Annual Report 2013

CREATIVITY & FLEXIBILITY

Contents

REPORT OF THE BOARD OF MANAGEMENT 2
Company Profile 3
Key Highlights 2013 4
Letter to Shareholders 6
Strategy 10
Financial Review 14
Director's Statement of Responsibilities 22
Besi Shareholder Information 23
Risks and Risk Management 27
Corporate Responsibility 36

REPORT OF THE SUPERVISORY BOARD 45

CORPORATE GOVERNANCE 50

FINANCIAL STATEMENTS 2013 61
Consolidated Statement of Financial Position 62
Consolidated Statement of Comprehensive Income 63
Consolidated Statement of Changes in Equity 64
Consolidated Statement of Cash Flows 65
Notes to the Consolidated Financial Statements 66
Parent Company Balance Sheet 106
Parent Company Statement of Income and Expense 106
Notes to the Parent Company Financial Statements 107

OTHER INFORMATION 112

Report of the Board of Management

From processed wafer to assembled chip

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

Process steps

Company Profile

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

Our market

The semiconductor manufacturing process involves two distinct phases, wafer processing, commonly referred to as the front-end, and assembly/test operations which are commonly referred to as the back-end. Our equipment is used by customers principally to produce advanced semiconductor assemblies or "packages". Typically, such assemblies provide the electronic interface and physical connection between a semiconductor device, or "chip" and other electronic components and protect the chip from the external environment. VLSI (a leading independent industry analyst) estimated that the size of the assembly equipment market was approximately $ 3.4 billion in 2013, or 9.4% of the total semiconductor equipment market. Annual growth rates in the semiconductor assembly equipment market can fluctuate greatly based on global economic cycles and the capital investment programs of our semiconductor and industrial customers.

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

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

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

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

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

Our products and services

Besi supplies leading edge systems offering increased productivity, improved yields of defect-free devices and 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 offerings include:

- **Die attach equipment:** from which we produce single chip, multi-chip, multi module and flip chip die bonding systems and die sorting systems.
- **Packaging equipment:** from which we produce conventional and ultra thin molding, trim and form and singulation systems.
- **Plating equipment:** from which we produce tin, copper and precious metal plating systems.
- **Wire bonding equipment:** from which we produce systems utilizing gold and copper wire for sale in combination with our die attach systems.
- **Services:** for which we provide tooling, conversion kits and spare parts to our installed base of systems at customers worldwide.

Our customers

Our customers are primarily leading multinational chip manufacturers, assembly subcontractors and electronics and industrial companies and include ASE, Amkor, Freescale, Infineon, JCET, NXP, Skyworks, SPIL, Stats ChipPAC and STMicroelectronics. Customers are principally independent device manufacturers ("IDMs") which purchase our equipment for internal use at their assembly facilities and 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 eight facilities comprising 474,200 square feet of space for production and development activities as well as eight sales and service offices across Europe, Asia and North America. We employed a total staff of 1,458 fixed and temporary personnel at December 31, 2013, of whom approximately 56% were based in Asia and 44% 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 by NYSE Euronext (symbol: BESI) and also trade on the OTCQX International (symbol: BESIY).

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

Key Highlights 2013

Growth in Advanced Packaging Markets and Market Share:
- Smart phones, tablets and automotive electronics continue to drive business
- Market penetration broadens to low-end/mid-range smart phone and tablet customers
- Sales and market share growth achieved by flip chip, epoxy and soft solder die bonding and ultra thin molding systems to support increased smart phone and automotive electronics demand
- Shipped 80+ Stacked Die die bonding systems to a large memory IDM

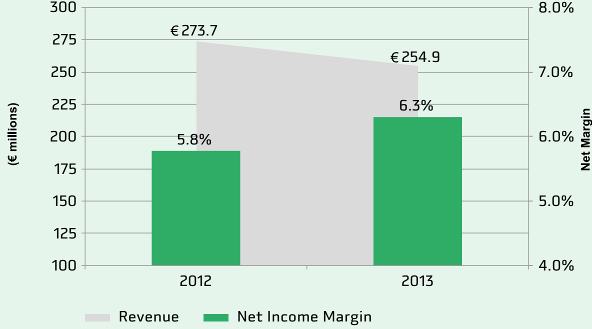
Increased Profits in Volatile Semiconductor Equipment Market:
- Revenue of € 254.9 million vs. € 273.7 million in 2012
- Gross margin up to 39.8% (39.7% in 2012) despite 6.9% revenue decline
- Net income of € 16.1 million, up 2.2% vs. € 15.8 million in 2012

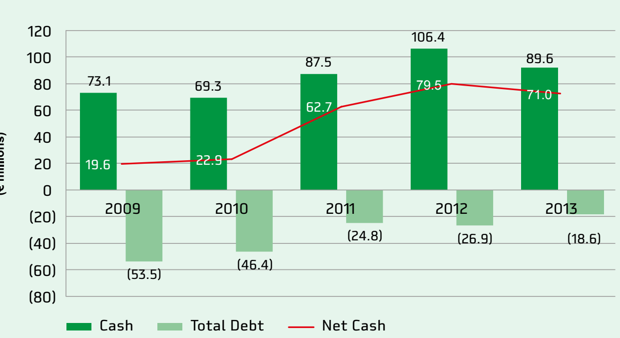
Structural Changes Continue to Enhance Operating Efficiency:
- Asian production transfer completed in Q3-13
- Overhead reduction continues:
  - 9.6% decrease in European headcount due to Asian production transfer and further integration of die attach operations
  - € 5.2 million, or 5.9% decrease in operating expenses year over year
- Business model further enhanced:
  - Break even cost level reduced by approximately 10% as compared to 2012

Progress in New Advanced Packaging Development:
- Ongoing development of new assembly technologies such as Thermo Compression Bonding ("TCB"), Through Silicon Via ("TSV"), copper pillar and Wafer Level Packaging ("WLP")
- Initial orders and volume shipments of TCB die bonders to multiple customers for next generation <20 nano device geometries
- Initial implementation of common platform/parts strategy for next generation die bonding systems

Solid Liquidity Position to Finance Future Growth:
- Cash of € 89.6 million (€ 2.40 per share) at year end 2013
- Net cash of € 71.0 million at year end

Shareholder Value Enhanced:
- Stock price up 42.0% in 2013
- € 14.0 million cash utilized for dividend payments and share repurchases
- Proposed 2013 dividend of € 0.33 per share. 10.0% increase over 2012





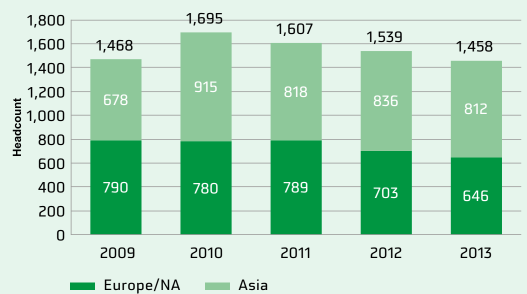
Key Financial Highlights

Year Ended December 31,	2013	2012	2011*	2010	2009
Operating data (in euro millions, except share and per share data)					
Orders	251.9	276.1	301.1	376.5	162.5
Revenue	254.9	273.7	326.9	351.1	147.9
Operating income	18.9	20.8	34.4	49.9	8.3
EBITDA	27.9	32.4	45.6	60.5	17.9
Net income	16.1	15.8	26.4	47.3	5.4
Net income per share					
Basic	0.43	0.42	0.73	1.39	0.16
Diluted	0.43	0.42	0.73	1.25	0.16
Dividend per share**	0.33	0.30	0.22	0.20	-
Shares outstanding (excluding Treasury Shares)	37,306,966	37,629,148	36,687,068	33,943,901	33,643,061
Backlog	50.0	53.0	50.6	76.4	51.0
Balance sheet data					
Cash and cash equivalents	89.6	106.4	87.5	69.3	73.1
Total debt	18.6	26.9	24.8	46.4	53.5
Net cash	71.0	79.5	62.7	22.9	19.6
Total equity	264.2	265.0	256.9	219.0	156.3
Financial ratios					
Operating income as % of revenue	7.4	7.6	10.5	14.2	5.6
Net income as % of revenue	6.3	5.8	8.1	13.5	3.6
Current ratio	3.7	2.9	3.0	2.5	2.4
Solvency ratio	77.5	72.9	73.6	62.5	58.0
Headcount data					
Headcount fixed	1,434	1,479	1,543	1,510	1,384
Headcount temporary	24	60	64	185	84
Total headcount	1,458	1,539	1,607	1,695	1,468
Geographic data					
Revenue from Asia as % of total revenue	75.1	73.8	74.4	78.9	73.8
Headcount in Asia as % of total headcount	55.7	54.3	50.9	54.0	46.2

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

** Proposed for approval at Besi's 2014 AGM to be held on April 30, 2014.

HEADCOUNT TRENDS



DIVIDEND TRENDS

Letter to Shareholders

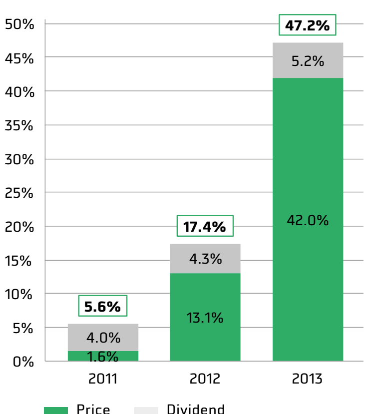
Dear Shareholders,

In 2013, Besi enhanced its profitability in a volatile assembly equipment market and delivered solid total returns to shareholders. Net income increased by 2.2% to € 16.1 million this year as progress continued on making our business model more scalable, flexible and profitable in response to a challenging industry environment. Despite a 6.9% year over year revenue decrease, we gained market share in our principal die attach and packaging systems products serving higher growth advanced packaging applications such as smart phones, tablets and automotive electronics and improved both gross and net margins. Furthermore, we ended the year in a strong financial position with total cash of € 89.6 million which represented € 2.40 per share, or 29.2% of the value of our year end stock price of € 8.22.

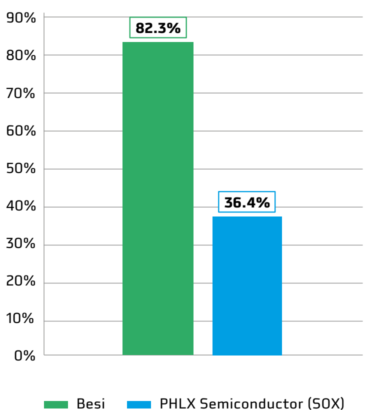
Shareholder value increased

We have significantly increased shareholder value both in 2013 and over the past three years through our improved profit and cash flow generation, stock price development, share repurchases and dividends paid to shareholders.

BESI SHAREHOLDER TOTAL RETURN



TOTAL CUMULATIVE SHAREHOLDER RETURN BESI VS. SOX INDEX 2011-2013



Besi generated a total shareholder return of 47.2% in 2013 and a cumulative total return of 82.3% over the past three years, significantly outpacing returns of our benchmark Philadelphia Semiconductor ("SOX") index for such periods. Total dividends and share repurchases aggregated € 14.0 million in 2013 and € 44.9 million over the past three years, confirming our commitment to provide a current return to our shareholders while holding sufficient cash to fund future growth opportunities.

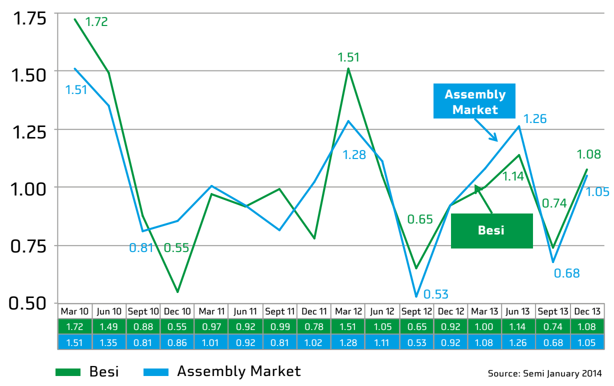
Given increased profits in 2013, encouraging prospects for 2014 and our healthy cash position, we propose to pay a dividend of € 0.33 per share for approval at Besi's Annual General Meeting of Shareholders in April 2014. The proposed dividend represents an increase of 10.0% over 2012 and the fourth consecutive annual dividend paid by our Company.

Business review

Market volatility continued in 2013

Besi's principal semiconductor assembly equipment markets continue to be volatile both on a quarterly and semi annual basis as can be seen in the chart below.

SEMICONDUCTOR ASSEMBLY EQUIPMENT MARKET QUARTERLY BOOK TO BILL RATIO 2010 - 2013



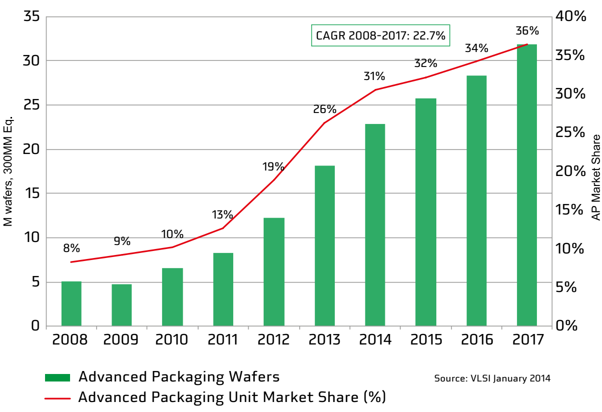
	Mar 10	Jun 10	Sept 10	Dec 10	Mar 11	Jun 11	Sept 11	Dec 11	Mar 12	Jun 12	Sept 12	Dec 12	Mar 13	Jun 13	Sept 13	Dec 13
Besi	1.72	1.49	0.88	0.55	0.97	0.92	0.99	0.78	1.51	1.05	0.65	0.92	1.00	1.14	0.74	1.08
Assembly Market	1.51	1.35	0.81	0.86	1.01	0.92	0.81	1.02	1.28	1.11	0.53	0.92	1.08	1.26	0.68	1.05

According to VLSI Research (a leading independent research analyst for the semiconductor equipment industry), the semiconductor assembly equipment market declined by 14.4% in 2013 with more significant upward and downward quarterly movements occurring during the year. Fluctuating quarterly purchasing patterns experienced over the past three years continued into 2013 wherein customers built capacity in the first half of the year and then were hesitant to add incremental capacity in the second half in the absence of clear direction from the global economy. This seasonality has also been magnified by retail purchasing patterns for smart phone and tablet applications whose sales are greatest in the latter half of the year.

Well positioned to capitalize on technology trends driving advanced packaging growth

In the context of a challenging industry environment in 2013, Besi made important progress in its revenue and market share development in key advanced packaging segments. The year over year revenue decline primarily reflected a reduction in sales of certain die attach systems for high end smart phone applications which could not be fully compensated by increased sales to Asian subcontractors of die attach and molding systems for low-end to mid-range smart phone and tablet applications. However, despite such shortfall, we increased our sales and market share in key products such as flip chip, epoxy and soft solder die bonding equipment and ultra thin molding systems for advanced packaging applications. These product lines are important to our future revenue growth as customers increase spending on wafer level and 3D stacked die solutions to (i) shrink next generation device geometries below 20 nanometers, (ii) significantly reduce power consumption requirements and (iii) increase chip density and functionality in such areas as smart phones, tablets, automotive electronics and the "Internet of Things". The strong forecasted growth of advanced packaging units and its increased importance to the industry is presented in the graph below:

ADVANCED PACKAGING SILICON DEMAND GROWTH & MARKET SHARE 2008 - 2017



We believe that Besi is well positioned with the right product strategy for projected advanced packaging growth as emerging trends play to the technological strengths of our systems.

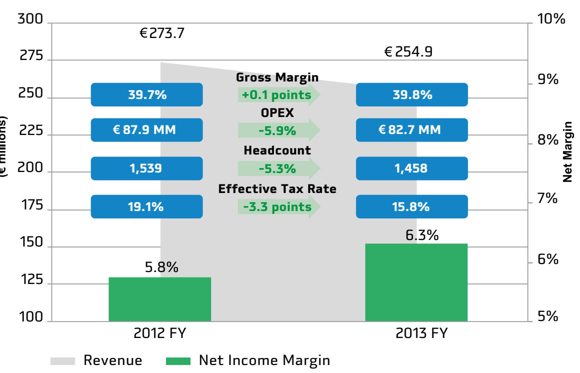
Operational transformation continues to enhance profitability of business model

Besi's operational strategy focuses on structural cost reduction and ever increased flexibility to profitability navigate high levels of industry volatility and competition. In 2013, we completed our Asian production transfer, further integrated our die attach operations and continued reducing European based costs. Such efforts reduced our revenue break even levels to approximately € 50 million per quarter by Q4-13 which represented a decline of approximately 10% compared to last year and 29% since 2010 and helped maintain stable gross margins despite lower revenue levels. Key operational highlights included:

- Execution and completion of Besi's 2012 restructuring plan.
- Completion of our Asian production transfer in Q3-13.
- Reduction of European headcount in 2013 by 9.6% and aggregate headcount by 5.3%.
- Reduction of average cost per production employee by 4.0%.
- Reduction of operating expenses by € 5.2 million or 5.9%.
- Completion of European operational restructuring which helped reduce effective tax rates.

Such operational improvements also enabled us to increase our net margins in 2013 despite lower revenue levels as is seen in the chart below:

OPERATIONAL PROGRESS YIELDS INCREASED EFFICIENCY



Further operational improvement anticipated in 2014

Our objective is to continue reducing break even revenue levels in 2014 to further optimize our business model and profitability. Initiatives have been implemented including:

- Expansion of our local Asian supply chain and outsourcing of certain system modules to local contract manufacturers.
- Adjustment of development programs to align more closely to customer roadmaps.
- Implementation of next generation product designs emphasizing common parts and common platforms.

Progress in new advanced packaging development

Besi's product strategy focuses on the development of advanced packaging systems as the driver of its future growth. Customer device shrinks below 20 nanometers, 3D technology and more complex functionality offer us both great revenue opportunities and technological challenges. As such, current development efforts address new assembly technologies such as Thermo Compression Bonding ("TCB"), Through Silicon Via ("TSV"), copper pillar and wafer level packaging. Besi made significant progress in 2013 with initial orders and volume shipments of TCB die bonders to multiple customers for memory applications. In 3D technology, we shipped 80+ Stacked Die die bonders to a large memory IDM. We also received a significant order from a large IDM for die attach systems assembling fingerprint sensors. Finally, we continued in 2013 our common

parts/platform activities designed to streamline development and manufacturing processes as well as shorten cycle times for the next generation of die bonding equipment.

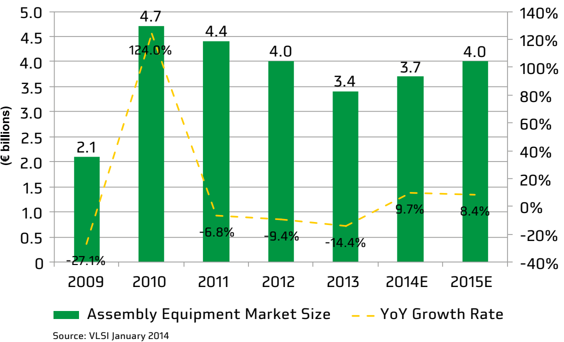
Appointment of Chief Technology Officer

Besi appointed Mr Ruurd Boomsma as Chief Technology Officer effective January 1, 2014 and also as a member of the Executive Committee. Ruurd will be responsible for the oversight of all development projects and further strengthening of Besi's technology and product offerings. Ruurd is a very experienced manager with over 28 years in the semiconductor equipment industry and high tech machine manufacturing industry for LCD and solar cell production equipment. He has a master's degree in semiconductor physics and has been involved in all business aspects of the industry worldwide including the development and introduction of several new equipment generations and full responsibility for the oversight of multiple global locations. His appointment helps fill an important slot in Besi's management team.

Outlook 2014

Many industry analysts and customers anticipate significantly increased spending over the next two years from the industry's move to smaller, more complex and higher performance devices. At the time of this report, VLSI Research expects that the semiconductor assembly equipment market will increase by 9.7% in 2014. From our perspective, the outlook has improved since Q3-13 as witnessed by an 18.8% sequential order increase in Q4-13 and continued order improvement through February 2014. We are cautiously optimistic as to the industry's direction in 2014 as customers are generally more positive this year than prior years as to the development of the global economy.

ASSEMBLY EQUIPMENT MARKET TRENDS

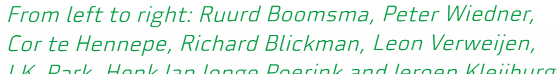


Source: VLSI January 2014

In a rapidly changing global landscape, Besi's business mandate is clear: we must continue to leverage our leading edge technology to provide new advanced packaging solutions and adjust our business model to effectively compete. That is how we will increase market share, enhance profitability, generate funds for ever increasing technological challenges and bring the highest value to our employees, customers, partners and shareholders. We thank you all for your continued support.

Board of Management
Richard W. Blickman

February 26, 2014



From left to right: Ruurd Boomsma, Peter Wiedner, Cor te Hennepe, Richard Blickman, Leon Verweijen, J.K. Park, Henk Jan Jonge Poerink and Jeroen Kleijburg.

Strategy

Strategy

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

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

1. Developing new products and markets.
2. Strengthening and expanding strategic long-term customer relationships.
3. Expanding Asian operations, materials sourcing and direct shipments.
4. Developing common platforms and common parts for its systems.
5. Achieving a more scalable, flexible and lower cost manufacturing model.
6. Selectively acquiring companies with complementary technologies and products.

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

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

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

In pursuing its product strategy, Besi uses its core competency to (i) increase revenue by expanding its addressable market and market share and (ii) maximize the return on its technology investment. Besi anticipates increasing its penetration of the mainstream assembly market in the near future given (i) its cost reduction and Asian manufacturing initiatives and (ii) increased direct shipments to Asian customers via the expansion of Asian production capabilities.

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

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

3. Expanding Asian operations, materials sourcing and direct shipments
In 2013, approximately 75% of revenue was derived from sales to Asian customer locations. Besi has significantly restructured its operations in recent years in an effort to improve profitability and better service a customer base that has migrated from Europe and North America to Asia. Besi's strategy focuses on the transfer of substantially all component sourcing, system manufacturing, product application engineering and tooling/spares operations to its Asian facilities. In this concept, product ownership and responsibility for new product development will remain at its European operations. Ultimately, only highly customized systems will continue to be produced in Europe for which Besi generates attractive gross margins.

The key priority for 2014 is to expand Besi's Asian supply chain network to help drive down raw material and component costs. Besi also plans to outsource certain system modules to local contract manufacturers to help reduce freight and labor costs as well as lower inventory and cycle times. Further, the completion of Besi's Asian production transfer and local materials sourcing should help better align Besi's US dollar/euro foreign currency exposure.

4. Developing common platforms and common parts for its systems

Besi is in the process of re-engineering several of its existing product platforms to reduce their overall cost and manufacturing cycle time through more standardized design and manufacturing processes. As part of the streamlining process, Besi has focused initially on the development of common parts and common platforms for its die bonding and packaging systems and to decrease 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 and (iv) shorten cycle times and lower warranty expense. In this manner, Besi expects to achieve additional labour cost, supply chain and working capital efficiencies.

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

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

6. Selectively acquiring companies with complementary technologies and products

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

III. Implementation of strategic initiatives

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

Development of new products and markets

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

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

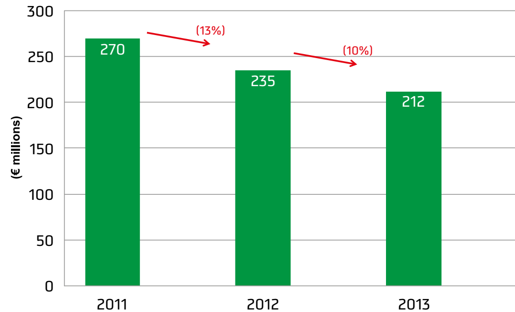
- Development and shipment of industry leading die bonding and molding systems for ultra thin packaging applications such as smart phones and tablets (2010/2011).
- Qualification and receipt of volume orders for die attach systems assembling 8 and 12 mega pixel lens cap camera modules to digital devices for smart phone and tablet applications (2011/2013).
- Receipt of first orders and shipment of thermo compression bonding ("TCB") equipment to assemble next generation <20 nanometer device geometries (2013).

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

Implementation of "One Besi" corporate organization

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

BREAK EVEN REVENUE LEVELS



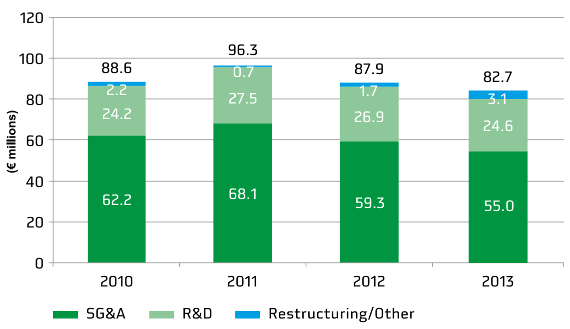
Reduction of structural costs in business model

In 2007, Besi agreed to fundamentally re-organize its global operations and management structure to streamline operations, improve returns from its product portfolio, reduce its break even cost levels and increase profitability. Since then, the Company has (i) significantly rationalized its manufacturing operations, (ii) reduced its unit manufacturing costs, (iii) transferred substantially

all of its European production to Asia, (iv) significantly reduced its European headcount and operations and (v) reduced break even cost levels such that it was profitable at a quarterly revenue level of approximately € 50 million by Q4-13. Key organizational changes included:

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

OPERATING EXPENSE TRENDS



Increased scale and flexibility in manufacturing operations

As a result of significant changes in Besi's Asian production capacity, supply chain and processes, it was able to ramp orders in 2011, 2012 and 2013 by 54%, 65% and 70%, respectively, from trough to peak in response to rapidly increased customer demand for assembly equipment. Similarly, Besi was able to downscale production by 37%, 47% and 42% from peak to trough in 2011, 2012 and 2013, respectively, while maintaining profitability. This manufacturing scalability and flexibility is unprecedented in Besi's history.

Expansion of Besi's Asian operations

To support its Asian production strategy, Besi has invested approximately € 20 million to expand its Asian production capacity including a significant upgrade of its Malaysian production facility and the construction and expansion of a dedicated Chinese tooling facility. As a consequence of its Asian capacity upgrade, Besi has significantly reduced its European and North American workforce, closed inefficient operations and transferred substantially all its European production and all its tooling capacity to its Malaysian and Chinese facilities over the past five years. The Asian production transfer has helped reduce labour and materials costs, increase manufacturing flexibility and scalability and improved delivery times to customers. To effect the transition, Besi:

- Terminated production at its Hungarian die bonding manufacturing facility and transferred it to its Malaysian facility (2009).
- Commenced the production transfer of epoxy die bonding system manufacturing from Switzerland to its Malaysian facility (2011) which was completed in 2012.
- Completed an approximate doubling of its Chinese production capacity to support increased tooling volumes and an approximately 50% increase in Malaysian manufacturing capacity (2012).
- Finalized the production transfer of epoxy die bonding systems to Malaysia (2012).
- Commenced the transfer of soft solder die bonding system production from Switzerland to Malaysia (2012).
- Produced over 90% of systems in Asia including the shipment of 86% of systems directly to customers from its Asian operations (2013).
- Completed the production transfer to Asia of its soft solder die bonding system (2013).

Completion of strategic acquisitions

Besi has made four important acquisitions since 2000:

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

Financial Review

Penthouse Room
RM228
13H1
13H3

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.

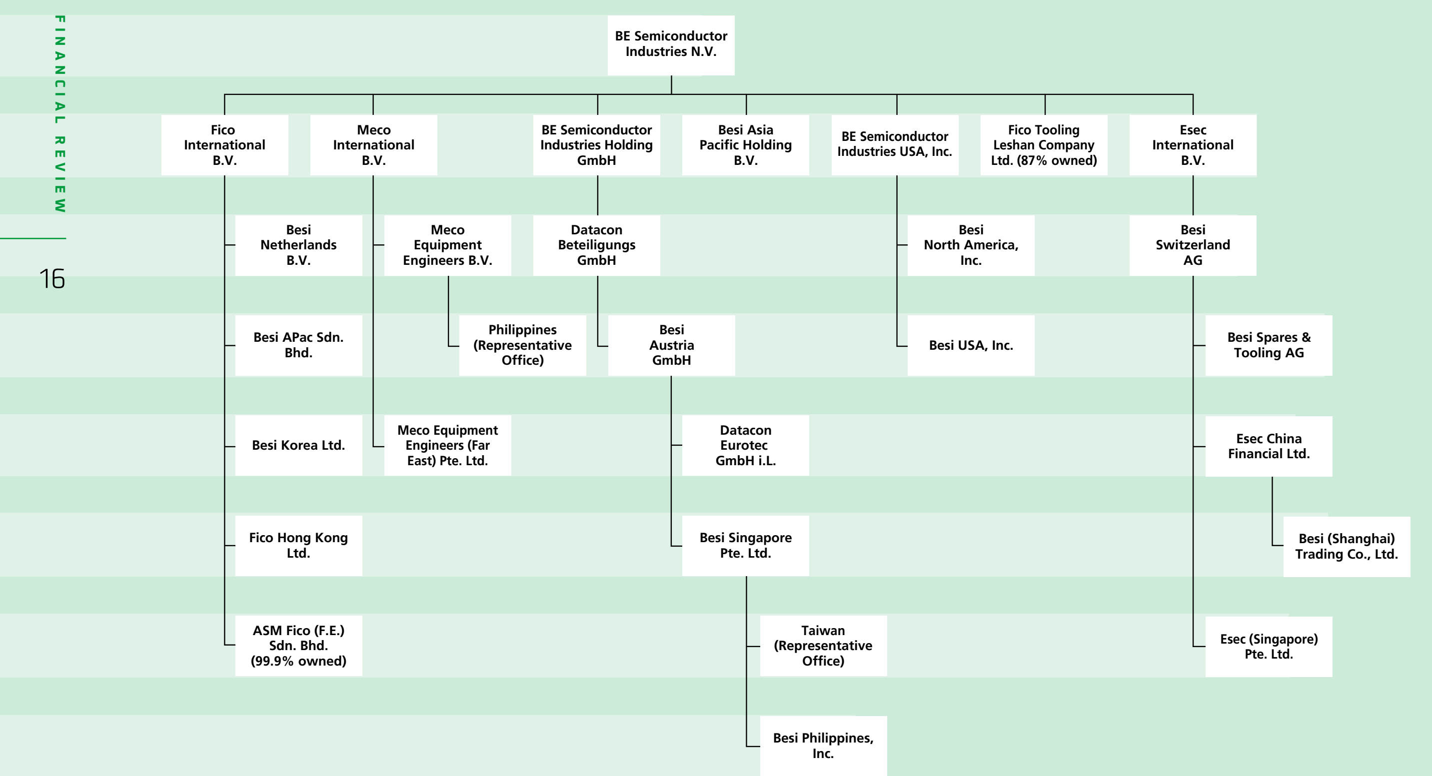
Besi's revenue and results of operations depend in significant part on the level of capital expenditures by semiconductor manufacturers, which in turn depends on the current and anticipated market demand for semiconductors and for products utilizing semiconductors. Demand for semiconductor devices and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

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

Besi's revenue is generated primarily by shipments to the Asian manufacturing operations of leading European and American semiconductor manufacturers and Taiwanese, Chinese, Korean and other Asian manufacturers and 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, 2013, one customer accounted for 9.7% of Besi's revenue and its three largest customers accounted for 26.2% of revenue. In addition, Besi derives a substantial portion of its revenue from products that have an average selling price in excess of € 300,000 and that have significant lead times between the initial order and delivery of the product. The timing and recognition of revenues from customer orders can cause significant fluctuations in operating results from quarter to quarter.

Corporate and financial structure

Besi's corporate organization consists of a Dutch holding company in which shareholders own Ordinary Shares and a network of predominantly wholly-owned subsidiaries located globally which reflects its product group and business activities around the world. The chart below presents Besi's legal organization as of December 31, 2013. To get a better overview of Besi's largest shareholders, reference is made to Besi Shareholder Information.



In general, Besi funds its operations through available cash on hand, cash generated from operations and, in some instances, funds the operations of its subsidiaries through intercompany loans. In addition, some of its subsidiaries maintain lines of credit with various local commercial banks to meet their internal working capital needs. Please refer to pages 20 and 21 for a detailed analysis of Besi's financial structure at December 31, 2013.

Organizational restructuring and integration activities

Restructuring activities

In order to improve its profitability and scalability in light of volatility in uncertain semiconductor markets, Besi announced a headcount reduction plan in October 2012 to reduce its personnel costs by € 11 million on an annualized basis. The plan called for a reduction of approximately 13% of Besi's total worldwide headcount of 1,674 at June 30, 2012, of which approximately 55% represented a decrease of temporary personnel and the balance from contract personnel. The plan focused primarily on the reduction of temporary production personnel in Asia and contract and temporary personnel in Europe including the rationalization of Besi's plating operations and the further integration of its die attach activities. Substantially all of the headcount reduction took place before the end of Q1-13. Besi incurred charges of approximately € 3.2 million in connection with the plan of which approximately € 2.1 million was recorded in Q4-12 and of which € 0.3 million was incurred in Q3-12. The remaining balance of € 0.8 million was incurred in 2013.

Integration of acquisitions

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

Results of operations

2013 compared to 2012

Besi's results of operations and financial condition in the 2012-2013 period was greatly influenced by volatility in the global economy and customer order patterns which caused its revenue, orders and profit levels to vary significantly on a quarterly and semi annual sequential basis in each year.

In each of the first half of 2012 and 2013, orders and profits accelerated as compared to the prior semi annual period as customers, particularly Asian subcontractors, significantly increased demand for incremental semiconductor assembly capacity to meet rising orders for smart phone, tablet, and automotive applications. However, in each year, the upcycle ended by early summer as customers once again became cautious in placing new orders as a result of concerns stemming from instability in the euro zone, US fiscal issues and the outlook for the Chinese economy. Quarterly order patterns have also become increasingly more seasonal due to the growing influence of more retail oriented electronics applications in the overall demand for semiconductor devices such as smart phones, tablets and automotive electronics. This seasonality has also contributed to the significant upward and downward movement in quarterly and semi annual revenue and net income.

Revenue/Orders

(euro in millions)	Year ended December 31, 2013	2012	% Change 2013/2012
Revenue	254.9	273.7	(6.9%)
Orders	251.9	276.1	(8.8%)

Besi's revenue declined by € 18.8 million (6.9%) in 2013 as compared to 2012 principally due to lower sales of multi module die attach systems for high end smart phones which could not be fully compensated by increased die attach and packaging equipment sales for low-end to mid-range smart phone and tablet applications. Despite the overall decline, Besi experienced sales and market share growth for its flip chip, epoxy and soft solder die bonding and ultra thin molding systems to support increased smart phone and automotive electronics demand.

Orders for 2013 decreased by € 24.2 million (8.8%) as compared to 2012 due primarily to continued customer caution in adding new capacity as a result of global macro-economic concerns. Orders by subcontractors and IDMs represented 51% and 49%, respectively, of Besi's total orders in 2013 as compared to 57% and 43%, respectively, in 2012.

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.

(euro in millions)				2012				2013
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Revenue	55.8	87.0	74.6	56.3	64.0	72.4	65.4	53.1
Orders	84.2	91.1	48.7	52.0	63.9	82.7	48.2	57.2
Net income	0.2	10.0	4.3	1.2	3.8	6.5	4.4	1.4
Ending backlog	79.1	83.2	57.3	53.0	52.8	63.1	45.8	50.0

Backlog decreased from € 53.0 million at December 31, 2012 to € 50.0 million at December 31, 2013 although quarterly levels fluctuated significantly during the year reflecting customer order patterns and industry volatility. The book-to-bill ratio decreased to 0.99x in 2013 as compared to 1.01x in 2012.

Gross profit

Besi's gross profit as a percentage of revenue for the years ended December 31, 2013 and 2012, respectively, were as follows:

(euro in millions)			Year ended December 31,		% Change
	2013	% revenue	2012	% revenue	2013/2012[1]
Gross profit	101.5	39.8%	108.7	39.7%	0.1%

[1] Change in absolute percentage points

Gross profit decreased by € 7.2 million, or 6.6% to € 101.5 million in 2013 primarily as a result of the 6.9% year over year revenue decrease. Gross margins improved to 39.8% despite the revenue decline and a 3.6% depreciation of the USD versus the euro in the second half of 2013. The improved margin was due primarily to (i) a 12.8% decrease in European production personnel related to Besi's Asian production transfer and die attach integration activities, (ii) the absence of € 0.7 million restructuring charges incurred in 2012 and (iii) lower freight and materials costs.

Selling, general and administrative expenses

The details of Besi's selling, general and administrative ("SG&A") expenses for the years ended December 31, 2013 and 2012, respectively, were as follows:

(euro in millions)			Year ended December 31,		% Change
	2013	% revenue	2012	% revenue	2013/2012[1]
SG&A expenses	57.9	22.7%	60.5	22.1%	0.6%
Restructuring charges	(0.7)	(0.3%)	(1.2)	(0.5%)	0.2%
Amortization of intangible assets	(2.1)	(0.8%)	(2.8)	(1.0%)	0.2%
Non-recurring charge[2]	(2.2)	(0.9%)	-	-	(0.9%)
Adjusted SG&A expenses	**52.9**	**20.7%**	**56.5**	**20.6%**	**0.1%**

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

Total SG&A expenses decreased by € 2.6 million or 4.3% in 2013 versus 2012 and represented 22.7% of revenue as compared to 22.1% of revenue in 2012. The 2013 decrease was due primarily to (i) lower selling, marketing and service expenses of € 6.6 million primarily as a result of lower European and sales & marketing personnel and, to a lesser extent, lower travel and freight costs due to increased Asian direct shipments and (ii) lower restructuring costs of € 0.5 million. This cost reduction was partially offset by € 3.7 million higher general and administrative expenses due primarily to a € 2.2 million non-recurring charge related to the theft of funds from a Besi North America bank account in Q4-13, the absence of a € 1.0 million lease termination benefit in the 2012 period and higher warranty costs of € 0.8 million due to the Asian production transfer. On an adjusted basis, Besi's SG&A expenses decreased by € 3.6 million, or 6.3% in 2013 versus 2012 and represented 20.7% of revenue as compared to 20.6% in 2012.

Research and development expenses

Set forth below are the details of Besi's research and development ("R&D") activities for the years ended December 31, 2013 and 2012, respectively:

(euro in millions)			Year ended December 31,		% Change
		2013		2012	2013/2012[1]
		% revenue		% revenue	
R&D expenses	24.8	9.7%	27.3	10.0%	(0.3%)
Capitalization of development costs	7.9	3.1%	11.5	4.2%	(1.1%)
Amortization of development costs	(2.7)	(1.0%)	(4.6)	(1.7%)	0.6%
Restructuring charges	(0.2)	(0.1%)	(0.5)	(0.2%)	0.1%
Adjusted R&D expenses, net	**29.8**	**11.7%**	**33.7**	**12.3%**	**(0.7%)**

[1] Change in absolute percentage points

In 2013, Besi's R&D expenses decreased by 9.5% as compared to 2012 and, as a percentage of revenue, decreased to 9.7% versus 10.0% in 2012. R&D expenses for 2013 and 2012 included restructuring charges of € 0.2 million and € 0.5 million, respectively, related primarily to the termination of personnel associated with the integration of Besi's European die attach activities. Adjusted R&D expenses declined by € 3.9 million to reach € 29.8 million in 2013 primarily due to the reduction of fixed and temporary personnel as a result of the further integration of Besi's European die attach activities.

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, 2013	2012
Cost of sales	(0.1)	0.7
SG&A expenses	0.7	1.2
R&D expenses	0.2	0.5
Total	**0.8**	**2.4**

Total restructuring charges decreased from € 2.4 million in 2012 to € 0.8 million in 2013 and related primarily to actions taken under the October 2012 plan.

In order to improve its profitability and scalability in light of volatility in uncertain semiconductor markets, Besi announced a headcount reduction plan in October 2012 to reduce its personnel costs by € 11 million on an annualized basis. The plan called for a reduction of approximately 13% of Besi's total worldwide headcount of 1,674 at June 30, 2012, of which approximately 55% represented a decrease of temporary personnel and the balance from contract personnel. Substantially all of the headcount reduction took place before the end of Q1-13. Besi incurred charges of approximately € 3.2 million in connection with the plan of which approximately € 2.1 million was recorded in Q4-12 and of which € 0.3 million was incurred in Q3-12. The remaining balance of € 0.8 million was incurred in 2013.

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 in the case that a trigger for impairment occurs. No impairment charges were recorded in 2013 or 2012.

Operating income

Besi reported operating income of € 18.9 million in 2013 as compared to € 20.8 million in 2012. Set forth below is a table presenting Besi's operating income for 2013 and 2012 and as adjusted for all restructuring and non-recurring charges incurred during each respective period.

(euro in millions)	Year ended December 31, 2013	2012
Operating income	18.9	20.8
% of revenue	7.4%	7.6%
Restructuring charges	0.8	2.4
Non-recurring charge	2.2	
Adjusted operating income	**21.9**	**23.2**
% of revenue	8.6%	8.5%

Besi incurs annual patent and other identifiable asset amortization charges related to the acquisitions of various product lines and its capitalization of certain development costs. Such charges were € 3.3 million in 2013 as compared to € 5.1 million in 2012.

Financial income (expense), net

The components of Besi's financial income (expense), net, for the years ended December 31, 2013 and 2012, respectively, were as follows:

(euro in millions)	Year ended December 31, 2013	2012
Interest income	0.8	1.0
Interest expense	(0.5)	(0.9)
Interest income (expense), net	**0.3**	**0.1**
Foreign exchange gains (losses), net	0.0	(1.4)
Financial income (expense), net	**0.3**	**(1.3)**

Besi's financial income (expense), net, improved from an expense of € 1.3 million in 2012 to a gain of € 0.3 million in 2013 primarily due to a significant reduction in foreign exchange losses resulting from hedging activities in Besi's principal transactional currencies and, to a lesser extent, a reduction in interest expense due to lower aggregate borrowing levels outstanding.

Income taxes (benefit)

Besi recorded income taxes of € 3.0 million in 2013 and € 3.7 million in 2012 with effective tax rates of 15.8% and 19.1%, respectively. The 2013 effective tax rate was lower than 2012 due to an operational restructuring of its European die attach subsidiaries.

Net income

Besi's net income for 2013 was € 16.1 million as compared to € 15.8 million in 2012. Set forth below is a table presenting Besi's reported net income for 2013 and 2012 and as adjusted for all restructuring and non-recurring charges incurred during each respective period.

(euro in millions)	Year ended December 31, 2013	2012
Net income as reported	16.1	15.8
Restructuring charges	0.8	2.4
Non-recurring charge, net of tax	2.0	-
Adjusted net income (loss)	**18.9**	**18.2**
% of revenue	7.4%	6.6%

Besi's net income in 2013 increased by € 0.3 million versus 2012 primarily due to (i) lower production and overhead costs from its Asian production transfer and further integration of its European die attach operations, (ii) € 1.6 million of decreased restructuring costs, (iii) € 1.6 million of increased financial income, net, and (iv) a lower effective tax rate partially offset by (i) an € 18.8 million revenue reduction between the comparable periods and (ii) a € 2.0 million non-recurring charge, net of taxes, related to the theft of monies from a Besi North America subsidiary.

Balance sheet, cash flow development and financing

Cash flow

Besi's net cash position (cash and cash equivalents less total debt and capital lease obligations) decreased from € 79.5 million at December 31, 2012 to € 71.0 million at December 31, 2013 primarily due to:

- € 11.2 million of cash dividends paid to shareholders.
- € 7.9 million of capitalized development expenses funded.
- € 7.6 million of borrowings repaid.
- € 3.9 million of net capital expenditures made.
- € 2.7 million of shares repurchased.

Uses of cash in 2013 were partially offset by:

- € 18.1 million of cash flow generated by operations.

Working capital

Besi's working capital excluding cash and debt increased from € 78.4 million at December 31, 2012 to € 85.2 million at December 31, 2013 due primarily to a decrease of accrued liabilities and payables of € 13.9 million and an increase in other assets of € 2.0 million partially offset by a € 4.9 million reduction in accounts receivable and a € 4.2 million reduction in inventories, particularly in the second half of 2013.

Capital expenditures

Besi's capital expenditures, net of dispositions, were € 4.9 million and € 3.9 million in 2012 and 2013, respectively. Besi's capital expenditures in 2013 consisted primarily of production equipment for the upgrading and expansion of its Malaysian and Chinese production capacity. Besi expects capital expenditures in 2014 of approximately € 4.9 million primarily focused on expenditures to maintain and upgrade its Asian production capacity.

Financing

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

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

External financing structure

At December 31, 2013, Besi had € 18.7 million of total indebtedness outstanding, of which € 15.6 million related to bank lines of credit and € 3.1 million related to capital and financing leases for equipment. Management does not foresee any issues in refinancing or redeeming its current indebtedness outstanding given its cash position of € 89.6 million at December 31, 2013 relative to its total indebtedness at such date and cash flow generation prospects for 2014.

Bank lines of credit

At December 31, 2013, Besi and its subsidiaries had available lines of credit aggregating € 39 million, under which € 22.4 million of borrowings were outstanding (of which € 15.6 million relates to notes payable to banks and the remaining balance of € 6.8 million relates amongst others to bank guarantees). Interest is charged at the banks' base lending rates or Euribor plus an increment between 0.3% and 0.7%. All its credit facility agreements include covenants requiring Besi to maintain certain financial positions or financial ratios and have no stated contractual maturity. Besi and all of its applicable subsidiaries were in compliance with all loan covenants at December 31, 2013. In case of a covenant breach the respective banks are entitled to redeem in the credit lines.

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

- € 16.7 million of Besi's credit lines relate to Besi Austria GmbH and are without recourse to the parent company. Consistent with past practice, Besi Austria GmbH utilizes short-term bank lines of credit, long-term loans and government-granted loans for export and research and development activities. The principal restrictive covenant associated with this bank line is a minimum ratio of equity to total assets.

- € 8.6 million of Besi's credit lines relate to its Asian manufacturing operations and are secured by a pledge of the land, buildings, inventories, receivables and other current and future assets of Besi APac Sdn. Bhd. and are without recourse to the parent company. The principal restrictive covenants under the credit line include a minimum level of tangible net worth, a maximum gearing ratio, a maximum receivables aging and a requirement that Besi APac Sdn. Bhd. remains a 100% owned subsidiary of BE Semiconductor Industries N.V. at all times.

- € 8.0 million of Besi's credit lines relate to its Dutch subsidiaries and are secured by a pledge of inventories and accounts receivable and a parent company guarantee. The principal restrictive covenants contained in each Dutch line of credit include a solvency ratio, a ratio of net cash to EBITDA and a current ratio, all of which are calculated on a consolidated Besi level.

- € 5.7 million of Besi's credit lines relate to Besi Switzerland AG which utilizes its facility primarily for working capital purposes including export guarantees, documentary credits and foreign exchange contracts. The facility is secured by a parent company guarantee.

Dividends

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

Due to Besi's earnings and cash flow generation in 2012, the Board of Management proposed and Besi paid a dividend to shareholders in cash equal to € 0.30 per share in May 2013 (of which € 0.08 per share represented a special dividend) which resulted in cash payments to shareholders of record of € 11.2 million in 2013.

Due to Besi's earnings and cash flow generation in 2013, the Board of Management has proposed a cash dividend of € 0.33 per share for the 2013 year for approval at Besi's Annual General Meeting of Shareholders on April 30, 2014.

The payments for the year 2012 and proposed for the year 2013 represent a dividend payout ratio relative to net income of 71% and 77%, respectively.

Share repurchase program

In October 2012, Besi announced a share repurchase program under which it may buy back up to approximately 1.5 million Ordinary Shares on the open market from time to time and depending on market conditions. Besi commenced the program in light of the price of its shares relative to anticipated future earnings as well as to further reduce share dilution resulting from the conversion of its Convertible Notes in 2011. In 2013, Besi purchased 429,540 shares at a weighted average price of € 6.37 per share for € 2.7 million. In aggregate, Besi has shareholder authorization to purchase up to 10% of its Ordinary Shares outstanding (approximately 4.0 million shares) until October 2014.

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

Director's Statement of Responsibilities

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

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

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

Richard W. Blickman

Besi Shareholder Information

Besi Shareholder Information

NYSE Euronext Amsterdam Listing

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

	2013	2012
Number of Ordinary Shares, net of shares held in treasury	37,306,966	37,629,148
Average daily shares traded	100,879	42,110
Highest closing price (in euro)	9.04	6.23
Lowest closing price (in euro)	5.62	5.15
Year end share price (in euro)	8.22	5.79

OTCQX listing

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

Besi's equity structure

At the end of 2013, the number of issued and outstanding Ordinary Shares was 40,033,921 of which Besi held 2,726,955 shares in treasury.

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

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

Issuance of Ordinary Shares and pre-emptive rights

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

Currently, the General Meeting of Shareholders has delegated its authority to the Board of Management until May 14, 2015, subject to the prior approval of the Supervisory Board, to issue Ordinary Shares up to a maximum of 10% of the Ordinary Shares in Besi's issued share capital.

Shareholders have a pro-rata pre-emptive right of subscription to any Ordinary Shares issued for cash, which right may be limited or excluded. Shareholders have no pro-rata pre-emptive subscription rights with respect to (i) any Ordinary Shares issued for contributions other than cash, (ii) any issuance of Preference Shares, or (iii) Ordinary Shares issued to employees. On the basis of a designation by the General Meeting of Shareholders, the Board of Management has the power, subject to approval of the Supervisory Board, to limit or exclude shareholder pre-emptive rights through May 14, 2015, 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 above. However, an issuance of Preference Shares will require prior approval of the General Meeting of Shareholders if it would result in an outstanding amount of Preference Shares exceeding 100% of the outstanding amount of Ordinary Shares and the issuance is effected pursuant to a resolution of a corporate body other than the General Meeting of Shareholders, such as the Board of Management. Furthermore, within two years after the first issuance of such Preference Shares, a General Meeting of Shareholders will be held to determine the repurchase or cancellation of the Preference Shares. If no such resolution is adopted, another General Meeting of Shareholders with the same agenda must be convened and held within two years after the previous meeting and this meeting will be repeated until no Preference Shares are outstanding. This procedure does not apply to Preference Shares that have been issued pursuant to a resolution by, or with the prior approval of, the General Meeting of Shareholders.

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

The Foundation

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

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

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

Voting rights

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

Repurchase and cancellation of shares

Pursuant to a resolution by the Board of Management, the Company may repurchase any class of shares in its own capital subject to certain provisions of Dutch law and its articles of association, if (i) shareholders' equity less the payment required to make the acquisition does not fall below the sum of the paid-up and called part of the issued share capital and any reserves required by Dutch law or Besi's articles of association and (ii) the Company and its subsidiaries would thereafter not hold shares with an aggregate nominal value exceeding 10% of the Company's issued share capital. Shares held by the Company or any of its subsidiaries will have no voting rights and the Company may not receive dividends on shares it holds of its own capital. Any such purchases are subject to the approval of the Supervisory Board and may only take place if the General Meeting of Shareholders has granted the Board of Management the authority to effect such repurchases, which authorization may apply for a maximum period of 18 months. The Board of Management is currently authorized to repurchase up to 10% of Besi's issued share capital through October 24, 2014.

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

Change of control provisions in significant agreements

As of December 31, 2013, there was no change of control provision contained in any of Besi's material agreements.

Dividend policy

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

Due to Besi's earnings and cash flow generation in 2012, the Board of Management proposed and Besi paid a cash dividend of € 0.30 per share of which € 0.08 represented a special dividend which resulted in cash payments to shareholders of € 11.2 million in May 2013.

Due to Besi's earnings and cash flow generation in 2013, the Board of Management has proposed a cash dividend of € 0.33 per share for the 2013 year for approval at Besi's Annual General Meeting of Shareholders on April 30, 2014.

The payments for the year 2012 and proposed for the year 2013 represent a dividend payout ratio relative to net income of 71% and 77%, respectively.

3% ownership interests in the Ordinary Shares

Under the Dutch Financial Supervision Act (Wet op het financieel toezicht, "Wft"), the following parties/persons have notified the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, or "AFM") of their interests:

T.W.E. Beheer B.V.	
Notification effective March 11, 2014	9.37%
D. Lindenbergh	
Notification effective December 19, 2008	6.62%
Darlin N.V.	
Notification effective December 19, 2008	5.86%
Project Holland Beheer B.V.	
Notification effective June 29, 2011	5.25%
BE Semiconductor Industries N.V.	
Notification effective August 16, 2011	5.12%
JP Morgan Asset Management Holdings Inc.	
Notification effective June 10, 2011	4.95%
ING Fund Management B.V.	
Notificiation effective July 1, 2013	4.30%
Old Mutual plc	
Notification effective December 11, 2013	4.19%
Dimensional Fund Advisors LP	
Notification effective July 1, 2013	3.32%
Via Finis Invest B.V.	
Notification effective May 2, 2012	3.16%

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

Liquidity providers

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

Analysts

The following sell side analysts cover Besi's shares:

ABN AMRO Bank N.V.	- Marc Hesselink
Canaccord Genuity Inc.	- Josh Baribeau
ING Bank N.V.	- Robin van den Broek
Kepler Cheuvreux	- Peter Olofsen
SNS Securities N.V.	- Edwin de Jong

Investor relations

Besi uses a range of activities to initiate and maintain contacts with investors. After publication of its annual and quarterly results, roadshows are held in the Netherlands and other countries to meet existing and potential new institutional investors. Besi is represented at these roadshows by the CEO and/or the Senior Vice President Finance. Planned roadshows can be found on the Besi website where the presentations given are also available. Contacts with institutional investors are further maintained by means of conference calls, conferences organized by brokers and Euronext and by investor visits to Besi. A total of 148 meetings with institutional investors were held in 2013 including roadshows, conference calls and broker conferences.

Important investor relations dates in 2014 that are currently planned (subject to change) are as follows:

April 30, 2014	Annual General Meeting of Shareholders,to be held at Besi in Duiven at 2.00 p.m.
April 30, 2014	2014 first quarter results
July 31, 2014	2014 second quarter results
October 30, 2014	2014 third quarter results
February 2015	2014 fourth quarter and annual results

Prevention insider trading

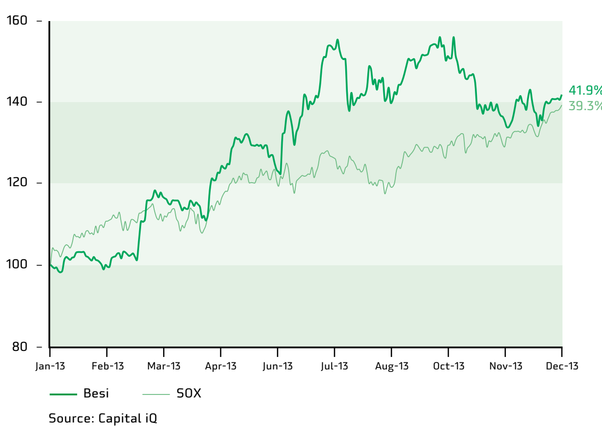
In view of its share listing on NYSE Euronext Amsterdam, Besi is required to prevent the use of inside information by its Supervisory Board, the Board of Management and other specified persons who have access to price-sensitive information, including key staff members. The group of persons to whom this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

Besi Incentive Plan

Besi may grant Performance Shares on an annual conditional basis to members of the Board of Management, executive employees and officers under the current Besi Incentive Plan. Further information on this subject is given on pages 52 to 55 of this Annual Report.

Besi share price development

BESI'S SHARE PRICE VS. SOX
(Since January 1, 2013, Rebased to 100)



Source: Capital iQ

BESI'S SHARE PRICE VS. SOX
(Since January 1, 2011, Rebased to 100)

Source: Capital iQ

Risks and Risk Management

Risks and Risk Management

Risk management is a very important part of doing business in today's world. Over the past five years, the importance of risk management and control systems has grown substantially for Besi as a result of its increased size and complexity, changing market conditions and substantial expansion of its business operations outside of Europe. In addition, Besi's risk management and control systems have been designed to address and help limit the risk factors described commencing on page 28. In 2013, the most important components of Besi's internal risk management and control system were:

- An extensive and documented process for preparing its annual budget, quarterly estimates and reports of its monthly financial and non-financial information compared with the budgeted and quarterly estimated information.
- Monthly business reviews with product group and production site managers with respect to their monthly and quarterly bookings, revenue, backlog, working capital and results of operations together with discussions of general market, economic, technological 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 are discussed with our Audit Committee and Supervisory Board including the:

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

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

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

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

Insurance policies are in place to cover the typical business risks associated with Besi's operations. These policies are reviewed every year. Besi's policies regarding foreign currency hedging, interest rate, credit, market and liquidity risks are further described in the Financial Statements on pages 99 to 105.

On December 11, 2013, Besi discovered a theft of monies from a bank account managed by one of its US subsidiaries. It promptly commenced an investigation, retained legal counsel and contacted local and federal authorities in connection therewith. The maximum potential exposure to Besi from the theft is approximately € 2.2 million which includes legal fees but excludes any insurance recovery. Consequently, Besi took a € 2.2 million charge to earnings in the fourth quarter of 2013. The investigation is ongoing. As a result of the theft, management moved substantially all monies to the holding company level and implemented a variety of new procedures related to the oversight of corporate bank accounts and the processing of customer payments in order to reduce the likelihood of such a loss from occurring again in the future. There were no indications that Besi's risk management and control systems did not function properly in 2013.

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

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

The world's financial markets experienced significant turmoil in 2008 and 2009 resulting in reductions in available credit and increased costs related thereto, extreme volatility in security prices, changes to existing credit terms, rating downgrades of investments and reduced

valuations of securities generally. Besi's order backlog, profit and liquidity position in 2008 and 2009 were materially adversely affected by this global economic and financial market turmoil which greatly reduced demand for Besi's assembly equipment as many customers deferred spending on new assembly technologies and opted to retrofit/extend current capacity instead of ordering additional assembly production capacity. Between 2010 and 2013, sovereign debt concerns involving euro zone countries significantly adversely affected global economic conditions which, in turn, had a negative impact on demand for semiconductor devices and semiconductor manufacturing equipment.

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

Future economic downturns could adversely affect Besi's customers and suppliers which would in turn have an impact on its business and financial condition.

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

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

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

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

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

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

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

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

and will continue to adversely affect Besi's revenue, results of operations and backlog.

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

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

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

Besi's backlog at any particular date may not be indicative of its future operating results.
Besi's backlog was € 50.0 million at December 31, 2013. The orders in Besi's backlog are subject to cancellation by the customer at any time upon payment of a negotiated charge. During market downturns, semiconductor manufacturers historically have cancelled or deferred additional equipment purchases. In the 2008-2009 downturn, Besi's backlog declined by approximately 47% between year end 2007 and 2008. As a result of downturns in 2011, 2012 and 2013, Besi's backlog declined by approximately 63%, 37% and 27%, respectively, from highest to lowest quarterly level during each industry cycle. In addition, because of the possibility of changes in delivery schedules, cancellations of orders and delays in product shipments, Besi's backlog at any particular date may not be representative of actual revenues for any succeeding period. Besi's current and future dependence on a limited number of customers increases the revenue impact of each customer's delay or deferral activity.

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

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

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

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

A limited number of customers have accounted for a significant percentage of Besi's revenue, and its future revenue could decline if it cannot maintain or replace these customer relationships.
Historically, a limited number of Besi's customers has accounted for a significant percentage of its revenue. In 2013, Besi's three largest customers accounted for approximately 26.2% of its revenue, with the largest customer accounting for approximately 9.7% of its revenue. Besi anticipates that its results of operations in any given period will continue to depend to a significant extent upon revenue from a relatively limited number of customers. In addition, Besi anticipates that the composition of such customers will continue to vary from year to year so that the achievement of its long-term goals will require the maintenance of relationships with Besi's existing clients and obtaining additional customers on an ongoing basis. Besi's failure to enter into and realize revenue from a sufficient number of customers during a particular period could have a significant adverse effect on Besi's revenue.

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

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

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

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

Costs of product defects and errata (deviations from product specifications) due to, for example, problems in Besi's design and manufacturing processes could include:

- Writing off the value of inventory.
- Disposing of products that cannot be fixed.
- Retrofitting products that have been shipped.
- Providing product replacements or modifications.
- Defending against litigation.

Besi may fail to compete effectively in its market.
Besi faces substantial competition on a worldwide basis from established companies based in Japan, Korea, Singapore, China, various other Pacific Rim countries and the United States, many of which have greater financial, engineering, manufacturing and marketing resources than Besi. Besi believes that once a semiconductor manufacturer has decided to buy semiconductor assembly equipment from a particular vendor, the manufacturer often continues to use that vendor's equipment in the future. Accordingly, it is often difficult to achieve significant sales to a particular customer once another vendor's products have been installed. Furthermore, some companies have historically developed, manufactured and installed back-end assembly equipment inter-

nally, and it may be difficult for Besi to sell its products to these companies.

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

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

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

Besi must introduce new products in a timely fashion and its success is dependent upon the market acceptance of these products.

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

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

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

Besi is largely dependent upon its international operations.

Besi has manufacturing and/or sales and service facilities and personnel in the Netherlands, Austria, Malaysia, Korea, Hong Kong, Singapore, China, the Philippines, Taiwan, Switzerland and the United States. Its products are marketed, sold and serviced worldwide. In addition, 88% of its sales in 2013 were to customers outside of Europe and 59% of its employees were located in facilities outside of Europe at year end 2013.

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

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

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

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

Besi currently utilizes a variety of information technology ("IT") systems to run its global operations. At present, Besi's operations rely on a range of different software systems to manage its sales, administrative and production functions. Some of these systems are proprietary and others are purchased from third party vendors. In addition, some of these systems are maintained on site by Besi's personnel while others are maintained off-site by third-parties. Besi has also rolled out an Enterprise Resource Planning ("ERP") system on a phased basis throughout the organization. The ERP system will provide it with a more open, standardized and cost-effective IT

environment which will allow Besi to unify many of its global systems and procedures. Implementation of ERP software is a process that often involves a significant resource commitment and is subject to a number of risks. Additionally, some projects are managed by third parties and Besi may have limited insight into issues relating to the specific project. Besi cannot exclude the possibility that implementation projects may take longer than planned, that shortages of trained consultants or resources for development may occur or that the costs may exceed the fees it had planned for software implementation.

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

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

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

The following table sets forth Besi's revenue and costs and expenses by principal functional currency for 2012 and 2013:

	Revenue		Costs and Expenses	
	2013	**2012**	**2013**	**2012**
Euro	28%	28%	34%	34%
US dollar	71%	71%	7%	7%
Swiss franc	-	-	26%	28%
Malaysian ringgit	-	-	22%	21%
Other	1%	1%	11%	10%
Total	**100%**	**100%**	**100%**	**100%**

Besi's principal functional and reporting currency is the euro. In 2012 and 2013, Besi's revenue denominated in euro represented 28% each year of its total revenue while its costs and expenses denominated in euro represented 34% each year. The majority of its revenue is denominated in US dollars while the majority of its costs and expenses is denominated in currencies other than the euro such as the Malaysian ringgit, Swiss franc, Chinese yuan and other currencies. 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 value of the euro against the US dollar, Swiss franc and Malaysian ringgit. Over the past five years, the value of the US dollar has declined significantly in comparison with the euro which has adversely affected Besi's results of operations. Besi's currency exposure to the Swiss franc commenced on a material basis with the acquisition of Esec in April 2009 and has fluctuated on an annual basis versus the euro.

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

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

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

On December 11, 2013, Besi discovered a theft of monies from a bank account managed by one of its US subsidiaries. It promptly commenced an investigation, retained legal counsel and contacted local and federal authorities in connection therewith. The maximum potential exposure to Besi from the theft is approximately € 2.2 million which includes legal fees but excludes any insurance recovery. Consequently, Besi took a € 2.2 million charge to earnings in Q4-13. The investigation is ongoing. As a result of the theft, management moved substantially all monies to the holding company level and implemented a variety of new procedures related to the oversight of corporate bank accounts and the processing of customer payments in order to try to reduce the likelihood of such a loss from occurring again in the future. There were no indications that Besi's risk management and control systems did not function properly in 2013. However, there can be no assurance that situations will not arise in the future that could compromise the integrity of Besi's internal controls and systems which could affect investor confidence in Besi and the price of its Ordinary Shares.

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

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

Besi may incur restructuring charges of a material nature that could adversely affect its results of operations.
Commencing in 2007, Besi has undergone an organizational transformation which has involved a series of related restructuring efforts and initiatives designed to reduce its cost structure, increase its profitability and enhance its competitive position. Between 2007 and 2013, Besi incurred restructuring charges aggregating € 24.3 million of which € 0.8 million were incurred in 2013. There can be no assurance that Besi's restructuring efforts will achieve the benefits it seeks, including lower quarterly structural cost levels without placing additional burdens on its management, design and manufacturing teams and operations. In addition, Besi may engage in additional restructuring efforts which could result in additional charges in the future in amounts which could exceed specified estimates. Restructuring charges have adversely affected, and could in the future continue to adversely affect, Besi's results of operations for the periods in which such charges have been, or will be, incurred.

Any significant disruption in Besi's operations could reduce the attractiveness of its products and result in a loss of customers.
The timely delivery and satisfactory performance of Besi's products are critical to its operations, reputation and ability to attract new customers and retain existing customers. Besi's administrative, design and systems manufacturing are located all over the world, including locations in the Netherlands, Malaysia, Philippines, Austria, China, Switzerland and the United States. Some of Besi's facilities are in locations that have experienced severe weather conditions, fire, natural disasters, political unrest and/or terrorist incidents. If the operations at any of its facilities were damaged or destroyed as a result of

any of the foregoing, or as a result of other factors, Besi could experience interruptions in its service, delays in product deliveries and Besi would likely incur additional expense in arranging new production facilities which may not be available on timely or commercially reasonable terms, or at all. Any interruptions in Besi's operations or delays in delivering its products could harm its customer relationships, damage its brand and reputation, divert its employees' attention, reduce its revenue, subject it to liability and cause customers to cancel their orders, any of which could adversely affect Besi's business, financial condition and results of operations. It is unclear whether Besi's insurance policies would adequately compensate it for any losses that it would incur as the result of a service disruption or delay.

Besi may not be able to protect its intellectual property rights which could make it less competitive and cause it to lose market share.

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

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

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

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

Anti-takeover provisions could delay or prevent a change of control including a takeover attempt that might result in a premium over the market price for Besi's Ordinary Shares.

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

Corporate Responsibility

Corporate Responsibility

1. CR vision

For Besi, Corporate Responsibility ("CR") means exceeding customers' expectations while achieving the best possible balance between ecological, social and economic outcomes. We recognize our responsibility to our customers and shareholders, our employees and the communities in which we work. We expect all of our employees to do business in a way that reflects our principal corporate values of respect, unity and customer satisfaction and to embed quality and sustainability across our entire value chain. Operating in a responsible and sustainable manner has had and should continue to have a positive impact on our business success by increasing quality and lowering costs.

We monitor global trends such as economic developments, population growth, scarcity of natural resources, climate change, aging, loss of biodiversity, urbanization, water availability and increased mobility as well as sector and market specific trends and assess which risks and opportunities arise therefrom. We believe that some of these trends will drive our business towards the area of clean technology. For instance, all kinds of smart technology will contribute to the concept of more intelligent, sustainable and resilient cities. Semiconductors are indispensable to achieving these objectives. Also, innovation in healthcare and the automotive sector should drive our business as they require more and more sophisticated semiconductors. The proliferation of semiconductors in the Internet of Things - making our homes, offices and factories more intelligent is also an area that will contribute to the more efficient utilization of energy, water and other natural resources among other benefits. Consequently, we believe that attention to achieving a more sustainable society is an opportunity rather than a threat.

We have defined three strategic CR pillars in terms of our impacts and the value we create: People, Planet and Product. Our people are very important to us; Besi strives to be a good employer to our 1,458 employees as well as ensuring the wellbeing of the people working at our suppliers and those living in the environments in which we operate. We recognize the environmental impacts of our operations and aim to significantly decrease our environmental footprint. As a considerable share of our sustainability impact lies in our supply chain, we focus on working together with our suppliers to minimize any potential negative impacts and maximize all positive impacts. And finally, we contribute to more efficient and cleaner industry through our products, particularly low carbon products and services.

2. CR objectives and strategy

Besi strives to meet international best-practice standards of social and environmental responsibility across all of its operations. We want to be recognized by our stakeholders as responsible and pro-active in terms of our CR focus areas. An important goal for 2014 is to become a member of the Electronic Industry Citizenship Coalition ("EICC"), a coalition of the world's leading electronics companies working together to improve efficiency and social, ethical, and environmental responsibility in the global electronics supply chain. We plan to adopt in 2014 the EICC Code of Conduct as the core operating principle for our supply chain responsibility. In addition, we will put particular focus on increasing our sustainability contribution to customers through our technology.

We continually search for new opportunities to grow our business in an environmentally and socially responsible manner. The semiconductor industry is characterized by innovation and ever changing markets and technologies. To secure and strengthen our competitive position, we have shifted our focus to Asia since 2007 primarily to reduce manufacturing and transportation costs and place our operations closer to our customers. This transition has also greatly increased our flexibility and scalability and made our operations more responsive and profitable in the face of volatile market conditions. Our general company strategy is further described on pages 10 to 13.

In 2011, we started the Besi Sustainability Program (the "Program"). The first phase of the Program consisted of developing and implementing new internal policies and generating a new supplier code of conduct. The Program and related activities continue to progress wherein the first CR-related KPIs are being reported in this Annual Report. The Program incorporates our three strategic pillars as set forth below:

People
Our employees are critical to Besi's profitability, sustainability and long-term growth. We invest in engaging, supporting and developing our people and treat their safety as a paramount concern. The issue of human wellbeing deserves considerable attention especially with our increasing presence in Asian countries. By applying European labor norms to our Asian operations, we hope to improve workers' human rights and provide better working conditions. A considerable share of our social impact efforts is focused on our supply chain via supplier selection and through supplier audits. One of the key topics addressed currently is the banishment of child labor from the work place.

Planet
It is our aim to reduce our environmental footprint through both reduced CO_2 emissions and costs. As such, our internal energy program encourages and helps employees to make positive changes in work place energy consumption. We also focus on water usage and efficiency and decreasing our total waste generated from our operations. During the past five years, we have placed particular emphasis on transportation and packaging activities where we have identified significant potential for reductions of CO_2 emissions and costs. In addition, we increasingly work together with our suppliers to reduce our joint ecological footprint.

Product
We see potential opportunities to develop new ways to assemble semiconductors and components used in advanced electronic devices such as mobile internet devices (smart phones, wearable internet devices and tablets), logistical systems, intelligent automotive technology, the Internet of Things, advanced medical equipment, solar and renewable energy applications and LED and radio-frequency identification devices. We invest in the development of low carbon products and services to help our clients operate more efficiently and in a more environmentally friendly manner.

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

Through our CR strategy, we aim to address CR issues/subjects that are relevant and important to Besi's operations. The table below sets forth high/medium CR priorities generated from an internal materiality assessment conducted in 2013.

CR issues/subjects	**PRIORITY** (high-medium)
Organizational governance (including: transparency, remuneration, responsible tax policy)	High
Fair operating practices (including anti-corruption, fair competition)	High
Diversity	Medium
Labor health and safety	High
Employee talent development (including attracting highly educated technical specialists)	High
Community involvement and social investment	Medium
Sustainable use of critical raw materials and natural resources (including waste management)	High
Energy consumption, CO_2 emissions and climate change	High
Transport and packaging of products	High
Sustainable supply chain management (including labor health and safety, fair operating practices, environmental issues such as carbon footprint reduction, lead-free design, waste reduction)	High

It is our aim to share and discuss the results of this assessment with our stakeholders during 2014. Special attention will be paid to new topics such as our potential impact on biodiversity and the scarcity of rare raw materials.

3. Stakeholders

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

The following stakeholders have been identified as important to the conduct and success of our business:

Shareholders/investors: Our shareholders expect that Besi protects and provides a competitive return on their investment while operating responsibly as a corporate citizen. Our investor relations department ensures that we remain in close contact with our investors and that we invite them to attend and ask questions, including CR related topics, during our earnings calls and AGM.

Customers: Our customers expect products to meet competitive price and quality standards while having a limited adverse environmental and social impact. We aim to build trust by keeping our promises and communicating openly and proactively with customers. We engage with our customers through personal contacts, our website, customer support systems, trade shows and satisfaction surveys. In recent years, we have received increased numbers of customer requests for our CR policy particularly as it relates to RFPs and contract discussions. We are happy to oblige as it provides us with the opportunity to validate our CR-efforts in the market place.

Our customers
Customer relationships are vital to Besi's leadership and growth and to improve its sustainability efforts. Providing superior customer support is central to our corporate philosophy. Customers are primarily leading multinational chip manufacturers, assembly subcontractors and electronics and industrial manufacturers. We aim to maintain close, strategic relationships with key customers many of whom have worked with us for over 45 years. Customers provide Besi with valuable insight into semiconductor assembly requirements and future market trends and provide partnership opportunities to develop new assembly systems and sustainability solutions for the market. The results of Besi's 2013 customer survey indicated that customers are generally satisfied with our products and services and that customer satisfaction has increased consistently over the past four years. Besi's senior management discussed the survey results and actions for further improvement were identified.

Employees: Our employees expect Besi to use high social and ethical standards and to provide good and safe working conditions with competitive terms and conditions. A high level of employee satisfaction is a basic precondition for us to achieve our revenue and profit growth. We perform an employee survey every two years to understand levels of satisfaction and areas for improvement. In Europe, we hold meetings with Joint Works Councils twice a year to listen to the views of employees and communities.

Our Malaysian employees
A large and growing share of Besi's operations is located in Malaysia. At present, Malaysia has neither labor unions nor Works Councils. Each quarter a "town hall meeting" is held to inform employees of corporate developments. Some have a general character, others address a special theme such as safety. As an example, education is given on safe moped traffic behavior prior to the Chinese New Year since traffic accidents and passenger fatalities in Malaysia typically mount during that season. In addition, employees of Besi APac are represented by a member of the Health & Safety Committee through which they monitor and are consulted on measures taken to ensure the health and safety of the workplace.

Given its growing importance, we conduct an employee satisfaction survey at our Malaysian operations every two years, the next of which will be conducted in 2014. In the 2012 employee satisfaction survey, remarks were made with regards to salary levels and the need for leadership and team spirit. Consequently, the top 40 employees participated in a leadership course in 2013 which was preceded by an extensive employee feedback process in which each manager, 3 peers, and 9 direct reports presented feedback via a questionnaire. The course had 3 sessions in 2013. The last session is planned for February 2014.

Suppliers: Our suppliers expect a long-term relationship that is mutually beneficial and based on trust. We engage with our suppliers through direct dialogue and constructive audits. Besi has a certified external audit annually for all significant production facilities with respect to ISO 9000 and ISO 14000 capabilities. Social and ethical CR topics are put on the agenda as well. But most of all, we aim to work together with our suppliers in lowering our joint environmental footprint and creating sustainable products.

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

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

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

We listen to the concerns of our stakeholders and try to be as responsive as possible in the context of the conduct of our business. In response to shareholder feedback at the 2012 AGM, Besi adopted a new supplier policy. In 2013, certain customers indicated the relevance of the EICC for Besi and the VBDO raised several issues such as human rights due diligence and tax policies. We have considered these issues and tried to address them in this Annual Report. Besi will continue its stakeholder dialogue in 2014, seeking to identify CR and performance related topics of interest to our various stakeholders. We will use this input to define new CR goals and activities for the coming years.

4. Four current focus areas of Besi's CR policy

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

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

Progress and developments in the field of CR are discussed between the Board of Management and the Supervisory Board regularly. On a yearly basis, we report our CR progress in the Annual Report. In 2014, we will introduce an internal quarterly CR monitoring and review system which will enable us to monitor our progress more regularly and more efficiently.

In March 2012, Besi published a new Code of Conduct to guide the activities of all Besi employees. The Whistleblower and Reporting of Fraudulent Activities Procedure sets out responsibilities, steps to take and support for reporting violations of the Company's Code of Conduct. Besi's Code of Ethics for Senior Financial Officers sets out further responsibilities for those in positions of leadership across the business. During 2013, no violations of the Code of Conduct were reported.

Our Remuneration Policy (see pages 52 and 53 of this Annual Report) describes our compensation system. During the past five years, steps have been taken to include CR goals in the variable remuneration of management.

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. Besi's production and sales activities determine where taxes need to be paid.

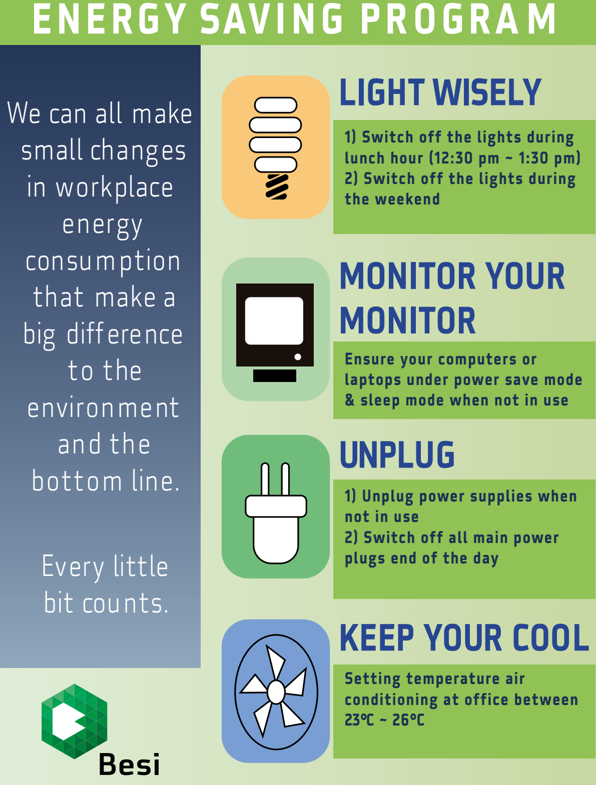
In this Annual Report, the CR section has been extended considerably compared to previous years. We will gradually try to expand our CR reporting in the coming years towards international standards such as the Global Reporting Initiative.

II. Planet
Besi aims to minimize its impact on the environment across all subsidiaries and operations – from product development through construction, purchasing, assembly, marketing and customer service.

Within this focus area, we highlight the following themes:

Climate change and energy
Climate change is an important issue in our business. Besi has a unique opportunity to support the development of low carbon products such as energy-efficient LED lighting and smaller, more energy-efficient smart phones and computers. Besi considers the sustainability and cost of products at the design stage, analyzing resource type and efficiency when designing products and reducing energy consumption and the use of hazardous chemicals during production.

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



To help reduce our environmental footprint, we started the Besi Energy Saving Program in 2013 at our Asian operations. The program encourages and helps employees make small changes to workplace energy consumption that make a big difference. Conservation efforts are predominantly focused on lighting, computer, laptop and air conditioning usage.

Water
We also focus on water usage in our production processes. Considerable effort is put into the prevention of leaks and spills of contaminated water at production sites. There have been no material leakages or spills at Besi facilities for at least the past five years.

Waste
In our operations, we seek to minimize water usage, correctly handle all waste water and reduce the generation of material waste. Over the past five years, waste volumes at each of our subsidiaries have decreased significantly. In all our operations, extensive waste-separation systems are in place. Consequently, we welcome the principles of zero waste and circular economy as launched by the World Business Council for Sustainable Development and are taking steps in this direction by means of reusing packaging materials among other initiatives.

Transportation and packaging activities
A particular focus recently has been the transportation and packaging of our equipment, spare parts and assemblies. In terms of transport, we focus on speed, reliability, cost and environmental impact. Our manufacturing operations are predominantly in Asia (Malaysia, Singapore and China). Our main transportation route in Asia is between Shanghai and Kuala Lumpur. In 2013, we assessed the emissions connected to different modes of transportation via this route including truck, sea and air. Keeping distance and transit time in mind, we decided to shift our primary mode of transportation from air to sea as this brings significant CO_2 and cost reductions. Transportation from Europe to Asia will also be optimized through consolidation or cross docking and reducing shipment frequency. This is expected to result in a 50% reduction in CO_2 emissions and an over 20% reduction in freight costs by 2015.

In the transportation process, we carefully package all parts and equipment in order to ensure quality and performance. We use materials such as plastics, wood and cardboard to properly safeguard our systems. In 2013, we adopted new packaging strategies designed to reduce the number of packages utilized and the re-use of packaging materials wherever possible in order to reduce material usage by approximately 50% by 2015.

Besi monitors critical resource usage at all production and development facilities company wide as set out in the table below for the past three years.

	2011	2012	2013
Carbon footprint (ton CO_2)	n/a	8,904	8,847
Electricity (kilowatts)	12,979,816	13,279,213	12,608,731
Natural gas (m^3) (excl. Malaysia)	607,710	681,589	698,816
Water (m^3)	28,951	24,077	27,744
Waste (ton)	230	192	180

III. Sustainable supply chains
Besi operates to the highest ethical standards and expects the same from its suppliers. In February 2013, Besi launched a new Supply Chain Policy to communicate the standards expected from its suppliers around the world in areas such as human rights, health and safety and the environment. This was particularly important given continued growth of Besi's Asian operations. The Supply Chain Policy focuses on the following areas:

- Integrity and transparency.
- Compliance with laws, regulations and social customs.
- Human rights, labor rights and safety.
- Respect for the environment.
- Product quality and price.
- Maintaining supply.

Respect for the environment is a key priority of Besi's Supply Chain Policy. The Company encourages suppliers to adopt ISO 14001-standard management systems and expects them to reduce or eliminate their use of hazardous chemicals and to minimize the environmental impacts of their own procurement. Our production operations and facilities rank their suppliers against environmental policy criteria and inform them of their status.

Besi has communicated its Supply Chain Policy directly to substantially all suppliers. It is available on **www.besi.com**. During 2013, our main focus was developing, issuing and presenting our new Supplier Code of Conduct. In 2014, we will require all medium and high risk suppliers to explicitly sign our Code of Conduct as part of our commercial relationship. Within the Malaysian context, several dozen suppliers have signed a General Work Agreement which refers to the supplier documents on Besi's corporate website including the Code of Conduct. A risk analysis was also performed in 2013 focusing on environmental and social/human rights issues for all major suppliers to our Malaysian operations. CR topics were addressed at the supplier selection phase and during supplier audits. In addition, Besi APac in Malaysia has eight supplier audit engineers that frequently visit suppliers to monitor compliance and score performance.

The Company's Code of Conduct makes its position on the use of child labor in the supply chain clear and transparent – all suppliers must comply with labor laws in the countries in which they operate. In addition, Besi's Code of Conduct explains its position on gifts and entertainment, corruption and the facilitation of payments, supplier selection and supplier discounts. In 2014, Besi plans to adopt the EICC Code of Conduct as the principal method of oversight of its supply chain. Due to the large similarities between the current code and the EICC code, we do not expect any difficulties with the code transition. In Malaysia, the process in 2014 will focus on its top 30 suppliers and high risk suppliers which will be audited in the second half of 2014. Performance indicators will also be introduced to monitor and report the progress of supply chain initiatives.

We considered implementing an external whistleblower policy in 2013 for suppliers but decided not to pursue it at present after extensive analysis. Experiences by peers with similar policies in place show that the frequency of use of this procedure is low and does not justify the effort and cost involved.

IV. People
In this focus area, we highlight the following themes:

Health, safety and well being
Besi is proud that there were neither serious health nor safety breaches nor incidents in the workplace in 2011, 2012 nor 2013. Besi realizes that a high level of employee wellbeing and development opportunities is crucial to attracting and retaining the best people particularly given that competition for qualified industry personnel is intense. Besi's retention of skilled personnel has helped it up- and down-scale its business more efficiently over the past five years. The Company listens to people and monitors their satisfaction across regional operations through periodic employee surveys. In 2012, Besi monitored employee satisfaction at its fast growing Malaysian operations which represented 29.1% of the total workforce at December 31, 2013.

In Malaysia, Besi has a Health & Safety Committee in place as required by law. Providing medical insurance is not required by law, but Besi offers medical insurance including hospitalization coverage for all employees and their families with a fixed contract (approximately 400 people). In Malaysia, employees with a terminal illness are generally dismissed. In contrast, Besi follows European standards and continues to pay salaries in the event of a terminal or other illness.

Diversity
Besi values geographical and gender diversity in its workforce and management to help broaden our perspective and contribute to growth. As of December 31, 2013, the percentage of European, Asian and North American personnel in its workforce was 40.8%, 55.7% and 3.5%, respectively. In addition, female employees represented 16.1% of the workforce in 2013. At the 2012 AGM, Besi added a female member to its five-person Supervisory Board to help increase gender diversity in its director ranks. In addition, specialist skills such as engineering, electronics, software development and computing are critical to maintain Besi's competitive advantage.

CR dilemma
Besi's business strategy required a relocation of production activities from Europe to Asia which resulted in a loss of employment in Europe. Although difficult from a CR perspective, these actions were a strategically necessary step since most industry customers and suppliers had moved to Asia. Further, the production transfer secured the continuity of the business, brought employment and technology to Asia and reduced Besi's carbon footprint from a travel and transport perspective. At the same time, European locations and jobs were preserved and remain the critical technological drivers for the business. In the end, Besi judged that the benefits of the production transfer outweighed the loss of jobs in Europe, which were seen as inevitable. Given that the majority of Besi's restructuring has been in Europe, all of those who lost their jobs have been supported with social plans developed in consultation with local Works Councils and unions. They were also reviewed as fair by third party arbiters. These plans involved not only re-employment options but also retraining opportunities.

During 2013, we set KPIs related to employee management. Presented below is our performance based on such metrics for 2012 and 2013 where available.

(euro in thousands)	2011	2012	2013
Sickness rate	1.5%	1.4%	1.3%
Spending on education and training	406.8	449.7	366.2
% female employees (as per December 31)	15.0%	14.8%	16.1%

Community involvement
In 2012, Besi provided a variety of services and materials to the Chinese communities in which it has operations, including the donation of computer equipment to a school in Leshan and clothes and educational materials to a school in southern China. We also support local technical universities in Europe through interchange and dialogue and have active apprentice programs in Switzerland, Austria and the Netherlands.

CSR Award Besi APac
The 2012 CSR Award was a new initiative of the Dutch - Malaysian chamber of commerce. Besi was nominated for the award, and in the end received a certificate "token of appreciation" for its efforts to improve its supplier code of conduct and reduce its carbon footprint.

Supervisory Board

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

Lawyer, arbitrator, mediator De Waard CS

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

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

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

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

Managing Director and Head of the London office for The Investment Fund for Foundations (TIFF)

Dirk Lindenbergh (male, 1949)
Dutch nationality
Member since 2009
Appointed 2013 - 2017

Additional functions:
Member of the Supervisory Boards of DOCDATA N.V., DPA Group N.V. and Midlin N.V.

Jan E. Vaandrager (male, 1943)
Dutch nationality
Member since 2009
Appointed 2013 - 2014
Available for reappointment

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

The Supervisory Board has formed the following committees:

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

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

The remuneration of the members of the Supervisory Board does not depend on the results of the Company. None of the members of the Supervisory Board personally maintains a business relationship with Besi other than as a member of the Supervisory Board. Two members of the Supervisory Board owned as of December 31, 2013, in total 2,267,034 shares of the Company.

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

Report of the Supervisory Board

Report of the Supervisory Board

Besi is pleased to present its 2013 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, 2013. At its meeting on February 26, 2014, the Supervisory Board approved these Financial Statements. KPMG, independent external auditors, duly examined the 2013 Besi Financial Statements and issued an unqualified opinion thereon.

The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2013 Financial Statements as submitted by the Board of Management and approved by the Supervisory Board. The Board of Management has also submitted a proposal stating that a dividend will be declared for the year ended December 31, 2013.

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.

At the Annual General Meeting of Shareholders held on April 24, 2013, all Supervisory Board members whose term ended in 2013 were reappointed. Mr Jan Vaandrager was reappointed for a one year term, Mr Douglas Dunn for a two year term, Mr Tom de Waard for a three year term and Mr Dirk Lindenbergh for a four year term. In this way, the Supervisory Board created a staggered term schedule so that one or two members will be subject to reappointment each year. The Supervisory Board considers all members independent within the meaning of best practice provision III.2.2. of the Dutch Corporate Governance Code.

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

Mr Jan Vaandrager's term expires in 2014 and he will be available for reappointment. The Supervisory Board has decided to nominate Mr Vaandrager for a new four year term.

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

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

The Supervisory Board met five times and attended one conference call during 2013. No members were absent from any meeting of the Supervisory Board. Topics of the meetings included, among other items:

- Besi's general strategy.
- Regular business reviews with the Board of Management, certain members of senior management and key Besi staff.
- The ongoing operational integration of Besi Switzerland and Besi Austria into the Die Attach product group including the appointment of Mr Ruurd Boomsma as CTO for Besi and the Die Attach product group.
- The remuneration of the Board of Management and information about Besi's senior management and the Remuneration Report as well as proposals to revise the Remuneration Policy and Besi's Incentive Plan.
- Consideration of the composition of the Board of Management.
- The performance and tasks of the Board of Management.
- Approval of filings with the Dutch Authority for the Financial Markets (Autoriteit Financiële Markten (AFM)).
- Corporate Responsibility related topics including the Corporate Responsibility section of this Annual Report. In 2013, the principal focus was the oversight of supplier arrangements including adherence to sustainability objectives based on EICC principles. Full membership in the EICC is under consideration.
- Potential strategic alliances and acquisitions.
- The general risks associated with Besi's operations.
- The Supervisory Board's self evaluation of its performance, composition, succession and functioning. In 2013, the Supervisory Board decided to involve a third party in the self assessment process which was finalized in February 2014. The most significant findings of this third party were that there is a proper mix of background and skills at the Supervisory Board level; that gender diversity has improved and that the board works well as a team with open and direct communication.
- The assessment and review provided by Besi's management of the structure and operation of Besi's internal risk management and control systems as well as any significant changes thereto. As a result of the theft of monies as described below and elsewhere under Risk and Risk Management on page 28 a variety of measures were taken in 2013 to further enhance internal control systems and procedures.
- The ongoing operational alignment of all Besi's processes, procedures and ERP systems.
- The payment of a dividend for the year 2012 of € 0.30 per share in cash.
- Formal approval of the annual budget.

The Supervisory Board has monitored a broad scope of topics during the course of 2013. The following topics were of particular focus during the meetings throughout the year 2013:

- As in 2012, inventory control was a particular focus in 2013: Inventory control was measured in key performance indicators such as turnover ratio as well as qualitative evaluation of inventory. Improvement in inventory registration and physical stock keeping in Besi APac were addressed initially by management and monitored by the Supervisory Board. Once these issues were sufficiently addressed, the focus shifted to planned improvements in inventory control in relation to latest forecasts and supply chain management as well as a reduction of cycle times.

- Asian production transfer: In line with Besi's strategy, the roadmap for the transfer of European production to Besi's Malaysian production facility has been closely monitored by the Supervisory Board and progress has been discussed with management. The cost alignment program to enhance cost competitiveness and achieve higher flexibility and scalability by transferring production to Asia has resulted in a reduced cost structure while scalability and flexibility have been increased again during the volatile year 2013. By year end 2013, substantially all European production had been transferred to Asia. Only a few legacy products and some customized orders are still manufactured in Europe. In addition, it was decided to transfer certain modules and sub assemblies from Malaysia to Besi's manufacturing site in China as well as further gradual reductions in European operations headcount.

- Die Attach integration: The further integration of the businesses of Besi Austria and Besi Switzerland to create a more effective and cost efficient Die Attach organization will enable Besi to create a more focused and efficient R&D organization and reduce the time to market of new technology. Furthermore, by further centralizing R&D, Product Management and Finance, Besi can further reduce structural costs and achieve a more efficient tax structure. The integration and restructuring process, including the appointment of Mr Ruurd Boomsma as CTO of Besi and the Die Attach product group, has been intensively monitored and supported by the Supervisory Board with its knowledge, skills and experience.

- Research and Development roadmap: The Board has monitored intensively the technology roadmap and related R&D programs in 2013. Market technology requirements have resulted in a realignment of Besi's R&D programs throughout the year in order to maintain and even expand its technology leadership. Particular focus in 2013 was on the status and advancement of the common parts and common modules project.

- On December 11, 2013, Besi discovered a theft of approximately € 2.0 million from a bank account managed by one of its US subsidiaries. It promptly commenced an investigation, retained legal counsel for the investigation and contacted local and federal authorities in connection therewith. The Supervisory Board closely monitored the investigation which was coordinated by legal counsel. The investigation is ongoing.

- Management development: Succession planning of key personnel was monitored to help promote the long-term success of the Company. Succession planning and related development programs for Executive Committee members and other key members of management have been discussed. External as well as internal training and coaching programs have been identified by management and implemented and presented to the Supervisory Board.

Furthermore, the functioning of the Board of Management and its performance were also discussed without the member of the Board of Management being present.

Supervisory Board committees

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

Audit Committee

The Audit Committee has traditionally consisted of three independent members. After the Annual General Meeting of Shareholders held on April 24, 2013, the committee was expanded and all five Supervisory Board members were appointed as members of the Audit Committee. The Chairman is Mr Jan Vaandrager. The Audit Committee fulfills its responsibilities by carrying out the activities enumerated in its charter including assisting the Supervisory Board in fulfilling its oversight responsibilities by:

- Reviewing the design and effectiveness of internal risk management and control systems as described under "Risks and Risk Management" on page 28 of this Annual Report as well as the result of the assessment and review provided by the Board of Management of the structure and operation of Besi's internal risk management and control systems and any significant changes thereto.
- Reviewing Besi's systems of internal controls regarding finance, accounting and compliance.
- Reviewing Besi's capital structure, financing and treasury operations.
- Reviewing Besi's tax position including its European and global tax structure and transfer pricing policy including, in particular, developments affecting fiscal Base Erosion and Profit Shifting ("BEPS"). Besi has no fiscal structure in which profits are allocated to places where no economic activities take place.
- Reviewing auditing, accounting and financial reporting processes generally and critical accounting policies, new accounting pronouncements and the further development of International Financial Reporting Standards ("IFRS").

- Being directly responsible for the oversight of Besi's independent auditor including advice and recommendation to the Supervisory Board as to the independent auditor's selection (subject to appointment by the General Meeting of Shareholders), termination and compensation.
- Reviewing on a regular basis the quality of work, reporting, independence and expertise of the auditor and audit teams.
- Recommending to the Supervisory Board all audit fees and terms and all non-audit services provided by the independent auditor.
- Maintaining procedures for (i) the receipt, retention and treatment of complaints, and (ii) the anonymous submission of confidential concerns by employees, regarding accounting matters.
- Reviewing the need for an internal audit function.
- Deploying information and communication technology, including the ongoing implementation of the global ERP system and monitoring enhancements made to the SAP system in 2013.

On December 11, 2013, Besi discovered the theft of approximately € 2.0 million from a bank account managed by one of its US subsidiaries. It promptly commenced an investigation, retained legal counsel and contacted local and federal authorities in connection therewith. The investigation is ongoing. The Audit Committee closely monitored the investigation which was coordinated by legal counsel as well as the process of filing appropriate insurance claims. The Audit Committee also closely oversaw the rapid implementation of a variety of new systems and procedures related to corporate bank accounts, the processing of customer payments and deployment of substantially all monies to the holding company level in order to help prevent such an event from re-occurring.

In 2013, the Audit Committee met four times to discuss the items above as well as (i) the scope and results of the audit of the Financial Statements by KPMG, Besi's independent external auditor, (ii) a review of Besi's relevant periodic filings with the AFM and (iii) a review of the Company's quarterly Financial Statements prior to issuance of its quarterly earnings releases. KPMG attended two meetings of the Audit Committee. Also, the Audit Committee separately met with KPMG twice without the presence of the Board of Management.

KPMG reported no material adverse findings in its management letter. The Audit Committee proposed to the Supervisory Board that the creation of a formal internal audit function is not appropriate for Besi based upon its size and the presence of an internal control function over financial reporting that operates under management's responsibility with a direct line of communication to the Chairman of the Audit Committee. Reference is made to the chapter "Internal risk management and control" under Corporate Governance. Frequent contact took place between the Chairman of the Audit Committee, the Company's management and the Besi individual responsible for conducting internal control over financial reporting.

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

Remuneration and Nomination Committee

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

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

- Making a proposal to the Supervisory Board for the Remuneration Policy to be pursued.
- Annually reviewing and proposing the corporate goals and objectives relevant to the compensation of the Board of Management.
- Making a proposal for the remuneration of the Board of Management within the scope of the Remuneration Policy adopted by the General Meeting of Shareholders, for adoption by the Supervisory Board. Such proposal shall, in any event, deal with:
  - The remuneration structure.
  - The amount of fixed remuneration, shares to be granted and/or other variable remuneration components, pension rights, severance pay and other forms of compensation to be awarded, as well as the performance criteria and their application.
- Overseeing Besi's equity incentive plans.
- Making recommendations to the Supervisory Board with respect to the Board of Management.
- Preparing the Remuneration Report as referred to in best practice provisions set out in section 7 of the Regulations of the Supervisory Board.

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

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

The Committee met once in 2013 to discuss the topics above. The Remuneration Report is included on pages 52 to 55 of this Annual Report.

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

Corporate governance

The Supervisory Board acknowledges the importance of good corporate governance, the most important elements of which are transparency, independence and accountability. The Supervisory Board continuously reviews important corporate governance developments. Reference is made to the Corporate Governance section in this Annual Report on pages 50 to 59. Deviations from the Dutch Corporate Governance Code are explained elsewhere in this Annual Report under Corporate Governance.

The Supervisory Board would like to express its thanks and appreciation to all involved for their hard work and dedication to the Company in 2013.

The Supervisory Board
Tom de Waard, Chairman

February 26, 2014

Corporate Governance

Corporate Governance

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

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

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

Board of Management

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

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

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

Appointment and replacement of members of the Board of Management

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

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

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

Remuneration Report

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

Remuneration Policy

Besi's current Remuneration Policy was adopted by the shareholders at the Annual General Meeting of Shareholders held on April 28, 2011. Every material change in Besi's Remuneration Policy that occurs after this adoption date will also be submitted to the General Meeting of Shareholders for approval. The Remuneration Policy is posted on Besi's website: **www.besi.com**. Besi's Remuneration Policy has been developed in view of external market developments 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:

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

- Second, the Supervisory Board establishes remuneration programs that are designed to reward members of the Board of Management for achievement of specified business objectives of the corporation as a whole or the individual executive's particular business unit. By tying remuneration in part to specific goals, the Supervisory Board believes that it creates a performance oriented environment for the Company's executives.

- Finally, the Company's remuneration programs are intended to provide members of the Board of Management with an equity interest in the Company so as to link a portion of the executives' remuneration with the long-term performance of Besi's Ordinary Shares and to align the executives' interests with those of the shareholders.

The Supervisory Board reviews Besi's business objectives and assesses its overall performance with respect to those objectives and considers the performance of individual members of the Board of Management as compared to such individuals' 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 preparation of the current Remuneration Policy, the Supervisory Board has performed in-depth scenario analyses of the variable remuneration components conforming to Remuneration Policy 2011-2016. The probability of vesting and payout of the Performance Shares (as referred to under "Long-Term Incentive" below) has been taken into account in these scenario analyses. The Supervisory Board has set the performance targets on the basis of the outcome of the scenario analyses. Pay differentials and position within Besi have also been taken into account in this respect.

Remuneration structure

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

1. Base Salary
2. Short-Term Incentive consisting of an annual cash bonus
3. Long-Term Incentive consisting of the annual conditional award of Performance Shares
4. Pensions
5. Other Benefits

Both the Short-Term Incentive and the Long-Term Incentive for members of the Board of Management are governed by the Besi Incentive Plan 2011-2016 (the "Plan"). The Plan was approved by the shareholders at the Annual General Meeting of Shareholders held on April 28, 2011.

1. Base salary

Each year, the Supervisory Board reviews the annual base salaries for members of the Board of Management and considers whether to adjust base salary levels. In establishing base salaries for members of the Board of Management, the Supervisory Board may make use of the services of a 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. Furthermore, the Supervisory Board considers the compensation of executives with comparable qualifications, experience and responsibilities in general at companies in similar businesses of comparable size, complexity and success. The Supervisory Board also considers the historic salary levels of the individual and the nature of the individual's responsibilities.

2. Short-Term Incentive

The Short-Term Incentive consists of an annual cash bonus opportunity linked to the achievement of predetermined performance conditions, both financial and non-financial, as determined by the Supervisory Board. The following performance measures apply:

- Net Income/Revenue: Net Income expressed as a percentage of Revenue. The financial measure "Net Income" is preferred over other financial ratios for Besi's Short-Term Incentive as Net Income is:
  - A key indicator for evaluating Besi's overall performance for the year and therefore an important contributor to shareholder value.
  - A key factor given the cyclical market in which Besi operates.
  - A financial measure that can be influenced by the members of the Board of Management.

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

The total annual cash bonus opportunity per individual member of the Board of Management shall be determined on the basis of the following performance/pay-out grid, however, shall in no event exceed 80% of such individuals' gross annual salary over the Company's financial year preceding the year in which such Annual Cash Bonus is awarded:

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

Notes

1 Net Income/Revenue: the actual payout ranges from 0% to 80% of the individual's gross annual base salary with a target level of 70% of the individual's gross annual base salary and a stretched performance level of a maximum of 80% of the individual's gross annual base salary.

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

3 The cumulative percentage of the annual cash bonus shall in no event exceed a value cap equal to 80% of the individual's gross annual salary. The composition may vary depending on total Net Income and personal performance.

3. Long-Term Incentive

The Long-Term Incentive consists of an annual conditional award of Performance Shares. The award represents a conditional right to receive a certain number of shares depending on the achievement of pre-determined performance objectives set by the Supervisory Board over a three-year performance period subject to continued employment, which consist of:

- Net Income/Revenue over three calendar years: Net Income expressed as a percentage of Revenue over the three-year performance period. Net Income/Revenue is considered a key measure for creating long-term shareholder value.
- Total Shareholder Return ('TSR') Growth: The average annual TSR growth over the three-year performance period is also considered a key measure for indicating the development of shareholder value. In addition, TSR is an appropriate performance measure to align the interests of the members of the Board of Management with those of the shareholders.

Conditional award

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

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

Vesting

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

The actual number of Performance Shares which 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)**
	(as % of the number of) Performance Shares awarded		
Net Income/Revenue of Besi[1]	0%	50%	75%
Average annual TSR growth[2]	0%	50%	75%
Total number of shares[4]	0%	100%	150%
Maximum value of shares vesting in % of individual's gross annual salary in the year of vesting[3, 4]	0%	80%	80%

Notes

1 Half of the Performance Shares award 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 number of Performance Shares awarded to the individual.

2 Half of the Performance Shares award is linked to Besi's average annual TSR growth. The vesting range is between 0% and 75% of the number of Performance Shares awarded to the individual.

3 At the moment of vesting, the maximum value of the actual number of shares vesting based on the above grid shall in no event exceed a value cap of 80% of the individual's annual base salary in the year of vesting. The maximum number of Performance Shares to vest based on Net Income/Revenue and TSR performance is determined as outlined in the table above. On the date of vesting, the maximum number of shares vesting based on the 80% value cap will be determined by dividing the maximum reward of 80% of the individual's annual base salary by the closing share price at the date of vesting (in this case the date of the General Meeting of Shareholders). The final number of shares vesting is the lesser of both calculations.

4 On January 28, 2014, the Supervisory Board decided to eliminate the value cap for the Performance Shares awarded to the current member of the Board of Management for the years 2011, 2012 and 2013, subject to approval at Besi's Annual General Meeting of Shareholders on April 30, 2014. As a result of this modification, the maximum value at vesting for this individual equals the market value at the vesting date of the 150% of the target number of Performance Shares granted.

In addition, at the discretion and upon proposal of the Remuneration and Nomination Committee, the Supervisory Board may award additional shares to a member of the Board of Management as a reward for extraordinary achievements or exceptional performance up to a maximum of 60,000 Shares per year.

Adjustment

If one of the variable remuneration components as described above would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances occurring during the performance period, the Supervisory Board has the power to adjust the value either downwards or upwards. The Supervisory Board may also recover from the member of the Board of Management any variable remuneration awarded on the basis of incorrect financial or other data (clawback clause).

Number of shares available

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

4. Pensions

Members of the Board of Management normally retire in the year in which they reach the age of 67. A defined contribution scheme with an annual contribution based on a fixed percentage of base salary is in place for members of the Board of Management.

5. Other benefits

Other benefits including the employer's contribution to social security expenses are linked to gross annual base salary and are in line with generally prevailing market practices.

Loans

As a policy, the Company does not provide loans to members of the Board of Management. Current loans outstanding will be repaid in accordance with the terms as agreed.

Contracts of employment

Service agreements with any new members 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 nor will any conditions be amended.

Severance payment

The remuneration in the event of dismissal may not exceed the individual's gross annual base salary (fixed component). Such board member shall be eligible for severance pay not exceeding twice the annual base salary if the maximum of one year's salary would be manifestly unreasonable for a member of the Board of Management who is dismissed during the first term of office if such member has been in the Company's service for a long time prior to being appointed to the Board of Management.

Application of the Remuneration Policy in 2013

The Supervisory Board upon recommendation of its Remuneration and Nomination Committee applied the Remuneration Policy in 2013 as set forth below. The only member of the Board of Management in 2013 was Richard W. Blickman, Besi's CEO.

1. Base salary

The Supervisory Board, upon recommendation of the Remuneration Committee, decided to maintain the gross annual base salary of the CEO in 2013 at the same level as in 2011 and 2012 (€ 450,000). The Supervisory Board has encouraged executive compensation to focus more on long-term stock based compensation as compared to more short-term cash based compensation.

2. Short-Term Incentive

The Short-Term Incentive (cash bonus) of the member of the Board of Management is based on the following pre-determined performance conditions: (i) Net Income expressed as a percentage of Revenue and (ii) personal performance expressed in certain financial and non-financial targets that were considered important for 2013.

Besi's 2013 Net Income as a percentage of Revenue was 6.3%. Based on pre-defined target ranges and upon a recommendation by its Remuneration and Nomination Committee, the Supervisory Board granted the member of the Board of Management for the first performance condition a cash bonus equal to 43% of his gross base annual salary for the year 2013. Furthermore, the Remuneration and Nomination Committee thoroughly reviewed the performance of the member of the Board of Management in relation to six pre-defined financial and non-financial performance objectives including sustainability, strategy, market share development, working capital control, cost savings, investor relations and shareholder value development. Based on this review and upon a recommendation by its Remuneration and Nomination Committee, the Supervisory Board granted the member of the Board of Management a cash bonus related to personal performance equal to 30% of his gross base annual salary for 2013. Consequently, the total cash bonus for the year 2013 is lower than the maximum of 80% of the gross base annual salary of the member of the Board of Management for the year 2013.

3. Long-Term Incentive

The Long-Term Incentive (annual conditional award of Performance Shares) of the member of the Board of Management is based on the following pre-determined performance conditions: (i) Net Income as a percentage of Revenue over three calendar years and (ii) the average annual total shareholder return over three calendar years in each case subject to continued employment.

For the three-year performance periods 2011-2013, 2012-2014 and 2013-2015, the "at target (100%)" number of Performance Shares conditionally awarded aggregated 100,897, 92,393 and 82,626 shares, respectively (calculated as 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 start of the performance period, which is in line with the approved Remuneration Policy). The Performance Shares conditionally awarded will vest in 2014, 2015 and 2016. The number of shares that will actually vest will be based on the above mentioned pre-determined performance conditions as well as a value cap which limits the market value of potential Performance Shares to no more than 80% of the gross annual base salary in the respective year of vesting.

On January 28, 2014, the Supervisory Board agreed to eliminate the 80% value cap for the Performance Shares awarded to the current member of the Board of Management for the years 2011, 2012 and 2013 subject to approval at Besi's Annual General Meeting of Shareholders on April 30, 2014. As this value cap was in place as of December 31, 2013, the expense recognition for Performance Shares allocated to 2013 is based on a total value of € 360,000 for each of the annual awards made in 2011, 2012 and 2013 (€ 450,000 x 80%). In 2014, the Company will recognize an incremental expense to adjust for the removal of the 80% value cap on awards made under the Incentive Plan 2011-2016. For more information, please refer to Notes 20 and 29 of Notes to Consolidated Financial Statements.

The number of Performance Shares which could vest for the three-year performance periods 2014-2017, 2015-2018 and 2016-2019 will range between 0 (in the case of below threshold performance) to a maximum of 151,345 shares (2014-2017), 138,590 shares (2015-2018) and 123,939 shares (2016-2019) and will no longer be subject to the initially imposed 80% value cap in the year of actual vesting, if approved at the Annual General Meeting of Shareholders on April 30, 2014. The member of the Board of Management could receive 150% of the "at target" amount of Performance Shares awarded if stretched performance is achieved with respect to both performance measures during each respective performance period.

Under the Incentive Plan, the Supervisory Board may, at its own discretion and upon recommendation of the Remuneration and Nomination Committee, award additional shares to the member of the Board of Management as a reward for extraordinary achievements or exceptional performance, up to a maximum of 60,000 shares. For the year 2013, the Supervisory Board, at its own discretion and upon recommendation by the Remuneration and Nomination Committee, awarded the member of the Board of Management 20,000 Shares which will be issued in 2014. This discretionary grant is in recognition of an extra ordinary performance to achieve improved profitability and increased market share in a difficult market climate. The business model has become even more scalable, flexible and profitable in response to a challenging market. Market share was gained in the principal die attach and packaging systems products while both gross and net margins increased.

4. Pensions

A defined contribution scheme with an annual contribution based on a fiscally allowed maximum percentage of base salary is in place for statutory directors of the Board of Management, currently only Richard W. Blickman, the Company's Chief Executive Officer.

Remuneration of the Board of Management for the year 2013[1]

(in euro, except for Performance Shares)		R.W. Blickman (CEO)
Base salary		450,000
Annual cash bonus		328,500
Other benefits		19,488
Total in cash benefits		797,988
Pension provisions		148,604
Share-based payment[2]		535,740
Discretionary grant made 2013[3]	175,740	
Outstanding Incentive Plan[4]	360,000	
Total remuneration		**1,482,332**
Conditional Performance Shares awarded in 2013[5]		82,626

[1] Excluding crisis levy wage tax equal to € 83,260.
[2] Expense for the period as determined in accordance with IFRS 2, share-based payments.
[3] Discretionary grant of 30,000 Shares vested and transferred on March 4, 2013 for the continued successful integration of Besi's Die Attach product group.
[4] Expenses recognized in 2013 for the 2011, 2012 and 2013 grants made under the Incentive Plan.
[5] May vest in 2016, subject to continued service and the actual performance over the performance period 2013-2015.

Conflicts of interests - members of the Board of Management

Any conflicts of interest or apparent conflicts of interest between the Company and members of the Board of Management shall be avoided. If a member of the Board of Management has a direct or indirect personal conflict of interest with the Company, he or she shall not participate in the deliberations and the decision-making process of the Board of Management for such matter. If, as a result thereof, no resolution of the Board of Management can be adopted, the resolution may be adopted by the Supervisory Board. No conflict of interest of material significance to Besi and/or the members of the Board of Management was reported in 2013.

Supervisory Board

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

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

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

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

Appointment and replacement of members of the Supervisory Board

Members of the Supervisory Board are appointed with due observance of the requisite profile for its size and composition as adopted by the Supervisory Board from time to time, subject to provisions of Dutch law and Besi's articles of association.

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

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

Supervisory Board committees

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

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

Remuneration Supervisory Board
The General Meeting of Shareholders shall determine the remuneration of Supervisory Board members. The Notes to the Financial Statements on page 96 contain the information prescribed by applicable law on the level and structure of the remuneration of individual Supervisory Board members. Besi does not grant the Supervisory Board members any personal loans or guarantees.

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

No conflict of interest of material significance to Besi and/or the members of the Supervisory Board was reported in 2013.

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

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

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

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

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

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

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

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

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

Internal risk management and control over financial reporting
Besi has an internal risk management and control system that is suitable for the Company. The form and structure of this system is outlined under "Risks and Risk Management" on pages 27 to 35 of this Annual Report.

The Company's internal control function operates under the responsibility of the Board of Management. Besi's internal control framework consists of a formal framework defining key risks and key controls over financial reporting. Its internal control system over financial reporting contains clear accounting rules. The system, as implemented in substantially all operations and material subsidiaries, supports common accounting and regular financial reporting in standard forms. Besi finance staff carries out internal control activities and reported its findings to the Audit Committee in 2013.

Besi has no formal internal audit function as Besi considers this to be inappropriate for a company of its size. The Audit Committee reviews every year the need for an internal auditor.

Considering the above, Besi's risk management and control system over financial reporting is adequately designed and worked effectively in the year under review in providing reasonable assurance that the 2013 Financial Statements do not contain any material inaccuracies. At present, there are no indications that this system will not function properly in 2014.

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

Provision II.1.1
The Company respects the rights of the member of the Board of Management who was a member at the time of the first implementation of the Dutch Corporate Governance Code. For that reason, there was no adjustment of his employment agreement.

Provision II.2.5
Based on Besi's Remuneration Policy and the Plan as outlined on pages 52 to 55 of this Annual Report, the Supervisory Board upon recommendation of its Remuneration and Nomination Committee may award conditional Performance Shares that vest after three years. The shares vested are subject to a two-year lock up period provided, however, that the member of the Board of Management will be allowed to sell sufficient Shares to cover income tax liability upon vesting of the Performance Shares.

Provision II.2.8
The Company respects the rights of the member of the Board of Management who was a member at the time the Dutch Corporate Governance Code came into force. For that reason, it did not adjust his employment agreement as it was signed prior to that date.

Provision II.2.9
The Company does not grant members of the Board of Management any personal loans or guarantees but will not amend or cancel existing loan agreements that relate to the granting of stock options prior to the year 2001.

Provision III.5
In order to simplify and enhance the efficiency of Besi's governance structure, the Supervisory Board decided to reduce the number of Committees to two committees: the Audit Committee and the Remuneration and Nomination Committee.

Provision IV.3.1
The Company acknowledges the importance of disclosing material information to all shareholders similarly at the same moment in time. It is currently not practically possible to make every meeting and presentation to analysts and investors accessible to all shareholders. As far as practicably possible, meetings and presentations will be announced and posted on Besi's website:
www.besi.com.

かぜに
改源
エールの
風を届けたい
CHINTAI
毎週水曜日発売
プロミス
力を合わせよう日本
WAON
B.V.D.®

Financial Statements 2013

Consolidated Statement of Financial Position

(euro in thousands)	Note	December 31, 2013	December 31, 2012
Assets			
Cash and cash equivalents	3	89,586	106,358
Trade receivables	4	53,697	58,552
Inventories	5	65,167	69,403
Income tax receivable		1,228	897
Other receivables	6	5,370	5,689
Prepayments	7	3,958	1,909
Total current assets		**219,006**	**242,808**
Property, plant and equipment	8	24,649	26,061
Goodwill	9	43,541	43,854
Other intangible assets	10	35,594	32,858
Deferred tax assets	11	16,485	16,345
Other non-current assets	12	1,435	1,476
Total non-current assets		**121,704**	**120,594**
Total assets		**340,710**	**363,402**
Liabilities and equity			
Notes payable to banks	13	15,574	24,513
Current portion of long-term debt and financial leases	18	-	415
Trade payables	15	21,056	24,010
Income tax payable		117	6,661
Provisions	14	4,757	9,420
Other payables	16	13,653	14,010
Other current liabilities	17	4,630	3,965
Total current liabilities		**59,787**	**82,994**
Long-term debt and financial leases	18	3,059	1,926
Deferred tax liabilities	11	5,444	4,481
Other non-current liabilities	19, 20	8,262	9,050
Total non-current liabilities		**16,765**	**15,457**
Share capital	21	36,431	36,431
Share premium	21	188,570	190,134
Retained earnings	21	27,333	22,486
Foreign currency translation adjustment	21	14,125	19,409
Accumulated other comprehensive income (loss)	21	(3,494)	(4,666)
Equity attributable to owners of the Company		**262,965**	**263,794**
Non-controlling interest		**1,193**	**1,157**
Total equity		**264,158**	**264,951**
Total liabilities and equity		**340,710**	**363,402**

Consolidated Statement of Comprehensive Income

(euro in thousands, except share and per share data)	Note	Year ended December 31, 2013	2012
Revenue	23	254,936	273,720
Cost of sales		153,406	165,011
Gross profit		**101,530**	**108,709**
Selling, general and administrative expenses		57,918	60,544
Research and development expenses		24,753	27,349
Total operating expenses		**82,671**	**87,893**
Operating income		**18,859**	**20,816**
Financial income	26	825	1,019
Financial expense	26	(532)	(2,321)
Financial income (expense), net		**293**	**(1,302)**
Income before income tax		**19,152**	**19,514**
Income tax (benefit)	11	3,025	3,726
Net income for the period		**16,127**	**15,788**
Other comprehensive income			
Actuarial gain (loss), net of income tax		1,256	(2,735)
Items that will not be reclassified to profit and loss		**1,256**	**(2,735)**
Currency translation differences		(5,306)	313
Unrealized hedging results		(84)	483
Items that may be reclassified subsequently to profit or loss		**(5,390)**	**796**
Other comprehensive income (loss) for the period, net of income tax		**(4,134)**	**(1,939)**
Total comprehensive income for the period		**11,993**	**13,849**
Income attributable to:			
Equity holders of the parent company		16,015	15,587
Non-controlling interest		112	201
Total income for the period		**16,127**	**15,788**
Total comprehensive income attributable to:			
Equity holders of the parent company		11,903	13,659
Non-controlling interest		90	190
Total comprehensive income for the period		**11,993**	**13,849**
Income per share attributable to the equity holders of the parent company			
Basic		0.43	0.42
Diluted		0.43	0.42
Total comprehensive income per share attributable to the equity holders of the parent company			
Basic		0.32	0.37
Diluted		0.32[1]	0.37[1]
Weighted average number of shares used to compute income per share			
Basic	27	37,343,336	37,382,653
Diluted	27	37,550,338[1]	37,586,595[1]

[1] The calculation of the diluted income per share for the year 2013 and 2012 assumes the exercise of equity-settled share-based payments.

Consolidated Statement of Changes in Equity

(euro in thousands)	Number of Ordinary Shares outstanding[1]	Share capital	Share premium	Retained earnings (deficit)	Foreign currency translation adjustment	Accumulated other comprehensive income (loss) (Note 21)	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2013	40,033,921	36,431	190,134	22,486	19,409	(4,666)	263,794	1,157	264,951
Total comprehensive income (loss) for the period	-	-	-	16,015	(5,284)	1,172	11,903	90	11,993
Dividend paid to non-controlling shareholder	-	-	-	-	-	-	-	(54)	(54)
Dividend paid to owners of the Company	-	-	-	(11,168)	-	-	(11,168)	-	(11,168)
Equity-settled share-based payments	-	-	1,173	-	-	-	1,173	-	1,173
Shares bought and taken into treasury	-	-	(2,737)	-	-	-	(2,737)	-	(2,737)
Balance at December 31, 2013	**40,033,921**	**36,431**	**188,570**	**27,333**	**14,125**	**(3,494)**	**262,965**	**1,193**	**264,158**
Restated balance at January 1, 2012	40,033,921	36,431	190,741	11,992	19,085	(2,414)	255,835	1,022	256,857
Total comprehensive income (loss) for the period	-	-	-	15,587	324	(2,252)	13,659	190	13,849
Dividend paid to non-controlling shareholder	-	-	-	-	-	-	-	(55)	(55)
Dividend paid to owners of the Company	-	-	-	(5,093)	-	-	(5,093)	-	(5,093)
Equity-settled share-based payments	-	-	183	-	-	-	183	-	183
Shares bought and taken into treasury	-	-	(790)	-	-	-	(790)	-	(790)
Balance at December 31, 2012	**40,033,921**	**36,431**	**190,134**	**22,486**	**19,409**	**(4,666)**	**263,794**	**1,157**	**264,951**

[1] The outstanding number of Ordinary Shares includes 2,726,955 and 2,404,773 Treasury Shares at December 31, 2013 and December 31, 2012, respectively.

Consolidated Statement of Cash Flows

(euro in thousands)	Year ended December 31,	
	2013	2012
Cash flows from operating activities		
Operating income	18,859	20,816
Depreciation and amortization	9,084	11,578
Share-based payments	1,173	183
Gain on curtailment	-	(1,966)
Other non-cash items	(841)	422
Loss (gain) on disposal of assets	(78)	98
Effects on changes in assets and liabilities		
Decrease (increase) in trade receivables	4,119	8,312
Decrease (increase) in inventories	1,212	4,378
Increase (decrease) in trade payables	(1,028)	2,429
Changes in other working capital	(5,482)	(3,273)
Income tax paid	(9,041)	(3,857)
Interest received	811	813
Interest paid	(641)	(710)
Net cash provided by (used for) operating activities	**18,147**	**39,223**
Cash flows from investing activities		
Capital expenditures	(3,920)	(4,949)
Capitalized development expenses	(7,919)	(11,485)
Proceeds from sale of property, plant and equipment	202	-
Net cash provided by (used for) investing activities	**(11,637)**	**(16,434)**
Cash flows from financing activities		
Proceeds from (payments of) bank lines of credit	(8,746)	790
Proceeds from (payments of) long-term debt and financial leases	1,133	1,310
Purchase Treasury Shares	(2,737)	(899)
Dividend paid to shareholders	(11,168)	(5,093)
Other financing activities	(50)	-
Net cash provided by (used for) financing activities	**(21,568)**	**(3,892)**
Net change in cash and cash equivalents	(15,058)	18,897
Effect on changes in exchange rates on cash and cash equivalents	(1,714)	(23)
Cash and cash equivalents at beginning of the period	106,358	87,484
Cash and cash equivalents at end of the period	**89,586**	**106,358**

Notes to the Consolidated Financial Statements

1. Basis of presentation

General

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

The Consolidated Financial Statements of BE Semiconductor Industries N.V. ("Besi"or "the Company") for the year ended December 31, 2013, were authorized for issue in accordance with a resolution of the directors on February 26, 2014. The Consolidated Financial Statements of the Company as at December 31, 2013, are presented to the Annual General Meeting of Shareholders for their adoption on April 30, 2014.

Statement of compliance

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

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

2. Summary of significant accounting principles

Presentation

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

Principles of consolidation

The Consolidated Financial Statements comprise the financial statements of BE Semiconductor Industries N.V. and its subsidiaries as at December 31, 2013. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of the subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. All intra-group balances, income and expenses and unrealized gains and losses resulting from intragroup transactions are eliminated in full. Accounting policies, as set out below, have been applied consistently for all periods presented in these Consolidated Financial Statements and by all subsidiaries.

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

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

As of December 31, 2013, the following subsidiaries are included in the accompanying Consolidated Financial Statements:

Name	Location and country of incorporation	Percentage of ownership
BE Semiconductor Industries USA, Inc.	Salem, New Hampshire, USA	100%
BE Semiconductor Industries Holding GmbH[1]	Radfeld, Austria	100%
Besi USA, Inc.	Salem, New Hampshire, USA	100%
Besi Singapore Pte. Ltd.	Singapore, Singapore	100%
Besi Korea Ltd.	Seoul, South Korea	100%
Besi Asia Pacific Holding B.V.	Duiven, the Netherlands	100%
Besi Philippines, Inc.	Muntinlupa City, Philippines	100%
Besi Netherlands B.V.[2]	Duiven, the Netherlands	100%
Fico International B.V.	Duiven, the Netherlands	100%
Fico Tooling Leshan Company Ltd.	Leshan, China	87%
Besi APac Sdn. Bhd.	Shah Alam, Malaysia	100%[3]
ASM Fico (F.E.) Sdn. Bhd.	Shah Alam, Malaysia	99.9%[4]
Fico Hong Kong Ltd.	Hong Kong, China	100%
Meco International B.V.	Drunen, the Netherlands	100%
Meco Equipment Engineers B.V.	Drunen, the Netherlands	100%
Besi North America, Inc.	Salem, New Hampshire, USA	100%
Datacon Eurotec GmbH i.L.	Berlin, Germany	100%
Datacon Beteiligungs GmbH	Radfeld, Austria	100%
Besi Austria GmbH[5]	Radfeld, Austria	100%
Esec International B.V.	Duiven, the Netherlands	100%
Besi Switzerland AG[6]	Cham, Switzerland	100%
Esec China Financial Ltd.	Hong Kong, China	100%
Besi (Shanghai) Trading Co., Ltd.	Shanghai, China	100%
Esec (Singapore) Pte. Ltd.	Singapore, Singapore	100%
Besi Spares and Tooling AG	Cham, Switzerland	100%

[1] Formerly named Besi Austria Holding GmbH.
[2] Formerly named Fico B.V.
[3] In order to comply with local corporate law, a non-controlling shareholding (less than 0.1%) is held by Company Management.
[4] In order to comply with local corporate law, a non-controlling shareholding is held by Company Management.
[5] Formerly named Datacon Technology GmbH.
[6] Formerly named Esec AG.

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	
	2013	2012	2013	2012
US dollar	1.37	1.32	1.33	1.29
Swiss franc	1.23	1.21	1.23	1.20
Malaysian ringgit	4.51	4.04	4.16	3.97
Chinese yuan	8.34	8.22	8.17	8.14

Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken into the Consolidated Statement of Comprehensive Income. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. Any goodwill arising on the acquisition of a foreign operation and any fair-value adjustments to the carrying amounts of assets and liabilities

arising on the acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate. The assets and liabilities of foreign operations are translated into euros at the rate of exchange ruling at the balance sheet date and their Statement of Comprehensive Income is translated at the weighted average exchange rates for the year. The exchange differences arising on the translation of assets and liabilities are recognized in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the Consolidated Statement of Comprehensive Income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The estimated useful lives are as follows:

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

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

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

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

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

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

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

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

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

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

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

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

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

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

Impairment of financial assets

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

Derivative financial instruments and hedge accounting

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

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

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

Loans and receivables

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

Financial liabilities

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

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

Employee benefits

Pension plans

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Onerous contracts

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

Revenue recognition

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

Subsidies and other governmental credits

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

Net financing expenses/borrowing costs

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

Income taxes

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

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

Segment reporting

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

Significant accounting judgements, estimates and assumptions

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

Judgements

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

Impairment of non-financial assets

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

Share-based payments

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

Deferred tax assets

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

Pension and other post-employment benefits

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

Development costs

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

New IFRS standards and interpretations

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after January 1, 2013. Those which may be relevant to the Company are set out below.

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additions relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and new requirements to address the impairment of financial assets and hedge accounting. IFRS 9 (2010 and 2009) are effective for annual periods beginning on or after January 1, 2015 with early adoption permitted. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (2011)

IFRS 10 introduces a single control model to determine whether an investee should be consolidated. Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting. IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The Company adopted the standard on January 1, 2013.

IFRS 13 Fair Value Measurement (2011)

IFRS 13 provides a single source of guidance on how value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout IFRS. Subject to limited exceptions, IFRS 13 is applied when fair value measurements of disclosures are required of permitted by other IFRSs. The Company adopted the standard on January 1, 2013.

3. Cash and cash equivalents

(euro in thousands)	December 31, 2013	December 31, 2012
Short-term deposits	63,505	71,026
Cash on hand at banks	26,081	35,332
Total cash and cash equivalents	**89,586**	**106,358**

Interest rates are variable, except for some short-term deposits, which bear a fixed interest rate with an original maturity of maximum one year or less depending on the immediate cash requirements of the Company. At December 31, 2013, an amount of € 1.6 million in cash and cash equivalents was restricted (2012: € 1.7 million). These cash and cash equivalents have been restricted due to a cash cover.

4. Trade receivables

Trade receivables, generally with payment terms of 30 to 90 days, with impairment losses amounting to € 581 and € 642 at December 31, 2013 and 2012, 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
2013	53,697	(581)	28,184	8,020	6,650	2,005	2,059	7,360
2012	58,552	(642)	30,024	10,557	4,907	4,969	2,859	5,878

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

(euro in thousands)	2013	2012
Balance at January 1,	642	849
Additions (releases)	(13)	(78)
Utilized	(20)	(139)
Foreign currency translation	(28)	10
Balance at December 31,	**581**	**642**

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

5. Inventories

Inventories consist of the following:

(euro in thousands)	December 31, 2013	December 31, 2012
Raw materials	24,918	30,294
Work in progress	29,239	32,481
Finished goods	11,010	6,628
Total inventories, net	**65,167**	**69,403**

In 2013 raw materials and changes in work in progress and finished goods included in cost of sales amounted to € 120.5 million (2012: € 132.9 million). The amount of write-down of inventories recognized as a loss in 2013 is € 1.035 (2012: € 404 gain) which is recognized in cost of sales. For inventories that have been pledged as collateral for the borrowing facilities and long-term debt, reference is made to Note 13 and 18.

6. Other receivables

Other receivables consist of the following:

(euro in thousands)	December 31, 2013	December 31, 2012
VAT receivables	3,038	2,993
Interest receivable	206	244
Deposits	938	1,054
Forward exchange contracts	435	755
Other	753	643
Total other receivables	**5,370**	**5,689**

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

7. Prepayments

Prepayments consist of the following:

(euro in thousands)	December 31, 2013	December 31, 2012
Prepaid insurance	54	43
Prepaid rent	797	962
Prepaid annual maintenance contracts	152	148
Prepaid pensions	1,891	-
Prepaid social security	386	-
Other prepayments	678	756
Total prepayments	**3,958**	**1,909**

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

(euro in thousands)	Land, buildings and leasehold improvements	Machinery and equipment	Office furniture and equipment	Assets under construction	Total
Balance at January 1, 2012					
Cost	20,259	28,185	8,661	978	58,083
Accumulated depreciation	(4,445)	(21,277)	(5,855)	-	(31,577)
Property, plant and equipment, net	**15,814**	**6,908**	**2,806**	**978**	**26,506**
Changes in book value in 2012					
Additions	2,065	2,212	251	(575)	3,953
Disposals	36	(445)	19	-	(390)
Reclassifications	446	555	(1,001)	-	-
Depreciation	(1,352)	(2,056)	(693)	-	(4,101)
Foreign currency translation	76	19	27	(29)	93
Total changes	**1,271**	**285**	**(1,397)**	**(604)**	**(445)**
Balance at December 31, 2012					
Cost	23,113	25,954	6,639	374	56,080
Accumulated depreciation	(6,028)	(18,761)	(5,230)	-	(30,019)
Property, plant and equipment, net	**17,085**	**7,193**	**1,409**	**374**	**26,061**

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

Depreciation

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

(euro in thousands)	Year ended December 31,	
	2013	2012
Cost of sales	1,373	1,441
Selling, general and administrative expenses	2,221	2,332
Research and development expenses	440	328
Total depreciation	**4,034**	**4,101**

9. Goodwill

Goodwill consists of the following:

(euro in thousands)	2013	2012
Balance at January 1,		
Cost	64,054	64,262
Accumulated impairment	(20,200)	(20,200)
Goodwill, net	**43,854**	**44,062**
Changes in book value		
Foreign currency translation	(313)	(208)
Total changes	**(313)**	**(208)**
Balance at December 31,		
Cost	63,741	64,054
Accumulated impairment	(20,200)	(20,200)
Goodwill, net	**43,541**	**43,854**

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, 2013	December 31, 2012
Die Attach	41,561	41,874
Plating	1,980	1,980
Total	**43,541**	**43,854**

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 2014 and financial projections per Product Group approved by Management for the projection period (2015-2018).

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 2014.
  - Revenue forecasts for 2015-2018 as per market growth estimates from VLSI, 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 12.8% to 14.1% representing the pre-tax weighted average cost of capital (WACC) is determined using the Capital Asset Pricing Model (in 2012 a pre-tax discount rate between 12.4% and 12.9%).

- Residual value is based on a 1.0% perpetual growth rate (in 2012: 1.0%).

- The risk free rate of 1.7% (in 2012: 1.6%) and equity risk premium 6.0% (in 2012: 3.5%).

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, 2013.

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

10. Other intangible assets

Other intangible assets, net consist of the following:

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

(euro in thousands)	Software	Patents	Customer relationships	Development expenses	Total
Balance at January 1, 2012					
Cost	7,501	34,365	6,083	35,556	83,505
Accumulated amortization	(3,704)	(33,424)	(3,549)	(13,806)	(54,483)
Accumulated impairment	-	(802)	-	(402)	(1,204)
Other intangible assets, net	**3,797**	**139**	**2,534**	**21,348**	**27,818**
Changes in book value in 2012					
Capitalized development expenses	-	-	-	11,485	11,485
Capitalized expenditures	996	-	-	-	996
Amortization	(2,360)	(38)	(507)	(4,572)	(7,477)
Foreign currency differences	3	(3)	-	36	36
Total changes	**(1,361)**	**(41)**	**(507)**	**6,949**	**5,040**
Balance at December 31, 2012					
Cost	8,494	34,265	6,083	47,089	95,931
Accumulated amortization	(6,058)	(34,167)	(4,056)	(18,792)	(63,073)
Other intangible assets, net	**2,436**	**98**	**2,027**	**28,297**	**32,858**

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,	
	2013	2012
Cost of sales	56	60
Selling, general and administrative expenses	2,084	2,769
Research and development expenses	2,910	4,648
Total amortization	**5,050**	**7,477**

11. Income taxes

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

(euro in thousands)	December 31, 2013	December 31, 2012
Deferred tax assets (liabilities)		
- Operating loss carry forwards	12,184	11,955
- Intangible assets	(3,262)	(2,292)
- Inventories	608	681
- Provisions	1,004	1,822
- Other items	507	(302)
Total deferred tax assets (liabilities), net	**11,041**	**11,864**
Deferred tax asset to be recovered after more than twelve months	15,511	15,505
Deferred tax asset to be recovered within twelve months	974	840
Total deferred tax assets, net	**16,485**	**16,345**
Deferred tax liability to be settled after more than twelve months	(5,444)	(4,481)
Deferred tax liability to be settled within twelve months	-	-
Total deferred tax liabilities, net	**(5,444)**	**(4,481)**
Total deferred tax assets (liabilities), net	**11,041**	**11,864**

(euro in thousands)	December 31, 2012	Profit & loss	Other comprehensive income	Foreign currency	December 31, 2013
Deferred tax assets (liabilities)					
- Operating loss carry forwards	11,955	475	-	(246)	12,184
- Intangible assets	(2,292)	(994)	-	24	(3,262)
- Inventories	681	(73)	-	-	608
- Provisions	1,822	(686)	(141)	9	1,004
- Other items	(302)	792	-	17	507
Total	**11,864**	**(486)**	**(141)**	**(196)**	**11,041**

The deferred tax assets for operating loss carry forwards are related to the US, Swiss, Singapore and Dutch operations of the Company. Under applicable US tax law, the carry forwards related to the US operating losses of € 19.4 million expire during the period of 2018 and thereafter. The carry forwards related to the Dutch operating losses amount to approximately € 87.9 million and expire during the periods of 2014 through 2022. The carry forwards related to the Swiss operating losses amount to approximately € 79.6 million, and have various expiration terms up to 2016. The carry forwards related to the Singapore operating losses amount to approximately € 1.4 million and have no expiration term.

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

In 2013, taxable income of the Dutch operations has become positive. Due to the expected profits in the years thereafter the Company has decided to increase the deferred tax assets resulting in a gain of € 2.9 million.

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

In the new business structure the US fiscal entity is expected to structurally realize profits, therefore an additional amount of € 2.6 million deferred tax asset is recognized in the Consolidated Statement of Financial Position.

In the new business structure the Singapore fiscal entity is also expected to structurally realize profits, therefore during the year an amount of € 0.5 million has been recognized as deferred tax asset in the Consolidated Statement of Financial Position.

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

The Dutch domestic statutory tax rate is 25.0% for the year ended December 31, 2013 and for the year ended December 31, 2012. The reconciliation between the actual income taxes (benefit) shown in the Consolidated Statement of Comprehensive Income and the expense (benefit) that would be expected based on the application of the domestic tax rate to income (loss) before taxes and related goodwill adjustment, is as follows:

(euro in thousands)	**Year ended December 31,**		**Year ended December 31,**	
	2013	**2013 in % of income before taxes**	**2012**	**2012 in % of income before taxes**
"Expected" income tax expense based on domestic rate	4,788	25.0%	4,878	25.0%
Non-deductible expenses	425	2.2%	94	0.5%
Foreign tax rate differential	(529)	(2.8%)	818	4.2%
Tax exempt income	(188)	(1.0%)	(634)	(3.3%)
Net operating losses ("NOL") not recognized	-	-	1,880	9.6%
Utilization during financial year	(656)	(3.4%)	(322)	(1.7%)
Recognition of previous unrecognized tax losses	(5,605)	(29.2%)	(3,099)	(15.8%)
Deferred tax expense arising from write-down of previous recognized tax losses	4,422	23.1%	-	-
Withholding taxes	347	1.8%	-	-
Other	21	0.1%	111	0.6%
Income tax expense shown in Consolidated Statement of Comprehensive Income	**3,025**	**15.8%**	**3,726**	**19.1%**

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,**	
	2013	**2012**
Current	2,539	10,425
Deferred	486	(6,699)
Total	**3,025**	**3,726**

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

The dividend payment from the Chinese subsidiary in 2013 to the parent company resulted in an income tax charge amounting to € 0.3 million due to withholding taxes to be paid in China. The income tax consequences of dividend payments in this country that were proposed before the financial statements were authorized for issue, but are not recognized, amount to € 0.1 million. There are tax treaties with our other main subsidiaries which avoid double taxation and/or payment of withholding taxes on dividend payments.

Tax risk

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

12. Other non-current assets

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

(euro in thousands)	December 31, 2013	December 31, 2012
Funds with insurance companies for pension liability	1,367	1,167
Other	68	309
Total other non-current assets	**1,435**	**1,476**

13. Borrowing facilities

At December 31, 2013, Besi and its subsidiaries had available lines of credit aggregating € 39 million, under which € 22.4 million of borrowings were outstanding (of which € 15.6 million relate to notes payable to banks and the remaining balance of € 6.8 million relates amongst others to bank guarantees). Interest is charged at the banks' base lending rates or Euribor plus an increment between 0.3% and 0.7%. All its credit facility agreements include covenants requiring Besi to maintain certain financial positions or financial ratios and have no stated contractual maturity. Besi and all of its applicable subsidiaries were in compliance with all loan covenants at December 31, 2013. In case of breach, the respective banks are entitled to call in the credit lines.

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

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

- € 16.7 million of Besi's credit lines relate to Besi Austria GmbH and are without recourse to the parent company. Consistent with past practice, Besi Austria utilizes short-term bank lines of credit, long-term loans and government-granted loans for export and research and development activities. The principal restrictive covenant contains a minimum equity ratio. All borrowing facilities have no contractual maturity date.

- € 8.6 million of Besi's credit lines relate to its Asian manufacturing operations and are secured by legal charge over the land and building in Malaysia and a debenture creating charges over all fixed and floating present and future assets of Besi APac Sdn. Bhd. The principal restrictive covenant includes a minimum tangible net worth, a maximum gearing ratio, a maximum days receivable and the requirement that Besi APac Sdn. Bhd. remains a direct/indirect 100% owned subsidiary of BE Semiconductor Industries N.V. at all times. All borrowing facilities have no contractual maturity date.

- € 5.7 million of Besi's credit lines relate to Besi Switzerland AG. Besi Switzerland utilizes this credit facility for contingent liabilities (amongst others guarantees and documentary credits) and for conducting foreign exchange contracts. The credit facility is secured by a parent company guarantee. The principal restrictive covenant contains a minimum cash position to be held on the bank accounts of Credit Suisse. The facility has no contractual maturity date.

14. Provisions

(euro in thousands)	December 31, 2013	December 31, 2012
Warranty provision	3,418	4,562
Restructuring provision	673	3,807
Onerous contracts	666	1,051
Total provisions	**4,757**	**9,420**

Warranty provision

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

(euro in thousands)	2013	2012
Balance at January 1,	4,562	6,180
Additions	2,834	1,149
Usage	(3,956)	(2,791)
Foreign currency translation	(22)	24
Balance at December 31,	**3,418**	**4,562**

The Company expects to incur the majority of the liability over the next year. The calculation of the warranty provision is based on historical warranty costs, warranty periods and best estimate of timing of the warranty. In 2013 a one time gain of € 0.3 million has been reported due to a revision in the estimation of the expected warranty costs.

Restructuring provision

Restructuring charges recorded by the Company in 2013 amount to € 0.6 million, which mainly relates to severance payments, legal consultancy and outplacement expenses. Changes in the restructuring provision were as follows:

(euro in thousands)	2013	2012
Balance at January 1,	3,807	1,094
Additions	622	4,044
Usage	(3,756)	(1,131)
Releases	-	(200)
Foreign currency translation	-	-
Balance at December 31,	**673**	**3,807**

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

(euro in thousands)	Year ended December 31,	
	2013	2012
Cost of sales	73	724
Selling, general and administrative expenses	166	2,856
Research and development expenses	383	464
Total	**622**	**4,044**

The provision of € 0.7 million at December 31, 2013 is expected to be fully utilized during 2014.

Onerous contracts

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

(euro in thousands)	2013	2012
Balance at January 1,	1,051	2,168
Additions	335	360
Usage	(720)	(477)
Releases	-	(1,000)
Balance at December 31,	**666**	**1,051**

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, 2013	December 31, 2012
Payroll accruals	8,214	8,556
Accrued audit and consultancy fees	592	576
Forward exchange contracts	137	24
Settlement accounts	611	236
Accrued utility costs	207	192
Accrued installation costs	223	340
Accrued project cost	1,437	1,045
Accrued maintenance	277	609
Other payables	1,955	2,432
Total other payables	**13,653**	**14,010**

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

17. Other liabilities

(euro in thousands)	December 31, 2013	December 31, 2012
Advances from customers	2,157	1,377
Payroll liabilities	1,928	2,400
Other	545	188
Total other liabilities	**4,630**	**3,965**

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

18. Long-term debt and financial leases

(euro in thousands)	December 31, 2013	December 31, 2012
Other long-term debt		
Research and development loan from Österreichische Forschungsförderungsgesellschaft, Wien, Austria (Interest rates between 1% and 2% at December 31, 2013)	3,059	2,338
Financial leases at various interest rates	-	3
Subtotal	**3,059**	**2,341**
Less: current portion	-	(415)
Total long-term debt and financial leases	**3,059**	**1,926**

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
2014	-
2015	744
2016	-
2017	2,315
2018 and thereafter	-
Total	**3,059**
Less: current portion of long-term debt and financial leases	-
Non-current portion of long-term debt	**3,059**

Other long-term debt
The carrying value of the pledges related to long-term debt does not exceed the value of the outstanding long-term debt as of December 31, 2013. The long-term debt represents 15 loans aggregating € 3,059 for the financing of the research and development projects at Besi Austria. The fixed interest rates at December 31, 2013 vary from 1% to 2% for all loans. Loan repayments are due between March 2015 and September 2017.

The Company and all of its applicable subsidiaries had no defaults for its long-term debt at December 31, 2013.

19. Other non-current liabilities

Other non-current liabilities consist of the following:

(euro in thousands)	December 31, 2013	December 31, 2012
Pension liabilities Austria	569	476
Pension liabilities Switzerland	4,639	5,488
Severance obligations	2,909	3,039
Other	145	47
Other non-current liabilities	**8,262**	**9,050**

20. Employee benefits

Pension plans
The employees of the Company's Dutch subsidiaries participate in a multi-employer union plan. This plan is a defined benefit plan that is managed by Bedrijfstakpensioenfonds Metalektro. This industry pension fund is unable to allocate the obligations, investments and cost to the different participating employers on a consistent and reliable basis, therefore the pension fund is not able to provide the information needed in order to account for pension commitments as a defined benefit plan in the Consolidated Financial Statements. For that reason, the plan is accounted for as a defined contribution plan in accordance with IAS 19 "Employee Benefits". The Company has no continuing obligations other than the annual payments. The Company has no obligation to pay for a possible deficit in the pension fund. Neither is the Company entitled to a possible surplus in the pension fund. On a yearly basis, the pension fund determines the new annual payments to be paid by the Company. Contributions under this plan were € 1.0 million in 2013 and € 1.1 million in 2012. Based on public information posted on the website of the Industry Pension Fund, the funding ratio increased from 93.9% as of December 31, 2012 to 104.3% as of December 31, 2013. In 2013 the Industry Pension Fund reduced the future pension payments to all participants by 5.1%. In 2014 another reduction of 0.5% has been announced.

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

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

Principal actuarial assumptions at the reporting date:

(in percentage)	2013	2012
Interest rate for obligations	3.50%	3.50%
Future salary increases (severance payments)	3.00%	3.00%

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

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

(euro in thousands)	Pension liabilities	Severance obligations	2012 Total
Liability for defined benefit and severance obligations at January 1,	334	1,647	1,981
Service cost	25	115	140
Interest cost	16	79	95
Net actuarial loss (gain) recognized	101	455	556
Benefits paid	-	(68)	(68)
Liability for defined benefit and severance obligations at December 31,	**476**	**2,228**	**2,704**

The accumulated defined benefit obligation amounts to € 2.9 million at December 31, 2013. Future expected benefit payments to (former) employees regarding pensions and leave over the next ten years are considered immaterial.

A summary of the components of total expense recognized in the Consolidated Statement of Comprehensive Income for the period and the weighted average assumptions used for net periodic defined benefit expense and benefit obligation calculations for 2013 and 2012 is presented as follows:

(euro in thousands)	Year ended December 31,	
	2013	2012
Service cost	178	140
Interest cost	93	95
Expense recognized	**271**	**235**

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)	2013	2012
Assets at January 1,	1,167	1,080
Actual return on assets	23	36
Employer contribution/additions to assets	211	65
Benefits paid	(34)	(14)
Assets at December 31,	**1,367**	**1,167**

At December 31, 2013, the assets consist of bonds (5%), investment funds (30%) and insurance policies (65%), respectively bonds (6%), investment funds (33%) and insurance policies (61%) at December 31, 2012.

Historical information

(euro in thousands)	2013	2012	2011	2010	2009
Present value of the defined benefit obligation	2,918	2,704	1,981	1,902	1,280
Fair value of assets	1,367	1,167	1,080	1,030	940
Experience adjustments arising on plan liabilities ((gains)/losses)	(6)	556	(141)	499	56
Experience adjustments arising on assets ((gains)/losses)	-	-	-	-	-

Expected contribution related to employer contribution in 2013 is expected to be in line with prior years.

Sensitivity analysis

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

(euro in thousands)	Defined benefit and severance obligation	
	0.25% increase	0.25% decrease
Discount rate	(117)	123
Salary increase	105	(100)

The above sensitivities are based on the average duration of the benefit and severance obligation determined at the date of the last full actuarial valuation at December 31, 2013 and are applied to adjust the defined benefit and severance obligation at the end of the reporting period of the assumptions concerned.

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

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

Principal actuarial assumptions at the reporting date:

(in percentage)	2013	2012
Discount rate	2.30%	1.90%
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)	2013	2012
Liability for defined benefit obligations at January 1,	42,128	41,007
Current service cost	1,872	1,731
Interest cost	772	958
Actuarial loss (gain) recognized	(1,347)	1,905
Plan participants' contribution	611	688
(Gains)/losses on curtailments	-	(1,966)
Benefits paid through pension assets and net transferrals	(6,543)	(2,487)
Foreign currency differences	(678)	292
Liability for defined benefit obligations at December 31,	**36,815**	**42,128**

During fiscal year 2012 a restructuring occurred that resulted in a curtailment. From the total number of employees, that were laid off during fiscal year 2012, 40 employees were covered under the pension plan. The curtailment is calculated at December 31, 2012.

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

(euro in thousands)	Year ended December 31,	
	2013	2012
Current service costs	1,872	1,731
Net interest on net defined liability	88	84
Past service cost including effects of curtailment	-	(1,966)
Administration expenses	68	73
Expense (income) recognized	**2,028**	**(78)**

Movement in the fair value of plan assets:

(euro in thousands)	2013	2012
Fair value of plan assets at January 1,	36,640	36,402
Interest income	684	874
Return on plan assets excluding amounts included in net income	(575)	(623)
Plan participants' contribution	611	688
Company contributions	2,019	1,602
Benefits paid through pension assets	(6,543)	(2,487)
Administration expenses	(68)	(73)
Foreign currency differences	(592)	257
Fair value of plan assets at December 31,	**32,176**	**36,640**

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

(in percentage)	December 31, 2013	December 31, 2012
Qualified insurance policies	98%	99%
Others	2%	1%
Total	**100%**	**100%**

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

Net benefit liability:

(euro in thousands)	December 31, 2013	December 31, 2012
Defined benefit obligations	36,815	42,128
Fair value of plan assets	(32,176)	(36,640)
Net liability	**4,639**	**5,488**

Historical information

(euro in thousands)	2013	2012	2011 restated	2010	2009
Present value of the defined benefit obligations	36,815	42,128	41,007	35,302	25,028
Fair value of plan assets	(32,176)	(36,640)	(36,402)	(33,282)	(24,568)
Deficit in the plan	**4,639**	**5,488**	**4,605**	**2,020**	**460**
Experience adjustments arising on plan liabilities ((gains)/losses)	(1,347)	1,905	1,548	1,849	(166)
Experience adjustments arising on plan assets ((gains)/losses)	(575)	(623)	(1,350)	(305)	23

Historical information is shown as from 2009, when the Swiss subsidiary was acquired. Expected contribution related to employer contribution in 2014 is expected to be in line with 2013.

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

(euro in thousands)	Defined benefit obligation	
	0.25% increase	0.25% decrease
Discount rate	(1,414)	1,522
Salary increase	218	(211)
Pension indexation	-	-
Interest credit rate	367	(357)

The above sensitivities are based on the average duration of the benefit obligation determined at the date of the last full actuarial valuation at December 31, 2013 and are applied to adjust the defined benefit obligation at the end of the reporting period of the assumptions concerned.

Share-based compensation plans
Description of share-based compensation plans
In the year 2000, the Company granted equity-settled stock options to all of its employees under the Share Option Plan 2000 and granted equity-settled options to the Board of Management under the Share Option Plan December 2000. The fair value of equity-settled options granted is recognized as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and expensed over the period during which the employees become unconditionally entitled to the options.

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

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

Furthermore, the Supervisory Board approved to prolong 19,900 out-of-the-money equity-settled options outstanding for a member of the Board of Management, which have a revised exercise price of € 0.91 until April 18, 2016. The Supervisory Board also approved, subject to shareholders approval, to prolong 142,000 (outstanding as per January 1, 2011) out-of-the-money equity-settled options outstanding until December 5, 2016 at the original exercise price of € 9.80. This prolongation was approved by the Shareholders at the Annual General Meeting of Shareholders held on April 25, 2012. The Supervisory Board deferred the decision of prolonging 100 out-of-the money equity-settled options outstanding until January 2012 and decided on January 30, 2012 not to prolong these 100 options. Consequently these options expired on January 30, 2012.

Incentive Plan 2011-2016

In 2011, the Company established the BE Semiconductor Industries Incentive Plan 2011-2016 (the "Incentive Plan 2011-2016"). The total number of Ordinary Shares that will be awarded under the Incentive Plan 2011-2016 may not exceed 1.5% of the total number of outstanding shares at December 31 of the year prior to the year in which the award is made. The Company granted 12,000 Performance Shares in 2011 which vested in April 2012, in accordance with the Allocation Agreements and were settled partly in shares and partly in cash in order to offset income tax effects of participating employees as allowed under this plan.

The Incentive Plan 2011-2016 contains specific conditions for the Board of Management. Reference is also made to the Remuneration Policy 2011-2016 as adopted by the Annual General Meeting of Shareholders on April 28, 2011. The number of Performance Shares, if any, to be awarded to an individual member of the Board of Management will be determined by using the following elements:

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

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

The three-year performance period of the Performance Shares conditionally awarded in 2013, 2012 and 2011 is defined as 2013-2015, 2012-2014 and 2011-2013, respectively. The Performance Shares awarded will vest at the end of the three-year performance period, depending on the actual performance of the Company. In principle, if at target performance is achieved, 100% of the Performance Shares awarded will vest. The maximum number of shares that can vest amounts to 150% of the target number of Performance Shares conditionally awarded. However, at the moment of vesting, the maximum underlying value of the actual number of shares vesting shall in no event exceed 80% of the individual board member's annual base salary in the year of vesting. Please also refer to Note 29, Events after the balance sheet date.

Under the Incentive Plan 2011-2016, the Supervisory Board may, at its own discretion and upon recommendation of the Remuneration and Nomination Committee, award additional shares to a member of the Board of Management as a reward for extraordinary achievements of excellent performance, up to a maximum of 60,000 shares. For the year 2011, the Supervisory Board at its own discretion and upon recommendation by the Remuneration and Nomination Committee, awarded the member of the Board of Management 60,000 shares in 2012. These 60,000 shares vested as per April 26, 2012. In 2012, these shares were awarded based on the successful completion of the strategically important acquisition in 2009 of Esec AG.

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

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

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

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

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

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

Financing of stock option plans

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

Summary of outstanding stock options

Following is a summary of changes in Besi options:

	Number of options	2013 Weighted average exercise price (in euro)	Number of options	2012 Weighted average exercise price (in euro)
Equity-settled option plans				
Outstanding, beginning of year	221,486	11.18	222,386	11.21
Options expired	-	-	(100)	17.90
Options exercised	-	-	-	-
Options forfeited	(5,125)	17.90	(800)	17.90
Outstanding and exercisable, end of year	**216,361**	**11.02**	**221,486**	**11.18**

Stock options outstanding and exercisable:

	Year ended December 31, 2013			Year ended December 31, 2012		
Range of exercise price (in euro)	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (in euro)**	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price (in euro)**
Equity-settled option plans						
9.80	142,000	2.93	9.80	142,000	3.92	9.80
17.90	54,461	2.30	17.90	59,586	3.29	17.90
0.91	19,900	2.30	0.91	19,900	3.29	0.91
Total equity-settled option plans	**216,361**			**221,486**		

Summary of outstanding PSAs and Performance Shares

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

	2013	2012
Outstanding, beginning of year	450,624	798,397
Performance Shares granted	336,390	349,727
Shares discretionary granted to Board	30,000	60,000
Shares discretionary granted to Non- Board	24,409	-
PSAs/Performance Shares settled in equity instruments (reissued from Treasury Shares)	(52,949)	(462,000)
PSAs/Performance Shares settled in cash	-	(220,500)
PSAs/Performance Shares forfeited	(32,829)	(15,000)
Shares reissued from Treasury Shares by the Company upon vesting	(54,409)	(60,000)
Outstanding, end of year	**701,236**	**450,624**

The market price of the Company’s Ordinary Shares at the date of grant in 2013 was € 5.69 and, respectively € 5.12 for the grants in 2012. 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 € 5.86 (2012: € 5.59).

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

Performance Shares	Year of grant	Three-year performance period	Number of PSs
R.W. Blickman	2011	2011-2013	100,897
	2012	2012-2014	92,393
	2013	2013-2015	82,626
Total			**275,916**

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

Performance Shares	Year of grant	Three-year performance period	Number of PSs
Key employees	2012	2012-2014	257,334
Key employees	2013	2013-2015	253,764
Total			**511,098**

Fair value measurement Performance Shares

Incentive Plan 2011-2016 (Board of Management)

The target number of Performance Shares conditionally awarded to the current member of the Board of Management in 2013 amounts to 82,626 (2012: 92,393). After the three-year performance period the actual number of Performance Shares that vest, subject to continued employment, will be determined based on:

- The Net Income relative to the Revenues (NIR) over a three-year performance period (50%).
- The average annual Total Shareholder Return (TSR) growth over the three-year performance period (50%).

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

For the awards made in 2013, the grant date fair value of the 50% portion with a TSR performance condition is € 6.26 (2012: € 4.37) and has been derived using a Monte Carlo Simulation model. The significant inputs into the model were:

	2013	2012
Market price of the Company's Ordinary Shares (in euro)	5.69	5.12
Volatility	34%	48%
Dividend yield	5.14%	4.21%
Vesting period (in years)	3	3
Risk-free interest rate	0.19%	0.88%

For the 2013 awards, the grant date fair value of the 50% portion with a NIR performance condition is € 4.79 (2012: € 4.47). 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 of € 0.30 per annum (2012: € 0.22 per annum) over the three year vesting period.

The Performance Shares awarded will vest at the end of the three-year performance period, depending on the actual performance of the Company. However, at the moment of vesting, the maximum value of the actual number of shares that vest shall in no event exceed 80% of the individual board member's annual base salary in the year of vesting. As a result, the total estimated costs for each of the annual grants (2011, 2012 and 2013) amount to € 360. The Company recognized € 360 as costs in the 2013 Statement of Comprehensive Income (2012: € 240).

LTI Plan 2012-2016 (Non-Board Members)

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

The average grant date fair value of the awards made in 2013 to Non-Board Members is € 5.09 (2012: € 4.68). 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 of € 0.30 per annum (2012: € 0.22 over the respective vesting periods).

The estimated expense is based on the number of Performance Shares expected to vest taking into account:

- Non-market performance conditions: The expected Company and employee performance.
- Service condition: Total forfeitures of 4%.

The total estimated costs recognized in 2013 for these Performance Shares amount to € 638 (2012: € 283) and are recognized in the Statement of Comprehensive Income.

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

(euro in thousands)	Year ended December 31,	
	2013	2012
Performance Stock Awards/Performance Shares	-	442
Effect of change from equity settled into cash settlement	-	183
Performance Shares granted and delivered to the Board of Management	175	335
Conditional Performance Shares Board of Management	360	240
Performance Shares relating to the LTI plan 2012-2016	638	283
Total expense recognized as employee costs	**1,173**	**1,483**

21. Share capital

At December 31, 2013 and December 31, 2012, the parent company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.91 per share, and 80,000,000 Preference Shares, nominal value € 0.91 per share.

At December 31, 2013 and December 31, 2012, 37,306,966 and 37,629,148 Ordinary Shares were outstanding, excluding Treasury Shares of 2,726,955 and 2,404,773, respectively. No Preference Shares were outstanding at each of December 31, 2013 and December 31, 2012. All issued shares have been paid in full.

Accumulated other comprehensive income (loss) consists of:

(euro in thousands)	December 31, 2013	December 31, 2012
Actuarial gains (losses)	(4,905)	(6,302)
Deferred tax on actuarial gains and losses	597	738
Cash flow hedging reserve	51	135
Others	763	763
Accumulated other comprehensive income (loss)	**(3,494)**	**(4,666)**

Dividends

Proposed for approval at the Annual General Meeting of Shareholders to be held on April 30, 2014 (not recognized as a liability as at December 31, 2013 and December 31, 2012):

(euro in thousands)	Year ended December 31, 2013	2012
33.00 cents per Ordinary Share (2012: 30.00 cents)	**12,311**	**11,289**

The Board of Management proposes to allocate the part of the net income for the year 2013 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

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

22. Commitments and contingencies

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

(euro in thousands)	December 31, 2013	December 31, 2012
Within one year	3,630	4,988
After one year but not more than five years	5,771	9,149
After five years	810	-
Total	**10,211**	**14,137**

Committed rental expense was € 9.7 million and € 12.6 million as of December 31, 2013 and 2012, respectively. In addition, the Company has an unconditional obligation related to the purchase of equipment and materials totalling € 52.6 million and € 56.8 million as of December 31, 2013 and 2012, respectively. Lease and rental expenses amounted to € 4.6 million and € 5.0 million for the years ended December 31, 2013 and 2012, respectively.

Research and development subsidies and credits available to offset research and development expenses were € 2.2 million in 2013 and € 2.2 million in 2012.

23. Segment, geographic and customer information

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

(euro in thousands)	The Netherlands	Other Europe	United States	Asia Pacific	Elimination	Total
Year ended December 31, 2013						
Revenue	61,703	231,113	19,289	93,639	(150,808)	254,936
Non-financial assets	9,646	74,409	7,883	11,846	-	103,784
Capital expenditures	623	1,789	74	1,434	-	3,920
Total assets	157,949	194,706	23,007	68,308	(103,260)	340,710
Year ended December 31, 2012						
Revenue	60,280	226,465	7,360	94,410	(114,795)	273,720
Non-financial assets	9,835	71,376	8,539	13,126	-	102,876
Capital expenditures	298	1,054	134	3,463	-	4,949
Total assets	159,968	225,933	16,261	77,773	(116,533)	363,402

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

(euro in thousands)	Year ended December 31,	
	2013	2012
China	62,148	53,534
Taiwan	52,815	41,031
Korea	9,880	40,006
United States	26,104	27,871
Malaysia	19,752	18,849
Germany	11,938	18,283
Other Asia Pacific	45,288	48,554
Other Europe	20,401	18,410
Rest of the World	6,610	7,182
Total revenue	**254,936**	**273,720**

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

For the year ended December 31, 2013, one customer represents more than 10% of the Company's revenue.

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

(euro in thousands)	Year ended December 31,	
	2013	2012
Sale of goods	252,193	270,520
Rendering of services	2,743	3,200
Total revenue	**254,936**	**273,720**

24. Related-party transactions

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

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

Remuneration of the Board of Management

The remuneration of the member of the Board of Management is determined by the Supervisory Board, all with due observance of the Remuneration Policy adopted by the General Meeting of Shareholders on April 28, 2011. Reference is made to the remuneration report on pages 52 to 55 of this Annual Report. The Supervisory Board is required to present any scheme providing for the remuneration of the member of the Board of Management in the form of shares or options to the General Meeting of Shareholders for adoption.

The total cash remuneration and related costs of the member of the Board of Management recorded in the years ended December 31, 2013 and 2012:

(in euros)	Year ended December 31,	
	2013	2012
R.W. Blickman		
Salaries and other short-term employee benefits[1, 2]	797,988	790,179
Post-employment benefits[3]	148,604	119,965
Equity compensation benefits: Discretionary grant	175,740	335,280
Equity compensation benefits: Incentive Plan	360,000	240,000

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

Based on the remuneration of the Board of Management, the Company incurred € 83 in the Consolidated Statement of Comprehensive Income of 2013 relating to the 2013 crisis levy.

The number of Performance Shares conditionally awarded in 2013 to R.W. Blickman amounts to 82,626; in 2012 the number of conditionally awarded shares amounted to 92,393. In 2013 the Company recognized € 360 (in 2012 € 240) relating to these Performance Shares to be awarded resulting from the Incentive Plan 2011-2016 based upon total estimated costs for 2012-2014 of € 360 and 2011-2013 of € 360. The Performance Shares awarded will vest at the end of the three-year performance period, depending on the actual performance of the Company. Reference is made to the remuneration report on pages 52 to 55 of this Annual Report.

Remuneration of the Supervisory Board

The aggregate remuneration paid to current members of the Supervisory Board was € 206 in 2013 (2012: € 206). The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders.

The total cash remuneration of the members of the Supervisory Board for the years ended December 31, 2013 and 2012 was as follows:

(in euros)	2013	2012
T. de Waard	52,000	52,000
D.J. Dunn	40,000	40,000
D. Lindenbergh	37,000	37,000
K.W. Loh[1]	-	11,792
M. ElNaggar[2]	37,000	25,310
J.E. Vaandrager	40,000	40,000

[1] Member of the Supervisory Board until April 25, 2012; remuneration relates to the period from January 1, 2012 until April 25, 2012.
[2] Member of the Supervisory Board from April 25, 2012; remuneration relates to the period from April 25, 2012 until December 31, 2012.

In the Annual General Meeting of Shareholders of April 29, 2010, the remuneration for the Supervisory Board members changed as follows:

(i) Member of the Supervisory Board: € 37,000
(ii) Member of the Supervisory Board, Chair of committee: € 40,000
(iii) Chairman of the Supervisory Board: € 52,000
(iv) Meeting attendance and conference call fees: None

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

The aggregate number of Ordinary Shares and the aggregate number of options to purchase Ordinary Shares owned by the current member of the Board of Management as of December 31, 2013, are as follows:

Ordinary Shares	Number of shares
R.W. Blickman	526,363
Total	**526,363**

Options	Year of grant	Expiration date	Exercise price (in euro)	Number of options outstanding
R.W. Blickman	2000	2016	0.91	19,900
	2000	2016	9.80	142,000
Total				**161,900**

At December 31, 2013, there was € 274 of loans outstanding (December 31, 2012 was € 274) relating to the stock options granted to the member of the Board of Management. The principal amount relates to the options granted in 2000. The loan conditions have not changed since the inception of the loan agreements in 2000. The loan has been fully provided for.

In 2011, the Supervisory Board approved to prolong 19,900 out-of-the-money equity-settled options outstanding for the member of the Board of Management, which have a revised exercise price of € 0.91 until April 18, 2016. In 2011, the Supervisory Board also approved, subject to shareholders approval, to prolong 142,000 (outstanding as per January 1, 2011) out-of-the-money equity-settled options outstanding until December 5, 2016 at the original exercise price of € 9.80. This prolongation was approved by the Shareholders at the Annual General Meeting of Shareholders held on April 25, 2012. The Supervisory Board deferred the decision of prolonging 100 out-of-the money equity-settled options outstanding until January 2012 and decided on January 30, 2012 not to prolong these 100 options. Consequently these options expired on January 30, 2012.

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

Performance Shares	Year of grant	Three–year performance period	Number of PSs
R.W. Blickman	2011	2011-2013	100,897
	2012	2012-2014	92,393
	2013	2013-2015	82,626
Total			**275,916**

The Performance Shares awarded will vest at the end of the three-year performance period, depending on the actual performance of the Company. Vesting is subject to a maximum value cap of 80% of the gross base annual salary in the year of vesting.

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, 2013, was as follows:

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

Options held by former members of the Board of Management
The aggregate number of options to purchase Ordinary Shares held by a former member of the Board of Management as of December 31, 2013, is as follows:

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

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

At December 31, 2013, there was an € 66 loan outstanding (December 31, 2012 was € 66) relating to the stock options granted to the former member of the Board of Management. The principal amount relates to the options granted in 2000. The loan conditions have not changed since the inception of the loan agreement in 2000. The loan has been fully provided for.

25. Selected operating expenses and additional information

Personnel expenses for all employees were as follows:

(euro in thousands)	Year ended December 31,	
	2013	2012
Wages and salaries	69,170	72,854
Social security expenses	8,873	10,954
Pension and retirement expenses	2,713	1,346[1]
Share-based compensation plans	1,173	1,483
Total personnel expenses	**81,929**	**86,637**

[1] In 2012, pension and retirement expenses include the curtailment gain amounting to € 2.0 million.

The average number of employees during 2013 and 2012 was 1,458 and 1,520, respectively. For pension and retirement expenses, reference is made to Note 20.

The total number of personnel employed per department was:

	December 31, 2013	December 31, 2012
Sales and Marketing	366	395
Manufacturing and Assembly	631	637
Research and Development	294	308
General and Administrative	143	139
Total number of personnel	**1,434**	**1,479**

As of December 31, 2013 and 2012, a total of 199 and 208 persons, respectively, were employed in the Netherlands.

26. Financial income and expense

The components of financial income and expense were as follows:

(euro in thousands)	Year ended December 31,	
	2013	2012
Interest income	786	1,019
Net foreign exchange gain	39	-
Subtotal financial income	**825**	**1,019**
Interest expense	(532)	(917)
Net foreign exchange loss	-	(1,404)
Subtotal financial expense	**(532)**	**(2,321)**
Financial income (expense), net	**293**	**(1,302)**

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:

	2013	2012
Shares outstanding at beginning of the year	37,629,148	36,687,068
Weighted average shares reissued from Treasury Shares for the vesting of Performance Stock Awards (LTI)	34,854	344,607
Weighted average shares reissued from Treasury Shares for the vesting of shares discretionary granted	20,630	40,820
Weighted average shares reissued from Treasury Shares for share dividend	-	334,279
Weighted average shares bought under the share repurchase program	(341,296)	(24,121)
Average shares outstanding - basic	**37,343,336**	**37,382,653**

For purposes of calculating diluted earnings per share, weighted average Ordinary Share equivalents do not include stock options with an exercise price that exceeds the average fair market value of the Company's Ordinary Shares for the period, because the impact on earnings would be anti-dilutive. The total number of weighted average Ordinary Shares used in calculating diluted earnings per share amounts to 37,550,338. Net income in 2013 used in calculating dilutive earnings per share amounts to € 16.1 million.

28. Financial instruments, financial risk management objectives and policies

Fair value of financial instruments

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

As of December 31, 2013 the Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

December 31, 2013

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

December 31, 2012

(euro in thousands)	Note	Carrying amount	Fair value
Financial assets			
Cash and cash equivalents	3	106,358	106,358
Trade receivables	4	58,552	58,552
Forward exchange contracts	6	755	755
Other receivables	6	4,934	4,934
Total		**170,599**	**170,599**
Financial liabilities			
Notes payable to banks	13	24,513	24,513
Current portion of long-term debt and financial leases	18	415	415
Trade payables	15	24,010	24,010
Forward exchange contracts	16	24	24
Other payables	16	13,986	13,986
Long-term debt and financial leases	18	1,926	1,926
Total		**64,874**	**64,874**

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

Financial risk management objectives and policies

Risk management framework

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

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

All material findings that result from the use of the Company's risk management policy are discussed with our Audit Committee and Supervisory Board.

The operating companies are primarily responsible for identifying and managing financial risks, especially in relation to transactions in foreign currencies and credit risks. The Company, through its training, management standards and procedures, such as guidelines and instructions governing hedging of financial risks, developed a disciplined and constructive control environment in which all employees understand their roles and obligations. In addition, the Company performs several reviews at all significant operating companies, such as reviews of the foreign currency positions. The Company's policies, specificly regarding to foreign currency hedging, interest rate, credit, market and liquidity risks, are further described in the remainder of this note.

Foreign exchange

Due to the international scope of the Company's operations, the Company is exposed to the risk of adverse movements in foreign currency exchange rates. The Company is primarily exposed to fluctuations in the value of the euro and Swiss franc against the US dollar and US dollar-linked currencies, since approximately 71% of its sales in 2013 are denominated in US dollar and US dollar-linked currencies.

The Company seeks to protect itself from adverse movements in foreign currency exchange rates by hedging firmly committed sales contracts, which are denominated in US dollars through the use of forward foreign currency exchange contracts. In addition, the Company also uses forward foreign currency exchange contracts to hedge trade receivables that are denominated in a foreign currency. During 2013 and 2012, 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 € 102 was reported in 2013 as other comprehensive income at December 31, 2013. The amount in 2013 released from equity in revenue in the Consolidated Statement of Comprehensive Income was € 111. The cash flow hedging reserve included in equity comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred. The ineffective part of the hedges recognized, in 2013, directly in the Consolidated Statement of Comprehensive Income was a loss of € 28 (2012: a loss of € 7).

Movement cash flow hedging reserve:

(euro in thousands)	2013
Balance at January 1,	135
Amount recognized in equity,net	(61)
Amount reclassified to Consolidated Statement of Comprehensive Income due to ineffectiveness	28
Balance at December 31,	**102**

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 € 435 and € 755 at December 31, 2013 and 2012, respectively. The Company believes that the risk of significant loss from credit risk is remote, because it deals with credit-worthy financial institutions. The Company does not, in the normal course of business, demand collateral from the counterparties.

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

(euro in thousands)	Year ended December 31,	
	2013	2012
To sell US dollars for euros	9,900	23,963
To sell US dollars for Swiss francs	19,947	15,986
To sell US dollars for Malaysian ringgits	6,150	11,366
To sell Malaysian ringgits for euros	1,016	-
To sell euros for Malaysian ringgits	-	1,773
To sell Swiss francs for euros	7,112	-
To sell euros for Swiss francs	10,207	2,069

At December 31, 2013, the unrealized gain on forward foreign currency exchange contracts that were designated as a hedge of firmly committed transactions amounted to € 298. At December 31, 2012, the unrealized gain on forward foreign currency exchange contracts amounted to € 731.

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

(euro in thousands)		2013		2012
	Positive	Negative	Positive	Negative
Forward exchange contracts				
Fair value	**435**	**137**	**755**	**24**

The fair value of the forward currency exchange contracts are included in the Company's other receivables and the other payables. For the years ended December 31, 2013 and 2012, a foreign currency loss of € 28 and a loss of € 7, respectively, are included in the Company's results of operations relating to the Company's foreign currency contracts. The Company recorded no changes in the fair value of the financial instruments that were attributable to changes in the credit risk of the forward exchange contracts. Cash flows related to foreign currency contracts are expected to occur as follows:

(euro in thousands)	2013	2012
0-3 months	49,587	44,719
3-6 months	4,219	10,430
6-9 months	526	8
Thereafter	-	-
Total	**54,332**	**55,157**

The Company's principal financial liabilities, other than derivatives, comprise of bank loans and overdrafts, financial leases, trade payables and hire purchase contracts. The main purpose of these financial liabilities is to finance the Company's operations. The Company has various financial assets such as trade receivables and cash and short-term deposits, which arise directly from its operations.

The Company also enters into derivative transactions, primarily forward currency contracts. The purpose of these transactions is to manage the currency risks arising from the Company's operations.

It is, and has been throughout 2013 and 2012, the Company's policy that no trading in derivatives shall be undertaken. The main risks arising from the Company's financial instruments are foreign currency risk, interest rate risk, credit risk and liquidity risk.

Foreign currency risk
As a consequence of the global nature of Besi's businesses, its operations and reported financial results and cash flows are exposed to the risks associated with fluctuations in exchange rates between the euro and other major world currencies. Currency exchange rate movements typically also affect economic growth, inflation, interest rates, government actions and other factors. These changes can cause the Company to adjust its financing and operating strategies.

The discussion below of changes in currency exchange rates does not incorporate these other economic factors. For example, the sensitivity analysis presented in the foreign exchange rate risk discussion below does not take into account the possibility that rates can move in opposite directions and that gains from one category may or may not be offset by losses from another category. As currency exchange rates change, translation of the statements of operations of Besi's international business into euro affects year-over-year comparability. The Company historically has not hedged translation risks, because cash flows from international operations have generally been reinvested locally.

The following table presents a sensitivity analysis of the Company's profit before tax (due to changes in the fair value of monetary assets and liabilities) and the Company's equity (due to changes in the fair value of forward exchange contracts) related to reasonable potential changes in the US dollar exchange rate compared to the euro, Swiss franc and Malaysian ringgit, with all other variables held constant.

(euro in thousands)	Increase/decrease in US dollar rate compared to euro	Effect on profit before tax	Effect on equity
2013	+10%	100	(700)
	-10%	(100)	700
2012	+10%	200	(600)
	-10%	(200)	600

(euro in thousands)	Increase/decrease in US dollar rate compared to Swiss franc	Effect on profit before tax	Effect on equity
2013	+10%	100	-
	-10%	(100)	-
2012	+10%	200	-
	-10%	(200)	-

(euro in thousands)	Increase/decrease in US dollar rate compared to Malaysian ringgit	Effect on profit before tax	Effect on equity
2013	+10%	200	-
	-10%	(200)	-
2012	+10%	200	-
	-10%	(200)	-

The current outstanding forward exchange contracts have been included in this calculation. Besi's currency risk exposure primarily occurs because the Company generates a portion of its revenue in currencies other than the euro while the major share of the corresponding cost of sales is incurred in euro and Swiss franc. The percentage of its consolidated net revenue which is presented by US dollar or US dollar-linked currencies amounted to approximately 71% of total revenue in the year ended December 31, 2013, whereas revenue denominated in euro amounted to approximately 28% and other currencies amounted to approximately 1%. Approximately 34% of its costs and expenses were denominated in euro, 26% in Swiss franc, 22% in Malaysian ringgit and the remaining 18% in various currencies. In order to mitigate the impact of

currency exchange rate fluctuations, Besi continually assesses its remaining exposure to currency risks and hedge such risks through the use of derivative financial instruments. The principal derivative financial instruments currently used by the Company to cover foreign currency exposures are forward foreign currency exchange contracts that qualify for hedge accounting.

Interest rate risk
The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with floating interest rates. The Company's policy is to manage its interest exposure using a mix of fixed and variable rate debt financing. The Company's long-term capital lease obligations, long-term debt and lines of credit currently bear fixed and variable rates of interest. An immediate increase of 100 basis points, or 1%, in interest rates would positively affect the Company's results of operations over the next fiscal year by approximately € 0.7 million, net of tax (2012: € 0.6 million). An immediate decrease of 100 basis points, or 1%, in interest rates would negatively affect the Company's results of operations over the next fiscal year by approximately € 0.7 million, net of tax (2012: € 0.6 million). No derivative interest rate related swaps have been entered into.

Credit risk
Credit risk is the risk that the counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily for trade receivables) and from its financing activities, including deposits with banks, foreign exchange transactions and other financial instruments. Management has a credit policy in place and monitors exposure to credit risk on an ongoing basis.

The Company's maximum exposure to credit risk for financial instruments are the carrying amounts of financial assets as illustrated in the table at the beginning of Note 28. The Company does not hold collateral as security.

Cash and cash equivalents
The Company is managing the credit risk from balances with banks in accordance with the Company's policy, which is that the cash and cash equivalents are held with bank and financial institution counterparties that have high credit ratings. The Company manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Trade- and other receivables
The Company has established a credit policy under which credit evaluations are performed on all customers requiring credit over specified thresholds. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, Management also considers the demographics of the Company's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. As the Company's revenue is generated by shipments to Asian manufacturing operations of leading US, European and Asian semiconductor manufacturers and subcontractors, an industry and geographical concentration of credit risk exists, however, this risk is reduced through the long-term relationships with our customers.

Ageing of trade and other receivables:

(euro in thousands)	Total	Impaired	Neither ast due nor impaired					Past due
				< 30 days	30–60 days	60–90 days	90–120 days	> 120 days
2013	58,632	(581)	33,119	8,020	6,650	2,005	2,059	7,360
2012	63,486	(642)	34,958	10,557	4,907	4,969	2,859	5,878

Movement in impairment of trade and other receivables:

(euro in thousands)	2013	2012
Balance at January 1,	642	849
Additions (releases)	(13)	(78)
Utilized	(20)	(139)
Foreign currency translation	(28)	10
Balance at December 31,	**581**	**642**

Forward exchange contracts

The forward exchange contracts are with multiple counterparties that have high credit ratings. Currently, the Company does not expect any counterparty to fail to meet its obligations.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Company buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by the Company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The Company monitors its risk to a shortage of funds by reviewing cash flows of all entities throughout the year. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and financial leases.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2013 and 2012, based on contractual undiscounted payments:

Maturity profile (euro in thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Year ended December 31, 2013						
Long-term debt and financial leases	-	-	-	3,059	-	3,059
Interest payable long-term debt and financial leases	-	-	54	103	-	157
Accounts payable	406	20,579	62	9	-	21,056
Other payables	382	5,787	6,782	702	-	13,653
Total	**788**	**26,366**	**6,898**	**3,873**	**-**	**37,925**

Maturity profile (euro in thousands)	On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Year ended December 31, 2012						
Long-term debt and financial leases	-	-	415	1,926	-	2,341
Interest payable long-term debt and financial leases	-	-	45	111	-	156
Accounts payable	1,492	10,475	11,960	77	6	24,010
Other payables[1]	948	6,266	6,491	305	-	14,010
Total	**2,440**	**16,741**	**18,911**	**2,419**	**6**	**40,517**

[1] Prior year classification is adjusted to reflect current year presentation.

It is not expected that the cash flows included in the maturity profile could occur significantly earlier, or at significantly different amounts.

Capital management

The primary objective of the Company's capital management is to ensure healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may make a dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ending December 31, 2013 and December 31, 2012. The Company only regards equity as capital. This capital is managed using solvency ratio (excluding intangible assets) and return on investment.

(euro in thousands/in percentage)	2013	2012
Equity	264,158	264,951
Solvency ratio	77.5%	72.9%
Solvency ratio (excluding intangible fixed assets)	70.7%	65.7%
Return on average investment	6.1%	6.1%

The total number of Ordinary Shares that will be awarded under the Incentive Plan 2011-2016 and the LTI Plan 2012-2016 may not exceed 1.5% of the total number of outstanding shares at December 31 of the year prior to the year in which the award is made.

29. Events after the balance sheet date

Share-based compensation plans

On January 28, 2014, the Supervisory Board decided to eliminate the 80% value cap for the Performance Shares awarded to the current member of the Board of Management in 2011, 2012 and 2013. This decision is subject to approval at Besi's Annual General Meeting of Shareholders on April 30, 2014. Based on this value cap included in the Incentive Plan 2011-2016, the actual value of the number of shares vesting would in no event exceed 80% of the annual base salary in the year of vesting.

As this value cap was in place as of December 31, 2013, the expense recognition in 2013 is based on a total value of € 360 for each of the annual awards made in 2011, 2012 and 2013. Please refer to Note 20 for further details. In 2014, after shareholder approval, the Company will recognize an incremental fair value as a result of this modification of awards made under the Incentive Plan 2011-2016. On the modification date in 2014, the incremental fair value for the awards made in 2011 is recognized immediately, while the incremental fair value of the awards made in 2012 and 2013 is recognized over the remaining vesting period. The estimated total incremental fair value for all outstanding awards amounts to € 1,367, of which € 1,100 will be recognized in the financial statements for 2014.

Parent Company Balance Sheet

(Before appropriation of the result)

(euro in thousands)	Note	December 31, 2013	December 31, 2012
Assets			
Property, plant and equipment	2	**6**	**5**
Other intangible assets	3	**252**	**481**
Investments in subsidiaries	4	144,597	162,828
Subordinated loans due from subsidiary	4	8,000	8,000
Loans due from subsidiaries	4	69,022	63,136
Deferred tax assets		6,123	3,487
Financial fixed assets		**227,742**	**237,451**
Total fixed assets		**228,000**	**237,937**
Amounts due from subsidiaries		4,257	16,816
Other receivables		1,205	660
Receivables		**5,462**	**17,476**
Cash and cash equivalents		**65,449**	**54,324**
Total current assets		**70,911**	**71,800**
Total assets		**298,911**	**309,737**
Shareholder's equity, provisions and liabilities			
Share capital	5	36,431	36,431
Share premium	5	188,570	190,134
Foreign currency translation adjustment	5	14,125	19,409
Accumulated other comprehensive income (loss)	5	(3,494)	(4,666)
Retained earnings	5	11,318	6,899
Undistributed result	5	16,015	15,587
Shareholder's equity		**262,965**	**263,794**
Loans due to subsidiaries		-	26,500
Other non-current liabilities		47	47
Non-current liabilities		**47**	**26,547**
Trade payables		344	541
Current portion of long-term debt		-	-
Amounts due to subsidiaries		34,302	17,538
Other payables		1,253	1,317
Current liabilities		**35,899**	**19,396**
Total shareholder's equity, provisions and liabilities		**298,911**	**309,737**

Parent Company Statement of Income and Expense

(euro in thousands)	Year ended December 31, 2013	2012
Income (loss) from subsidiaries, after taxes	14,498	16,340
Other income and expenses	1,517	(753)
Net income	**16,015**	**15,587**

Notes to the Parent Company Financial Statements

1. Summary of significant accounting policies

The Financial Statements of the parent company have been prepared using the option of section 362 of Book 2 of the Netherlands Civil Code, meaning that the accounting principles used are the same as for the Consolidated Financial Statements.

Foreign currency amounts have been translated, assets and liabilities have been valued, and net income has been determined, in accordance with the principles of valuation and determination of income presented in the summary of significant accounting policies included in the Notes to the Consolidated Financial Statements. Subsidiaries of the parent company are accounted for using the net equity value. In case of a negative net equity value of a subsidiary, the negative value is deducted from the loan due from the respective subsidiary.

As the financial data of the parent company are included in the Consolidated Financial Statements, the statements of income of the parent company are condensed in conformity with section 402 of Book 2 of the Netherlands Civil Code. The remuneration paragraph is included in Note 24 of the Consolidated Financial Statements.

2. Property, plant and equipment

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

(euro in thousands)	**Office furniture and equipment**
Balance at January 1, 2013	
Cost	112
Depreciation	(107)
Property, plant and equipment, net	**5**
Changes in book value in 2013	
Capital expenditures	2
Depreciation	**(1)**
Total changes	**1**
Balance at December 31, 2013	
Cost	114
Depreciation	(108)
Property, plant and equipment, net	**6**

3. Other intangible assets

Other intangible assets, net consist of the following:

(euro in thousands)	**Software**
Balance at January 1, 2013	
Cost	964
Accumulated amortization	**(483)**
Other intangible assets, net	**481**
Changes in book value in 2013	
Capital expenditures	-
Amortization	(229)
Total changes	**(229)**
Balance at December 31, 2013	
Cost	964
Accumulated amortization	(712)
Other intangible assets, net	**252**

The other intangible fixed assets consist of capitalized SAP licenses and consulting and are depreciated 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, 2013	162,828	8,000	63,136	233,964
Income for the period	14,498	-	-	14,498
Granted additional loans	-	-	6,865	6,865
Repayments	-	-	(2,529)	(2,529)
Negative equity adjustments (2013)	(3,034)	-	3,034	-
Dividend payments	(27,067)	-	-	(27,067)
Changes in accumulated OCI	1,172	-	-	1,172
Currency translation adjustment	(3,800)	-	(1,484)	(5,284)
Balance at December 31, 2013	**144,597**	**8,000**	**69,022**	**221,619**

(euro in thousands)	Investment in subsidiaries	Subordinated loans due from subsidiaries	Loans due from subsidiaries	Total
Balance at January 1, 2012	185,295	8,000	51,302	244,597
Income for the period	16,340	-	-	16,340
Granted additional loans	-	-	13,048	13,048
Repayments	-	-	(1,113)	(1,113)
Negative equity adjustments (2012)	(794)	-	794	-
Dividend payments	(37,023)	-	-	(37,023)
Changes in accumulated OCI	(2,209)	-	-	(2,209)
Currency translation adjustment	1,219	-	(895)	324
Restated balance at December 31, 2012	**162,828**	**8,000**	**63,136**	**233,964**

Subordinated loan due from subsidiary

The subordinated loan represents a loan granted by BE Semiconductor Industries N.V. to its subsidiary Fico International B.V. and is subordinated to the loan and credit line between Fico International B.V. and its subsidiaries and ABN AMRO Bank N.V.

5. Shareholder's equity

(euro in thousands)	Number of Ordinary Shares outstanding[1]	Share capital	Share premium[2]	Retained earnings	Foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Undistributed result	Total share-holder's equity[3]
Balance at January 1, 2013	40,033,921	36,431	190,134	6,899	19,409	(4,666)	15,587	263,794
Total comprehensive income (loss) for the period	-	-	-	-	(5,284)	1,172	16,015	11,903
Dividend paid to owners of the Company	-	-	-	-	-	-	(11,168)	(11,168)
Appropriation of the result	-	-	-	4,419	-	-	(4,419)	-
Equity-settled share-based payments expense	-	-	1,173	-	-	-	-	1,173
Shares bought and taken into treasury	-	-	(2,737)	-	-	-	-	(2,737)
Balance at December 31, 2013	**40,033,921**	**36,431**	**188,570**	**11,318**	**14,125**	**(3,494)**	**16,015**	**262,965**
Balance at January 1, 2012	40,033,921	36,431	190,741	(14,209)	19,085	(2,414)	26,201	255,835
Total comprehensive income (loss) for the period	-	-	-	-	324	(2,252)	15,587	13,659
Dividend paid to owners of the Company	-	-	-	-	-	-	(5,093)	(5,093)
Appropriation of the result	-	-	-	21,108	-	-	(21,108)	-
Equity-settled share-based payments expense	-	-	183	-	-	-	-	183
Shares bought and taken into treasury	-	-	(790)	-	-	-	-	(790)
Balance at December 31, 2012	**40,033,921**	**36,431**	**190,134**	**6,899**	**19,409**	**(4,666)**	**15,587**	**263,794**

[1] The outstanding number of Ordinary Shares includes 2,726,955 and 2,404,773 Treasury Shares at December 31, 2013 and December 31, 2012, respectively.
[2] Included in the Share Premium is a legal reserve of € 33.1 million (2012: € 28.4 million) related to capitalized development expenses. The amount stated as foreign currency translation adjustment is classified as legal reserve.
[3] In total an amount of € 74.5 million is classified as a restricted reserve for subsidiaries (2012: € 94.7 million).

Preference Shares

At December 31, 2013 and December 31, 2012, the parent company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.91 per share, and 80,000,000 Preference Shares, nominal value € 0.91 per share.

No Preference Shares were outstanding at December 31, 2013 and December 31, 2012.

In April 2000, the foundation "Stichting Continuïteit BE Semiconductor Industries" (the "Foundation") was established. The Foundation is an independent legal entity and is not owned or controlled by any other legal person. The purpose of the Foundation is to safeguard the interests of the Company, the enterprise connected therewith and all the parties having an interest therein and to exclude as much as possible influences which could threaten, among other things, the continuity, independence and identity of the Company contrary to such interests. The aim of the Preference Shares is, amongst other things, to provide a protective measure against unfriendly take-over bids and other possible unsolicited influences which could threaten the Company's continuity, independence and identity. The issue of Preference Shares would enable the Company to consider its position in the then-existing circumstances.

By agreement of May 19, 2008, between the Company and the Foundation, which replaces a similar agreement dated April 19, 2002, the Foundation has been granted a call option pursuant to which it may purchase a number of Preference Shares up to a maximum of the number of Ordinary Shares issued and outstanding at the time of exercise of this option, minus one.

The Company has also granted to the Foundation the right to file an application for an inquiry into the policy and conduct of business of the Company with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer). The Company believes that this may be a useful option in the period before the issuance of Preference Shares, without causing a dilution of the rights of other shareholders at that stage.

Foreign currency translation adjustment
The foreign currency translation adjustment comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

Accumulated other comprehensive income (loss)
Accumulated other comprehensive income (loss) consists of:

(euro in thousands)	December 31, 2013	December 31, 2012
Actuarial gains (losses)	(4,905)	(6,302)
Cash flow hedging reserve	51	135
Deferred taxes	597	738
Others	763	763
Accumulated other comprehensive income (loss)	**(3,494)**	**(4,666)**

Actuarial gains
The reserve for actuarial gains and losses arises from the actuarial calculations for the defined benefit pension plans.

Cash flow hedging reserve
The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

Deferred taxes
The deferred taxes in accumulated other comprehensive income primarily relate to the deferred tax on the recognized actuarial gains and losses on the Austrian and Swiss pension plans.

Dividends
Proposed for approval at the Annual General Meeting of Shareholders to be held on April 30, 2014 (not recognized as a liability as at December 31, 2013 and December 31, 2012):

(euro in thousands)	Year ended December 31, 2013	2012
33.00 cents per Ordinary Share (2012: 30.00 cents)	**12,311**	**11,289**

The Board of Management proposes to allocate the part of the net income for the year 2013 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

6. Commitments and contingencies

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

(euro in thousands)	December 31, 2013	December 31, 2012
Within one year	33	43
After one year but not more than five years	13	56
Total	**46**	**99**

7. Additional information

Cost of services provided by external auditor
The total costs related to the services provided by the external auditor within the Netherlands were:

(euro in thousands)	Year ended December 31, 2013	2012
Audit costs	176	175
Other services	-	23
Total costs	**176**	**198**

Total number of personnel
The Company employed 9 employees at December 31, 2013, respectively 9 at December 31, 2012.

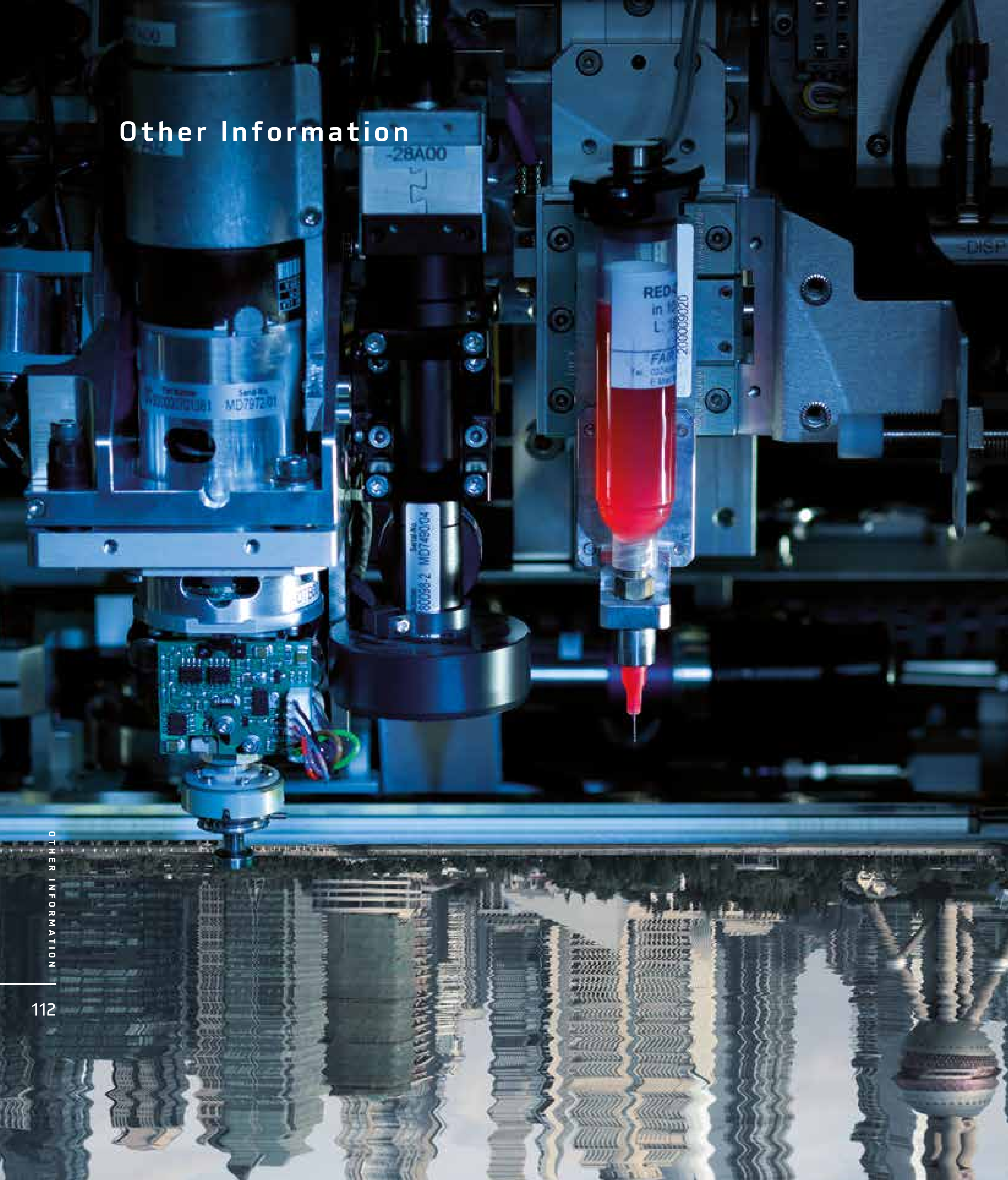
BE Semiconductor Industries N.V. is parent of the fiscal unit BE Semiconductor Industries N.V. and is therefore liable for the liabilities of the fiscal unit as a whole.

Duiven, February 26, 2014

Board of Management:
Richard W. Blickman

Supervisory Board:
Tom de Waard
Douglas J. Dunn
Mona ElNaggar
Dirk Lindenbergh
Jan E. Vaandrager

Other Information



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

For addresses of Besi's offices and manufacturing facilities worldwide, please visit Besi's website **www.besi.com**

Transfer Agent
Ordinary Shares (euro)
ABN AMRO Bank N.V.,
Amsterdam, the Netherlands

Independent Auditors
KPMG Accountants N.V.,
Eindhoven, the Netherlands

Legal Counsels
Freshfields Bruckhaus Deringer,
Amsterdam, the Netherlands

Rutgers Posch Visée Endijk N.V.,
Amsterdam, the Netherlands

Trade Register
Chamber of Commerce,
Arnhem, the Netherlands
Number 09092395

Statutory Financial Statements
The statutory financial statements of BE Semiconductor Industries N.V. will be filed with the Chamber of Commerce, Arnhem, the Netherlands.

Annual General Meeting
The Annual General Meeting of Shareholders will be held at 2.00 p.m., on April 30, 2014 at Besi in Duiven, the Netherlands.

Board of Management

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

Executive Committee Members

Cor te Hennepe (1958)
Finance

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

Peter Wiedner (1970)
Die Attach

Henk Jan Jonge Poerink (1970)
Global Operations

Ruurd Boomsma (1956)
CTO

Leon Verweijen (1976)
Packaging

Jeroen Kleijburg (1974)
Packaging

Rüdiger Lange (1967)
Plating

Other Member of Management

Hans Wunderl (1951)
Strategic Development

Independent Auditor's Report

To: the General Meeting of Shareholders of BE Semiconductor Industries N.V.

Report on the financial statements

We have audited the accompanying financial statements 2013 of BE Semiconductor Industries N.V., Amsterdam. The financial statements include the consolidated financial statements and the parent company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2013, the consolidated statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The parent company financial statements comprise the parent company balance sheet as at 31 December 2013, the parent company statement of income and expense for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the report of the Board of Management in accordance with Part 9 of Book 2 of the Netherlands Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of BE Semiconductor Industries N.V. as at 31 December 2013 and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the parent company financial statements

In our opinion, the parent company financial statements give a true and fair view of the financial position of BE Semiconductor Industries N.V. as at 31 December 2013 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirements under Section 2:393 sub 5 at e and f of the Netherlands Civil Code, we have no deficiencies to report as a result of our examination whether the report of the Board of Management, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code, and whether the information as required under Section 2:392 sub 1 at b - h has been annexed. Further, we report that the report of the Board of Management, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Netherlands Civil Code.

Eindhoven, 26 February 2014
KPMG Accountants N.V.

M.J.A. Verhoeven RA

Appropriation of the result

The Articles of Association provide that the Company can only distribute profits from its free distributable reserves. The Board of Management, with the approval of the Supervisory Board, will propose to the Annual General Meeting of Shareholders to determine the total dividend over 2013 at € 0.33 per Ordinary Share, amounting to a total of € 12,311. The Board of Management proposes to allocate the part of the net income for the year 2013 remaining after payment of the dividend to the retained earnings. The Supervisory Board has approved this proposal.

The General Meeting of Shareholders approved the 2012 statutory financial statements on April 24, 2013.

Events after the balance sheet date

Share-based compensation plans

On January 28, 2014, the Supervisory Board decided to eliminate the 80% value cap for the Performance Shares awarded to the current member of the Board of Management in 2011, 2012 and 2013. This decision is subject to approval at Besi's Annual General Meeting of Shareholders on April 30, 2014. Based on this value cap included in the Incentive Plan 2011-2016, the actual value of the number of shares vesting would in no event exceed 80% of the annual base salary in the year of vesting.

As this value cap was in place as of December 31, 2013, the expense recognition in 2013 is based on a total value of € 360 for each of the annual awards made in 2011, 2012 and 2013. Please refer to Note 20 for further details. In 2014, after shareholder approval, the Company will recognize an incremental fair value as a result of this modification of awards made under the Incentive Plan 2011-2016. On the modification date in 2014, the incremental fair value for the awards made in 2011 is recognized immediately, while the incremental fair value of the awards made in 2012 and 2013 is recognized over the remaining vesting period. The estimated total incremental fair value for all outstanding awards amounts to € 1,367, of which € 1,100 will be recognized in the financial statements for 2014.

Preference Shares

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

No Preference Shares were outstanding at December 31, 2013.

In April 2000, the foundation "Stichting Continuïteit BE Semiconductor Industries" (the "Foundation") was established. The Foundation is an independent legal entity and is not owned or controlled by any other legal person. The purpose of the Foundation is to safeguard the interests of the Company, the enterprise connected therewith and all the parties having an interest therein and to exclude as much as possible influences which could threaten, among other things, the continuity, independence and identity of the Company. The aim of the Preference Shares is, amongst other things, to provide a protective measure against unfriendly take-over bids and other possible unsolicited influences which could threaten the Company's continuity, independence and identity, including, but not limited to, a proposed resolution to dismiss the Supervisory Board or the Board of Management. The issue of Preference Shares would enable the Company to consider its position in the then-existing circumstances.

By agreement of May 19, 2008 between the Company and the Foundation, which replaces a similar agreement dated April 19, 2002, the Foundation has been granted a call option pursuant to which it may purchase a number of Preference Shares up to a maximum of the number of Ordinary Shares issued and outstanding at the time of exercise of this option, minus one.

The Company has also granted to the Foundation the right to file an application for an inquiry into the policy and conduct of business of the Company with the Enterprise Chamber of the Amsterdam Court of Appeal (Ondernemingskamer). The Company believes that this may be a useful option in the period before the issuance of Preference Shares, without causing a dilution of the rights of other shareholders at that stage.

The members of the board of the Foundation are J. Ekelmans (Chairman), P.C.W. Alberda van Ekenstein, J.N. de Blécourt, W.L.J. Bröcker and T. de Waard. Mr Bröcker succeeded Mr Termijtelen as of June 30, 2013. Except for Mr De Waard, none of the members of the board of the Foundation are connected to the Company. The Foundation therefore qualifies as an independent legal entity within the meaning of section 5:71 paragraph 1 sub c of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Notes