

BE SEMICONDUCTOR INDUSTRIES NV
Form 20-F/A
June 21, 2005

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 20-F/A
AMENDMENT NO. 1

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

COMMISSION FILE NUMBER: 0-27298

BE SEMICONDUCTOR INDUSTRIES N.V.
(Exact Name of Registrant as Specified in Its Charter)

THE NETHERLANDS
(Jurisdiction of Incorporation or Organization)

MARCONILAAN 4
5151 DR DRUNEN
THE NETHERLANDS
(ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
None`

SECURITIES REGISTERED OR TO BE REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
-----	-----
Ordinary shares	Nasdaq National Market

SECURITIES FOR WHICH THERE IS A REPORTING OBLIGATION PURSUANT TO SECTION 15(d)
OF THE ACT:
None

The number of outstanding shares of each of the issuer's classes of capital or common stock as of December 31, 2004: 30,794,660 ordinary shares, nominal value (euro) 0.91 per share (of which amount, 5,726,285 are traded on the NASDAQ National Market in the form of New York Shares and 25,068,375 are traded on the Amsterdam Stock Exchange in the form of Bearer Shares).

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes [X] No []

Indicate by check mark which financial statement item the Registrant has elected

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to follow.

Item 17 [] Item 18 [X]

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EXPLANATORY NOTE

This Form 20-F/A is being filed to clarify that BE Semiconductor Industries N.V. (the "Company") operates in one reporting segment, to provide additional information regarding the amount of bonuses paid to the Company's executive officers in 2005 relating to services performed in the fiscal year ended December 31, 2004 to clarify or confirm certain other items in Items 5 and 6.

ITEM 5: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with "Selected Consolidated Financial Data" and our consolidated financial statements and notes thereto appearing elsewhere in this Annual Report on Form 20-F. This discussion and analysis contains forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of several factors, including those set forth under "Risk Factors" and elsewhere in this Annual Report on Form 20-F.

OVERVIEW

We design, develop, manufacture, market and service products for the semiconductor industry's back-end assembly operations.

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

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demand for semiconductor devices, manufacturers historically have cancelled or deferred additional equipment purchases until demand again begins to outstrip aggregate capacity. Under such circumstances, semiconductor prices typically fall.

Due to the lead times associated with the production of our semiconductor manufacturing equipment, our sales orders historically have lagged any downturn or recovery in the semiconductor market by approximately nine to twelve months. 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. During 2001, we saw a significant deterioration in industry conditions. Although we experienced increased order levels in 2002, the slowdown in the semiconductor and semiconductor equipment industry continued throughout 2002 and 2003. In the first half of 2004, industry conditions improved and we saw a significant increase in bookings as compared to the first half of 2003. However, in the third quarter of 2004, we saw a deterioration in industry conditions, resulting in a significant decrease in bookings in the second half of 2004 as compared to the first half of 2004.

Our sales are generated primarily by shipments to the Asian manufacturing operations of leading U.S. and European semiconductor manufacturers and, to a lesser extent, Korean and other Asian manufacturers and subcontractors. Most of our principal competitors on a worldwide basis are Japanese, which historically have dominated the Japanese market, because Japanese semiconductor manufacturers typically purchase equipment from domestic suppliers. To date, our sales to Japanese customers have been limited.

Our sales to specific customers tend to vary significantly from year to year depending on customers' capital expenditure budgets, new product introductions, production capacity and packaging requirements. In addition, we derive a substantial portion of our net sales from products that have an average selling price in excess of (euro) 300,000 and that have significant lead times between the initial order and delivery of the product. The timing and recognition of net sales from customer orders can cause significant fluctuations in operating results from quarter to quarter.

In the first quarter of 2004, the Board of Management, in consultation with the Supervisory Board, re-evaluated the Company's functional and operational organization and determined that the Company was engaged in one line of business, the design, manufacture, marketing and servicing of assembly equipment for the semiconductor industry. The change in reporting segments, as compared to the Company's Annual Report on Form 20-F for the year ended

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December 31, 2003, was due to an internal change in reporting structure and decision making responsibilities, whereby all key policies and decisions with respect to the Company's global product lines and manufacturing operations will reside now with the Company's Board of Management (under the supervision of the Company's Chief Executive Officer) which is the Company's key decision-making authority.

In accordance with SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," or SFAS 131, the Company's chief operating decision-maker has been identified as the President and Chief Executive Officer, who reviews operating results to make decisions about allocating resources and

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assessing performance for the entire company. All material operating units have the identical customer base and similarities in: economic characteristics; nature of products and services; and procurement, manufacturing and distribution processes. Since the Company operates in one segment and in one group of similar products and services, all financial segment and product line information required by SFAS 131 can be found in the Consolidated Financial Statements.

RECENT EVENTS

ACQUISITION OF DATACON

On January 4, 2005, we completed the acquisition of 100% of the outstanding ordinary shares of Datacon for total consideration of (euro) 72.6 million, of which (euro) 65 million was paid in cash and the remainder through the issuance of 1,933,842 ordinary shares.

Datacon, a private company founded in 1986 and located in Radfeld, Austria, is, according to 2003 data compiled by VLSI, a leading global manufacturer of flip chip bonding, multi-chip die bonding and other related assembly equipment for the semiconductor and telecommunications industries, with (euro) 58.3 million reported revenue for the fiscal year ended March 31, 2004 and (euro) 39.1 million for the six months ended September 30, 2004 in accordance with IFRS.

See also "Acquisition of Datacon" under Item 4 "Information on the Company".

ISSUANCE OF (EURO) 46 MILLION 5.5% CONVERTIBLE NOTES

In January 2005, we issued (euro) 46 million principal amount of convertible notes, or the Notes, due 2012. The Notes mature seven years from the date of issue and carry an interest rate of 5.5% per annum, payable semi-annually, with the first payment on or around July 28, 2005 and an initial conversion price of (euro) 5.125. The Notes will be repaid at maturity in 2012 at a price of 100% of their principal amount. If not converted, we may redeem the outstanding Notes at their par value on or after four years from the date of issue, subject to the share price exceeding 130% of the then effective conversion price.

Application for listing of the Notes on the official segment of the stock market of Euronext Amsterdam N.V. coincided with publication of the prospectus on January 25, 2005. Listing took place on January 28, 2005.

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 promulgated under the United States Securities Act of 1933, as amended.

The net proceeds from the issuance of the Notes will be used by us for general corporate purposes, including working capital and capital expenditures. In addition, we may choose to repay all or a portion of the credit facilities that were assumed upon closing of the acquisition of Datacon. At December 31, 2004, Datacon had net debt of (euro) 23.7 million. Pending such uses, we intend to invest all or a portion of the net proceeds in short-term, interest-bearing instruments.

EVALUATION OF CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Our discussion and analysis of our financial condition and results of operations is based upon our consolidated financial statements, which are included elsewhere in this Annual Report on Form 20-F and which have been prepared in accordance with U.S. GAAP. 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.

REVENUE RECOGNITION

Our revenue recognition policy conforms to Emerging Issues Task Force, or EITF 00-21 and the SEC Staff Accounting Bulletin No. 101 and 104. Advance payments received from customers are recorded as a liability until the products have been shipped. Shipment of products occurs after a customer accepts the product at our premises. We recognize revenues from sales of products upon shipment. 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. Installation services are treated as separate deliverables in accordance with EITF 00-21. A customer's sole recourse against us is to enforce our obligations relating to installation and warranty. Operating expenses and other income and expense items are recognized in the income statement as incurred or earned.

INVENTORIES

We periodically evaluate whether or not the carrying value of our inventories is in excess of market value or whether we have excess or obsolete items in our inventory. Our evaluation includes judgments regarding future market developments that might have an adverse effect on the valuation of our inventories.

Inventories are stated at the lower of cost (first-in, first-out method) or market value. Cost includes net prices paid for materials purchased, charges for freight and custom duties, production labor costs and factory overhead.

LONG-LIVED ASSETS

Long-lived assets, such as property, plant and equipment, and purchased intangibles subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is determined by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows. If the sum of the estimated undiscounted future cash flows is less than the carrying amount of the related asset, then an impairment charge is recognized. The measurement of the impairment charge is based upon the amount that the carrying value of the asset exceeds its fair value. Fair value is generally determined on the basis of estimated future discounted cash flows. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell, and depreciation ceases.

GOODWILL AND INTANGIBLE ASSETS

Goodwill represents the excess of the costs of purchased businesses over the fair value of their net assets at date of acquisition and, through December 31, 2001, was being amortized by the straight-line method. As of January 1, 2002, goodwill is no longer amortized, but is required to be evaluated for impairment at least annually in accordance with Statement of Financial Accounting Standards, or SFAS, No. 142, "Goodwill and Other Intangible Assets".

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The amortization of patents and other identifiable intangible assets is based on the weighted average remaining lives of 13 years for the plating, singulation and die sorting product lines and 16 years for the molding and trim and form product lines as determined by an independent valuation at the date of acquisition.

Goodwill and intangible assets not subject to amortization are tested annually for impairment. An impairment loss is recognized to the extent that the carrying amount exceeds the asset's fair value.

We do not have any identifiable assets with indefinite lives.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

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The following table discloses our contractual obligations and commercial commitments as of December 31, 2004.

(Euro in thousands)	Payments Due by Period				Total
	Less than 1 year	1-3 years	4-5 years	After 5 years	
Long term debt obligations	-	1,632	-	-	1,632
Capital lease obligations including imputed interest	1,248	2,550	2,624	9,357	15,779
Operating lease obligations	1,188	1,952	1,492	3,532	8,162
Unconditional purchase obligations	10,549	-	-	-	10,549
Total contractual obligations and commercial commitments	12,985	6,134	4,116	12,889	36,122

Unconditional purchase obligations relate to equipment and materials.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements.

QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks from changes in foreign currency exchange rates and interest rates, which may adversely affect our results of operations and financial condition. We seek to minimize the risks associated with interest rate and foreign currency exchange rate fluctuations through our regular operating and financing activities and, when deemed appropriate, through the use of derivative financial instruments. We do not use financial instruments for trading or other speculative purposes.

FOREIGN CURRENCY EXCHANGE RATE RISK

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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. Operations outside the Netherlands and other countries that have adopted the euro as their currency for 2004 constitute 19% of our net sales. 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 foreign exchange rates would affect our reported operating income (loss) by less than (euro) 1.0 million.

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 54% of total net sales in the year ended December 31, 2004, whereas net sales represented by U.S. dollars or dollar-linked currencies amounted to approximately 46%. Approximately 83% of our costs and expenses were denominated in the euro and the remaining 17% 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

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qualify for hedge accounting.

INTEREST RATE RISK

Our long-term capital lease obligations, long-term debt and lines of credit currently bear a variable rate of interest. An immediate 10% change in interest rates would not have a material effect on our results of operations over the next fiscal year.

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RESULTS OF OPERATIONS

SUMMARY FINANCIAL AND OTHER OPERATING DATA

	Year Ended December 31,		
	2002	2003	2004
(Amounts in thousands except share and per share data)	EURO	EURO	EURO
-----	-----	-----	-----

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Net sales	83,228	85,500	126,341
Cost of sales	55,849	63,345	88,352
	-----	-----	-----
Gross profit	27,379	22,155	37,989
Selling, general and administrative expenses	26,235	25,436	27,145
Research and development expenses	12,470	13,564	12,500
Restructuring charges	786	-	5,616
Impairment of intangibles	3,302	287	-
Amortization of intangible assets	2,591	2,522	2,465
	-----	-----	-----
Total operating expenses	45,384	41,809	47,726
Operating loss	(18,005)	(19,654)	(9,737)
Interest income, net	3,395	2,815	1,811
	-----	-----	-----
Loss before taxes and minority interest	(14,610)	(16,839)	(7,926)
Income taxes (benefit)	2,404	(3,292)	(2,435)
	-----	-----	-----
Loss before minority interest	(17,014)	(13,547)	(5,491)
Minority interest	3	50	64
	-----	-----	-----
Net loss	(17,011)	(13,497)	(5,427)
	-----	-----	-----
Loss per share:			
Basic	(0.54)	(0.44)	(0.18)
Diluted	(0.54)	(0.44)	(0.18)
Weighted average number of shares used to compute net loss per share:			
Basic	31,462,482	30,813,681	30,794,660
Diluted	31,462,482	30,813,681	30,794,660
	=====	=====	=====

(1) Translated solely for convenience of the reader at the noon buying rate on December 31, 2004 ((euro) 1.00 = US\$ 1.3538)

2003 COMPARED TO 2004

NET SALES

Our net sales consist of sales of molding systems, trim and form integration systems, singulation systems, plating systems and die handling systems.

Our net sales increased from (euro) 85.5 million in 2003 to (euro) 126.3 million in 2004, an increase of 47.7%. The increase in net sales in 2004 as compared to 2003 was due to increased order levels in the first half of 2004, resulting in increased shipments in 2004 for most product lines.

Our net sales per product line for the periods indicated were as follows:

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(Euro in million)	2003	2004	% change
-----	----	-----	-----
Molding systems	36.6	50.7	38.5%
Trim and form integration systems	22.1	21.8	(1.4)%
Singulation systems	4.6	15.5	237.0%
Plating systems	20.1	29.3	45.8%
Die handling systems	2.1	9.0	328.6%
	----	-----	-----
Total net sales	85.5	126.3	47.7%
	====	=====	=====

BACKLOG

Our backlog at December 31, 2004 decreased by 20.1% to (euro) 31.8 million from (euro) 39.8 million at December 31, 2003. The decrease in backlog was due to the significant deterioration in market conditions and corresponding reduction in customer orders in the second half of 2004.

New orders in 2004 were (euro) 118.3 million, an increase of 42.7% as compared to (euro) 82.9 million in 2003. The book-to-bill ratio for 2004 was 0.94 compared to 0.97 for 2003.

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.

GROSS PROFIT

Cost of sales includes materials, purchased components and subassemblies from subcontractors, direct labor and manufacturing overhead. It also includes costs relating to the pre-production and customization of new equipment once a product has advanced beyond the prototype stage. Changes in our cost of sales typically lag changes in net sales due to our manufacturing lead times.

Gross profit increased by 71.2% from (euro) 22.2 million in 2003 to (euro) 38.0 million in 2004. As a percentage of net sales, gross profit increased from 25.9% in 2003 to 30.1% in 2004. The gross profit in 2004 was adversely affected by charges of (euro) 1.9 million for inventory write-downs recorded in the fourth quarter of 2004. In the fourth quarter of 2003, charges of (euro) 2.9 million were recorded for higher engineering and modification costs and inventory write-downs associated with the completion of a multi-unit order with a specific customer.

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.

Our selling, general and administrative expenses in 2003 totaled (euro) 25.4 million and represented 29.7% of net sales compared to (euro) 27.1 million or 21.5% of net sales in 2004. The decrease in selling, general and administrative expenses as percentage of net sales resulted primarily from the increase in net sales levels.

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RESEARCH AND DEVELOPMENT EXPENSES

Research and development spending relating to packaging and die handling equipment varies from year to year depending on our new product development cycle. As research and development expenses do not include pre-

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production and customization costs, our research and development expenses decrease as products move from prototype development to production and final customer acceptance.

Research and development expenses relating to plating equipment include costs related solely to new product development efforts and exclude new product pre-production and customization expenses and design and engineering expenses incurred in sustaining and enhancing existing product lines. Our research and development expenses decreased from (euro) 13.6 million in 2003 to (euro) 12.5 million in 2004. As a percentage of net sales, research and development expenses were 15.9% and 9.9% in 2003 and 2004, respectively. Research and development spending in 2004 reflects our investment in research and development, mainly for the development of trim and form systems, our AMS-i molding system, as well as spending for new generation singulation and die handling systems.

RESTRUCTURING CHARGES

On December 14, 2004, as part of a plan to address the current downturn in the semiconductor industry, we announced a restructuring of our operations focused principally on a workforce reduction of 81 employees at our Dutch packaging and tooling manufacturing operations in Duiven and Brunssum, the Netherlands, or approximately 10% of total fixed headcount worldwide. In addition, we announced that we will phase out approximately 50 temporary workers at the Duiven facility. A component of the restructuring will be the closing of our tooling facility in Brunssum, the Netherlands in the first half of 2005. The workforce reductions are expected to occur during the first quarter of 2005.

We recorded a restructuring charge of (euro) 5.6 million in the fourth quarter ending December 31, 2004 to cover the estimated costs of this workforce reduction.

Ongoing economic uncertainties and industry over-capacity resulted in customers delaying scheduled deliveries, capacity investment and the funding of strategic programs in the second half of 2004. We have taken steps to realign our operations in response to reduced demand. The restructuring also is consistent with our plans to reduce exposure in high cost geographies and to rely more on low cost manufacturing regions.

Changes in the restructuring reserve were as follows:

(Euro in thousands)	2002	2003	2004
Balance at January 1,	5,487	1,281	521
Additions	1,991	-	5,616
Releases	(1,201)	-	-
Impairment on assets	(107)	-	-
Cash payment	(4,889)	(760)	(317)
	-----	-----	-----

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Balance at December 31,	1,281	521	5,820
	=====	=====	=====

The 2001 provision for the reduction in workforce included severance and other benefits for approximately 180 employees in the Netherlands and Asia. The additions to the restructuring reserve in 2002 related to higher than expected severance cost, later than expected final employment terminations and severance payments for the reduction in workforce in the United States and relocation cost. The releases in 2002 mainly relate to social security expenses and disabled personnel included for which we were not obliged to pay. Total remaining cash outlays for these restructuring activities are expected to be (euro) 0.3 million, which relate mainly to pension premiums to be paid for laid off employees over a period of two to five years.

The 2004 provision for the reduction in workforce included severance and other benefits for approximately 81 employees, mainly in the Netherlands. Total remaining cash outlays for restructuring activities in 2004 are expected to be (euro) 5.5 million, and will mainly be paid in the first half of 2005.

OPERATING LOSS

Operating loss decreased from (euro) 19.7 million in 2003 to (euro) 9.7 million in 2004. Operating loss for 2004 included

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restructuring charges of (euro) 5.6 million and (euro) 1.9 million for inventory write-downs. Operating loss for 2003 included a non-cash patent impairment charge of (euro) 0.3 million and charges of (euro) 2.9 million related to higher engineering and modification costs and inventory write-downs associated with the completion of a multi-unit order with a specific customer. Operating loss in 2004 decreased as compared to 2003 due to increased gross order margins as well as slightly decreased spending on research and development.

We incurred annual patent and other identifiable assets amortization charges of (euro) 2.5 million in 2004, which related to the acquisitions of our Fico, Meco, RDA and Laurier subsidiaries.

In the fourth quarter of 2004, we tested our intangibles for impairment. No impairment on intangibles was required.

INTEREST INCOME, NET

Our interest income, net, decreased from (euro) 2.8 million in 2003 to (euro) 1.8 million in 2004, mainly due to lower market interest rates, increased capital lease obligations and slightly lower cash balances.

INCOME TAXES

Our income tax benefit amounted to (euro) 3.3 million in 2003 compared to (euro) 2.4 million in 2004. The effective tax rate was 19.5% in 2003 and 30.7% in 2004. The increase of the effective tax rate was due to decreased losses as compared to 2003 in certain foreign subsidiaries in which we were not able to recognize a tax benefit. Management believes that the recent losses of these subsidiaries should be given substantially more weight than forecasts of future profitability in the evaluation.

NET LOSS

Our net loss amounted to (euro) 13.5 million in 2003 and (euro) 5.4 million in

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2004. Net loss for 2004 was negatively impacted by (i) after-tax restructuring charges of (euro) 3.7 million and (ii) lower margins due to the devaluation of the U.S. dollar against the euro, as well as by pre-tax charges of (euro) 1.9 million related to inventory write-downs.

2002 COMPARED TO 2003

NET SALES

Our net sales increased from (euro) 83.2 million in 2002 to (euro) 85.5 million in 2003, an increase of 2.8%. The increase in net sales in 2003 as compared to 2002 was due to increased order levels in the second half of 2002, resulting in increased shipments in 2003, especially for trim and form integration systems and singulation systems, offset by lower sales for die handling systems.

Our net sales per product line for the periods indicated were as follows:

(Euro in million)	2002	2003	% change
Molding systems	35.2	36.6	4.0%
Trim and form integration systems	15.8	22.1	39.9%
Singulation systems	2.9	4.6	58.6%
Plating systems	21.7	20.1	(7.4%)
Die handling systems	7.6	2.1	(72.4%)
	----	----	----
Total net sales	83.2	85.5	2.8%
	====	====	====

BACKLOG

Our backlog at December 31, 2003 decreased by 6.4% to (euro) 39.8 million from (euro) 42.5 million at December 31, 2002. This decrease was primarily due to a relatively high backlog for trim and form integration systems at January 1, 2003 that

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decreased as a result of increased shipments of these systems in 2003. The decrease in trim and form integration systems' backlog was partly offset by an increased backlog for singulation systems and die handling systems. New orders in 2003 were (euro) 82.9 million, a decrease of 7.0% as compared to (euro) 89.1 million in 2002, which included (euro) 1.8 million of die handling systems' backlog that was acquired as part of our purchase of Laurier. The book-to-bill ratio for 2003 was 0.97 compared to 1.07 for 2002.

GROSS PROFIT

Gross profit decreased by 19.0% from (euro) 27.4 million in 2002 to (euro) 22.2 million in 2003. As a percentage of net sales, gross profit decreased from 32.9% in 2002 to 25.9% in 2003. The gross profit in 2003 was adversely affected by slightly lower margins, mainly caused by the devaluation of the U.S. dollar against the euro. Furthermore, charges of (euro) 2.9 million were recorded in the fourth quarter of 2003 for higher engineering and modification costs and inventory write-downs associated with the completion of a multi-unit order with a specific customer.

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SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Our selling, general and administrative expenses in 2002 totaled (euro) 26.2 million and represented 31.5% of net sales compared to (euro) 25.4 million or 29.7% of net sales in 2003. The decrease in selling, general and administrative expenses resulted primarily from our ongoing efforts to reduce our operating expenses.

RESEARCH AND DEVELOPMENT EXPENSES

Our research and development expenses increased from (euro) 12.5 million in 2002 to (euro) 13.6 million in 2003. As a percentage of net sales, research and development expenses were 15.0% and 15.9% in 2002 and 2003, respectively. The increase in research and development spending in 2003 reflects our continued investment in research and development, mainly for the development of new trim and form systems, our new AMS-i molding system, as well as spending for singulation systems.

RESTRUCTURING CHARGES

On June 15, 2001, we adopted an initial restructuring plan that included a reduction of our global workforce (including temporary workers) of approximately 13%. These actions were necessitated by the semiconductor industry downturn that resulted in a significant reduction in new orders. We undertook this restructuring: (i) to better align our cost structure with anticipated revenues and (ii) to improve manufacturing efficiency and productivity. We recorded pre-tax restructuring charges of (euro) 3.6 million in connection with the reduction of our workforce in the second quarter of 2001. As a result of continued adverse market conditions in the semiconductor equipment industry, we took additional restructuring measures in each of the third and fourth quarters of 2001, which resulted in a cumulative workforce reduction of approximately 26%. In connection with those additional restructuring measures, we incurred additional restructuring charges for employee severance and benefits of (euro) 1.7 million and (euro) 3.0 million in the third and fourth quarter of 2001, respectively.

In the third quarter of 2002, we relocated our flip chip die attach operations from New Jersey to New Hampshire in the United States and consolidated these activities with our die sorting business to form a single die handling systems business unit. In the fourth quarter of 2002, we restructured the combined business by reducing our workforce by approximately 28%. We recorded a restructuring charge relating to these actions of (euro) 0.8 million in 2002.

Changes in the restructuring reserve were as follows:

(Euro in thousands)	2001	2002	2003
-----	-----	-----	-----
Balance at January 1,	-	5,487	1,281
Additions	8,306	1,991	-
Releases	-	(1,201)	-
		10	
Impairment on assets	-	(107)	-
Cash payments	(2,819)	(4,889)	(760)

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Balance at December 31,	5,487	1,281	521
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The 2001 provision for the reduction in workforce included severance and other benefits for approximately 180 employees in the Netherlands and Asia. The additions to the restructuring reserve in 2002 related to higher than expected severance costs, later than expected final employment terminations and severance payments for the reduction in workforce in the United States and relocation cost. The releases in 2002 mainly relate to social security expenses and disabled personnel included for which we were not obliged to pay. Total remaining cash outlays for restructuring activities are expected to be (euro) 0.5 million, which relate mainly to pension premiums to be paid for laid off employees over a period of two to five years.

OPERATING LOSS

Operating loss increased from (euro) 18.0 million in 2002 to (euro) 19.7 million in 2003. Operating loss for 2002 included non-cash goodwill impairment of (euro) 3.3 million and restructuring charges of (euro) 0.8 million. Operating loss for 2003 included non-cash patent impairment of (euro) 0.3 million and charges of (euro) 2.9 million related to higher engineering and modification costs and inventory write-downs associated with the completion of a multi-unit order with a specific customer. Furthermore, operating loss in 2003 increased as compared to 2002 due to slightly lower order margins as well as increased spending on research and development.

We incurred annual patent and other identifiable assets amortization charges of (euro) 2.5 million in 2003, which related to the acquisitions of our Fico, Meco, RD Automation and Laurier subsidiaries in October 1993, May 1995, September 2000 and January 2002, respectively.

As of January 1, 2002, we adopted SFAS No. 142 and SFAS No. 144, "Accounting for the impairment or disposal of long-lived assets". SFAS No. 142 eliminates the amortization of goodwill and indefinite-lived intangible assets, addresses the amortization of intangible assets with finite lives and addresses impairment testing and recognition for goodwill and intangible assets with indefinite lives. SFAS No. 144 establishes a single model for the impairment of long-lived assets and broadens the presentation of discontinued operations to include disposal of an individual business. As a result of the adoption of SFAS No. 142, goodwill amortization ceased.

We reviewed our business and determined that there are four reporting units to be reviewed for impairment in accordance with the standard - the reporting units were: packaging equipment, plating and singulation equipment, flip chip die attach equipment and die sorting equipment. Upon adoption of SFAS No. 142 in the first quarter of 2002, we completed the required transitional impairment testing of goodwill, and based upon those analyses, did not identify any impairment charges as a result of adoption of this standard effective January 1, 2002.

We have determined that our annual test for impairment of goodwill will take place at the end of the fourth quarter of each year, which coincides with the completion of our annual forecasting process. In the third quarter of 2002, we consolidated our die attach equipment business unit and die sort equipment business into a single die handling equipment business unit. Due to the severity and the length of the current industry downturn and uncertainty of the timing of improvement in industry conditions, we have revised our earnings forecasts for each of our business units that were tested for impairment. As a result, in the fourth quarter of fiscal year 2002, we recognized a goodwill impairment loss of (euro) 3.3 million in the die handling equipment reporting unit. The fair value

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of each reporting unit was estimated using the expected present value of future cash flows.

In the fourth quarter of 2003, we tested our intangibles for impairment. As a result of this impairment test, an impairment of patents of die handling equipment to an amount of (euro) 0.3 million was recorded. No impairment on other intangibles was required.

We do not have any identifiable assets with indefinite lives.

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INTEREST INCOME, NET

Our interest income, net, decreased from (euro) 3.4 million in 2002 to (euro) 2.8 million in 2003, mainly due to lower market interest rates and slightly lower cash balances.

INCOME TAXES

Our income tax expense was (euro) 2.4 million in 2002 as compared to an income tax benefit of (euro) 3.3 million in 2003. The income tax rate as shown in the results of operations was 19.6% in 2003. The tax rate for 2002 was not meaningful as we recorded a valuation allowance of (euro) 6.0 million in the fourth quarter of 2002. The tax rate for 2003 is significantly lower than our domestic tax rate, due to losses in certain foreign subsidiaries in which we were not able to recognize a tax benefit, as management believes that the recent losses of these subsidiaries should be given substantially more weight than forecasts of future profitability. In 2003, an amount of (euro) 2.8 million of available tax benefit was not recognized.

In the fourth quarter of fiscal year 2002, as part of the income tax provision for the period, we recorded a charge of (euro) 6.0 million through the establishment of a valuation allowance against our deferred tax asset consisting primarily of U.S. net operating loss carry forwards and temporary differences. We determined that the valuation allowance was required based on our recent losses, which were given substantially more weight than forecasts of future profitability calculating tax valuation allowances. Until we utilize these U.S. operating loss carry forwards, our income tax provision will reflect mainly domestic taxation.

NET LOSS

Our net loss amounted to (euro) 17.0 million in 2002 and (euro) 13.5 million in 2003. Net loss for 2002 was negatively impacted by (i) goodwill impairment of (euro) 3.3 million, (ii) a non-cash valuation allowance of (euro) 6.0 million against our net deferred tax assets and (iii) after tax restructuring charges of (euro) 0.6 million related to our die handling operations.

Net loss for 2003 was negatively impacted by slightly lower margins due to the devaluation of the U.S. dollar against the euro, as well as by charges of (euro) 2.9 million related to higher engineering and modification costs and inventory write-downs associated with the completion of a multi-unit order with a specific customer and a (euro) 0.3 million charge for the impairment of intangibles.

LIQUIDITY AND CAPITAL RESOURCES

We had (euro) 108.9 million and (euro) 106.6 million in cash and cash equivalents at December 31, 2003 and December 31, 2004, respectively.

We finance our Meco subsidiary and, to an extent, our Fico subsidiary, on a

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stand-alone basis. We intend to finance our subsidiary Datacon on a stand-alone basis. Mecco utilizes funds generated from its results of operations and available bank lines of credit to finance its working capital and capital expenditure requirements. Mecco and Fico maintain lines of credit with various local commercial banks. The credit lines of Mecco and Fico are currently unsecured, except for pledges on the accounts of Fico and Mecco with the banks that provide the facilities. The principal restrictive covenant in each line is related to solvency ratios, which generally are based on a ratio of each subsidiary's equity to its assets. We expect to finance the Datacon group using funds generated from its results of operations and available lines of credit. Datacon utilizes long-term loans, short-term bank lines of credit and government granted loans for export and research and development activities in these financing activities. Some of these loans are secured by a pledge of real property. Currently, RD Automation and Laurier and, to an extent, Fico are financed through intercompany loans. Fico Tooling Leshan Company Ltd. in China, 87% of which is owned by us, is partly financed by long-term loans issued by a local bank.

The working capital requirements of our subsidiaries are affected by the receipt of periodic payments on orders from their customers. Although Fico, RD Automation and Laurier and Datacon generally receive partial payments for

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automated molding systems, automated trim and form integration systems, die handling systems and bonding systems prior to final installation, initial payments generally do not cover a significant portion of the costs incurred in the manufacturing of such systems. Mecco generally receives a higher initial payment upon receipt of orders than Fico, RD Automation and Laurier and Datacon.

Net cash (used in) provided by operating activities was (euro) 5.3 million and ((euro) 4.6) million in 2003 and 2004, respectively. The primary uses of cash in operations in 2004 were working capital requirements of (euro) 5.8 million as a result of the substantial increase in bookings activity during the first half of 2004.

At December 31, 2004, our cash and cash equivalents totaled (euro) 106.6 million and our total debt and capital lease obligations totaled (euro) 14.1 million. At December 31, 2004, shareholders' equity stood at (euro) 177.0 million.

Our capital expenditures were (euro) 4.9 million in 2002, (euro) 11.9 million in 2003 and (euro) 3.4 million in 2004. The expenditures in 2003 were incurred primarily for the construction of an 80,000 square foot facility in Duiven, the Netherlands for molding systems and tooling manufacturing and the establishment of our first manufacturing facility in China for the production of tools. A majority of the capital expenditures of 2004 was used to further expand our production capacity in China and Malaysia.

On February 6, 2004, Fico sold the land and buildings in Duiven, the Netherlands in a sale and lease-back transaction for (euro) 14.5 million in cash. At the date of the transaction, the net book value of the real estate sold was approximately equal to the selling price of the real estate. Fico granted the buyer a (euro) 1.5 million loan which is payable over a maximum period of 24 months. The loan can be repaid at any time during the term of the loan. The loan is secured by a second mortgage on the land and buildings which were the subject of the sale and lease back transaction. The loan bears interest at the rate of 4.5% per annum. The transaction will be accounted for as a financing until the buyer pays off the loan. Once the buyer repays the loan, this finance obligation and the related real estate assets will be derecognized. Settlement of this

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obligation will not result in a cash outflow from Besi.

At December 31, 2004, Mecco and Fico had available lines of credit amounting to in aggregate (euro) 13.5 million, under which no borrowings were outstanding, but with the amount available to be drawn under the lines reduced by (euro) 0.6 million in outstanding bank guarantees. At December 31, 2004, (euro) 0.4 million of the lines of credit was reserved for foreign exchange contracts. Interest is charged at the bank's base lending rates plus an increment of 1.5%. The credit facility agreements include covenants requiring us to maintain certain financial ratios. The relevant companies were in compliance with, or had received waivers for, all loan covenants at December 31, 2004.

In January 2005, we issued (euro) 46 million in Notes due 2012. The Notes mature seven years from the date of issue and carry an interest rate of 5.5% per annum, payable semi-annually, with the first payment on or around July 28, 2005 and an initial conversion price of (euro) 5.1250. The Notes will be repaid at maturity in 2012 at a price of 100% of their principal amount. If not converted, we may redeem the outstanding Notes at their par value on or after four years from the date of issue, subject to the share price exceeding 130% of the then effective conversion price.

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

MATERIAL DIFFERENCES BETWEEN U.S. GAAP AND IFRS

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Beginning in 2005, the European Commission will require companies that are quoted on a European stock market to publish their financial statements in accordance with IFRS. While we intend to continue publishing U.S. GAAP financial statements, we also will publish our consolidated financial statements in accordance with IFRS from January 1, 2005 onwards. Our consolidated financial statements have been prepared in accordance with U.S. GAAP, which differ in certain significant respects from IFRS. We have not prepared financial statements in accordance with IFRS and, accordingly cannot offer any assurances that the differences described below would, in fact, be the accounting principles creating the greatest differences between our financial statements prepared under U.S. GAAP and under IFRS.

The following paragraphs summarize certain significant differences between U.S. GAAP and IFRS as of December 31, 2004 and not differences that may have existed throughout the period covered in the financial statements. This description is not intended to provide a comprehensive listing of all such differences specifically related to us or the industries in which we operate. U.S. GAAP is generally more restrictive and comprehensive than IFRS regarding recognition and measurement of transactions, account classification and disclosure requirements. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions and events are presented in the financial statements or the notes thereto. We are currently investigating the possible impact of differences identified between IFRS and U.S. GAAP. In spite of the fairly large number of potential differences between U.S. GAAP and IFRS, only a relatively small number appears to be relevant to us in practice. The following summary may not include all major differences that exist between U.S. GAAP and IFRS as they relate to our business.

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LEASES

U.S. GAAP generally requires profit or loss deferral on a sale and lease-back transaction that is classified as an operating lease. The exceptions to that general rule are the same as those for a sale and lease-back transaction classified as a capital lease. U.S. GAAP has stringent rules on accounting for sale and leaseback transactions of real estate.

IFRS requires immediate profit or loss recognition for a sale and lease-back transaction classified as an operating lease if the sale transaction is established at fair value because, in those situations, the sale transaction is deemed to be a normal sale transaction that would typically result in profit or loss being recognized immediately. If the sale price is less than the property's fair value, IFRS requires immediate profit or loss recognition unless the loss is compensated by future rentals at a below-market price, in which case the loss is deferred and amortized in relation to the rental payments over the period that the asset is expected to be used. If the sale price is above fair value, IFRS requires that the excess over fair value be deferred and amortized over the period for which the asset is expected to be used.

IMPAIRMENT OF LONG LIVED ASSETS

Under U.S. GAAP, when events or changes in circumstances indicate possible impairment, the sum of expected undiscounted future cash flows, related to the fixed asset (or group of assets) being measured, is compared to the carrying amount of the respective assets. Estimates of future cash flows used to test the recoverability of a long lived asset group should include only the future cash flows that are directly associated with, and are expected to arise as a direct result of, the use and eventual disposition of that asset group. If the carrying amount of the asset exceeds this value, an impairment loss exists and a write-down is necessary. The impairment charge is measured as the excess of carrying value over fair value. Fair value may be measured using quoted market prices in active markets, if available or using discounted cash flows.

Under IFRS, when events or changes in circumstances indicate possible impairment, the sum of expected future discounted cash flows is compared to the carrying amount of the respective assets. If the carrying amount of the asset exceeds the sum

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of the discounted cash flows, an impairment loss exists and a write-down is necessary. The impairment loss is based on the recoverable amount (the higher of the asset's value-in-use and net selling price).

Under U.S. GAAP, reversals of impairment losses for assets to be held and used are prohibited, as the impairment loss results in a new cost basis for the asset. Subsequent revisions to the carrying amount of an asset to be disposed of must be reported as adjustments to the asset's carrying amount, but limited by the carrying amount at the date on which the decision to dispose of the asset is made.

Under IFRS, reversal of impairment losses, other than on goodwill, is required when there has been a change in economic conditions or in the expected use of the asset.

RESEARCH AND DEVELOPMENT

Under U.S. GAAP, research and development costs are expensed as incurred.

Under IFRS, research costs should be expensed as incurred. An intangible asset

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arising from development (or from the development phase of an internal project) must be recognized as an intangible if, and only if, an enterprise can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits. Among other things, the enterprise should demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to reliably measure the expenditure attributable to the intangible asset during its development.

PENSIONS

Multi-Employer Plans

Under U.S. GAAP, defined contribution accounting must be used.

Under IFRS, defined benefit accounting must be used, unless sufficient information cannot be obtained.

STOCK OPTIONS

Prior to January 1, 2006, under U.S. GAAP, companies may elect to follow the accounting prescribed by either Accounting Principles Board Opinion 25, "Accounting for Stock Issued to Employees," (APB 25) or SFAS No 123. "Accounting for Stock-Based Compensation" (SFAS 123).

Under U.S. GAAP, compensation is recorded for the cost of providing the options to the employee over the relevant service period. The costs can be determined based on either the intrinsic value method (APB 25) or the fair value method (SFAS 123). Under the intrinsic value method, the compensation cost is the difference between the market price of the stock at the measurement date and the price to be contributed by the employee (exercise price). Under the intrinsic method, the measurement date is the first date on which the employee knows the number of shares that such employee is entitled to receive and the exercise price. The measurement date is often the grant date; however, it may be later than the grant date in plans with variable terms that depend on events which occur after the grant date. These terms may be variable by design, may become variable due to their modification after the date of grant, or may be considered variable due to their relation to other stock option features. In such cases, compensation is measured at the end of each reporting period until the measurement date or in some cases, until the stock option's exercise, forfeiture, or expiry. Under the fair value

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method, the cost associated with options is based on the fair value at the date of grant. Cost is estimated using an option-pricing model. If an entity chooses to follow the intrinsic value method, it must make pro-forma disclosures of net income and earnings per share as if the fair value method had been applied.

IFRS requires expensing of stock option plans based on fair value.

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RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In December 2004, the Financial Accounting Standards Board, or FASB, issued a revision of FASB Statement No. 123, Accounting for Stock-Based Compensation, SFAS No. 123 (revised 2004), or SFAS 123(R). SFAS 123(R), supersedes Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and its related implementation guidance. SFAS 123(R) addresses the accounting for share-based payment transactions in which a company receives employee services in exchange for either equity instruments of the Company or liabilities that are based on the fair value of the Company's equity instruments that may be settled by the issuance of such equity instruments. SFAS 123(R) eliminates the ability to account for share-based compensation transactions using the intrinsic method that we currently use and generally requires that such transactions be accounted for using a "fair-value"-based method and recognized as expense in our consolidated statements of operations. SFAS 123(R) will become effective as of January 1, 2006. The effects of the change are still being determined by us.

ITEM 6: DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES

A. DIRECTORS AND SENIOR MANAGEMENT

SUPERVISORY BOARD

The members of the Supervisory Board as of December 31, 2004 are as follows:

Name	Age	Title	Term Expires
W.D. Maris	65	Chairman of the Supervisory Board	2006
E.B. Polak	60	Member of the Supervisory Board	2004
D. Sinninghe Damste	65	Member of the Supervisory Board	2004
T. de Waard	58	Member of the Supervisory Board	2007

Mr. Maris - Chairman of the Supervisory Board

Mr. Maris became a member of the Supervisory Board in May 2000 and has served as Chairman since June 2000. From 1990 to January 2000, Mr. Maris served as President and Chief Executive Officer of ASM Lithography N.V., the Netherlands, a semiconductor equipment manufacturer. From 1979 to 1990, Mr. Maris was active in the IC division of Philips Electronics N.V. Mr. Maris also serves as a member of the Supervisory Board of Vanderlande Transport Mechanismen B.V. Furthermore, Mr. Maris serves as a member of the board of directors of Photronics Inc., FSI International Inc., and the European Asset Trust.

Mr. Polak - Member of the Supervisory Board

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Mr. Polak became a member of the Supervisory Board in November 2000. From 1984 until 2001, Mr. Polak has served in various capacities with ASM Lithography N.V., the Netherlands. From 1969 to 1984, Mr. Polak served in various capacities with Philips.

Mr. Sinninghe Damste - Member of the Supervisory Board

Mr. Sinninghe Damste became a member of the Supervisory Board in November 2000. From 1988 to his retirement in 2001, Mr. Sinninghe Damste served as a member of the Board of Management of Hollandsche Beton Groep N.V., a multi-sector construction company. From 1968 to 1988, Mr. Sinninghe Damste served in various capacities with Royal Dutch/Shell Group of Companies. Mr. Sinninghe Damste also serves as Chairman of the Supervisory Board of Holland Institute of Traffic Technology N.V. and as a member of the Supervisory Boards of Vedior N.V. and NKI \ AvL.

Mr. De Waard - Member of the Supervisory Board

Mr. De Waard became a member of the Supervisory Board in November 2000. Since 2001, Mr. De Waard has been a partner of Clifford Chance Limited Liability Partnership, a law firm. Previously, Mr. De Waard was a partner of

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the law firm Stibbe. Mr. De Waard also serves as a member of the Supervisory Board of STMicroelectronics N.V.

The business address of each of the members of the Supervisory Board is our registered office.

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BOARD OF MANAGEMENT AND OTHER KEY MEMBERS OF MANAGEMENT

The members of the Board of Management and the other key members of management as of December 31, 2004 are as follows:

Board of Management

Name	Age	Title	Term Expires
R.W. Blickman	50	President and Chief Executive Officer, Chairman of the Board of Management	N/a (1)
J.A. Wunderl	53	Member of the Board of Management, appointed as of March 25, 2004, Managing Director of RD Automation and Laurier	October 2007

Other Key Members of Management

Name	Age	Title
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W.M. Enzing	45	Managing Director of Fico Trim and Form Integration	N/a (1)
R.J. Foppen	57	Worldwide Sales and Marketing Manager of Meco Plating	N/a (1)
P.A. Govaert	48	Managing Director of Fico Molding and Fico Tooling	N/a (1)
J.C. te Hennepe	46	Director of Finance	N/a (1)
F.J.M. Jonckheere	45	Managing Director of Meco Plating	N/a (1)
H.F. Menschaar	58	Director of Corporate Technology	N/a (1)
H.G.E.M. van der Sande	36	Co-Director of Finance, Secretary of the Company	N/a (1)
G. A. in `t Veld	48	Managing Director of Fico Singulation	N/a (1)

(1) There are no specified terms for these members appointed prior to March 2004

Mr. Blickman - President, Chief Executive Officer and Chairman of the Board of Management

Mr. Blickman is President and Chief Executive Officer and Chairman of the Board of Management, positions he has held since November 1995. He also is Managing Director of the Fico subsidiary, a position he has held since February 1991, and Managing Director of the Meco subsidiary, a position he has held since November 1995. Previously, Mr. Blickman held the position of Worldwide Sales Manager of Fico from September 1989 to February 1991. Prior to joining Fico, he served as the European Marketing and Sales Manager for Advanced Semiconductor Materials International N.V. (ASMI). Furthermore, Mr. Blickman serves as a member of the Supervisory Board of ZBG Holdings N.V. and of Ennismore Fund Management Limited.

Mr. Wunderl - Executive Member and Managing Director of Besi Die Handling Inc. (RD Automation and Laurier)

Mr. Wunderl has served as Managing Director of Besi Die Handling Inc. since January 5, 2004 and was appointed a member of the Board of Management on March 25, 2004. From 2002 to 2004, Mr. Wunderl worked at Esec Switzerland and between 1990 and 2002 he held various positions at ASMI.

Mr. Enzing - Managing Director of Fico Trim and Form Integration

Mr. Enzing has served as Managing Director of Fico Trim and Form Integration Systems since September 2001. Prior to joining Fico, Mr. Enzing served as Sector Director at Atos Origin from 1997 and as Account Manager from 1995. Prior to that, Mr. Enzing was an Associate Consultant at McKinsey & Company, and held various positions at ASMI.

Mr. Foppen - Worldwide Sales and Marketing Manager of Meco Plating

Mr. Foppen is Worldwide Sales and Marketing Manager of Meco Plating and also serves as the Director of Sales and Marketing, a position he has held since 1985. From 1973 to 1985, Mr. Foppen served as the Sales Manager for

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the United Kingdom and Benelux Countries for Cetema B.V.

Mr. Govaert - Managing Director of Fico Molding and Fico Tooling

Mr. Govaert is Managing Director of Fico Molding, a position he has held since November 1, 2004, and Managing Director of Fico Tooling, a position he has held since May 1, 1999. Prior to joining the Fico subsidiary, Mr. Govaert served at Berkhof Heerenveen B.V. as General Manager from 1997 to 1998 and at WBM

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Staalservice Centrum B.V. from 1987 to 1997 as General Manager.

Mr. te Hennepe - Director of Finance

Mr. te Hennepe has served as Director of Finance since March 1, 2002. From March 1999 until February 2002, Mr. te Hennepe served as Finance Manager of Possehl Besi Electronics N.V. Prior to joining Possehl Besi Electronics N.V., Mr. te Hennepe served as Finance Manager/Controller for Yokogawa, GTI, HCS, ABB and ASMI in the Netherlands.

Mr. Jonckheere - Managing Director of Mecco Plating

Mr. Jonckheere is Managing Director of Mecco Plating, a position he has held since October 1, 2003. Formerly, Mr. Jonckheere served as Director of Operations of Mecco Plating Systems and Chemicals from January 1996. From 1986 until joining Besi, Mr. Jonckheere served in various positions at Holec Machines and Apparaten B.V.

Mr. Menschaar - Director of Corporate Technology

Mr. Menschaar is Director of Corporate Technology, a position he has held since January 1999. Mr. Menschaar served as Strategic Business Development manager for Fico and Mecco. Prior to joining Besi, Mr. Menschaar served variously as Managing Director for AFAM B.V., as Managing Director for Advanced Production Automation and as Chief Development for Patent Machinebouw B.V.

Mrs. van der Sande - Co-Director of Finance, Secretary of the Company

Mrs. van der Sande is Co-Director of Finance since March 2002 and acts as Secretary of the Company. From March 2000 to March 2002, Mrs. van der Sande served as our Director of Finance and from July 1996 to March 2000 as our Manager of Finance. Prior to joining Besi, Mrs. van der Sande spent nine years in public accountancy with KPMG Accountants N.V.

Mr. in 't Veld - Managing Director of Fico Singulation

Mr. in 't Veld has served as Managing Director of Fico Singulation (formely Mecco) since November 1, 2003. Prior to joining Besi, Mr. in 't Veld served as Managing Director of Multin Technology Group from 2000 to 2003. From 1982 to 2000, Mr. in 't Veld held various positions at Delft Instruments.

The business address of each of the members of the Board of Management and of the other key members of management is our registered office.

FUTURE MEMBERS OF THE BOARD OF MANAGEMENT

It is intended that Messrs. H. Rutterschmidt and G. Zeindl, members of the Datacon management board, will be appointed by the Supervisory Board as members of the Board of Management after the notification of the General Meeting of Shareholders at the next annual General Meeting of Shareholders which will be held on March 24, 2005. In connection with the acquisition of Datacon, H. Rutterschmidt acquired a total of 444,784 ordinary shares, which shares are subject to a two year lock up arrangement (subject to certain exceptions), which expires on January 4, 2007. Messrs. H. Rutterschmidt and G. Zeindl are two of the partners in a partnership that sold real property to a subsidiary of the Company.

B. COMPENSATION OF DIRECTORS AND OFFICERS

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The aggregate cash compensation paid to, or accrued by us for our management including members of the Board of Management was (euro) 2.0 million in 2004, excluding one-time payments of (euro) 0.7 million. Amounts accrued to provide pension, retirement or similar benefits to these individuals, as a group, were (euro) 0.2 million in 2004.

REMUNERATION OF THE BOARD OF MANAGEMENT

The aggregate cash compensation paid to members of the Board of Management was (euro) 715,089 in 2004 (including pension, but excluding one-time payments of (euro) 739,392). The remuneration of the members of the Board of Management is determined by the Supervisory Board, all with due observance of the remuneration policy to be adopted by the General Meeting of Shareholders. 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.

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The total cash remuneration and related costs of the individual members of the Board of Management for the year ended December 31, 2002, 2003 and 2004 was as follows:

(In euros, except as specified otherwise)	Year ended December 31,		
	2002	2003	2004
R.W. Blickman			
Salaries and related costs (4)	311,497	312,637	317,847
Bonus	-	35,458	36,443
Pension	54,326	54,326	55,231
Other (6)	-	-	344,392
J. A. Wunderl (1) (in U.S.\$)			
Salaries and related costs (4)	-	-	190,797
Bonus	-	-	43,200
Pension	-	-	-
M.A.H. Wartenbergh (2)			
Salaries and related costs (4)	-	124,219	169,050
Bonus	-	13,755	-
Pension	-	14,329	19,499
Severance payment	-	-	395,000
J.W. Rischke (3)			
Salaries and related costs (4)	145,948	-	-
Bonus	-	-	-
Pension	32,367	-	-
Other (5)	-	-	40,884
	=====	=====	=====

(1) Member of the Board of Management from March 25, 2004, remuneration relates to the period from March 25, 2004 onwards.

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- (2) Member of the Board of Management from March 27, 2003; remuneration relates to the period from March 27, 2003 until his exit as of January 1, 2005.
- (3) Member of the Board of Management until October 23, 2002; remuneration relates to the period until October 23, 2002.
- (4) Includes salaries, holiday allowance, medical insurance and social security premiums.
- (5) This amount was paid as part of a settlement reached with certain holders of options issued under the Company's Incentive Plan 1995 (as defined under "Stock Option Plans"), following a court interlocutory judgment in a legal proceeding filed by a former employee that indicated that the Company should compensate for dilution that arose as a result of the Company's secondary share offering in 2000.

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 (euro) 87,488 in 2004. The remuneration of the Supervisory Board is determined by the General Meeting of Shareholders.

The total remuneration of the individual members of the Supervisory Board members for the years ended December 31, 2002, 2003 and 2004 was as follows:

(In euros)	Year ended December 31,		
	2002	2003	2004
W. D. Maris	15,882	15,882	23,038

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E. B. Polak	15,882	15,882	19,206
D. Sinninghe Damste	15,882	15,882	26,038
T. de Waard	15,882	15,882	19,206
	=====	=====	=====

In 2002, 2003 and 2004, part of the cash compensation, not exceeding 50%, paid to the Supervisory Board members has been replaced by the granting of options to purchase ordinary shares to three Supervisory Board members. The fair value of the option awards to the Supervisory Board members was estimated using the Black-Scholes option-pricing model. Total remuneration to Supervisory Board members after the grant of said options did not change compared to the remuneration approved by the General Meeting of Shareholders.

ORDINARY SHARES AND OPTIONS HELD BY MEMBERS OF THE BOARD OF MANAGEMENT

The aggregate number of ordinary shares and the aggregate number of options on

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ordinary shares owned by the current members of the Board of Management as of December 31, 2004 is as follows:

	Number of shares -----		
R.W. Blickman	270,485		
		Exercise price in euros -----	Number of options outstanding -----
	Year of grant -----		
R.W. Blickman	1999	4.35	8,500
	2000	17.90	20,000
	2000	9.80	142,000
	2001	9.55	40,000
	2002	8.94	36,000
	2003	3.22	35,042
	2004	5.95	15,000
J.A. Wunderl	2003	5.20	8,000
	2004	5.95	5,500

Total			310,042

Loans outstanding relating to the stock options granted to the members of the Board of Management amounted to (euro) 286,795 as of December 31, 2004. The principal amount and other loan conditions have not changed since the inception of the loan agreements in 1999 and 2000.

OPTIONS AND ORDINARY SHARES HELD BY MEMBERS OF THE SUPERVISORY BOARD

The aggregate number of ordinary shares and the aggregate number of options on ordinary shares owned by the current members of the Supervisory Board as of December 31, 2004 is as follows:

	Year of grant -----	Exercise price in euros -----	Number of options outstanding -----
E.B. Polak	2002	8.94	1,322
	2003	3.22	3,667
	2004	5.95	1,937
D. Sinninghe Damste	2002	8.94	1,322
	2003	3.22	3,667
	2004	5.95	2,629
T. de Waard	2002	8.94	1,322
	2003	3.22	3,667
	2004	5.95	1,937

Total			21,470

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OPTIONS AND ORDINARY SHARES HELD BY FORMER MEMBERS OF THE BOARD OF MANAGEMENT

Details of options on ordinary shares held by former members of the Board of Management as of December 31, 2004 are as follows:

	Year of grant	Exercise price in euros	Number of options outstanding
	-----	-----	-----
J.W. Rischke	1999	4.35	8,500
	2000	17.90	16,000
	2001	9.55	32,000
	2002	8.94	23,000
	2003	3.22	13,221

Total			92,721

Loans outstanding relating to the stock options granted to the former executive members of the Board of Management amounted to (euro) 78,286 as of December 31, 2004. The principal amount and other loan conditions have not changed since the inception of the loan agreement in 1999.

C. BOARD PRACTICES

BOARD PRACTICES

We acknowledge the importance of good corporate governance, including elements such as transparency, independence and accountability. We continuously review corporate governance developments in the jurisdictions in which we operate.

We pursue a policy of active communication with our shareholders through the active participation of our shareholders at the general meeting and the publication of our annual and quarterly results. Our corporate governance structure is intended to:

- provide shareholders with regular, reliable and relevant transparent information regarding our activities, structure, financial condition, performance and other information, including information on our social, ethical and environmental records and policies;
- apply high quality standards for disclosure, accounting and auditing; and
- apply stringent rules with regard to insider securities trading.

MANAGEMENT STRUCTURE

We have a two-tier board structure consisting of a Board of Management and a Supervisory Board which is entrusted with supervising and guiding the Board of Management. The Board of Management is currently comprised of two members and the Supervisory Board is currently comprised of four members. The Board of Management, 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 two members of the Board of Management, our management team is currently also comprised of seven key members of management which do not form a part of the Board of Management itself.

The Supervisory Board supervises the policy of the Board of Management, as well as the general course of our corporate affairs and business, and provides advice

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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 important decisions 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 under the rules of the Nasdaq National Market,

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including the independence requirements contemplated by Rule 10A-3 under the United States Exchange Act of 1934, as amended, the Exchange Act, and as defined in article III.2.3 of the Besi Code, which is in compliance with the Tabaksblat Code.

The Supervisory Board has adopted corporate governance guidelines to assist the Supervisory Board in the exercise of its duties and responsibilities and to serve our best interests and the best interests of our shareholders. These guidelines, which provide a framework for the conduct of the Board's business, include that:

- the principal responsibility of the Supervisory Board is to oversee the management of Besi;
- the members meet regularly in executive session;
- members have full and free access to management and, as necessary and appropriate, independent advisors; and
- at least annually the board and its committees will conduct a self-evaluation to determine whether they are functioning effectively.

The Supervisory Board met ten times during 2004. Special attention was paid to recent developments related to corporate governance, especially changes stemming from the passage and enactment of the Sarbanes-Oxley Act of 2002 in the United States and the developments regarding the Tabaksblat corporate governance code in The Netherlands, the acquisition of Datacon finalized on January 4, 2005 and the issuance of the Notes listed on January 28, 2005.

Topics of the meetings included, among other items:

- our general strategy;
- our financial performance;
- approval of all periodic filings with the United States Securities and Exchange Commission, or the Commission, and Euronext Amsterdam;
- the performance and internal division of tasks of the Board of Management;
- potential strategic alliances and acquisitions;
- the general risks associated with our operations; and
- the Supervisory Board's own performance.

In 2004, the Supervisory Board conducted a self-evaluation of the functioning of the Supervisory Board as a whole and the performance of individual members. Management of the Company was not present at this meeting. In addition, at the meeting, the Supervisory Board discussed the functioning of the Board of

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Management as a whole and the performance of the individual members of the Board of Management.

The Chairman of the Supervisory Board and our management met on a regular basis.

Members of the Board of Management are appointed by the Supervisory Board and serve until voluntary retirement, or suspension or dismissal by the Supervisory Board. If a member of the Board of Management is to be dismissed, the General Meeting of Shareholders must be consulted on the intended dismissal.

The Supervisory Board has established three committees, the Audit Committee, the Remuneration Committee and the Selection, Appointment and Governance Committee. The Remuneration Committee, Audit Committee and Selection, Appointment and Governance Committee operate under a charter that has been approved by the Supervisory Board. Members of these committees are appointed from and among the Supervisory Board members.

Members of the Board of Management and Supervisory Board, as well certain senior management members, are insured under the Besi's Directors and Officers Insurance Policy. Although the insurance policy provides for a wide coverage, our directors and officers may incur additional uninsured liabilities. Besi has agreed to indemnify its Board of Management and Supervisory Board against any claims arising in connection with their position as director and officer of the Company, provided that such claim is not attributable to willful misconduct or intentional recklessness.

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AUDIT COMMITTEE

In view of the limited number of members of the Supervisory Board, the Supervisory Board acts as the Audit Committee. The Audit Committee therefore has four independent members. The Audit Committee fulfills its responsibilities by carrying out the activities enumerated in its internal checklist as follows:

- the committee assists the Supervisory Board in fulfilling its oversight responsibilities by reviewing:
 - the financial reports and other financial information provided by the Company to any governmental body or the public;
 - the Company's systems of internal controls regarding finance, accounting, legal compliance and ethics; and
 - the Company's auditing, accounting and financial reporting processes generally;
- the committee is directly responsible for the oversight of the Company's independent auditor and has sole authority and responsibility for their appointment (subject to shareholder ratification), 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;
- the committee approves all audit fees and terms and all non-audit services provided by the independent auditor, and considers whether these services are compatible with the auditor's independence;
- the committee serves as an independent and objective party to monitor the Company's financial reporting process and internal control systems;

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- the committee provides an open avenue of communication among the Company's independent accountants, financial and senior management, and the Supervisory Board; and
- the committee has established and maintains procedures for (i) the receipt, retention and treatment of complaints and (ii) the anonymous submission of confidential concerns by employees regarding accounting matters.

In 2004, the Audit Committee met eight times to discuss the scope and results of audits and reviews of our external auditor, KPMG, to review our internal accounting control policies and procedures, and to review all periodic filings with the Commission and Euronext Amsterdam. Our external auditor, KPMG, attended six meetings. Furthermore, the Audit Committee separately met with the auditor outside the presence of management. Frequent contact took place between the chairman of the Audit Committee and our management. During 2004, the Audit Committee focused on identifying our critical accounting policies, new accounting pronouncements and the developments of IFRS and the convergence between IFRS and U.S. GAAP.

In 2004, the Audit Committee evaluated the performance of KPMG and advised the Supervisory Board to propose that KPMG be appointed as our auditor for the fiscal year ending December 31, 2005. This proposal will be presented to our shareholders for approval at the Annual General Shareholders Meeting to be held on March 24, 2005.

The Supervisory Board has determined that Mr. D. Sinninghe Damste qualifies as an Audit Committee Financial Expert. In determining whether members of the Audit Committee qualify as financial experts within the meaning of Commission regulations and the Nasdaq listing standards, the Supervisory Board considered the nature and scope of experiences and responsibilities members of our Audit Committee have previously had with other reporting companies. Furthermore, the Supervisory Board determined that all members of the Audit Committee are financially literate.

REMUNERATION COMMITTEE

Besi has a Remuneration Committee which has responsibility for:

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- annually reviewing and approving the corporate goals and objectives relevant to the compensation of senior management;
- overseeing and administering the equity incentive plans;
- overseeing and making recommendations to the Supervisory Board with respect to director compensation; and
- determining the compensation of the chief executive officer and reviewing and approving, or make recommendations to the Supervisory Board, with respect to the compensation of the other executive officers.

The Remuneration Committee consists of Mr. T. de Waard, Chairman of the Remuneration Committee, Mr. W.D. Maris, Mr. Polak and Mr. Sinninghe Damste. The Remuneration Committee met once in 2004.

SELECTION, APPOINTMENT AND GOVERNANCE COMMITTEE

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The Selection, Appointment and Governance Committee consist of its Chairman Mr. Polak, Mr. W.D. Maris, Mr. De Waard and Mr. Sinninghe Damste. The Selection, Appointment and Governance Committee prepares, within its duties, the decision-making of the Supervisory Board on:

- drawing up selection criteria and appointment procedures for Supervisory Board members and Board of Management members;
- 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 Supervisory Board members and Board of Management members, and reporting on this to the Supervisory Board;
- making proposals for appointments and re-appointments; and
- supervising the policy of the Board of Management on the selection criteria and appointment procedures for senior management.

In 2004, the committee met once.

DISCLOSURE COMMITTEE

Besi has a Disclosure Committee to ensure compliance with applicable disclosure requirements arising under United States and Dutch law. The Disclosure Committee reports to and assists our chief executive officer in the maintenance and evaluation of disclosure controls and procedures. The Audit Committee is kept informed about the outcome of the Disclosure Committee meetings. The Disclosure Committee gathers all relevant financial and non-financial information and assesses materiality, timeliness and necessity for disclosure of such information. The Disclosure Committee comprises various members of senior management. Furthermore, members of the Disclosure Committee are in close contact with our external legal counsel and our external auditor.

During the year 2004, the Disclosure Committee met once.

EXEMPTIONS FROM CERTAIN NASDAQ CORPORATE GOVERNANCE RULES

The Nasdaq corporate governance rules provide that Nasdaq may provide exemptions from the Nasdaq corporate governance standards to a foreign issuer when (i) those standards are contrary to a law, rule or regulation of any public authority exercising jurisdiction over such issuer or (ii) contrary to generally accepted business practices in the issuer's country of domicile. Besi has received from Nasdaq exemptions from the following rules:

- Besi is exempt from Nasdaq's quorum requirements applicable to meetings of ordinary shareholders. In keeping with Dutch law and Netherlands generally accepted business practice, Besi's Articles of Association provide that there are no quorum requirements generally applicable to General Meetings of Shareholders.
- Besi is exempt from Nasdaq's requirements regarding the solicitation of proxies and provision of proxy statements for meetings of shareholders. We do not solicit proxies or prepare proxy statements for General

Meetings of Shareholders. Dutch law does not have a regulatory regime for the solicitation of proxies and the solicitation of proxies is not a

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generally accepted business practice in The Netherlands.

D. EMPLOYEES

NUMBERS OF EMPLOYEES

The following table indicates the composition of our workforce (full time equivalents) by geography as of December 31:

	2002	2003	2004
	----	----	----
The Netherlands	460	464	477
Asia/Pacific	117	233	254
United States	65	49	67
	---	---	---
Total	642	746	798
	===	===	===

The following table indicates the composition of our workforce (full time equivalents) by role as of December 31:

	2002	2003	2004
	----	----	----
Manufacturing	371	459	484
Sales, Marketing and Customer Service	120	114	128
Research and Development	78	90	103
General and Administrative	73	83	83
	---	---	---
Total	642	746	798
	===	===	===

As of December 31, 2004, Besi had approximately 798 employees (full time equivalents), of whom 339 were employed at Fico in the Netherlands, 130 at Meco in the Netherlands, 61 at RD Automation and Laurier in the United States, 101 at Fico Tooling Leshan, China, 122 at Fico Asia, Malaysia, 37 at Fico and Meco sales and service offices outside the Netherlands and 8 at Besi headquarters in the Netherlands. In addition, we employed 51 temporary workers (full time equivalents), principally in product development and engineering activities in the Netherlands.

RESTRUCTURING

On December 14, 2004, Besi announced a restructuring of its operations focused principally on a workforce reduction at its Dutch packaging and tooling manufacturing operations in Duiven and Brunssum of 81 employees, or approximately 10% of total fixed headcount worldwide, as part of a plan to address the current downturn in the semiconductor industry. In addition, Besi will phase out the use of approximately 50 temporary workers at the Duiven facility. The personnel terminations are expected to occur in the first quarter of 2005. A component of the restructuring will be the closing of Besi's tooling facility in Brunssum, the Netherlands in the first half of 2005.

COLLECTIVE BARGAINING ARRANGEMENTS AND WORKS COUNCIL

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Approximately 98% of the employees in the Netherlands are covered by nationwide collective bargaining agreements. We do not have any employee unions in any of the other jurisdictions in which it operates.

Pursuant to the requirements of Dutch law, several of our subsidiaries have an employee works council. A central works council has been established at the level of Fico for the operations of Fico Molding, Fico Tooling and Fico Trim and Form. In addition, Mecco Plating and Fico Singulation (formerly Mecco) have a joint works council. Each works council has the right to be informed by and/or to advise management on specific matters in accordance with the Dutch Works Council Act. In addition, the Works Council Act provides that various decisions with respect to employment conditions of general application require the works council's consent. If withheld, such consent may be replaced

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with a judgment from the cantonal court. These works councils may make non-binding recommendations for the nominations made by the Supervisory Board to the General Meeting of Shareholders for the appointment of new Supervisory Board members. In addition, the central works council of Fico and the works council of Mecco Plating and Fico Singulation jointly have the statutory right to make binding recommendations for up to one third of the members of the Supervisory Board.

Datacon's employees in Austria are all covered by the nationwide collective bargain agreement for employees and workers in the metal business. No other Datacon employees are subject to collective bargain agreements.

Pursuant to the requirements of Austrian law, the Datacon plant in Austria has a works council. The works council has the right to be informed by and/or to advise management on specific matters in accordance with Austrian mandatory law. In addition, the Austrian law provides the works council's consent for matters referring to controlling and disciplining the employees' performance. With regard to other issues such as introduction of administrative data processing systems and introduction of employee evaluation systems, the consent may be replaced by a judgement from the district court. Datacon does not have any other works councils.

OPTION PLAN(s)

DESCRIPTION OF STOCK OPTION PLANS

In 1995, we established the BE Semiconductor Industries Incentive Plan 1995 (the "Incentive Plan 1995"). We granted 1,101,236 options to purchase ordinary shares ("1995 Plan Shares") under the Incentive Plan 1995. During the years 1995 to 2001, we made awards under the Incentive Plan 1995 to our executive officers and senior employees. Options granted between 1999 and 2001 vest after three years. The Incentive Plan 1995 expired in 2001. Stock options granted under the Incentive Plan 1995 have exercise prices which were equal to the market price of the ordinary shares on the date of grant.

In 2001, we established the BE Semiconductor Industries Incentive Plan 2001 - 2005 (the "Incentive Plan 2001"). The total number of ordinary shares ("2001 Plan Shares") that we may issue under the Incentive Plan 2001, may not exceed 1.5% per year 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. 2001 Plan Shares may consist, in whole or in part, of unauthorized and unissued ordinary shares or treasury shares. We anticipate that, on an annual basis, we will make awards under the Incentive Plan 2001 to our executive officers and senior employees. Options granted in 2002, 2003 and 2004 vest after three years. Stock options granted

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under the Incentive Plan 2001 will have exercise prices equal to the market price of the ordinary shares on the date of grant.

Under separate stock option plans, in the years 2000 through 2004, we granted options to all of our employees. The options vest after three years and have exercise prices equal to the market price of the ordinary shares on the date of grant. Under the grants of 2001 through 2004, the Dutch employees have a right to receive payment of an amount that corresponds with the profit achieved with the sale of newly issued ordinary shares by us after exercise of the options. These options receive variable accounting treatment. All other options granted by us receive fixed accounting treatment.

We account for stock-based compensation using the intrinsic value method. Accordingly, no compensation has been recorded for the stock options granted from 2001 through 2004, which received fixed accounting treatment. As of December 31, 2004, there were outstanding options to purchase an aggregate of 1,005,181 ordinary shares which receive fixed accounting treatment at a weighted average exercise price of (euro) 9.79 per share. For the stock options granted from 2001 through 2004

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that receive variable accounting treatment, we recognized a compensation release of (euro) 12 net of tax, based on the market value of the ordinary shares for the year ended December 31, 2004. As of December 31, 2004, 229,079 options that receive variable accounting treatment were outstanding at a weighted average exercise price of (euro) 7.06 per share.

We account for stock based employee compensation plans under the recognition and measurement principles of Accounting Principles Board Opinion ("APB") No. 25 "Accounting for Stock Issued to Employees", and related interpretations in accounting for its plans. SFAS No. 123 "Accounting for Stock-Based Compensation" allows companies to elect to either account for stock options using fair value based method, or continue to account for stock option plans under APB No. 25, and disclose pro forma disclosure of net income and earnings per share as if SFAS No. 123 were applied. Under APB No. 25, no stock-based employee compensation cost is reflected in net income (loss) for the fixed stock options, as all options granted under our stock option plans had an exercise price equal to the market value of the underlying ordinary shares on the date of grant. We have elected to continue to account for our stock options under the provisions of APB No. 25 and disclose the pro forma effect of SFAS No. 123.

FINANCING OF STOCK OPTION PLANS

Option plans that were issued in 1999 and 2000 contained a virtual financing arrangement pursuant to which Besi 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 Besi on the exercised 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.

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SIGNATURES

The registrant hereby certifies that it meets all of the requirements for

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filing a Form 20-F/A and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

BE SEMICONDUCTOR INDUSTRIES N.V.

By: /s/ Richard W. Blickman

Name: Richard W. Blickman

Title: President and Chief Executive Officer

Date: June 17, 2004