# Annual Report 2015

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 |
| | ● | ● | | ● | ● | Ball Grid Array | Substrate Wire Bond Assembly |
| | Die Sort | Die Bond | | Molding | Singulation | | |
| | ● | ● | | ● | ● | Ball Grid Array | Substrate Flip Chip Assembly |
| | Die Sort | FC Die Bond | | Molding | Singulation | | |
| | ● | ● | | ● | ● | | Wafer Level Packaging Flip Chip Assembly |
| | 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 $ 3.4 billion in 2015, or 8.7% 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, servers, PCs, flat panel displays, internet applications), (iv) data mining, (v) cloud computing and peripherals, (vi) the Internet of Things such as the management of residential and industrial equipment and functions, (vii) advanced medical equipment and devices, (viii) solar, battery and renewable energy applications and (ix) LED devices.

## 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, TCB and eWLB die bonding systems and die sorting systems.
- **Packaging equipment:** conventional, ultra thin and wafer level molding, trim and form and singulation systems.
- **Plating equipment:** tin, copper and precious metal plating systems and related process chemicals.
- **Services/Other:** tooling, conversion kits, spare parts and other services for our installed base of customers.

## 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, Sony, STMicroelectronics and TDK/Epcos. 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 435,000 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 1,539 fixed and temporary personnel at December 31, 2015, of whom approximately 62% were based in Asia and 38% 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 are included in the Amsterdam Midcap Index ("AMX index"). Our level 1 ADRs trade on the OTC markets (symbol: BESIY Nasdaq International Designation).

More detailed information about Besi can be found at our website: **www.besi.com**.

# Key Highlights 2015

**Solid profitability and margins realized:**
- Revenue of € 349.2 million vs. € 378.8 million in 2014, down 7.8% due to industry downturn
- Gross margins of 48.8%, up 5.0% vs. 2014 despite 7.8% revenue decrease
- Net income of € 49.0 million (14.0% net margin)

**Next generation systems gain market share and diversify revenue mix:**
- Market share gained by next generation TCB die attach, die sorting, trim and form, singulation and plating systems
- Increased customer demand for high end logic and memory processors, cloud servers, data mining as well as advanced solar and battery plating
- Successful new product introductions help soften impact of industry downturn
- Portfolio well positioned to take advantage of increased demand for more complex <20 nanometer device geometries

**Operating efficiency enhanced:**
- 10% headcount reduction plan implemented
  - Total annualized savings anticipated of € 12-14 million in 2016 compared to 2014
- European based costs continue to decline:
  - Transfer of certain die attach software, administrative, logistics and engineering functions to Singapore
  - 8.8% decrease in European and North American fixed headcount
  - Reduction of facilities offers € 1.7 million annualized cost savings in 2016
  - Transfer of plating production to Malaysia
- Improved controls and Asian supply chain transfer improved inventory management

**Strong cash flow generation continues. Solid liquidity position to finance future growth:**
- Cash flow from operations of € 86.5 million, up 18.0% vs. 2014
- Cash of € 157.8 million (€ 4.10 per share) vs. € 135.3 million (€ 3.54 per share) at year end 2014
- Net cash of € 136.5 million at year end

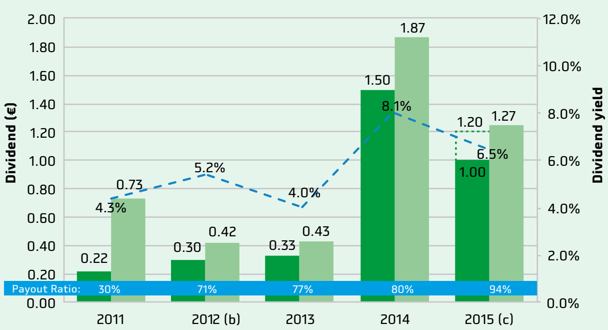
**Progress in new product development:**
- Ongoing development of new assembly technologies such as TCB, TSV, copper pillar and WLP
- Leadership in thin die applications for memory, power and flip chip applications and large area and wafer level molding applications
- Significant increase in TCB die bonding bookings confirms leadership position
- First orders received for sub 5 micron eWLB and flip chip die bonding systems for production environments
- Development and sale of advanced systems for solar and 3D lithium-ion battery plating

**Shareholder value enhanced:**
- Besi stock price up +0.2% in 2015 vs. -3.4% decline for benchmark SOX index
- Shares included in Euronext AMX index
- € 56.9 million cash utilized for dividend payments
- 1 million share buyback started in September 2015. Repurchased 225,779 shares (€ 4.0 million) during year
- Proposed 2015 dividend of € 1.20 per share, of which € 0.20 per share represents special dividend. Sixth consecutive annual dividend



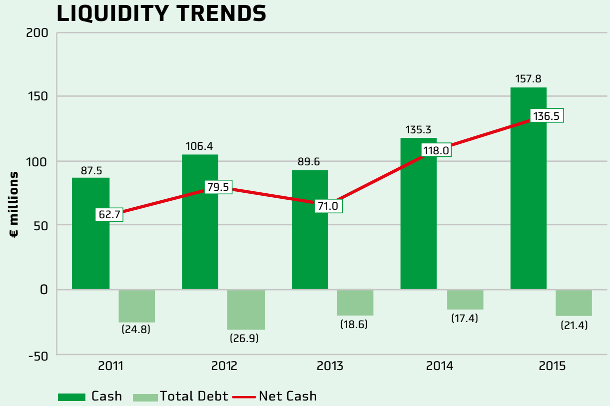


**DIVIDEND TRENDS**




a) Based on year end stock price
b) Includes a special dividend of € 0.08
c) Proposed for approval at April 2016 AGM. Includes a special dividend of € 0.20 per share. The payout ratio for the base dividend is approximately 80%

**LIQUIDITY TRENDS**



# Key Financial Highlights

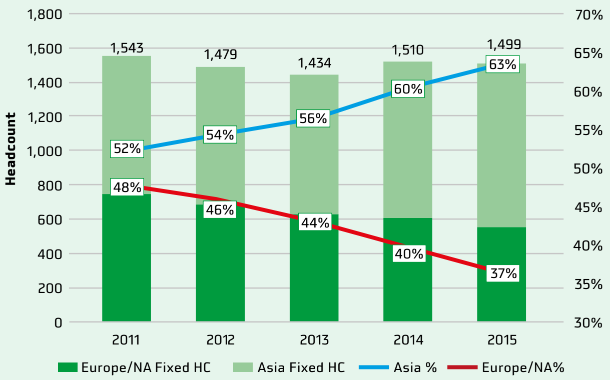
| Year Ended December 31, | 2015 | 2014 | 2013 | 2012 | 2011* |
|---|---|---|---|---|---|
| **Operating data (in euro millions, except share and per share data)** | | | | | |
| Orders | 348.3 | 407.6 | 251.9 | 276.1 | 301.1 |
| Revenue | 349.2 | 378.8 | 254.9 | 273.7 | 326.9 |
| Operating income | 57.9 | 72.1 | 18.9 | 20.8 | 34.4 |
| EBITDA | 73.0 | 82.1 | 27.9 | 32.4 | 45.6 |
| Net income | 49.0 | 71.1 | 16.1 | 15.8 | 26.4 |
| Adjusted net income | 46.9 | 64.5 | 16.9 | 18.2 | 27.2 |
| Net income per share | | | | | |
| Basic | 1.29 | 1.89 | 0.43 | 0.42 | 0.73 |
| Diluted | 1.27 | 1.87 | 0.43 | 0.42 | 0.73 |
| Dividend per share** | 1.20 | 1.50 | 0.33 | 0.30 | 0.22 |
| Shares outstanding *** | 37,863,456 | 37,712,540 | 37,306,966 | 37,629,148 | 36,687,068 |
| Backlog | 77.8 | 78.7 | 50.0 | 53.0 | 50.6 |
| **Balance sheet data** | | | | | |
| Cash and cash equivalents | 157.8 | 135.3 | 89.6 | 106.4 | 87.5 |
| Total debt | 21.4 | 17.4 | 18.6 | 26.9 | 24.8 |
| Net cash | 136.5 | 118.0 | 71.0 | 79.5 | 62.7 |
| Total equity | 332.2 | 328.8 | 264.2 | 265.0 | 256.9 |
| **Financial ratios** | | | | | |
| Operating income as % of revenue | 16.6 | 19.0 | 7.4 | 7.6 | 10.5 |
| Net income as % of revenue | 14.0 | 18.8 | 6.3 | 5.8 | 8.1 |
| Adjusted net income as % of revenue | 13.4 | 17.0 | 6.6 | 6.6 | 8.3 |
| Current ratio | 4.4 | 3.4 | 3.7 | 2.9 | 3.0 |
| Solvency ratio | 76.8 | 74.0 | 77.5 | 72.9 | 73.6 |
| **Headcount data** | | | | | |
| Headcount fixed | 1,499 | 1,510 | 1,434 | 1,479 | 1,543 |
| Headcount temporary | 40 | 122 | 24 | 60 | 64 |
| Total headcount | 1,539 | 1,632 | 1,458 | 1,539 | 1,607 |
| **Geographic data** | | | | | |
| Revenue from Asia as % of total revenue | 66.4 | 67.4 | 75.1 | 73.8 | 74.4 |
| Headcount in Asia as % of total headcount | 61.7 | 59.4 | 55.7 | 54.3 | 50.9 |

* 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 2015 dividend for approval at Besi's AGM to be held on April 29, 2016. Includes a special dividend of € 0.20 per share in 2015 and € 0.08 per share in 2012.

*** Net of shares held in treasury

**FIXED HEADCOUNT TRENDS**



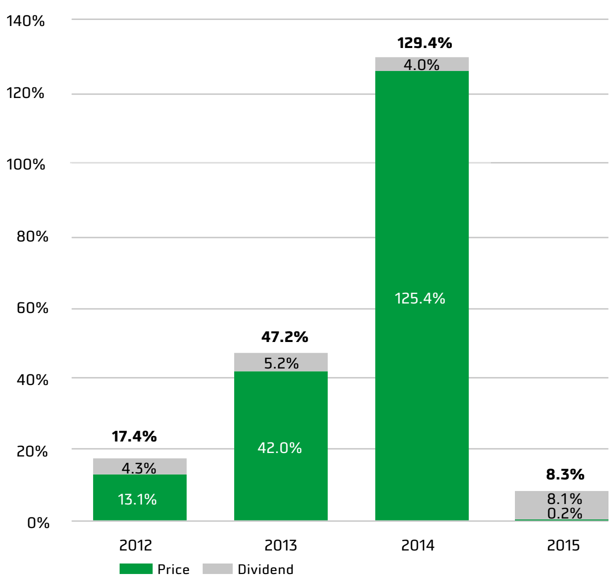
# Letter to Shareholders

Dear Shareholders,

We celebrated our 20th year as a public company in 2015. It has been an exciting journey since our stock market listing in 1995. We have grown from being a local Dutch system and tooling manufacturer to become one of the world's leading semiconductor assembly equipment manufacturers with over 1,500 employees in 15 global locations. At year end, 87% of our fixed employees were located outside of the Netherlands. From our origin as a small leadframe packaging company, we have grown to become the technological leader in advanced packaging solutions with a broad portfolio of die attach, packaging and plating systems sold to the largest and most sophisticated semiconductor producers globally.
Our advanced packaging product strategy, successful new product introductions, timely acquisitions and production and supply chain transfer to Asia have transformed the Company, significantly benefitting all stakeholders. Consistent with our improved financial and stock market profile, Besi's shares were upgraded to Euronext AMX index status in March 2015.

In 2015, we continued to make progress on our journey and performed well despite a sharp second-half industry downturn. Besi generated revenue and profit of € 349.2 million and € 49.0 million, respectively, with strong gross and net margins for our industry sector of 48.8% and 14.0%, respectively. We ended the year in a solid financial position with total cash of € 157.8 million (€ 4.10 per share), or 22.1% of the value of our year end stock price. For the year, revenue decreased by 7.8% vs. 2014 due to the industry downturn. However, increased revenue from new product introductions helped counteract unfavorable industry conditions and brought better balance to our product/application mix. Strong profit and margin levels were also realized due to the successful execution of ongoing Asian supply chain and production initiatives, a further reduction of European based costs and timely restructuring actions taken during the year in response to both adverse industry and currency movements.

**BESI SHAREHOLDER TOTAL RETURN**

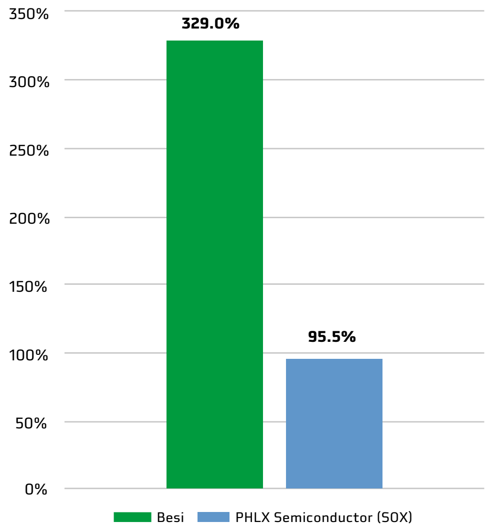



## Shareholder value increased

We have increased shareholder value in recent years through our improved profit and cash flow generation, stock price development, share repurchases and dividends paid to shareholders.

Over the past four years, Besi's stock has produced a cumulative total return of 329%, significantly outpacing returns of our benchmark Philadelphia Semiconductor ("SOX") index. In 2015, Besi's stock price increased by 0.2% versus a 3.4% decline for the benchmark index continuing our relative outperformance trend. In addition, total dividends and share repurchases aggregated € 60.9 million in 2015 and € 118.2 million over the past five years, confirming our commitment to provide a current return to our shareholders while holding sufficient cash to fund future growth opportunities. In September, we initiated a one million share repurchase program under which Besi has bought back 225,779 shares (€ 4.0 million) through year end. Repurchase activity has continued on a regular basis to date in 2016.

**TOTAL CUMULATIVE SHAREHOLDER RETURN BESI VS. SOX INDEX 2012-2015**



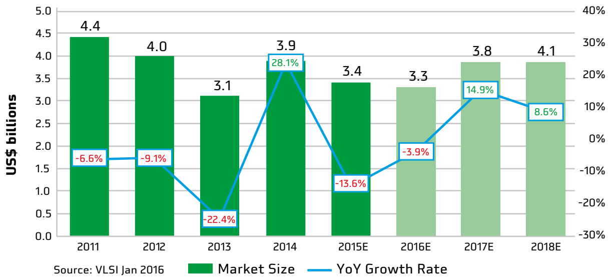

Given continued strong cash flow generation in 2015 and our healthy financial position, we propose to pay a 2015 cash dividend of € 1.20 per share, of which € 0.20 per share represents a special dividend, for approval at Besi's Annual General Meeting of Shareholders in April 2016. The proposed distribution is the sixth consecutive annual dividend paid.

## Business review

### Semiconductor assembly equipment market declined in 2015. Volatility and seasonality continue

VLSI Research currently estimates that the semiconductor assembly equipment market decreased by 14% in 2015, a much more negative outcome than initially forecast at the start of the year. The downturn was in contrast to a sharp 28% increase in 2014 underscoring the volatility of end user markets.

## ASSEMBLY EQUIPMENT MARKET TRENDS



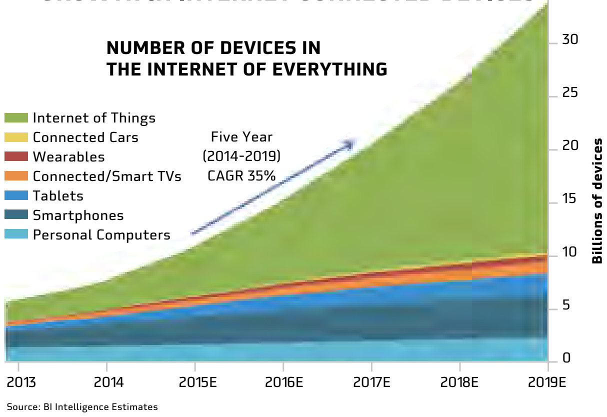

The 2015 market downturn was primarily due to excess semiconductor inventory and production capacity as customers digested large purchases made in 2014 and early 2015 combined with weakening economic conditions in China. The downturn particularly affected demand by IDMs and Asian subcontractors for advanced packaging applications such as smart phones, tablets, personal computers and other mainstream electronic devices and certain automotive applications. During 2015, the assembly equipment market continued to be volatile both on a quarterly and semi-annual basis influenced primarily by seasonal demand for consumer electronics.

VLSI currently estimates that the assembly equipment market will decline by approximately 4% in 2016. It anticipates that the 2015 market downtrend will continue in the first half of 2016 with a recovery in the second half of the year followed by robust growth in 2017-2018. Renewed equipment growth will be driven by the introduction of a new generation of <20 nanometer devices.

### New development cycle offers upside given Besi's strategic positioning in advanced packaging

A new technology cycle has begun wherein customers increasingly demand <20 nanometer device geometries for which new assembly equipment and solutions will be required. This trend plays to our strength as a technological leader in advanced packaging and offers new opportunities for revenue and market share growth.

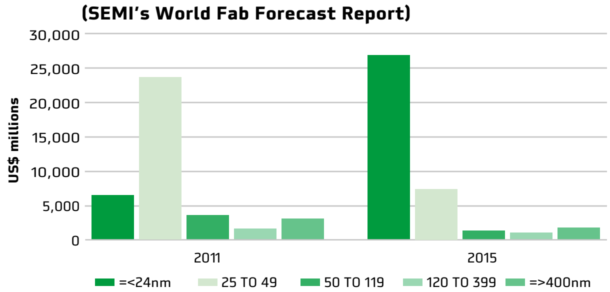
## GROWTH IN INTERNET CONNECTED DEVICES




We anticipate that customers will significantly increase spending over the next five years on wafer level and 3D stacked die solutions to (i) shrink next generation device geometries, (ii) increase chip density and functionality and (iii) significantly reduce power consumption requirements. Higher sales of advanced packaging systems is forecast to serve growing areas such as smart phones, automotive electronics, high end cloud computing, data mining, wearable devices and the Internet of Things. Besi's product portfolio and development programs are well positioned to capitalize on such trends.

## FAB EQUIPMENT SPENDING BY NODE

**(SEMI's World Fab Forecast Report)**




### Revenue from successful new product introductions helped diversify our product mix and partially mitigate the impact of softer industry conditions in 2015

The headwinds affecting some areas of Besi's product portfolio this year masked positive order trends in other areas of our business. The revenue and order decline in 2015 was partially offset by strong growth of TCB and die sorting shipments for leading edge logic and memory processors. We received orders for 22 TCB systems for non volatile memory applications in 2015 bringing the total installed base of systems to 35 since its 2014 introduction. We also booked orders for 18 micro processor die sorting, inspection and die lid attach systems for high end server and cloud server applications from an important US IDM. In addition, we enjoyed higher orders for (i) next generation trim and form systems for high end automotive applications, (ii) next generation singulation systems and (iii) leading edge solar and battery plating systems. Revenue strength from these new products has brought more balance to Besi's portfolio in this downturn while we await the introduction of new smart phones and other electronic devices and until underlying semiconductor demand better matches production capacity levels.

Areas of order weakness in 2015 related primarily to lower demand by IDMs and Asian subcontractors for flip chip and multi module die attach systems and ultra thin molding systems for smart phone, tablet and other advanced packaging applications after the large 2014 capacity build.

### Execution of strategic initiatives and timely response to changing market conditions enabled Besi to maintain high levels of profitability and cash flow this year

Our business strategy seeks to generate ever higher levels of through cycle profitability and cash flow from the execution of operating initiatives designed to further reduce European structural and supply chain costs, move operations closer to customers and improve cycle times and inventory management.

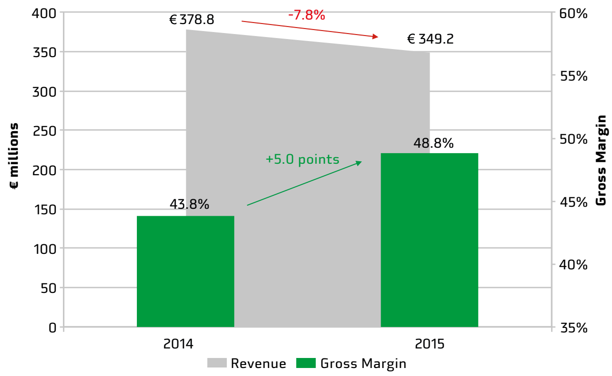
In 2015, we implemented programs to reduce cost levels in response to both an industry downturn and a significant increase in Swiss based overhead costs from a 14% rise of the Swiss franc vs. the euro year over year. Such initiatives included a (i) 10% company-wide headcount reduction from Q2-15 levels planned for completion by Q1-16, (ii) the transfer of additional functions to Besi's Asian operations including the transfer of part of our European die bonding supply chain, logistics and applications engineering to Singapore and (iii) a significant reduction in European facility overhead and square footage. From such actions in 2016 we anticipate realizing annualized cost savings of € 12-14 million compared to 2014.

We also realized other important objectives in 2015 to help further improve the profitability of the operating model in future years. By year end and as per plan, Besi:

- Transferred plating system production from the Netherlands to Malaysia.
- Moved certain die bonding system production from Malaysia to China to improve efficiency and increase capacity for the next upturn.
- Reduced European and North American fixed headcount by 8.8%.
- Transferred approximately 75% of the supply chain to Asia which, in combination with improved controls, reduced inventory levels relative to sales.
- Initiated the transfer of die sorting production from Austria to Malaysia.

Partly through successful execution of the operating plan, Besi was able to increase its gross margins by 5.0% vs. 2014, despite the 7.8% top line revenue decrease. In addition, we realized strong gross and net margins for our sector and generated cash flow from operations of € 86.5 million.

**OPERATIONAL PROGRESS YIELDS INCREASED EFFICIENCY**




Key operational priorities for 2016 include:

- Further expansion of Besi's Asian supply chain network to help decrease raw material and component costs.
- Development and expansion of our Singapore die bonding applications engineering.
- Increasing the number of die attach lines produced in China specifically tailored for local market requirements.
- Transfer of die sorting production from Austria to Malaysia.

We also plan to continue the process of outsourcing certain system modules to local contract manufacturers to help reduce freight and labor costs as well as lower inventory and cycle times. The realization of such initiatives can further optimize our cost structure and business model.

## Progress in new product development

Besi's product strategy focuses on the development of advanced packaging systems as the driver of future growth. We are at the forefront of assembly technology and a leader in thin die applications for memory, power and flip chip applications and large area and wafer level molding. Customer device shrinks <20 nanometers, 3D and wafer level technology, sub 5 micron placement accuracy and more complex functionality offer us both great revenue opportunities and technological challenges.

In 2015, Besi's development efforts focused on the following:

- Successful roll out and volume production of leading edge TCB equipment.
- Introduction and sale of new sub 5 micron flip chip and eWLB systems for higher volume production environments.
- Introduction and sale of next generation die attach, packaging and die sorting systems with higher speed and accuracy.
- Development and sale of advanced systems for solar and 3D lithium-ion battery plating.
- Ongoing development of new advanced packaging assembly technologies including TCB, TSV, copper pillar and WLP.

We have a number of important development projects underway to further our leadership position in advanced packaging. In 2016, Besi will introduce next generation enhancements to its key die bonding and packaging systems to further improve their speed and accuracy. In addition, our work will continue on the expansion of TCB applications beyond the current memory market for substrate based devices and eWLB systems for wafer level devices. Besi is also devoting R&D resources to expand its penetration of the solar and battery plating markets which offer good growth potential. Finally, we seek to increase the number of common parts and modules used in each new die bonding and packaging system platform so that we can streamline R&D and manufacturing processes and shorten cycle times for customers.

## CR activities

Besi takes its responsibilities seriously with respect to its people, stakeholders and environment. As such, we have greatly expanded our corporate responsibility ("CR") disclosure over the past few years in the annual report (pages 38 to 48). In 2015, key highlights included the development of a Besi policy on conflict minerals in accordance with the Conflict Free Sourcing Initiative and the introduction of a talent and succession program whose purpose is a systematic identification, development and retention of talent for successful short, mid and long-term succession planning. In addition, we continue to make progress reducing our impact on the environment and communities in which we operate through more efficient usage of packaging, raw materials, energy, transportation, recycling and facilities.

**Outlook 2016**

Leading independent industry analysts suggest a modest industry downturn of approximately 4% in 2016 as forecasts have improved recently vs. initial estimates. We believe that the trough of the most recent down cycle appears to have been reached in Q4-15 and are cautiously optimistic based on better than anticipated Q4-15 revenue levels and favorable order trends through February 2016. However, visibility this year remains very limited in a highly uncertain global economic environment.

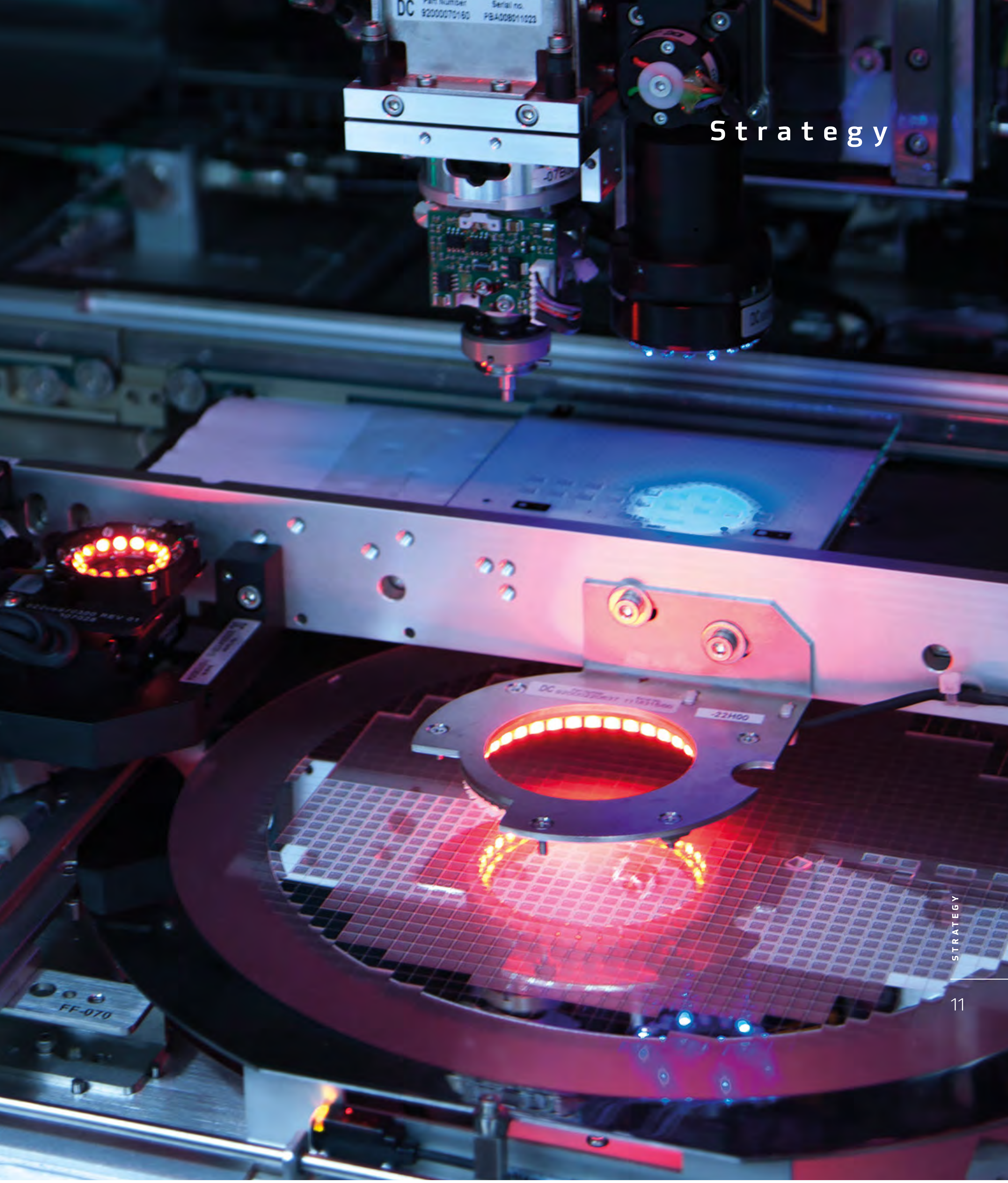
Longer term, a new technology cycle appears to be underway, the magnitude and timing of which is still unclear to us. New technology developments will require new advanced packaging solutions which is a favorable growth driver for our business. As such, we anticipate long-term revenue growth and market share gains in our addressable markets. We cannot control the volatility of our end user markets but are working hard to generate even more profit and cash flow from our business model in 2016 and the years to come.

In closing, we want to thank all our employees, customers, suppliers, business partners and shareholders for helping us achieve very solid results in 2015. We appreciate your continued support as we move along on the next phase of our journey.

Board of Management
Richard W. Blickman

February 24, 2016

# Strategy



# Strategy

### 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. Expanding addressable markets and Besi's revenue growth potential.
3. Strengthening and expanding strategic long-term customer relationships.
4. Expanding Asian operations, materials sourcing and direct shipments.
5. Developing common platforms and common parts for its systems.
6. Achieving a more scalable, flexible and lower cost manufacturing model.
7. 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.

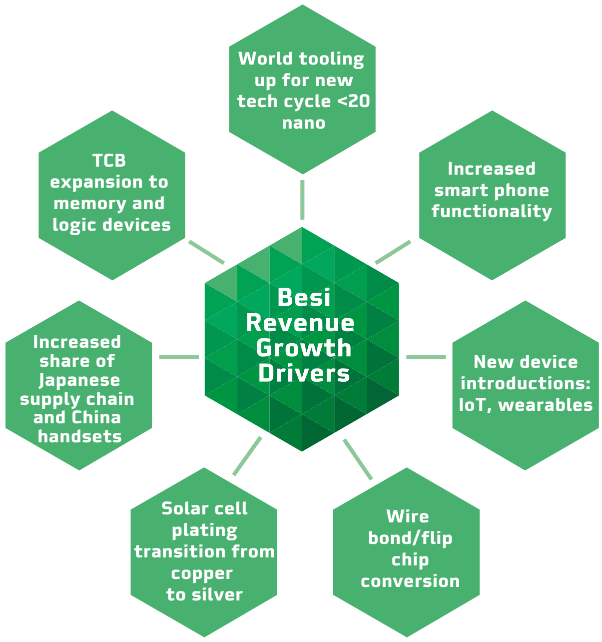
In pursuing its product strategy, Besi uses its core competency to (i) increase revenue by expanding its addressable market and market share and (ii) maximize the return on its technology investment.

### 2. Expanding addressable markets and Besi's revenue growth potential

Besi seeks to increase its revenue growth by expanding its addressable markets and market presence via the following strategies:

- Capitalize on its <20 nano expertise to capture system sales for new device introductions and applications such as the Internet of Things, wearables, big data and cloud server applications.
- Further penetrate the largest global smart phone and electronics supply chains.
- Leverage its lead in its core competencies at the expense of Japanese and Asian competitors.
- Expand in the Chinese handset and electronics industries.
- Apply its leadership positions in TCB, eWLB and ultra thin and wafer level molding to drive revenue as customers utilize leading edge processes for more mainstream applications.
- Gain market share from increased usage of flip chip and TCB assembly processes at the expense of more conventional wire bonding solutions.
- Expand penetration of plating markets including high end solar and battery plating applications.

The expansion of Besi's addressable markets, revenue potential and market share will be aided by ongoing efforts to further improve its competitive cost position via its Asian manufacturing initiatives and the diversification of its Asian production capabilities.

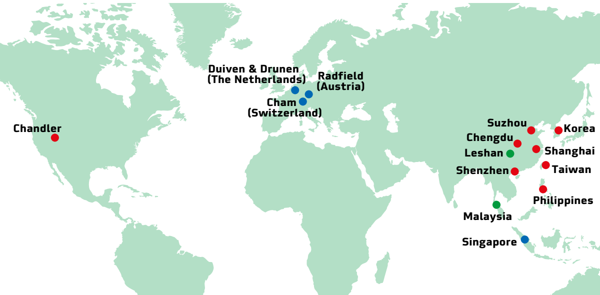



### 3. Strengthening and expanding strategic long-term customer relationships

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 migration of its customer base to Asia, Besi has strengthened 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.

**CURRENT OPERATIONAL PROFILE**




- Development activities in Europe
- Production in Asia
- Sales/service activities in Asia, US and Europe

● Sales Office
● Production Site
● Sales & Development Site

| | as of December 31, 2015 | | | |
|---|---|---|---|---|
| | Europe/NA | | Asia | |
| Revenue (MMs) | €117.3 | 33.6% | €231.8 | 66.4% |
| Headcount | 589 | 38.3% | 950 | 61.7% |

**4. Expanding Asian operations, materials sourcing and direct shipments**

In 2015, approximately 66% of revenue was derived from sales to Asian customer locations. Besi has 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 to its Asian facilities of substantially all component sourcing, system manufacturing, product application engineering and tooling/spares operations. 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 it generates attractive gross margins. In recent years, Besi has also diversified its manufacturing and engineering capabilities in Asia, significantly increasing operations in China and Singapore to further drive cost reduction, increase capacity and local customer presence and better align its currency exposure.

Key priorities for 2016 include (i) the further expansion of Besi's Asian supply chain network to help decrease raw material and component costs, (ii) the development and expansion of its Singapore die bonding applications engineering, (iii) the expansion of die attach production in China specifically tailored for local market requirements and (iv) the transfer of die sorting production from Austria to Malaysia. Besi also plans to continue its process of outsourcing certain system modules to local contract manufacturers to help reduce freight and labor costs as well as reduce inventory and cycle times.

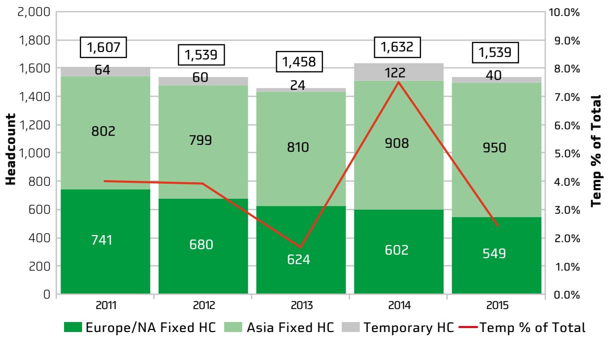
**5. Developing common platforms and common parts for its systems**

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, it has focused on the development of common parts and common platforms for each successive, next generation 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 labor cost, supply chain and working capital efficiencies.

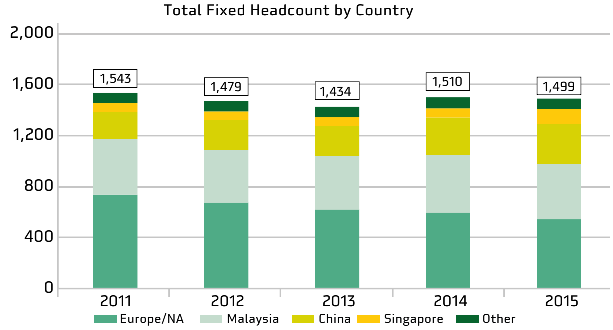
**6. Achieving a more scalable, flexible and lower cost manufacturing model**

The semiconductor equipment market has become increasingly more volatile in recent years due to heightened global economic uncertainty post the financial crisis of 2008/2009, changing end market applications and more 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 diversification of its Asian manufacturing and engineering capabilities and the simplification and harmonization of manufacturing processes.

**WORKFORCE HAS BECOME MORE SCALABLE AND FLEXIBLE**



### ASIAN HEADCOUNT EXPANSION




### 7. 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) enhancing the productivity and efficiency of its Asian manufacturing operations and (iii) growing its less cyclical, “non-system” related revenues from tooling, spares and service.

### 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 higher levels of miniaturization, accuracy, performance and chip density at lower overall cost of ownership and power consumption in substrate and wafer level packaging applications.

Key highlights over the past three years included:

- Development and first shipment of TCB die bonding equipment to assemble next generation <20 nanometer device geometries (2013).
- Development and shipment of sub 5 micron flip chip and wafer level die bonding systems and molding systems for volume production environments (2015).
- Development and sale of advanced systems for solar and 3D lithium-ion battery plating (2015).

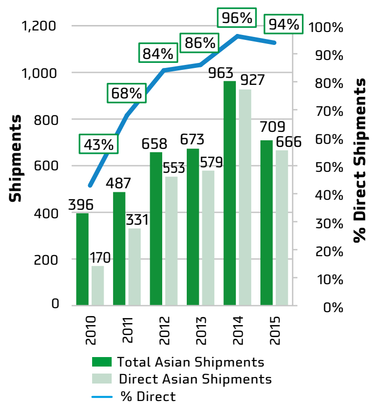
In recent years, Besi has also expanded its product portfolio to address rapidly growing end-use customer applications such as mobile internet devices (smart phones, tablets), cloud computing, data mining, wearable devices, LED lighting, thin-film solar cell, fingerprint recognition and sensors.

#### Reduction of structural costs in business model

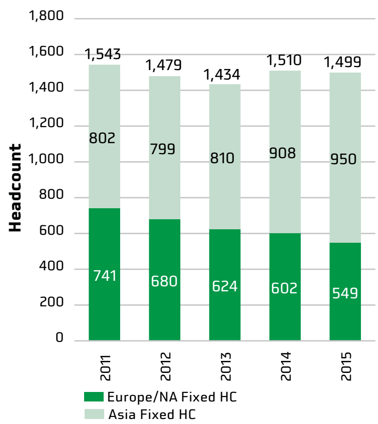
In 2007, Besi decided to fundamentally re-organize its global operations and management structure to streamline operations, improve returns from its product portfolio, reduce its break even revenue levels and increase profitability. Since then, the Company has (i) significantly rationalized its manufacturing operations, (ii) reduced its unit manufacturing costs, (iii) transferred substantially all of its European production to Asia, (iv) decreased its European headcount, footprint and operations and (v) reduced break even revenue levels to gain through cycle profitability and increase margins on a consistent basis. Key organizational changes in 2014 and 2015 included:

- Rationalization of Besi's US die sorting operations and transfer to Besi Austria (2014).
- Restructuring of its Swiss die attach operations consisting of the transfer of certain die attach software, engineering, logistics and administrative functions to Besi's Singapore facility (2015).
- Implementation of a 10% headcount reduction plan in response to industry downturn and rise of Swiss franc vs. euro. Total annualized savings anticipated of € 12-14 million in 2016.
- Transfer of plating production from the Netherlands to Malaysia (2015).
- 25% reduction of European facility space. Annualized cost savings € 1.7 million (2016).
- Initial transfer of die sorting production from Austria to Malaysia (2015).

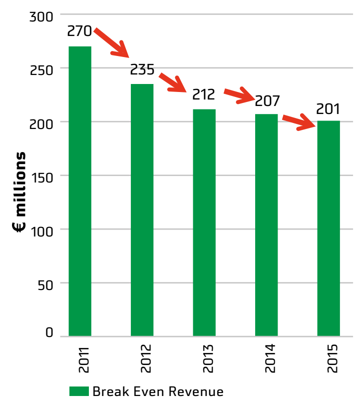
### ASIAN PRODUCTION HAS SIGNIFICANTLY EXPANDED




### LEADING TO LOWER EUROPEAN HEADCOUNT




### AND REDUCED BREAK EVEN REVENUE LEVELS



### 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 2013, 2014 and 2015 by 70%, 117% and 28%, respectively, from trough to peak in response to increased customer demand for assembly equipment. Similarly, Besi was able to downscale production by 42%, 34% and 28% from peak to trough in 2013, 2014 and 2015, respectively, while maintaining profitability. Increased manufacturing scalability and flexibility has been an important factor contributing to Besi's improved competitive position in recent years.

### Expansion of Besi's Asian operations

To support its Asian production strategy, Besi has restructured its global operations and made capital investments to expand its Asian production capacity including a significant upgrade of its Malaysian production facility, the construction and expansion of a dedicated Chinese tooling and die bonding manufacturing facility and the expansion of its Singapore applications engineering capabilities. 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, Chinese and Singapore facilities over the past eight years. As a result, Besi has reduced labor and materials costs, increased manufacturing flexibility and scalability, improved delivery times and enhanced its local customer presence. Key highlights during 2014 and 2015 included:

- Production of 90%+ systems in Asia of which 96% were shipped directly to Asian customers (2014).
- Expansion of Singapore die attach operations by approximately 50 people to handle functions transferred from Besi's Swiss die attach operations (2015).
- Production transfer from Malaysia to China of certain die bonding systems for the local Chinese market.
- Plating system production transfer from the Netherlands to Malaysia to improve local market presence, cycle times and gross margins.

### Completion of strategic acquisitions

Besi has made four important acquisitions since 2000:

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

*Management leadership award ceremony Besi APac 2015*


Financial Review

# Financial Review

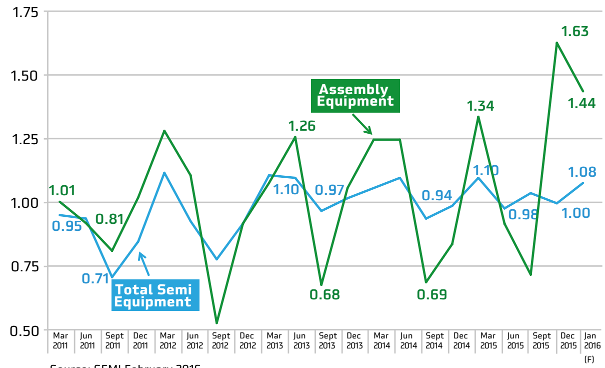
## General

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.

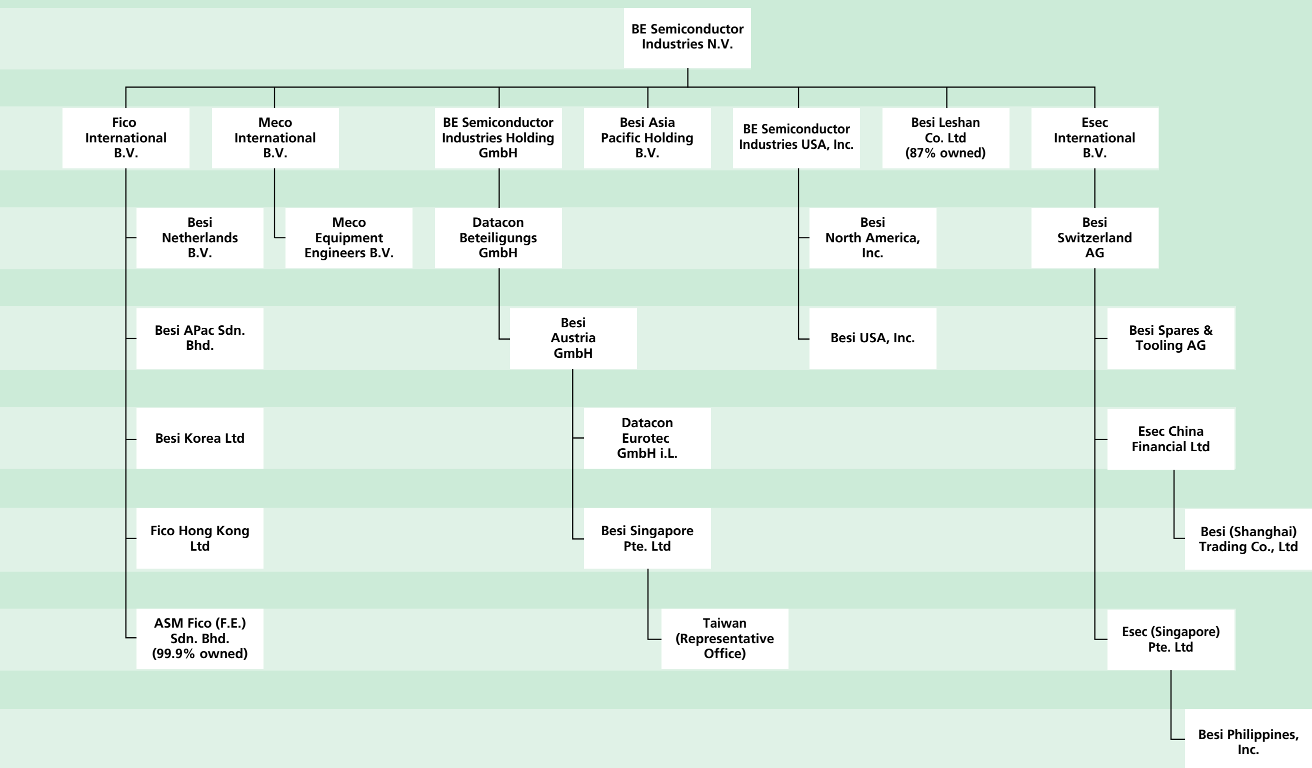
In recent years, Besi has experienced significant upward and downward movements in quarterly order rates due to global macro-economic concerns and increased seasonality of end-user application revenue. Customer order patterns have become increasingly more seasonal due to the growing influence of more 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 RATIO 2011-2015**




Source: SEMI February 2016

## Legal Chart



Besi's revenue is generated primarily by shipments to the Asian manufacturing operations of leading European and American independent device manufacturers ("IDMs") and Taiwanese, Chinese, Korean and other Asian IDMs and 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, 2015, one customer accounted for 7.3% of Besi's revenue and its three largest customers accounted for 20.6% of revenue. In addition, Besi derives a substantial portion of its revenue from products that have an average selling price in excess of € 250,000 and that have lead times of approximately 4-8 weeks between the initial order and delivery of the product. The timing and recognition of revenue 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 17 presents Besi's legal organization as of December 31, 2015. 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 22 and 23 for a detailed analysis of Besi's financial structure at December 31, 2015.

### Restructuring activities

In order to improve its profitability and scalability in light of semiconductor market volatility, Besi has undertaken a number of operational restructurings over the past eight years. Besi recorded a restructuring benefit, net of charges, of € 3.3 million in 2015 and charges of € 1.6 million in 2014. In 2015, the net restructuring benefit was primarily due to a pension curtailment gain of € 5.6 million partially offset by severance and other costs from Besi's 10% headcount reduction plan. In 2014, restructuring charges primarily related to the rationalization of its US die sorting operations.

### Currency exposure

Besi's reporting currency is the euro. In 2015 and 2014, Besi's revenue denominated in euro represented 29% and 34% of its total revenue, respectively, while its costs and expenses denominated in euro represented 31% and 32%, respectively. As seen in the table set forth, the substantial majority of Besi's revenue is denominated in US dollars while the majority of its costs and expenses is denominated in euro, Malaysian ringgit 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 | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Euro | 29% | 34% | 28% |
| US dollar | 70% | 65% | 71% |
| Malaysian ringgit | - | - | - |
| Swiss franc | - | - | - |
| Chinese renminbi | - | - | - |
| Singapore dollar | - | - | - |
| Other | 1% | 1% | 1% |
| **Total** | **100%** | **100%** | **100%** |

| | Costs and Expenses | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Euro | 31% | 32% | 34% |
| US dollar | 5% | 4% | 7% |
| Malaysian ringgit | 28% | 37% | 22% |
| Swiss franc | 22% | 18% | 26% |
| Chinese renminbi | 7% | 5% | 5% |
| Singapore dollar | 4% | 2% | 3% |
| Other | 3% | 2% | 3% |
| **Total** | **100%** | **100%** | **100%** |

Given changes in the foreign currency composition of its revenue, costs and expenses, Besi's results of operations are increasingly affected by fluctuations in the value of, and relationships between, the euro, the US dollar, Swiss franc, Malaysian ringgit, Singapore dollar and Chinese renminbi. The reduction in the value of the euro vs. the US dollar benefited Besi's revenue and gross margins in 2015. However, such foreign exchange benefits were 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 14% increase in the value of the Swiss franc vs. the euro this year and caused an increase in Besi's supply chain costs and operating expenses. In response, the Company accelerated the move of its supply chain to Asia and reduced Swiss based headcount to help reduce its Swiss franc currency exposure.

## Results of operations

### 2015 compared to 2014

Besi's results of operations in the 2014-2015 period were influenced by volatility in the global economy, seasonal customer order patterns and an industry downturn which began in Q3-15. Such conditions caused Besi's revenue, orders and profit levels to vary on a quarterly and semi-annual sequential basis in each year as set forth in the table below.

| (euro in millions) | | | | 2014 | | | | 2015 |
|---|---|---|---|---|---|---|---|---|
| | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 |
| Revenue | 70.0 | 116.2 | 103.5 | 89.0 | 94.9 | 104.3 | 72.1 | 77.8 |
| Orders | 111.1 | 124.2 | 90.9 | 81.4 | 104.2 | 91.9 | 74.9 | 77.3 |
| Net income | 7.0 | 22.9 | 21.5 | 19.7 | 17.5 | 15.5 | 6.3 | 9.7 |
| Ending backlog | 91.1 | 99.0 | 86.4 | 78.7 | 87.9 | 75.6 | 78.4 | 77.8 |

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 seasonal upcycle has ended by early summer as customers digested incremental capacity additions made in the first half year. In 2015, the pattern was similar but the downward cycle commenced in Q3-15, a combination of both rapid order deceleration following the large 2014 industry capacity build and seasonal influences which typically reduce order rates in the second half of the year.

### Revenue/Orders

| (euro in millions) | Year ended December 31, 2015 | 2014 | % Change 2015/2014 |
|---|---|---|---|
| Revenue | 349.2 | 378.8 | (7.8%) |
| Orders | 348.3 | 407.6 | (14.5%) |

Besi's revenue decreased by € 29.6 million (7.8%) in 2015 as compared to 2014 primarily due to a pronounced second half industry downturn and weakening economic conditions in China. The downturn was caused by excess semiconductor inventory and production capacity as customers digested large capacity increases made in 2014 and early 2015. It particularly affected demand by both IDMs and Asian subcontractors for advanced packaging applications such as smart phones, tablets, personal computers and other mainstream electronic devices and certain automotive applications.

In particular, Besi reported lower sales for flip chip and multi module die attach systems and ultra thin molding systems for advanced packaging applications. Lower revenue from such products was partially offset by increased sales to global IDMs of new TCB and die sorting systems for logic and memory processors used in high end server applications. In addition, the Company experienced sales growth from next generation trim and form and singulation systems from global IDMs and solar plating systems from the largest Asian producers and research institutes. Similarly, orders in 2015 decreased by 14.5% as compared to 2014. Orders by IDMs and subcontractors represented approximately 60% and 40%, respectively, of Besi's total orders in both 2015 and 2014.

### 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 decreased slightly from € 78.7 million at December 31, 2014 to € 77.8 million at December 31, 2015 although quarterly levels fluctuated during the year reflecting customer order patterns and industry volatility. The book-to-bill ratio was 1.1x in 2014 and 1.0x in 2015.

### Gross profit

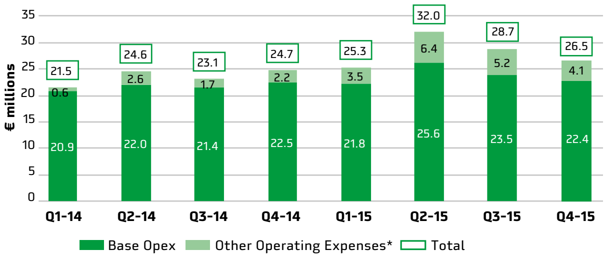
Besi's gross profit and gross margin for the years ended December 31, 2015 and 2014 were as follows:

| (euro in millions) | Year ended December 31, 2015 | % revenue | 2014 | % revenue | % Change 2015/2014[1] |
|---|---|---|---|---|---|
| Gross profit | 170.4 | 48.8% | 165.8 | 43.8% | 5.0 |
| Restructuring charges (benefit) | (0.7) | (0.2%) | 0.7 | 0.2% | (0.4) |
| Adjusted gross profit | 169.7 | 48.6% | 166.5 | 44.0% | 4.6 |

[1] Change in absolute percentage points

Gross profit increased by € 4.6 million to €170.4 million in 2015 despite Besi's 7.8% revenue decrease. Gross margins improved by 5.0% to 48.8% due primarily to (i) significantly lower materials costs and (ii) foreign currency benefits primarily from a reduction in the value of the euro vs. the US dollar partially offset by an increase in the Swiss franc vs. the euro. The gross margin increase was also aided by € 0.7 million of restructuring benefits, net of charges, from a pension curtailment gain associated with the headcount reduction program at Besi's Swiss die attach operations.

### QUARTERLY OPERATING EXPENSE TRENDS




* Other operating expenses include R&D capitalization/amortization, foreign exchange (Swiss franc/euro), restructuring cost/(benefit) and variable compensation

### Selling, general and administrative expenses

The details of Besi's selling, general and administrative ("SG&A") expenses for the years ended December 31, 2015 and 2014 were as follows:

| (euro in millions) | Year ended December 31, 2015 | % revenue | 2014 | % revenue | % Change 2015/2014[1] |
|---|---|---|---|---|---|
| SG&A expenses | 74.1 | 21.2% | 65.9 | 17.4% | 3.8 |
| Restructuring benefit (charges) | 0.6 | 0.2% | (0.5) | (0.1%) | 0.3 |
| Amortization of intangible assets | (1.3) | (0.4%) | (1.1) | (0.3%) | (0.1) |
| **Adjusted SG&A expenses** | **73.4** | **21.0%** | **64.3** | **17.0%** | **4.0** |

[1] Change in absolute percentage points

Total SG&A expenses increased by € 8.2 million or 12.5% in 2015 vs. 2014. The 2015 increase was due primarily to (i) € 4.7 million of higher personnel expenses of which € 2.4 million related primarily to the increase of the Swiss franc and Singapore dollar vs. the euro and the balance primarily from increased share based compensation expense, (ii) € 1.7 million of SG&A costs not allocated to customer projects, (iii) € 1.3 million of higher advisory and consulting costs and (iv) € 1.2 million of increased freight and travel costs. Such increases were partially offset by € 1.7 million of lower warranty expense and € 1.1 million of lower restructuring charges. On an adjusted basis, Besi's SG&A expenses increased by € 9.1 million, or 14.2% in 2015 vs. 2014.

### 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, 2015 and 2014:

In 2015, Besi's R&D expenses increased by € 10.6 million or 38.0% vs. 2014 and as a percentage of revenue, increased to 11.0% vs. 7.4%. The 2015 increase was primarily due to (i) € 7.4 million of higher development cost amortization (net of capitalization) as a result of the commercial introduction and initial shipments of Besi's new TCB die attach and die sorting systems, (ii) € 4.2 million of higher personnel costs of which € 1.9 million related to higher temporary personnel costs and € 1.3 million related to the increase in the value of the Swiss franc and Singapore dollar vs. the euro and (iii) € 1.2 million of higher materials costs used in product development activities. Such increases were partially offset by a € 2.4 million decrease in restructuring charges due to a pension curtailment gain from Besi's 10% headcount reduction program. In comparison, adjusted R&D expenses increased by a less significant € 5.6 million, or 17.6%, vs. 2014 and, as a percentage of revenue, increased from 8.4% in 2014 to 10.7% in 2015.

| (euro in millions) | Year ended December 31, 2015 | % revenue | 2014 | % revenue | % Change 2015/2014[1] |
|---|---|---|---|---|---|
| R&D expenses | 38.5 | 11.0% | 27.9 | 7.4% | 3.6 |
| Capitalization of development costs | 5.6 | 1.6% | 9.3 | 2.4% | (0.8) |
| Amortization of development costs | (8.6) | (2.5%) | (4.9) | (1.3%) | (1.2) |
| Restructuring benefit (charges) | 2.0 | 0.6% | (0.4) | (0.1%) | 0.7 |
| **Adjusted R&D expenses, net** | **37.5** | **10.7%** | **31.9** | **8.4%** | **2.3** |

[1] Change in absolute percentage points

## Restructuring charges

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

| (euro in millions) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| Cost of sales | (0.7) | 0.7 |
| SG&A expenses | (0.6) | 0.5 |
| R&D expenses | (2.0) | 0.4 |
| **Total** | **(3.3)** | **1.6** |

In order to improve its profitability and scalability in light of volatile semiconductor markets, Besi has undertaken a number of operational restructurings over the past eight years. Besi recorded a restructuring benefit, net of charges, of € 3.3 million in 2015 and charges of € 1.6 million in 2014. In 2015, the net restructuring benefit was primarily due to a pension curtailment gain of € 5.6 million partially offset by severance and other costs from Besi's 10% headcount reduction plan. In 2014, restructuring charges primarily related to the rationalization of its US die sorting operations.

## 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. In 2015, Besi recorded an impairment charge of € 0.3 million related to plating IT development assets. No impairment charges were recorded in 2014.

## Operating income

Besi reported operating income of € 57.9 million in 2015 as compared to € 72.1 million in 2014. Set forth below is a table presenting Besi's operating income for 2015 and 2014 and as adjusted for all restructuring charges (benefits) reported during each respective period.

| (euro in millions) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| Operating income | 57.9 | 72.1 |
| % of revenue | 16.6% | 19.0% |
| Restructuring charges (benefit) | (3.3) | 1.6 |
| **Adjusted operating income** | **54.6** | **73.7** |
| % of revenue | 15.6% | 19.5% |

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 € 9.1 million in 2015 and € 5.4 million in 2014.

## Financial income (expense), net

The components of Besi's financial income (expense), net, for the years ended December 31, 2015 and 2014, respectively, were as follows:

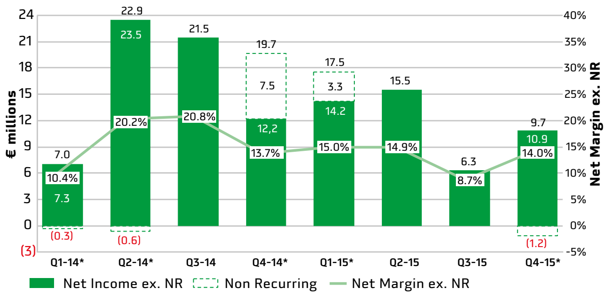
| (euro in millions) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| Interest income | 0.5 | 0.7 |
| Interest expense | (0.5) | (0.3) |
| **Interest income (expense), net** | **0.0** | **0.4** |
| Foreign exchange gains (losses), net | (0.8) | (1.1) |
| **Financial income (expense), net** | **(0.8)** | **(0.7)** |

Besi's financial expenses, net, increased slightly in 2015 due to lower interest income on cash balances.

## Income taxes

Besi recorded income taxes of € 8.1 million in 2015 and € 0.2 million in 2014 with effective tax rates of 14.3% and 0.3%, respectively. 2015 income taxes included charges of € 1.2 million principally related to an expected expiration of tax losses carryforward at Besi's Swiss operations. The 2014 effective tax rate was significantly lower than 2015 primarily due to an € 8.1 million upward revaluation of tax losses carryforward at Besi's Swiss and Dutch operations in Q4-14. Excluding such adjustments, Besi's effective tax rate in 2015 and 2014 was 12.9% and 11.8%, respectively.

### QUARTERLY NET INCOME TRENDS




* Adjusted to exclude:
- Tax loss carry forward revaluation adjustments (Q4-15) (€ 1.2 million)
- After tax net restructuring benefit (Q1-15) (€ 3.3 million)
- Deferred tax benefits (Q2-14, Q4-14) (€ 0.7 million, € 7.5 million)
- Restructuring charges (Q1-14, Q2-14) (€ 0.3 million, € 1.3 million)

## Net income

Besi's net income in 2015 was € 49.0 million as compared to € 71.1 million in 2014. Set forth below is a table presenting Besi's reported net income in 2015 and 2014 and as adjusted for all restructuring charges (benefits) and tax loss carryforward revaluation adjustments incurred during each respective period.

| (euro in millions) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| Net income as reported | 49.0 | 71.1 |
| **% of revenue** | **14.0%** | **18.8%** |
| Deferred tax and other adjustments | 1.2 | (8.1) |
| Restructuring charges (benefits) | (3.3) | 1.6 |
| Adjusted net income | 46.9 | 64.6 |
| **% of revenue** | **13.4%** | **17.1%** |

Besi's net income in 2015 decreased by € 22.1 million vs. 2014 primarily due to (i) a € 29.6 million revenue decrease, (ii) a € 9.3 million variance in deferred tax adjustments and (iii) € 18.8 million of increased operating expenses partially offset by (i) a 5.0 point gross margin improvement and (ii) a net restructuring variance of € 4.9 million.

## 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 € 18.5 million to € 136.5 million at December 31, 2015 primarily due to:

- € 86.5 million of cash flow generated from operations.
- € 1.9 million of cash flow from favourable foreign exchange movements on cash balances.

Positive cash flow was utilized primarily as follows:

- € 56.9 million of cash dividends were paid to shareholders.
- € 5.6 million of development expenses were capitalized.
- € 4.2 million of net capital expenditures were made.
- € 3.1 million of treasury shares were purchased, net of employee stock issuance.

### Working capital

Besi's working capital excluding cash and debt decreased from € 96.0 million at December 31, 2014 to € 81.6 million at December 31, 2015 due primarily to a decrease in inventories of € 15.6 million, trade receivables of € 12.6 million and other current assets of € 4.6 million related to lower sales activities partially offset by decreased trade payables and accrued lialibilities aggregating € 18.2 million.

### Capital expenditures

Besi's capital expenditures, net of dispositions, were € 6.5 million and € 4.2 million in 2014 and 2015, respectively. Besi's capital expenditures in 2015 consisted primarily of new production equipment for the upgrading and expansion of its Chinese facility and a € 2.2 million reclassification of certain field demo equipment from inventory to fixed assets. Besi expects 2016 capital expenditures of approximately € 5.0 million primarily focused on upgrading its Asian production capacity and Swiss and Dutch facilities as well as expanding 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 with internal resources and, in certain instances, via bank financing.

### External financing structure

At December 31, 2015, Besi had € 21.4 million of total indebtedness outstanding, of which € 8.0 million related to bank lines of credit and € 13.4 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 € 157.8 million at December 31, 2015 relative to its total indebtedness and cash flow generation prospects for 2016.

### Bank lines of credit

At December 31, 2015, Besi's subsidiaries had available lines of credit aggregating € 31.1 million, under which € 14.5 million of borrowings were outstanding (of which € 8.0 million related to notes payable to banks and the remaining balance of € 6.5 million related primarily to bank guarantees and foreign currency transactions). In general, interest is charged at the banks' base lending rates or Euribor plus an increment of between 0.7% and 1.75%. Most credit facility agreements include covenants requiring Besi and/or its subsidiaries to maintain certain financial positions or financial ratios and have no stated contractual maturity. In case of a covenant breach, the respective banks are entitled to redeem the credit lines. Besi and its applicable subsidiaries were in compliance with all loan covenants at December 31, 2015. In February 2016, Besi and its Dutch subsidiaries entered into a new multi purpose credit line of € 8 million, replacing the existing separate agreements aggregating € 8 million with improved conditions including a complete release of the pledge on assets.

For more information on Besi's bank lines of credit, please refer to page 86 in the Notes to the Consolidated Financial Statements.

### 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 2014, the Board of Management proposed and Besi paid a dividend to shareholders in cash equal to € 1.50 per share in May 2015, of which resulted in cash payments to shareholders of € 56.9 million in 2015.

Due to Besi's earnings and cash flow generation in 2015, the Board of Management has proposed a cash dividend of € 1.20 per share for 2015, of which € 0.20 per share represents a special dividend, for approval at Besi's Annual General Meeting of Shareholders on April 29, 2016.

The payments for the year 2014 and proposed for the year 2015 represent a dividend payout ratio relative to net income of 80% and 94% (approximately 80% ex special dividend), respectively.

## Share repurchase program

In September 2015, Besi announced the initiation of a share repurchase program under which it may buy back up to approximately 1.0 million Ordinary Shares (approximately 3% of its shares outstanding) on the open market from time to time and depending on market conditions. The repurchase program (i) is being implemented in accordance with industry best practices and in compliance with applicable buyback rules and regulations and (ii) was initiated to enhance shareholder value and help offset dilution associated with share issuance under employee stock plans. In 2015, Besi purchased 225,779 shares at a weighted average price of € 17.81 per share for € 4.0 million. Through February 23, 2016, Besi had purchased an additional 182,052 shares at a weighted average price of € 17.56 per share for € 3.2 million. In aggregate, Besi has shareholder authorization to purchase up to 10% of its Ordinary Shares outstanding (approximately 3.8 million shares) until October 2016.

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 proposed dividend for at least the next twelve months.


*Semicon Taiwan tradeshow 2015*

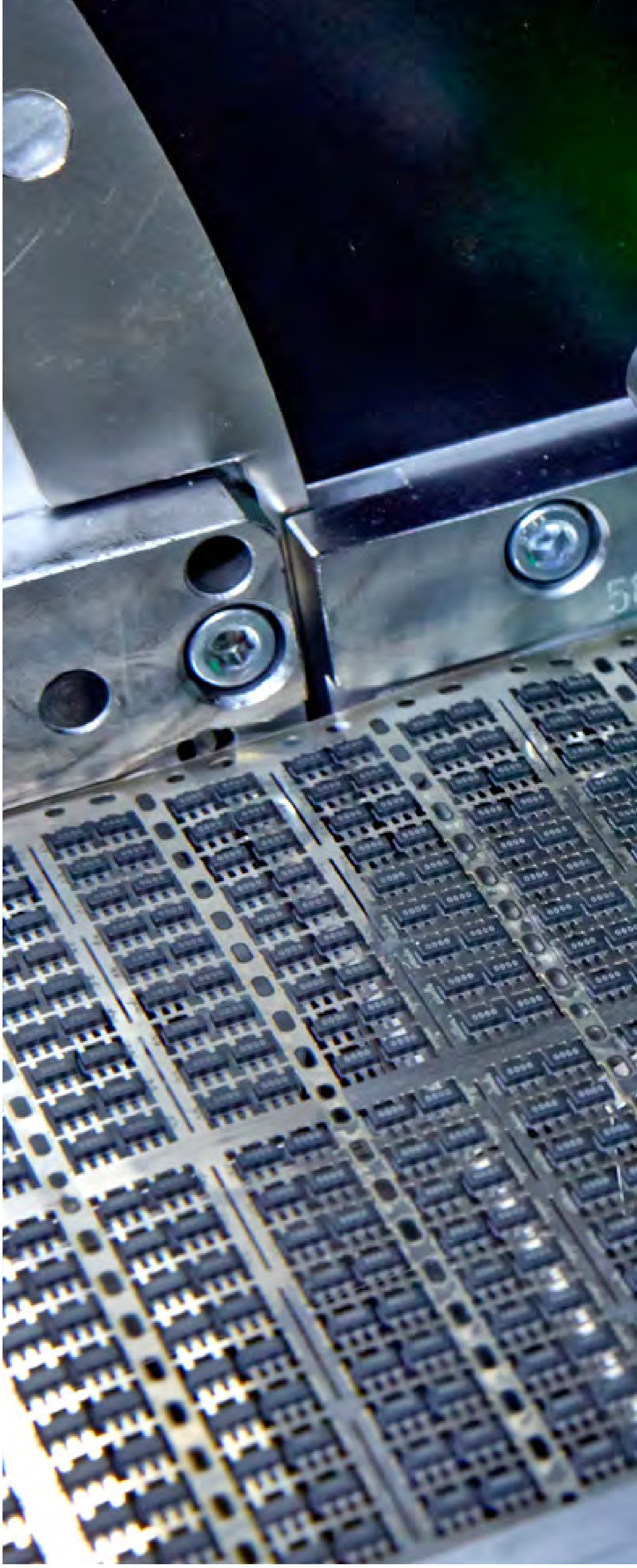
# Director's Statement of Responsibilities

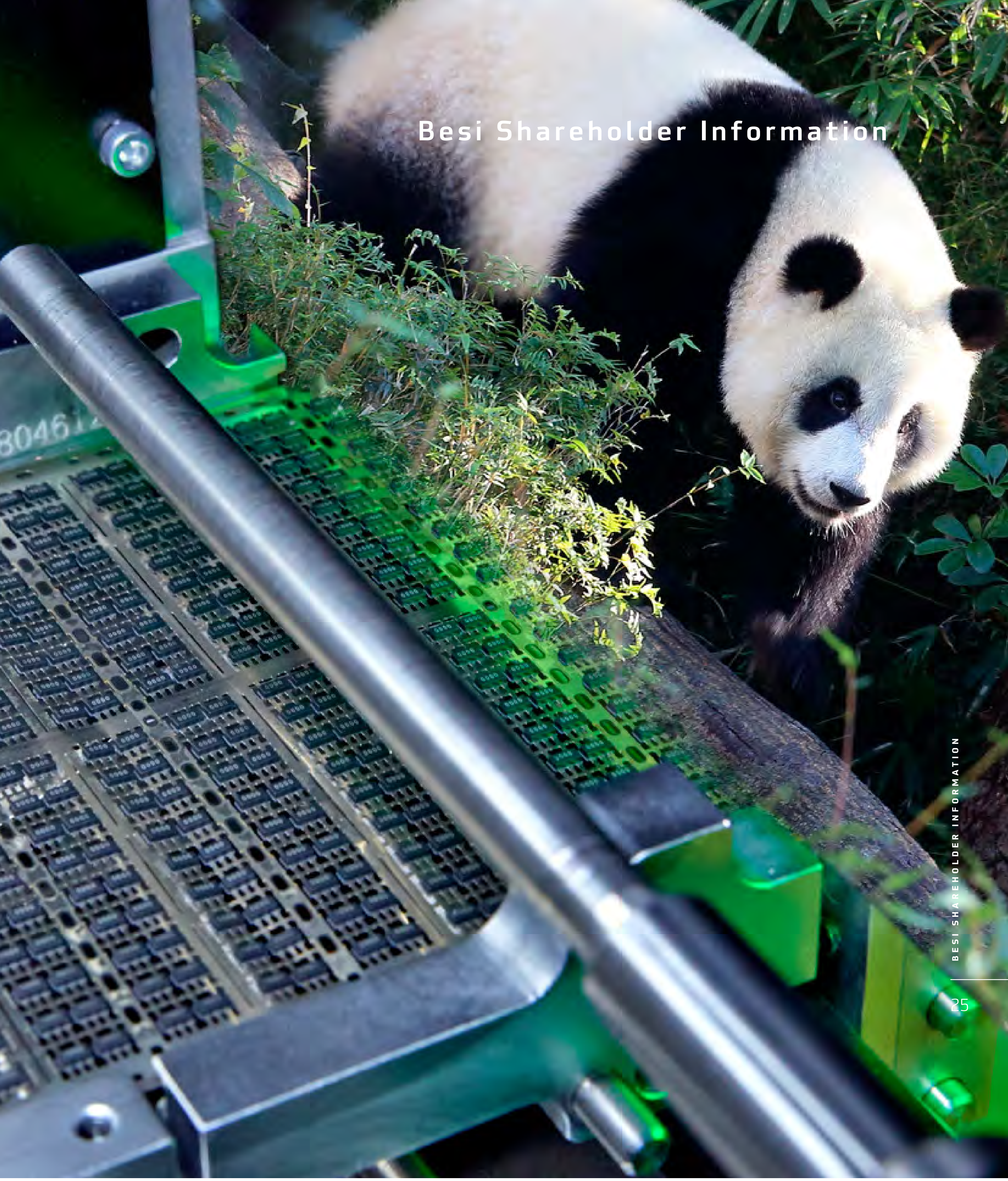
In accordance with statutory provisions, the director states, to the best of his knowledge that:

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

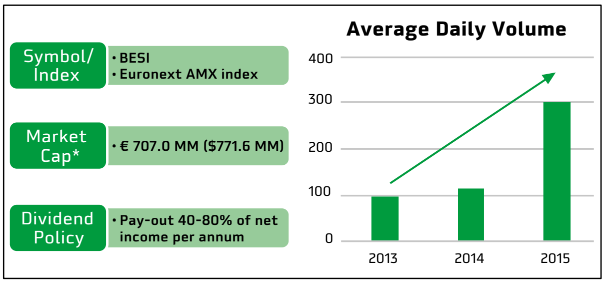
# Besi Shareholder Information

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

| | 2015 | 2014 |
|---|---|---|
| Number of Ordinary Shares, net of shares held in treasury | 37,863,456 | 37,712,540 |
| Average daily shares traded | 304,893 | 117,099 |
| Highest closing price (in euro) | 31.35 | 18.53 |
| Lowest closing price (in euro) | 12.14 | 8.20 |
| Year end share price (in euro) | 18.56 | 18.53 |

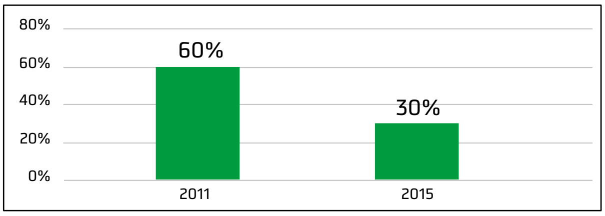
### Nasdaq International Designation
Besi's Level 1 ADRs are traded in the OTC markets (symbol: BESIY) and have participated in the Nasdaq International program since December 2015. Investors in Besi's Level 1 ADRs can find real-time quotes, news and financial information about Besi at **www.nasdaq.com**.

**BESI MARKET INFORMATION**




* As of 31/12/2015

Top 10 Shareholders (% of shares outstanding)




Source: Besi estimates

### Besi's equity structure
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. At the end of 2015, the number of issued and outstanding Ordinary Shares was 40,033,921 of which Besi held 2,170,465 shares in treasury.

As stated on page 27 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, 2017, 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 as of April 30, 2015.

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, 2017, 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 the General Meeting of Shareholders.

In connection with the issuance of Preference Shares, it may be stipulated 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 50% 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 as of the time of such repurchase through October 30, 2016.

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, 2015, 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 2014, the Board of Management proposed and Besi paid a cash dividend of € 1.50 per share which resulted in cash payments to shareholders of € 56.9 million in May 2015.

Due to Besi's earnings and cash flow generation in 2015, the Board of Management has proposed a cash dividend of € 1.20 per share for 2015, of which € 0.20 per share represents a special dividend, for approval at Besi's Annual General Meeting of Shareholders on April 29, 2016.

The payments for the year 2014 and proposed for the year 2015 represent a dividend payout ratio relative to net income of 80% and 94% (approximately 80% ex special dividend), respectively.

## 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, "AFM") of their share interests in the Company exceeding 3% or more:

| | |
|---|---|
| **Kempen Capital Management N.V.** | |
| Notification effective June 1, 2014 | 6.11% |
| **Darlin N.V.** | |
| Notification effective 19, 2008 | 5.86% |
| **BE Semiconductor Industries N.V.** | |
| Notification effective August 16, 2011 | 5.12% |
| **The Bank of New York Mellon Corporation** | |
| Notification effective January 29, 2016 | 3.08% |
| **Old Mutual plc** | |
| Notification effective January 25, 2016 | 3.04% |
| **Capfi Delen Asset Management** | |
| Notification effective July 24, 2015 | 3.03% |
| **JP Morgan Asset Management Holdings, Inc.** | |
| Notification effective March 8, 2016 | 3.03% |

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 Securities and SNS Securities act as market makers for Besi's shares on Euronext Amsterdam.

## Analysts

The following sell side analysts cover Besi's shares:

| | |
|---|---|
| Canaccord Genuity Inc. | - Jed Dorsheimer |
| ING Bank N.V. | - Nigel van Putten |
| Kempen & Co. | - Philip Scholte |
| 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 and presentations can be found on the Besi website. Contacts with institutional investors are further maintained by means of conference calls, conferences organized by brokers and Euronext and by investor visits to Besi.

The Company significantly increased its investor outreach in 2015. A total of 189 meetings with institutional investors were held including roadshows, conference calls and broker conferences. In addition, a total of 30 meetings with research analysts, private and retail investors, journalists and media outlets were held during the year to help further communicate the Besi story to the investment community and general public.

Important investor relations dates in 2016 that are currently planned (subject to change) are as follows:

| | |
|---|---|
| April 29, 2016 | 2016 first quarter results at 07.00 a.m. |
| April 29, 2016 | Annual General Meeting of Shareholders, to be held at Besi in Duiven at 10:30 a.m. |
| July 28, 2016 | 2016 second quarter results |
| October 27, 2016 | 2016 third quarter results |
| February 2017 | 2016 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 the treatment of price-sensitive information.

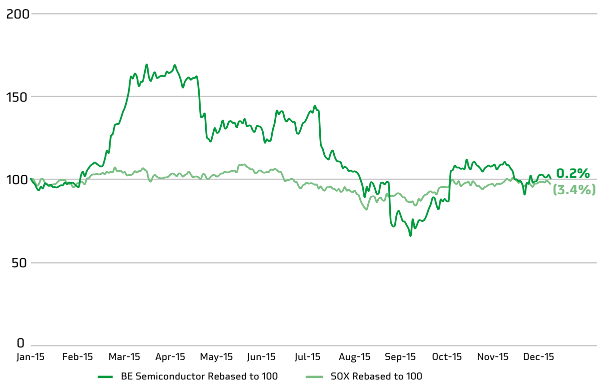
Besi has appointed a compliance officer who is responsible for monitoring compliance with its code of conduct and communicating with the AFM.

## 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 56 to 60 and pages 93 to 98 of this Annual Report.

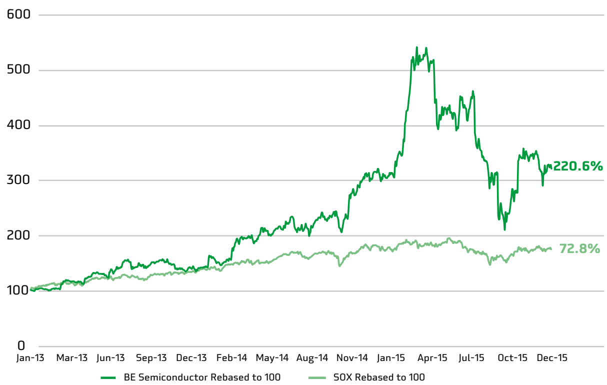
## Besi share price development

**BESI'S SHARE PRICE VS. SOX**
(Since January 1, 2015, rebased to 100)




Source: Capital iQ

**BESI'S SHARE PRICE VS. SOX**
(Since January 1, 2013, 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. Besi's risk management and control systems have been designed to address and help limit the risk factors described commencing on page 30. Besi does not rank the individual risks identified by management. We believe that all risks described herein have significant relevance to Besi and that a ranking process would negate the purpose of a comprehensive risk assessment. Besi management assesses its risks and risk management twice per year including the residual risks net of risk mitigating measures. Besi's risk appetite is aligned with its strategy and priorities.

In 2015, 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 equipment 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, Besi's operations are governed by a set of guidelines and instructions regarding the following topics:

- Code of Conduct
- Conflict Minerals Policy
- Supply Chain Policy
- Code of Ethics for Senior Financial Officers
- 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 which 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 103 to 109.

There were no indications that Besi's risk management and control systems did not function properly in 2015.

## Risks factors relating to Besi, its industry, its business and its shares

### 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 affected, 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 the second half of 2015, Besi experienced an abrupt and rapid reduction in Q3 orders as customers digested capacity added in 2014 and the first half of 2015, along with typical downward order pressure from seasonal factors.

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 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 customers 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 revenue, 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, the timing of industry capacity additions 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, wearables 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.

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. Industry downturns 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 fluctuated 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 impact on potential orders from consolidation trends among semiconductor producers.
- 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 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 € 77.8 million at December 31, 2015. Orders in Besi's backlog are subject to customer cancellation at any time upon payment of a negotiated charge. During market downturns, semiconductor manufacturers historically have cancelled or deferred additional equipment purchases. Besi's backlog may also be influenced by seasonal factors which typically cause backlog levels to decline in the second half of the year from peak levels reached at the end of the second quarter. As a result of industry conditions and/or seasonal influences, Besi's backlog declined by approximately 27%, 21% and 14%, respectively, from highest to lowest quarterly level in 2013, 2014 and 2015. In addition, because of the possibility of changes in delivery schedules, order cancellations 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, facility 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 € 250,000, 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 2015, Besi's three largest customers accounted for approximately 20.6% of its revenue, with the largest customer accounting for approximately 7.3% 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 customers 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.

**Recent consolidation activity in the semiconductor manufacturing industry has further increased customer concentration and the risk of loss.**
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 a 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 customer demands 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 lower cost 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 its 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, 86% of its sales in 2015 were to customers outside of Europe and 63% of its employees were located in facilities outside of Europe at year end 2015.

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, restrictions on foreign investments 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 a 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 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 provides a more open, standardized and cost-effective IT environment which has helped unify many of Besi's global systems and procedures.

In general, implementation of ERP or other enterprise 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 tables set forth Besi's revenue and costs and expenses by principal functional currency for 2015, 2014 and 2013:

| | Revenue | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Euro | 29% | 34% | 28% |
| US dollar | 70% | 65% | 71% |
| Malaysian ringgit | - | - | - |
| Swiss franc | - | - | - |
| Chinese renminbi | - | - | - |
| Singapore dollar | - | - | - |
| Other | 1% | 1% | 1% |
| **Total** | **100%** | **100%** | **100%** |

| | Costs and Expenses | | |
|---|---|---|---|
| | **2015** | **2014** | **2013** |
| Euro | 31% | 32% | 34% |
| US dollar | 5% | 4% | 7% |
| Malaysian ringgit | 28% | 37% | 22% |
| Swiss franc | 22% | 18% | 26% |
| Chinese renminbi | 7% | 5% | 5% |
| Singapore dollar | 4% | 2% | 3% |
| Other | 3% | 2% | 3% |
| **Total** | **100%** | **100%** | **100%** |

Besi's principal functional and reporting currency is the euro. In 2015, 2014 and 2013, Besi's revenue denominated in euro represented 29%, 34% and 28% of its total revenue, respectively, while its costs and expenses denominated in euro represented 31%, 32% and 34%, respectively, 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 euro, Malaysian ringgit and Swiss franc. Costs in Singapore dollars and Chinese renminbi are also increasing in importance as Besi expands its operations in each location.

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, and the relationships between, the euro, the US dollar, Swiss franc, Malaysian ringgit, Singapore dollar and Chinese renminbi. 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. Such increase had an adverse effect on Besi's supply chain costs and operating expenses despite its accelerated move of personnel and functions to Singapore during the year and ongoing supply chain transfer to Asian vendors.

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 2015 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.

**Besi’s business may be harmed if it fails to continue to attract and retain qualified personnel.**

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, particularly to help expand its Asian production and technical capabilities. 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 that 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 2015, Besi incurred net restructuring charges aggregating € 22.7 million of which a net benefit of € 3.3 million was recognized in 2015. 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

*Packaging Development Engineers Besi Netherlands*

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

The world is experiencing several global challenges which affect our business in a strategic way. Besi monitors these challenges and assesses their impact on its strategy and business operations. As a responsible citizen, we address these challenges in an appropriate way and contribute solutions to our people, our stakeholders and to the locations and communities in which we operate. That is our sustainability policy.

Besi's business is the development and sale of semiconductor assembly equipment utilized in end use applications such as smart phones, tablets, high end sensors, intelligent automotive electronics, cloud computing, data mining and the Internet of Things ("IOT"). Our leading edge equipment forms a part of production processes and systems used in the digital revolution. In our vision, the digital revolution and digitization of society is only in its infancy phase although the digital world is already deeply incorporated in the world's daily life. We anticipate that the digital revolution will play an increasingly important role in our lives over the next decade. For instance, we expect that the advent of IOT, smart cities and self-driving cars with artificial intelligence will lead to a real breakthrough in how society functions in a more ecologically responsible manner.

Besi is a relevant partner in the digital supply chain and aims to deliver its added value to help facilitate the development of the digital economy and society with related environmental and social advantages. For example, information and communication technology ("ICT") can help stimulate the share-economy and reduce material consumption with accompanying environmental benefits. In the social domain, access to information can enhance education and individual freedom which holds the potential to create opportunities and improve living standards. We seek to encourage such progressive societal developments in a way that enriches society as a whole. As such, Besi's corporate responsibility ("CR") is to balance ecological, social and economic interests and outcomes in promoting its business development to benefit all stakeholders, partners and communities in the locations in which we operate.

We are also committed to running our operations in accordance with recognized international standards for all human aspects related to Besi's business, such as safeguarding safe and healthy working conditions and respecting human rights in the supply chain. In addition, we are committed to reducing the impact on the environment of our operational footprint.

### 1.1. Important CR trends related to our business

We believe that CR 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 critical raw materials, a growing concern about climate change and many challenges in the social domain such as poverty and child labor. Besi observes several societal developments and challenges which influence our CR strategy.

Some current global trends will influence our business direction and CR strategy in the years to come. A renewed focus on clean technology is one such topic for which semiconductors could play an important role. In November 2015, the issue of climate change became a more important agenda topic as a result of the COP21 Paris conference. World leaders agreed that average global temperatures should not rise more than 2 degrees and that emissions should be reduced such that maximum temperatures do not rise by more than 1.5 degrees by century end. In our view, such objectives will accelerate the so called low carbon economy for which semiconductors are important contributors. In addition, the United Nations launched its Global Goals for Sustainable Development in September 2015, for which companies were asked to make contributions to address the pressing challenges outlined.

In addition, new developments in the healthcare and automotive sectors also influence our business as they require more advanced semiconductors and assemblies for leading edge applications. The expanded use of semiconductors in the IOT - 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 in the global environment.

Another trend potentially affecting Besi's business is the circular economy. As opposed to a linear economy in which we make, use and dispose of materials, a circular economy emphasizes (i) the usage of materials for as long as possible, (ii) the extraction of their maximum value while in use and (iii) the recovery and regeneration of products and materials at the end of each service life. Besi has already participated to a degree in this concept as it continually looks for opportunities to extend the useful lives of its materials, facilities and products from both a business and ecological perspective.

The rapid development of Asian economies in recent years and related increase in semiconductor demand is also an important trend affecting our business and CR. In this regard, system sales to Asian customers represented 67% of Besi's revenue in 2015. Similarly, production and supply chains are moving to Asia to reduce expenses and transport costs which have the beneficial effect of supporting local economies. In recent years, Besi has been increasing its production, engineering and supply chain capabilities in Malaysia, China and Singapore to increase its local customer presence and make its operations more efficient. As a more active Asian participant, Besi will also have more interaction with local communities and governments and may be confronted with issues of corruption which is a significant topic in the region.

The topic of conflict minerals has been growing as a corporate issue over the past few years. Several countries have been or are developing laws and regulations regarding the use of these materials which have increased attention on the semiconductor supply chain as well. Companies are expected to develop policies and mechanisms to eliminate conflict minerals in their supply chain. Besi has developed a Conflict Minerals Policy and develops products that do not contain conflict minerals.

### 1.2. Stakeholders

Stakeholder appreciation is at the heart of our CR strategy. We strive to understand and exceed stakeholder expectations whenever possible. Engagement with stakeholders helps Besi identify the opportunities, issues and risks that affect its business and performance. We gather vital intelligence through internal and external audits, supplier audits and customer dialogue, 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").

**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 encourage them to ask questions during our earnings calls and AGM. Investor interest in CR is growing as a consideration. In 2015, investors requested more CR information from us than in previous years particularly in the areas of conflict minerals and climate change.

**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. Moreover, they provide partnership opportunities to develop new assembly systems and sustainability solutions for the market. We see an increasing number of customers paying attention to CR topics as evidenced by our 2015 interactions. Special topics include conflict minerals, labor conditions, human rights, environmental performance, innovation and compliance with the Electronic Industry Citizenship Coalition ("EICC") code of conduct.

**Employees** expect Besi to use high social and ethical standards and to provide inspiring 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. The main topics employees addressed in 2015 were internal communication and stress management in the workplace environment.

**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 performs a certified third-party 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 try to work together with suppliers to lower our joint environmental footprint and create sustainable products. In 2015, special attention was also paid to conflict minerals topics.

**Society** expects Besi to respect national and international laws and regulations, minimize negative outcomes and provide transparency on economic, environmental and social issues. Besi abides by appropriate social, ethical and environmental standards for its operations which typically exceed minimum legal and regulatory compliance levels.

**Local governments** expect compliance with local laws, regulations and care for the health, safety and security of their communities. In Asian countries such as China, CR topics such as clean technologies are being given higher priority particularly in light of serious environmental issues in local communities. In all its operations, Besi uses European social and ethical standards and participates in dialogue with local chambers of commerce wherever possible.

Besi relies on healthy and stable local communities in the regions where it operates. We aim to have a positive impact on communities through good corporate and employee conduct and invest in several community projects, particularly in Asia. Besi senior managers review concerns raised by local communities and try to communicate issues and best practices to all stakeholders.

We listen to the concerns of our stakeholders and try to be as responsive as possible in the context of our business conduct. To date, we believe that information on our website and annual report has been responsive to stakeholder concerns. In 2015, Besi developed a Conflict Minerals Policy and made information available on the website to satisfy stakeholder requests. Besi continually seeks to identify CR and performance related topics of interest to its various stakeholders to define new CR goals and activities for the coming years in a pragmatic step by step manner.

### 1.3. Materiality assessment

Besi regularly evaluates CR topics deemed important to the conduct of its operations. We reassess periodically CR priorities and our societal impact, taking into account stakeholders' expectations. In our evaluation, we utilize GRI G4, the international guideline for sustainability reporting, which provides an overview of material CR related themes. Initially, a list of relevant topics was created for which high and medium assessment priorities were defined based on relative significance to Besi and its most important stakeholders. This year, we broadened the scope of the assessment by asking 20 senior Besi managers to rate the topics against two axes:

- Significance of the theme for Besi
- Significance of the theme for our stakeholders

The survey resulted in a number of slight adjustments to the ranking of high and medium assessment priorities and allowed us to further refine Besi's CR strategy and strategic CR themes. At present, we are focused on the most high priority topics. In future years, we anticipate gradually expanding the strategy to address medium priority topics as well as the participation of other stakeholders.

## 1.4. CR strategy and themes

Besi's CR strategy focuses on a limited number of specific themes applicable to our business for which we gradually develop programs appropriate to Besi's size, nature and culture. Each theme is addressed and monitored by a number of key performance indicators ("KPIs") to highlight if action is required. Our key themes are represented in the chart below.


### 1.4.1. Quality and sustainable impact of products

We contribute to a more efficient and cleaner industry through our products, particularly low carbon products and services. Besi continually seeks potential opportunities to develop new ways to assemble semiconductors and components used in advanced electronic applications such as mobile internet devices, logistical systems, cloud servers, intelligent automotive electronics, the IOT, advanced medical equipment, solar and renewable energy, high end rechargeable batteries and LED devices. We invest in the development of low carbon products and services to help our customers operate more efficiently and in a more environmentally friendly and cost saving manner, for instance by introducing products with fewer and lighter materials.

Besi works closely together 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 favorably impact a customer's usage of environmental resources.

### 1.4.2. Employees

We can only assure our profitability, sustainability and long-term growth if our employees are engaged and motivated. Besi strives to be a good employer by engaging, supporting and developing its people and treating their safety and well being as a paramount concern. The issue of human well being 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 through attractive remuneration.

### 1.4.3. Sustainable supply chain

We feel a shared responsibility for sustainability issues not only in our operations but also in our upstream supply chain including the sourcing of virgin materials and semi-finished products. We discuss and audit our suppliers on a number of sustainability issues such as conflict free minerals, human rights and child labor conditions as well as environmental issues. By dialogue and auditing, we hope to enhance sustainability in the entire supply chain.

### 1.4.4. Environmental impact of operations and transportation

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. 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, waste and cost.

### 1.4.5. Ethical behavior

Besi operates with proper ethical standards and in compliance with all relevant laws and regulations in the locations where it operates. Because of growing semiconductor demand, Besi has shifted its production and supply chain to Asia to increase efficiency, improve its local customer presence and to support local economies. As a more active Asian participant, Besi will also have more interaction with local communities and governments and may be confronted with issues of compliance and corruption. We aim to minimize these risks in our operations.

### 1.4.6. Community involvement

We contribute to the well being of those living in the environments in which we operate and consider it an important aspect of our CR strategy. For each of our operations, we develop tailor made activities addressing the needs of the local society.

## 1.5. Organizational governance

Accountable to the Supervisory Board and to shareholders, Besi's Board of Management is responsible for achieving its strategy and CR objectives. Our CR management approach is fully aligned with Besi's hierarchical structure. Line managers are responsible for CR issues in their respective departments. Besi has assigned independent staff officers in the fields of human resources, environment, quality and integrity at all locations to support line managers. In addition, 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 and safety is part of the ISO 14001 management system. 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 and are reported in the Annual Report on an annual basis. We intend to introduce an internal CR monitoring and review system with data presented twice a year in order to better monitor progress. This initiative was postponed from 2015 until 2016 given operational restructuring activities undertaken during the year which required a substantial amount of management time and attention.

Our Remuneration Policy (see Corporate Governance) describes our compensation system. Several non-financial goals are included in the determination of variable remuneration payable to management.

## 2. 2015 activities and results

### 2.1. Quality and sustainable impact of products

#### 2.1.1. Customer satisfaction

The semiconductor industry is a fast paced, ever changing business which can be seasonal and highly volatile in nature. Customer requirements and expectations are becoming more demanding in terms of accuracy, size, cycle time, cost and quality. Besi has a very experienced sales and service team that works closely with customers to understand their needs and fulfill their requirements. Customer satisfaction is an important measure to determine if customer needs are being fulfilled along with areas for improvement.

We receive ongoing feedback about our products and services through Besi's sales and service departments. Many of our customers regularly perform supplier performance evaluations in which we are asked to perform self-assessments and be audited. Increasingly, these evaluations include CR aspects, such as human rights, labor practices, conflict minerals and the environment. We are pleased to participate in such evaluations.

Once a year, we perform our own customer satisfaction survey through which we measure our performance with customers on service and support, technological issues and quality and product management. The survey results form part of the management review per product group. Overall customer satisfaction in 2015 improved compared to 2014 and scored in the category "exceeding customer expectations". Our scores on service & support, technical issues and product management also "exceeded customer expectations". For technical issues, the improvement was as a result of measures taken to reduce response times including the introduction of KPIs and a process for prioritizing technical issues based on the level of urgency. For quality issues, Besi's score improved as well although not yet in the highest category.

Management defined several KPIs for quality improvement this year which will be reviewed every two months at the senior management level. In addition, there are a number of other factors which should help improve product quality including the appointment of a dedicated Die Attach quality manager in Switzerland. Besi should also benefit from more unique focus by both its development and production personnel after the transfer of system production and supply chain from Europe to Asia.

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. Although revenue declined this year due to a market downturn, we gained share in certain product lines and increased the breadth of product revenue through new products and end user market opportunities. Another external objective indicator of product quality is warranty cost, which decreased, as a percentage of revenue, in 2015. Lower after sales warranty cost implies improved product quality and fewer service calls.

Besi's target for 2016 is to realize 'exceeding customer expectations' for all categories.

#### 2.1.2. Sustainability impact of products

Besi contributes to a more efficient and cleaner industry through its low carbon products and services. We continually seek opportunities to develop new ways to assemble semiconductors and components used in advanced electronic applications such as mobile internet devices, logistical systems, cloud servers, intelligent automotive electronics, the IOT, advanced medical equipment, solar and renewable energy, high end rechargeable batteries and LED devices.

Besi invests in the development of more environment friendly products and services to help its customers operate more efficiently and in a more environment friendly manner. We have introduced products with fewer and lighter materials, no hazardous materials and improved energy efficiency which helps reduce the customer's total cost of system ownership. For example, Besi launched a new wafer level molding system in 2015 which reduced energy consumption by 5 to 10%. We utilize a checklist which includes the factors our engineers must evaluate in product design of which environmental, materials management (such as materials reduction, recycling, re-use, non-usage of hazardous materials) and form factor are critical considerations.

Besi's products also co-exist well with the new emphasis on the circular economy. Our systems typically have a long life span of approximately 10 to 15 years, can be re-used and repurposed by customers depending on end use applications and can be upgraded via the purchase of kits, additional parts and/or software without a new system purchase.

### 2.1.3. Product safety

Besi responsibly designs its products so that customers can use them safely at high levels of performance. We have hired an external agency that performs audits on newly developed products according to local and international regulations and standards. In addition, customers can specify additional features to further enhance product safety and usage for which audits can be performed. In 2015, Besi did not receive any customer complaints concerning product safety.

## 2.2. Employees

### 2.2.1. HR organizational hierarchy

HR managers are appointed who are responsible for a region and/or product group and oversee local HR officers per country. The regional HR managers report to product group or global operations SVPs, who further report to the CEO. Twice a year, all HR managers meet to discuss corporate HR procedures and timelines.

Besi is registered with the EICC. We apply EICC policies to our supply chain as well as our own organization including labor and human rights conditions, discrimination and safety and health management. We observe EICC policies and will include compliance therewith in our 2016 employment policy.

### 2.2.2. Diversity

Besi values and encourages cultural, age and gender diversity in its workforce and management. We try to create an all-inclusive workplace to help broaden our perspective and contribute to growth. Equal opportunities are provided to all employees and applicants which is embodied in our Code of Conduct. Besi aims to increase the number of young employees and female employees in its operations, but, despite all efforts, this process has gone slowly. It was difficult to increase diversity in 2015 given an industry downturn which slowed and, in some instances, decreased new hiring per region. The available pool of female engineers is also still relatively low particularly in Europe. In Malaysia, we work together with Talentcorp (under the Prime Minister's office) to increase the number of female engineering and professional employees.

| Indicator | 2013 | 2014 | 2015 |
|---|---|---|---|
| **Female employees** | | | |
| Asia | 19% | 19% | 19% |
| Switzerland | 14% | 13% | 13% |
| Austria | 10% | 11% | 11% |
| Netherlands | 9% | 9% | 10% |
| Total | 16% | 16% | 16% |
| **Female employees in management positions** | | | |
| Asia | 13% | 13% | 18% |
| Switzerland | 13% | 13% | 11% |
| Austria | 5% | 3% | 4% |
| Netherlands | 6% | 8% | 8% |

### 2.2.3. Harmonizing HR policies

Besi's HR policies can vary per region because of the different work performed per facility, local circumstances, customs and government regulations. Besi's largest product group is Die Attach which is headquartered in Cham, Switzerland. The focus of the Die Attach group for the past two years has been to harmonize its HR policies and accompanying systems and procedures under the direction of the HR manager. Previously, Die Attach sites in Switzerland, Austria, Singapore and the US all had their own HR policy. The harmonization process is ongoing.

Besi's Packaging and Plating product groups are based in the Netherlands. The HR departments from both product groups were already integrated in 2014. The process of harmonizing HR policies, systems and procedures will continue in 2016.

### 2.2.4. 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. These are communicated in annual reviews. Training is organized and provided both at the department level and by the HR department.

Besi provides a variety of education and training programs to its employees. Many training programs are offered to employees through sessions at recognized training facilities. We also encourage technical knowledge exchanges amongst our employees and the development of cross functional skills by organizing training and short or long-term overseas exchange projects. Besi APac offers employees an online training application program under which they can browse training programs offered and propose to managers any listed training that is deemed beneficial. In addition, local and international students have the opportunity to work at Besi as an intern.

In 2015, a talent management and succession planning program was introduced whose purpose is a systematic identification, development and retention of talent.

The objective is to build a talent pool of eligible candidates for successful short, mid and long-term succession planning. Particular attention will be paid to the development of talented personnel for whom a career path and personal development plan will be created. Besi intends to implement the program in 2016.

Besi APac offers three leadership development programs which were launched in 2013 and one which was launched in 2015. In 2013, the Accelerated Leadership Program was developed for first tier leaders (Directors, Senior Managers and Managers) to provide them high level leadership, operating and strategic execution skills. The Emerging Leadership Program was also developed in 2013 for second tier leaders (operational leaders, newly promoted managers, individual contributor managers and section heads) to equip them with essential communication, coaching, delegating and performance management skills. Since 2013, 94 leaders have participated in leadership programs. In 2015, an Executive Development program was introduced for professional level employees under which 45 employees participated in 2015. This program will continue in 2016.

In 2014, Die Attach developed a technical career path in addition to its manager career path. In 2015, the technical career paths of Besi Switzerland and Besi Austria were harmonized. If employees choose one of these career paths, assessments will be performed to define a personalized development program.

Besi will continue its emphasis on employee development and improving personnel metrics.

| Indicator | 2013 | 2014 | 2015 |
|---|---|---|---|
| Total headcount fixed | 1,434 | 1,510 | 1,499 |
| Employee turnover | 14% | 11% | 12% |
| New employee hires | 11% | 20% | 12% |

### 2.2.5. Employee satisfaction

Engaged and satisfied employees are critical to the success of our Company. As such, Besi monitors employee satisfaction across regional operations through periodic employee surveys.

In the Netherlands, the Works Council conducted a survey starting in 2015 on employee reactions to Besi's business strategy including the development of European centers of excellence and Besi's Asian production transfer. The survey will be finalized in 2016 with results and actions discussed thereafter.

At Besi APac, an employee survey was conducted in 2014. The main concerns expressed in the survey were performance management, compensation, benefits, communication and collaboration. A focus group was set up to discuss how these areas could be improved. Management also organized a dialogue with employees on compensation and benefits to be more transparent in the context of current policies. Based on feedback, some benefit changes were made.


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, employees indicated that internal communication could be improved and, as a result, a monthly information session for employees with the SVP was introduced. In addition, the frequency of meetings between the Works Council and the SVP was increased from quarterly to monthly. In Singapore, Korea and Taiwan, an employee dialogue and survey is done annually. The HR department discusses concerns raised in the surveys with line managers and develops a responsive action plan. Each year, the HR department follows up on the action plans to ensure that all issues are being addressed and staff feedback is given. Based on the most recent survey, 95% of employees in Singapore, Korea and Taiwan are satisfied with employee conditions. 99% of them feel motivated to work for Besi and 98% feel that their employment position meets their expectations.

### 2.2.6. Health, safety and wellbeing

Besi treats its employees' safety and health with the utmost importance. All of Besi's production sites have environment, health and safety ("EHS") officers and committees and a health and safety management system. These committees have representatives from each department and are responsible for inspection, enforcement and promotion of health and safety within the workplace. EHS Committee inspections are conducted quarterly to identify and address any unsafe acts and conditions that exist. Employees regularly receive EHS training.

Besi regularly monitors industrial and traffic accident cases. In 2015, we had a limited number of accidents, none of which were serious. Besi's goal is a zero accident rate which it hopes to achieve by continuously educating and motivating employees to work in a safe and healthy manner. When accidents happen, causes are analyzed and measures are taken to prevent repetition.

Besi also tracks sick leave rates to monitor employees' health status. During particularly busy periods, Besi pays extra attention to the well being of its employees and tries to recognize their commitment to the Company. In 2015, we undertook some measures to help improve international employee travel. We registered at International SOS, which provides medical, clinical, and security advice and assistance to organizations with international travelers and set up a vaccination program for employees.

In Malaysia and China, medical insurance is provided to employees although there is no formal requirement by law. In Malaysia, benefits for employees with critical illnesses are not defined by law. In contrast, Besi provides critical illness benefits to Malaysian employees in which full salary is provided for a period ranging from two to six months. Subsequently, employees receive half salary payments for a period of time based on their years of company service. We are also evaluating periodic health check ups for our Dutch employees in 2016.

| **Indicator** | **2013** | **2014** | **2015** |
|---|---|---|---|
| Sickness Rate | | | |
| Asia | 0.2% | 0.2% | 1.1% |
| Switzerland | 2.0% | 1.2% | 1.1% |
| Austria | 2.1% | 2.0% | 2.3% |
| Netherlands | 2.7% | 3.2% | 3.7% |
| Number of incidents in the workplace | 10 | 7 | 7 |

### 2.2.7. Communication and dialogue

Besi considers open and constructive labor relations as a key asset for a successful company. Therefore, we encourage an atmosphere of open dialogue between managers and employees. We apply several instruments to safeguard such a dialogue. During performance appraisal conversations, we encourage employees to raise their concerns and interests to their managers and vice versa. Employee interests are communicated in a more institutional way via Works Council representation. 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, China and Singapore. At present, there are neither labor unions nor Works Councils in Asia. However, 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, Besi APac employees are represented by a member of the Company's Health & Safety Committee. This committee monitors workplace conditions and informs employees of measures taken to ensure their health and safety. In Singapore, Taiwan and Korea, quarterly employee sessions are organized where the SVP shares information about Besi's progress.

## 2.3. Sustainable supply chain

Besi adheres to high ethical standards and expects the same from its suppliers. Our Supplier Code of Conduct outlines the standards we expect our suppliers to meet in areas such as human rights, product quality, health and safety and the environment. All of our suppliers need to sign our Supplier Code of Conduct. We also ask these organizations to have their own suppliers understand and promote the Besi Supply Chain Policy.

Besi also registered with the EICC whose requirements include social and environmental responsibilities, labor and ethics management and health and safety management. As of 2015, our Supply Chain Policy and Suppliers Code of Conduct were fully in accordance with EICC requirements. All our suppliers have to meet these requirements as well.

### 2.3.1. Defining risk suppliers and self-assessments

We performed the EICC supply chain risk assessment to identify high, medium and low risk suppliers in accordance with EICC methodology and definitions. Subsequently, we asked our 47 high and medium risk suppliers (80% of our purchasing volume) to complete the EICC self-assessment of which 50% complied in 2015. We also performed this self-assessment for Besi itself. Besi scored 80.3% on the total evaluation score. As follow up, Besi has organized several information and training sessions since 2015 to inform suppliers of our policy and to support them with the completion of the EICC self-assessment. We are in the process of finalizing the last remaining supplier self-assessments.

### 2.3.2. Supplier audits

We regularly perform audits of our suppliers. In total, 63% of our suppliers were audited in 2015. Potential new suppliers are evaluated by an on-site audit against set criteria. If the audit results meet the requirements, a new supplier is registered. Otherwise, a new supplier must be selected.

For existing suppliers, two types of audits are currently being performed, initial audits and operational audits. In the initial audit, the supplier is given a score on several topics to assess their competency in the corresponding area. The EICC self-assessment results are part of the audit scorecard. All of our high risk and medium risk suppliers were audited based on the results of the self-assessment in 2015. Any findings will be communicated back to the supplier including proposed follow up actions and deadlines for improvement. After the initial audit is completed, the scorecard is reviewed every quarter.

### 2.3.3. Conflict minerals

Profits from conflict minerals found in the Democratic Republic of Congo (DRC) have supported conflict, human rights violations and labor and environmental abuses in the region for years. Besi is dedicated to the elimination of conflict minerals in its supply chain. The term ''conflict mineral'' includes coltan (from which tantalum is derived); cassiterite (tin); gold; wolframite (tungsten); or collectively "3TG". Besi supports the use of conflict free minerals from the DRC and its neighboring countries so that responsible mining in the area is supported. We developed a Conflict Minerals Policy in 2015 which forms an integral part of Besi's Supply Chain Policy and is available on our website.

We are now conducting a conflict mineral due diligence process which aims to identify the smelters for 3TG minerals. Currently, it is unknown how many steps away in the supply chain the smelters are. In our due diligence, we selected the 68 most important suppliers for which conflict minerals could be a risk. Our suppliers must:

- Commit to eliminate conflict minerals from the DRC or one of its neighboring countries in our supply chain.
- Identify and disclose all smelters or refiners of tantalum, tin, tungsten or gold.
- Utilize smelters validated by an independent private sector audit firm.

As such, Besi is fully aligned with the Conflict Free Sourcing Initiative ("CFSI"), as empowered by EICC and GeSi. Upon contract or GWA renewal, Besi requires its suppliers to sign the CFRT declaration. In addition, Besi requires that all suppliers in between itself and the smelter must adopt its policy and take the same measures for compliance. It is difficult to predict how much time this will take to accomplish.

#### 2.3.4. Local sourcing

The substantial majority of Besi's supply chain has been moved to Asia consistent with its Asian production transfer and the geographic revenue mix of its customers. In addition, our objective is to (i) be closer to our customers to increase potential revenue opportunities and direct shipments and (ii) reduce transportation costs and the environmental impact from the extra transportation and packaging steps involved in shipping systems back and forth from Europe to Asia prior to final customer delivery. Wherever possible, Besi intends to source as many materials, components and sub assemblies as possible in the country where its production facilities are located. Local sourcing both stimulates local economies and reduces transportation costs and the environmental impact on our upstream supply chain. In 2015, we sourced 70% of the material needs of our Malaysian operations from Malaysian vendors. In China, this ratio was 40% as system production is relatively new at this facility and procurement is still done primarily by Besi APac in Malaysia. We anticipate that the local sourcing percentage will increase significantly in the years to come.

### 2.4. Environmental impact of operations and transportation

Besi attempts to limit its impact on the environment at all subsidiaries and facilities from initial marketing and sales through product development, purchasing, assembly, final delivery and after sales customer service. All operations have a certified ISO 14001 management system in place ensuring the highest quality and safety standards for production. In 2016, Besi will start the renewal process for its ISO 14001 certification in compliance with current standards. We expect to complete the process in 2017.

#### 2.4.1. Climate change and energy

As a responsible citizen, Besi is committed to combat climate change wherever possible. We started the Besi Energy Saving Program in 2013 to increase our energy savings and reduce our $CO_2$ footprint. Energy consumption at Besi's operations can be detailed as follows: (i) energy required for facilities (light, air conditioning, PCs etc.) and (ii) energy for production processes (machines, engines, motors etc.). Our energy saving program helps employees make small changes to workplace energy consumption that can make a big difference ultimately. Current conservation efforts are primarily focused on lighting, computer, laptop and air conditioning usage.

Besi APac, Besi's principal manufacturing operations, realized its energy consumption objective in 2015. Savings of 50% were achieved primarily by replacing fluorescent tubes with energy efficient LED tubes. Due to the success at Besi APac, we are extending the program to other operations as well. Our current focus is the implementation of an energy savings program at Besi Leshan which we hope to accomplish by the end of 2016.

Our energy usage in Europe is decreasing because of the reduction of our European production activities and footprint. We anticipate significant energy savings from our European facilities in 2016 due to actions taken over the past two years to consolidate and eliminate excess capacity and floor space.

| Indicator | Unit | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Electricity | GWh | 12.5 | 13.2 | 13.9 |
| Other energy use | GWh | 2.6 | 1.8 | 2.5 |
| Total energy use | GWh | 15.1 | 15.0 | 16.4 |
| | GWh/revenue | 0.059 | 0.040 | 0.047 |

#### 2.4.2. Packaging and waste

Besi wants to reduce the generation of material waste in its operations. In all facilities, extensive waste separation systems are in place and the recycling, re-use and reduce ("3R") concept is promoted among employees. In China, employees participated in a 'Learning to see waste' training program to help them identify and eliminate waste wherever possible. On a consolidated level, absolute waste volumes decreased by 29% in 2015 vs. 2014 (see table on next page).

Besi APac established a Waste Management Program in 2013 to closely monitor the efficiency of its waste management system. The program covers all areas of its operations including the recycling of materials, evaluation of recycling vendors and the elimination of non recyclable materials wherever possible such as polystyrene. Recycling activities and oversight extend as well to selected recycled waste collectors to encourage the processing and re-usage of hazardous waste into new products.

Additional company-wide efforts to reduce waste are mainly focused on the packaging process. Besi carefully packages all parts and equipment for transport in order to ensure their quality and performance and uses materials such as plastic, wood and cardboard to ensure their proper protection. To minimize waste, packaging quality has been improved to better protect products during transport and existing packaging is re-used multiple times. In addition, inbound packaging is either returned to the supplier or re-used for product shipment to customers (outbound packaging). In some cases, if a supplier is located close to our operations, inbound packaging can be eliminated completely. We do not yet have a formal system in place to re-use packaging for outbound applications. As a result of our efforts, we achieved a reduction of packaging material usage by suppliers (inbound packaging) of approximately 40% in 2015 as compared to 2012.

| Indicator | Unit | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Hazardous waste | Ton | 23 | 15 | 21 |
| Non-hazardous waste | Ton | 157 | 204 | 134 |
| Total waste ton | Ton | 180 | 219 | 155 |
| | kg/revenue | 708 | 579 | 443 |

### 2.4.3. 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. We have implemented a number of measures to reduce transportation costs and their environmental impact. First, Besi is procuring more on a local level, because sourcing products, materials and components locally decreases aggregate transport cost as well as the associated environmental impact. Second, the transportation of heavy parts (>100 kg) is now carried out by boat instead of by plane. Finally, we are encouraging suppliers to follow our transportation and logistics methods to both reduce related costs and minimize any adverse environmental impact. As a result, we were able to reduce freight costs by 94% between 2012 and 2015.

### 2.4.4. 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. In 2015, we bought several new machines with better water management, recycling and filtering capabilities.

| Indicator | Unit | 2013 | 2014 | 2015 |
|---|---|---|---|---|
| Water usage | $m^3$ | 26,512 | 30,020 | 28,820 |
| | $m^3$/revenue | 104 | 79 | 83 |

## 2.5. Ethical behaviour

### 2.5.1. Anti-corruption
The importance of appropriate anti-corruption policies and measures has increased with Besi's expansion of its Asian operations and supply chain activities. In 2015, we appointed a Director of Internal Control for both Europe and Asia who reports to the SVP Finance and Chairman of the Audit Committee. We also completed an internal risk assessment of anti-corruption policies and procedures in the organization. In addition, an external assessment is being conducted by an outside accountant of policy content and implementation, the results of which will be discussed in 2016.

*Employment jubilees Besi Netherlands*

### 2.5.2. Code of Conduct
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 employees 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. Employees can raise concerns through help lines, the HR department and management. During 2015, no violations of the Code of Conduct were reported.

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

## 2.6. Community involvement

In 2015, Besi supported several activities in the local communities in which it operates, particularly in Asia where the support is more greatly needed. Since 2014, Besi APac has supported the IDEAS Academy (Education is for ALL), a local non-profit organization which provides education to underprivileged Malaysian youth.

Besi supports the organization financially as well as through the provision of laptops. Three Besi employees are also part of the organization's Executive Committee.

Besi also supports local orphanage homes and schools in Malaysia and China by providing food, toiletries and school supplies and organizing special activities for children. In a Health & Safety week that was organized in Malaysia, 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. In 2016, Besi APac plans to conduct a tree planting program in collaboration with the Forest Research Institutes Malaysia to increase tree preservation in the country.

## 3. Outlook

Besi is committed to further expand and refine its CR initiatives and management. First, we intend to improve our CR data-management, reporting and monitoring procedures including more frequent internal reporting of most relevant KPIs and quantitative targets. In addition, we intend to improve CR activities in a number of areas including:

- The enhancement of our products and services so that we exceed customer expectations in all categories.
- Improvements to our energy and $CO_2$ efficiency.
- The exploration of circular economy concepts and their utilization in our products, operations and processes.
- Implementation of our Talent Management program for key employees.
- Implementation of Besi's sustainable supply chain policies and practices with vendors, including our Conflict Minerals Policy.
- Expansion of local sourcing due to Besi's Asian production and supply chain transfer.
- Reduction of excess transportation and waste in our operations and in the environments where we operate as well as our European operational footprint.

By such actions, we hope to earn the continuing appreciation of stakeholders and exceed their expectations.

# Supervisory Board

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

Lawyer, arbitrator, mediator DeWaardSinke Advocaten

**Additional function:**
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 2015 - 2019

**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
Available for reappointment

Managing Director, The Investment Fund for Foundations (TIFF), until June 1, 2016

**Additional function:**
Director and treasurer for a non-profit board (Bay Area Arabic school)

**Kin Wah Loh (male, 1954)**
Malaysian nationality
Member since 2015
Appointed 2015-2019

Vice Chairman Ampleon Netherlands B.V.; Managing Partner Beijing Jianguang Asset Management Co. Pte.

**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:

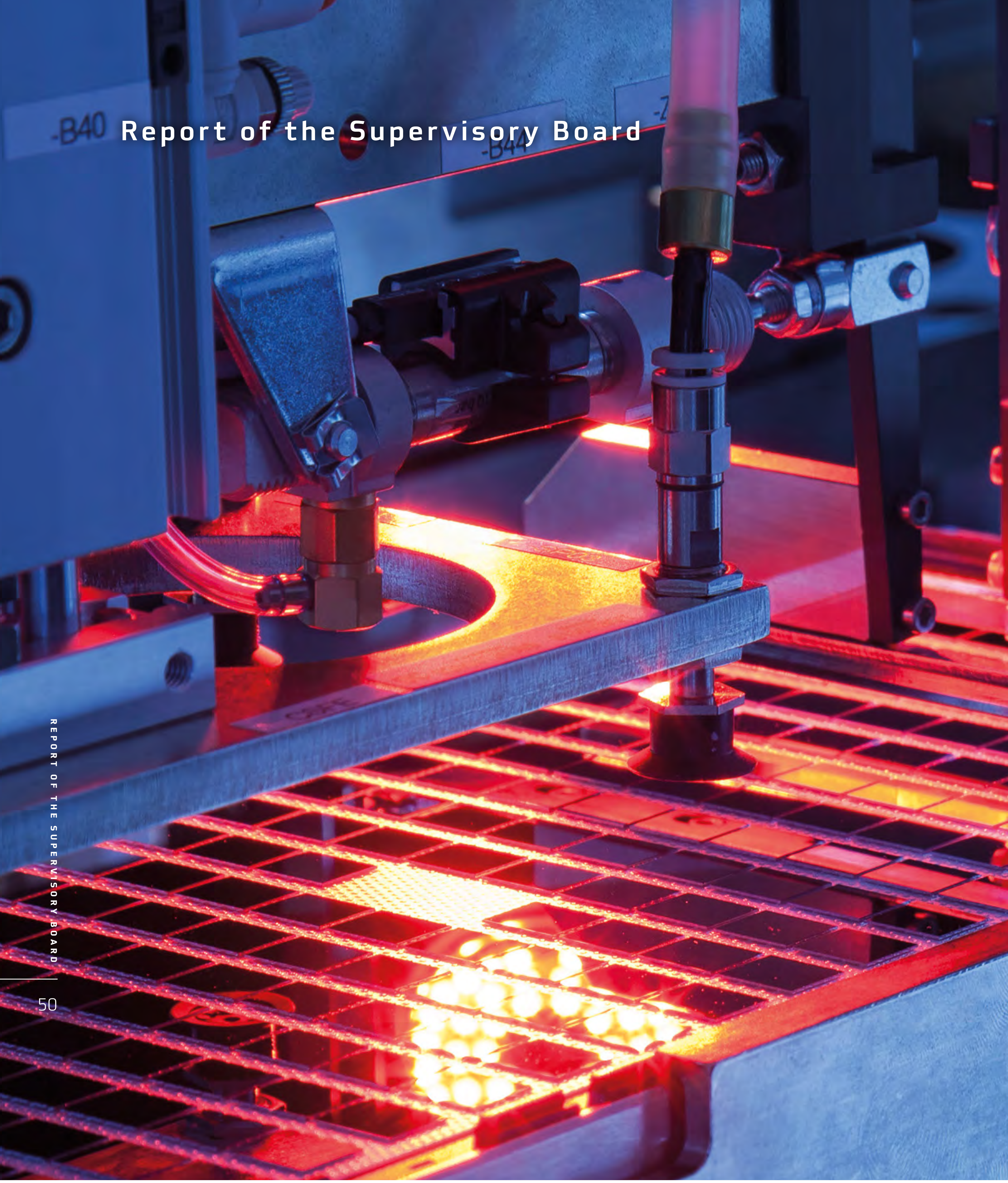
**Audit Committee:**
Members: Jan Vaandrager (Chairman), Douglas Dunn, Mona ElNaggar, Kin Wah Loh and Tom de Waard.

**Remuneration and Nomination Committee:**
Members: Douglas Dunn (Chairman), Mona ElNaggar, Kin Wah Loh 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. One member of the Supervisory Board owned as of December 31, 2015, in total 24,610 shares of the Company.

*Supervisory Board visit Besi APac in 2015*

# Report of the Supervisory Board



# Report of the Supervisory Board

Besi is pleased to present its 2015 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, 2015. At its meeting on February 24, 2016, the Supervisory Board approved these Financial Statements. Deloitte, independent external auditors, duly examined the 2015 Besi Financial Statements and issued an unqualified opinion thereon.

The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2015 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 cash dividend of € 1.20 per share will be declared for the year ended December 31, 2015.

### 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, 2015, Mr Douglas Dunn was reappointed for a four year term. In addition, Mr Kin Wah Loh was newly appointed for a four year term.

Mr Tom de Waard and Ms Mona ElNaggar will be available for reappointment upon the expiration of their terms in 2016. The Supervisory Board proposes to nominate Mr Tom de Waard and Ms Mona ElNaggar for new four year terms at the 2016 Annual General Meeting of Shareholders. Mr De Waard was first appointed in 2000 and has served on Besi's Supervisory Board for 16 years of which nine he served as a member and seven he served as its Chairman. Pursuant to section III.3.5. of the Dutch Corporate Governance Code a Supervisory Board member may only serve for a maximum of 12 years. However, the Code contains a best practices provision for which deviations are permissible on the basis of the "apply or explain" principle.

The Company and the Supervisory Board are of the opinion that in the case of the nomination of Mr De Waard for a new term, a deviation from the Code is justified because it is in the best interest of the Company. Since 2009, Mr De Waard, as Chairman, has established a well balanced, highly functioning and successful Supervisory Board. Furthermore, Mr De Waard has extensive experience as a Supervisory Board member of other companies in Besi's industry and therefore has an excellent understanding of both Besi and its industry. As a well-known legal professional, Mr De Waard also provides Besi expert knowledge of specific Dutch and international corporate governance codes and best practices.

| Name | Year elected | Term end |
|---|---|---|
| Mr Tom de Waard, Chairman | 2013 | 2016 |
| Mr Douglas Dunn, Vice Chairman | 2015 | 2019 |
| Ms Mona ElNaggar | 2012 | 2016 |
| Mr Kin Wah Loh | 2015 | 2019 |
| Mr Jan Vaandrager | 2014 | 2018 |

The Supervisory Board considers its current composition to be aligned with its aim to have sufficient business, financial, legal, geographic and other experience amongst its members. All Supervisory Board members have the requisite experience to supervise 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 2015, the Supervisory Board met six times of which one meeting consisted of a full week strategy meeting in China and Malaysia. During this Asia trip, the Supervisory Board visited Besi Leshan in China, Besi Singapore and Besi APac in Shah Alam, Malaysia. These sites were also visited again during a second Asia trip monitoring the Company's operational progress. During the year, two members were absent for one Supervisory Board meeting. No other members were absent for Supervisory Board meetings during the year.

Supervisory Board meeting topics included, among others:

- Besi's general strategy which was discussed in detail at the week-long strategy meeting in Asia.
- Regular business reviews with the Board of Management, certain members of senior management and key Besi staff.
- The restructuring of Besi Switzerland as announced in the annual earnings press release on February 26, 2015.
- The remuneration of the Board of Management and senior management, the Remuneration Report as well as the proposal to revise the Remuneration Policy. This proposal was approved at Besi's Annual General Meeting of Shareholders held on April 30, 2015.
- 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 2015, the principal focus was the oversight of supplier arrangements including sustainability objectives based on EICC principles. Additional consideration was given to Besi's handling of "conflict minerals" and the establishment of a Conflict Minerals Policy that is posted on Besi's website.
- 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 2015, the Supervisory Board concluded that there is a proper mix of background and skills at the Supervisory Board level; and that the Supervisory Board works well as a team with open and direct communication.
- The assessment and review provided by the Board of Management of the structure and operation of Besi's internal risk management and control systems as well as any significant changes thereto.
- The ongoing operational alignment of all Besi's processes, procedures, ERP and IT systems.
- The payment of a cash dividend for the year 2014 of € 1.50 per share in cash.
- Formal approval of the annual budget as well as the quarterly revised estimates throughout the year.

The Supervisory Board has monitored a broad scope of other topics during the course of 2015. The following topics were of particular focus during the meetings:

- *Inventory control:* Inventory control was an important topic this year. It was evaluated according to key performance indicators such as turnover ratio as well as a qualitative evaluation of inventory components and levels. Board discussion focused on ways to improve inventory control, supply chain management and cycle times in relation to forecasted performance to reduce absolute inventory levels.

- *Asian production transfer:* The Supervisory Board also actively monitored Besi's ongoing Asian production transfer including two, one week on-site visits to monitor the Company's progress. 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) start the final assembly of certain die bonding systems in China. In 2015, successful actions were taken to implement these decisions. In addition, the Supervisory Board decided in March 2015 to transfer all plating production to Malaysia. By year end, all plating machines were produced in Malaysia. Finally, a decision was made to move additional die bonding system production from Malaysia to China in 2016 and to transfer all remaining die sorting production from Austria to Malaysia. By such means, Besi will be able to increase efficiency, better satisfy local customer demand and increase capacity for the next industry upturn.

- *Die Attach integration:* The Supervisory Board actively monitored the ongoing integration of Besi's Austrian and Swiss die attach operations this year.

- *Research and Development activities:* The Supervisory Board has evaluated and monitored Besi's technology roadmap and related R&D programs in 2015. Particular focus and discussion centered on the status and advancement of Besi's TCB and fan-out eWLB systems development and their successful commercial introduction and promotion. In this regard, the Company announced a volume order for eight TCB systems in September 2015 and has shipped a total of 35 systems. In December 2015, the Company announced an order for four sub 5 micron eWLB systems for higher volume production environments. The Supervisory Board also closely monitored the market introduction of next generation high speed die bonding systems which enjoyed good customer acceptance and orders post their introduction.

- *Management development:* Succession planning and related development programs for Executive Committee members and other key members of management were discussed and monitored in 2015. In particular, a new talent and succession program was initiated to identify and retain talented employees in an early phase of their career at Besi. External as well as internal training and coaching programs were identified and presented to the Supervisory Board and thereafter implemented by management.

- *Other:* The composition and functioning of the Board of Management and its performance during the year were also discussed by the Supervisory Board in 2015 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 pages 29 to 37 and in the chapter "Internal risk management and control" under Corporate Governance in this Annual Report. In view of increased business and risk management activities in Malaysia, Singapore and specifically China, Besi implemented a formal internal audit function for the Asia Pacific region. In addition, an external assessment of Besi's fraud prevention systems in the Asia Pacific region was initiated.
- Reviewing the analysis and assessment 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. In 2015, Besi initiated a corporate treasury function whose initial goals were (i) increasing cash levels at the corporate level and (ii) the implementation of centralized, global cash

management and banking systems to better control and monitor corporate cash flows.
- Reviewing Besi's European and global tax structure and transfer pricing policy including, in particular, developments affecting fiscal Base Erosion and Profit Shifting ("BEPS"). Besi does not have a fiscal structure in which profits are allocated to places where no economic activities take place.
- Reviewing auditing, accounting and financial reporting processes 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 approval of the proposal to appoint Deloitte Accountants B.V. in Amsterdam as the new auditor at the General Meeting of Shareholders held on April 30, 2015.
- 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. During 2015, no non-audit services took place in the Netherlands. Non-audit services outside the Netherlands were kept to a minimum in order to prevent a potential conflict of interest.
- 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, Singapore 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 2015.

In 2015, 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 for the year 2014, (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 the issuance of quarterly earnings releases. KPMG and Deloitte each separately attended one meeting of the Audit Committee. The Audit Committee separately met with both KPMG and Deloitte once without the presence of the Board of Management.


*Besi APac received Malaysian Manufacturers Excellence Award 2015*

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 its implementation, the Company will have a de facto internal audit function installed. Reference is made to the chapter "Internal control and risk management" 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 2015.

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, Ms Mona ElNaggar and Mr Kin Wah Loh.

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 compon ents, pension rights, severance pay and other forms of compensation to be awarded as well as the performance criteria and their application.

*First DB2100 manufacturing completed in Besi Leshan, China*

- 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 once in 2015 to discuss the topics above. The Remuneration Report is included on pages 56 to 60 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.

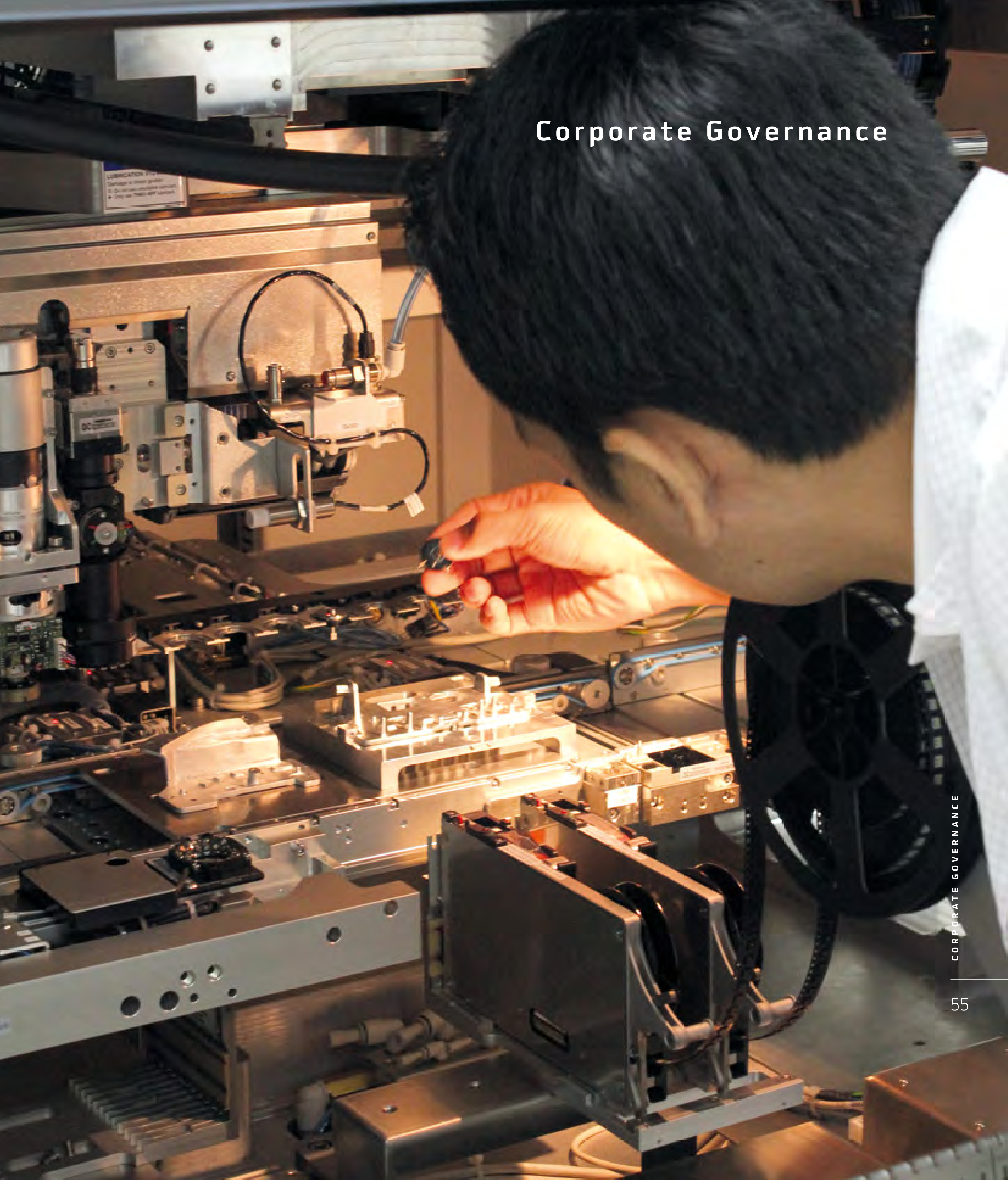
Reference is made to the Corporate Governance section in this Annual Report on pages 55 to 64. Deviations from the Dutch Corporate Governance Code are explained elsewhere in this Annual Report under Corporate Governance.

The Supervisory Board would like to express its thanks and appreciation to all involved for their hard work and dedication to the Company in 2015.

The Supervisory Board
Tom de Waard, Chairman

February 24, 2016

# 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 Company's articles of association provide that certain resolutions of the Board of Management require prior approval of the Supervisory Board. Pursuant to Dutch law and the Company's articles of association, 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, the remuneration structure, the 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 Renumeration Policy for the years 2015 and 2016, as outlined in the 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. The revised Remuneration Policy 2011-2016 was approved at the Annual General Meeting of Shareholders held on April 30, 2015. For the Annual General Meeting of Shareholders to be held on April 29, 2016 it will be proposed to prolong and extend the current Remuneration Policy for an additional period of three years.

The Supervisory Board seeks to achieve three broad goals in connection with Besi's revised 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 the 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 the executive's 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 Industries, 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 personal 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 decides 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 Performance Targets[2] | 0% | 30% |
| Total annual bonus pay-out[3] | 0% | 80% |

**Notes**

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

2 Personal performance: the actual pay out 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 salary is applicable. The composition may vary depending on 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 calendar 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 Industries, Inc. | Applied Materials, Inc. |
| Axcelis Technologies, Inc. | Entegris, Inc[1]. |
| 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. |

**Note**

1 Entegris Inc. completed its acquisition of ATMI, Inc. on April 30, 2014. In accordance with the predetermined guidelines for adjustments to the comparator group, ATMI, Inc. has therefore been replaced by Entegris Inc. in the TSR comparator group with retrospective effect as from January 1, 2014.

### 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 variable remuneration has 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, of whom the CEO is currently the only one. Due to legislative changes enacted in The Netherlands as from the beginning of 2015, part of the pension contribution is no longer 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 commencing 2015 is based on a premium ladder as in effect in 2014. However, commencing in 2015, a portion of this contribution is funded directly to the personal pension account of the statutory director as a tax exempt contribution and the remaining balance is 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

*First TCB manufacturing completed in Besi APac, Malaysia*

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 2015**
The Supervisory Board upon recommendation of its Remuneration and Nomination Committee applied the Remuneration Policy in 2015 as set forth below.
The only member of the Board of Management in 2015 was Richard W. Blickman, Besi's CEO.

1. Base Salary
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 listed in the revised Remuneration Policy 2011-2016. Based on this review, the 2015 base salary of the CEO was set at € 520,000 as of January 1, 2015.

2. Short-Term Incentive
The Short-Term Incentive (cash bonus) to 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 2015.

Besi's 2015 Net Income as a percentage of Revenue was 14.0%. Based on pre-defined target ranges and upon recommendation by its Remuneration and Nomination Committee, the Supervisory Board awarded 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 2015. Furthermore, the Remuneration and Nomination Committee thoroughly reviewed the performance of the member of the Board of Management in relation to six pre-defined personal financial and non-financial performance objectives including sustainability, next generation product strategy, strategic organizational development focused on reducing the breakeven level, while increasing production flexibility and creation of shareholder value. Based on this review and upon the recommendation of the Remuneration and Nomination Committee, the Supervisory Board decided to award the member of the Board of Management a cash bonus related to personal performance equal to 30% of his annual base salary for 2015. Consequently, the total cash bonus for the year 2015, 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 2015. Given (i) the Company's pro-active response to the first signals of expected worsening market conditions and (ii) the organizational actions taken, resulting in a substantial reduction of the breakeven level and (iii) realizing an excellent financial performance even in a turbulent second half year of 2015, the Supervisory Board, upon recommendation of the Remuneration and Nomination Committee, decided not to apply the voluntary cap of 80% and to award the maximum cash bonus for 2015 equal to 100% of base salary (€ 520,000).

3. Long-Term Incentive
As from 2014, the Long-Term Incentive (annual conditional award of Performance Shares) is subject to continued employment and based on the following pre-determined performance conditions: (i) Net Income as a percentage of Revenue over three calendar years and (ii) 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 2013 awards, the TSR performance condition is based on the absolute average annual total shareholder return over three calendar years (2013-2015) of the Besi shares.

For the three-year performance periods 2013-2015, 2014-2016 and 2015-2017, the "at target (100%)" number of Performance Shares conditionally awarded equalled 82,626, 54,526 and 33,070 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 2016, 2017 and 2018. The number of shares that will actually vest will be based on the above mentioned pre-determined performance conditions.

The number of Performance Shares which could vest for the three-year performance periods 2013-2015, 2014-2016 and 2015-2017 will range between nil (in the case of below threshold performance) to a maximum of 123,939 shares (2013-2015 award), 81,789 (2014-2016 award) and 49,605 (2015-2017 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.

Under the initial 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 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 2015, which is the last year that such additional shares may be awarded (i.e. relating to the performance period 2013-2015), the Supervisory Board conditionally awarded the member of the Board of Management the maximum of 60,000 shares. This extraordinary conditional award is made in recognition for the accelerated implementation of the business strategy in advance and well ahead of future strategic milestones, objectives and challenges. This accelerated implementation positions the Company so that it is fit for purpose well ahead of expected future developments within the Company and the market. This extraordinary award will vest in two equal instalments: whereby 30,000 shares will vest as of the date of the Annual General Meeting of Shareholders in 2016 (April 29, 2016) and the remaining 30,000 shares will vest on November 30, 2016, subject to continued service until this date unless, based on a further assessment, there is a reason to the contrary considering the sustainability and success of the accelerated implementation of the business strategy. This further assessment will be made by the Supervisory Board in November 2016, at its own discretion based on the recommendation of the Remuneration and Nomination Committee.

### 4. Pensions

Prior to 2015, 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 a result of the legislative changes applicable for Dutch pension arrangements as from January 1, 2015, the Remuneration and Nomination Committee reviewed Besi's pension policy for the Board of Management members during 2014.

Based on the outcome of this review, as from January 1, 2015 pension contributions for members of the Board of Management continue to be based on contributions applicable for 2014. However, a portion of this contribution is funded directly to the personal pension account of the member of the Board of Management as a tax exempt contribution and the remaining balance is paid as a taxed pension allowance, which can be used by the member of the Board of Management to build up his pension on a voluntary basis.

*Remuneration of the Board of Management for the year 2015*

| **(in euro, except for Performance Shares)** | | **R.W. Blickman (CEO)** |
|---|---|---|
| Base salary | | 520,000 |
| Annual cash bonus | | 520,000 |
| Other benefits[1] | | 203,669 |
| **Total cash benefits** | | **1,243,669** |
| Pension contribution | | 26,023 |
| Share-based payment[2] | | 2,035,171 |
| Discretionary grant made in 2015[3] | 1,050,000 | |
| Outstanding Long-Term Incentive Plan[4] | 985,171 | |
| **Total remuneration** | | **3,304,863** |
| Conditional Performance Shares awarded in 2015[5] | | 33,070 |

**Notes**

1 Other benefits includes a taxable pension allowance of € 148,312
2 Expense for the period as determined in accordance with IFRS 2, Share-based payment.
3 Discretionary grant of 60,000 Shares vested and transferred on April 30, 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 Expenses recognized in 2015 for the 2012, 2013, 2014 and 2015 grants made under the Incentive Plan.
5 May vest in 2018, subject to continued service and the actual performance during the performance period 2015-2017.

### 5. Other benefits

Other benefits include expense compensation, medical insurance and social security premiums.

### Loans

At the end of 2015, no loans, advances or guarantees were outstanding.

## 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 members of the Board of Management was reported in 2015.

## 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 101 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 2015.

**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

*Annual Sales Managers Awards*

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 29 to 37 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 twice a year 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 2015. In view of increased business and risk management activities in Malaysia, Singapore and specifically China, Besi implemented in 2015 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 2015 and provided reasonable assurance that the 2015 Financial Statements do not contain any material inaccuracies. At present, there are no indications that this system will not function properly in 2016.

## 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 29 to 37 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 2015



Besi

# Consolidated Statement of Financial Position

| (euro in thousands) | Note | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| *Assets* | | | |
| Cash and cash equivalents | 3 | 157,818 | 135,322 |
| Trade receivables | 4 | 80,640 | 93,248 |
| Inventories | 5 | 53,877 | 69,428 |
| Income tax receivable | | 446 | 280 |
| Other receivables | 6 | 3,746 | 6,363 |
| Prepayments | 7 | 2,309 | 4,305 |
| **Total current assets** | | **298,836** | **308,946** |
| Property, plant and equipment | 8 | 26,718 | 27,248 |
| Goodwill | 9 | 45,542 | 44,553 |
| Other intangible assets | 10 | 40,374 | 40,274 |
| Deferred tax assets | 11 | 18,545 | 21,710 |
| Other non-current assets | 12 | 2,711 | 1,677 |
| **Total non-current assets** | | **133,890** | **135,462** |
| **Total assets** | | **432,726** | **444,408** |
| *Liabilities and equity* | | | |
| Notes payable to banks | 13 | 8,000 | 13,568 |
| Current portion of long-term debt and financial leases | 18 | - | 815 |
| Trade payables | 15 | 27,529 | 38,381 |
| Income tax payable | | 692 | 486 |
| Provisions | 14 | 3,956 | 6,931 |
| Other payables | 16 | 19,336 | 24,221 |
| Other current liabilities | 17 | 7,866 | 7,591 |
| **Total current liabilities** | | **67,379** | **91,993** |
| Long-term debt and financial leases | 18 | 13,352 | 2,978 |
| Deferred tax liabilities | 11 | 6,201 | 5,956 |
| Provisions | 19, 20 | 13,574 | 14,657 |
| **Total non-current liabilities** | | **33,127** | **23,591** |
| Share capital | 21 | 36,031 | 36,431 |
| Share premium | | 195,524 | 193,562 |
| Retained earnings | | 39,244 | 47,609 |
| Other reserves | 21 | 59,817 | 49,694 |
| **Equity attributable to owners of the Company** | | **330,616** | **327,296** |
| **Non-controlling interest** | | **1,604** | **1,528** |
| **Total equity** | | **332,220** | **328,824** |
| **Total liabilities and equity** | | **432,726** | **444,408** |

# Consolidated Statement of Comprehensive Income

| (euro in thousands, except share and per share data) | Note | Year ended December 31, 2015 | 2014 |
|---|---|---|---|
| Revenue | 23 | 349,206 | 378,797 |
| Cost of sales | | 178,766 | 212,961 |
| **Gross profit** | | **170,440** | **165,836** |
| Selling, general and administrative expenses | | 74,088 | 65,872 |
| Research and development expenses | | 38,457 | 27,896 |
| **Total operating expenses** | | **112,545** | **93,768** |
| **Operating income** | | **57,895** | **72,068** |
| Financial income | 26 | 490 | 696 |
| Financial expense | 26 | (1,283) | (1,437) |
| **Financial income (expense), net** | | **(793)** | **(741)** |
| **Income before income tax** | | **57,102** | **71,327** |
| Income tax | 11 | 8,147 | 196 |
| **Net income** | | **48,955** | **71,131** |
| *Other comprehensive income* | | | |
| Actuarial gain (loss), net of income tax | | (640) | (5,531) |
| **Items that will not be reclassified to profit and loss** | | **(640)** | **(5,531)** |
| Currency translation differences | | 10,161 | 7,125 |
| Unrealized hedging results, net of income tax | | 235 | (589) |
| **Items that may be reclassified subsequently to profit or loss** | | **10,396** | **6,536** |
| **Other comprehensive income, net of income tax** | | **9,756** | **1,005** |
| **Total comprehensive income** | | **58,711** | **72,136** |
| *Net income attributable to:* | | | |
| Equity holders of the parent company | | 48,980 | 70,884 |
| Non-controlling interest | | (25) | 247 |
| **Total net income** | | **48,955** | **71,131** |
| *Total comprehensive income attributable to:* | | | |
| Equity holders of the parent company | | 58,635 | 71,741 |
| Non-controlling interest | | 76 | 395 |
| **Total comprehensive income** | | **58,711** | **72,136** |
| Income per share attributable to the equity holders of the parent company | 27 | | |
| Basic | | 1.29 | 1.89 |
| Diluted | | 1.27[1] | 1.87[1] |
| Total comprehensive income per share attributable to the equity holders of the parent company | | | |
| Basic | | 1.55 | 1.91 |
| Diluted | | 1.52[1] | 1.89[1] |
| Weighted average number of shares used to compute income per share | | | |
| Basic | | 37,931,201 | 37,539,938 |
| Diluted | | 38,503,786[1] | 37,982,782[1] |

[1] The calculation of the diluted income per share for the year 2015 and 2014 assumes the exercise of equity-settled share-based payments.

# Consolidated Statement of Changes in Equity

| (euro in thousands, except for share data) | Number of Ordinary Shares Outstanding[1] | Share capital | Share premium | Retained earnings | Other reserves (Note 21) | Total attributable to equity holders of the parent | Non-controlling interest | Total equity |
|---|---|---|---|---|---|---|---|---|
| Balance at January 1, 2015 | 40,033,921 | 36,431 | 193,562 | 47,609 | 49,694 | 327,296 | 1,528 | 328,824 |
| Total comprehensive income | - | - | - | 48,980 | 9,655 | 58,635 | 76 | 58,711 |
| Reduction share capital | - | (400) | 400 | - | - | - | - | - |
| Dividend paid to owners of the Company | - | - | - | (56,877) | - | (56,877) | - | (56,877) |
| Legal reserve | - | - | - | (468) | 468 | - | - | - |
| Equity-settled share-based payments | - | - | 5,193 | - | - | 5,193 | - | 5,193 |
| Purchase of Treasury Shares | - | - | (4,031) | - | - | (4,031) | - | (4,031) |
| Re-issued Treasury Shares | - | - | 400 | - | - | 400 | - | 400 |
| **Balance at December 31, 2015** | **40,033,921** | **36,031** | **195,524** | **39,244** | **59,817** | **330,616** | **1,604** | **332,220** |
| Balance at January 1, 2014 | 40,033,921 | 36,431 | 188,570 | (5,781) | 43,745 | 262,965 | 1,193 | 264,158 |
| Total comprehensive income | - | - | - | 70,884 | 857 | 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) |
| Legal reserve | - | - | - | (5,092) | 5,092 | - | - | - |
| 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** | **47,609** | **49,694** | **327,296** | **1,528** | **328,824** |

[1] The outstanding number of Ordinary Shares includes 2,170,465 and 2,321,381 Treasury Shares at December 31, 2015 and December 31, 2014, respectively.

# Consolidated Statement of Cash Flows

| (euro in thousands) | Year ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| *Cash flows from operating activities* | | |
| Operating income | 57,895 | 72,068 |
| | | |
| Depreciation and amortization | 14,777 | 10,040 |
| Impairment | 330 | - |
| Share-based payment transactions | 5,193 | 3,869 |
| Curtailment gain | (5,626) | - |
| Other non-cash items | - | 31 |
| Loss on disposal of assets | (16) | (3) |
| | | |
| *Effects on changes in assets and liabilities* | | |
| Decrease (increase) in trade receivables | 18,602 | (37,515) |
| Decrease (increase) in inventories | 17,924 | (1,840) |
| Increase (decrease) in trade payables | (10,258) | 14,747 |
| Changes in provisions | (6,492) | 985 |
| Changes in other working capital | (2,947) | 12,711 |
| Income tax paid | (3,146) | (2,175) |
| Interest received | 573 | 678 |
| Interest paid | (302) | (301) |
| **Net cash provided by operating activities** | **86,507** | **73,295** |
| | | |
| *Cash flows from investing activities* | | |
| Capital expenditures | (4,168) | (6,474) |
| Capitalized development expenditures | (5,627) | (9,314) |
| Proceeds from sale of property, plant and equipment | 15 | 34 |
| **Net cash used for investing activities** | **(9,780)** | **(15,754)** |
| | | |
| *Cash flows from financing activities* | | |
| Proceeds from (payments of) bank lines of credit | (5,679) | (1,520) |
| Proceeds from (payments of) long-term debt and financial leases | 9,559 | (81) |
| Purchase Treasury Shares | (3,500) | - |
| Re-issued Treasury Shares | 400 | 1,123 |
| Dividend paid to shareholders | (56,877) | (12,402) |
| Other financing activities | - | (58) |
| **Net cash used for financing activities** | **(56,097)** | **(12,938)** |
| | | |
| Net change in cash and cash equivalents | 20,630 | 44,603 |
| Effect of changes in exchange rates on cash and cash equivalents | 1,866 | 1,133 |
| Cash and cash equivalents at beginning of the period | 135,322 | 89,586 |
| **Cash and cash equivalents at end of the period** | **157,818** | **135,322** |

# 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, 2015, were authorized for issue in accordance with a resolution of the directors on February 24, 2016. The Consolidated Financial Statements of the Company as at December 31, 2015, are presented to the Annual General Meeting of Shareholders for their adoption on April 29, 2016.

### 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, 2015. 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 intra-group 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, 2015, 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. | Chandler, Arizona, USA | 100% |
| BE Semiconductor Industries Holding GmbH | Radfeld, Austria | 100% |
| Besi USA, Inc. | Chandler, Arizona, 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% |
| Besi Leshan Co.,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. | Chandler, Arizona, 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 | |
|---|---|---|---|---|
| | 2015 | 2014 | 2015 | 2014 |
| US dollar | 1.09 | 1.21 | 1.12 | 1.33 |
| Swiss franc | 1.09 | 1.20 | 1.08 | 1.22 |
| Malaysian ringgit | 4.69 | 4.25 | 4.31 | 4.35 |
| Chinese yuan | 7.09 | 7.54 | 7.02 | 8.19 |

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 translated at the functional currency rate of exchange ruling at the balance sheet date. All differences are accounted for 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 moving weighted average costs) 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 Statement of Financial Position 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

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.

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.

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.

## 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. Amortization of capitalized development expenses commences at the moment of revenue recognition for the first machine delivered in which the newly developed technology is applied. 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 | 3–7 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 have 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 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 participate in a pension plan operated by an industry-wide pension fund, which classifies as a defined contribution plan under IAS 19.

### Severance provisions

A provision for severance obligations is recognized in the Statement of Financial Position if the Company is obligated to severance payments, even if future termination of the contract is initiated by the employee. For some of our subsidiaries this is mandatory by law.

### 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 Statement of Financial Position 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 weighting 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.

The main portion of our revenue is derived from contractual arrangements with our customers that have multiple deliverables, such as installation and training services, service contracts and free of charge spares deliveries. The revenue relating to the undelivered elements of the arrangements is deferred until delivery of these elements. Revenue from installation and training services is recognized when the services are completed. Revenue from service contracts is recognized over the term of the contract. Revenue from free of charge spares 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 substantively enactment 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.

**Indicators**

The similarity of economic characteristics can be evaluated based on future prospects. Within the semiconductor back-end segment the market information is based on VLSI forecasts. Industry trends are captured in these forecasts and always used as a source when referring to the future developments (e.g. press releases). Demand for semiconductor devices and expenditures for the equipment required to assemble semiconductors is cyclical, depending in large part on levels of demand worldwide for computing and peripheral equipment, telecommunications devices and automotive and industrial components as well as the production capacity of global semiconductor manufacturers. All operating segments move up or down in the same response to the same positive and negative factors like general economic upturns and downturns, changes in interest rates and currency exchange rates.

The nature of products and services within the Besi group is very much the same, all captured in the semiconductor back-end industry and served by one service organization, which is designing and supporting that equipment.

Furthermore, all production processes are organized as manufacturing and assembly of projects and are mainly produced in our Asian production facility in Malaysia. This means that the production of the different Product Groups share the same facility, employees and processes. Also, similar materials are used to produce the systems (e.g. displays).

The evaluation of the type or class of customer for products and services leads to the conclusion that the risk exposure profile of the customers is similar because of the fact that all customers are leading U.S., European and Asian semiconductor manufacturers and assembly subcontractors which in their turn depend on the global market conditions.

One worldwide responsible person for Sales & Customer Support, indicates the centralization of the Sales organization and the method used to distribute our products. The Besi name is used throughout the global operations and the Besi logo has been adopted to be used by all Product Groups. As from January 1, 2013, legal entity names have been changed, amongst others, to put more emphasis on this uniformed global operating, like Besi Austria GmbH, Besi Switzerland AG and Besi Netherlands B.V.

Furthermore, in order to assess performance and to make resource allocation decisions based on sufficient detailed information, the Chief Operating Decision Maker ("CODM") must have financial information which covers all of the Product Groups, including corporate functions, meaning full Consolidated Financial Statements. For example, the total external financing of the Besi group is evaluated on consolidated level and not split into business operations.

Accordingly, all information consolidated is the operating segment under IFRS 8, reported in the semiconductor back-end industry.

### Characteristics

The Company identifies four operating segments (Product Groups) that the CODM reviews in detail. These Product Groups are engaged in business activities from which it may earn revenues. Those operating segments are the following Product Groups: Die Attach, Wire Bonding, Packaging and Plating. All operational functions are allocated to these Product Groups: 1) Product Marketing, 2) Research and Development, 3) Product Group management, 4) Customer Project management and 5) Operations. Corporate functions (Finance, Legal, Human Resources and Sales & Service) do not qualify as operating segments. Hence, Besi identifies four operating segments which meet the IFRS 8 criteria.

## 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 determine 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.

### 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 judgement that technological and economic 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.

### Inventory obsolescence

Provisions for obsolete inventories are recognized for inventories which are deemed obsolete. Significant management judgement is required to determine the amount which is considered obsolete. Further details are contained in Note 5.

## 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, 2016. Those which may be relevant to the Company are set out on the next page.

### 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 2018, with early adoption permitted. The Company is assessing the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 15.

### IFRS 16 Leases

IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16's approach to lessor accounting substantially unchanged from its predecessor, IAS 17. IFRS 16 was issued in January 2016 and applies to annual reporting periods beginning on or after January 1, 2019. The Company is assessing the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 16.

### IFRS Amendments

Several IFRS amendments have been published by the IASB. However, the Company expects no impact on the Consolidated Financial Statements.

## 3. Cash and cash equivalents

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Short-term deposits | 83,115 | 83,553 |
| Cash on hand at banks | 74,703 | 51,769 |
| **Total cash and cash equivalents** | **157,818** | **135,322** |

Interest rates are variable. At December 31, 2015, an amount of € 1.8 million in cash and cash equivalents was restricted (2014: € 2.1 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 € 878 and € 953 at December 31, 2015 and 2014, 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 |
| 2015 | 80,640 | (878) | 55,097 | 8,983 | 5,436 | 3,036 | 1,732 | 7,234 |
| 2014 | 93,248 | (953) | 53,838 | 15,291 | 8,890 | 5,615 | 3,814 | 6,753 |

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

| (euro in thousands) | 2015 | 2014 |
|---|---|---|
| Balance at January 1, | 953 | 581 |
| Additions/releases | (59) | 563 |
| Utilized | (59) | (207) |
| Foreign currency translation | 43 | 16 |
| **Balance at December 31,** | **878** | **953** |

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

## 5. Inventories

Inventories consist of the following:

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Raw materials and spare parts | 23,799 | 24,740 |
| Work in progress | 25,500 | 36,364 |
| Finished goods | 4,578 | 8,324 |
| **Total inventories, net** | **53,877** | **69,428** |

In 2015 raw materials and changes in work in progress and finished goods included in cost of sales amounted to € 153.0 million (2014: € 189.0 million). For inventories that have been pledged as collateral for the borrowing facilities and long-term debt, reference is made to Note 13.

The movements in the provision for obsolescence are as follows:

| (euro in thousands) | 2015 | 2014 |
|---|---|---|
| Balance at January 1, | 19,210 | 21,023 |
| Additions/releases | (1,672) | 1,379 |
| Usage | (3,674) | (2,656) |
| Foreign currency translation | 973 | (536) |
| **Balance at December 31,** | **14,837** | **19,210** |

## 6. Other receivables

Other receivables consist of the following:

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| VAT receivables | 1,391 | 2,375 |
| Interest receivable | 49 | 181 |
| Deposits | 206 | 971 |
| Forward exchange contracts | 466 | 140 |
| Insurance receivable | 175 | 602 |
| R&D grants | 1,001 | 1,255 |
| Receivables from employees | 129 | - |
| Other | 329 | 839 |
| **Total other receivables** | **3,746** | **6,363** |

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, 2015 | December 31, 2014 |
|---|---|---|
| Prepaid insurance | 91 | 71 |
| Prepaid rent | 23 | 781 |
| Prepaid annual maintenance contracts | 68 | 28 |
| Prepaid pensions | 506 | 1,988 |
| Prepaid social security | 109 | 390 |
| Prepaid licences | 544 | 223 |
| Prepaid suppliers | 494 | 75 |
| Prepaid exhibitions | 70 | - |
| Prepaid payroll related | 80 | 140 |
| Other prepayments | 324 | 609 |
| **Total prepayments** | **2,309** | **4,305** |

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, 2015* | | | | | |
| Cost | 29,918 | 32,590 | 10,179 | 1,315 | 74,002 |
| Accumulated depreciation | (14,682) | (23,353) | (8,719) | - | (46,754) |
| **Property, plant and equipment, net** | **15,236** | **9,237** | **1,460** | **1,315** | **27,248** |
| *Changes in book value in 2015* | | | | | |
| Capital expenditures | 875 | 3,014 | 574 | (1,273) | 3,190 |
| Transfers from/to inventory | - | 1,560 | - | - | 1,560 |
| Disposals (cost) | (3,631) | (2,772) | (650) | - | (7,053) |
| Disposals (accumulated depreciation) | 3,710 | 2,690 | 653 | - | 7,053 |
| Depreciation | (1,553) | (2,833) | (797) | - | (5,183) |
| Foreign currency translation | (217) | (69) | 109 | 80 | (97) |
| **Total changes** | **(816)** | **1,590** | **(111)** | **(1,193)** | **(530)** |
| *Balance at December 31, 2015* | | | | | |
| Cost | 26,953 | 34,950 | 10,199 | 122 | 72,224 |
| Accumulated depreciation | (12,533) | (24,123) | (8,850) | - | (45,506) |
| **Property, plant and equipment, net** | **14,420** | **10,827** | **1,349** | **122** | **26,718** |

| (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* | | | | | |
| Capital expenditures | 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** |

The opening cost and accumulated depreciation at January 1, 2015 do not reconcile to the closing balances at December 31, 2014 due to a reassessment of the assets in use. This does not impact the carrying values.

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

**Depreciation**

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

| (euro in thousands) | Year ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Cost of sales | 1,787 | 1,471 |
| Selling, general and administrative expenses | 2,706 | 2,195 |
| Research and development expenses | 690 | 414 |
| **Total depreciation** | **5,183** | **4,080** |

## 9. Goodwill

Goodwill, net consists of the following:

| (euro in thousands) | 2015 | 2014 |
|---|---|---|
| *Balance at January 1,* | | |
| Cost | 64,753 | 63,741 |
| Accumulated impairment | (20,200) | (20,200) |
| **Goodwill, net** | **44,553** | **43,541** |
| *Changes in book value* | | |
| Foreign currency translation | 989 | 1,012 |
| **Total changes** | **989** | **1,012** |
| *Balance at December 31,* | | |
| Cost | 65,742 | 64,753 |
| Accumulated impairment | (20,200) | (20,200) |
| **Goodwill, net** | **45,542** | **44,553** |

**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, 2015 | December 31, 2014 |
|---|---|---|
| Die Attach | 43,562 | 42,573 |
| Plating | 1,980 | 1,980 |
| **Total** | **45,542** | **44,553** |

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 2016 and financial projections per Product Group approved by management for the projection period (2017-2020).

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 2016.
  - Revenue forecasts for 2017-2020 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 11.4% to 11.8% representing the pre-tax weighted average cost of capital (WACC) is determined using the Capital Asset Pricing Model (in 2014 a pre-tax discount rate between 11.6% and 13.3%).
- Residual value is based on a 1.0% perpetual growth rate (in 2014: 1.0%).
- The risk free rate of 0.5% (in 2014: 1.0%) and equity risk premium of 6.3% (in 2014: 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, 2015.

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 | Customer relationships | Development expenses | Total |
|---|---|---|---|---|
| *Balance at January 1, 2015* | | | | |
| 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** |
| Changes in book value in 2015 | | | | |
| Capitalized development expenses | - | - | 5,627 | 5,627 |
| Capitalized expenditures | 978 | - | - | 978 |
| Amortization | (539) | (507) | (8,548) | (9,594) |
| Impairment | (330) | - | - | (330) |
| Foreign currency differences | 30 | - | 3,389 | 3,419 |
| **Total changes** | **139** | **(507)** | **468** | **100** |
| *Balance at December 31, 2015* | | | | |
| Cost | 10,491 | 6,083 | 51,997 | 68,571 |
| Accumulated impairment | (330) | - | - | (330) |
| Accumulated amortization | (8,967) | (5,577) | (13,323) | (27,867) |
| **Other intangible assets, net** | **1,194** | **506** | **38,674** | **40,374** |

| (euro in thousands) | Patents | Software | Customer relationships | Development expenses | Total |
|---|---|---|---|---|---|
| *Balance at January 1, 2014* | | | | | |
| Cost | 1,097 | 8,662 | 6,083 | 34,717 | 50,559 |
| Accumulated amortization | (1,047) | (7,752) | (4,563) | (1,603) | (14,965) |
| **Other intangible assets, net** | **50** | **910** | **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 | (54) | (547) | (507) | (4,852) | (5,960) |
| Foreign currency differences | 4 | 15 | - | 630 | 649 |
| **Total changes** | **(50)** | **145** | **(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** |

Due to a change of circumstances regarding the software (move of production), capitalized expenses amounting to € 330 have been impaired.

### 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, 2015 | 2014 |
|---|---|---|
| Cost of sales | 5 | 52 |
| Selling, general and administrative expenses | 1,002 | 1,056 |
| Research and development expenses | 8,587 | 4,852 |
| **Total amortization** | **9,594** | **5,960** |

## 11. Income taxes

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

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| *Deferred tax assets (liabilities)* | | |
| - Operating losses carry forward | 16,626 | 18,550 |
| - Intangible assets | (6,986) | (5,614) |
| - Inventories | 622 | 931 |
| - Provision for pensions | 1,536 | 1,839 |
| - Other items | 546 | 48 |
| **Total deferred tax assets (liabilities), net** | **12,344** | **15,754** |

| (euro in thousands) | December 31, 2014 | Profit & loss 2015 | Other comprehensive income | Foreign currency | December 31, 2015 |
|---|---|---|---|---|---|
| *Deferred tax assets (liabilities)* | | | | | |
| - Operating losses carry forward | 18,550 | (2,924) | - | 1,000 | 16,626 |
| - Intangible assets | (5,614) | (1,439) | - | 67 | (6,986) |
| - Inventories | 931 | (293) | - | (16) | 622 |
| - Provision for pensions | 1,839 | (491) | 82 | 106 | 1,536 |
| - Other items | 48 | 291 | - | 207 | 546 |
| **Total** | **15,754** | **(4,856)** | **82** | **1,364** | **12,344** |

The deferred tax assets for operating losses carry forward are related to the US, Swiss and Dutch operations of the Company. Under applicable US tax law, the carry forwards related to the US operating losses of € 23.6 million expire during the period of 2022 and thereafter. The carry forwards related to the Dutch operating losses amount to approximately € 59.5 million and expire during the periods of 2016 through 2022. The carry forwards related to the Swiss operating losses amount to approximately € 24.8 million, and have various expiration terms up to 2018.

In assessing the recoverability of deferred tax assets, the Company considers whether it is probable that sufficient taxable profits will be available to realize some portion or all of the deferred tax assets. 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.

The distinction in recognized and unrecognized tax losses carry forward is as follows:

| (euro in millions) | 2015 Recognized | Unrecognized | 2014 Recognized | Unrecognized |
|---|---|---|---|---|
| *Tax losses* | | | | |
| Netherlands | 9.5 | 5.4 | 9.2 | 8.1 |
| Switzerland | 1.6 | 0.9 | 4.5 | - |
| USA | 5.5 | 2.5 | 4.7 | 3.0 |
| Singapore | - | - | 0.1 | - |
| **Total** | **16.6** | **8.8** | **18.5** | **11.1** |

The aggregate deferred tax related to items recognized outside of profit and loss amounts to € 0.1 million.

The Dutch domestic statutory tax rate is 25.0% for the year ended December 31, 2015 and 2014. The reconciliation between the actual income tax shown in the Consolidated Statement of Comprehensive Income and the expense that would be expected based on the application of the domestic tax rate to income before income tax and related goodwill adjustment, is as follows:

| **(euro in thousands)** | **Year ended December 31, 2015** | **in % of income before taxes** | **Year ended December 31, 2014** | **in % of income before taxes** |
|---|---|---|---|---|
| "Expected" income tax expense based on domestic rate | 14,275 | 25.0% | 17,832 | 25.0% |
| Non-deductible expenses | 1,761 | 3.1% | 1,291 | 1.8% |
| Foreign tax rate differential | (6,184) | (10.8%) | (6,337) | (8.9%) |
| Tax exempt income | (154) | (0.3%) | (155) | (0.2%) |
| Recognition of previous unrecognized tax losses in the Netherlands and USA | (2,812) | (4.9%) | (12,649) | (17.7%) |
| Deferred tax expense arising from write-down of previous recognized tax losses Switzerland | 769 | 1.3% | - | - |
| Withholding taxes | 140 | 0.3% | 102 | 0.1% |
| Other | 352 | 0.6% | 112 | 0.2% |
| **Income tax expense shown in Consolidated Statement of Comprehensive Income** | **8,147** | **14.3%** | **196** | **0.3%** |

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, 2015** | **2014** |
|---|---|---|
| Current | 3,291 | 3,511 |
| Deferred | 4,856 | (3,315) |
| **Total** | **8,147** | **196** |

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

The dividend payment from the Korean subsidiary in 2015 to the parent company resulted in an income tax charge amounting to € 0.1 million due to withholding taxes to be paid in this country.

### 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 or make use of tax structures in countries where the Company has no economic activities.

Currently in Malaysia a tax audit is ongoing.

## 12. Other non-current assets

Other non-current assets consist of the following:

| **(euro in thousands)** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|
| Funds with insurance companies for pension liability | 1,513 | 1,465 |
| Guarantee deposits | 963 | - |
| Other | 235 | 212 |
| **Total other non-current assets** | **2,711** | **1,677** |

With respect to more details the Company refers to Note 20.

## 13. Borrowing facilities

At December 31, 2015, Besi's subsidiaries had available lines of credit aggregating € 31.1 million, under which € 14.5 million of borrowings were outstanding of which € 8 million relate to notes payable to banks and the remaining balance of € 6.5 million relate amongst others to bank guarantees and forex transactions. In general, interest is charged at the banks' base lending rates or Euribor plus an increment between 0.7% and 1.75%. Most credit facility agreements include covenants requiring Besi and/or its subsidiaries 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, 2015.

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, equipment and accounts receivable and a parent company guarantee. The principle restrictive governance contains in each Dutch line of credit a solvency ratio, net cash to EBITDA ratio, a current ratio and a minimum gross cash position, all of which are calculated on a consolidated Besi level. All borrowing facilities have no contractual maturity date.

  In February 2016, Besi and its Dutch subsidiaries entered into a new multi purpose credit line of € 8 million, replacing the existing separate agreements aggregating € 8 million with improved conditions including a complete release of the pledge on assets.

- € 8 million of Besi's credit lines relate to Besi Austria GmbH which is aimed for financing export, partly guaranteed by the State of Austria via the Österreichische Kontrollbank AG and with subsidized interest. This credit line is secured by a pledge of accounts receivable and a letter of comfort of the parent company. The principal restrictive covenant is a minimum equity ratio. The borrowing facility has no contractual maturity date.

- € 8.7 million of Besi's credit lines relate to Besi APac Sdn. Bhd. ("Besi APac") of which € 8.3 million is 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. The carrying value of all pledged assets of Besi APac as of December 31, 2015, amounted to € 54.6 million. For the main credit lines the principal restrictive covenants include a minimum tangible net worth, a maximum gearing ratio, maximum days receivables (related to turnover) and the requirement that Besi APac remains a wholly-owned subsidiary, directly or indirectly of BE Semiconductor Industries N.V., at all times. An amount of € 2.1 million relates to a credit line for forex transactions.

  A credit line of € 0.4 million for bank guarantees is granted without securities but with the requirement that BE Semiconductor Industries N.V. holds, directly or indirectly, an interest of at least 51%. All borrowing facilities have no contractual maturity date.

- € 6.4 million of Besi's credit lines relate to Besi Switzerland AG and its subsidiary Besi Spares & Tooling AG, both utilizing 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 principle restrictive covenant contains a minimum cash position to be held on the bank accounts of Besi Switzerland and Besi Spares & Tooling. The facility has no contractual maturity date.

## 14. Provisions

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Warranty provision | 2,940 | 5,504 |
| Restructuring provision | 871 | 1,024 |
| Onerous contracts | 145 | 403 |
| **Total provisions** | **3,956** | **6,931** |

### Warranty provision

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

| (euro in thousands) | 2015 | 2014 |
|---|---|---|
| Balance at January 1, | 5,504 | 3,418 |
| Additions | 3,492 | 5,107 |
| Usage | (4,675) | (3,092) |
| Foreign currency translation | 463 | 71 |
| **Subtotal** | **4,784** | **5,504** |
| Less non-current portion | (1,844) | - |
| **Balance at December 31,** | **2,940** | **5,504** |

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 2015 amount to € 1.2 million, which mainly relates to severance payments, legal consultancy and outplacement expenses. Changes in the restructuring provision were as follows:

| (euro in thousands) | 2015 | 2014 |
|---|---|---|
| Balance at January 1, | 1,024 | 673 |
| Additions | 1,201 | 1,652 |
| Usage | (1,409) | (1,403) |
| Foreign currency translation | 55 | 102 |
| **Balance at December 31,** | **871** | **1,024** |

The provision of € 0.9 million at December 31, 2015 is expected to be fully utilized during 2016.

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

| (euro in thousands) | Year ended December 31, | |
|---|---|---|
| | **2015** | **2014** |
| Cost of sales | 156 | 695 |
| Selling, general and administrative expenses | 571 | 413 |
| Research and development expenses | 474 | 544 |
| **Total** | **1,201** | **1,652** |

### 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) | 2015 | 2014 |
|---|---|---|
| Balance at January 1, | 403 | 666 |
| Usage | (258) | (263) |
| **Balance at December 31,** | **145** | **403** |

### 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, 2015 | December 31, 2014 |
|---|---|---|
| Payroll accruals | 10,968 | 11,203 |
| Accrued audit and consultancy fees | 941 | 595 |
| Forward exchange contracts | 1,228 | 3,311 |
| Goods received/invoices received | 462 | 1,123 |
| Accrued utility costs | 194 | 215 |
| Accrued project costs | 1,642 | 5,440 |
| Payable Treasury Shares | 531 | - |
| Accrued maintenance | 260 | 287 |
| Other payables | 3,110 | 2,047 |
| **Total other payables** | **19,336** | **24,221** |

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 current liabilities

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Advances from customers | 2,447 | 4,105 |
| Deferred revenue | 2,516 | - |
| Payroll liabilities | 2,290 | 2,496 |
| Other | 613 | 990 |
| **Total other current liabilities** | **7,866** | **7,591** |

Other current liabilities are non-interest bearing and are not expected to be settled through a cash flow. For deferred revenue an amount of € 620 is expected to be recognized after more than one year.

## 18. Long-term debt and financial leases

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| *Long term debt* | | |
| Loan Raiffeisen Landesbank (Interest rate 0.95%) | 10,000 | - |
| Research and development loan from Österreichische Forschungsförderungsgesellschaft, Wien, Austria (Interest rates between 0.75% and 2% at December 31, 2015) | 3,352 | 3,793 |
| **Subtotal** | **13,352** | **3,793** |
| Less: current portion | - | (815) |
| **Total long-term debt and financial leases** | **13,352** | **2,978** |

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 |
|---|---|
| 2016 | - |
| 2017 | 2,240 |
| 2018 | 11,112 |
| 2019 | - |
| 2020 and thereafter | - |
| **Total** | **13,352** |
| Less: current portion of long-term debt and financial leases | - |
| **Non-current portion of long-term debt** | **13,352** |

Besi Austria has a four year term loan of € 10 million carrying a 0.95% interest and to be fully repaid at November 30, 2018. The loan is secured by a parent company guarantee. There is a requirement that BE Semiconductor Industries N.V. holds directly/indirectly a controlled interest of at least 50%.

The research and development loan represents nine loans aggregating € 3,352 for the financing of the research and development projects at Besi Austria. The fixed interest rates at December 31, 2015 vary from 0.75% to 2% for all loans. Loan repayments are due between June 2017 and June 2018.

The Company and its subsidiaries had no defaults for its long-term debt at December 31, 2015.

## 19. Provisions

Provisions consist of the following:

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Pension liabilities Austria | 725 | 666 |
| Pension liabilities Switzerland | 6,446 | 9,920 |
| Severance obligations | 4,157 | 3,661 |
| Warranty provision | 1,844 | - |
| Other provisions | 402 | 410 |
| **Provisions** | **13,574** | **14,657** |

## 20. Employee benefits

### Pension plans - The Netherlands

The employees of the Company's Dutch subsidiaries participate in an industry-wide pension plan which is managed by Bedrijfstakpensioenfonds Metalektro. This pension plan classifies as a defined contribution plan under IAS 19. 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 both 2015 and 2014. Based on public information published on the website of the Industry Pension Fund, the funding ratio decreased from 102% as of December 31, 2014 to 96% as of December 31, 2015. In addition to this pension plan there is an excedent plan for certain employees which is a defined contribution plan.

The employees of the parent company participate in a defined benefit plan for guaranteed pension payments. The pension plan for the parent company is insured with an independent insurance company, which is required to meet the regulatory requirements. The Company does not hold any transferable financial instruments as plan assets and its sole obligation is to pay the contributions that are required based on the agreement with the insurer.

The net liability amounts to € 62 and is reported in other non-current liabilities. There were no gains or losses from changes in demographic assumptions or experience adjustments. The total gain from changes in financial assumptions was € 81. 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 € 1,507 whereas the benefit obligation amounts to € 1,569. The weighted average duration of the plan is 27 years.

### Pension plan Switzerland

The Company's Swiss subsidiaries operate a defined benefit plan for guaranteed pension payments. The pension plan in Switzerland is insured with an independent insurance company, which is required to meet the regulatory requirements. The Company meets at least once a year with the broker to discuss the plan. The Company does not hold any transferable financial instruments as plan assets and its sole obligation is to pay the contributions that are required based on the agreement with the insurer. 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. Remeasurements are reported in accumulated other comprehensive income (loss).

The valuation of assets and liabilities pertaining to defined benefit plan 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 November 30, 2015. 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 19R calculation is based on an average duration of the plan 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) | 2015 | 2014 |
|---|---|---|
| Discount rate | 0.85% | 1.15% |
| 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) | 2015 | 2014 |
|---|---|---|
| Liability for defined benefit obligations at January 1, | 44,773 | 36,815 |
| Current service cost | 1,925 | 1,399 |
| Interest expense | 538 | 832 |
| Actuarial loss (gain) arising from changes in economic assumptions | 1,304 | 7,235 |
| Actuarial loss (gain) arising from experience | 438 | (43) |
| Plan participants' contribution | 572 | 586 |
| Gains on curtailments | (5,626) | (420) |
| Plan amendments | (733) | (337) |
| Benefits paid through pension assets and net transferrals | (6,868) | (2,042) |
| Foreign currency differences | 5,023 | 748 |
| **Liability for defined benefit obligations at December 31,** | **41,346** | **44,773** |

During fiscal year 2015 a restructuring occurred that resulted in a curtailment. This reduced the defined benefit obligation, but was partly offset by the impact of the appreciation of the Swiss franc in 2015. From the total number of employees that was laid off during fiscal year 2015, 45 employees were covered under the pension plan. The curtailment was calculated at March 31, 2015 and updated at June 30, 2015.

Total defined benefit cost (income) recognized in the Consolidated Statement of Comprehensive Income:

| (euro in thousands) | Year ended December 31, | |
|---|---|---|
| | 2015 | 2014 |
| Current service costs | 1,925 | 1,399 |
| Interest expense on benefit obligation | 538 | 832 |
| Interest income on plan assets | (420) | (746) |
| Past service cost including effects of curtailment | (6,381) | (757) |
| Administration expenses | 70 | 66 |
| **Defined benefit cost (income) recognized** | **(4,268)** | **794** |

Movement in the fair value of plan assets:

| (euro in thousands) | 2015 | 2014 |
|---|---|---|
| Fair value of plan assets at January 1, | 34,853 | 32,176 |
| Interest income | 420 | 746 |
| Return on plan assets excluding amounts included in net income | 929 | 1,427 |
| Plan participants' contribution | 572 | 586 |
| Company contributions | 1,327 | 1,367 |
| Benefits paid through pension assets | (6,868) | (2,042) |
| Administration expenses | (70) | (66) |
| Foreign currency differences | 3,737 | 659 |
| **Fair value of plan assets at December 31,** | **34,900** | **34,853** |

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

| (in percentage) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Qualified insurance policies | 98% | 99% |
| Others | 2% | 1% |
| **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, 2015 | December 31, 2014 |
|---|---|---|
| Defined benefit obligations | 41,346 | 44,773 |
| Fair value of plan assets | (34,900) | (34,853) |
| **Net liability** | **6,446** | **9,920** |

### Historical information

| (euro in thousands) | 2015 | 2014 | 2013 | 2012 | 2011 restated |
|---|---|---|---|---|---|
| Present value of the defined benefit obligations | 41,346 | 44,773 | 36,815 | 42,128 | 41,007 |
| Fair value of plan assets | (34,900) | (34,853) | (32,176) | (36,640) | (36,402) |
| **Deficit in the plan** | **6,446** | **9,920** | **4,639** | **5,488** | **4,605** |
| Experience adjustments arising on plan liabilities economic assumptions | 1,304 | 7,235 | (1,347) | 1,905 | 1,548 |
| Experience adjustments arising on plan liabilities from experience | 438 | (43) | - | - | - |
| Experience adjustments arising on plan assets ((gains)/losses) | 929 | 1,427 | (575) | (623) | (1,350) |

Expected contribution related to employer contribution in 2016 is expected to be in line with 2015.

**Sensitivity analysis**
The calculation of the defined benefit obligations 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 obligations | |
|---|---|---|
| | 0.25% increase | 0.25% decrease |
| Discount rate | (1,627) | 1,757 |
| Salary increase | 219 | (212) |
| Pension indexation | n/a | n/a |
| Interest credit rate | 358 | (347) |

The above sensitivities are based on the average duration of the defined benefit obligations determined at the date of the last full actuarial valuation at December 31, 2015 and are applied to adjust the defined benefit obligation at the end of the reporting period of the assumptions concerned.

**Pension plan - Austria**
The Company's Austrian subsidiary operates a voluntary defined benefit plan for guaranteed pension payments covering certain persons, as well as a defined benefit plan for severance payments in accordance with Austrian Labour Law. Both plans are insured with an independent insurance company, which is required to meet the regulatory requirements. The Company does not hold any transferable financial instruments as plan assets and its sole obligation is to pay the contributions that are required based on the agreement with the insurer.

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. Remeasurements are recognized in accumulated other comprehensive income (loss).

There were no gains or losses from changes in demographic assumptions for either pension or severance payment plan. The pension plan recorded a loss from changes in financial assumptions of € 19 and an experience adjustment loss of € 1. The severance payment plan recorded a loss from changes in financial assumptions of € 82 and an experience adjustment gain of € 101 due to staff leaving the Company without receiving termination indemnities.

The discount rate was derived by reference to appropriate benchmark yields on high quality corporate bonds. The weighted average duration of the pension plan and the plan for severance payments is 18 years for both plans.

Principal actuarial assumptions at the reporting date:

| **(in percentage)** | **2015** | **2014** |
|---|---|---|
| Discount rate | 2.25% | 2.40% |
| 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** | **2015 Total** |
|---|---|---|---|
| Liability for defined benefit and severance obligations at January 1, | 666 | 2,869 | 3,535 |
| Service cost | 31 | 186 | 217 |
| Interest expense | 16 | 69 | 85 |
| Remeasurement losses (gains) recognized | 20 | (19) | 1 |
| Benefits paid | (8) | (76) | (84) |
| **Liability for defined benefit and severance obligations at December 31,** | **725** | **3,029** | **3,754** |

| **(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 expense | 14 | 75 | 89 |
| Remeasurement losses recognized | 138 | 360 | 498 |
| Benefits paid | (8) | (112) | (120) |
| Other | (64) | 47 | (17) |
| **Liability for defined benefit and severance obligations at December 31,** | **666** | **2,869** | **3,535** |

The accumulated defined benefit obligation amounts to € 3.8 million at December 31, 2015. 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 the defined benefit cost recognized in the Consolidated Statement of Comprehensive Income for the years ended December 31, 2015 and 2014 is presented as follows:

| **(euro in thousands)** | **Year ended December 31, 2015** | **2014** |
|---|---|---|
| Service cost | 217 | 167 |
| Interest expense | 84 | 89 |
| **Defined benefit cost recognized** | **301** | **256** |

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) | 2015 | 2014 |
|---|---|---|
| Fair value of plan assets at January 1, | 1,465 | 1,367 |
| Interest income | 11 | 58 |
| Employer contribution/additions to assets | 84 | 40 |
| Benefits paid | (47) | - |
| **Fair value of plan assets at December 31,** | **1,513** | **1,465** |

At December 31, 2015 and December 31, 2014, the assets consist of bonds (5%), investment funds (30%) and insurance policies (65%).

### Historical information

| (euro in thousands) | 2015 | 2014 | 2013 | 2012 | 2011 |
|---|---|---|---|---|---|
| Present value of the defined benefit and severance obligations | 3,754 | 3,535 | 2,918 | 2,704 | 1,981 |
| Fair value of plan assets | (1,513) | (1,465) | (1,367) | (1,167) | (1,080) |
| **Deficit in the plan** | **2,241** | **2,070** | **1,551** | **1,537** | **901** |
| Experience adjustments arising on plan liabilities ((gains)/losses) | 1 | 498 | (6) | 556 | (141) |

Expected contribution related to employer contribution in 2016 is expected to be in line with prior years.

### Sensitivity analysis

The calculation of the defined benefit and severance obligations 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 obligations | |
|---|---|---|
| | 0.25% increase | 0.25% decrease |
| Discount rate | (166) | 176 |
| Salary increase | 140 | (133) |

The above sensitivities are based on the average duration of the defined benefit and severance obligations determined at the date of the last full actuarial valuation at December 31, 2015 and are applied to adjust the defined benefit and severance obligations at the end of the reporting period of the assumptions concerned.

### Pension plan - Other countries

The Company's US, Malaysian, Korean and Chinese subsidiaries have defined contribution plans that supplement the governmental benefits provided under local legislation.

### Share-based payments

*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.

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.

The Share Option Plan 2000 contained an anti-dilution clause which can lead to an adjustment of the exercise price. In 2015, 30,500 options have been exercised. The exercise price was revised to € 13.14 effectively at the applicable exercise dates in 2015. The amendment of the exercise price is treated as a modification and the incremental fair value of this modification was € 144.

*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 Revenue ("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 2014, 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 30, 2015.

*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 Revenue (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:

| | 2015 Number of options | Weighted average excercise price (in euro) | 2014 Number of options | Weighted average excercise price (in euro) |
|---|---|---|---|---|
| *Equity-settled option plans* | | | | |
| Outstanding, beginning of year | 54,461 | 17.90 | 216,361 | 11.02 |
| Options exercised[1] | (30,500) | 13.14 | (161,900) | 6.94 |
| **Outstanding and exercisable, end of year** | **23,961** | **13.14** | **54,461** | **17.90** |

[1] The weighted average exercise price at the date of exercise was € 13.14 in 2015 and € 11.92 in 2014.

Stock options outstanding and exercisable:

| | Year ended December 31, 2015 | | | Year ended December 31, 2014 | | |
|---|---|---|---|---|---|---|
| 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* | | | | | | |
| | 23,961 | 0.30 | 13.14 | 54,461 | 1.30 | 17.90 |
| **Total equity-settled option plans** | **23,961** | | | **54,461** | | |

### Summary of outstanding PSAs and Performance Shares
Following is a summary of changes in Performance Stock Awards and Performance Shares:

| | 2015 | 2014 |
|---|---|---|
| Outstanding at January 1, | 648,204 | 701,236 |
| Performance Shares granted | 171,324 | 277,324 |
| Shares discretionary granted to Board | 60,000 | 20,000 |
| Shares discretionary granted to Non-Board | 49,737 | 39,798 |
| Performance adjustments | 4,051 | - |
| PSAs/Performance Shares settled in equity instruments (reissued from Treasury Shares) | (235,208) | (183,876) |
| PSAs/Performance Shares settled in cash | - | (5,702) |
| PSAs/Performance Shares forfeited | (5,066) | (140,778) |
| Shares reissued from Treasury Shares by the Company upon vesting | (109,737) | (59,798) |
| **Outstanding at December 31,** | **583,305** | **648,204** |

The market price of the Company's Ordinary Shares at the date of grant in 2015 and 2014 was € 25.50 and € 12.30, respectively. 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 € 17.95 (2014: € 8.97). At the date of grant of additional Shares to the non-Board members, the market price was € 17.95 (2014: € 8.97 and € 11.40).

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 | 2013 | 2013-2015 | 82,626 |
| | 2014 | 2014-2016 | 54,526 |
| | 2015 | 2015-2017 | 33,070 |
| **Total** | | | **170,222** |

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 | 2013 | 2013-2015 | 253,764 |
| Key employees | 2014 | 2014-2016 | 224,441 |
| Key employees | 2015 | 2015-2017 | 138,254 |
| **Total** | | | **616,459** |

In the overviews above the total number of Performance Shares conditionally granted is disclosed. Regarding the 2012-2014 grants 203,376 Performance Shares have either been settled or forfeited which explains the difference between the 616,459 and 170,222 Performance Shares conditionally awarded and the outstanding 583,305 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 2015 amounts to 33,070 (2014: 54,526). 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 Revenue (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 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. | Entegris, Inc. |
| Veeco Industries, Inc. | Lam Research Corporation |
| Aixtron SE | Tokyo Electron Ltd |
| ASM International NV | Disco Corporation |
| Süss Microtec AG | Tokyo Seimitsu Co.,Ltd |
| ASM Pacific Technology Ltd | ASML Holding NV |
| Brooks Automation, Inc. | Shinkawa Ltd |
| | 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 2015, the grant date fair value of the 50% portion with a TSR performance condition is € 25.23 (2014: € 12.13) and has been derived using a Monte Carlo Simulation model. The significant inputs into the model were:

| | 2015 | 2014 |
|---|---|---|
| Market price of the Company's Shares (in euro) | 25.50 | 12.30 |
| Volatility | 29% | 31% |
| Dividend yield | 5.88% | 4.47% |
| Vesting period (in years) | 3 | 3 |
| Risk-free interest rate | (0.17%) | 0.30% |

For the 2015 awards, the grant date fair value of the 50% portion with a NIR performance condition is € 21.96 (2014: € 10.98). 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.

On January 28, 2014, 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 € 387 has been recognized in the Consolidated Statement of Comprehensive income.

### LTI Plan 2012-2016 (Non-Board Members)

The Performance Shares awarded prior to 2014 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 2015 for these Performance Shares amount to € 2,143 (2014: € 2,053) and are recognized in the Statement of Comprehensive Income.

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

| **(euro in thousands)** | **Year ended December 31,** | |
|---|---|---|
| | **2015** | **2014** |
| Performance Shares granted and delivered to the Board of Management | 1,050 | 179 |
| Performance Shares granted and delivered to Non-Board members | 870 | - |
| Conditional Performance Shares Board of Management | 985 | 1,424 |
| Incremental fair value options | 145 | 213 |
| Performance Shares relating to the LTI plan 2012-2016 | 2,143 | 2,053 |
| **Total expense recognized as employee costs** | **5,193** | **3,869** |

## 21. Equity

At December 31, 2015 and December 31, 2014, the parent company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.90 per share, and 80,000,000 Preference Shares, nominal value € 0.90 per share.

At December 31, 2015 and December 31, 2014, 37,863,456 and 37,712,540 Ordinary Shares were outstanding, excluding Treasury Shares of 2,170,465 and 2,321,381, respectively. No Preference Shares were outstanding at each of December 31, 2015 and December 31, 2014. All issued shares have been paid in full.

Changes in other reserves during 2015 and 2014 were as follows:

| **(euro in thousands)** | **Accumulated other comprehensive income** | **Currency translation adjustment** | **Legal reserves** | **Total other reserves** |
|---|---|---|---|---|
| Balance at January 1, 2015 | (9,615) | 21,103 | 38,206 | 49,694 |
| Total comprehensive income (loss) for the period | (405) | 10,060 | - | 9,655 |
| Legal reserve | - | - | 468 | 468 |
| **Balance at December 31, 2015** | **(10,020)** | **31,163** | **38,674** | **59,817** |
| | | | | |
| Balance at January 1, 2014 | (3,494) | 14,125 | 33,114 | 43,745 |
| Total comprehensive income (loss) for the period | (6,121) | 6,978 | - | 857 |
| Legal reserve | - | - | 5,092 | 5,092 |
| **Balance at December 31, 2014** | **(9,615)** | **21,103** | **38,206** | **49,694** |

Accumulated other comprehensive income (loss) consists of:

| **(euro in thousands)** | **December 31, 2015** | **December 31, 2014** |
|---|---|---|
| Actuarial gains (losses) | (11,860) | (11,138) |
| Deferred tax on actuarial gains and losses | 1,380 | 1,298 |
| Cash flow hedging reserve | (303) | (538) |
| Others | 763 | 763 |
| **Accumulated other comprehensive income (loss)** | **(10,020)** | **(9,615)** |

**Dividends**

Proposed for approval at the Annual General Meeting of Shareholders to be held on April 29, 2016 (not recognized as a liability as at December 31, 2015 and December 31, 2014):

| (euro in thousands | | Year ended December 31, |
|---|---|---|
| | 2015 | 2014 |
| 120 cents per Ordinary Share (2014: 150 cents) | 45,436 | 56,877 |

The Board of Management proposes to allocate the part of the net income for the year 2015 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, 2015 | December 31, 2014, |
|---|---|---|
| Within one year | 3,983 | 3,751 |
| After one year but not more than five years | 9,259 | 2,492 |
| After five years | 1,412 | 587 |
| **Total** | **14,654** | **6,830** |

The amount above consists of committed rental expense amounting to € 12.5 million and € 6.2 million as of December 31, 2015 and 2014, respectively. In addition, the Company has an unconditional obligation related to the purchase of equipment and materials totalling € 45.6 million and € 71.2 million as of December 31, 2015 and 2014, respectively. Lease and rental expenses amounted to € 4.5 million and € 4.4 million for the years ended December 31, 2015 and 2014, respectively.

Research and development subsidies and credits available to offset research and development expenses were € 2.1 million in 2015 and € 2.0 million in 2014. R&D grants have been received from the EU, from the Österreichische Forschungsförderungsgesellschaft and from local governments.

## 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 | Switzerland | Austria | United States | Asia Pacific | Total |
|---|---|---|---|---|---|---|
| *Year ended December 31, 2015* | | | | | | |
| Total revenue | 83,621 | 270,625 | 56,177 | 51,104 | 127,914 | 589,441 |
| Intercompany revenue | (6,542) | (84,026) | (25,402) | - | (124,265) | (240,235) |
| External revenue | 77,079 | 186,599 | 30,775 | 51,104 | 3,649 | 349,206 |
| Non-financial assets | 12,219 | 32,614 | 44,184 | 9,733 | 13,884 | 112,634 |
| Capital expenditures | 718 | 780 | - | - | 2,670 | 4,168 |
| *Year ended December 31, 2014* | | | | | | |
| Total revenue | 96,065 | 288,882 | 66,504 | 54,671 | 148,731 | 654,853 |
| Intercompany revenue | (5,734) | (100,944) | (20,840) | (2,291) | (146,247) | (276,056) |
| External revenue | 90,331 | 187,938 | 45,664 | 52,380 | 2,484 | 378,797 |
| Non-financial assets | 11,601 | 33,374 | 44,939 | 8,741 | 13,420 | 112,075 |
| Capital expenditures | 1,210 | 735 | 1,601 | 849 | 2,079 | 6,474 |

The following table represents the geographical distribution of the Company's revenue to customers:

| (euro in thousands) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| China | 80,214 | 73,928 |
| Taiwan | 35,065 | 60,067 |
| Korea | 15,656 | 24,746 |
| United States | 63,500 | 59,526 |
| Malaysia | 41,943 | 53,781 |
| Germany | 18,829 | 14,514 |
| Singapore | 24,823 | 14,078 |
| Other Asia Pacific | 37,851 | 28,699 |
| Other Europe | 24,403 | 48,424 |
| Rest of the World | 6,922 | 1,034 |
| **Total revenue** | **349,206** | **378,797** |

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

For the years ended December 31, 2015 and 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, 2015 | 2014 |
|---|---|---|
| Sale of goods | 345,936 | 376,017 |
| Rendering of services | 3,270 | 2,780 |
| **Total revenue** | **349,206** | **378,797** |

## 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 56 to 60 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 for the years ended December 31, 2015 and 2014, were as follows:

| (in euros) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| **R.W. Blickman** | | |
| Salaries and other short-term employee benefits[1, 2] | 1,243,669 | 953,888 |
| Post-employment benefits[3] | 26,023 | 1,128,601 |
| Equity compensation benefits: Discretionary grant | 1,050,000 | 179,400 |
| Equity compensation benefits: Modification options | - | 212,928 |
| Equity compensation benefits: Incentive Plan | 985,171 | 1,423,500 |
| **Total** | **3,304,863** | **3,898,317** |

[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 € 306 in 2015 (2014: € 273). 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, 2015 and 2014 was as follows:

| (in euros) | 2015 | 2014 |
|---|---|---|
| T. de Waard | 72,000 | 65,333 |
| D.J. Dunn | 60,000 | 53,333 |
| D. Lindenbergh | 19,000 | 50,333 |
| K.W. Loh | 38,000 | - |
| M. ElNaggar | 57,000 | 50,333 |
| J.E. Vaandrager | 60,000 | 53,333 |
| **Total** | **306,000** | **272,665** |

In the Annual General Meeting of Shareholders of April 30, 2014, the yearly remuneration for the Supervisory Board members has been 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, 2015, are as follows:

| Ordinary Shares | Number of shares |
|---|---|
| R.W. Blickman | 661,233 |
| **Total** | **661,233** |

| Performance Shares | Year of grant | Three-year performance period | Number of PSs |
|---|---|---|---|
| R.W. Blickman | 2013 | 2013-2015 | 82,626 |
| | 2014 | 2014-2016 | 54,526 |
| | 2015 | 2015-2017 | 33,070 |
| **Total** | | | **170,222** |

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, 2015, was as follows:

| Ordinary Shares | Number of shares |
|---|---|
| T. de Waard | 24,610 |
| **Total** | **24,610** |

**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, 2015, 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 |
| Options exercised during 2015 | | | 13.14 | (16,000) |
| **Total** | | | | **0** |

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.

In 2015, the 16,000 options have been exercised. The exercise price was revised to € 13.14 effectively at the applicable exercise date in 2015. The amendment of the exercise price is treated as a modification and the incremental fair value of this modification was € 76.

At December 31, 2014, there was an € 66 loan outstanding 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 was fully provided for. Following the exercise of the options and associated sale of the shares during 2015, the loan arrangements outstanding have been fully repaid to the Company by the former member of the Board of Management. Therefore, the amount of loans outstanding at December 31, 2015 was € 0 and the Company could release the provision of € 66.

## 25. Selected operating expenses and additional information
Personnel expenses for all employees were as follows:

| (euro in thousands) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| Wages and salaries | 80,582 | 73,118 |
| Social security expenses | 10,378 | 9,602 |
| Pension and retirement expenses | 3,294 | 4,057 |
| Curtailment gain | (5,626) | - |
| Share-based compensation plans | 5,193 | 3,869 |
| **Total personnel expenses** | **93,821** | **90,646** |

The average number of employees during 2015 and 2014 was 1,530 and 1,487, respectively. For pension and retirement expenses, reference is made to Note 20.

The total number of personnel employed per department was:

| | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Sales and Marketing | 377 | 381 |
| Manufacturing and Assembly | 672 | 694 |
| Research and Development | 311 | 297 |
| General and Administrative | 139 | 138 |
| **Total number of personnel** | **1,499** | **1,510** |

As of December 31, 2015 and 2014, a total of 200 and 204 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, 2015 | 2014 |
|---|---|---|
| Interest income | 490 | 696 |
| **Subtotal financial income** | **490** | **696** |
| Interest expense | (466) | (379) |
| Net foreign exchange loss | (817) | (1,058) |
| **Subtotal financial expense** | **(1,283)** | **(1,437)** |
| **Financial income (expense), net** | **(793)** | **(741)** |

## 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:

| | 2015 | 2014 |
|---|---|---|
| Shares outstanding at beginning of the year | 37,712,540 | 37,306,966 |
| Weighted average shares reissued from Treasury Shares for the vesting of Performance Stock Awards (LTI) | 151,535 | 114,144 |
| Weighted average shares reissued from Treasury Shares for the vesting of shares discretionary granted | 72,317 | 13,260 |
| Weighted average shares reissued from Treasury Shares for the execution of options | 24,112 | 105,568 |
| Weighted average shares bought under the share repurchase program | (29,303) | - |
| **Average shares outstanding - basic** | **37,931,201** | **37,539,938** |

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 38,503,786 (2014: 37,982,782). Net income in 2015 used in calculating dilutive earnings per share amounts to € 49.0 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:

| **(euro in thousands)** | | | | **December 31, 2015** |
|---|---|---|---|---|
| | **Note** | **Carrying amount** | **Level** | **Fair value** |
| *Financial assets* | | | | |
| Cash and cash equivalents | 3 | 157,818 | 1 | 157,818 |
| Trade receivables | 4 | 80,640 | 3 | 80,640 |
| Forward exchange contracts | 6 | 466 | 2 | 466 |
| Other receivables | 6 | 3,280 | 3 | 3,280 |
| **Total** | | **242,204** | | **242,204** |
| *Financial liabilities* | | | | |
| Notes payable to banks | 13 | 8,000 | 1 | 8,000 |
| Trade payables | 15 | 27,529 | 3 | 27,529 |
| Forward exchange contracts | 16 | 1,228 | 2 | 1,228 |
| Other payables | 16 | 18,108 | 3 | 18,108 |
| Long-term debt and financial leases | 18 | 13,352 | 1 | 13,352 |
| **Total** | | **68,217** | | **68,217** |

| **(euro in thousands)** | | | | **December 31, 2014** |
|---|---|---|---|---|
| | **Note** | **Carrying amount** | **Level** | **Fair value** |
| *Financial assets* | | | | |
| Cash and cash equivalents | 3 | 135,322 | 1 | 135,322 |
| Trade receivables | 4 | 93,248 | 3 | 93,248 |
| Forward exchange contracts | 6 | 140 | 2 | 140 |
| Other receivables | 6 | 6,223 | 3 | 6,223 |
| **Total** | | **234,933** | | **234,933** |
| *Financial liabilities* | | | | |
| Notes payable to banks | 13 | 13,568 | 1 | 13,568 |
| Current portion of long-term debt and financial leases | 18 | 815 | 1 | 815 |
| Trade payables | 15 | 38,381 | 3 | 38,381 |
| Forward exchange contracts | 16 | 3,311 | 2 | 3,311 |
| Other payables | 16 | 20,910 | 3 | 20,910 |
| Long-term debt and financial leases | 18 | 2,978 | 1 | 2,978 |
| **Total** | | **79,963** | | **79,963** |

There were no transfers between levels during the years ended December 31, 2015 and December 31, 2014.

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. Money market funds (deposits) are part of our cash and cash equivalents and therefore categorized as level 1. 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, Swiss franc and Malaysian ringgit against the US dollar and US dollar-linked currencies, since approximately 70% of its sales in 2015 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 2015 and 2014, 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, € 303 was reported as other comprehensive income at December 31, 2015. The amount in 2015 released from equity in revenue in the Consolidated Statement of Comprehensive Income was € 18. 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, directly in the Consolidated Statement of Comprehensive Income was a loss of € 18 in 2015 (2014: a loss of € 11).

Movement cash flow hedging reserve:

| (euro in thousands) | 2015 |
|---|---|
| Balance at January 1, | (538) |
| Amount recognized in equity, net | 217 |
| Amount reclassified to Consolidated Statement of Comprehensive Income due to ineffectiveness | 18 |
| **Balance at December 31,** | **(303)** |

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 € 466 and € 140 at December 31, 2015 and 2014, 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.

Following is a summary of the Company's forward foreign currency exchange contracts at foreign currency contract rate:

| (euro in thousands) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| To sell US dollars for euros | 12,320 | 19,030 |
| To sell euros for US dollars | 100 | 731 |
| To sell US dollars for Swiss francs | 63,259 | 60,736 |
| To sell Swiss francs for US dollars | 5,050 | 3,141 |
| To sell US dollars for Malaysian ringgits | 17,908 | 19,400 |
| To sell euros for Malaysian ringgits | 3,665 | 2,290 |
| To sell euros for Singapore dollars | 1,909 | 1,624 |
| To sell Singapore dollars for euros | 636 | - |
| To sell US dollars for Japanese yens | - | 463 |
| To sell Swiss francs for euros | 12,698 | 400 |
| To sell euros for Swiss francs | 5,303 | 2,371 |
| **Total** | **122,848** | **110,186** |

At December 31, 2015, the unrealized loss on forward foreign currency exchange contracts that were designated as a hedge of firmly committed transactions amounted to € 762. At December 31, 2014, the unrealized loss on forward foreign currency exchange contracts amounted to € 3,171.

The fair value of the Company's forward foreign currency exchange contracts, which are categorized as Level 2 is as follows:

| (euro in thousands) | | 2015 | | 2014 |
|---|---|---|---|---|
| | Positive | Negative | Positive | Negative |
| *Forward exchange contracts* | | | | |
| **Fair value** | **466** | **1,228** | **140** | **3,311** |

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, 2015 and 2014, foreign currency losses of € 18 and € 11, 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) | December 31, 2015 | December 31, 2014 |
|---|---|---|
| Within 0-3 months | 104,926 | 102,363 |
| From 3-6 months | 17,367 | 6,149 |
| From 6-9 months | 233 | 517 |
| After 9 months | 322 | 1,157 |
| **Total** | **122,848** | **110,186** |

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 2015 and 2014, 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, 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.

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, Swiss franc and Malaysian ringgit. The percentage of its consolidated net revenue which is presented by US dollar or US dollar-linked currencies amounted to approximately 70% of total revenue in the year ended December 31, 2015, whereas revenue denominated in euro amounted to approximately 22% and other currencies amounted to approximately 8%. Approximately 31% of its costs and expenses were denominated in euro, 22% in Swiss franc, 28% in Malaysian ringgit and the remaining 19% in various currencies. In order to mitigate the impact of currency exchange rate fluctuations, Besi continually assesses its remaining exposure to currency risks and hedges 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.

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. This comparison is done as most transactions are in US dollar and are hedged against the local currencies of the main operations in the Netherlands, Austria, Switzerland and Malaysia. The analysis includes the effects of fair value changes of the financial instruments used to hedge the currency exposures and focuses only on balance sheet positions.

| (euro in thousands) | Increase/decrease in US dollar rate compared to euro | Effect on profit before tax | Effect on equity |
|---|---|---|---|
| 2015 | +10% | (200) | (700) |
| | -10% | 200 | 700 |
| 2014 | +10% | 300 | (900) |
| | -10% | (300) | 900 |

| (euro in thousands) | Increase/decrease in US dollar rate compared to Swiss franc | Effect on profit before tax | Effect on equity |
|---|---|---|---|
| 2015 | +10% | 100 | - |
| | -10% | (100) | - |
| 2014 | +10% | 200 | - |
| | -10% | (200) | - |

| (euro in thousands) | Increase/decrease in US dollar rate compared to Malaysian ringgit | Effect on profit before tax | Effect on equity |
|---|---|---|---|
| 2015 | +10% | (100) | - |
| | -10% | 100 | - |
| 2014 | +10% | 200 | - |
| | -10% | (200) | - |

The current outstanding forward exchange contracts have been included in this calculation.

**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 € 1.1 million, net of tax (2014: € 0.9 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 € 1.1 million, net of tax (2014: € 0.9 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 receivables 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 receivables 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 |
|---|---|---|---|---|---|---|---|---|
| 2015 | 84,386 | (878) | 58,844 | 8,983 | 5,436 | 3,036 | 1,732 | 7,233 |
| 2014 | 99,611 | (953) | 60,201 | 15,291 | 8,890 | 5,615 | 3,814 | 6,753 |

Movement in impairment of trade receivables and other receivables:

| (euro in thousands) | 2015 | 2014 |
|---|---|---|
| Balance at January 1, | 953 | 581 |
| Additions (releases) | (59) | 563 |
| Utilized | (59) | (207) |
| Foreign currency translation | 43 | 16 |
| **Balance at December 31,** | **878** | **953** |

#### 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, 2015 and 2014, based on contractual undiscounted payments:

| **Maturity profile (euro in thousands)** | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 5 years** | **Total** |
|---|---|---|---|---|---|
| *Year ended December 31, 2015* | | | | | |
| Long-term debt and financial leases | - | - | - | 13,352 | 13,352 |
| Interest payable long-term debt and financial leases | - | 35 | 106 | 217 | 358 |
| Accounts payable | 1,528 | 24,613 | 1,314 | 74 | 27,529 |
| Other payables | 1,083 | 8,452 | 8,818 | 983 | 19,336 |
| **Total** | **2,611** | **33,100** | **10,238** | **14,626** | **60,575** |

| **Maturity profile (euro in thousands)** | **On demand** | **Less than 3 months** | **3 to 12 months** | **1 to 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** |

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, 2015 and December 31, 2014. 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)** | **2015** | **2014** |
|---|---|---|
| Equity | 332,220 | 328,824 |
| Solvency ratio | 76.8% | 74.0% |
| Solvency ratio (excluding intangible fixed assets) | 71.0% | 67.9% |
| Return on average investment | 15.0% | 24.0% |

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

Subsequent events were evaluated up to February 24, 2016, which is the date the Financial Statements included in this Annual Report were approved. There are no events to report.

# Parent Company Balance Sheet

(Before appropriation of the result)

| (euro in thousands) | Note | December 31, 2015 | December 31, 2014 |
|---|---|---|---|
| *Assets* | | | |
| **Property, plant and equipment** | **2** | **-** | **2** |
| **Other intangible assets** | **3** | **402** | **228** |
| Investments in subsidiaries | 4 | 205,641 | 195,538 |
| Subordinated loans due from subsidiary | 4 | 8,000 | 8,000 |
| Loans due from subsidiaries | 4 | 64,334 | 63,612 |
| Deferred tax assets | | 10,000 | 10,000 |
| **Financial fixed assets** | | **287,975** | **277,150** |
| **Total fixed assets** | | **288,377** | **277,380** |
| Amounts due from subsidiaries | | 10,817 | 4,075 |
| Other receivables | | 786 | 666 |
| **Receivables** | | **11,603** | **4,741** |
| **Cash and cash equivalents** | | **137,823** | **107,671** |
| **Total current assets** | | **149,426** | **112,412** |
| **Total assets** | | **437,803** | **389,792** |
| *Shareholders' equity, provisions and liabilities* | | | |
| Share capital | 5 | 36,031 | 36,431 |
| Share premium | 5 | 195,524 | 193,562 |
| Retained earnings | 5 | (9,736) | (23,275) |
| Other reserves | 5 | 59,817 | 49,694 |
| Undistributed result | 5 | 48,980 | 70,884 |
| **Shareholders' equity** | | **330,616** | **327,296** |
| Other non-current liabilities | | 62 | 102 |
| **Non-current liabilities** | | **62** | **102** |
| Trade payables | | 299 | 296 |
| Amounts due to subsidiaries | | 105,111 | 60,950 |
| Other payables | | 1,715 | 1,148 |
| **Current liabilities** | | **107,125** | **62,394** |
| **Total shareholders' equity, provisions and liabilities** | | **437,803** | **389,792** |

# Parent Company Statement of Income and Expense

| (euro in thousands) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| Income from subsidiaries, after taxes | 53,151 | 69,782 |
| Other income and expenses | (4,171) | 1,102 |
| **Net income** | **48,980** | **70,884** |

# 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. The net equity value is determined on the basis of IFRS accounting principles applied in the Consolidated Financial Statements. 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, 2015* | |
| Cost | 114 |
| Depreciation | (112) |
| **Property, plant and equipment, net** | **2** |
| *Changes in book value in 2015* | |
| Depreciation | 2 |
| **Total changes** | **2** |
| *Balance at December 31, 2015* | |
| Cost | 114 |
| Depreciation | (114) |
| **Property, plant and equipment, net** | **-** |

### 3. Other intangible assets

Other intangible assets, net consist of the following:

| (euro in thousands) | Software |
|---|---|
| *Balance at January 1, 2015* | |
| Cost | 1,113 |
| Accumulated amortization | (885) |
| **Other intangible assets, net** | **228** |
| *Changes in book value in 2015* | |
| Capital expenditures | 324 |
| Amortization | (150) |
| **Total changes** | **174** |
| *Balance at December 31, 2015* | |
| Cost | 1,437 |
| Accumulated amortization | (1,035) |
| **Other intangible assets, net** | **402** |

The other intangible fixed assets consist of capitalized licenses 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, 2015 | 195,538 | 8,000 | 63,612 | 267,150 |
| Income for the period | 53,151 | - | - | 53,151 |
| Negative equity adjustments | (950) | - | 950 | - |
| Repayments | - | - | (4,132) | (4,132) |
| Dividend payments | (47,756) | - | - | (47,756) |
| Changes in accumulated other comprehensive income | (498) | - | - | (498) |
| Currency translation adjustment | 6,156 | - | 3,904 | 10,060 |
| **Balance at December 31, 2015** | **205,641** | **8,000** | **64,334** | **277,975** |

| (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 |
| Negative equity adjustments | (9,272) | - | 9,272 | - |
| Repayments | - | - | (19,021) | (19,021) |
| Dividend payments | (6,059) | - | - | (6,059) |
| Changes in accumulated other comprehensive income | (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** |

The negative equity adjustments in the movement schedule are adjustments of the income for the period related to the net income of the subsidiaries with a negative equity value.

**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.

**Loans due from/to subsidiaries**
Interest on loans from/to subsidiaries is calculated based on monthly base rates plus a market-conform mark-up. An amount of € 38.8 million relates to loans granted by BE Semiconductor Industries N.V. to its US subsidiaries. These loans are repaid upon lenders' demand for repayment. Therefore, no interest is calculated on these loans.

## 5. Shareholder's equity

| (euro in thousands, except for share data) | Number of Ordinary Share outstanding[1] | Share capital | Share premium | Retained earnings | Other reserves | Undistributed result | Total share-holders' equity[2] |
|---|---|---|---|---|---|---|---|
| Balance at January 1, 2015 | 40,033,921 | 36,431 | 193,562 | (23,275) | 49,694 | 70,884 | 327,296 |
| Total comprehensive income for the period | - | - | - | - | 9,655 | 48,980 | 58,635 |
| Reduction of share capital | - | (400) | 400 | - | - | - | - |
| Dividend paid to owners of the Company | - | - | - | - | - | (56,877) | (56,877) |
| Legal reserve | - | - | - | (468) | 468 | - | - |
| Appropriation of the result | - | - | - | 14,007 | - | (14,007) | - |
| Equity-settled share-based payments expense | - | - | 5,193 | - | - | - | 5,193 |
| Purchase of Treasury Shares | - | - | (4,031) | - | - | - | (4,031) |
| Re-issued Treasury Shares | - | - | 400 | - | - | - | 400 |
| **Balance at December 31, 2015** | **40,033,921** | **36,031** | **195,524** | **(9,736)** | **59,817** | **48,980** | **330,616** |
| Balance at January 1, 2014 | 40,033,921 | 36,431 | 188,570 | (21,796) | 43,745 | 16,015 | 262,965 |
| Total comprehensive income for the period | - | - | - | - | 857 | 70,884 | 71,741 |
| Dividend paid to owners of the Company | - | - | - | - | - | (12,402) | (12,402) |
| Legal reserve | - | - | - | (5,092) | 5,092 | - | - |
| Appropriation of the result | - | - | - | 3,613 | - | (3,613) | - |
| Equity-settled share-based payments expense | - | - | 3,869 | - | - | - | 3,869 |
| Re-issued Treasury Shares | - | - | 1,123 | - | - | - | 1,123 |
| **Balance at December 31, 2014** | **40,033,921** | **36,431** | **193,562** | **(23,275)** | **49,694** | **70,884** | **327,296** |

[1] The outstanding number of Ordinary Shares includes 2,170,465 and 2,321,381 Treasury Shares at December 31, 2015 and December 31, 2014, respectively.

[2] In total an amount of € 82.7 million is classified as a restricted reserve for subsidiaries (2014: € 80.3 million).

### Preference Shares

At December 31, 2015 and December 31, 2014, the parent company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.90 per share, and 80,000,000 Preference Shares, nominal value € 0.90 per share.

No Preference Shares were outstanding at December 31, 2015 and 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 contrary to such interests. The aim of the Preference Shares is, among 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, 2015 | December 31, 2014 |
|---|---|---|
| Actuarial gains (losses) | (11,860) | (11,138) |
| Deferred taxes on actuarial gains (losses) | 1,380 | 1,298 |
| Cash flow hedging reserve | (303) | (538) |
| Others | 763 | 763 |
| **Accumulated other comprehensive income (loss)** | **(10,020)** | **(9,615)** |

*Actuarial gains (losses)*
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 29, 2016 (not recognized as a liability as at December 31, 2015 and December 31, 2014):

| (euro in thousands) | Year ended December 31, 2015 | 2014 |
|---|---|---|
| **120 cents per Ordinary Share (2014: 150 cents)** | **45,436** | **56,877** |

The Board of Management proposes to allocate the part of the net income for the year 2015 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, 2015 | December 31, 2014 |
|---|---|---|
| Within one year | 30 | 35 |
| After one year but not more than five years | 54 | 42 |
| **Total** | **84** | **77** |

Lease and rental expenses amounted to € 45 and € 42 for the years ended December 31, 2015 and 2014, respectively.

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.

## 7. Additional information

*Cost of services provided by external auditor*

Deloitte Accountants B.V. has served as our independent registered public accounting firm for the year 2015 (2014: KPMG Accountants N.V.). The following table sets out the aggregate fees for professional audit services and other services rendered by Deloitte Accountants B.V. and its member firms and/or affiliates in 2015 (2014: KPMG Accountants N.V.):

| **(euro in thousands)** | **Year ended December 31,** | |
|---|---|---|
| | **2015** | **2014** |
| Audit costs | 285 | 388 |
| Other services | 36 | 5 |
| Tax services | - | 44 |
| **Total costs** | **321** | **437** |

*Total number of personnel*

The Company employed 9 employees at December 31, 2015 and 10 employees at December 31, 2014.

Duiven, February 24, 2016

**Board of Management:**
Richard W. Blickman

**Supervisory Board:**
Tom de Waard
Douglas J. Dunn
Mona ElNaggar
Kin Wah Loh
Jan E. Vaandrager

# Other Information

**Corporate Office**
Ratio 6
6921 RW Duiven
The Netherlands
Tel. (31) 26 319 4500
Fax (31) 26 319 4550
**www.besi.com**
e-mail:
info@besi.com
investor.relations@besi.com

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**
Deloitte Accountants B.V., Amsterdam, 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 10.30 a.m., on April 29, 2016 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 Shareholders and Supervisory Board of BE Semiconductor Industries N.V.**

**Report on the audit of the financial statements 2015**

## Our opinion

We have audited the financial statements 2015 of BE Semiconductor Industries N.V. ("Besi" or "the Company"), based in Amsterdam. The financial statements include the Consolidated Financial Statements and the 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, 2015, and of its result and its cash flows for 2015 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.
- The Company Financial Statements give a true and fair view of the financial position of BE Semiconductor Industries N.V. as at December 31, 2015, and of its result for 2015 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

## What we have audited

The Consolidated Financial Statements comprise:

- The Consolidated Statement of Financial Position as at December 31, 2015.
- The following consolidated statements for 2015: the Statement of Comprehensive Income, Statement of Cash Flows and Changes in Equity.
- The Notes comprising a summary of the significant accounting policies and other explanatory information.

The Company Financial Statements comprise:

- The Parent Company Statement of Income and Expense for 2015.
- The Parent Company Balance Sheet as at December 31, 2015.
- 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 regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





## Our audit approach

As part of our audit we have determined materiality and used it to assess the risks of material misstatement. We have specifically assessed accounts where subjectivity is high because of estimates regarding uncertain future developments. We have likewise specifically focused on the risk related to management override of controls and the risk of material misstatement due to fraud. In addition, our audit expressly included the continuity and reliability of the automated information systems.

## Materiality

Misstatements can arise from fraud or error 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 € 3 million. The materiality is based on 5% of profit before tax, which is 0.9% of revenues. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

Audits of the group entities (components) were performed using materiality levels determined by the judgement of the group audit team, taking into account the materiality of the Consolidated Financial Statements as a whole and the reporting structure within the group. Component materiality did not exceed € 2.4 million and is for certain components based on the lower statutory materiality levels.

We agreed with the Supervisory Board that misstatements in excess of € 150,000, 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.

| **Materiality overview** | |
|---|---|
| Group materiality level | € 3 million |
| Basis for group materiality level | 5% of profit before tax |
| Threshold for reporting misstatements | € 150,000 |

### Scope of the group audit

BE Semiconductor Industries N.V. is at the head of a group of entities. 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.

Our group audit mainly focused on significant group components covering the following countries: the Netherlands, Austria, Switzerland and Malaysia. Furthermore, we performed additional procedures at group level on significant areas such as revenues, goodwill, capitalized development expenses, inventory and the income tax position. This resulted in a coverage of 97% of revenues and 95% of total assets. The remaining 3% of total revenues and 5% of total assets results from components, none of which individually represents more than 3% of revenues or 1% of total assets. For these remaining components, where considered necessary, we performed, amongst others, analytical procedures or specific audit procedures on certain account balances to corroborate our assessment that there are no significant risks of material misstatements.

The group audit team sent detailed instructions to all component auditors that covered significant components, including the relevant risks of material misstatement and set the information to be reported back to the group audit team. The group audit team visited the component auditors of the components in Austria, Malaysia, the Netherlands and Switzerland. For all the components in scope, periodic conference calls were held with the component auditors. During these visits and conference calls, amongst other, the planning, risk assessment, audit procedures performed, findings and observations reported to local management and the group audit team were, where relevant, reviewed and discussed. Where deemed necessary by the group engagement team, additional audit procedures have been performed by the component auditors.

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.

| Key audit matter | How the key audit matter was addressed in the audit |
|---|---|
| **First year audit**<br>Initial audit engagements involve a number of considerations not associated with recurring audits. Accordingly, additional planning activities and considerations are required to establish an appropriate audit strategy and audit plan. This includes:<br>• Gaining an initial sufficient understanding of the group, its business, including its control environment and information systems to make the audit risk assessment, develop the audit strategy and the audit plan.<br>• Obtaining sufficient and appropriate audit evidence on the opening balances, including the selection and application of accounting principles.<br>• Communication with the previous auditors. | Prior to becoming the Company's auditors in 2015, we developed a transition plan. Our transition plan included amongst others:<br>i. Interaction with the previous auditor, including file reviews (where allowed) at the components in scope, evaluation of key accounting positions and audit matters from prior years.<br>ii. The group audit team visited all major components, component auditors, including meetings with component and product group management.<br>iii. Periodic meetings with the Executive Committee Members, key personnel and (corporate) functions to understand their perspective on the business, risks, internal controls and key findings from their work.<br>iv. Additional audit focus on all key audit matters. |
| **Revenue recognition**<br>In the Company's industry a variety of customer contracts and revenue arrangements may be entered into that require careful consideration and judgement to determine the revenue recognition. Reference is made to Note 2 to the Consolidated Financial Statements for the significant accounting policies on revenue recognition. There is a risk that revenue could be misstated due to the judgmental nature of revenue recognition for contracts containing multiple products and services (multiple element arrangements). | We have tested revenue recognition in each of the components subject to audit procedures, including, amongst others, testing the relevant key internal controls, performed audit procedures on (major) contracts to identify any multiple element arrangements or other relevant elements within the contract and tested whether revenues were recognized in the correct year for each deliverable identified in accordance with the underlying contract, customer acceptance or delivery. |
| **Valuation of goodwill**<br>Goodwill amounts to respectively € 46 million and represents 11% of the total of the Consolidated Statement of Financial Position at December 31, 2015. The Company's goodwill is allocated to two cash generating units, being Die Attach and Plating. The annual impairment test was significant to our audit because the assessment process is complex, judgmental and is based on assumptions that are affected by expected future market or economic conditions. | In our audit we assessed and challenged management's assumptions used in the impairment model with certain key assumptions as outlined in Note 9 to the Consolidated Financial Statements. The Company used assumptions in respect of market growth estimates from semiconductor equipment industry reports, future market developments and market solutions. Specifically, we assessed the cash flow projections that are mainly driven by forecasted revenues, the Weighted Average Cost of Capital, the perpetuity growth rates and the sensitivities used, with the assistance from our valuation experts, where appropriate, by looking at external market data and by assessing the historical accuracy of management's forecasting process. |
| **Valuation of capitalized development expenses**<br>Capitalized development expenses included in intangible fixed assets amount to € 39 million and represent 9% of the total of the Consolidated Statement of Financial position at December 31, 2015, at December 31, 2015, 24% relates to capitalized development expenses not available for use, which have to be tested annually for impairment. The annual impairment test was significant to our audit because the assessment process is complex, judgmental and is based on assumptions that are affected by expected future market or economic conditions. | Our audit procedures partly comprised of our work on the Company's cash flow projections and forecasts as described above in our audit 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 on critical assumptions. |

| Key audit matter | How the key audit matter was addressed in the audit |
|---|---|
| **Valuation of inventory**<br>The total inventory and related obsolescence provision as of December 31, 2015 amounts to € 54 million and € 15 million, respectively. The obsolescence provision mainly relates to raw materials and spare parts because finished products (and related work in process) are manufactured when a client order is received. We focused on this area because the gross inventory and related provision are material to the financial statements, involve a high level of judgement and are subject to uncertainty due to rapid technological changes. | We evaluated, amongst others, the analyses and assessments made by management with respect to slow moving and obsolete stock, the expected demand and market value related to spare parts and raw materials. |
| **Valuation of deferred tax assets**<br>The Company has recognized deferred tax assets of € 17 million related to tax losses. The deferred tax asset position was significant to our audit, since the amount is material to the financial statements, the assessment process is complex, requires careful consideration and judgement in relation to forecasting future taxable profits. | Our audit procedures included, where relevant the audit team was supported by tax experts, assessing management's assumptions to determine the probability that the recognized deferred tax assets are expected to be recovered through future taxable income. During these procedures we used for example, management's budgets, forecasts and relevant tax laws. In addition we also assessed the historical accuracy of management's assumptions.<br><br>We also assessed the adequacy of the Company's disclosure Note 11 to the Consolidated Financial Statements. |

### Responsibilities 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 Dutch Civil Code, and for the preparation of the Report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch 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 fraud or error.

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 framework 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.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

  Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

### Report on other legal and regulatory requirements

Pursuant to legal requirements of Part 9 of Book 2 of the Dutch Civil Code (concerning our obligation to report about the Report of the Board of Management 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 Dutch Civil Code, and whether the information as required by Part 9 of Book 2 of the Dutch 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 30, 2015, for the audit for years 2015 up to and including 2017.

Amsterdam, February 24, 2016

Deloitte Accountants B.V.

B.C.J. Dielissen

## 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 2015 at € 1.20 per Ordinary Share, amounting to a total of € 45,436. The Board of Management proposes to allocate the part of the net income for the year 2015 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

The General Meeting of Shareholders approved the 2014 statutory financial statements on April 30, 2015.

**Events after the balance sheet date**
Subsequent events were evaluated up to February 24, 2016, which is the date the Financial Statements included in this Annual Report were approved. There are no events to report.

**Preference Shares**
At December 31, 2015, the Company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.90 per share, and 80,000,000 Preference Shares, nominal value € 0.90 per share.

No Preference Shares were outstanding at December 31, 2015.

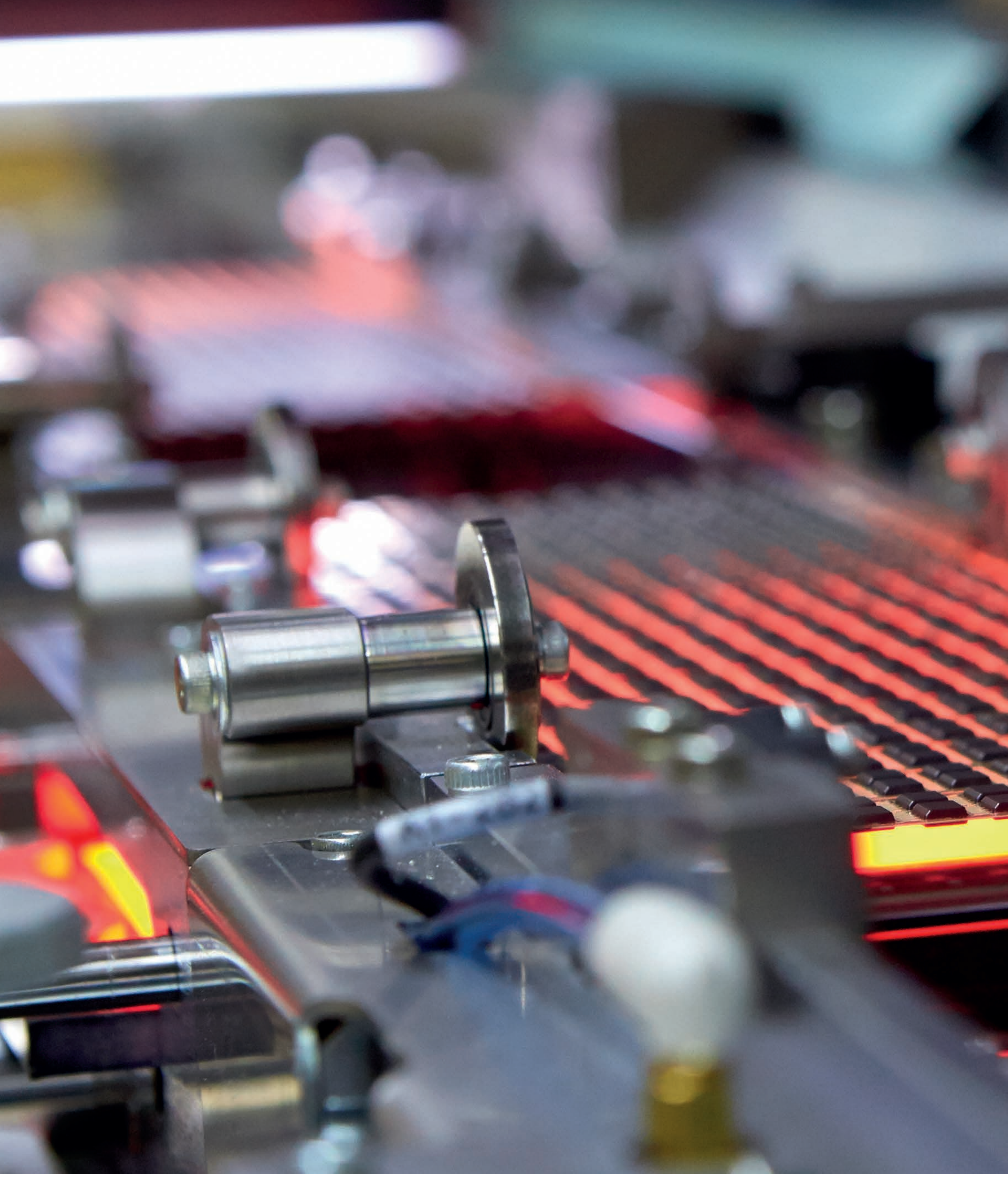
In April 2000, the foundation "Stichting Continuïteit BE Semiconductor Industries" (the "Foundation") was established. The Foundation is an independent legal entity and is not owned or controlled by any other legal person. The purpose of the Foundation is to safeguard the interests of the Company, the 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, among 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 Supervision Act (Wet op het financieel toezicht).

# Notes



www.besi.com