Besi

BE SEMICONDUCTOR INDUSTRIES N.V.

DUIVEN, THE NETHERLANDS

UNAUDITED CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS JUNE 30, 2014

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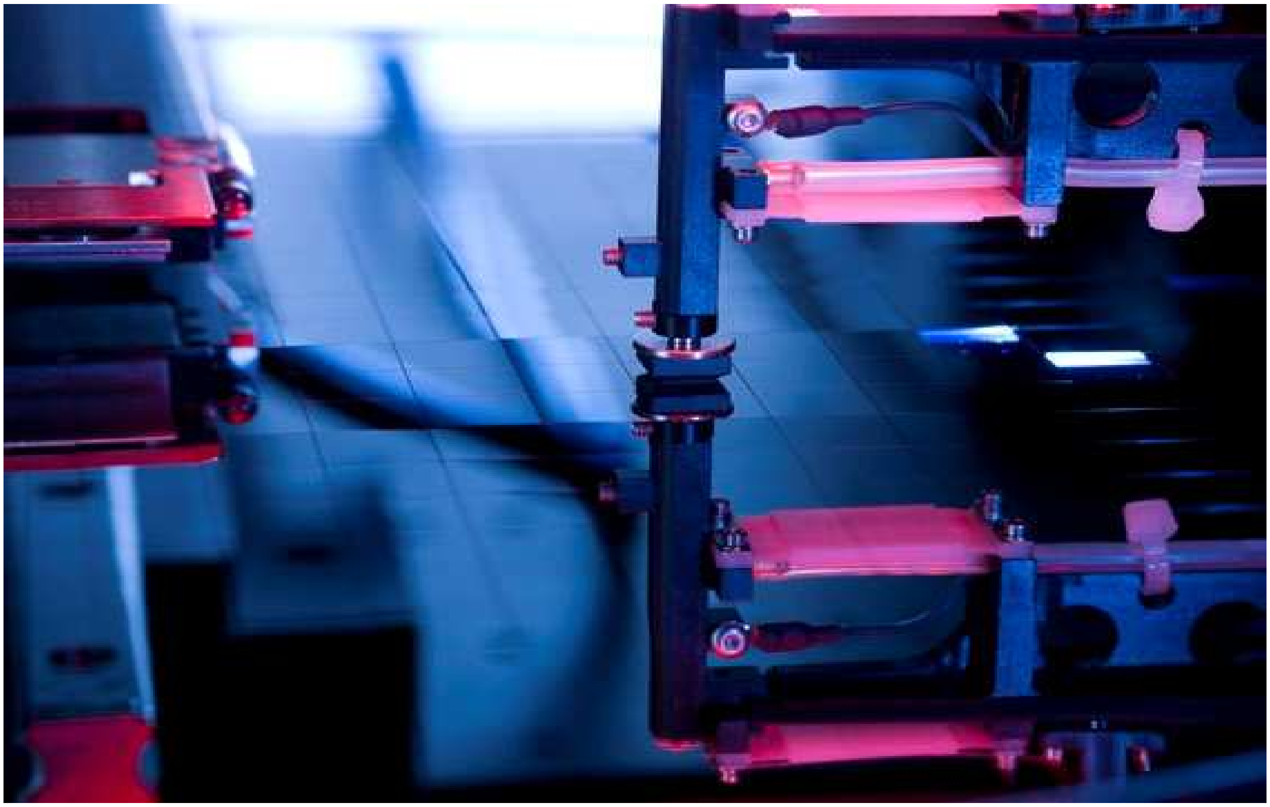
Semi-annual financial report



This report contains the semi-annual financial report of BE Semiconductor Industries N.V. ("Besi" or "the Company"), a Company which was incorporated in the Netherlands in May 1995 as the holding company for a worldwide business engaged in one line of business, the development, production, marketing and sales of back-end equipment for the semiconductor industry. Besi's principal operations are in the Netherlands, Switzerland, Austria, Asia and the United States. Besi's principal executive office is located at Ratio 6, 6921 RW Duiven, the Netherlands.

The semi-annual financial report for the six months ended June 30, 2014 consists of the condensed consolidated semi-annual financial statements, the semi-annual management report and responsibility statement by the Company's Board of Management. The information in this semi-annual financial report is unaudited.

The Board of Management of the Company hereby declares that to the best of their knowledge, the semi-annual financial statements, which have been prepared in accordance with IAS 34, "Interim Financial Reporting" as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and profit of the Company and the undertakings included in the consolidation taken as a whole, and the semi-annual management report gives a fair review of the information required pursuant to section 5:25d(8)/(9) of the Dutch Financial Markets Supervision Act (Wet op het financieel toezicht).

Duiven, July 30, 2014

Richard W. Blickman
President & CEO

Cor te Hennepe
Senior Vice President Finance

Management Report

Performance

For the first half year of 2014, Besi's revenue increased by € 49.8 million or 36.5% to € 186.2 million as compared to the first half year of 2013. This revenue increase was broad based across its assembly equipment portfolio principally for smart phone, tablet and automotive applications with a particular emphasis on sales of multi module and flip chip die attach systems.

Orders for the first half year of 2014 were € 235.3 million, up by € 88.8 million, or 60.6%, as compared to the first half year of 2013. This increase was broad based and reflected improved global economic conditions, an expansion of customer capacity, new device introductions and market share gains realized in advanced packaging applications.

For the first half year of 2014, Besi recorded net income of € 29.9 million versus € 10.3 million for the first half year of 2013. Net income increased in H1-14 primarily due to (i) a € 49.8 million year over year revenue increase, (ii) a 2.9% gross margin improvement due to higher revenue and increased labor and production overhead efficiencies and (iii) a 10.2% reduction in its effective tax rate partially offset by increased operating expenses due primarily to increased share based compensation and increased variable expenses related to higher sales levels.

At the end of the second quarter of 2014, Besi's cash and cash equivalents declined to € 83.8 million, a decrease of € 5.8 million versus December 31, 2013, while total debt and capital leases increased by € 2.7 million to € 21.3 million. As a result, net cash decreased by € 8.2 million to € 62.8 million. Operating income generated during H1 -14 of € 33.8 million was principally utilized to fund working capital requirements of € 30.8, primarily a € 63.9 increase in accounts receivable. As such cash flow from operations in H1-14 was € 11.2 which together with cash on hand was used to fund (i) € 12.4 million of cash dividend to shareholders, (ii) € 5.2 of capitalized development spending and (iii) € 2.0 millions of capital expenditures.

Risks and uncertainties

In our Annual Report 2013, we have extensively described certain risk categories and risk factors, which could have a material adverse effect on our financial position and results. The Company believes that the risks identified for the second half of 2014 are in line with the risks that Besi presented in its Annual Report 2013.

Condensed Interim Consolidated Statement of Financial Position

(euro in thousands)	Note	June 30, 2014 (unaudited)	December 31, 2013 (audited)
Assets			
Cash and cash equivalents		83,794	89,586
Trade receivables		117,598	53,697
Inventories		73,241	65,167
Income tax receivable		1,033	1,228
Other receivables		5,909	5,370
Prepayments		3,161	3,958
Total current assets		284,736	219,006
Property, plant and equipment		24,682	24,649
Goodwill		43,537	43,541
Other intangible assets		38,493	35,594
Deferred tax assets		14,887	16,485
Other non-current assets		1,530	1,435
Total non-current assets		123,129	121,704
Total assets		407,865	340,710
Liabilities and equity			
Notes payable to banks		17,720	15,574
Current portion of long-term debt and financial leases		344	-
Trade payables		51,768	21,056
Income tax payable		731	117
Provisions		7,090	4,757
Other payables		16,973	13,653
Other current liabilities		9,258	4,630
Total current liabilities		103,884	59,787
Long-term debt and financial leases		3,231	3,059
Deferred tax liabilities		5,386	5,444
Other non-current liabilities		8,663	8,262
Total non-current liabilities		17,280	16,765
Issued capital		36,431	36,431
Share premium		192,023	188,570
Retained earnings		44,721	27,333
Foreign currency translation adjustment		15,863	14,125
Accumulated other comprehensive income (loss)		(3,612)	(3,494)
Equity attributable to equity holders of the parent		285,426	262,965
Non-controlling interest		1,275	1,193
Total equity	5	286,701	264,158
Total liabilities and equity		407,865	340,710

Condensed Interim Consolidated Statement of Comprehensive Income

(euro in thousands, except share and per share data)	For the six months ended June 30, 2014 (unaudited)	2013 (unaudited)
Revenue	186,224	136,456
Cost of sales	106,323	81,811
Gross profit	79,901	54,645
Selling, general and administrative expenses	32,994	28,386
Research and development expenses	13,125	13,620
Total operating expenses	46,119	42,006
Operating income	33,782	12,639
Financial income	310	831
Financial expense	(926)	(270)
Income before taxes	33,166	13,200
Income tax (benefit)	3,276	2,945
Net income	29,890	10,255
Attributable to:		
Equity holders of the parent	29,790	10,174
Non-controlling interest	100	81
Net income	29,890	10,255
Other comprehensive income (loss): (will be reclassified subsequently to profit and loss when specific conditions are met)		
Exchange rate changes for the period	1,720	(1,587)
Unrealized hedging results	(118)	(112)
Other comprehensive income (loss) for the period, net of income tax	1,602	(1,699)
Total comprehensive income (loss) for the period	31,492	8,556
Total comprehensive income (loss) attributable to:		
Equity holders of the parent	31,410	8,444
Non-controlling interest	82	112
Income (loss) per share attributable to the equity holders of the parent		
Basic	0.80	0.27
Diluted	0.79[1]	0.27[1]
Weighted average number of shares used to compute income (loss) per share		
Basic	37,391,896	37,366,454
Diluted	37,790,904[1]	37,581,927[1]

[1] The calculation of the diluted income per share assumes the exercise of the equity settled share based payments.

Condensed Interim Consolidated Statement of Cash Flows

(euro in thousands)	For the six months ended June 30, 2014 (unaudited)	2013 (unaudited)
Cash flows from operating activities:		
Operating income	33,782	12,639
Depreciation, amortization and impairment	4,749	4,815
Loss (gain) on disposal of assets	9	(71)
Share based compensation	2,330	681
Other non-cash items	223	15
Effects of changes in working capital	(30,796)	(21,144)
Income tax received (paid)	(486)	(713)
Interest received	369	513
Interest paid	(94)	(138)
Net cash provided by (used for) operating activities	10,086	(3,403)
Cash flows from investing activities:		
Capital expenditures	(1,997)	(1,476)
Capitalized development expenses	(5,234)	(4,240)
Proceeds from sale of property, plant and equipment	18	120
Net cash provided by (used for) investing activities	(7,213)	(5,596)
Cash flows from financing activities:		
Proceeds from (payments on) bank lines of credit	2,340	(2,438)
Proceeds from (payments on) debts and financial leases	172	696
Dividend paid to shareholders	(12,402)	(11,168)
Purchase treasury shares	-	(2,737)
Re-issued treasury shares	1,123	-
Net cash provided by (used for) financing activities	(8,767)	(15,647)
Net change in cash and cash equivalents	(5,894)	(24,646)
Effect of changes in exchange rates on cash and cash equivalents	102	(572)
Cash and cash equivalents at beginning of the period	89,586	106,538
Cash and cash equivalents at end of the period	83,794	81,140

Condensed Interim Consolidated Statement of Changes in Equity
(for the six months ended June 30)

(euro in thousands, except share data)	Number of Ordinary Shares outstanding[1]	Issued capital	Share premium	Retained earnings (deficit)	Accumulated other comprehensive income (loss)	Total attributable to equity holders of the parent	Non-controlling interest	Total equity
Balance at January 1, 2014	40,033,921	36,431	188,570	27,333	10,631	262,965	1,193	264,158
Exchange rate changes for the period	-	-	-	-	1,738	1,738	(18)	1,720
Unrealized hedging results	-	-	-	-	(118)	(118)	-	(118)
Other comprehensive income	-	-	-	-	1,620	1,620	(18)	1,602
Net income (loss)	-	-	-	29,790	-	29,790	100	29,890
Total comprehensive income for the period	-	-	-	29,790	1,620	31,410	82	31,492
Dividends to owners of the Company	-	-	-	(12,402)	-	(12,402)	-	(12,402)
Re-issued Treasury Shares	-	-	1,123	-	-	1,123	-	1,123
Equity-settled share based payments	-	-	2,330	-	-	2,330	-	2,330
Balance at June 30, 2014 (unaudited)	40,033,921	36,431	192,023	44,721	12,251	285,426	1,275	286,701
Balance at January 1, 2013	40,033,921	36,431	190,134	22,486	14,743	263,794	1,157	264,951
Exchange rate changes for the period	-	-	-	-	(1,618)	(1,618)	32	(1,586)
Unrealized hedging results	-	-	-	-	(112)	(112)	-	(112)
Other comprehensive income	-	-	-	-	(1,730)	(1,730)	32	(1,698)
Net income (loss)	-	-	-	10,174	-	10,174	81	10,255
Total comprehensive income for the period	-	-	-	10,174	(1,730)	8,444	113	8,557
Dividends to owners of the Company	-	-	-	(11,168)	-	(11,168)	-	(11,168)
Shares bought and taken into equity	-	-	(2,737)	-	-	(2,737)	-	(2,737)
Equity-settled share based payments	-	-	681	-	-	681	-	681
Balance at June 30, 2013 (unaudited)	40,033,921	36,431	188,078	21,492	13,013	259,014	1,270	260,284

[1] The outstanding number of Ordinary Shares includes 2,455,430 and 2,726,955 Treasury Shares at June 30, 2014 and January 1, 2014 respectively (2,804,313 at June 30, 2013 and 2,404,773 at January 1, 2013 respectively).

Notes to the Condensed Interim Consolidated Financial Statements

1. Corporate information

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

2. Basis of preparation and accounting policies

Statement of Compliance
The condensed interim consolidated financial statements for the six months ended June 30, 2014 have been prepared in accordance with IAS 34 as adopted by the EU.

The accounting policies adopted are consistent with those applied in the IFRS consolidated financial statements for the year ended December 31, 2013.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Besi's annual financial statements as at December 31, 2013.

Changes in accounting policies

Segment information

The Company has changed its internal organizational structure and the management structure in 2009. 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 design, manufacturing, marketing and servicing 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.

3. Dividend

In April 2014, the Company announced a dividend payment of € 0.33 per ordinary share. The dividend was payable fully in cash.
The Company paid an amount of € 12.402 million to shareholders.

4. Financial instruments

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,

June 30, 2014
(unaudited)

(euro in thousands)	Carrying amount	Fair value
Financial assets		
Cash and cash equivalents	83,794	83,794
Trade receivables	117,598	117,598
Forward exchange contracts	349	349
Other receivables	5,560	5,560
Total	**207,301**	**207,301**
Financial liabilities		
Notes payable to banks	17,720	17,720
Current portion of long-term debt and financial leases	344	344
Trade payables	51,768	51,768
Forward exchange contracts	146	146
Other payables	16,827	16,827
Long-term debt and financial leases	3,231	3,231
Total	**90,036**	**90,036**

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. The fair value measurement is based on observable calculations. Non recurring fair value measurements were not applicable in the reporting period.

5. Long term incentive plans

Summary of outstanding Performance Shares

Following is a summary of changes Performance Shares:

	HY 2014	2013
Outstanding, beginning of year	701,236	450,624
Performance Shares granted	258,473	336,390
Shares discretionary granted to Board	20,000	30,000
Shares discretionary granted to Non- Board	39,798	24,409
Performance Shares settled in equity instruments (reissued from Treasury Shares)	(89,625)	(52,949)
Performance Shares forfeited	(83,052)	(32,829)
Shares reissued from Treasury Shares by the Company upon vesting	(20,000)	(54,409)
Outstanding, end of year	**826,830**	**701,236**

The market price of the Company‘s Ordinary Shares at the date of grant in 2014 was € 8.22 and, respectively, € 5.69 for the grants in 2013. At the date of grant of additional Shares to the current member of the Board of Management, the market price of the Company’s Ordinary Shares was € 8.97 (2013: € 5.86).

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

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

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

Performance Shares	Year of grant	Three-year performance period	Number of PSs
Key employees	2012	2012-2014	257,334
Key employees	2013	2013-2015	253,764
Key employees	2014	2014-2016	203,947
Total			**715,045**

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 54,526 (2013: 82,626). After the three-year performance period the actual number of Performance Shares that vest, subject to continued employment, will be determined based on:

- The Net Income relative to the Revenues (NIR) over a three-year performance period (50%).
- 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.

The Performance Shares awarded will vest at the end of the three-year performance period, depending on the actual performance of the Company.
The total estimated costs recognized in the six months ended June 2014 for these performance shares amount to € 963 (2013: € 180).

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 was approved 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 was based on a total value of € 360 for each of the annual awards made in 2011, 2012 and 2013. In 2014 Besi recognized an incremental fair value as a result of this modification.
This includes a one off (€ 373) related to the settlement of the 2011 award. The incremental fair value for the 2012 and 2013 award is spread over the remaining vesting period.

LTI Plan 2012-2016 (Non-Board Members)

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

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

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

The total estimated costs recognized in 2014 for these Performance Shares amount to € 1,188 (2013: € 319) and are recognized in the Statement of Comprehensive Income.

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

(euro in thousands)	**Six months ended June 30, 2014**	**2013**
Performance Shares granted and delivered to the Board of Management	179	175
Conditional Performance Shares Board of Management	963	180
Performance Shares relating to the LTI plan 2012-2016	1,188	319
Total expense recognized as employee costs	**2,330**	**674**

The expenses have been calculated based on the same assumptions as described in the annual report of 2013.

Summary of outstanding stock options

Following is a summary of changes in Besi options:

	Number of options	**2014 Weighted average exercise price (in euro)**	**Number of options**	**2013 Weighted average exercise price (in euro)**
Equity-settled option plans				
Outstanding, beginning of year	216,361	11.02	221,486	11.18
Options expired	-	-	-	-
Options exercised	161,900	10.80	-	-
Options forfeited	-	-	(5,125)	17.90
Outstanding and exercisable, end of year	**54,461**	**17.90**	**216,361**	**11.02**

In May 2014 the member of the Board of Management exercised 161,900 options. This resulted in a onetime gain of € 458 as the loans related to these stock option have been repaid and the accrual for the fiscal implication of this arrangement could be released.

6. Restructuring North America

In the first half year of 2014 the Company decided to rationalize the activities in North America. Manufacturing and research and development activities are in the process of moving to the subsidiary in Austria. The Company has reported € 1.1 mio for severance payments and write off of inventories.

Review report

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

Introduction

We have reviewed the accompanying condensed interim consolidated financial statements of BE Semiconductor Industries N.V., Amsterdam, as set out on page 5 to 10, which comprises the condensed interim consolidated statement of financial position as at June 30, 2014, the condensed interim consolidated statement of comprehensive income, changes in equity, and cash flows for the period of six months ended June 30, 2014, and the notes. The Board of Management of BE Semiconductor Industries N.V. is responsible for the preparation and presentation of these condensed interim consolidated financial statements in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope

We conducted our review in accordance with Dutch law including standard 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim consolidated financial statements as at June 30, 2014 are not prepared, in all material respects, in accordance with IAS 34 'Interim Financial Reporting' as adopted by the European Union.

Eindhoven, July 30, 2014

KPMG Accountants N.V.

M.J.A. Verhoeven RA