and cash equivalents at end of the period	**135,322**	**89,586**

Notes to the Consolidated Financial Statements

1. Basis of presentation

General
BE Semiconductor Industries N.V. was incorporated in the Netherlands in May 1995 as the holding company for a worldwide business engaged in the development, production, marketing and sales of back-end equipment for the semiconductor industry. BE Semiconductor Industries N.V.'s principal operations are in the Netherlands, Austria, Switzerland, Malaysia and China. BE Semiconductor Industries N.V.'s principal executive office is located at Ratio 6, 6921 RW Duiven, the Netherlands. Statutory seat of the Company is Amsterdam.

The Consolidated Financial Statements of BE Semiconductor Industries N.V. ("Besi"or "the Company") for the year ended December 31, 2014, were authorized for issue in accordance with a resolution of the directors on February 25, 2015. The Consolidated Financial Statements of the Company as at December 31, 2014, are presented to the Annual General Meeting of Shareholders for their adoption on April 30, 2015.

Statement of compliance
The Company's Consolidated Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. They also comply with the financial reporting requirements included in section 9 of Book 2 of the Netherlands Civil Code, as far as applicable.

In accordance with section 2:402 of the Netherlands Civil Code, an abbreviated version of the statement of operations is prepared in the Parent Company Financial Statements.

2. Summary of significant accounting principles

Presentation
The accompanying Consolidated Financial Statements include the accounts of BE Semiconductor Industries N.V. and its consolidated subsidiaries (collectively, "the Company"). The financial statements are presented in thousands of euro, rounded to the nearest thousand. The accounting principles the Company uses to prepare the Consolidated Financial Statements are based on historical cost, unless stated otherwise. Exceptions to the historical cost basis include derivative financial instruments, share-based compensation and cash and cash equivalents which are based on fair value. In addition, for pensions and other post-retirement benefits, actuarial present value calculations are used.

Principles of consolidation
The Consolidated Financial Statements comprise the financial statements of BE Semiconductor Industries N.V. and its subsidiaries as at December 31, 2014. Subsidiaries are entities controlled by the Company. The Company controls an entity when it is exposed to, or has right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the Consolidated Financial Statements from the date on which control commences until the date on which control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full. Accounting policies, as set out below, have been applied consistently for all periods presented in these Consolidated Financial Statements and by all subsidiaries.

Non-controlling interests are measured at their proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Company's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

On the loss of control, the Company derecognizes the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognized in profit or loss. If the Company retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

As of December 31, 2014, the following subsidiaries are included in the accompanying Consolidated Financial Statements:

Name	Location and country of incorporation	Percentage of ownership
BE Semiconductor Industries USA, Inc.	Salem, New Hampshire, USA	100%
BE Semiconductor Industries Holding GmbH[1]	Radfeld, Austria	100%
Besi USA, Inc.	Salem, New Hampshire, USA	100%
Besi Singapore Pte. Ltd.	Singapore, Singapore	100%
Besi Korea Ltd.	Seoul, South Korea	100%
Besi Asia Pacific Holding B.V.	Duiven, the Netherlands	100%
Besi Philippines, Inc.	Muntinlupa City, Philippines	100%
Besi Netherlands B.V.	Duiven, the Netherlands	100%
Fico International B.V.	Duiven, the Netherlands	100%
Fico Tooling Leshan Company Ltd.	Leshan, China	87%
Besi APac Sdn. Bhd.	Shah Alam, Malaysia	100%[1]
ASM Fico (F.E.) Sdn. Bhd.	Shah Alam, Malaysia	99.9%[2]
Fico Hong Kong Ltd.	Hong Kong, China	100%
Meco International B.V.	Drunen, the Netherlands	100%
Meco Equipment Engineers B.V.	Drunen, the Netherlands	100%
Besi North America, Inc.	Salem, New Hampshire, USA	100%
Datacon Eurotec GmbH i.L.	Berlin, Germany	100%
Datacon Beteiligungs GmbH	Radfeld, Austria	100%
Besi Austria GmbH	Radfeld, Austria	100%
Esec International B.V.	Duiven, the Netherlands	100%
Besi Switzerland AG	Cham, Switzerland	100%
Esec China Financial Ltd.	Hong Kong, China	100%
Besi (Shanghai) Trading Co., Ltd.	Shanghai, China	100%
Esec (Singapore) Pte. Ltd.	Singapore, Singapore	100%
Besi Spares and Tooling AG	Cham, Switzerland	100%

[1] In order to comply with local corporate law, a non-controlling shareholding (less than 0.1%) is held by Company Management.
[2] In order to comply with local corporate law, a non-controlling shareholding is held by Company Management.

All intercompany profits, transactions and balances have been eliminated in the consolidation.

Foreign currency translation
The Consolidated Financial Statements are presented in euros, which is the parent company's functional and presentation currency. Each entity in the group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The principal exchange rates against the euro used in preparing the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income are:

	Consolidated Statement of Financial Position		Consolidated Statement of Comprehensive Income	
	2014	2013	2014	2013
US dollar	1.21	1.37	1.33	1.33
Swiss franc	1.20	1.23	1.22	1.23
Malaysian ringgit	4.25	4.51	4.35	4.16
Chinese yuan	7.54	8.34	8.19	8.17

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken into the Consolidated Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair-value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate. The assets and liabilities of foreign operations are translated into euros at the rate of exchange ruling at the balance sheet date and their Statement of Comprehensive Income is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation of assets and liabilities are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the Consolidated Statement of Comprehensive Income.

Cash and cash equivalents
Cash and cash equivalents consist of highly liquid investments with an original maturity date at the date of acquisition of three months or less. Cash and cash equivalents are measured at fair value.

Trade receivables and other receivables
Trade and other receivables are initially measured at fair value and subsequently at amortized cost, using the effective interest method, less any impairment loss. An allowance for impairment of trade and other receivables is established if the collection of a receivable becomes doubtful. Such receivable becomes doubtful when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. An impairment loss is recognized in the Consolidated Statement of Comprehensive Income, as are subsequent recoveries of previous impairments.

Inventories
Inventories are stated at the lower of cost (using first-in, first-out method) or net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost includes net prices paid for materials purchased and all expenses to bring the inventory to its current location, charges for freight and custom duties, production labour costs and factory overhead.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and impairment charges. Costs include expenditures that are directly attributable to the acquisition of the asset, including financing expenses of capital investment projects under construction. Government grants to compensate for the cost of an asset are deducted from the cost of the related asset.

Depreciation is calculated using the straight-line method, based on the following estimated useful lives:

Category	Estimated useful life
Land	Not depreciated
Buildings	15–30 years
Leasehold improvements[1]	10–15 years
Machinery and equipment	2–10 years
Office furniture and equipment	3–10 years

[1]Leasehold improvements are depreciated over the shorter of the lease term or economic life of the asset.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment. The residual value, if not insignificant, is reassessed annually.

The Company recognizes in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefit relating to that subsequent expenditure will flow to the Company and the cost can be measured reliably. Other costs are recognized in the Consolidated Statement of Comprehensive Income as expense, as incurred.

Leased assets
Assets acquired under financial leases are included in the balance sheet at the present value of the minimum future lease payments and are depreciated over the shorter of the lease term or their estimated economic lives. A corresponding liability is recorded at the inception of the financial lease and the interest element of financial leases is charged to interest expense. Operating lease payments are recognized as an expense in the Consolidated Statement of Comprehensive Income on a straight-line basis over the lease term.

Intangible assets
Intangible assets are valued at cost less accumulated amortization and impairment charges. All intangible assets are tested for impairment whenever there is an indication that the intangible asset may be impaired. In addition, intangible assets with an indefinite useful life, such as goodwill and intangible assets not yet in use, are not amortized, but tested for impairment annually. In cases where the carrying value of the intangibles exceeds the recoverable amount, an impairment charge is recognized in the Consolidated Statement of Comprehensive Income.

Business combinations and goodwill
From January 1, 2010 the Company has applied IFRS 3 Business Combinations (2008) in accounting for business combinations. The change in accounting policy has been applied prospectively and has had no material impact on earnings per share.

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Company takes into consideration potential voting rights that currently are exercisable.

Acquisitions on or after January 1, 2010
For acquisitions on or after January 1, 2010, the Company measures goodwill at the acquisition date as:
- The fair value of the consideration transferred; plus
- The recognized amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognized amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognized in profit or loss. Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Company incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognized at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not measured and settlement is accounted for within equity. Otherwise, subsequent changes to fair value of the contingent consideration are recognized in profit or loss.

Acquisitions between January 1, 2004 and January 1, 2010
For acquisitions between January 1, 2004 and January 1, 2010, goodwill represents the excess of the costs of the acquisition over the Company's interest in the recognized amount (generally fair value) of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess was negative, a bargain purchase gain was recognized immediately in profit and loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Company incurred in connection with business combinations were capitalized as part of the cost of the acquisition.

Capitalized development expenses
Expenditures for research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, are recognized in the Consolidated Statement of Comprehensive Income as an expense, as incurred. Expenditure for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible, the Company has the intention and sufficient resources to complete development, the Company has the ability to use or sell the development and the ability to reliably measure the expenditure attributable to the development during its process.

The expenditure capitalized includes the cost of materials, direct labour and other directly attributable costs. Other development expenditures are recognized in the Consolidated Statement of Comprehensive Income as an expense, as incurred. Government grants to compensate for the cost of an asset are deducted from the cost of the related asset. Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses.

Other identifiable intangible assets
Other intangible assets that are acquired by the Company are stated at cost (i.e. fair value of the consideration given) at the date of acquisition less accumulated amortization and impairment losses.

Amortization
Amortization is charged to the Consolidated Statement of Comprehensive Income on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Acquired order backlog is amortized based on revenue from the associated backlog. Other intangible assets are amortized from the date they are available for use.

The estimated useful lives are as follows:

Category	Estimated useful life
Patents and trademarks	8-16 years
Customer relationships	12 years
Development expenses	2-7 years

The Company does not have any other intangible assets with indefinite lives.

The amortization is recognized in the Consolidated Statement of Comprehensive Income in cost of sales, selling, general and administrative expenses and research and development expenses.

Impairment of non-financial assets
The carrying amounts of the Company's non-financial assets are reviewed at each year's end balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognized whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognized in the Consolidated Statement of Comprehensive Income. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (group of units) and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Calculation of recoverable amount
The recoverable amount of other assets is the higher of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment
An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. Impairment losses in respect of goodwill are not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

Other non-current assets
Other non-current assets are stated at fair value.

Other current liabilities
Other current liabilities consist of notes payable to banks, trade payables and other payables and are initially measured at fair value and subsequently at amortized cost, using the effective interest method.

Financial assets and liabilities
All financial assets and liabilities have been valued in accordance with the loans and receivable category as defined in IAS 39 unless indicated otherwise.

Financial assets
Non-derivative financial assets are recognized initially at fair value plus directly attributable transaction costs.

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:
- The rights to receive cash flows from the asset have expired.
- The Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement.
- The Company has transferred its rights to receive cash flows from the asset and either (i) has transferred substantially all the risks and rewards of the asset, or (ii) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.
- When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace are recognized on the trade date, i.e. the date that the Company commits to purchase or sell the asset.

Impairment of financial assets

The Company assesses at each reporting date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset of the group of assets that can be reliably estimated. Evidence of impairment may include indicators that the debtor or group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in areas or economic conditions that correlate with defaults.

Derivative financial instruments and hedge accounting

The Company uses derivative financial instruments to hedge its exposure to foreign currency exchange rate fluctuations relating to operational activities denominated in foreign currencies. In accordance with its treasury and risk policy, the Company does not hold or issue derivative financial instruments for trading purposes. The Company uses hedge accounting. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments.

The Company recognizes derivative financial instruments initially at fair value; attributable transaction costs are recognized in profit or loss as incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. The gain or loss on remeasurement to fair value is recognized immediately in the Consolidated Statement of Comprehensive Income. The derivative financial instruments designated at fair value through Consolidated Statement of Comprehensive Income are securities that otherwise would have been classified as available for sale. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

The Company applies the cash flow hedge accounting model. In this hedging model, the effective part of a hedge transaction is reported as a component of other comprehensive income, which is reclassified to earnings in the same period(s) in which the hedged forecasted transaction affects earnings. The ineffective part of the hedge is recognized directly in the Consolidated Statement of Comprehensive Income in financial income (expense).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any attributable transaction costs. Subsequent to initial recognition, loans and receivables are values at amortized costs using the effective interest method, less any impairment losses. Gains and losses are recognized in the Consolidated Statement of Comprehensive Income when the loans and receivables are derecognized or impaired, as well as through the amortization process.

Financial liabilities

Non-derivative financial liabilities are initially measured at fair value and subsequently at amortized cost, using the effective interest method. The Company's financial liabilities include trade and other payables, bank overdraft and loans and borrowings.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the Consolidated Statement of Comprehensive Income.

Employee benefits

Pension plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Company's net obligation in respect of defined benefit pension plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the net defined benefit liability (asset).

The calculation is performed by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Company, the recognized asset is limited to the present value of economic benefits available in the form of any future refund from the plan or reductions in future contributions paid to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Company. An economic benefit is available to the Company if it is realizable during the life of the plan, or on settlement of the plan liabilities.

Remeasurements arising from defined benefit plans comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Company recognizes them immediately in other comprehensive income and all other expenses related to defined benefit plans in employee benefit expenses in profit or loss.

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognized immediately in profit or loss when the plan amendment or curtailment occurs.

A majority of the Company's Dutch employees participates in a multi-employer plan, which consists of defined benefits determined in accordance with the respective collective bargaining agreements. The Company accounts for this defined benefit plan as if it were a defined contribution plan as the pension fund managing the plan is not able to provide sufficient information to account for the plan as a defined benefit plan. The Company's Management requested the pension fund to provide the Company with adequate and sufficient information to disclose this plan in accordance with disclosure requirements for defined benefit plans. However, the pension fund confirmed in writing that they could not provide the Company with such information.

Severance provisions
A provision for severance obligations is recognized in the balance sheet if the Company is obligated to severance payments, even if future termination of the contract is initiated by the employee.

Share-based payments
The fair value of equity-settled options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees become unconditionally entitled to the shares.

In 2011, the Company established the BE Semiconductor Industries Incentive Plan 2011-2016 (the "Incentive Plan 2011-2016"), which contains specific conditions for the Performance Shares awarded to the Board of Management. In 2012, the Company established the BE Semiconductor Industries N.V. Long-Term Incentive plan for Employees (Non-Board Members) 2012-2016 (the "LTI Plan 2012-2016"). For more details reference is made to Note 20.

The grant date fair value of the Performance Shares granted to Board Members and Non-Board Members is measured taking into account the impact of any market performance conditions and non-vesting conditions, but excludes the impact of any service and non-market performance conditions.

The grant date fair value of the equity-settled share-based payment awards ("Performance Shares") is recognized as an employee expense, with a corresponding increase in equity, over the period between the grant date and the vesting date of the awards. The amount recognized as an expense is adjusted to reflect the number of awards for which the related service condition and any non-market performance conditions are expected to be met, such that the amount ultimately recognized as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date.

Provisions
A provision is recognized in the balance sheet when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Warranties
A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and a weighing of all possible outcomes against their associated probabilities.

Restructuring
A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, the restructuring has either commenced or has been announced publicly and is irrevocable. The restructuring plan includes workforce reduction, asset write-offs and building closure obligations. Future operating costs are not provided for.

Onerous contracts

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract.

Revenue recognition

Revenue from the sale of products in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net returns, trade discounts and volume rebates. Revenue is recognized when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the products and the amount of revenue can be measured reliably. Discounts are recognized as a reduction of revenue as the sales are recognized. The timing of the transfers of risks and rewards varies depending on the individual terms of the sales agreement. Revenue related to training and technical support is recognized when the service is rendered. Revenue from the sale of spare parts and materials is recognized when the goods are shipped.

Subsidies and other governmental credits

Subsidies and other governmental credits to cover research and development costs relating to approved projects are recorded as research and development credits in the period when the research and development costs to which such subsidy or credit relates occurs. If the related development costs are capitalized, the subsidies and other governmental credits will be offset against capitalization.

Net financing expenses/borrowing costs

Net financing costs comprise interest payable on borrowings calculated using the effective interest rate method, foreign exchange gains and losses and gains and losses on hedging instruments that are recognized in the Consolidated Statement of Comprehensive Income. Interest income is recognized in the Consolidated Statement of Comprehensive Income as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognized in the Consolidated Statement of Comprehensive Income using the effective interest rate method. Borrowing costs that are not directly attributable to the acquisition or production of a qualifying asset are recognized in the Consolidated Statement of Comprehensive Income using the effective interest method.

Income taxes

The Company applies the liability method of accounting for taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years which these temporary differences are expected to be recovered or settled.

The effect on deferred tax assets and liabilities of a change in tax rates is recognized in the Consolidated Statement of Comprehensive Income in the period that includes the enactment date. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Segment reporting

The Company is engaged in one line of business, the development, manufacturing, marketing, sales and service of semiconductor assembly equipment for the global semiconductor and electronics industries. The Company identifies four operating segments (Product Groups). Each Product Group is engaged in business activities from which it may earn revenues. Consequently, the Company has defined each Product Group as individual cash-generating unit. The four Product Groups are aggregated into a single reporting segment, the development, manufacturing, marketing, sales and service of assembly equipment for the semiconductor's back-end segment. Since the Company operates in one segment and in one group of similar products and services, all financial segment information can be found in the Consolidated Financial Statements.

Significant accounting judgements, estimates and assumptions

The preparation of the Company's Consolidated Financial Statements requires Management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

In the process of applying the Company's accounting policies, Management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognized in the Consolidated Financial Statements:

Impairment of non-financial assets

The Company assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. Goodwill and other indefinite life intangibles are tested for impairment annually and at other times when such indicators exist. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, Management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are contained in Notes 8, 9 and 10.

Share-based payments

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield and making assumptions about them. Further details are contained in Note 20.

Deferred tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 11.

Pension and other post-employment benefits

The costs of defined benefit pension plans and other post-employment medical benefits are determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. Further details are given in Note 20.

Development costs

Development costs are capitalized in accordance with the accounting policy as reflected before. Initial capitalization of costs is based on management's judgement that technological and economical feasibility is confirmed, usually when a product development project has reached a defined milestone according to an established project management model. In determining the amounts to be capitalized, Management makes assumptions regarding the expected future cash generation of the assets, discount rates to be applied and the expected period of benefits. Further details are contained in Note 10.

New IFRS standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2014. Those which may be relevant to the Company are set out below.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Company is assessing the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 9.

IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 Revenue, IAS 11 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. IFRS 15 is effective for annual reporting periods beginning on or after 1 January 2017, with early adoption permitted. The Company is assessing the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 15.

3. Cash and cash equivalents

(euro in thousands)	December 31, 2014	December 31, 2013
Short-term deposits	83,553	63,505
Cash on hand at banks	51,769	26,081
Total cash and cash equivalents	**135,322**	**89,586**

Interest rates are variable. At December 31, 2014, an amount of € 2.1 million in cash and cash equivalents was restricted (2013: € 1.6 million). These cash and cash equivalents have been restricted due to a cash cover.

4. Trade receivables

Trade receivables, generally with payment terms of 30 to 90 days, with impairment losses amounting to € 953 and € 581 at December 31, 2014 and 2013, respectively, are shown as follows:

(euro in thousands)	Total	Impaired	Neither past due nor impaired					Past due
				< 30 days	30–60 days	60–90 days	90–120 days	> 120 days
2014	93,248	(953)	53,838	15,291	8,890	5,615	3,814	6,753
2013	53,697	(581)	28,184	8,020	6,650	2,005	2,059	7,360

The movements in the allowance for doubtful accounts are as follows (see credit risk disclosure in Note 28 for further guidance):

(euro in thousands)	2014	2013
Balance at January 1,	581	642
Additions (releases)	563	(13)
Utilized	(207)	(20)
Foreign currency translation	16	(28)
Balance at December 31,	**953**	**581**

For trade receivables that have been pledged as collateral for the borrowing facilities and long-term debt, reference is made to Note 13 and 18.

5. Inventories

Inventories consist of the following:

(euro in thousands)	December 31, 2014	December 31, 2013
Raw materials	24,740	24,918
Work in progress	36,364	29,239
Finished goods	8,324	11,010
Total inventories, net	**69,428**	**65,167**

In 2014 raw materials and changes in work in progress and finished goods included in cost of sales amounted to € 189.0 million (2013: € 120.5 million). The change in the provision for obsolete inventories, recognized as a loss in 2014, amounts to € 1,379 (2013: € 1,035 loss). This loss is recognized in cost of sales. For inventories that have been pledged as collateral for the borrowing facilities and long-term debt, reference is made to Note 13 and 18.

6. Other receivables

Other receivables consist of the following:

(euro in thousands)	December 31, 2014	December 31, 2013
VAT receivables	3,630	3,038
Interest receivable	181	206
Guarantee deposits	971	938
Forward exchange contracts	140	435
Insurance receivable	602	-
Other	839	753
Total other receivables	**6,363**	**5,370**

Other receivables do not include any amounts with expected remaining terms of more than one year. Reference is made to Note 28 (Financial instruments) for additional information with respect to forward foreign currency exchange contracts.

7. Prepayments

Prepayments consist of the following:

(euro in thousands)	December 31, 2014	December 31, 2013
Prepaid insurance	71	54
Prepaid rent	781	797
Prepaid annual maintenance contracts	28	152
Prepaid pensions	1,988	1,891
Prepaid social security	390	386
Prepaid licences	223	-
Other prepayments	824	678
Total prepayments	**4,305**	**3,958**

Prepayments do not include any amounts with expected remaining terms of more than one year.

8. Property, plant and equipment

Property, plant and equipment, net consist of the following:

(euro in thousands)	Land, buildings and leasehold improvements	Machinery and equipment	Office furniture and equipment	Assets under construction	Total
Balance at January 1, 2014					
Cost	22,621	25,578	5,985	366	54,550
Accumulated depreciation	(6,978)	(18,157)	(4,766)	-	(29,901)
Property, plant and equipment, net	**15,643**	**7,421**	**1,219**	**366**	**24,649**
Changes in book value in 2014					
Additions	318	3,623	990	866	5,797
Disposals (cost)	(41)	(2,343)	(1,006)	-	(3,390)
Disposals (accumulated depreciation)	41	2,161	1,003	-	3,205
Depreciation	(1,246)	(2,045)	(789)	-	(4,080)
Foreign currency translation	521	420	43	83	1,067
Total changes	**(407)**	**1,816**	**241**	**949**	**2,599**
Balance at December 31, 2014					
Cost	23,621	28,095	6,207	1,315	59,238
Accumulated depreciation	(8,385)	(18,858)	(4,747)	-	(31,990)
Property, plant and equipment, net	**15,236**	**9,237**	**1,460**	**1,315**	**27,248**

(euro in thousands)	Land, buildings and leasehold improvements	Machinery and equipment	Office furniture and equipment	Assets under construction	Total
Balance at January 1, 2013					
Cost	23,113	25,954	6,639	374	56,080
Accumulated depreciation	(6,028)	(18,761)	(5,230)	-	(30,019)
Property, plant and equipment, net	**17,085**	**7,193**	**1,409**	**374**	**26,061**
Changes in book value in 2013					
Additions	354	2,506	796	8	3,664
Disposals	-	(119)	(9)	-	(128)
Depreciation	(1,215)	(1,891)	(928)	-	(4,034)
Foreign currency translation	(581)	(268)	(49)	(16)	(914)
Total changes	**(1,442)**	**228**	**(190)**	**(8)**	**(1,412)**
Balance at December 31, 2013					
Cost	22,621	25,578	5,985	366	54,550
Accumulated depreciation	(6,978)	(18,157)	(4,766)	-	(29,901)
Property, plant and equipment, net	**15,643**	**7,421**	**1,219**	**366**	**24,649**

For company-owned property, plant and equipment which have been pledged as security for loans, reference is made to Note 13 and 18.

Depreciation

The depreciation is recognized in the following line items in the Consolidated Statement of Comprehensive Income:

(euro in thousands)	Year ended December 31, 2014	2013
Cost of sales	1,471	1,373
Selling, general and administrative expenses	2,195	2,221
Research and development expenses	414	440
Total depreciation	**4,080**	**4,034**

9. Goodwill

Goodwill consists of the following:

(euro in thousands)	2014	2013
Balance at January 1,		
Cost	63,741	64,054
Accumulated impairment	(20,200)	(20,200)
Goodwill, net	**43,541**	**43,854**
Changes in book value		
Foreign currency translation	1,012	(313)
Total changes	**1,012**	**(313)**
Balance at December 31,		
Cost	64,753	63,741
Accumulated impairment	(20,200)	(20,200)
Goodwill, net	**44,553**	**43,541**

Impairment tests for cash-generating units containing goodwill

The Company annually carries out impairment tests on capitalized goodwill, based on the cash-generating units.

The aggregate carrying amounts of goodwill with indefinite lives allocated to each cash-generating unit are as follows:

(euro in thousands)	December 31, 2014	December 31, 2013
Die Attach	42,573	41,561
Plating	1,980	1,980
Total	**44,553**	**43,541**

The value in use of the cash generating units subject to impairment testing is calculated based on the discounted cash flow method (income approach). The value in use calculations use discounted cash flow projections based on the budget for the year 2015 and financial projections per Product Group approved by Management for the projection period (2016-2019).

The key assumptions used by Management underlying the value in use calculation per cash generating unit are as follows:

- Cash flows per cash generating unit for the five year projection period are based on:
  - The Company's budget for 2015.
  - Revenue forecasts for 2016-2019 as per market growth estimates from VLSI Research, a leading independent analyst for the semiconductor and semiconductor equipment industries, and the Company's estimated market shares.
  - Bottom-up estimates for gross profit, research and development and selling, general and administrative expenses as per Management's strategic planning.

- A pre-tax discount rate of 11.6% to 13.3% representing the pre-tax weighted average cost of capital (WACC) is determined using the Capital Asset Pricing Model (in 2013 a pre-tax discount rate between 12.8% and 14.1%).

- Residual value is based on a 1.0% perpetual growth rate (in 2013: 1.0%).

- The risk free rate of 1.0% (in 2013: 1.7%) and equity risk premium 6.0% (in 2013: 6.0%).

All assumptions used reflect the current market assessment and are based on published indices and management estimates which are challenged by a third party financial advisor. Based on this analysis, Management believes that the value in use of the cash generating units subject to impairment testing substantially exceeded their carrying values and that, therefore, goodwill was not impaired as of December 31, 2014.

The outcome of a sensitivity analysis was that reasonably possible adverse changes in key assumptions of 100 basis points (lower growth rates and higher discount rates respectively) would not result in other conclusions for the impairment test performed.

10. Other intangible assets

Other intangible assets, net consist of the following:

(euro in thousands)	Software	Patents	Customer relationships	Development expenses	Total
Balance at January 1, 2014					
Cost	8,662	1,097	6,083	34,717	50,559
Accumulated amortization	(7,752)	(1,047)	(4,563)	(1,603)	(14,965)
Other intangible assets, net	**910**	**50**	**1,520**	**33,114**	**35,594**
Changes in book value in 2014					
Capitalized development expenses	-	-	-	9,314	9,314
Disposals (cost)	-	(1,097)	-	(1,457)	(2,554)
Disposals (accumulated amortization)	-	1,097	-	1,457	2,554
Capitalized expenditures	677	-	-	-	677
Amortization	(547)	(54)	(507)	(4,852)	(5,960)
Foreign currency differences	15	4	-	630	649
Total changes	**145**	**(50)**	**(507)**	**5,092**	**4,680**
Balance at December 31, 2014					
Cost	9,386	-	6,083	42,574	58,043
Accumulated amortization	(8,331)	-	(5,070)	(4,368)	(17,769)
Other intangible assets, net	**1,055**	**-**	**1,013**	**38,206**	**40,274**

(euro in thousands)	Software	Patents	Customer relationships	Development expenses	Total
Balance at January 1, 2013					
Cost	8,494	34,265	6,083	47,089	95,931
Accumulated amortization	(6,058)	(34,167)	(4,056)	(18,792)	(63,073)
Other intangible assets, net	**2,436**	**98**	**2,027**	**28,297**	**32,858**
Changes in book value in 2013					
Capitalized development expenses	-	-	-	7,919	7,919
Capitalized expenditures	256	-	-	-	256
Amortization	(1,771)	(45)	(507)	(2,727)	(5,050)
Foreign currency differences	(11)	(3)	-	(375)	(389)
Total changes	**(1,526)**	**(48)**	**(507)**	**4,817**	**2,736**
Balance at December 31, 2013					
Cost	8,662	1,097	6,083	34,717	50,559
Accumulated amortization	(7,752)	(1,047)	(4,563)	(1,603)	(14,965)
Other intangible assets, net	**910**	**50**	**1,520**	**33,114**	**35,594**

Amortization

The amortization charge is recognized in the following line items in the Consolidated Statement of Comprehensive Income:

(euro in thousands)	Year ended December 31, 2014	2013
Cost of sales	52	56
Selling, general and administrative expenses	1,056	2,084
Research and development expenses	4,852	2,910
Total amortization	**5,960**	**5,050**

11. Income taxes

The items giving rise to the deferred tax assets (liabilities), net, were as follows:

(euro in thousands)	December 31, 2014	December 31, 2013
Deferred tax assets (liabilities)		
- Operating loss carry forwards	18,550	12,184
- Intangible assets	(5,614)	(3,262)
- Inventories	931	608
- Provisions	1,839	1,004
- Other items	48	507
Total deferred tax assets (liabilities), net	**15,754**	**11,041**
Deferred tax asset to be recovered after more than twelve months	20,559	15,511
Deferred tax asset to be recovered within twelve months	1,151	974
Total deferred tax assets, net	**21,710**	**16,485**
Deferred tax liability to be settled after more than twelve months	(5,767)	(5,444)
Deferred tax liability to be settled within twelve months	(189)	-
Total deferred tax liabilities, net	**(5,956)**	**(5,444)**
Total deferred tax assets (liabilities), net	**15,754**	**11,041**

(euro in thousands)	December 31, 2013	Profit & loss	Other comprehensive income	Foreign currency	December 31, 2014
Deferred tax assets (liabilities)					
- Operating loss carry forwards	12,184	5,879	-	487	18,550
- Intangible assets	(3,262)	(2,302)	-	(50)	(5,614)
- Inventories	608	323	-	-	931
- Provisions	1,004	(42)	701	176	1,839
- Other items	507	(543)	-	84	48
Total	**11,041**	**3,315**	**701**	**697**	**15,754**

The deferred tax assets for operating loss carry forwards are related to the US, Swiss, Singapore and Dutch operations of the Company. Under applicable US tax law, the carry forwards related to the US operating losses of € 22.7 million expire during the period of 2018 and thereafter. The carry forwards related to the Dutch operating losses amount to approximately € 69.2 million and expire during the periods of 2016 through 2022. The carry forwards related to the Swiss operating losses amount to approximately € 45.4 million, and have various expiration terms up to 2016. The carry forwards related to the Singapore operating losses amount to approximately € 0.5 million and have no expiration term.

In assessing the recoverability of deferred tax assets, the Company considers whether it is more likely than not that some portion or all of the deferred tax assets will be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

In 2014, taxable income of the Dutch operations was positive. Due to the expected profits in the years thereafter the Company has decided to increase the deferred tax assets resulting in a gain of € 3.9 million. During the year a gain of € 3.9 million has already been reported due to the realization of tax losses.

In 2012, the Company has re-aligned its business structure to its integrated Die Attach operations and global spares activities. This business restructuring has resulted in a taxable profit at Besi Switzerland AG. As at December 31, 2012, deferred tax assets relating to all unused tax loss carry forward of Besi Switzerland AG, have been recognized in the Consolidated Statement of Financial Position. In 2013, however, taxable income was lower than expected. Therefore, the Company assessed that taxable losses will forfeit leading to a write down of deferred tax assets in 2013 amounting to € 4.4 million. In 2014, due to the positive results, the Company increased deferred tax assets resulting in a gain of € 4.2 million.

In the new business structure the US fiscal entity is expected to structurally realize profits, therefore during the year an amount of € 0.7 million deferred tax asset is recognized in the Consolidated Statement of Financial Position.

The aggregate deferred tax related to items recognized outside of profit and loss amounts to € 0.7 million.

The Dutch domestic statutory tax rate is 25.0% for the year ended December 31, 2014 and for the year ended December 31, 2013. The reconciliation between the actual income taxes (benefit) shown in the Consolidated Statement of Comprehensive Income and the expense (benefit) that would be expected based on the application of the domestic tax rate to income (loss) before taxes and related goodwill adjustment, is as follows:

(euro in thousands)	**Year ended December 31, 2014**	**in % of income before taxes**	**Year ended December 31, 2013**	**in % of income before taxes**
"Expected" income tax expense based on domestic rate	17,832	25.0%	4,788	25.0%
Non-deductible expenses	1,291	1.8%	425	2.2%
Foreign tax rate differential	(6,337)	(8.9%)	(529)	(2.8%)
Tax exempt income	(155)	(0.2%)	(188)	(1.0%)
Utilization during financial year	-	-	(656)	(3.4%)
Recognition of previous unrecognized tax losses	(12,649)	(17.7%)	(5,605)	(29.2%)
Deferred tax expense arising from writedown of previous recognized tax losses	-	-	4,422	23.1%
Withholding taxes	102	0.1%	347	1.8%
Other	112	0.2%	21	0.1%
Income tax expense shown in Consolidated Statement of Comprehensive Income	**196**	**0.3%**	**3,025**	**15.8%**

The provision for income tax expense shown in the Consolidated Statement of Comprehensive Income consisted of the following:

(euro in thousands)	**Year ended December 31, 2014**	**2013**
Current	3,511	2,539
Deferred	(3,315)	486
Total	**196**	**3,025**

There are no income tax consequences attached to the proposed payment of dividends by the Company to its shareholders.

The dividend payment from the Chinese subsidiary in 2014 to the parent company resulted in an income tax charge amounting to € 0.1 million due to withholding taxes to be paid in China. The income tax consequences of dividend payments in this country that were proposed before the financial statements were authorized for issue, but are not recognized, amount to € 0 million. There are tax treaties with our other main subsidiaries which avoid double taxation and/or payment of withholding taxes on dividend payments.

Tax risk

Given the international business structure of the Company and the increasing number and amounts of intercompany transactions and the internationally growing attention for tax Base Erosion and Profit Shifting ("BEPS"), certain tax risks hereto may exist. The Company does not pay taxes in countries with no Besi economic activities.

12. Other non-current assets

Other non-current assets consist of the following, with respect to more details the Company refers to Note 20:

(euro in thousands)	December 31, 2014	December 31, 2013
Funds with insurance companies for pension liability	1,465	1,367
Other	212	68
Total other non-current assets	**1,677**	**1,435**

13. Borrowing facilities

At December 31, 2014, Besi and its subsidiaries had available lines of credit aggregating € 36.7 million, under which € 23.0 million of borrowings were outstanding (of which € 13.6 million relate to notes payable to banks and the remaining balance of € 9.4 million relates amongst others to bank guarantees and forex transactions). Interest is charged at the banks' base lending rates or Euribor plus an increment between 0.3% and 0.7%. All its credit facility agreements include covenants requiring Besi to maintain certain financial positions or financial ratios and have no stated contractual maturity. Besi and all of its applicable subsidiaries were in compliance with all loan covenants at December 31, 2014. In case of breach, the respective banks are entitled to call in the credit lines.

A summary of Besi's principal credit lines is as follows:

- € 8 million of Besi's credit lines relate to its Dutch subsidiaries and are secured by a pledge of inventories and accounts receivable and a parent company guarantee. The principal restrictive covenants contained in each Dutch line of credit include a solvency ratio, net cash to EBITDA ratio and a current ratio, all of which are calculated on a consolidated Besi level. All borrowing facilities have no contractual maturity date.

- € 13.8 million of Besi's credit lines relate to Besi Austria GmbH and are without recourse to the parent company. Consistent with past practice, Besi Austria utilizes short-term bank lines of credit, long-term loans and government-granted loans for export and research and development activities. The principal restrictive covenant contains a minimum equity ratio. All borrowing facilities have no contractual maturity date.

- € 9.1 million of Besi's credit lines relate to its Asian manufacturing operations and are secured by legal charge over the land and building in Malaysia and a debenture creating charges over all fixed and floating present and future assets of Besi APac Sdn. Bhd. The principal restrictive covenant includes a minimum tangible net worth, a maximum gearing ratio, a maximum days receivable and the requirement that Besi APac Sdn. Bhd. remains a direct/indirect 100% owned subsidiary of BE Semiconductor Industries N.V. at all times. All borrowing facilities have no contractual maturity date. An amount of € 1.3 million relates to a credit line for forex transactions.

- € 5.8 million of Besi's credit lines relate to Besi Switzerland AG. Besi Switzerland utilizes this credit facility for contingent liabilities (amongst others guarantees and documentary credits) and for conducting foreign exchange contracts. The credit facility is secured by a parent company guarantee. The principal restrictive covenant contains a minimum cash position to be held on the bank accounts of Credit Suisse. The facility has no contractual maturity date.

14. Provisions

(euro in thousands)	December 31, 2014	December 31, 2013
Warranty provision	5,504	3,418
Restructuring provision	1,024	673
Onerous contracts	403	666
Total provisions	**6,931**	**4,757**

Warranty provision
A summary of activity in the warranty provision is as follows:

(euro in thousands)	2014	2013
Balance at January 1,	3,418	4,562
Additions	5,107	2,834
Usage	(3,092)	(3,956)
Foreign currency translation	71	(22)
Balance at December 31,	**5,504**	**3,418**

The Company expects to incur the majority of the liability over the next year. The calculation of the warranty provision is based on historical warranty costs, warranty periods and best estimate of timing of the warranty.

Restructuring provision
Restructuring charges recorded by the Company in 2014 amount to € 1.6 million, which mainly relates to severance payments, legal consultancy and outplacement expenses. Changes in the restructuring provision were as follows:

(euro in thousands)	2014	2013
Balance at January 1,	673	3,807
Additions	1,652	622
Usage	(1,403)	(3,756)
Releases	-	-
Foreign currency translation	102	-
Balance at December 31,	**1,024**	**673**

The restructuring charges are recognized in the following line items in the Consolidated Statement of Comprehensive Income:

(euro in thousands)	Year ended December 31,	
	2014	**2013**
Cost of sales	695	73
Selling, general and administrative expenses	413	166
Research and development expenses	544	383
Total	**1,652**	**622**

The provision of € 1.0 million at December 31, 2014 is expected to be fully utilized during 2015.

Onerous contracts
The Company has a rental contract for a factory building in the Netherlands. Due to the changes in the activities of the Company, the Company ceased to use part of the premises. The rental contract will expire in June 2016. The premises have partly been sublet for the remaining rental period. The obligation for the future payments, net of expected rental income, has been provided for. Changes in the provision for onerous contracts were as follows:

(euro in thousands)	2014	2013
Balance at January 1,	666	1,051
Additions	-	335
Usage	(263)	(720)
Balance at December 31,	**403**	**666**

15. Trade payables
Trade payables are non-interest bearing and are normally settled on 30-60 day terms.

16. Other payables

(euro in thousands)	December 31, 2014	December 31, 2013
Payroll accruals	11,203	8,214
Accrued audit and consultancy fees	595	592
Forward exchange contracts	3,311	137
Settlement accounts	1,123	611
Accrued utility costs	215	207
Accrued project cost	5,440	1,660
Accrued maintenance	287	277
Other payables	2,047	1,955
Total other payables	**24,221**	**13,653**

Other payables are non-interest bearing and have an average term of three months. Interest payable is normally settled quarterly throughout the year. Reference is made to Note 28 (Financial instruments) for additional information with respect to forward foreign currency exchange contracts.

17. Other liabilities

(euro in thousands)	December 31, 2014	December 31, 2013
Advances from customers	4,105	2,157
Payroll liabilities	2,496	1,928
Other	990	545
Total other liabilities	**7,591**	**4,630**

Other liabilities are non-interest bearing and are not expected to be settled through a cash flow.

18. Long-term debt and financial leases

(euro in thousands)	December 31, 2014	December 31, 2013
Other long-term debt		
Research and development loan from Österreichische Forschungsförderungsgesellschaft, Wien, Austria (Interest rates between 1% and 2 % at December 31, 2014)	3,793	3,059
Subtotal	**3,793**	**3,059**
Less: current portion	(815)	-
Total long-term debt and financial leases	**2,978**	**3,059**

Aggregate required principal payments due on long-term debt for the next five years and thereafter are as follows:

(euro in thousands)	Long-term debt
2015	815
2016	-
2017	2,978
2018	-
2019 and thereafter	-
Total	**3,793**
Less: current portion of long-term debt and financial leases	(815)
Non-current portion of long-term debt	**2,978**

Other long-term debt
The carrying value of the pledges related to long-term debt does not exceed the value of the outstanding long-term debt as of December 31, 2014. The long-term debt represents 17 loans aggregating € 3,793 for the financing of the research and development projects at Besi Austria. The fixed interest rates at December 31, 2014 vary from 1% to 2% for all loans. Loan repayments are due between March 2015 and June 2017.

In December, the Company signed an agreement with the Raiffeissenlandesbank for a 4 year term loan of € 10 million carrying a 0.95% interest. This agreement was subject to legal due diligence by the Raiffeissenlandesbank. The Company received the € 10 million in February 2015.

The Company and all of its applicable subsidiaries had no defaults for its long-term debt at December 31, 2014.

19. Other non-current liabilities

Other non-current liabilities consist of the following:

(euro in thousands)	December 31, 2014	December 31, 2013
Pension liabilities Austria	666	569
Pension liabilities Switzerland	9,920	4,639
Severance obligations	3,661	2,909
Other	410	145
Other non-current liabilities	**14,657**	**8,262**

20. Employee benefits

Pension plans
The employees of the Company's Dutch subsidiaries participate in a multi-employer union plan. This plan is a defined benefit plan that is managed by Bedrijfstakpensioenfonds Metalektro. This industry pension fund is unable to allocate the obligations, investments and cost to the different participating employers on a consistent and reliable basis, therefore the pension fund is not able to provide the information needed in order to account for pension commitments as a defined benefit plan in the Consolidated Financial Statements. For that reason, the plan is accounted for as a defined contribution plan in accordance with IAS 19 "Employee Benefits". The Company has no continuing obligations other than the annual payments. The Company has no obligation to pay for a possible deficit in the pension fund. Neither is the Company entitled to a possible surplus in the pension fund. On a yearly basis, the pension fund determines the new annual payments to be paid by the Company. Contributions under this plan were € 1.2 million in 2014 and € 1.0 million in 2013. Based on public information posted on the website of the Industry Pension Fund, the funding ratio decreased from 104.3% as of December 31, 2013 to 102.0% as of December 31, 2014.

The employees of the parent company participate in a defined benefit plan for guaranteed pension payments. The net liability amounts to € 102 and is reported in other non-current liabilities. The fair value of any plan assets is deducted in determining the amount recognized in the statement of financial position. As no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets. This calculated fair value of the plan assets amounts to € 1,342 whereas the benefit obligation amounts to € 1,444.

The Company's US, Malaysian, Korean and Chinese subsidiaries have defined contribution plans that supplement the governmental benefits provided in the laws of the US, Malaysia, Korea and China, respectively.

Pension plan Austria
The Company's Austrian subsidiaries operate a voluntary defined benefit plan for guaranteed pension payments covering key personnel only, as well as a defined benefit plan for severance payments in accordance with Austrian Labour Law. The pension assets related to this defined benefit plan do not qualify as plan assets and are therefore presented separately, not netted with the pension liability. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the project unit cost method. Actuarial gains and losses are recognized in accumulated other comprehensive income (loss). The discount rate was derived by reference to appropriate benchmark yields on high quality corporate bonds.

Principal actuarial assumptions at the reporting date:

(in percentage)	2014	2013
Interest rate for obligations	2.40%	3.50%
Future salary increases (severance payments)	3.00%	3.00%

Movements in the present value of the defined benefit and severance obligations recognized in the Consolidated Statement of Financial Position are as follows:

(euro in thousands)	Pension liabilities	Severance obligations	2014 Total
Liability for defined benefit and severance obligations at January 1,	569	2,349	2,918
Service cost	17	150	167
Interest cost	14	75	89
Net actuarial loss (gain) recognized	138	360	498
Other	(64)	47	(17)
Benefits paid	(8)	(112)	(120)
Liability for defined benefit and severance obligations at December 31,	**666**	**2,869**	**3,535**

(euro in thousands)	Pension liabilities	Severance obligations	2013 Total
Liability for defined benefit and severance obligations at January 1,	476	2,228	2,704
Service cost	31	147	178
Interest cost	17	76	93
Net actuarial loss (gain) recognized	45	(51)	(6)
Benefits paid	-	(51)	(51)
Liability for defined benefit and severance obligations at December 31,	**569**	**2,349**	**2,918**

The accumulated defined benefit obligation amounts to € 3.5 million at December 31, 2014. Future expected benefit payments to (former) employees regarding pensions and leave over the next ten years are considered immaterial.

A summary of the components of total expense recognized in the Consolidated Statement of Comprehensive Income and the weighted average assumptions used for net periodic defined benefit expense and benefit obligation calculations for 2014 and 2013 is presented as follows:

(euro in thousands)	Year ended December 31, 2014	2013
Service cost	167	178
Interest cost	89	93
Expense recognized	**256**	**271**

Changes in assets related to the liability for defined benefit and severance obligations recognized in the Consolidated Statement of Financial Position are as follows:

(euro in thousands)	2014	2013
Assets at January 1,	1,367	1,167
Actual return on assets	58	23
Employer contribution/additions to assets	40	211
Benefits paid	-	(34)
Assets at December 31,	**1,465**	**1,367**

At December 31, 2014, the assets consist of bonds (5%), investment funds (30%) and insurance policies (65%), respectively bonds (5%), investment funds (30%) and insurance policies (65%) at December 31, 2013.

Historical information

(euro in thousands)	2014	2013	2012	2011	2010
Present value of the defined benefit obligation	3,535	2,918	2,704	1,981	1,902
Fair value of assets	1,465	1,367	1,167	1,080	1,030
Experience adjustments arising on plan liabilities ((gains)/losses)	498	(6)	556	(141)	499
Experience adjustments arising on assets ((gains)/losses)	-	-	-	-	-

Expected contribution related to employer contribution in 2015 is expected to be in line with prior years.

Sensitivity analysis
The calculation of the defined benefit and severance obligation is sensitive to the assumptions as set out earlier. The following table summarizes how the defined benefit and severance obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 0.25%.

(euro in thousands)	Defined benefit and severance obligation	
	0.25% increase	0.25% decrease
Discount rate	(162)	172
Salary increase	138	(131)

The above sensitivities are based on the average duration of the benefit and severance obligation determined at the date of the last full actuarial valuation at December 31, 2014 and are applied to adjust the defined benefit and severance obligation at the end of the reporting period of the assumptions concerned.

Pension plan Switzerland
The Company's Swiss subsidiary operates a defined benefit plan for guaranteed pension payments. The pension assets related to this defined benefit plan are netted with the pension liability. The cost of providing benefits under the defined benefit plan is calculated using the project unit cost method. Actuarial gains and losses are reported in accumulated other comprehensive income (loss).

The valuation of assets and liabilities pertaining to defined benefit plans is based on actuarial calculations. These, in turn, are based on assumptions, such as the expected inflation rate, salary progression, staff turnover, life expectancy of the insured and discount factors used. The discount rate for Switzerland is determined based on the available information at December 31. The discount rate is determined as follows: Swiss franc bonds with rating AA as included in the Swiss Bond Index. These bonds are used to determine a yield curve for durations up to 10 years. This yield curve is extended based on the government bond rates for longer duration. The discount rate used for the IAS 19 (revised June 2011) calculation is based on an average duration of 18 years. Significant variations in the actual developments of such factors from the assumptions made can have far-reaching effects on the Company's eventual obligations on the related funding.

Principal actuarial assumptions at the reporting date:

(in percentage)	2014	2013
Discount rate	1.15%	2.30%
Future salary increases	1.50%	1.50%
Future pension increases	0.10%	0.10%

Movement in the present value of the defined benefit obligations:

(euro in thousands)	2014	2013
Liability for defined benefit obligations at January 1,	36,815	42,128
Current service cost	1,399	1,872
Interest cost	832	772
Actuarial loss (gain) arising from changes in economic assumptions	7,235	(1,347)
Actuarial loss (gain) arising from experience	(43)	-
Plan participants' contribution	586	611
(Gains)/losses on curtailments	(420)	-
Plan amendments	(337)	-
Benefits paid through pension assets and net transferrals	(2,042)	(6,543)
Foreign currency differences	748	(678)
Liability for defined benefit obligations at December 31,	**44,773**	**36,815**

The strong increase of the defined benefit obligation is caused by the decrease of the discount rate. During fiscal year 2014 a restructuring occurred that resulted in a curtailment. From the total number of employees that was laid off during fiscal year 2014 six employees were covered under the pension plan. The curtailment is calculated at December 31, 2014.

Expense (income) recognized in the Consolidated Statement of Comprehensive Income:

(euro in thousands)	Year ended December 31,	
	2014	2013
Current service costs	1,399	1,872
Interest cost on benefit obligation	832	772
Interest income on plan assets	(746)	(684)
Past service cost including effects of curtailment	(757)	-
Administration expenses	66	68
Expense (income) recognized	**794**	**2,028**

Movement in the fair value of plan assets:

(euro in thousands)	2014	2013
Fair value of plan assets at January 1,	32,176	36,640
Interest income	746	684
Return on plan assets excluding amounts included in net income	1,427	(575)
Plan participants' contribution	586	611
Company contributions	1,367	2,019
Benefits paid through pension assets	(2,042)	(6,543)
Administration expenses	(66)	(68)
Foreign currency differences	659	(592)
Fair value of plan assets at December 31,	**34,853**	**32,176**

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

(in percentage)	December 31, 2014	December 31, 2013
Qualified insurance policies	99%	98%
Others	1%	2%
Total	**100%**	**100%**

The insurance policies cover in principle the minimum funding requirements. Future contributions can be increased due to changes in the annuity factors, but this is subject to decision of the Company.

Net benefit liability:

(euro in thousands)	December 31, 2014	December 31, 2013
Defined benefit obligations	44,773	36,815
Fair value of plan assets	(34,853)	(32,176)
Net liability	**9,920**	**4,639**

Historical information

(euro in thousands)	2014	2013	2012	2011 restated	2010
Present value of the defined benefit obligations	44,773	36,815	42,128	41,007	35,302
Fair value of plan assets	(34,853)	(32,176)	(36,640)	(36,402)	(33,282)
Deficit in the plan	**9,920**	**4,639**	**5,488**	**4,605**	**2,020**
Experience adjustments arising on plan liabilities economic assumptions	7,235	(1,347)	1,905	1,548	1,849
Experience adjustments arising on plan liabilities from experience	(43)	-	-	-	-
Present value of the defined benefit obligations	1,427	(575)	(623)	(1,350)	(305)

Expected contribution related to employer contribution in 2015 is expected to be in line with 2014.

Sensitivity analysis

The calculation of the defined benefit obligation is sensitive to the assumptions as set out above. The following table summarizes how the defined benefit obligation at the end of the reporting period would have increased (decreased) as a result of a change in the respective assumptions by 0.25%.

(euro in thousands)	Defined benefit obligation	
	0.25% increase	0.25% decrease
Discount rate	(1,923)	2,074
Salary increase	278	(271)
Pension indexation	n/a	n/a
Interest credit rate	467	(455)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at December 31, 2014 and are applied to adjust the defined benefit obligation at the end of the reporting period of the assumptions concerned.

Share-based compensation plans

Description of share-based compensation plans

In the year 2000, the Company granted equity-settled stock options to all of its employees under the Share Option Plan 2000 and granted equity-settled options to the Board of Management under the Share Option Plan December 2000.

On March 24, 2005, the Supervisory Board approved to extend the exercise period of the out-of-the-money equity-settled stock options outstanding under the Company's employee stock options plans.

In 2011, the Board of Management approved to prolong 62,986 out-of-the-money equity-settled options outstanding (outstanding as per January 1, 2011) until April 18, 2016 at the original exercise price of € 17.90 for employees other than the Board of Management.

Furthermore, the Supervisory Board approved to prolong 19,900 out-of-the-money equity-settled options outstanding for a member of the Board of Management and are exercisable until April 18, 2016 which options have a revised exercise price of € 0.91. The Supervisory Board also approved, subject to shareholders approval, to prolong 142,000 (outstanding as per January 1, 2011) out-of-the-money equity-settled options outstanding until December 5, 2016 at the original exercise price of € 9.80 which was revised to € 7.78. This prolongation was approved by the Annual General Meeting of Shareholders held on April 25, 2012 and the exercise price was revised effectively at May 5, 2014. The amendment of the exercise price is treated as a modification and the incremental fair value of this modification was € 213. The incremental fair value has been determined applying the Black & Scholes option pricing formula.

The significant inputs into the model were:

	Modification
Market price of the Company's Ordinary Shares (in euro)	11.91
Volatility	25%
Dividend yield	2.68%
Remaining life options (in years)	1.6
Risk-free interest rate	0.10%

Incentive Plan 2011-2016

In 2011, the Company established the BE Semiconductor Industries Incentive Plan 2011-2016 (the "Incentive Plan 2011-2016"). The total number of Ordinary Shares that will be awarded under the Incentive Plan 2011-2016 may not exceed 1.5% of the total number of outstanding shares at December 31 of the year prior to the year in which the award is made.

The Incentive Plan 2011-2016 contains specific conditions for the Board of Management. Reference is also made to the Remuneration Policy 2011-2016 as adopted by the Annual General Meeting of Shareholders on April 28, 2011.

For share awards made prior to 2014,the number of Performance Shares, if any, to be awarded to an individual member of the Board of Management was determined by using the following elements:

At the beginning of the three-year performance period, a number of Performance Shares are conditionally awarded. After the three-year performance period the actual vesting will be determined based on:

- The Net Income relative to the Revenues ("NIR") over a three-year performance period (50% of the at target award).
- The average annual Total Shareholder Return ("TSR") growth of the shares of the Company over the three-year performance period (50% of the at target award).

The Performance Shares awarded will vest at the end of the three-year performance period, depending on the actual performance of the Company. In principle, if at target performance is achieved, 100% of the Performance Shares awarded will vest. The maximum number of shares that can vest amounts to 150% of the target number of Performance Shares conditionally awarded. At the moment of vesting, the maximum underlying value of the actual number of shares vesting shall in no event exceed 80% of the individual board member's annual base salary in the year of vesting.

However, at the Annual General Meeting of Shareholders held on April 30, 2014, the shareholders adopted the proposed amendments to the Remuneration Policy and the Incentive Plan 2011–2016. For the Performance Share awards to be made effective as from 2014, the average annual Total Shareholder Return ('TSR') growth performance condition is replaced with a relative TSR measure. Under this relative TSR measure, the development of the Besi share price including the reinvestment of dividends during a three year performance period will be compared to a comparator group of 19 listed companies operating in the semiconductor industry, whereby three month share price averaging is being applied at the start and at the end of the TSR performance period.

In addition, the shareholders adopted the proposed removal of the voluntarily applied 80% value cap for the Performance Share awards made under the Incentive Plan to the member of the Board of Management and for any other senior members of management. Since this change has been retrospectively applied to all Performance Share awards made since the introduction of the Incentive Plan, it represents a modification of the awards outstanding as of December 31, 2013. Please also refer to section "Fair value measurement Performance Shares".

Under the Incentive Plan 2011-2016, the Supervisory Board may, at its own discretion and upon recommendation of the Remuneration and Nomination Committee, award additional shares to a member of the Board of Management as a reward for extraordinary achievements of excellent performance, up to a maximum of 60,000 shares. For the year 2011, the Supervisory Board at its own discretion and upon recommendation by the Remuneration and Nomination Committee, awarded the member of the Board of Management 60,000 shares which vested on April 26, 2012.

For the year 2012, the Supervisory Board, at its own discretion and upon recommendation by the Remuneration and Nomination Committee, awarded the member of the Board of Management 30,000 Shares which vested on March 4, 2013. This discretionary grant is in recognition of the continued successful integration of Besi's Die Attach product group. Such group represents a substantial portion of Besi's consolidated revenue.

For the year 2013, the Supervisory Board, at its own discretion and upon recommendation by the Remuneration and Nomination Committee, awarded the member of the Board of Management 20,000 Shares which vested on May 2, 2014.

LTI Plan 2012-2016 for Employees (Non-Board Members)

In 2012, the Company established the BE Semiconductor Industries N.V. Long-Term Incentive plan for Employees (Non-Board Members) 2012-2016 (the "LTI Plan 2012-2016"). At its discretion, the Board of Management may award Performance Shares to key employees in line with the terms and conditions provided in the LTI Plan, the Award Agreement and the Allocation Agreement.

The Board of Management has the discretionary power to determine which key employees qualify as Eligible Participants.

The aggregate number of total shares underlying the Performance Shares shall not exceed 1.5% of the total number of outstanding shares at December 31 of the year prior to the year the award is made.

For the awards made prior to 2014, the Performance Shares awarded, if any, will be delivered in three annual tranches during a three-year performance period, depending on the actual performance of the Company and the Eligible Participant. Each year one tranche will vest based on the performance in the preceding year. The actual performance of the Company is linked to Net Income to Revenue and Net Cash.

For the Performance Share awards to be made effective as from 2014, the Net Cash performance condition is replaced with a relative Total Shareholder Return ('TSR') measure. Under this relative TSR measure, which is the same both for the Board and the Non-Board Members, the development of the Besi share price including the reinvestment of dividends during a three year performance period will be compared to a comparator group of 19 listed companies operating in the semiconductor industry.

In addition, the vesting schedule for the Performance Shares to Non-Board Members has been amended. Consistent with the awards to Board members, the Performance Shares awarded as from 2014 will vest at the end of the three-year performance period, depending on the actual performance of the Company. If at target performance is achieved, 100% of the Performance Shares awarded will vest. The maximum number of shares that can vest amounts to 150% of the target number of Performance Shares conditionally awarded.

After the three-year performance period the actual number of Performance Shares that vest, subject to continued employment, will be determined based on:

- The Net Income relative to the Revenues (NIR) over a three-year performance period (50%).
- The Company's Total Shareholder Return ('TSR') relative to that of the TSR peer group consisting of 19 peer companies operating in the semiconductor industry (50%).

Financing of stock option plans

The option plan that was issued in 2000 contained a financing arrangement pursuant to which the Company financed the fiscal value of the options granted to employees subject to the Dutch tax-regime. The loans issued under this arrangement are repayable to the Company on the exercise date of the respective option, provided that the option was actually exercised. If the options expire unexercised, the respective loans are forgiven. Besi accrues a liability for the respective fiscal implication of this arrangement.

Summary of outstanding stock options

Following is a summary of changes in Besi options:

	2014 Number of options	Weighted average excercise price (in euro)	2013 Number of options	Weighted average excercise price (in euro)
Equity-settled option plans				
Outstanding, beginning of year	216,361	11.02	221,486	11.18
Options expired	-	-	-	-
Options exercised[1]	(161,900)	6.94	-	-
Options forfeited	-	-	(5,125)	17.90
Outstanding and exercisable, end of year	**54,461**	**17.90**	**216,361**	**11.02**

[1] The weighted average exercise price at the date of exercise was € 11.92

Stock options outstanding and exercisable:

	Year ended December 31, 2014			Year ended December 31, 2013		
Range of exercise price (in euro)	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (in euro)**	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (in euro)**
Equity-settled option plans						
9.80	-	-	-	142,000	2.93	9.80
17.90	54,461	1.30	17.90	54,461	2.30	17.90
0.91	-	-	-	19,900	2.30	0.91
Total equity-settled option plans	**54,461**			**216,361**		

Summary of outstanding PSAs and Performance Shares

Following is a summary of changes in Performance Stock Awards and Performance Shares:

	2014	2013
Outstanding, beginning of year	701,236	450,624
Performance Shares granted	277,324	336,390
Shares discretionary granted to Board	20,000	30,000
Shares discretionary granted to Non-Board	39,798	24,409
PSAs/Performance Shares settled in equity instruments (reissued from Treasury Shares)	(183,876)	(52,949)
PSAs/Performance Shares settled in cash	(5,702)	-
PSAs/Performance Shares forfeited	(140,778)	(32,829)
Shares reissued from Treasury Shares by the Company upon vesting	(59,798)	(54,409)
Outstanding, end of year	**648,204**	**701,236**

The market price of the Company's Ordinary Shares at the date of grant in 2014 was € 12.30 and, respectively, € 5.69 for the grants in 2013. At the date of grant of additional Shares to the current member of the Board of Management, the market price of the Company's Ordinary Shares was € 8.97 (2013: € 5.86). At the date of grant of additional Shares to the Non-Board members, the market price was € 8.97 and € 11.40, respectively.

The following table shows the aggregate number of Performance Shares conditionally awarded to the current member of the Board of Management, in accordance with the Besi Incentive Plan 2011-2016:

Performance Shares	Year of grant	Three-year performance period	Number of PSs
R.W. Blickman	2012	2012-2014	92,393
	2013	2013-2015	82,626
	2014	2014-2016	54,526
Total			**229,545**

The following table shows the number of Performance Shares conditionally awarded to key employees, in accordance with the Besi LTI Plan 2012-2016:

Performance Shares	Year of grant	Three-year performance period	Number of PSs
Key employees	2012	2012-2014	257,334
Key employees	2013	2013-2015	253,764
Key employees	2014	2014-2016	222,798
Total			**733,896**

In the overviews above the total number of Performance Shares conditionally granted are disclosed. Regarding the 2012 and 2013 grants 315,237 Performance Shares have either been settled or forfeited which explains the difference between the 733,896 and 229,545 Performance Shares conditionally awarded and the outstanding 648,204 PSAs and Performance Shares mentioned above.

Fair value measurement Performance Shares

Incentive Plan 2011-2016 (Board of Management)

The target number of Performance Shares conditionally awarded to the current member of the Board of Management in 2014 amounts to 54,526 (2013: 82,626). After the three-year performance period the actual number of Performance Shares that vest, subject to continued employment, will be determined based on:

- The Net Income relative to the Revenues (NIR) over a three-year performance period (50%).
- For awards made as from 2014, the Company's Total Shareholder Return ('TSR') relative to that of the TSR peer group consisting of 19 peer companies operating in the semiconductor industry (50%). For awards made prior to 2014, the average annual Total Shareholder Return (TSR) growth over the three-year performance period (50%).

The TSR comparator group consists of the following companies:

TSR comparator group (including Besi)	
Mattson Technology, Inc	Cohu Inc.
Kulicke & Soffa Industries, Inc	Applied Materials, Inc
Axcelis Technologies, Inc	ATMI, Inc
Veeco Industries, Inc	Lam Research Corporation
Aixtron SE	Tokyo Electron Ltd
ASM International NV	Disco Corporation
Süss Microtec AG	Tokyo Seimitsu
ASM Pacific Technology	ASML Holding NV
Brooks Automation, Inc	Shinkawa
	Ultratech, Inc

The vesting is determined based on the following schedule:

Ranking of Besi in comparator group based on relative TSR during performance period	Vesting percentage Performance Shares
Rank 13 - Rank 20	0%
Rank 7 - Rank 12	25%
Rank 4 - Rank 6	50% (at target)
Top 3	75%

The maximum number of shares that can vest amounts to 150% of the target number of Performance Shares conditionally awarded.

For the awards made in 2014, the grant date fair value of the 50% portion with a TSR performance condition is € 12.13 (2013: € 6.26) and has been derived using a Monte Carlo Simulation model. The significant inputs into the model were:

	2014	2013
Market price of the Company's Shares (in euro)	12.30	5.69
Volatility	31%	34%
Dividend yield	4.47%	5.14%
Vesting period (in years)	3	3
Risk-free interest rate	0.30%	0.19%

For the 2014 awards, the grant date fair value of the 50% portion with a NIR performance condition is € 10.98 (2013: € 4.79). This fair value has been derived from the market price of the Company's Ordinary Shares at the grant date, adjusted based on the present value for expected dividends over the three year vesting period.

The Performance Shares awarded will vest at the end of the three-year performance period, depending on the actual performance of the Company. As a result of the value cap in place prior to the amendment of the terms in 2014 related to the individual board member's annual base salary in the year of vesting, the total estimated costs in 2013 for each of the annual grants (2011, 2012 and 2013) amounted to € 360. The Company recognized € 360 as costs in the 2013 Statement of Comprehensive Income (2012: € 240).

On January 28, 2014, however, the Supervisory Board decided to eliminate the value cap for the Performance Shares awarded to the current member of the Board of Management in 2011, 2012 and 2013. This amendment was approved by the shareholders on the Annual General Meeting held on April 30, 2014.

As a result, the Company has recognized an incremental fair value as a result of this modification of awards made under the Incentive Plan 2011-2016. On the modification date in 2014, the incremental fair value for the awards made in 2011 was recognized immediately, while the incremental fair value of the awards made in 2012 and 2013 is recognized over the remaining vesting period. The estimated total incremental fair value for all outstanding awards amounts to € 1,522, of which € 950 has been recognized in the financial statements for 2014.

LTI Plan 2012-2016 (Non-Board Members)

The Performance Shares awarded will be delivered in three annual tranches during a three-year performance period, depending on the actual performance of the Company and the Eligible Participant. Each year one tranche will vest based on the performance in the preceding year. The actual performance of the Company is linked to Net Income to Revenue and Net Cash.

The estimated expense is based on the number of Performance Shares expected to vest taking into account:
- Non-market performance conditions: The expected Company and employee performance.
- Service condition: Total forfeitures of 4%.

The total estimated costs recognized in 2014 for these Performance Shares amount to € 2,053 (2013: € 638) and are recognized in the Statement of Comprehensive Income.

The expenses related to share-based payment plans are as follows:

(euro in thousands)	December 31, 2014	December 31, 2013
Performance Shares granted and delivered to the Board of Management	179	175
Conditional Performance Shares Board of Management	1,424	360
Incremental fair value options	213	-
Performance Shares relating to the LTI plan 2012-2016	2,053	638
Total expense recognized as employee costs	**3,869**	**1,173**

21. Share capital

At December 31, 2014 and December 31, 2013, the parent company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.91 per share, and 80,000,000 Preference Shares, nominal value € 0.91 per share.

At December 31, 2014 and December 31, 2013, 37,712,540 and 37,306,966 Ordinary Shares were outstanding, excluding Treasury Shares of 2,321,381 and 2,726,955, respectively. No Preference Shares were outstanding at each of December 31, 2014 and December 31, 2013. All issued shares have been paid in full.

Accumulated other comprehensive income (loss) consists of:

(euro in thousands)	December 31, 2014	December 31, 2013
Actuarial gains (losses)	(11,138)	(4,905)
Deferred tax on actuarial gains and losses	1,298	597
Cash flow hedging reserve	(538)	51
Others	763	763
Accumulated other comprehensive income (loss)	**(9,615)**	**(3,494)**

Dividends

Proposed for approval at the Annual General Meeting of Shareholders to be held on April 30, 2015 (not recognized as a liability as at December 31, 2014 and December 31, 2013):

(euro in thousands)	Year ended December 31,	
	2014	2013
150 cents per Ordinary Share (2013: 33 cents)	**56,569**	**12,311**

The Board of Management proposes to allocate the part of the net income for the year 2014 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

For further notes to the Company's equity, reference is made to the Notes to the Parent Company Financial Statements.

22. Commitments and contingencies

The Company leases certain facilities and equipment under operating leases. The required minimum lease commitments were as follows:

(euro in thousands)	December 31, 2014	December 31, 2013
Within one year	3,751	3,630
After one year but not more than five years	2,492	5,771
After five years	587	810
Total	**6,830**	**10,211**

Committed rental expense was € 6.2 million and € 9.7 million as of December 31, 2014 and 2013, respectively. In addition, the Company has an unconditional obligation related to the purchase of equipment and materials totalling € 71.2 million and € 52.6 million as of December 31, 2014 and 2013, respectively. Lease and rental expenses amounted to € 4.4 million and € 4.6 million for the years ended December 31, 2014 and 2013, respectively.

Research and development subsidies and credits available to offset research and development expenses were € 2.0 million in 2014 and € 2.2 million in 2013.

23. Segment, geographic and customer information

The following table summarizes revenue, non-financial assets and total assets of the Company's operations in the Netherlands, Other Europe, the US and Asia Pacific, the significant geographic areas in which the Company operates. Intra-area revenues are based on the sales price to unaffiliated customers:

(euro in thousands)	The Netherlands	Other Europe	United States	Asia Pacific	Elimination	Total
Year ended December 31, 2014						
Revenue	96,065	355,386	54,671	148,731	(276,056)	378,797
Non-financial assets	11,601	78,313	8,741	13,420	-	112,075
Capital expenditures	1,210	2,336	849	2,080	-	6,475
Total assets	213,370	252,144	30,162	97,166	(148,434)	444,408
Year ended December 31, 2013						
Revenue	61,703	231,113	19,289	93,639	(150,808)	254,936
Non-financial assets	9,646	74,409	7,883	11,846	-	103,784
Capital expenditures	623	1,789	74	1,434	-	3,920
Total assets	157,949	194,706	23,007	68,308	(103,260)	340,710

The following table represents the revenue for each significant category of revenue:

(euro in thousands)	Year ended December 31, 2014	2013
China	73,928	62,148
Taiwan	60,067	52,815
Korea	24,746	9,880
United States	59,526	26,104
Malaysia	53,781	19,752
Germany	14,514	11,938
Other Asia Pacific	42,777	45,288
Other Europe	48,424	20,401
Rest of the World	1,034	6,610
Total revenue	**378,797**	**254,936**

The Company's revenue is generated by shipments to Asian manufacturing operations of leading US, European and Asian semiconductor manufacturers and subcontractors.

For the year ended December 31, 2014, not one customer represents more than 10% of the Company's revenue.

The following table represents the revenue for each significant category of revenue:

(euro in thousands)	Year ended December 31, 2014	2013
Sale of goods	376,017	252,193
Rendering of services	2,780	2,743
Total revenue	**378,797**	**254,936**

24. Related-party transactions

BE Semiconductor Industries N.V. and all its subsidiaries are consolidated and all transactions between these entities have been eliminated in these Financial Statements. There are no non-consolidated companies considered as related parties.

The Board of Management and the Supervisory Board are considered 'Key Management Personnel' in accordance with IAS 24. The remuneration of the Board of Management and the Supervisory Board is outlined below.

Remuneration of the Board of Management

The remuneration of the member of the Board of Management is determined by the Supervisory Board, all with due observance of the Remuneration Policy adopted by the General Meeting of Shareholders on April 28, 2011. Reference is made to the Remuneration Report on pages 52 to 56 of this Annual Report. The Supervisory Board is required to present any scheme providing for the remuneration of the member of the Board of Management in the form of shares or options to the General Meeting of Shareholders for adoption.

The total cash remuneration and related costs of the member of the Board of Management recorded in the years ended December 31, 2014 and 2013:

(in euros)	Year ended December 31, 2014	2013
R.W. Blickman		
Salaries and other short-term employee benefits[1, 2]	953,888	797,988
Post-employment benefits[3]	1,128,601	148,604
Equity compensation benefits: Discretionary grant	179,400	175,740
Equity compensation benefits: Modification options	212,928	-
Equity compensation benefits: Incentive Plan	1,423,500	360,000
Total	**3,898,317**	**1,482,332**

[1] Other benefits include expense compensation, medical insurance and social security premiums.
[2] Other benefits also includes a bonus earned over the applicable year, which will be payable in the second quarter of the year thereafter.
[3] The pension arrangements for the member of the Board of Management are defined contribution plans. The Company does not have further pension obligations beyond an annual contribution.

Remuneration of the Supervisory Board

The aggregate remuneration paid to current members of the Supervisory Board was € 273 in 2014 (2013: € 206). The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders.

The total cash remuneration of the members of the Supervisory Board for the years ended December 31, 2014 and 2013 was as follows:

(in euros)	2014	2013
T. de Waard	65,333	52,000
D.J. Dunn	53,333	40,000
D. Lindenbergh	50,333	37,000
M. ElNaggar	50,333	37,000
J.E. Vaandrager	53,333	40,000
Total	**272,665**	**206,000**

In the Annual General Meeting of Shareholders of April 30, 2014, the yearly remuneration for the Supervisory Board members changed as follows:

(i) Member of the Supervisory Board: € 57,000
(ii) Member of the Supervisory Board, Chair of committee: € 60,000
(iii) Chairman of the Supervisory Board: € 72,000
(iv) Meeting attendance and conference call fees: None

Ordinary Shares, options and PSs held by the member of the Board of Management

The aggregate number of Ordinary Shares and the aggregate number of options to purchase Ordinary Shares owned by the current member of the Board of Management as of December 31, 2014, are as follows:

Ordinary Shares	Number of shares
R.W. Blickman	547,888
Total	**547,888**

The aggregate number and movement of options to purchase Ordinary Shares granted to the current member of the Board of Management during 2014, are as follows:

Options	Year of grant	Expiration date	Exercise price (in euro)	Number of options outstanding
R.W. Blickman	2000	2016	0.91	19,900
	2000	2016	7.78[1]	142,000
Options exercised during 2014[2]				(161,900)
Total				**0**

[1] Original exercise price of € 9.80 which was revised to € 7.78.
[2] The weighted average exercise price at the date of exercise was € 11.92

In 2011, the Supervisory Board approved to prolong 19,900 out-of-the-money equity-settled options outstanding for the member of the Board of Management, which have a revised exercise price of € 0.91 until April 18, 2016.

In 2011, the Supervisory Board also approved, subject to shareholders approval, to prolong 142,000 (outstanding as per January 1, 2011) out-of-the-money equity-settled options outstanding until December 5, 2016 at the original exercise price of € 9.80. This prolongation was approved by the Shareholders at the Annual General Meeting of Shareholders held on April 25, 2012. The exercise price of € 9.80 of these options was revised to € 7.78, effectively as per May 5, 2014. This modification of the exercise price was effectuated in 2014 by the Supervisory Board based on its discretionary power under the 2000 option plan to revise the relevant elements of the outstanding option grants following a variation in the share capital of the Company. The dilutive effect of changes that occurred in the share capital of the Company as from the initial grant date of these options (being, December 5, 2000) have been analyzed in 2014 and are taken into consideration with retrospective effect as per May 5, 2014 by means of reducing the exercise price. Exercising the options would lead to a cash inflow for the Company of € 1.4 million and a positive profit & loss effect of € 0.5 million. The Supervisory Board lowered the exercise price reflection dilution since the date of grant to increase the chance of exercising the options. Given that this change has been made with retrospective effect, this is treated as a modification for which an incremental fair value of € 213 has been recognized in 2014. Reference is made to Note 20.

The Supervisory Board deferred the decision of prolonging 100 out-of-the money equity-settled options outstanding until January 2012 and decided on January 30, 2012 not to prolong these 100 options. Consequently these options expired on January 30, 2012.

At December 31, 2013, there was € 274 of loans outstanding relating to the stock options granted to the member of the Board of Management. The principal amount relates to the wage taxes payable for the options granted in 2000. The loan conditions have not changed since the inception of the loan agreements in 2000. The loan was fully provided for. Following the exercise of the options and associated sale of the shares during 2014, the loan arrangements outstanding have been fully repaid to the Company by the member of the Board of Management. Therefore the amount of loans outstanding for the member of the Board of Management at December 31, 2014 was € 0 and the Company could release the provision of € 274. No advances or guarantees are provided to the member of the Board of Management.

Performance Shares	Year of grant	Three-year performance period	Number of PSs
R.W. Blickman	2012	2012-2014	92,393
	2013	2013-2015	82,626
	2014	2014-2016	54,526
Total			**229,545**

The Performance Shares awarded will vest at the end of the three-year performance period, depending on the actual performance of the Company.

Ordinary Shares held by members of the Supervisory Board

The aggregate number of Ordinary Shares held by the current members of the Supervisory Board as of December 31, 2014, was as follows:

Ordinary Shares	Number of shares
T. de Waard	24,610
D. Lindenbergh	2,242,424
Total	**2,267,034**

Options held by former members of the Board of Management

The aggregate number of options to purchase Ordinary Shares held by a former member of the Board of Management as of December 31, 2014, was as follows:

Options	Year of grant	Expiration date	Exercise price (in euro)	Number of options outstanding
J.W. Rischke	2000	2016	17.90	16,000
Total				**16,000**

In 2011, the Board of Management approved to prolong the out-of-the-money equity-settled options outstanding until April 18, 2016 at the original exercise price of € 17.90.

At December 31, 2014, there was an € 66 loan outstanding (December 31, 2013 was € 66) relating to the stock options granted to the former member of the Board of Management. The principal amount relates to the options granted in 2000. The loan conditions have not changed since the inception of the loan agreement in 2000. The loan has been fully provided for.

25. Selected operating expenses and additional information

Personnel expenses for all employees were as follows:

(euro in thousands)	Year ended December 31, 2014	2013
Wages and salaries	73,118	69,170
Social security expenses	9,602	8,873
Pension and retirement expenses	4,057	2,713
Share-based compensation plans	3,869	1,173
Total personnel expenses	**90,646**	**81,929**

The average number of employees during 2014 and 2013 was 1,487 and 1,458, respectively. For pension and retirement expenses, reference is made to Note 20.

The total number of personnel employed per department was:

	December 31, 2014	December 31, 2013
Sales and Marketing	381	366
Manufacturing and Assembly	694	631
Research and Development	297	294
General and Administrative	138	143
Total number of personnel	**1,510**	**1,434**

As of December 31, 2014 and 2013, a total of 204 and 199 persons, respectively, were employed in the Netherlands.

26. Financial income and expense

The components of financial income and expense were as follows:

(euro in thousands)	Year ended December 31, 2014	2013
Interest income	696	786
Net foreign exchange gain	-	39
Subtotal financial income	**696**	**825**
Interest expense	(379)	(532)
Net foreign exchange loss	(1,058)	-
Subtotal financial expense	**(1,437)**	**(532)**
Financial income (expense), net	**(741)**	**293**

27. Earnings per share

The following table reconciles Ordinary Shares outstanding at the beginning of the year to average shares outstanding used to compute income per share:

	2014	2013
Shares outstanding at beginning of the year	37,306,966	37,629,148
Weighted average shares reissued from Treasury Shares for the vesting of Performance Stock Awards (LTI)	114,144	34,854
Weighted average shares reissued from Treasury Shares for the vesting of shares discretionary granted	13,260	20,630
Weighted average shares reissued from Treasury Shares for the execution of options	105,568	-
Weighted average shares bought under the share repurchase program	-	(341,296)
Average shares outstanding - basic	**37,539,938**	**37,343,336**

For purposes of calculating diluted earnings per share, weighted average Ordinary Share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's Ordinary Shares for the period, because the impact on earnings would be anti-dilutive. The total number of weighted average Ordinary Shares used in calculating diluted earnings per share amounts to 37,982,782. Net income in 2014 used in calculating dilutive earnings per share amounts to € 71.1 million.

28. Financial instruments, financial risk management objectives and policies

Fair value of financial instruments

The Company assumes that the book value of the Company's financial instruments, which consist of cash and cash equivalents, trade receivables, accounts payable and long-term debt, does not significantly differ from their fair value due to the short maturity of those instruments and to the fact that interest rates are floating or approximate the rates currently available to the Company.

As of January 1, 2013 the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities.
Level 2: Other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
Level 3: Techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The fair values of financial assets and financial liabilities, together with the carrying amounts in the condensed Consolidated Statements of Financial Position, are as follows:

December 31, 2014

(euro in thousands)	Note	Carrying amount	Fair value
Financial assets			
Cash and cash equivalents	3	135,322	135,322
Trade receivables	4	93,248	93,248
Forward exchange contracts	6	140	140
Other receivables	6	6,223	6,223
Total		**234,933**	**234,933**
Financial liabilities			
Notes payable to banks	13	13,568	13,568
Current portion of long-term debt and financial leases	18	815	815
Trade payables	15	38,381	38,381
Forward exchange contracts	16	3,311	3,311
Other payables	16	20,910	20,910
Long-term debt and financial leases	18	2,978	2,978
Total		**79,963**	**79,963**

December 31, 2013

(euro in thousands)	Note	Carrying amount	Fair value
Financial assets			
Cash and cash equivalents	3	89,586	89,586
Trade receivables	4	53,697	53,697
Forward exchange contracts	6	435	435
Other receivables	6	4,935	4,935
Total		**148,653**	**148,653**
Financial liabilities			
Notes payable to banks	13	15,574	15,574
Current portion of long-term debt and financial leases	18	-	-
Trade payables	15	21,056	21,056
Forward exchange contracts	16	137	137
Other payables	16	13,516	13,516
Long-term debt and financial leases	18	3,059	3,059
Total		**53,342**	**53,342**

The only recurring fair value measurement is the valuation of forward exchange contracts for hedging purposes. According to IFRS 13 this measurement is categorized as Level 2. Non recurring fair value measurements were not applicable in the reporting period.

Financial risk management objectives and policies

Risk management framework
The Company is exposed to a variety of financial risks, such as foreign currency risk, interest rate risk, credit risk, market risk, liquidity risk and capital risk. These risks are inherent to the way the Company operates as a multinational with a number of local operating companies.

The Company's overall risk management policy is established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to risk limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

All material findings that result from the use of the Company's risk management policy are discussed with our Audit Committee and Supervisory Board.

The operating companies are primarily responsible for identifying and managing financial risks, especially in relation to transactions in foreign currencies and credit risks. The Company, through its training, management standards and procedures, such as guidelines and instructions governing hedging of financial risks, developed a disciplined and constructive control environment in which all employees understand their roles and obligations. In addition, the Company performs several reviews at all significant operating companies, such as reviews of the foreign currency positions. The Company's policies, specifically regarding to foreign currency hedging, interest rate, credit, market and liquidity risks, are further described in the remainder of this Note.

Foreign exchange
Due to the international scope of the Company's operations, the Company is exposed to the risk of adverse movements in foreign currency exchange rates. The Company is primarily exposed to fluctuations in the value of the euro and Swiss franc against the US dollar and US dollar-linked currencies, since approximately 65% of its sales in 2014 are denominated in US dollar and US dollar-linked currencies.

The Company seeks to protect itself from adverse movements in foreign currency exchange rates by hedging firmly committed sales contracts, which are denominated in US dollars through the use of forward foreign currency exchange contracts. In addition, the Company also uses forward foreign currency exchange contracts to hedge trade receivables that are denominated in a foreign currency. During 2014 and 2013, the Company did not have any derivative financial instruments that were held for trading or speculative purposes. Furthermore, the Company does not use financial instruments to hedge the translation risk related to equity, intercompany loans of a permanent nature and earnings of foreign subsidiaries. The Company has adopted the cash flow hedge model. In this hedging model, the effective part of a hedge transaction is reported as a component of other comprehensive income, which is reclassified to earnings in the same period(s) in which the hedged forecasted transaction affects earnings.

Due to cash flow hedge transactions € 538 was reported in 2014 as other comprehensive income at December 31, 2014. The amount in 2014 released from equity in revenue in the Consolidated Statement of Comprehensive Income was € 579. The cash flow hedging reserve included in equity comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred. The ineffective part of the hedges recognized, in 2014, directly in the Consolidated Statement of Comprehensive Income was a loss of € 11 (2013: a loss of € 28).

Movement cash flow hedging reserve:

(euro in thousands)	**2014**
Balance at January 1,	102
Amount recognized in equity,net	(629)
Amount reclassified to Consolidated Statement of Comprehensive Income due to ineffectiveness	(11)
Balance at December 31,	**(538)**

The Company has exposure to credit risk to the extent that the counterparty to the transaction fails to perform according to the term of the contract. The amount of such credit risk, measured as the fair value of all forward foreign currency exchange contracts that have a positive fair value position, was € 140 and € 435 at December 31, 2014 and 2013, respectively. The Company believes that the risk of significant loss from credit risk is remote, because it deals with credit-worthy financial institutions. The Company does not, in the normal course of business, demand collateral from the counterparties.

The following is a summary of the Company's forward foreign currency exchange contracts at foreign currency contract rate:

(euro in thousands)	Year ended December 31, 2014	2013
To sell US dollars for euros	19,030	9,900
To sell euros for US dollars	731	-
To sell US dollars for Swiss francs	60,736	19,947
To sell Swiss francs for US dollars	3,141	-
To sell US dollars for Malaysian ringgits	19,400	6,150
To sell Malaysian ringgits for euros	-	1,016
To sell euros for Malaysian ringgits	2,290	-
To sell euros for Singapore dollars	1,624	-
To sell US dollars for Japanese yens	463	-
To sell Swiss francs for euros	400	7,112
To sell euros for Swiss francs	2,371	10,207

At December 31, 2014, the unrealized gain on forward foreign currency exchange contracts that were designated as a hedge of firmly committed transactions amounted to € 3,171. At December 31, 2013, the unrealized gain on forward foreign currency exchange contracts amounted to € 298.

The fair value of the Company's forward foreign currency exchange contracts, which are categorized as Level 2 is as follows:

(euro in thousands)		2014		2013
	Positive	Negative	Positive	Negative
Forward exchange contracts				
Fair value	**140**	**3,311**	**435**	**137**

The fair value of the forward currency exchange contracts are included in the Company's other receivables and the other payables. For the years ended December 31, 2014 and 2013, a foreign currency loss of € 11 and a loss of € 28, respectively, are included in the Company's results of operations relating to the Company's foreign currency contracts. The Company recorded no changes in the fair value of the financial instruments that were attributable to changes in the credit risk of the forward exchange contracts. Cash flows related to foreign currency contracts are expected to occur as follows:

(euro in thousands)	2014	2013
0-3 months	102,363	49,587
3-6 months	6,149	4,219
6-9 months	517	526
Thereafter	1,157	-
Total	**110,186**	**54,332**

The Company's principal financial liabilities, other than derivatives, comprise of bank loans and overdrafts, financial leases, trade payables and hire purchase contracts. The main purpose of these financial liabilities is to finance the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Company also enters into derivative transactions, primarily forward currency contracts. The purpose of these transactions is to manage the currency risks arising from the Company's operations.

It is, and has been throughout 2014 and 2013, the Company's policy that no trading in derivatives shall be undertaken. The main risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk
As a consequence of the global nature of Besi's businesses, its operations and reported financial results and cash flows are exposed to the risks associated with fluctuations in exchange rates between the euro and other major world currencies. Currency exchange rate movements typically also affect economic growth, inflation, interest rates, government actions and other factors. These changes can cause the Company to adjust its financing and operating strategies.

The discussion below of changes in currency exchange rates does not incorporate these other economic factors. For example, the sensitivity analysis presented in the foreign exchange rate risk discussion below does not take into account the possibility that rates can move in opposite directions and that gains from one category may or may not be offset by losses from another category. As currency exchange rates change, translation of the statements of operations of Besi's international business into euro affects year-over-year comparability. The Company historically has not hedged translation risks, because cash flows from international operations have generally been reinvested locally.

The following table presents a sensitivity analysis of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity (due to changes in the fair value of forward exchange contracts) related to reasonable potential changes in the US dollar exchange rate compared to the euro, Swiss franc and Malaysian ringgit, with all other variables held constant.

(euro in thousands)	Increase/decrease in US dollar rate compared to euro	Effect on profit before tax	Effect on equity
2014	+10%	300	(900)
	-10%	(300)	900
2013	+10%	100	(700)
	-10%	(100)	700

(euro in thousands)	Increase/decrease in US dollar rate compared to Swiss franc	Effect on profit before tax	Effect on equity
2014	+10%	200	-
	-10%	(200)	-
2013	+10%	100	-
	-10%	(100)	-

(euro in thousands)	Increase/decrease in US dollar rate compared to Malaysian ringgit	Effect on profit before tax	Effect on equity
2014	+10%	200	-
	-10%	(200)	-
2013	+10%	200	-
	-10%	(200)	-

The current outstanding forward exchange contracts have been included in this calculation. Besi's currency risk exposure primarily occurs because the Company generates a portion of its revenue in currencies other than the euro while the major share of the corresponding cost of sales is incurred in euro and Swiss franc. The percentage of its consolidated net revenue which is presented by US dollar or US dollar-linked currencies amounted to approximately 65% of total revenue in the year ended December 31, 2014, whereas revenue denominated in euro amounted to approximately 34% and other currencies amounted to approximately 1%. Approximately 28% of its costs and expenses were denominated in euro, 20% in Swiss franc, 40% in Malaysian ringgit and the remaining 12% in various currencies. In order to mitigate the impact of currency exchange rate fluctuations, Besi continually assesses its remaining exposure to currency risks and hedge such risks through the use of derivative financial instruments. The principal derivative financial instruments currently used by the Company to cover foreign currency exposures are forward foreign currency exchange contracts that qualify for hedge accounting.

Interest rate risk

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company's policy is to manage its interest exposure using a mix of fixed and variable rate debt financing. The Company's long-term capital lease obligations, long-term debt and lines of credit currently bear fixed and variable rates of interest. An immediate increase of 100 basis points, or 1%, in interest rates would positively affect the Company's results of operations over the next fiscal year by approximately € 0.9 million, net of tax (2013: € 0.7 million). An immediate decrease of 100 basis points, or 1%, in interest rates would negatively affect the Company's results of operations over the next fiscal year by approximately € 0.9 million, net of tax (2013: € 0.7 million). No derivative interest rate related swaps have been entered into.

Credit risk

Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. Management has a credit policy in place and monitors exposure to credit risk on an ongoing basis.

The Company's maximum exposure to credit risk for financial instruments are the carrying amounts of financial assets as illustrated in the table at the beginning of Note 28. The Company does not hold collateral as security.

Cash and cash equivalents

The Company is managing the credit risk from balances with banks in accordance with the Company's policy, which is that the cash and cash equivalents are held with bank and financial institution counterparties that have high credit ratings. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Trade- and other receivables

The Company has established a credit policy under which credit evaluations are performed on all customers requiring credit over specified thresholds. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. As the Company's revenue is generated by shipments to Asian manufacturing operations of leading US, European and Asian semiconductor manufacturers and subcontractors, an industry and geographical concentration of credit risk exists, however, this risk is reduced through the long-term relationships with our customers.

Ageing of trade and other receivables:

(euro in thousands)	Total	Impaired	Neither past due nor impaired					Past due
				< 30 days	30–60 days	60–90 days	90–120 days	> 120 days
2014	99,471	(953)	60,061	15,291	8,890	5,615	3,814	6,753
2013	58,632	(581)	33,119	8,020	6,650	2,005	2,059	7,360

Movement in impairment of trade and other receivables:

(euro in thousands)	2014	2013
Balance at January 1,	581	642
Additions (releases)	563	(13)
Utilized	(207)	(20)
Foreign currency translation	16	(28)
Balance at December 31,	**953**	**581**

Forward exchange contracts

The forward exchange contracts are with multiple counterparties that have high credit ratings. Currently, the Company does not expect any counterparty to fail to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its risk to a shortage of funds by reviewing cash flows of all entities throughout the year. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and financial leases.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2014 and 2013, based on contractual undiscounted payments:

Maturity profile (euro in thousands)	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**>5 years**	**Total**
Year ended December 31, 2014						
Long-term debt and financial leases	-	344	471	2,978	-	3,793
Interest payable long-term debt						
and financial leases	4	2	50	67	-	123
Accounts payable	1,164	36,325	836	56	-	38,381
Other payables	1,348	11,073	11,505	295	-	24,221
Total	**2,516**	**47,744**	**12,862**	**3,396**	**-**	**66,518**

Maturity profile (euro in thousands)	**On demand**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**>5 years**	**Total**
Year ended December 31, 2013						
Long-term debt and financial leases	-	-	-	3,059	-	3,059
Interest payable long-term debt						
and financial leases	-	-	54	103	-	157
Accounts payable	406	20,579	62	9	-	21,056
Other payables	382	5,787	6,782	702	-	13,653
Total	**788**	**26,366**	**6,898**	**3,873**	**-**	**37,925**

It is not expected that the cash flows included in the maturity profile could occur significantly earlier, or at significantly different amounts.

Capital management

The primary objective of the Company's capital management is to ensure healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may make a dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ending December 31, 2014 and December 31, 2013. The Company only regards equity as capital. This capital is managed using solvency ratio (excluding intangible assets) and return on investment.

(euro in thousands/in percentage)	**2014**	**2013**
Equity	328,526	264,158
Solvency ratio	74.0%	77.5%
Solvency ratio (excluding intangible fixed assets)	67.9%	70.7%
Return on average investment	24.0%	6.1%

The total number of Ordinary Shares that will be awarded under the Incentive Plan 2011-2016 and the LTI Plan 2012-2016 may not exceed 1.5% of the total number of outstanding shares at December 31 of the year prior to the year in which the award is made.

29. Events after the balance sheet date

On January 15, 2015, the Swiss National Bank abandoned the voluntary cap on the Swiss franc's value against the euro. As a result, the Swiss Franc has increased by approximately 15% between January 15 and February 25, 2015. In 2014, approximately 20% of Besi's costs and expenses were denominated in Swiss francs. In order to reduce the negative impact on Besi's results of operations from the rapid appreciation of the Swiss Franc vs. the euro, Besi decided on February 25, 2015, to transfer certain die attach software, engineering, logistics and administrative functions from Switzerland to Besi's Singapore applications engineering facility by Q3-2015 which is anticipated to save on an annualized basis approximately € 6.5 million, net, including facility savings. In the transfer, Besi will reduce its workforce in Switzerland and accelerate the transfer of the supply chain sourced in Switzerland to Asia thereby lessening its material cost exposure in Swiss francs. As the value of the Swiss Franc vs. the euro is still fluctuating, the full impact of the Swiss Franc appreciation on Besi's net income in 2015 cannot be reasonably estimated.

Parent Company Balance Sheet

(Before appropriation of the result)

(euro in thousands)	Note	December 31, 2014	December 31, 2013
Assets			
Property, plant and equipment	**2**	**2**	**6**
Other intangible assets	**3**	**228**	**252**
Investments in subsidiaries	4	195,538	144,597
Subordinated loans due from subsidiary	4	8,000	8,000
Loans due from subsidiaries	4	63,612	69,022
Deferred tax assets		10,000	6,123
Financial fixed assets		**277,150**	**227,742**
Total fixed assets		**277,380**	**228,000**
Amounts due from subsidiaries		4,075	4,257
Other receivables		666	1,205
Receivables		**4,741**	**5,462**
Cash and cash equivalents		**107,671**	**65,449**
Total current assets		**112,412**	**70,911**
Total assets		**389,792**	**298,911**
Shareholder's equity, provisions and liabilities			
Share capital	5	36,431	36,431
Share premium	5	193,562	188,570
Foreign currency translation adjustment	5	21,103	14,125
Accumulated other comprehensive income (loss)	5	(9,615)	(3,494)
Retained earnings	5	14,931	11,318
Undistributed result	5	70,884	16,015
Shareholder's equity		**327,296**	**262,965**
Loans due to subsidiaries		-	-
Other non-current liabilities		102	47
Non-current liabilities		**102**	**47**
Trade payables		296	344
Current portion of long-term debt		-	-
Amounts due to subsidiaries		60,950	34,302
Other payables		1,148	1,253
Current liabilities		**62,394**	**35,899**
Total shareholder's equity, provisions and liabilities		**389,792**	**298,911**

Parent Company Statement of Income and Expense

(euro in thousands)	Year ended December 31, 2014	2013
Income (loss) from subsidiaries, after taxes	69,782	14,498
Other income and expenses	1,102	1,517
Net income	**70,884**	**16,015**

Notes to the Parent Company Financial Statements

1. Summary of significant accounting policies

The Financial Statements of the parent company have been prepared using the option of section 362 of Book 2 of the Netherlands Civil Code, meaning that the accounting principles used are the same as for the Consolidated Financial Statements.

Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income presented in the summary of significant accounting policies included in the Notes to the Consolidated Financial Statements. Subsidiaries of the parent company are accounted for using the net equity value. In case of a negative net equity value of a subsidiary, the negative value is deducted from the loan due from the respective subsidiary.

As the financial data of the parent company are included in the Consolidated Financial Statements, the statements of income of the parent company are condensed in conformity with section 402 of Book 2 of the Netherlands Civil Code. The remuneration paragraph is included in Note 24 of the Consolidated Financial Statements.

2. Property, plant and equipment

Property, plant and equipment, net consist of the following:

(euro in thousands)	**Office furniture and equipment**
Balance at January 1, 2014	
Cost	114
Depreciation	(108)
Property, plant and equipment, net	**6**
Changes in book value in 2014	
Capital expenditures	-
Depreciation	(4)
Total changes	**(4)**
Balance at December 31, 2014	
Cost	114
Depreciation	(112)
Property, plant and equipment, net	**2**

3. Other intangible assets

Other intangible assets, net consist of the following:

(euro in thousands)	**Software**
Balance at January 1, 2014	
Cost	964
Accumulated amortization	(712)
Other intangible assets, net	**252**
Changes in book value in 2014	
Capital expenditures	149
Amortization	(173)
Total changes	**(24)**
Balance at December 31, 2014	
Cost	1,113
Accumulated amortization	(885)
Other intangible assets, net	**228**

The other intangible fixed assets consist of capitalized SAP licenses and consulting and are amortized in three years.

4. Financial fixed assets

Investments in subsidiaries

The movement was as follows:

(euro in thousands)	Investment in subsidiaries	Subordinated loans due from subsidiaries	Loans due from subsidiaries	Total
Balance at January 1, 2014	144,597	8,000	69,022	221,619
Income for the period	69,782	-	-	69,782
Granted additional loans	-	-	-	-
Repayments	-	-	(19,021)	(19,021)
Negative equity adjustments (2014)	(9,272)	-	9,272	-
Dividend payments	(6,059)	-	-	(6,059)
Changes in accumulated OCI	(6,226)	-	-	(6,226)
Currency translation adjustment	2,716	-	4,339	7,055
Balance at December 31, 2014	**195,538**	**8,000**	**63,612**	**267,150**

(euro in thousands)	Investment in subsidiaries	Subordinated loans due from subsidiaries	Loans due from subsidiaries	Total
Balance at January 1, 2013	162,828	8,000	63,136	233,964
Income for the period	14,498	-	-	14,498
Granted additional loans	-	-	6,865	6,865
Repayments	-	-	(2,529)	(2,529)
Negative equity adjustments (2013)	(3,034)	-	3,034	-
Dividend payments	(27,067)	-	-	(27,067)
Changes in accumulated OCI	1,172	-	-	1,172
Currency translation adjustment	(3,800)	-	(1,484)	(5,284)
Restated balance at December 31, 2013	**144,597**	**8,000**	**69,022**	**221,619**

Subordinated loan due from subsidiary

The subordinated loan represents a loan granted by BE Semiconductor Industries N.V. to its subsidiary Fico International B.V. and is subordinated to the loan and credit line between Fico International B.V. and its subsidiaries and ABN AMRO Bank N.V.

5. Shareholder's equity

(euro in thousands except for shares)	Number of Ordinary Shares outstanding[1]	Share capital	Share premium[2]	Retained earnings	Foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Undistributed result	Total share-holder's equity[3]
Balance at January 1, 2014	40,033,921	36,431	188,570	11,318	14,125	(3,494)	16,015	262,965
Total comprehensive income (loss) for the period	-	-	-	-	6,978	(6,121)	70,884	71,741
Dividend paid to owners of the Company	-	-	-	-	-	-	(12,402)	(12,402)
Appropriation of the result	-	-	-	3,613	-	-	(3,613)	-
Equity-settled share-based payments expense	-	-	3,869	-	-	-	-	3,869
Shares bought and taken into treasury	-	-	1,123	-	-	-	-	1,123
Balance at December 31, 2014	**40,033,921**	**36,431**	**193,562**	**14,931**	**21,103**	**(9,615)**	**70,884**	**327,296**
Balance at January 1, 2013	40,033,921	36,431	190,134	6,899	19,409	(4,666)	15,587	263,794
Total comprehensive income (loss) for the period	-	-	-	-	(5,284)	1,172	16,015	11,903
Dividend paid to owners of the Company	-	-	-	-	-	-	(11,168)	(11,168)
Appropriation of the result	-	-	-	4,419	-	-	(4,419)	-
Equity-settled share-based payments expense	-	-	1,173	-	-	-	-	1,173
Shares bought and taken into treasury	-	-	(2,737)	-	-	-	-	(2,737)
Balance at December 31, 2013	**40,033,921**	**36,431**	**188,570**	**11,318**	**14,125**	**(3,494)**	**16,015**	**262,965**

[1] The outstanding number of Ordinary Shares includes 2,321,381 and 2,726,955 Treasury Shares at December 31, 2014 and December 31, 2013, respectively.
[2] Included in the Share Premium is a legal reserve of € 38.2 million (2013: € 33.1 million) related to capitalized development expenses. The amount stated as foreign currency translation adjustment is classified as legal reserve.
[3] In total an amount of € 80.3 million is classified as a restricted reserve for subsidiaries (2013: € 74.5 million).

Preference Shares

At December 31, 2014 and December 31, 2013, the parent company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.91 per share, and 80,000,000 Preference Shares, nominal value € 0.91 per share.

No Preference Shares were outstanding at December 31, 2014 and December 31, 2013.

In April 2000, the foundation "Stichting Continuïteit BE Semiconductor Industries" (the "Foundation") was established. The Foundation is an independent legal entity and is not owned or controlled by any other legal person. The purpose of the Foundation is to safeguard the interests of the Company, the enterprise connected therewith and all the parties having an interest therein and to exclude as much as possible influences which could threaten, among other things, the continuity, independence and identity of the Company contrary to such interests. The aim of the Preference Shares is, amongst other things, to provide a protective measure against unfriendly take-over bids and other possible unsolicited influences which could threaten the Company's continuity, independence and identity. The issue of Preference Shares would enable the Company to consider its position in the then-existing circumstances.

By agreement of May 19, 2008, between the Company and the Foundation, which replaces a similar agreement dated April 19, 2002, the Foundation has been granted a call option pursuant to which it may purchase a number of Preference Shares up to a maximum of the number of Ordinary Shares issued and outstanding at the time of exercise of this option, minus one.

The Company has also granted to the Foundation the right to file an application for an inquiry into the policy and conduct of business of the Company with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer). The Company believes that this may be a useful option in the period before the issuance of Preference Shares, without causing a dilution of the rights of other shareholders at that stage.

Foreign currency translation adjustment
The foreign currency translation adjustment comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Accumulated other comprehensive income (loss)
Accumulated other comprehensive income (loss) consists of:

(euro in thousands)	December 31, 2014	December 31, 2013
Actuarial gains (losses)	(11,138)	(4,905)
Cash flow hedging reserve	(538)	51
Deferred taxes	1,298	597
Others	763	763
Accumulated other comprehensive income (loss)	**(9,615)**	**(3,494)**

Actuarial gains
The reserve for actuarial gains and losses arises from the actuarial calculations for the defined benefit pension plans.

Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Deferred taxes
The deferred taxes in accumulated other comprehensive income primarily relate to the deferred tax on the recognized actuarial gains and losses on the Austrian and Swiss pension plans.

Dividends
Proposed for approval at the Annual General Meeting of Shareholders to be held on April 30, 2015 (not recognized as a liability as at December 31, 2014 and December 31, 2013):

(euro in thousands)	Year ended December 31, 2014	2013
150 cents per Ordinary Share (2013: 33 cents)	**56,569**	**12,311**

The Board of Management proposes to allocate the part of the net income for the year 2014 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

6. Commitments and contingencies

The parent company leases certain facilities and equipment under operating leases. The required minimum lease commitments were as follows:

(euro in thousands)	December 31, 2014	December 31, 2013
Within one year	35	33
After one year but not more than five years	42	13
Total	**77**	**46**

7. Additional Information

Cost of services provided by external auditor
The total costs related to the services provided by the external auditor within the Netherlands were:

(euro in thousands)	Year ended December 31, 2014	2013
Audit costs	196	176
Other services	-	-
Total costs	**196**	**176**

Total number of personnel
The Company employed 10 employees at December 31, 2014, respectively 9 at December 31, 2013.

BE Semiconductor Industries N.V. is parent of the fiscal unit BE Semiconductor Industries N.V. and is therefore liable for the liabilities of the fiscal unit as a whole.

Duiven, February 25, 2015

Board of Management:
Richard W. Blickman

Supervisory Board:
Tom de Waard
Douglas J. Dunn
Mona ElNaggar
Dirk Lindenbergh
Jan E. Vaandrager

Other Information

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For addresses of Besi's offices and manufacturing facilities worldwide, please visit Besi's website: **www.besi.com**

Transfer Agent
Ordinary Shares (euro)
ABN AMRO Bank N.V., Amsterdam, the Netherlands

Independent Auditors
KPMG Accountants N.V.,
Eindhoven, the Netherlands

Legal Counsels
Freshfields Bruckhaus Deringer,
Amsterdam, the Netherlands

Rutgers Posch Visée Endedijk N.V.,
Amsterdam, the Netherlands

Trade Register
Chamber of Commerce,
Arnhem, the Netherlands
Number 09092395

Statutory Financial Statements
The statutory financial statements of BE Semiconductor Industries N.V. will be filed with the Chamber of Commerce, Arnhem, the Netherlands.

Annual General Meeting
The Annual General Meeting of Shareholders will be held at 2.00 p.m., on April 30, 2015 at Besi in Duiven, the Netherlands.

Board of Management

Richard W. Blickman (1954)
Chief Executive Officer,
Chairman of the Executive Board

Executive Committee Members

Cor te Hennepe (1958)
Finance

J.K. Park (1965)
APac Sales & Customer Service

Henk Jan Jonge Poerink (1970)
Global Operations

Ruurd Boomsma (1956)
Die Attach, CTO

René Hendriks (1961)
Sales Europe/North America

Leon Verweijen (1976)
Packaging

Jeroen Kleijburg (1974)
Packaging

Rüdiger Lange (1967)
Plating

Other Member of Management

Hans Wunderl (1951)
Strategic Development

Independent Auditor's Report

To: the General Meeting of Shareholders of BE Semiconductor Industries N.V.

Report on the audit of the financial statements 2014

Our opinion

We have audited the financial statements 2014 of BE Semiconductor Industries N.V. (the Company), based in Amsterdam. The financial statements include the Consolidated Financial Statements and the parent company financial statements.

In our opinion:

- the Consolidated Financial Statements give a true and fair view of the financial position of BE Semiconductor Industries N.V. as at December 31, 2014, and of its result and its cash flows for 2014 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Netherlands Civil Code.
- the parent company financial statements give a true and fair view of the financial position of BE Semiconductor Industries N.V. as at December 31, 2014, and of its result for 2014 in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

The Consolidated Financial Statements comprise:

- the Consolidated Statement of Financial Position as at December 31, 2014;
- the following consolidated statements for 2014: the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Equity and the Consolidated Statement of Cash Flows; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company financial statements comprise:

- the parent company balance sheet as at December 31, 2014;
- the parent company statement of income and expense for 2014; and
- the notes comprising a summary of the significant accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of BE Semiconductor Industries N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Materiality

Misstatements can arise from fraud or errors and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 4.8 million. The materiality is determined with reference to a benchmark of consolidated income before income tax (7%). We consider the benchmark of consolidated income before income tax to be the most relevant benchmark given the nature and business of the Company. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for qualitative reasons for the users of the financial statements.

Audits of group entities were performed using materiality levels determined by the judgement of the Group audit team, having regard to the materiality for the Consolidated Financial Statements as a whole and the reporting structure within the group.

We agreed with the Supervisory Board that misstatements in excess of € 0.2 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit
BE Semiconductor Industries N.V. is the parent company of the BE Semiconductor Industries' group of entities (the Group). The financial information of this group is included in the financial statements of BE Semiconductor Industries N.V.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit had to be carried out on the complete set of financial information or specific items.

Based on these scoping criteria, we selected 9 group entities, covering 5 countries. This resulted in a coverage of 73% of total Group revenue, 80% of total Group assets. None of the remaining entities individually represented more than 15% of total Group revenue or total Group assets. For these remaining entities we performed analytical procedures to corroborate our assessment that there are no significant risks of material misstatement. Furthermore, additional procedures were performed on significant risk areas by the Group audit team.

The Group audit team sent detailed instructions to all group entity auditors, covering the significant areas that should be covered (which included the relevant risks of material misstatement) and set out the information required to be reported back to the Group audit team. The Group audit team visited group entity locations in Switzerland and the Netherlands and performed a review of these audit files. Telephone calls were also held with the auditors of these entities and part of the other in-scope entities that were not physically visited. At these visits and meetings, the planning, risk assessment, procedures performed, findings and observations reported to the Group audit team were, where considered necessary, reviewed and discussed in more detail, and any further work deemed necessary by the Group audit team was then performed. By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the financial statements.

Our key audit matters
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the Supervisory Board. The key audit matters are not a comprehensive reflection of all matters discussed.

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Sensitivities with respect to the valuation of goodwill
Goodwill represents 10.0% of the total of the Consolidated Statement of Financial Position and 13.6% of total equity of the Company. Management's annual impairment test was significant to our audit because the assessment process is complex and requires judgement. BE Semiconductor Industries N.V.'s goodwill is allocated to two cash generating units (CGUs): Die Attach and Plating. The Company used assumptions in respect of market growth estimates from VLSI Research, a leading independent analyst for the semiconductor and semiconductor equipment industries, future market developments and market solutions. For our audit we evaluated and tested the assumptions, methodologies, CGU determination, the Weighted Average Cost of Capital and data used by the Company, for example by comparing them to external data, such as expected inflation rates, external market growth expectations and by analyzing sensitivities. Our audit procedures included among others assessing the budget 2015 and 2016-2019 financial projections and reconciling the input used to determine the value in use calculation with the budget and financial projections. We used our own valuation expert to assist us with these procedures. We specifically focused on the sensitivity in the available headroom of the CGUs, where a reasonably possible change in assumptions could cause the carrying amount to exceed its recoverable amount. We also assessed the historical accuracy of management's estimates.

We evaluated the adequacy of the Company's disclosures included in Note 9 about those assumptions to which the outcome of the impairment test is most sensitive.

Estimates with respect to the valuation of capitalized development expenses
Capitalized development expenses, included in intangible assets, represent 8.6% of the total of the Consolidated Statement of Financial Position of the Company. At December 31, 2014, 47% of the capitalized development expenses represents technology not yet available for use. Intangible fixed assets not available for use have to be tested annually for impairment. Management's annual impairment test was significant to our audit because the assessment process is complex and requires judgement. In this area our audit procedures to a large extent comprised of our work on the group's budget and forecasts described above in our response to the key audit matter on the valuation of goodwill. In addition we reconciled the sales forecast per technology to the budget and performed sensitivity analyses with respect to the critical assumptions.

We also assessed the adequacy of management's estimate of the economic useful life of capitalized development expenses available for use. Furthermore, we focused on the adequacy of the Group's disclosures about the capitalized development expenses and the related risks such as market risk in Note 10 and Note 28 of the financial statements.

Estimates with respect to the valuation of deferred tax assets
The group has significant recognized and unrecognized deferred tax assets in respect of tax losses. There is inherent uncertainty involved in forecasting future taxable profits, which determines the extent to which deferred tax assets are or are not recognized. Deferred income tax positions were significant to our audit because the assessment requires judgements.

Our audit procedures included evaluating the Board of Management's assumptions and estimates in relation to the likelihood of generating sufficient future taxable profits based on budgets, business cases, past experiences and discussions with the Board of Management and taking into account the group's tax position, the timing of forecast taxable profits, and our knowledge and experience of the application of relevant tax legislation. In this area our audit procedures included using our work on the group's budget and forecasts described in our response to the goodwill key audit matter above. We have also evaluated the tax memos as prepared by the Company's tax advisors. In addition we assessed the historical accuracy of management's assumptions.

We have discussed the Company's transfer pricing methodology applied and the assumptions used with management and with the Company's tax advisors and included in our group team tax specialists to analyze and challenge the assumptions. We also assessed the adequacy of the group's disclosures in Note 11.

Responsibilities of Board of Management and the Supervisory Board for the financial statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Netherlands Civil Code and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to errors or fraud.

As part of the preparation of the financial statements, management is responsible for assessing the Company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements
Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all errors and fraud.

For a further description of our responsibilities in respect of an audit of financial statements, we refer to the website of the professional body for accountants in the Netherlands (NBA). **www.nba.nl/standardtexts-auditorsreport**.

Report on other legal and regulatory requirements

Report on the Report of the Board of Management and the other information
Pursuant to legal requirements of Part 9 of Book 2 of the Netherlands Civil Code (concerning our obligation to report about the management board report and other information):

- We have no deficiencies to report as a result of our examination whether the Report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of the Netherlands Civil Code, and whether the information as required by Part 9 of Book 2 of the Netherlands Civil Code has been annexed.
- We report that the Report of the Board of Management, to the extent we can assess, is consistent with the financial statements.

Engagement

We were engaged by the General Meeting of Shareholders as auditor of BE Semiconductor Industries N.V. on April 25, 2012 for a three year period. We were for the first time the statutory auditor as of the audit for year 2009 and have operated as statutory auditor ever since that date.

Eindhoven, February 25, 2015
KPMG Accountants N.V.
M.J.A. Verhoeven RA

Appropriation of the result

The Articles of Association provide that the Company can only distribute profits from its free distributable reserves. The Board of Management, with the approval of the Supervisory Board, will propose to the Annual General Meeting of Shareholders to determine the total dividend over 2014 at € 1.50 per Ordinary Share, amounting to a total of € 56,569. The Board of Management proposes to allocate the part of the net income for the year 2014 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

The General Meeting of Shareholders approved the 2013 statutory financial statements on April 30, 2014.

Events after the balance sheet date

On January 15, 2015, the Swiss National Bank abandoned the voluntary cap on the Swiss franc's value against the euro. As a result, the Swiss Franc has increased by approximately 15% between January 15 and February 25, 2015. In 2014, approximately 20% of Besi's costs and expenses were denominated in Swiss francs. In order to reduce the negative impact on Besi's results of operations from the rapid appreciation of the Swiss Franc vs. the euro, Besi decided on February 25, 2015, to transfer certain die attach software, engineering, logistics and administrative functions from Switzerland to Besi's Singapore applications engineering facility by Q3-2015 which is anticipated to save on an annualized basis approximately € 6.5 million, net, including facility savings. In the transfer, Besi will reduce its workforce in Switzerland and accelerate the transfer of the supply chain sourced in Switzerland to Asia thereby lessening its material cost exposure in Swiss francs. As the value of the Swiss Franc vs. the euro is still fluctuating, the full impact of the Swiss Franc appreciation on Besi's net income in 2015 cannot be reasonably estimated.

Preference Shares

At December 31, 2014, the Company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.91 per share, and 80,000,000 Preference Shares, nominal value € 0.91 per share.

No Preference Shares were outstanding at December 31, 2014.

In April 2000, the foundation "Stichting Continuïteit BE Semiconductor Industries" (the "Foundation") was established. The Foundation is an independent legal entity and is not owned or controlled by any other legal person. The purpose of the Foundation is to safeguard the interests of the Company, the enterprise connected therewith and all the parties having an interest therein and to exclude as much as possible influences which could threaten, among other things, the continuity, independence and identity of the Company. The aim of the Preference Shares is, amongst other things, to provide a protective measure against unfriendly take-over bids and other possible unsolicited influences which could threaten the Company's continuity, independence and identity, including, but not limited to, a proposed resolution to dismiss the Supervisory Board or the Board of Management. The issue of Preference Shares would enable the Company to consider its position in the then-existing circumstances.

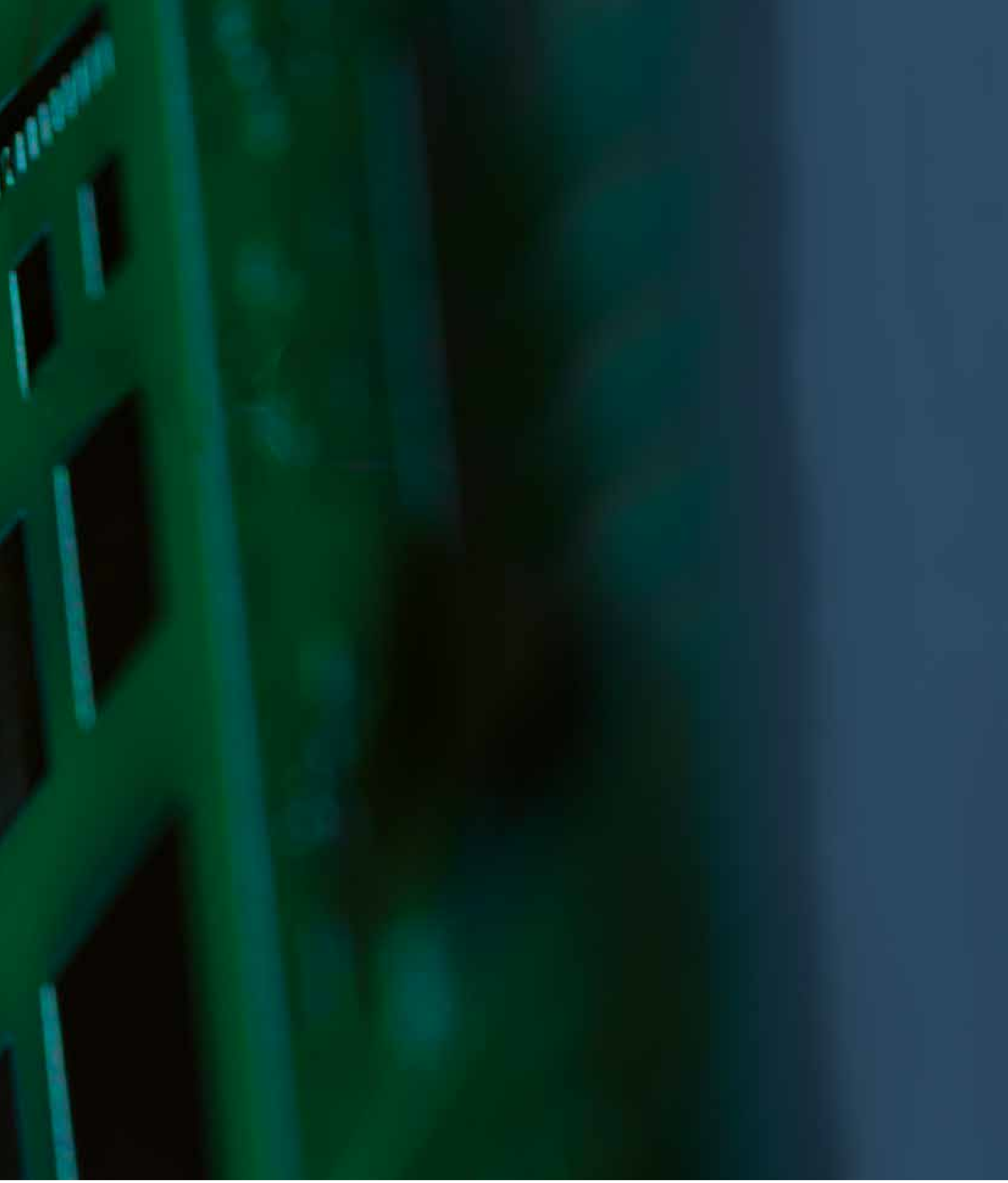
By agreement of May 19, 2008 between the Company and the Foundation, which replaces a similar agreement dated April 19, 2002, the Foundation has been granted a call option pursuant to which it may purchase a number of Preference Shares up to a maximum of the number of Ordinary Shares issued and outstanding at the time of exercise of this option, minus one.

The Company has also granted to the Foundation the right to file an application for an inquiry into the policy and conduct of business of the Company with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer). The Company believes that this may be a useful option in the period before the issuance of Preference Shares, without causing a dilution of the rights of other shareholders at that stage.

The members of the board of the Foundation are J. Ekelmans (Chairman), J.N. de Blécourt, W.L.J. Bröcker, N.W. Hoek and T. de Waard. Mr Hoek succeeded Mr Alberda van Ekenstein as of January 1, 2015. Except for Mr De Waard, none of the members of the board of the Foundation are connected to the Company. The Foundation therefore qualifies as an independent legal entity within the meaning of section 5:71 paragraph 1 sub c of the Dutch Financial Markets Supervision Act (*Wet op het financieel toezicht*).

Notes

Notes



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