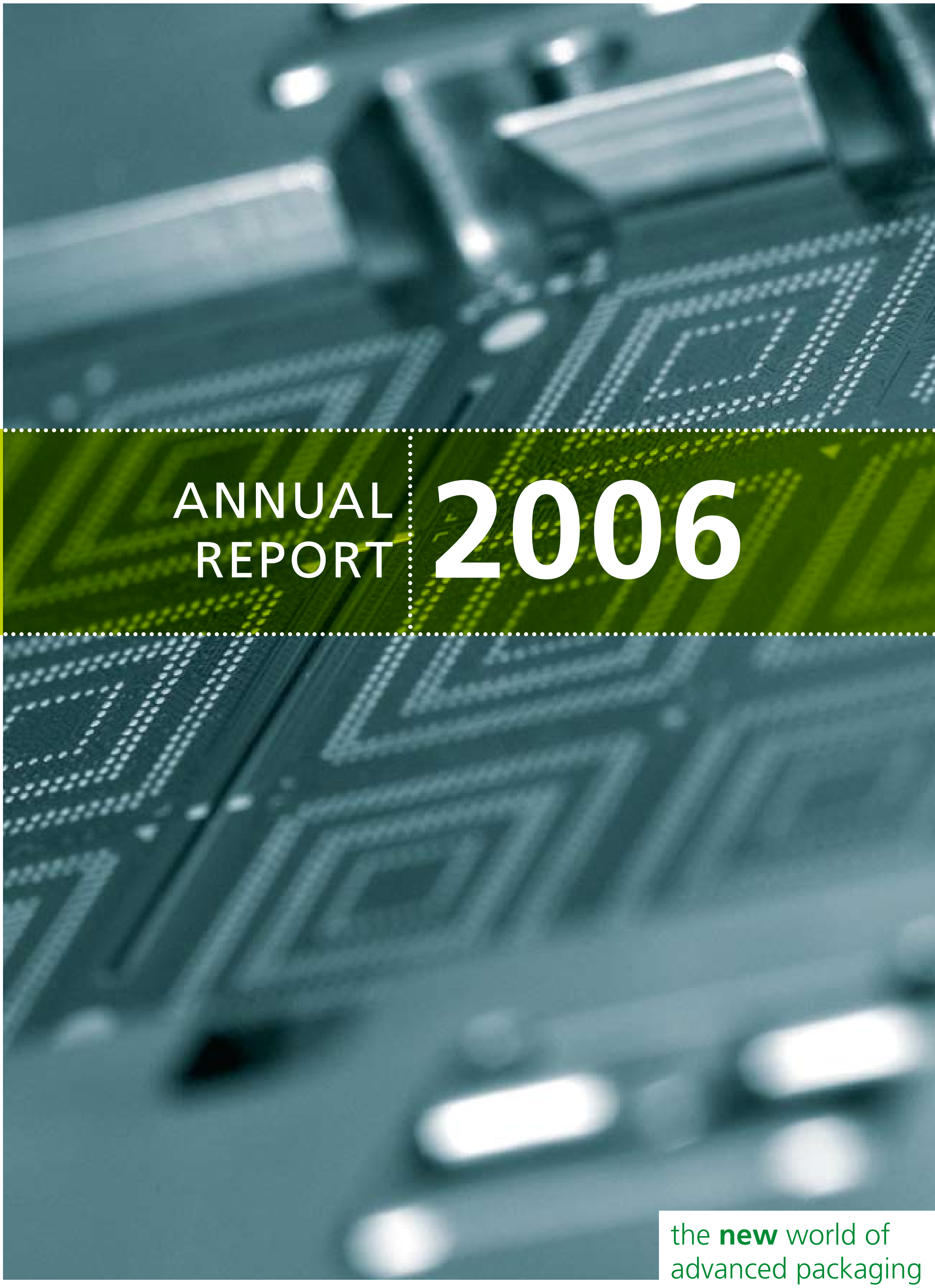
ANNUAL REPORT 2006



the **new** world of
advanced packaging

Besi

ANNUAL REPORT 2006

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Contents

Company Profile

Company Profile

BE Semiconductor Industries N.V. ("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 applications. 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.

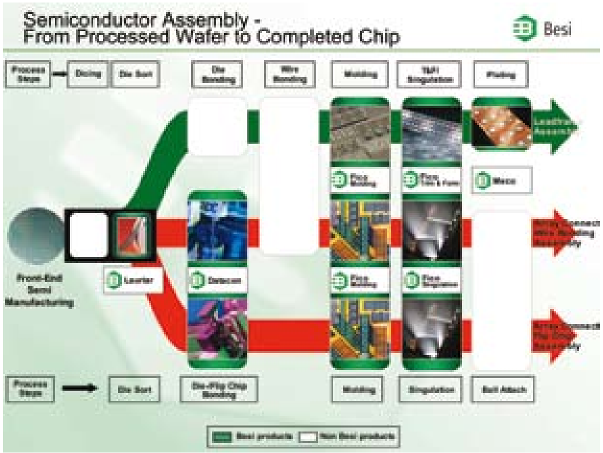
Besi's principal products include:

- *Die sorting equipment:* Consists of 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;
- *Diebonding equipment:* Consists of single-, multi-chip and flip chip die bonding systems which place the chip onto a multi-layer substrate;
- *Packaging equipment:* Consists 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; and
  - singulation systems used to cut packaged array connect devices;
- *Plating equipment:* Consists primarily of a comprehensive line of fully automated tin plating systems and spot plating systems.

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 leading U.S., European and Asian semiconductor manufacturers and assembly subcontractors and include Amkor, ASE, Chipmos, Epcos, Fairchild, Infineon, Motorola, UTAC, 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 30 years.

At December 31, 2006, we employed 1,165 people of whom 432 were located in Asia, 654 in Europe and 79 in North America. At such date, we owned or leased 7 facilities worldwide comprising 525,000 square feet of production space and had 10 sales and service offices globally from which to service our customer's 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) 26 319 4500. More detailed information regarding the Company can be found at our website: www.besi.com.

Key Highlights

Key Highlights (IFRS)

(euro in thousands, except share and per share data)	Year ended December 31, 2005	2006	% Change 2006/2005
Income Statement Data			
Revenue	164,262	191,191	16.4%
Gross profit	52,505	74,754	42.4%
Operating income (loss)	(975)	13,098	n/m
EBITDA [(1)]	8,834	22,311	152.6%
Net income (loss)	(2,351)	10,799	n/m
As % of revenue:			
Gross profit	32.0	39.1	7.1
Operating income (loss)	(0.6)	6.9	7.5
EBITDA [(1)]	5.4	11.7	6.3
Net income (loss)	(1.4)	5.6	7.0
Income (loss) per share			
Basic	(0.07)	0.33	n/m
Diluted	(0.07)	0.31	n/m
Average number of shares outstanding			
Basic	32,710,934	32,760,572	0.2%
Diluted	32,710,934	41,840,875	n/m
Balance Sheet Data			
Cash and cash equivalents	81,765	98,012	19.9%
Total debt	75,485	80,028	6.0%
Total equity	185,510	194,531	4.9%
Financial Ratio			
Current ratio	3.5	3.3	n/m
Solvency ratio	62.1%	62.0%	n/m
Return on average equity	(1.3%)	5.7%	n/m
EBITDA/Interest expense, net [(1)]	2.8	7.2	n/m
Other Information			
Orders			
Array connect	122.8	124.5	1.4%
Leadframe	47.1	63.9	35.7%
Total	169.9	188.4	10.9%
IDMs	94.1	110.9	17.9%
Subcontractors	75.8	77.5	2.2%
Total	169.9	188.4	10.9%
Backlog			
Array connect	43.1	38.9	(9.7%)
Leadframe	13.7	15.1	10.2%
Total	56.8	54.0	(4.9%)
Total Headcount	1,087	1,165	7.2%
Stock Price (High/Low Close)	4.59/3.51	5.69/3.94	n/m

[(1)] 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

Letter to Shareholders

Dear Shareholders,

This was an important year for Besi in the profitable development of our assembly equipment operations. Our results underscored efforts to increase shareholder value through product diversification, continued organizational improvements and cost reduction efforts.

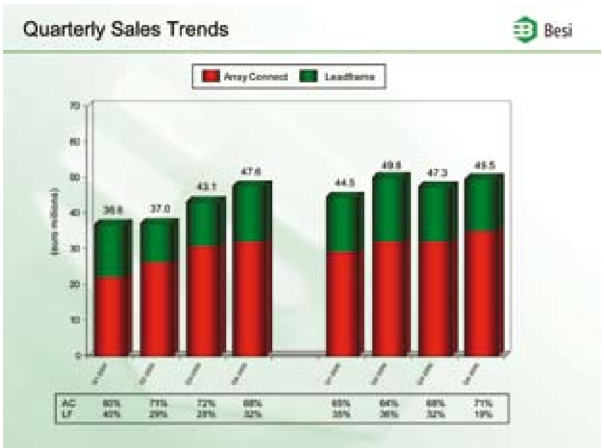
Besi's most important achievements in 2006 included:

- sales growth of € 26.9 million, or 16.4%;
- gross margin improvement from 32.0% to 39.1%;
- operating margin improvement from (0.6%) to 6.9%;
- net income growth to € 10.8 million versus a loss of € 2.4 million;
- growth of 8.6% in sales/employee;
- receipt of € 6 million in orders for RFID related die bonding and flex antenna plating equipment;
- progress in the continued restructuring of our European operations:
  - sold certain assets and activities of Eurotec, a Datacon subsidiary, for € 2 million;
  - consolidated headquarters at our Duiven, the Netherlands facility; and
  - initiated plans to consolidate all Dutch Fico operations at our Duiven facility in 2007 including subletting one of our facilities in Drunen, the Netherlands;
- execution on our Asian production strategy that resulted in:
  - an increase in the number of system platforms produced by our Malaysian operations from 2 in 2005 to 6 in 2006; and
  - opening of our new Malaysian production facility, which increased the size of our operations by 125%;
- growth in our cash position from € 82 million to € 98 million and in our net cash position by € 11.7 million; and
- delisting and suspension of registration of our ordinary shares from NASDAQ and the SEC. Potential annual cost savings of € 1.0 million.

Results of Operations

We are pleased to report that Besi made major progress in realizing many of the financial goals for the company that we set at the beginning of this year. Our net sales and net income were € 191.2 million and € 10.8 million, respectively, for 2006 as compared to € 164.3 million and a loss of € 2.4 million, respectively, in 2005. In general, Besi's operations this year benefited both from improved market conditions in the semiconductor and semiconductor capital equipment markets as well as internal sales development and ongoing cost reduction efforts. According to VLSI, sales of semiconductor and assembly equipment (our market segment) increased by approximately 23% and 19%, respectively, over 2005. Higher industry sales occurred as customers added incremental production capacity in light of increased demand for wireless applications and personal computing devices and experienced higher capacity utilization rates at their semiconductor production facilities.

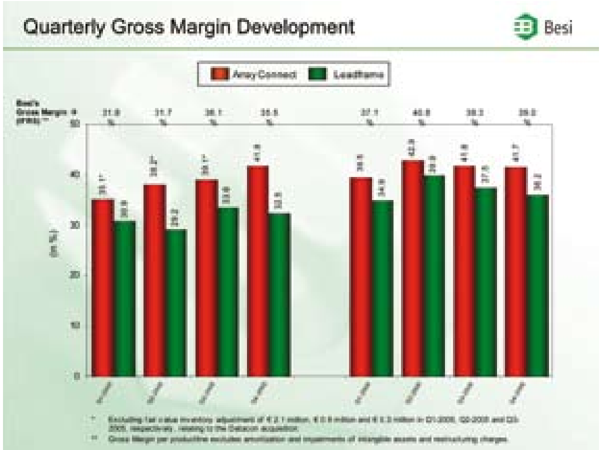
From a revenue perspective, our growth this year was broad based as sales for both array connect and leadframe applications were up by approximately 15% and 19%, respectively. In particular, we experienced strong growth of our packaging equipment systems and die bonding equipment as a result of new product introductions such as the Fico AMS-W and the Datacon 2200 evo.

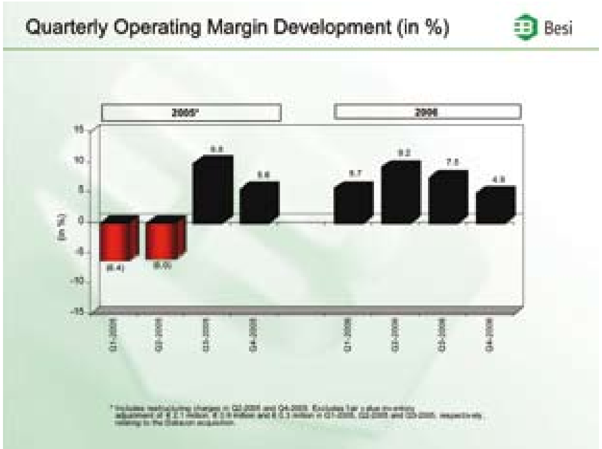


Our orders this year totaled € 188.4 million, an increase of € 18.5 million, or 10.9% as compared to 2005. Order growth in 2006 resulted primarily from increased demand by IDMs for packaging and plating equipment for conventional leadframe applications as customers increased production capacity this year for memory and discrete devices. Orders for more advanced array connect applications were up only slightly versus 2005 as customers remained cautious in placing orders for new assembly process technologies. However, we were very pleased this year to receive an initial multi million euro order from a large European industrial concern for our newly developed Radio Frequency Identification Device ("RFID") Flexible Antenna Plater. Both our Meco and Datacon units are actively engaged in developing and marketing products for this rapidly growing application. We believe that the equipment market for RFID applications has the potential to significantly exceed the growth rate for the assembly equipment market over the next five years.

The pattern of our quarterly orders in 2006 fluctuated as is characteristic of our cyclical industry. This year, orders peaked in the spring due to an extremely large build-up of leadframe capacity by customers in the first quarter. Orders gradually declined in the second half of the year as customers began to absorb additional production capacity and became more cautious in managing inventory levels and capital budgets in the face of an uncertain 2007 semiconductor environment. As a result, our backlog ended the year at € 54.0 million, just slightly below the € 56.8 million level recorded at the end of 2005.

From a profitability perspective, our significant improvement this year was the direct result of restructuring efforts during the past two years and the successful integration of, and positive contribution by, our Datacon acquisition. More specifically, profitability in 2006 was aided by the further consolidation of our European packaging equipment and die bonding operations, implementation of our Asian production strategy for the manufacturing of certain legacy and new assembly equipment and our focus on reducing subsidiary overhead. As a result, gross margins improved substantially to 39.1% in 2006 from 32.0% in 2005. We were able to improve both our array connect and leadframe gross margins by 2.7 and 5.6 points, respectively. Although our headcount increased by 7.2% in 2006 to help support our sales growth, substantially all of it was in Asian locations with significantly lower costs per employee.





Financial Condition

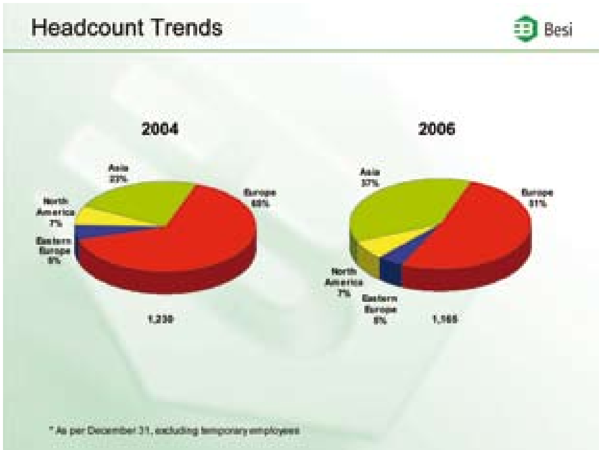
We made major strides this year in improving our balance sheet position. Due to increased profitability and improved working capital management, our cash increased from € 81.8 million at December 31, 2005 to € 98.0 million at December 31, 2006. In addition, our net cash position (cash minus total debt) improved from € 6.3 million at December 31, 2005 to € 18.0 million at December 31, 2006. Our capital spending for 2006 was € 2.7 million, primarily related to production equipment purchases, as compared to € 6.4 million in 2005 when we had significant expenditures to expand our Asian production capacity and acquired land in Radfeld, Austria for € 2.1 million. We expect capital expenditures in 2007 of approximately € 2 million.

Besi Production Strategy

We are truly a global company with manufacturing facilities in 7 locations worldwide and 10 sales and service facilities to support our global customer base.

One of our most critical challenges over the next five years is the realization of our global production strategy. In our efforts to improve profitability and enhance our long-term competitive position, we have significantly restructured our manufacturing operations in recent years. In our restructuring, we significantly reduced our European workforce, closed inefficient operations and began the transfer of production and tooling capacity for certain systems to our Malaysian, Chinese and Hungarian facilities. We also invested

approximately € 4 million in 2005 to expand our Asian production capacity to handle increased production requirements. Similarly, our headcount at our Asian subsidiaries increased by 35% between 2004 and 2006 and now represents approximately 37% of our total headcount worldwide.



Our current 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 and U.S. operations. In this manner, we hope to achieve further cost reductions, improvements in working capital management and employee productivity.

Key production goals that we achieved in 2006 included:

- setting up and transferring production to Malaysia of five product lines including the Fico AMS-W next generation molding system, the Fico Bright Line laser cutting system, the Fico Compact Line trim and form system, the Datacon 2200 evo next generation multi-chip die bonding system and the Laurier CS1250 next generation die sorting system;
- transferring production of the Datacon 8800 FC Quantum flip chip die bonding system from our Austrian to Hungarian facilities;
- approximately doubling our Malaysian production capacity; and
- augmenting our Asian supply chain through increased component procurement from India, China and Southeast Asia.

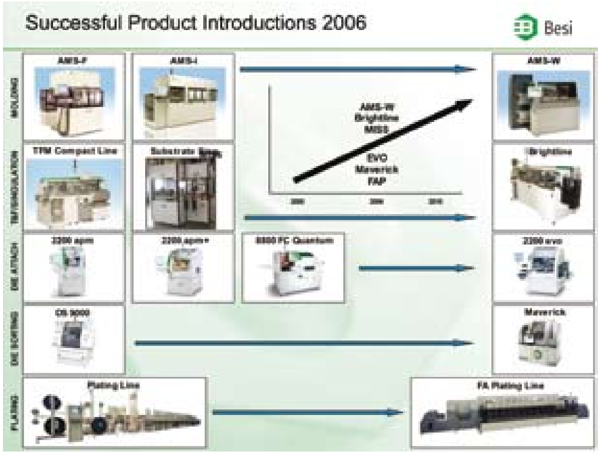
For 2007, we have set a number of key operational objectives that are essential to further reduce our break-even cost levels in an uncertain and highly competitive semiconductor capital equipment market. They include completing the consolidation and integration of all European packaging equipment operations at our Duiven, the Netherlands plant and improving the efficiency of our die sorting equipment operations in the U.S. through greater co-operation between Laurier and Datacon.

Product Development

We continue to invest in research and development to enhance our product portfolio and competitive position. Research and development expenses were € 18.2 million in 2006. We are pleased to report that all new products which we introduced to the market in 2005 enjoyed excellent market acceptance in 2006 including the Laurier CS1250 die sorting system, the Datacon 2200 evo die bonding system, the Fico AMS-W automatic molding system, the Fico Compact Line trim and form system, the Fico Bright Line laser cutting system and Meco's flex antenna plater for RFID applications. For 2007, our research and development efforts will primarily focus on expanding RFID applications for Datacon's die bonding equipment and the commencement of development activities centered on new assembly systems for the next technology cycle.

Delisting of Ordinary Shares from NASDAQ/Suspension of Registration with U.S. Securities and Exchange Commission

In 2006, trading on the Euronext Amsterdam market accounted for more than 90% of the combined trading volume of Besi's ordinary shares (the "Shares") on both the NASDAQ National Market and the Euronext Amsterdam market. In light of the limited NASDAQ trading volume, 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 our NASDAQ listing and registration of the Shares. As such, effective January 2007, we voluntarily delisted the Shares from the NASDAQ National Market and suspended our registration of the Shares with the U.S. Securities and Exchange Commission. Our Euronext Amsterdam listing remains unchanged. We believe that the resulting cost savings, (approximately € 1.0 million per annum (before taxes) or € 0.03 per share), 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 should continue to provide liquidity to shareholders and access to capital for Besi in the future.

Outlook/Objectives 2007

At present, analyst forecasts for 2007 indicate a reduction in growth as compared to 2006 wherein the assembly equipment market is forecasted to decline by approximately 5-7%. In general, our semiconductor customers remain cautious in approaching their 2007 capital equipment requirements due to current capacity utilization rates and forecasts for limited growth in consumer, business and industrial electronics applications. All things being considered, we expect net sales for 2007 to be roughly comparable to levels achieved in 2006.

In spite of an uncertain outlook currently for sales of semiconductor assembly equipment, we have established a number of important business and financial goals which we would like to achieve in 2007, namely to:

- grow our sales at levels in excess of projected industry growth rates via penetration of the RFID market for die bonding and plating equipment applications and increasing our market share based on new products introduced in 2005/2006;
- successfully roll out a new series of the die sorting and singulation systems, both of which will be produced in Malaysia;
- obtain cost reductions through further expansion of our Asian/Eastern European operations, further streamlining of our European operations and increased co-operation between our Datacon and Laurier subsidiaries;
- increase our cash generation, particularly at our packaging equipment and die handling operations, through better working capital management; and
- reduce our variable rate indebtedness outstanding.

We have many ambitious targets in place to make us a leader in the assembly equipment market 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.

We look forward to sharing our progress with you in the year to come.

Board of Management

Richard W. Blickman
President and CEO
February 5, 2007


Laurier

Strategy

Strategy

Our objective is to become the world's leading supplier of advanced semiconductor assembly equipment incorporating both leadframe and array connect process technologies. We seek to provide customers worldwide 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 Packaging 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 ("RFID") applications. We believe that the development of the RFID market has 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 leadframe and array connect 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. Toward 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.

Focus on Strategic, Long-Term Customer Relationships

Our close relationships with our customers, many of which exceed thirty 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.

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. In our restructuring, we significantly reduced our European workforce, closed inefficient operations and began the transfer of production and tooling capacity for certain systems to our Malaysian and Chinese facilities. We also invested approximately € 4 million to expand our Asian production capacity to handle increased manufacturing requirements. Our current 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 and U.S. operations. In this manner, we hope to achieve further cost reductions, improvements in working capital management and employee productivity.

Increase Global Sales and Service Operations

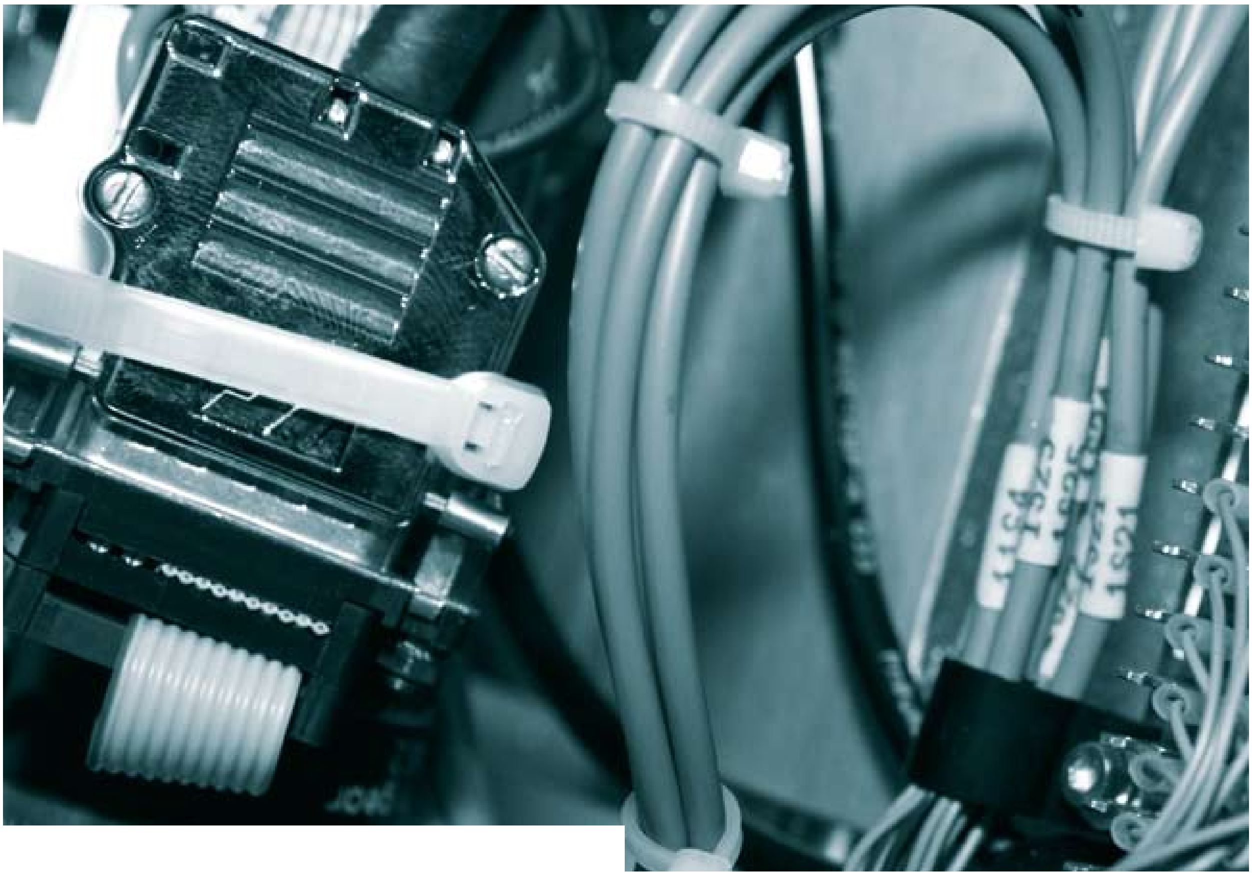
We maintain 10 regional sales and service offices in Europe, the Asia Pacific region and the United States and have customers in each region. As part of our strategy, we intend to expand our customer base in critical global markets, particularly China and Japan. Given the globalization of the semiconductor 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.

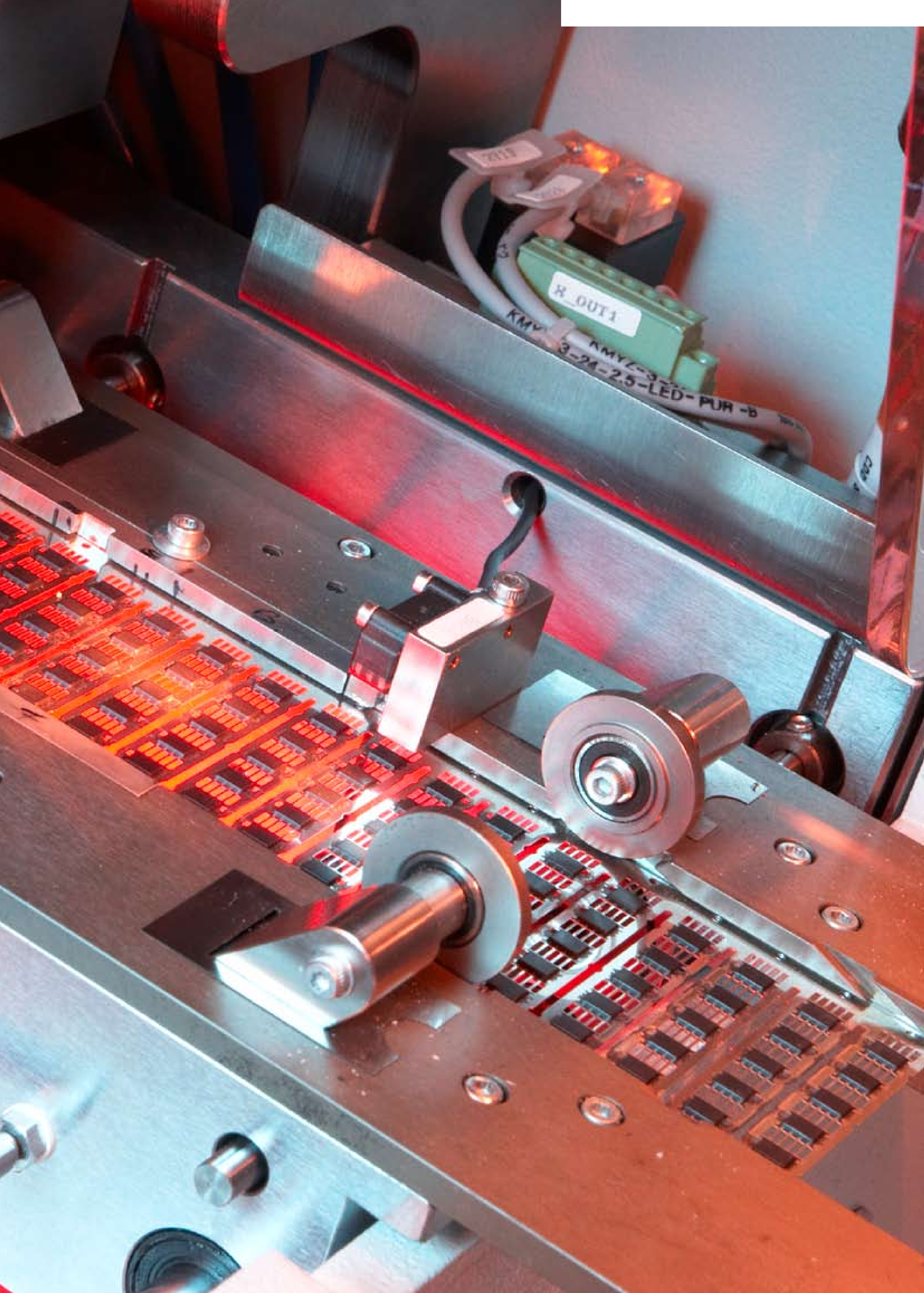
Selectively Pursue Acquisitions

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 as part of our integration strategy; and

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.

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Selected Consolidated Financial Data

Selected Consolidated Financial Data (IFRS)

(euro in thousands, except share and per share data)				Year ended December 31,
	2004	2004	2005	2006
		Pro Forma [b]		
Consolidated Statements of Operations [a]				
Revenue	126,341	194,323	164,262	191,191
Cost of sales	95,066	135,178	111,757	116,437
Gross profit	31,275	59,145	52,505	74,754
Selling, general and administrative expenses	28,830	44,218	41,059	43,439
Research and development expenses	12,534	18,231	12,421	18,217
Total operating expenses	41,364	62,449	53,480	61,656
Operating income (loss)	(10,089)	(3,304)	(975)	13,098
Other income	-	-	-	1,216
Financial income (expense), net	2,533	(579)	(3,174)	(3,094)
Income (loss) before taxes	(7,556)	(3,883)	(4,149)	11,220
Goodwill adjustment relating to deferred tax asset	-	-	-	2,300
Income taxes (benefit)	(2,249)	(1,251)	(1,798)	(1,879)
Net income (loss)	(5,307)	(2,632)	(2,351)	10,799
Attributable to:				
Equity holders of the parent	(5,243)	(2,568)	(2,392)	10,667
Minority interest	(64)	(64)	41	132
Net income (loss)	(5,307)	(2,632)	(2,351)	10,799
Income (loss) per share				
Basic	(0.17)	(0.08)	(0.07)	0.33
Diluted	(0.17)	(0.08)	(0.07)	0.31
Weighted average number of shares used to compute income (loss) per share				
Basic	30,794,660	32,709,309	32,710,934	32,760,572
Diluted	30,794,660	32,709,309	32,710,934	41,840,875

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

[a] The selected consolidated financial data for the years ended December 31, 2004, 2005 and 2006 and as of December 31, 2004, 2005 and 2006 are presented in accordance with IFRS and have been derived from our audited Consolidated Financial Statements. Ernst & Young Accountants have audited our Consolidated Financial Statements for the year ended December 31, 2006 and as of December 31, 2006. KPMG Accountants have audited our Consolidated Financial Statements for the years ended December 31, 2004 and 2005, and as of December 31, 2004 and 2005.

Our Consolidated Financial Statements in IFRS differ in certain significant respects from our presentation of our Consolidated Financial Statements in US GAAP. For a reconciliation of our results of operations and equity between IFRS and US GAAP for the years ended, and as of, December 31, 2004, 2005 and 2006, please see the table and footnotes at the end of this section.

[b] On January 4, 2005, we completed the acquisition of Datacon Technology GmbH (formerly Datacon Technology AG), ("Datacon"). In order to facilitate a meaningful comparison of our fiscal year 2005 results, we have prepared unaudited comparative financial information for 2004 on a pro forma basis to incorporate the results of operations of Datacon as if the transaction had occurred on January 1, 2004. Pro forma 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 on a pro forma basis includes 1,933,842 of our Ordinary Shares issued in the Datacon acquisition.

Selected Financial Data (US GAAP)

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"). Since 2005, we have also published our Consolidated Financial Statements in accordance with IFRS due to its 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 its registration of the Shares with the U.S. Securities and Exchange Commission (the "SEC"). Effective in 2007, we will no longer be subject to the financial statement requirements and other provisions of the SEC as well as the listing requirements and marketplace rules of the NASDAQ National Market. As such, we will no longer be required to present our Consolidated Financial Statements according to US GAAP. For the year ended December 31, 2006, we have provided selected financial data in both IFRS and US GAAP for the convenience of readers in order to provide a comparative analysis of our historical results of operations and financial condition. Our Consolidated Financial Statements in IFRS differ in certain significant respects from our presentation in US GAAP. For a reconciliation of our results of operations and shareholders' equity between IFRS and US GAAP for the years ended, and as of, December 31, 2005 and 2006, please see the table and footnotes at the end of this section.

Selected Financial Data (US GAAP) [a]

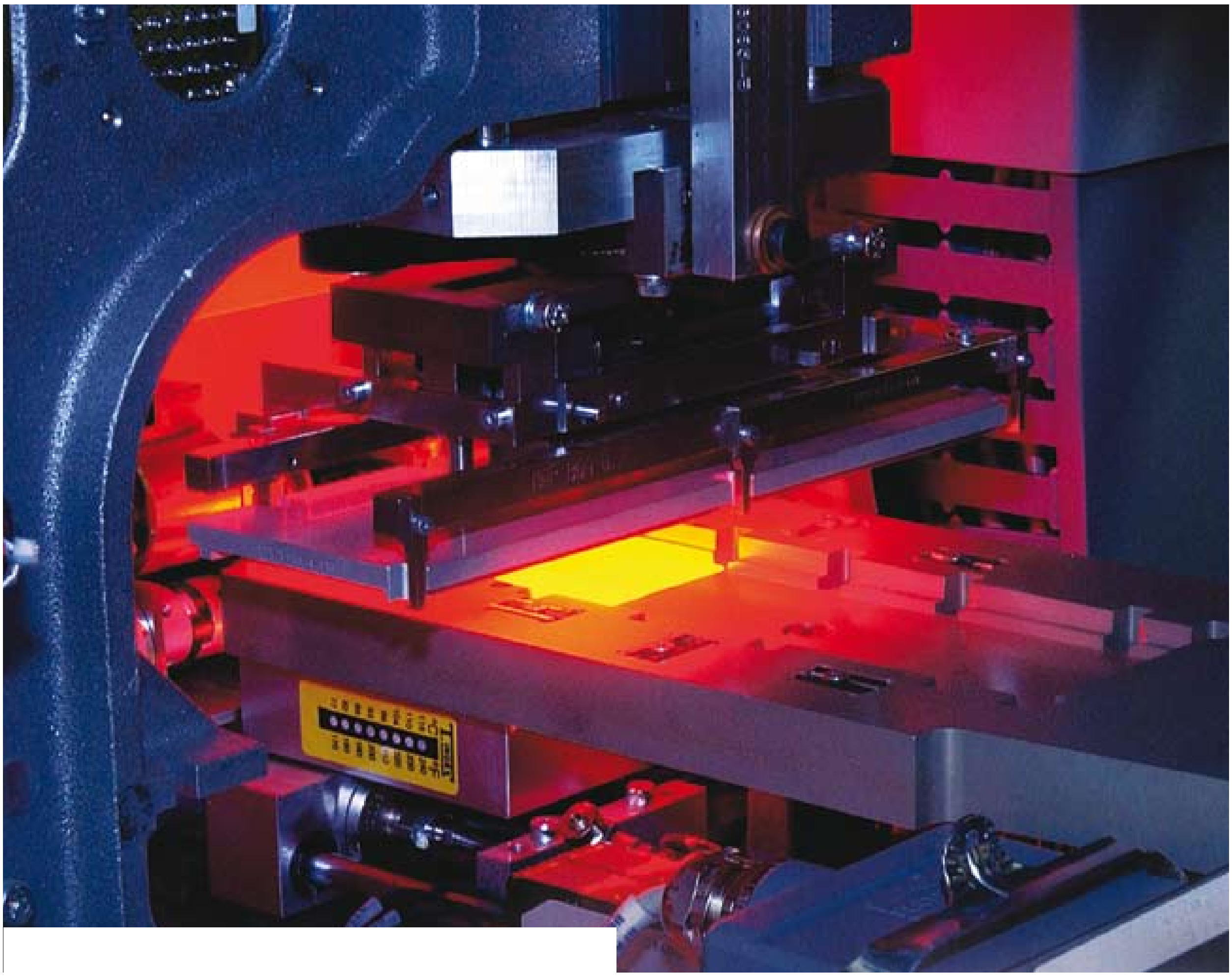
(euro thousands except share and per share data)					Year ended December 31,	
	2002	2003	2004	2004	2005	2006
				Pro Forma[b]		
Consolidated Statements of Operations [a]						
Net sales	83,228	85,500	126,341	194,323	164,262	191,191
Cost of sales	55,849	63,345	88,352	127,901	106,897	113,807
Gross profit	27,379	22,155	37,989	66,422	57,365	77,384
Selling, general and administrative expenses	26,235	25,436	27,145	43,306	38,697	43,233
Research and development expenses	12,470	13,564	12,500	18,197	17,918	17,222
Restructuring charges (credit)	786	-	5,616	5,616	2,231	(255)
Impairment of intangibles	3,302	287	-	-	-	-
Amortization of intangible assets	2,591	2,522	2,465	3,029	3,728	3,008
Total operating expenses	45,384	41,809	47,726	70,148	62,574	63,208
Operating income (loss)	(18,005)	(19,654)	(9,737)	(3,726)	(5,209)	14,176
Other income	-	-	-	-	-	1,216
Interest income (expense), net	3,395	2,815	1,811	(528)	(2,711)	(3,071)
Income (loss) before taxes	(14,610)	(16,839)	(7,926)	(4,254)	(7,920)	12,321
Income taxes (benefit)	2,404	(3,292)	(2,435)	(1,438)	(2,779)	2,179
Income (loss) before minority interest	(17,014)	(13,547)	(5,491)	(2,816)	(5,141)	10,142
Minority interest	3	50	64	64	(40)	(132)
Net income (loss)	(17,011)	(13,497)	(5,427)	(2,752)	(5,181)	10,010
Income (loss) per share						
Basic	(0.54)	(0.44)	(0.18)	(0.08)	(0.16)	0.31
Diluted	(0.54)	(0.44)	(0.18)	(0.08)	(0.16)	0.29
Weighted average number of shares used to compute income (loss) per share						
Basic	31,462,482	30,813,681	30,794,660	32,709,309	32,710,934	32,760,572
Diluted	31,462,482	30,813,681	30,794,660	32,709,309	32,710,934	41,825,503

[a] The selected consolidated financial data for the years ended December 31, 2002, 2003, 2004, 2005 and 2006 and as of December 31, 2002, 2003, 2004, 2005 and 2006 are derived from our audited Consolidated Financial Statements according to United States generally accepted accounting principles ("US GAAP"). Ernst & Young Accountants have audited our Consolidated Financial Statements according to US GAAP for the year ended December 31, 2006 and as of December 31, 2006. KMPG Accountants have audited our Consolidated Financial Statements according to US GAAP for the years ended December 31, 2002, 2003, 2004 and 2005, and as of each respective year-end date.

[b] On January 4, 2005, we completed the acquisition of Datacon Technology GmbH (formerly Datacon Technolgy AG), ("Datacon"). In order to facilitate a meaningful comparison of our fiscal year 2005 results, we have prepared unaudited comparative financial information for 2004 on a pro forma basis to incorporate the results of operations of Datacon as if the transaction had occurred on January 1, 2004. Pro forma 2004 adjustments include (a) the results of operations of Datacon prepared in accordance with US GAAP, (b) the effects of the purchase accounting adjustments relating 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 on a pro forma basis includes 1,933,842 of our Ordinary Shares issued in the Datacon acquisition.

Selected Financial Data (US GAAP) [a] - Continued

(euro in thousands)				Year ended December 31,	
	2002	2003	2004	2005	2006
Consolidated Balance Sheet Data					
Cash and cash equivalents	119,866	108,897	106,573	72,950	81,103
Working capital	157,612	138,437	141,761	117,193	143,512
Total assets	244,998	221,417	227,342	301,036	296,793
Total debt	9,040	8,879	14,114	82,786	66,835
Total shareholders' equity	200,488	183,506	176,993	181,411	189,600
Consolidated Statements of Cash Flow Data					
Capital expenditures	4,903	11,889	3,427	6,418	2,695
Depreciation of property, plant and equipment	4,135	3,947	4,444	5,732	5,098
Net cash provided by (used in) operating activities	(4,224)	2,652	(4,041)	(562)	12,410
Net cash provided by (used in) investing activities	(8,719)	(11,796)	(3,288)	(67,690)	1,183
Net cash provided by (used in) financing activities	(6,792)	(173)	5,417	33,896	(4,791)
Net change in cash and cash equivalents	(19,735)	(9,317)	(1,912)	(34,356)	8,802



Reconciliation of Net Income (Loss) and Equity From US GAAP to IFRS, as Endorsed by the EU

Reconciliation of Net Income (Loss) and Equity From US GAAP to IFRS, as Endorsed by the EU

(euro in thousands)	Year ended December 31, 2005	2006
Net income (loss) in accordance with US GAAP	(5,181)	10,010
Adjustments from US GAAP to IFRS, as endorsed by the EU		
Capitalization of development expenses	5,989	802
Amortization of and impairment on capitalized development expenses	(346)	(1,798)
Amortization of intangible assets	59	305
Impairment on intangible assets	(774)	-
Reversal on impairment intangible assets	-	-
Employee share-based payments	(802)	(10)
Accredited interest convertible notes	(271)	(316)
Deferred income tax effects	(982)	1,758
Minority interest	41	132
Other differences in income (loss)	(84)	(84)
Net income (loss) in accordance with IFRS, as endorsed by the EU	(2,351)	10,799

Reconciliation of Equity from US GAAP to IFRS, as Endorsed by the EU

(euro in thousands)	January 1, 2005 (unaudited)	December 31, 2005	December 31, 2006
Shareholders' equity in accordance with US GAAP	176,993	181,411	189,600
Adjustments from US GAAP to IFRS, as endorsed by the EU			
Capitalization of development expenses	-	5,706	4,563
Valuation of goodwill	(1,883)	(1,522)	(1,433)
Valuation of other intangible assets	(465)	(1,250)	(871)
Employee share-based payments	(105)	(88)	(52)
Equity component convertible notes	-	2,580	2,580
Accredited interest convertible notes	-	(271)	(591)
Recognized gain on sale and lease back transaction	843	758	673
Deferred income tax effects	(260)	(1,992)	(231)
Minority interest	115	178	293
Equity in accordance with IFRS, as endorsed by the EU	175,238	185,510	194,531

Notes to the Reconciliations from US GAAP to IFRS, as Endorsed by the EU

Goodwill

IFRS, as endorsed by the EU, and US GAAP prohibits systematic amortization of goodwill and requires an annual impairment test to be performed. Goodwill amortization under US GAAP ceased as of January 1, 2002, whereas goodwill amortization under IFRS, as endorsed by the EU ceased as of January 1, 2004.

Leasing

IFRS, as endorsed by the EU, requires any gain in sale and lease back transactions to be recognized immediately if the transaction was based on market value. The Company has reviewed all its lease commitments and transactions and has determined that the sale and lease back transaction of the Company's land and buildings in Drunen, the Netherlands was established at market value. The gain on this transaction was deferred under US GAAP and netted against rental expense.

Patents and Trademarks

In connection with the conversion to IFRS, as endorsed by the EU, as of January 1, 2004, the Company tested all its intangible assets for impairments in 2005 and 2006, even when no indications existed. The Company recorded impairments on patents and trademarks in 2005. When the Company concludes that impairment on patents and trademarks no longer exists, such impairment will be reversed accordingly.

Employee Share-based Payments

The Company has granted both cash-settled and equity-settled share-based options to its employees in the past. Under IFRS, the Company applies IFRS 2 "Share Based Payments" beginning from January 1, 2004. In accordance with IFRS 2, the Company records the fair value of its share based payments as an expense with respect to stock options granted to its employees after November 7, 2002.

Under US GAAP, as of January 1, 2006, the Company accounted for stock option plans according to SFAS 123 (R). SFAS 123 (R) requires that share-based compensation transactions be accounted for on a fair value basis method, recognizing the expenses in the Company's Consolidated Statements of Operations. Upon adoption in 2006, this US GAAP principal is similar to IFRS.

Under US GAAP for the year ended December 31, 2005, the Company accounted for stock option plans using the intrinsic value method in accordance with APB 25 "Accounting for stock issued to employees" and provided pro forma disclosure of the impact of the fair value method on net income (loss) and earnings (loss) per share in accordance with SFAS 123 "Accounting for stock based compensation".

Capitalization of Development Cost

Under IFRS, the Company applies IAS 38, "Intangible Assets" beginning from January 1, 2005. Sufficient reliable information relating to development costs under IFRS before January 1, 2005 is not available. Under IAS 38, capitalized development costs are amortized over the expected useful life of the related product generally 3 years. Amortization starts when the developed product is available for use. The Company is not required to capitalize its research and development costs according to US GAAP.

Convertible Notes

Under IFRS, the Company applies IAS 32 "Financial instruments: Disclosure and presentation" and IAS 39 "Financial instruments: Recognition and measurement" beginning from January 1, 2005. In accordance with IAS 32 and IAS 39, the Company accounts separately for the equity and liability component of its convertible bonds. The equity component relates to the grant of a conversion option on shares held by the bondholder. The liability component creates a financial liability that is measured at amortized cost which results in additional interest charges.

Operating and Financial Review and Prospects

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 net sales 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 net sales, 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 net sales, results of operations and backlog. Downturns in the industry can be severe and protracted and could continue to adversely affect our net sales, 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 sales are generated primarily by shipments to the Asian manufacturing operations of leading United States and European semiconductor manufacturers and, to a lesser extent, Korean 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, 2006, one customer accounted for 11% of our net sales and our three largest customers accounted for approximately 26% of our net sales. In addition, we derive a substantial portion of our sales 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 sales 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

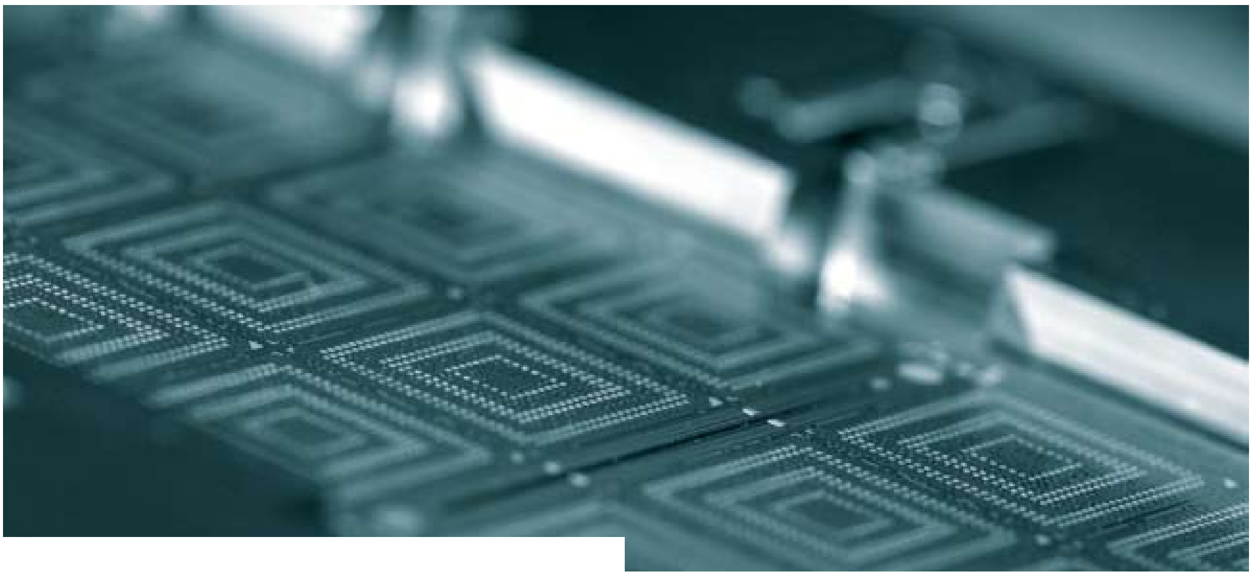
("US GAAP"). Beginning in 2005, the European Commission required companies listed on a European stock market to publish their financial statements in accordance with International Financial Reporting Standards, or IFRS. Accordingly, we have published our consolidated financial statements in accordance 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 its registration of the Shares with the U.S. Securities and Exchange Commission (the "SEC") effective January 2007. 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 believe that the resulting annual cost savings of approximately € 1.0 million, or € 0.03 per share (before taxes), 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 should continue to provide liquidity to shareholders and access to capital for the Company.

In connection with the voluntary delisting of the Ordinary Shares from the NASDAQ National Market and the suspension of our registration with the SEC, we will no longer be 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 will no longer be required to present our Consolidated Financial Statements according to US GAAP. For the year ended December 31, 2006, we have provided selected financial data in both US GAAP and IFRS for the convenience of readers in order to provide a comparative analysis of our historical results of operations and financial condition.

Our Consolidated Financial Statements in IFRS differ in certain significant respects from our presentation of our Consolidated Financial Statements in US GAAP. For a reconciliation of our results of operations and equity between IFRS and US GAAP for the years ended, and as of, December 31, 2005 and 2006, please see "Selected Financial Data" elsewhere in this Annual Report.

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 judgments 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.

Acquisition of Datacon

On January 4, 2005, we completed the acquisition of Datacon. Datacon was founded in 1986 in Radfeld, Austria and is today a leading global manufacturer of flip chip bonding, multi-chip bonding and other related assembly equipment for the semiconductor and telecommunications industries. In the transaction, Datacon shareholders received total consideration of € 73.1 million, which consisted of € 65.0 million in cash and 1,933,842 of our ordinary shares. In connection with the acquisition, we incurred approximately € 3.4 million in acquisition fees and expenses.

The acquisition of Datacon was accounted for using the purchase method of accounting and as such, Datacon's results of operations have been included in our consolidated results of operations since the date of acquisition. In order to facilitate a meaningful comparison of our fiscal year 2005 results, we have prepared unaudited comparative financial information for 2004 on a pro forma basis to incorporate the results of operations of Datacon as if the transaction had occurred on January 1, 2004. The allocation of the purchase price paid in connection with the acquisition of Datacon was completed in the fourth quarter of 2005.

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 operating income in 2006 by less than € 4 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 net sales 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 40% of total net sales in the year ended December 31, 2006, whereas net sales represented by U.S. dollars or U.S. dollar-linked currencies amounted to approximately 60%. 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

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 € 0.5 million, net of tax.

Customer Relationships

Historically, a limited number of our customers has accounted for a significant percentage of our net sales. In 2006, our three largest customers accounted for approximately 26% of our net sales, with the largest customer accounting for approximately 11% of our net sales. 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.

2006 Compared to 2005

Net Sales

Our net sales 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 and RFID 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 now 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 made by Datacon in Austria, Hungary and Malaysia;
- die sorting and flip chip die bonding systems made in the United States and Malaysia by Laurier;
- singulation, laser cutting and certain molding systems made by Fico in the Netherlands; and
- RFID flex antenna plating and die bonding systems made respectively by Meco in the Netherlands and Datacon in Austria.

In the leadframe category, we include:

- conventional molding and trim form systems made by Fico in the Netherlands, Malaysia and China; and
- leadframe plating equipment made by Meco in the Netherlands.

Our net sales increased from € 164.3 million in 2005 to € 191.2 million in 2006, an increase of 16.4%. The increase in net sales in 2006 as compared to 2005 was principally due to improved industry conditions as customers added assembly production capabilities in light of increased industry demand for wireless applications and personal computing devices and higher capacity utilization rates at customer production facilities. More specifically, the year-over-year increase was due to a 15.3% increase in equipment sales for array connect applications, principally die bonding and singulation equipment as well as a 18.6% increase in shipments of assembly equipment for leadframe applications, primarily trim and form equipment.

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 € 56.8 million at December 31, 2005 to € 54.0 million at December 31, 2006. Orders for array connect and leadframe applications represented approximately 72% and 28%, respectively, of backlog at December 31, 2006. The book-to-bill ratio was 0.99 for 2006 as compared to a book-to-bill ratio of 1.03 for 2005.

New orders in 2006 totaled € 188.4 million, an increase of € 18.5 million, or 10.9%, as compared to 2005. Order growth in 2006 resulted primarily from increased demand for packaging and plating equipment by Independent Device Manufacturers ("IDMs") for leadframe applications as customers

Our net sales per end use customer process application for the years ended December 31, 2005 and 2006, respectively, were as follows:

(euro in millions)	Year ended December 31,				% Change
	2005		2006		2006/2005
Array Connect	111.5	68%	128.6	67%	15.3%
Leadframe	52.8	32%	62.6	33%	18.6%
Total net sales	164.3	100%	191.2	100%	16.4%

increased production capacity this year for memory and conventional discrete devices. Orders for more advanced array connect applications were up only slightly versus 2005 as customers remained cautious in placing orders for new assembly process technologies. On a customer basis, orders by IDMs and subcontractors increased by 17.9% and 2.2%, respectively.

The pattern of quarterly orders in 2006 fluctuated as is characteristic of the cyclical industry in which Besi participates. In 2006, orders peaked in the spring due to an extremely large build-up of leadframe capacity by customers in the first quarter. Orders gradually declined in the second half of the year as customers began to absorb additional production capacity and became more cautious in managing inventory levels and capital budgets in the face of an uncertain 2007 semiconductor environment.

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.

Gross profit increased by 42.5% from € 52.5 million in 2005 to € 74.8 million in 2006. In 2005, cost of sales included a € 3.3 million purchase accounting adjustment related to an upward fair value inventory adjustment in the opening balance sheet of Datacon.

Besi's gross margin before restructuring charges, the amortization and impairment of intangible assets and Datacon purchase accounting adjustments increased from 36.5% in 2005 to 40.1% in 2006. The gross margin improvement was primarily due to (i) a significant increase in equipment sales for array connect and leadframe applications, (ii) a significant increase in leadframe assembly gross margins related primarily to the restructuring of our packaging equipment operations in 2005 and improved gross margins realized on sales of plating equipment, and (iii) improved gross margins for array connect applications, principally die bonding and singulation equipment.

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.

Our gross profit per end use customer application and as a percentage of net sales for the years ended December 31, 2005 and 2006, respectively, were as follows:

(euro in millions)	Year ended December 31,				% Change
		2005		2006	2006/2005*
		% sales		% sales	
Array Connect	43.3	38.9%	53.4	41.5%	2.6%
Leadframe	16.7	31.6%	23.3	37.2%	5.6%
Subtotal	60.0	36.5%	76.7	40.1%	3.6%
Amortization of intangible assets	(2.4)	(1.4%)	(2.1)	(1.1%)	0.3%
Impairment of intangible assets	(0.8)	(0.5%)	-	-	0.5%
Restructuring charges	(1.0)	(0.6%)	0.2	0.1%	0.7%
Fair value adjustment in the opening balance sheet of Datacon	(3.3)	(2.0%)	-	-	2.0%
Gross profit	52.5	32.0%	74.8	39.1%	7.1%

* Change in absolute percentage points

Detail of our selling, general and administrative expenses for the years ended December 31, 2005 and 2006, respectively:

(euro in millions)	Year ended December 31,				% Change
		2005		2006	2006/2005
		% sales		*% sales*	
Selling, general and administrative expenses	38.8	23.6%	42.9	22.4%	10.6%
Restructuring charges (credit)	1.1	0.7%	(0.1)	0%	n/m
Amortization of intangible assets	1.2	0.7%	0.6	0.3%	(50%)
Total selling, general and administrative expenses	41.1	25.0%	43.4	22.7%	5.6%

Total selling, general and administrative expenses in 2005 were € 41.1 million and represented 25.0% of net sales, compared to € 43.4 million or 22.7% of net sales in 2006. Excluding restructuring charges and the amortization of intangible assets, such expenses increased by 10.6% in 2006 and represented 22.4% of net sales as compared to 23.6% in 2005. The increase in selling, general and administrative expenses in 2006 (excluding restructuring charges and the amortization of intangible assets) was primarily due to (i) higher accounting and advisory expenses related to Sarbanes-Oxley regulations and (ii) higher warranty and service expenses related to new product introductions.

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 as 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.

Our research and development expenses increased by 46.8% from € 12.4 million in 2005 to € 18.2 million in 2006 primarily as a result of a reduction in capitalized development costs. As a percentage of net sales, research and development expenses were 7.5% and 9.5% in 2005 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") decreased by € 0.7 million, or 3.9%. The decrease in adjusted research and development expenses in 2006 was mainly due to decreased spending for new die handling, die bonding and packaging systems as new products were completed and released to the market in the second half of 2005 and the beginning of 2006.

Set forth below is detail of the Company's research and development activities for the years ended December 31, 2005 and 2006, respectively:

(euro in millions)	Year ended December 31,				% Change
		2005		2006	2006/2005
		% sales		*% sales*	
Research and development expenses	17.9	10.9%	17.2	9.0%	(3.9%)
Capitalization of development costs	(6.0)	(3.7%)	(0.8)	(0.4%)	(86.7%)
Amortization and impairment of development costs	0.4	0.2%	1.8	0.9%	350%
Restructuring charges	0.1	0.1%	-	-	n/m
Research and development expenses, net	12.4	7.5%	18.2	9.5%	46.8%

Restructuring Charges

In May 2005, we announced the further consolidation and integration of our Dutch Fico packaging and tooling manufacturing operations in Duiven, the Netherlands. The consolidation involved the termination of 32 employees in the third quarter of 2005 and the integration of production and administrative personnel at our Duiven facility. We recorded a restructuring charge of € 1.7 million in the second quarter of 2005 to cover the estimated costs of this workforce reduction.

In the fourth quarter of 2005, we terminated the employment contracts of 14 employees at our Datacon Eurotec subsidiary in Berlin in an effort to improve the efficiency of our die bonding operations. We recorded a restructuring charge of € 0.4 million in the fourth quarter of 2005 to cover the estimated costs of this workforce reduction.

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.

Operating Income (Loss)

Our operating income increased from an operating loss of € 1.0 million in 2005 to operating income of € 13.1 million in 2006. Our operating loss in 2005 included restructuring charges of € 2.2 million and a fair value inventory adjustment of € 3.3 million related to the Datacon acquisition. The increase in our operating income in 2006 as compared to 2005 was due to increased net sales and increased gross margins, the absence of purchase accounting adjustments and significantly lower restructuring charges partially offset by increased selling, general and administrative and research and development expenses.

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 € 4.5 million in 2006 as compared to € 3.8 million in 2005.

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, of which € 1.0 million was received on the transaction date and the balance in the fourth quarter of 2006. The transaction resulted in a gain of € 1.2 million which was reported in other income in our income statement.

Financial Income (Expense), Net

Our financial income (expense), net decreased from € 3.2 mil-

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

(euro in millions)	Year ended December 31, 2005	2006
Cost of sales	971	(195)
Selling, general and administrative expenses	1,114	(60)
Research and development expenses	146	-
Total	2,231	(255)

Changes in the restructuring reserve in 2005 and 2006 were as follows:

(euro in thousands)	2005	2006
Balance at January 1,	5,820	764
Additions (releases)	2,231	(255)
Cash payments	(7,287)	(474)
Balance at December 31,	764	35

The components of our financial income (expense), net for the years ended December 31, 2005 and 2006, respectively, were as follows:

(euro in millions)	Year ended December 31, 2005	2006	% Change 2006/2005
Interest income	1.6	1.9	18.8%
Interest expense	(4.0)	(4.7)	17.5%
Interest expense, net	(2.4)	(2.8)	16.7%
Foreign exchange gains (losses), net	(0.8)	(0.3)	(62.5%)
Financial income (expense), net	(3.2)	(3.1)	(3.1%)

lion in 2005 to € 3.1 million in 2006 as higher interest expense, net was offset by a decrease in foreign exchange losses realized during the year. Our interest expense, net increased from € 2.4 million in 2005 to € 2.8 million in 2006 due primarily to our 5.5% convertible notes being outstanding for the full 2006 period and incremental borrowings by our Meco and Fico subsidiaries.

Income Tax (Benefit)

We had an income tax benefit of € 1.8 million in 2005 as compared to an income tax benefit of € 1.9 million in 2006, offset by a goodwill adjustment relating to deferred tax assets. The effective tax rate was 43.3% in 2005 and (16.7%) in 2006.

Our effective tax rate in 2006 was favorably influenced by the sale of certain assets of Datacon's Eurotec subsidiary. This sale resulted in additional deferred tax assets of € 4.3 million. The portion related to the period prior to Besi's acquisition of Datacon, amounting to € 1.8 million together with € 0.5 million of additional pre-acquisition tax adjustments were applied to reduce goodwill to an 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 value of the goodwill is recognized as an expenses under the goodwill adjustment relating to deferred tax assets.

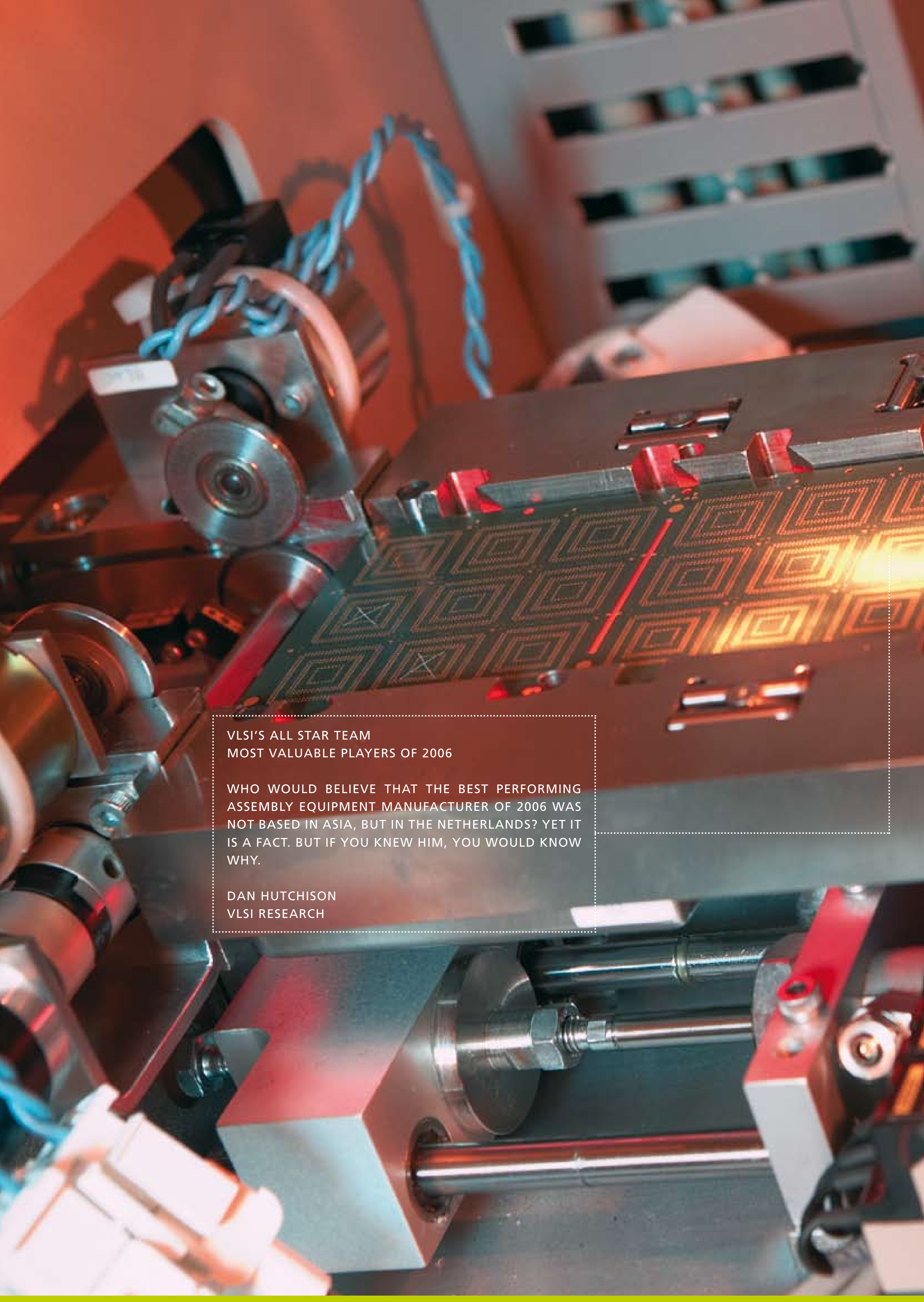
Net Income (Loss)

Our net loss for 2005 was € 2.4 million as compared to net income of € 10.8 million in 2006. The net loss for 2005 included after tax purchase accounting adjustments related to the Datacon acquisition of € 2.5 million and restructuring charges, net of income taxes of € 1.2 million associated with the further consolidation of our Dutch packaging and tooling manufacturing operations. As compared to 2005, our net income in 2006 increased due to (i) increased net sales, (ii) increased gross margins, (iii) the absence of purchase accounting adjustments, (iv) lower restructuring charges, (v) the € 1.2 million gain on sale of certain assets of Datacon's Eurotec subsidiary and (vi) net tax benefits of € 1.4 million recognized during the period.

Liquidity and Capital Resources

We had € 81.8 million and € 98.0 million in cash and cash equivalents at December 31, 2005 and December 31, 2006, respectively. At December 31, 2006, our total debt and capital lease obligations totaled € 80.0 million and equity stood at € 194.5 million.

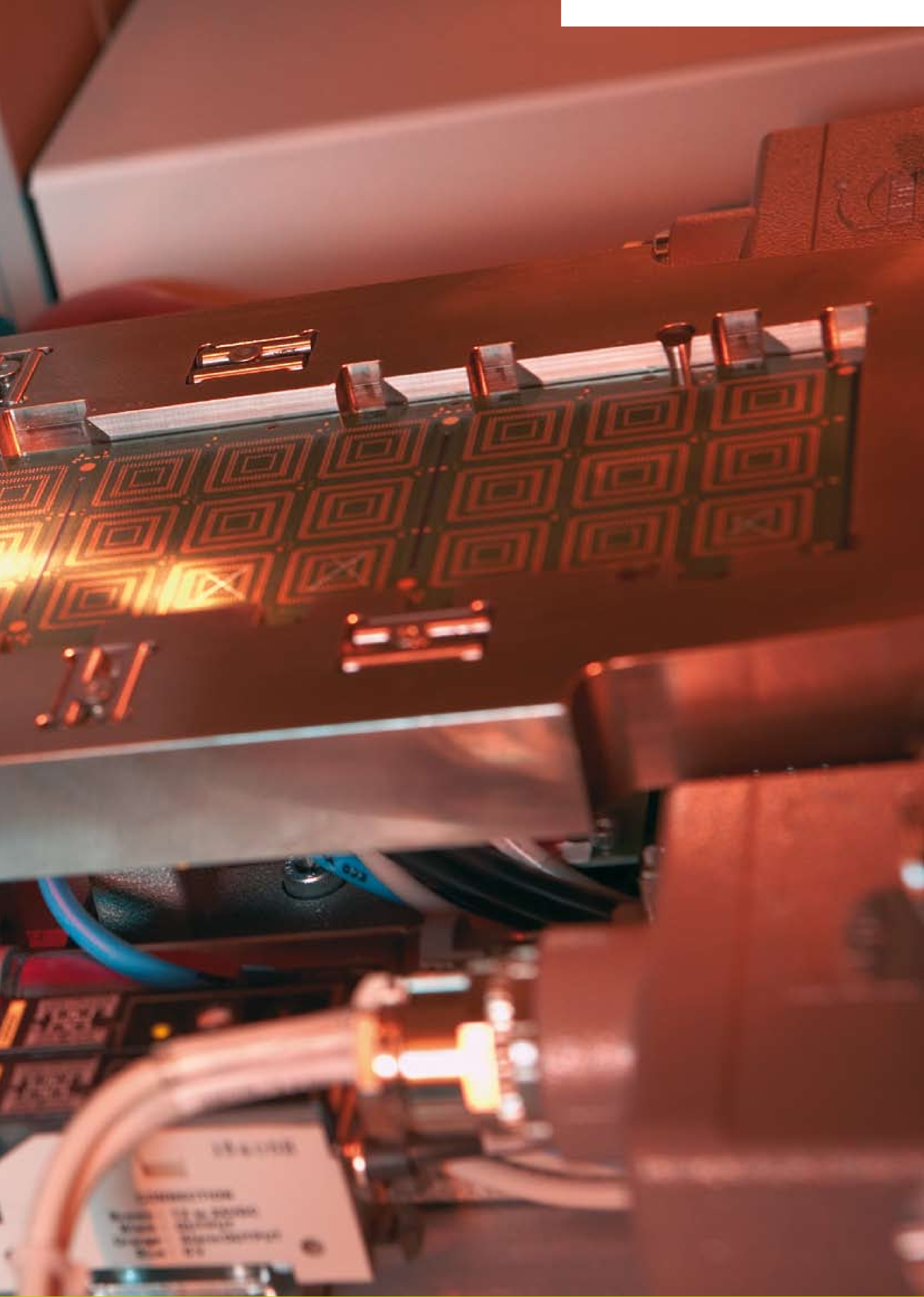
In general, we fund our operations through cash generated from operations and, in some instances, fund the operations of our subsidiaries through intercompany loans. Furthermore, to meet local financing needs, our subsidiaries maintain lines of credit with various local commercial banks. The credit lines 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



VLSI'S ALL STAR TEAM
MOST VALUABLE PLAYERS OF 2006

WHO WOULD BELIEVE THAT THE BEST PERFORMING ASSEMBLY EQUIPMENT MANUFACTURER OF 2006 WAS NOT BASED IN ASIA, BUT IN THE NETHERLANDS? YET IT IS A FACT. BUT IF YOU KNEW HIM, YOU WOULD KNOW WHY.

DAN HUTCHISON
VLSI RESEARCH



for export and research and development activities. Fico Tooling Leshan Company Ltd. in China, of which we own 87%, is partly financed by long-term loans issued by a local bank. Some of these loans are secured by a pledge of real property.

At December 31, 2006, Besi and its subsidiaries had available lines of credit aggregating € 19.5 million, under which € 1.7 million of short-term borrowings were outstanding. Amounts available to be drawn under the lines were further reduced by € 0.3 million in outstanding bank guarantees. Interest is charged at the bank's base lending rates or Euribor plus an increment between 0.50% and 0.90%. All our credit facility agreements include covenants requiring us to maintain certain financial ratios. Besi and all of our applicable subsidiaries were in compliance with all loan covenants at December 31, 2006.

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 5 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.

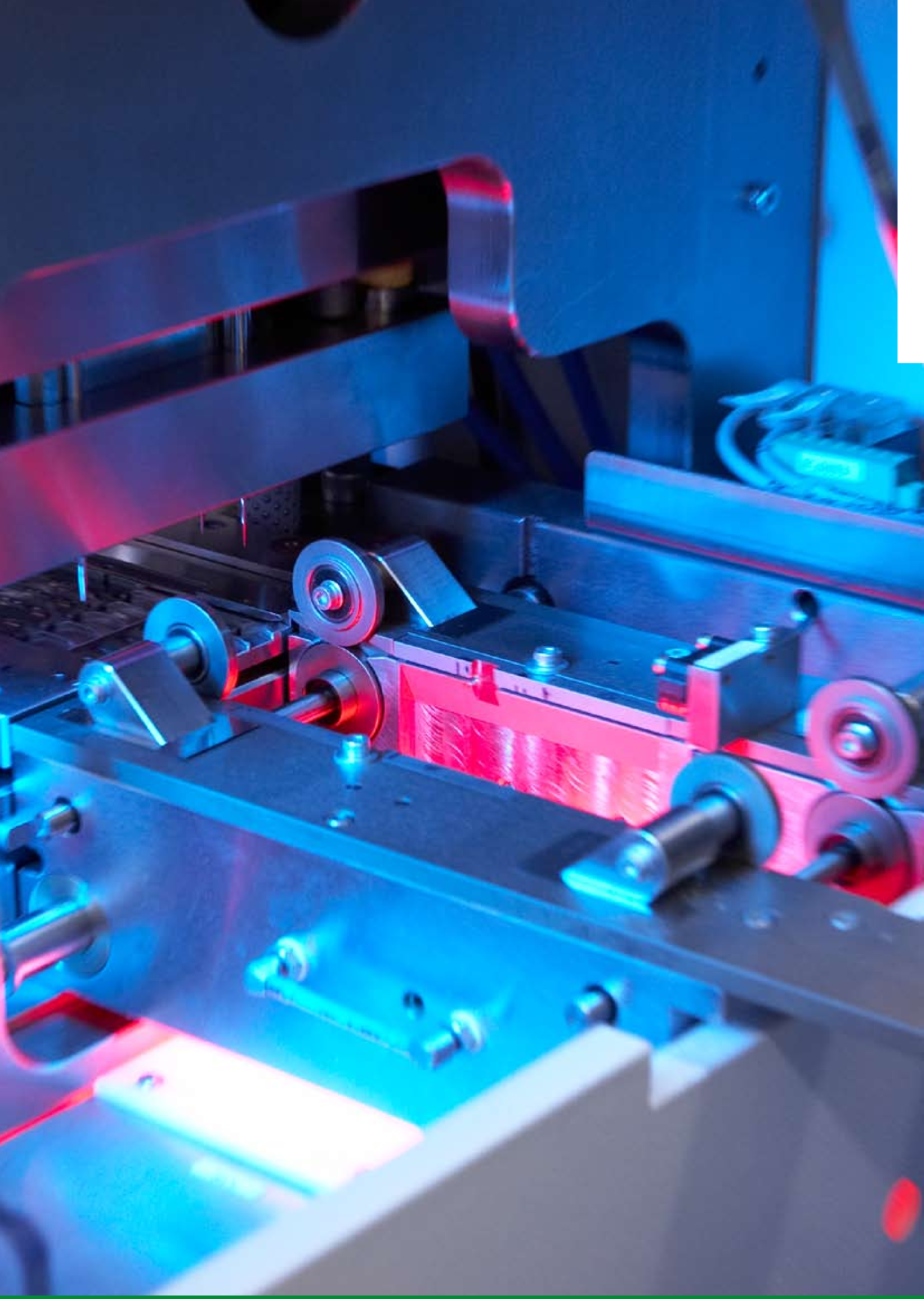
In 2006, we generated € 12.5 million of net cash flow from operations as compared to € 4.7 million in 2005. Net cash flow from operations increased due to increased profits, partially offset by higher levels of accounts receivable and inventories necessary to support our 16% increase in net sales in 2006.

In addition, we generated cash in 2006 from the sale of certain assets and actitivities of Eurotec, a Datacon subsidiary, to a third party for € 2.0 million and the disposition of equipment of € 0.4 million. Such amounts were added to our cash balances outstanding.

Our capital expenditures were € 6.4 million and € 2.7 million in 2005 and 2006, respectively. Our expenditures in 2007 were principally for equipment necessary to fund our production and development activities. Approximately € 4.0 million of our capital expenditures in 2005 were utilized to expand our Asian production capabilities while € 2.1 million was related to the purchase of land at our Radfeld facility.

In January 2005, we issued € 46 million principal amount of Convertible Notes due 2012 (the "Notes"). The Notes pay interest semi-annually on January 28 and July 28 of each year. The Notes initially convert into ordinary shares at a conversion price of € 5.1250. If the Notes are not converted, we may redeem them at their principal amount at anytime after the date beginning four years from the date of issue provided that on the date of redemption the market value of our ordinary shares exceeds 130% of the then effective conversion price. The net proceeds from the issuance of the Notes were used for general corporate purposes, including working capital and capital expenditures.

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

Shareholder Information

General

Stock symbol:	BESI
Stock exchange:	Euronext, Amsterdam

Share capital at December 31, 2006:

Authorised 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:	80,000,000
Of which issued and outstanding:	0

During 2006 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 page 106 and 107. A list of Ordinary Shares, Performance Stock Award Units and options held by members of the Board of Management is shown on page 113 and 114.

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, 2008 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, 2008. 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 to provide a protective measure against unfriendly take-over bids.

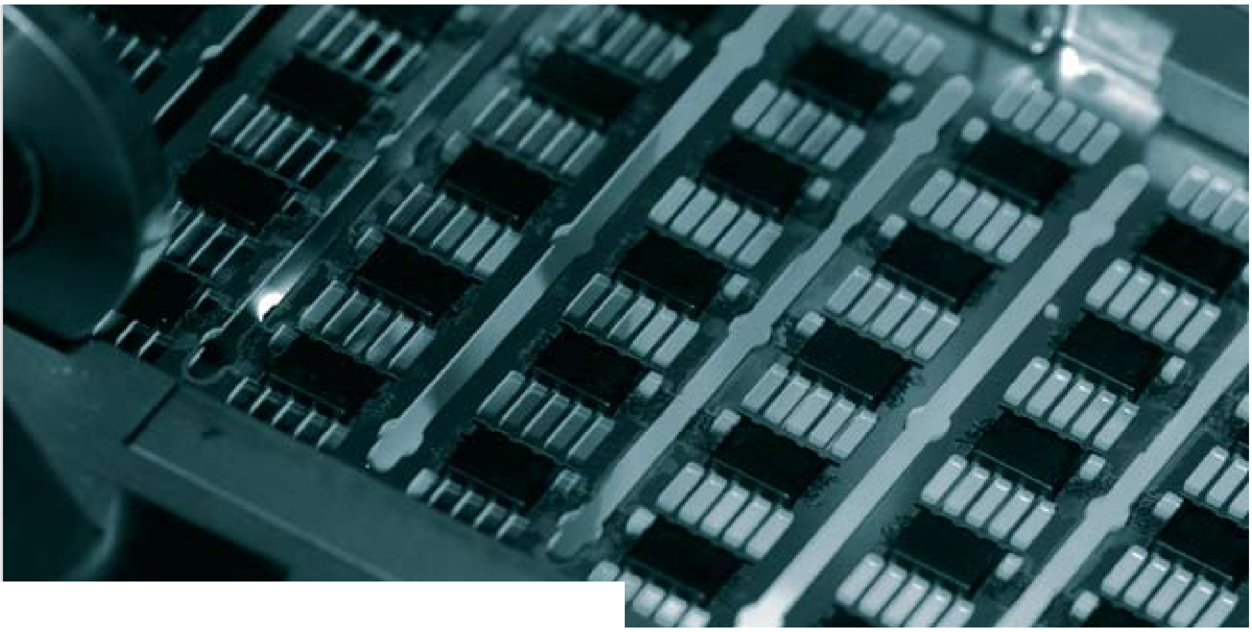
The Foundation was established in April 2000. The board of the Foundation consists of five members, four of whom are independent of Besi and one of whom is a member of the Supervisory Board.

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) shareholders' equity less the payment required to make the acquisition does not fall below the sum of the paid-up and called part of the issued share capital and any reserves required by Dutch law or Besi's articles of association and (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 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.

Significant Shareholdings

The following table lists the largest holders of Besi's shares to the best knowledge of the Company as of December 31, 2006. This list was compiled on notifications pursuant to the Dutch Financial Supervison Act (Wet op het financieel toezicht) or on Schedule 13G filed with the SEC. The applicable ownership percentage is based on 33,728,517 Ordinary Shares outstanding (including 957,412 Ordinary Shares held in treasury) as of December 31, 2006.

Fidelity Management & Research Company	9.86% (February 14, 2006)
Schneider Capital Management Corp.	6.12% (February 10, 2006)
Darlin N.V.	5.65% (November 1, 2006)
D. Lindenbergh	5.69% (November 1, 2006)

1996 Act on the Disclosure of Holding in Listed Companies

On 15 July 1996, Berliner Elektro Holding Aktiengesellschaft notified the Netherlands Authority for the Financial Market, or AFM, of its capital interest of 58.67% in the Company's share capital pursuant to the 1996 Act on the Disclosure of Holding in Listed Companies, which filing still appears in the public register maintained by the AFM, for these purposes. At the General Meeting of Shareholders held on March 22, 2006, Berliner Elektro Aktiengesellschaft (presently named: AdCapital AG), deposited an aggregate number of 1,640,500 Ordinary Shares (4.86% of our Ordinary Shares outstanding), which leads us to believe that the information presented in the public register with the AFM does not reflect the actual holdings of AdCapital AG.

Liquidity Providers

ING Securities Services, Rabo Securities, ABN AMRO Bank N.V. and F. van Lanschot Bankiers 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
Fortis Bank - Wim Lewi
ING Bank - Marcel Achterberg
Insinger de Beaufort - Jan-Hein Arts
Kempen & Co. - Jan-Willem Berghuis
Petercam Bank - Eric de Graaf
Rabo Securities - Frits de Vries
SNS Securities - Ad van de Laar

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 100 meetings with institutional investors were held in 2006 including roadshows, conference calls and broker conferences.

Important investor relations dates in 2007 that are currently planned (subject to change) are as follows:

22 March 2007	Annual General Meeting of Shareholders, to be held at the Amsterdam American Hotel, Amsterdam, 2.00 p.m.
20 April 2007	2007 first quarter results
20 July 2007	2007 second quarter results
19 October 2007	2007 third quarter results
February 2008	2007 fourth quarter and annual results

Internal Rules Regarding Insider Knowledge

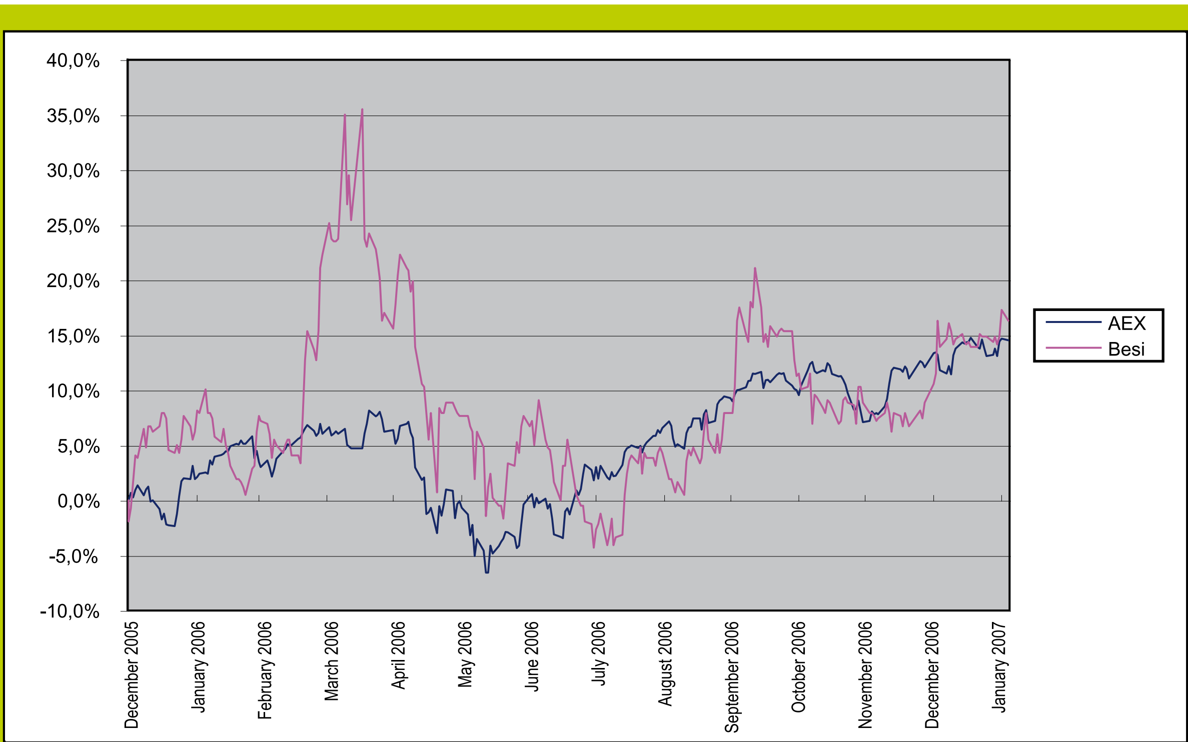
The code of conduct regarding the reporting and regulation of transactions in Besi securities (and other designated securities) and treatment of price-sensitive information is applicable to the Supervisory Board, the Board of Management, and other specified persons who have access to price-sensitive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

Performance of Besi Shares

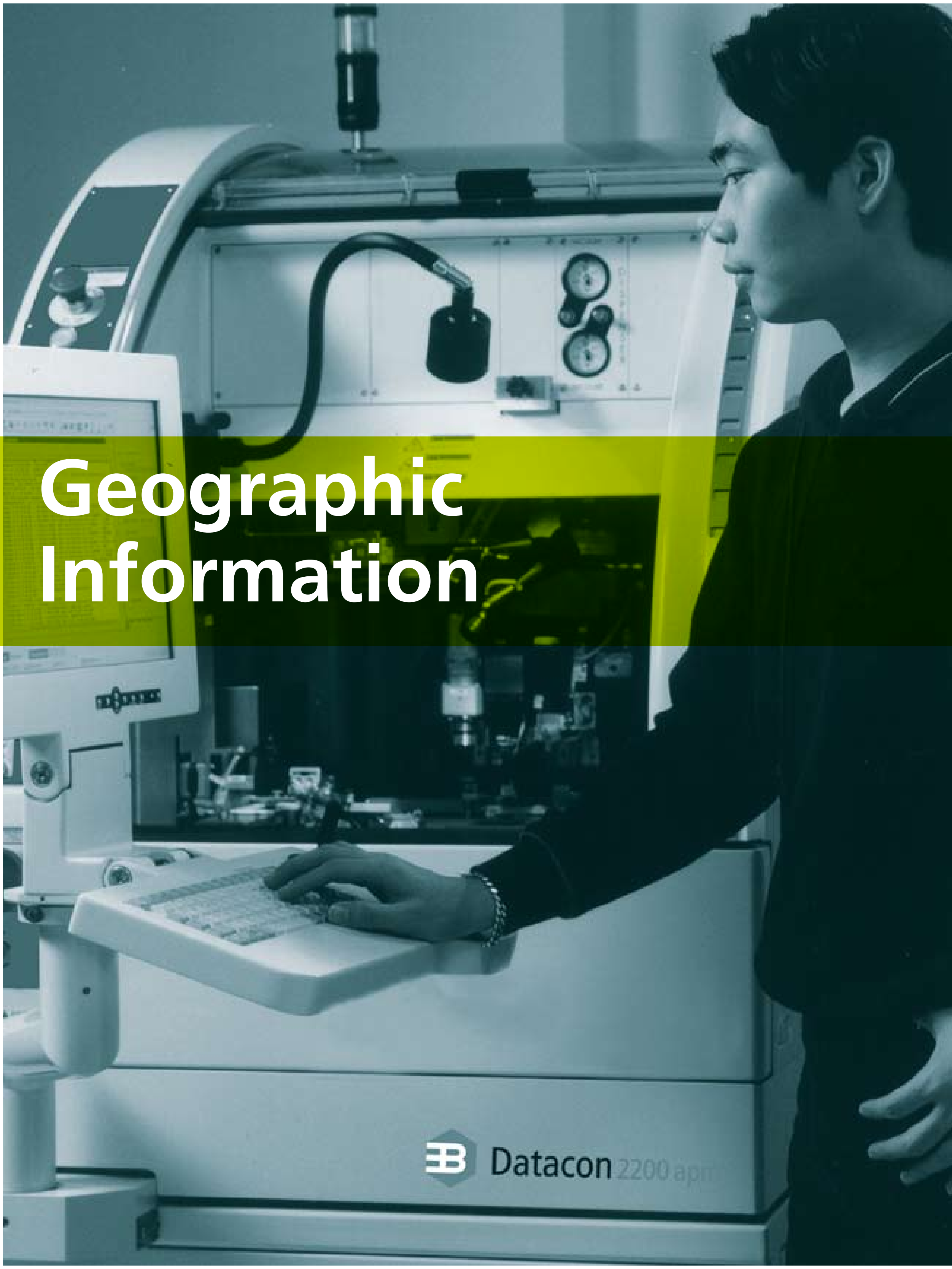
The following table sets forth certain information with respect to Besi's stock price for the years ended December 31, 2005 and 2006:

(euros)	2005	2006
Highest closing price	4.59	5.69
Lowest closing price	3.51	3.94
Last closing price	4.17	4.54
Price/earnings ratio (at year end)	n/m	13.8
Ordinary shares traded (average number per day)	102,134	135,916
Number of fully diluted shares outstanding	32,710,934	41,840,875

The chart below tracks the development of Besi's stock price versus the Euronext Amsterdam AEX Index for the year ended December 31, 2006.



Geographic Information



Geographic Information

The following table summarizes the geographic distribution of our sales, orders and personnel (including part time and temporary employees) for the years ended December 31, 2005 and 2006:

(euro in thousands)	Year ended December 31,			
	2005	%	2006	%
Net sales per geographic area				
Asia Pacific	90.5	55.1	117.7	61.5
Europe and Rest of World	52.2	31.8	54.8	28.7
USA	21.6	13.1	18.7	9.8
Total	164.3	100.0	191.2	100.0
Orders per geographic area				
Asia Pacific	105.5	62.1	116.9	62.0
Europe and Rest of World	41.6	24.5	49.7	26.4
USA	22.8	13.4	21.8	11.6
Total	169.9	100.0	188.4	100.0
Headcount				
Asia Pacific	331	28.6	433	34.2
Europe and Rest of World	743	64.3	748	59.1
USA	82	7.1	85	6.7
Total	1,156	100.0	1,266	100.0

The following table summarizes the principal manufacturing facilities worldwide that we leased or owned as of December 31, 2006:

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 systems	Owned	114,000
Drunen, the Netherlands [1]	Plating and singulation 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	Die sorting, flip chip bonding systems	Leased	22,000

[1] After the consolidation of all Dutch Fico operations at our Duiven facility in 2007, the Company intends to sublet 53,000 square feet of its Drunen facility.

Risk Factors

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 Net Sales 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 net sales, 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 net sales, results of operations and backlog. Downturns in the industry can be severe and protracted and could continue to adversely affect our net sales, results of operations and backlog.

Our Quarterly Net Sales and Operating Results Fluctuate Significantly

Our quarterly net sales 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; and
- 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 € 54.0 million at December 31, 2006. 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 sales 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 Net Sales 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; and
• 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 Net Sales, and Our Future Net Sales 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 net sales. In 2006, our three largest customers accounted for approximately 26% of our net sales, with the largest customer accounting for approximately 11% of our net sales. 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 manufactu-

rers 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; and
- 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; and
- 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 Net Sales from Customers in Various Pacific Rim Countries Who Have Experienced Economic Difficulties in the Past

A substantial portion of our net sales 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, 2006, the percentage of our consolidated net sales denominated in euro was approximately 40% whereas the percentage of our consolidated net sales represented by U.S. dollars or U.S. dollar-linked currencies was approximately 60%. 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 Foun-

dation 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.

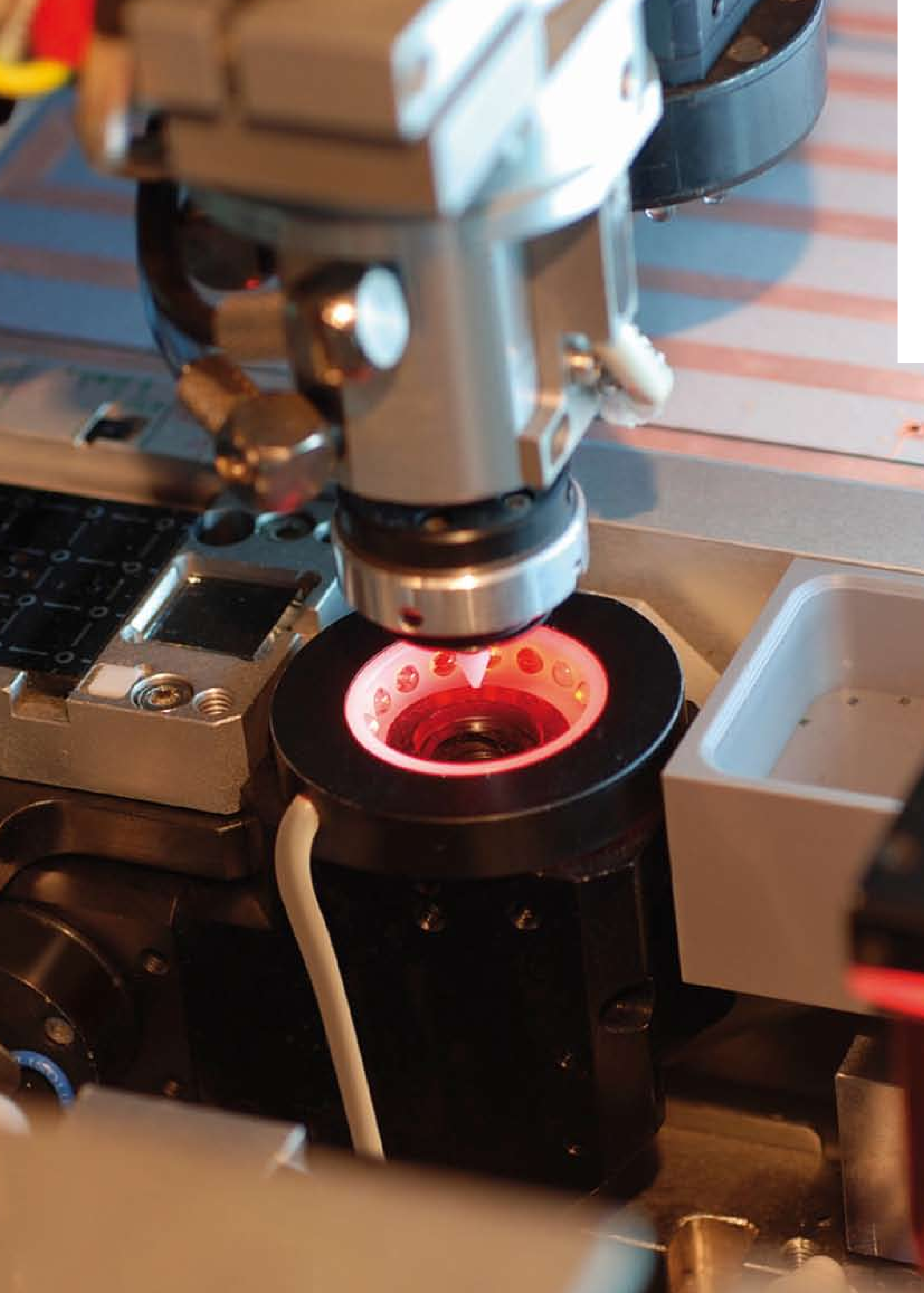
We May in the Future be Considered a Passive Foreign Investment Company

The U.S. Internal Revenue Code of 1986, as amended, contains special rules relating to passive foreign investment companies, or PFICs. A U.S. holder who owns stock in a PFIC generally is subject to adverse tax consequences under these rules. These rules do not apply to non-U.S. holders. A company is treated as a PFIC if at least 75% of its gross income for a taxable year consists of "passive income", defined generally as income from passive investments, as opposed to operating income. A company is also treated as a PFIC if the average percentage of the value of its assets that produce or are held for the production of passive income, including cash balances, is at least 50%. There can be no assurance that we will in future years have sufficient revenues from product sales or sufficient non-passive assets to avoid becoming a PFIC.

If we were classified as a PFIC, unless a U.S. holder made a timely specific election, a special tax regime would apply to any "excess distribution", which would be the U.S. holder's share of distributions in any year that are greater than 125% of the average annual distributions received by the U.S. holder in the three preceding years or the U.S. holder's holding period, if shorter, and any gain realized on the sale or other disposition of the Ordinary Shares. Under this regime, any excess distribution and realized gain would be treated as ordinary income and would be subject to tax as if the excess distribution or gain had been realized ratably over the U.S. holder's holding period for the Ordinary Shares. A U.S. holder will generally be required to pay taxes on the amount allocated to a year at the highest marginal tax rate and pay interest on the prior year's taxes. A U.S. holder may be able to ameliorate the tax consequences somewhat by making a mark-to-market election, or QEF election, that is, an election to have us treated as a qualified electing fund for U.S. federal income tax purposes. You should consult your tax advisor regarding the tax consequences of our classification as a PFIC.

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

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 three members and the Supervisory Board is currently comprised of four members.

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 three members of the Board of Management, our management team is currently comprised of five key members of management, which 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 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 General Meeting of Shareholders in 2004. One supervisory director will retire each year according to the following schedule:

	Year elected	Term end
Mr. T. de Waard	2004	2007
Mr. D. Sinninghe Damsté	2005	2008
Mr. E.B. Polak	2005	2009
Mr. W. D. Maris, Chairman	2006	2010

Mr. De Waard has indicated to the Supervisory Board that he is available for re-appointment in 2007 for an additional four years.

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. 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, if they consider it necessary, may have full and free access to Besi management and, as necessary and appropriate, independent advisors; and
- at least annually the Supervisory Board and its committees will conduct a self-evaluation.

The Supervisory Board met seven times during 2006. 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 United States Securities and Exchange Commission (the "SEC"), and Euronext Amsterdam;
- the performance and internal division of tasks of the Board of Management;
- the integration of Datacon;
- potential strategic alliances and acquisitions;
- the general risks associated with our operations;
- the Supervisory Board's own performance;
- 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; and
- our intention to voluntarily delist our Ordinary Shares (the "Shares") from the NASDAQ National Market and suspend our registration of the Shares with the SEC.

In 2006, 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 this meeting.

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

Members of the Board of Management are appointed by the Annual General Meeting of Shareholders and serve until voluntary retirement, or suspension or dismissal by the Annual 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. 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; and
  - 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 Annual 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; and
- 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 2006, the Audit Committee met six times to discuss the scope and results of the audit of the 2005 financial statements by Besi's independent external auditor, KPMG, for the year 2005; to discuss reviews by Besi's independent external auditor, Ernst & Young Accountants, of our internal accounting control policies and procedures, and to review our relevant periodic filings with the SEC and Euronext Amsterdam. Our independent external auditors attended four meetings of the Audit Committee. Furthermore, the Audit Committee separately met with Ernst &

Young Accountants without the presence of management. Frequent contact took place between the Chairman of the Audit Committee and management of the Company. During 2006, 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 reconciliation between IFRS and US GAAP.

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 and suspension of Besi's registration with the SEC effective January 2007, the Sarbanes-Oxley Act of 2002 as well as the listing requirements and marketplace rules of the NASDAQ National Market will no longer apply to the Company.

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 (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; and
- 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 twice in 2006 and discussed the remuneration of the members of the Board of Management. The Remuneration Committee has also discussed and reviewed the application of the remueration policy below.

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 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.

The total remuneration package of the members of the Board of Management consists of:
- base salary;
- a performance cash bonus;
- annual and conditional performance stock awards;
- pension provisions; and
- other benefits.

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

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. Other benefits are linked to base pay and are consistent with general prevailing market practice.

Performance Cash Bonus

Short-term incentives are provided to 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. The total cash bonus per person shall be determined based on the following criteria:

a) 35% based on Besi's net income for the applicable fiscal year;
b) 35% based on a business unit's net income for the applicable fiscal year; and
c) 30% based on individual performance.

Long-Term Incentive - Performance Stock Awards

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 we may issue under the Incentive Plan 2005 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. 2005 Plan Shares 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, grant annual and conditional performance stock awards 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 receipt of annual awards in the form of rights to receive Ordinary Shares of the Company is based on defined targets as compared to the preceding year ("Annual PSA Units"). The receipt of conditional awards in the form of rights to receive Ordinary Shares of the Company depends in any given year on whether the individual achieved defined goals ("Conditional PSA Units"). The awarded PSA Units will vest in accordance with the vesting schedule contained in the Allocation Agreement.

The maximum number of performance stock awards 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 and Conditional PSA Units to be awarded each year will be determined by reference to the following elements:

a) 35% based on achieving Besi's net income for the applicable fiscal year;
b) 35% based on achieving business unit's net income for the applicable fiscal year; and
c) 30% based on individual performance.

One third of the PSA Units granted to members of the Board of Management are treated as Annual PSA Units. Two thirds of the PSA Units granted are treated as Conditional PSA Units. The total number of shares granted and/or vested pursuant to Conditional PSA Units 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.

Ordinary Shares deliverable upon the vesting of PSA Units granted to members of the Board of Management will vest in accordance with the vesting schedule contained in the Allocation Agreement. Immediate sale of a portion of the awarded shares is allowed for the sole purpose of facilitating payment of income taxes in connection with the vesting of 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. Different pension plans are provided 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 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.

Remuneration Supervisory Board and Board of Management 2006

The remuneration of members of the Supervisory Board and Board of Management is described in the notes to Besi's Consolidated Financial Statements included elsewhere in this Annual Report 2006.

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, criteria and appointment procedures for selecting 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; and
- implementing the policy of the Board of Management with respect to the selection criteria and appointment procedures for senior management.

In 2006, the Selection, Appointment and Governance Committee met once and discussed and approved the profile for the Supervisory Board. Furthermore, the Committee advised the Supervisory Board regarding the re-appointment of Mr. Maris as chairman of the Supervisory Board for four years.

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 rules promulgated by the SEC to implement the provisions of the Sarbanes-Oxley Act of 2002 and the listing requirements and marketplace rules of the NASDAQ National Market. Furthermore, 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. An amendment to the Besi Code was approved at the Annual General Meeting of Shareholders held on March 24, 2005. The deviations between the Besi Code and the Dutch Corporate Governance Code are explained elsewhere in this Annual Report under "Corporate Governance".

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 SEC. The Company believes that trading on the Euronext Amsterdam market has accounted for more than 90% of the combined trading volume of the Shares on both the NASDAQ National Market and the Euronext Amsterdam market. In light of the limited trading volume of the Shares on the NASDAQ National Market, the Company determined that the increased costs of maintaining its 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. Besi believes 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 should continue to provide liquidity to shareholders and access to capital for the Company in the future. The Supervisory Board concurs with these views.

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

Financial Statements

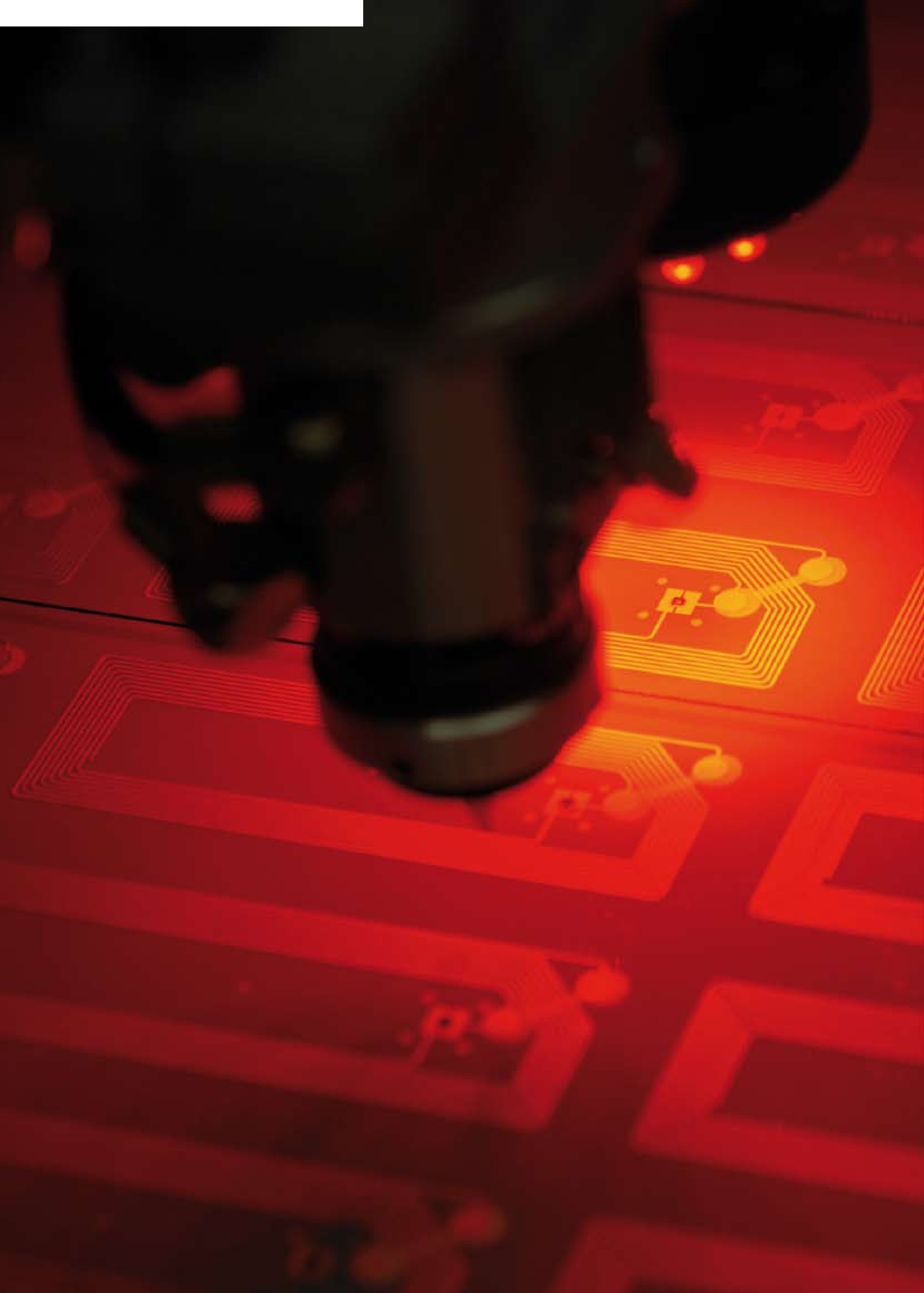
At its meeting on February 5, 2007, the Supervisory Board approved Besi's financial statements and notes thereto as prepared by the Board of Management for the financial year ended December 31, 2006 as required by applicable rules and regulations in the Netherlands (the "2006 Statutory Financial Statements"). Under applicable rules and regulations in the Netherlands, the 2006 Statutory Financial Statements must be prepared in accordance with accounting standards adopted and endorsed by the European Union (EU). Ernst & Young Accountants, independent public auditors, duly examined the 2006 Statutory Financial Statements and issued an unqualified opinion. The 2006 Statutory Financial Statements, together with the report of Ernst & Young Accountants, are included elsewhere in this Annual Report.

The Supervisory Board recommends that the General Meeting of Shareholders adopts the 2006 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 that a dividend will not be declared for the year ended December 31, 2006.

The Supervisory Board would like to express its thanks and appreciation to all involved for their hard work and dedication to the Company in 2006.

February 5, 2007

The Supervisory Board
Willem Maris, Chairman



Corporate Governance

Corporate Governance

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

Our Ordinary Shares (the "Shares") are listed on the NextEconomy segment of 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 believe that trading on the Euronext Amsterdam market has 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 believe 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 should 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 2007, the Sarbanes-Oxley Act of 2002 as well as the listing requirements and marketplace rules of the NASDAQ National Market will no longer apply to the Company.

Besi falls within the scope of the Dutch Corporate Governance Code. In 2004, the Company prepared a proposal for the Besi corporate governance code (the "Besi Code") based on the principles and best practice rules of the Dutch Corporate Governance Code and the requirements of the U.S. Exchange Act, the Sarbanes-Oxley Act of 2002, the rules promulgated by the NASDAQ Stock Market Inc., as well as the listing rules of Euronext Amsterdam. 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 sumbitted to and approved by the Company's shareholders at the Annual General Meeting of Shareholders held on March 25, 2004. One amendment to the Besi Code was approved by the Company's shareholders at the Annual General Meeting of Shareholders held on March 24, 2005. 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 and 2006.

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 have prepared a number of changes to the Besi Code which will be presented to the shareholders for approval during the Annual General Meeting of Shareholders to be held on March 22, 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 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.

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 determined based on a variety of factors, including the financial and operational results of Besi, its share price performance and 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 Annual 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 Annual 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 Annual 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 proposed by the Remuneration Committee. The notes to the annual accounts contain the information prescribed by applicable law on the level and structure of the remuneration of the individual members of the Board of Management.

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.

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, 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 Annual 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 shall, in any event, contain

the information prescribed by applicable law on the level and structure of the remuneration of individual Supervisory Board members.

Shareholders and Annual General Meeting of Shareholders

Good corporate governance requires the full participation of shareholders. It is in the interest of the Company that as many shareholders as possible participate in Besi's decision-making at the Annual General Meeting of Shareholders. 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 Annual 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 is 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 Annual 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 an Annual 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.

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 fulfils this responsibility. The Annual General Meeting of Shareholders appoints the external auditor after nomination for appointment by the Audit Committee of the Supervisory Board. 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 auditor 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.

The external auditor attends meetings of the Audit Committee of the Supervisory Board, at which the annual accounts and

quarterly results are reviewed for subsequent approval by the Supervisory Board. The external auditor reports its findings in relation to the audit of the annual accounts and the quarterly 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 and approved in 2005 at the Annual General Meeting of Shareholders on March 24, 2005. In addition to the Dutch Corporate Governance Code, the Besi Code is 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 and 2006.

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 has prepared a number of changes to the Besi Code which will be presented to the shareholders for approval during the Company's Annual General Meeting of Shareholders to be held on March 22, 2007.

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 and that such system 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 jurisdiction in which the Company operates.

Provision II.2.3

On March 24, 2005, Besi commenced granting the members of the Board of Management annual and conditional performance stock awards. Once the shares related to such awards 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 awards.

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 its 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 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 market. 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 performance 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 Annual 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 and are therefore prepared by a person independent from the Company. Besi believes that posting the minutes on its website within three months after the Annual General Meeting of Shareholders is held qualifies as being made available in a timely manner.

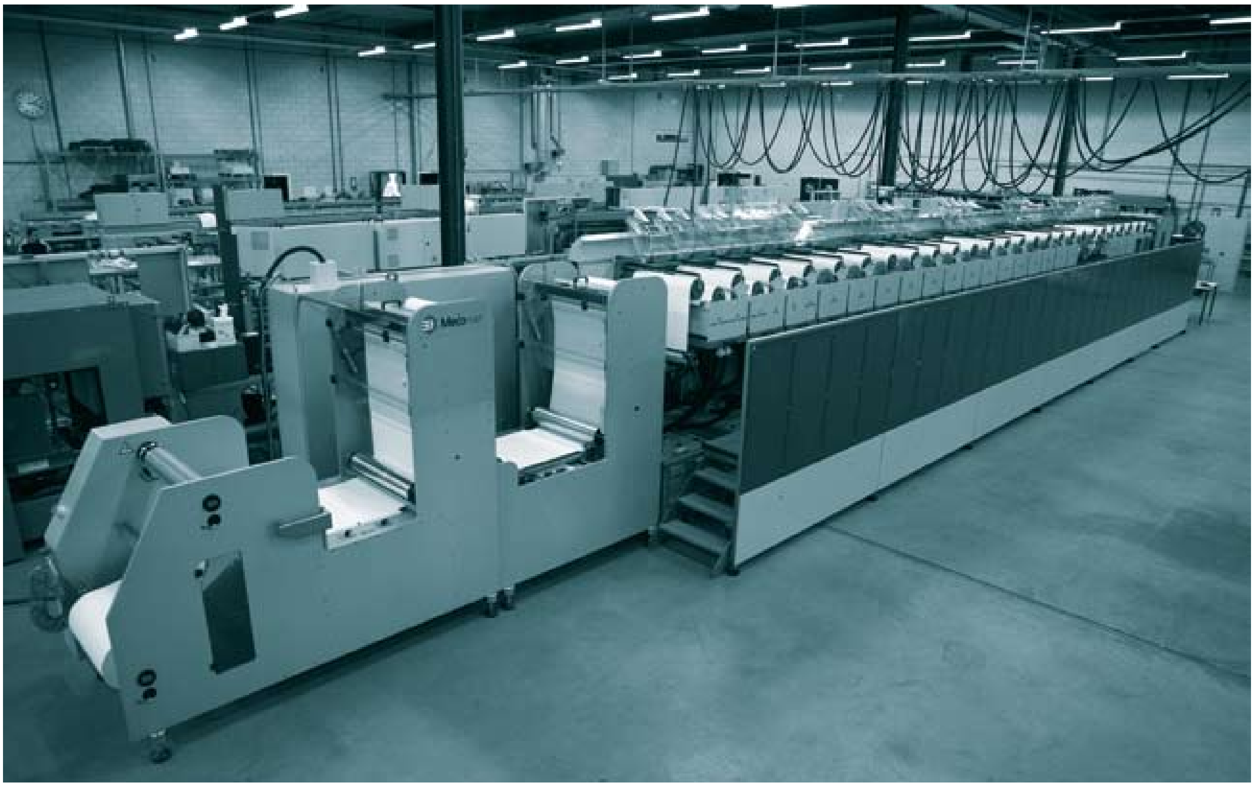
Internal Risk Management and Control

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 principal executive 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.

The Besi risk management and internal control system over financial reporting contains clear accounting rules. The Besi system as implemented in most of the operations, support common accounting and regular financial reporting in standard forms. Considering Besi's risk management and control system, the financial reporting is adequately designed and worked effectively in the year under review in providing reasonable assurance that the 2006 Financial Statements do not contain any material inaccuracies. This statement cannot be considered as a statement in accordance with the requirements of Section 404 of the US 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 47 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 securities 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.




7.
BLOW OFF


WEB DIRECTION
Meco

Corporate Information

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 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
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
Appointed 2004 - 2007
to be re-appointed 2007 - 2011 as of March 22, 2007.
Additional functions:
Member Supervisory Board of STMicroelectronics N.V., Member of the Board of the Foundation "Stichting 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 on Shares of the Company. Three of the members of the Supervisory Board own in total 4,002 Shares of the Company.
The members of the Supervisory Board own in total 26,664 Stock Awards.

Board of Management

Richard W. Blickman (1954)
President and Chief Executive Officer, Chairman

Helmut Rutterschmidt (1957)
Chief Executive Officer of Datacon Technology GmbH, Executive Member

Hans A. Wunderl (1951)
Managing Director of Laurier Inc., Executive Member

Other Members of Management

Paul A. Govaert (1956)
Managing Director of Fico

Cor te Hennepe (1958)
Director of Finance

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

Hugo F. Menschaar (1946)
Director of Corporate Technology

Gerard A. in 't Veld (1956)
Managing Director of Fico Singulation

Other Information

Corporate Office
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Transfer Agent
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Fortis Bank
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Independent Auditors
Ernst & Young Accountants,
Rotterdam, The Netherlands

Legal Counsel
Freshfields Bruckhaus Deringer
Amsterdam, The Netherlands

Legal Counsel in United States
Wilmer Hale LLC
Boston, Massachusetts, USA

Trade Register
Chamber of Commerce,
Arnhem, The Netherlands
Number 09092395

Statutory Financial Statements
These 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 March 22, 2007
at the Amsterdam American Hotel,
Leidsekade 97, 1017 PN Amsterdam,
The Netherlands.

Addresses

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Fico Singulation B.V.
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Besi USA, Inc.
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713 Suseo-dong Gangnam-gu
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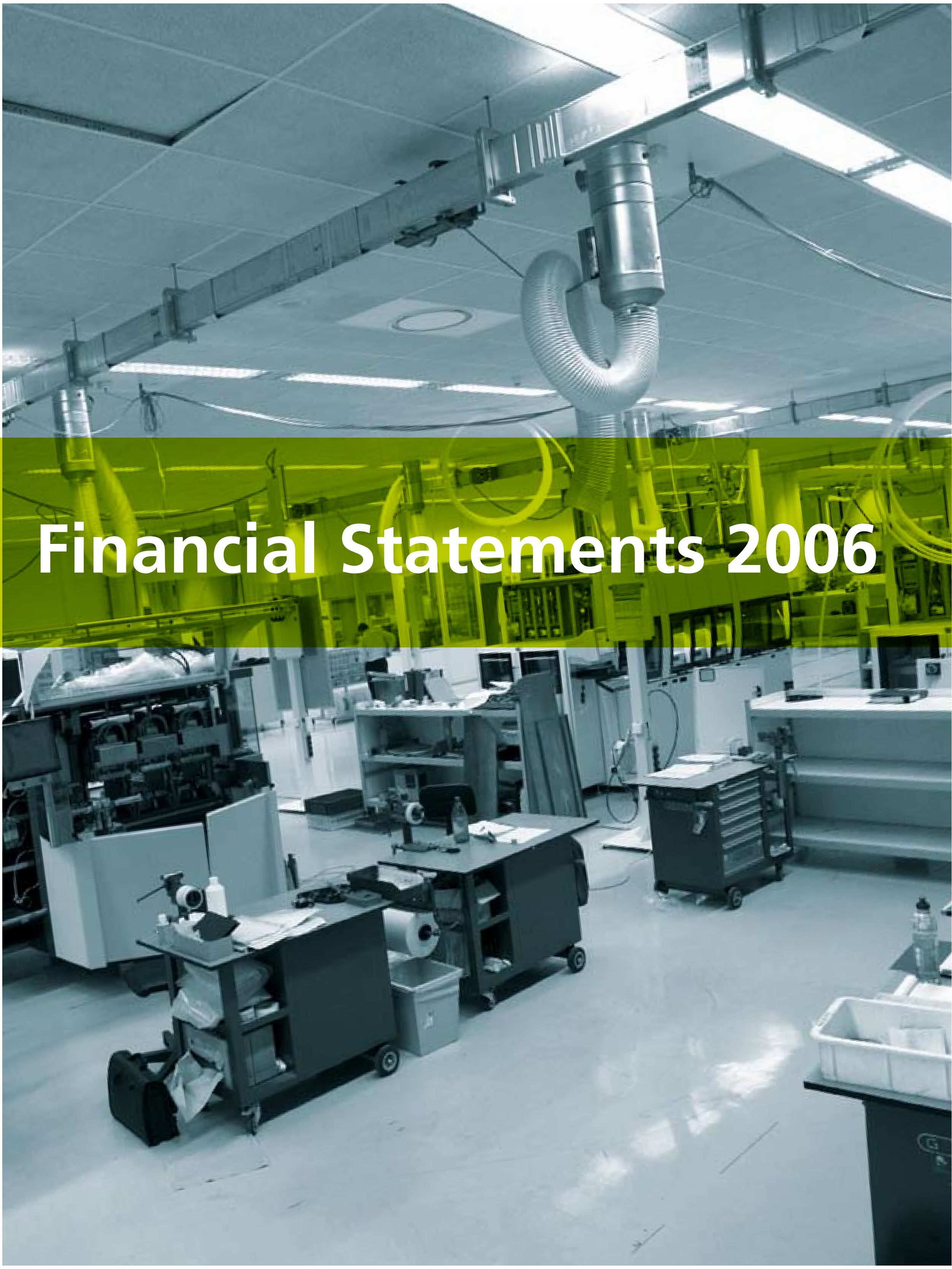
Fax (82) 2 2040 7570

For addresses of representatives, see our websites.



Financial Statements 2006

Consolidated Balance Sheets

(euro in thousands)	Note	December 31, 2005	December 31, 2006
Assets			
Cash and cash equivalents	3	81,765	98,012
Accounts receivable	4	31,456	36,530
Inventories	5	53,779	58,156
Income tax receivable		7,641	6,379
Other current assets	6	5,556	4,833
Total current assets		180,197	203,910
Assets held for sale	7	-	1,449
Property, plant and equipment	7	27,153	22,777
Goodwill	8	67,342	64,111
Other intangible assets	9	19,076	15,063
Deferred tax assets	10	1,938	4,331
Other non-current assets	11	2,812	2,367
Total non-current assets		118,321	108,649
Total assets		298,518	314,008
Liabilities and equity			
Notes payable to banks	12	14,508	18,608
Current portion of long-term debt and financial leases	15	3,712	6,682
Accounts payable		14,916	15,463
Provisions	13	3,819	3,055
Accrued liabilities	14	13,937	17,826
Total current liabilities		50,892	61,634
Convertible notes	15	41,629	42,284
Long-term debt and financial leases	15	15,636	12,454
Deferred tax liabilities	10	2,348	331
Other non-current liabilities	16	2,503	2,774
Total non-current liabilities		62,116	57,843
Issued capital	18	30,693	30,693
Share premium	18	184,967	185,296
Retained earnings (deficit)	18	(31,249)	(20,582)
Accumulated other comprehensive income (loss)	18	921	(1,169)
Equity attributable to equity holders of the parent		185,332	194,238
Minority interest		178	293
Total equity		185,510	194,531
Total liabilities and equity		298,518	314,008

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

Consolidated Statements of Operations

(euro in thousands, except share and per share data)	Note	Year ended December 31, 2005	2006
Revenue	22	164,262	191,191
Cost of sales		111,757	116,437
Gross profit		52,505	74,754
Selling, general and administrative expenses		41,059	43,439
Research and development expenses	21	12,421	18,217
Total operating expenses		53,480	61,656
Operating income (loss)		(975)	13,098
Other income	25	-	1,216
Financial expense, net	26	(3,174)	(3,094)
Income (loss) before taxes and related goodwill		(4,149)	11,220
Goodwill adjustment relating to deferred tax asset		-	2,300
Income taxe benefit	10	(1,798)	(1,879)
Net income (loss)		(2,351)	10,799
Attributable to:			
Equity holders of the parent		(2,392)	10,667
Minority interest		41	132
Net income (loss)		(2,351)	10,799
Income (loss) per share attributable to the equity holders of the parent			
Basic		(0.07)	0.33
Diluted		(0.07)	0.31
Weighted average number of shares used to compute income (loss) per share			
Basic	27	32,710,934	32,760,572
Diluted	27	32,710,934	41,840,875 [1]

[1] The calculation of the diluted income per share assumes conversion of the Company's 5.5% outstanding Convertible Notes due 2012 into 8,975,610 Ordinary shares, which would have a dilutive effect.

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

Consolidated Statements of Cash Flows

(euro in thousands)	Year ended December 31, 2005	2006
Cash flows from operating activities		
Operating income (loss)	(975)	13,098
Depreciation and amortization	8,816	8,885
Impairment	993	328
Deferred income tax (benefit)	-	(2,300)
Other non-cash items	(88)	502
Effects of changes in assets and liabilities:		
Increase in accounts receivable	(1,674)	(5,648)
Decrease (increase) in inventories	7,796	(5,717)
Increase (decrease) in accounts payable	(3,021)	949
Change in provision	(5,071)	(764)
Changes in other working capital	1,373	5,813
Interest paid	(2,466)	(3,719)
Interest received	1,522	2,100
Income taxes paid	(2,490)	(1,028)
Net cash provided by operating activities	4,715	12,499
Cash flows from investing activities		
Capital expenditures	(6,418)	(2,696)
Capitalized development expenses	(5,989)	(802)
Acquisition of subsidiaries, net of cash acquired	(62,002)	-
Proceeds from sale of property, plant and equipment	730	378
Proceeds from sale of assets and liabilities	-	2,000
Net cash used in investing activities	(73,679)	(1,120)
Cash flows from financing activities		
Net proceeds from issuance of convertible notes, net of expenses	43,624	-
Proceeds (payments) of bank lines of credit	(14,685)	4,077
Proceeds from debts and financial leases	12,356	11,422
Payments on debts and financial leases	(7,677)	(11,510)
Proceeds from exercised stock options	27	26
Other financing activities	-	1,500
Net cash provided by financing activities	33,645	5,515
Net change in cash and cash equivalents	(35,319)	16,894
Effect of changes in exchange rates on cash and cash equivalents	733	(647)
Cash and cash equivalents at beginning of the period	116,351	81,765
Cash and cash equivalents at end of the period	81,765	98,012

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

Consolidated Statements of Changes in Equity

(euro in thousands, except share data)	Number of ordinary shares outstanding [1]	Issued capital	Share premium	Retained deficit	Accumulated other comprehensive income (loss) (note 18)	Total attributable to equity holders of the parent	Minority interest	Total equity
Balance at January 1, 2005	31,794,675	28,933	175,868	(28,857)	(821)	175,123	115	175,238
Exchange rate changes for the year	-	-	-	-	1,702	1,702	22	1,724
Change in minimum pension liability	-	-	-	-	40	40	-	40
Total income and expense for the year recognized directly in equity	-	-	-	-	1,742	1,742	22	1,764
Net income (loss)	-	-	-	(2,392)	-	(2,392)	41	(2,351)
Total income and expense for the year	-	-	-	(2,392)	1,742	(650)	63	(587)
Issuance of shares for the acquisition of Datacon	1,933,842	1,760	6,381	-	-	8,141	-	8,141
Reissued treasury shares for the exercise of stock options	-	-	27	-	-	27	-	27
Equity-settled share based payments expense	-	-	924	-	-	924	-	924
Equity component in convertible notes, net of deferred tax liability	-	-	1,767	-	-	1,767	-	1,767
Balance at December 31, 2005	33,728,517	30,693	184,967	(31,249)	921	185,332	178	185,510
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
Unrealized hedging results	-	-	-	-	230	230	-	230
Balance at December 31, 2006	33,728,517	30,693	185,296	(20,582)	(1,169)	194,238	293	194,531

[1] The outstanding number of Ordinary Shares includes 957,412 treasury shares.

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

Notes to the Consolidated Financial Statements

1. Basis of Presentation

General

BE Semiconductor Industries N.V. ("Besi" or "the Company") was incorporated in the Netherlands in May 1995 as the holding company for a worldwide business engaged in the development, production, marketing and sales of back-end equipment for the semiconductor industry. Besi'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, Laurier Inc., or Laurier and Datacon Technology GmbH, or Datacon, and its subsidiaries. Besi's principal executive offices are located at Ratio 6, 6921 RW Duiven, the Netherlands.

The Consolidated Financial Statements of the Company for the year ended December 31, 2006 were authorized for issue in accordance with a resolution of the directors on February 5, 2007. The Consolidated Financial Statements of the Company as at December 31, 2006 are presented to the General Meeting of Shareholders for their adoption on March 22, 2007.

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, 2006 be prepared in accordance with accounting standards adopted and endorsed by the European Union ("EU") further to the IAS Regulation (EC 1606/2002) (further referred to as "IFRS, as endorsed 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 endorsed 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:

IAS 19 Employee Benefits

Additional disclosures are made providing information about trends in the assets and liabilities in the defined plans and the assumptions underlying the components of the defined benefit cost. The change has resulted in additional disclosures being included for the years ending December 31, 2006 and December 31, 2005. The Company applied the amended International Financial Reporting Standard.

IAS 21 The effect of Changes in Foreign Exchange Rates

All exchange differences arising from the monetary item that forms part of the Company's net investment in a foreign operation are recognized in a separate component of equity in the Consolidated Financial Statements regardless of the currency in which the monetary item is dominated. This change has had no significant impact as at December 31, 2006 or December 31, 2005.

IAS 39 Financial Instruments: Fair Value

Fair value option to restrict the use of the option to designate any financial asset or any financial liability to be measured at fair value through the consolidated statements of operations. The Company has not previously used this option, hence the amendment did not have an effect on the financial statements.

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 endorsed 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, 2006, 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% (1)
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 Singulation B.V.	Drunen, the Netherlands	100%
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%
Datacon Eurotec GmbH	Berlin, Germany	100%
Datacon Beteiligungs GmbH	Vienna, Austria	100%
Datacon Technology GmbH	Radfeld, Austria	100%
Datacon Hungary Termelö Kft.	Györ, Hungary	100% (2)
Datacon North America Inc.	Wilmington, Delaware, USA	100%

(1) Fico Molding Systems B.V., Fico Trim & Form Integrations Systems B.V. and Fico Tooling B.V. merged effective January 12, 2006 and changed the name of the combined company to Fico B.V. The former Fico B.V. was renamed to Fico International 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 the management of this company.

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

The Consolidated Financial Statements are denominated in euros, which currency is also the Company's functional and reporting currency. The balance sheet of the foreign subsidiaries are translated at the balance sheet date exchange rates. The revenues and expenses of foreign operations are translated to euro at rates approximating to the foreign exchange rate in effect at the dates of the transactions. Translation differences arising from the consolidation of the financial statements of foreign subsidiaries are recorded directly in the accumulated other comprehensive income (loss).

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 recognized derivative financial instruments initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value. The gain or loss on remeasurement to fair value was recognized immediately in consolidated statements 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 instruments 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 was recognized in the consolidated statements of operations. The hedged item also was stated at fair value in respect of the risk being hedged, with any gain or loss being recognized in the consolidated statements 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 statements of operations in financial income (expenses).

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 7 Financial Instruments: Disclosures

IFRS adds certain new disclosures about financial instruments into the financial statements. The two main categories of disclosures required by IFRS 7 are information about the significance of financial instruments and information about the nature and extent of risks arising from financial instruments. The Company chose to apply the new option offered when IFRS Guideline is effective.

IFRS 8 Operating Segments

IFRS 8 requires the Company to report financial and descriptive information about its reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. The Company chose to apply the new option offered when IFRS Guideline is effective.

IAS 1 Amendment – Presentation of Financial Statements

The IASB concluded to amend IAS 1 to add requirements for disclosures of the entity's objectives, policies and processes for managing capital; quantitative data about what the entity regards as capital; whether the entity has complied with any capital requirements; and if it has not complied, the consequences of such non-compliance. These disclosure requirements apply to all entities, effective for annual periods beginning on or after January 1, 2007, the Company chose to apply the new option offered when IFRS Guideline is effective.

Foreign Currency

Foreign currency transactions are recorded at the exchange rate of the date of origin or at a forward contract rate if hedged through a related forward foreign currency exchange contract. Assets and liabilities denominated in foreign currencies are translated at balance sheet date exchange rates. Realized exchange rate differences are recorded in the consolidated statements of operations in financial income (expenses).

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 taken 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 recognises 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.

Goodwill

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 on impairments.

Other Intangible Assets

Capitalized Development Expenses

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the consolidated statement of operations as an expense as incurred. Expenditure on 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 an appropriate proportion of overheads. Other development expenditure is recognized in the consolidated statement of operations as an expense as incurred. Capitalized development expenditure is 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 give) 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 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 statements 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 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.

Employee Benefits

Pension Plans

Obligations for contributions to defined contribution plans are recognized as an expense in the consolidated statement of operations as incurred.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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 benefit 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 statements of operations.

Under the Incentive Plan 2005, the Company granted non-performance related stock awards to its Supervisory Board and performance related stock award to members of Board of Management, executive officers and senior officers of the Company. Part of the performance stock awards granted to members of the Board of Management are conditional. The number of shares that would be granted and/or would be vested in any given year would depend on whether the individual achieved defined goals. All stock awards vest in three equal annual shares, with the first part vested on March 24, 2006. All non-vested stock awards forfeit at retirement. The expense recognized in the consolidated statements 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.

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 cost 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 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

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 statements of operations as it accrues, using the effective interest method.
The interest expense component of finance lease payments is recognized in the consolidated statements of operations using the effective interest rate method.

Income Taxes

The Company applies the liability method of accounting for taxes. Under the liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the 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.

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 exchange rate of the euro versus the U.S. dollar or U.S. dollar linked currencies would affect our reported operating income by less than € 4 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 net sales 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 40% of total net sales in the year ended December 31, 2005, whereas net sales represented by U.S. dollars or U.S. dollar-linked currencies amounted to approximately 60%. 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

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 € 0.5 million, net of tax.

Customer Relationships

Historically, a limited number of our customers has accounted for a significant percentage of our net sales. In 2006, our three largest customers accounted for approximately 26% of our net sales, with the largest customer accounting for approximately 11% of our net sales. 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.

3. Cash and Cash Equivalents

(euro in thousands)	December 31, 2005	December 31, 2006
Short-term deposits	51,819	59,198
Cash at banks on hand	29,946	38,814
Total cash and cash equivalents	81,765	98,012

Cash and cash equivalents in the balance sheet comprise cash at banks. Interest rates are variable, except some short-term deposits, which bear a fixed interest rate with an original maturity of three months or less.

4. Accounts Receivable

Accounts receivables, generally with payments terms of 30 to 90 days, are shown net of impairment losses amounting to € 704 and € 636 at December 31, 2005 and 2006, respectively. No interest is calculated.

5. Inventories

Inventories, net consist of the following:

(euro in thousands)	December 31, 2005	December 31, 2006
Raw materials	19,583	22,012
Work in progress	28,218	28,360
Finished goods	5,978	7,784
Total inventories, net	53,779	58,156

Inventory written off in the year ended December 31, 2005 and 2006 amounted to € 1.3 million and € 3.5 million, respectively.

6. Other Current Assets

Other current assets consist of the following:

(euro in thousands)	December 31, 2005	December 31, 2006
Loan relating to sale and leaseback	1,500	-
VAT receivables	1,326	1,357
Subsidies and development credits receivable	83	147
Interest receivable	540	318
Security deposits	217	300
Prepaid expenses	1,327	1,015
Receivable Member of the Board of Management	-	122
Other	563	1,574
Total other current assets	5,556	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, 2005					
Cost	7,924	25,937	15,053	510	49,424
Accumulated depreciation	(4,060)	(18,099)	(12,679)	-	(34,838)
Property, plant and equipment, net	3,864	7,838	2,374	510	14,586
Changes in book value in 2005					
Acquisition of Datacon	8,150	1,673	1,479	-	11,302
Investments	2,098	2,482	871	967	6,418
Disposals	(73)	(804)	(68)	-	(945)
Depreciation	(568)	(2,805)	(1,647)	-	(5,020)
Foreign currency translation	310	371	94	37	812
Total changes	9,917	917	729	1,004	12,567
Balance at December 31, 2005					
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

(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, 2005	December 31, 2006
Machinery, equipment and office furniture	620	475
Accumulated depreciation	(109)	(162)
Total	511	313

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

Depreciation

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

(euro in thousands)	Year ended December 31, 2005	2006
Cost of sales	2,645	2,463
Selling, general and administrative expenses	1,600	1,277
Research and development expenses	775	646
Total	5,020	4,386

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

8. Goodwill

Goodwill consists of the following:

(euro in thousands)	2005	2006
Balance at January 1		
Cost	19,074	76,845
Accumulated amortization	(8,887)	(9,503)
Goodwill	10,187	67,342
Changes in book value		
Acquisition of Datacon	56,289	-
Tax adjustments on acquisition Datacon	(326)	(2,300)
Foreign currency translation	1,192	(931)
Total changes	57,155	(3,231)
Balance at December 31		
Cost	76,845	73,136
Accumulated amortization	(9,503)	(9,025)
Goodwill	67,342	64,111

Impairment tests for cash-generating units containing goodwill

The following units have significant carrying amounts of goodwill:

(euro in thousands)	December 31, 2005	December 31, 2006
Datacon	55,953	53,653
Meco	1,980	1,980
Fico Singulation	479	479
Laurier	8,930	7,999
Total	67,342	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 12.7% and 16.3%, based on risk free rate and market risk premium.

9. Other Intangible Assets

Other intangible assets, net consist of the following:

(euro in thousands)	Patents	Trademarks	Customer relationships	Order backlog	Development expenses	Total
Balance at January 1, 2005						
Cost	34,186	541	-	-	-	**34,727**
Accumulated amortization	(23,417)	(180)	-	-	-	**(23,597)**
Accumulated impairment	(700)	-	-	-	-	**(700)**
Other intangible assets, net	10,069	361	-	-	-	10,430
Changes in book value in 2005						
Acquisition of Datacon	297	-	6,083	719	-	**7,099**
Capitalized development expenses	-	-	-	-	5,989	**5,989**
Amortization	(2,397)	(46)	(507)	(719)	(127)	**(3,796)**
Impairment	(774)	-	-	-	(219)	**(993)**
Foreign currency differences	229	54	-	-	64	**347**
Total changes	(2,645)	8	5,576	-	5,707	8,646
Balance at December 31, 2005						
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

(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,	
	2005	2006
Cost of sales	3,217	2,149
Selling, general and administrative expenses	1,226	552
Research and development expenses	346	1,798
Total	4,789	4,499

10. Income Taxes

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

(euro in thousands)	December 31, 2005	December 31, 2006
Deferred tax assets (liabilities)		
- Operating loss carry forwards	7,591	9,219
- Intangible assets	991	3,535
- Intercompany interest	2,992	3,259
- Inventories	705	490
- Provisions	902	555
- Debt issuance costs convertible notes	-	(439)
- Equity component convertible notes	(683)	(508)
- Other items	58	275
Total deferred tax assets (liabilities), gross	12,556	16,386
- Valuation allowance	(12,966)	(12,386)
Total deferred tax assets (liabilities), net	(410)	4,000
Deferred tax asset to be recovered after more than twelve months	1,240	2,184
Deferred tax asset to be recovered within twelve months	698	2,147
Total deferred tax assets, net	1,938	4,331
Deferred tax liability to be settled after more than twelve months	(2,348)	(331)
Deferred tax liability to be settled within twelve months	-	-
Total deferred tax liabilities, net	(2,348)	(331)
Total deferred tax assets (liabilities), net	(410)	4,000
Domestic	(2,234)	-
Foreign	1,824	4,000
Total deferred tax assets (liabilities), net	(410)	4,000

All deferred taxes are recognized. The deferred tax assets for operating loss carry forwards are related to the U.S., Austrian, German and Dutch operations of the Company. Under applicable U.S. tax law, the carry forwards related to the U.S. operating losses of € 16.3 million expire during the periods of 2010 through 2026. The carry forwards related to the Dutch operating losses amount to approximately € 9.8 million and expire during the periods of 2013 through 2015. The carry forwards related to the Austrian and German operating losses amount to approximately € 2.5 million and € 0.9 million, respectively, and have no expiration terms.

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

(euro in thousands)	2005	2006
Balance at January 1,	10,720	12,966
Addition due to acquisition of Datacon	687	-
Provision (release) for allowance on deferred tax assets, income portion	167	(190)
Provision for allowance on deferred tax assets, equity portion	-	915
Reversal of acquired valuation allowance on tax assets	(211)	(106)
Foreign currency translation	1,603	(1,199)
Balance at December 31,	12,966	12,386

The change in the total valuation allowance for the year ended December 31, 2006 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 and temporary differences, partially offset by the addition to the allowance for the tax assets of the Dutch fiscal entity. These additions are partially provided for through equity, since the items giving rise to these tax assets, foreign currency translation differences on loans to our U.S. operation, are recorded through equity.

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 2005, a corporate income tax rate reduction has been enacted in the Netherlands resulting in a tax benefit in the fourth quarter of 2005 of € 143. In 2006, another corporate income tax rate reduction has been enacted in the Netherlands. Consequently, the Company re-assessed the valuation of its tax assets and liabilities, resulting in a tax expense in the fourth quarter of 2006 of € 362.

The components of income (loss) before income taxes and minority interest were as follows:

(euro in thousands)		Year ended December 31,
	2005	2006
Domestic	(6,835)	(3,382)
Foreign	2,686	14,602
Total	(4,149)	11,220

The Dutch domestic statutory tax rate is 31.5% for the year ended December 31, 2005 and 29.6% for the year ended December 31, 2006. The reconciliation between the actual income taxes (benefit) shown in the consolidated statements 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,
	2005	2005 in % of loss before taxes	2006	2006 in % of income before taxes
"Expected" income tax expense (benefit) based on domestic rate	(1,307)	31.5%	3,321	29.6%
Non deductible expenses	285	(6.9%)	118	1.1%
Foreign tax rate differential	(396)	9.5%	(480)	(4.3%)
Tax benefits Eurotec transaction	-	-	(4,288)	(38.2%)
Pre-acquisition tax benefits	-	-	(482)	(4.3%)
Tax exempt income	(248)	6.0%	(381)	(3.4%)
Changes in deferred tax assets and liabilities due to adjustment tax rates	(143)	3.4%	362	3.2%
Increase (decrease) in valuation allowance, net	167	(4.0%)	(190)	(1.7%)
Other	(156)	3.8%	141	1.3%
Income tax benefit shown in consolidated statements of operations	(1,798)	43.3%	(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 forementioned € 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 expenses under the goodwill adjustment relating to deferred tax assets. The related offsetting and equal tax benefit is shown in the income tax benefit in the consolidated statements of operations.

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

(euro in thousands)	Year ended December 31,	
	2005	2006
Current:		
- domestic	(758)	-
- foreign	607	606
Deferred:		
- domestic	(1,281)	(619)
- foreign	(366)	(1,866)
Total	(1,798)	(1,879)

11. Other Non-Current Assets

Other non-current assets consist of the following:

(euro in thousands)	December 31, 2005	December 31, 2006
Funds with insurance companies for pension liability (note 17)	2,710	1,984
Other	102	383
Total other non-current assets	2,812	2,367

12. Borrowing Facilities

At December 31, 2006, the Company and its subsidiaries had available credit facilities amounting to an aggregate of € 19.5 million, under which € 1.7 million of short-term borrowings were outstanding. Furthermore, amounts available to be drawn under the lines were reduced by € 0.3 million in outstanding bank guarantees. Interest is charged at the bank's base lending rates or Euribor plus an increment between 0.50% and 0.90%. 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, 2006. All borrowing facilities have no contractual maturity date. For securities of all loans and borrowing facilities we refer to note 15.

13. Provisions

(euro in thousands)	December 31, 2005	December 31, 2006
Warranty Provision	2,597	2,978
Restructuring Reserve	764	35
Provision for purchase obligations	458	42
Total provisions	3,819	3,055

Warranty Provision

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

(euro in thousands)	2005	2006
Balance at January 1,	2,578	2,597
Provision for loss on warranty	2,479	3,960
Addition due to acquisition of subsidiary	415	-
Cost for warranty	(2,937)	(3,533)
Foreign currency translation	62	(46)
Balance at December 31,	2,597	2,978

Restructuring Reserve

In May 2005, the Company announced the further consolidation and integration of its Dutch Fico packaging and tooling manufacturing operations in Duiven, the Netherlands. The consolidation involved the termination of the contract of 32 employees in the third quarter of 2005 and the integration of production and administrative personnel at its Duiven facility. The Company recorded a restructuring charge of € 1.7 million in the second quarter of 2005 to cover the estimated costs of this workforce reduction.

In the fourth quarter of 2005, the Company terminated contracts of 14 employees at its Datacon Eurotec subsidiary in Berlin in an effort to improve the efficiency of its die bonding operations. The Company recorded a restructuring charge of € 0.4 million in the fourth quarter of 2005 to cover the estimated costs of this workforce reduction.

Changes in the restructuring reserve were as follows:

(euro in thousands)	2005	2006
Balance at January 1,	5,820	764
Additions	2,231	-
Releases	-	(255)
Cash payments	(7,287)	(474)
Balance at December 31,	764	35

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

(euro in thousands)		Year ended December 31,
	2005	2006
Cost of sales	971	(246)
Selling, general and administrative expenses	1,114	-
Research and development expenses	146	(9)
Total	2,231	(255)

Provision for Purchase Obligations

The Company systematically evaluates its outstanding commitments for the purchase of materials and subcontracting on obsolescence. As at December 31, 2006, the Company has provided its outstanding commitments to an amount of € 42.

Changes in the provision for purchase obligations were as follows:

(euro in thousands)	2005	2006
Balance at January 1,	494	458
Additions	350	-
Cash payments	(386)	(416)
Balance at December 31,	458	42

14. Accrued Liabilities

Accrued liabilities consist of the following:

(euro in thousands)	December 31, 2005	December 31, 2006
Advances from customers	2,813	4,515
Income taxes	543	1,141
Other taxes and social security	892	1,282
Salaries and payroll related items	4,199	4,732
Accrued commissions	625	361
Development credits payable	52	81
Interest	1,131	1,435
Other	3,682	4,279
Total accrued liabilities	13,937	17,826

15. Long-Term Debt and Financial Leases

(euro in thousands)	December 31, 2005	December 31, 2006
Convertible notes, interest rate at 5.5%	41,629	42,284
Other long term debt:		
A. Long-term loans from Industrial & Commercial Bank of China, Leshan, China (Average interest rate at 7.956% at December 31, 2006)	1,736	388
B. Long-term loans from Bank für Tirol und Vorarlberg, Radfeld, Austria (Interest rates vary from 2.45 to 4.63% at December 31, 2006)	9,148	7,244
C. Long-term loan from Bank Austria, Kufstein, Austria (Interest rate at 2.25% at December 31, 2005)	6,500	-
D. Research and development loan from Österreichische Forschungs-förderungs gesellschaft, Wien, Austria (Interest rates vary from 2.00% to 2.50% at December 31, 2006)	1,541	1,860
E. Long-term loans from Fortis Bank, the Netherlands (Interest rates vary from 4.63% to 4.72% at December 31, 2006)	-	5,000
F. Long-term loan from Fortis Bank, the Netherlands (Interest rate at 4.08% at December 31, 2006)	-	4,500
Financial leases at various interest rates	423	144
	60,977	61,420
Less: current portion	(3,712)	(6,682)
Total long-term debt and financial leases	57,265	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
2007	-	6,546	136
2008	-	6,081	8
2009	-	4,129	-
2010	-	636	-
2011	-	457	-
2012 and thereafter	46,000	1,143	-
Total	46,000	18,992	144
Less: imputed interest	(2,094)	-	-
Less: unamortized debt issuance cost	(1,622)	-	-
Less: current portion of long-term debt and financial leases	-	(6,546)	(136)
Non-current portion of long-term debt and financial leases	42,284	12,446	8

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. The long-term loan consist of a loan of € 388 denominated in Renminbi for the financing of the Company's activities in China. The interest rate at the end of the year amounts to 7.956%. The loans are secured by a mortgage to an amount of € 0.7 million on the Company's equipment in Leshan, China.

B. The long-term loans consist of four loans totaling € 7,244 for the financing of the Company's Datacon subsidiary. The interest rates at December 31, 2006 vary from 2.45% to 4.63%. Total payments are due between July 2008 and April 2014. The loans are secured by bill of exchange, hypothecation of deposit of securities, of land and fire insurance.

C. The long-term loan consists of a loan of € 6,500 for the financing of the Company's Datacon subsidiary. The loan is fully repaid in December 2006.

D. The research and development loan consists of seven loans aggregating € 1,860 for the financing of the research and development projects at the Company's Datacon subsidiary. The interest rates at December 31, 2006 vary from 2.00% to 2.50%. Total payment is due between March 2007 and June 2010.

E. The long-term loans consists of two loans totaling € 5,000 for the financing of the Company's Meco subsidiary. The interest rates vary from 4.63% to 4.72%. Total payments are due between January 2007 and October 2009. The loans are secured by a positive/negative pledge of registered claims, inventory and equipment.

F. The long-term loan consists of a loans of € 4,500 for the financing of the Company's Fico subsidiary. The interest rates is 4.08%. Total payments are due between April 2007 and January 2009. The loans are secured by a positive/negative pledge of registered claims, inventory and equipment.

16. Other Non-Current Liabilities

Other non-current liabilities consist of the following:

(euro in thousands)	December 31, 2005	December 31, 2006
Pension liabilities	1,300	1,394
Severance obligations	1,203	1,380
Other non-current liabilities	2,503	2,774

17. 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 required 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 € 3.7 million and € 3.3 million in 2005 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 and German subsidiaries have defined benefit pension plans covering part of their eligible employees. Benefits under these plans are typically based on years of service and final average compensation levels. The Company uses December 31 as a measurement date. The plans are managed in accordance with applicable local statutes and practices. The Company deposits funds for these plans with insurance companies, pension trustees, government-managed accounts, and/or accrues the expense for the unfunded portion of the benefit obligation on its Consolidated Financial Statements. Plan assets are invested in equity securities, fixed income securities and other institutional investments. The Company's practice is to fund the various pension plans in amounts sufficient to meet the minimum requirements as established by applicable local governmental oversight and taxing authorities.

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. Total recognized asset for defined benefit and severance obligations is as follows:

(euro in thousands)	December 31, 2005	December 31, 2006
Present value of unfunded obligations	-	-
Present value of funded obligations	2,503	2,774
Fair value of plan assets	2,710	1,984
Present value of net obligations	(207)	790
Unrecognized actuarial gains and losses	-	-
Recognized liability (asset) for defined benefit obligations	(207)	790

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

(euro in thousands)	Pension liabilities	Severance obligations	Total 2006
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 amount to € 2.8 million as of December 31, 2006. Future expected benefit payments 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 consolidated statements of operations and the weighted average assumptions used for net periodic pension cost and benefit obligation calculations for 2005 and 2006 is presented below:

(euro in thousands)		Year ended December 31,
	2005	2006
Components of total expense recognized in statements of operations		
Service cost	147	102
Interest cost	75	61
Net actuarial (gain) loss recognized	55	(69)
Total expense recognized in statements of operations	277	94
Weighted average assumptions		
Discount rate	4.5%	4.5%
Expected long-term return on assets	5.5%	5.5%
Rate of compensation increase	3.5%	3.5%

The discount rate was derived by reference to appropriate benchmark yields on high quality corporate bonds.

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)	2005	2006
Plan assets at January 1,	-	2,710
Acquisition of subsidiary	4,182	-
Actual return on plan assets	159	(122)
Employer contribution/additions to plan assets	258	661
Transfer/disposal of plan assets due to resignation of employees	(1,889)	(1,265)
Plan assets at December 31,	2,710	1,984

The Company's investment strategy for its defined benefit plans is to invest assets in a prudent manner, maintaining will-diversified portfolios with the long-term objective of meeting the obligations of the plans as they come due. The Company's contributions to these plans for fiscal 2007 are expected to be approximately € 0.4 million.

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 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 statements 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 € 19, net of tax, was recognized as compensation based on the market value of our Ordinary Shares for the year ended December 31, 2006.

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. 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 and conditional performance stock awards under the Incentive Plan 2005 to supervisory board members, executive officers and senior employees of the Company. Receipt of annual awards in the form of rights to receive Ordinary Shares of the Company are based on defined targets over the preceding year ("Annual PSA Units"). Receipt of conditional awards in the form of rights to receive Ordinary Shares of the Company depends in any given year on whether the individual achieved the defined goals ("Conditional PSA Units"). One third of the performance stock awards will vest on each of the following three years. For the performance stock awards granted in 2006, an amount of € 213, net of tax, was recognized as compensation cost in the year ended December 31, 2006 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:

		2005		2006
	Number of options	Weighted average exercise price in euro	Number of options	Weighted average exercise price in euro
Equity settled option plans				
Outstanding, beginning of year	1,005,181	9.79	947,193	9.82
Options expired	-	-	(100,000)	14.65
Options exercised	(6,000)	3.22	(10,173)	3.22
Options forfeited	(51,988)	10.00	(28,030)	9.93
Outstanding and exercisable, end of year	947,193	9.82	808,990	9.27
Cash settled option plans				
Outstanding, beginning of year	229,079	7.06	174,981	7.13
Options exercised	(2,000)	3.22	(2,000)	3.22
Options forfeited	(52,098)	6.98	(2,895)	6.54
Outstanding and exercisable, end of year	174,981	7.13	170,086	7.19

The average share price at the date of exercise of the equity settled options was € 4.38 and of the cash settled options was € 4.98.

Stock options outstanding and exercisable at December 31, 2006:

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	138,946	2.49	3.47
€ 5.20 - € 7.70	96,253	3.22	5.89
€ 8.94 - € 10.31	455,776	2.07	9.51
€ 17.90	118,015	2.48	17.90
Cash settled option plans			
€ 3.22	30,421	2.25	3.22
€ 5.95	50,582	3.25	5.95
€ 8.94 - € 10.31	89,083	0.84	9.24

Summary of Outstanding (P)SA Units

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

	2005		2006	
	Annual (P)SA units	Conditional PSA units	Annual (P)SA units	Conditional PSA units
Outstanding, beginning of year	-	-	90,188	17,000
(P)SA units granted	95,388	17,000	125,827	26,333
(P)SA units forfeited	(5,200)	-	(4,626)	(1,415)
Shares reissued by the Company upon vesting	-	-	(24,931)	(2,501)
Outstanding, end of year	90,188	17,000	186,458	39,417

The market price of the Ordinary Shares of the Company at the date of grant was € 4.49 for the 2006 grant and € 4.00 for the grant in 2005.

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

(euro in thousands)	Year ended December 31, 2005	2006
Stock options	819	-
(Performance) Stock Award Units	105	303
Effect of changes in the fair value of cash settled options	(7)	(27)
Total expense recognized as employee costs	917	276

(euro in thousands)	December 31, 2005	December 31, 2006
Total carrying amount of cash settled transaction liabilities	119	92

The fair value of the option awards to employees was estimated using the Black-Scholes option-pricing model assuming no dividends. The fair value of the liability for the cash-settled share based payments is re-measured at each balance sheet date using the Black-Scholes option pricing model, assuming no dividends. The following weighted average assumptions were used:

	December 31, 2006
Share price	4.54
Exercise price	7.19
Expected life (years)	1.8
Expected stock price volatility	28.7%
Risk-free rate	3.89%

18. Share Capital

As of December 31, 2005, the 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 Company's authorized capital was increased with 25,000,000 Ordinary Shares and 25,000,000 Preference Shares. As of December 31, 2006, the Company's authorized capital consisted of 80,000,000 Ordinary Shares, nominal value € 0.91 per share, and 80,000,000 Preference Shares, nominal value € 0.91 per share.

At December 31, 2005 and December 31, 2006, 32,736,502 and 32,771,105 Ordinary Shares, excluding treasury shares respectively 992,015 and 957,412, were outstanding. Changes in treasury shares are solely caused by excercised stock options and vesting of (P)SAs. No Preference Shares were outstanding at each of December 31, 2005 and December 31, 2006.

Accumulated other comprehensive income (loss) consists of:

(euro in thousands)	December 31, 2005	December 31, 2006
Foreign currency translation adjustments	881	(1,439)
Minimum pension liability, net of taxes	40	40
Change in unrealized hedging results	-	230
Accumulated other comprehensive income (loss)	921	(1,169)

19. 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 60% of its sales in 2006 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 2005 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 € 230 was reported in 2006 as other comprehensive income at December 31, 2006. The amount in 2006 released from equity in revenue in the consolidated statements of operations was € 45. The ineffective part of the hedges recognized, in 2006, directly in the consolidated statements of operations was € 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 € 27 and € 516 at December 31, 2005 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, 2005	December 31, 2006
To sell U.S. dollars for euro	23,418	22,521

At December 31, 2005, unrealized losses on forward foreign currency exchange contracts that were designated as a hedge of firmly committed transactions amounted to € 498. At December 31, 2006, 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, had a negative value of € 400 at December 31, 2005 and a positive value of € 489 at December 31, 2006, respectively.

For the years ended December 31, 2005 and 2006, an amount of € 320 of foreign currency loss and an amount of € 5 of foreign currency gain, respectively, is included in results of operations relating to ineffectiveness of the Company's foreign currency contracts.

20. Commitments and Contingencies

The Company leases certain facilities and equipment under operating leases. As of December 31, 2006, the required minimum lease commitments were as follows:

(euro in thousands)	December 31, 2006
2007	3,101
2008	2,766
2009	2,589
2010	2,464
2011	2,364
2012 and thereafter	9,612
Total	22,896

Committed rental expense was € 23.1 million and € 21.4 million as of December 31, 2005 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, 2005 and 2006. Lease and rental expenses amounted to € 3.0 million and € 3.2 million for the years ended December 31, 2005 and 2006, respectively.

The maximum liability regarding research and development credits amount to € 6.3 million as of December 31, 2006 (see also note 21). The repayment dates, if applicable, cannot be estimated.

21. Research and Development Credits

The Company receives subsidies and credits for research and development from various governmental sources. To the extent that if 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, whatever 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 2006. The remaining amount (including interest) contingently repayable was € 5,168 and € 5,486 at December 31, 2005 and 2006, respectively. The amounts reflected in accrued liabilities at December 31, 2005 and 2006, with respect to sales of molding systems, were nil for both years.

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 2006. The remaining amount (including interest) contingently repayable was € 791 and € 778 at December 31, 2005 and 2006, respectively. The amounts reflected in accrued liabilities at December 31, 2005 and 2006, with respect to sales of trim and form systems were € 52 and € 55 respectively.

The amounts of research and development subsidies and credits offset against research and development expenses amounted to € 761 in 2005 and € 1,112 in 2006.

22. Segment, Geographic and Customers' Information

The following table summarizes revenue, net income (loss), non-financial assets, capital expenditures and total assets of the Company's operations in the Netherlands, 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, 2005						
Revenue	87,227	28,921	30,068	35,975	(17,929)	164,262
Net income (loss)	(4,542)	(1,315)	521	3,157	(172)	(2,351)
Non-financial assets	19,604	75,368	11,915	6,684	-	113,571
Capital expenditures	1,185	3,003	127	2,103	-	6,418
Total assets	150,461	111,806	26,081	27,647	(17,477)	298,518
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,
	2005	2006
Germany	22,482	26,857
Other Europe	22,286	26,303
United States	21,601	18,710
Malaysia	15,291	20,962
Korea	14,293	11,652
Taiwan	14,326	24,082
Other Asia Pacific	46,625	61,033
Rest of the World	7,358	1,592
Total revenue	164,262	191,191

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

23. 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 year ended December 31, 2005 and 2006 was as follows:

(in euros)	Year ended December 31, 2005	2006
R.W. Blickman		
Salaries	357,000	370,000
Other benefits (4)	17,553	18,852
Bonus (5)	53,550	166,500
Pension (6)	63,339	72,693
J. A. Wunderl (1)		
Salaries	241,935	318,913
Other benefits (4)	16,682	18,287
Bonus (5)	36,290	111,616
Pension (6)	48,387	63,783
H. Rutterschmidt (2)		
Salaries	274,615	366,996
Other benefits (4)	11,202	14,460
Bonus (5)	32,954	183,498
Pension (6)	60,181	106,319
G. Zeindl (3)		
Salaries	154,700	-
Other benefits (4)	7,465	-
Pension (6)	45,215	-

(1) Amounts are translated from U.S. dollars into euro using the average exchange rate of U.S. $ 1.2400 = € 1.00 for the year ended December 31, 2005 and U.S. $ 1.2543 = € 1.00 for the year ended December 31, 2006.

(2) Member of the Board of Management from March 24, 2005, remuneration relates to the period from March 24, 2005 to December 31, 2006.

(3) Member of the Board of Management from March 24, 2005; remuneration relates to the period from March 24, 2005 until his exit on September 1, 2005.

(4) Other benefits include expense compensation, medical insurance and premiums social securities.

(5) This amount represents a bonus earned over the applicable year, which will be payable in the first quarter of the year thereafter.

(6) 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.

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 € 97 in 2006. 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, 2005 and 2006 was as follows:

(in euros)	Year ended December 31, 2005	2006
W. D. Maris	26,000	27,000
E. B. Polak	20,000	22,000
D. Sinninghe Damsté	26,000	27,000
T. de Waard	21,000	21,000

In the 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; and

(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, 2006 are as follows:

Ordinary Shares	Number of shares
R.W. Blickman	274,653
H. Rutterschmidt	444,784
J.A. Wunderl	2,918
Total	722,355

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
	2001	2007	9.55	40,000
	2002	2008	8.94	36,000
	2003	2009	3.22	35,042
	2004	2010	5.95	15,000
				296,542
J.A. Wunderl	2003	2009	5.20	8,000
	2004	2010	5.95	5,500
				13,500
Total				310,042

PSA Units	Year of grant	Number of annual Performance Stock Award Units outstanding	Number of conditional Performance Stock Award Units outstanding[1]
R.W. Blickman	2005	3,333	6,667
	2006	5,000	10,000
		8,333	16,667
H. Rutterschmidt	2006	3,500	7,000
J.A. Wunderl	2005	2,333	4,666
	2006	4,667	9,333
		7,000	13,999
Total		18,833	37,666

[1] The number of shares that will be granted and/or will vest in any given year will depend on whether the individual achieves defined goals

At December 31, 2006, 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 2007 in relation to performance achievements over 2006, in accordance with the Besi Incentive Plan 2005, are as follows:

PSA Units	Year of grant	Number of conditional Performance Stock Award Units
R.W. Blickman	2007	39,000
H. Rutterschmidt	2007	29,750
J.A. Wunderl	2007	21,000
Total		89,750

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, 2006 are as follows:

Ordinary Shares	Number of shares
W.D. Maris	1,334
D. Sinninghe Damsté	1,334
T. de Waard	1,334
Total	4,002

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

SA Units	Year of grant	Number of annual Stock Award Units outstanding
W.D. Maris	2005	2,666
	2006	4,000
		6,666
E.B. Polak	2005	2,666
	2006	4,000
		6,666
D. Sinninghe Damsté	2005	2,666
	2006	4,000
		6,666
T. de Waard	2005	2,666
	2006	4,000
		6,666
Total		26,664

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, 2006 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
	2001	2007	9.55	32,000
	2002	2008	8.94	23,000
	2003	2009	3.22	13,221
Total				92,721

At December 31, 2006, there were € 78 of loans outstanding relating to the stock options granted to the former members of the Board of Management. The principal amount and other loan conditions have not changed since the inception of the loan agreement in 1999.

24. Selected Operating Expenses and Additional Information

Personnel expenses for all employees were as follows:

(euro in thousands)	Year ended December 31, 2005	2006
Wages and salaries	43,234	42,533
Social security expenses	6,132	5,958
Pension and retirement expenses	3,291	3,034
Share based compensation plans	917	276
Total personnel expenses	53,574	51,801

The average number of employees during 2005 and 2006 was 1,152 and 1,122, respectively. For pension and retirement expenses, reference is made to note 17.

The total number of personnel employed per department was:

	December 31, 2005	December 31, 2006
Sales and Marketing	216	230
Manufacturing and Assembly	574	640
Research and Development	189	192
General and Administrative	108	103
Total number of personnel	1,087	1,165

As of December 31, 2005 and 2006 a total of 367 and 361 persons, respectively, were employed in the Netherlands.

25. 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 is reported in other income in our consolidated statements of operations.

26. Financial Income and Expense

The components of financial income and expense were as follows:

(euro in thousands)		Year ended December 31,
	2005	2006
Interest income	1,630	1,893
Interest expense	(3,753)	(4,376)
Accredited interest convertible	(271)	(316)
Net foreign exchange gain (loss)	(780)	(295)
Financial income (expense), net	(3,174)	(3,094)

27. Earnings per Share

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

	2005	2006
Shares outstanding at beginning of the year	30,794,660	32,736,502
Weighted average shares issued during the year	1,912,649	-
Weighted average shares reissued from treasury shares for the vesting of performance stock awards	-	20,420
Weighted average shares reissued from treasury shares for the exercise of options	3,625	3,650
Average shares outstanding – basic	32,710,934	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	32,710,934	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, 2005	December 31, 2006
Number of options	1,122,174	1,007,346
Average exercise price of options	9.40	10.34
Number of performance stock awards	90,188	-

For purposes of computing diluted earnings per share in 2005, 8,978,610 weighted average Ordinary Share equivalents do not assume conversion of the outstanding convertible notes, as such conversion would have an anti-dilutive effect. 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.

28. Reconciliation of Net Income (Loss) and Equity From IFRS, as Endorsed by the EU, to US GAAP

Reconciliation of Net Income (Loss) from IFRS, as Endorsed by the EU, to US GAAP

(euro in thousands)	Year ended December 31, 2005	Year ended December 31, 2006
Net income (loss) in accordance with IFRS, as endorsed by the EU	(2,351)	10,799
Adjustments from IFRS, as endorsed by the EU, to US GAAP		
Capitalization of development expenses	(5,989)	(802)
Amortization of and impairment on capitalized development expenses	346	1,798
Amortization of intangible assets	(59)	(305)
Impairment on intangible assets	774	-
Employee share-based payments	802	10
Accredited interest convertible notes	271	316
Deferred income tax effects	982	(1,758)
Minority interest	(41)	(132)
Other differences in income (loss)	84	84
Net income (loss) in accordance with US GAAP	(5,181)	10,010

Reconciliation of Equity from IFRS, as Endorsed by the EU, to US GAAP

(euro in thousands)	January 1, 2005 (unaudited)	December 31, 2005	December 31, 2006
Equity in accordance with IFRS, as endorsed by the EU	175,238	185,510	194,531
Adjustments from IFRS, as endorsed by the EU, to US GAAP			
Capitalization of development expenses	-	(5,706)	(4,563)
Valuation of goodwill	1,883	1,522	1,433
Valuation of other intangible assets	465	1,250	871
Employee share-based payments	105	88	52
Equity component convertible notes	-	(2,580)	(2,580)
Accredited interest convertible notes	-	271	591
Recognized gain on sale and lease back transaction	(843)	(758)	(673)
Deferred income tax effects	260	1,992	231
Minority interest	(115)	(178)	(293)
Shareholders' equity in accordance with US GAAP	176,993	181,411	189,600

Notes to the Reconciliations from US GAAP to IFRS, as Endorsed by the EU

Goodwill

IFRS, as endorsed by the EU, and US GAAP prohibits systematic amortization of goodwill and requires an annual impairment test to be performed. Goodwill amortization under US GAAP ceased as of January 1, 2002, whereas goodwill amortization under IFRS, as endorsed by the EU ceased as of January 1, 2004.

Leasing

IFRS, as endorsed by the EU, requires any gain in sale and lease back transactions to be recognized immediately if the transaction was based on market value. The Company has reviewed all its lease commitments and transactions and has determined that the sale and lease back transaction of the Company's land and buildings in Drunen, the Netherlands was established at market value. The gain on this transaction was deferred under US GAAP and netted against rental expense.

Patents and Trademarks

In connection with the conversion to IFRS, as endorsed by the EU, as of January 1, 2004, the Company tested all its intangible assets on impairments in 2005 and 2006, even when no indications existed. The Company recorded impairments on patents and trademarks in 2005. When the Company concludes that impairment on patents and trademarks do no longer exist, these impairments will be reversed accordingly.

Employee Share-based Payments

The Company has granted both cash-settled and equity-settled share-based options to its employees in the past. Under IFRS, the Company applies IFRS 2 "Share Based Payments" beginning from January 1, 2004. In accordance with IFRS 2, the Company records the fair value of its share based payments as an expense with respect to stock options granted to its employees after November 7, 2002.

As of January 1, 2006 under US GAAP, the Company accounts for stock option plans accoording to SFAS 123 (R). SFAS 123 (R) requires that share-based compensation transactions are accounted for on a fair value basis method, recognizing the expenses in the company's consolidated statements of operations. This principal is as of 2006 similar to IFRS.
For the year ended December 31, 2005 under US GAAP, the Company accounts for stock option plans using the intrinsic value method in accordance with APB 25 "Accounting for stock issued to employees" and provides pro forma disclosure of the impact of the fair value method on net income (loss) and earnings (loss) per share in accordance with SFAS 123 "Accounting for stock based compensation".

Capitalization of Development Cost

Under IFRS, the Company applies IAS 38, "Intangible Assets" beginning from January 1, 2005. Sufficient reliable information relating to development costs under IFRS before January 1, 2005 is not available. Under IAS 38, capitalized development costs are amortized over the expected useful life of the related product generally 3 years. Amortization starts when the developed product is available for use.

Convertible Notes

Under IFRS, the Company applies IAS 32 "Financial instruments: Disclosure and presentation" and IAS 39 "Financial instruments: Recognition and measurement" beginning from January 1, 2005. In accordance with IAS 32 and IAS 39, the Company accounts separately for the equity and liability component of its convertible bonds. The equity component relates to the grant of a conversion option to shares to the holder of the bond.

The liability component creates a financial liability that is measured at amortized cost which results in additional interest charges.

29. Related Party Transactions

During the year fiscal adjustments relating to the pre-acquisition period of Datacon were made. As a result of this the Company has a receivable outstanding as of December 31, 2006 on Mr. Rutterschmidt, CEO of Datacon and member of Besi's Board of Management to € 122. This receivable is secured by a bank guarantee and is expected to be settled in 2007.

Parent Company Balance Sheets

(Before appropriation of the result)

(euro in thousands)	Note	December 31, 2005	December 31, 2006
Assets			
Property, plant and equipment	2	60	56
Investments in subsidiaries	3	109,352	112,394
Subordinated loans due from subsidiary	3	-	8,000
Loans due from subsidiaries	3	37,755	26,654
Deferred tax assets		28	25
Financial fixed assets		147,135	147,073
Total fixed assets		147,195	147,129
Amounts due from subsidiaries		37,939	30,517
Income tax receivable		7,416	6,250
Other non-current assets		565	494
Receivables		45,920	37,261
Cash and cash equivalents		38,748	55,463
Total current assets		84,668	92,724
Total assets		231,863	239,853
Shareholders' equity, provisions and liabilities			
Issued capital	4	30,693	30,693
Share premium	4	184,967	185,296
Accumulated other comprehensive income (loss)	4	921	(1,169)
Retained deficit	4	(28,857)	(31,249)
Undistributed result	4	(2,392)	10,667
Shareholders' equity		185,332	194,238
Convertible notes		41,629	42,284
Deferred tax liability		683	947
Non-current liabilities		42,312	43,231
Accounts payable		260	270
Amounts due to subsidiaries		2,316	129
Taxes and social charges		49	65
Accrued liabilities		1,594	1,920
Current liabilities		4,219	2,384
Total shareholders' equity, provisions and liabilities		231,863	239,853

Parent Company Statements of Operations

(euro in thousands)	Year ended December 31,	
	2005	2006
Income (loss) from subsidiaries, after taxes	(355)	12,943
Other income and expenses	(2,037)	(2,276)
Net income (loss)	(2,392)	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, with the exception of the 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 is expected in the parent company financial statements, is 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, 2006	
Cost	150
Accumulated depreciation	(90)
Property, plant and equipment, net	60
Changes in bookvalue in 2006	
Investment	29
Depreciation	(33)
Total changes	(4)
Balance at December 31, 2006	
Cost	150
Accumulated depreciation	(94)
Property, plant and equipment, net	56

3. Financial Fixed Assets

Investments in Subsidiaries

The movement in subsidiaries was as follows:

(euro in thousands)	Investment in subsidiaries	Subordinated loans due from subsidiary	Loans due from subsidiaries	Total
Balance at January 1, 2006	109,352	-	37,755	147,107
Capital contribution	18	-	-	18
Reclassification	-	8,000	(8,000)	-
Income for the period	12,943	-	-	12,943
Currency translation adjustment	1,581	-	(3,101)	(1,520)
Dividend received	(11,500)	-	-	(11,500)
Balance at December 31, 2006	112,394	8,000	26,654	147,048

Subordinated Loan due from Subsidiary

The subordinated loan related to a loan granted by BE Semiconductor Industries N.V. to its subsidiary Fico International B.V. and is subordinated towards the Fortis Bank N.V. relating to the loan and credit line between Fico International B.V. and its subsidiaries and Fortis Bank N.V.

4. Shareholders' Equity

(euro in thousands)	Number of ordinary shares outstanding [1]	Issued capital	Share premium	Accumulated other comprehensive income (loss)	Retained deficit	Undistri-buted result	Total shareholders equity
Balance at January 1, 2005	31,794,675	28,933	175,868	(821)	(23,614)	(5,243)	175,123
Exchange rate changes for the year	-	-	-	1,702	-	-	**1,702**
Change in minimum pension liability	-	-	-	40	-	-	**40**
Total income and expense for the year recognized directly in equity	-	-	-	1,742	-	-	1,742
Net income (loss)	-	-	-	-	-	(2,392)	**(2,392)**
Total income and expense for the year	-	-	-	1,742	-	(2,392)	(650)
Appropriation of the result	-	-	-	-	(5,243)	5,243	-
Issuance of shares for the acquisition of Datacon	1,933,842	1,760	6,381	-	-	-	8,141
Reissued treasury shares for the exercise of stock options	-	-	27	-	-	-	27
Equity-settled share based payments expense	-	-	924	-	-	-	924
Equity component in convertible notes, net of deferred tax liability	-	-	1,767	-	-	-	1,767
Balance at December 31, 2005	33,728,517	30,693	184,967	921	(28,857)	(2,392)	185,332
Balance at January 1, 2006	33,728,517	30,693	184,967	921	(28,857)	(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
Unrealized hedging results	-	-	-	230	-	-	230
Balance at December 31, 2006	33,728,517	30,693	185,296	(1,169)	(31,249)	10,667	194,238

[1] The outstanding number of ordinary shares includes 957,412 treasury shares.

In anticipation of the Annual General Meeting's adoption of the annual accounts, it is proposed that the net income for 2006, amounting to € 10,667, 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 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.

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. However, the Company will not be entitled to revoke the call option within one year after the execution of the option agreement.

5. Commitments and Contingencies

The Company leases certain facilities and equipment under operating leases. As of December 31, 2006, the required minimum lease commitments were as follows:

(euro in thousands)	December 31, 2006
2007	51
2008	15
Total	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 5, 2007

Board of Management:	**Supervisory Board:**
R.W. Blickman	W.D. Maris
H. Rutterschmidt	E.B. Polak
J.A. Wunderl	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 2006 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, 2006, 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, 2006, 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, 2006, and of its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Opinion with respect to the parent company financial statements

In our opinion, the parent company financial statements give a true and fair view of the financial position of BE Semiconductor Industries N.V. as at December 31, 2006, 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 5, 2007
for Ernst & Young Accountants

/ s / M. Coenradie

Additional Information

Appropriation of the Result

The Articles of Association (Article 21) provide that the Company can only distribute profits from its free distributable reserves. The Management Board proposes to allocate the net income for the year 2006 to the retained deficit. The Supervisory Board has approved this proposal.

The General Meeting of Shareholders approved the 2005 statutory financial statements at March 22, 2006.

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, 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, 2005 and December 31, 2006

Effective April 5, 2000, 250 outstanding priority shares were converted into 250 Ordinary Shares and the class of priority shares was eliminated.

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 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.

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.

Declaration of Independence

The Board of Management of BE Semiconductor Industries N.V. and the Board of Management 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, have been met.

Duiven, February 5, 2007

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