Besi

Annual Report 2007

To the limits.
And beyond.

Content

Report of the Board of Management

Company Profile

BE Semiconductor Industries N.V. and its subsidiaries ("Besi" or the "Company") is a leading manufacturer of semiconductor die sorting, flip chip and multi-chip die bonding, packaging and plating equipment, for both array connect and leadframe assembly processes. Our technologically advanced equipment and integrated systems are used principally to produce semiconductor assemblies or "packages", which provide the electronic interface and physical connection between the chip and other electronic components and protect the chip from the external environment. Our innovative systems offer customers high productivity and improved yields of defect-free devices at a low total cost of ownership. Our products are used to assemble chips for a wide variety of end-use applications including electronics, computer, automotive, industrial, RFID ("Radio Frequency Identification Device") and solar energy.

Besi's principal product groups include:

- **Die bonding equipment:** Consisting of:
  - Single-, multi-chip and flip chip die bonding systems which place the chip onto a multi-layer substrate.
  - Die sorting systems which are used to inspect, select and sort bare dies, flip chips, wafer level chip scale packages and opto-electronic devices for further processing in assembly operations.
- **Packaging equipment:** Consisting of:
  - Molding systems that encapsulate bonded semiconductor devices in epoxy resin.
  - Trim and form systems used to cut and then form metallic leads of encapsulated semiconductor devices in leadframe applications.
  - Singulation systems used to cut packaged array connect devices.
- **Plating equipment:** Consisting of:
  - Fully automated tin plating and spot plating systems for conventional leadframe applications.
  - Flexible antenna plating systems for new RFID and thin film solar cell applications.

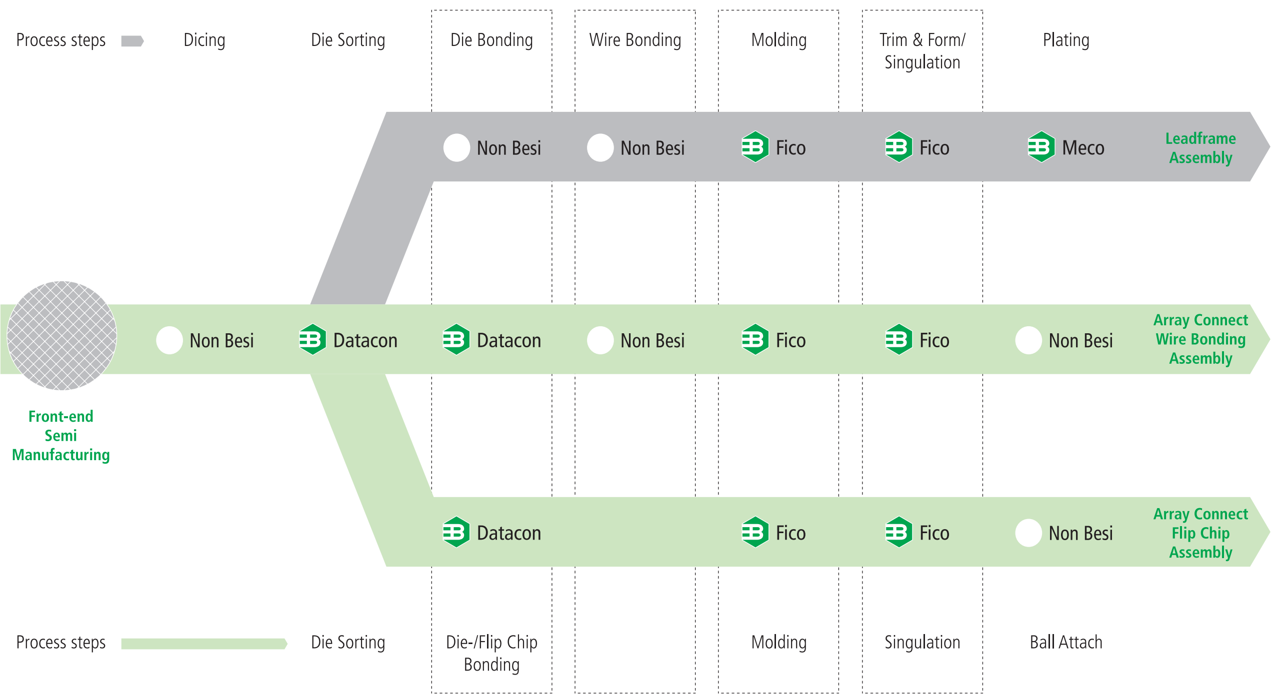
The Company is engaged in one line of business, the design, manufacture, marketing and servicing of assembly equipment for the semiconductor industry.

Our customers are primarily leading U.S., European and Asian semiconductor manufacturers, assembly subcontractors and electronics and industrial companies including Amkor, ASE, Chipmos, Epcos, Fairchild, Hynix, Infineon, Osram, UTAC, Robert Bosch, Samsung, Siliconware, Skyworks, STMicroelectronics and Texas Instruments. Our equipment performs critical functions in our customers' semiconductor assembly operations and in many cases represents a significant percentage of their installed base of assembly equipment. Our business has benefited from close, long-term relationships with our customers, many of whom have been purchasing our equipment and services for over 35 years.

At December 31, 2007, we employed 1,141 people of whom 461 were located in Asia, 630 in Europe and 50 in North America. At such date, we owned or leased seven facilities worldwide comprising 525,000 square feet of production space and had 10 sales and service offices globally from which to service our customers' installed base of equipment.

Besi was incorporated under the laws of the Netherlands in May 1995 and had an initial public offering in December 1995. Our Ordinary Shares are listed on Euronext Amsterdam (symbol: BESI). Our principal executive offices are located at Ratio 6, 6921 RW Duiven, the Netherlands, and our telephone number at that location is (31) 26 3194500. More detailed information about the Company can be found at our website: www.besi.com.

Semiconductor Assembly – from Processed Wafer to Completed Chip



Key Highlights

(euro in thousands, except share and per share data)	Excluding restructuring expenses[1]	Year Ended December 31,		% Change
	2007	2007	2006	2007/2006
Statement of operations data				
Revenue	166,471	166,471	191,191	(12.9 %)
Gross profit	59,929	57,461	74,754	(23.1 %)
Operating income (loss)	(1,137)	(5,679)	13,098	n/m
EBITDA[2]	7,546	3,783	22,311	(83.0%)
Net income (loss)	(1,750)	(5,496)	10,799	n/m
As % of revenue				
Gross profit	36.0	34.5	39.1	(4.6)
Operating income (loss)	(0.7)	(3.4)	6.9	(10.3)
EBITDA[2]	5.0	2.3	11.7	(9.4)
Net income (loss)	(1.1)	(3.3)	5.6	(8.9)
Income (loss) per share				
Basic	(0.05)	(0.17)	0.33	n/m
Diluted	(0.05)	(0.17)	0.31	n/m
Average number of shares outstanding				
Basic	32,168,570	32,168,570	32,760,572	n/m
Diluted	32,168,570	32,168,570	41,840,875	n/m
Balance Sheet Data				
Cash and cash equivalents		74,781	98,012	(23.7%)
Total debt		71,514	80,028	(10.6%)
Total equity		178,718	194,531	(8.1%)
Financial Ratios				
Current ratio		3.4	3.3	n/m
Solvency ratio		62.7	62.0	n/m
Return on average equity	(0.9 %)	(2.9 %)	5.7 %	n/m
EBITDA/Interest expense, net[2]	3.3 x	1.7 x	7.2x	n/m
Other Information				
Orders				
Array connect		104.9	124.5	(15.7 %)
Leadframe		55.8	63.9	(12.7 %)
Total		160.7	188.4	(14.7 %)
IDMs		89.0	110.9	(19.7 %)
Subcontractors		71.7	77.5	(7.5 %)
Total		160.7	188.4	(14.7 %)
Backlog				
Array connect		22.4	38.9	(42.4 %)
Leadframe		25.9	15.1	71.5 %
Total		48.3	54.0	(10.6 %)
Total headcount		1,141	1,165	(2.0 %)
Stock Price (High/Low Close)		5.20 / 3.11	5.65 / 3.99	n/m

1 Excludes restructuring charges of 4,542 in 2007 related to the re-organization of Besi's sales and service, die handling and packaging equipment operations.
2 Excludes other income in 2006 of 1,216 related to the sale of certain assets and activities of Eurotec, a Datacon subsidiary.

Letter to Shareholders

Dear Shareholders,

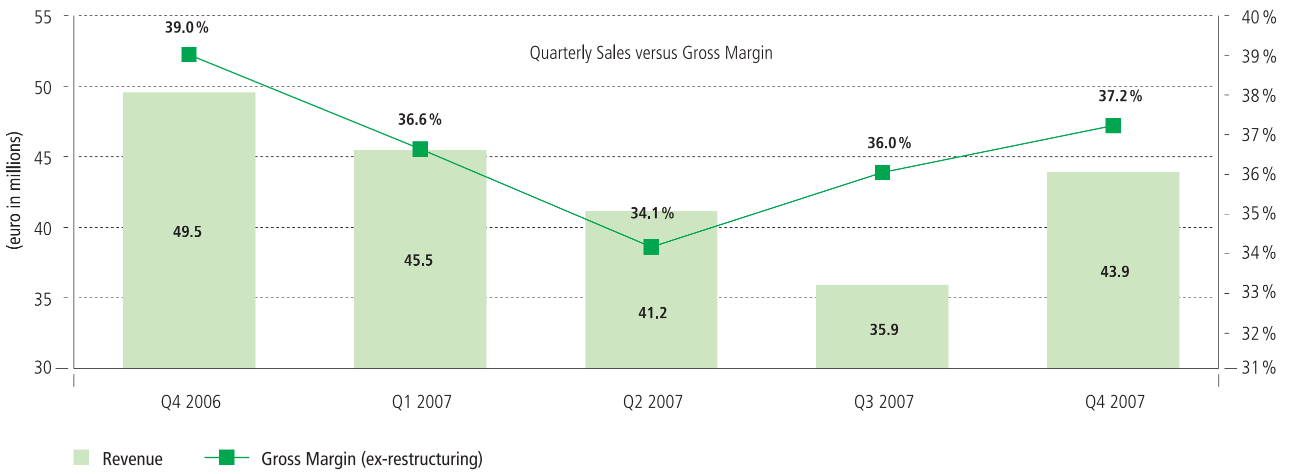
2007 was at the same time one of the most important and most difficult years in Besi's history. The year provided us with a unique opportunity to restructure the Company with the right people to fulfill our vision for a single, unified corporate and management structure. By means of this restructuring, we can provide maximum business focus for the organization and the lowest cost base for our operations. In addition, we began an initiative to develop a range of products based on common platforms and common parts to significantly improve our future profitability and working capital management and to provide our customers with the maximum cost advantage using our equipment. The creation of a single, unified, one-company structure throughout our global operations is also critical in facilitating the addition of incremental products, processes and acquisitions to our current corporate platform.

After losses incurred in the second and third quarters of 2007 due to adverse industry conditions, adverse currency movements and € 4.5 million of charges related to the restructuring, we returned to profitability in the fourth quarter of 2007 which included renewed sales and order growth of 22.3 % and 29.9 %, respectively, in comparison to the third quarter. Based on our restructuring and the cost-reduction actions initiated in 2007, we are enthusiastic about our prospects for 2008 in spite of uncertain economic conditions generally.

Key Highlights for 2007:

+ Revenue decrease from € 191.2 million in 2006 to € 166.5 million in 2007 (12.9 %).
+ Net loss of € 1.8 million before restructuring charges as compared to net income of € 10.7 million in 2006.
+ Return to profitability in the fourth quarter.
+ 10.5-% decline in the U.S. dollar versus the euro adversely affected revenue and profits.
+ Implementation of corporate and management restructuring plan including:
  · Reduction of North American and European headcount by 7 %.
  · Potential annual cost savings of € 6 million in 2008.
  · Inventory reduction of € 11.3 million.
+ Continued execution of Asian production strategy that resulted in:
  · Component cost reductions of approximately 10 %.
  · Increase in % systems produced in Asia from 30 % in 2006 to 50 % in 2007.
+ Reduction of indebtedness outstanding from € 80 million to € 71.5 million.
+ Repurchase of 2.5 million Ordinary Shares during year, totaling approximately € 11 million.

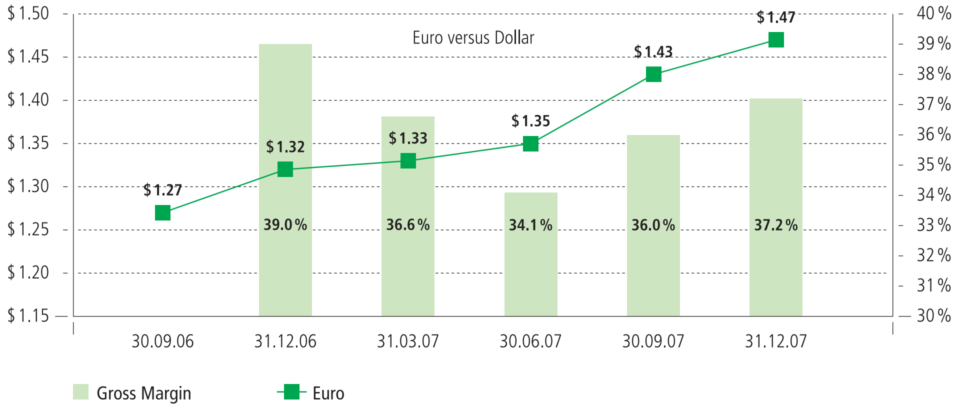
One Besi Organization – 2007 Gross Margin Trend



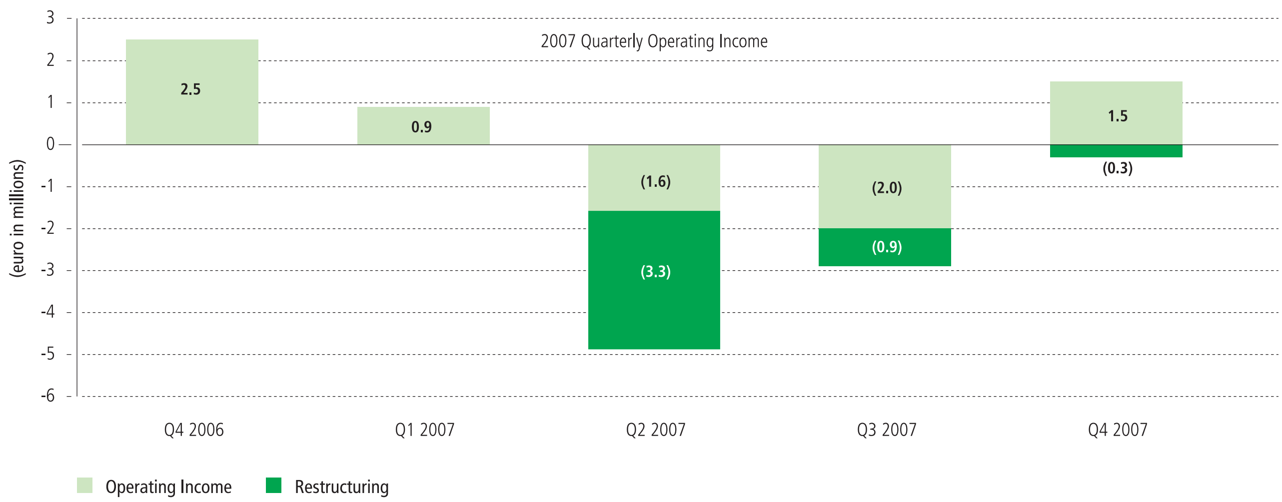
One Besi Organization – 2007/2006 SG&A Trend

[1] Excludes restructuring charges

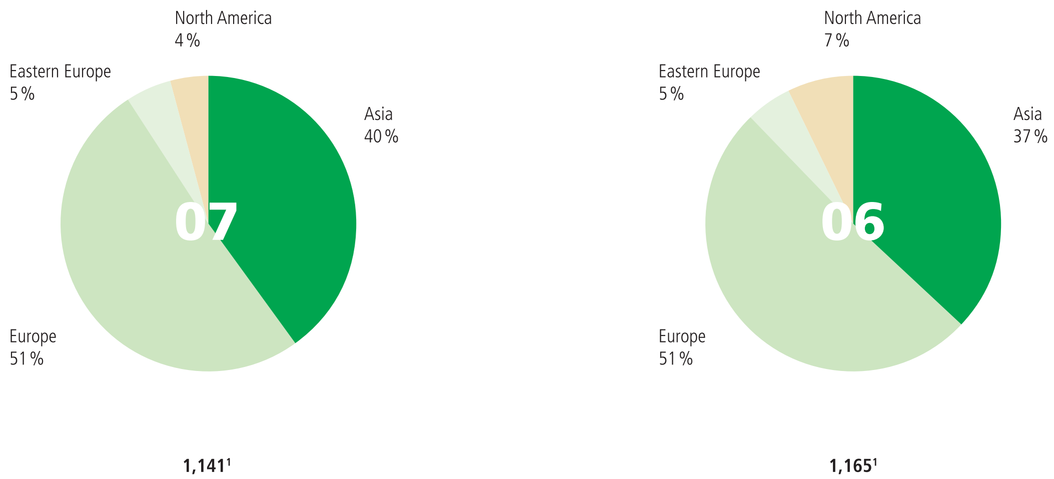
One Besi Organization – Weathering Declining US Dollar



One Besi Organization – Return to Profitability



One Besi Organization – Headcount 2007/2006



[1] As per December 31, excluding temporary employees

Implement "One-Besi" Corporate Organization

In the first quarter of 2007, the Board of Management agreed to fundamentally re-organize our global operations and management structure in order to achieve industry benchmarks of profitability in the context of an increasingly competitive assembly equipment market. We believed that the time was right to re-evaluate our operations given the passage of two years since our Datacon acquisition and the combination of our operations and senior management. Furthermore, we determined that it was much easier to restructure an organization in an industry downturn as opposed to an industry upturn when all corporate resources are in great demand.

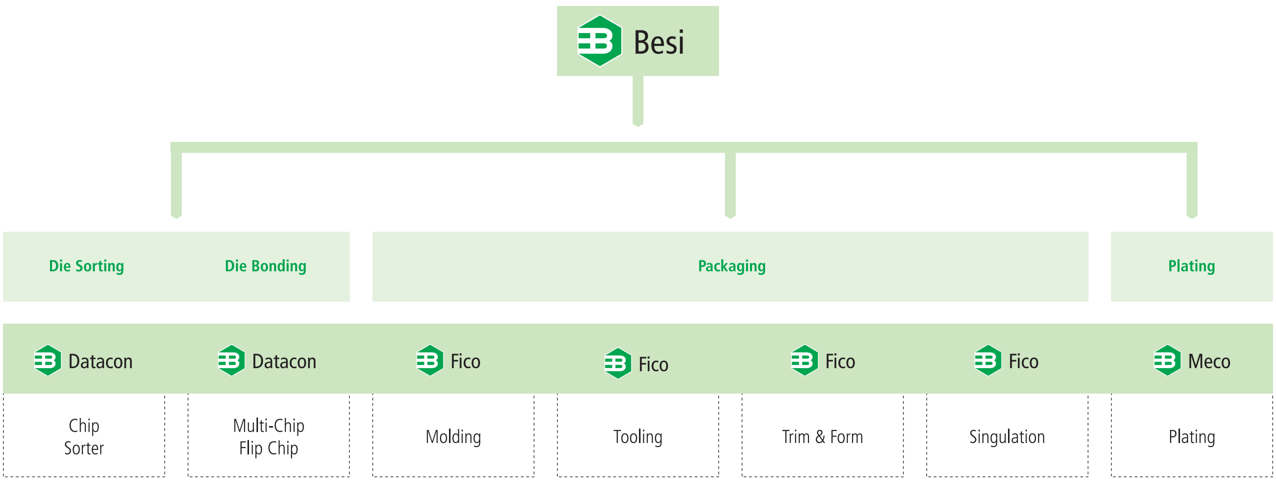
In concept, the June restructuring encompassed:

+ The elimination of our decentralized holding company structure containing seven autonomous business units.
+ The creation of a single management structure with key operating responsibilities centrally managed on a global basis.
+ The reduction of our product groups from five to three.
+ The reduction of redundant production and administrative overhead through the consolidation of design, development and business management functions.
+ The development of common platforms through which to produce more efficiently in the future and compete more effectively in the market.

The 2007 restructuring plan principally involved three actions:

1. The integration of Besi's Laurier subsidiary with our Datacon subsidiary.
2. The consolidation of all Besi's packaging equipment activities under one product management in Duiven, the Netherlands.
3. The integration of all marketing, sales and customer support services for die bonding, die sorting and packaging equipment products under the direction of Helmut Rutterschmidt.

One Besi Organization – "One Company, One Philosophy"



Streamline organization to:

+ Eliminate decentralized structure with 7 autonomous business units
+ Adopt centralized management with global functional responsibilities
+ Reduce product groups from 5 to 3
+ Facilitate acquisition of products, processes and companies

One Besi Organization – 2007 Restructuring

- Integration of:
  - Die bonding & sorting
  - Packaging/singulation
  - Global sales and service activities
- Reduction of headcount – 7 %
- Potential cost savings of € 6 million
- Inventory reduction – € 11.3 million
- Hire COO to manage global production, IT and supply chain
- Initiate common parts/common platforms

In addition, we hired Claus Lichtenberg as Chief Operating Officer to manage global manufacturing, procurement and IT infrastructure in order to encourage efficiencies in global operations. In combination with Helmut Rutterschmidt in product management responsible for product re-engineering, Claus Lichtenberg will also focus on vendor consolidation and joint purchasing to achieve fewer, but more standard common parts and component cost reduction.

We also defined new positions in Besi Management to further support our one-company concept. Michael Auer was designated Vice President for worldwide Sales and Customer Support, Martina Weidinger was named Vice President of Human Resources and Frank Wernisch was appointed Vice President for Information Technology. Also appointed as members of Besi Management were Dr. Han van Egmond, responsible for Product Marketing at Fico and Kenzer Tan Heck Wee, Managing Director of our Asian manufacturing operations.

By these measures, the Company expects to achieve an integrated and streamlined global organization structure under the Besi umbrella while maintaining the separate integrity and quality of its Datacon, Fico and Meco brands. Further, we aim to significantly reduce our cost structure, increase our cash generation, reduce the euro percentage of our manufacturing content and facilitate the addition of incremental products, processes and acquisitions to our current corporate platform. Our fourth quarter order and profit development confirms the benefits we are realizing from the sales force integration and cost reduction measures implemented to date. However, there is additional room for improvement that we are aggressively pursuing in 2008.

Financial Condition

Our cash decreased from € 98.0 million at December 31, 2006 to € 74.8 million at December 31, 2007 as we used funds principally to repurchase € 11 million of Ordinary Shares during the year as well as retire € 8.5 million in debt outstanding. At December 31, 2007, our total debt and capital lease obligations totaled € 71.5 million and equity stood at € 178.7 million.

Our capital spending increased from € 2.7 million in 2006 to € 4.0 million in 2007 principally related to additional equipment necessary for production activities and, to a lesser extent, the construction of an IT center in Austria. We expect capital expenditures in 2008 of approximately € 7.5 million of which approximately € 5 million is earmarked for (i) the construction and equipment of a new 44,000 sq.ft. production facility in Malaysia consolidating three separate local operations and (ii) increasing our tooling capacity in Malaysia and China as we continue to transfer production from Europe to those regions. We intend to spend the balance of our budget on IT and machine upgrades for our Fico Netherlands operations as we seek to modernize our engineering, design and advanced tooling capabilities.

Product Development

Research and development expenses were € 21.3 million and € 18.2 million in 2007 and 2006, respectively. Our development spending in 2007 was mainly focused on the next-generation singulation system, new RFID die bonding applications and enhancements to our existing AMS-W and Compact Line packaging systems. Our development budget for 2008 will continue funding for such projects as well as next-generation die bonding and packaging systems that will incorporate common system platforms.

Common System Platforms

As part of our restructuring plan, we determined that it was essential to re-engineer some of our existing products in order to standardize design and production across our various assembly operations as a means of further reducing costs and cycle times in response to competitive market demands and internal profit objectives. As part of the streamlining process, we have focused initially on the development of common parts and common system platforms by 2010 for our Datacon die bonding/die sorting systems and our Fico packaging equipment products. Ultimately, Besi intends to develop a single platform for all its assembly equipment products.

By means of adopting common parts and common system platforms for two versus five product platforms previously, we expect to (i) reduce the number of components and machine parts per system, (ii) reduce average component costs, (iii) greatly simplify design engineering, and (iv) significantly reduce cycle times and warranty expenses. In this manner, we expect to achieve incremental labor cost, supply chain and working capital efficiencies.

Outlook 2008

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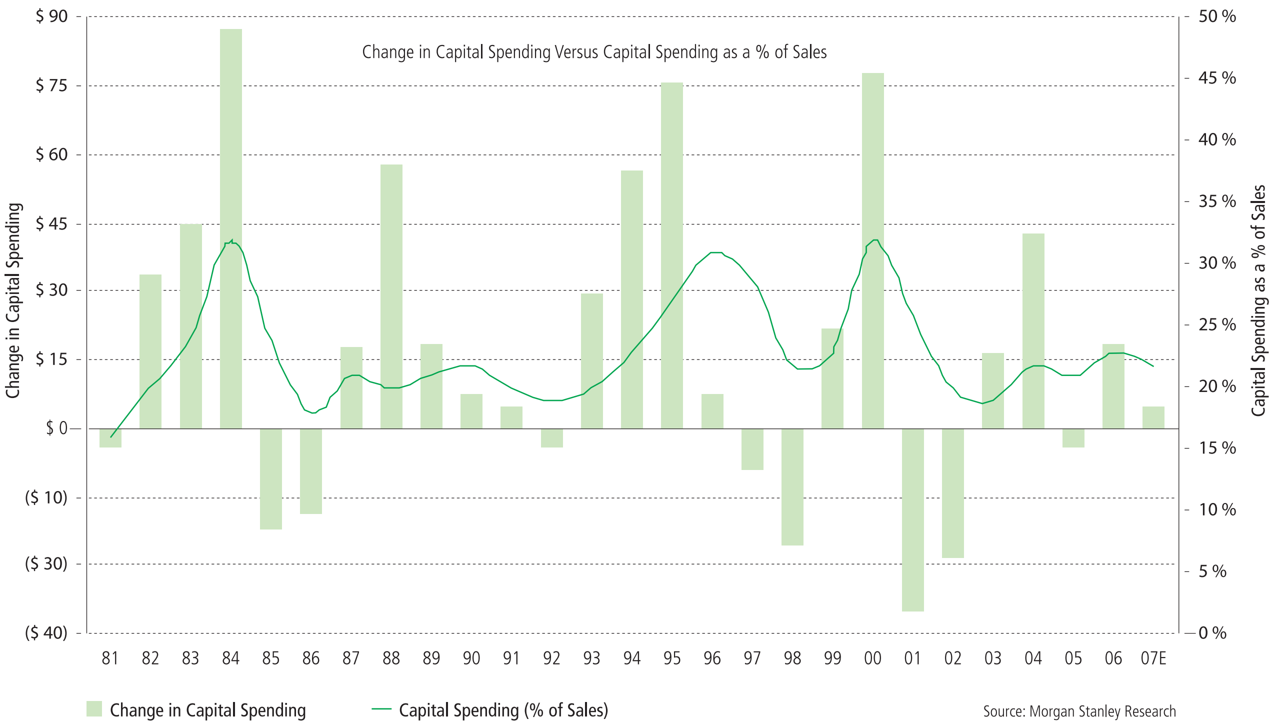
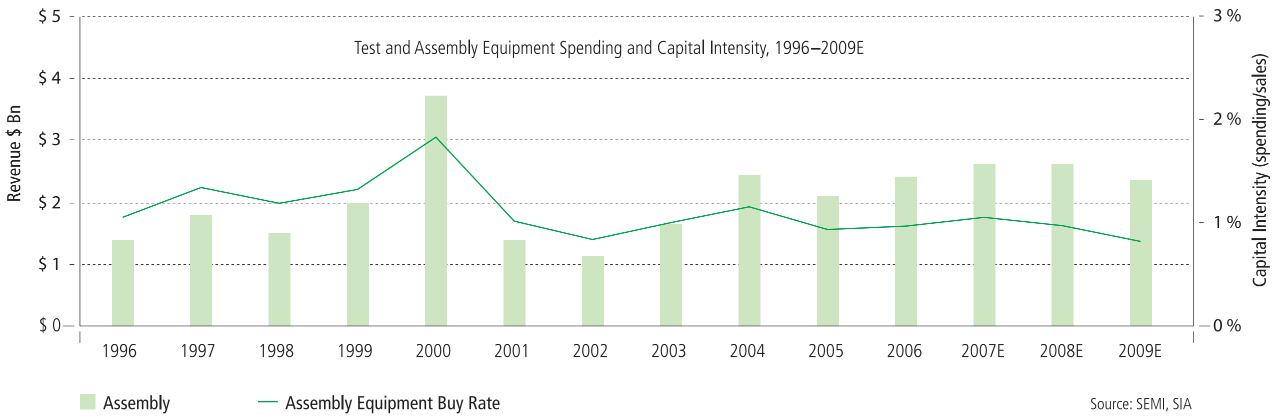
At present, analyst forecasts for the assembly equipment industry in 2008 vary widely wherein the size of the market could range between no growth to a decline of 10 % as compared to 2007. Besi's major semiconductor customers remain cautious in approaching their 2008 capital equipment requirements in spite of higher capacity utilization rates currently at customer sites as compared to 2007. Caution results primarily from economic forecasts for limited growth or a possible recession affecting customer, business and industrial electronics applications. It is difficult for us to comment on annual forecasts as we have visibility only for the duration of our backlog which is typically three to four months.

Semiconductor Equipment Capital Spending Trends



Source: Morgan Stanley Research

Assembly Equipment Capital Spending Trends



Source: SEMI, SIA

Key Operational Objectives 2008

Phase II of our restructuring remains on track to increase profitability this year. Key objectives for 2008 include:

+ Growing our sales at levels in excess of projected industry growth rates with a focus on incremental market share, cross-selling benefits from a single, integrated sales force and new RFID applications.
+ Further reducing our break-even cost levels by 10 % company-wide.
+ Achieving a 10-% component cost reduction through execution of our global procurement strategy.
+ Continuing the transfer of tooling and system production to Asia.
+ Reducing the euro exposure of our cost structure.
+ Reducing warranty expenses for our Singulation and AMS-W systems.
+ Increasing our inventory turnover and cash generation and reducing manufacturing cycle times.
+ Completing construction of our new Besi Malaysia facility.
+ Expanding our operations via complementary acquisitions.

One Besi Organization – Key 2008 Objectives

Initiate common platforms:

+ Standardize on 2 versus 5 systems
+ Reduce:
  · Number and cost of components
  · Cycle time
  · Design/labor cost
  · Warranty expenses
+ Reduce break-even cost levels by 10 % company-wide
+ Target 10 % parts cost reduction through supply chain management
+ Reduce foreign currency exposure
+ Increase inventory turnover and cash generation
+ Complete construction of new 44,000 sq.ft. Malaysia facility
+ Seek acquisitions

We have many ambitious targets in place to advance our competitive position and to generate positive returns for our shareholders. Such targets can only be met with the continued support of our customers, shareholders, workforce, partners and suppliers around the world for which we are grateful.

Board of Management

Richard Blickman　　Helmut Rutterschmidt

February 19, 2008

Strategy

Our objective is to become the world's leading supplier of advanced semiconductor assembly equipment incorporating both array connect and leadframe process technologies. We seek to provide customers worldwide with advanced back-end assembly solutions of the highest technological quality and highest productivity at the lowest cost of ownership.

The principal elements of our strategy to achieve these goals are set forth below.

Leverage our Technology Leadership to Exploit New Technologies

Our customers' success depends on our timely development of manufacturing processes and equipment to address changing requirements for semiconductor packaging. In the array connect market, we have introduced advanced molding systems, flip chip die bonders and singulation systems designed to address our customers' requirements for miniaturization and higher chip density at lower overall cost. We have been involved in the development and production of chip scale ball grid array technology since the early 1990s and we are one of the leading suppliers of equipment used in chip scale ball grid array molding. Recently, we have expanded our product portfolio to include die bonding and flex antenna plating systems for Radio Frequency Identification Device ("RFID") applications and plating systems for thin-film solar cell applications. We believe that the development of the RFID and solar device markets have great potential to expand our equipment sales and market penetration over the next five years.

Actively Pursue System Integration

We believe that customer demands for higher throughput, quality and flexibility offer significant opportunities for those equipment manufacturers who are able to automate and integrate the assembly process. We intend to expand the range of automated systems for various array connect and leadframe assembly processes and ultimately to offer a complete, integrated solution for our customers. Our current generation of systems has introduced the integration of molding with wire bonding and post cure, as well as the integration of marking, vision inspection and testing with trim and form and singulation processes. We intend to continue this process by introducing other products to support an automated and integrated assembly process. Towards this end, we are attempting to develop a fully automated and integrated array connect assembly solution that will integrate both test handling and flip chip bonding capabilities with our existing line of packaging and plating equipment as part of our goal of offering customers a one-stop, integrated solution for the entire assembly process.

Implement "One-Besi" Corporate Organization

In the first quarter of 2007, the Board of Management agreed to fundamentally re-organize Besi's global operations and management structure in order to achieve industry benchmarks of profitability in the context of an increasingly competitive and global assembly equipment market. In concept, the June 2007 restructuring encompassed:

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In addition, we hired Claus Lichtenberg as Chief Operating Officer to manage global manufacturing, procurement and IT infrastructure in order to encourage efficiencies in global operations. In combination with Helmut Rutterschmidt in product management responsible for product re-engineering, Claus Lichtenberg will also focus on vendor consolidation and joint purchasing to achieve fewer, but more standard common parts and component cost reduction.

By these measures, the Company will achieve an integrated and streamlined global organization structure under the Besi umbrella while maintaining the separate integrity and quality of its Datacon, Fico and Meco brands. Our restructuring objectives aim to significantly reduce our cost structure, increase our cash generation, reduce the euro percentage of our manufacturing content and facilitate the addition of incremental products, processes and acquisitions to our current corporate platform.

Develop Common System Platforms

As part of our restructuring plan, we determined that it was essential to re-engineer some of our existing products in order to standardize design and production across our various assembly operations as a means of further reducing costs and cycle times. As part of the streamlining process, we have focused initially on the development of common parts and common system platforms by 2010 for our Datacon die bonding/die sorting systems and our Fico packaging equipment products. Ultimately, Besi intends to develop a single platform for all its assembly equipment products.
By means of adopting common parts and common system platforms for two versus five product platforms previously, we expect to (i) reduce the number of components and machine parts per system, (ii) reduce average component costs, (iii) greatly simplify design engineering, and (iv) significantly reduce cycle times and warranty expenses. In this manner, we expect to achieve incremental labor cost, supply chain and working capital efficiencies.

Expand Asian Production Capabilities

In our efforts to improve profitability and enhance our competitive position, we have significantly restructured our manufacturing operations in recent years. We significantly reduced our European and North American workforce, closed inefficient operations and began the transfer of production and tooling capacity for our systems manufacturing to our Malaysian and Chinese facilities. Since 2005, we have increased the percentage of our systems produced in Asia from approximately 10 % to 50 % in 2007.

We have also invested approximately € 5 million to expand our Asian production capacity to handle increased manufacturing requirements. In 2008, we intend to spend an additional € 5 million for (i) the construction and equipment of a new 44,000 sq.ft. production facility in Malaysia consolidating three separate local operations and (ii) increasing our tooling capacity in Malaysia and China as we continue to transfer production from Europe to those regions.
Our production strategy focuses on the transfer over time of substantially all component sourcing, system manufacturing and tooling operations to our Asian and Eastern European facilities while maintaining product ownership and responsibility for new product development at our European operations. In this manner, we expect to achieve further cost reductions, improvements in working capital management and employee productivity.

Increase Global Sales and Service Operations

We maintain 10 regional sales and service offices in Europe, the Asia Pacific region and the United States and have customers in each region. As part of our strategy, we intend to expand our customer base in critical global markets, particularly China, Taiwan and Japan. Given the globalization of the semiconductor industry, we believe that a significant presence in sales and after-market services in each geographic region is critical to sustain close relationships with customers and generate new product sales.

Focus on Strategic, Long-Term Customer Relationships

Our close relationships with our customers, many of which exceed thirty-five years, provide us with valuable knowledge about semiconductor assembly requirements as well as new opportunities to develop assembly systems in conjunction with our customers. We believe that these relationships, combined with our position as a leading supplier of integrated assembly systems, provide an opportunity to broaden the range of products we sell to these customers and to enhance our reputation as a supplier of a broad and flexible range of assembly systems.

Selectively Pursue Acquisitions

We believe that in order to implement our goals of providing customers with highly automated, integrated solutions with optimal packaging flexibility, it is critically important to identify and incorporate new technologies and processes on a timely basis. Towards that end, we intend to actively identify and evaluate acquisition candidates that could assist us in attaining our overall goals of providing an integrated, automated assembly platform, product and process technology leadership and geographic expansion. We have made two acquisitions over the past five years:

+ In January 2002, we acquired our Laurier subsidiary in order to incorporate intelligent die sorting capabilities into our product portfolio.
+ In January 2005, we acquired our Datacon subsidiary in order to extend our presence in the flip chip and die bonding equipment markets and to increase our scale and presence in the semiconductor assembly equipment market.

Selected Consolidated Financial Data

(euro in thousands, except share and per share data)					Year Ended December 31,	
	2007 Excluding Restructuring Expenses[1]	2007	2006	2005	2004 Including Datacon[2]	2004
Consolidated Statement of Operations						
Revenue	166,471	166,471	191,191	164,262	194,323	126,341
Cost of sales	106,542	109,010	116,437	111,757	135,178	95,066
Gross profit	59,929	57,461	74,754	52,505	59,145	31,275
Selling, general and administrative expenses	40,081	41,828	43,439	41,059	44,218	28,830
Research and development expenses	20,985	21,312	18,217	12,421	18,231	12,534
Total operating expenses	61,066	63,140	61,656	53,480	62,449	41,364
Operating income (loss)	(1,137)	(5,679)	13,098	(975)	(3,304)	(10,089)
Other income	-	-	1,216	-	-	-
Financial income (expense), net	(2,270)	(2,270)	(3,094)	(3,174)	(579)	2,533
Income (loss) before taxes	(3,407)	(7,949)	11,220	(4,149)	(3,883)	(7,556)
Goodwill adjustment relating to deferred tax asset	-	-	2,300	-	-	-
Income taxes (benefit)	(1,657)	(2,453)	(1,879)	(1,798)	(1,251)	(2,249)
Net income (loss)	(1,750)	(5,496)	10,799	(2,351)	(2,632)	(5,307)
Attributable to:						
Equity holders of the parent	(1,854)	(5,600)	10,667	(2,392)	(2,568)	(5,243)
Minority interest	104	104	132	41	(64)	(64)
Net income (loss)	(1,750)	(5,496)	10,799	(2,351)	(2,632)	(5,307)
Income (loss) per share						
Basic	(0.05)	(0.17)	0.33	(0.07)	(0.08)	(0.17)
Diluted	(0.05)	(0.17)	0.31	(0.07)	(0.08)	(0.17)
Weighted average number of shares used to compute income (loss) per share						
Basic	32,168,570	32,168,570	32,760,572	32,710,934	32,709,309	30,794,660
Diluted	32,168,750	32,168,570	41,840,875	32,710,934	32,709,309	30,794,660

(euro in thousands)			Year Ended December 31,	
	2007	2006	2005	2004
Consolidated Balance Sheet Data				
Cash and cash equivalents	74,781	98,012	81,765	116,351
Working capital	125,921	142,276	129,305	142,833
Total assets	285,005	314,008	298,518	222,056
Total debt	71,514	80,028	75,485	11,435
Total equity	178,718	194,531	185,510	175,238
Consolidated Statement of Cash Flow Data				
Capital expenditures	4,036	2,695	6,418	3,427
Depreciation of property, plant and equipment	4,413	4,386	5,020	4,399
Net cash provided by (used in) operating activities	561	12,499	4,715	(4,603)
Net cash provided by (used in) investing activities	(4,185)	(1,120)	(73,679)	11,231
Net cash provided by (used in) financing activities	(19,030)	5,515	33,645	(8,060)
Net change in cash and cash equivalents	(23,231)	16,894	(35,319)	(1,432)

[1] Excludes restructuring charges of € 4,542 in 2007 related to the re-organization of Besi's sales and service, die handling and packaging equipment operations.

[2] On January 4, 2005, we completed the acquisition of Datacon Technology GmbH (formerly Datacon Technology AG), ("Datacon") for € 73.1 million which consisted of € 65.0 million in cash and 1,933,842 of our Ordinary Shares. In order to facilitate a meaningful comparison of our fiscal year 2005–2007 results, we have prepared unaudited comparative financial information for 2004 to incorporate the results of operations of Datacon as if the transaction had occurred on January 1, 2004. The 2004 adjustments include (a) the results of operations of Datacon prepared in accordance with IFRS, (b) the effects of the purchase accounting adjustments related to the acquisition of Datacon resulting in the amortization of intangibles of € 0.7 million in 2004 and (c) the elimination of interest income of € 1.4 million related to the € 68.4 million cash utilized to help fund the Datacon acquisition. The number of shares outstanding for the year ended December 31, 2004 including Datacon includes 1,933,842 of our Ordinary Shares issued in the Datacon acquisition.

Operating and Financial Review and Prospects

Overview

We design, develop, manufacture, market and service products for the semiconductor industry's back-end assembly operations. The Company is engaged in one line of business, the design, manufacture, marketing and servicing of assembly equipment for the semiconductor industry. Since the Company 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.

Our revenues 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 cyclical, depending in large part on levels of demand worldwide for computing and peripheral equipment, telecommunications devices and automotive and industrial components, as well as the production capacity of global semiconductor manufacturers. Historically, as demand for these devices has increased, semiconductor manufacturers have sought to increase their capacity by increasing the number of wafer fabrication facilities and equipment production lines, and installing equipment that incorporates new technology to increase the number of devices and the amount of computing power per device. As demand has increased, semiconductor prices have also typically risen. Conversely, if the additional capacity outstrips the demand for semiconductor devices, manufacturers historically cancel or defer additional equipment purchases. Under such circumstances, semiconductor prices typically fall.

Capital expenditures of our customers 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 has suffered significant economic downturns at various times. These downturns have involved periods of production overcapacity, oversupply, reduced prices and lower revenues, and have regularly been associated with substantial reductions in capital expenditures for semiconductor facilities and equipment. 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 nine to twelve months. This cyclicality has had, and is expected to continue to have, a direct effect on our revenues, results of operations and backlog. Industry downturns can be severe and protracted and could continue to adversely affect our revenues, results of operations and backlog. Our results of operations historically have fluctuated significantly both on an annual and quarterly basis depending on overall levels of semiconductor demand globally and the specific production requirements of our principal customers.

Our revenues are generated primarily by shipments to the Asian manufacturing operations of leading United States and European semiconductor manufacturers and, to a lesser extent, Korean, Taiwanese, Chinese and other Asian manufacturers and subcontractors. We face competition on a worldwide basis from established companies based in Japan and various other Pacific Rim countries, Europe and the United States. Most of our principal competitors in our packaging equipment operations are Japanese, which historically have dominated the Japanese market, because Japanese semiconductor manufacturers typically purchase equipment from domestic suppliers.

Our sales to specific customers tend to vary significantly from year to year depending on our customers' capital expenditure budgets, new product introductions, production capacity and packaging requirements. For the year ended December 31, 2007, one customer accounted for 8 % of our revenues and our three largest customers accounted for approximately 20 % of our revenues. In addition, we derive a substantial portion of our revenues 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.

Accounting Presentation

Since our initial public offering in December 1995, Besi has presented its Consolidated Financial Statements in accordance with United States Generally Accepted Accounting Principles ("US GAAP"). Beginning in 2005, the European Commission required companies listed on a European stock market to publish their financial statements in accordance with International Financial Reporting Standards, or IFRS. Accordingly, we have published our Consolidated Financial Statements in accordance with IFRS since its formal requirement for adoption by the European Union.

On December 13, 2006, Besi announced its intention to voluntarily delist its Ordinary Shares (the "Shares") from the NASDAQ National Market and suspend registration of the Shares with the U.S. Securities and Exchange Commission (the "SEC") effective January 2007. As a result of our voluntary delisting of the Ordinary Shares from the NASDAQ National Market and the suspension of our registration with the SEC, we are no longer subject to the rules and regulations of the SEC, including its financial statement reporting requirements and the provisions of the Sarbanes-Oxley Act of 2002 as well as the listing requirements and marketplace rules of the NASDAQ National Market. As such, we only present our Consolidated Financial Statements according to IFRS and have ceased reporting according to US GAAP.

Our discussion and analysis of our financial condition and results of operations are based upon our Consolidated Financial Statements, which are included elsewhere in this Annual Report and which have been prepared in accordance with IFRS as adopted by the EU. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Areas where significant judgements are made include, but are not limited to, revenue recognition, inventories, long-lived assets and goodwill and intangible assets. Actual results could differ materially from these estimates. For a more detailed discussion of our accounting principles, please see "Notes to the Consolidated Financial Statements – Summary of Significant Accounting Principles" elsewhere in this Annual Report.

2007 Organizational Restructuring

In June 2007, we announced a significant restructuring of our management and corporate structure in order to position Besi for future growth and profitability. The 2007 restructuring plan principally involved three operating activities: i) the integration of Besi's Laurier subsidiary, located in Londonderry, New Hampshire, USA, with Besi's Datacon subsidiary located in Radfeld, Austria, ii) the consolidation of all Besi's packaging equipment product activities and iii) the consolidation and integration of all sales and customer support services for die bonding, die sorting and packaging equipment products in one global organization. We anticipate that the operational restructuring will generate potential annual pre-tax cost savings of approximately € 6 million commencing in 2008.

As a result of the restructuring, we announced the reduction of our worldwide fixed headcount by 83 people, or 7 % as compared to the total at March 31, 2007, of which 47 were from the Netherlands, 26 were from the United States and 10 were from other regions. This headcount reduction was partially offset by a planned increase of approximately five people in Austria to help facilitate the merger of Laurier into Datacon. Besi recorded restructuring charges of € 4.5 million in 2007, of which (i) € 2.8 million related to severance and social charges involved in the proposed workforce reduction as well as lease termination costs and legal/advisory fees in connection with the restructuring, (ii) approximately € 0.9 million related primarily to the write-off of inventory in connection with the common platform initiative at Fico Netherlands and Fico Asia and the transfer of inventory and production activities between Datacon and Laurier and (iii) approximately € 0.8 million related to the write-off of patents and trademarks at Laurier in connection with an evaluation of its product portfolio. The remaining balance of the restructuring reserve was € 0.6 million at December 31, 2007, all of which is expected to be utilized in 2008.

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risks which may adversely affect our results of operations and financial condition.

Foreign Currency Exchange Rate Risk

As a consequence of the global nature of our businesses, our 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 us to adjust our 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 our international business into euro affects year-over-year comparability. We historically have not hedged translation risks, because cash flows from international operations have generally been reinvested locally. We estimate that a 10-% change in the exchange rate of the euro versus the U.S. dollar or U.S. dollar-linked currencies would affect our reported net income in 2007 by approximately € 1.5 million. The current outstanding forward exchange contracts have been included in this calculation.

Our currency risk exposure primarily occurs because we generate a portion of our revenues in currencies other than the euro while the major share of the corresponding cost of revenues is incurred in euro. The percentage of our consolidated revenues which was denominated in euro amounted to approximately 45 % of total revenues in the year ended December 31, 2007, whereas revenues represented by U.S. dollars or U.S. dollar-linked currencies amounted to approximately 55 %. Approximately 68 % of our costs and expenses were denominated in euro and the remaining 32 % in various currencies, principally the U.S. dollar and U.S. dollar-linked currencies. In order to mitigate the impact of currency exchange rate fluctuations, we continually assess our remaining exposure to currency risks and hedge such risks by means of using derivative financial instruments. The principal derivative financial instruments currently used by us to cover foreign currency exposures are forward foreign currency exchange contracts that qualify for hedge accounting.

Interest Rate Risk

Our 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 affect our results of operations over the next fiscal year by approximately € 0.4 million, net of tax.

Customer Relationships

Historically, a limited number of our customers has accounted for a significant percentage of our revenues. In 2007, our three largest customers accounted for approximately 20 % of our revenues, with the largest customer accounting for approximately 8 % of our revenues. We anticipate that our results of operations in any given period will continue to depend to a significant extent upon revenues from a small number of customers.

Credit Risk

Management has a credit policy in place and monitors exposure to credit risk on an ongoing basis. Credit evaluations are performed on all customers requiring credit over specified thresholds. Transactions involving derivative financial instruments are with counterparties that have high credit ratings. Given their high credit ratings, the Company does not expect any counterparty to fail to meet its obligations.

Tax Risk

Given the international business structure of the Company and the increasing number and amounts of intercompany transactions, certain tax risks relating hereto may exist.

2007 Compared to 2006

Revenues

Our revenues consist of sales of die sorting systems, or die sorting equipment, flip chip and multi-chip die bonding systems, or die bonding equipment, molding, trim and form integration and singulation systems, or packaging equipment, and conventional leadframe and flex antenna plating systems, or plating equipment.

As a result of the Datacon acquisition, we changed our presentation of sales, orders, backlog and gross margins to better reflect our business strategy and to better communicate the development of our operations. We present this information as per assembly process and end-use customer application as opposed to a disclosure by individual product as per the tables below.

In the array connect category, we include:

+ Flip chip and multi-chip die bonding systems and die sorting systems made by Datacon in Malaysia, Austria and Hungary.
+ Singulation, laser cutting and certain molding systems made by Fico in Malaysia and the Netherlands.
+ Flex antenna plating and die bonding systems made respectively by Meco in the Netherlands and Datacon in Austria for RFID applications.

In the leadframe category, we include:

+ Conventional molding and trim form systems made by Fico in the Netherlands, Malaysia and China.
+ Leadframe plating equipment made by Meco in the Netherlands.

Our revenues decreased from € 191.2 million in 2006 to € 166.5 million in 2007, a decrease of 12.9 %. In general, revenues and orders for our assembly equipment products were adversely affected by weak demand from both IDMs and subcontractors as many customers deferred spending on new assembly technologies and opted to retrofit/extend current capacity instead of ordering additional assembly production capacity. We were also adversely affected this year by a 10.5-% decline of the US dollar versus the euro which caused in certain instances a loss of orders due to pricing considerations. In addition, revenue and orders were negatively influenced by (i) the integration of our packaging equipment operations, die sorting/die bonding operations and our global sales/service activities as per the implementation of our restructuring plan and (ii) slower-than-anticipated customer acceptance of new RFID plating systems as a result of changing process requirements versus initial specifications for this new application. More specifically, the year-over-year decrease was due primarily to a 28.1-% decline in equipment sales for leadframe applications, principally packaging and plating systems as well as a 5.5-% decline in shipments of assembly equipment for array connect applications, primarily singulation and die sorting equipment.

Our revenues per end-use customer process application for the years ended December 31, 2007 and 2006, respectively, were as follows:

(euro in millions)	Year Ended December 31,				% Change
		2007		2006	2007/2006
Array Connect	121.5	73 %	128.6	67 %	(5.5 %)
Leadframe	45.0	27 %	62.6	33 %	(28.1 %)
Total revenues	166.5	100 %	191.2	100 %	(12.9 %)

Backlog

We include in backlog only those orders for which we have received a completed purchase order. Such orders are subject to cancellation by the customer with payment of a negotiated charge. Because of the possibility of customer changes in delivery schedules, cancellation of orders and potential delays in product shipments, our backlog as of any particular date may not be representative of actual sales for any succeeding period.

Backlog declined from € 54.0 million at December 31, 2006, to € 48.3 million at December 31, 2007. Orders for array connect and leadframe applications represented approximately 46 % and 54 %, respectively, of backlog at December 31, 2007. The book-to-bill ratio was 0.97 for 2007 as compared to 0.98 for 2006.

New orders in 2007 totaled € 160.7 million, a decrease of € 27.7 million, or 14.7 %, as compared to 2006. Order contraction in 2007 resulted from decreased demand for our assembly equipment by IDMs and subcontractors (down by 19.7 % and 7.5 %, respectively) for both array connect and leadframe applications. The decline in our assembly equipment orders was partially offset by an increase in bookings for die bonding systems. Orders for array connect and leadframe applications declined by 15.7 % and 12.7 %, respectively, in 2007 as compared to 2006.

The pattern of quarterly orders in 2007 fluctuated as is characteristic of the cyclical industry in which Besi participates. In 2007, orders increased through the second quarter but declined significantly in the third quarter (down 20.7 % as compared to the second quarter) due to a downturn in industry conditions as well as the adverse impact on our die sorting and packaging equipment operations of our June 2007 restructuring. However, orders rebounded strongly in the fourth quarter of 2007 (up 30.2 % as compared to the third quarter of 2007) for both array connect and leadframe applications as industry conditions stabilized and we benefited from the integration of our global sales/service activities and our operational restructuring.

Gross Profit

Cost of sales includes materials, purchased components and subassemblies from subcontractors, direct labor and manufacturing overhead. It also includes costs related to the pre-production and customization of new equipment for a customer once a product has advanced beyond the prototype stage. Changes in cost of sales typically lag changes in net sales due to our manufacturing lead times. Furthermore, if applicable, cost of sales includes (i) restructuring charges for severance and other benefit payments associated with a reduction in workforce and (ii) amortization of certain intangible assets.

Our gross profit per end-use customer application and as a percentage of revenues for the years ended December 31, 2007 and 2006, respectively, were as follows:

(euro in millions)		Year Ended December 31,			% Change
		2007		2006	2007/2006[1]
		% revenues		% revenues	
Array Connect	44.7	36.8 %	53.4	41.5 %	(4.7 %)
Leadframe	16.9	37.6 %	23.3	37.2 %	0.4 %
Subtotal	61.6	37.0 %	76.7	40.1 %	(3.1 %)
Amortization of intangible assets	(1.6)	(1.0 %)	(2.1)	(1.1 %)	0.1 %
Restructuring charges	(2.5)	(1.5 %)	0.2	0.1 %	(1.6 %)
Gross profit	57.5	34.5 %	74.8	39.1 %	(4.6 %)

[1] Change in absolute percentage points

Gross profit decreased by 23.1 % from € 74.8 million in 2006 to € 57.5 million in 2007. In 2007, cost of sales included restructuring charges of € 2.5 million for the termination of production personnel, inventory write-offs and the write-off of patents at our Laurier subsidiary in connection with our June 2007 restructuring.

Besi's gross margin before restructuring charges and the amortization and impairment of intangible assets decreased from 40.1 % in 2006 to 37.0 % in 2007. The gross margin decline was primarily due to (i) a significant decrease in equipment sales for both array connect and leadframe applications, (ii) adverse currency movements and (iii) a decrease in array connect assembly gross margins, primarily lower margins realized for die bonding, die sorting and singulation systems. The decline in gross margins realized in 2007 was partially offset by an improvement in packaging equipment margins as a result of efficiencies realized from the integration of our Dutch manufacturing operations and increased system production in Asia.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist of expenses related to sales of products and services, administrative and other corporate-level expenses not related to the production of products and all expenses associated with ongoing customer support. Furthermore, if applicable, selling, general and administrative expenses include (i) restructuring charges for severance and other benefit payments associated with a reduction in workforce and (ii) amortization of certain intangible assets.

Detail of our selling, general and administrative expenses for the years ended December 31, 2007 and 2006, respectively:

(euro in millions)			Year Ended December 31,		% Change
		2007		2006	2007/2006
		% revenues		% revenues	
Selling, general and administrative expenses	39.6	23.8 %	42.9	22.4 %	(7.7 %)
Restructuring charges (credit)	1.7	1.0 %	(0.1)	0 %	n/m
Amortization of intangible assets	0.5	0.3 %	0.6	0.3 %	(16.7 %)
Total selling, general and administrative expenses	41.8	25.1 %	43.4	22.7 %	(3.7 %)

Total selling, general and administrative expenses in 2006 were € 41.8 million and represented 25.1 % of revenues compared to € 43.4 million or 22.7 % of revenues in 2006. We recorded € 1.7 million of charges in 2007 related to the termination of personnel in the restructuring of our global sales/service activities, the write-off of trademarks at our Laurier die sorting subsidiary in connection with its merger into Datacon and certain legal and advisory costs. Excluding restructuring charges and the amortization of intangible assets, such expenses decreased by 7.7 % in 2007 and represented 23.8 % of revenues. The decrease in selling, general and administrative expenses in 2007 (excluding restructuring charges and the amortization of intangible assets) was primarily due to (i) lower accounting, advisory and regulatory compliance expenses related to Besi's de listing from NASDAQ and the suspension of its reporting obligations to the U.S. Securities and Exchange Commission, (ii) lower warranty and service expenses related to new product introductions and (iii) initial benefits of the June restructuring.

Research and Development Expenses

Research and development spending varies from year to year depending on our new product development cycles. As research and development expenses do not include pre-production and customization costs, which are included in cost of sales, our research and development expenses decrease as products move from prototype development to production and final customer acceptance.

Expenditures for development activities whereby research findings are applied to a plan or design for the production of new or substantially improved products or processes are capitalized if the product or process is technically and commercially feasible and we have sufficient resources to complete development. Expenditures capitalized include the cost of materials, direct labour and appropriate proportion of overheads.

If applicable, our research and development expenses also include: (i) restructuring charges for severance and other benefit payments associated with a reduction in workforce and (ii) amortization of capitalized development costs.

Set forth below is detail of the Company's research and development activities for the years ended December 31, 2007 and 2006, respectively:

(euro in millions)			Year Ended December 31,		% Change
		2007		2006	2007/2006
		% revenues		% revenues	
Research and development expenses	19.2	11.5 %	17.2	9.0 %	11.6 %
Capitalization of development costs	(0.3)	(0.2 %)	(0.8)	(0.4 %)	(62.5 %)
Amortization of development costs	2.1	1.3 %	1.8	0.9 %	16.7 %
Restructuring charges	0.3	0.2 %	-	-	n/m
Research and development expenses, net	21.3	12.8 %	18.2	9.5 %	17.0 %

Our research and development expenses increased by 17 % from € 18.2 million in 2006 to € 21.3 million in 2007, primarily as a result of increased development spending for new product applications and, to a lesser extent, a reduction in capitalized development costs and restructuring charges related to headcount reductions. As a percentage of revenues, research and development expenses were 12.8 % and 9.5 % in 2007 and 2006, respectively. Excluding restructuring charges and the capitalization of development costs, net of related amortization, research and development expenses ("adjusted research and development expenses") increased by € 2.0 million, or 11.6 %. The increase in adjusted research and development expenses in 2007 was mainly due to increased spending for the next-generation singulation system, new RFID die bonding applications and enhancements to our existing AMS-W and Compact packaging systems.

Restructuring Charges

In the second quarter of 2006, we recognized a credit of € 0.3 million related to the release of the provision for the restructuring of our Datacon Eurotec subsidiary as a result of its sale to a third party.

In June 2007, we announced a significant restructuring of our management and corporate structure. In connection with the restructuring, we announced the reduction of our worldwide fixed headcount by 83 people, or 7 % as compared to the total at March 31, 2007, of which 47 were from the Netherlands, 26 were from the United States and 10 were from other regions. This headcount reduction was partially offset by a planned increase of approximately five people in Austria to help facilitate the merger of Laurier into Datacon. Besi recorded restructuring charges of € 4.5 million in 2007, of which (i) € 2.6 million related to severance and social charges involved in the proposed workforce reduction as well as lease termination costs and legal/advisory fees in connection with the restructuring, (ii) approximately € 1.1 million related primarily to the write-off of inventory in connection with the common platform initiative at Fico Netherlands and Fico Asia and the transfer of inventory and production activities between Datacon and Laurier and (iii) approximately € 0.8 million related to the write-off of patents and trademarks at Laurier in connection with an evaluation of its product portfolio. The remaining balance of the restructuring reserve was € 0.6 million at December 31, 2007, all of which is expected to be utilized in 2008.

Restructuring charges (credits) are recognized in the following line items in our consolidated statement of operations:

(euro in thousands)	2007	2006
Cost of sales	2,468	(195)
Selling, general and administrative expenses	1,747	(60)
Research and development expenses	327	-
Total	4,542	(255)

Changes in the restructuring reserve in the periods 2007 and 2006 were as follows:

(euro in thousands)	2007	2006
Balance at January 1,	35	764
Additions (releases)	1,862	(255)
Cash payments	(1,308)	(474)
Foreign currency translation	(36)	-
Balance at December 31,	553	35

The restructuring reserve only relates to severance payments in connection with the termination of headcount.

Operating Income (Loss)

We incurred an operating loss of € 5.7 million in 2007 as compared to an operating income of € 13.1 million in 2006. Our operating loss in 2007 included restructuring charges of € 4.5 million related to the June 2007 organizational restructuring. The decline in our operating income in 2007 as compared to 2006 was due primarily to a 12.9 % revenue decrease, lower gross margins, higher development spending and charges related to our organizational restructuring partially offset by lower selling, general and administrative expenses. Our operating income in 2007 benefited from a 2.1 % net reduction in headcount as a result of employee terminations at North American and European operations partially offset by increased headcount at Asian locations with significantly lower costs per employee.

We incur annual patent and other identifiable asset amortization charges related to the acquisitions of various product lines and our capitalization of certain development costs. Such charges were € 5.0 million in 2007 as compared to € 4.5 million in 2006.

Other Income

In the second quarter of 2006, we sold certain assets and activities of Eurotec, a Datacon subsidiary, to a third party for a total consideration of € 2.0 million which resulted in a gain of € 1.2 million.

Financial Income (Expense), Net

The components of our financial income (expense), net for the years ended December 31, 2007 and 2006, respectively, were as follows:

(euro in millions)	Year Ended December 31, 2007	2006	% Change 2007/2006
Interest income	3.8	1.9	100 %
Interest expense	(5.9)	(4.7)	25.5 %
Interest expense, net	(2.1)	(2.8)	(25.0 %)
Foreign exchange gains (losses), net	(0.2)	(0.3)	(33.3 %)
Financial income (expense), net	(2.3)	(3.1)	(25.8 %)

Our financial expense, net decreased from € 3.1 million in 2006 to € 2.3 million in 2007 due to significantly higher interest income as well as a slight decrease in foreign exchange losses realized during the year, partially offset by increased interest expense. Our interest expense, net decreased from € 2.8 million in 2006 to € 2.1 million in 2007 due primarily to higher interest income earned on average balances outstanding as a result of higher short-term interest rates during the year.

Income Taxes (Benefit)

As a result of our pre-tax loss in 2007, we recorded an income tax benefit of € 2.5 million in 2007 as compared to income tax benefit of € 1.9 million in 2006. Our 2006 income tax benefit was offset by a goodwill adjustment relating to deferred tax assets. The effective tax rate was (16.7 %) in 2006 and 30.9 % in 2007. Our effective tax rate in 2006 was favorably influenced by the sale of certain assets of Datacon's Eurotec subsidiary.

Net Income (Loss)

Our net loss for 2007 was € 5.5 million as compared to net income of € 10.8 million in 2006. The net loss for 2007 included € 3.7 million of after-tax restructuring charges related to our corporate reorganization. As compared to 2006, our net income in 2007 decreased due to (i) lower net sales, (ii) lower gross margins, (iii) increased restructuring charges, (iv) the absence of the € 1.2 million gain on sale of certain assets of Datacon's Eurotec subsidiary and (v) higher development spending during the year to support new assembly products and RFID applications.

Liquidity and Capital Resources

We had € 74.8 million and € 98.0 million in cash and cash equivalents at December 31, 2007 and December 31, 2006, respectively. At December 31, 2007, our total debt and capital lease obligations totaled € 71.5 million and equity stood at € 178.7 million.

In general, we fund our operations through cash generated from operations and, in some instances, fund the operations of our subsidiaries through intercompany loans. Furthermore, to meet local financing needs, our subsidiaries maintain lines of credit with various local commercial banks. The credit lines for our Dutch subsidiaries are on a stand-alone basis, without recourse to the parent company and are currently unsecured, except for pledges on the accounts of these subsidiaries with the banks that provide the facilities and a positive/negative pledge agreement related to assets. The principal restrictive covenant contained in each Dutch line of credit is a solvency ratio, which generally is based on a ratio of each subsidiary's equity to its assets. Consistent with past practice, our Datacon subsidiary utilizes short-term bank lines of credit, long-term loans and government-granted loans for export and research and development activities.

At December 31, 2007, Besi and its subsidiaries had available lines of credit aggregating € 25.9 million, under which € 10.7 million of short-term borrowings were outstanding. Amounts available to be drawn under the lines were further reduced by € 0.8 million in outstanding bank guarantees. Interest is charged at the banks' base lending rates or Euribor plus an increment between 0.30 % and 0.70 %. All our credit facility agreements include covenants requiring us to maintain certain financial ratios. Besi and all of its applicable subsidiaries were in compliance with all loan covenants at December 31, 2007, or received requisite waivers.

On January 12, 2006, we replaced a € 7.5 million line of credit at Fico with a new line of credit of € 5.0 million and a loan of € 6.0 million with an interest rate of 4.08 % and maturity date of January 1, 2009. In July 2006, Meco replaced its existing credit line of € 6.0 million with a new € 3.0 million credit line and a € 5.0 million three-year term loan of which € 2.0 million carries an interest rate of 4.63 % and € 3.0 million carries an interest rate of 4.72 %. Both the Fico and Meco credit and loan arrangements are on a stand-alone basis without recourse to the parent company.

At January 19, 2007, Fico Asia Sdn. Bhd. signed a credit agreement, on a stand-alone basis, consisting of (i) a five-year term loan amounting to MYR 6 million (€ 1.3 million) with an interest rate of 5.25 % per annum and (ii) a General Banking Facility of MYR 14 million (€ 3.0 million). The loans pursuant to the credit agreement are secured by a mortgage on the land and buildings of Fico Asia Sdn. Bhd. and certain other fixed and floating present and future assets of Fico Asia Sdn. Bhd. The loan is without recourse to the parent company. Interest is charged at the bank's base lending rate plus an increment of 0.90 %.

The working capital requirements of our subsidiaries are affected by the receipt of periodic payments on orders from their customers. Although our 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.

In 2007, we generated € 0.6 million of net cash flow from operations as compared to € 12.5 million in 2006. Net cash flow from operations decreased due to net losses incurred in 2007 as well as increased working capital requirements of € 3.2 million, primarily (i) an increase in accounts receivable of € 5.2 million, (ii) a decrease in accrued liabilities of € 2.8 million primarily related to advance payments from customers, (iii) a decrease of € 1.7 million in accounts payable and (iv) increased other current assets of € 2.0 million. This increase was partially offset by a € 11.3 million decrease in inventories. In 2006, we generated € 2.0 million from the sale of certain assets and activities of Eurotec, a Datacon subsidiary.

Our capital expenditures were € 4.0 million and € 2.7 million in 2007 and 2006, respectively. Our expenditures in 2007 were principally for additional equipment necessary for production activities and, to a lesser extent, the construction of an IT center in Austria.

We expect capital expenditures in 2008 of approximately € 7.5 million (net of insurance reimbursements) of which approximately € 5 million is earmarked for (i) the construction and equipment of a new replacement production facility in Malaysia and (ii) increasing our tooling capacity in Malaysia and China as we continue to transfer production from Europe to those regions. We intend to spend the balance of our budget on IT and machine upgrades for our Fico Netherlands operations as we seek to modernize our operations, engineering, design and advanced tooling capabilities.

Our total cash and cash equivalents decreased by € 23.2 million in 2007 as compared to 2006 primarily due to (i) break-even cash flow from operations, (ii) capital spending of € 4.0 million, (iii) debt retirement of € 8.5 million and (iv) the repurchase of € 11.0 million of Ordinary Shares (2.5 million shares at an average purchase price of € 4.41 per share) during the year. As of December 31, 2007, we had no further permission to repurchase additional shares without shareholder authorization.

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

Shareholder Information

General

Stock symbol:	BESI
Stock exchange:	Euronext, Amsterdam

Share capital at December 31, 2007:

Authorized share capital (maatschappelijk kapitaal):	€ 145,600,000
Issued and paid up capital (gestort kapitaal):	€ 30,692,950
Nominal value Ordinary Shares and Preference Shares:	€ 0.91 each
Ordinary Shares authorized:	80,000,000
Of which issued and outstanding:	33,728,517
Of which paid up:	33,728,517
Preference Shares authorized:	80,000,000
Of which issued and outstanding:	0

During 2007, the issued share capital of Besi was not increased either by new share issuance or by the exercise of existing options by employees. A list of all outstanding employee options and conditions related thereto and Performance Stock Award Units is shown on pages 94 and 95. A list of Ordinary Shares, Performance Stock Award Units and options held by members of the Board of Management is shown on page 100.

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, 2009, to issue Ordinary Shares up to a maximum of 20 % of the Ordinary Shares included in Besi's authorized capital, subject to the prior approval of the Supervisory Board.

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 right 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, 2009. 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 our 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. If the issuance of Preference Shares is effected pursuant to a resolution of a corporate body other than the General Meeting of Shareholders, but the amount of Preference Shares to be issued would not exceed 100 % of the number of outstanding Ordinary Shares, then prior approval of the General Meeting of Shareholders is not required, but the reasons for the issuance must be explained at an extraordinary General Meeting of Shareholders to be held within four weeks after such issuance. Furthermore, within two years after the first issuance of such Preference Shares, a General Meeting of Shareholders will be held to resolve to repurchase or cancel 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. 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. Under the terms of a separate agreement entered into in April 2002, the Company may force the Foundation to exercise its call option right if it has been announced (or may be expected) that an unfriendly take-over bid will be made with respect to the shares, or if (in the opinion of the Board of Management) a single shareholder (or group of shareholders) holds a substantial number of the Ordinary Shares. The aim of the Preference Shares is, amongst other things, to provide a protective measure against unfriendly take-over bids and other possible influences which could threaten the Company's continuity, independence and identity.

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 "Additional Information" for additional information on the Foundation and its board members.

Voting Rights

Every share (whether Ordinary Share or Preference Share) will carry 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 (a) shareholder's 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 (b) the Company and its subsidiaries would thereafter not hold shares with an aggregate nominal value exceeding one-tenth 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 the issued share capital through September 22, 2008.

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.

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.

Appointment and Replacement of Members of the Supervisory Board

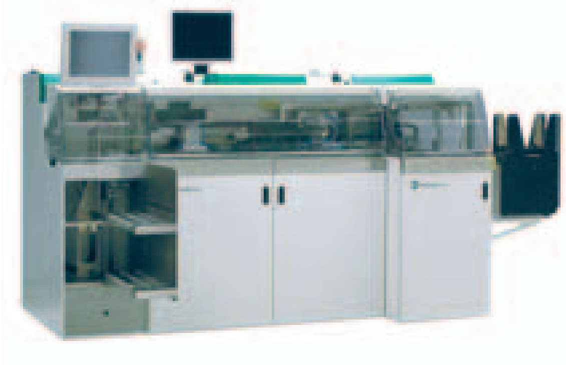
Members of the Supervisory Board are appointed with due observance of the requisite profile for the size and the composition of the Supervisory Board as adopted by the Supervisory Board from time to time, subject to provisions of Dutch law and Besi's articles of association.

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.

Amendment of Besi's Articles of Association

The articles of association of Besi 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 the office of Besi for inspection by every person entitled to attend the General Meetings 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.



Change of Control Provisions in Significant Agreements

In January 2005, the Company issued € 46 million principal amount of 5.5 % Convertible Notes due 2012 (the "Notes"). The Notes initially convert into Ordinary Shares at a conversion price of € 5.1250. In the event of a change of control of Besi (as defined in the prospectus), each noteholder will have the right to require Besi to redeem all (but not less than all) of the Notes at 100 % of their principal amount together with accrued and unpaid interest.

Dividend Policy

We intend to retain any future earnings to finance our operations and to help finance future acquisitions, if any. Therefore, we do not expect to pay any dividends in the foreseeable future. According to our Corporate Governance Code, Besi's policy on additions to reserves and on dividends (the level and purpose of the addition to reserves, the amount of the dividend and the type of dividend) and resolutions to pay a dividend shall be dealt with and explained as a separate agenda item at the Annual General Meeting of Shareholders.
We have never paid a dividend in respect of our Ordinary Shares.

5 % Ownership Interests in the Ordinary Shares

Under the Dutch Financial Supervison Act (Wet op het financieel toezicht, "Wft"),the following institutions have notified the Autoriteit Financiële Markten (Netherlands Authority for the Financial Markets) of their interests:

Darlin N.V., D. Lindenbergh and W. Willemstein	
notification effective on February 19, 2007[1]	13.74 %
Aviva plc	
notification effective on May 4, 2007	6.37 %
A. Strating	
notification effective on February 15, 2007	5.07 %
Marsala B.V.	
notification effective on February 15, 2007	5.01 %

The applicable ownership percentage is based on 33,728,517 Ordinary Shares outstanding (including 3,019,153 Ordinary Shares held in treasury) as of December 31, 2007. A list of ownership interests in the Company exceeding 5 % can be found on the AFM website.

[1] In compliance with the Wft, the funds managed by Darlin N.V., D. Lindenbergh and W. Willemstein made notification on February 19, 2007, of the fact that they are structurally acting in concert in relation to their exercise of voting rights.

Liquidity Providers

ING Securities Services, Rabo Securities and ABN AMRO Bank N.V. act as market makers for Besi's shares.

Analysts

The following sell side analysts cover Besi's shares:
CA Cheuvreux – Pieter van Gelder
ING Bank – Marcel Achterberg
Kempen & Co. – Erwin Dut
Petercam Bank – Eric Tjong
Rabo Securities – Frits de Vries
SNS Securities – Victor Bareño

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 either the CEO or the Director of Finance. A current list of 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 organised by brokers and Euronext and by investor visits to Besi. A total of 40 meetings with institutional investors were held in 2007 including roadshows, conference calls and broker conferences.

Important investor relations dates in 2008 that are currently planned (subject to change) are as follows:

3 April 2008	Annual General Meeting of Shareholders, to be held at Besi in Duiven at 2.00 p.m.
24 April 2008	2008 first quarter results
24 July 2008	2008 second quarter results
23 October 2008	2008 third quarter results
February 2009	2008 fourth quarter and annual results

Internal Rules Regarding Insider Knowledge

The code of conduct regarding the reporting and regulation of transactions in Besi securities (and other designated securities) and treatment of price-sensitive information is applicable to the Supervisory Board, the Board of Management, and other specified persons who have access to price-sensitive information, including key staff members. Besi has appointed a compliance officer who is responsible for monitoring compliance with its code of conduct and communicating with the Dutch Authority for the Financial Markets.

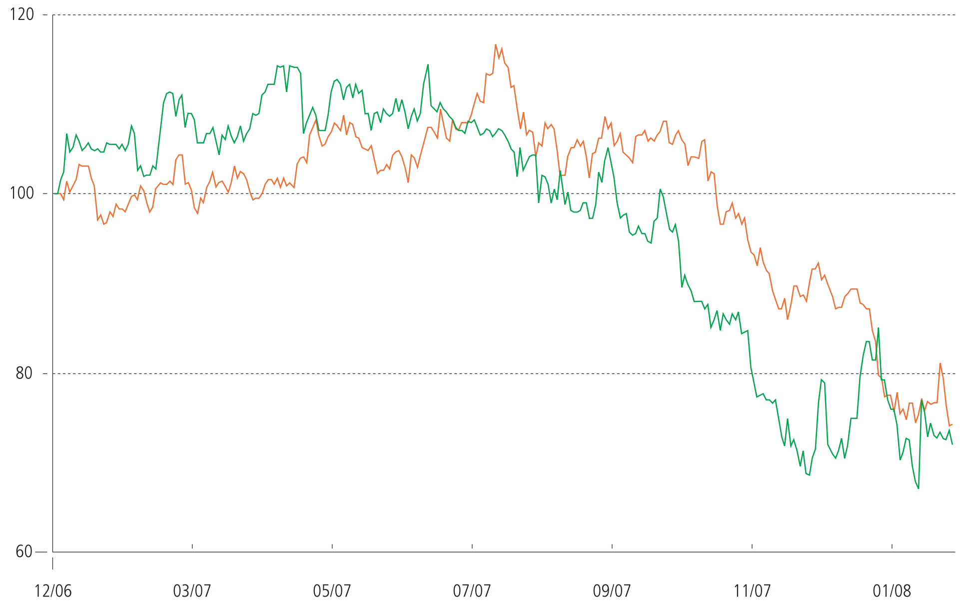
Performance of Besi Shares:

The following table sets forth certain information with respect to Besi's stock price for the years ended December 31, 2007 and 2006:

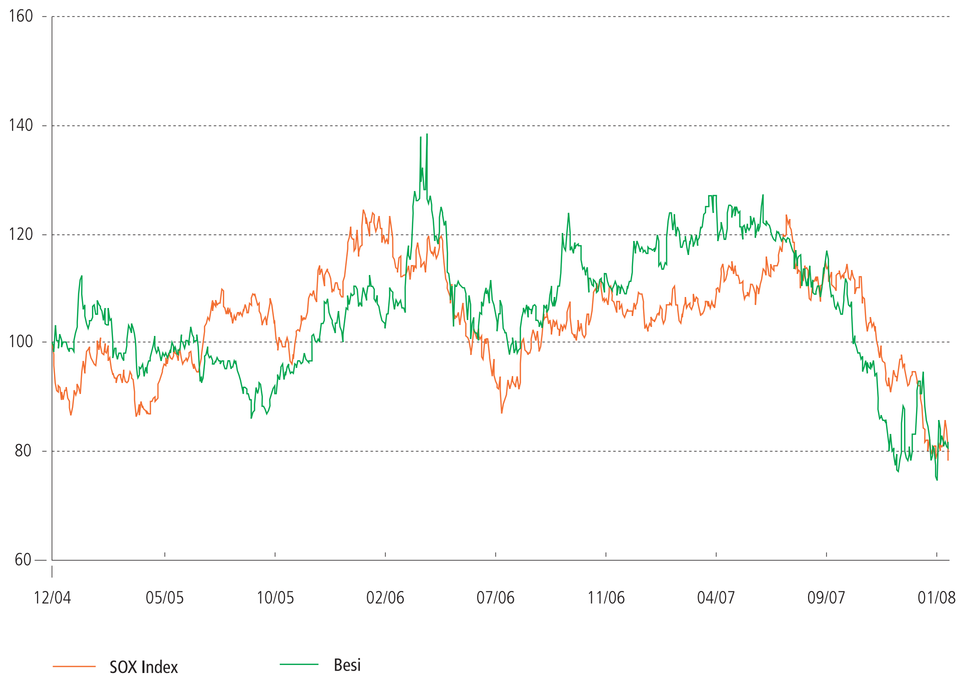
(euros)	**2007**	**2006**
Highest closing price	5.20	5.65
Lowest closing price	3.11	3.99
Last closing price	3.79	4.54
Price/earnings ratio (at year end)	n/m	13.8
Ordinary Shares traded (average number per day)	111,031	135,916
Number of fully diluted shares outstanding	32,168,570	41,840,875

The chart below tracks the development of Besi's stock price versus the SOX Index for the period ending in February 2008.

Share Price Performance Last Year (Rebased December 31, 2006 = 100)



Share Price Performance Last 3 Years (Rebased December 31, 2004 = 100)



Geographic Information

The following table summarizes the geographic distribution of our revenues, orders and personnel (including part time) for the years ended December 31, 2007 and 2006:

(euro in thousands)	2007	%	2006	%
Revenues per geographic area:				
Asia Pacific	104.3	62.6	117.7	61.5
Europe and Rest of World	46.0	27.7	54.8	28.7
USA	16.2	9.7	18.7	9.8
Total	166.5	100	191.2	100
Orders per geographic area:				
Asia Pacific	100.9	62.8	116.9	62.0
Europe and Rest of World	46.2	28.7	49.7	26.4
USA	13.6	8.5	21.8	11.6
Total	160.7	100	188.4	100
Headcount:				
Asia Pacific	461	40.4	433	37.2
Europe and Rest of World	630	55.2	653	56.1
USA	50	4.4	79	6.7
Total	1,141	100	1,165	100

The following table summarizes the principal manufacturing facilities worldwide that we leased or owned as of December 31, 2007:

Plant Location	Principal Activities	Leased/ Owned	Area (sq.ft.)
Duiven, the Netherlands	Executive offices, packaging systems	Leased	175,000
Radfeld, Austria	Die bonding, flip chip die bonding, die sorting systems	Owned	114,000
Drunen, the Netherlands[1]	Plating systems	Leased	95,000
Shah Alam, Malaysia	Packaging, die sorting, die bonding systems; tooling	Owned	54,000
Gyor, Hungary	Die bonding, flip chip die bonding systems	Leased	35,000
Leshan, China	Packaging systems, tooling	Owned	30,000
Londonderry, New Hampshire, United States	Research and development, die sorting systems and sales/service activities	Leased	22,000

[1] The company intends to sublet 53,000 square feet of its Drunen facility.

Risk Factors

The following important factors, among others, could cause our actual results to differ materially from those contained in forward-looking statements made in this Annual Report or presented elsewhere by management from time to time.

Our revenues and results of operations depend in significant part on anticipated demand for semiconductors. Demand for semiconductors is highly cyclical.

Our 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 has suffered significant economic downturns at various times. These downturns have involved periods of production overcapacity, oversupply, reduced prices and low revenues, and have regularly been associated with substantial reductions in capital expenditures for semiconductor facilities and equipment. 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 nine to twelve months. This cyclicality has had, and is expected to continue to have, a direct effect on our revenues, results of operations and backlog. Downturns in the industry can be severe and protracted and could continue to adversely affect our revenues, results of operations and backlog.

Our quarterly revenues and operating results fluctuate significantly

Our quarterly revenues and operating results have varied in the past and may continue to fluctuate in the future. We believe that period-to-period comparisons of our operating results are not necessarily indicative of future operating results. Factors that have caused our operating results to fluctuate in the past and which are likely to affect us in the future include the following:

- The volatility of the semiconductor industry.
- The length of sales cycles and lead-times associated with our product offerings.
- The timing, size and nature of our transactions.
- The market acceptance of new products or product enhancements by us or our competitors.
- The timing of new personnel hires and the rate at which new personnel become productive.
- The changes in pricing policies by our competitors.
- The changes in our operating expenses.
- The success of our research and development projects.
- Our ability to integrate acquisitions.
- Our ability to adjust production capacity on a timely basis to meet customer demand.
- The fluctuation of foreign currency exchange rates.

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

Our backlog at any particular date may not be indicative of our future operating results

Our backlog was € 48.3 million at December 31, 2007. During market downturns, semiconductor manufacturers historically have cancelled or deferred additional equipment purchases. The orders in our backlog are subject to cancellation by the customer at any time upon payment of a negotiated charge. Because of the possibility of changes in delivery schedules, cancellations of orders and potential delays in product shipments, our backlog at any particular date may not be representative of actual revenues for any succeeding period.

Our current and future dependence on a small number of customers increases the revenue impact of each customer's delay or deferral activity. Our expense levels in future periods will be based, in large part, on our expectations regarding future revenue sources and, as a result, our operating results for any given period in which material orders fail to occur, are delayed or deferred could vary significantly.

Because of the lengthy and unpredictable sales cycle associated with our transactions, we may not succeed in closing transactions on a timely basis, if at all, which could adversely affect our revenues and operating results

Transactions for our products often involve large expenditures, as the average selling price for a substantial portion of the equipment we offer exceeds € 300,000. The sales cycles for these transactions are often lengthy and unpredictable. Factors affecting the sales cycle include:

+ Customers' capital spending plans and budgetary constraints.
+ The timing of customers' budget cycles.
+ Customers' internal approval processes.

These lengthy sales cycles may cause our net sales and results of operations to vary from period to period and it may be difficult to predict the timing and amount of any variations.

We may not succeed in closing such large transactions on a timely basis or at all, which could cause significant variability in our net sales and results of operations for any particular period.

A limited number of customers have accounted for a significant percentage of our revenues, and our future revenues could decline if we cannot keep or replace these customer relationships

Historically, a limited number of our customers has accounted for a significant percentage of our revenues. In 2007, our three largest customers accounted for approximately 20 % of our revenues, with the largest customer accounting for approximately 8 % of our revenues. We anticipate that our results of operations in any given period will continue to depend to a significant extent upon revenues from a small number of customers. In addition, we anticipate that the identity of such customers will continue to vary from year to year, so that the achievement of our long-term goals will require the maintenance of relationships with our existing clients and obtaining additional customers on an ongoing basis. Our failure to enter into, and realize revenue from a sufficient number of contracts during a particular period could have a significant adverse effect on our net sales.

We may fail to compete effectively in our market

We face substantial competition on a worldwide basis from established companies based in Japan, various other Pacific Rim countries, Europe and the United States, many of which have greater financial, engineering, manufacturing and marketing resources than we do. We believe that once a semiconductor manufacturer has decided to buy semiconductor assembly equipment from a particular vendor, the manufacturer often continues to use that vendor's equipment in the future. Accordingly, it is often difficult to achieve significant sales to a particular customer once another vendor's products have been installed. Furthermore, some companies have historically developed, manufactured and installed back-end assembly equipment internally, and it may be difficult for us to sell our products to these companies.

Most of our principal competitors in our packaging equipment operations are Japanese, which historically have dominated the Japanese market because Japanese semiconductor manufacturers typically purchase equipment from domestic suppliers. To date, our sales of packaging equipment to Japanese customers have been limited. We believe that the limited growth of the Japanese semiconductor industry in recent years has caused our Japanese competitors to intensify their efforts to export their products to other areas of the world, particularly other countries in Asia. As a result, competition in these markets has become increasingly intense. We believe that Japanese suppliers will be our most significant competitors in sales of packaging equipment for the foreseeable future due to their strength in the supply of systems for high-volume, low-cost production and their high levels of excess capacity relative to other suppliers.

We believe that a decrease in the value of the Japanese yen or the U.S. dollar and U.S. dollar-linked currencies in relation to the euro could lead to intensified price-based competition in our markets resulting in lower prices and margins and could have a negative impact on our business and results of operations.

We believe that our ability to compete successfully in our markets depends on a number of factors both within and outside our control, including:

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

We must introduce new products in a timely fashion and we are dependent upon the market acceptance of these products

Our industry is subject to rapid technological change and new product introductions and enhancements. The success of our business strategy and results of operations are largely based upon accurate anticipation of customer and market requirements. Our ability to implement our overall strategy and remain competitive will depend in part upon our ability to develop new and enhanced products and to introduce them at competitive price levels. We must also accurately forecast commercial and technical trends in the semiconductor industry so that our products provide the functions required by our customers and are configured for use in their facilities. We 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 industry standards could render our existing products uncompetitive from a pricing standpoint, obsolete or unmarketable.

Although we expect to continue to introduce new products in each of our product lines and enhance our existing products, we cannot assure you that we will be successful in developing new or enhanced products in a timely manner or that any new or enhanced products that we introduce will achieve market acceptance.

We are largely dependent upon our international operations

We have manufacturing and/or sales and service facilities and personnel in, amongst others, the Netherlands, Austria, Germany, Hungary, Malaysia, Korea, Hong Kong, Singapore, Japan, China, Philippines and the United States and our products are marketed, sold and serviced worldwide. Our operations are subject to risks inherent in international business activities, including, in particular:

+ General economic 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 revenues.
+ Greater difficulty in accounts receivable collection and longer collection periods.
+ 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.

We are dependent on revenues from customers in various Pacific Rim countries who have experienced economic difficulties in the past

A substantial portion of our revenues are derived from customers with manufacturing operations in various Pacific Rim countries. Many Pacific Rim countries experienced banking and currency difficulties that have led to economic recessions at times in the recent past. Specifically, fluctuations in the value of Korean and Southeast Asian currencies, together with difficulties in obtaining credit, has resulted periodically in a decline in the purchasing power of our Korean and Southeast Asian customers and has resulted in the cancellation or delay of orders for our products from Korean and Southeast Asian customers. In addition, if Japan's economy were to weaken again, investments by Japanese customers may be negatively affected with potential negative implications for the economies of other Pacific Rim countries.

Our results of operations have in the past and could in the future be affected by currency exchange rate fluctuations

For the year ended December 31, 2007, the percentage of our consolidated revenues denominated in euro was approximately 45 % whereas the percentage of our consolidated revenues represented by U.S. dollars or U.S. dollar-linked currencies was approximately 55 %. Approximately 68 % of our costs and expenses were denominated in euro for such period. As a result, our results of operations could be adversely affected by fluctuations in the value of the euro against the U.S. dollar. In recent periods, the value of the U.S. dollar has declined significantly in comparison with the euro. We seek to manage our exposure to such fluctuations in part by hedging firmly committed sales contracts denominated in U.S. dollars. While management will continue to monitor our exposure to currency fluctuations and may use financial hedging instruments to minimize the effect of these fluctuations, we cannot assure you that exchange rate fluctuations will not have an adverse effect on our results of operations or financial condition.

If we fail to continue to attract and retain qualified personnel, our business may be harmed

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

We may not be able to protect our intellectual property rights, which could make us less competitive and cause us to lose market share

Although we seek to protect our intellectual property rights through patents, trademarks, copyrights, trade secrets and other measures, we cannot assure you that we will be able to protect our technology adequately, that our competitors will not be able to develop similar technology independently, that any of our pending patent applications will be issued, or that intellectual property laws will protect our intellectual property rights. In addition, we operate internationally and intellectual property protection varies among the jurisdictions in which we conduct business. Litigation may be necessary in order to enforce our patents, copyrights or other intellectual property rights, to protect our 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 and could have a material adverse effect on our business and operating results. In addition, third parties may seek to challenge, invalidate or circumvent any patent issued to us, the rights granted under any patent issued to us may not provide competitive advantages and third parties may assert that our products infringe patent, copyright or trade secrets of such parties. Furthermore, third parties may independently develop similar products or duplicate our products. If any party is able to successfully claim that our creation or use of proprietary technology infringes upon their intellectual property rights, we may be forced to pay damages. In addition to any damages we may have to pay, a court could require us to stop the infringing activity or obtain a license which may not be available on terms which are favorable to us or may not be available at all.

We are subject to environmental rules and regulations in a variety of jurisdictions

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

We may acquire or make investments in companies or technologies, any of which could disrupt our ongoing business, distract our management and employees, increase our expenses and adversely affect our results of operations

As part of our future growth strategy, we may from time to time acquire or make investments in companies and technologies. We could face difficulties in integrating personnel and operations from the acquired businesses and in retaining and motivating key personnel from these businesses. In addition, these acquisitions may disrupt our ongoing operations, divert management resources and attention from day-to-day activities, increase our expenses and adversely affect our results of operations. In addition, these types of transactions often result in charges to earnings for items such as 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 our cash and the incurrence of debt.

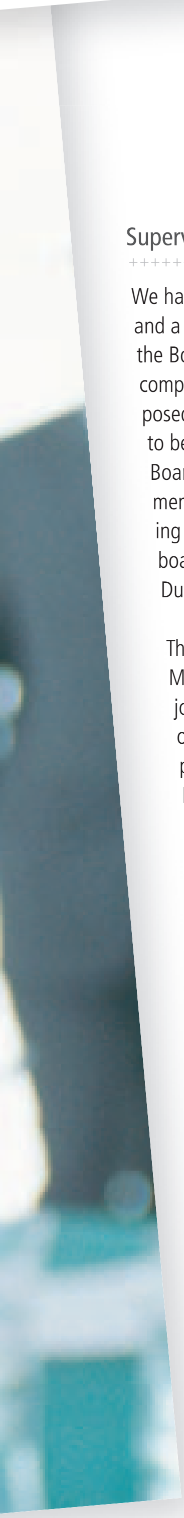
Anti-takeover provisions could delay or prevent a change of control, including a takeover attempt that might result in a premium over the market price for our Ordinary Shares

Our articles of association provide for the possible issuance of Preference Shares. Such shares may be issued pursuant to a resolution of the General Meeting of Shareholders. The General Meeting of Shareholders granted the Board of Management the right to issue Preference Shares. In April 2000, we established the foundation "Stichting Continuïteit BE Semiconductor Industries", which we refer to as the Foundation, whose board consists of five members, four of whom are independent of BE Semiconductor Industries N.V. We have 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 our Ordinary Shares.

Price volatility of the Ordinary Shares

The current market price of our Ordinary Shares may not be indicative of prices that will prevail in the trading market in the future. In particular, since our initial public offering in December 1995, the market price of our Ordinary Shares has experienced significant volatility, as have price levels for equity securities generally and price levels for equity securities of companies associated with the semiconductor industry and other high-technology fields. In addition, since our initial public offering, the market price of the Ordinary Shares has experienced significant fluctuations, including fluctuations that are unrelated to our performance. We expect that market price fluctuations will continue in the future.

Report of the Supervisory Board



Supervision

We have 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 two members for which one additional member will be proposed to be appointed at the Annual General Meeting of Shareholders to be held on April 3, 2008 in Duiven, the Netherlands. The Supervisory Board is currently comprised of four members for which one additional member will be proposed to be appointed at the Annual General Meeting of Shareholders. The Company will consider adoption of a one-tier board structure if and when a one-tier board structure is introduced in Dutch company law.

The Board of Management as a whole, the Chairman of the Board of Management, or two members of the Board of Management acting jointly, are authorized to represent Besi. In addition to the members of the Board of Management, Besi management is currently comprised of seven key members, who do not form part of the Board of Management itself.

The Supervisory Board supervises the management policies of the Board of Management as well as the general course of our corporate affairs and business, and provides advice to the Board of Management. The Board of Management must keep the Supervisory Board informed, consult with the Supervisory Board on important matters and submit certain matters as discussed below to the Supervisory Board for its prior approval. In performing its duties, the Supervisory Board is required to act in the interests of Besi's business as a whole. The members of the Supervisory Board are not authorized to represent Besi. All of the members of the Supervisory Board are independent as defined in article II.2.3 of the Besi Corporate Governance code (the "Besi Code"), which is in compliance with the Dutch Corporate Governance Code.

The Supervisory Board is composed of four independent, non-executive members. The Supervisory Board has established a schedule for retirement by rotation, as discussed at the Annual General Meeting of Shareholders in 2004. One supervisory director will retire each year according to the following schedule:

	Year elected	Term end
Mr. D. Sinninghe Damsté	2005	2008
Mr. E. B. Polak	2005	2009
Mr. W. D. Maris, Chairman	2006	2010
Mr. T. de Waard, Vice-Chairman	2007	2011

Mr. Sinninghe Damsté has indicated to the Supervisory Board that he is not available for re-appointment in 2008 because he served two terms. The Supervisory Board will propose to appoint Mrs. Mona ElNaggar and Dr. Andreas Leimbach at the Annual General Meeting of Shareholders to be held on April 3, 2008 in Duiven. Reference is made to the report of the Selection, Appointment and Governance Committee on page 53 of this Annual Report.

The Besi Code and the Regulations Supervisory Board establish guidelines for the Supervisory Board in the exercise of its duties and responsibilities. The Besi Code and the Regulations Supervisory Board are designed to ensure that Besi is operated and managed in a manner consistent with our best interests and the best interests of our shareholders and other stakeholders. The Besi Code and the Regulations Supervisory Board specifically provide that:

+ The role of the Supervisory Board is to supervise the policies of the Board of Management and the general affairs of Besi.
+ Members of the Supervisory Board have full and free access to Besi management and, as necessary and appropriate, independent advisors.
+ At least annually, the Supervisory Board and its committees will conduct a self-evaluation.

The Supervisory Board met six times during 2007. No members of the Supervisory Board have been absent frequently from meetings of the Supervisory Board. Topics of the meetings included, among other items:

- Our general strategy.
- Our financial and business performance.
- Approval of filings with the Autoriteit Financiële Markten.
- The voluntary delisting of our Ordinary Shares from the NASDAQ National Market and suspension of the registration of our Ordinary Shares with the SEC.
- Consideration of the composition of the Board of Management.
- The performance and internal division of tasks of the Board of Management.
- The operational restructuring of Besi, consisting of, amongst others, the implementation of an integrated and streamlined global organization structure and the adoption of common system platforms by our die handling and packaging equipment operations.
- Potential strategic alliances and acquisitions.
- The general risks associated with our operations.
- The Supervisory Board's own performance, composition and succession.
- The assessment and review provided by the Board of Management of the structure and operation of Besi's internal risk management and control systems, as well as any significant changes thereto.

In 2007, the Supervisory Board conducted a self-evaluation of the functioning of the Supervisory Board as a whole and the performance of individual members and discussed the functioning of the Board of Management as a whole and the performance of the individual members of the Board of Management. Management of the Company was not present at these meetings.

The Chairman of the Supervisory Board and the Chairman of the Board of Management of the Company met on a regular basis and had frequent contact during the year.

Members of the Board of Management are appointed by the General Meeting of Shareholders at proposal of the Supervisory Board and serve until voluntary retirement, suspension or dismissal by the General Meeting of Shareholders or suspension by the Supervisory Board or, if applicable, until the end of the agreed term, unless the relevant member is re-appointed.

Members of the Board of Management and the Supervisory Board, as well as certain senior management members, are covered under Besi's Directors and Officers Insurance Policy. Although the insurance policy provides for broad coverage, our 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.

Supervisory Board Committees

The Supervisory Board has established three committees, the Audit Committee, the Remuneration Committee and the Selection, Appointment and Governance 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

In view of the limited number of members of the full Supervisory Board, the Supervisory Board also serves as the Audit Committee. All members of the Audit Committee are independent members. The Chairman of the Audit Committee is Mr. Sinninghe Damsté, who has indicated that he is not available for re-appointment in 2008 because he served two terms, and who is proposed to be replaced by Dr. Andreas Leimbach. Reference is made to the report of the Selection, Appointment and Governance Committee on page 53 of this Annual Report.

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 operation of internal risk management and control systems.
- Our systems of internal controls regarding finance, accounting and compliance.
- Our auditing, accounting and financial reporting processes generally.
- Being directly responsible for the oversight of Besi's independent auditor including having primary authority and responsibility for their selection (subject to appointment by the General Meeting of Shareholders), termination and compensation. The independent auditor reports directly to the Audit Committee and the committee is responsible for the resolution of any disagreements between management and the independent auditor regarding financial reporting.
- Approving all audit fees and terms and all non-audit services provided by the independent auditor, and considering whether the auditor is independent.
- Monitoring our financial reporting process and internal control system.
- Reviewing 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, as well as any significant changes thereto.
- Establishing and maintaining procedures for (i) the receipt, retention and treatment of complaints and (ii) the anonymous submission of confidential concerns by employees, regarding accounting matters.

In 2007, the Audit Committee met five times to discuss (i) the scope and results of the audit of the financial statements by Besi's independent external auditor, Ernst & Young Accountants, for the year 2006 and (ii) to review our relevant periodic filings with the Autoriteit Financiële Markten. Our independent external auditors Ernst & Young Accountants attended two meetings of the Audit Committee and the Audit Committee separately met with Ernst & Young Accountants twice without the presence of management. Frequent contact took place between the Chairman of the Audit Committee and management of the Company. During 2007, the Audit Committee reviewed Besi's internal controls over financial reporting, the quality of financial information systems and financial risk analysis, critical accounting policies, new accounting pronouncements, the further development of International Financial Reporting Standards ("IFRS") and the financing of the Company.

The Audit Committee closely followed the adoption of the Sarbanes-Oxley Act of 2002 and the development of the rules promulgated by the SEC implementing the provisions of the Sarbanes-Oxley Act of 2002, as well as the listing requirements and marketplace rules of the NASDAQ National Market. As a result of the voluntary delisting from the NASDAQ National Market and suspension of Besi's registration with the SEC, effective per January 5, 2007, the application of the Sarbanes-Oxley Act of 2002 was suspended and the listing requirements and marketplace rules of the NASDAQ National Market no longer apply to the Company.

In 2007, the Audit Committee closely reviewed the adjustment of the Besi internal control framework absent the applicability of the Sarbanes-Oxley Act of 2002. This framework consists of a formal framework defining key risks and key controls over financial reporting. Besi's finance staff carries out internal control activities and reports its findings relating thereto to the Audit Committee.

In 2005, in compliance with the Dutch Corporate Governance Code, the Audit Committee invited a number of audit firms to participate in a tender for Besi's audit services for the fiscal years 2006–2008. Upon completion of the tender, the Audit Committee recommended to the Supervisory Board that Ernst & Young Accountants be appointed as our auditor for the fiscal years 2006-2008. This proposal was presented to, and adopted by, the shareholders at the Annual General Meeting of Shareholders held on March 22, 2006.

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

Remuneration Committee

The Remuneration Committee consists of all Supervisory Board members. The Chairman of the Remuneration Committee is Mr. T. de Waard. In 2004, the Supervisory Board adopted regulations governing the Remuneration Committee in which the tasks and responsibilities of the Remuneration Committee are laid down (the "Regulations Remuneration Committee"). The responsibilities of the Remuneration Committee include:

+ Annually reviewing and proposing the corporate goals and objectives relevant to the compensation of senior management.
+ Overseeing Besi's equity incentive plans.
+ Determining the compensation of the members of the Board of Management and reviewing and approving, or making recommendations, to the Supervisory Board with respect to the compensation of other executive officers.

The Remuneration Committee met once in 2007. The Remuneration Committee reviewed, discussed and made a proposal to the Supervisory Board to determine the remuneration of the individual members of the Board of Management, including adjustments to the base salary, payment of an appropriate performance cash bonus, the grant of Annual PSA Units (as defined below), pension arrangements and other benefits. The Remuneration Committee also discussed and reviewed the application of our remuneration policy as described in detail below. In its proposal to the Supervisory Board for the remuneration of the individual members of the Board of Management, the Remuneration Committee took into account our remuneration policy, the performance of Besi, the criteria for allocation of the performance cash bonus and long-term incentives as well as remuneration market practices. The remuneration of the Supervisory Board members has been reviewed and is considered currently adequate. In addition, the remuneration policy with respect to senior management has been reviewed.

The Regulations Remuneration Committee are posted on the Company's website at www.besi.com.

Remuneration Structure

The Remuneration Committee considers the Company's remuneration structure each year in accordance with our corporate remuneration policy. The aim of our remuneration policy is to establish a base salary and, where appropriate, variable performance compensation consisting of cash bonuses and stock-based equity incentives. In 2005, the Supervisory Board prepared the remuneration policy for the Board of Management, which was adopted at the Annual General Meeting of Shareholders held on March 24, 2005.

The total remuneration package of the members of the Board of Management consists of:

+ Base salary.
+ A performance cash bonus.
+ Annual conditional performance stock awards.
+ Pension provisions.
+ Other benefits like company car or car allowance.

None of the employment agreements with the current members of the Board of Management contains "change-of-control" provisions. The employment agreement with Mr. Lichtenberg, who is proposed to be appointed to the Board of Management at the upcoming Annual General Meeting of Shareholders to be held on April 3, 2008 in Duiven, contains a change of control provision.

As it is important to attract and retain top management, the Remuneration Committee considers the compensation awarded by comparable companies when establishing compensation for members of the Board of Management.

As stated below, both the cash bonus and PSAs will in no event exceed 60 % of an individual's base salary and the maximum number of PSAs as defined in the Besi Incentive Plan.

Application of the Remuneration Policy

Base Salary and Other Benefits
Each year, the Remuneration Committee considers whether to adjust the base salary for members of the Board of Management.

Performance Cash Bonus
Short-term incentives are provided to the Board of Management through an annual cash bonus. The total amount of cash bonuses per annum that may be granted to individual members of the Board of Management shall in no event exceed 60 % of the individual's gross annual base salary including vacation allowance ("Base Annual Salary"). The total annual cash bonus per person shall be determined using the following components:

a) A maximum of 21 % of the individual's Base Annual Salary based on Besi's net income for the applicable fiscal year.
b) A maximum of 21 % of the individual's Base Annual Salary based on net income of the relevant business unit for the applicable fiscal year.
c) A maximum of 18 % of the individual's Base Annual Salary based on individual performance.

The amount of the annual cash bonus, if any, is based on a percentage of the net income according to the following grid:

Net Income as % of Revenues	0–1 %	1–4 %	5–7 %	8–9 %	10 %+
a) The Besi Group	0	8.5 %	14 %	19 %	21 %
b) Net Income Besi subsidiary/ Operating entity	max. 21 %				
c) Individual Employee	max. 18 %				

Besi considers net income a very important financial criterion. Net income is a key factor when evaluating the Company and therefore important for shareholder value. Also, due to the cyclical nature of the market in which Besi participates, net income is an important criterion. Finally, the targets included in the scale presented above are considered ambitious.

Criteria for individual performance are developed by analyzing relevant data for comparable companies, Besi's market share development, the progress of Besi's current restructuring and the introduction of new products.

The individual performance component, with a maximum of 18 % of the individual's Base Annual Salary, may be considered at the discretion of the Supervisory Board, taking into account the proposal of the Remuneration Committee.

Long-Term Incentive – Performance Stock Award Units
In 2005, the Company established the BE Semiconductor Industries Incentive Plan 2005–2009 (the "Incentive Plan 2005"). Under the Incentive Plan 2005, we may grant annual awards in the form of rights to receive Ordinary Shares of the Company, based on defined targets as compared to the preceding year ("Annual PSA Units"). The awarded Annual PSA Units will vest in accordance with the vesting schedule contained in the individual allocation agreement. The total number of Ordinary Shares that we may grant under the Incentive Plan 2005 to the relevant employees, including members of the Board of Management, may not exceed 1.5 % of the total number of Ordinary Shares outstanding in any applicable fiscal year, subject to adjustments for share splits, share dividends, recapitalizations and similar events. The Ordinary Shares granted under the Incentive Plan 2005 may consist, in whole or in part, of unauthorized and unissued Ordinary Shares or Treasury Shares. The Company anticipates that it will, on an annual basis, continue to grant Annual PSA Units under the Incentive Plan 2005 to members of the Board of Management, executive officers and senior employees of Besi. The Incentive Plan 2005 is posted on the Company's website at www.besi.com.

The maximum number of Annual PSA Units per year that may be awarded is fixed for members of the Board of Management and is as follows:

Chief Executive Officer	50,000
Other members	35,000

The number of Annual PSA Units to be awarded each year will be determined by using the following components:
a) A maximum of 35 % of the above-mentioned number based on Besi's net income for the applicable fiscal year.
b) A maximum of 35 % of the above-mentioned number based on the relevant business unit's net income for the applicable fiscal year.
c) A maximum of 30 % of the above-mentioned number based on individual performance.

The total number of Annual PSA Units to be awarded in any given year depends on whether the individual achieved specific and clearly quantifiable targets specified beforehand from year to year. These targets are directly related to the creation of long-term value for shareholders and are specified in the following grid:

Net Income as % of Revenues	0–1 %	1–4 %	5–7 %	8–10 %	10 %+
a) Besi Group, % of the maximum PSA Unit Amount	0 %	15 %	25 %	30 %	35 %
b) Besi Subsidiary / Operating Entity	Max. 35 % of the PSA Unit Amount				
c) Individual Employee	Max. 30 % of the PSA Unit Amount				

The individual performance component, with a maximum of 30 % of the relevant maximum number of Annual PSA Units, may be considered at the discretion of the Supervisory Board, taking into account the proposal of the Remuneration Committee.

Besi considers net income a very important financial criterion. Net income is a key factor when evaluating the Company and therefore important for shareholder value. Also, due to the cyclical nature of the market in which Besi participates, net income is an important criterion. Finally, the targets included in the scale presented above are considered ambitious.

Criteria for individual performance are developed by analyzing relevant data for comparable companies, Besi's market share development, the progress of Besi's current restructuring and the introduction of new products.

The Annual PSA Units granted to members of the Board of Management will vest in accordance with the vesting schedule contained in the individual allocation agreement. Ordinary Shares deliverable upon the vesting of the Annual PSA Units will be delivered immediately to the relevant individual. Immediate sale of a portion of the delivered shares is allowed for the sole purpose of facilitating payment of income taxes in connection with the vesting of Annual PSA Units and delivery of shares, when applicable. Any remaining shares may not be sold or transferred for a period of at least three years from the date of delivery.

Pensions

Members of the Board of Management normally retire in the year that they reach the age of 62. We have provided different pension plans to members of the Board of Management based on the salaries, local customs and rules applicable in the countries of their employment.

Loans

In 2004, in accordance with the Dutch Corporate Governance Code, the Company adopted a policy to not provide loans to members of the Board of Management. Current loans outstanding, all relating to the granting of stock options prior to the year 2000, to members of the Board of Management amount to € 286,795. The principal amount and other loan conditions have not changed since the inception of such loan agreements in 1999 and 2000. Under their terms, these loans must be repaid immediately upon exercise of the relevant stock options.

Remuneration Supervisory Board and Board of Management 2007

The remuneration of members of the Supervisory Board and Board of Management is described in detail in the notes to Besi's Consolidated Financial Statements included on page 99 of this Annual Report.

In view of the realization of most of Besi's business targets and the progress made with the operational restructuring of Besi to date, the Remuneration Committee is satisfied with the effectiveness of our remuneration policy.

An overview of the development of our financial results and our share price performance is included in this Annual Report on pages 23 and 39.

Selection, Appointment and Governance Committee

The Selection, Appointment and Governance Committee consists of all Supervisory Board members. The Chairman of the Selection, Appointment and Governance Committee is Mr. E. B. Polak. In 2004, the Supervisory Board adopted regulations governing the Selection, Appointment and Governance Committee ("the Regulations Selection, Appointment and Governance Committee"). The Selection, Appointment and Governance Committee is responsible for, among other things:

+ Establishing the profile, selection criteria and appointment procedures for members of the Supervisory Board and Board of Management.
+ Periodically assessing the size and composition of the Supervisory Board and the Board of Management, and making a proposal for a composition profile of the Supervisory Board.
+ Periodically assessing the functioning of individual members of the Supervisory Board and Board of Management, and reporting on such matters to the Supervisory Board.
+ Making proposals for appointments and re-appointments to the Supervisory Board and Board of Management.
+ Implementing the policy of the Board of Management with respect to the selection criteria and appointment procedures for senior management.

In 2007, the Selection, Appointment and Governance Committee met three times and discussed and approved the profile of the Supervisory Board. The Committee advised the Supervisory Board regarding the proposed expansion of the Supervisory Board from four to five members and the proposed appointments of Mrs. Mona ElNaggar and Dr. Andreas Leimbach as members of the Supervisory Board for four years. Dr. Leimbach is also proposed to replace Mr. Sinninghe Damsté as Chairman of the Audit Committee. The Selection, Appointment and Governance Committee has taken considerable care in selecting these candidates from a list of over 25 possible candidates. For assistance and advice on the selection process, the Committee has retained the services of various experts, including an executive search firm. The Committee has consulted with the Board of Management and the Supervisory Board on the selection of possible candidates. After careful consideration, the Committee has selected Mrs. ElNaggar and Dr. Leimbach as the most suitable candidates with the required knowledge, judgement and experience to complete their tasks properly.

The Regulations Selection, Appointment and Governance Committee are posted on the Company's website at www.besi.com.

Corporate Governance

The Supervisory Board acknowledges the importance of good corporate governance, where the most important elements are transparency, independence and accountability. The Supervisory Board continuously reviews important corporate governance developments.

The Supervisory Board reviewed the development of the Dutch Corporate Governance Code that came into effect on January 1, 2004. The Dutch Corporate Governance Code is based on the "apply-or-explain" principle. The Supervisory Board reviewed the proposal for the Besi Code and those instances where the Besi Code deviated from the Dutch Corporate Governance Code and after careful consideration recommended the Besi Code to the Company's shareholders. The Besi Code was approved by shareholders at the Annual General Meeting of Shareholders held on March 25, 2004. Amendments to the Besi Code were approved at the Annual General Meetings of Shareholders held on March 24, 2005 and March 22, 2007, respectively. The deviations between the Besi Code and the Dutch Corporate Governance Code are explained elsewhere in this Annual Report under "Corporate Governance".

Financial Statements

At its meeting on February 19, 2008, the Supervisory Board approved Besi's financial statements and notes thereto as prepared by the Board of Management for the financial year ended December 31, 2007, as required by applicable rules and regulations in the Netherlands (the "2007 Statutory Financial Statements"). Under applicable rules and regulations in the Netherlands, the 2007 Statutory Financial Statements must be prepared in accordance with accounting standards adopted by the European Union (EU). Ernst & Young Accountants, independent external auditors, duly examined the 2007 Statutory Financial Statements and issued an unqualified opinion. The 2007 Statutory Financial Statements, together with the auditors' report of Ernst & Young Accountants, are included elsewhere in this Annual Report.

The Supervisory Board recommends that the General Meeting of Shareholders adopt the 2007 Statutory 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 not be declared for the year ended December 31, 2007.

The Supervisory Board would like to express its thanks and appreciation to all involved for their hard work and dedication to the Company in 2007.

February 19, 2008

The Supervisory Board
Willem Maris, Chairman

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.

Our Ordinary Shares (the "Shares") are listed on Euronext Amsterdam. Accordingly, we comply with all applicable listing rules of Euronext Amsterdam.

On December 13, 2006, Besi announced its intention to voluntarily delist the Shares from the NASDAQ National Market and suspend its registration of the Shares with the U.S. Securities and Exchange Commission (the "SEC"). We noted that trading on the Euronext Amsterdam market accounted for more than 90 % of the combined trading volume of the Shares on both the NASDAQ National Market and the Euronext Amsterdam markets. In light of the limited trading volume of Shares on the NASDAQ National Market, we determined that the increased costs of maintaining our listing and registration in the U.S. and complying with SEC reporting and other applicable U.S. obligations, including the provisions of the Sarbanes-Oxley Act of 2002, outweighed the benefits of continuing such listing and registration of the Shares. We believed that the resulting cost savings and management time that would be made available for other business-related matters will benefit Besi and its shareholders, while the continued trading of the Shares on Euronext Amsterdam would continue to provide liquidity to shareholders and access to capital for the Company in the future.

As a result of the voluntary delisting and suspension of Besi's registration with the SEC effective January 5, 2007, the application of the Sarbanes-Oxley Act of 2002 was suspended and the listing requirements and marketplace rules of the NASDAQ National Market no longer apply to the Company.

The Besi Code adheres to the principles of the Dutch Corporate Governance Code and applies almost all best practice rules. To the extent the Besi Code deviates from the provisions of the Dutch Corporate Governance Code, such deviations are explained below under "Explanation of Deviations from the Dutch Corporate Governance Code". The Board of Management and the Supervisory Board considered it important that Besi's shareholders agreed with the contents of the Besi Code. Thus, the Besi Code was submitted to and approved by the Company's shareholders at the Annual General Meeting of Shareholders held on March 25, 2004. Amendments to the Besi Code were approved by the Company's shareholders at the Annual General Meeting of Shareholders held on March 24, 2005. In connection with the voluntary delisting of the Shares from the NASDAQ National Market and suspension of the registration of the Shares with the SEC, we made a number of changes to the Besi Code, which were approved by the shareholders during the Annual General Meeting of Shareholders held on March 22, 2007. For the application of the Besi Code, we follow to the extent possible the guidance provisions provided by the Dutch Corporate Governance Code Monitoring Committee in its reports on compliance with the Dutch Corporate Governance Code of December 2005, 2006 and 2007.

The Besi Code is posted on our website at www.besi.com.

Corporate Governance Structure

Board of Management

The Board of Management is responsible for the day-to-day management of the Company, which means, among other things, that it is responsible for ensuring that Besi is achieving its operational, strategic and financial goals. The Board of Management is accountable to the Supervisory Board and to the shareholders of the Company.

The Board of Management is also responsible for (i) overseeing our compliance with all applicable rules and regulations that govern the Company, (ii) managing the risks associated with our business activities and (iii) ensuring that the Company is properly capitalized. The Board of Management informs the Supervisory Board and its Audit Committee regarding our 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 Besi's 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.

The Board of Management currently consists of two members:

Richard W. Blickman (1954)	Chief Executive Officer, Chairman
Helmut Rutterschmidt (1957)	Head Marketing, Sales & Customer Support, Member

Claus K. Lichtenberg (1958), Chief Operating Officer, will be proposed to be appointed to the Board of Management at the next Annual General Meeting of Shareholders to be held on April 3, 2008 in Duiven.

Remuneration Board of Management

The amount and structure of the remuneration that is paid to members of the Board of Management is designed to ensure that we can recruit and retain qualified and expert managers. The remuneration consists of both a fixed and a variable component. The fixed component is based on market and industry practice. The variable component is linked to previously determined, measurable targets that must be achieved partly in the short term and partly in the long term. The variable part of the remuneration is also designed to strengthen the board members' commitment to Besi, its objectives and the interests of shareholders.

Besi's remuneration structure, including severance pay, is designed to (i) promote both the short and long-term interests of the Company, (ii) discourage members of the Board of Management from acting in their own interests as opposed to the best interests of the Company and (iii) reward those board members who are actively contributing to the growth of the Company. The level and structure of remuneration is described in Besi's remuneration policy and is determined based on a variety of factors, including the financial and operational results of Besi and its share price performance.

Besi's remuneration policy was adopted by the shareholders at the Annual General Meeting of Shareholders held on March 24, 2005. 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. Schemes whereby members of the Board of Management are remunerated in the form of shares or rights to subscribe for shares and any material changes to such schemes, will also be submitted to the General Meeting of Shareholders for approval. The Supervisory Board will determine the remuneration of the individual members of the Board of Management for the next financial year based on a proposal by the Remuneration Committee, which will be within the scope of the remuneration policy adopted by the General Meeting of Shareholders.

Remuneration Disclosures Concerning the Board of Management

The report of the Supervisory Board includes the principal points of our remuneration policy as prepared by the Supervisory Board in 2005 and as adopted at the Annual General Meeting of Shareholders held on March 24, 2005. The notes to the annual accounts on page 99 contain detailed information prescribed by applicable law on the level and structure of the remuneration of the individual members of the Board of Management for the year 2007.

Conflicts of Interest – 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. Any transaction that would give rise to a conflict of interest or appearance of a conflict of interest requires the approval of the Audit Committee or any other committee of the Supervisory Board comprised solely of independent members.

Supervisory Board

The role of the Supervisory Board is to supervise the Board of Management and oversee the general affairs of the Company and its affiliated enterprises. 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 a Supervisory Board member.

The Besi 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.2.3 of the Besi Code.

Each Supervisory Board member has the expertise required to fulfill the duties assigned to the role designated to him 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. A Supervisory Board member shall be re-appointed only after careful consideration. The profile criteria referred to above shall also be fulfilled in the case of a re-appointment.

The Supervisory Board currently consists of:
Willem D. Maris (1939), Chairman
Evert B. Polak (1944), Member
Tom de Waard (1946), Member
Dick Sinninghe Damsté (1939), Member

Mr. Sinninghe Damsté has indicated to the Supervisory Board that he is not available for re-appointment in 2008 because he served two terms. The Supervisory Board will propose to appoint Mrs. Mona ElNaggar and Dr. Andreas Leimbach at the Annual General Meeting of Shareholders to be held on April 3, 2008 in Duiven. Reference is made to the report of the Selection, Appointment and Governance Committee on page 53 of this Annual Report.

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

Supervisory Board Committees

The full Supervisory Board serves as the Company's Audit Committee, Remuneration Committee and Selection, Appointment and Governance 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 Audit Committee Charter is posted on our website at www.besi.com. Furthermore, the Regulations Remuneration Committee and the Regulations Selection, Appointment and Governance Committee are posted on our website at www.besi.com.

Conflict 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. The Supervisory Board must approve any arrangement that would give rise to a conflict of interest or the appearance of a conflict of interest, provided that a member of the Supervisory Board with an interest in such matter shall not participate in determining or granting such approval. 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.

Supervisory Board Remuneration

The General Meeting of Shareholders shall determine the remuneration of Supervisory Board members. The remuneration of a Supervisory Board member is not dependent on the results of the Company. The notes to the annual accounts on page 99 contain the information prescribed by applicable law on the level and structure of the remuneration of individual Supervisory Board members.

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 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 our share price. Contacts between the Board of Management on the one hand and the press and analysts 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 as are allowed 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 our General Meeting of Shareholders. Therefore, the Company is actively involved in proxy solicitation as a means of increasing the attendance and participation of our shareholders at our General Meeting of Shareholders.

External and Internal 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 to the Supervisory Board and nomination of the Supervisory Board to the shareholders. The Audit Committee also approves the remuneration of the external auditor and instructions to the external auditor with respect to non-audit services.

The Company's internal control function plays an important role in assessing and testing our internal risk management and control systems. This function operates under the responsibility of the Board of Management. In 2007, the Audit Committee closely reviewed the adjustment of the Besi internal control framework in the context of the suspension from application of the Sarbanes-Oxley Act of 2002. This framework consists of a formal framework defining key risks and key controls over financial reporting. Besi's finance staff carries out internal control activities and reports its findings to the Audit Committee.

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 issues management letters, if required. Furthermore, the external auditor reports its review of the semi-annual results to the Board of Management and the Supervisory Board at separate meetings.

Explanation of Deviations from the Dutch Corporate Governance Code

The Annual General Meeting of Shareholders held on March 25, 2004, approved the Besi Code, which follows all principles of the Dutch Corporate Governance Code and applies almost all best practice rules. The Besi Code was amended in 2005 and approved at the Annual General Meeting of Shareholders on March 24, 2005. In addition to the Dutch Corporate Governance Code, the Besi Code was based on the requirements of (i) rules promulgated by the United States Securities and Exchange Commission implementing the provisions of the Exchange Act and Sarbanes-Oxley, (ii) rules promulgated by the NASDAQ Stock Market Inc. and (iii) the listing rules of Euronext Amsterdam. For the application of the Besi Code, the Company follows to the extent possible the guidance provisions provided by the Dutch Corporate Governance Code Monitoring Committee in its reports on compliance with the Dutch Corporate Governance Code of December 2005, 2006 and 2007.

In connection with the voluntary delisting of the Shares from the NASDAQ National Market and suspension of the registration of the Shares with the SEC, the Company prepared a number of changes to the Besi Code which were approved by the shareholders during the Company's Annual General Meeting of Shareholders held on March 22, 2007.

The Company follows the best practice rules mentioned in the Dutch Corporate Governance Code regarding the independence of the Board of Management members (Provision II.3.2 and II.3.4), the independence of the Supervisory Board members (Provision III.6.1 and III.6.3) and transactions between the Company and legal or natural persons who hold at least ten percent of the Shares in the Parent Company (Provision III.6.4).

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

Provision II.1.1

The Company respects the rights of members of the Board of Management who were members at the time of implementation of the Dutch Corporate Governance Code. For that reason, there was no adjustment of their employment agreements. In general, employment agreements with members of the Board of Management appointed after the implementation of the Dutch Corporate Governance Code have a four-year term. However, the terms and conditions of employment agreements for any new member of the Board of Management, including the term of the contract, will be evaluated at the moment of appointment. Such terms and conditions will depend on legislation and market conditions in effect at the time of recruitment, which could affect our ability to attract new members for the Board of Management.

Provision II.1.4

The Company acknowledges the importance of further improvements to its internal risk management and control systems. The Board of Management has stated in the section on "Internal Risk Management and Control", amongst other things, that Besi has an internal risk management and control system that is suitable for the Company, that the risk management and control system over financial reporting worked properly during the year under review and is designed to provide reasonable assurance that our financial reporting does not contain any material inaccuracies.

Provision II.2.1

The Company granted members of the Board of Management unconditional options that cannot be exercised in the first three years after they have been granted. This practice is consistent with remuneration policies generally applied in the industry and the jurisdictions in which the Company operates.

Provision II.2.3

On March 24, 2005, March 22, 2006 and March 22, 2007, Besi granted the members of the Board of Management Annual PSA Units. Once the shares related to such Annual PSA Units have been delivered to the member of the Board of Management, they must be retained until the earlier of (i) three years after the date of release or (ii) the date of the individual's termination of employment, provided, however, that the member of the Board of Management will be allowed to sell shares equal to the amount of tax due as a result of the vesting of the Annual PSA Units.

Provision II.2.6

The Company acknowledges the importance of preventing conflicts of interest arising from the ownership of shares in other listed companies by its Board of Management. However, the Company considers the reporting of all ownership positions in listed companies by members of the Board of Management too large an intrusion on their privacy.

As an alternative, the Supervisory Board has drawn up regulations for members of the Board of Management concerning ownership of, and transactions in, listed securities in case possession of these securities could cause a conflict of interest as described in provision II.3 of the Dutch Corporate Governance Code. Any potential conflict of interest arising from ownership of a listed security must be reported to the Chairman of the Supervisory Board immediately.

Provision II.2.7

The Company respects the rights of members of the Board of Management who were members at the time of implementation of the Dutch Corporate Governance Code. For that reason, it did not adjust the employment agreements of members of the Board of Management which were signed prior to the implementation of the Dutch Corporate Governance Code. The terms and conditions of employment agreements for new members of the Board of Management, including severance payments, will be evaluated at the time of appointment. Such terms and conditions will depend on the legislation and market conditions in effect at the time of recruitment which could affect our ability to attract new members for the Board of Management.

Provision II.2.8

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

Provision III.4.3

A full-time "Secretary of the Company" is economically not feasible currently given Besi's size and cost structure. Besi considers the function of "Secretary of the Company" important. Therefore, the current staff of the Company performs this function.

Provision III.7.1

Besi's shares are listed on the Euronext Amsterdam. The Company operates in an international environment where investors expect Supervisory Board members to have ownership of Besi in the form of shares and stock options in order to demonstrate their commitment to the Company and further align the interests of the Supervisory Board members with those of shareholders. Therefore, the members of the Supervisory Board are granted stock awards and permitted to exercise stock options. Such stock options are valued based on the Black-Scholes model.

Provision III.7.3
The Company acknowledges the importance of preventing conflicts of interest arising from the ownership of shares in other listed companies by the Supervisory Board. However, the Company considers the reporting of all ownership positions in listed companies by members of the Supervisory Board too large an intrusion on their privacy.

As an alternative, the Supervisory Board has drawn up regulations for members of the Supervisory Board concerning ownership of, and transactions in, listed securities in case possession of these securities could cause a conflict of interest as described in provision II.3 of the Dutch Corporate Governance Code. Any potential conflict of interest arising from ownership of a listed security must be reported to the Chairman of the Supervisory Board immediately. In case the Chairman of the Supervisory Board is involved, the Vice-Chairman of the Supervisory Board must be notified immediately.

Provision IV.3.1 (Besi Code IV.2.1)
The Company acknowledges the importance of disclosing material information to all shareholders similarly at the same moment in time. It is not possible currently 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 our website (www.besi.com).

Provision IV.3.8 (Besi Code IV.2.8)
The Company considers it important that the minutes of the General Meeting of Shareholders are made available to shareholders in a correct and timely manner. These minutes are prepared by a Dutch civil law notary or a lawyer and are therefore prepared by a person independent from the Company. Besi believes that having the minutes available within three months after the General Meeting of Shareholders qualifies as being made available in a timely manner.

Internal Risk Management and Control

Besi has an internal risk management and control system that is suitable for the Company. Our internal risk management and control system includes, among other things: (i) risk analyses of the operational and financial objectives of the Company; (ii) a code of ethics for the principal executives and senior financial officers and a code of conduct applicable to the Board of Management and employees which is published on our website; (iii) guidelines for the layout of the financial reports and the procedures to be followed in drawing up the reports; (iv) a system of disclosure controls and procedures designed to ensure that information, including non-financial information, required in reports to be filed with certain regulatory bodies, is accurately recorded, processed and summarized within the time period specified by applicable rules and regulations, and (v) a system of internal controls over financial reporting.

Our risk management and internal control system over financial reporting contains clear accounting rules. The system, as implemented in all significant companies, supports common accounting and regular financial reporting in standard forms. In 2007, Besi adjusted its internal control framework to the situation that the Sarbanes-Oxley Act of 2002 was no longer applicable. This framework consists of a formal framework defining key risks and key controls over financial reporting. Besi finance staff carries out internal control activities and reports its findings to the Audit Committee. Considering the above, our 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 2007 financial statements do not contain any material inaccuracies. At this moment, there are no indications that this system will not function properly in 2008. This statement cannot be considered as a statement in accordance with the requirements of Section 404 of the U.S. Sarbanes-Oxley Act, which is not applicable to Besi.

For a description of the important risk factors associated with our operations, we refer to page 42 under "Risk Factors" elsewhere in our Annual Report.

The Board of Management has established a policy that allows Besi's employees to report any irregularities of a general, operational or financial nature in, or violations of, any laws by the Company to the Chairman of the Audit Committee or to the Chairman of the Board of Management or to an official designated by him, without jeopardizing their employment with the Company. Alleged irregularities concerning the functioning of the members of the Board of Management shall be reported to the Chairman of the Supervisory Board. Policies regarding the reporting of violations are posted on our website at www.besi.com.

Corporate Information

Supervisory Board

Willem D. Maris (1939)
Chairman
Dutch nationality
Member since 2000
Re-appointed 2006–2010

Additional functions:
Member Supervisory Board Vanderlande Transport Mechanismen B.V., Member Board of Directors of Photronics Inc., FSI International Inc. and the European Asset Trust

Evert B. Polak (1944)
Dutch nationality
Member since 2000
Re-appointed 2005–2009

Dick Sinninghe Damsté (1939)
Dutch nationality
Member since 2000
Re-appointed 2005–2008
Not available for re-appointment in 2008

Additional functions:
Chairman Supervisory Board of H.I.T.T. N.V., Member Supervisory Board of Vedior N.V. and NKI / AvL

Tom de Waard (1946)
Partner Clifford Chance Amsterdam
Dutch nationality
Member since 2000
Re-appointed 2007–2011

Additional functions:
Member Supervisory Board of STMicroelectronics N.V., Member of the Board of the Foundation "Sport en Zaken"

The Supervisory Board has formed the following committees:

Audit Committee
Members: Dick Sinninghe Damsté (Chairman), Willem Maris, Evert Polak, Tom de Waard

Remuneration Committee
Members: Tom de Waard (Chairman), Willem Maris, Dick Sinninghe Damsté, Evert Polak

Selection, Appointment and Governance Committee
Members: Evert Polak (Chairman), Dick Sinninghe Damsté, Willem Maris, 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 member of the Supervisory Board. Three of the members of the Supervisory Board own in total 21,470 options to purchase shares of the Company. Four of the members of the Supervisory Board own in total 46,666 shares of the Company.

Board of Management

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

Helmut Rutterschmidt (1957)
Executive Board Member,
Head Marketing, Sales & Customer Support,
President Datacon

Claus K. Lichtenberg (1958)
Executive Member, to be appointed as of April 3, 2008,
Chief Operating Officer,
President Fico

Other Members of Management

Michael Auer (1964)
Vice President Sales & Customer Support

Han van Egmond (1970)
Vice President Product Marketing Fico

Cor te Hennepe (1958)
Director of Finance

Frans J. M. Jonckheere (1959)
Managing Director Meco

Kenzer Tan Heck Wee (1961)
Managing Director
Fico Asia Sdn. Bhd.
(to be renamed Besi APac Sdn. Bhd.)

Martina Weidinger (1960)
Vice President Human Resources

Frank Wernisch (1968)
Vice President ITM

Other Information

Corporate Office
Ratio 6
6921 RW Duiven
The Netherlands
Tel. 31 26 3194500
Fax 31 26 3194550
www.besi.com
e-mail: info@besi.nl
investor.relations@besi.nl

Transfer Agent
Ordinary Shares (Euro)
Fortis Bank
Amsterdam, the Netherlands

Independent Auditors
Ernst & Young Accountants,
Rotterdam, the Netherlands

Legal Counsel
Freshfields Bruckhaus Deringer
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 p.m., on April 3, 2008 at the offices of BE Semiconductor Industries N.V., Ratio 6, 6921 RW Duiven, the Netherlands.

Addresses

Europe

BE Semiconductor Industries N.V.
Besi Asia Pacific Holding B.V.
Ratio 6
6921 RW Duiven
The Netherlands
Tel. (31) 26 3194500
Fax (31) 26 3194550
www.besi.com

Fico B.V.
Fico International B.V.
Ratio 6
6921 RW Duiven
The Netherlands
Tel. (31) 26 3196100
Fax (31) 26 3196200
www.fico.nl

Meco Equipment Engineers B.V.
Meco International B.V.
Marconilaan 2
5151 DR Drunen
The Netherlands
Tel. (31) 416 384384
Fax (31) 416 384300
www.meco.nl

Datacon Technology GmbH
Innstrasse 16
6240 Radfeld
Austria
Tel. (43) 5337 6000
Fax (43) 5337 600660
www.datacon.at

Datacon Hungary Kft.
Juharfa út 24
9027 Györ
Hungary
Tel. (36) 96 510400
Fax (36) 96 510401

USA

Besi North America, Inc.
BE Semiconductor Industries USA, Inc.
10 Tinker Avenue
Londonderry, NH 03053
USA
Tel. (1) 603 6264700
Fax (1) 603 6264242

Besi North America, Inc.
Besi USA, Inc.
33 East Comstock Drive, Suite 7
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Tel. (1) 480 4979061
Fax (1) 480 4976420
Fax (1) 480 4979104

Besi North America, Inc.
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Fax (1) 215 7917074

Asia

Fico Asia Sdn. Bhd.
3 Jalan 26/7
Section 26
40000 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel. (60) 3 5191 1799
Fax (60) 3 5191 4009

Fico Asia (Malacca)
24, Jalan Pri 15
Taman Paya Rumput Indah
76450 Melaka
Malaysia
Tel. (60) 6 3162568
Fax (60) 6 3163437

Fico Asia (Thailand)
99/481 Moo 8,
Chol-la-da Village (outer ring)
BangPai Road, BangRakPadThaNa
District, BangBourThong,
NonThaBuri 11110, Thailand
Tel. (66) 2 5975109
Fax (66) 2 5975109

Fico Sales & Service Pte. Ltd.
68 Trevose Crescent #01-12
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Tel. (65) 6100 2700
Tel. (65) 9387 0451
Fax (65) 6399 2700

Meco Equipment Engineers
(Far East) Pte. Ltd.
40, Jalan Pemimpin #04-06A
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Tel. (65) 6255 2722
Fax (65) 6255 6766

Besi Singapore Pte. Ltd.
40 Ubi Crescent
#01-07 Ubi Techpark
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Fax (65) 6743 0660

Besi Shanghai R.O.
Room 1716, No. 511
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Fax (86) 21 62717821

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Besi Singapore Pte. Ltd.
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Besi Philippines, Inc.
Meco Equipment Engineers B.V. (RO)
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Insular Life Corporate Center
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Alabang, Muntinlupa City
Philippines 1781
Tel. (63) 2 7723885
Tel. (63) 2 7712140
Fax (63) 2 7722181
Fax (63) 2 7712141

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Fax (86) 21 62717821

Besi Japan Co., Ltd.
Nakamura Building, 6F
31-7, Shinbashi 4-chome
Minato-ku
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Tel. (81) 3343 41251
Fax (81) 3343 41252

Besi Korea Ltd.
#1524, Hyundai Venture-vill
713 Suseo-dong Gangnam-gu
Seoul 135-539, Korea
Tel. (82) 2 449 5725
Fax (82) 2 2040 7570

For addresses of our representatives, see our websites.

Financial Statements 2007


370.79
2,245.99
384.73
15.25
551.46
1,009.47
57,793.74
42,404.57
(1,044.18)
21,784.13

Consolidated Balance Sheet

(euro in thousands)	Note	December 31, 2007	December 31, 2006
Assets			
Cash and cash equivalents	3	74,781	98,012
Accounts receivable	4	41,738	36,530
Inventories	5	46,824	58,156
Income tax receivable		8,172	6,379
Other current assets	6	6,773	4,833
Total current assets		178,288	203,910
Assets held for sale	7	1,575	1,449
Property, plant and equipment	7	21,210	22,777
Goodwill	8	63,218	64,111
Other intangible assets	9	10,162	15,063
Deferred tax assets	10	8,172	4,331
Other non-current assets	11	2,380	2,367
Total non-current assets		105,142	108,649
Total assets		285,005	314,008
Liabilities and equity			
Notes payable to banks	12	14,581	18,608
Current portion of long-term debt and financial leases	16	6,364	6,682
Accounts payable	14	13,724	15,463
Income tax payable		541	1,141
Provisions	13	3,303	3,055
Accrued liabilities	15	13,854	16,685
Total current liabilities		52,367	61,634
Convertible notes	16	42,961	42,284
Long-term debt and financial leases	16	7,608	12,454
Deferred tax liabilities	10	234	331
Other non-current liabilities	17	3,117	2,774
Total non-current liabilities		53,920	57,843
Issued capital	19	30,693	30,693
Share premium	19	176,153	185,296
Retained earnings (deficit)	19	(26,182)	(20,582)
Accumulated other comprehensive income (loss)	19	(2,285)	(1,169)
Equity attributable to equity holders of the parent		178,379	194,238
Minority interest		339	293
Total equity		178,718	194,531
Total liabilities and equity		285,005	314,008

The financial presentation has been prepared in accordance with IFRS, as adopted by the EU.

Consolidated Statement of Operations

(euro in thousands, except share and per share data)		Year Ended December 31,	
	Note	**2007**	**2006**
Revenue	23	166,471	191,191
Cost of sales	7,9	109,010	116,437
Gross profit		57,461	74,754
Selling, general and administrative expenses		41,828	43,439
Research and development expenses	22	21,312	18,217
Total operating expenses		63,140	61,656
Operating income (loss)		(5,679)	13,098
Other income	26	-	1,216
Financial income	27	3,800	1,893
Financial expense	27	(6,070)	(4,987)
Income (loss) before taxes and related goodwill		(7,949)	11,220
Goodwill adjustment relating to deferred tax asset		-	2,300
Income tax benefit	10	(2,453)	(1,879)
Net income (loss)		(5,496)	10,799
Attributable to:			
Equity holders of the parent		(5,600)	10,667
Minority interest		104	132
Net income (loss)		(5,496)	10,799
Income (loss) per share attributable to the equity holders of the parent			
Basic		(0.17)	0.33
Diluted		(0.17)	0.31
Weighted average number of shares used to compute income (loss) per share			
Basic	28	32.168.570	32,760,572
Diluted	28	32.168.570[1]	41,840,875

[1] The calculation of the diluted income per share does not assume conversion of the Company's 5.5 % outstanding Convertible Notes due 2012 into 8,975,610 Ordinary Shares, as such conversion would have an anti-dilutive effect.

The financial presentation has been prepared in accordance with IFRS, as adopted by the EU.

Consolidated Statement of Cash Flows

(euro in thousands)	Year Ended December 31, 2007	2006
Cash flows from operating activities		
Net income (loss)	(5,496)	10,799
Depreciation and amortization	8,683	8,885
Impairment	779	328
Deferred income tax (benefit)	(2,998)	(2,130)
Other non-cash items	2,781	237
Effects of changes in assets and liabilities		
Increase in accounts receivable	(5,492)	(5,648)
Decrease (increase) in inventories	10,422	(5,717)
(Decrease) increase in accounts payable	(1,615)	949
Changes in other working capital	(6,503)	4,796
Net cash provided by operating activities	561	12,499
Cash flows from investing activities		
Capital expenditures	(4,036)	(2,696)
Capitalized development expenses	(338)	(802)
Proceeds from sale of property, plant and equipment	189	378
Proceeds from sale of assets and liabilities	-	2,000
Net cash used in investing activities	(4,185)	(1,120)
Cash flows from financing activities		
Payments (proceeds) of bank lines of credit	(3,942)	4,077
Proceeds from debts and financial leases	-	11,422
Payments on debts and financial leases	(4,377)	(11,510)
Purchases of own shares	(11,033)	
Proceeds from exercised stock options	46	26
Other financing activities	276	1,500
Net cash provided by financing activities	(19,030)	5,515
Net change in cash and cash equivalents	(22,654)	16,894
Effect of changes in exchange rates on cash and cash equivalents	(577)	(647)
Cash and cash equivalents at beginning of the period	98,012	81,765
Cash and cash equivalents at end of the period	74,781	98,012

The financial presentation has been prepared in accordance with IFRS, as adopted by the EU.

Consolidated Statement of Changes in Equity

(euro in thousands, except share data)	Number of ordinary shares outstanding*	Issued capital	Share premium	Retained deficit	Accumulated other comprehensive income (loss) (note 19)	Total attributable to equity holders of the parent	Minority interest	Total equity
Balance at January 1, 2007	33,728,517	30,693	185,296	(20,582)	(1,169)	**194,238**	293	**194,531**
Exchange rate changes for the year	-	-	-	-	(1,199)	**(1,199)**	(14)	**(1,213)**
Total income and expense for the year recognized directly in equity	-	-	-	-	(1,199)	**(1,199)**	(14)	**(1,213)**
Net income	-	-	-	(5,600)	-	**(5,600)**	104	**(5,496)**
Total income and expense for the year	-	-	-	(5,600)	(1,199)	**(6,799)**	90	**(6,709)**
Dividend paid to minority shareholder	-	-	-	-	-	**-**	(44)	**(44)**
Reissued Treasury Shares for the exercise of stock options	-	-	46	-	-	**46**	-	**46**
Equity-settled share-based payments expense	-	-	1,844	-	-	**1,844**	-	**1,844**
Change in cash flow hedging reserve	-	-	-	-	83	**83**	-	**83**
Purchase own shares	-	-	(11,033)	-	-	**(11,033)**	-	**(11,033)**
Balance at December 31, 2007	33,728,517	30,693	176,153	(26,182)	(2,285)	**178,379**	339	**178,718**
Balance at January 1, 2006	33,728,517	30,693	184,967	(31,249)	921	**185,332**	178	**185,510**
Exchange rate changes for the year	-	-	-	-	(2,320)	**(2,320)**	(17)	**(2,337)**
Total income and expense for the year recognized directly in equity	-	-	-	-	(2,320)	**(2,320)**	(17)	**(2,337)**
Net income	-	-	-	10,667	-	**10,667**	132	**10,799**
Total income and expense for the year	-	-	-	10,667	(2,320)	**8,347**	115	**8,462**
Reissued Treasury Shares for the exercise of stock options	-	-	26	-	-	**26**	-	**26**
Equity-settled share-based payments expense	-	-	303	-	-	**303**	-	**303**
Change in cash flow hedging reserve	-	-	-	-	230	**230**	-	**230**
Balance at December 31, 2006	33,728,517	30,693	185,296	(20,582)	(1,169)	**194,238**	293	**194,531**

* The outstanding number of Ordinary Shares includes 3,019,153 Treasury Shares.

The financial presentation has been prepared in accordance with IFRS, as adopted by the EU.

Notes to the Consolidated Financial Statements

1. Basis of Presentation

General

BE Semiconductor Industries N.V. was incorporated in the Netherlands in May 1995 as the holding company for a worldwide business engaged in the development, production, marketing and sales of back-end equipment for the semiconductor industry. BE Semiconductor Industries N.V.'s principal operations are in the Netherlands, Austria, Asia and the United States. Besi operates its business through its subsidiaries Fico International B.V., or Fico, Meco International B.V., or Meco, and their respective subsidiaries and Datacon Technology GmbH, or Datacon, and its respective subsidiaries.
BE Semiconductor Industries N.V.'s principal executive offices are located at Ratio 6, 6921 RW Duiven, the Netherlands.

The Consolidated Financial Statements of BE Semiconductor Industries N.V. ("Besi" or "the Company") for the year ended December 31, 2007, were authorized for issue in accordance with a resolution of the directors on February 19, 2008. The Consolidated Financial Statements of the Company as at December 31, 2007, are presented to the General Meeting of Shareholders for their adoption on April 3, 2008.

Statement of Compliance

EU law (IAS Regulation EC 1606/2002) requires that the annual Consolidated Financial Statements of the Company for the year ending December 31, 2007, be prepared in accordance with accounting standards adopted by the European Union ("EU") further to the IAS Regulation (EC 1606/2002) (further referred to as "IFRS, as adopted by the EU").

2. Summary of Significant Accounting Principles

Changes in Accounting Policies

The Consolidated Financial Statements of BE Semiconductor Industries N.V. and its subsidiaries have been prepared in accordance with the International Financial Reporting Standards ("IFRS"), as adopted by the EU.

The Company has adopted the following new and amended IFRS Guidelines during the year. Adoption of these revised standards did not have any effect on the financial statements of the Company. They did however give rise to additional disclosures. The principal effects of these changes are as follows:

IFRS 7 Financial Instruments: Disclosures

This standard requires disclosures that enable users of the financial statements to evaluate the significance of the Company's financial instruments and the nature and extent of risks arising from those financial instruments. The new disclosures are included throughout the financial statements.

IAS 1 Presentation of Financial Statements

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital. These new disclosures are shown in Note 30.

IFRIC 8 Scope of IFRS 2

This interpretation requires IFRS 2 to be applied to any arrangements in which the entity cannot identify specifically some or all of the goods received, in particular where equity instruments are issued for consideration which appears to be less than fair value. As equity instruments are only issued to employees in accordance with the employee share scheme, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 9 Reassessment of Embedded Derivatives

IFRIC 9 states that the date to assess the existence of an embedded derivative is the date that an entity first becomes a party to the contract, with reassessment only if there is a change to the contract that significantly modifies the cash flows. As the Company has no embedded derivative requiring separation from the host contract, the interpretation had no impact on the financial position or performance of the Company.

IFRIC 10 Interim Financial Reporting and Impairment

The Company adopted IFRIC Interpretation 10 as of January 1, 2007, which requires that an entity must not reverse an impairment loss recognized in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. As the Company had no impairment losses previously reversed, the interpretation had no impact on the financial position or performance of the Company.

Future Changes in Accounting Principles

The Company has not applied the following IFRS Guidelines, which have been issued but have not yet entered into force:

IFRS 8 Operating Segments

IFRS 8 was issued in November 2006 and is effective for annual periods beginning on or after January 1, 2009. IFRS 8 requires entities to disclose segment information reviewed by the entity's chief operating decision maker. The impact of this standard on the other segment disclosures is still to be determined. As this is a disclosure standard, it will have no impact on the financial position or financial performance of the Company.

IFRIC 11 IFRS 2 Group and Treasury Share Transactions

IFRIC 11 requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity-settled scheme, even if the entity buys the instruments from another party, or the shareholders provide the equity instruments needed. This interpretation will have no impact on the consolidated financial position or financial performance of the parent company.

IAS 23 Borrowing Costs

A revised IAS 23 Borrowing Costs was issued in March 2007 and becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. In accordance with the transitional requirements in the Standard, the Company will adopt this as a prospective change. Accordingly borrowing costs will be capitalized on qualifying assets with a commencement date after January 1, 2009. No changes will be made for borrowing costs incurred to this date that have been expensed.

IFRIC 12 Service Concession Arrangements

IFRIC Interpretation 12 was issued in November 2006 and becomes effective for annual periods beginning on or after January 1, 2008. This Interpretation applies to service concession operators and explains how to account for the obligations undertaken and rights received in service concession arrangements. No member of the Company is an operator and hence this Interpretation will have no impact on the Company.

IFRIC 13 Customer Loyalty Programmes

IFRIC Interpretation 13 was issued in June 2007 and becomes effective for annual periods beginning on or after July 1, 2008. This Interpretation requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled. The Company expects that this Interpretation will have no impact on the financial statements of the Company as no such schemes currently exist.

IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

IFRIC Interpretation 14 was issued in July 2007 and becomes effective for annual periods beginning on or after January 1, 2008. This interpretation provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under IAS 19 Employee Benefits. The Company expects that this Interpretation will have no impact on the financial position or performance of the Company as the funding of the defined benefit scheme is within appropriate range.

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. They are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value: derivative financial instruments and securities, relating to pension obligations.

Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with IFRS, as adopted by the EU, requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Principles of Consolidation

As of December 31, 2007, 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.	Londonderry, New Hampshire, USA	100 %
Besi Austria Holding GmbH	Vienna, Austria	100 %
Besi USA, Inc.	Londonderry, New Hampshire, USA	100 %
Besi Singapore Pte. Ltd.	Singapore	100 %
Besi Korea Ltd.	Seoul, Korea	100 %
Besi Japan Co. Ltd.	Tokyo, Japan	100 %
Besi Taiwan Ltd.	Taipei, Taiwan	100 %
Besi Asia Pacific Holding B.V.	Duiven, the Netherlands	100 %
Besi Philippines, Inc.	Muntinlupa City, Philippines	100 %
Fico B.V.	Duiven, the Netherlands	100 % [1]
Fico International B.V.	Duiven, the Netherlands	100 %
Fico Tooling Leshan Company Ltd.	Leshan, China	87 %
Fico Asia Sdn. Bhd.	Shah Alam, Malaysia	100 % [2]
ASM Fico (F.E.) Sdn. Bhd.	Shah Alam, Malaysia	99.9 % [3]
Fico Hong Kong Ltd.	Hong Kong, China	100 %
Fico Sales & Service Pte. Ltd.	Singapore	100 %
Meco International B.V.	Drunen, the Netherlands	100 %
Meco Equipment Engineers B.V.	Drunen, the Netherlands	100 %
Meco Equipment Engineers (Far East) Pte. Ltd.	Singapore	100 %
Laurier, Inc.	Londonderry, New Hampshire, USA	100 % [4]
Datacon Eurotec GmbH	Berlin, Germany	100 %
Datacon Beteiligungs GmbH	Vienna, Austria	100 %
Datacon Technology GmbH	Radfeld, Austria	100 %
Datacon Switzerland AG	Baar, Switzerland	100 %
Datacon Hungary Termelö Kft.	Györ, Hungary	100 % [2]
Datacon North America Inc.	Wilmington, Delaware, USA	100 % [5]

[1] Fico B.V. and Fico Singulation B.V. merged effective December 19, 2007. The name of the combined company is Fico B.V.
[2] In order to comply with local corporate law, a minority shareholding (less than 0.1 %) is held by the management of these respective companies.
[3] In order to comply with local corporate law, a minority shareholding is held by Company management.
[4] Company renamed to Besi North America Inc. in January 2008.
[5] Merged with Besi North America Inc. in January 2008.

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

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 financial statements:

Operating Lease Commitment – Company as Lessor

The Company has entered into commercial leases on its investment portfolio. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, that it retains all the significant risks and rewards of ownership and so accounts for the contracts as operating leases.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

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.

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.

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 recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. Further details are contained in Note 10.

Pension and Other Post Employment Benefits

The cost of defined benefit pension plans and other post-employment medical benefits is 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 18.

Development Costs

Development costs are capitalized in accordance with the accounting policy as reflected below. 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.

Derivative Financial Instruments

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 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. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value is recognized immediately in the consolidated statement of operations. However, where derivatives qualify for hedge accounting, recognition of any resultant gain or loss depends on the nature of the item being hedged.

Where a derivative financial instrument hedges the change in fair value of a recognized asset or liability or an unrecognized firm commitment (or an identified portion of such assets, liability or firm commitment), any gain or loss on the hedging instrument is recognized in the consolidated statement of operations. The hedged item also is stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in the consolidated statement of operations.

As of July 1, 2006, the Company adopted 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 operations in financial income (expense).

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. 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 to profit or loss. 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 income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in profit or loss.

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.

Accounts Receivable

Accounts receivable are stated at their cost less impairment losses. Cost is measured as the invoiced amount taking into consideration the time value of money, if significant. The calculation of the impairment loss is the Company's best estimate of the amount of probable credit losses in its existing accounts receivable. The Company determines the impairment loss based on historical write-off experience by industry and national economic data. Balances which are over 30 days past due and exceed a specific amount are reviewed individually for collectibility. Account balances are charged off after all means of collection have been exhausted and the potential for recovery is considered remote. The Company does not have any off-balance sheet credit exposure related to its customers.

Inventories

Inventories are stated at the lower of cost (using first-in, first-out method) and 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, charges for freight and custom duties, production labor costs and factory overhead.

Other Current Assets

Other current assets are stated at cost.

Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation. 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]	5–10 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 results 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 profit or loss on a straight-line basis over the lease term.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. Goodwill represents the excess of the costs of purchased businesses over the fair value of their net assets and liabilities at date of acquisition. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Other Intangible Assets

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 operations 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 and the Company has sufficient resources to complete development. 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 operations as an expense, as incurred. 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 operations 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	2–5 years

The Company does not have any identifiable assets with indefinite lives.

The amortization is recognized in the consolidated statement of operations 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 operations. 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, accounts payable and accrued liabilities and are stated at amortized cost.

Convertible Notes
Convertible notes that can be converted to share capital at the option of the holder, where the number of shares issued does not vary with changes in their fair value, are accounted for as compound financial instruments. Transaction costs that relate to the issue of a compound financial instrument are allocated to the liability and equity components in proportion to the allocation of proceeds. The equity component of the convertible notes is calculated as the excess of the issue proceeds over the present value of the future interest and principal payments, discounted at the market rate of interest applicable to similar liabilities that do not have a conversion option. The interest expense recognized in the consolidated statement of operations is calculated using the effective interest rate method.

Derecognition of Financial Assets and Liabilities
Financial Assets
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised 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; or
+ The Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) 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.

Financial Liabilities
A financial liability is derecognised 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 profit or loss.

Employee Benefits
Pension Plans
Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated statement of operations, as incurred.

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 calculation is performed by a qualified actuary using the projected unit credit method.

A majority of the Company's Dutch employees participate 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
Under the Incentive Plan 1995 and the Incentive Plan 2001, the Company granted both cash and equity-settled share-based payments to its employees.

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. The fair value of the options granted is measured using a binomial model, taking into account the terms and conditions upon which the options were granted. The amount recognized as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold for vesting.

The fair value of the cash-settled options is recognized as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the cash-settled options is measured based on a binomial model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognized in the consolidated statement of operations.

Under the Incentive Plan 2005, the Company granted non-performance-related stock awards to its Supervisory Board and performance-related stock awards to members of Board of Management, executive officers and senior officers of the Company. All granted stock awards in 2005, 2006 and 2007 have vested on November 30, 2007, in accordance with the allocation agreements. All non-vested stock awards forfeit at retirement. The expense recognized in the consolidated statement of operations is based on the market value of the Company's Ordinary Shares on the date of grant.

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 weighting of all possible outcomes against their associated probabilities.

Restructuring
A provision for restructuring is recognized when the Company has approved a detailed and formal restructuring plan, and the restructuring has either commenced or has been announced publicly. Future operating costs are not provided for.

Revenue Recognition

Shipment of products occurs after a customer accepts the product at the Company's premises. Advance payments received from customers are recorded as a liability until the products have been shipped. The Company recognizes revenues from sales of products upon shipment, if and when the risk of loss and rewards of ownership with respect to products transfer to customers at that time. The sale of the product to the customer is thereby considered complete and no significant obligations remain after the sale is completed. A customer's sole recourse against the Company is to enforce its obligations relating to installation and warranty.

In connection with introductions of new technology, we initially defer revenue recognition until completion of installation and acceptance of the new technology at the customer's premises. This deferral continues until the Company is able to conclude that installation of the new technology in question occurs consistently within a predetermined time period and that the performance of the new technology is not reasonably different from that exhibited in the pre-shipment factory acceptance test. Any such deferral of revenues can have a material effect on the result of operations for the fiscal period in which the deferral occurs and on succeeding fiscal results.

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. Technical development credits ("Technische Ontwikkelingskredieten" or "TOK") received from the Netherlands government to offset the costs of certain research and development projects are contingently repayable to the extent that sales of equipment developed in such projects occur. Such repayments are calculated as a percentage of sales revenue and are charged to research and development expenses. No repayment is required if such sales do not occur.

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 operations. Interest income is recognized in the consolidated statement of operations as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognized in the consolidated statement of operations using the effective interest rate method. All borrowing costs are recognized and expensed when occurred.

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 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 business segment, the design, manufacturing, marketing and servicing of assembly equipment for the semiconductor's back-end segment. Since the Company operates in one business 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. Geographic segmentation is considered to be the secondary segment.

3. Cash and Cash Equivalents

(euro in thousands)	December 31, 2007	December 31, 2006
Short-term deposits	47,300	59,198
Cash on hand at banks	27,481	38,814
Total cash and cash equivalents	74,781	98,012

Cash and cash equivalents in the balance sheet comprise cash at banks. Interest rates are variable, except for some short-term deposits, which bear a fixed interest rate with an original maturity of three months or less depending on the immediate cash requirements of the Company. The fair value of cash and short-term deposits is € 74,781 (2006: € 98,012).

4. Accounts Receivable

Accounts receivable, generally with payments terms of 30 to 90 days, are shown net of impairment losses amounting to € 393 and € 636 at December 31, 2007 and 2006, respectively. No interest is calculated.

The movements in the allowance for doubtful accounts are as follows:

(euro in thousands)	2007	2006
Balance at January 1,	636	701
Additions (releases)	3	(53)
Utilized	(229)	3
Foreign currency translation	(17)	(15)
Balance at December 31,	393	636

Accounts receivable are impaired collectively.

As at December 31, the aging of accounts receivable is as follows:

(euro in thousands)	Total	Impaired	Neither past due nor impaired	Past due but not impaired				
				< 30 days	30–60 days	60–90 days	90–120 days	> 120 days
2007	41,738	(393)	19,705	5,753	4,940	2,467	2,617	6,649
2006	36,530	(636)	20,816	6,809	3,485	2,403	483	3,170

5. Inventories

Inventories, at net realizable value, consist of the following:

(euro in thousands)	December 31, 2007	December 31, 2006
Raw materials	21,542	22,012
Work in progress	21,536	28,360
Finished goods	3,746	7,784
Total inventories, net	46,824	58,156

The movements in the provision for obsolete inventories are as follows:

(euro in thousands)	2007	2006
Balance at January 1,	7,871	14,232
Additions (releases)	1,464	(2,703)
Inventory written off	(1,467)	(3,552)
Foreign currency translation	(108)	(106)
Balance at December 31,	7,760	7,871

6. Other Current Assets

Other current assets consist of the following:

(euro in thousands)	December 31, 2007	December 31, 2006
VAT receivables	1,725	1,357
Subsidies and development credits receivable	291	147
Interest receivable	406	318
Deposits	321	300
Prepaid expenses	1,109	1,015
Receivable member of the Board of Management	122	122
Insurance	623	-
Other	2,176	1,574
Total other current assets	6,773	4,833

Other current assets do not include any amounts with expected remaining terms of more than one year. No interest is calculated. Regarding the receivable member of the Board of Management, we refer to Note 29.

7. 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, 2007					
Cost	13,952	22,889	16,958	145	**53,944**
Accumulated depreciation	(1,322)	(15,592)	(14,253)	-	**(31,167)**
Property, plant and equipment, net	12,630	7,297	2,705	145	**22,777**
Changes in book value in 2007					
Investments	1,812	795	936	493	**4,036**
Disposals	(620)	(303)	(11)	-	**(934)**
Depreciation	(665)	(2,440)	(1,308)	-	**(4,413)**
Foreign currency translation	(131)	(83)	(39)	(3)	**(256)**
Total changes	396	(2,031)	(422)	490	**(1,567)**
Balance at December 31, 2007					
Cost	14,680	22,660	16,627	635	**54,602**
Accumulated depreciation	(1,654)	(17,394)	(14,344)	-	**(33,392)**
Property, plant and equipment, net	13,026	5,266	2,283	635	**21,210**

(euro in thousands)	Land, buildings and leasehold improvements	Machinery and equipment	Office furniture and equipment	Assets under construction	Total
Balance at January 1, 2006					
Cost	18,477	25,217	16,685	1,514	**61,893**
Accumulated depreciation	(4,696)	(16,462)	(13,582)	-	**(34,740)**
Property, plant and equipment, net	13,781	8,755	3,103	1,514	**27,153**
Changes in book value in 2006					
Investments	1,695	1,261	1,106	(1,366)	**2,696**
Classified as assets held for sale	(1,327)	(122)	-	-	**(1,449)**
Disposals	-	(417)	(96)	-	**(513)**
Impairment	(328)	-	-	-	**(328)**
Depreciation	(1,018)	(2,003)	(1,365)	-	**(4,386)**
Foreign currency translation	(173)	(177)	(43)	(3)	**(396)**
Total changes	(1,151)	(1,458)	(398)	(1,369)	**(4,376)**
Balance at December 31, 2006					
Cost	13,952	22,889	16,958	145	**53,944**
Accumulated depreciation	(1,322)	(15,592)	(14,253)	-	**(31,167)**
Property, plant and equipment, net	12,630	7,297	2,705	145	**22,777**

The Company has obligations under various financial and operating leases, primarily for land and buildings, manufacturing and office facilities and equipment. Assets under financial leases included in property, plant and equipment consist of the following:

(euro in thousands)	December 31, 2007	December 31, 2006
Machinery, equipment and office furniture	96	475
Accumulated depreciation	(53)	(162)
Total	43	313

The legal ownership of the majority of the assets under financial leases lies at a third party.

Assets classified as assets held for sale consist of the following:

(euro in thousands)	December 31, 2007	December 31, 2006
Land	134	134
Buildings and leasehold improvements	1,319	1,193
Machinery and equipment	122	122
Total	1,575	1,449

Depreciation

The depreciation is recognized in the following line items in the consolidated statement of operations:

(euro in thousands)	Year Ended December 31, 2007	2006
Cost of sales	1,999	2,463
Selling, general and administrative expenses	1,660	1,277
Research and development expenses	754	646
Total	4,413	4,386

The 2006 impairment is recognized in the selling, general and administrative expenses in the consolidated statement of operations.

8. Goodwill

Goodwill consists of the following:

(euro in thousands)	2007	2006
Balance at January 1,		
Cost	73,136	76,845
Accumulated amortization	(9,025)	(9,503)
Goodwill	64,111	67,342
Changes in book value		
Valuation allowance adjustments on acquisition Datacon	(53)	-
Tax adjustments on acquisition Datacon	-	(2,300)
Foreign currency translation	(840)	(931)
Total changes	(893)	(3,231)
Balance at December 31,		
Cost	71,811	73,136
Accumulated amortization	(8,593)	(9,025)
Goodwill	63,218	64,111

Impairment Tests for Cash-Generating Units Containing Goodwill

The following units have significant carrying amounts of goodwill:

(euro in thousands)	December 31, 2007	December 31, 2006
Datacon	60,759	61,652
Meco	1,980	1,980
Fico	479	479
Total	63,218	64,111

The recoverable amount of the cash-generating units is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and the five-year business plan, as well as the present value of the residual value at the end of the fifth year. This residual value is based on a 2 % perpetual growth rate. The discount rate used varied between 13.8 % and 18.8 %, based on risk free rate of 4.1 % and market risk premium. Due to the restructuring that took place during 2007, the Laurier activities are merged into the Datacon activities, therefore the Laurier activities no longer can be considered as a separate cash-generating unit. For comparison reasons the December 31, 2006 Laurier (€ 8.0 million) and Datacon (€ 53.7 million) are combined into Datacon.

9. Other Intangible Assets

Other intangible assets, net consist of the following:

(euro in thousands)	Patents	Trademarks	Customer relationships	Development expenses	Total
Balance at January 1, 2007					
Cost	34,592	560	6,083	6,707	**47,942**
Accumulated amortization	(28,383)	(273)	(1,014)	(1,925)	**(31,595)**
Accumulated impairment	(1,065)	-	-	(219)	**(1,284)**
Other intangible assets, net	5,144	287	5,069	4,563	**15,063**
Changes in book value in 2007					
Capitalized development expenses	-	-	-	338	**338**
Impairment	(518)	(261)	-	-	**(779)**
Amortization	(1,605)	(21)	(507)	(2,137)	**(4,270)**
Foreign currency differences	(80)	(5)	-	(105)	**(190)**
Total changes	(2,203)	(287)	(507)	(1,904)	**(4,901)**
Balance at December 31, 2007					
Cost	34,247	501	6,083	7,045	**47,876**
Accumulated amortization	(30,581)	(240)	(1,521)	(4,167)	**(36,509)**
Accumulated impairment	(725)	(261)	-	(219)	**(1,205)**
Other intangible assets, net	2,941	-	4,562	2,659	**10,162**

(euro in thousands)	Patents	Trademarks	Customer relationships	Order backlog	Development expenses	Total
Balance at January 1, 2006						
Cost	34,979	625	6,083	719	6,053	**48,459**
Accumulated amortization	(26,062)	(256)	(507)	(719)	(127)	**(27,671)**
Accumulated impairment	(1,493)	-	-	-	(219)	**(1,712)**
Other intangible assets, net	7,424	369	5,576	-	5,707	**19,076**
Changes in book value in 2006						
Capitalized development expenses	-	-	-	-	802	**802**
Amortization	(2,149)	(45)	(507)	-	(1,798)	**(4,499)**
Foreign currency differences	(131)	(37)	-	-	(148)	**(316)**
Total changes	(2,280)	(82)	(507)	-	(1,144)	**(4,013)**
Balance at December 31, 2006						
Cost	34,592	560	6,083	-	6,707	**47,942**
Accumulated amortization	(28,383)	(273)	(1,014)	-	(1,925)	**(31,595)**
Accumulated impairment	(1,065)	-	-	-	(219)	**(1,284)**
Other intangible assets, net	5,144	287	5,069	-	4,563	**15,063**

Amortization and Impairment Charge

The amortization and impairment (charge) is recognized in the following line items in the consolidated statement of operations:

(euro in thousands)	**Year Ended December 31,**	
	2007	**2006**
Cost of sales	1,625	2,149
Selling, general and administrative expenses	1,282	552
Research and development expenses	2,142	1,798
Total	5,049	4,499

Impairment

In 2007, the Company tested all its intangible fixed assets on impairment. The Company included an impairment of patents and trademarks in connection with an evaluation of its product portfolio during the restructuring as announced on June 18, 2007. The impairment charge amounts to € 0.8 million and is recognized under the line items cost of sales (€ 0.5 million) and selling, general and administrative expenses (€ 0.3 million). The book value of a patent related to the Company's Meco subsidiary as of December 31, 2007 has been recalculated due to compulsory extension of lifetime to 2010. The effect of this extension related to 2007 amounts to € 0.5 million and is recognized under the line item cost of sales.

10. Income Taxes

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

(euro in thousands)	December 31, 2007	December 31, 2006
Deferred tax assets (liabilities)		
- Operating loss carry forwards	11,735	9,219
- Intangible assets	2,954	3,535
- Intercompany interest	2,921	3,259
- Inventories	1,283	490
- Provisions	1,198	555
- Debt issuance costs convertible notes	(332)	(439)
- Equity component convertible notes	(443)	(508)
- Other items	401	275
Total deferred tax assets (liabilities), gross	19,717	16,386
- Valuation allowance	(11,779)	(12,386)
Total deferred tax assets (liabilities), net	7,938	4,000
Deferred tax asset to be recovered after more than twelve months	6,786	2,184
Deferred tax asset to be recovered within twelve months	1,386	2,147
Total deferred tax assets, net	8,172	4,331
Deferred tax liability to be settled after more than twelve months	(234)	(331)
Deferred tax liability to be settled within twelve months	-	-
Total deferred tax liabilities, net	(234)	(331)
Total deferred tax assets (liabilities), net	7,938	4,000
Domestic	5,307	-
Foreign	2,631	4,000
Total deferred tax assets (liabilities), net	7,938	4,000

All deferred taxes are recognized. The deferred tax assets for operating loss carry forwards are related to the U.S., German and Dutch operations of the Company. Under applicable U.S. tax law, the carry forwards related to the U.S. operating losses of € 15.9 million expire during the periods of 2010 through 2026. The carry forwards related to the Dutch operating losses amount to approximately € 22.2 million and expire during the periods of 2013 through 2015. The carry forwards related to the German operating losses amount to approximately € 0.9 million, and have no expiration terms.

A summary of activity in the valuation allowance on the deferred tax assets is as follows:

(euro in thousands)	2007	2006
Balance at January 1,	12,386	12,966
Provision (release) for allowance on deferred tax assets, income portion	1,860	(190)
Provision for allowance on deferred tax assets, equity portion	(915)	915
Reversal of acquired valuation allowance on tax assets	(53)	(106)
Release valuation allowance due to expired net operating losses	(937)	-
Utilization of written-down net operating losses	(268)	-
Foreign currency translation	(294)	(1,199)
Balance at December 31,	11,779	12,386

The change in the total valuation allowance for the year ended December 31, 2007, was a decrease of € 0.6 million. This decrease is due to foreign currency translation differences on the allowance on our U.S. net operating loss carry forwards, temporary differences and a decrease in the allowance for the tax assets of the Dutch fiscal entity.

In assessing the realizability of deferred tax assets, the Company considers whether it is more probable 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 2002, the Company recorded a valuation allowance against its deferred tax asset consisting primarily of U.S. net operating loss carry forwards and temporary differences. The Company determined that the valuation allowance was required based on recent U.S. tax losses, which were given substantially more weight than forecasts of future profitability in its evaluation of whether it is probable that the U.S. net operating loss carry forwards will be realized. The Company has provided for a valuation allowance to the U.S. tax assets arising after 2002.

In 2006, the Company recorded a valuation allowance against its deferred tax asset of the Dutch net operating loss carry forwards and temporary differences. The Company determined that the valuation allowance was required based on the tax losses incurred in the Dutch fiscal group, which were given substantially more weight than forecasts of future profitability in its evaluation of whether it is probable that the Dutch net operating loss carry forwards will be realized.

In the allocation of the purchase price of Datacon, the Company recorded a valuation allowance on deferred tax assets primarily related to net operating losses carry forwards of € 0.7 million for Datacon's U.S. subsidiary. Through this valuation allowance, the Company reduced its tax assets for Datacon's U.S. operation to nil, based on the incurred losses. The income tax benefit of € 0.1 million for 2006 in connection with Datacon's U.S. subsidiary was applied to reduce the carrying amount of goodwill to the amount that would have been recognized if the deferred tax asset had been recognized as an identifiable asset from the acquisition date. The reduction in the carrying amount of the goodwill is recognized as an expense under the goodwill adjustment relating to deferred tax assets. Subsequently recognized tax benefits relating to the valuation allowance for deferred tax assets of Datacon's U.S. subsidiary as of December 31, 2006, in the amount of € 0.5 million will receive similar accounting treatment. Furthermore, the tax assets of Datacon were increased by € 0.4 million, due to adjustments in the pre-acquisition period. This entry received similar treatment.

In 2006, a corporate income tax rate reduction has been enacted in the Netherlands. Consequently, the Company reassessed the valuation of its tax assets and liabilities, resulting in a tax expense in the fourth quarter of 2006 of € 362.

In 2007, the Company recorded an after-tax benefit of € 1.2 million, net of interest charges, due to a favorable settlement with Dutch fiscal authorities of Besi's tax obligations for the period 1998–2002, based on their statutory review. Furthermore, as a result of the 2007 tax audit the Company no longer recorded a valuation allowance against its deferred tax asset of the Dutch net operating loss carry forwards and temporary differences as the Company determined that future taxable income will be sufficient to cover the deferred tax asset of € 5.3 million related to the tax loss carry forwards. The components of income (loss) before income taxes and minority interest were as follows:

(euro in thousands)		Year Ended December 31,
	2007	**2006**
Domestic	(13,477)	(3,382)
Foreign	5,528	14,602
Total	(7,949)	11,220

The Dutch domestic statutory tax rate is 25.5 % for the year ended December 31, 2007, and 29.6 % for the year ended December 31, 2006. The reconciliation between the actual income taxes (benefit) shown in the consolidated statement of operations 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,
	2007	**2007 in % of loss before taxes**	**2006**	**2006 in % of income before taxes**
"Expected" income tax expense (benefit) based on domestic rate	(2,027)	25.5 %	3,321	29.6 %
Non-deductible expenses	(64)	0.8 %	118	1.1 %
Foreign tax rate differential	(809)	10.2 %	(480)	(4.3 %)
Tax benefits Eurotec transaction - Datacon	(43)	0.5 %	(4,288)	(38.2 %)
Pre-acquisition tax benefits	-	-	(482)	(4.3 %)
Tax-exempt income	-	-	(381)	(3.4 %)
Changes in tax due to adjustment tax audit	(1,735)	21.8 %	-	-
Changes in deferred tax assets and liabilities due to adjustment tax rates	(6)	0.1 %	362	3.2 %
Increase (decrease) in valuation allowance, net	1,860	(23.4 %)	(190)	(1.7 %)
Other	371	(4.7 %)	141	1.3 %
Income tax benefit shown in consolidated statement of operations	(2,453)	30.9 %	(1,879)	(16.7 %)

In the second quarter of 2006, the Company sold certain assets of Eurotec, a Datacon subsidiary, to a third party. This sale resulted in additional deferred tax assets of € 4.3 million, of which € 1.8 million was related to the period prior to the acquisition of Datacon by the Company. The pre-acquisition portion of € 1.8 million, together with the aforementioned € 0.5 million of other pre-acquisition tax assets (total of € 2.3 million) were applied to reduce goodwill to the amount that would have been recognized if the deferred tax asset had been recognized as an identifiable asset from the acquisition date. The reduction in the carrying amount of the goodwill is recognized as an expense under the goodwill adjustment relating to deferred tax assets. The related offsetting and equal tax benefit is shown under income tax benefit in the consolidated statement of operations.

The provision for income tax benefit shown in the consolidated statement of operations consisted of the following:

(euro in thousands)		**Year Ended December 31,**
	2007	**2006**
Current:		
- domestic	-	-
- foreign	768	606
Deferred:		
- domestic	(4,903)	(619)
- foreign	1,682	(1,866)
Total	(2,453)	(1,879)

Tax risk

Given the international business structure of the Company and the increasing number and amounts of intercompany transactions, certain tax risks hereto may exist.

11. Other Non-Current Assets

Other non-current assets consist of the following:

(euro in thousands)	**December 31, 2007**	**December 31, 2006**
Funds with insurance companies for pension liability	1,950	1,984
Other	430	383
Total other non-current assets	2,380	2,367

12. Borrowing Facilities

At December 31, 2007, the Company and its subsidiaries had available credit facilities amounting to an aggregate of € 25.9 million, under which € 10.7 million of short-term borrowings were outstanding. Furthermore, amounts available to be drawn under the lines were reduced by € 0.8 million in outstanding bank guarantees. Interest is charged at the bank's base lending rates or Euribor plus an increment between 0.30 % and 0.70 %. The credit facility agreements include covenants requiring the Company to maintain certain financial ratios. The Company and all of its applicable subsidiaries were in compliance with all loan covenants at December 31, 2007 or received requisite waivers. All borrowing facilities have no contractual maturity date. For security arrangements with respect to all loans we refer to Note 16.

13. Provisions

(euro in thousands)	**December 31, 2007**	**December 31, 2006**
Warranty Provision	2,668	2,978
Restructuring Provision	553	35
Provision for purchase obligations	82	42
Total provisions	3,303	3,055

Warranty Provision

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

(euro in thousands)	December 31, 2007	December 31, 2006
Balance at January 1,	2,978	2,597
Provision for loss on warranty	3,270	3,960
Cost for warranty	(3,558)	(3,533)
Foreign currency translation	(22)	(46)
Balance at December 31,	2,668	2,978

Restructuring Provision

In June 2007, the Company announced an operational restructuring focused on the consolidation of certain global manufacturing and sales and service activities in order to streamline its operations, reduce subsidiary overhead and improve profitability. Restructuring charges recorded by the Company in 2007 amount to € 4.5 million, whereof € 1.9 million relates to severance payments.

Changes in the restructuring provision were as follows:

(euro in thousands)	2007	2006
Balance at January 1,	35	764
Additions (releases)	1,862	(255)
Cash payments	(1,308)	(474)
Foreign currency translation	(36)	-
Balance at December 31,	553	35

The restructuring charges (releases) are recognized in the following line items in the consolidated statement of operations:

(euro in thousands)		Year Ended December 31,
	2007	2006
Cost of sales	2,468	(246)
Selling, general and administrative expenses	1,747	-
Research and development expenses	327	(9)
Total	4,542	(255)

Provision for Purchase Obligations

The Company systematically evaluates its outstanding commitments for the purchase of materials and subcontracting for obsolescence. At December 31, 2007, the Company provided a provision on its outstanding commitments equal to € 82.

Changes in the provision for purchase obligations were as follows:

(euro in thousands)	2007	2006
Balance at January 1,	42	458
Additions	88	-
Cash payments	(48)	(416)
Balance at December 31,	82	42

14. Accounts Payable

Accounts payable are non-interest bearing and are normally settled on 30–60 day terms.

15. Accrued Liabilities

Accrued liabilities consist of the following:

(euro in thousands)	December 31, 2007	December 31, 2006
Advances from customers	1,386	4,515
Other taxes and social security	1,535	1,282
Salaries and payroll-related items	4,053	4,732
Accrued commissions	491	361
Development credits payable	120	81
Interest	1,658	1,435
Other	4,611	4,279
Total accrued liabilities	13,854	16,685

+ Other payables are non-interest-bearing and have an average term of 3 months.
+ Interest payable is normally settled quarterly throughout the year. Interest payables of the convertible loan are semi-annually.

16. Long-Term Debt and Financial Leases

(euro in thousands)	December 31, 2007	December 31, 2006
Convertible notes, interest rate at 5.5 %	42,961	42,284
Other long-term debt:		
A. Long-term loans from Industrial & Commercial Bank of China, Leshan, China	-	388
B. Long-term loan from Bank für Tirol und Vorarlberg, Radfeld, Austria (Interest rate is 5.5 % at December 31, 2007)	1,942	7,244
C. Research and development loan from Österreichische Forschungsförderungsgesellschaft, Wien, Austria (Interest rates 2 % at December 31, 2007)	1,267	1,860
D. Long-term loan from Fortis Bank, the Netherlands (Interest rates vary from 4.63 % to 4.72 % at December 31, 2007)	3,500	5,000
E. Long-term loan from Fortis Bank, the Netherlands (Interest rate at 4.08 % at December 31, 2007)	2,500	4,500
F. Long-term loan Fortis Bank, Austria (Interest rate at 4.49 % at December 31, 2007)	3,157	-
G. Long-term loan ABN Amro Bank, Malaysia (Interest rate at 5.25 % at December 31, 2007)	1,047	-
H. Long-term loan ERP fund (Interest rates vary from 2.45 % to 2.95 % at December 31, 2007)	550	-
Financial leases at various interest rates	9	144
	56,933	61,420
Less: current portion	(6,364)	(6,682)
Total long-term debt and financial leases	50,569	54,738

Aggregate required principal payments due on long-term debt and financial leases for the next five years and thereafter, assuming no conversions of the Company's convertible notes occur, are as follows:

(euro in thousands)	Convertible notes	Long-term debt	Financial leases
2008	-	6,355	9
2009	-	4,403	-
2010	-	977	-
2011	-	952	-
2012	46,000	548	-
2013 and thereafter	-	728	-
Total	46,000	13,963	9
Less: imputed interest	(1,736)	-	-
Less: unamortized debt issuance cost	(1,303)	-	-
Less: current portion of long-term debt and financial leases	-	(6,355)	(9)
Non-current portion of long-term debt and financial leases	42,961	7,608	-

Convertible Notes

In January 2005, the Company issued € 46 million principal amount of convertible notes due 2012 (the "Notes"). The Notes carry an interest rate of 5.5 % per annum, payable semi-annually, with the first payment made on July 28, 2005. The Notes initially convert into Ordinary Shares at a conversion price of € 5.1250. The Notes will be repaid at maturity at a price of 100 % of their principal amount plus accrued and unpaid interest. If not converted, on the date beginning four years from the issue date, the Company may redeem the outstanding Notes at their par value provided that on the date of conversion the market value of the Company's Ordinary Shares exceeds 130 % of the then effective conversion price.

The Notes were offered to institutional investors in the Netherlands and internationally to professional investors through an international private placement, in reliance on Regulation S of the U.S. Securities Act of 1933, as amended. Listing of the Notes on the official segment of the Stock Market of Euronext Amsterdam N.V. took place on January 28, 2005.

The amount of the Notes classified as equity of € 2,580 is net of attributable debt issuance cost of € 140.

Other Long-Term Debt

A. Represents a loan of € 388 denominated in Renminbi for the financing of the Company's activities in China. The loan was fully repaid in December 2007.

B. Represents a loan totaling € 1,942 for the financing of the Company's Datacon subsidiary. The interest rate at December 31, 2007, was 5.5 %. Total payments are due between January 2008 and October 2009. The loans are secured by a bill of exchange, a pledge of securities and by land and fire insurance. The short-term portion of such loans is secured by outstanding accounts receivable.

C. Represents six loans aggregating € 1,267 for the financing of the research and development projects at the Company's Datacon subsidiary. The interest rates at December 31, 2007, are 2 %. Loan repayments are due between January 2008 and June 2011.

D. Represents two loans totaling € 3,500 for the financing of the Company's Meco subsidiary. The interest rates vary from 4.63 % to 4.72 %. Loan repayments are due between January 2008 and October 2009. The loans are secured by a positive/negative pledge of registered claims, inventory and equipment.

E. Represents a loan of € 2,500 for the financing of the Company's Fico subsidiary. The interest rate is 4.08 %. Total payments are due between January 2008 and January 2009. The loans are secured by a positive/negative pledge of registered claims, inventory and equipment.

F. Represents a loan of € 3,157 for the financing of the Company's Datacon subsidiary. The interest rate at December 31, 2007 was 4.49 %. Loan repayments are due between January 2008 and March 2014. The loans are secured by a bill of exchange, a pledge of securities and by land and fire insurance. The short portion of such loans is secured by outstanding accounts receivable.

G. Represents a loan of € 1,047 for the financing of the Company's Fico Asia subsidiary. The interest rate at December 31, 2007 was 5.25 %. Loan repayments are due between January 2008 and March 2012. The loans are secured by a mortgage on the land and buildings of Fico Asia Sdn. Bhd. and certain other fixed and floating present and future assets of Fico Asia Sdn. Bhd.

H. Represents two loans totaling € 550 for the financing of the research and development projects at the Company's Datacon subsidiary. The interest rates vary from 2.45 % to 2.95 %. Total payments are due between January 2008 and July 2009. The loan is secured by a bank guarantee and investment funds held by the Datacon subsidiary.

17. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

(euro in thousands)	December 31, 2007	December 31, 2006
Pension liabilities	1,536	1,394
Severance obligations	1,581	1,380
Other non-current liabilities	3,117	2,774

18. 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 provide the information needed in order to account for pension commitments as a defined benefit plan in the 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. Contributions under this plan were € 3.3 million in 2007 and 2006, respectively. Based on public information posted on the website of the Industry Pension Fund, there is no underfunding.

The Company's U.S., Malaysian, Korean, Japanese and Chinese subsidiaries have defined contribution plans that supplement the governmental benefits provided in the laws of the U.S., 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 payment in accordance with Austrian Labour Law. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the project unit cost method. The corridor method is not applied. Actuarial gains and losses are immediately recognized. The discount rate was assumed at 4.5 % (2006 4.5 %). The discount rate was derived by reference to appropriate benchmark yields on high quality corporate bonds. For the severance payments a salary increase rate of 3.5% (2006 3.5 %) was assumed. For contractually granted director's pensions the contractual 1.5-% (2006 1.5-%) increase was taken into account. For other employees, pensions and salary increases are not foreseen in the contract.

Changes in the liability for defined benefit and severance obligations recognized in the consolidated balance sheet is as follows:

(euro in thousands)			2007
	Pension liabilities	Severance obligations	Total
Liability for defined benefit and severance obligations at January 1,	1,394	1,380	2,774
Service cost	213	140	353
Interest cost	81	62	143
Net actuarial (gain) loss recognized	(114)	16	(98)
Benefits paid	(38)	(17)	(55)
Liability for defined benefit and severance obligations at December 31,	1,536	1,581	3,117

(euro in thousands)			2006
	Pension liabilities	Severance obligations	Total
Liability for defined benefit and severance obligations at January 1,	1,300	1,203	2,503
Service cost	102	147	249
Interest cost	61	54	115
Net actuarial (gain) loss recognized	(69)	16	(53)
Benefits paid	-	(40)	(40)
Liability for defined benefit and severance obligations at December 31,	1,394	1,380	2,774

The accumulated defined benefit obligation amounts to € 3.1 million as of December 31, 2007. Future expected benefit payments to (former) employees regarding pensions over the next ten years are immaterial. Future expected payments regarding severance over the next ten years cannot be estimated.

A summary of the components of total expense recognized in the consolidated statement of operations and the weighted average assumptions used for net periodic pension cost and benefit obligation calculations for 2007 and 2006 is presented below.

(euro in thousands)	Year Ended December 31,		
	2007	2006	2005
Components of total expense recognized in consolidated statement of operations			
Service cost	213	102	147
Interest cost	81	61	75
Net actuarial (gain) loss recognized	(113)	(69)	55
Total expense recognized in statements of operations	181	94	277

Changes in plan assets related to the liability for defined benefit and severance obligations recognized in the consolidated balance sheet are as follows:

(euro in thousands)	2007	2006
Plan assets at January 1,	1,984	2,710
Actual return on plan assets	21	(122)
Employer contribution/additions to plan assets	179	661
Transfer/disposal of plan assets due to resignation of employees	(234)	(1,265)
Plan assets at December 31,	1,950	1,984

Share-Based Compensation Plans

Description of Share-Based Compensation Plans

In 1995, the Company established the BE Semiconductor Industries Incentive Plan 1995 (the "Incentive Plan 1995"). The Company granted 1,101,236 equity-settled options to purchase Ordinary Shares ("1995 Plan Shares") under the Incentive Plan 1995. During the years from 1995 to 2001, the Company made awards under the Incentive Plan 1995 to its executive officers and senior employees. Options granted between 1999 and 2001 are fully vested and have exercise prices that were equal to the market price of the Company's Ordinary Shares on the date of grant. The Incentive Plan 1995 expired in 2001.

In 2001, the Company established the BE Semiconductor Industries Incentive Plan 2001–2005 (the "Incentive Plan 2001"). The Company granted 700,183 equity-settled options to purchase Ordinary Shares ("2001 Plan Shares") under the Incentive Plan 2001. Until 2004, the Company made awards under the Incentive Plan 2001 to its executive officers and employees. Options granted from 2002 through 2004 are fully vested and have exercise prices that were equal to the market price of the Company's Ordinary Shares on the date of grant. The Incentive Plan 2001 expired in 2005.

In the years 2000 through 2001, the Company granted equity-settled stock options to all of its employees under the Incentive Plan 1995 and in the years 2001 through 2004, the Company granted cash-settled stock options to all of its employees under the Incentive Plan 2001. These options are fully vested and have exercise prices equal to the market price of the Parent Company's Ordinary Shares on the date of grant.

The fair value of the cash-settled options is recognized as an expense with a corresponding increase in liabilities. The fair value is initially measured at grant date and expensed over the period during which the employees become unconditionally entitled to payment. The fair value of the cash-settled options is measured based on a binomial model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognized in the consolidated statement of operations.

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. For the cash stock options granted between 2001 and 2004, a benefit of € 48, net of tax, was recognized as compensation based on the market value of our Ordinary Shares for the year ended December 31, 2007.

At March 24, 2005, the Supervisory Board approved the vesting acceleration of 551,783 unvested cash and equity-settled options outstanding under the Company's employee stock options plans. Furthermore, the Supervisory Board approved to extend the exercise period of 316,866 out-of-the-money equity-settled stock options outstanding under the Company's employee stock options plans. In connection with the modification of the terms of the options to accelerate their vesting and to extend the exercise period, approximately € 0.8 million was recorded as compensation expense.

In 2005, the Company established the BE Semiconductor Industries Incentive Plan 2005–2009 (the "Incentive Plan 2005"). The total number of Ordinary Shares ("2005 Plan Shares") that the Company may issue under the Incentive Plan 2005 may not exceed 1.5 % of the total number of Ordinary Shares outstanding in the applicable fiscal year, subject to adjustments for share splits, share dividends, recapitalizations and similar events. The 2005 Plan Shares may consist, in whole or in part, of unauthorized and unissued Ordinary Shares or Treasury Shares. The Company has and anticipates that it will continue, on an annual basis, to make annual performance stock awards under the Incentive Plan 2005 to members of the Board of Management, executive officers and senior employees of the Company. Furthermore, the Company has and anticipates that it will continue, on an annual basis, to make annual stock awards under the Incentive Plan 2005 to Members of the Supervisory Board. The PSA Units will vest according to the allocation agreement.

In March 2007, the General Meeting of Shareholders decided to vest all remaining (performance) stock awards granted in 2005, 2006 and 2007 at November 30, 2007, instead of one third in each of the following three years. For the performance stock awards granted and vested in 2007, an amount of € 1.6 million, net of tax, was recognized as compensation cost in the year ended December 31, 2007, based on the market value of the Company's Ordinary Shares on the date of grant.

Financing of Stock Option Plans

Option plans that were issued in 1999 and 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	2007 Weighted average exercise price (in euro)	Number of options	2006 Weighted average exercise price (in euro)
Equity-settled option plans				
Outstanding, beginning of year	808,990	9.27	947,193	9.82
Options expired	(162,200)	9.55	(100,000)	14.65
Options exercised	(14,322)	3.22	(10,173)	3.22
Options forfeited	(67,816)	9.93	(28,030)	9.93
Outstanding and exercisable, end of year	564,652	9.27	808,990	9.27
Cash-settled option plans				
Outstanding, beginning of year	170,086	7.19	174,981	7.13
Options expired	(43,113)	9.55	-	-
Options exercised	(7,392)	3.22	(2,000)	3.22
Options forfeited	(18,085)	6.62	(2,895)	6.54
Outstanding and exercisable, end of year	101,496	6.52	170,086	7.19

The average share price at the date of exercise of the equity-settled options was € 4.93 and of the cash-settled options was € 4.55.

Stock options outstanding and exercisable at December 31, 2007:

Range of exercise price	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (in euro)
Equity-settled option plans			
€ 3.22–€ 4.35	120,974	1.52	3.50
€ 5.20–€ 5.95	79,353	2.22	5.87
€ 8.94–€ 9.80	256,276	2.32	9.42
€ 17.90	108,049	1.91	17.90
Cash-settled option plans			
€ 3.22	21,499	1.25	3.22
€ 5.95	41,142	2.25	5.95
€ 8.94	38,855	0.33	8.94

Summary of Outstanding (P)SA Units

Following is a summary of changes in Besi (Performance) Stock Award Units:

	Annual (P)SA units	2007 Conditional PSA units	Annual (P)SA units	2006 Conditional PSA units
Outstanding, beginning of year	186,458	39,417	90,188	17,000
(P)SA units granted	495,373	-	125,827	26,333
(P)SA units forfeited	(14,324)	-	(4,626)	(1,415)
Shares reissued by the Company upon vesting	(384,520)	(39,417)	(24,931)	(2,501)
Outstanding, end of year	282,987	-	186,458	39,417

The market prices of the Company's Ordinary Shares at the date of grants in 2007 were € 4.83 and € 3.26, respectively, and € 4.49 for the grant in 2006.

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

(euro in thousands)	Year Ended December 31, 2007	2006
(Performance) Stock Awards	1,844	303
Effect of changes in the fair value of cash-settled options	(64)	(27)
Total expense recognized as employee costs	1,780	276

(euro in thousands)	Year Ended December 31, 2007	2006
Total carrying amount of cash-settled transaction liabilities	28	92

19. Share Capital

As of December 31, 2005, the Parent Company's authorized capital consisted of 55,000,000 Ordinary Shares, nominal value € 0.91 per share, and 55,000,000 Preference Shares, nominal value € 0.91 per share. As amended by deed executed on February 17, 2006, the Parent Company's authorized capital was increased with 25,000,000 Ordinary Shares and 25,000,000 Preference Shares. As of December 31, 2007 and December 31, 2006, 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, 2007 and December 31, 2006, 30,709,364 and 32,771,105 Ordinary Shares were outstanding, excluding Treasury Shares of 3,019,153 and 957,412, respectively. Changes in Treasury Shares are caused by excercised stock options, vesting of (P)SAs and repurchase of 2,500,000 shares. No Preference Shares were outstanding at each of December 31, 2007 and December 31, 2006. All issued shares have been paid in full.

Accumulated other comprehensive income (loss) consists of:

(euro in thousands)	December 31, 2007	December 31, 2006
Foreign currency translation adjustments	(2,638)	(1,439)
Minimum pension liability, net of taxes	40	40
Cash flow hedging reserve	313	230
Accumulated other comprehensive income (loss)	(2,285)	(1,169)

Purchase Ordinary Shares

In 2007, the Parent Company has completed two share repurchase programs, by which the Parent Company purchased a total of 2.5 million shares aggregating € 11.0 million at an average price of € 4.41. The purchase has been allocated to share premium in the consolidated balance sheet.

20. Financial Instruments

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 against the U.S. dollar and U.S. dollar-linked currencies, since approximately 55 % of its sales in 2007 are denominated in U.S. dollar and U.S. 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 U.S. dollars or Japanese yen through the use of forward foreign currency exchange contracts. In addition, the Company also uses forward foreign currency exchange contracts to hedge accounts receivable that are denominated in a foreign currency. During 2007 and 2006, 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. Forward foreign currency exchange contracts used to hedge the foreign currency exposure resulting from assets and liabilities denominated in currencies other than the functional currency were until June 30, 2006, accounted for as fair value hedges. As of July 1, 2006, 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 € 313 was reported in 2007 as other comprehensive income at December 31, 2007. The amount in 2007 released from equity in revenue in the consolidated statement of operations was € 725. The ineffective part of the hedges recognized, in 2007, directly in the consolidated statement of operations was € 63 (2006: € 5).

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 € 945 and € 516 at December 31, 2007 and 2006, 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)	December 31, 2007	December 31, 2006
To sell U.S. dollars for euro	36,280	22,521

At December 31, 2007, the unrealized gain on forward foreign currency exchange contracts that were designated as a hedge of firmly committed transactions amounted to € 939 (including € 338 for a currency swap). At December 31, 2006, the unrealized gain on forward foreign currency exchange contracts amounted to € 394.

Fair Value of Financial Instruments

The book value of the Company's financial instruments, which consist of cash and cash equivalents, accounts receivable, accounts payable and long-term debt, including the Notes, approximate 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.

The fair value of the Company's forward foreign currency exchange contracts, which has been determined based on quoted market rates for similar contracts is as follows:

(euro in thousands)		2007		2006
	Positive	Negative	Positive	Negative
Forward exchange contracts				
Fair value	945	6	444	50

For the years ended December 31, 2007 and 2006, a foreign currency gain of € 63 and € 5, respectively, is included in our results of operations relating to the Company's foreign currency contracts. Cash flows related to foreign currency contracts are expected to occur as follows:

(euro in thousands)	2007	2006
0–3 months	23,115	9,877
3–6 months	10,754	11,040
6–9 months	2,411	1,418
9–12 months	-	186
Thereafter	-	-
Total	36,280	22,521

21. 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, 2007	December 31, 2006
Within one year	3,855	3,101
After one year but not more than five years	11,310	10,183
After five years	7,114	9,612
Total	22,279	22,896

Committed rental expense was € 19.8 million and € 21.4 million as of December 31, 2007 and 2006, respectively. In addition, the Company has an unconditional obligation related to the purchase of equipment and materials totaling € 13.2 million and € 13.0 million as of December 31, 2007 and 2006, respectively. Lease and rental expenses amounted to € 3.4 million and € 3.2 million for the years ended December 31, 2007 and 2006, respectively.

The maximum liability for research and development credits was € 6.6 million as of December 31, 2007 (see Note 22). The repayment dates, if applicable, cannot be estimated.

22. Research and Development Credits

The Company receives subsidies and credits for research and development from various governmental sources. To the extent that the Company believes an investment in development is technically and economically feasible, for which the development cost will be capitalized, the related research and development credit, if any, is also accounted for as an accrued liability or loan, whichever is applicable.

In 1994, the Company entered into research and development credit agreements with the Government of the Netherlands, Ministry of Economic Affairs, to fund research and development projects for a new generation of molding systems. If the Company generates sales of the products that were created using the amounts received under the grant, the Company is required to repay such amounts. The amount of repayment as a percentage of the realized sales of the related products was 6.0 % in 1999 and 8.5 % in 2000 and thereafter. Actual and contingent amounts repayable accrue interest. The interest rate was 6.15 % between 1994 and 2007. The remaining amount (including interest) contingently repayable was € 5,823 and € 5,486 at December 31, 2007 and 2006, respectively. The amounts reflected in accrued liabilities with respect to sales of molding systems were nil at December 31, 2007 and 2006, respectively.

In 1996, the Company entered into research and development credit agreements with the Government of the Netherlands, Ministry of Economic Affairs, to fund research and development projects for a new generation of trim and form systems. If the Company generates sales of the products that were created using the amounts received under the grant, the Company is required to repay such amounts. The amount of repayment as a percentage of the realized sales of the related products was 6.0 % in 1999 and 8.5 % in 2000 and thereafter. Furthermore, 40 % of sales of the prototype and related assets, to which the aid was related, are contingently repayable. Actual and contingent amounts repayable accrue interest. The interest rate was 6.3 % between 1996 and 2007. The remaining amount (including interest) contingently repayable was € 813 and € 778 at December 31, 2007 and 2006, respectively. The amounts reflected in accrued liabilities at December 31, 2007 and 2006, with respect to sales of trim and form systems were € 15 and € 55, respectively.

Research and development subsidies and credits available to offset research and development expenses were € 818 in 2007 and € 1,112 in 2006.

23. Segment, Geographic and Customer Information

The following table summarizes revenue, net income (loss), non-financial assets and total assets of the Company's operations in the Netherlands, Other Europe, the U.S. 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, 2007						
Revenue	89,519	66,062	10,002	43,849	(42,961)	**166,471**
Net income (loss)	(9,019)	4,439	(4,907)	3,573	314	**(5,600)**
Non-financial assets	9,817	72,627	6,775	5,371	-	**94,590**
Capital expenditures	1,125	2,175	83	653	-	**4,036**
Total assets	134,273	121,771	21,227	34,214	(26,480)	**285,005**
Year ended December 31, 2006						
Revenue	102,958	67,352	18,592	48,097	(45,808)	**191,191**
Net income (loss)	(1,177)	8,445	(314)	4,500	(655)	**10,799**
Non-financial assets	13,595	71,605	10,809	5,942	-	**101,951**
Capital expenditures	754	1,228	70	644	-	**2,696**
Total assets	179,741	107,225	25,065	23,771	(21,794)	**314,008**

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

(euro in thousands)		Year Ended December 31,
	2007	2006
Germany	24,083	26,857
Other Europe	20,270	26,303
United States	16,217	18,710
Malaysia	22,769	20,962
Korea	13,259	11,652
Taiwan	17,980	24,082
Other Asia Pacific	50,296	61,033
Rest of the World	1,597	1,592
Total revenue	166,471	191,191

The Company's revenue is generated primarily by shipments to Asian manufacturing operations of leading U.S. and European semiconductor manufacturers and, to a lesser extent, Asian manufacturers and subcontractors.

The following table represents each significant category of revenue recognized during the period:

(euro in thousands)		Year Ended December 31,
	2007	2006
Sale of systems & spares	165,601	190,099
Rendering of services	870	1,092
Total revenue	166,471	191,191

24. Remuneration Board of Management and Supervisory Board

Remuneration of the Board of Management

The remuneration of the members 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 at March 24, 2005. The Supervisory Board is required to present any scheme providing for the remuneration of the members 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 individual members of the Board of Management for the years ended December 31, 2007 and 2006 was as follows:

(in euros)		Year Ended December 31,
	2007	2006
R. W. Blickman		
Salaries	385,000	370,000
Other benefits [2]	19,335	18,852
Bonus [3]	69,300	166,500
Pension [4]	94,096	72,693
J. A. Wunderl [1, 5]		
Salaries	241,872	318,913
Other benefits [2]	17,984	18,287
Bonus [3]	-	111,616
Pension [4]	48,374	63,783
Severance payment [5]	211,685	-
H. Rutterschmidt		
Salaries	375,804	366,996
Other benefits [2]	15,435	14,460
Bonus [3]	105,225	183,498
Pension [4]	106,319	106,319

[1] Amounts are translated from U.S. dollars into euro using the average exchange rate of U.S. $ 1.3781 = € 1.00 for the year ended December 31, 2007 and U.S. $ 1.2543 = € 1.00 for the year ended December 31, 2006.
[2] Other benefits include expense compensation, medical insurance and social security premiums.
[3] This amount represents a bonus earned over the applicable year, which will be payable in the first quarter of the year thereafter.
[4] The pension arrangements for members of the Board of Management are defined contribution plans. The Company does not have further pension obligations beyond an annual contribution.
[5] Member of the Board of Management from March 25, 2004: remuneration relates to the period from January 1, 2007 until his departure on November 1, 2007.

A portion of the compensation of the Board of Management is performance-related.

Remuneration of the Supervisory Board

The aggregate remuneration paid to current members of the Supervisory Board was € 94 in 2007. The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders.

The total cash remuneration of the individual members of the Supervisory Board for the years ended December 31, 2007 and 2006 was as follows:

(in euros)		Year Ended December 31,
	2007	2006
W. D. Maris	26,000	27,000
E. B. Polak	21,000	22,000
D. Sinninghe Damsté	26,000	27,000
T. de Waard	21,000	21,000

In the Annual General Meeting of Shareholders of March 24, 2005, the remuneration for Supervisory Board members changed as follows:

(i) Cash base pay: for the chairman of the Supervisory Board and the chairman of the Audit Committee of € 20,000 (in euros) per annum and for the other members of € 15,000 (in euros) per annum.
(ii) Cash payment of € 1,000 for each board or committee per meeting attended.
(iii) A grant of 4,000 Ordinary Shares per annum.

Ordinary Shares, Options and PSA Units Held by Members of the Board of Management

The aggregate number of Ordinary Shares, the aggregate number of options to purchase Ordinary Shares and the aggregate number of PSA units owned by the current members of the Board of Management as of December 31, 2007, are as follows:

Ordinary Shares	Number of shares
R. W. Blickman	353,653
H. Rutterschmidt	495,034
Total	848,687

Options	Year of grant	Expiration date	Exercise price in euros	Number of options outstanding
R.W. Blickman	1999	2010	4.35	8,500
	2000	2011	17.90	20,000
	2000	2011	9.80	142,000
	2002	2008	8.94	36,000
	2003	2009	3.22	35,042
	2004	2010	5.95	15,000
Total				256,542

All outstanding and granted PSA units have been delivered as of November 30, 2007, in accordance with the applicable allocation agreements as stated in the Besi Corporate Governance Code.

At December 31, 2007, there were € 287 of loans outstanding relating to the stock options granted to the members of the Board of Management. The principal amount and other loan conditions have not changed since the inception of the loan agreements in 1999 and 2000.

The number of performance stock awards granted in 2008 in relation to performance achievements in 2007, in accordance with the Besi Incentive Plan 2005, is as follows:

PSA Units	Year of grant	Number of Annual Performance Stock Award Units
R. W. Blickman	2008	15,000
H. Rutterschmidt	2008	16,450
Total		31,450

Ordinary Shares, Options and SA Units Held by Members of the Supervisory Board

The aggregate number of Ordinary Shares, the aggregate number of options to purchase Ordinary Shares and the average number of SA units held by the current members of the Supervisory Board as of December 31, 2007, were as follows:

Ordinary Shares	Number of shares
W. D. Maris	12,000
D. Sinninghe Damsté	12,000
T. de Waard	12,000
E. B. Polak	10,666
Total	46,666

Options	Year of grant	Expiration date	Exercise price in euros	Number of options outstanding
E. B. Polak	2002	2008	8.94	1,322
	2003	2009	3.22	3,667
	2004	2010	5.95	1,937
				6,926
D. Sinninghe Damsté	2002	2008	8.94	1,322
	2003	2009	3.22	3,667
	2004	2010	5.95	2,629
				7,618
T. de Waard	2002	2008	8.94	1,322
	2003	2009	3.22	3,667
	2004	2010	5.95	1,937
				6,926
Total				21,470

All outstanding SA units have been delivered in 2007 in accordance with the applicable allocation agreements as stated in the Besi Corporate Governance Code.

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, 2007, is as follows:

Options	Year of grant	Expiration date	Exercise price in euros	Number of options outstanding
J. W. Rischke	1999	2010	4.35	8,500
	2000	2011	17.90	16,000
	2002	2008	8.94	23,000
	2003	2009	3.22	13,221
Total				60,721

At December 31, 2007, there were € 78 of loans outstanding relating to the stock options granted to the former member of the Board of Management. The principal amount and other loan conditions have not changed since the inception of the loan agreement in 1999.

25. Selected Operating Expenses and Additional Information

Personnel expenses for all employees were as follows:

(euro in thousands)		Year Ended December 31,
	2007	2006
Wages and salaries	43,967	42,533
Social security expenses	6,231	5,958
Pension and retirement expenses	3,222	3,034
Share-based compensation plans	1,780	276
Total personnel expenses	55,200	51,801

The average number of employees during 2007 and 2006 was 1,171 and 1,122, respectively. For pension and retirement expenses, reference is made to Note 18.

The total number of personnel employed per department was:

	December 31, 2007	December 31, 2006
Sales and Marketing	212	230
Manufacturing and Assembly	602	640
Research and Development	213	192
General and Administrative	114	103
Total number of personnel	1,141	1,165

As of December 31, 2007 and 2006, a total of 310 and 361 persons, respectively, were employed in the Netherlands.

26. Other Income

In the second quarter of 2006, the Company sold certain assets of Eurotec, a Datacon subsidiary, to a third party for total consideration of € 2.0 million, of which € 1.0 million was received on the transaction date and the remaining € 1.0 million was received in the fourth quarter of 2006. The transaction resulted in a gain of € 1.2 million which was reported in other income in our consolidated statement of operations.

27. Financial Income and Expense

The components of financial income and expense were as follows:

(euro in thousands)		Year Ended December 31,
	2007	2006
Interest income	3,800	1,893
Interest expense	(2,642)	(1,507)
Interest convertible notes	(3,207)	(3,185)
Net foreign exchange gain (loss)	(221)	(295)
Financial income (expense), net	(2,270)	(3,094)

28. Earnings per Share

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

	2007	2006
Shares outstanding at beginning of the year	32,771,105	32,736,502
Weighted average shares reissued from Treasury Shares for the vesting of performance stock awards	105,276	20,420
Weighted average shares reissued from Treasury Shares for the exercise of options	11,912	3,650
Weighted average treasury shares	(719,723)	-
Average shares outstanding – basic	32,168,570	32,760,572
Dilutive shares contingently issuable upon the exercise of stock options and the vesting of performance stock award	-	360,719
Shares assumed to have been repurchased for treasury with assumed proceeds from the exercise of stock options	-	(256,026)
Dilutive shares to be issued upon conversion of the Company's 5.5 % outstanding convertible notes	-	8,975,610
Average shares outstanding – assuming dilution	32,168,570	41,840,875

For purposes of computing 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 (loss) would be anti-dilutive.

The following options to purchase Ordinary Shares and performance stock awards were excluded from the calculation of diluted income (loss) per share as the effect would be anti-dilutive:

	December 31, 2007	December 31, 2006
Number of options	473,878	1,007,346
Average exercise price of options	10.43	10.34

For the calculation of the diluted earnings per share in 2006, interest expenses and debt issuance expenses, net of tax, have been adjusted in net income.

29. Related Party Transactions

During the year, fiscal adjustments relating to the pre-acquisition period of Datacon were made. As a result, the Company has a receivable outstanding of € 122 as of December 31, 2007, from Mr Rutterschmidt, CEO of Datacon and member of Besi's Board of Management. This receivable is secured by a bank guarantee and is expected to be settled in 2008.

30. Financial Risk Management Objectives and Policies

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

The Company 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 2007 and 2006, 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 our businesses, our 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 us to adjust our 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 our international business into euro affects year-over-year comparability. We historically have 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 U.S. dollar exchange rate, with all other variables held constant.

(euro in thousands)	Increase/decrease in US dollar rate	Effect on profit after tax	Effect on Equity
2007	+10%	(600)	(1,100)
	-10%	600	1,100
2006	+10%	(900)	(1,400)
	-10%	900	1,400

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

Our currency risk exposure primarily occurs because we generate a portion of our revenue in currencies other than the euro while the major share of the corresponding cost of sales is incurred in euro. The percentage of our consolidated net sales which is denominated in euro amounted to approximately 45% of total revenue in the year ended December 31, 2007, whereas revenue represented by U.S. dollars or U.S. dollar-linked currencies amounted to approximately 55%. Approximately 68% of our costs and expenses were denominated in euro and the remaining 32% in various currencies, principally the U.S. dollar and U.S. dollar-linked currencies. In order to mitigate the impact of currency exchange rate fluctuations, we continually assess our remaining exposure to currency risks and hedge such risks through the use of derivative financial instruments. The principal derivative financial instruments currently used by us 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. Our 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 affect our results of operations over the next fiscal year by approximately € 0.4 million, net of tax (2006: € 0.5 million). No derivative interest rate related swaps have been entered into.

Credit Risk

Management has a credit policy in place and monitors exposure to credit risk on an ongoing basis. Credit evaluations are performed on all customers requiring credit over specified thresholds. Transactions involving derivative financial instruments are with counterparties that have high credit ratings. Given their high credit ratings, the Company does not expect any counterparty to fail to meet its obligations.

Liquidity Risk

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, convertible notes and finance leases.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2007 and 2006, 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, 2007						
Long-term debt and financial leases	-	1,560	4,804	6,880	728	13,972
Convertible notes	-	-	-	42,961	-	42,961
Accounts payable	-	13,724	-	-	-	13,724
Accrued liabilities [1]	765	10,665	796	242	-	12,468
Total	765	25,949	5,600	50,083	728	83,125

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, 2006						
Long-term debt and financial leases	-	1,470	5,212	11,303	1,151	19,136
Convertible notes	-	-	-	-	42,284	42,284
Accounts payable	-	15,463	-	-	-	15,463
Accrued liabilities [1]	577	10,511	904	178	-	12,170
Total	577	27,444	6,116	11,481	43,435	89,053

[1] Does not include advances from customers and income taxes

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and 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, 2007 and December 31, 2006. The Company only regards equity as capital. This capital is managed using solvency ratio (excluding intangible assets) and return on investment.

	2007	**2006**
Equity	178,718	194,531
Solvency ratio	62.7 %	62.0 %
Solvency ratio (excluding intangible fixed assets)	49.8 %	49.1 %
Return on average investment (ROI)	(2.9 %)	5.7 %

Parent Company Balance Sheet

(Before appropriation of the result)

(euro in thousands)	Note	December 31, 2007	December 31, 2006
Assets			
Property, plant and equipment	2	34	56
Investments in subsidiaries	3	110,997	112,394
Subordinated loans due from subsidiary	3	8,000	8,000
Loans due from subsidiaries	3	23,852	26,654
Deferred tax assets		4,896	25
Financial fixed assets		147,745	147,073
Total fixed assets		147,779	147,129
Amounts due from subsidiaries		23,602	30,517
Income tax receivable		7,967	6,250
Other non-current assets		604	494
Receivables		32,173	37,261
Cash and cash equivalents		44,553	55,463
Total current assets		76,726	92,724
Total assets		224,505	239,853
Shareholder's equity, provisions and liabilities			
Issued capital	4	30,693	30,693
Share premium	4	176,153	185,296
Foreign currency translation adjustment	4	(2,638)	(1,439)
Accumulated other comprehensive income (loss)	4	353	270
Retained deficit	4	(20,582)	(31,249)
Undistributed result	4	(5,600)	10,667
Shareholder's equity		178,379	194,238
Convertible notes		42,961	42,284
Deferred tax liability		-	947
Non-current liabilities		42,961	43,231
Accounts payable		311	270
Amounts due to subsidiaries		549	129
Taxes and social charges		224	65
Accrued liabilities		2,081	1,920
Current liabilities		3,165	2,384
Total shareholder's equity, provisions and liabilities		224,505	239,853

Parent Company Statement of Operations

(euro in thousands)	2007	2006
Income/loss from subsidiaries, after taxes	(3,028)	12,943
Other income and expenses	(2,572)	(2,276)
Net income (loss)	(5,600)	10,667

Notes to the Parent Company Financial Statements

1. Summary of Significant Accounting Policies

The parent company financial statements have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code (as generally accepted in the Netherlands), with the exception of Financial Fixed Assets. Subsidiaries are valued at their net equity value, including allocated goodwill. The accounting policies used in the financial statements are similar to the accounting policies used in the Consolidated Financial Statements.

A number of disclosures that are expected in the parent company financial statements are already included in the Consolidated Financial Statements. For these disclosures, reference is made to the Consolidated Financial Statements.

2. Property, Plant and Equipment

(euro in thousands)	Office furniture and equipment
Balance at January 1, 2007	
Cost	150
Depreciation	(94)
Property, plant and equipment, net	56
Movement:	
Investment	6
Depreciation	(28)
Total changes	(22)
Balance at December 31, 2007	
Cost	156
Depreciation	(122)
Property, plant and equipment, net	34

3. 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, 2007	112,394	8,000	26,654	**147,048**
Income for the period	(3,028)	-	-	**(3,028)**
Currency translation adjustment	1,631	-	(2,802)	**(1,171)**
Balance at December 31, 2007	110,997	8,000	23,852	**142,849**

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 Fortis Bank N.V.

4. Shareholder's Equity

(euro in thousands)	Number of ordinary shares outstanding[1]	Share capital	Share premium	Retained deficit	Foreign currency translation adjustment	Accumulated other comprehensive income (loss)	Undistributed result	Total shareholder's equity
Balance at January 1, 2007	33,728,517	30,693	185,296	(31,249)	(1,439)	270	10,667	**194,238**
Exchange rate changes for the year	-	-	-	-	(1,199)	-	-	**(1,199)**
Total income and expense for the year recognized directly in equity	-	-	-	-	(1,199)	-	-	**(1,199)**
Net income (loss)	-	-	-	-		-	(5,600)	**(5,600)**
Total income and expense for the year	-	-	-	-	(1,199)	-	(5,600)	**(6,799)**
Appropriation of the result	-	-	-	10,667	-	-	(10,667)	**-**
Reissued Treasury Shares for the exercise of stock options	-	-	46	-	-	-	-	**46**
Equity-settled share-based payments expense	-	-	1,844	-	-	-	-	**1,844**
Cash flow hedging reserve	-	-	-	-	-	83	-	**83**
Purchase own shares	-	-	(11,033)	-	-	-	-	**(11,033)**
Balance at December 31, 2007	33,728,517	30,693	176,153	(20,582)	(2,638)	353	(5,600)	**178,379**
Balance at January 1, 2006	33,728,517	30,693	184,967	(28,857)	881	40	(2,392)	**185,332**
Exchange rate changes for the year	-	-	-	-	(2,320)	-	-	**(2,320)**
Total income and expense for the year recognized directly in equity	-	-	-	-	(2,320)	-	-	**(2,320)**
Net income (loss)	-	-	-	-	-	-	10,667	**10,667**
Total income and expense for the year	-	-	-	-	(2,320)	-	10,667	**8,347**
Appropriation of the result	-	-	-	(2,392)		-	2,392	**-**
Reissued Treasury Shares for the exercise of stock options	-	-	26	-	-	-	-	**26**
Equity-settled share-based payments expense	-	-	303	-	-	-	-	**303**
Cash flow hedging reserve	-	-	-	-		230	-	**230**
Balance at December 31, 2006	33,728,517	30,693	185,296	(31,249)	(1,439)	270	10,667	**194,238**

[1] The outstanding number of Ordinary Shares includes 3,019,153 Treasury Shares.

In anticipation of the Annual General Meeting's adoption of the annual accounts, it is proposed that the net income for 2007, amounting to € 5,600, be allocated to the retained deficit.

Preference Shares

In April 2000, the foundation "Stichting Continuïteit BE Semiconductor Industries" was established. The board of the foundation consists of five members, four of whom must be independent of BE Semiconductor Industries N.V. and one of whom must be a member of its Supervisory Board. The purpose of the foundation is to safeguard the interests of the Parent 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 Parent Company contrary to such interests.

By agreement of April 2002 between the Parent Company and the foundation, the foundation has been granted a call option pursuant to which it may purchase a number of Preference Shares up to a maximum of the number of Ordinary Shares issued and outstanding at the time of exercise of this option. Until the call option is exercised by the foundation, it can be revoked by the Parent Company, with immediate effect. However, the Parent Company will not be entitled to revoke the call option until one year after the execution of the option agreement.

5. 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, 2007	December 31, 2006
Within one year	22	51
After one year but not more than five years	17	15
Total	39	66

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 19, 2008

Board of Management:	**Supervisory Board:**
R. W. Blickman	W. D. Maris
H. Rutterschmidt	E. B. Polak
	D. Sinninghe Damsté
	T. de Waard

Additional Information

To: The Shareholders and Supervisory Board of BE Semiconductor Industries N.V.

Auditor's Report

Report on the financial statements

We have audited the accompanying financial statements 2007 of BE Semiconductor Industries N.V., Amsterdam, the Netherlands. The financial statements consist of the consolidated financial statements and the parent company financial statements. The consolidated financial statements comprise the consolidated balance sheet as at December 31, 2007, the consolidated statement of operations, the consolidated statement of cash flows and the consolidated statement of changes in equity, for the year then ended, and the notes. The parent company financial statements comprise the parent company balance sheet as at December 31, 2007, the parent company statement of operations for the year then ended and the notes.

Management's responsibility

Company's management is responsible for the preparation and fair presentation of the 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 annual report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 entity'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 entity'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 December 31, 2007, 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 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 December 31, 2007, 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 requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the annual report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Rotterdam, The Netherlands, February 19, 2008
for Ernst & Young Accountants

/s/ M. Coenradie

Appropriation of the Result

The Articles of Association (Article 21) provide that the Company can only distribute profits from its free distributable reserves. The Board of Management proposes to allocate the net loss for the year 2007 to the retained deficit. The Supervisory Board has approved this proposal.

The General Meeting of Shareholders approved the 2006 statutory financial statements at March 22, 2007.

Preference Shares

As amended by deed executed on February 17, 2006, the Company's authorized capital was increased with 25,000,000 Preference Shares. As of December 31, 2007 and December 31, 2006, the Company's authorized capital consisted of 80,000,000 Preference Shares, nominal value € 0.91 per share.

No Preference Shares were outstanding at each of December 31, 2007 and December 31, 2006.

In April 2000, the foundation "Stichting Continuïteit BE Semiconductor Industries" was established. The board of the foundation consists of five members, four of whom must be independent of the Company and one of whom must be a member of its Supervisory Board. 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 influences which could threaten the Company's continuity, independence and identity.

By agreement of April 2002 between the Company and the foundation, the foundation has been granted a call option pursuant to which it may purchase a number of Preference Shares up to a maximum of the number of Ordinary Shares issued and outstanding at the time of exercise of this option. Until the call option is exercised by the foundation, it can be revoked by the Company, with immediate effect. Under the terms of a separate agreement entered into in April 2002, the Company may force the foundation to exercise its call option right if it has been announced (or may be expected) that an unfriendly take-over bid will be made with respect to the shares, or if (in the opinion of the Board of Management) a single shareholder (or group of shareholders) holds a substantial number of the Ordinary Shares.

The Board of Management of the Company and the Board of Stichting Continuïteit BE Semiconductor Industries declare that, in their collective judgement, the criteria referred to in Appendix X of the Listing and Issuing Rules of Euronext Amsterdam, pertaining to the independence of the Stichting Continuïteit BE Semiconductor Industries (although revoked in December 2007), have been met.

Duiven, February 19, 2008

BE Semiconductor Industries N.V.	Stichting Continuïteit BE Semiconductor Industries
Board of Management	Board of Management

The board of Management of the Stichting Continuïteit BE Semiconductor Industries comprises:

J. Ekelmans (Chairman)	Board Member B
P. C. W. Alberda van Ekenstein	Board Member B
J. N. de Blécourt	Board Member B
W. D. Maris	Board Member A
J. W. Termijtelen	Board Member B

To the limits.
And beyond.

To the limits.
And beyond.

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