Besi

THE ART OF INNOVATION

- Besi has a long tradition of innovation in the development of advanced die bonding, packaging and plating systems for the assembly equipment market
- We work closely with customers to produce systems with industry leading levels of accuracy, throughput and reliability
- Our products are used for leading edge applications such as 3D imaging, facial recognition, automotive electronics, cloud servers and high performance computing
- We are currently investing in new assembly technologies such as FOWLP, TCB, TSV, ultra thin dies and large area and wafer level molding as well as solar and 3D-lithium-ion battery plating for the mobile and cloud revolutions and the new digital society

INVESTMENT CONSIDERATIONS

Leading assembly equipment supplier with #1 or #2 positions in fastest growing segments	Best in class advanced packaging portfolio	Gaining market share
Scalability and profitability greatly enhanced in cyclical industry	Upside potential from next generation and <20 nano applications and strategic initiatives	Attractive capital allocation program

FINANCIAL HIGHLIGHTS

	2016	Variance	2017
Revenue	€ 375.4 MM	+57.9%	€ 592.8 MM
Orders	€ 373.8 MM	+82.2%	€ 680.9 MM
Gross Margin	51.0%	+6.1 points	57.1%
Net Income	€ 65.3 MM	+165.2%	€ 173.2 MM
EPS (basic)	€ 1.74	+166.7%	€ 4.64
Net Cash	€ 168.1 MM	+47.3%	€ 247.6 MM

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Report of the Board of Management

From processed wafer to assembled chip

Semiconductor Manufacturing Equipment (2017: $ 56.5B)

Front end: $ 47.3B (84%)	Assembly: $ 4.4B (8%)	Test: $ 4.8B (8%)

Source: VLSI January 2018

Semiconductor Assembly Process

	Dicing	Die Attach	Wire Bond	Packaging	Plating
		Die Bond		Molding, Trim & Form and Singulation	Plating
Leadframe Assembly		Besi		Besi	Besi
Substrate Wire Bond Assembly		Besi		Besi	
Substrate Flip Chip Assembly/TCB		Besi		Besi	
Wafer Level Packaging Flip Chip Assembly/Fan Out		Besi		Besi	

Company Profile

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.

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 $ 4.4 billion in 2017, or 8.0% 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 and portable personal computers as well as wireless, automotive and cloud based 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. We anticipate that wafer level packaging will be more actively utilized for next generation applications such as big data, artificial intelligence and the digital society.

Our market growth opportunities

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 including the smart management of residential, industrial and municipal equipment and functions, (vii) artificial intelligence, (viii) virtual and augmented reality, (ix) advanced medical equipment and devices, (x) solar, battery and renewable energy applications and (xi) 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, Heptagon, Infineon, JCET/STATS ChipPAC, NXP, Sharp, Skyworks, STMicroelectronics and TFME. 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 in Asia and Europe 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 2,040 fixed and temporary personnel at December 31, 2017, of whom approximately 71% were based in Asia and 29% 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 2017

New corporate benchmark levels of revenue, profitability and margins

- Revenue of € 592.8 million, up 57.9%
- Gross margin of 57.1%, up 6.1 points
- Net income of € 173.2 million, up 165.2%
- Net margin of 29.2%, up 11.8 points

Favorable market positioning in ongoing industry upcycle

- Core advanced packaging portfolio gained market share as global IDMs introduced new devices and upgraded capacity
- Increased customer demand for applications such as 3D image sensing, facial recognition, automotive electronics, cloud servers and high performance computing
- Broad based revenue growth and gross margin expansion reinforces Besi's technological leadership position

Progress in new product development

- Customer focused development strategy
- Enhancements made in 2017 to accuracy, throughput, yield and common parts of product portfolio
- Ongoing investment in new assembly technologies such as WLP, TCB, TSV as well as solar and 3D lithium-ion battery plating

Strategic execution improves revenue scalability and further reduces structural costs

- Scalability of Asian production model further enhanced to meet substantial customer demand; die bonding production rose by 95.6%; Chinese operations grew to represent 18% of total production
- Supply chain optimization reduced delivery times to customers and working capital investment
- Structural overhead costs reduced via 8.2% European headcount reduction since year end 2015 and ongoing transfer of certain European functions to Asia
- € 3.5 million Leshan, China capacity expansion begun in Q4 to start production of additional die bonding and packaging systems for the local market

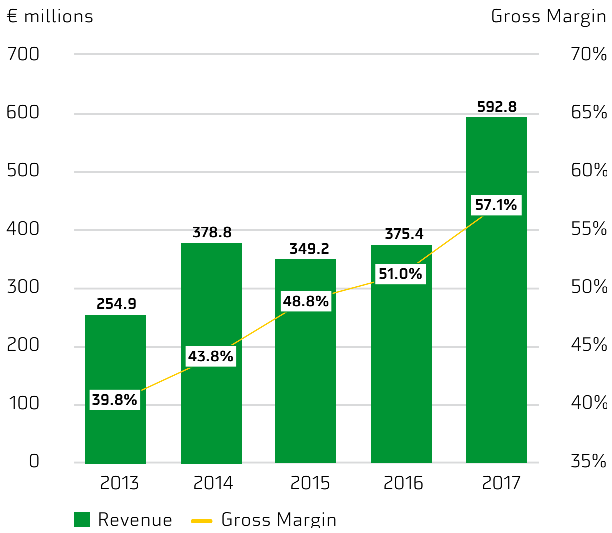
Cash flow generation and liquidity increased

- Cash flow from operations grew by 70.4% to reach € 168.2 million
- Cash and deposits grew to € 527.8 million (€ 12.46 per diluted share) versus € 304.8 million (€ 7.45 per diluted share)
- Net cash of € 247.6 million increased by € 79.5 million (47.3%)
- Issuance of € 175 million of 0.5% Convertible Notes in Q4 provides attractive growth capital

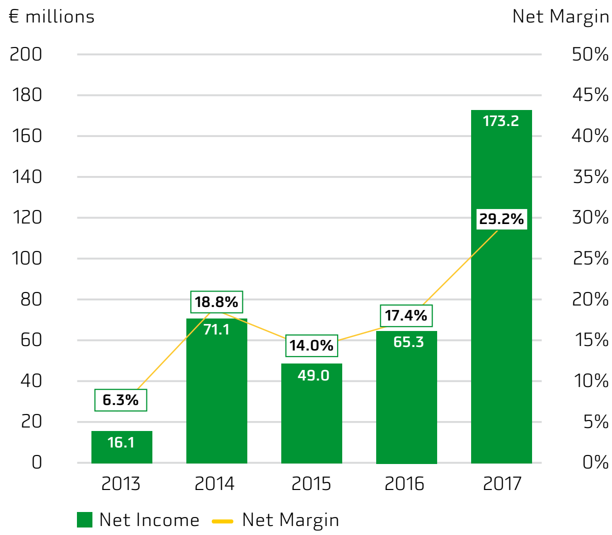
Shareholder value enhanced

- Besi stock price up 121.0% in 2017 versus 38.2% for benchmark SOX index
- Included in STOXX Europe 600 Index
- € 88.1 million cash utilized for dividends and share repurchases is up 29.9%
- Proposed 2017 dividend of € 4.64 per share is up 166.7%. Pay-out ratio of 100%
- € 23.5 million utilized for share repurchases versus € 22.0 million last year

REVENUE AND GROSS MARGIN TRENDS



NET INCOME TRENDS

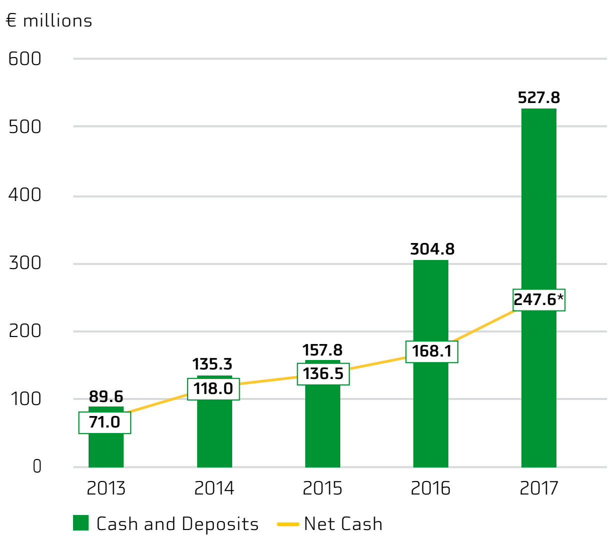


Key Financial Highlights

Year ended December 31,	2017	2016	2015	2014	2013
Operating data (in euro millions, except share and per share data)					
Orders	**680.9**	373.8	348.3	407.6	251.9
Backlog	**164.4**	76.3	77.8	78.7	50.0
Revenue	**592.8**	375.4	349.2	378.8	254.9
Operating income	**209.4**	75.2	57.9	72.1	18.9
EBITDA	**222.8**	89.8	73.0	82.1	27.9
Net income	**173.2**	65.3	49.0	71.1	16.1
Adjusted net income	**173.2**	65.2	46.9	64.5	16.9
Net income per share					
Basic	**4.64**	1.74	1.29	1.89	0.43
Diluted	**4.34**	1.70	1.27	1.87	0.43
Dividend per share[1]	**4.64**	1.74	1.20	1.50	0.33
Shares outstanding[2]	**37,275,539**	37,326,309	37,863,456	37,712,540	37,306,966
Balance sheet data					
Cash, cash equivalents and deposits	**527.8**	304.8	157.8	135.3	89.6
Total debt	**280.2**	136.7	21.4	17.4	18.6
Net cash	**247.6**	168.1	136.5	118.0	71.0
Total equity	**434.1**	345.0	332.2	328.8	264.2
Financial ratios					
Operating income as % of revenue	**35.3**	20.0	16.6	19.0	7.4
Net income as % of revenue	**29.2**	17.4	14.0	18.8	6.3
Return on average equity (%)	**44.4**	19.3	14.8	24.0	6.1
Current ratio	**5.2**	4.7	4.4	3.4	3.7
Solvency ratio	**49.6**	58.7	76.8	74.0	77.5
Headcount data					
Headcount fixed	**1,724**	1,586	1,499	1,510	1,434
Headcount temporary	**316**	83	40	122	24
Total headcount	**2,040**	1,669	1,539	1,632	1,458
Geographic data					
Revenue from Asia as % of total revenue	**70.4**	78.2	66.4	67.4	75.1
Headcount in Asia as % of total headcount	**71.1**	66.8	61.7	59.4	55.7
Selected non-financial and CSR data					
Relative energy use (GWh/revenue)	**0.030**	0.039	0.047	n/a	n/a
Relative waste (kg/revenue)	**310**	496	444	n/a	n/a
Water usage efficiency (m^3/revenue)	**55**	70	83	n/a	n/a

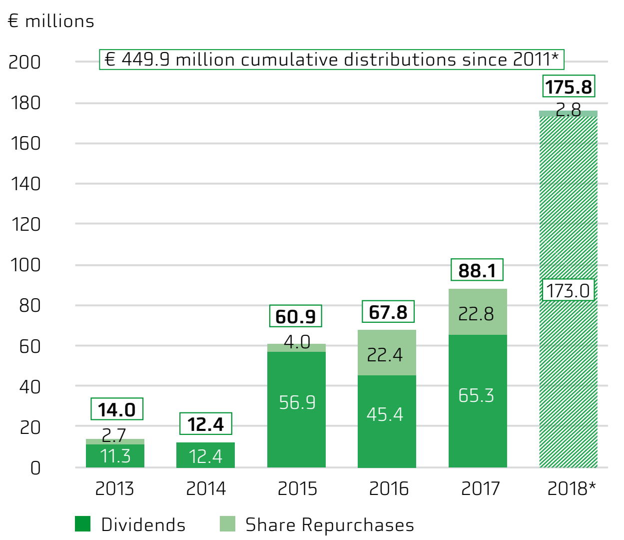
[1] Proposed 2017 dividend for approval at Besi's AGM to be held on April 26, 2018. Includes a special dividend of € 0.35 per share in 2016 and € 0.20 per share in 2015.
[2] Net of shares held in treasury.

LIQUIDITY TRENDS



* Includes € 300.0 million of Convertible Notes with a carrying value of € 267.2 million.

CAPITAL ALLOCATION TRENDS



* Assumes proposed 2017 dividend of € 4.64 per share for approval at April 26, 2018 AGM and share repurchases through February 14, 2018.

Letter to Shareholders

Three Men Walking (1948)

Alberto Giacometti
Born: October 10, 1901, Borgonovo, Switzerland
Died: January 11, 1966, Chur, Switzerland

A Swiss sculptor, painter, draftsman and printmaker. Coming from an artistic background, he was interested in art from an early age.

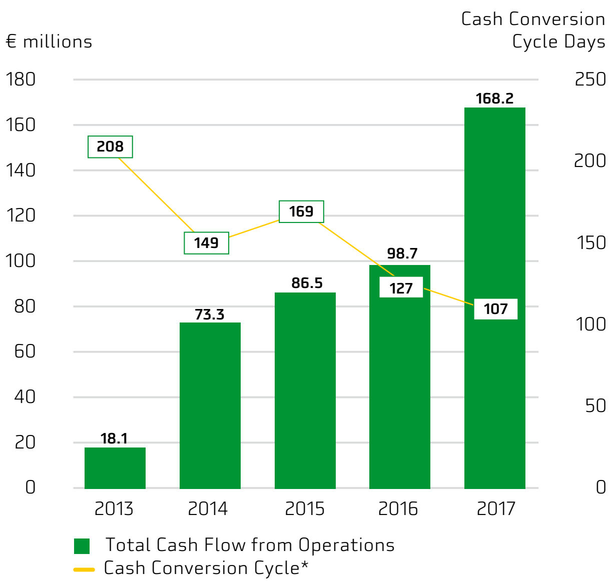
© Photo: The Museum of Modern Art / Scala, Florence
© Pictoright Amsterdam 2018

Letter to Shareholders

Dear Shareholders,

Besi achieved new corporate benchmark levels of performance in 2017 underscoring the strength and market position of our advanced packaging portfolio and continued efforts to enhance the profitability of our business model. In 2017, Besi's revenue and net income reached € 592.8 million and € 173.2 million, respectively, increases of 57.9% and 165.2% over 2016. Similarly, orders grew by 82.2% to reach € 680.9 million. Our gross margin increased by 6.1 points versus 2016 to reach 57.1% highlighting the success of Besi's product strategy and our technological leadership position. Increased revenue and gross margin combined with ongoing initiatives to further reduce European structural costs and optimize Asian production resulted in sector leading net margins of 29.2% in 2017, up 11.8 points versus 2016.

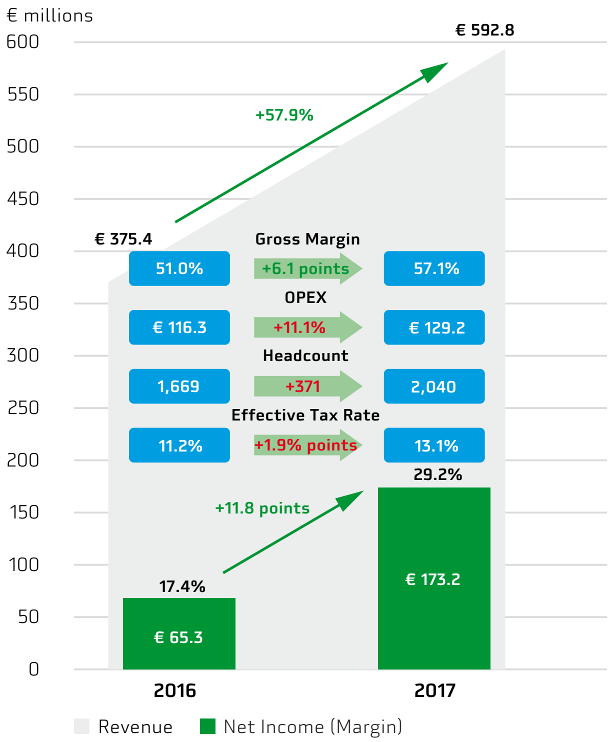
CASH GENERATION TRENDS



* Cash Conversion Cycle = Avg. Days Inventory Outstanding + Avg. Days Sales Outstanding – Avg. Days Payable Outstanding.

Our cash generation also improved this year with cash flow from operations growing by 70.4% to reach € 168.2 million and net cash growing by € 79.5 million to reach € 247.6 million. Cash flow in 2017 grew primarily as a result of increased profit generation, tight control over inventory and shorter delivery times to meet the substantial customer revenue ramp. Total cash, cash equivalents and deposits also expanded to € 527.8 million at year end aided by internal funds generation as well as the timely placement in December 2017 of € 175 million of 0.5% Convertible Notes due 2024 with institutional investors. Combined with our issuance of the 2016 Convertible Notes, Besi has raised a total of € 300 million of Convertible Notes over the past two years at a blended average interest rate of 1.33% with minimal restrictions on operating flexibility. We believe this solid liquidity base positions Besi to take advantage of future opportunities which may arise in our cyclical business.

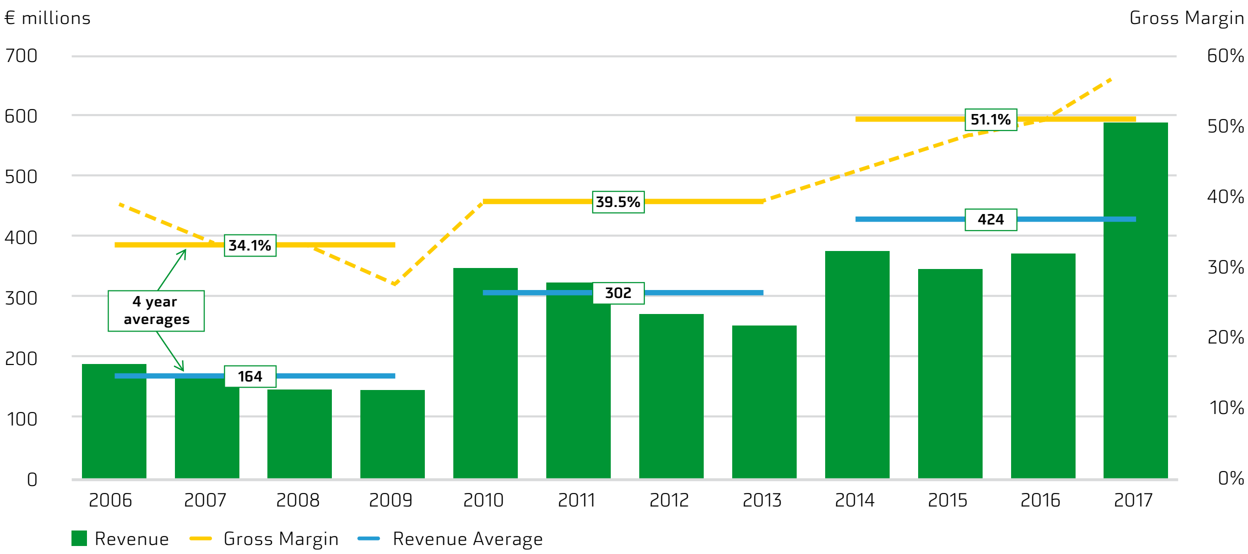
NEW BENCHMARKS LEVELS ACHIEVED IN 2017



Besi's substantial revenue and order growth this year was supported by a variety of favorable trends. Assembly equipment industry conditions continued to improve in 2017 from their start in the second half of 2016 against the backdrop of a global economic recovery. In addition, improving consumer confidence levels and new device introductions encouraged our global IDM customers to significantly expand and upgrade their advanced packaging capacity this year for a variety of leading edge applications such as mobile internet, automotive, cloud server, memory and high performance computing.

Customer demand in 2017 was broad based across Besi's product platforms but was skewed toward our core die bonding and packaging systems. In addition, we gained market share versus competitors as customers accelerated investment in advanced applications such as 3D imaging, facial recognition and blockchain technologies which play to the strength of our leading edge assembly technology. Such requirements can include sub 20 nanometer geometries, <5 micron accuracies and highly complex and dense packages combining multiple component modules, all of which must be assembled in production environments with high levels of throughput, accuracy and reliability.

STEP FUNCTION GROWTH IN REVENUE AND GROSS MARGIN SINCE 2006



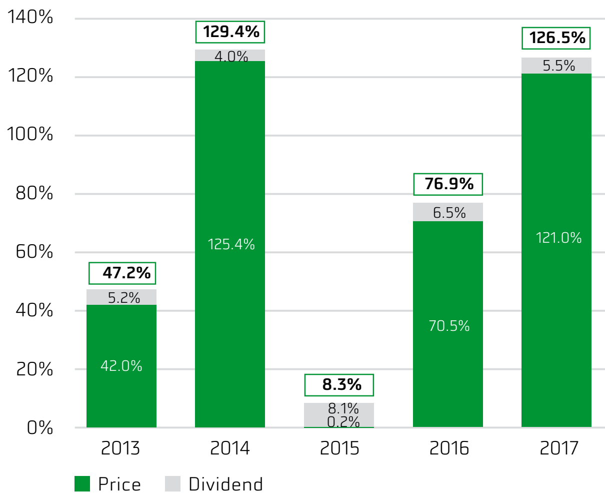
This year also marked a decade of significant transformation for Besi. Since our repositioning during the global financial crisis of 2007/2008, the Company has grown revenue in a step function manner both organically and via timely die attach acquisitions despite periodic industry volatility. As you can see in the accompanying chart, Besi's four-year rolling average revenue levels have successively increased from € 164 million to € 424 million in the most recent period. This step function revenue growth has been accompanied by increasing gross margins reflecting the strength of Besi's core technology combined with a successful pivot to a lower cost Asian manufacturing and supply chain model.

We are formulating the next phase of Besi's growth building upon the strategic progress made in recent years. Our plan is to retain and develop intellectual capital and product management in Europe through three highly focused development centers in the Netherlands, Austria and Switzerland and further build out our Asian production and service capabilities to capture additional market share in the region. With this in mind, we began a € 3.5 million expansion of our Leshan, China facility in the fourth quarter to double its potential output from current levels and to accommodate additional die bonding and packaging systems production for the local market. We will also continue to expand our Singapore development center to handle additional development, logistics, administrative and software support functions and further reduce non-development related headcount in Europe. In addition, the Singapore center will support the build out of sales and service functions to better service Besi's growing installed base of Asian customers in the years to come. In such a manner, Besi can continue to stay at the forefront of assembly technology while increasing its revenue, market share and earnings potential for the benefit of all stakeholders.

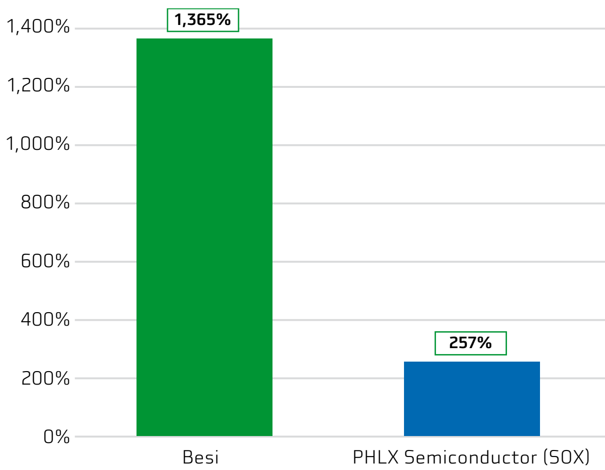
Shareholder value increased

Besi has greatly increased shareholder value in recent years through its business strategy, financial performance, stock price development and capital allocation policy.

BESI SHAREHOLDER TOTAL RETURN



TOTAL CUMULATIVE SHAREHOLDER RETURN BESI VS. SOX INDEX 2013-2017



- Besi returns calculated in euro.
- Philadelphia SOX returns calculated in US dollar.

Over the past five years, Besi's stock has produced a cumulative total return of 1,365%, significantly outpacing returns of our benchmark Philadelphia Semiconductor ("SOX") index. In 2017, Besi's stock price increased by 121.0% versus a 38.2% increase for the benchmark index continuing our relative outperformance trend. In addition, our stock was included in the STOXX Europe 600 index at year end given our performance, liquidity and market capitalization growth in recent years.

Besi's capital allocation policy seeks to provide a current return to shareholders in the form of cash dividends and share repurchases while retaining a capital base sufficient to fund future growth opportunities.
In aggregate, total dividends and share repurchases reached € 88.1 million in 2017 versus € 67.8 million in 2016 (+29.9%) and have aggregated € 274.1 million since 2011 (or € 7.35 per share).

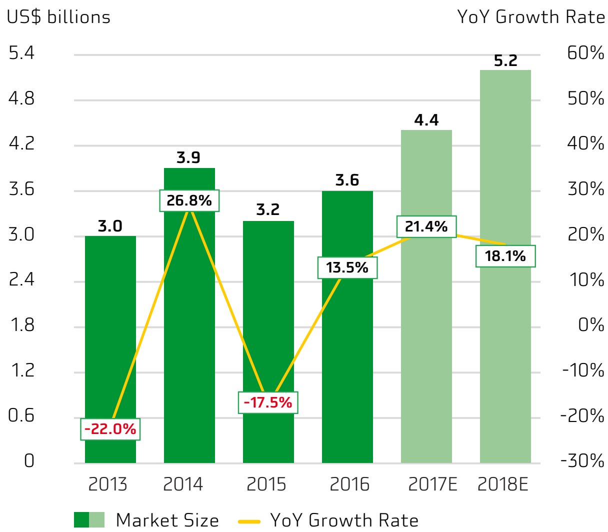
In October 2016, we initiated a new 1.0 million share repurchase program under which Besi has bought back a total of 606,636 shares (€ 26.8 million) through year end 2017 of which 480,241 shares (€ 22.8 million) were purchased in 2017. Share repurchase activities since 2011 have enabled us to accumulate approximately 2.8 million shares in treasury by year end 2017 at an average cost per share of € 20.05. In addition, such activities have lessened the dilutive impact of new Convertible Note issuance and employee share grants. Given continued strong cash flow generation in 2017 and our solid financial position, we propose to pay a 2017 cash dividend of € 4.64 per share for approval at Besi's AGM on April 26, 2018. The proposed distribution represents an annual increase of 166.7%, is the eighth consecutive annual dividend paid and reflects a pay-out ratio relative to net income of 100%.

Business review

Semiconductor assembly equipment market growth exceeded expectations in 2017. Growth anticipated to continue in 2018

VLSI Research currently estimates that the semiconductor assembly equipment market increased by approximately 21.4% in 2017 to reach a record of approximately $ 4.4 billion. Their current 2017 estimate reflects a more positive outcome than the 9.3% increase initially forecast at the start of the year.

ASSEMBLY EQUIPMENT MARKET TRENDS



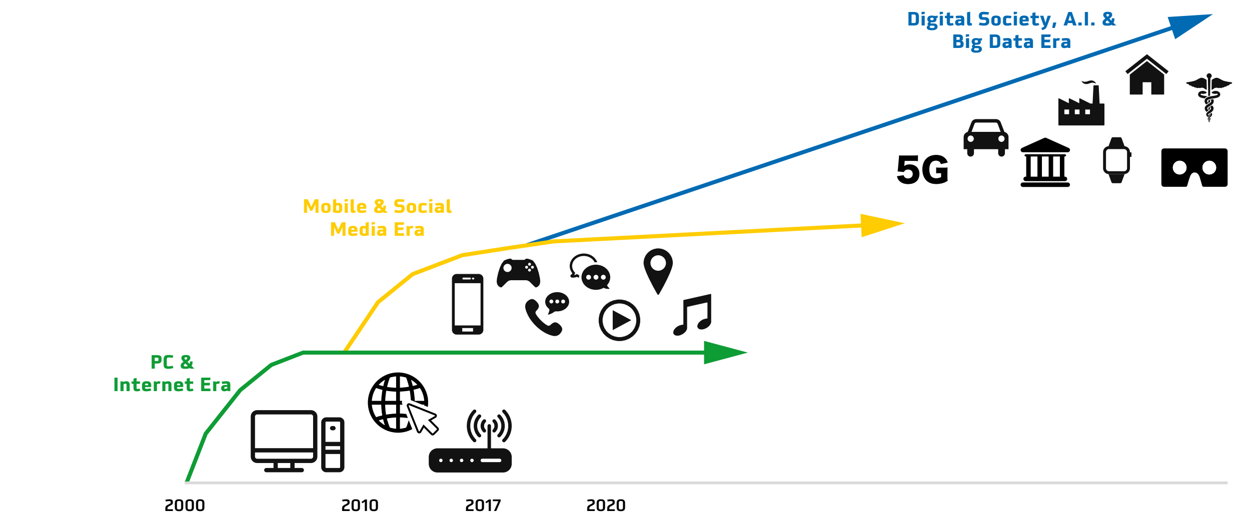
Source: VLSI January 2018

VLSI estimates that the current industry uptrend will continue into 2018 with assembly equipment market growth of 18.1% versus 2017. The extended upcycle will be fuelled by (i) a favorable macroeconomic environment globally, (ii) new wafer fab starts coming online for memory and logic devices, (iii) ongoing additions to advanced packaging capacity for next generation applications, smaller geometries and thinner packages and (iv) incremental demand from Chinese subcontractors as its government continues an aggressive semiconductor infrastructure build out.

Besi's advanced packaging portfolio favorably positioned to capitalize on growth of next generation electronics applications

New semiconductor devices are being created and deployed to assist in the development of a new era of electronics applications for the digital society. In such a society, intelligence and electronic content in all facets of our life will increase such as smart mobility, homes, factories, municipalities and transportation to name just a few. In addition, productivity enhancing technologies such as cloud computing, data mining and blockchain software for industrial and e-commerce applications will become more prevalent. New leading edge semiconductor devices will play a critical role in developing many such applications.

NEW ERA OF SEMICONDUCTOR GROWTH AND APPLICATIONS

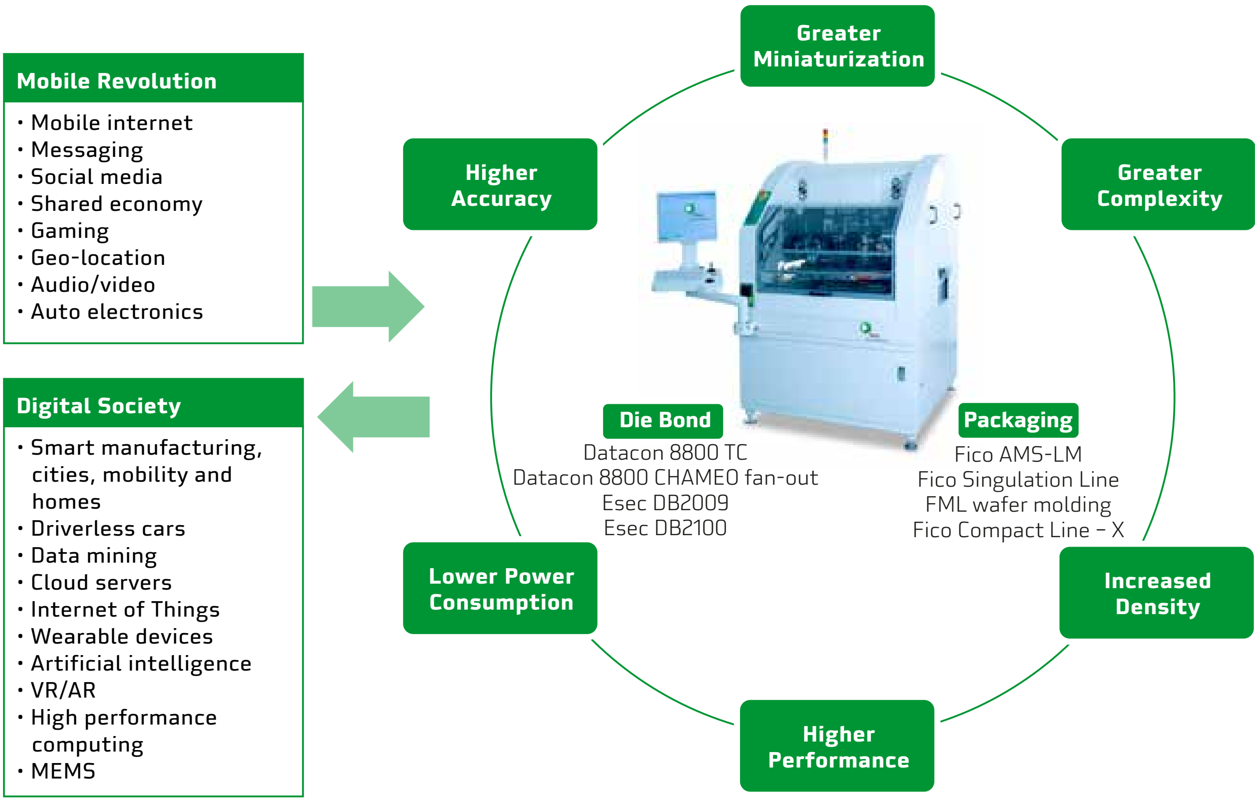


	2000–2010	2010–2017	2017–2020
Average Semi Equipment	US$ 25B	US$ 32B	US$ 45B
Average Assembly Equipment	US$ 3B	US$ 4B	US$ 5B

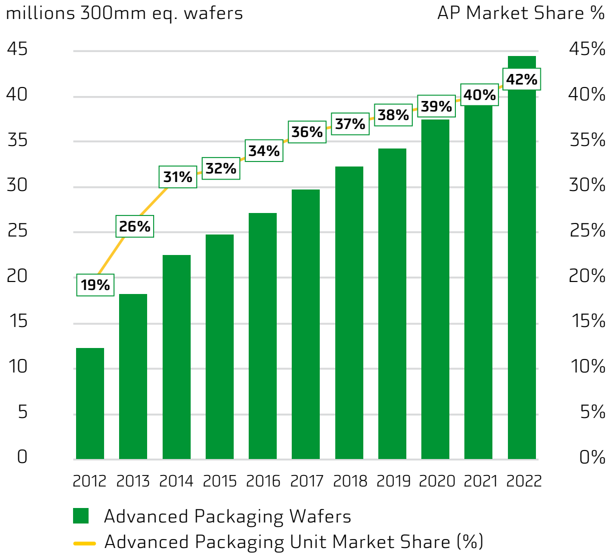
Source: Applied Materials Analyst Day 2017 Presentation, page 27, Company estimates

As a result, we believe that a new technology cycle will be encouraged over the next decade wherein customers increasingly demand more complex assembly packages containing ever more functionality in ever smaller form factors with less heat and power dissipation. As it is, advanced packaging units are expected to continue to gain share of total wafers produced based on current market estimates. We also foresee that additional spending on wafer level and 3D stacked die solutions will be required as the market evolves over time. In fact, its very possible that the assembly process will become a critical bottleneck to the long-term realization of many future device designs unless new solutions and systems are developed. Such trends play to Besi's strength as a technological leader in advanced packaging and offer us new opportunities for long-term revenue and market share growth.

ADVANCED PACKAGING CRITICAL TO NEXT GENERATION APPLICATIONS



ADVANCED PACKAGING UNIT SHARE INCREASING

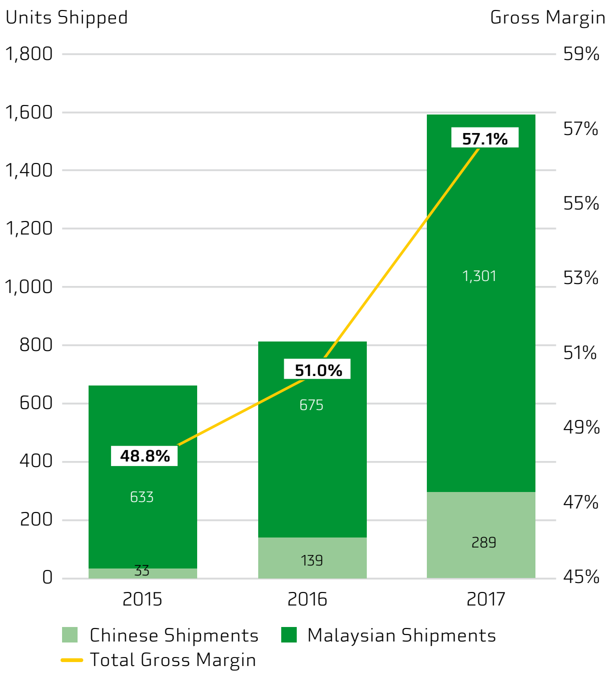


Source: VLSI February 2018

Continued execution of strategic initiatives has enabled Besi to significantly scale its business and capture more profit in the current industry upturn

Besi's business strategy seeks to generate ever higher levels of through cycle revenue, profitability and cash flow from the execution of strategic operating initiatives. Key operational priorities include (i) increased market share of global electronics supply chains leveraging our leading edge advanced packaging technology, (ii) a further reduction of European structural costs, (iii) optimization of Besi's Asian supply chain activities, (iv) expansion of Asian sales and service to support local customers and (v) a reduction of customer delivery times and working capital investment.

ASIAN PRODUCTION TRENDS

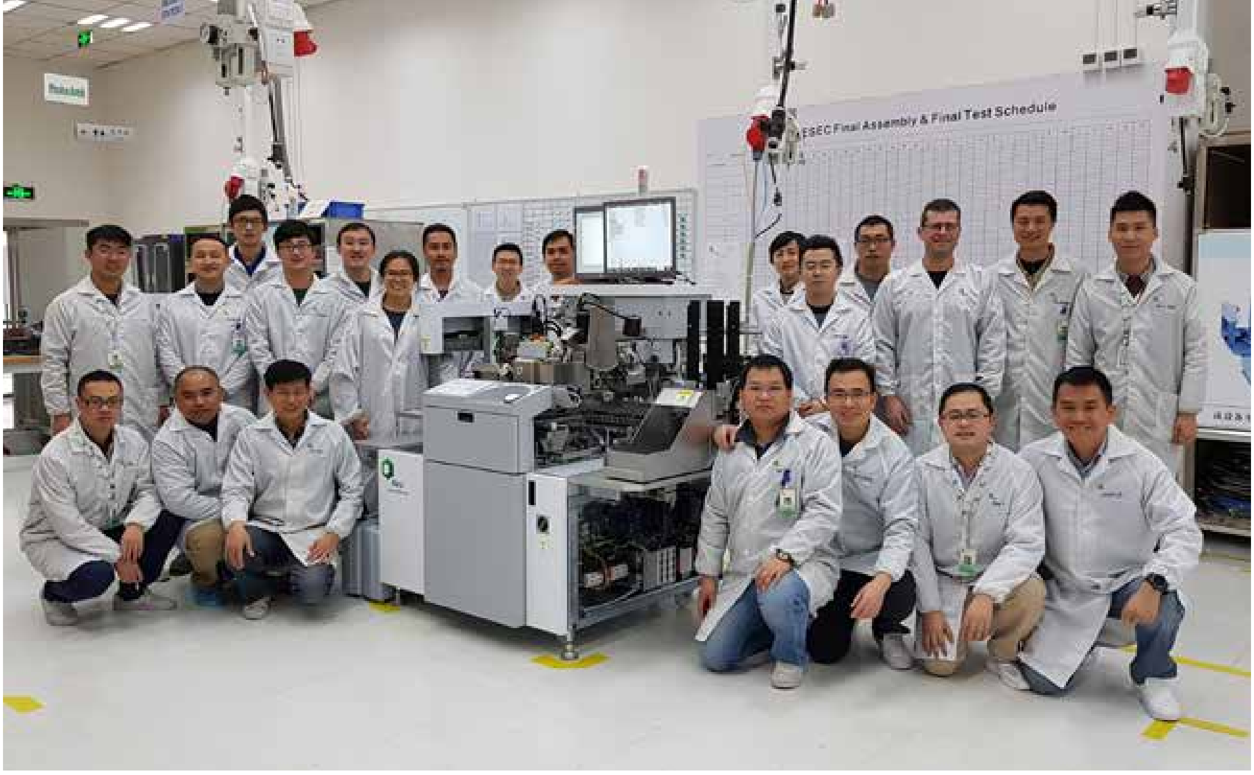


The realization of these goals was challenging in 2017 due to a market which turned upward in a rapid and unexpected fashion at the start of the year. As such, we worked closely with our suppliers to ramp system deliveries by 183% between the fourth quarter of 2016 and the second quarter of 2017. In addition, system output from our Leshan, China facility more than doubled to reach a total of 289 units. Chinese sales and customer support personnel also grew by 80% to service an ever growing installed base in the country. The successful scaling of our Asian supply chain and personnel combined with tight controls of inventory enabled us to satisfy demanding customer delivery schedules and increase our potential revenue generation in this current upcycle.

In addition, Besi successfully executed operating initiatives in 2017 set as part of the Strategic Plan review last year to further reduce structural costs in our business model. We are pleased to report that key priorities were achieved including a 8.2% reduction in European fixed headcount since year end 2015, the continued transfer of SG&A support functions from Europe to Singapore and the successful integration of 49 new employees in Singapore in 2017. These initiatives plus ongoing cost control of fixed overhead enabled us to reduce our operating expense margin from 31.0% in 2016 to 21.8% in 2017. It also further underscores the operating leverage inherent in Besi's business model.

STRATEGIC PRIORITIES 2018

Operational priorities for 2018 include (i) the completion of Besi's Chinese production expansion, (ii) the production of additional packaging and die bonding systems in China specifically for the local Chinese market, (iii) continued reductions in European structural operating costs, (iv) further scaling our Singapore development center and Asian sales and service operations and (v) ongoing investment in customer focused and next generation assembly technologies.



Team involved in the first Soft Solder DB2009 shipment from Besi Leshan, China in February 2018

Progress in new product development
Besi's product strategy focuses on the development of advanced packaging systems as the driver of future growth. We focus only on those assembly system technologies with the greatest potential for long-term growth. R&D spending is centered on enhancing our leadership position in process technology so that we can respond to shifting customer requirements both now and in the future. Spending can vary year to year based on specific customer road maps and the timing of new device introductions. In addition, we update and enhance our systems annually so that they provide customers the lowest cost of ownership through a combination of high accuracy, reliability and throughput in production environments.

We are at the forefront of assembly technology with leadership positions in emerging process technologies such as FOWLP, TCB, TSV, thin die applications for memory, power and flip chip applications, large area and wafer level molding and 3D lithium-ion battery plating. Customer device shrinks below 20 nanometers, 3D and wafer level technology, <5-micron placement accuracy and more complex functionality offer us both great revenue opportunities and technological challenges. Key activities in 2017 included scaling and integrating personnel at our Singapore development center, strategic investment in next generation wafer level processing technology and common parts/platform development.

Corporate social responsibility ("CSR") activities
We have actively developed a CSR policy in recent years which seeks to promote Besi's business and financial interests in a socially responsible manner for the benefit of all stakeholders, partners, the environment and the local communities in which we operate. Besi is committed to running its operations in accordance with internationally recognized standards and best practices and to promote sustainability with all stakeholders including topics such as environmental conservation, human rights, conflict mineral free supply chains, anti-corruption practices and corporate transparency.

We made significant progress on our CSR agenda in 2017. Highlights included:

- A lower environmental impact via reduced relative waste and energy usage and increased water efficiency in our operations.
- Increased compliance by our supply chain with the EICC Code of Conduct and the Conflict Mineral Reporting Template ("CMRT").
- An improvement of CSR KPI metrics in the areas of supplier audits, EICC self-assessments and signatories to Besi's General Work Agreement.
- Participation for the first time in two external surveys: the Carbon Disclosure Project and the Transparency Benchmark of the Dutch Ministry of Economic Affairs to more quantitatively set goals and strategies in these areas.
- Initiation of our first company-wide employee engagement survey to better identify and respond to employee concerns.
- Engagement of a third party CSR consultancy firm to help us further define, measure and monitor our CSR objectives for the future.

For 2018, Besi's major CSR priorities include (i) the implementation of recommendations resulting from our ongoing risk assessment project with a particular focus on enhancements to our fraud policies and systems in the Asian region, (ii) the development of initiatives in response to the 2017 employee engagement survey and (iii) further increasing compliance by our supply chain with the EICC Code of Conduct and CMRT.

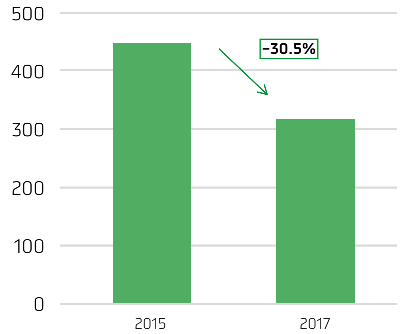
REDUCING BESI'S ENVIRONMENTAL IMPACT

Energy Usage

GWh/revenue

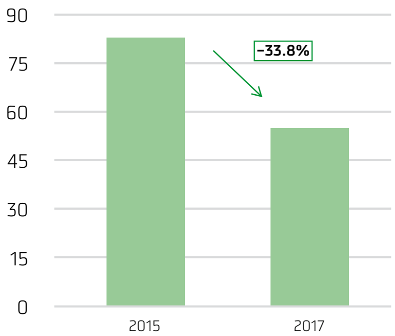
Waste Usage

kg/revenue



Water Efficiency

m^3/revenue



Outlook

Leading independent analysts suggest an extension of the current industry upcycle into 2018. Besi's higher than usual second half 2017 order levels, year end backlog and bookings to date in Q1-18 confirm a continuation of the current upturn into 2018. Cautious optimism is also supported by favorable global GDP estimates for 2018 and capital spending forecasts by many of the major semiconductor producers at the start of the year. As such, the underlying industry base line for this upcoming year appears positive but the length of the current upcycle adds a note of caution to future expectations.

Longer term, there are many reasons to be optimistic about Besi's prospects. Exciting new applications for the digital society such as driverless and electric cars, artificial intelligence, virtual reality and increased automation in our daily lives are becoming reality and will complement the ongoing mobile and cloud revolutions currently. As such, they provide strong underpinnings for future growth in assembly equipment spending.

Given our strategic product positioning, initiatives to further reduce break even revenue levels and ample liquidity, Besi is well positioned to take advantage of industry opportunities no matter which way our market moves in the future. In closing, we want to thank all our employees, customers, suppliers, business partners and shareholders for helping us achieve an outstanding performance in 2017.

Board of Management
Richard W. Blickman

February 14, 2018

Strategy

Jeune fille s'évadant (1968)

Joan Miró
Born: April 20, 1893, Barcelona, Spain
Died: December 25, 1983, Palma de Mallorca, Spain

A Spanish painter, sculptor and ceramicist. Earning international acclaim, his work has been interpreted as surrealism, a sandbox for the subconscious mind, a re-creation of the childlike, and a manifestation of Catalan pride.

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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. It also strives to create long-term value for its stakeholders and operate its business in a sustainable way respecting both the environment and society.

In 2016, Besi's Board of Management conducted a comprehensive review of its strategy, market position and operations with an independent consulting firm. Upon completion of the review, revenue, organizational and cost initiatives were set for implementation over the next five years and owners designated per initiative. Senior management actively pursued such initiatives in 2017 which favorably influenced Besi's financial performance and competitive position.

II. Strategic initiatives

The key initiatives to realize Besi's strategic objectives include:

- Developing new products and markets.
- Expanding addressable markets, market share and revenue growth potential.
- Strengthening and expanding strategic long-term customer relationships.
- Expanding Asian operations, capabilities and supply chain.
- Developing common platforms and common parts for its systems.
- Achieving a more scalable, flexible and lower cost manufacturing model with shorter manufacturing lead times.
- Selectively acquiring companies with complementary technologies and products.
- Pursuing a CSR strategy which balances Besi's business interests with its social and ecological responsibilities.
- Creating a workplace culture that encourages safe working conditions, respects human rights and diversity and promotes career development.

Through the implementation of its strategy, Besi seeks to (i) increase revenue at rates exceeding the growth of the assembly equipment market, (ii) 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 (iii) significantly enhance scalability and flexibility to respond more effectively to volatile industry order patterns.

Besi seeks to achieve its strategic objectives in a socially responsible manner for the benefit of all stakeholders, partners, the environment and the local communities in which it operates. In addition, Besi wants to be a meaningful partner in the emerging digital society and to further advance information and communication technologies which can benefit sustainability themes in the future. We are also committed to being a good employer and to foster a workplace culture that encourages our employees to grow and excel in their careers.

Developing new products and markets

Besi aims to provide global semiconductor manufacturers and subcontractors a compelling value proposition combining superior levels of accuracy and reliability at the lowest cost of ownership and time to market. As a result, our 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.

We seek to differentiate ourselves in the marketplace by means of a technology led product strategy that capitalizes on 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, we then attempt to maximize the return on investment of our 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.

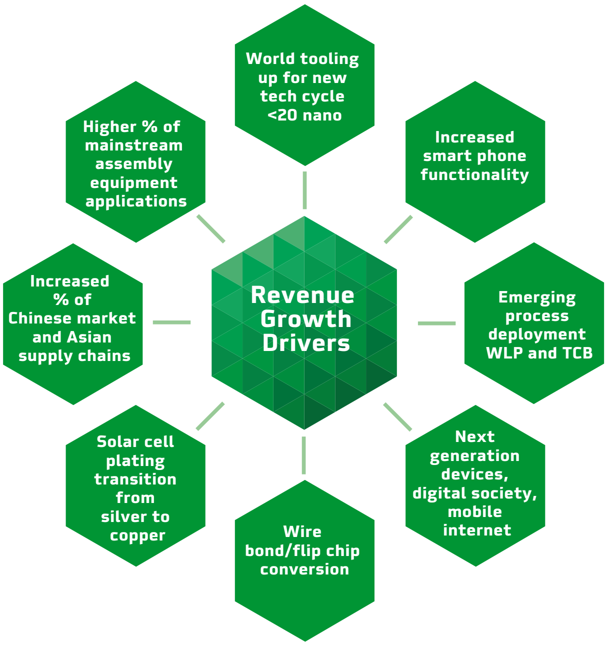
Expanding addressable markets, market share and revenue growth potential

We seek to increase revenue growth by expanding our addressable markets and market presence via the following strategies:

- Capitalize on our sub-20 nanometer expertise to capture system sales for new device introductions and applications in the emerging digital society requiring ever smaller geometries and increased functionality such as the Internet of Things, wearables, big data, artificial intelligence, driverless and electric cars, virtual and augmented reality, cloud servers and fingerprint and facial recognition capabilities.
- Further penetrate the largest global smart phone and electronics supply chains with both high-end and high quality mid range product offerings.
- Leverage Besi's lead in its core competencies at the expense of Japanese and Asian competitors.
- Expand in the Chinese handset, semiconductor and electronics industries.
- Apply our leadership positions in eWLB, TCB and ultra thin and wafer level molding to drive revenue as customers utilize emerging, leading edge processes for more mainstream applications in the new era of big data and the digital society.
- Gain market share from increased usage of flip chip, eWLB 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 and revenue potential will be aided by ongoing efforts to further improve our competitive cost position via Asian manufacturing and common platform initiatives, a further reduction of European based costs and the diversification and expansion of our Asian production capabilities.

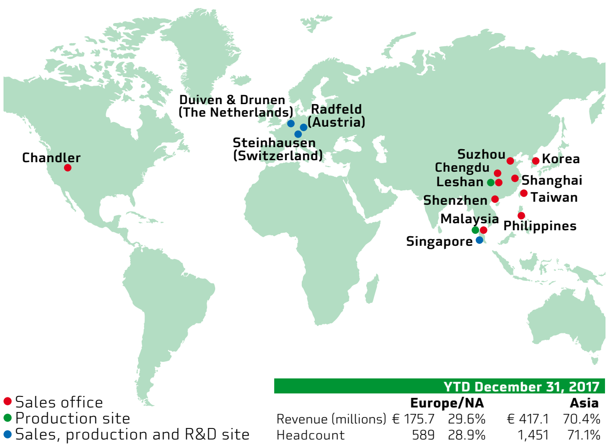
BESI REVENUE GROWTH DRIVERS



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 our technological leadership and growth. Besi's customer relationships, many of which exceed fifty years, provide us 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 and an opportunity to broaden the range of products sold to customers.

CURRENT OPERATIONAL PROFILE



YTD December 31, 2017	Europe/NA		Asia	
Revenue (millions)	€ 175.7	29.6%	€ 417.1	70.4%
Headcount	589	28.9%	1,451	71.1%

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 currently has 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 236 people at year end 2017, of whom 197 are located in Asia. Consistent with the migration of customers to Asia, we have strengthened our sales and customer service activities in this region and have shifted a significant portion of our resources to countries such as Malaysia, Singapore, China, Taiwan and Korea. We plan to expand our Asian process support, order fulfillment and field service capabilities over the next five years to better serve a rapidly growing installed base of customers in the region.

Expanding Asian operations, capabilities and supply chain

Besi has restructured its operations over the past 10 years in an effort to improve profitability and better service a customer base that has migrated from Europe and North America to Asia. In 2017, approximately 70% of revenue was derived from sales to Asian customer locations, which reflected a 42.1% increase in absolute revenue levels versus 2016.

Besi's Asian strategy focuses on the transfer to its Asian facilities of substantially all component sourcing, system manufacturing, product applications engineering, process and software support and tooling/spares operations. In this concept, product ownership and responsibility for new product development remains at our European operations. Only highly customized systems are produced in Europe for which we generate 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, technical and field service support and local customer presence. As a result of the 2016 strategic review, certain selling, general and administrative functions will also be transferred over the next five years from Besi's European locations to our operations in Singapore, Malaysia and China.

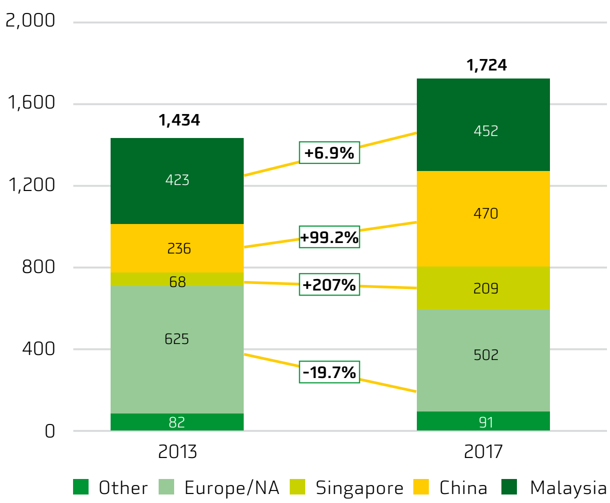
Developing common platforms and common parts for its systems

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, we have focused on the development of common parts and common platforms for each successive, next generation die bonding and packaging system 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.

Achieving a more scalable, flexible and lower cost manufacturing model with shorter manufacturing lead times

The semiconductor equipment market has become increasingly more volatile in recent years due to heightened global economic uncertainty, changing end market applications, more seasonal purchasing patterns and shorter lead times for delivery. As a result, we have adjusted our manufacturing model to be more responsive to rapid changes in customer demand, to optimize our revenue potential and to become more profitable in both cyclical upturns and downturns. Key initiatives include the realization of Besi's Asian operating priorities, increased flexibility in scaling its production personnel and supply chain network, a reduction in manufacturing lead times as well as the simplification and harmonization of manufacturing and IT processes.

GEOGRAPHIC FIXED HEADCOUNT TRENDS



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 such as wafer level packaging, (ii) enhancing the productivity and efficiency of our Asian manufacturing operations and (iii) growing less cyclical, "non-system" related revenues from tooling, spares and service.

Pursuing a corporate social responsibility strategy which balances Besi's business interests with its social and ecological responsibilities

Besi has developed a corporate social responsibility ("CSR") policy which seeks to promote our business and financial interests in a socially responsible manner for the benefit of all stakeholders, partners, the environment and the local communities in which we operate. We are committed to running Besi's operations in accordance with internationally recognized standards and best practices for all human aspects related to our business, such as safeguarding safe and healthy working conditions and respecting human rights in our operations and supply chain. Besi abides by appropriate social, ethical and environmental standards for all its operations which typically exceed minimum legal and regulatory compliance levels and applies European social and ethical standards wherever possible. We also want to be a meaningful partner in the emerging digital revolution and the advancement of information and communication technologies which can benefit sustainability themes in the future.

In addition, Besi is focused on reducing the environmental impact of its products and production operations through programs designed to (i) eliminate materials and processes deemed harmful to the environment, (ii) conserve natural resources such as water and electricity and (iii) reduce packaging, waste, transportation and energy consumption. Further, Besi follows the principle of responsible tax practices meaning full compliance with tax obligations in the areas where the factual economic activities of our operations take place.

Engagement with stakeholders such as suppliers, employees and shareholders also forms an important part of our CSR strategy. It helps Besi identify the opportunities, issues and risks that affect our business and performance through information gathered via internal and external audits, customer and employee satisfaction surveys, supplier audits, customer dialogue, management reviews and surveys and regular meetings with shareholders. Besi also seeks to be fully transparent in its communications with stakeholders in order to create meaningful dialogue on a variety of CSR related topics.

STRATEGIC CSR OBJECTIVES

Team building day Besi Leshan, China

Creating a workplace culture that encourages safe working conditions, respects human rights and diversity and promotes career development

Besi is committed to being a good employer and to promote a workplace culture conducive to the achievement of its business and CSR objectives. Its human resources strategy is based on four pillars: (i) improving service excellence, (ii) increasing diversity, (iii) developing leadership talents and capabilities and (iv) developing a workplace culture which encourages employees to grow and excel in their careers. Besi strives to employ high social and ethical standards and to provide inspiring and safe working conditions with competitive employment terms and payscale. A high level of employee satisfaction is a basic precondition to achieve our revenue and profit growth objectives.

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 enhance the profitability of its business model.

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, we have developed next generation die attach and packaging systems designed to address 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. In addition, we design enhanced versions of each product line every one to two years to ensure that our systems maintain their technological leadership in the areas of form factor, accuracy and throughput for next generation devices and applications.

Key highlights include the development for production environments of:

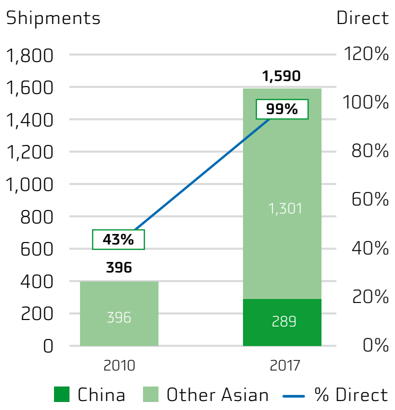
- <5-micron flip chip and fan out wafer level die bonding systems and wafer level molding systems.
- A line of die bonding systems capable of assembling complex, <5-micron modules incorporating multiple components for advanced mobile internet applications such as fingerprint and facial recognition and 3D image sensing.
- Industry leading TCB die bonding systems to assemble next generation sub-20 nanometer device geometries in stacks up to 32 chips.
- Leading edge solar and 3D lithium-ion battery plating systems.

Reduction of structural costs in business model

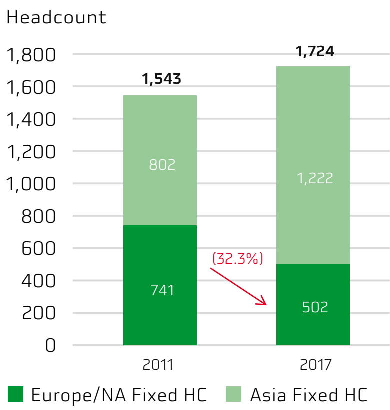
In 2007, Besi decided to fundamentally re-organize its global operations and management structure to streamline operations, improve returns from its product portfolio, reduce break even revenue levels and increase profitability. Since then, Besi has (i) significantly rationalized its manufacturing operations, (ii) reduced unit manufacturing costs, (iii) transferred substantially all European production and supply chain activities to Asia, (iv) decreased its European headcount, footprint and operations, (v) greatly reduced cycle times and (vi) developed a highly scalable production and supply chain model. As a result, we have greatly reduced break even revenue levels to increase margins and gain through cycle profitability on a consistent basis. In addition, Besi has significantly expanded its local Asian production capabilities and materially shortened manufacturing lead times. Key organizational goals realized in 2017 and 2016 included (i) a 26% reduction of European facility space and an 8.2% reduction of European fixed headcount since year end 2015, (ii) ongoing reductions in SG&A overhead due to the transfer of certain logistics, software support and technical personnel to Besi's Singapore development center and (iii) increased material cost efficiencies via optimization of our Asian supply chain.

ASIAN PRODUCTION TRANSFER HAS HELPED REDUCE BREAK EVEN REVENUE LEVELS

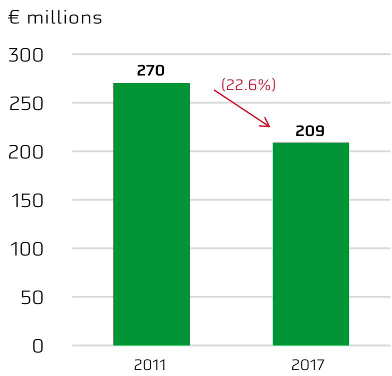
Asian production has significantly expanded



Leading to lower fixed European & NA 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, we were able to ramp orders in 2015, 2016 and 2017 by 28%, 39%, and 207% respectively, from trough to peak in response to increased customer demand for assembly equipment. Similarly, Besi was able to downscale production by 28%, 25% and 46% from peak to trough in 2015, 2016 and 2017, respectively, while maintaining quarterly profitability. Increased scalability and flexibility have been important factors contributing to our improved competitive position in recent years. Increased order scalability combined with tight inventory control have also significantly expanded Besi's cash generation and market share potential.

Expansion of Besi's Asian operations

Besi has restructured its global operations and made capital investments to expand its Asian production capacity over the past decade. In particular, we have funded expansions of our Malaysian and Chinese production facilities and Singapore die bonding development center. In addition, we have significantly reduced our European and North American workforce, closed inefficient operations and transferred substantially all European production and all tooling capacity to our Malaysian and Chinese facilities. As a result, Besi has reduced labor and material costs, increased manufacturing flexibility and scalability, improved delivery times and inventory turnover and enhanced its local customer presence.

Key highlights during 2017 and 2016 included:

- Expansion of Singapore personnel by 76% and growth of Chinese sales and customer support personnel by 84% since year end 2015.
- Growth of Chinese die bonding production for the local market to 289 units in 2017, representing 18% of total unit production.
- Increased capital investment starting in Q4-17 to double existing Chinese production capacity.
- Completion of Besi's die sorting production transfer from Austria to Malaysia.

In 2018, Besi's key priorities include the completion of its Chinese production expansion and ramping up production of certain packaging and die bonding systems in China specifically for the local Chinese market.

Completion of strategic acquisitions

Besi has made four important acquisitions which have furthered our advanced packaging strategy and accelerated underlying organic growth:

- 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.

Implementation of a CSR strategy which balances Besi's business interests with its social and ecological responsibilities

Besi has expanded its CSR activities in recent years with a particular focus on the impact of our products, operations and supply chain on the environment and the communities in which we operate.

We aim to significantly decrease our environmental footprint through reduced CO_2 emissions and water, waste and transportation usage per ton. Besi's internal energy program encourages and helps employees make positive changes in work place energy consumption. It also focuses on water usage and efficiency and a reduction of the total waste generated from operations. Besi places particular emphasis on transportation and packaging activities where we have realized reductions of CO_2 emissions and waste/unit of revenue. In addition, Besi has invested in the development of low carbon products and services to help customers operate more efficiently both in terms of environmental impact and cost savings, for instance by introducing products with fewer and lighter materials. We also analyze and investigate ways in which to reduce other environmentally harmful materials such as the usage of lead in our systems.

Besi has also expanded its engagement with key stakeholder constituencies such as customers, suppliers, employees and shareholders in recent years to gather information important to advance our CSR strategy. We have achieved increased outreach via greater usage of internal and external audits, employee and customer satisfaction surveys, supplier audits, customer dialogue, management reviews and surveys and regular meetings with shareholders to address key CSR topics such as human rights, labor practices, conflict mineral usage and the environment. Increased stakeholder engagement has enabled us to better identify the opportunities, issues and risks that affect our business and financial performance.

Key CSR achievements in Besi's operations and supply chain over the past three years have included:

- Adoption of the Electronic Industry Citizenship Coalition ("EICC") Code of Conduct both internally and as applied to our supply chain.
- Adoption of a Conflict Minerals Policy which explicitly excludes conflict minerals from product development.
- Full compliance with ISO 9001 and ISO 14001 standards for all production facilities.
- Performance of a supply chain risk assessment and a Besi self-assessment.
- Conduct of internal and external risk assessments of Besi's anti-corruption and fraud practices and implementation of key recommendations for which the process is ongoing.
- Improvement in internal KPI metrics relative to supplier compliance with the CMRT code (conflict minerals), the EICC Code of Conduct, the number of supplier audits conducted, EICC self-assessments performed and signatories to Besi's General Work Agreement.
- Significant reduction in relative energy and waste usage and increased water efficiency in its operations.
- Participation for the first time in two external surveys: the Carbon Disclosure Project and the Transparency Benchmark of the Dutch Ministry of Economic Affairs as a means of more quantitatively setting goals and strategies in these areas.
- Engagement of a third party CSR consultancy firm to help further define, measure and monitor CSR objectives for the future.

In addition, Besi has helped promote employee engagement and improvements to its workplace culture via the following activities over the past three years:

- Development of a corporate Code of Conduct which promotes diversity and encourages the hiring of younger and female employees.
- Establishment of a talent management and succession planning program for key employees at all Besi locations worldwide in conjunction with ongoing employee development, training and education programs.
- Implementation of an internal mobility metric at Besi APac, Besi's largest employer, to highlight its commitment to internal talent development.
- Initiation of biennial employee satisfaction and employee engagement surveys at all Besi locations as a means of better identifying and responding to employee concerns. The 2017 employee engagement survey indicated a very high level of satisfaction in the organization.
- Established best practices Whistleblower procedure in 2016 which was updated in 2017.

In addition, we have actively promoted an investor relations program in Europe and North America which has resulted in over 730 meetings with shareholders, research analysts and other investment professionals since 2015. In this manner, we have engaged in important face to face dialogue with such stakeholders and received valuable feedback about our business and CSR issues.

For 2018, Besi's major CSR priorities include (i) the implementation of recommendations resulting from our ongoing risk assessment project with a particular focus on enhancements to our fraud policies in Asia, (ii) the development of initiatives in response to the 2017 employee engagement survey and (iii) further increasing compliance by our supply chain with the EICC Code of Conduct and CMRT.

Financial Review

Two Piece Reclining Figure No. 2 (1960)

Henry Moore
Born: July 30, 1898, Castleford, UK
Died: August 31, 1986, Much Hadham, UK

An English artist, who is best known for his semi-abstract monumental bronze sculptures which are located around the world as public works of art.

© Photo: Stichting Kröller-Müller Museum, Otterloo, The Netherlands.
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Financial Review

General

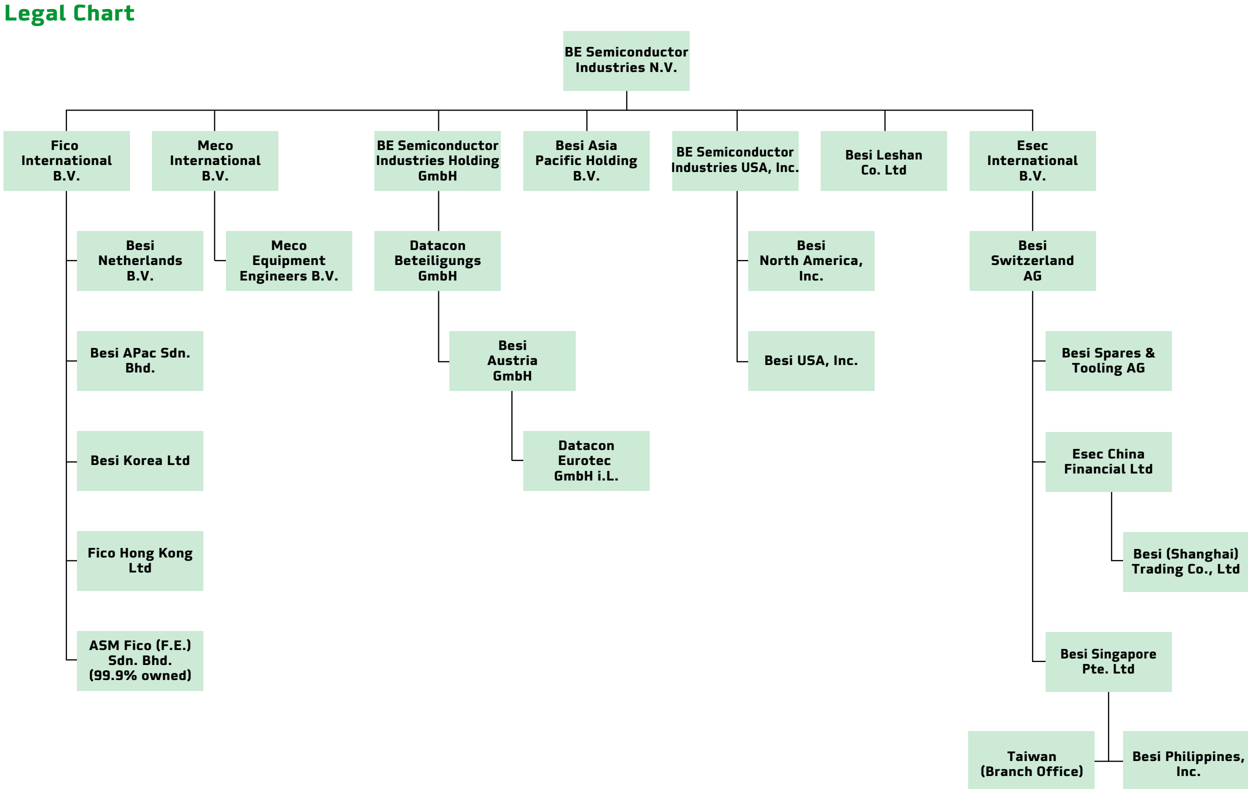
BE Semiconductor Industries N.V. ("Besi" or the "Company") is engaged in one line of business, the development, manufacturing, marketing, sales and service of semiconductor assembly equipment for the global semiconductor and electronics industries. Since Besi operates in one segment and in one group 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 sales levels of semiconductor equipment typically lags any downturn or recovery in the semiconductor market 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 macroeconomic 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. 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 macroeconomic 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.

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, 2017, two customers represented 15.3% and 11.0%, respectively, of Besi's revenue and its largest 10 customers accounted for 62.3% 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.

Legal Chart



Morning meeting Die Attach Applications department Besi APac, Malaysia

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 22 presents Besi's legal organization as of December 31, 2017. To get a better overview of Besi's largest shareholders, reference is made to Shareholder Information on page 61.

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 27 to 29 for a detailed analysis of Besi's financial structure at December 31, 2017.

Currency exposure
Besi's reporting currency is the euro. In 2017 and 2016, Besi's revenue denominated in euro represented 18% and 25% of its total revenue, respectively, while its costs and expenses denominated in euro represented 21% and 26%, respectively. As seen in the following table, the substantial majority of Besi's revenue is denominated in US dollars while in 2017, 71% of its costs and expenses were denominated in Malaysian ringgit, euro and Swiss franc. Besi seeks to manage its exposure to currency fluctuations in part by hedging firmly committed sales contracts denominated in US dollars and, in part, by hedging net exposures in Besi's principal transaction currencies at its Swiss and Malaysian operations.

			Revenue
	2017	**2016**	**2015**
Euro	18%	25%	29%
US dollar	82%	74%	70%
Other	-	1%	1%
Total	**100%**	**100%**	**100%**

			Costs and Expenses
	2017	**2016**	**2015***
Euro	21%	26%	30%
US dollar	9%	5%	5%
Malaysian ringgit	31%	30%	28%
Swiss franc	19%	21%	23%
Chinese yuan	13%	11%	7%
Singapore dollar	5%	4%	4%
Other	2%	3%	3%
Total	**100%**	**100%**	**100%**

* Excludes net restructuring benefit of € 3.3 million.

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, Malaysian ringgit, Swiss franc, Chinese yuan and Singapore dollar. In 2017, the 1.7% average reduction in the value of the US dollar versus the euro adversely affected Besi's revenue development. In contrast, Besi's costs and expenses were favorably influenced primarily by a decline in the value of the Malaysian ringgit and Swiss franc versus the euro.

Results of operations

(euro in millions)	Q1	Q2	Q3	Q4	2016 Total	Q1	Q2	Q3	Q4	2017 Total
Revenue	79.0	109.0	94.3	93.1	**375.4**	110.3	170.0	159.3	153.2	**592.8**
Orders	103.9	100.5	78.0	91.4	**373.8**	239.8	130.1	161.6	149.4	**680.9**
Net income	8.0	24.0	16.6	16.7	**65.3**	24.3	52.4	52.9	43.6	**173.2**
Ending backlog	102.7	94.2	78.0	76.3	**76.3**	205.9	166.0	168.2	164.4	**164.4**

2017 compared to 2016

Besi's results of operations in the 2016-2017 period were favorably influenced by an improvement in global economic conditions and the continuation of a semiconductor industry upturn which commenced in the second half of 2016. In addition, the Company believes that it gained market share in its assembly equipment markets with its core portfolio of advanced packaging systems. Such conditions caused Besi's revenue, orders and net income levels to significantly exceed those realized in the comparable periods of the prior year. In recent years, Besi's first half year revenue and net income have increased as compared to the prior semi-annual period as customers significantly added incremental semiconductor assembly capacity to meet rising orders for smart phones and automotive electronics and new device introductions. Typically, the seasonal upcycle has ended by early summer as customers digest incremental capacity additions made in the first half year. However, Besi's 2017 quarterly results varied from the traditional pattern in that second half 2017 revenue and net income exceeded first half year results by 11.5% and 25.8%, respectively, given favorable macroeconomic trends, ongoing industry strength, continued market share gains and cost control efforts.

Revenue/Orders

(euro in millions)	Year ended December 31, 2017	2016	% Change 2017/2016
Revenue	592.8	375.4	57.9%
Orders	680.9	373.8	82.2%
IDM	443.5	191.1	132.1%
Subcontractors	237.4	182.7	30.0%

Besi's revenue increased by € 217.4 million, or 57.9%, in 2017 versus 2016 primarily due to more favorable industry conditions, a substantial build out of advanced packaging capacity by global IDM customers for mobile, automotive, cloud server, memory and high performance computing applications as well as market share gains. Revenue growth was broad based across Besi's die bonding and packaging platforms partially offset by the decrease in the value of the US dollar versus the euro during the year.

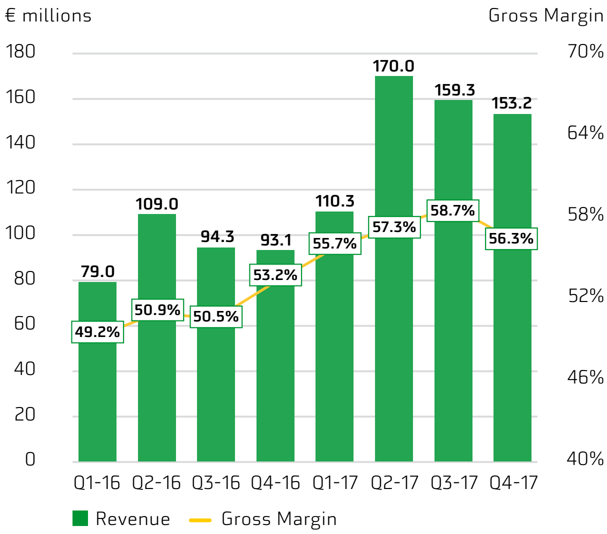
Similarly, orders in 2017 increased by 82.2% versus 2016 of which bookings by IDMs and subcontractors represented approximately 65% and 35%, respectively of Besi's total orders versus 51% and 49%, respectively, in 2016. Q1-17 orders were particularly strong as IDM customers decided to ramp capacity aggressively at the start of the year for new product introductions and features to be introduced in the second half of the year.

Backlog

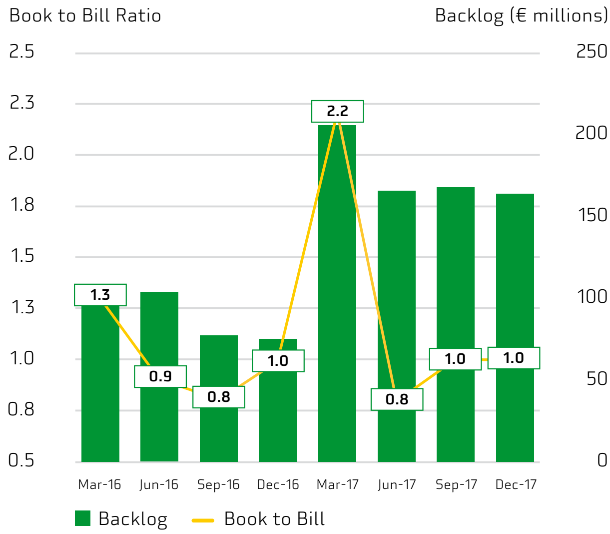
Besi includes in backlog only those orders for which it has received a completed purchase order. Such orders are subject to cancellation by the customer with payment of a negotiated charge. Besi's backlog as of any particular date may not be representative of actual sales for any succeeding period because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

Backlog at December 31, 2017 of € 164.4 million grew by € 88.1 million versus year end 2016 consistent with year over year order growth. The book-to-bill ratio was 1.2x in 2017 versus 1.0x in 2016.

QUARTERLY REVENUE AND GROSS MARGIN TRENDS



QUARTERLY BOOK TO BILL RATIO 2016-2017



Gross profit

(euro in millions)		2017 % revenue	Year ended December 31,	2016 % revenue	Change 2017/2016 % points
Gross profit	338.6	57.1%	191.5	51.0%	6.1
Restructuring charges (benefit)	-	-	0.3	0.1%	(0.1)
Adjusted gross profit	338.6	57.1%	191.8	51.1%	6.0

Gross profit increased by € 147.1 million to reach € 338.6 million in 2017 versus 2016. Similarly, gross margin improved by 6.1 points versus 2016 to 57.1% due primarily to material and labor cost efficiencies. To a lesser extent, the improvement was due to a more favorable product mix and net forex benefits principally related to a reduction in the value of the Malaysian ringgit versus the euro.

Selling, general and administrative expenses

(euro in millions)		2017 % revenue	Year ended December 31,	2016 % revenue	Change 2017/2016 % points
SG&A expenses	93.3	15.7%	80.5	21.4%	(5.7)
Restructuring benefit (charges)	-	0.0%	(0.6)	(0.2%)	0.2
Amortization of intangible assets	(0.5)	(0.1%)	(1.1)	(0.2%)	0.1
Adjusted SG&A expenses	**92.8**	**15.6%**	**78.8**	**21.0%**	**(5.4)**

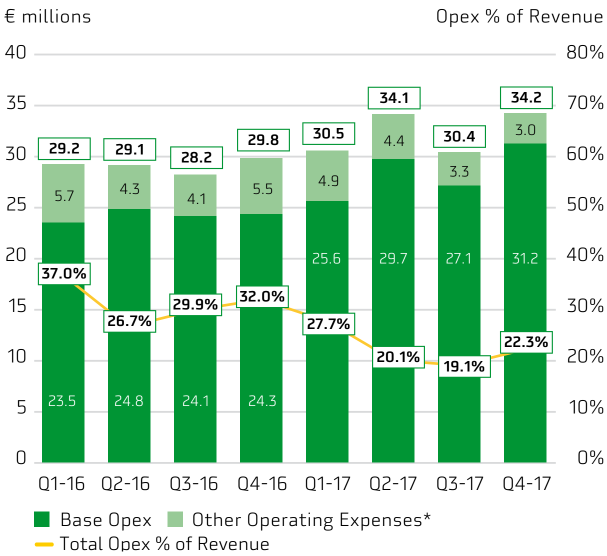
Total SG&A expenses increased by € 12.8 million, or 15.9%, in 2017 versus 2016. The 2017 increase was due primarily to (i) € 7.3 million of increased variable sales related expenses such as warranty, commissions, travel and freight associated with Besi's 57.9% revenue increase, (ii) € 1.9 million of increased fixed and temporary personnel costs primarily related to the expansion of Besi's Singapore development center and (iii) € 1.1 million of lower strategic consulting costs. As a percentage of revenue, SG&A expenses declined from 21.0% in 2016 to 15.7% in 2017.

Research and development expenses

(euro in millions)		2017 % revenue	Year ended December 31,	2016 % revenue	Change 2017/2016 % points
R&D expenses	35.9	6.1%	35.9	9.6%	(3.5)
Capitalization of development costs	6.7	1.1%	6.7	1.7%	(0.6)
Amortization of development costs	(8.0)	(1.4%)	(8.7)	(2.3%)	0.9
Adjusted R&D expenses, net	**34.6**	**5.8%**	**33.9**	**9.0%**	**(3.2)**

Besi's R&D expenses were approximately equal in each of 2017 and 2016 but, as a percentage of revenue, decreased to 6.1% in 2017 versus 9.6% in 2016 as a result of substantially increased revenue levels. Besi's R&D spending is primarily focused on advancing its leadership position in advanced packaging process technology and annual system upgrades but can vary from year to year depending on specific customer road maps and the timing of new device introductions.

QUARTERLY OPERATING EXPENSE TRENDS



* Other operating expenses include R&D capitalization/amortization, foreign exchange, restructuring cost/ (benefit), variable compensation and one-time consulting costs.

Restructuring charges

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

(euro in millions)	Year ended December 31, 2017	2016
Cost of sales	-	0.3
SG&A expenses	-	0.6
R&D expenses	-	-
Total	**-**	**0.9**

Besi recorded restructuring charges of € 0.9 million in 2016 primarily related to employee severance in connection with the transfer of certain die bonding development and support functions from Europe to Singapore.

Impairment of intangible assets

Besi tests the value of its goodwill and other intangible assets on its balance sheet according to IFRS on an annual basis or if a trigger for impairment occurs. No impairment charges were recorded in either 2017 or 2016.

Operating income

Besi reported operating income of € 209.4 million in 2017, an increase of 178.5% versus 2016 while its operating margin rose to 35.3%. The following table presents Besi's operating income for 2017 and 2016 and as adjusted for all restructuring charges reported during each respective period.

(euro in millions)	Year ended December 31, 2017	2016
Operating income	209.4	75.2
% of revenue	35.3%	20.0%
Restructuring charges	-	1.0
Adjusted operating income	**209.4**	**76.2**
% of revenue	35.3%	20.3%

In 2016, Besi incurred identifiable intangible asset amortization charges of € 0.5 million related to product line acquisitions. No such charges were incurred in 2017.

Financial income (expense), net

The components of Besi's financial income (expense), net, for the years ended December 31, 2017 and 2016, were as follows:

(euro in millions)	Year ended December 31, 2017	2016
Interest income	0.6	0.5
Interest expense	(5.5)	(0.7)
Interest income (expense), net	**(4.9)**	**(0.2)**
Net foreign exchange effects	(5.3)	(1.4)
Financial income (expense), net	**(10.2)**	**(1.6)**

Besi's financial expense, net, increased by € 8.6 million in 2017 primarily due to higher interest expense related to the issuance in December 2016 of € 125 million of Convertible Notes due 2023 ("the 2016 Convertible Notes") as well as increased forex hedging charges. Increased hedging charges were primarily related to the substantial increase in US dollar denominated revenue in 2017 as well as increased interest differences between the US dollar and each of the Swiss franc and euro.

Income taxes

Besi recorded income taxes of € 26.1 million in 2017 and € 8.3 million in 2016 with effective tax rates of 13.1% and 11.2%, respectively. The higher effective tax rate is mainly due to a lower recognition of unrecognized tax losses in 2017 as compared to 2016.

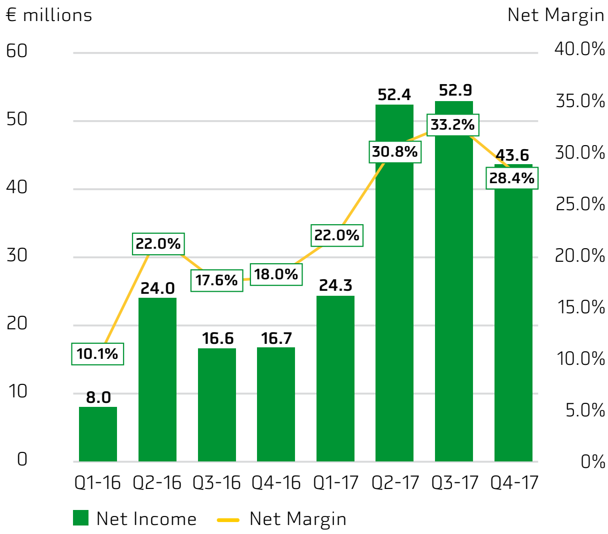
Net income

Besi's net income in 2017 was € 173.2 million, an increase of 165.2% versus 2016. The following table presents Besi's reported net income in 2017 and 2016 and as adjusted for all restructuring charges and tax loss carry forward revaluation adjustments incurred during each respective period.

(euro in millions)	Year ended December 31, 2017	2016
Net income as reported	173.2	65.3
% of revenue	29.2%	17.4%
Deferred tax and other adjustments	-	(1.1)
Restructuring charges	-	1.0
Adjusted net income	**173.2**	**65.2**
% of revenue	29.2%	17.4%

Besi's € 107.9 million net income growth versus 2016 was primarily due to a 57.9% revenue increase as well as 6.1 point gross margin improvement partially offset by a (i) 1.9% increase in Besi's effective tax rate, (ii) € 12.9 million increase in operating expenses primarily related to increased revenue levels and (iii) an € 8.6 million increase in net financial expense.

QUARTERLY NET INCOME TRENDS



Balance sheet, cash flow development and financing

Cash flow

Besi's cash and deposits increased by € 223.0 million to reach € 527.8 million at December 31, 2017. The increase was primarily due to:

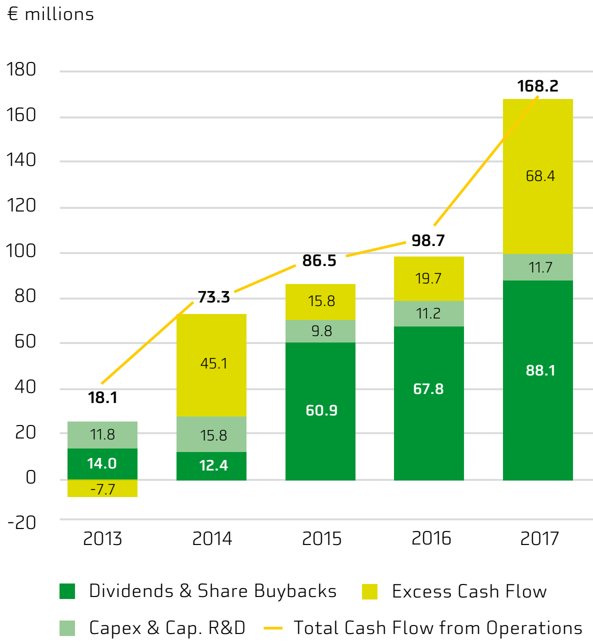
- € 172.3 million of net cash proceeds from the issuance of the 2017 Convertible Notes.
- € 168.2 million of cash flow generated from operations.

Positive cash flow was utilized primarily as follows:

- € 65.3 million of cash dividends were paid to shareholders.
- € 23.5 million of ordinary shares were purchased and held in treasury.
- € 10.1 million of payments were made under bank lines of credit.
- € 6.7 million of development expenses were capitalized.
- € 5.0 million of net capital expenditures were made.
- € 4.6 million from adverse forex currency influences were incurred.

Besi's net cash position of € 247.6 million (defined as cash and deposits less total debt) increased by € 79.5 million, or 47.3%, versus year end 2016.

OPERATING CASH FLOW UTILIZATION



Working capital

Besi's working capital (excluding cash and debt) increased by € 29.5 million, or 41.0%, to reach € 101.3 million at December 31, 2017. The increase was due primarily to increased trade receivables associated with substantial year over year revenue growth and a reduction in Besi's cash conversion cycle from 127 days to 107 days reflecting improvements in inventory and working capital management.

Capital expenditures

Besi's capital expenditures, net of dispositions, were € 5.0 million and € 4.5 million in 2017 and 2016, respectively. Capital expenditures in 2017 focused primarily on upgrades to its Chinese production capacity and other Asian operations to accommodate rapid personnel growth in recent years. Besi anticipates 2018 capital expenditures of approximately € 5.0 million primarily focused on equipment and facility upgrades to complete its Chinese capacity expansion.


Meco Cell Plating Line

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, 2017, Besi had € 280.2 million of total indebtedness outstanding, of which (i) € 267.2 million related to the 2016 and 2017 Convertible Notes (€ 300 million principal amount), (ii) € 11.3 million related to bank loans of which € 11.2 million was classified as short-term and (iii) € 1.7 million related to short-term notes payable to banks under Besi's lines of credit. Management does not foresee any issues in refinancing or redeeming its current indebtedness outstanding given its cash and deposits of € 527.8 million at December 31, 2017 and cash flow generation prospects.

Bank lines of credit

At December 31, 2017, Besi and its subsidiaries had available lines of credit aggregating € 21.9 million. At such date, borrowings under the lines aggregated € 2.3 million of which € 1.7 million represented notes payable to banks and € 0.6 million related to bank guarantees. In general, interest is charged at the banks' base lending rates or Euribor/Libor plus an increment. Most credit facility agreements include covenants requiring Besi and/or its subsidiaries to maintain certain financial levels 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, 2017 and 2016.

For more information on Besi's bank lines of credit, please refer to page 102 in the Notes to the Consolidated Financial Statements.

Issuance of Convertible Notes

On December 2, 2016, Besi issued € 125 million principal amount of 2.5% Senior Unsecured Convertible Notes due December 2023 (the "2016 Convertible Notes"). Interest on the 2016 Convertible Notes is payable semi-annually in arrears. The 2016 Convertible Notes will be repaid at maturity at 100% of their principal amount plus accrued and unpaid interest and convert into approximately 2.9 million Besi ordinary shares at a conversion price of € 43.51 (subject to adjustment). The net proceeds from the offering totaled € 122.7 million and were added to Besi's cash and deposits.

On December 6, 2017, Besi issued € 175 million principal amount of 0.5% Senior Unsecured Convertible Notes due December 2024 (the "2017 Convertible Notes"). Interest on the 2017 Convertible Notes is payable semi-annually in arrears. The 2017 Convertible Notes will be repaid at maturity at 100% of their principal amount plus accrued and unpaid interest and convert into approximately 1.8 million Besi ordinary shares at a conversion price of € 99.74 (subject to adjustment). The net proceeds from the offering totaled € 172.3 million and were added to Besi's cash and deposits.

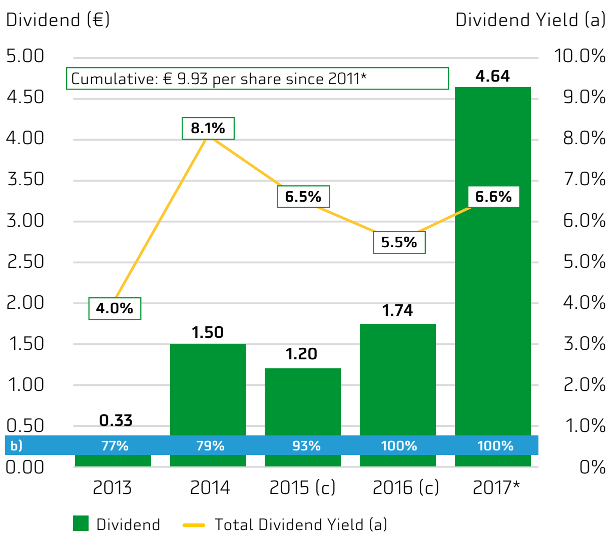
Both the 2016 and 2017 Convertible Notes were privately offered to institutional investors via Morgan Stanley & Co. International and are listed on the Deutsche Börse's Freiverkehr market.

Besi may redeem each of the outstanding 2016 and 2017 Convertible Notes at 100% of their principal amount after December 23, 2020 (in the case of the 2016 Convertible Notes) and after December 27, 2021 (in the case of the 2017 Convertible Notes), provided that on the date of conversion, the market value of its ordinary shares exceeds 130% of the then effective conversion price for a specified period of time. In the event of a change of control (as defined), each noteholder will have the right to require Besi to redeem all (but not less than all) of the Convertible Notes at 100% of their principal amount together with accrued and unpaid interest thereon. The terms and conditions governing each of the 2016 and 2017 Convertible Notes contain no incurrence tests nor maintenance covenants which could materially limit Besi's ability to conduct its operations in the normal course.

Dividends

Besi's 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 40-100% relative to net income to be adjusted accordingly if the factors referred to under (i) so require.

DIVIDEND TRENDS



a) Based on year end stock price.
b) Payout ratio based on basic EPS.
c) Includes special dividend of € 0.20 and € 0.35 in 2015 and 2016, respectively.

* Includes proposed 2017 dividend for approval at April 26, 2018 AGM.

Due to Besi's earnings and cash flow generation in 2016, the Board of Management proposed and Besi paid a dividend to shareholders in cash equal to € 1.74 per share in May 2017, of which € 0.35 represented a special dividend, which resulted in cash payments to shareholders of € 65.3 million.

Due to Besi's earnings and cash flow generation in 2017, the Board of Management has proposed a cash dividend of € 4.64 per share for 2017 for approval at Besi's Annual General Meeting of Shareholders on April 26, 2018.

The payments for the year 2016 and proposed for the year 2017 represent a dividend payout ratio relative to net income of 100% (approximately 80% ex special dividend in 2016) and 100%, respectively.

Share repurchase program

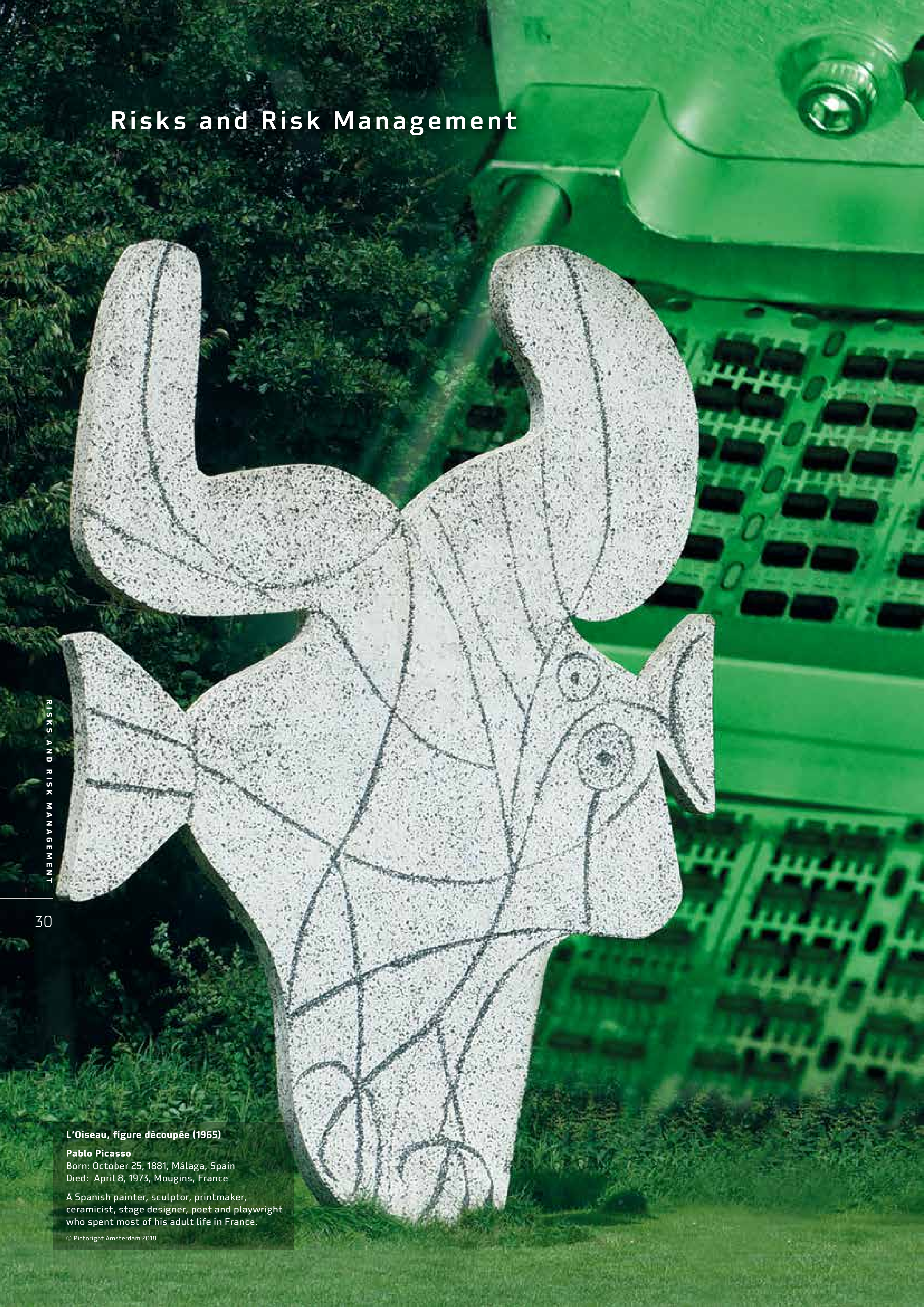
In September 2015, Besi initiated a program to repurchase up to a maximum of 1.0 million of its ordinary shares, or approximately 3% of its shares outstanding. The program was successfully completed in October 2016 under which the full 1.0 million shares were repurchased at an average price of € 22.50 for a total of € 22.5 million.

In October 2016, Besi announced the initiation of a new share repurchase program under which it may buy back up to approximately 1.0 million ordinary shares (2.7% of its outstanding shares at October 27, 2016) from time to time on the open market and depending on market conditions. The repurchase program was initiated for capital reduction purposes and to help offset dilution associated with share issuance under employee stock plans. Since October 31, 2016 through year end 2017, Besi purchased a total of 606,636 shares at a weighted average price of € 44.12 per share for approximately € 26.8 million, of which 480,241 shares (€ 22.8 million) were purchased in 2017. Regular purchase activity continues in 2018.

At present, Besi has shareholder authorization to purchase up to an aggregate of 10% of its ordinary shares outstanding (approximately 3.7 million shares) until October 30, 2018.

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, debt service requirements, working capital and proposed dividend for at least the next twelve months.

Risks and Risk Management



L'Oiseau, figure découpée (1965)

Pablo Picasso
Born: October 25, 1881, Málaga, Spain
Died: April 8, 1973, Mougins, France

A Spanish painter, sculptor, printmaker, ceramicist, stage designer, poet and playwright who spent most of his adult life in France.

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Risks and Risk Management

Risk management is a very important part of doing business in today's world. Over the past decade, 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 32. In 2017, the most important components of Besi's internal risk management and control system were:

Financial risks

- 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 have 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 for financial risks 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.
- Status of systems and procedures and activities to monitor and evaluate risks from fraud, bribery or corruption in Besi's operations.

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

Non-financial and other risks

Besi also evaluates non-financial and other risks that could affect both its corporate social responsibility ("CSR") strategy and business operations. For a full discussion of Besi's CSR and non-financial related risks and risk mitigation measures, please refer to the section "Corporate Social Responsibility and Non-Financial Information" on pages 46 and 47.

Other operational risks such as the hedging of financial risks, internal financial reporting and transfer pricing are governed by a set of internal Besi guidelines. In addition, insurance policies are in place to cover the typical business risks associated with Besi's operations and 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 116 to 122.

There were no indications that Besi's risk management and control systems did not function properly in 2017. Please refer to "Internal Control and Risk Management" on pages 66 and 67 of the Corporate Governance section for further information.

Risk appetite

Besi's risk appetite is primarily based on defined and agreed upon strategies and the individual objectives and initiatives within such strategies. Our risk appetite differs per risk type.

- Strategic risks and risks related to the semiconductor industry: Besi seeks to realize its strategic ambitions and priorities and is willing to accept reasonable risks to achieve such objectives.
- Operational risks: Besi has a variety of operating initiatives and challenges which require an appropriate level of management attention. We seek to mitigate risks that could negatively affect our realization of operating initiatives and efficiency targets while ensuring that our quality standards are unaffected in the process.
- Financial risks: Besi's financial strategy is focused on generating increased revenue, profit and cash flow from its business model, maintaining a strong financial position and creating long-term value for its shareholders.
- Legal and regulatory risks: Besi strives to be fully compliant with its Code of Conduct and all applicable national and international laws and regulations in the markets and jurisdictions in which it operates.
- CSR related risks: Besi pursues a CSR strategy that balances its business interests with social and ecological responsibilities. The Company uses its best efforts to comply with best practice standards in the jurisdictions in which it operates. Besi seeks to mitigate or reduce all CSR related risks which might negatively affect its business and stakeholders.

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's risk appetite is aligned with its strategy and priorities. The Board of Management monitors the operation of its internal control and risk management system and carries out a systematic assessment of its design and effectiveness at which time it also assesses its risks, including residual risks, net of risk mitigating measures. The Board of Management discusses the effectiveness of the design and the operation of the internal risk management and control system with the Audit Committee and provides input to the Supervisory Board.

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

Strategic risks

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 business 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 macroeconomic environment. As a result, the Company's visibility as to future demand is generally limited and its ability to forecast future demand is difficult.

For example, between 2010 and 2013, sovereign debt concerns involving eurozone 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 third quarter 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.

Besi believes that historic volatility in capital spending by customers is likely to persist in the future. In addition, future economic downturns and/or geopolitical events 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 debt burdens and refinance debt maturities. Global markets are also concerned as to the possible contagion effects of a potential 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.

Besi also may face heightened risks as a result of the impending withdrawal of the United Kingdom from the European Union, commonly referred to as "Brexit". The future effects of Brexit are uncertain and will depend on any agreements the United Kingdom makes to retain access to European Union markets either during a transitional period or more permanently. Brexit could, among other outcomes, disrupt the free movement of goods, services and people between the United Kingdom and the European Union and significantly disrupt trade between the United Kingdom and the European Union. In addition, Brexit could lead to legal uncertainty and potentially divergent national laws and regulations, including tax laws and regulations, as the United Kingdom determines which European Union laws to replace or replicate.

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 impact of Brexit, the effects of austerity measures on eurozone 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 eurozone issues spread to other parts of the world as a result of the default of a eurozone sovereign or corporate issuer.

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.

Tooling assembly department Besi Leshan, China

Acts of war or terrorism could adversely affect Besi's business and results of operations.
Threats or acts of war or terrorism may adversely affect our business. Terrorist attacks in Europe and other regions globally as well as continuing hostilities in the Middle East and elsewhere have created significant instability and uncertainty in the world. In addition, terrorist attacks, including cyberterrorism, that directly impact our facilities or those of our suppliers or customers could have an adverse impact on our sales, supply chain, production capabilities and costs. Any such events could have a material adverse effect on world markets, our business and our results of operations.

Semiconductor industry related risks

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 decade, Besi has experienced significant upward and downward movements in quarterly order rates due to global macroeconomic 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 and the timing of new product introductions. As such, typical annual 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.

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 material 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, technology roadmaps and budgetary constraints.
- Timing related to the adoption, testing, qualification and introduction 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.

Recent consolidation activity in the semiconductor 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 and customer consolidation may decrease the number of potential customers for 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.

In addition, various industries have experienced consolidation and other ownership changes or the emergence of dominant firms and supply chains within those industries, including the smart phone, computing and automotive industries. Any future changes in market structure to industries in which we sell our equipment could decrease the number of potential customers for our product offerings and/or risk an increase in competition for our clients' equipment purchases. Moreover, our competitors may respond to such changes in market conditions by lowering prices and attempting to lure away our customers.

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, in part, by continually developing and introducing next generations of its principal products. In addition, it has reduced 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.

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 or, in attempting to make sales to such companies, risk exposing Besi's proprietary technology to a potential competitor.

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.
- Local market presence, particularly in Asian markets, and the quality of Besi's after-market sales and service support in each region in which we operate.

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 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. Also third parties may challenge, invalidate or circumvent technology which Besi licenses from third parties. If any party is able to successfully claim that Besi's creation or use of proprietary technology infringes upon their intellectual property rights, Besi may be forced to pay damages. In addition to any damages Besi may have to pay, a court could require Besi to stop the infringing activity or obtain a license which may not be available on terms which are favorable to Besi or may not be available at all.

Operational risks

Difficulties in forecasting demand for Besi's product lines may lead to periodic inventory shortages or surpluses.
Besi 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. Besi 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.

Besi depends on its suppliers for critical raw materials, components and subassemblies on a timely basis. If our suppliers do not deliver their products to us on a timely basis, particularly during a large order ramp, our revenue, customer relationships and market share could be materially and adversely affected.
Besi's assembly equipment, particularly its advanced packaging product lines, is highly complex and requires raw materials, components, modules and subassemblies having a high degree of reliability, accuracy and performance. We rely on subcontractors to manufacture many of these components and subassemblies and in certain instances, on sole suppliers for such items, on

Evo production floor Besi APac, Malaysia

a timely basis as our order ramps can be steep and industry cycle times are decreasing. As a result, we are exposed to a number of significant risks, including:

- Decreased control over the manufacturing process for components, modules and subassemblies.
- Changes in our manufacturing processes in response to changes in the market, which may delay our shipments.
- Potential for inadvertent use of defective or contaminated raw materials.
- The relatively small operations and limited manufacturing resources of some of our suppliers, which may limit their ability to manufacture and sell subassemblies, modules, components or parts in the volumes we require and at acceptable quality levels, prices and timetable.
- The potential inability of suppliers to meet customer demand requirements during volatile cycles.
- Reliability or quality issues with certain key components, modules and subassemblies provided by single source suppliers as to which we may not have any short-term alternative.
- Shortages caused by disruptions at our suppliers and subcontractors for a variety of reasons, including work stoppage or fire, earthquake, flooding or other natural disasters.
- Delays in the delivery of raw materials, modules or subassemblies, which, in turn, may delay shipments to our customers.
- Loss of suppliers as a result of consolidation of suppliers in the industry, bankruptcy or insolvency.

If Besi is unable to deliver products to its customers on time and at expected cost for these or any other reasons, or it is unable to meet customer expectations as to cycle time, or it is unable to maintain acceptable product quality or reliability, then its business relationships, market share, financial condition and operating results could 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's use of global and diverse information technology systems could result in ineffective or inefficient business management and could expose it to security threats to its data resources and intellectual property.

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.

We maintain and rely extensively on IT systems and network infrastructures for the effective operation of our business and protection of our technological resources. We also hold large amounts of data in data center facilities around the world upon which our business depends. We could experience a disruption or failure of our systems, or the third-party hosting facilities or other services that we use. Such disruptions or failures could include a major earthquake, fire, cyber-attack, act of terrorism or other catastrophic event, as well as power outages or telecommunications infrastructure outages, or a decision by one of our third-party service providers to close facilities that we use without adequate notice or other unanticipated problems with the third-party services that we use, including a failure to meet service standards. As a highly automated business, any such disruptions or failures could (i) result in the destruction or disruption of any of our critical business operations, controls or procedures, or IT systems, (ii) severely affect our ability to conduct normal business operations, including delaying completion of sales and provision of services, (iii) result in a material weakness in our internal control over financial reporting, (iv) harm our reputation and (v) adversely affect our ability to attract and retain customers, any of which could materially adversely affect our future operating results.

Besi believes that there has been a global increase in IT security threats and higher levels of professionalism in computer crime which pose 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. A disruption, infiltration or failure of our IT systems or any of our data centers could occur as a result of technological error, computer viruses, or third-party action, including intentional misconduct by computer hackers, physical break-ins, the actions of state actors, industrial espionage, fraudulent inducement of employees, or customers to disclose sensitive information such as user names or passwords, and employee or customer error or malfeasance.
A security breach could result in unauthorized access to or disclosure, modification, misuse, loss, or destruction of our or our customer's data (including proprietary design information, intellectual property, or trade secrets). Because there are many different security breach techniques and such techniques continue to evolve, we may be unable to anticipate attempted security breaches and implement adequate preventative measures. Any security breach or successful denial of service attack could result in a loss of customer confidence in the security of our products and damage to our brand, reduce the demand for our offerings and our revenue, disrupt our normal business operations, compromise our competitive technological position, require us to spend material resources to investigate or correct the breach, expose us to legal liabilities, including litigation, regulatory enforcement, and indemnity obligations, and materially adversely affect our operating results.

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 2017, Besi incurred net restructuring charges aggregating approximately € 24 million. There can be no assurance that Besi's restructuring efforts will achieve the benefits it seeks without placing additional burdens on its management, design and manufacturing teams and operations. In addition, Besi may in the future engage in additional restructuring efforts that could result in additional charges in the future in amounts which could exceed specified estimates. Restructuring charges in future periods could adversely affect Besi's results of operations for the periods in which such charges are 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, flooding, 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 it 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 production or service disruption or delay.

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, 77% of its sales in 2017 were to customers outside of Europe and 72% of its employees were located in facilities outside of Europe at year end 2017.

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

- General economic, 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.
- Political unrest and terrorist activities in the countries in which it operates.

Also 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.

Approximately 70% of Besi's employees and revenue are derived from our Asian operations. Geographically focused disruptions or failures, such as natural disasters, acts of terrorism, geo political conflict or other localized catastrophic events as well as power outages or telecommunications infrastructure outages in our Asian operations could have a material adverse effect on our business and results of operations.

In addition, compliance with foreign laws and regulations that are applicable to our international operations is complex and may increase our cost of doing business in international jurisdictions, and our international operations could expose us to fines and penalties if we fail to comply with these regulations. These laws and regulations include anti-bribery laws and local laws prohibiting corrupt payments to governmental officials. Although we have implemented policies and procedures designed to help ensure compliance with these laws, there can be no assurance that our employees, partners, and other persons with whom we do business will not take actions in violation of our policies or these laws. Any violations of these laws could subject us to civil or criminal penalties, including substantial fines or prohibitions on our ability to offer our products and services to one or more countries, and could also materially damage our reputation and our brand.

Financial risks

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 € 164.4 million at December 31, 2017. Orders in Besi's backlog are subject to customer cancellation at any time upon payment of a negotiated cancellation fee. 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 14%, 26% and 19%, respectively, from highest to lowest quarterly level in 2015, 2016 and 2017. In addition, because of the possibility of changes in delivery schedules, expedited cycle times, 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.

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 have accounted for a significant percentage of its revenue. In 2017, two customers represented 15.3% and 11.0%, respectively, of Besi's revenue and its largest 10 customers accounted for 62.3% of 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 or if there were further customer or supply chain consolidation, the semiconductor equipment manufacturing market as a whole, and Besi's revenue and results of operations specifically, could be negatively affected.

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 2017, 2016 and 2015:

			Revenue
	2017	**2016**	**2015**
Euro	18%	25%	29%
US dollar	82%	74%	70%
Other	-	1%	1%
Total	**100%**	**100%**	**100%**

		Costs and Expenses	
	2017	**2016**	**2015***
Euro	21%	26%	30%
US dollar	9%	5%	5%
Malaysian ringgit	31%	30%	28%
Swiss franc	19%	21%	23%
Chinese yuan	13%	11%	7%
Singapore dollar	5%	4%	4%
Other	2%	3%	3%
Total	**100%**	**100%**	**100%**

* Excludes net restructuring benefit of € 3.3 million.

Besi's principal functional and reporting currency is the euro. In 2017, 2016 and 2015, Besi's revenue denominated in euro represented 18%, 25% and 29% of its total revenue, respectively, while its costs and expenses denominated in euro represented 21%, 26% and 30%, respectively, each year. A substantial majority of its revenue is denominated in US dollars while in 2017, 71% of its costs and expenses were denominated in euro, Malaysian ringgit and Swiss franc. Costs in Chinese yuan and the Singapore dollar 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, Chinese yuan and Singapore dollar. 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 result 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 either 2017 or 2016. 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.

Ordinary share related risks

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 four members, three 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.

We may not declare dividends at all or in any particular amount in any given year.
Besi aims to pay an annual dividend in accordance with its dividend policy and seeks to increase its annual dividend over time. On an annual basis, the Board of Management (with Supervisory Board approval) will submit a proposal for approval at the AGM with respect to the amount of dividend to be declared for the prior fiscal year. The proposal in any given year will be subject to (i) Besi's review of its annual and prospective financial performance, liquidity and financing needs, the prevailing market outlook, its strategy, market position and acquisition strategy and (ii) a target dividend payout ratio in the range of 40-100% relative to net income to be adjusted accordingly if the factors referred to under (i) so require.

Accordingly, the Board of Management may decide not to pay a dividend, or a lower dividend, with respect to any particular year in the future which could have a material adverse effect on the price of its ordinary shares.

Corporate Social Responsibility and Non-Financial Information

Soldiers playing cards (1917)

Fernand Léger
Born: February 4, 1881, Argentan, France
Died: August 17, 1955, Gif-sur-Yvette, France

Initially trained as an architect, before moving in 1900 to Paris, where he supported himself as an architectural draftsman.

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Corporate Social Responsibility and Non-Financial Information

I. 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, business operations and long-term value creation. 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.

Besi's business is the development and sale of semiconductor assembly equipment. 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.

Besi's objective is to be a meaningful partner in the digital revolution adding value to society through the development and sale of its systems for next generation applications in the digital economy as well as to further advance information and communication technology ("ICT"). ICT can help stimulate the share-economy and reduce material consumption with accompanying environmental benefits. For example, the Global e-Sustainability Initiative ("GeSI") issued the GeSiSMARTer2030 report in which it estimates that ICT has the potential to generate by 2030 a 20% reduction of global CO_2 emissions from 2015 levels and decouple economic growth rates from emissions growth rates.

From a product perspective, many of Besi's assembly systems are utilized for applications to promote the digital society and digital economy such as smart phones, tablets, high-end sensors, intelligent automotive electronics, driverless cars, cloud servers, data mining, artificial intelligence and the Internet of Things ("IoT"). The advent of the IoT for smart cities, smart manufacturing, smart mobility and self-driving electric cars with artificial intelligence could lead to real breakthroughs in how society functions in a safer, more ecologically responsible manner. Through its products, Besi favorably influences sustainability themes such as energy usage as it delivers system solutions which contribute, among other things, to longer battery life for electronic devices, more efficient solar cells, lower power consumption and heat dissipation in smart phones and increased automotive electronic content and intelligence which can help foster the development of next generation electric and driverless vehicles without fossil fuel generated combustion engines.

In the social domain, access to information can enhance education and individual freedom which holds the potential to create opportunities and improve living standards. The use of Besi's systems for the computing world can help promote greater access to information. In this way, members of society can benefit from increased education and individual freedoms which hold the potential to create opportunities for advancement, improve living standards and further social mobility. We seek to encourage such progressive societal developments in a way that enriches society as a whole. As such, Besi's corporate social responsibility ("CSR") policy 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 and supply chains 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.

Important societal trends related to our business
We believe that CSR requires vigilance, obligation and active engagement. Our CSR is motivated by global trends which affect our business such as the scarcity of critical raw materials, a growing concern about climate change and many challenges in the social domain such as diversity, human rights and the recruitment of qualified technical personnel. Besi observes several societal developments and challenges which influence its CSR strategy.

Several current global trends will influence our business direction and CSR 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.
- Emissions should be reduced such that maximum temperatures do not rise by more than 1.5 degrees by century end.
- A balance between global CO_2 emissions and the earth's absorption capacity should be reached by 2050.

The Intergovernmental Panel on Climate Change ("IPCC") calculated that a maximum global warming of 2 degrees means that CO_2 emissions must return back to 1990 levels by 2050. In 2018, the IPCC will present an overview for which reductions by members will be required to limit global warming to 1.5 degrees. As a responsible citizen, Besi agrees to use its best efforts to reduce its CO_2 emissions in accordance with such objectives.
In our view, global governmental and industrial initiatives will accelerate the so called low carbon economy for which semiconductors are important contributors. For example, 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, research and new product development have proliferated in recent years in the healthcare and automotive sectors, for example, which will also favorably 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, hospitals, factories, mobility and municipalities 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. Other new consumer product applications such as virtual reality, wearable devices and ever more intelligent smart phones, mobile devices and cars also hold similar promise for ecological benefits.

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 and associated increase in semiconductor demand also is an important influence affecting our business and CSR. Underlining this point, revenue from Asian customers represented 70.4% of Besi's revenue in 2017. 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 significantly increased 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 and human rights violations which is a significant topic in the region. As a consequence, we have increased our surveillance, internal auditing and response capabilities relative to issues such as corruption, fraud and human rights violations in both our Asian and global operations.

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 that seeks to identify and mitigate the usage of conflict minerals in its product design and supply chain wherever possible.

Stakeholders
Stakeholder appreciation is at the core of our CSR strategy. Besi identifies its key stakeholders based on the nature and level of their engagement with us as well as our impact on them. 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.

Shareholders are engaged 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, meetings and AGM.

Investor interest in CSR is growing as a consideration in their investment process, particularly for large European pension funds. Investors are also requesting more CSR information from us than in previous years particularly in the areas of conflict minerals and climate change as well as fossil fuel and CO_2 reduction strategies.

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 have a very experienced sales and service team whose aim is to maintain close, strategic relationships with key customers as they provide valuable insight into semiconductor device roadmaps, assembly requirements and future market trends. Moreover, they provide partnership opportunities to develop new assembly systems and sustainability solutions for the market. Customer satisfaction is an important measure to determine if customer needs are being fulfilled along with areas for improvement. Besi conducts annual customer satisfaction surveys to assess existing relationships and identify areas for improvement. We see an increasing number of customers paying attention to CSR topics as evidenced by our 2017 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.

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 third-party external audit annually for all significant production and development facilities with respect to its ISO 9001 and ISO 14001 capabilities. Social and ethical CSR 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.

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, CSR 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 wherever possible and participates in dialogue with local chambers of commerce as appropriate.

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. Both in 2016 and 2017, Besi updated its Whistleblower procedure to meet market best practices. Besi continually seeks to identify CSR and performance related topics of interest to its various stakeholders to define new CSR goals and activities for the coming years in a pragmatic step by step manner.

CSR materiality assessment and key themes

Besi regularly evaluates CSR topics deemed important to the conduct of its operations and the development of our corporate culture. We reassess periodically CSR 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 potential CSR related themes of a material nature. 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. We have broadened the scope of the assessment in recent years by asking 20 senior Besi managers to participate and rate the topics against two axes:

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

The 2015 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 CSR strategy and strategic CSR themes. In addition, it resulted in narrowing the focus of our CSR strategy to a more 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 any requisite actions. In 2017, we made no adjustment to the outcomes of the 2015 assessment as we still consider these themes to be the most material to our business. We will again revisit this topic in 2018 in close cooperation with senior management and external stakeholders.

Sustainable supply chain

We feel a shared responsibility for sustainability issues not only in our operations but also in our 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 throughout the entire supply chain.

Employees

We can only assure our profitability, sustainability and long-term growth if our employees are engaged and motivated in a corporate culture which encourages good working conditions and career advancement. 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.

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. We place particular emphasis on transportation and packaging activities where we have identified significant potential for reductions of CO_2 emissions, waste and cost.

Ethical behavior

Besi operates with proper ethical standards in compliance with the relevant laws and regulations in its local jurisdictions. Because of growing semiconductor demand, Besi has shifted its production and supply chain network 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.

Besi Leshan employees, China

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 CSR strategy. For each of our operations, we develop tailor made activities addressing the needs and customs of the local society.

Product quality and sustainable impact

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. 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 influence a customer's usage of environmental resources.

Transparency

Besi seeks to be fully transparent in its communications with stakeholders in order to promote meaningful dialogue in an environment of trust. We participated for the first time in 2017 in the Dutch Transparency Benchmark survey. The benchmark was established by the Dutch Ministry of Economic Affairs to improve the content and quality of CSR reports of Dutch companies. In 2017, we placed ninth out of a total of 45 companies in the technology sector.

Organizational governance

Accountable to the Supervisory Board and to shareholders, Besi's Board of Management is responsible for achieving its strategy and CSR objectives. Our CSR management approach is fully aligned with Besi's hierarchical structure. Line managers are responsible for CSR 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 have been included in our ISO 14001 management system. Besi APac in Malaysia has its own Health & Safety Committee as required by law. Our external auditor was not engaged to perform an audit or review of the non-financial (CSR) information. The information was evaluated by the external auditor only in the context of their audit of the Consolidated Financial Statements.

Progress and developments in the field of CSR 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 CSR monitoring and review system with data presented twice a year in order to better monitor progress. This initiative has not yet been implemented given operational restructuring and strategic planning activities which have required a substantial amount of senior management time and attention. A third party CSR consultant was hired in 2017 to assist in the development of such analyses and systems.

Our Remuneration Policy describes our compensation system (see "Report of the Supervisory Board" on pages 73 to 77). Several non-financial goals such as succession planning, corporate governance, organization and CSR are included in the determination of variable remuneration payable to the Board of Management and represent 20% of the variable compensation. In addition, part of the variable short term incentive compensation of the senior vice president of operations and the vice president strategic supply chain is also tied to CSR objectives such as supplier and customer compliance with EICC standards and its Code of Conduct.

II. CSR and non-financial risks and risk mitigation measures

Besi evaluates its CSR and non-financial risks that could affect both its CSR strategy and business operations. Besi's CSR strategy is influenced by global trends such as the scarcity of critical raw materials, a growing concern about climate change and waste and challenges such as diversity, human rights and the recruitment of qualified technical personnel. Short and long-term effects of CSR issues are assessed through such measures as materiality analysis, key performance indicators for energy, water and waste usage, customer and employee satisfaction metrics, supplier audits as well as via continuous stakeholder dialogue.

Besi's CSR and non-financial risks are governed by a set of guidelines and instructions regarding the following topics:

- ISO 14001 Environmental management certification
- Conflict Minerals Policy
- Code of Conduct
- Supply Chain Policy
- Code of Ethics for Senior Financial Officers
- Whistleblower procedure
- Guidelines regarding authorizations
- Reporting of fraudulent activities

Set forth below is a summary of Besi's most important CSR related and non-financial risks and risk mitigation measures related thereto. For a summary of Besi's strategic, industry, operational, financial and ordinary share related risk factors, please refer to "Risks and Risk Management" on pages 32 to 40.

Recent regulations related to conflict minerals may force us to incur additional expenses, make our supply chain more complex and result in damage to Besi's customer reputation.

Both US and European regulatory authorities have issued regulations for companies that use certain minerals and metals, known as conflict minerals, in their products, regardless of whether these products are manufactured by third parties. These regulations require companies to conduct due diligence and disclose whether or not such minerals originate from the Democratic Republic of Congo ("DRC") and/or certain adjoining countries.
The implementation of such regulations could adversely affect the sourcing, availability and pricing of minerals used in the manufacture and assembly of semiconductor devices. In addition, since Besi's supply chain is complex, verification of the origins of these materials in our products through due diligence procedures that we implement may be difficult and costly and may not be possible at all, which may harm Besi's reputation. In such event, we may also face difficulties in satisfying customers who require that all our product components be certified as conflict-free.

Besi's product specifications to suppliers specifically prohibit the usage of conflict materials. In addition, as Besi buys its feedstock from parts manufacturers, it is positioned several tiers away from the smelter. As such, we have made an assessment that Besi is not adding any conflict minerals itself to its customers' products. Even so, it is difficult to assess definitively whether 3TG materials have been actually used during the smelting, component or subassembly process before arrival at Besi. This is due to the variety of potential unspecified or upstream processes utilized by a variety of supply chain participants. Nevertheless, we are dedicated to the usage of conflict free minerals from the DRC and its neighboring countries so that responsible mining in the area is encouraged. Consequently, Besi's Conflict Minerals Policy requires suppliers to:

- Make a commitment to eliminate conflict minerals from the DRC or one of its neighboring countries in its 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.

By such measures, we aim to mitigate the risk of conflict mineral usage in Besi's supply chain.

Besi is subject to environmental rules and regulations in a variety of jurisdictions.

We are subject to a variety of governmental regulations relating to the use, storage, discharge and disposal of chemical by-products of, and water used in, our 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 us to acquire costly equipment or to incur other significant expenses. Any failure by us to control the use or adequately restrict the discharge of hazardous substances could subject Besi to future liabilities.

Besi's ISO 14001 environmental management certification for all its operations helps us to monitor all relevant environmental laws and regulations. Further, it helps us to manage our environmental impacts and to continuously assess and improve the quality of our operations.

Our business, reputation and financial position may be harmed by unethical behavior and non-compliance with our Code of Conduct.

Besi seeks to conduct its business in accordance with internationally recognized standards and best practices for all relevant human aspects. We have adopted social, ethical and environmental standards for our operations that typically exceed minimum legal and regulatory compliance levels and applied European social and ethical standards wherever possible. Besi has established a Code of Conduct which governs the behavior of our employees worldwide on matters such as corruption and human rights behavior as integrity and ethical behavior are important values to the Company.

However, we might still encounter unethical behavior and breaches to our Code of Conduct due to intentional fraudulent behavior by individual employees. Issues can arise unintentionally as well from a lack of adherence to appropriate rules and regulations. Unethical behavior and misconduct could lead to fines, penalties and claims by injured parties as well as material financial loss and damage to the reputation of Besi and its stakeholders.

Besi has several risk mitigating procedures in place to prevent the risk of fraud, bribery and corruption in its operations. Systems and procedures include (i) behavioral analysis by the Internal Audit department, (ii) an enhanced cost tracking system through SAP, (iii) the rotation of personnel and segregation of duties in supply chain activities such as purchasing, warehousing and logistics and (iv) an established Whistleblower procedure. In addition, an external advisor reviews and assesses supply chain related risks associated with operations at Besi APac.

Our business may be harmed if we fail 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, software and computing. In addition, our business and future operating results depend in part upon our ability on a timely basis to attract and retain other qualified management, technical, sales and support personnel for operations, particularly to help expand Asian production and technical capabilities. Besi's business and future operating results also depend on the continuous monitoring and adjustment of our Asian production capabilities given increased seasonal influences on order rates. We believe that our ability to increase the manufacturing capacity of subsidiaries has from time to time been constrained by the limited number of such skilled technical and production personnel. Competition for such personnel is intense and we 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 our business, financial condition and results of operations.

In order to find personnel with the appropriate qualifications, backgrounds and maintain excellence in technological leadership, we work with headhunters, especially for recruiting senior management. In addition, we provide new recruits with training and career development for a number of tasks critical to their advancement and incentive compensation plans for select middle and senior management in the form of both cash and share based compensation to promote loyalty to the firm.

Increased Asian production and personnel expansion could expose us to additional risks related to human rights issues in the region.

In recent years, we have significantly increased our production, engineering and supply chain capabilities in Asia to increase Besi's local presence and make our operations more efficient. As such, Asian personnel have grown to represent 71.1% of our total headcount at year end 2017 and revenue from Asian customers represented approximately 70% of consolidated revenue in 2017. As a more active Asian participant, we have more interaction with local communities and governments and may be confronted with issues of corruption and human rights violations which is a significant topic in the region. In addition, our expanded operations in Asia could expose us to the risk of fraud or bribery in our supply chain activities.

In response, we have increased our surveillance, internal auditing and response capabilities relative to corruption, bribery, fraud and human rights violations in both our Asian and global operations. We engaged an external advisor starting in 2015 to assess, develop and help us implement new systems and procedures to combat potential violations which might occur at our Besi APac operations in the future, with a particular focus on procurement, warehousing and logistics activities. Our Whistleblower procedure can also aid internal efforts to monitor and identify possible areas of concern.

In addition, 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 those jurisdictions. However, we hold town hall meetings each quarter to inform employees of corporate developments. Malaysian employees are represented by a member of our Health & Safety Committee. This committee monitors workplace conditions and informs employees of measures taken to ensure their health and safety. In Singapore, China, Taiwan and Korea, quarterly employee sessions are organized where the senior vice president shares information about Besi's progress.

III. CSR activities and results 2017/2016

SELECTED CSR ACHIEVEMENTS 2017

- **Improvement in KPI metrics for supply chain activities**
- **Conducted surveys:**
  - Company wide employee engagement
  - Customer satisfaction
- **First time participation in:**
  - Carbon Disclosure Project
  - Transparency Benchmark by Dutch Ministry of Economic Affairs

Quality and sustainable impact of products

Customer satisfaction

Customer satisfaction is an important measure to determine if customer needs are being fulfilled and to identify 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 CSR 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. The 2017 survey included 96 respondents. Overall customer satisfaction in 2017 "exceeded customer expectations" and improved slightly versus the 2016 survey with particular strength in Project Management and Commercial and Administration aspects this year. Relative to competitors, customers are particularly satisfied with the reliability and durability of Besi's products as well as our technical support and customer service. In general, Besi has experienced improving customer satisfaction survey results since 2010.

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. A clear indicator of customer satisfaction in 2017 was our substantial order growth from a diverse customer base and increased market share. We also gained share of wallet at some customers and increased the breadth of product revenue through new products, customers and end user market opportunities. Another external objective indicator of product quality is warranty cost which remains at historically low levels as a percentage of revenue. Lower after-sales warranty cost implies improved product quality and fewer service calls.

Besi's target for 2018 is to realize "exceeding customer expectations" for all categories.

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 smart mobile internet devices, logistical systems, cloud servers, intelligent automotive electronics, electric and hybrid electric cars, the IoT, wearable devices, artificial intelligence, data mining, advanced medical equipment, solar and renewable energy, high-end rechargeable batteries and LED devices.

Besi invests in the development of environmentally friendly products and services to help our customers operate more efficiently and in a more environmentally friendly manner. We have introduced in recent years new systems with significantly higher accuracy and throughput with fewer, lighter and non hazardous materials and improved energy efficiency. Such efforts have served to reduce the customer's total cost of system ownership.

In 2016, we began an investigation into the replacement of lead used in our systems with a more environmentally friendly option. In addition, Besi revised its R&D criteria to increase emphasis on (i) energy efficiency, (ii) the recycling potential of applied materials utilized in our operations, (iii) increasing the recycled content of our products, (iv) minimizing the usage of hazardous components in our systems and (v) an explicit exclusion to the usage of conflict materials in the design process. In addition, Besi examined its usage of scarce materials such as virgin versus recycled content by monitoring its material streams in terms of volume and character. The investigation of all such matters continued in 2017.

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 reused 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. The use of upgrade kits can add more value to the customer in certain lower technology applications by extending system life versus a new purchase. Our multi module die bonding series and full line of packaging systems have commercially available upgrade kits. We continue to evaluate the introduction of system upgrade kits for other product series as well.

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 of 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 2017, Besi did not receive any customer complaints concerning product safety.

Employees and culture

Human resources strategy

Besi is committed to being a good employer and to promote a workplace culture conducive to the achievement of its business and CSR objectives. We seek to be a preferred employer by offering flexible working conditions, good training and development programs, competitive pay and attractive short and long-term incentive compensation programs for management personnel. Our human resources ("HR") strategy is based on four pillars: (i) improving HR service excellence, (ii) increasing diversity, (iii) developing leadership talents and capabilities and (iv) developing a workplace culture that is collegial and friendly and which encourages our employees to grow and excel in their careers.

Besi is registered with the EICC. We apply EICC policies to our supply chain as well as our own organization including labor conditions and human rights, discrimination and safety and health management policies.

HR organizational hierarchy

HR managers 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 senior vice presidents, who further report to the Board of Management. Twice a year, all HR managers meet to discuss corporate HR procedures and timelines.

Improving HR service excellence

Besi's HR policies can vary per region due to the different work performed per facility, local circumstances and customs and government regulations. In recent years, we have actively pursued the automation and harmonization of systems and procedures of the various product groups and geographic locations through the staged adoption of a SAP enterprise software system. In this manner, we can better monitor personnel hours, engagement and utilization levels. The harmonization process is ongoing.

Diversity

Besi values and encourages cultural, age and gender diversity in its workforce and management. We try to create an all-inclusive culture 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 female and young employees in its operations, but, despite all efforts, this process has gone slowly.

Diversity was encouraged in 2017 through targeted hiring programs at both Besi's Singapore and Malaysia facilities and internship programs at our Austrian operations. In general, the available pool of female engineers in the communities in which we operate is still relatively low, particularly in Europe. In Austria, Besi is working with FemTech, a program initiated by the Austrian government, in order to attract female employees. FemTech's goal is to raise awareness and enhance the visibility of women in research and technology.

An overview of female participation in Besi's workforce for the past three years follows below:

Indicator	2015	2016	2017
Female employees			
Malaysia	22%	24%	23%
China	11%	12%	12%
Singapore	33%	33%	30%
Switzerland	13%	14%	14%
Austria	11%	10%	9%
Netherlands	10%	9%	9%
Other	6%	6%	7%
Total	**16%**	**16%**	**16%**
Female employees in management positions			
Malaysia	18%	21%	23%
China	22%	16%	14%
Singapore	43%	29%	17%
Switzerland	11%	12%	10%
Austria	4%	8%	4%
Netherlands	8%	10%	11%
Other	0%	0%	4%
Total	**14%**	**14%**	**13%**

Training and development

One of Besi's main challenges is to attract and retain skilled workers in both its European and Asian operations. Competition is intense for qualified and experienced technical personnel with skill sets compatible with the semiconductor assembly equipment market. As such, a key component of Besi's HR strategy is training and talent development.

In this regard, Besi provides a variety of education and training programs to its employees. Currently, there are training programs targeted to promote the advancement of skill sets and leadership capabilities in the areas of research and development, sales and general management as well as the development of prospects through internships. On average, Besi employees receive approximately 30 hours of training per annum. 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.

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.

In 2016, Besi implemented a talent management and succession planning program for key employees at all Besi locations worldwide 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 is paid to the development of talented personnel for whom a career path and personal development plan will be created.

Besi APac, the Company's largest employer, introduced in 2016 an internal mobility metric to measure the percentage of personnel moving from one corporate location to another. The unit seeks to promote the movement of highly performing employees by providing opportunities internally for promotion either to fill vacancies within their group, to change groups or perform different functions. Approximately 30% and 13% of all job vacancies at Besi APac in 2016 and 2017, respectively, were filled internally. In addition, 37 employees from Besi APac were placed to fill openings available at Besi Singapore and Besi Leshan in 2016, all of which served to significantly reduce aggregate recruiting and training costs. There were no significant opportunities to place Besi APac employees at other locations in 2017 given the substantial revenue growth Besi experienced during the year.

Headcount development and turnover

The chart below presents some important metrics related to Besi's headcount development between 2015 and 2017. During this period, we experienced a substantial increase in headcount and new employee hires to meet significant business growth with an employee turnover rate that varied little despite such growth.

Indicator	2015	2016	2017
Total headcount fixed	1,489	1,549	1,724
Employee turnover	12%	9%	11%
New employee hires	12%	13%	20%

Employee satisfaction

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

At Besi APac, our largest business unit, employee surveys are conducted typically on a biennial basis. The main concerns expressed in the 2016 survey were performance management, compensation, benefits, communication and collaboration. As a result, a focus group was set up to discuss how these topics could be improved. Management also engaged in dialogue with employees on compensation and benefits to be more transparent in the context of current policies. The focus group established action plans including one-on-one employee/ supervisor coaching sessions, dialogue on communication and performance management and other engagement activities. Based on feedback, some benefit changes were made and lower turnover rates were observed, particularly in comparison to market turnover rates. The next survey is scheduled for 2018.

At Besi product group locations in Switzerland and Austria, 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. Prior surveys indicated that internal communication could be improved and, as a result, a monthly information session for employees with the product group senior vice president was introduced. In addition, the frequency of meetings between the Works Council and the senior vice president was increased from quarterly to monthly.

At Besi locations 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.

In the Netherlands, which includes both the Packaging and Plating product groups, the Works Council conducted a survey in 2015 on employee reactions to Besi's business strategy including the development of European development centers and Besi's Asian production transfer. The survey was finalized in 2016 and resulted in improved communication in 2017 through periodic plant meetings and personnel development plans.

In 2016, the Board of Management requested that the regional HR managers develop a global employee engagement survey to replace the current surveys conducted at the country levels in order to better harmonize employee assessments and management's response thereto. In 2017, the first global employee engagement survey was conducted for which 93% of Besi employees participated. Of those who responded, 92% said they were "highly satisfied" with their jobs. The overall score was 6% above the average benchmark of high tech companies globally participating in the survey. We scored highest in areas such as transparent communication and teamwork. Areas for improvement included better dialogue with respect to disruptions caused by Besi's rapid operational growth and restructuring activities in recent years. We are currently conducting internal workshops with management and employees to address such issues.

Health, safety and well-being

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 2016, we had a limited number of incidents, one of which was a non work place related fatality. In 2017, there were neither material incidents nor fatalities reported. When incidents 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 general, sickness rates are declining on a consolidated basis, particularly in Besi's European operations.

Indicator	2015	2016	2017
Sickness Rate			
Total	1.9%	1.8%	1.7%
Asia	1.2%	1.3%	1.5%
Europe	2.7%	2.4%	2.0%

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. All European and American employees are provided medical coverage in accordance with local requirements.

Communication and dialogue

Besi considers open and constructive labor relations as a key ingredient for success. We encourage an atmosphere of open dialogue between managers and employees and apply several ways 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 the 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 those jurisdictions. However, Besi holds a town hall meeting each quarter 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 its Health & Safety Committee. This committee monitors workplace conditions and informs employees of measures taken to ensure their health and safety.
In Singapore, China, Taiwan and Korea, quarterly employee sessions are organized where the senior vice president shares information about Besi's progress.

Sustainable supply chain policies

Besi adheres to high ethical standards and expects the same from its suppliers. As such, we have adopted three policies to promote a sustainable supply chain: a Conflict Mineral Policy, a Supply Chain Policy and an EICC Supplier Code of Conduct policy ("EICC CoC").

In addition, Besi has registered with the EICC to develop its sustainable supply chain network. Founded in 2004, the EICC provides tools such as audit schemes and collective initiatives for improvements to sustainable supply chain networks. In addition, it requires participating members to follow specified social and environmental guidelines, labor and ethics management practices and health and safety management procedures. At year end 2017, Besi's Supply Chain Policy and Supplier Code of Conduct were fully in accordance with EICC requirements.

All of our suppliers are requested to follow the EICC CoC, particularly in such areas as human rights, product quality, health and safety and environmental matters. Besi also asks its suppliers to have their own suppliers understand and promote the EICC CoC. In addition, our General Work Agreement ("GWA") includes an appendix which outlines the EICC CoC requirements and required conflict minerals due diligence. This agreement, including the appendix, must be signed and recognized by every supplier.

Further, Besi has provided a side letter for signature by its suppliers designed to increase their commitment to follow EICC CoC requirements, particularly with respect to matters of fraud. In 2017, we contacted 1,560 suppliers by mail and asked them to sign the GWA side letter.
For 2017:

- 401 suppliers agreed to follow the EICC CoC.
- 30 suppliers indicated that they have in place and follow their own Code of Conduct.
- 333 suppliers signed a side letter including a penalty clause for non compliance with the EICC CoC.
- 27 suppliers completed a self-assessment questionnaire as per the EICC CoC and are in compliance therewith.

Defining risk suppliers and self-assessments

In 2016, Besi performed the EICC CoC self-assessment to identify suppliers which fell below expectations for compliance with EICC methodology and definitions. Subsequently, we asked our 41 high and medium risk suppliers (approximately 65% of Besi APac's purchasing volume) to update the EICC self-assessment of which 4 suppliers (10%) complied fully in 2016. In 2017, we asked 27 high and medium risk suppliers to update their EICC self-assessment of which all 27 complied fully. No material issues were found with our high and medium risk suppliers in 2017 as a result of the assessment.

In 2015, Besi performed a self-assessment on itself. We scored 80.3% on the total evaluation score. Management did not perform a self-assessment in either 2016 or 2017 as we consider our supply chain approach consistently applied since the first assessment in 2015. In recent years, Besi has organized several information and training sessions to inform suppliers of our Supply Chain Policy and the importance of compliance.

Supplier audits

We regularly perform audits of our key suppliers with a significant increase taking place in 2017. In 2016 and 2017, Besi performed a total of 19 and 59 supplier audits, respectively, of which 8 and 32 represented supplier performance measurements, and 11 and 27 were on-site supplier audits. Audits are conducted by multi disciplinary teams from Besi's Quality and Product Development departments and are divided into new and existing supplier categories. Key suppliers audited in 2016 and 2017 represented 85% and 70%, respectively, of our total purchases.

For existing suppliers, initial audits and operational audits are performed. 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 also form a part of the audit scorecard. Any findings from the audits will be communicated back to the supplier including proposed follow up actions and deadlines for improvement. The scorecard for Besi's 30 top key suppliers who have passed the initial audit is reviewed every quarter. 50% of the score depends on business KPIs and 50% on quality KPIs. The sub criteria and their weights are presented in the adjacent tables.

On-site audits are required to qualify new suppliers and are performed against a comprehensive set of criteria, including policies for environmental management, ethics and human rights matters. New suppliers are only registered if they pass the audit. Otherwise, a new supplier must be selected. All supplier audit results become part of Besi's Business Quality Report.

(Non-)Operational criteria	**Max points**
Operational criteria	
On time delivery	25%
Reject replacement / RPO management	10%
ECN management	10%
Flexibility	20%
Packaging & labeling	5%
Subtotal	**70%**
Non-operational criteria	
Cost Management	15%
RFQ	5%
EICC adaptation	10%
Subtotal	**30%**

Quality criteria	**Max points**
Quality performance criteria	
Line down & purging – quality related	20%
Supplier rejection rate	20%
SCAR effectiveness	15%
Subtotal	**55%**
Field quality performance criteria	
OOBQ & customer complaint	15%
Subtotal	**15%**
Quality management & technical capability criteria	
Quality control & quality management	20%
Supplier's competency	10%
Subtotal	**30%**

Managing non-compliance

Besi evaluates compliance with EICC requirements by means of its Business Quality Review process under which areas of improvement are identified and corrective actions implemented as necessary. Priority issues are re-audited typically one to three months post the audit to determine success. Besi collaborates with suppliers whenever possible to implement corrective actions. However, Besi may terminate a supplier relationship and look for an alternative supplier if no structural improvement is realized over a reasonable period of time. Two supplier relationships were terminated in 2017 in accordance with our Business Quality Review process.

The table below shows our progress in applying and implementing the EICC CoC with suppliers. In 2017, the EICC Code of Conduct was replaced by the Responsible Business Alliance ("RBA"). We intend to convert 100% of Besi's EICC Code of Conduct KPIs to RBA measurement metrics in 2018.

KPI EICC Code of Conduct	2016 (number)	Target 2017 (number)	2017 (number)	Target achievement 2017 (%)
Suppliers informed of EICC CoC	41	41	41	100%
Supplier feedback collected and condensed	30	41	27	66%
Supplier signature GWA EICC CoC Agreement	8	28	68	243%
Supplier self-assessment questionnaire (SAQ) updated	4	22	27	123%
Supplier Performance Scorecard with EICC CoC criteria established	30	30	41	137%
Supplier corrective actions initiated	0	30	6	20%
Supplier EICC CoC status report delivered	17	30	27	90%
Supplier policy checked and rated	5	22	22	100%

The KPI measurements above indicate significant improvement versus 2016, but that there is still work to be done to organize full supplier compliance with EICC standards. Not all suppliers have fully participated given the time, cost and administrative effort for full compliance. Management intends to improve its performance metrics in upcoming years and targets 100% achievement in 2018 in the area of "Supplier corrective actions initiated". In addition, we anticipate including two KPI measurements in 2018: (i) to increase the number of self-assessment questionnaires distributed such that the total number distributed equals 65% or more of Besi's purchases and (ii) to transform signed side letter agreements into signatures of Besi's GWA such that total GWA signatures represent more than 50% of Besi's purchases.

Conflict minerals

The issue of conflict minerals utilization is an important supply chain topic currently, particularly in Europe and the United States. The supply chain of conflict minerals is highly complex, consisting of many tiers formed by traders and producers before the smelter is reached and even more tiers that lead to the actual mine. The term ''conflict mineral'' includes coltan (from which tantalum is derived), cassiterite (tin), gold, wolframite (tungsten), or collectively "3TG". These minerals are commonly used in the electronics industry. Profits from conflict minerals found in the DRC have supported armed conflict, human rights violations and labor and environmental abuses in the region for years. Besi is dedicated to mitigating the usage of conflict minerals in its supply chain.

In late 2016, the EU announced their intention to ban profits from conflict minerals found in the DRC. In May 2017, the EU passed a new regulation to stop conflict minerals and metals from being exported to the EU, to stop conflict minerals and metals from being exported to the EU, to stop global and EU smelters and refiners from using conflict minerals and to stop mine workers from being abused.

Besi's product specifications to suppliers specifically prohibit the usage of conflict materials. In addition, as Besi buys its feedstock from parts manufacturers, it is positioned several tiers away from the smelter. As such, we have made an assessment that Besi is not adding any conflict minerals itself to its customers' products. Even so, it is difficult to assess definitively whether 3TG materials have been actually used during the smelting, component or subassembly process before arrival at Besi. This is due to the variety of potential unspecified or upstream processes utilized by a variety of supply chain participants. Nevertheless, we are dedicated to the usage of conflict free minerals from the DRC and its neighboring countries so that responsible mining in the area is encouraged. As such, Besi's Conflict Minerals Policy requires suppliers to:

- Make a commitment to eliminate conflict minerals from the DRC or one of its neighboring countries in its 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.

Compliance by suppliers with Besi's Conflict Minerals Policy can be fulfilled by officially signing a Conflict Minerals Review Template ("CMRT") declaration, the EICC CoC, the conflict mineral due diligence agreement and Besi's GWA. As such, Besi is fully aligned with the Conflict Free Sourcing Initiative ("CFSI") as empowered by EICC and the GeSi. Upon contract or GWA renewal, Besi asks its suppliers to sign this CMRT declaration. In addition, Besi asks all suppliers between itself and the smelter to adopt its policy and take the same measures for compliance.

In its conflict minerals due diligence, Besi has focused on compliance relative to the requirements as defined in the Dodd Frank Act in the United States. We shall also consider requirements as defined by the EU and the China Chamber of Commerce of Metals Minerals & Chemicals Importers & Exporters ("CCCMC") in the near future.

In 2016, we conducted a conflict mineral due diligence exercise whose objective was to identify smelters for 3TG minerals. As a result of such investigation, Besi was able to further increase the number of approved smelters identified in 2017. The table below tracks Besi's progress during 2017 applying and implementing its Conflict Minerals Policy in its supply chain.

KPI Conflict Minerals Policy	2016 (number)	Target 2017 (number)	2017 (number)	Target achievement 2017 (%)
Suppliers informed of new policy	56	56	56	100%
Supplier feedback collected and condensed	40	56	56	100%
Supplier policy signed GWA/conflict minerals agreement	8	40	68	170%
Supplier risk assessment updated and corrective action taken	0	30	0	0%
Suppliers signed CFRT declaration	8	30	14	47%

In general, Besi improved its performance in 2017 versus 2016 and will focus in 2018 on target improvements in the areas of conflict minerals supplier risk assessments and CMRT declarations signed. In 2018, we also intend to include conflict minerals KPI metrics to better monitor and assess our supply chain compliance with conflict minerals best practices of which one new KPI will target an increase in the number of due diligence CMRTs conducted by suppliers such that the total number of due diligence CMRTs represents at least 65% of Besi's purchasing volume.

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.

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 subassemblies 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 2016 and 2017, we sourced approximately 70% and 83%, respectively, of the material needs of our Asian operations from Asian vendors. We anticipate that the local sourcing percentage will increase in the years to come.

Managing the environmental impact of our operations and production processes

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 a high level of quality and safety in the production process. In 2016, Besi completed the renewal process for its ISO 14001 certification in compliance with current standards and realized 100% conformance with ISO 14001:2015 contractor management requirements during the year. In 2017, Besi APac was the first business unit to be fully certified.

Managing Besi's environmental impact throughout its supply chain

We try to enhance the sustainability of our supply chain via a number of measures including tracking the transportation methods of our products and services, assessing on an ongoing basis the recyclability and reusability of packaging materials as well as the ability to recycle parts, components, modules and sub assemblies used in Besi's systems. In recent years, Besi (i) has moved to a direct shipping model eliminating duplicative transportation and logistics activities between its European and Asian operations, (ii) increased its use of water versus air transport for its heavier products which can significantly reduce air pollution, (iii) increased local sourcing and shipments to customers thereby reducing overall transportation cost and pollution and (iv) increased its usage of recyclable materials in its products. Further, we aim to minimize the use of toxic materials like lead in our products although a good substitute has not yet been found for the purposes and specifications required in Besi's systems.

Climate change and energy

We want to combat climate change wherever possible in our operations by reducing energy usage and our CO_2 footprint. Besi's energy consumption 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.). The majority of our energy consumption is represented by air conditioning for facilities, storage and offices. Sophisticated climate control is essential to protect against corrosion and damage to our systems, particularly in Asian locations that have a high degree of heat and humidity during much of the year.

We have implemented a Besi Energy Saving Program to increase our energy savings and reduce CO_2 emissions. The program helps employees make small changes to workplace energy consumption that can make a big difference ultimately. In 2016, the program focused primarily on the replacement of traditional fluorescent lighting with LED lighting. In 2017, the program focused primarily on using LED lighting in all existing buildings including the new capacity expansion at Besi's Leshan, China facility. In 2017, Besi performed an energy audit at Besi APac as part of a multi year program to investigate additional potential energy savings pursuant to a grant from the Malaysian government.

The table below details our energy consumption both in absolute and relative terms:

Indicator	2015	2016	2017
Electricity (GWh)	13.9	12.5	15.2
Other energy use (GWh)	2.5	2.1	2.5
Total energy use (GWh)	16.4	14.6	17.7
Relative energy use*	0.047	0.039	0.030

* GWh/revenue (in euro millions).

Over the past three years, Besi has realized significant relative energy savings despite substantial revenue growth and a large expansion of our Asian operations. Such savings have resulted from lower lighting costs via the replacement of virtually all fluorescent tubes and more efficient air conditioning usage at our Asian operations and a reduction of European energy costs primarily due to a reduction in production capacity and office space.

Besi participated for the first time in 2017 in the Carbon Disclosure Project, a global investor benchmark which annually assesses climate related company performance, such as the management of climate-related risks and carbon emissions. As a first time participant, Besi was judged to be on the industry average "Awareness" level in its performance relative to the climate. We would like to improve Besi's measurement of emissions data company-wide and further reduce our carbon footprint in the future so as to increase our rating to above industry average.

We are also exploring other avenues to lessen energy usage and combat climate change throughout the organization. One such area is the usage of renewable energy. To date, we have had limited success in this area as a result of factors which are out of our control in the Asian jurisdictions in which our production is predominantly located. For example, there is no renewable energy available on the market in Malaysia as it is a local fossil fuel driven economy. In addition, it is impossible to put solar panels on the roof of our Malaysian facilities. In China, Besi's facilities are also not suitable to generate renewable energy currently.

Packaging and waste

Besi wants to reduce the generation of material waste in its operations and has encouraged a high degree of waste conservation among employees. In all facilities, waste separation systems are in place and the recycling, reuse and reduce concept is communicated to employees.

Additional company-wide efforts to reduce waste are mainly focused on the packaging process. We carefully package all parts and equipment for transport in order to ensure their quality and performance and use 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 reused multiple times. In general, inbound packaging is either returned to the supplier or reused 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.

Besi has introduced some new initiatives to reduce packaging waste in its operations. At Besi APac, we introduced circular packaging for almost all modules and subassemblies to reduce the amount of packaging materials utilized as well as the structural reuse of packaging for the evo 2200 (one of Besi's most significant product lines). This latter action has reduced on a relative basis the number of system packages used since 2015. In addition, we introduced a double-use packaging system in close cooperation with our suppliers. In this approach, a supplier delivers a system and, upon final assembly by Besi, the original packaging is reused for shipment to the customer. Besi APac has also eliminated the usage of all polystyrene packaging materials from its dining and recreational facilities.

In 2017, we pursued initiatives to reduce relative waste in our operations including (i) an assessment of how extensively recycled materials can be used in the organization, (ii) increased usage of sea container shipments for goods above 100kg (150kg currently) and (iii) an increased usage of reusable packaging from current levels.

As a result of our efforts, we have achieved a 30% reduction in relative waste usage between 2015 and 2017.

Indicator	Unit	2015	2016	2017
Hazardous waste	Ton	21	30	30
Non-hazardous waste	Ton	134	156	153
Total waste ton	Ton	155	186	183
Relative waste	kg/revenue*	444	496	310

* In euro millions.

Transportation activities

The transportation of Besi's equipment, spare parts and assemblies has been a particular focus in terms of requisite speed, reliability, cost and environmental impact necessary for the proper conduct of our operations. We have implemented a number of measures to increase direct shipments and improve delivery times to our predominantly Asian installed base of customers and 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 its associated environmental impact and results in shorter lead times for delivery to customers. Second, the transportation of heavy parts (>100 kg) is now carried out by boat instead of by plane. Finally, we encourage 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 as a percentage of revenue from 2.5% to 1.9% between 2015 and 2017.

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 five years. At present, Besi's Chinese facility is the only one which uses water as part of its production process. We have bought several new machines with better water management, recycling and filtering capabilities and a new water filtration system which enabled us to reduce in 2017 relative water consumption in our operations via increased recycling.

Neither of Besi's Asian production facilities operates in locations with serious water issues such as scarcity or flooding. In addition, in each facility worldwide, the effluent of water utilized is discharged into the municipal water sewage system. Besi is also in compliance with all local requirements regulating concentrations of contamination substances.

Indicator	Unit	2015	2016	2017
Water usage	m^3	28,820	26,207	32,562
Water usage efficiency	m^3/revenue*	83	70	55

* In euro millions.

As per the table above, there has been a significant improvement in Besi's water usage efficiency between 2015 and 2017.

Ethical behaviour

Anti-corruption and bribery

The importance of appropriate anti-corruption policies and measures has increased with Besi's expansion of its Asian operations, supply chain and logistics activities. As a result, we appointed a Director of Internal Control for both Europe and Asia in 2015 who reports to the senior vice president 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 was conducted by an independent accounting firm of policy content and implementation, the initial results of which were discussed and implemented in 2016. A second phase of this assessment focused on detailed testing of identified fraud risks which was finalized in 2017. The outcomes of this assessment will be discussed by senior management in 2018 and actions taken, where appropriate, as a result of their recommendations.

Code of Conduct

Besi has a Code of Conduct to guide the activities of all its employees. The Whistleblower 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. The Whistleblower procedure was updated in both 2016 and 2017 to meet best practice standards and published on the Company's website. In both 2016 and 2017, violations of the Code of Conduct were reported by means of the Whistleblower procedure. These incidents were promptly responded to by Besi senior management, adjudicated in a satisfactory manner and were immaterial to our 2016 and 2017 financial results.

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.

Community involvement

Besi supports several activities in the local communities in which it operates, particularly in Asia where the support is more greatly needed. Besi also supports local technical universities in the regions in which it operates through interchange and dialogue.

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, especially refugee children. 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.

In 2017, Besi APac conducted a health and safety campaign focused primarily on heart disease which afflicts many people in Malaysia. Employees donated 15,000 Malaysian ringgit to a heart foundation as part of this awareness raising campaign.

Many of Besi's Dutch employees are actively committed to social projects in the communities in which they live. Each year, employees can donate unused leave days at the end of the year to a specific charitable organization chosen by the group which varies each year.
Besi's Austrian employees engage with local professional schools such as the HTL Jenbach and the Management Center Innsbruck to promote Besi as an employer and to attract talent at an early stage of their career development. Approximately 500 students receive education at these schools located in the Tirol area. On average, Besi Austria offers approximately 10 internship opportunities per year for professional school students for which they can receive school credit, receive practical business knowledge and become better acquainted with Besi as a potential employer.

In China, we work closely together with local authorities, the Chinese government and employees to identify and make contributions of money and time to support deserving projects. In 2017, local schools in mountain villages in the Leshan region were supported financially to help improve teaching facilities and class rooms and to fund scholarships. In addition, Besi Leshan has been supporting a school for disabled students for the past four years.

Performance in the area of community involvement is not yet measured on a quantitative basis.

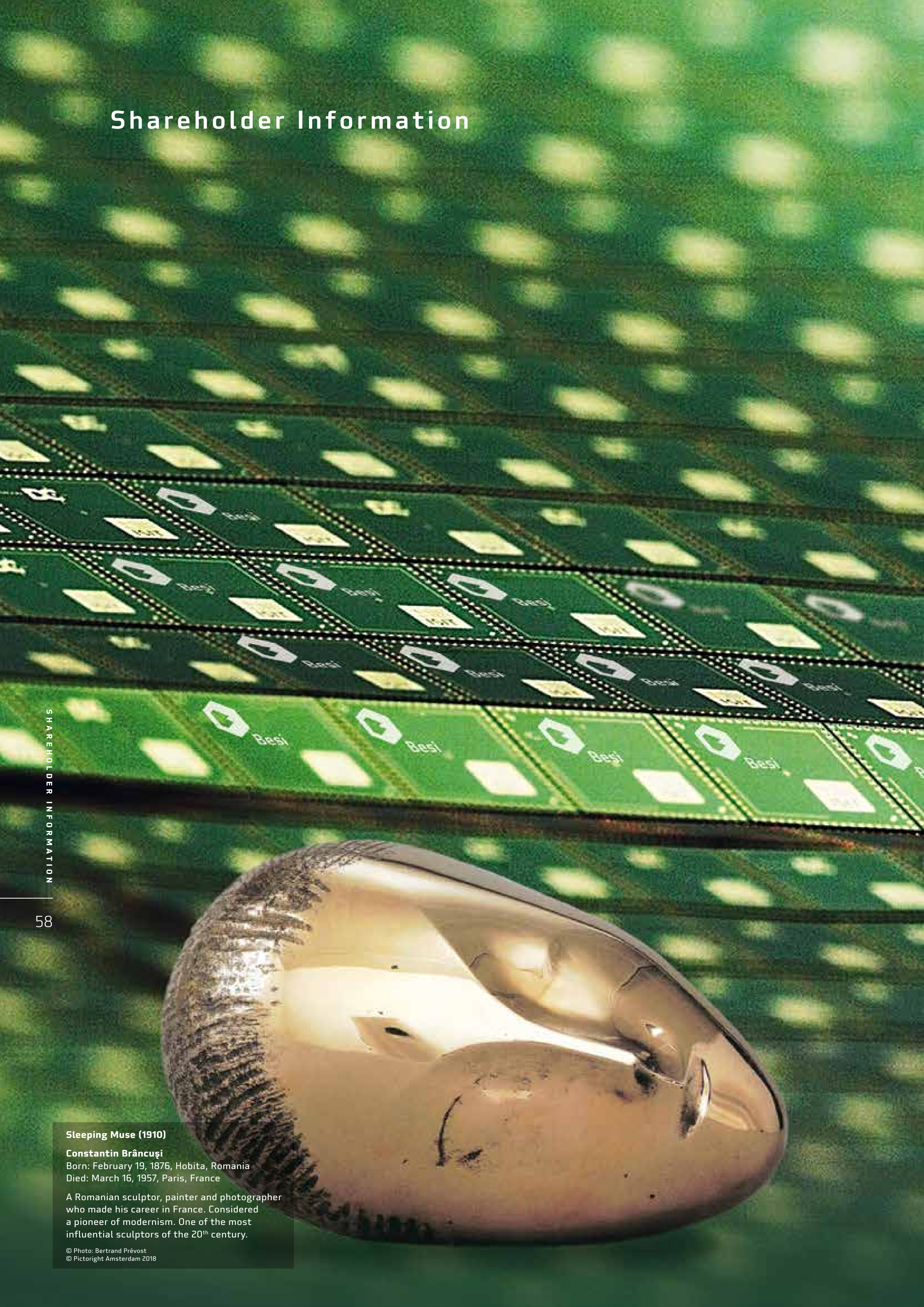
Shareholders

In 2017, Besi actively promoted an investor relations program in Europe and North America which resulted in 265 meetings with shareholders, research analysts and other investment professionals. In this manner, we have engaged in important face to face dialogue with such stakeholders and received valuable feedback about our business and CSR issues.

IV. Outlook

Besi is committed to further expand and refine its CSR initiatives, management and metrics. In consultation with the Supervisory Board, we hired a third party CSR consultancy firm in 2017 to perform analyses of our sustainability policies, reporting and KPI metrics. The dialogue is ongoing. For 2018, Besi's major CSR priorities include (i) the implementation of recommendations resulting from our ongoing risk assessment project with a particular focus on enhancements to our fraud and corruption policies in Asia, (ii) the development of initiatives in response to the 2017 employee engagement survey and (iii) further increasing compliance by our supply chain with the EICC Code of Conduct and CMRT.

Shareholder Information



Sleeping Muse (1910)

Constantin Brâncuşi
Born: February 19, 1876, Hobita, Romania
Died: March 16, 1957, Paris, France

A Romanian sculptor, painter and photographer who made his career in France. Considered a pioneer of modernism. One of the most influential sculptors of the 20th century.

© Photo: Bertrand Prévost
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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.

	2017	2016
Number of ordinary shares, net of shares held in treasury	37,275,539	37,326,309
Average daily shares traded	187,825	216,078
Highest closing price (in euro)	72.87	32.90
Lowest closing price (in euro)	31.44	15.52
Year end share price (in euro)	69.91	31.64

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**.

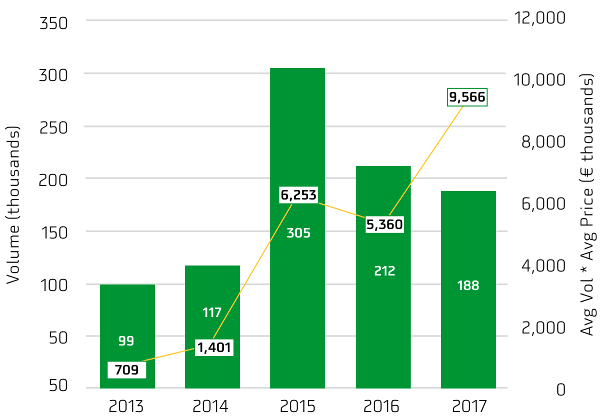
Convertible Note listings
Besi has outstanding € 125 million of 2.5% Senior Unsecured Convertible Notes due 2023 (the "2016 Convertible Notes") and € 175 million of 0.5% Senior Unsecured Convertible Notes due 2024 (the "2017 Convertible Notes") both of which are listed on Deutsche Börse's Freiverkehr market (ISIN XS1529879600 and XS1731596257, respectively), **www.boerse-frankfurt.de**.

BESI MARKET INFORMATION

Symbol/ Index	• BESI • Euronext Midcap AMX • STOXX Europe 600 index
Market Cap*	• € 2,798 ($ 3,363)
Dividend Policy	• Pay out 40-100% of net income per annum

* As of December 31, 2017; in millions.

AVERAGE DAILY VOLUME & LIQUIDITY



Besi's equity structure
Besi's authorized share capital consists of 80,000,000 ordinary shares and 80,000,000 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 2017, the number of issued and outstanding ordinary shares was 40,033,921 of which Besi held 2,758,382 shares in treasury.

As stated on page 60 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. The foregoing applies accordingly to the granting of rights to subscribe for ordinary shares but shall not be applicable to the issuance of ordinary shares to a party exercising a previously acquired right to subscribe for ordinary shares.

Currently, the General Meeting of Shareholders has delegated its authority to the Board of Management until May 14, 2019, subject to the approval of the Supervisory Board, to issue ordinary shares and grant rights to subscribe for ordinary shares up to a maximum of 10% of Besi's issued share capital as at May 1, 2017.

Holders of ordinary shares have a pro-rata pre-emptive right in relation to any ordinary shares issued, which right may be limited or excluded. Such shareholders have no pro-rata pre-emptive right with respect to (i) any ordinary shares issued against contributions other than in cash, (ii) any issuance of preference shares, or (iii) any ordinary shares issued to employees. The foregoing applies accordingly to the granting of rights to subscribe for ordinary shares but shall not be applicable to the issuance of ordinary shares to a party exercising a previously acquired right to subscribe for ordinary shares. On the basis of a designation by the General Meeting of Shareholders, the Board of Management has the power, subject to the approval of the Supervisory Board, to limit or exclude the pre-emptive right in relation to any ordinary shares issued and rights to subscribe for ordinary shares granted until May 14, 2019, subject to the 10% maximum as described above. 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 resolution to repurchase or cancel the preference shares 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 at the time of exercise of the option minus one. 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 four members, three of whom are independent of Besi and one of whom is a member of the Supervisory Board. One current independent member of the board of the Foundation, Mr Niek Hoek, is proposed for appointment to Besi's Supervisory Board at the Annual General Meeting of Shareholders on April 26, 2018 and, as such, will be resigning his position as a member of the board of the Foundation. 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
The Board of Management may cause the Company to repurchase for consideration any class of shares in its own capital which have been paid-up, subject to certain provisions of Dutch law and Besi's articles of association, if (i) the 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 to be maintained 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 in its own capital. Any such repurchases 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 at the time of such repurchase through November 1, 2018.

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
Each of Besi's 2016 and 2017 Convertible Notes contain change of control provisions under which in the event of a change of control of Besi (as defined), each noteholder will have the right to require Besi to redeem all (but not less than all) of its Convertible Notes at 100% of their principal amount together with accrued and unpaid interest thereon. At December 31, 2017, there was no change of control provision contained in any other 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, liquidity and financing needs, the prevailing market outlook and Besi's strategy, market position and acquisition strategy and/or (ii) a dividend payout ratio in the range of 40-100% relative to net income to be adjusted if the factors referred to under (i) so require.

Due to Besi's earnings and cash flow generation in 2016, the Board of Management proposed and Besi paid a dividend to shareholders in cash equal to € 1.74 per share in May 2017, of which € 0.35 per share represented a special dividend which resulted in cash payments to shareholders of € 60.1 million.

Due to Besi's earnings and cash flow generation in 2017, the Board of Management has proposed a cash dividend of € 4.64 per share for 2017, for approval at Besi's Annual General Meeting of Shareholders on April 26, 2018.

The payments for the year 2016 and proposed for the year 2017 represent a dividend payout ratio relative to net income of 100% (approximately 80% ex special dividend) and 100%, respectively.

Ownership interests in the ordinary shares

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

Old Mutual plc	
Notification effective October 3, 2017	5.92%
BE Semiconductor Industries N.V.	
Notification effective August 16, 2011	5.12%
BlackRock, Inc.	
Notification effective December 15, 2017	5.10%
JP Morgan Asset Management Holdings, Inc.	
Notification effective July 20, 2017	5.08%
Teslin Participaties Coöperatief U.A.	
Notification effective July 6, 2017	5.00%
OMAM, Inc.	
Notification effective February 15, 2018	4.97%
Kempen Capital Management N.V.	
Notification effective January 17, 2017	4.82%
Norges Bank	
Notification effective January 25, 2018	4.05%

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

Analysts

The following sell side analysts cover Besi's shares:

Berenburg	Trion Reid
Bryan, Garnier & Co.	Dorian Terral
Degroof Petercam	Marcel Achterberg
ING Bank	Marc Zwartsenburg
Kempen	Nigel van Putten
Kepler Cheuvreux	Peter Olofsen
NIBC	Edwin de Jong
Insinger Gilissen	Jos Versteeg

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 Europe and the United States to meet existing and potential new institutional investors. 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 has increased its investor outreach in recent years. During 2017, a total of 239 meetings with institutional investors were held including roadshows, conference calls and broker conferences. In addition, a total of 26 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.

Investor interest in corporate social responsibility ("CSR") matters is growing as a consideration. Investors, particularly large European pension funds, are increasingly considering CSR as part of their investment process and requesting more CSR information from us than in previous years particularly in the areas of conflict minerals and climate change as well as fossil fuel and CO_2 reduction strategies. Besi has engaged in important face to face dialogue with such stakeholders and received valuable feedback about its business and CSR issues in its 2017 investor relations program.

Important investor relations dates in 2018 that are currently planned (subject to change) are as follows:

April 26, 2018	2018 first quarter results
April 26, 2018	Annual General Meeting of Shareholders, to be held at Besi in Duiven at 10.30 a.m.
July 26, 2018	2018 second quarter results
October 25, 2018	2018 third quarter results
February 2019	2018 fourth quarter and annual results

Prevention insider trading

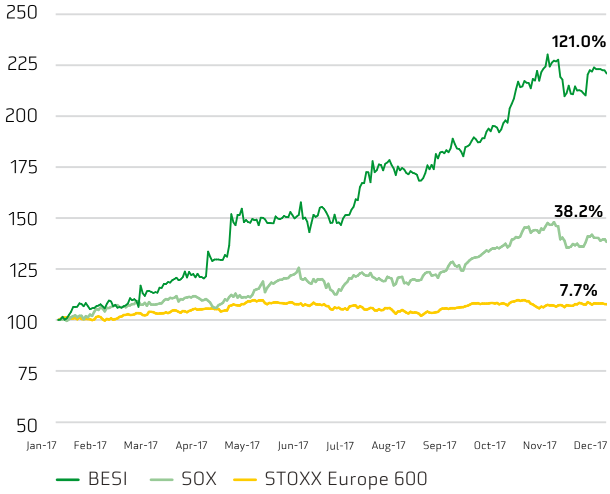
Besi has implemented a Code of Conduct to prevent the use of inside information by the members of the Supervisory Board, the member of the Board of Management and any other designated persons who may have access to price-sensitive information, including key staff members. In addition, there is a separate Code of Conduct governing the use of inside information by Besi employees generally. Designated persons have agreed in writing to observe the relevant Code of Conduct concerning 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 whom is responsible for monitoring compliance with the codes of conduct and communication with the AFM.

Besi Incentive Plan

Besi may grant performance shares on an annual conditional basis to the member of the Board of Management, executive employees and officers under the current Besi Incentive Plan. Further information on this subject is given on pages 73 to 79 of this Annual Report.

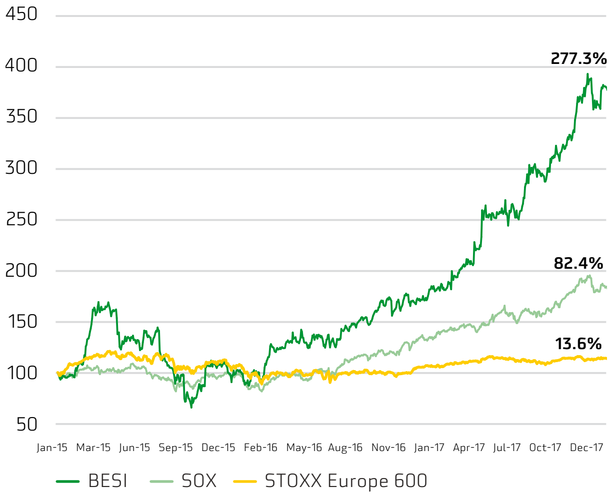
Besi Share Price Development

BESI'S SHARE PRICE VS. SOX INDEX AND STOXX EUROPE 600 INDEX
(Since January 1, 2017, rebased to 100)



Source: Capital iQ

BESI'S SHARE PRICE VS. SOX INDEX AND STOXX EUROPE 600 INDEX
(Since January 1, 2015, rebased to 100)



Source: Capital iQ

Corporate Governance

Horta de Ebro (1909)

Pablo Picasso
Born: October 25, 1881, Málaga, Spain
Died: April 8, 1973, Mougins, France

A Spanish painter, sculptor, printmaker, ceramicist, stage designer, poet and playwright who spent most of his adult life in France.

© Photo: The Museum of Modern Art / Scala, Florence
© Pictoright Amsterdam 2018

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 are listed on Euronext Amsterdam. Accordingly, Besi complies with all applicable listing rules of Euronext Amsterdam.

In 2017, Besi applied the Dutch Corporate Governance Code as revised in 2016. 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.mccg.nl**.

Board of Management

The role of the Board of Management is to manage the Company and its affiliated enterprises and ensure their continuity, which includes, among other things, (i) the formulation of its long-term value creation strategy, (ii) the identification, analysis and management of the risks associated with the Company's strategy and activities and (iii) establishing Besi's risk appetite and any measures implemented to counter any risks being taken.

In discharging its role, the member of the Board of Management shall be guided by the interests of the Company and its affiliated enterprises as well as the interests of the Company's shareholders and other stakeholders. 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 establishing and maintaining internal procedures which ensure that all relevant information is provided to the Board of Management and Supervisory Board in a timely manner.

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

The Remuneration Report is included in the Report of the Supervisory Board on pages 73 to 79.

Conflicts of interest – members of the Board of Management

Any appearance of a conflict of interest between the Company and members of the Board of Management should be prevented. If a member of the Board of Management has a direct or indirect personal conflict of interest with the Company, he or she shall not participate in the deliberations and the decision-making process of the Board of Management for such matter. If, as a result thereof, no resolution of the Board of Management can be adopted, the resolution may be adopted by the Supervisory Board. No conflict of interest of material significance to Besi and/or the member of the Board of Management was reported in 2017.

Supervisory Board

The role of the Supervisory Board is to supervise the policies executed by the Board of Management and the general affairs of the Company and its affiliated enterprises and to assist the Board of Management by providing advice. In discharging their role, Supervisory Board members are guided by the best interests of Besi and its affiliated enterprises as well as the relevant interests of Besi's stakeholders. Supervisory Board members are also required to put the best interests of Besi ahead of their own interests and to act critically and independently vis-a-vis one another, the Board of Management and any particular third party interests involved. Further, the Supervisory Board also has due regard for corporate social responsibility issues that are relevant to Besi. The Supervisory Board annually evaluates its own functioning.

Each member of the Supervisory Board is currently considered independent within the meaning of best practices provision 2.1.8 of the Dutch Corporate Governance Code.

Each Supervisory Board member has the specific expertise required for the fulfilment of his/her duties. The composition of the Supervisory Board shall be such that the requisite expertise, background, competencies and independence are present for them to carry out their duties properly. The Supervisory Board shall aim for a diverse composition with respect to experience, background, competencies, education, nationality, age and gender. 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 the Supervisory Board ("Regulations Supervisory Board") are posted on Besi's 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 the 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. The terms of reference 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 114 contain the information prescribed by applicable law on the level and structure of the remuneration of individual Supervisory Board members. The remuneration of the members of the Supervisory Board does not depend on the results of the Company. In addition, Besi does not grant Supervisory Board members any personal loans, guarantees or the like. Further, none of the members of the Supervisory Board personally maintains a business relationship with Besi other than as a member of the Supervisory Board. At December 31, 2017, one member of the Supervisory Board owned in total 24,610 shares of the Company.

Conflicts of interest – members of the Supervisory Board

Any appearance of a conflict of interest between the Company and Supervisory Board members should be prevented. 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 resolving conflicts of interest regarding members of the Board of Management, members of the Supervisory Board and majority shareholders. If all members of the Supervisory Board are conflicted, then the Supervisory Board shall remain authorized to adopt resolutions. No conflicts of interest of material significance to Besi and/or the members of the Supervisory Board were reported in 2017.

Diversity

At present, the composition of the Board of Management consists of one person whom is Besi's Chief Executive Officer and Chairman of the Board of Management. As such, there is currently no diversity policy or target for the Board of Management.

The Supervisory Board currently has a diverse composition in terms of experience, background, competencies, education and nationality and is aligned with the objectives of its diversity policy and Supervisory Board profile. Although gender and age diversity were enhanced by the appointment of Ms ElNaggar as a Supervisory Board member in 2012 and her reappointment in 2016, the Supervisory Board's current gender composition of an 80/20 male/female ratio is not in compliance with Dutch law. Article 2:166 of the Dutch Civil Code (Burgerlijk Wetboek) requires that at least 30% of the members of the Supervisory Board be female and that at least 30% be male. Diversity in general, and gender in particular, are important factors in the selection process of Supervisory Board candidates. When considering new candidates, the Supervisory Board will retain an active and open attitude with respect to the selection of female candidates. Gender is, however, only one factor of diversity. The qualifications of a particular person and the requirements for the position shall always prevail over all other factors and considerations when filling a vacancy.

Executive Committee

Besi has an executive committee consisting of nine senior management members and the member of the Board of Management who acts as Chairman. This committee is not directly involved in decision-making at the Board of Management. As such, it is not considered an executive committee for purposes of the Dutch Corporate Governance Code.

Director's and Officer's insurance policy

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

Shareholders and the General Meeting of Shareholders

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

The Board of Management 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 should be handled and structured carefully, and Besi should do nothing which might 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. The Supervisory Board submits a nomination for the appointment of the external auditor to the General Meeting of Shareholders upon the advice of the Audit Committee and the Board of Management. It negotiates the terms of engagement of the external auditor, including their remuneration, upon the proposal of the Audit Committee and after consultation with the Board of Management. The Chairman of the Audit Committee acts as the principal contact for the external auditor if, during the performance of its duties, it discovers or suspects an instance of misconduct or any irregularity. The external auditor attends the meeting of the Supervisory Board, at which the report of the external auditor is discussed, and discusses the findings and outcomes of the audit work and the management letter with the Audit Committee 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 page 31 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 effectiveness of the design and operation 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, an internal control charter outlining audit systems and procedures as well as the internal

Application engineers at Die Attach Besi APac, Malaysia, performing an internal system buy-off

control and audit plan for the year. Operational, IT, compliance, tax and fraud controls are also included in this framework. 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 2017. In view of increased business and risk management activities in Malaysia, Singapore and specifically China, Besi hired an independent accounting firm to help identify and monitor potential risks of fraud, bribery and corruption in its Asian supply chain, logistics and purchasing activities. In addition, it has enhanced its global internal audit function in 2017 as well as systems and procedures in such areas.

In consideration of the above factors, the Board of Management states that for the year ended December 31, 2017:

- This Annual Report provides sufficient insights into any failings in the effectiveness of Besi's internal risk management and control systems.
- Besi's internal risk management and control systems provide reasonable assurances that the financial reporting contains no material inaccuracies.
- It is justified that Besi's financial reporting is prepared on a going concern basis considering the current state of affairs.
- This Annual Report refers to those material risks and uncertainties which are relevant to Besi's continuity for the twelve months following the preparation of this Annual Report.

Explanation of deviations from the Dutch Corporate Governance Code

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

Provision 1.3.1

Since the internal audit function is the responsibility of the Board of Management, the appointment and dismissal of the senior internal auditor by the Board of Management is not submitted for approval to the Supervisory Board. Instead, the Supervisory Board oversees the appointment and dismissal of the senior internal auditor.

Provision 1.4.2

The sensitivity of the Company's results to material changes in external factors is not provided for competitive reasons. For a detailed description of material risks, reference is made to "Risks and Risk Management".

Provision 2.2.1

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 2.2.2

Mr De Waard (1946) was first appointed as a Supervisory Board member in 2000 and has served for a period of more than twelve years. Pursuant to best practice provision 2.2.2 of the Dutch Corporate Governance Code, a member of the Supervisory Board may only serve for a maximum period of twelve years, consisting of two periods of four years and two periods of two years. However, the Company and the Supervisory Board are of the opinion that in the reappointment of Mr De Waard for a new term in 2016, a deviation from the Code was

Expansion of final assembly at Besi Leshan, China facility

justified because it was in the best interest of the Company. Since 2009, Mr De Waard has established as Chairman a well balanced and highly functioning Supervisory Board. Furthermore, Mr De Waard has extensive experience with Supervisory Boards, having served on the boards of Besi and many other publicly listed technology companies and therefore understands Besi's industry and the Company. As a well-known legal professional, he also provides expert legal knowledge of specific Dutch and international corporate governance codes to the Company.

Provision 2.3.2
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: the Audit Committee and the Remuneration and Nomination Committee.

Provision 3.1.2
Based on Besi's Remuneration Policy 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. Furthermore, the Supervisory Board may award additional performance shares to the Board of Management which may vest immediately, but may be subject to additional terms and conditions as determined by the Supervisory Board.

Provision 3.2.3
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 4.2.3
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**.

Director's Statement of Responsibilities
In accordance with statutory provisions, the Board of Management states, to the best of its knowledge that:

- 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 consolidation as a whole.

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

Board of Management
Richard W. Blickman

February 14, 2018

Report of the Supervisory Board

Femme et oiseaux II (1969)

Joan Miró
Born: April 20, 1893, Barcelona, Spain
Died: December 25, 1983, Palma de Mallorca, Spain

A Spanish painter, sculptor and ceramicist. Earning international acclaim, his work has been interpreted as surrealism, a sandbox for the subconscious mind, a re-creation of the childlike and a manifestation of Catalan pride.

© Photo: Succesió Miró, Mallorca, Spain
© Pictoright Amsterdam 2018

Report of the Supervisory Board

Besi is pleased to present its 2017 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, 2017. At its meeting on February 14, 2018, the Supervisory Board approved these Financial Statements. Deloitte Accountants B.V. ("Deloitte"), independent external auditors, duly examined the 2017 Besi Financial Statements and issued an unqualified opinion thereon.

The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2017 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 € 4.64 per share will be declared for the year ended December 31, 2017.

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 2.1.8 of the Dutch Corporate Governance Code. In the opinion of the Supervisory Board, the independence requirements referred to in best practice provisions 2.1.7 to 2.1.9 (inclusive) of the Dutch Corporate Governance Code have been fulfilled.

Name	Year elected	Term end
Mr Tom de Waard, Chairman	2016	2020
Mr Douglas Dunn, Vice Chairman	2015	2019
Ms Mona ElNaggar	2016	2020
Mr Kin Wah Loh	2015	2019
Mr Jan Vaandrager	2014	2018

At the Annual General Meeting of Shareholders held on April 30, 2016, Mr Tom de Waard and Ms Mona ElNaggar were reappointed for four-year terms. The reappointment of Mr De Waard for a new term in 2016 was a deviation from the Dutch Corporate Governance Code and was justified because it was in the best interests of Besi. Since 2009, Mr De Waard has established as Chairman a well balanced and highly functioning Supervisory Board. Furthermore, Mr De Waard has extensive experience with Supervisory Boards, having served on the boards of Besi and many other publicly listed technology companies and therefore understands Besi's industry and the Company. As a well-known legal professional, he also provides expert legal knowledge to Besi of specific Dutch and international corporate governance codes.

Mr Jan Vaandrager has informed the Company that he is no longer available for reappointment at the end of his term in April 2018. The Supervisory Board proposes to nominate Mr Niek Hoek to replace Mr Vaandrager for a four-year term at the Annual General Meeting of Shareholders to be held in Duiven on April 26, 2018.
Mr Hoek (1956) is an experienced financial and general manager who founded and is currently the director of Brandaris Capital, a private equity and asset management firm. He is also an executive director of recently listed Dutch Star Companies One. Prior thereto, Mr Hoek served as Chief Executive Officer and was a member of the executive board of Delta Lloyd N.V., a publicly listed insurance and financial services firm. Mr Hoek also served in various senior finance and general management roles at Shell. Mr Hoek has a long history of Supervisory Board memberships at various public, private and non-profit companies in the Netherlands. At present, Mr Hoek serves as Chairman of the Supervisory Board of Arcadis N.V. and is a member of the Supervisory Boards of van Oord N.V., Anthony Veder N.V. (Netherlands Antilles). Furthermore, he is serving on the board of Stichting Continuïteit BE Semiconductor Industries and chairing the board of Stichting Preferente Aandelen Nedap. Mr Hoek is considered independent for the purposes of the Dutch Corporate Governance Code.

Furthermore, the Supervisory Board proposes to appoint Mr Carlo Bozotti as a Supervisory Director as from July 1, 2018 for a four-year term, with a view to the future succession of the current Supervisory Directors. With the appointment of Mr Bozotti, the Supervisory Board will (temporarily) consist of six Supervisory Directors.

Mr Bozotti (1952) is an experienced international executive in the semiconductor industry. Mr Bozotti is currently president and chief executive officer and sole member of the managing board of STMicroelectronics N.V. (ST) and he will retire at ST's 2018 AGM. He has held this position since March 2005. Mr Bozotti joined SGS-ATES (later renamed SGS Microelettronica), a predecessor company to ST, in 1977. Ten years later, when SGS Microelettronica of Italy merged with Thomson Semiconducteurs of France to form a new European champion, which is today ST and is among the leading semiconductor companies worldwide, Mr Bozotti became general manager of ST's telecom products division. Subsequently, he was promoted to director of corporate strategic marketing and key accounts and, later, to corporate vice president marketing and sales, Americas. In 1994, Mr Bozotti was appointed corporate vice president for Europe and the headquarters regions, overseeing ST's sales in Europe, as well as sales to key customers and strategic marketing worldwide. From 1998 to 2005, Mr Bozotti served as corporate vice president and general manager of ST's memory products group. Mr Bozotti is a member of The European Round Table of Industrialists and has served on the board of directors of Aricent Inc. since August 2017. Mr Bozotti is considered independent for the purposes of the Dutch Corporate Governance Code.

The Supervisory Board considers its current composition to be aligned with its objective for an adequate breadth of knowledge and experience amongst its members in relation to the technological and global character of Besi's business as well as an adequate level of knowledge and experience in financial, economic, technological, social and legal aspects of international

business and governmental and public administration. The Supervisory Board believes that it has the requisite expertise, background, competencies and independence to carry out its duties and that all members of the Supervisory Board have sufficient time to spend on their respective duties and responsibilities.
The Supervisory Board currently has a diverse composition in terms of experience, background, competencies, education and nationality and is aligned with the objectives of its diversity policy and Supervisory Board profile. Although gender and age diversity were enhanced by the appointment of Ms ElNaggar as a Supervisory Board member in 2012 and her reappointment in 2016, the Supervisory Board's current gender composition of an 80/20 male/female ratio is not in compliance with Dutch law. Article 2:166 of the Dutch Civil Code (Burgerlijk Wetboek) requires that at least 30% of the members of the Supervisory Board be female and that at least 30% be male. Diversity in general and gender in particular are important factors in the selection process of Supervisory Board candidates. When considering new candidates, the Supervisory Board will retain an active and open attitude with respect to the selection of female candidates. Gender is, however, only one factor of diversity. The qualifications of a particular person and the requirements for the position shall always prevail over all other factors and considerations when filling a vacancy.

During 2017, the Supervisory Board met six times. In addition, it held three conference calls which were combined meetings of the Supervisory Board and the Audit Committee. Further, it made a full week trip to visit Besi Leshan, China, Besi Singapore and Besi APac in Shah Alam, Malaysia. In addition, a full week trip was made to the USA which included a visit to Semicon West. In 2017, one member was absent with notice for two combined Supervisory Board and Audit Committee meetings held by conference call.

Supervisory Board meeting topics

Key topics discussed by the Supervisory Board during 2017 included:

- Besi's annual budget as well as the quarterly revised estimates thereto.
- Quarterly business reviews and a review and discussion of Besi's 2018 annual budget with the Board of Management, certain members of senior management and key Besi staff.
- Besi's technology roadmap and related R&D programs.
- The implementation of the 2017-2021 strategic planning review initiatives and the principal risks associated therewith as well as the implementation of Besi's long-term value creation strategy.
- Succession planning and related development programs for senior management and key Besi staff members.
- The ongoing transfer of operations from Europe to Asia and reductions to Besi's cost structure.
- Potential strategic alliances and acquisitions.
- The general risks associated with Besi's operations.
- Corporate social responsibility related topics including the Corporate Social Responsibility and Non-Financial Information section of the Annual Report.
- 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 placement of € 175 million of Senior Unsecured Convertible Notes due 2024 as reported in the press release dated November 29, 2017.
- The functioning and performance evaluation of the Board of Management, the Supervisory Board, the Audit Committee, the Remuneration and Nomination Committee and the individual members of the Supervisory Board. As part of this evaluation, the Supervisory Board conducted a self-assessment in association with a third party consulting firm, the results of which concluded that there is a proper mix of background and skills at Supervisory Board level and that the Supervisory Board works well as a team with open and direct communication.
- The remuneration of the Board of Management and the Remuneration Report.

Other meeting topics discussed in 2017 included Besi's capital allocation policy.

Capital allocation policy

The Board of Management is responsible for Besi's optimal capital allocation and has adopted a policy which aims to enhance shareholder returns via dividends and share repurchases.

Due to Besi's earnings and cash flow generation in 2017, the Board of Management has proposed a cash dividend of € 4.64 per share for 2017 for approval at Besi's Annual General Meeting of Shareholders on April 26, 2018.

In addition, the Board of Management proposed, and the Supervisory Board authorized, a share repurchase program up to a maximum of 1.0 million shares through October 31, 2017 for capital reduction purposes and to offset potential dilution from employee share issuance according to Besi's long-term incentive compensation plans. From program inception October 31, 2016 through October 31, 2017, Besi repurchased a cumulative total of 553,375 shares under this authorization at an average price of € 41.71 per share for a total of € 23.1 million. The Board of Management proposed, and the Supervisory Board authorized, the extension of this program until October 31, 2018 under which a total of 53,261 additional shares were repurchased through year end 2017 at an average price of € 69.18 for a total of € 3.7 million. In total, since October 31, 2016 through year end 2017, Besi purchased 606,636 of its ordinary shares at a weighted average price of € 44.12 per share aggregating approximately € 26.8 million, of which 480,241 shares (€ 22.8 million) were purchased in 2017.

Supervisory Board visit Besi Leshan in 2017

Supervisory Board committees
The Supervisory Board has established two committees, the Audit Committee and the Remuneration and Nomination Committee. These committees operate under terms of reference 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 terms of reference including assisting the Supervisory Board in fulfilling its oversight responsibilities by reviewing:

- The effectiveness of the internal risk management and internal control systems and the internal audit function as described under "Risks and Risk Management" 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, China and Singapore, Besi enhanced its internal audit function, the progress of which was closely monitored in 2016 and 2017. In addition, Besi enhanced its fraud prevention systems in the Asia Pacific region through both internal and third party external assessments and investigations.
- 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.
- Besi's capital structure, financing and treasury operations. In addition, the Audit Committee reviewed the terms of Besi's issuance of the 2017 Convertible Notes and potential cash management options related to the use of proceeds therefrom.
- Besi's European and global tax structure and transfer pricing policy including, in particular, developments affecting fiscal Base Erosion and Profit Shifting ("BEPS").
- Auditing, accounting and financial reporting processes and critical accounting policies, new accounting pronouncements and the further development of International Financial Reporting Standards as adopted by the EU ("IFRS"). In 2017, particular attention was paid to the preparation for the implementation of IFRS 9 Financial Instruments, IFRS 15 Revenue from Contracts with Customers and IFRS 16 Leases.
- The quality of work, reporting, expertise and independence of Deloitte, Besi's independent external auditor on a regular basis and, in particular, the appropriateness of the provision of non-audit services. During 2017, no non-audit services took place in the Netherlands. Other audit services outside the Netherlands were kept to a minimum in order to prevent a potential conflict of interest.
- The terms of engagement of Deloitte, Besi's independent external auditor, including the scope of the audit, the materiality thresholds to be used and the remuneration paid for the audit.
- The receipt, retention and treatment of complaints and the anonymous submission of confidential concerns by employees involving accounting matters. Besi's Whistleblower procedure was updated in 2017 and can be found on the Company's website: **www.besi.com**.
- Information and communication technology deployment, including the ongoing implementation of the global ERP system and monitoring enhancements made to the SAP system in 2017.
- Besi's cybersecurity profile including risks and measures available to counter the rising threat of cybercrime.

In 2017, the Audit Committee met four times, three of which were via conference call, to discuss the items above as well as the scope and results of the audit of the Financial Statements by Deloitte. Deloitte attended two meetings of the Audit Committee in 2017. The Audit Committee separately met with Deloitte once without the presence of the Board of Management. In 2017, one member was absent with notice for two combined Supervisory Board and Audit Committee meetings held by conference call.

The Board of Management proposed to the Supervisory Board in 2015 a strengthening of its internal audit function over financial reporting that operates under the Board of Management's responsibility. The internal audit function has a direct line of communication with the Chairman of the Audit Committee. As a result, the Company enhanced its global internal audit function in 2016 and implemented further enhancements in 2017. Reference is made to the chapter "Internal control and risk management" under Corporate Governance.

The Audit Committee terms of reference are 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 responsibilities with respect to remuneration for which it fulfills its obligations by:

- 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 member 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 the fixed and variable remuneration components.
  - The performance criteria used.
  - The scenario analyses carried out.
  - Company-wide pay ratio.
- Overseeing Besi's equity incentive plans.
- Preparing the Remuneration Report.

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 responsibilities for which it fulfills its obligations by:

- Determining 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 providing reports to the Supervisory Board.
- Creating and updating succession plans for Supervisory Board members and the members of the Board of Management.
- Making proposals for appointments and reappointments.
- Supervising the policy of the Board of Management on selection criteria and appointment procedures for senior management.

The Remuneration and Nomination Committee met twice, one of which was via conference call, in 2017 to discuss the topics above. In 2017, one member was absent with notice for one Remuneration and Nomination Committee meeting held by conference call.

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

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 Board of Management. In addition, the Committee is informed about the remuneration of the direct reports to the Board of Management including the Short-Term and Long-Term Incentive Plans applicable thereto.

Remuneration Policy

The Remuneration Policy applicable for the year 2017, as outlined in the Remuneration Policy 2017-2019, was approved by the Annual General Meeting of Shareholders held on April 29, 2016. This Remuneration Policy 2017-2019 extends the Remuneration Policy 2011-2016 that was 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 Supervisory Board seeks to achieve three broad goals in connection with Besi's Remuneration Policy and decisions regarding individual compensation:

- The Supervisory Board structures the Company's remuneration programs in a manner that it believes will enable Besi to retain, motivate and attract executives who are capable of leading the Company to achieve its business objectives.
- 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.
- 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 the individual member 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, the Supervisory Board has performed in-depth scenario analyses of the variable remuneration components under the revised and prolonged policy. The probability of vesting and pay-out 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, the internal pay ratio was also considered and discussed. In 2017, the internal pay ratio was 39. It was determined based on the annual total remuneration of the member of the Board of Management and the average total remuneration of all other full-time employees, as reported under IFRS, excluding discretionary elements.

Furthermore, when drafting the remuneration proposal for the member of the Board of Management, the Supervisory Board considers the views of the member of the Board of Management with regard to the level and structure of their own remuneration.

Remuneration structure

The total remuneration package of the member 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 member of the Board of Management. The following companies are included in this remuneration reference group:

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 salary for the member of the Board of Management and considers whether to adjust base salary levels. Base salary of the member 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 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 member of the Board of Management.

- *Personal performance of the member of the Board of Management.* The annual criteria to measure the personal performance of the member of the Board of Management are at the sole discretion of the

Remuneration Reference Group	
Aalberts Industries N.V.	Kendrion N.V.
Accell Group N.V.	Koninklijke Wessanen N.V.[2]
Aixtron SE	Kulicke & Soffa Industries, Inc.
Arcadis N.V.	Lam Research Corporation
ASM International N.V.	Nanometrics, Inc.[3]
Axcelis Technologies, Inc.	Nova Measuring Instruments Ltd.[2]
Brooks Automation, Inc.	STMicroelectronics N.V.
Cohu, Inc.	SÜSS MicroTec SE
Corbion N.V.[1]	TKH Group N.V.
Infineon Technologies AG	Veeco Instruments, Inc.

[1] Further to the delisting of Royal Ten Cate N.V. on March 17, 2016, Royal Ten Cate N.V. has been replaced by Corbion N.V.
[2] Further to the delisting of Mattson Technology, Inc. (on May 2, 2016) and USG People N.V. (on June 7, 2016), Mattson Technology, Inc. has been replaced by Nova Measuring Instruments Ltd. and USG People N.V. has been replaced by Koninklijke Wessanen N.V.
[3] Subsequent to the acquisition by Veeco that was announced on February 2, 2017, Ultratech, Inc.'s shares were delisted. As such, it has been removed and replaced by Nanometrics, Inc. as of the business day prior to the acquisition announcement date.

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 the member of the Board of Management.

The total annual cash bonus opportunity of the 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%

[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 the Net Income and personal performance. The Supervisory Board holds the discretionary power to decide to not apply this value cap.

3. Long-Term Incentive (annual conditional award of performance shares)

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

- *Net Income/Revenue over three 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)
Aixtron SE
Applied Materials, Inc.
ASM International N.V.
ASML Holding N.V.
ASM Pacific Technology Ltd.
Axcelis Technologies, Inc.
Brooks Automation, Inc.
Cohu, Inc.
Disco Corporation
Entegris, Inc.
Kulicke & Soffa Industries, Inc.
Lam Research Corporation
Nanometrics, Inc.[1]
Nova Measuring Instruments Ltd.[2]
Shinkawa Ltd.
SÜSS MicroTec SE
Tokyo Electron Ltd.
Tokyo Seimitsu Co., Ltd.
Veeco Instruments, Inc.

[1] Subsequent to the acquisition by Veeco that was announced on February 2, 2017, Ultratech, Inc.'s shares were delisted. As such, it has been removed and replaced by Nanometrics, Inc. as of the business day prior to the acquisition announcement date.
[2] Further to the delisting of Mattson Technology, Inc., Mattson Technology, Inc. is replaced by Nova Measuring Instruments Ltd. as per the business day prior to the day Beijing E-Town Dragon announced the acquisition.

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 is determined based on (i) 100% of the individual's gross annual base salary, divided by (ii) the average closing price of Besi's 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 member of the Board of Management will have to retain them for two years following the vesting date. However, he will be allowed to sell sufficient shares to cover the 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%**

[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
Top 3	75%
Rank 4 - Rank 6	50% (at target)
Rank 7 - Rank 12	25%
Rank 13 - Rank 20	0%

Performance adjustment
The Supervisory Board may at its absolute discretion determine after the three-year performance period for awards made as from 2017 to adjust either upward or downward the number of performance shares that will vest with a maximum of 20%. This discretionary performance adjustment may be applied by the Supervisory Board to reflect the overall performance achieved and market developments, and further aligns the interests of members of the Board of Management with those of the shareholders.

Clawback and ultimate remedium
The Short-Term Incentive and Long-Term Incentive components for the member of the Board of Management 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.

Additional discretionary performance share awards
The Supervisory Board may at its absolute discretion, upon recommendation of the Remuneration and Nomination Committee, award additional performance shares to members of the Board of Management as a reward for extraordinary achievements or exceptional performance in a year, up to a maximum of 60,000 shares per financial year which may be subject to additional terms and conditions as determined by the Supervisory Board. In case the Supervisory Board in any year decides to apply an upward performance adjustment in respect of the vesting of the Long-Term Incentive performance shares, as referred to under "Performance adjustment", such additional performance shares that will vest upon this performance adjustment are included in the maximum of 60,000 additional performance shares that can be awarded to members of the Board of Management at the discretion of the Supervisory Board.

Number of shares available
The aggregate total number of performance shares available 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 in 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 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 2017
The Supervisory Board upon recommendation of its Remuneration and Nomination Committee applied the Remuneration Policy in 2017 as set forth below. The only member of the Board of Management in 2017 was Richard W. Blickman, Besi's CEO.

1. Base Salary
At the end of 2016, the base salary of the CEO was reviewed, taking into consideration the remuneration reference group. The Remuneration and Nomination Committee has analyzed and considered the outcome of this review and recommended to the Supervisory Board to increase the base salary of the CEO by just 0.4% above median market levels of the remuneration reference group. The Supervisory Board, following the recommendation of the Remuneration and Nomination Committee, decided that the 2017 base salary of the CEO be set at € 565,000. This adjustment was effectuated after the AGM on May 1, 2017 with retrospective effect as per January 1, 2017.

At the end of 2017, the base salary of the CEO was reviewed, taking into consideration the remuneration reference group. The Remuneration and Nomination Committee has analyzed and considered the outcome of this review and recommended to the Supervisory Board, as outlined in the Remuneration Policy 2017-2019, to increase the base salary of the CEO to between median and upper quartile market levels of the remuneration reference group in line with the Remuneration Policy 2017-2019. The Supervisory Board, following the recommendation of the Remuneration and Nomination Committee, decided that the 2018 base salary of the CEO be set at € 600,000. This adjustment will be effectuated after the AGM on April 26, 2018 with retrospective effect as per January 1, 2018.

2. Short-Term Incentive
The Short-Term Incentive (cash bonus) awarded 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 2017.

Besi's 2017 Net Income as a percentage of Revenue was 29.2%. Based on pre-defined target ranges that have been achieved above the maximum target range set 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 2017. 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 (i) corporate social responsibility and sustainability, (ii) revenue development, (iii) execution of organizational initiatives in accordance with Besi's strategy, (iv) succession planning, (v) implementation of a limited risk distributor structure in Singapore and (vi) the implementation of fraud prevention programs.

Based on this review and upon the recommendation by 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 2017. Consequently, the sum of the financial and non-financial targets comprising the total cash bonus for the year 2017 amounts to 100% of the gross base annual salary. This total cash bonus percentage is higher than the voluntary bonus cap of 80% of the gross base annual salary for the member of the Board of Management in 2017. Based on the Company's superior revenue and net income growth relative to peers, market share gains, organizational actions taken and the ongoing implementation of strategic and CSR initiatives, the Supervisory Board unanimously decided, upon recommendation of the Remuneration and Nomination Committee, to use its discretionary power and not to apply the voluntary bonus cap of 80% and to award the maximum cash bonus for 2017 equal to 100% of the gross base salary (€ 565,000).

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 three-year performance periods 2015-2017, 2016-2018 and 2017-2019, the "at target (100%)" number of performance shares conditionally awarded equaled 33,070, 28,244 and 18,037 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 2018, 2019 and 2020. 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 2015-2017, 2016-2018 and 2017-2019 will range between nil (in the case of below threshold performance) to a maximum of 49,605 shares (2015-2017 award), 42,336 shares (2016-2018 award) and 27,055 shares (2017-2019 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.

Based on the actual performance realized for the 2015-2017 performance share award based on the Net Income as a percentage of Revenue (50% of the award) and Relative TSR performance (50% of the award) during the three-year performance period 2015-2017, the Net Income as a percentage of Revenue has been overachieved resulting in the maximum vesting of 75% of this part of the performance shares awarded. For the Relative TSR performance condition, Besi ranked within the comparator group at the first position in the comparator group resulting in a vesting of 75% of the performance shares awarded. Based on this maximum performance achieved resulting in a total vesting of 150%, 49,605 shares of the 2015-2017 performance shares awarded will vest on April 30, 2018, subject to continued employment until this date. The vested shares are subject to a two-year lock-up period, except for the shares that may be sold to cover the withholding/income tax liability upon vesting of the performance shares.

Under the Remuneration Policy 2017-2019, the Supervisory Board may, at its own discretion and upon recommendation of the Remuneration and Nomination Committee, award additional performance 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. In the year 2017, 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 of the continued, robust and excellent 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 and remains well ahead of expected future developments within the Company, the market and its business and market competitors. This extraordinary award vested in two equal installments, whereby 30,000 shares vested on January 26, 2017 subject to the approval by the Supervisory Board on February 22, 2017 and the remaining 30,000 shares vested on July 26, 2017, subject to continued service until that date and continued profitability during the first half year of 2017. Based on this further assessment and upon the recommendation of the Remuneration and Nomination Committee, the Supervisory Board unanimously decided at the end of July 2017 that the profitability continued as expected during the first half of 2017. This means that the remaining 30,000 shares vested on July 26, 2017. The vested shares are subject to a two-year lock-up period which means that the member of the Board of Management will have to retain them for two years following the vesting date.

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 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 2017

(in euro, except for performance shares)	**R.W. Blickman (CEO)**
Base salary	565,000
Annual cash bonus	565,000
Other benefits[1]	219,574
Total cash benefits	**1,349,574**
Pension contribution	38,913
Outstanding Long-Term Incentive Plan[2]	902,173
Total remuneration, excluding discretionary elements	**2,290,660**
Discretionary grant made in 2017[3]	1,967,614
Total remuneration	**4,258,274**
Conditional performance shares awarded in 2017[4]	18,037

1 Other benefits include a taxable pension allowance of € 160,383.
2 Expenses recognized in 2017 for the 2015, 2016 and 2017 grants made under the Incentive Plan as determined in accordance with IFRS.
3 Expenses recognized in 2017 for discretionary grant of 30,000 shares vested on January 26, 2017 subject to the approval by the Supervisory Board on February 22, 2017 and additional discretionary grant of 30,000 shares vested on July 26, 2017 as determined in accordance with IFRS.
4 Performance shares may vest in 2020, subject to continued service and the actual performance during the performance period 2017-2019.

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

Loans
At the end of 2017, no loans, advances or guarantees were outstanding.

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 64 to 68. Deviations from the Dutch Corporate Governance Code are explained in that section.

The Supervisory Board would like to express its thanks and appreciation to all involved for their hard work and dedication to the Company in 2017.

The Supervisory Board
Tom de Waard, Chairman

February 14, 2018

Board of Management and Supervisory Board Members

Board of Management

Richard W. Blickman (male, 1954)
Dutch nationality
Appointed since 1995

Chief Executive Officer, Chairman of the Board of Management

Additional functions
Member of the Netherlands Academy of Technology and Innovation.
Member of the Supervisory Boards of Ennismore Fund Management and Koning & Hartman B.V.

Supervisory Board

Tom de Waard (male, 1946)
Chairman
Dutch nationality
Member since 2000
Current term 2016 - 2020

Lawyer, arbitrator, mediator DeWaardSinke Advocaten

Additional functions
Chairman of the board of Administratiekantoor Aandelen Telegraaf Media Group N.V., member of the Supervisory Board of CWT Europe B.V., executive member of the board of Nexperia Holding B.V., non-executive director of Xsens Holding B.V. and Chairman of the board of Fortuna Entertainment N.V.

Douglas J. Dunn (male, 1944)
Vice Chairman
British nationality
Member since 2009
Current term 2015 - 2019

Additional functions
Non-executive director of the board of Global Foundries and member of the Supervisory Board of Soitec S.A.

Mona ElNaggar (female, 1967)
British and American nationality
Member since 2012
Current term 2016 - 2020

Advisor, private venture-backed technology companies

Additional functions
Director for a non-profit board (Bay Area Arabic school)

Kin Wah Loh (male, 1954)
Malaysian nationality
Member since 2015
Current term 2015 - 2019

Vice Chairman Synesys Technologies Holding Pte. Ltd., Singapore

Additional functions
Member of the Supervisory Board of AMS AG, Austria

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

Additional functions
Member of the Supervisory Board of 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.

Untitled (1962)

Alexander Calder
Born: July 22, 1898, Lawnton, USA
Died: November 11, 1976, New York, USA

An American sculptor known as the originator of the mobile, a type of moving sculpture made with delicately balanced or suspended shapes that move in response to touch or air currents.

© The Museum of Modern Art / Scala, Florence
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Consolidated Statement of Financial Position

(euro in thousands)	Note	December 31, 2017	December 31, 2016
Assets			
Cash and cash equivalents	3	527,806	224,790
Deposits	3	-	80,000
Trade receivables	4	151,654	89,845
Inventories	5	70,947	55,054
Income tax receivable		370	395
Other receivables	6	7,514	7,325
Prepayments	7	4,138	2,670
Total current assets		**762,429**	**460,079**
Property, plant and equipment	8	26,517	26,993
Goodwill	9	44,687	45,867
Other intangible assets	10	34,140	37,844
Deferred tax assets	11	4,660	14,265
Other non-current assets	12	2,520	2,521
Total non-current assets		**112,524**	**127,490**
Total assets		**874,953**	**587,569**
Liabilities and equity			
Notes payable to banks	13	1,742	11,855
Current portion of long-term debt and financial leases	18	11,228	2,240
Trade payables	15	62,721	38,949
Income tax payable		17,234	4,116
Provisions	14	8,265	5,232
Other payables	16	29,297	22,903
Other current liabilities	17	15,799	12,243
Total current liabilities		**146,286**	**97,538**
Long-term debt and financial leases	18	267,274	122,603
Deferred tax liabilities	11	10,050	6,716
Provisions	19, 20	17,211	15,675
Total non-current liabilities		**294,535**	**144,994**
Share capital	21	400	400
Share premium		222,322	224,482
Retained earnings		173,380	60,722
Other reserves	21	38,030	57,807
Equity attributable to owners of the Company		**434,132**	**343,411**
Non-controlling interest		-	1,626
Total equity		**434,132**	**345,037**
Total liabilities and equity		**874,953**	**587,569**

Consolidated Statement of Comprehensive Income

(euro in thousands, except share and per share data)	Note	Year ended December 31, 2017	2016
Revenue	23	592,785	375,375
Cost of sales		254,160	183,894
Gross profit		**338,625**	**191,481**
Selling, general and administrative expenses		93,316	80,454
Research and development expenses		35,876	35,859
Total operating expenses		**129,192**	**116,313**
Operating income		**209,433**	**75,168**
Financial income	26	641	463
Financial expense	26	(10,863)	(2,077)
Financial income (expense), net		**(10,222)**	**(1,614)**
Income before income tax		**199,211**	**73,554**
Income tax	11	26,056	8,259
Net income		**173,155**	**65,295**
Other comprehensive income			
Actuarial gain (loss), net of income tax		467	(2,289)
Items that will not be reclassified to profit and loss		**467**	**(2,289)**
Currency translation differences		(17,757)	1,892
Unrealized hedging results, net of income tax		1,013	12
Items that may be reclassified subsequently to profit or loss		**(16,744)**	**1,904**
Other comprehensive income (loss), net of income tax		**(16,277)**	**(385)**
Total comprehensive income		**156,878**	**64,910**
Net income attributable to:			
Equity holders of the parent company		172,991	65,223
Non-controlling interest (until date of purchase non-controlling interest)		164	72
Total net income		**173,155**	**65,295**
Total comprehensive income attributable to:			
Equity holders of the parent company		156,821	64,888
Non-controlling interest (until date of purchase non-controlling interest)		57	22
Total comprehensive income		**156,878**	**64,910**
Total net income per share attributable to the equity holders of the parent company	27		
Basic		4.64	1.74
Diluted		4.34[1, 2]	1.70[1, 2]
Total comprehensive income per share attributable to the equity holders of the parent company			
Basic		4.20	1.73
Diluted		3,93[1, 2]	1.69[1, 2]
Weighted average number of shares used to compute income per share			
Basic		37,336,787	37,600,854
Diluted		40,822,872	38,508,080

[1] The calculation of the diluted income per share for the year 2017 and 2016 assumes the exercise of equity-settled share-based payments.
[2] The calculation also assumes the conversion of the Company's Convertible Notes due 2023 and 2024 respectively as such conversion would have a dilutive effect.

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, 2017	40,033,921	400	224,482	60,722	57,807	343,411	1,626	345,037
Total comprehensive income for the period	-	-	-	172,991	(16,170)	156,821	57	156,878
Dividend paid to owners of the Company	-	-	-	(65,302)	-	(65,302)	-	(65,302)
Legal reserve	-	-	-	3,607	(3,607)	-	-	-
Equity-settled share-based payments	-	-	6,863	-	-	6,863	-	6,863
Purchase of treasury shares	-	-	(22,811)	-	-	(22,811)	-	(22,811)
Equity component convertible	-	-	13,788	-	-	13,788	-	13,788
Purchase of non-controlling interest	-	-	-	1,362	-	1,362	(1,683)	(321)
Balance at December 31, 2017	**40,033,921**	**400**	**222,322**	**173,380**	**38,030**	**434,132**	**-**	**434,132**
Balance at January 1, 2016	40,033,921	36,031	195,524	39,244	59,817	330,616	1,604	332,220
Total comprehensive income for the period	-	-	-	65,223	(335)	64,888	22	64,910
Decline of par value	-	(35,631)	35,631	-	-	-	-	-
Dividend paid to owners of the Company	-	-	-	(45,420)	-	(45,420)	-	(45,420)
Legal reserve	-	-	-	1,675	(1,675)	-	-	-
Equity-settled share-based payments	-	-	7,247	-	-	7,247	-	7,247
Purchase of treasury shares	-	-	(22,389)	-	-	(22,389)	-	(22,389)
Re-issued treasury shares	-	-	40	-	-	40	-	40
Equity component convertible	-	-	8,429	-	-	8,429	-	8,429
Balance at December 31, 2016	**40,033,921**	**400**	**224,482**	**60,722**	**57,807**	**343,411**	**1,626**	**345,037**

[1] The outstanding number of ordinary shares includes 2,758,382 and 2,707,612 treasury shares at December 31, 2017 and December 31, 2016, respectively.

Consolidated Statement of Cash Flows

(euro in thousands)	Year ended December 31, 2017	2016
Cash flows from operating activities		
Operating income	209,433	75,168
Depreciation and amortization	13,364	14,616
Share-based payment transactions	6,863	7,247
Other non-cash items	11	-
Effects on changes in assets and liabilities		
Decrease (increase) in trade receivables	(70,777)	(8,151)
Decrease (increase) in inventories	(18,678)	(1,641)
Increase (decrease) in trade payables	25,875	11,789
Changes in provisions	3,952	(798)
Changes in other working capital	5,114	2,680
Income tax paid	(3,953)	(2,482)
Interest received	423	376
Interest paid	(3,474)	(73)
Net cash provided by operating activities	**168,153**	**98,731**
Cash flows from investing activities		
Capital expenditures	(5,034)	(4,488)
Capitalized development expenditures	(6,662)	(6,737)
Investment in deposits[1]	(25,000)	(80,000)
Repayment of deposits	105,000	-
Proceeds from sale of property, plant and equipment	-	7
Net cash provided by (used in) investing activities	**68,304**	**(91,218)**
Cash flows from financing activities		
Proceeds from (payments of) bank lines of credit	(10,113)	3,855
Payments on debts and financial leases	(2,166)	-
Proceeds from Convertible Notes	172,281	122,670
Purchase treasury shares	(23,500)	(22,019)
Re-issued treasury shares	-	40
Dividend paid to shareholders	(65,302)	(45,420)
Other financing activities	-	(63)
Net cash provided by financing activities	**71,200**	**59,063**
Net change in cash and cash equivalents	307,657	66,576
Effect of changes in exchange rates on cash and cash equivalents	(4,641)	396
Cash and cash equivalents at beginning of the period	224,790	157,818
Cash and cash equivalents at end of the period	**527,806**	**224,790**

[1] Reclassed from net cash used in financing activities to net cash used in investing activities in 2016 as further explained in section 2 Summary of accounting principles under reclassification of cash flow statement.

Notes to the Consolidated Financial Statements

1. Basis of presentation

General

BE Semiconductor Industries N.V. ("Besi" or "the Company") 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, Singapore 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. for the year ended December 31, 2017, were authorized for issue in accordance with a resolution of the directors on February 14, 2018. The Consolidated Financial Statements of the Company as at December 31, 2017 will be presented to the Annual General Meeting of Shareholders for their adoption on April 26, 2018.

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.

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, unless stated otherwise. The accounting principles which 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.

Reclassification in cash flow statement

The cash flow statement for 2016 includes, in comparison to the cash flow statement as included in the 2016 Consolidated Financial Statements, a reclassification of a deposit of € 80 million from net cash used in financing activities to net cash used in investing activities due to a different interpretation of IAS 7.6, IAS 7.11 and IAS 7.16. The substance of this deposit transaction was clearly disclosed in several parts of the 2016 Annual Report. The reclassification does not have any impact on the key financial ratios presented in the Key Financial Highlights on page 5, including net income and net income (basic and diluted) per share. Furthermore, the reclassification does not have any impact on the Consolidated Statements of Financial Position and Comprehensive Income.

Principles of consolidation

The Consolidated Financial Statements comprise the financial statements of BE Semiconductor Industries N.V. and its subsidiaries as at December 31, 2017. 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, 2017, 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	100%
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	Steinhausen, Switzerland	100%
Esec China Financial Ltd.	Hong Kong, China	100%
Besi (Shanghai) Trading Co., Ltd.	Shanghai, China	100%
Besi Spares and Tooling AG	Steinhausen, 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	
	2017	2016	2017	2016
US dollar	1.20	1.05	1.12	1.11
Swiss franc	1.17	1.07	1.11	1.09
Malaysian ringgit	4.86	4.73	4.84	4.59
Chinese yuan	7.80	7.32	7.60	7.33

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 as legal currency translation adjustment 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. Money market funds are also included as cash equivalents. The money market funds are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Deposits
Deposits consist of cash and cash equivalents which have been put on deposit with a maturity between 3 and 12 months.

Trade receivables and other receivables
Trade and other receivables are initially measured at fair value and subsequently at amortized cost 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 and its subsequent reversals are recognized in the Consolidated Statement of Comprehensive Income.

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 costs to make the sales. 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 labor 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. Other intangible assets, 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 labor 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 and accepted by the customer 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
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 in financial income (expense). 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 overdrafts, loans and borrowings and compound financial instruments, such as Convertible Notes.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. 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.

Compound financial instruments issued by the Company comprise Convertible Notes denominated in euro that can be converted to share capital at the option of the holder, when the number of shares to be issued is fixed and does not vary with changes in fair value. The liability component of a compound financial instrument is recognized initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognized initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts. Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortized cost using the effective interest method. The equity component of a compound financial instrument is not remeasured. Interest related to the financial liability is recognized in profit or loss. On conversion, the financial liability is reclassified to equity and no gain or loss is recognized.

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 19R.

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
In 2016, the Company adopted the Remuneration Policy 2017-2019 which is mainly a prolongation of the Remuneration Policy 2011-2016 which contains specific conditions for the performance shares awarded to the Board of Management. The Company established the BE Semiconductor Industries N.V. Long-Term Incentive plan for the Board of Management and other employees (the "2014 and the 2017 Framework Incentive Plan"). For more details, reference is made to Note 20.

The grant date fair value of the performance shares granted to Board Members and key employees 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 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 risk and rewards are transferred to the buyer, which is mostly the case 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. Revenue from new technology is deferred until acceptance test at the customer's site has passed.

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 and 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 three 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 three 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 facilities in Malaysia and China. This means that the production of the different Product Groups shares the same facilities, employees and processes. Also, similar materials are used to produce the systems.

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 US, 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 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 three operating segments (Product Groups) that the chief operating decision maker 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, 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 three 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 judgements, apart from those involving estimations, that have 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, 2017. Those which may be relevant to the Company are set out below.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 *Financial Instruments: Recognition and Measurement*. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted. The Company has assessed the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 9 and it is determined that the implementation will not have a material impact on the Consolidated Statement of Comprehensive Income.

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 January 1, 2018. The Company has assessed the potential impact on its Consolidated Financial Statements resulting from the application of IFRS 15. Based on current revenue streams and contractual performance obligations, the Company has concluded that the implementation of IFRS 15 will not have a material impact on the Consolidated Statement of Comprehensive Income.

IFRS 16 Leases

IFRS 16 specifies the recognition, measurement, presentation and disclosure of 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 which will be effective from January 1, 2018. However, the Company expects no material impact on the Consolidated Financial Statements.

3. Cash and cash equivalents

(euro in thousands)	December 31, 2017	December 31, 2016
Cash on hand at banks	427,825	224,790
Money market funds (readily convertible funds)	99,981	-
Total cash and cash equivalents	**527,806**	**224,790**

Interest rates are variable. At December 31, 2017, no amount in cash and cash equivalents was restricted (2016: € 1.9 million). For 2016 these cash and cash equivalents were restricted due to a cash cover.

At December 31, 2017 no amount was put on deposit. In 2016 an amount of € 80 million was put on deposit for one year and is therefore presented separately on the face of the balance sheet.

The money market funds are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

4. Trade receivables

Trade receivables, generally with payment terms of 30 to 90 days, with impairment losses amounting to € 772 and € 713 at December 31, 2017 and 2016, 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
2017	151,654	(772)	106,653	22,864	12,050	4,470	891	5,498
2016	89,845	(713)	67,768	7,974	4,080	1,696	1,296	7,744

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

(euro in thousands)	2017	2016
Balance at January 1	713	878
Additions (releases)	89	(197)
Utilized	(2)	(31)
Foreign currency translation	(28)	63
Balance at December 31	**772**	**713**

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, 2017	December 31, 2016
Raw materials and spare parts	25,323	24,238
Work in progress	42,141	28,347
Finished goods	3,483	2,469
Total inventories, net	**70,947**	**55,054**

In 2017 raw materials and changes in work in progress and finished goods included in cost of sales amounted to € 210.0 million (2016: € 159.0 million).

The movements in the provision for obsolescence are as follows:

(euro in thousands)	2017	2016
Balance at January 1	13,583	14,837
Additions	131	1,400
Usage	(1,609)	(2,722)
Foreign currency translation	(736)	68
Balance at December 31	**11,369**	**13,583**

6. Other receivables

Other receivables consist of the following:

(euro in thousands)	December 31, 2017	December 31, 2016
VAT receivables	2,029	4,016
Interest receivable	20	110
Deposits	168	205
Forward exchange contracts	2,647	258
R&D grants	1,871	2,218
Receivables from employees	272	97
Other	507	421
Total other receivables	**7,514**	**7,325**

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

7. Prepayments

Prepayments consist of the following:

(euro in thousands)	December 31, 2017	December 31, 2016
Prepaid insurance	157	90
Prepaid rent	352	169
Prepaid annual maintenance contracts	124	75
Prepaid pensions	124	550
Prepaid social security	238	181
Prepaid licences	761	582
Prepaid suppliers	1,581	148
Prepaid exhibitions	127	71
Other prepayments	674	804
Total prepayments	**4,138**	**2,670**

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, 2017					
Cost	28,090	36,322	10,726	878	76,016
Accumulated depreciation	(13,648)	(25,912)	(9,463)	-	(49,023)
Property, plant and equipment, net	**14,442**	**10,410**	**1,263**	**878**	**26,993**
Changes in book value in 2017					
Capital expenditures	1,329	1,600	1,041	579	4,549
Transfers from inventory	-	789	-	-	789
Disposals (cost)	(113)	(1,784)	(344)	-	(2,241)
Disposals (accumulated depreciation)	108	1,779	343	-	2,230
Depreciation	(1,013)	(3,155)	(682)	-	(4,850)
Foreign currency translation	(369)	(498)	(48)	(38)	(953)
Total changes	**(58)**	**(1,269)**	**310**	**541**	**(476)**
Balance at December 31, 2017					
Cost	28,577	35,626	11,142	1,419	76,764
Accumulated depreciation	(14,193)	(26,485)	(9,569)	-	(50,247)
Property, plant and equipment, net	**14,384**	**9,141**	**1,573**	**1,419**	**26,517**

(euro in thousands)	Land, buildings and leasehold improvements	Machinery and equipment	Office furniture and equipment	Assets under construction	Total
Balance at January 1, 2016					
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**
Changes in book value in 2016					
Capital expenditures	1,249	1,639	591	759	4,238
Transfers from inventory	-	1,013	-	-	1,013
Disposals (cost)	(6)	(531)	(149)	-	(686)
Disposals (accumulated depreciation)	6	531	143	-	680
Depreciation	(1,128)	(2,947)	(667)	-	(4,742)
Foreign currency translation	(99)	(122)	(4)	(3)	(228)
Total changes	**22**	**(417)**	**(86)**	**756**	**275**
Balance at December 31, 2016					
Cost	28,090	36,322	10,726	878	76,016
Accumulated depreciation	(13,648)	(25,912)	(9,463)	-	(49,023)
Property, plant and equipment, net	**14,442**	**10,410**	**1,263**	**878**	**26,993**

Depreciation

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

(euro in thousands)	Year ended December 31, 2017	2016
Cost of sales	1,819	1,765
Selling, general and administrative expenses	2,526	2,400
Research and development expenses	505	577
Total depreciation	**4,850**	**4,742**

9. Goodwill

Goodwill, net consists of the following:

(euro in thousands)	2017	2016
Balance at January 1		
Cost	66,067	65,742
Accumulated impairment	(20,200)	(20,200)
Goodwill, net	**45,867**	**45,542**
Changes in book value		
Foreign currency translation	(1,180)	325
Total changes	**(1,180)**	**325**
Balance at December 31		
Cost	64,887	66,067
Accumulated impairment	(20,200)	(20,200)
Goodwill, net	**44,687**	**45,867**

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, 2017	December 31, 2016
Die Attach	42,706	43,886
Plating	1,981	1,981
Total	**44,687**	**45,867**

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 2018 and financial projections per Product Group approved by management for the projection period (2019-2022).

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 2018.
  - Revenue forecasts for 2019-2022 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 11.2% (Die Attach) to 12.5% (Plating) representing the pre-tax weighted average cost of capital (WACC) is determined using the Capital Asset Pricing Model (in 2016 a pre-tax discount rate of 11.6% (Die Attach) and 14.5% (Plating)).
- Residual value is based on a 1.0% perpetual growth rate (in 2016: 1.0%).
- The risk free rate of 1.3% (in 2016: 0.9%) and equity risk premium of 5.8% (in 2016: 6.5%).

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, 2017.

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, 2017				
Cost	9,422	-	56,283	65,705
Accumulated impairment	(330)	-	-	(330)
Accumulated amortization	(8,247)	-	(19,284)	(27,531)
Other intangible assets, net	**845**	**-**	**36,999**	**37,844**
Changes in book value in 2017				
Capitalized development expenses	-	-	6,662	6,662
Capitalized expenditures	485	-	-	485
Disposals (cost)	(330)	-	(10,892)	(11,222)
Disposals (accumulated impairment/amortization)	330	-	10,892	11,222
Amortization	(578)	-	(7,936)	(8,514)
Foreign currency differences	(4)	-	(2,333)	(2,337)
Total changes	**(97)**	**-**	**(3,607)**	**(3,704)**
Balance at December 31, 2017				
Cost	10,795	-	45,291	56,086
Accumulated amortization	(10,047)	-	(11,899)	(21,946)
Other intangible assets, net	**748**	**-**	**33,392**	**34,140**

(euro in thousands)	Software	Customer relationships	Development expenses	Total
Balance at January 1, 2016				
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**
Changes in book value in 2016				
Capitalized development expenses	-	-	6,737	6,737
Capitalized expenditures	250	-	-	250
Disposals (cost)	(1,383)	(6,083)	(3,550)	(11,016)
Disposals (accumulated amortization)	1,383	6,083	3,550	11,016
Amortization	(628)	(506)	(8,740)	(9,874)
Foreign currency differences	29	-	328	357
Total changes	**(349)**	**(506)**	**(1,675)**	**(2,530)**
Balance at December 31, 2016				
Cost	9,422	-	56,283	65,705
Accumulated impairment	(330)	-	-	(330)
Accumulated amortization	(8,247)	-	(19,284)	(27,531)
Other intangible assets, net	**845**	**-**	**36,999**	**37,844**

At December 31, 2017 an amount of € 10,691 (2016: € 11,527) relates to capitalized development expenses not available for use, which have been tested for impairment. The impairment tests did not indicate any required impairment of capitalized development expenses not available for use.

The disposals of software, customer relationships and development expenses relate to intangible assets that have been fully amortized.

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, 2017	2016
Cost of sales	1	4
Selling, general and administrative expenses	485	1,130
Research and development expenses	8,028	8,740
Total amortization	**8,514**	**9,874**

11. Income taxes

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

(euro in thousands)	December 31, 2017	December 31, 2016
Deferred tax assets (liabilities)		
Operating losses carry forward	7,636	15,437
Intangible assets	(8,695)	(8,144)
Inventories	614	502
Provision for pensions	2,019	1,945
Convertible Notes	(7,174)	(2,853)
Other items	210	662
Total deferred tax assets (liabilities), net	**(5,390)**	**7,549**

(euro in thousands)	December 31, 2016	Profit & loss 2017	OCI	Equity	Foreign currency	December 31, 2017
Deferred tax assets (liabilities), net						
Operating losses carry forward	15,437	(7,169)	-	-	(632)	7,636
Intangible assets	(8,144)	(723)	-	-	173	(8,694)
Inventories	502	112	-	-	-	614
Provision for pensions	1,945	-	145	-	(71)	2,019
Convertible Notes	(2,853)	372	-	(4,693)	-	(7,174)
Other items	662	(192)	(163)	-	(98)	209
Total	**7,549**	**(7,600)**	**(18)**	**(4,693)**	**(628)**	**(5,390)**

The deferred tax assets for operating losses carry forward are related to the US and Dutch operations of the Company. Under applicable US tax law, the carry forwards related to the US operating losses of € 17.6 million expire during the period of 2022 and thereafter. The carry forwards related to the Dutch operating losses amount to approximately € 15.9 million and expire during the periods of 2018 through 2022. The Company has tax credits amounting to € 0.2 million which are not recognized.

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 and projected future taxable income in making this assessment.

The Dutch carry forwards relating to operating losses amounting to € 15.9 million are fully valued at the statutory tax rate of 25%. Currently, Dutch Government is evaluating reduction of the statutory tax rate which could cause a partial write-off of the deferred tax asset relating to the Dutch carry forwards. The US carry forwards amount to € 17.6 million as of December 31, 2017. This amount is expected to be fully recovered. These carry forwards are valued at 21%, being the new tax rate for the USA based on the new tax Bill signed on December 22, 2017.

Due to this reduction of the statutory tax rate the Company recorded a reduction of the deferred tax asset relating to the US operating losses of € 1.0 million. Based on the better than anticipated 2017 results and forecast for the US operation, the Company recorded a deferred tax asset revaluation gain amounting to € 1.0 million.

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

(euro in millions)		2017		2016
	Recognized	Unrecognized	Recognized	Unrecognized
Netherlands	3.9	-	9.5	-
USA	3.7	-	5.9	2.2
Total	**7.6**	**-**	**15.4**	**2.2**

The aggregate deferred tax related to items recognized outside of profit and loss amounts to € 4.7 million. The Dutch domestic statutory tax rate is 25.0% for the years ended December 31, 2017 and 2016.

The reconciliation between the actual income tax shown in the Consolidated Statement of Comprehensive Income and the expense (benefit) that would be expected based on the application of the domestic tax rate to income before income tax is as follows:

(euro in thousands)	Year ended December 31, 2017	in % of income before taxes	Year ended December 31, 2016	in % of income before taxes
"Expected" income tax expense based on domestic rate	49,803	25.0%	18,388	25.0%
Non-deductible expenses	1,434	0.7%	2,186	3.0%
Foreign tax rate differential[1]	(23,432)	(11.7%)	(8,605)	(11.7%)
Tax exempt income	(1,662)	(0.8%)	(232)	(0.3%)
Recognition of previous unrecognized tax losses in the US and the Netherlands	(972)	(0.5%)	(2,675)	(3.7%)
Changes in enacted tax rates	972	0.5%	-	-
Deferred tax income arising from reversal of previous write-down of recognized tax losses Switzerland	-	-	(969)	(1.3%)
Withholding taxes	424	0.2%	43	0.1%
Other	(511)	(0.3%)	123	0.1%
Income tax expense shown in Consolidated Statement of Comprehensive Income	**26,056**	**13.1%**	**8,259**	**11.2%**

[1] Mainly in nominal Swiss and Dutch tax rates.

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, 2017	2016
Current	18,456	6,000
Deferred	7,600	2,259
Total	**26,056**	**8,259**

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

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.

In Malaysia a tax audit is ongoing of which the outcome is not known yet. A tax audit in Austria has been completed in 2017 without material adjustments.

12. Other non-current assets
Other non-current assets consist of the following:

(euro in thousands)	December 31, 2017	December 31, 2016
Funds with insurance companies for pension liability	1,680	1,585
Guarantee deposits	626	693
Other	214	243
Total other non-current assets	**2,520**	**2,521**

Reference is made to Note 20 for more details.

13. Borrowing facilities
At December 31, 2017, Besi and its subsidiaries had available lines of credit aggregating € 21.9 million (2016: € 33 million), under which € 2.3 million (2016: € 18.6 million) of borrowings were utilized of which € 1.7 million (2016: € 11.9 million) relate to notes payable to banks and € 0.6 million (2016: € 6.7 million) relates to bank guarantees. In general, interest is charged at the banks' base lending rates or Euribor/Libor plus an increment. 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, 2017 and 2016.

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

- € 10 million of Besi's credit lines relate to Besi and its Dutch subsidiaries. There are no covenants. All borrowing facilities have no contractual maturity date.

- € 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.

- A credit line of € 0.5 million related to Besi APac Sdn. Bhd. for bank guarantees is granted without securities, however 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.

- A credit line of € 0.6 million related to Besi Singapore Pte. Ltd. for bank guarantees is granted without securities, however with the requirement that BE Semiconductor Industries N.V. holds, directly or indirectly, an interest of at least 51%. The credit facility is secured by a parent company guarantee. All borrowing facilities have no contractual maturity date.

- A credit line of € 2.8 million related to Besi Leshan Co., Ltd. is granted without securities, however with the requirement that BE Semiconductor Industries N.V. holds, directly or indirectly, an interest of at least 51%. The credit facility is secured by a parent company guarantee. All borrowing facilities have no contractual maturity date.

14. Provisions

(euro in thousands)	December 31, 2017	December 31, 2016
Warranty provision	8,233	5,068
Restructuring provision	32	164
Total provisions	**8,265**	**5,232**

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

(euro in thousands)	2017	2016
Balance at January 1	5,068	4,784
Additions	10,460	5,861
Usage	(5,445)	(5,128)
Foreign currency translation	(607)	63
Subtotal	**9,476**	**5,580**
Less non-current portion	(1,243)	(512)
Balance at December 31	**8,233**	**5,068**

A provision for warranty 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 provision

Changes in the restructuring provision were as follows:

(euro in thousands)	2017	2016
Balance at January 1	164	871
Additions	3	993
Usage	(134)	(1,699)
Foreign currency translation	(1)	(1)
Balance at December 31	**32**	**164**

The provision at December 31, 2017 is expected to be fully utilized during 2018.

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

(euro in thousands)	Year ended December 31,	
	2017	2016
Cost of sales	(1)	317
Selling, general and administrative expenses	6	641
Research and development expenses	(2)	35
Total	**3**	**993**

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, 2017	December 31, 2016
Payroll accruals	12,298	11,869
Accrued audit and consultancy fees	863	910
Forward exchange contracts	685	1,971
Goods received/invoices received	1,318	1,069
Accrued utility costs	176	227
Accrued project costs	3,738	2,415
Payable treasury shares	332	966
Accrued maintenance	231	263
Freight and packaging costs	780	808
Accrued interest expenses	656	249
Volume rebate	4,129	173
Tax	502	240
Payable minority interest Besi Leshan	321	-
Other payables	3,268	1,743
Total other payables	**29,297**	**22,903**

Other payables are non-interest bearing and have an average term of three months. Interest payable is normally settled quarterly throughout the year with the exception of the Convertible Notes on which interest is settled semi-annually. Reference is made to Note 28 for additional information with respect to forward foreign currency exchange contracts.

17. Other current liabilities

(euro in thousands)	December 31, 2017	December 31, 2016
Advances from customers	4,127	803
Deferred revenue	8,213	7,891
Payroll liabilities	2,728	2,712
Other	731	837
Total other current liabilities	**15,799**	**12,243**

Other current liabilities are non-interest bearing and are not expected to be settled in cash.

18. Long-term debt and financial leases

(euro in thousands)	December 31, 2017	December 31, 2016
Long-term debt		
Convertible Notes	267,195	111,491
Loan Raiffeisen Landesbank *(Interest rate 0.95%)*	10,000	10,000
Financial leases	120	-
Research and development loan from Österreichische Forschungsförderungsgesellschaft, Wien, Austria *(Interest rate at 0.75% at December 31, 2017)*	1,187	3,352
Subtotal	**278,502**	**124,843**
Less: current portion	(11,228)	(2,240)
Total long-term debt and financial leases	**267,274**	**122,603**

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
2018	11,228
2019	79
2020	-
2021	-
2022 and thereafter (Convertible Notes assuming no conversion)	300,000
Total	**311,307**
Less: current portion of long-term debt and financial leases	(11,228)
Non-current portion of long-term debt	**300,079**

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 € 1,187 for the financing of the research and development projects at Besi Austria. The fixed interest rate at December 31, 2017 is 0.75% for all loans. Loan repayments are due in 2018.

The Company and its subsidiaries had no defaults for its long-term debt at December 31, 2017.

Convertible Notes

In December 2016, the Company issued € 125 million principal amount of Convertible Notes with a maturity date of December 2, 2023 (the "2016 Convertible Notes"). The 2016 Convertible Notes carry a nominal interest rate of 2.5% per year, payable semi-annually, with the first payment made on June 2, 2017. Bondholders can convert the bonds into ordinary shares at an initial conversion price of € 43.51. The 2016 Convertible Notes will be repaid at maturity at a price of 100% of their principal amount plus accrued and unpaid interest.

If not converted, at any time from December 23, 2020, the Company may redeem the outstanding 2016 Convertible Notes at their principal amount, subject to giving a minimum of 30 days' and maximum of 60 days' prior notice to Bondholders, if the value of the shares underlying the 2016 Convertible Notes equals or exceeds 130% of the then effective conversion price for at least 20 out of 30 consecutive dealing days.

The amount of the 2016 Convertible Notes classified as equity of € 11,310 is net of attributable debt issuance cost of € 215.

In November 2017, the Company issued € 175 million principal amount of Convertible Notes with a maturity date of December 6, 2024 (the "2017 Convertible Notes"). The 2017 Convertible Notes carry a nominal interest rate of 0.5% per year, payable semi-annually, with the first payment to be made on June 6, 2018. Bondholders can convert the bonds into ordinary shares at an initial conversion price of € 99.74. The 2017 Convertible Notes will be repaid at maturity at a price of 100% of their principal amount plus accrued and unpaid interest.

If not converted, at any time from December 27, 2021, the Company may redeem the outstanding 2017 Convertible Notes at their principal amount, subject to giving a minimum of 30 days' and maximum of 60 days' prior notice to Bondholders, if the value of the shares underlying the 2017 Convertible Notes equals or exceeds 130% of the then effective conversion price for at least 20 out of 30 consecutive dealing days.

The amount of the 2017 Convertible Notes classified as equity of € 18,479 is net of attributable debt issuance cost of € 292.

Reconciliation of liabilities arising from financing activities

The table below details the changes in the Company's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Company's Consolidated Statement of Cash Flows as cash flows from financing activities.

(euro in thousands)	January 1, 2017	Financing cash flows	Equity component of Convertible Notes	Other changes[1]	December 31, 2017
Convertible Notes	111,491	172,282	(13,788)	(2,790)	267,195
Government loans	3,352	(2,166)	-	-	1,186
Bank loans	10,000	-	-	-	10,000
Other borrowings	11,855	(10,113)	-	-	1,742
Financial leases	-	-	-	120	120
Total	**136,698**	**160,003**	**(13,788)**	**(2,670)**	**280,243**

[1] Other changes mainly consist of the deferred tax liability related to the 2017 Convertible Notes (€ 4,692 negative) and the increased valuation of the 2016 Convertible Notes (€ 1,902).

19. Provisions

Provisions consist of the following:

(euro in thousands)	December 31, 2017	December 31, 2016
Pension liabilities Austria	753	730
Pension liabilities Switzerland	9,439	9,053
Severance obligations	5,231	4,774
Warranty provision (non-current portion)	1,243	512
Other provisions	545	606
Provisions	**17,211**	**15,675**

20. Employee benefits

Pension plan Dutch subsidiaries

Type:	Defined contribution plan. Industry-wide pension plan managed by Bedrijfstakpensioenfonds Metalektro.
Company obligations:	No continuing obligations other than the annual payments.
Contributions:	€ 1.1 million in 2017 and € 1.1 million 2016.
Other:	Excedent plan for certain employees which is a defined contribution plan.

Pension plan parent company

Type:	Defined benefit plan for guaranteed pension payments. Insured with an independent insurance company.
Company obligations:	The contributions required are based on the agreement with the insurer. The Company does not hold any transferable financial instruments as plan assets.
Duration:	The weighted average duration of the plan is 26 years.
Valuation:	The pension assets related to this defined benefit plan are netted with the pension liability. As no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows. There were no gains or losses from changes in demographic assumptions or experience adjustments. The total gains from changes in financial assumptions and experience adjustments was € 176 and € 1, respectively.
Discount rate:	Reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets.

Net benefit liability:

(euro in thousands)	December 31, 2017	December 31, 2016
Defined benefit obligations	2,188	2,133
Fair value of plan assets	(2,042)	(1,968)
Net liability	**146**	**165**

Pension plan Switzerland

Type:	Defined benefit plan for guaranteed pension payments. Insured with an independent insurance company.
Company obligations:	The contributions required are based on the agreement with the insurer. The Company does not hold any transferable financial instruments as plan assets.
Duration:	The weighted average duration of the plan is 18 years.
Valuation:	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).
Discount rate:	The discount rate is based on the available information at October 31, 2017 and 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.

Principal actuarial assumptions at the reporting date:

	2017	**2016**
Discount rate	0.70%	0.65%
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)	**2017**	**2016**
Liability for defined benefit obligations at January 1	45,118	41,346
Current service cost	1,332	1,381
Interest expense	279	344
Actuarial loss (gain) arising from changes in economic assumptions	(388)	881
Actuarial loss (gain) arising from experience	1,039	1,542
Plan participants' contribution	471	462
Plan amendments/other	-	216
Benefits paid through pension assets and net transfers	(1,228)	(1,622)
Foreign currency differences	(3,734)	568
Liability for defined benefit obligations at December 31	**42,889**	**45,118**

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

(euro in thousands)	**Year ended December 31,**	
	2017	**2016**
Current service costs	1,332	1,381
Interest expense on benefit obligation	279	344
Interest income on plan assets	(228)	(295)
Administration expenses	60	60
Defined benefit cost recognized	**1,443**	**1,490**

Movement in the fair value of plan assets:

(euro in thousands)	**2017**	**2016**
Fair value of plan assets at January 1	36,065	34,900
Interest income	228	295
Return on plan assets excluding amounts included in net income	(161)	307
Plan participants' contribution	471	462
Company contributions	1,111	1,092
Benefits paid through pension assets	(1,228)	(1,622)
Administration expenses	(60)	(60)
Other	-	216
Foreign currency differences	(2,976)	475
Fair value of plan assets at December 31	**33,450**	**36,065**

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

	December 31, 2017	December 31, 2016
Qualified insurance policies	100%	98%
Others/cash	-	2%
Total	**100%**	**100%**

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

Net benefit liability:

(euro in thousands)	December 31, 2017	December 31, 2016
Defined benefit obligations	42,889	45,118
Fair value of plan assets	(33,450)	(36,065)
Net liability	**9,439**	**9,053**

Historical information

(euro in thousands)	2017	2016	2015	2014	2013
Present value of the defined benefit obligations	42,889	45,118	41,346	44,773	36,815
Fair value of plan assets	(33,450)	(36,065)	(34,900)	(34,853)	(32,176)
Deficit in the plan	**9,439**	**9,053**	**6,446**	**9,920**	**4,639**
Experience adjustments arising on plan liabilities economic assumptions	(388)	881	1,304	7,235	(1,347)
Experience adjustments arising on plan liabilities from experience	1,039	1,542	438	(43)	-
Experience adjustments arising on plan assets ((gains)/losses)	(161)	307	929	1,427	(575)

Employer contribution in 2018 is expected to be in line with 2017.

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	(1,862)	2,006
Salary increase	247	(242)
Pension indexation	n/a	n/a
Interest credit rate	446	(434)

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, 2017 and are applied to adjust the defined benefit obligation at the end of the reporting period of the assumptions concerned.

Pension plan Austria

Type:	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 Labor Law. Both plans are insured with an independent insurance company.
Company obligations:	The contributions required based on the agreement with the insurer. The Company does not hold any transferable financial instruments as plan assets.
Duration:	The weighted average duration of the pension plan is 16 years and the plan for severance payments is 17 years.
Valuation:	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 and financial assumptions for either pension or severance payment plan.
Discount rate:	The discount rate was derived by reference to appropriate benchmark yields on high quality corporate bonds.

Principal actuarial assumptions at the reporting date:

	2017	**2016**
Discount rate	1.75%	1.75%
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**	**2017 Total**	**Pension liabilities**	**Severance obligations**	**2016 Total**
Liability for defined benefit and severance obligations at January 1	731	3,444	4,175	725	3,029	3,754
Service cost	23	197	220	31	184	215
Interest expense	13	60	73	16	68	84
Remeasurement losses (gains) recognized	(5)	(113)	(118)	(2)	231	229
Other	(1)	-	(1)	(32)	-	(32)
Benefits paid	(8)	(25)	(33)	(8)	(67)	(75)
Liability for defined benefit and severance obligations at December 31	**753**	**3,563**	**4,316**	**730**	**3,445**	**4,175**

The accumulated defined benefit obligation amounts to € 4.3 million at December 31, 2017. Future expected benefit payments to (former) employees regarding pensions and leave over the next 10 years are considered immaterial.

A summary of the components of the defined benefit cost recognized in the Consolidated Statement of Comprehensive Income is as follows:

(euro in thousands)	**Year ended December 31, 2017**	**2016**
Service cost	220	215
Interest expense	73	84
Defined benefit cost recognized	**293**	**299**

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)	**2017**	**2016**
Fair value of plan assets at January 1	1,586	1,513
Interest income	7	12
Employer contribution/additions to assets	87	84
Benefits paid	-	(23)
Fair value of plan assets at December 31	**1,680**	**1,586**

At December 31, 2017, the assets consist of bonds (4%), investment funds (28%) and insurance policies (68%). At December 31, 2016 the assets mix was 5%, 30% and 65%, respectively.

Historical information

(euro in thousands)	2017	2016	2015	2014	2013
Present value of the defined benefit and severance obligations	4,315	4,175	3,754	3,535	2,918
Fair value of plan assets	(1,680)	(1,586)	(1,513)	(1,465)	(1,367)
Deficit in the plan	**2,635**	**2,589**	**2,241**	**2,070**	**1,551**
Experience adjustments and changes in financial assumptions on plan liabilities ((gains)/losses)	(118)	229	1	498	(6)

Employer contribution in 2018 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	(177)	187
Salary increase	152	(145)

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, 2017 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

Remuneration policy 2017-2019

In 2016, the Company adopted the Remuneration Policy 2017-2019, which is mainly a prolongation of the Remuneration Policy 2011-2016. The total number of ordinary shares that will be awarded 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.

Under the Remuneration Policy 2017-2019, 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 performance year 2016, 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 in two equal instalments: 30,000 shares vested on January 26, 2017 and the remaining 30,000 shares vested on July 26, 2017.

2014 and 2017 Framework Incentive Plan

The performance shares awarded as from 2014 to the member of the Board of Management and other employees under the 2014 and the 2017 Framework Incentive Plan 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 vests, subject to continued employment, will be determined based on:

- 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%).

The TSR comparator group consists of the following companies:

TSR comparator group (including Besi)	
Aixtron SE	Kulicke & Soffa Industries, Inc.
Applied Materials, Inc.	Lam Research Corporation
ASM International N.V.	Nanometrics, Inc.[1]
ASML Holding N.V.	Nova Measuring Instruments Ltd.[2]
ASM Pacific Technology Ltd.	Shinkawa Ltd.
Axcelis Technologies, Inc.	SÜSS MicroTec SE
Brooks Automation, Inc.	Tokyo Electron Ltd.
Cohu, Inc.	Tokyo Seimitsu Co., Ltd.
Disco Corporation	Veeco Instruments, Inc.
Entegris, Inc.	

[1] Subsequent to the acquisition by Veeco that was announced on February 2, 2017, Ultratech, Inc.'s shares were delisted. As such, it has been removed and replaced by Nanometrics, Inc. as of the business day prior to the acquisition announcement date.
[2] Further to the delisting of Mattson Technology, Inc., Mattson Technology, Inc. is replaced by Nova Measuring Instruments Ltd. as per the business day prior to the day Beijing E-Town Dragon announced the acquisition.

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 1 – Rank 3	75%
Rank 4 – Rank 6	50% (at target)
Rank 7 – Rank 12	25%
Rank 13 – Rank 20	0%

Summary of outstanding performance shares
Following is a summary of changes in performance shares:

	2017	2016
Outstanding at January 1	553,073	583,305
Performance shares granted (at target level)	104,532	142,852
Shares discretionary granted to the Board of Management	60,000	60,000
Shares discretionary granted to key employees	11,500	124,793
Performance adjustments	126,035	32,394
Performance shares settled in equity instruments (re-issued from treasury shares)	(449,585)	(361,129)
Performance shares forfeited	(8,825)	(29,142)
Outstanding at December 31	**396,730**	**553,073**

The market price of the Company's ordinary shares at the date of grant of performance shares in 2017 and 2016 was € 47.96 and € 26.31, 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 € 33.67 (2016: € 18.67) and at the date of grant to key employees the price was € 37.81 (2016: € 18.67).

The following table shows the aggregate at target number of performance shares conditionally awarded to the current member of the Board of Management, in accordance with the Besi 2014 Framework Incentive Plan:

Performance shares	Year of grant	Three-year performance period	Number of performance shares
R.W. Blickman	2015	2015-2017	33,070
	2016	2016-2018	28,224
	2017	2017-2019	18,037
Total			**79,331**

The following table shows the at target number of performance shares conditionally awarded to selected key employees, in accordance with the Besi 2014 Framework Incentive Plan:

Performance shares	**Year of grant**	**Three-year performance period**	**Number of performance shares**
Key employees	2015	2015-2017	124,402
Key employees	2016	2016-2018	106,951
Key employees	2017	2017-2019	86,046
Total			**317,399**

Fair value measurement performance shares

2014 Framework Incentive Plan (Board of Management and other key employees)

For the awards made in 2017, the grant date fair value of the 50% portion with a TSR performance condition is € 37.67 (2016: € 26.09) and has been derived using a Monte Carlo Simulation model. The significant inputs into the model were:

	2017	**2016**
Market price of the Company's ordinary shares (in euro)	47.96	26.31
Expected volatility	43%	44%
Expected dividend yield	3.63%	4.56%
Vesting period (in years)	3	3
Risk-free interest rate	(0.65%)	(0.48%)

For the 2017 awards, the grant date fair value of the 50% portion with a NIR performance condition is € 43.01 (2016: € 23.42). This fair value has been derived from the market price of the Company's ordinary shares at the grant date, adjusted based on the present value for expected dividends over the three-year vesting period.

The expenses related to share-based payment plans recognized in the Statement of Comprehensive Income are as follows:

(euro in thousands)	**Year ended December 31,**	
	2017	**2016**
Performance shares granted and delivered to the Board of Management	1,968	1,083
Performance shares granted and delivered to key employees	435	2,330
Conditional performance shares Board of Management	902	895
Conditional performance shares key employees	3,559	2,939
Total expense recognized as personnel expenses	**6,864**	**7,247**

21. Equity

At December 31, 2017 and December 31, 2016, the parent company's authorized capital consisted of 80,000,000 ordinary shares, nominal value € 0.01 per share, and 80,000,000 preference shares, nominal value € 0.01 per share.

At December 31, 2017 and December 31, 2016, 37,275,539, and 37,326,309 ordinary shares were outstanding, excluding treasury shares of 2,758,382 and 2,707,612, respectively. No preference shares were outstanding at each of December 31, 2017 and December 31, 2016. All issued shares have been paid in full.

Changes in other reserves during 2017 and 2016 were as follows:

(euro in thousands)	**Accumulated other comprehensive income**	**Legal currency translation adjustment**	**Legal reserve capitalized R&D expenses**	**Total other reserves**
Balance at January 1, 2017	(12,297)	33,105	36,999	57,807
Total comprehensive income (loss) for the period	1,480	(17,650)	-	(16,170)
Legal reserve	-	-	(3,607)	(3,607)
Balance at December 31, 2017	**(10,817)**	**15,455**	**33,392**	**38,030**
Balance at January 1, 2016	(10,020)	31,163	38,674	59,817
Total comprehensive income (loss) for the period	(2,277)	1,942	-	(335)
Legal reserve	-	-	(1,675)	(1,675)
Balance at December 31, 2016	**(12,297)**	**33,105**	**36,999**	**57,807**

Accumulated other comprehensive income (loss) consists of:

(euro in thousands)	December 31, 2017	December 31, 2016
Actuarial gains (losses)	(14,002)	(14,436)
Cash flow hedging reserve	884	(291)
Deferred taxes	1,538	1,667
Other	763	763
Accumulated other comprehensive income (loss)	**(10,817)**	**(12,297)**

Dividends

Proposed for approval at the Annual General Meeting of Shareholders to be held on April 26, 2018 (not recognized as a liability as at December 31, 2017 and December 31, 2016):

(euro in thousands)	Year ended December 31, 2017	2016
€ 4.64 per ordinary share (2016: € 1.74)	**172,961**	**64,948**

The Board of Management proposes to allocate the part of the net income for the year 2017 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 are as follows:

(euro in thousands)	December 31, 2017	December 31, 2016
Within one year	3,933	3,498
After one year but not more than five years	10,401	9,679
After five years	1,495	2,241
Total	**15,829**	**15,418**

The amount above consists of committed rental expense amounting to € 14.8 million as of December 31, 2017 and 2016. In addition, the Company has an unconditional obligation related to the purchase of materials and equipment totaling € 127.0 million and € 76.5 million as of December 31, 2017 and 2016, respectively. The increase in unconditional obligation related to the purchase of materials and equipment is primarily due to expected increased business level as compared to December 31, 2016. Lease and rental expenses amounted to € 3.5 million and € 3.6 million for the years ended December 31, 2017 and 2016, respectively.

Research and development subsidies and credits available to offset research and development expenses were € 2.5 million in 2017 and € 2.8 million in 2016. 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, Switzerland, Austria, the US and Asia Pacific, the significant geographic areas in which the Company operates. Intra-area revenues are based on the sales prices at arm's length:

(euro in thousands)	The Netherlands	Switzerland	Austria	United States	Asia Pacific	Total
Year ended December 31, 2017						
Total revenue	92,705	507,346	120,786	27,843	236,373	985,053
Intercompany revenue	(4,851)	(145,971)	(6,805)	57	(234,698)	(392,268)
External revenue	**87,854**	**361,375**	**113,981**	**27,900**	**1,675**	**592,785**
Non-financial assets	13,340	25,211	43,207	8,805	14,782	105,345
Capital expenditures	1,630	357	621	-	2,426	5,034
Year ended December 31, 2016						
Total revenue	80,236	296,825	38,329	24,559	154,238	594,187
Intercompany revenue	(4,551)	(48,909)	(14,282)	-	(151,070)	(218,812)
External revenue	**75,685**	**247,916**	**24,047**	**24,559**	**3,168**	**375,375**
Non-financial assets	12,186	31,592	42,273	10,011	14,643	110,705
Capital expenditures	886	122	329	-	3,151	4,488

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

(euro in thousands)	Year ended December 31, 2017	2016
China	122,628	114,046
Taiwan	48,957	46,012
Korea	26,128	14,901
United States	35,835	35,305
Malaysia	64,368	48,159
Germany	17,514	18,990
Singapore	87,417	22,108
Ireland	86,749	10
Other Asia Pacific	69,952	47,437
Other Europe	26,528	19,588
Rest of the World	6,709	8,819
Total revenue	**592,785**	**375,375**

The Company's revenue is generated by shipments to leading US, European and Asian multinational chip manufacturers, assembly subcontractors and electronics and industrial companies.

For the year ended December 31, 2017, two customers represented more than 10% of the Company's revenue. One customer represented 15.3% of the Company's revenue and the other one represented 11.0% of the Company's revenue.

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

(euro in thousands)	Year ended December 31, 2017	2016
Sale of goods	589,330	371,942
Rendering of services	3,455	3,433
Total revenue	**592,785**	**375,375**

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 as follows.

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. Reference is made to the Remuneration Report on pages 73 to 79 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, 2017 and 2016, were as follows:

(in euros)	Year ended December 31, 2017	2016
R.W. Blickman		
Salaries and other short-term employee benefits[1]	1,349,574	1,244,304
Post-employment benefits[2]	38,913	38,913
Equity compensation benefits: Incentive Plan	902,173	903,840
Equity compensation benefits: Discretionary grant	1,967,614	1,083,300
Total	**4,258,274**	**3,270,357**

[1] Salaries include a bonus earned over the applicable year, which will be payable in the second quarter of the year thereafter. Furthermore, other benefits include expense compensation, medical insurance and social security premiums.
[2] 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 2017 and 2016. 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, 2017 and 2016 was as follows:

(in euros)	2017	2016
T. de Waard	72,000	72,000
D.J. Dunn	60,000	60,000
K.W. Loh	57,000	57,000
M. ElNaggar	57,000	57,000
J.E. Vaandrager	60,000	60,000
Total	**306,000**	**306,000**

The yearly remuneration for the Supervisory Board members is determined 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 performance shares held by the member of the Board of Management

The aggregate number of ordinary shares held by the current member of the Board of Management as of December 31, 2017, was as follows:

Ordinary shares	Number of shares
R.W. Blickman	749,873
Total	**749,873**

Performance shares	Year of grant	Three-year performance period	Number of performance shares
R.W. Blickman	2015	2015-2017	33,070
	2016	2016-2018	28,224
	2017	2017-2019	18,037
Total			**79,331**

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, 2017, was as follows:

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

25. Selected operating expenses and additional information

Personnel expenses for all employees were as follows:

(euro in thousands)	Year ended December 31,	
	2017	2016
Wages and salaries	82,043	78,065
Social security expenses	9,410	9,609
Pension and retirement expenses	4,528	3,137
Share-based compensation plans	6,863	7,247
Total personnel expenses	**102,844**	**98,058**

The average number of fulltime equivalent employees during 2017 and 2016 was 1,652 and 1,525, respectively. For pension and retirement expenses, reference is made to Note 20.

The total number of fulltime equivalent employees per department was:

	December 31, 2017	December 31, 2016
Sales and Marketing	442	378
Manufacturing and Assembly	773	730
Research and Development	349	335
General and Administrative	160	143
Total number of personnel	**1,724**	**1,586**

As of December 31, 2017 and 2016, a total of 181 and 191 fulltime equivalent employees 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,	
	2017	2016
Interest income	641	463
Subtotal financial income	**641**	**463**
Interest expense	(5,575)	(632)
Net foreign exchange effects	(5,288)	(1,445)
Subtotal financial expense	**(10,863)**	**(2,077)**
Financial income (expense), net	**(10,222)**	**(1,614)**

Net foreign exchange effects have mainly increased due to increased volume and interest differences between Swiss franc and euro on the one hand and US dollar on the other hand.

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:

	2017	2016
Shares outstanding at beginning of the year	37,326,309	37,863,456
Weighted average shares re-issued from treasury shares for the vesting of performance stock awards (LTI)	255,855	118,520
Weighted average shares re-issued from treasury shares for the vesting of shares discretionary granted	40,987	105,599
Weighted average shares re-issued from treasury shares for the execution of options	-	1,762
Weighted average shares bought under the share repurchase program	(286,364)	(488,483)
Average shares outstanding - basic	**37,336,787**	**37,600,854**

The total number of weighted average ordinary shares used in calculating diluted earnings per share amounts to 40,822,872 (2016: 38,508,080). Net income in 2017 used in calculating dilutive earnings per share amounts to € 176.9 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 and accounts payable, 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. For the valuation of the Convertible Notes reference is made to Note 18.

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 Consolidated Statements of Financial Position, are as follows:

(euro in thousands)				**December 31, 2017**
	Note	**Carrying amount**	**Level**	**Fair value**
Financial assets				
Cash and cash equivalents	3	527,806	1	527,806
Trade receivables	4	151,654	3	151,654
Forward exchange contracts	6	2,647	2	2,647
Other receivables	6	4,867	3	4,867
Total		**686,974**		**686,974**
Financial liabilities				
Notes payable to banks	13	1,742	1	1,742
Trade payables	15	62,721	3	62,721
Forward exchange contracts	16	685	2	685
Other payables	16	28,612	3	28,612
Long-term debt and financial leases	18	267,274	1	380,750
Total		**361,034**		**474,510**

(euro in thousands)				December 31, 2016
	Note	Carrying amount	Level	Fair value
Financial assets				
Cash and cash equivalents	3	224,790	1	224,790
Deposits	3	80,000	1	80,000
Trade receivables	4	89,845	3	89,845
Forward exchange contracts	6	258	2	258
Other receivables	6	7,067	3	7,067
Total		**401,960**		**401,960**
Financial liabilities				
Notes payable to banks	13	11,855	1	11,855
Trade payables	15	38,949	3	38,949
Forward exchange contracts	16	1,971	2	1,971
Other payables	16	20,932	3	20,932
Long-term debt and financial leases	18	122,603	1	122,603
Total		**196,310**		**196,310**

There were no transfers between levels during the years ended December 31, 2017 and December 31, 2016.

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 and 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 managed at central level and 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 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, Singapore dollar, Malaysian ringgit and Chinese yuan against the US dollar and US dollar-linked currencies, since approximately 82% of its sales in 2017 are denominated in US dollar. Furthermore, due to the Company's ongoing transfer of the supply chain to Asia, the Company is increasingly exposed to fluctuations of the Malaysian ringgit, Chinese yuan and Singapore dollar against the euro and US dollar.

The Company seeks to protect itself from adverse movements in foreign currency exchange rates by hedging firmly committed sales contracts, which are denominated in foreign currencies through the use of forward foreign currency exchange contracts. In addition, the Company also uses forward foreign currency exchange contracts to hedge balance sheet positions that are denominated in a foreign currency. During 2017 and 2016, 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, € 884 was reported as other comprehensive income at December 31, 2017. The amount in 2017 released from equity in revenue in the Consolidated Statement of Comprehensive Income was € 1,055. 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 € 64 in 2017 and a loss of € 12 in 2016.

The movement of the cash flow hedging reserve is as follows:

(euro in thousands)	**2017**	**2016**
Balance at January 1	(291)	(303)
Amount recognized in equity	56	-
Amount recycled in Consolidated Statement of Comprehensive Income	1,055	-
Amount reclassified to Consolidated Statement of Comprehensive Income due to ineffectiveness	64	12
Balance at December 31	**884**	**(291)**

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 € 2,647 and € 258 at December 31, 2017 and 2016, 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, 2017**	**December 31, 2016**
To sell US dollars for euros	26,227	10,125
To sell US dollars for Swiss francs	127,526	62,183
To sell Swiss francs for US dollars	8,254	2,493
To sell US dollars for Malaysian ringgits	27,906	24,567
To sell euros for US dollars	607	-
To sell euros for Malaysian ringgits	8,755	4,446
To sell euros for Singapore dollars	-	3,038
To sell Swiss francs for euros	-	11,826
To sell euros for Swiss francs	76,941	22,312
To sell Malaysian ringgits for euros	4,029	289
To sell Malaysian ringgits for Swiss francs	2,000	-
Total	**282,245**	**141,279**

At December 31, 2017, the unrealized gain on forward foreign currency exchange contracts that were designated as a hedge of firmly committed transactions amounted to € 1,962. At December 31, 2016, the unrealized loss on forward foreign currency exchange contracts amounted to € 1,713.

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

(euro in thousands)		**2017**		**2016**
	Positive	**Negative**	**Positive**	**Negative**
Forward foreign currency exchange contracts				
Fair value	**2,647**	**685**	**258**	**1,971**

The fair value of the forward foreign currency exchange contracts is included in the Company's other receivables and the other payables. 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, 2017	December 31, 2016
Within 0-3 months	270,251	122,398
From 3-6 months	10,441	17,413
From 6-9 months	1,553	1,468
Total	**282,245**	**141,279**

The Company's principal financial liabilities, other than derivatives, comprise of bank loans and overdrafts, Convertible Notes, 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 enters into derivative transactions exclusively with forward currency contracts. The purpose of these transactions is to manage the currency risks arising from the Company's operations.

The Company's policy is, and has been throughout 2017 and 2016, 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, Malaysian ringgit and Chinese yuan. The percentage of its consolidated net revenue which is presented by US dollar or US dollar-linked currencies amounted to approximately 82% of total revenue in the year ended December 31, 2017, whereas revenue denominated in euro amounted to approximately 18%. Approximately 21% of its costs and expenses were denominated in euro, 19% in Swiss franc, 31% in Malaysian ringgit, 13% in Chinese yuan and the remaining 16% 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, 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)			2017		2016
		Effect on profit before tax	Effect on equity	Effect on profit before tax	Effect on equity
Increase/decrease in US dollar rate compared to euro	+10%	(300)	(2,000)	(300)	500
	-10%	300	2,000	300	(500)
Increase/decrease in US dollar rate compared to Swiss franc	+10%	(700)	(6,000)	(100)	-
	-10%	700	6,000	100	-
Increase/decrease in US dollar rate compared to Malaysian ringgit	+10%	400	-	(100)	-
	-10%	(400)	-	100	-

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

Interest rate risk
The Company has interest-bearing assets and liabilities exposing it to fluctuations in market interest rates. The Company is hardly exposed to the risk of changes in market interest rates through borrowing activities due to very limited debt with floating interest rates. Given the Company's cash position, fluctuations in market interest rates are affecting the Company's results. An increase of interest rates will have a positive effect, while a decrease of market interest rates will negatively impact the Company's results. No derivative interest rate related swaps have been entered into for trading or speculative purposes or to manage interest exposures.

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 for cash and cash equivalents and derivative financial instruments. With its treasury and cash investment policies the Company manages exposure to credit risks on an ongoing basis including monitoring of the creditworthiness of counterparties. The Company does not anticipate on non-performance by counterparties given their high creditworthiness expressed in good credit rates.

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 and cash equivalents in accordance with the Company's cash investment policy. In addition to preserving the principal amount main objectives of this policy are maintaining appropriate liquidity for business operations, diversifying cash investments to minimize risk from inappropriate investments and concentrating the Company's cash at the highest level, i.e. BE Semiconductor Industries N.V. Diversification is aimed by distributing the cash and cash equivalents over at least five counterparties including money market funds. Cash pool arrangements based on zero-balancing are in place to concentrate cash enabling BE Semiconductor Industries N.V. to fulfil the role of internal bank.

The Company invests cash and cash equivalents in (short-term) deposits with financial institutions that have good credit ratings and in triple A money market funds that invest in highly rated short-term debt securities of governments, financial institutions and corporates. These investments are readily convertible to a known amount in cash and are subject to an insignificant risk of change in value.

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 its customers.

Ageing of trade receivables and other receivables:

(euro in thousands)	Total	Impaired	Neither past due nor impaired	< 30 days	30–60 days	60–90 days	90–120 days	Past due > 120 days
2017	159,168	(772)	114,166	22,865	12,050	4,470	891	5,498
2016	97,170	(713)	75,093	7,974	4,080	1,696	1,296	7,744

Movement in impairment of trade receivables and other receivables:

(euro in thousands)	2017	2016
Balance at January 1	713	878
Additions (releases)	89	(197)
Utilized	(2)	(31)
Foreign currency translation	(28)	63
Balance at December 31	**772**	**713**

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 liquidity needs are effected by many factors including uncertainties of the global economy and the semiconductor industry resulting in fluctuating cash requirements. The Company believes that it will have sufficient liquidity to meet its current liabilities including expected capital expenditures and repayment obligations in 2018. The Company monitors its risk to a shortage of funds by reviewing cash flows of all entities throughout the year. The Company intends to return cash to the shareholders on a regular basis in the form of dividend payments and, subject to actual and anticipated liquidity requirements and other relevant factors, share buybacks.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2017 and 2016, based on contractual undiscounted payments:

(euro in thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended December 31, 2017						
Convertible Notes (assuming no conversion)	-	-	-	-	300,000	300,000
Other long-term debt and financial leases	-	-	11,228	79	-	11,307
Interest payable convertible	-	-	4,000	20,000	875	24,875
Other interest payable long-term debt and financial leases	-	24	71	-	-	95
Accounts payable	1,123	61,340	258	-	-	62,721
Other payables	1,383	12,368	14,568	322	-	28,641
Total	**2,506**	**73,732**	**30,125**	**20,401**	**300,875**	**427,639**

(euro in thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Year ended December 31, 2016						
Convertible Notes (assuming no conversion)	-	-	-	-	125,000	125,000
Other long-term debt and financial leases	-	-	2,240	11,112	-	13,352
Interest payable convertible	-	-	3,125	12,500	6,250	21,875
Other interest payable long-term debt and financial leases	1	11	35	36	-	83
Accounts payable	949	34,420	3,323	255	2	38,949
Other payables	1,410	13,143	7,660	613	77	22,903
Total	**2,360**	**47,574**	**16,383**	**24,516**	**131,329**	**222,162**

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, with focus on liquidity and financial stability throughout the industry cycles, 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 ended December 31, 2017 and December 31, 2016. The Company only regards equity as capital. This capital is managed using solvency ratio (excluding intangible assets) and return on investment.

(euro in thousands, except for percentages)	2017	2016
Equity	434,132	345,037
Solvency ratio	49.6%	58.7%
Solvency ratio (excluding intangible fixed assets)	44.6%	51.9%
Return on average investment	44.4%	19.3%

The return on average investment is calculated using the opening and closing balance of equity and the net income of 2017.

The total number of ordinary shares that will be awarded under the 2014 and the 2017 Framework Incentive Plan 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 14, 2018, 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, 2017	December 31, 2016
Assets			
Property, plant and equipment	2	**-**	**-**
Other intangible assets	3	**584**	**405**
Investments in subsidiaries	4	306,126	196,430
Loans due from subsidiaries	4	14,437	55,047
Deferred tax assets		-	7,120
Financial fixed assets		**320,563**	**258,597**
Total fixed assets		**321,147**	**259,002**
Amounts due from subsidiaries		22,436	4,210
Other receivables		875	1,264
Receivables		**23,311**	**5,474**
Deposits		-	80,000
Cash and cash equivalents		**509,362**	**224,035**
Total current assets		**532,673**	**309,509**
Total assets		**853,820**	**568,511**
Shareholders' equity, provisions and liabilities			
Share capital	5	400	400
Share premium	5	222,322	224,482
Retained earnings	5	389	(4,501)
Other reserves	5	38,030	57,807
Undistributed result	5	172,991	65,223
Shareholders' equity		**434,132**	**343,411**
Convertible Notes	7	267,195	111,491
Deferred tax liabilities		2,967	-
Other non-current liabilities		146	165
Non-current liabilities		**270,308**	**111,656**
Notes payable to banks		-	3,855
Trade payables		1,422	2,782
Amounts due to subsidiaries		145,332	104,025
Other payables		2,626	2,782
Current liabilities		**149,380**	**113,444**
Total shareholders' equity, provisions and liabilities		**853,820**	**568,511**

Parent Company Statement of Income and Expense

(euro in thousands)	Note	Year ended December 31, 2017	2016
General and administrative expenses		2,720	8,968
Total operating expenses		**2,720**	**8,968**
Operating loss		**(2,720)**	**(8,968)**
Financial income	9	502	877
Financial expense	9	(5,508)	(1,486)
Financial income (expense), net		**(5,006)**	**(609)**
Income from subsidiaries, after taxes	4	**180,633**	**74,843**
Income before income tax		**172,907**	**65,266**
Income tax		84	(43)
Net income		**172,991**	**65,223**

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 article 362.8 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.

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, 2017	
Cost	114
Depreciation	(114)
Property, plant and equipment, net	**-**
Changes in book value in 2017	
Depreciation	
Total changes	**-**
Balance at December 31, 2017	
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, 2017	
Cost	1,672
Accumulated amortization	(1,267)
Other intangible assets, net	**405**
Changes in book value in 2017	
Capital expenditures	395
Amortization	(216)
Total changes	**179**
Balance at December 31, 2017	
Cost	2,067
Accumulated amortization	(1,483)
Other intangible assets, net	**584**

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, 2017	196,430	-	55,047	251,477
Income for the period	180,633	-	-	180,633
Negative equity adjustments	(3,234)	-	3,234	-
Transfer to amounts due from subsidiaries (short-term)	-	-	(11,736)	(11,736)
Repayments	-	-	(27,714)	(27,714)
Purchase of non-controlling interest	1,681	-	-	1,681
Dividend payments	(57,642)	-	-	(57,642)
Changes in accumulated other comprehensive income	1,503	-	-	1,503
Currency translation adjustment	(13,245)	-	(4,394)	(17,639)
Balance at December 31, 2017	**306,126**	**-**	**14,437**	**320,563**

(euro in thousands)	Investment in subsidiaries	Subordinated loans due from subsidiaries	Loans due from subsidiaries	Total
Balance at January 1, 2016	205,641	8,000	64,334	277,975
Income for the period	74,843	-	–	74,843
Negative equity adjustments	(596)	-	596	-
Reclassification	-	(8,000)	8,000	-
Repayments	-	-	(19,082)	(19,082)
Dividend payments	(82,003)	-	-	(82,003)
Changes in accumulated other comprehensive income	(2,207)	-	-	(2,207)
Currency translation adjustment	752	-	1,199	1,951
Balance at December 31, 2016	**196,430**	**-**	**55,047**	**251,477**

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.

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 € 23.7 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.

As of December 31, 2017, the following subsidiaries are included:

Name	Location and country of incorporation	Percentage
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	100%
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	Steinhausen, Switzerland	100%
Esec China Financial Ltd.	Hong Kong, China	100%
Besi (Shanghai) Trading Co., Ltd.	Shanghai, China	100%
Besi Spares and Tooling AG	Steinhausen, 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.

5. Shareholder's equity

(euro in thousands, except for share data)	Number of ordinary shares outstanding[1]	Share capital	Share premium	Retained earnings	Other reserves	Undistri-buted result	Total share-holders' equity[2]
Balance at January 1, 2017	40,033,921	400	224,482	(4,501)	57,807	65,223	343,411
Total comprehensive income for the period	-	-	-	-	(16,170)	172,991	156,821
Dividend paid to owners of the Company	-	-	-	-	-	(65,302)	(65,302)
Legal reserve	-	-	-	3,607	(3,607)	-	-
Appropriation of the result	-	-	-	(79)	-	79	-
Equity-settled share-based payments expense	-	-	6,863	-	-	-	6,863
Purchase of treasury shares	-	-	(22,811)	-	-	-	(22,811)
Purchase of non-controlling interest	-	-	-	1,362	-	-	1,362
Equity component convertible	-	-	13,788	-	-	-	13,788
Balance at December 31, 2017	**40,033,921**	**400**	**222,322**	**389**	**38,030**	**172,991**	**434,132**
Balance at January 1, 2016	40,033,921	36,031	195,524	(9,736)	59,817	48,980	330,616
Total comprehensive income for the period	-	-	-	-	(335)	65,223	64,888
Decline of par value	-	(35,631)	35,631	-	-	-	-
Dividend paid to owners of the Company	-	-	-	-	-	(45,420)	(45,420)
Legal reserve	-	-	-	1,675	(1,675)	-	-
Appropriation of the result	-	-	-	3,560	-	(3,560)	-
Equity-settled share-based payments expense	-	-	7,247	-	-	-	7,247
Purchase of treasury shares	-	-	(22,389)	-	-	-	(22,389)
Re-issued treasury shares	-	-	40	-	-	-	40
Equity component convertible	-	-	8,429	-	-	-	8,429
Balance at December 31, 2016	**40,033,921**	**400**	**224,482**	**(4,501)**	**57,807**	**65,223**	**343,411**

[1] The outstanding number of ordinary shares includes 2,758,382 and 2,707,612 treasury shares at December 31, 2017 and December 31, 2016, respectively.
[2] In total an amount of € 18.5 million is classified as a restricted reserve for subsidiaries (2016: € 14.5 million).

Changes in other reserves during 2017 and 2016 were as follows:

(euro in thousands)	Accumulated other comprehensive income (loss)	Legal currency translation adjustment	Legal reserve capitalized R&D expenses	Total other reserves
Balance at January 1, 2017	(12,297)	33,105	36,999	57,807
Total comprehensive income (loss) for the period	1,480	(17,650)	-	(16,170)
Legal reserve	-	-	(3,607)	(3,607)
Balance at December 31, 2017	**(10,817)**	**15,455**	**33,392**	**38,030**
Balance at January 1, 2016	(10,020)	31,163	38,674	59,817
Total comprehensive income (loss) for the period	(2,277)	1,942	-	(335)
Legal reserve	-	-	(1,675)	(1,675)
Balance at December 31, 2016	**(12,297)**	**33,105**	**36,999**	**57,807**

Preference shares

At December 31, 2017 and December 31, 2016, the parent company's authorized capital consisted of 80,000,000 ordinary shares, nominal value € 0.01 per share, and 80,000,000 preference shares, nominal value € 0.01 per share.

No preference shares were outstanding at December 31, 2017 and December 31, 2016.

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, 2017	December 31, 2016
Actuarial gains (losses)	(14,002)	(14,436)
Cash flow hedging reserve	884	(291)
Deferred taxes	1,538	1,667
Others	763	763
Accumulated other comprehensive income (loss)	**(10,817)**	**(12,297)**

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 26, 2018 (not recognized as a liability as at December 31, 2017 and December 31, 2016):

(euro in thousands)	**Year ended December 31,**	
	2017	**2016**
€ 4.64 per ordinary share (2016: € 1.74)	**172,961**	**64,948**

The Board of Management proposes to allocate the part of the net income for the year 2017 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

6. Borrowing facilities
At December 31, 2017, the parent company had available lines of credit aggregating € 10 million, under which no borrowings were utilized. There are no covenants for this credit line. All borrowing facilities have no contractual maturity date. Besi was in compliance with all loan covenants at December 31, 2017. Besi has provided a letter of comfort related to the credit line of the Austrian subsidiary.

7. Convertible Notes
In December 2016, the Company issued € 125 million principal amount of Convertible Notes with a maturity date of December 2, 2023 (the "2016 Convertible Notes"). The 2016 Convertible Notes carry a nominal interest rate of 2.5% per year, payable semi-annually, with the first payment made on June 2, 2017. Bondholders can convert the bonds into ordinary shares at an initial conversion price of € 43.51. The 2016 Convertible Notes will be repaid at maturity at a price of 100% of their principal amount plus accrued and unpaid interest.

If not converted, at any time from December 23, 2020, the Company may redeem the outstanding 2016 Convertible Notes at their principal amount, subject to giving a minimum of 30 days' and maximum of 60 days' prior notice to Bondholders, if the value of the Shares underlying the 2016 Convertible Notes equals or exceeds 130% of the then effective conversion price for at least 20 out of 30 consecutive dealing days.

The amount of the 2016 Convertible Notes classified as equity of € 11,310 is net of attributable debt issuance cost of € 215.

In November 2017, the Company issued € 175 million principal amount of Convertible Notes with a maturity date of December 6, 2024 (the "2017 Convertible Notes"). The 2017 Convertible Notes carry a nominal interest rate of 0.5% per year, payable semi-annually, with the first payment to be made on June 6, 2018. Bondholders can convert the bonds into ordinary shares at an initial conversion price of € 99.74. The 2017 Convertible Notes will be repaid at maturity at a price of 100% of their principal amount plus accrued and unpaid interest.

If not converted, at any time from December 27, 2021, the Company may redeem the outstanding 2017 Convertible Notes at their principal amount, subject to giving a minimum of 30 days' and maximum of 60 days' prior notice to Bondholders, if the value of the shares underlying the 2017 Convertible Notes equals or exceeds 130% of the then effective conversion price for at least 20 out of 30 consecutive dealing days.

The amount of the 2017 Convertible Notes classified as equity of € 18,479 is net of attributable debt issuance cost of € 292.

8. 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, 2017	December 31, 2016
Within one year	58	68
After one year but not more than five years	36	119
Total	**94**	**187**

BE Semiconductor Industries N.V. is parent of the fiscal unity BE Semiconductor Industries N.V. and is therefore liable for the liabilities of the fiscal unit as a whole. The credit facilities of Besi Leshan Co., Ltd. and Besi Singapore Pte. Ltd. and the loan from Raiffeisen Landesbank are secured by a parent company guarantee.

9. Financial income and expense

The components of financial income and expense were as follows:

(euro in thousands)	Year ended December 31,	
	2017	2016
Interest income	502	794
Net foreign exchange gain	-	83
Subtotal financial income	**502**	**877**
Interest expense	(5,472)	(1,486)
Net foreign exchange loss	(36)	-
Subtotal financial expense	**(5,508)**	**(1,486)**
Financial income (expense), net	**(5,006)**	**(609)**

10. Selected operating expenses and additional information

Personnel expenses for all employees were as follows:

(euro in thousands)	Year ended December 31,	
	2017	2016
Wages and salaries	1,754	1,577
Social security expenses	142	111
Pension and retirement expenses	361	194
Share-based compensation plans	6,863	7,247
Other personnel costs	446	486
Total personnel expenses	**9,566**	**9,615**

The average number of full time equivalent employees during 2017 and 2016 was 9 and 8, respectively.

11. 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 2017 and 2016. The following table sets out the aggregated fees for professional audit services and other services rendered by Deloitte Accountants B.V. and its member firms and/or affiliates in 2017 and 2016:

(euro in thousands)	Deloitte Accountants B.V.	Deloitte Network	Year ended December 31, 2017
Audit costs	208	214	422
Other audit costs	-	1	1[1]
Tax services	-	-	-
Total costs	**208**	**215**	**423**

[1] Relates to the ORSO in Hong Kong.

(euro in thousands)	Deloitte Accountants B.V.	Deloitte Network	Year ended December 31, 2016
Audit costs	164	195	359
Other audit costs	-	1	1[1]
Tax services	-	-	-
Total costs	**164**	**196**	**360**

[1] Relates to the ORSO in Hong Kong.

Total number of personnel

The Company employed 10 employees at December 31, 2017 and 2016.

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 2017 at € 4.64 per ordinary share, amounting to a total of € 172,961. The Board of Management proposes to allocate the part of the net income for the year 2017 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

The General Meeting of Shareholders approved the 2016 statutory financial statements on May 1, 2017.

Events after the balance sheet date

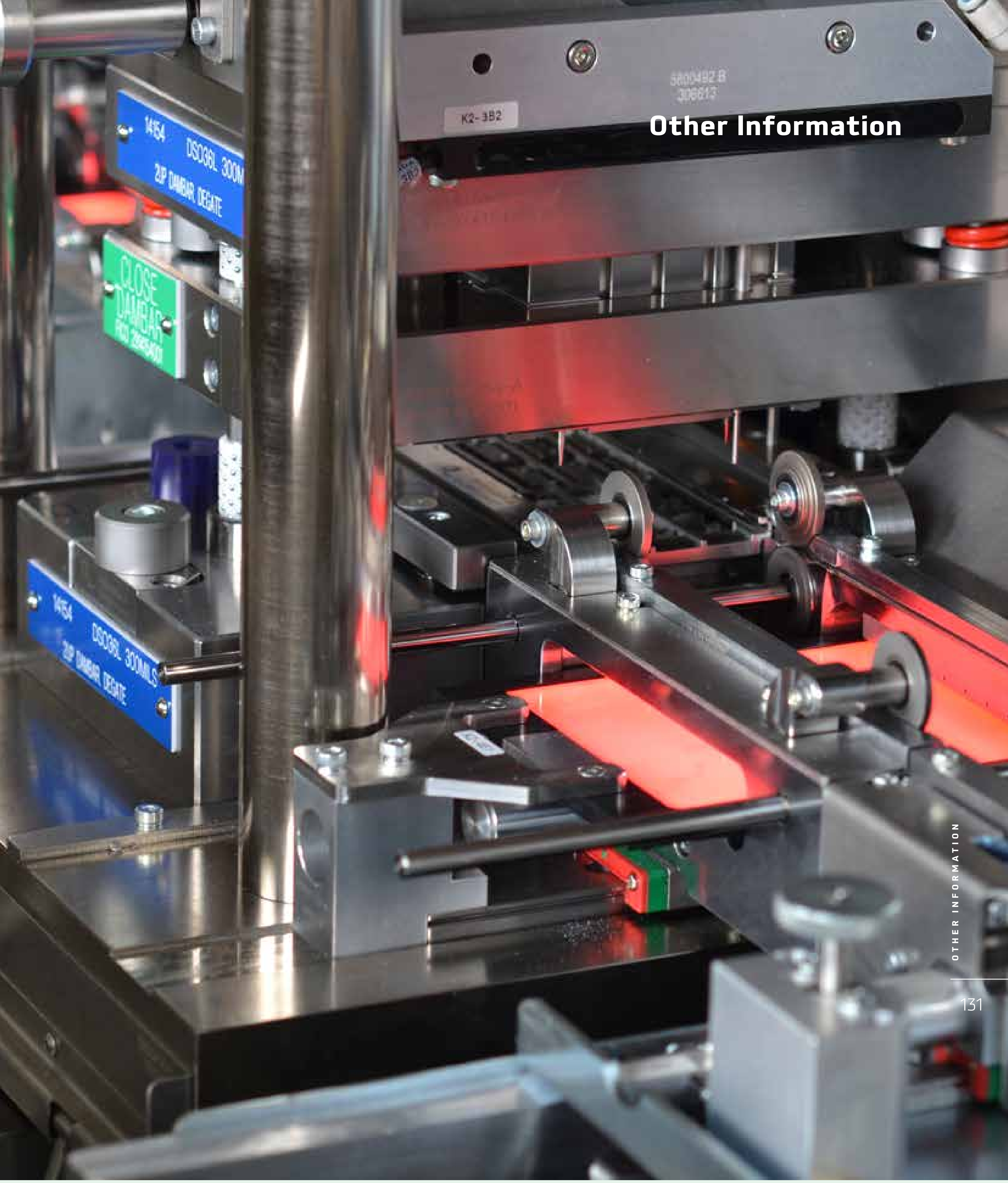
Subsequent events were evaluated up to February 14, 2018, which is the date the Financial Statements included in this Annual Report were approved. There are no events to report.

Duiven, February 14, 2018

Board of Management
Richard W. Blickman

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

Other Information



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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 on April 26, 2018, 10.30 a.m. at Besi in Duiven, the Netherlands.

Board of Management

Richard W. Blickman (1954)
Chief Executive Officer,
Chairman of the Board
of Management

Executive Committee Members

Ruurd Boomsma (1956)
SVP Die Attach, CTO

Christoph Scheiring (1970)
SVP Die Attach

René Betschart (1973)
SVP Die Attach

Jeroen Kleijburg (1974)
SVP Packaging

Ruben Tibben (1978)
VP Plating

Henk Jan Jonge Poerink (1970)
SVP Global Operations

J.K. Park (1965)
SVP Sales & Customer Service APac

René Hendriks (1961)
SVP Sales Europe/North America

Cor te Hennepe (1958)
SVP Finance

Other Members of Management

K.M. Kok (1980)
VP Die Attach Mainstream Asia

Danilo Gerletti (1967)
VP Spares & Tooling

Michael Leu (1962)
VP Strategic Supply Management

Hanspeter Abegg (1976)
VP Finance Die Attach/Head
of Global IT

Leon Verweijen (1976)
SVP Finance Asia

Independent Auditor's Report

To the shareholders and the Supervisory Board of BE Semiconductor Industries N.V.

Report on the audit of the financial statements 2017 included in the annual accounts

Our opinion

We have audited the accompanying financial statements 2017 of BE Semiconductor Industries N.V., based in Amsterdam. The financial statements include the Consolidated Financial Statements and the Parent Company Financial Statements.

In our opinion:

- The accompanying Consolidated Financial Statements give a true and fair view of the financial position of BE Semiconductor Industries N.V. as at December 31, 2017, and of its result and its cash flows for 2017 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 accompanying Parent Company Financial Statements give a true and fair view of the financial position of BE Semiconductor Industries N.V. as at December 31, 2017, and of its result for 2017 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The Consolidated Financial Statements comprise:

1. The Consolidated Statement of Financial Position as at December 31, 2017.
2. The following statements for 2017: the Consolidated Income Statement, the Consolidated Statements of Comprehensive Income, Changes in Equity and Cash Flows.
3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The Parent Company Financial Statements comprise:

1. The Parent Company Balance Sheet as at December 31, 2017.
2. The Parent Company Profit and Loss Account for 2017.
3. The notes comprising a summary of the 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 EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 13.9 million. The materiality is based on 7% of profit before tax. 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. Materiality increased as a result of increased profit before taxes; there were no changes in our method for applying materiality.

We agreed with the Supervisory Board that misstatements in excess of € 340,000, 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.

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. Materiality applied by component auditors did not exceed € 6.1 million.

Materiality overview	
Materiality for the financial statements as a whole	€ 13.9 million
Basis for materiality	7% of profit before tax
Threshold for reporting misstatements	€ 340,000

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 Consolidated Financial Statements of BE Semiconductor Industries N.V.

Our group audit mainly focused on (significant) group entities in the Netherlands, Austria, Switzerland, China, Singapore and Malaysia.

The group engagement team:

- Audited the group consolidation, the components in the Netherlands, financial statements disclosures and a number of key audit matters. These include revenues, impairment testing on goodwill and the valuation of capitalized R&D.
- Used the work of Deloitte component auditors when auditing the components in Europe and Asia.
- Performed review procedures or specific audit procedures at other group entities.

As part of our audit procedures we have considered our assessment of significant group entities in order to ensure we have obtained appropriate coverage of the risks of a material misstatement for significant account balances and disclosures that we have identified.

For the entities which do not classify as significant entities we performed a combination of specific audit procedures and analytical procedures at group level relating to the risks of material misstatement for significant account balances and disclosures that we have identified.

Audit coverage	
Audit coverage of consolidated revenues	99%
Audit coverage of profit before tax	97%
Audit coverage of consolidated total assets	97%

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 Consolidated 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. The key audit matters addressed below are all covered by Besi's internal control framework. The results from our audit procedures were sufficient and appropriate in the context of our audit on the 2017 financial statements to address the risks of material misstatements from these key audit matters.

Changes in key audit matters

In prior years we reported the valuation of deferred tax assets as key audit matter. Per balance sheet date all tax losses carried forward are recognized and amount to € 7.6 million in aggregate. Based on the Company's 2017 profit, as well as the financial outlook for the relevant tax jurisdictions, we consider the valuation of these tax losses carried forward no longer a key audit matter.

Description	Our response
Revenue recognition 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 recorded in the incorrect year (cut-off) or misstated due to the judgmental nature of revenue recognition for contracts containing multiple products and services (multiple element arrangements).	We have assessed the appropriateness of the Company's revenue recognition accounting policies, including multiple element arrangements and assessed compliance with EU-IFRS accounting policies. Our audit procedures included, amongst others, testing the operating effectiveness of the Company's internal controls. Next to this we have tested individual sales orders and transactions to assess proper identification of the elements in the contracts and correct allocation of the revenue to these elements. We also selected sales transactions before and after year-end to assess whether revenue was recognized in the correct period by, amongst others, inspection of: sales contracts, internal acceptance tests, client acceptance documents, shipping documents and the attendance of inventory counts.

Description	Our response
Valuation of Die Attach goodwill Die Attach goodwill amounts to € 42.7 million and represents 5% of total assets at December 31, 2017. The Company's goodwill is allocated to two cash generating units, being Die Attach (€ 42.7 million) and Plating (€ 2.0 million). The annual goodwill impairment test for the Die Attach cash generating unit was significant to our audit because the amount is material and the assessment process is complex, judgmental and is based on assumptions that are affected by expected future market and economic conditions.	We obtained an understanding of the internal process in place and identified controls around the financial forecasting process and impairment testing of the goodwill. We tested these controls on design and implementation with satisfactory result. These controls included the involvement of an external expert assisting management in their evaluation. 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, amongst other things, the Weighted Average Cost of Capital ("WACC"), relevant allocations, forecasted cash flows, growth rates and performing sensitivity analyses. For the financial forecast after 2018, the Company used assumptions in respect of market growth estimates from semiconductor equipment industry reports and future market developments. Specifically, we assessed the cash flow projections that are mainly driven by forecasted revenues, the WACC and the perpetual growth rates. Furthermore, we assessed management's process in evaluating different market scenarios underlying the valuation model. These scenarios were, amongst others, used to analyze the sensitivity of the key assumptions used in the valuation models. In our audit we were assisted by our valuation experts. We also evaluated the adequacy of the disclosures provided by the Company in Note 9 in relation to its impairment assessment.
Valuation of capitalized development expenses Capitalized development expenses included in intangible fixed assets amount to € 33.4 million and represent 3.8% of total assets at December 31, 2017. At December 31, 2017, 32.1% 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. The Company has capitalized development expenses in the intangible fixed assets. We obtained an understanding of the process in place around the expected financial forecasts for the development projects not yet in use and the impairment testing of capitalized development expenses not yet in use. We did not use a control reliance approach and performed substantive audit procedures to gather sufficient and appropriate audit evidence.	We identified relevant internal controls related to research and development process and tested these controls on design and implementation with satisfactory result. These controls focus on timely, accurate and complete capitalization of costs in line with IFRS, the hours and expenses allocated to projects and the valuation of the projects per balance sheet date. 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 with the nuance that the forecast of the capitalized development expenses are prepared on individual technology level which is lower than the forecast of the cash generation unit used in the goodwill. In addition we reconciled the sales forecast per technology to the budget and performed sensitivity analyses on critical assumptions.
Valuation of inventory The total net inventory and related obsolescence provision as of December 31, 2017 amounts to € 70.9 million and € 11.4 million, respectively. The obsolescence provision mainly relates to raw materials and spare parts because finished products (and related work in process) are only manufactured when a commitment from a customer 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. The excess and obsolete provision mainly relates to raw materials and spare parts because finished products (and related work in process) are usually manufactured only 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 identified relevant internal controls related to the valuation of inventory and tested these controls on design and implementation with satisfactory results. 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.

Report on the other information included in the annual accounts

In addition to the financial statements and our auditor's report thereon, the annual accounts contain other information that consists of:

- Report of the Board of Management
- Report of the Supervisory Board
- Corporate Governance
- Other information (pursuant to Part 9 of Book 2 of the Dutch Civil Code)

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements.
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the Report of the Board of Management in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the Supervisory Board as auditor of BE Semiconductor Industries N.V. on April 30, 2015, as of the audit for the year 2015 and have operated as statutory auditor ever since that date.

No prohibited non-audit services

We have not provided non-audit services as referred to in Article 5(1) of the EU regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities regarding the 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. 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 frameworks mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Management should disclose events and circumstances that may cast significant doubt on the Company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the Company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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.

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.

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 or review had to be carried out on the complete set of financial information or specific items.

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 identified 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 the key audit matters: those matters that were of most significance in the audit of the financial statements. 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.

Amsterdam, February 14, 2018

Deloitte Accountants B.V. :

B.C.J. Dielissen

Preference shares

At December 31, 2017, the Company's authorized capital consisted of 80,000,000 ordinary shares, nominal value € 0.01 per share, and 80,000,000 preference shares, nominal value € 0.01 per share.

No preference shares were outstanding at December 31, 2017.

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.

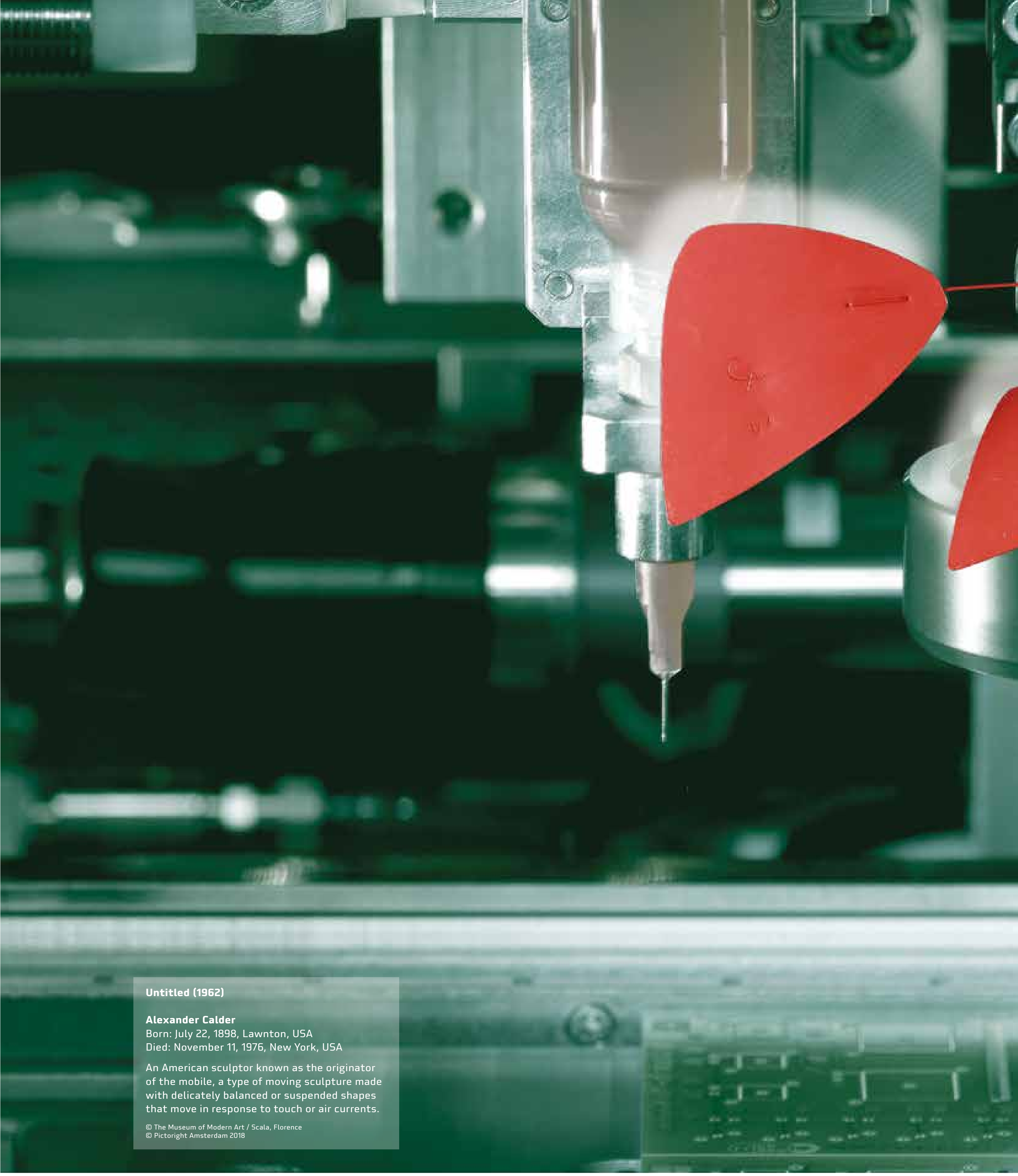
By agreement of May 19, 2008 between the Company and the Foundation, which replaced a similar agreement dated April 19, 2002, the Foundation has been granted a call option pursuant to which it may purchase a number of preference shares up to a maximum of the number of ordinary shares issued and outstanding 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 the 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 W.L.J. Bröcker (Chairman), J.N. de Blécourt, N.W. Hoek and T. de Waard. As Mr Hoek will be proposed for appointment to the Supervisory Board at the Annual General Meeting of Shareholders on April 26, 2018, he will be resigning his position as member of the board of the Foundation. Besides that, and 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

Notes



Untitled (1962)

Alexander Calder
Born: July 22, 1898, Lawnton, USA
Died: November 11, 1976, New York, USA

An American sculptor known as the originator of the mobile, a type of moving sculpture made with delicately balanced or suspended shapes that move in response to touch or air currents.

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