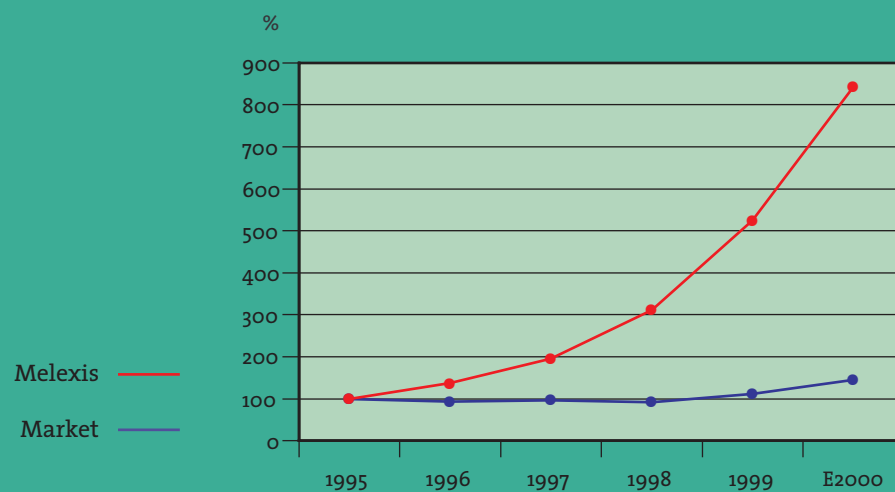


Annual Report



2000



	Worldwide (\$ in billions)		Melexis (EURO)		Worldwide Semiconductor Market versus Melexis
1995	153	100%	10.133.373	100%	source: Dataquest
1996	144	94%	13.873.915	137%	
1997	149	97%	19.751.187	195%	
1998	140	92%	31.645.580	312%	
1999	171	111%	53.076.307	524%	
E2000	222	145%	85.403.034	843%	

# Letter to the Shareholders

Melexis is one of the few semiconductor companies outperforming the average revenue growth in the semiconductor industry in general, and in the automotive semiconductor industry in particular with 61% growth compared to 1999. Profits over 2000 were 17.2 million EUR, 23% up as compared to 1999.

Melexis is operating with better than average performance in the steadily growing market of automotive semiconductors. With a product range of sensor ics and integrated systems, Melexis is strongly represented in the upcoming automotive markets. The constant drive towards better fuel economy, green cars and towards more safety and comfort can only be achieved by increased usage of electronics. Most mechanical and electromechanical systems in modern cars can be improved by adding electronic control. Electronic control consists of sensors, signal conditioning, signal processing and actuators and it is in this area that Melexis is a specialist.

The lead-times from entering a development contract to delivering production volumes are typically 2 to 3 years in the automotive arena. This enables Melexis to have a good visibility on its future growth.

The aggressive sales efforts via its subsidiary Melexis Inc. in the US, started in 1998, and have continued to result in additional design-ins and successful production starts contributing to the revenue growth during 2000.

In 1999, Melexis started sales activities in Japan via a large distributor with a dedicated team allocated exclusively to the Melexis product portfolio. There is a very strong demand for sensor ics in Japan, on which Japanese semiconductor companies are not yet focused. Melexis can announce a real breakthrough on the Japanese market in 2000 with important contracts that will start contributing in 2001.

The market of electronic engineers remains a tight one. Therefore, Melexis started R&D activities in Sofia, Bulgaria and Kiev, Ukraine during 2000. Both cities have good semiconductor tradition and renowned technical universities. This additional R&D capacity is an investment in the future and will give Melexis the potential to keep growing.

With the acquisition of Thesys Produkte GmbH in 1999, the development team headcount almost doubled and brought the R&D spending in 2000 to an average of 13%. This is expected to gradually decrease to around 10% as the turnover increases.

As Melexis is addressing a global market, it is appropriate to be present as one company and one brand, which is why the name Thesys Produkte GmbH was changed into Melexis GmbH in October 2000.

Melexis was proud to receive the Ernst & Young 'Entrepreneur of the year 2000' Award in October 2000. The Jury honored Melexis especially for its sustained



Rudi De Winter

growth, excellent financial results, innovative product roadmap, global presence and the attention paid to corporate governance.

The technical press also continued to notice Melexis products. Last year two of our Hall Effect Sensor Application Specific Standard Products (ASSPs) appeared in the EDN Magazine's Top 100 Products, this year our Infrared Thermopile Sensor ASSP MLX90247 was one of the Hot Products of the Year 2000.

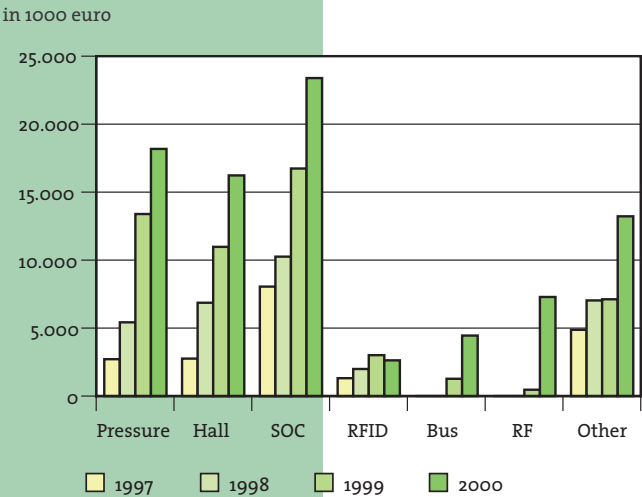
The Board of Directors proposed to appropriate the profit of the year as recorded in the annexed financial statement.

Yours Sincerely,  
  
Ieper, February 2001

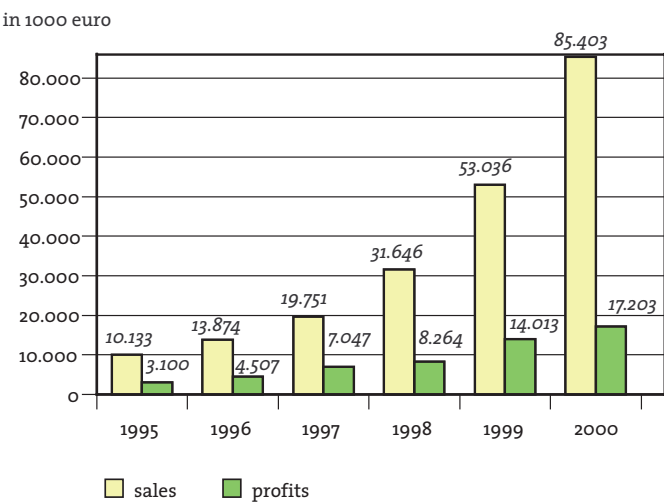
Roland Duchâtelet  
*Chairman*

Rudi De Winter  
*CEO*

SALES PER BUSINESS-UNIT EVOLUTION

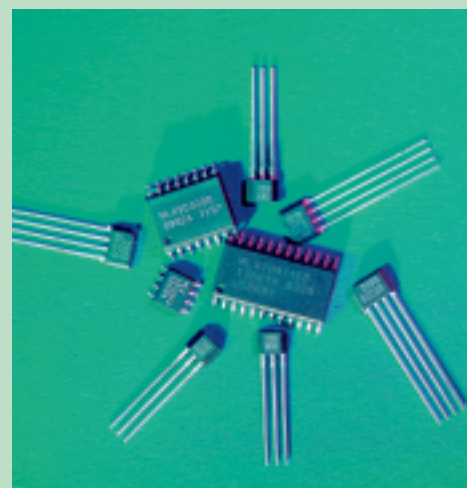


TURNOVER & PROFIT EVOLUTION

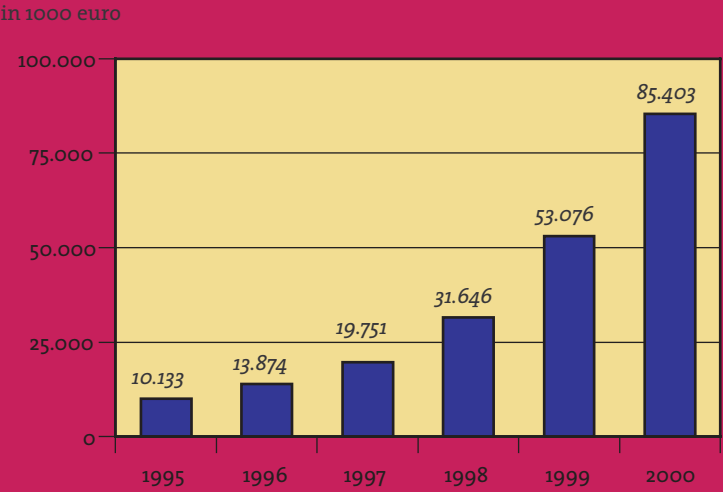


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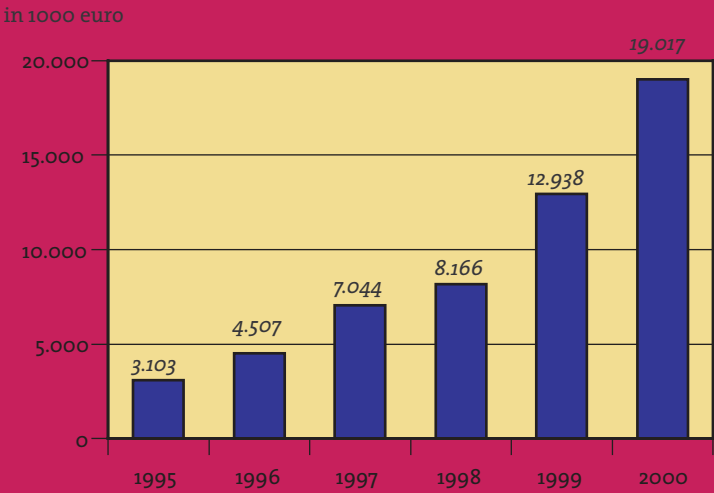
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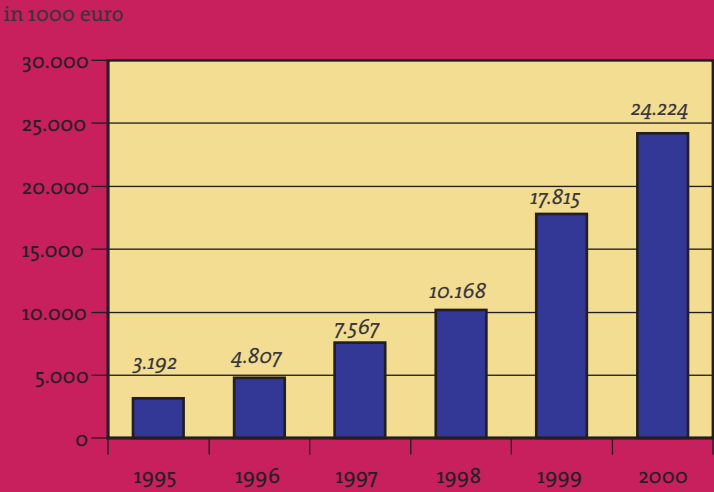
TURNOVER EVOLUTION



EBIT EVOLUTION



CASH FLOW EVOLUTION



## 2. Key Figures (in 1000 EURO)

Operating results	1995	1996	1997	1998	1999	2000
Turnover	10.113	13.874	19.751	31.646	53.076	85.403
EBIT	3.103	4.507	7.044	8.166	12.938	19.017
EBITDA	3.194	4.807	7.564	10.070	16.739	26.039

Balance structure	1995	1996	1997	1998	1999	2000
Shareholders' equity	3.632	8.139	45.080	53.613	53.884	70.905
Net indebtedness (*)	542	(1.555)	(32.127)	(27.297)	(15.269)	(34.721)
Working capital	3.586	7.014	39.384	41.504	28.673	44.914

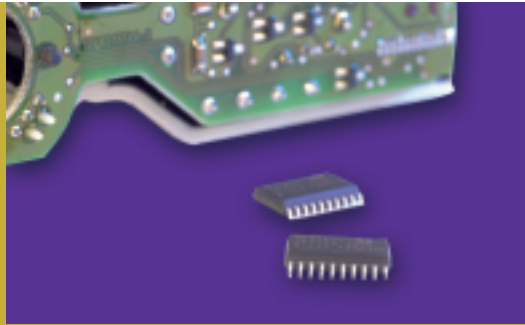
(\*) : bank debts and overdrafts - cash and cash equivalents

Cash flow and capital expenditure	1995	1996	1997	1998	1999	2000
Cash flow (*)	3.192	4.807	7.567	10.168	17.815	24.224
Depreciation + amortization	92	301	520	1.904	3.801	7.021
Capital expenditure	294	1.125	3.660	7.727	7.567	16.426

(\*) : cash flow = net profit + depreciation and amortization

Ratios	1995	1996	1997	1998	1999	2000
ROE	85%	55%	16%	15%	26%	24%
Liquidity (*)	4,5	5,9	14,9	6,9	2,2	1,6
Solvency	66%	80%	93%	88%	69%	47%

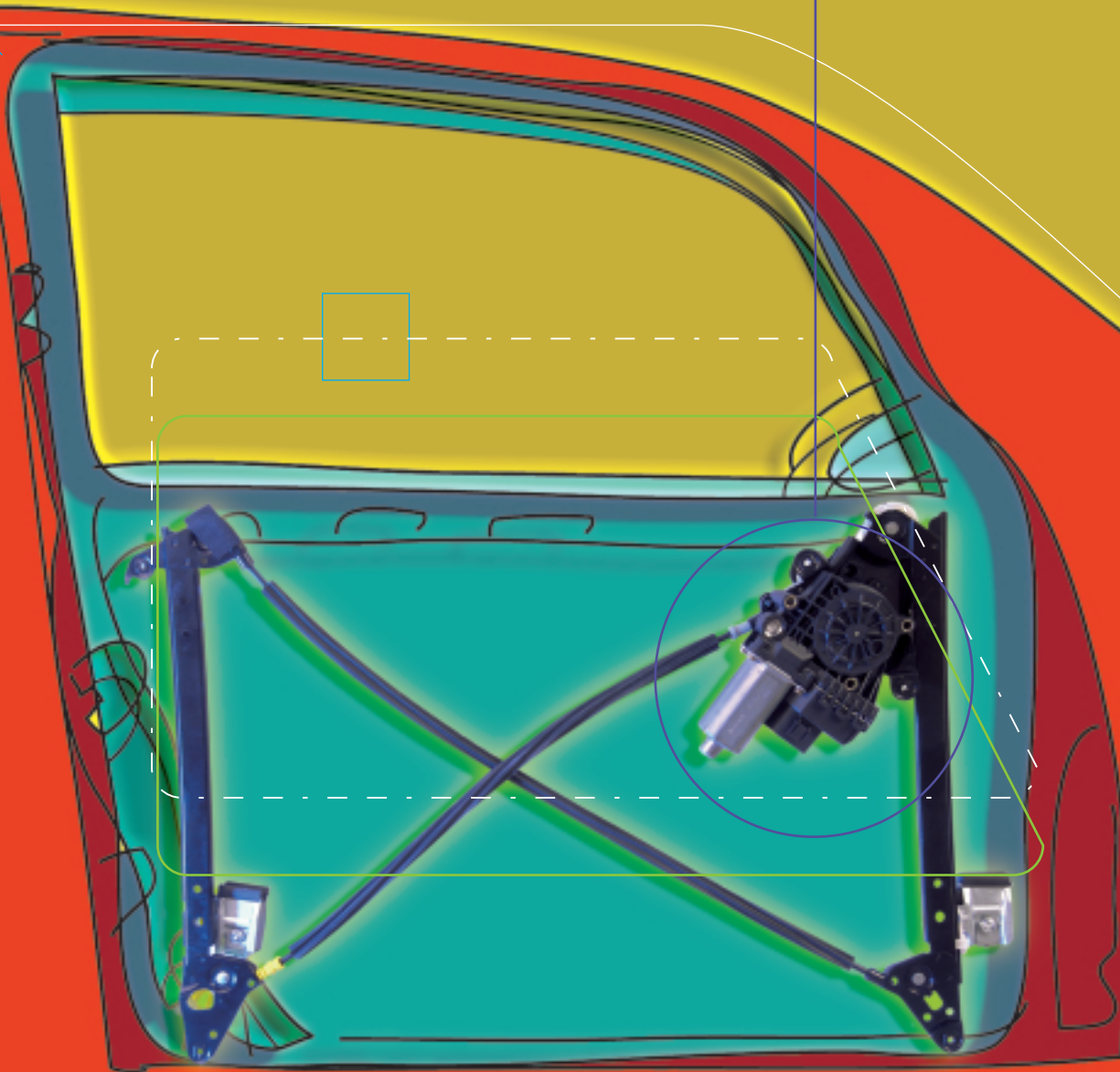
(\*) : liquidity = current assets / current liabilities



## Windowlifter

The Melexis Microcontrollers are single chip solutions with a minimum of external components.

They provide cost-efficient solutions for 'smart actuator' applications like window openers, sun roofs, seat position, ...





These OEMs, such as Delphi, Bosch, TRW, Brose, Magneti Marelli, AB Elektronik, Nedap, SKF, Temic, Texas Instruments, Siemens Automotive and VDO incorporate the Company's products into automotive equipment they supply to vehicle manufacturers (VMS) around the world. Every major vehicle manufacturer worldwide has one or more models in production or development containing Melexis integrated circuits.

The automotive semiconductor market is a steady growing market (about 18% / year). Melexis is well positioned with its product range to support the innovative growing applications in the automotive market.

The drive to improve fuel economy, for example, has created a demand for more sensors and electronics to help optimise the efficiency of the motor. This goes hand in hand with the regulations to build 'green' cars. On the other hand, there is increasing pressure for more active and passive safety functions. Systems like ABS are standard on most cars and newer systems like Electronic Stability Program (ESP) and tire pressure sensors are getting more and more popular. Most cars have 2 airbags as standard, and VMS are gradually going towards 4 or more. Electric windows with electronic protection have become mostly standard as well as regulated air-conditioning.

Melexis main products are Hall Effect Devices (for magnetic sensors), Pressure and Acceleration Sensor Elements and Interfaces, Automotive Systems-On-a-Chip, embedded Microcontrollers, RFID devices, Bus Systems, Optical Sensors and IR-Sensors. In each case the products are principally for automotive applications.

Melexis is a multi-product company. It has 130 products in production and a further 80 in development or qualification. Melexis

Melexis designs and markets advanced integrated semiconductor devices for use in the automotive industry. The Company's products are sold principally to European and North-American Original Equipment Manufacturers (OEMs).

### 3. Overview of Activities

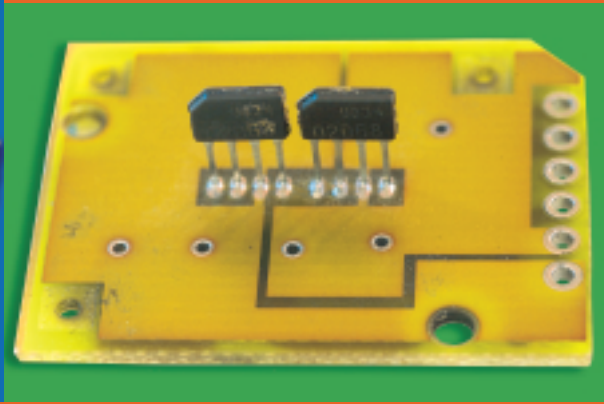
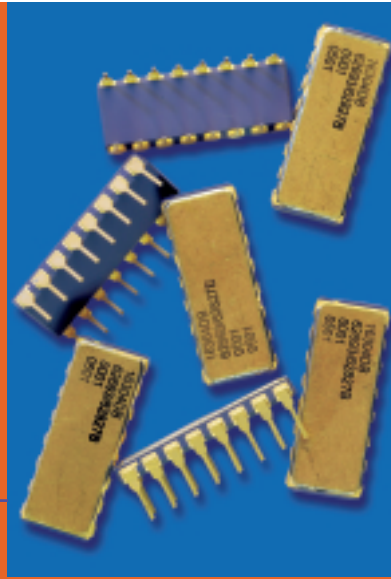
sells its products to a wide customer base of automotive equipment OEMs. The Company's top seven customers accounted for approximately 53 per cent of the Company's sales for the year ended 31st December 2000.

Melexis has always concentrated on the supply of silicon and, as part of this strategy, has chosen to work in partnership with Tier 1 and Tier 2 suppliers. As a result, Melexis components are designed in by nearly all leading automotive equipment suppliers. Melexis products can be found in over two hundred vehicle models.

Melexis concentrates its engineering resources and semiconductor design strengths in development of ASSP applications addressing new opportunities in the automotive market.

Melexis has reviewed its engineering and development work and has identified a number of opportunities to patent original work. Melexis currently has 17 patent applications filed and a further 10 in preparation. They have been progressively filed to strengthen Melexis' position as an innovative supplier and this effort will be continued in 2001. The patent opportunities cover all of the product areas in which Melexis operates.

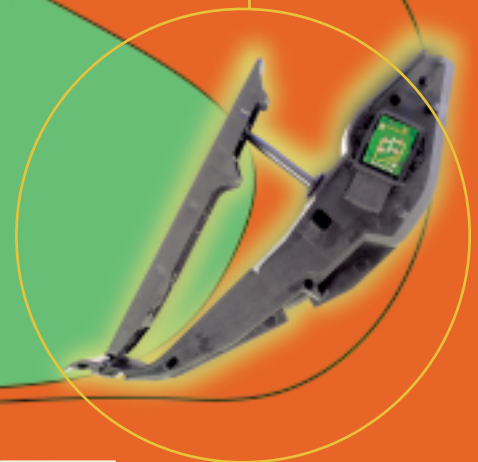




## Side Impact Airbag

measures the accelerations  
to which a car is subjected  
during collision with another car  
or object and then triggers  
the airbag to inflate.

**Throttle:**  
measures the  
driver demand  
by measuring the throttle  
pedal's angle position.



Sensors are increasingly important to the automotive industry where finer controls are needed for almost every aspect of the vehicle performance. They are essential for ensuring compliance with emissions legislation and also to the continually improving levels of safety, performance and reliability that customers demand. Melexis supplies sensor chips for position, movement detection, pressure and acceleration with both analog and digital outputs and with optional on board micro-controllers.

Embedded micro-controllers find a wider use in Melexis products. We find them today in Melexis Hall sensors, pressure sensors, acceleration sensors and sensor interfaces. This is a unique feature to the Melexis products that allows us to stay in front of the competition because it gives a great level of flexibility to adopt the function to specific applications. Much of this success comes from the ability of these Melexis parts to operate in the automotive environment with a minimum of external components.

For each of the business areas in which Melexis operates, it offers products from its range of standard and semi-standard parts. If none of these are optimum or if a customer has a particular application and higher volumes, Melexis can supply a custom part to meet the need. These can be special versions of existing products or completely new designs.

It is Melexis' policy to make all general-purpose ASIC developments available as a standard product after approval of the initial customer. This encourages faster growth with maximum utilization of design resources.

#### 4.1. Hall Effect Devices

Hall Effect Devices detect magnetic flux density (mainly produced by a permanent magnet) and are used in both movement and position sensing. By integrating the sensing element onto the same silicon as its control

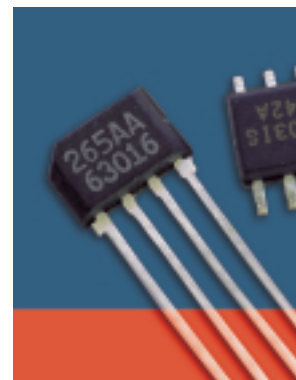
Melexis has been a supplier of semiconductors since 1989, initially in the field of Asics and 'chip on board' assembly and then increasingly supplying sensor chips and sensor interface ics. These activities have been expanding in volume but have also been specifically and successfully focused on the automotive electronics arena.

## 4. Melexis Products

logic and interface circuitry, Melexis has produced sensor chips with various degrees of 'intelligence' to suit most applications. Sensing the rotation of shafts (e.g. cam- and crank-shaft) in engine, monitoring movement in motors and actuators, sensing pedal, throttle and steering wheel position, Melexis Hall Devices are a reliable, contact-less method of movement and position detection.

Melexis is a technological leader for the design, development and testing of silicon based Hall Effect Devices compatible with a Complementary Metal Oxide Semiconductor (CMOS) technology. Melexis Hall Effect Devices enable an optimal use of the smaller feature sizes of which semiconductor technology is capable today. Therefore, very sophisticated mixed analog-digital signal conditioning circuitry (such as Chopped Analog String, Digital Signal Processing Core) can be integrated. Most of the devices can withstand the severe automotive conditions despite few external components.

Melexis Hall Effect sensors have, on the basis of their performance, successfully replaced inductive speed sensors (Variable Reluctance: VR), resistive position sensors (potentiometer), bipolar Hall sensors and magneto-resistive sensors (Magneto Resistance: MR, Giant Magneto Resistance: GMR) in various automotive applications. The Melexis Hall



Hall Effect Sensor

Effect sensors not only out-perform these alternative sensors but also allow integration of more signal processing at a competitive cost.

The Company offers a wide variety of Hall sensors for applications such as position sensor (e.g. pedal, throttle, steering wheel, gearshift), speed sensor, engine timing management sensor (e.g. Variable Valve Timing system: vvt) and electric motor speed regulation.

Melexis Management expects a considerable growth of this business unit due to the potential of the Hall sensors principally in the field of contactless position sensor where Melexis has already reached a leadership position. Here, the Melexis sensors replace the high-end potentiometers, a mechanical technology that is unlikely to meet future automotive reliability specifications. Two major German luxury car manufacturers have already replaced the conventional potentiometer with a Melexis Hall sensor for the measurement of the position of the gas pedal and we have several design-ins with other car manufacturers in the world (Europe, Japan, U.S.A.). Several new applications like EGR (exhaust gas re-circulation) require contactless sensors to meet the harsh automotive requirements.

Management believes there is also considerable further potential for Hall sensors in automotive and industrial applications such as engine timing management sensor, forthcoming electronic valve control, ABS, brushless motor controller and current sensing.

#### 4.2. Pressure and Acceleration Interface and Sensor chip

Pressure sensor chips and acceleration sensor chips are based on micro-machining technology, where the physical parameter being sensed causes a temporary and reversible deformation to a specifically designed mechanical structure etched into

the solid silicon. Offering either stand-alone or integrated control and interface circuitry into a single die, these techniques produce sensors that are used in high volume in modern automotive applications.

An important field of application of the Business Unit Pressure and Acceleration Sensor Chips is automotive crash sensing. Everyone is familiar with airbags in a car. The operation of these airbags is based upon acceleration sensors. According to Newton's law, force equals mass times acceleration. As the mass of a vehicle remains more or less constant this law implies that the forces a car undergoes, such as an impact by another car or object, can be assessed by measuring the accelerations to which the car is subjected. So the core of every crash detection system will consist of one or more acceleration sensors. Within a crash protection system a distinction should be made between the crash sensing part and the actuation part. The crash sensing part consists mainly of the acceleration sensor(s), as explained above, and the associated signal processing, whereas the actuation part consists of one or more airbags. It will be clear that the sensing part will be located where the crash is likely to occur, while the airbags will be located in spots where they can offer the most protection to the vehicle occupants. Melexis' products are mostly found in the crash sensing part of the system. The oldest, and still most widespread airbag application is front impact detection. This system used to be based upon a mechanical switch that acted as acceleration sensor and that triggered the airbag deployment upon a crash event. This system is being replaced now by analog acceleration sensors, and sophisticated electronic signal processing. The extensive use of electronics in current airbag systems has not only increased the performance of existing applications but has also enabled the development of new airbag applications. Consider for instance side impact detection. If this system would be



Side Impact Airbag



based on a mechanical switch, the side airbag would be likely to go off every time the car door is slammed. Electronic processing of the signal coming from an analog acceleration sensor located in the side of the car which can distinguish between a door slamming and a real crash event. This means that the high integration level of different technologies, such as acceleration sensing, analog signal processing, digital signal processing, packaging technologies, etc. has enabled the development of completely new crash detection systems that would not have been feasible using conventional mechanical technology. In the field of side impact detection, Melexis offers a solution that is considered very competitive due to its very high integration level.

It is worthwhile to note that the technology, developed for acceleration sensors in crash detection applications, can also be used for acceleration sensors in other applications with different acceleration ranges. Examples of such applications are: vehicle rollover sensing, vehicle stability control, electrical park break activation, active suspension control, etc.

Sensor interface chips are needed to pre-process sensor output signals prior to feeding them to a higher system level. More specifically these interface chips process the output signals of a sensor external to the chip. The signal processing consists of amplification, linearization, calibration and buffering.

The automotive environment also requires fault detections on different levels.

Sensor and ASIC damage, as well as wrong connections on system level need to be detected and this is exactly what a sensor interface chip will do.

Typical applications for acceleration sensors are safety systems like airbags and vehicle dynamics systems. Pressure sensors are used in air-conditioning systems, braking systems, motor and transmission oil pressure

sensors, Common Rail Pressure sensors and MAP sensors.

### 4.3. Systems-On-a-Chip & Embedded Micro-controllers

These product ranges focus on the integration of high volume electronic systems in general. Basically two different product classes are observed: peripheral ICs and micro-controller ICs.

#### Peripheral ICs

Peripheral ICs can be part of an ECU (Electronic Control Unit) in our customer's product to assist the main processor of the ECU with special functions like analog, high-voltage actuators, regulators, communication interfacing, etc. Target modules for these products are EPAS (Electric Power Assist Steering) and HVAC (Heating, Venting and Air-Conditioning).

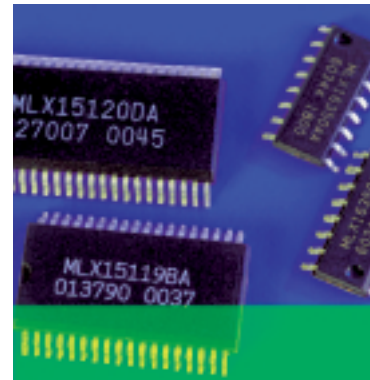
Peripheral ICs that are not part of an ECU are used for remote functions and interface to electrical motor systems. Typical examples are dashboard oriented switch interface ICs.

Melexis offers ASSPs for applications like dashboard indicators, windscreen wipers, remote control door opening and audible warning systems.

#### Micro-controllers

Peripheral ICs are mostly connected to off-chip micro-processors, but it is also possible to go one step further in the integration and combine the peripheral electronics with a complete micro-controller, all on one piece of silicon.

Micro-controllers preferably target systems with an embedded Central Processing Unit (CPU) surrounded by periphery like ROM, RAM, EEPROM, EPROM or FLASH and a lot of additional digital and analog blocks. They are systems having their flexibility in a single ROM mask. Hence, a single chip having several ROM mask versions can cover several



Fine Pitch ASIC  
for Electronic Control Unit  
(ECU)

applications. The Melexis Micro-controllers are single chip solutions with a minimum of external components. Melexis supports all necessary development tools (Assembler, Linker, c-compiler, Emulators and Simulators) in order to help our customers to develop the necessary software efficiently and in a short period of time.

Typically, our micro-controllers provide cost-efficient solutions for 'smart actuator' applications like window openers, high-end pumps or HVAC systems.

#### 4.4. RFID

Contactless Identification systems, or Tags, are used as their name implies to identify items without the need to make contact with them. This compares for example with bar code pens or plug-in systems. The tag itself is small enough to fit (invisibly, if required) inside a product and can be remotely read by a tag reader.

The identification of the individual tag is by transmission of a code sequence. This sequence is either a fixed code unique to the tag or, for more secure systems, a 'rolling' code different for every successive interrogation. The code sequence is based on a mathematical pseudo-random code sequence generator in both the tag and the reader with millions of combinations.

Tags were first used to identify high value items, such as cattle and horses, but are more likely nowadays to be known for their use in automotive security as either keyless entry (a chip integrated in the key transmits a code to an ECU, which opens the lock) or engine immobilizer systems.

Tags are also starting to be used for transmitting information from the wheels (tire pressure, temperature, rotational acceleration, speed) to the car body. For access control and car immobilizers, the demand for a higher level of security is increasing. As an answer to this demand,

Melexis is developing a new generation of crypto transponders and readers.

The Company also has a non-automotive contactless identification IC business. Non-automotive applications for tags include people access control systems and animal and products traceability applications. Airport luggage handling is another typical application based on tags in luggage labels or in luggage transport trays.

The main competitive advantages of Melexis tags are their low power consumption, high reading distance and a highly integrated design. Moreover Melexis can offer both tag and reader chip as a complete solution, making life easier for system integrators.

#### 4.5. Infrared, Opto & Gyro

##### a. IR sensors

Melexis successfully developed the first commercially available, automotive grade infrared thermometer module. With the growing importance of passenger comfort features in vehicles, the Melexis IR device will offer more precise as well as more versatile and easier solutions for automotive climate control applications, effectively reducing the overall system cost while offering performance superior to existing conventional systems.

The module combines an IR sensor with a powerful signal conditioning chip. With this approach a contactless measurement of the passenger's comfort temperature can be achieved, creating the possibility to compensate for incoming sunshine, type of clothing and even different personal preference for driver and passenger. No wiring to remote temperature sensors are required and the reaction times are very small, typically less than 1 second for this module.

Because sensor and interface are combined in one module, calibration can be much more efficient than in the conventional systems



RFID Demoboard

with discrete components. Additionally the module achieves compensation of the complicated nature of IR temperature sensing by creating fully linear output signals, tailored to the needs of each individual customer. This makes the application of IR sensor systems easier and more precise for new applications as well as in retrofit situations.

Other applications are windscreen mist over-detection (anti-fog), frost detection or seat occupancy detection for airbag systems. Since the signal-conditioning chip is implemented as a fully programmable building block, numerous configurations, functions and interfacing schemes can be supported by the same concept.

#### b. Optical Sensors

Whereas last year, Melexis proved it was capable of making a linear optical array in a specially designed package that could meet the stringent automotive requirements, this year, Melexis is ready to produce, test and deliver this optical linear array in mass volumes to the automotive market.

With the introduction of optical arrays of this quality level, optical sensing in the automotive market is becoming more and more advantageous. In the future, new optical systems will arise, with advanced features. To anticipate this growing popularity, Melexis now offers its opto-sensor in a standard SMD 8 pin package as well, of course also suitable for the automotive environment.

This linear array allows manufacturers to build systems that can measure torque, absolute position and angle, linear and angular velocity. The optical sensor makes it possible to integrate several functions such as electronic assisted steering, stability control or intelligent cruise control with fewer additional sensors as in the past.

In the next-generation systems it should be possible to turn this optical sensor into a more intelligent, 'smart sensor' and to

integrate several functions into one single module in order to be able to save fuel, cost, weight and space and offer more comfort and safety to driver and passenger.

#### c. Angular Rate Sensors (gyroscopes)

Melexis has taken the challenge to design an automotive gyroscope, which is both performant and simple to manufacture. A newly developed surface micro-machining technology combined with optimised analog pre-amplifiers and a Digital Signal Processing (DSP) for the signal treatment, will allow the MLX gyro to measure angular rates down to 0.1 deg/sec.

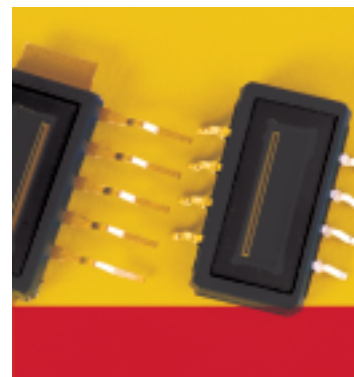
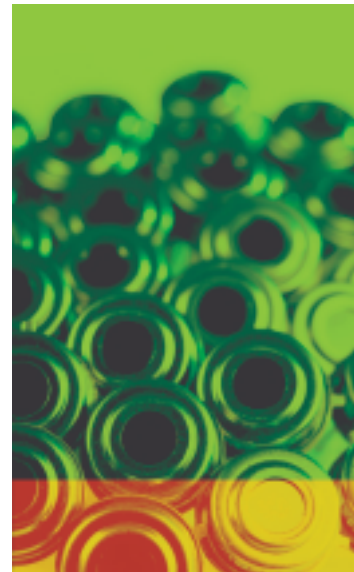
Major applications are Navigation and Stability Systems.

### 4.6. Bus Systems

In order to reduce the amount of copper wire in a car (can be as long as 5 km), the VMS are switching more towards Bus systems: a power line loop and a signal line loop connect all devices in a car. The commands to drive the actuators are transmitted via the signal bus.

Bus Systems contain specific physical interfaces for automotive busses like K-Bus, CAN transceivers. Since last year a new star under the sub-bus systems is born, the LIN bus. With these physical interfaces the communication on main bus as well as on sub-busses in automotive systems can be realized. Additionally, these physical interfaces may be inserted as embedded blocks in more complex integrated circuits, such as peripheral ICs and micro-controller products.

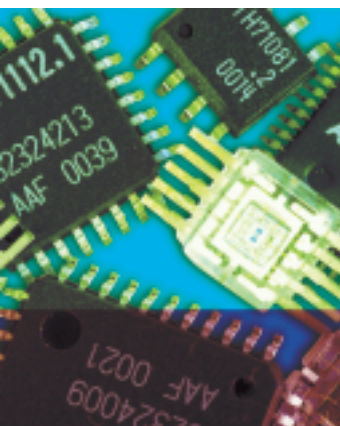
LIN is a new low cost serial bus standard for automobile networks. The standard is defined by Audi, BMW, Daimler/Chrysler, Motorola, Volcano and VW. LIN will be the enabling factor for the implementation of a hierarchical vehicle network in order to gain further quality enhancement and cost



Infrared Sensor

Opto sensor

Infrared Module



Bus ICs

RF ICs

reduction of vehicles. Currently the market for LIN products is rapidly growing. We expect that a giant market is being created.

Melexis delivers K-Bus, CAN and LIN devices in mass production. In the new area LIN Melexis has a leading position of supplying the physical interface. The first products of a new family of LIN standard products are already available: the TH8060 and TH8061. The devices contain LIN transceivers with an integrated power supply. The TH8060 is worldwide the first product available in this area. These products are usable for LIN modules in doors, dashboards, seats and air conditioning applications.

Melexis is a specialist for mixed signal ICs used in applications for automotive bus systems and high voltage peripherals up to 50V. The products can be supplied directly from the in-vehicle battery and are robust against typical automotive environmental influences. All of the integrated circuits contain analog and digital parts. The mixed-signal devices serve as the connection between sensors and actuators and the highly intelligent signal-conditioning in the electronic control unit of our customers.

#### 4.7. Radio-Frequency Products

In this division we develop and design radio-frequency ICs (RFICs) that span the application frequency range of a few MHz to more than 1 GHz. The variety of RFICs covers the fields of adjustable low-pass filters and Phase Locked Loop (PLL) synthesizer chips to wireless transmitter, receiver and transceiver circuits. Our key products are standard products and customer specific ICs for industrial-scientific-medical (ISM) band applications for example at 315, 433, 868 or 915 MHz, such as remote keyless entry, immobilizers, home services, alarm systems and general Short Range Devices (SRDs).

Additionally, significant design experience exists in high-precision analog circuit design for general signal conditioning and infrared (IR) applications.

The wide RF system design know-how helps customers to design-in our products quickly and efficiently. Fully functional evaluation boards, available for all our standard products, are a powerful means to do so.

#### 4.8. Consumer Appliance Market

This product range focuses on a high degree of integration of electronic systems in the small and large appliance applications.

Melexis has developed and produced a range of products that took advantage of our low cost technology, which has high voltage capabilities up to 80V. This has resulted in the industrialization of more complex, yet both low cost and high quality systems. A high degree of miniaturization is possible, by keeping the power dissipation of the system minimal.

In household applications, there is an increasing demand for safety features, such as timer based auto-shut-off functions of heating elements (for example in coffee machines). This can be combined with the position detection, as safety feature in irons. Amongst other ASSPs, a new generation of triac controllers has been developed. Thanks to a dedicated DSP (digital signal processor) a very stable and precise regulation can be achieved.



# 5. Melexis Strategy

Melexis strategy has proven to be successful and Management feels there is no need for change : The main objective of the Company was and is to become a leading international provider of automotive semiconductor ICs. To reach this goal, the key elements of the Company's strategy are:

## a) focus on automotive business

Management believes that the market for automotive semiconductors offers high growth opportunities and consequently it will focus on Melexis core business, advanced integrated semiconductor devices for automotive applications. This will allow the Company to benefit from its experience, engineering excellence and competitive advantage in the design, development and testing of highly integrated analogue-digital semiconductor devices for the automotive sector. Electronics in the car will continue to grow. They allow carmakers to differentiate their cars from the competition by adding electronic comfort features, or offering higher standards of safety or economy. The \$ value of the car market is a ten-fold of the \$ value of the mobile phone market.

## b) focus on ASSPs (Application Specific Standard Products)

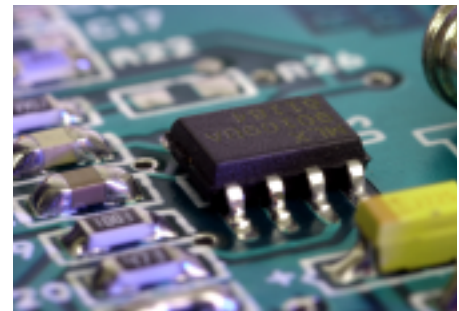
The Company concentrates on ASSPs in order to leverage its design and development efforts on larger numbers of each product and thus enhance profitability.

## c) preferred partner of automotive OEMs

The Company has close working relationships with several automotive equipment manufacturers and seeks to maintain such close collaborative relationships with its customers, in particular in the areas of development, engineering and technical support. By working with customers throughout the entire product cycle, Melexis is able to gain insights into its customers' future plans and needs, identify emerging industry trends and consequently deliver high-performance and cost effective products.

## d) technological leadership for design of automotive semiconductors

Melexis has gathered a team of engineers with considerable expertise in product definition, design, development and testing of highly integrated analog-digital semiconductor devices and sensor ICs for the automotive industry. The Company has committed and will continue to commit substantial resources to research and development to extend its technological excellence in these fields.



### e) strengthen marketing to enlarge its customer base

Melexis continues to increase its customer base and is committed to further optimizing its product marketing efforts.

### f) excellence in product reliability



Certified by DQS according to:

DIN en ISO9001 Reg.No. 70754-03/609

QS9000 Reg.No. 70754-03/609

VDA6.1 Reg.No. 70754-03/609

DIN en ISO14001 Reg.No. 70754-04

Melexis has demonstrated a quality management system complying with the stringent requirements of ISO9001, QS9000, VDA6.1 and ISO14001. End of 2000, surveillance audit was successfully achieved for the main sites Ieper, Tessenderlo, Bevaix and Erfurt.

Certification body was the leading German certifier DQS, member of the IQNet.

### g) licensing of certain products

When an appropriate opportunity arises, the Company intends to grant licences over certain advanced products to specified customers in order to allow those customers to purchase those advanced products.



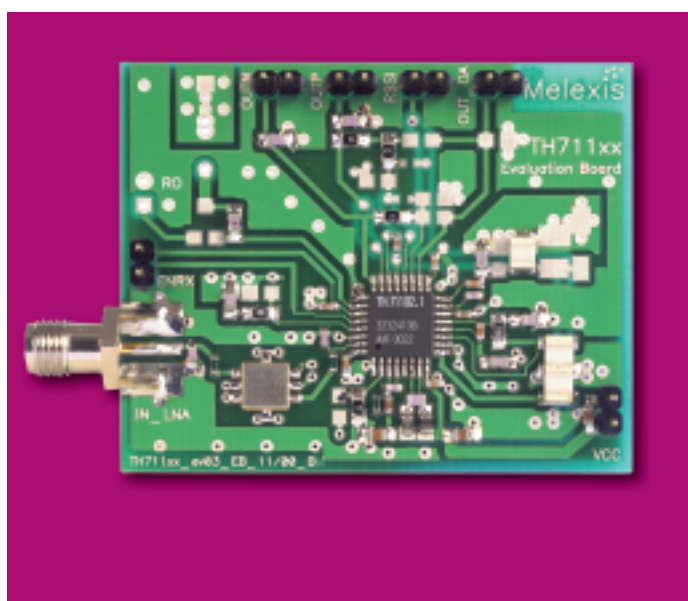
### h) targeting of new regions

The Company plans to continue concentrating special marketing efforts towards Japan, the us, China and South America, as it sees these are areas for large potential growth in its sales. With new contracts and design-ins Melexis continues strengthening its penetration in Japan and the us.

### i) review of opportunities for acquisitions

The automotive integrated circuit market is developing constantly. Although no specific opportunities are currently under consideration, Management will keep the market under close review to enable it to take advantage of any acquisition opportunities if and when they arise.

RF evaluation board



# 6. Selected Summary Financial Data

## 6.1 Introduction

The selected financial data presented below have been extracted and derived from the IAS consolidated financial statements of Melexis NV for the three years ended at 31 December, 2000, 1999, 1998 and have been audited by Arthur Andersen Bedrijfsrevisoren.

### CONSOLIDATED INCOME STATEMENTS

Years ended 31 st December

	2000	1999	1998
	EUR	EUR	EUR
Sales	80.778.884	50.608.763	30.186.379
Revenues from Research and Development	4.624.150	2.467.544	1.459.201
Cost of sales	(48.701.836)	(31.264.241)	(20.223.898)
Gross margin	36.701.198	21.812.066	11.421.682
Unrealized Exchange gains on foreign exchange contracts	1.047.450	-	-
Goodwill amortization	(1.004.061)	(422.807)	(262.750)
Research and Development expenses	(11.051.522)	(5.453.291)	(2.258.668)
General and Administrative expenses	(3.800.711)	(2.471.681)	(1.587.841)
Selling expenses	(4.245.119)	(1.948.272)	(674.990)
Income from operations	17.647.235	11.516.015	6.637.433
Financial results(net)	1.295.499	1.421.512	1.542.190
Other(net)	74.711	-	(13.771)
Profit before taxes	19.017.445	12.937.527	8.165.852
Income taxes	(1.814.555)	1.075.748	98.127
Minority interest		(1)	
Net profit	<u>17.202.890</u>	<u>14.013.274</u>	<u>8.263.979</u>

### CONDENSED CONSOLIDATED BALANCE SHEETS

31st December

	2000	1999	1998
	EUR	EUR	EUR
Cash and cash equivalents (notes 6.5.4.a)	65.452.379	23.091.046	32.566.408
Total assets	152.477.857	77.768.577	60.794.784
Total current liabilities	70.537.741	23.292.431	7.063.610
Long-term debt	11.034.007	591.864	117.749
Shareholders' equity	70.905.489	53.883.662	53.613.425

## 6.2 Exchange Rates

Since the introduction of the EURO on January 1st 1999, and in accordance with Belgian law, Melexis NV keeps its books and prepares its consolidated financial statements in EURO. The functional currency of Melexis NV and of its subsidiaries Melexis Tessenderlo NV and Melexis GmbH is the EURO. The functional currency for Melexis AG

is the Swiss Franc (CHF), for Melexis Inc. the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) and for Melexis Bulgaria Ltd., the Bulgarian Leva (BGN).

Assets and liabilities of Melexis AG, Melexis Inc., Melexis Ukraine and Melexis Bulgaria Ltd. are translated at exchange rates in effect at the end of the

reporting period, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting

from this translation are reflected in the component 'cumulative translation adjustment' in the balance sheet.

All discussions in this chapter are based on comparisons of EURO amounts.

### 6.3 Management's Discussion and Analysis of Financial Condition and Results of Operations

The following Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's financial statements for the years ended 31 December, 2000, 1999 and 1998.

#### 6.3.1. Overview

Mr. Fred Bulcke, an electronics engineer who had accumulated experience with integrated circuits and assembly technology in Germany, incorporated the company at the end of 1988. The company invested significantly in product development tools and production equipment. Towards the end of 1993, activities relied on a limited number of customers and one major contract for a telecommunication company.

In April 1994, Mr. Bulcke sold his company to private shareholders. At that occasion, the company was renamed into Elex Sensors to reflect the desire of the new owners that integrated circuits for sensors should become the core business of the company. In the same year, the company developed its first Hall Sensors and acquired a licence to produce and sell silicon pressure sensors chips.

The private shareholders sold their shares to ELEX NV, the current majority shareholder of Melexis NV, in the spring of 1996.

In October 1997, Melexis NV and its parent company, Elex NV, launched an Initial Public Offering (IPO) on the EASDAQ stock exchange market. At this IPO, 4,000,000 new shares were issued and 3,300,000 existing shares were sold by the selling shareholder.

In the last quarter of 1997, the company acquired us MikroChips Inc. (now Melexis Inc.), based in Webster, Massachusetts. us MikroChips Inc. was founded in January 1993 to take advantage of a rapidly growing market in Asia for Hall Sensors in cooling fans. The company was co-founded by Brad Marshall, its current president, who was appointed

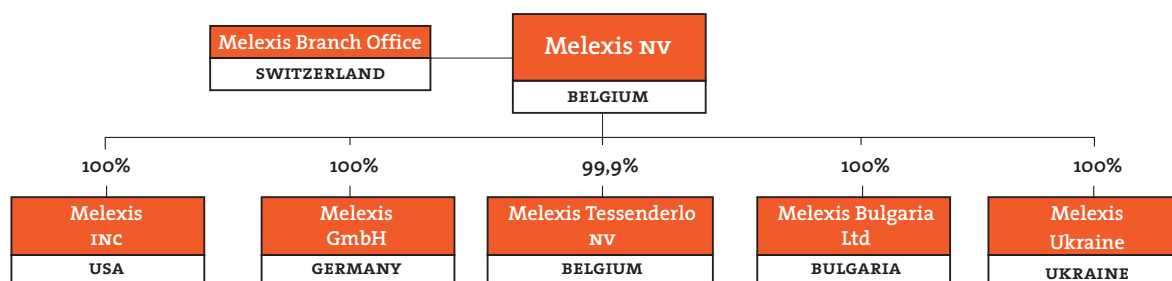
as director of Melexis Inc. in 1997. Since April 1994, the co-operation between us MikroChips and Melexis NV has increasingly deepened. us MikroChips' Hall Sensor expertise coupled with Melexis' integrated circuit technology allowed us MikroChips to effectively become one of the largest volume Hall IC producers in the world.

us MikroChips has become a wholly owned subsidiary of Melexis NV serving as the marketing, sales and management group of Melexis' Hall Sensor business unit. Its corporate name has been changed into Melexis Inc.

Melexis currently buys its wafers from the X-FAB-group of companies, which is a related group. The purchase prices are based on market prices for processed wafers. X-FAB sells an important part of its production to other IC-vendors than Melexis. Melexis is currently responsible for 20 % of total sales of the X-FAB-group.

Melexis NV buys services from related companies, mainly development work of engineers who work in other locations. These services are invoiced at a cost plus basis whereby the margin is based on market rates, which is in many cases less than 10%.

On October 1, 1999 Melexis NV acquired Thesys Mikroelektronik Produkte GmbH. With this acquisition of Thesys, the development team headcount has almost doubled and Melexis acquired knowledge in the area of RF (radio frequency applications) and Bus-systems (signaling and communication in cars). Its corporate name has been changed into Melexis GmbH.



At the end of 1999, Melexis Tessenderlo NV was incorporated as a subsidiary of Melexis NV. This newly created entity will be active in the domains of Hall Sensors, Pressure Sensors and Household Applications.

In March 2000, Melexis NV incorporated a branch office in Bevaix, Switzerland.

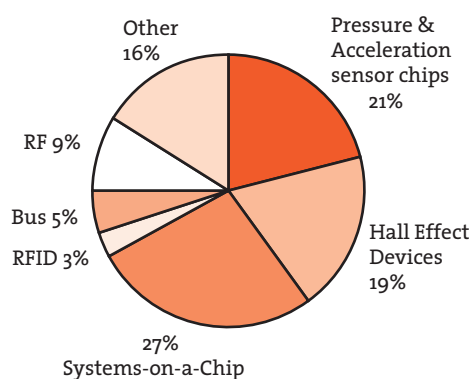
In September 2000, Melexis NV incorporated Melexis Ukraine. This newly created entity will be mainly active in the domain of microcontrollers.

On October 31, 2000, Melexis NV bought Melexis Bulgaria Ltd. from Sigma Delta Holding NV. This company will be mainly active in test services and in the development of IP (Intellectual Property), Household Applications and IR Sensors.

At the end of 2000, Melexis NV sold Melexis AG, its 100 % subsidiary in Bevaix, Switzerland to Elex NV, its parent company.

### 6.3.2. Results of Operations

**REVENUES** For 2000 total revenues increased by 61 % as compared to 1999. The major relative increase can be found in the RF business unit and Bus systems. These business units were added with the



acquisition of Melexis GmbH in October 1999, and therefore have only been included in the last quarter of 1999, whereas for the full year during 2000.

The largest business unit is Systems-on-a-Chip (27,4 %), as this business unit includes both microprocessors and ASICs activities. The pressure and acceleration sensor product line remains the second major business unit within the company, realizing 21,3 % of the total revenues of the company. The Hall sensor product line (19 %) is another business unit realizing more than 10% of the total revenues of the company.

Specific research and development activities are included in the revenues per business unit. These specific R&D activities are performed under contract for customers. For the year 2000, the company invoiced EUR 4.624.150 research and development costs to its customers, compared to EUR 2.467.544 in 1999 and EUR 1.459.201 in 1998. This increase is below the relative increase in research and development costs of the company as the company significantly increased its internal R&D efforts.

The following table shows a break down of total revenues by business unit:

	Years ended 31st December		
	2000 EUR	1999 EUR	1998 EUR
Systems-on-a-Chip	23.375.259	16.744.154	10.282.342
Hall Effect Devices	16.222.087	10.975.676	6.884.764
Pressure & Acc. Sensors	18.168.648	13.403.368	5.426.057
RFID	2.656.171	3.034.147	1.991.153
Bus Systems	4.476.220	1.295.051	-
RF	7.280.460	475.757	-
Other- miscellaneous	13.224.189	7.148.154	7.061.264
<b>Total</b>	<b>85.403.034</b>	<b>53.076.307</b>	<b>31.645.580</b>

**COSTS OF SALES** Costs of sales consist of materials (raw material and semi-finished parts), subcontracting, labor, depreciation and other production expenses. They increased from EUR 20.223.898 in 1998, EUR 31.264.241 in 1999 up to EUR 48.701.836 in 2000.

Expressed as a percentage of total revenues, the cost of sales decreased from 58,9 % in 1999 to 57,0 % in 2000. The relative decrease of the cost of sales can be mainly attributed to better margins for older products as a result of better wafer yields and better margins for new products as a result of better sales prices.

**GROSS MARGIN** The gross margin, as a percentage of sales, increased from 41,1 % in 1999 to 43 % in 2000 due to the decrease of the cost of sales.

**RESEARCH AND DEVELOPMENT EXPENSES** Research and development expenses amounted to EUR 11.051.522 in 2000, representing 12,9 % of total revenues. This 103 % increase over 1999 is a result of increased research and development efforts. The number of research and development engineers doubled in 2000. The research and development activities concentrate further on the development of Hall Sensors, Integrated Pressure and Acceleration Sensors and Gyroscopes, 16 bit Microcontrollers, Infrared and Opto Sensors, Bus ICs and RF components. In fact, about 80 products are at their development stage.

**GENERAL, ADMINISTRATIVE AND SELLING EXPENSES** General, administrative and selling expenses consist mainly of salaries and salary related expenses, office equipment and related expenses, travel and entertainment expenses. General, administration and selling expenses further increased over 2000. This increase is basically a result of the increased selling efforts, due to the globalization of the activities of the company and the increased development of standard products.

**FINANCIAL RESULTS** The net financial results (gains) slightly decreased over 2000. Net interest income decreased compared to 1999, due to increased borrowing, necessary to finance the acquisition of activities by Melexis Tessenderlo NV from Melexis NV. Income from investing activities amounted to approximately EUR 2.000.000. The net

exchange losses (both realized and unrealized) amounted to approximately EUR 613.805. Furthermore, a reserve was built up for an amount of 565.000 USD on the loan due from a distributor located in Taiwan.

**NET INCOME** The company recorded a net income for 2000 of EUR 17.202.890. This represents a 22,8 % increase over 1999. This relative smaller increase compared with the net increase of 70 % over 1998 was a combination of the exceptional high cost levels during 1998, and an increased tax charge in 2000, mainly due to the end of the special tax regime (a 0 % tax rate was applicable until the end of 1999) for Melexis NV.

### 6.3.3. Liquidity, Working Capital and Capital Resources

For the years 1995 and 1996, the Company satisfied its liquidity requirements mainly through cash flow generated from operations.

In 1997, the cash and working capital position increased considerably by the IPO-cash-revenues.

During 1998, the cash position remained relatively stable compared to 1997.

Cash and cash deposits amounted to EUR 65.452.379 as of 31 December, 2000 in comparison to EUR 23.091.046 as of 31 December 1999 and EUR 32.566.408 as of December 1998.

In 1999, cash flow from operating activities amounted to EUR 15.122.630. The company realized a net profit of EUR 14.013.274. This was mainly used to finance increased trade receivables and inventories while the cash flow generated by increased payables to related companies amounted to EUR 4.280.118. The cash flow from investing activities was negative for EUR 12.660.869 as a result of the acquisition of Thesys Mikroelektronik Produkte GmbH for an amount of EUR 6.724.797 (net of cash acquired) and the investments in fixed assets to realize the growth in turnover. The cash flow from financing activities was negative for EUR 11.874.086, mainly as a result of the payment of an interim dividend of EUR 13.680.000.

In 2000, cash flow from operating activities amounted to EUR 31.679.116. The net profit



amounted to EUR 17.202.890 and was used to finance increased trade receivables and inventories. The cash flow generated by increased payables to related companies amounted to 26.949.698 as a result of increased borrowing from Elex NV mainly by Melexis Tessenderlo NV.

The cash flow from investing activities was negative for EUR 12.795.258 as a result of the investments in fixed assets in order to realize the growth in turnover.

The cash flow from financing activities was positive for EUR 23.658.538, mainly as a result of increased external borrowings by Melexis Tessenderlo NV to pay Melexis NV for the acquisition of its assets at the end of 1999.

## **6.4. Detailed Consolidated Financial Statements**

### **6.4.1. Independent Auditor's Report**

To the Board of Directors and Shareholders of Melexis NV,

We have audited the accompanying consolidated balance sheets of Melexis NV (a Belgian corporation) and subsidiaries as of 31st December 2000, 1999 and 1998, and the related consolidated statements of income and cash flows for the years then ended, expressed in Euro. These consolidated financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of certain subsidiaries, which statements reflect assets and annual revenues respectively of 14 % and 37 % as of December 31, 2000 and 29 % and 21 % as of December 31, 1999 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the report of the other auditors.

We conducted our audits in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Melexis NV and subsidiaries as of 31st December 2000, 1999 and 1998, and the results of their operations and their cash flows for the years then ended in accordance with the accounting standards issued by the International Accounting Standards Committee.

ARTHUR ANDERSEN  
Bedrijfsrevisoren

Ludo De Keulenaer

12th February 2001

## 6.4.2. Detailed Consolidated Financial Statements

MELEXIS NV

31st December

Consolidated balance sheets	2000	1999	1998
	EUR	EUR	EUR
<b>Assets</b>			
<b>Current assets</b>			
Cash, and cash equivalents ( <i>notes 6.5.4.a</i> )	65.452.379	23.091.046	32.566.408
Accounts receivable – trade ( <i>notes 6.5.4.b</i> )	17.638.550	8.719.540	6.495.790
Accounts receivable – related companies ( <i>notes 6.5.4.x</i> )	12.290.873	8.265.794	2.444.641
Inventories ( <i>notes 6.5.4.c</i> )	15.340.426	10.148.180	6.090.950
Other current assets ( <i>notes 6.5.4.e</i> )	4.729.692	1.740.781	969.325
Total current assets	115.451.920	51.965.341	48.567.114
<b>Non current assets</b>			
Intangible fixed assets ( <i>notes 6.5.4.g</i> )	584.354	319.878	-
Property, plant and equipment ( <i>notes 6.5.4.h</i> )	30.255.188	20.110.448	11.059.357
Financial fixed assets	-	-	155.495
Accounts receivable – directors	-	-	1.953
Other non-current assets	179.656	-	9.428
Deferred taxes ( <i>notes 6.5.4.v</i> )	2.727.574	1.089.684	-
Goodwill ( <i>notes 6.5.4.f</i> )	3.279.165	4.283.226	1.001.437
<b>TOTAL ASSETS</b>	<u>152.477.857</u>	<u>77.768.577</u>	<u>60.794.784</u>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities:</b>			
Bank loans and overdrafts ( <i>notes 6.5.4.k</i> )	14.517.038	6.332.284	4.916.459
Current portion of long-term debt	5.180.541	148.900	235.499
Accounts payable – trade	4.343.707	3.857.241	1.482.035
Accounts payable – related companies ( <i>notes 6.5.4.x</i> )	40.713.642	9.738.865	-
Accrued expenses, payroll and related taxes ( <i>notes 6.5.4.i</i> )	2.773.771	981.130	374.360
Other current liabilities	610.267	444.685	55.257
Deferred income ( <i>notes 6.5.4.j</i> )	2.248.212	1.563.479	-
Deferred tax liabilities	150.563	225.847	-
Total current liabilities	<u>70.537.741</u>	<u>23.292.431</u>	<u>7.063.610</u>
Long-term debt less current portion ( <i>notes 6.5.4.l</i> )	11.034.007	591.864	117.749
Shareholders' capital	565.197	565.197	565.197
Share premium	30.135.419	30.135.419	30.135.419
Legal reserve	56.520	56.520	56.520
Retained earnings	23.210.657	22.877.383	14.613.404
Current year's profit	17.202.890	14.013.274	8.263.979
Dividend paid	-	(13.680.000)	-
Cumulative translation adjustment	(265.194)	(84.131)	(21.094)
Total shareholders' equity ( <i>notes 6.5.4.m</i> )	<u>70.905.489</u>	<u>53.883.662</u>	<u>53.613.425</u>
Minority interests	620	620	-
<b>TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS</b>	<u>152.477.857</u>	<u>77.768.577</u>	<u>60.794.784</u>

The accompanying notes to these balance sheets form an integral part of these consolidated financial statements.



# CONSOLIDATED INCOME STATEMENTS

Years ended 31st December

	2000	1999	1998
	EUR	EUR	EUR
Sales	80.778.884	50.608.763	30.186.379
Revenues from Research and Development	4.624.150	2.467.544	1.459.201
Cost of sales (notes 6.5.4.o)	(48.701.836)	(31.264.241)	(20.223.898)
Gross margin	36.701.198	21.812.066	11.421.682
Unrealized exchange gains on foreign exchange contracts	1.047.450	-	-
Goodwill Amortization	(1.004.061)	(422.807)	(262.750)
Research and development expenses (notes 6.5.4.p)	(11.051.522)	(5.453.291)	(2.258.668)
General and administrative expenses (notes 6.5.4.q)	(3.800.711)	(2.471.681)	(1.587.841)
Selling expenses (notes 6.5.4.r)	(4.245.119)	(1.948.272)	(674.990)
Income from operations	17.647.235	11.516.015	6.637.433
Financial income (notes 6.5.4.u)	10.003.241	3.046.551	2.329.154
Financial charges (notes 6.5.4.u)	(8.707.742)	(1.625.039)	(786.964)
Other expenses (net)	74.711	-	(13.771)
Income before taxes	19.017.445	12.937.527	8.165.852
Income taxes (notes 6.5.4.v)	(1.814.555)	1.075.748	98.127
Minority interest	-	(1)	-
Net income of the period	17.202.890	14.013.274	8.263.979
Earnings per share (Note 6.5.2.)	0.38	0.31	0.18

The accompanying notes to these income statements form an integral part of of these consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Number of Shares	Share capital EUR	Share premium EUR	Legal reserve EUR	Retained earnings EUR	CTA EUR	Total equity EUR
December 31, 1998	45.600.000	565.197	30.135.419	56.520	22.877.383	(21.094)	53.613.425
Net income					14.013.274		14.013.274
CTA movement						(63.037)	(63.037)
Interim dividend					(13.680.000)		(13.680.000)
December 31, 1999	45.600.000	565.197	30.135.419	56.520	23.210.657	(84.131)	53.883.662
Net income					17.202.890		17.202.890
CTA movement						(181.063)	(181.063)
December 31, 2000	45.600.000	565.197	30.135.419	56.520	40.413.547	(265.194)	70.905.489

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended 31st December

(indirect method)	2000	1999	1998
	EUR	EUR	EUR
<b>Cash flows from operating activities:</b>			
Net profit	17.202.890	14.013.274	8.263.979
Adjustments for:			
Operating activities:			
Deferred taxes	(1.637.890)	(1.089.684)	-
Unrealized exchange gains	(1.047.450)	-	-
Reserve for uncollectible receivables	812.039	-	-
Capital grants ( <i>notes 6.5.4.n</i> )	(1.365.171)	(527.419)	-
Depreciation	6.017.271	3.378.433	1.641.388
Amortization Goodwill	1.004.061	422.807	262.750
Income tax	1.814.555	-	-
Financial results	(1.295.499)	(1.421.512)	(1.542.190)
Operating profit before working capital changes:			
Accounts receivable, net	(9.731.049)	(2.017.594)	(2.306.400)
Other current assets	(2.448.888)	634.936	(610.358)
Other non-current assets	(179.656)	-	-
Due to (from) related companies	26.949.698	4.280.118	(2.247.203)
Accounts payable	486.466	321.905	412.163
Accrued expenses	1.792.641	(826.769)	(264.772)
Other current liabilities	165.582	389.434	7.251
Inventories	(5.192.246)	(2.060.124)	(2.726.093)
Interest paid	(1.668.238)	(375.175)	(221.431)
Net cash from operating activities	<u>31.679.116</u>	<u>15.122.630</u>	<u>669.084</u>
<b>Cash flows from investing activities:</b>			
Acquisition of subsidiary, net of cash acquired	-	(6.724.797)	(155.495)
Purchase of property plant and equipment and intangible assets	(16.426.487)	(7.566.948)	(7.726.872)
Interest received	2.271.229	1.630.876	2.329.154
Proceeds from current investments	1.360.000	-	-
Goodwill	-	-	(189.277)
Net cash used in investing activities	<u>(12.795.258)</u>	<u>(12.660.869)</u>	<u>(5.742.490)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from (repayments of) long-term debt	15.473.784	387.516	(244.927)
Proceeds from bank loans and overdrafts	8.184.754	1.415.825	4.864.270
Proceeds from (repayments of) accounts payable to directors	-	1.953	(16.947)
Interim dividend payment	-	(13.680.000)	-
Refund IPO cost	-	-	290.761
Other	-	620	-
Net cash provided by (used in) in financing activities	<u>23.658.538</u>	<u>(11.874.086)</u>	<u>4.893.157</u>
Effect of exchange rate changes on cash and cash equivalents	(181.063)	(63.037)	(21.094)
Increase (decrease) in cash and cash equivalents	42.361.333	(9.475.362)	(201.343)
Cash and cash equivalents at beginning of period	23.091.046	32.566.408	32.767.751
Cash and cash equivalents at end of period	<u>65.452.379</u>	<u>23.091.046</u>	<u>32.566.408</u>

*The accompanying notes to these cash flow statements form an integral part of the consolidated financial statements.*

## 6.5 Notes to the Consolidated Financial Statements

### 6.5.1. General

Melexis nv is a limited liability company incorporated under Belgian law. The company has been operating since 1989. The company designs, develops, tests and markets advanced integrated semiconductor devices for the automotive industry. The company sells its products to a wide customer base of Original Equipment Manufacturers (OEMs) of automotive equipment in Europe, Asia and North America.

The Melexis group of companies employed on average 311 people in 2000.

The registered office address of the Group is located at Rozendaalstraat 12, 8900 Ieper, Belgium.

The financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on February 9, 2001 in Antwerp.

### 6.5.2. Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the financial statements of Melexis nv are as follows:

**GENERAL** The accompanying consolidated financial statements are prepared in accordance with the standards formulated by the International Accounting Standards Committee ("IASC").

**BASIS OF PREPARATION** The accompanying consolidated financial statements are prepared under the historical cost convention.

The Company's statutory accounts have been prepared using different valuation principles. These accompanying consolidated financial statements under IAS include certain adjustments made solely to comply with IAS.

The preparation of consolidated financial statements requires management to make estimates and assumptions, typically concerning assets lives and other judgmental areas that affect the amounts reported in the financial statements and accompanying notes. Such estimates may differ from actual results incurred.

**REPORTING CURRENCY** Since 1999 Melexis nv keeps its books and prepares its statutory and consolidated financial statements in EURO. The Group has adopted the EURO as reporting currency.

#### *Principles of Consolidation*

The consolidated financial statements of the Melexis group include Melexis nv and the companies that it controls. This control is normally evidenced when Melexis nv owns, either directly or indirectly, more than 50% of the voting rights of a company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities. The equity and net income attributable to minority shareholders' interests are shown separately in the balance sheets and income statements, respectively.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the consolidated financial statements from the date of acquisition or to the date of disposal.

Intercompany balances and transactions, including intercompany profits and unrealised profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidation scope includes Melexis nv, its subsidiaries Melexis AG, Melexis Tessenderlo nv, Melexis Ukraine (incorporated respectively in 1998, 1999 and 2000), Melexis Inc. (formerly us MikroChips Inc), which was acquired in the last quarter of 1997, Melexis GmbH, previously known as Thesys Mikroelektronik Produkte GmbH, which was acquired in October 1999, and Melexis Bulgaria Ltd., which was acquired in October 2000. The goodwill on Melexis Bulgaria Ltd. has been computed in compliance with IAS22 on the financial position effective on the acquisition date, as the difference between the cost of acquisition and the fair value of the identifiable assets and liabilities of Melexis Bulgaria Ltd, and amounted to zero. The fair value is not materially different from the book value at acquisition date.

On December 31, 2000, Melexis AG was sold to Elex NV, the parent company of Melexis NV.

**CASH AND CASH EQUIVALENTS** Cash includes cash on hand and cash with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Cash and cash equivalents consist mainly of deposits with commercial banks in Belgium, Germany and the United States of America.

In 1999 and 1998, certain cash balances were classified as 'restricted cash'. The underlying restrictions are disclosed in note 6.5.4.a.

**RECEIVABLES** Receivables are stated at face value, after provision for doubtful accounts.

**FINANCIAL INSTRUMENTS** The company does not have any financial instruments, that meet the criteria of hedging as defined under IAS 32. Therefore, the financial instruments in place at year end are valued mark-to-market.

**INVENTORIES** Inventories, including work-in-process are comprised of material, labor and manufacturing overheads and are valued at the lower of cost (determined on FIFO basis) or net realizable value after provision for obsolete items. Net realisable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealisable inventory has been fully written off.

**PROPERTY, PLANT AND EQUIPMENT** Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed on a straight-line basis over the following estimated useful lives.

Buildings	20-33 years
Machinery, equipment and installations	5 years
Furniture and vehicles	5 years
Computer equipment	4 years

Expenditures, incurred after the fixed assets have been placed in operation, such as repairs and maintenance and overhaul costs, are charged against income, in the period in which the costs are incurred.

The useful life and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

**INTANGIBLE ASSETS** Intangible assets are measured initially at cost. Intangible assets are recognised if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

Amounts paid for licences are capitalised and then amortised on a straight-line basis over the expected periods of benefit. The expected useful lives of licences is 3 years.

Cost of acquisition of the new software is capitalised and treated as an intangible asset if these costs are not an integral part of the related hardware. Software is amortised on a straight line basis over 3 years.

**GOODWILL** The excess of the cost of an acquisition over the company's interest in the fair value of the net identifiable assets acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its useful life. The amortization periods range from 5 to 20 years, based upon the particular circumstances.

**RESEARCH AND DEVELOPMENT COSTS** Research and development costs are expenses as incurred and not capitalized, since they do not meet all conditions of International Accounting Standards Nr 38.

**PROVISIONS** A provision is recognised when, and only when an enterprise has a present obligation (legal or constructive) as a result of a past event and it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

**RESERVES** Capital reserves represent the legal reserve of the parent company and are in accordance with the Belgian law.

**REVENUE RECOGNITION** The company recognizes revenue from sales of products upon shipment or delivery, depending on when title and risk of loss are transferred under the specific contractual terms of each sale, which may vary from customer to customer.

Revenue from research projects is recognized upon meeting all contractual conditions.

**FOREIGN CURRENCY TRANSLATION** Since the introduction of the EURO on January 1st 1999, and in accordance with Belgian law, Melexis NV keeps its books and prepares its consolidated financial statements in EURO. The functional currency of Melexis NV and of its subsidiaries Melexis Tessenderlo NV and Melexis GmbH is the EURO. The functional currency for Melexis AG is the Swiss Franc (CHF), for Melexis Inc. the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) and for Melexis Bulgaria Ltd. the Bulgarian Leva (BGN).

Assets and liabilities of Melexis AG, Melexis Inc., Melexis Ukraine and Melexis Bulgaria Ltd. are translated at exchange rates in effect at the end of the reporting period, and revenues and expenses are

translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component 'cumulative translation adjustment' in the balance sheet.

**GOVERNMENT GRANTS** Government grants are deferred and amortised into income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in the accompanying consolidated financial statements. Income relating to government grants is recognised as a deduction from the appropriate expense.

The company recognizes government grants if they have reasonable assurance that the grants will be received. They are recognized as income on a systematic and rational basis over the periods necessary to match them with the related costs. The grant related revenue is recorded net of the related expense in the income statement and as deferred income on the balance sheet.

**INCOME TAXES** The Melexis Group applies International Accounting Standard 12. The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled. The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognised regardless of when the timing difference is likely to reverse.

A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax

liability arises from goodwill for which amortisation is not deductible for tax purposes.

Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets.

**IMPAIRMENT OF ASSETS** Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or has decreased. The reversal is recorded in income or as a revaluation increase.

**SEGMENTS** Melexis' organisation and internal reporting base is developed along lines unrelated to differences in the types of products they produce and unrelated to the geographical areas in which they operated. The Board of Directors did not identify any specific segments to manage its business and operations.

**CONTINGENCIES** Contingent liabilities are not recognised in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

**SUBSEQUENT EVENTS** Post-year-end events that provide additional information about a company's position at the balance sheet date or those that

indicate the going concern assumption is not appropriate, (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

**EARNINGS PER SHARE** Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.

### 6.5.3. Changes in Group's Organisation

Melexis NV disposed Melexis AG on December 31, 2000 to Elex NV, the parent company. The gain on the sale amounted to EUR 240.540. In 2000 Melexis AG generated sales of EUR 758.221 and generated a net income of EUR 55.676. In 1999, sales and net income amounted to EUR 2.585.331 and EUR 184.864 respectively.

### 6.5.4. Notes

#### A | CASH AND CASH EQUIVALENTS

	31 st December		
	2000	1999	1998
	EUR	EUR	EUR
Cash at bank and in hand	3.786.275	1.805.214	817.412
Short term investments	61.666.104	21.285.832	31.748.996
Total	65.452.379	23.091.046	32.566.408

The short-term deposits at December 31, 1998 consisted of DEM 2.800.000 and BEF 1.223.000.000, while the short term deposits at December 31, 1999 consisted of EUR 20.228.772, GBP 95.000 and CHF 250.000. The short term deposits at December 31, 2000 consisted of deposits of EUR 59.691.000 and Commercial Paper of EUR 1.975.104.

A part of the Company's cash balance as of December 31, 1998 served as guarantee for loans taken up by its parent company and was subject to a compensating balance agreement with a commercial bank. These loans amounted as of December 31, 1998 to EUR 22,9 million.

A part of the company's cash balance as of December 31, 1999 served as a guarantee for straight loans taken up by a commercial bank. The restricted cash balance amounts to approximately EUR 707,500.

#### B | TRADE RECEIVABLES

	31 st December		
	2000	1999	1998
	EUR	EUR	EUR
Trade accounts receivable	18.443.526	8.853.235	6.545.369
Allowance for doubtful accounts	(804.976)	(133.695)	(49.579)
Total	<u>17.638.550</u>	<u>8.719.540</u>	<u>6.495.790</u>

#### C | INVENTORIES

	31 st December		
	2000	1999	1998
	EUR	EUR	EUR
Raw materials and supplies, at cost	3.413.387	1.690.706	1.106.908
Work in progress, at cost	7.777.391	6.187.842	2.298.995
Finished goods, at cost	4.224.016	2.344.000	2.759.415
Reserve for obsolete stock	(74.368)	(74.368)	(74.368)
Net	<u>15.340.426</u>	<u>10.148.180</u>	<u>6.090.950</u>

#### D | FINANCIAL INSTRUMENTS

The following table presents the aggregate amounts of the Group's derivative financial instruments outstanding, specified by year of expected maturity:

##### REMAINING PERIOD

Foreign exchange contracts	Currency	Not exceeding 1 year	1 year up to 5 years	More than 5 years
Forwards used to cover certain receivable and payables	USD	17.261.000		
Forwards used to cover anti-cipated sales	USD	10.000.000		
	GBP	10.000.000		

The fair value of derivatives is based upon market to market valuations. The carrying amount and estimated fair value of the Group's financial instruments are as follows:

FOREIGN EXCHANGE CONTRACTS	31 st December	
	Cost	Fair value
	EUR	EUR
Forwards used to hedge certain receivables and payables	18.765.761	18.765.761
Forwards used to hedge anticipated sales	28.156.651	29.204.101

#### E | OTHER CURRENT ASSETS

	31 st December		
	2000	1999	1998
	EUR	EUR	EUR
Other receivables	4.615.969	1.631.396	857.325
Prepaid expenses	113.723	109.385	112.000
Total other current assets	<u>4.729.692</u>	<u>1.740.781</u>	<u>969.325</u>



## F | GOODWILL

The goodwill relates to the acquisition of the wholly owned subsidiaries Melexis Inc. and Melexis GmbH, previously known as us MikroChips and Thesys Mikroelektronik Produkte GmbH respectively, and is determined as the difference between the cost of acquisition and the fair value of the identifiable assets and liabilities as of the acquisition date for Melexis Inc. and for Melexis GmbH. There were no material differences between the fair values of the assets and liabilities and their book values at those respective dates.

The book value of the goodwill at December 31, 2000 was as follows:

Goodwill accounted for	
at 31 December 1999:	4.283.226
Less: amortization of goodwill of Melexis Inc.:	(250.359)
Less: amortization of goodwill of Thesys Mikroelektronik Produkte GmbH:	(753.702)
Net goodwill at 31 December 2000:	3.279.165

## G | INTANGIBLE FIXED ASSETS

	Licences EUR	Prepaid EUR	Total EUR
<b>Acquisition value</b>			
Balance end of previous period	<u>298.527</u>	<u>256.822</u>	<u>555.349</u>
Additions of the period	83.941	219.293	303.234
Acquired from 3rd parties			
Retirements			
Transfers	256.822	-256.822	0
CTA			
Other			
End of the period	<u>639.290</u>	<u>219.293</u>	<u>858.583</u>
<b>Depreciation</b>			
Balance end of previous period	<u>235.471</u>		<u>235.471</u>
Additions of the period	38.758		38.758
Acquired from 3rd parties			
Writeback			
Retirements			
Transfers			
CTA			
Other			
End of the period	<u>274.229</u>	<u>0</u>	<u>274.229</u>
Net book value 31st December, 2000	<u>365.061</u>	<u>219.293</u>	<u>584.354</u>



## H | PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
<i>Year ended 31st December, 2000</i>	EUR	EUR	EUR	EUR	EUR
<b>Cost:</b>					
Beginning of the period	3.952.974	28.354.121	1.734.740	299.141	34.340.976
Additions of the year	2.352.134	10.797.252	597.836	63.476	13.810.698
Acquired from 3rd parties	1.659.086	576.887	76.582		2.312.555
Retirements		(889.572)	(232.620)		(1.122.192)
Transfers		55.695	51.032	(106.727)	0
CTA	2.600	51.695	9.743		64.038
End of the period	7.966.794	38.946.078	2.237.313	255.890	49.406.075
<b>Accumulated depreciation:</b>					
Beginning of the period	407.300	12.840.483	967.715	15.030	14.230.528
Additions of the period	246.097	5.354.055	330.363	47.998	5.978.513
Acquired from 3rd parties					0
Retirements	(103.964)	(903.817)	(76.293)		(1.084.074)
Transfers					
CTA	(3.037)	14.297	13.984		25.244
Other		676			676
End of the period	546.396	17.305.694	1.235.769	63.028	19.150.887
Net book value - 31st December, 2000	7.420.398	21.640.384	1.001.544	192.862	30.255.188

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
<i>Year ended 31st December, 1999</i>	EUR	EUR	EUR	EUR	EUR
<b>Cost:</b>					
Beginning of the period	2.466.433	11.542.739	322.381	-	14.331.553
Additions of the year	1.551.938	6.765.065	245.723	299.141	8.861.867
Acquired from 3rd parties	-	11.216.707	1.245.445	885.548	13.347.700
Retirements	(75.949)	(2.114.771)	(87.247)	-	(2.277.967)
Transfers	-	855.548	-	(885.548)	-
CTA	10.552	58.833	8.438	-	77.823
End of the period	3.952.974	28.354.121	1.734.740	299.141	34.340.976
<b>Accumulated depreciation:</b>					
Beginning of the period	270.013	2.871.676	130.507	-	3.272.196
Additions of the period	206.255	3.018.604	131.333	15.030	3.371.222
Acquired from 3rd parties	-	7.623.483	777.249	-	8.400.732
Retirements	(75.950)	(710.141)	(75.462)	-	(861.553)
Transfers		(921)	921		0
Net CTA movement	6.982	37.782	3.167	-	47.931
End of the period	407.300	12.840.483	967.715	15.030	14.230.528
Net book value - 31st December, 1999	3.545.674	15.513.638	767.025	284.111	20.110.448

The gross carrying amount of all items that are fully depreciated, but still in active use is not significant.

#### I | ACCRUED EXPENSES, PAYROLL AND RELATED TAXES

	31 st December		
	2000	1999	1998
	EUR	EUR	EUR
Vacation pay accruals	541.154	298.412	174.117
Social security	505.696	156.996	-
Commissions	39.587	-	-
Servicing costs	198.315	328.503	198.315
Taxes	1.444.019	177.262	1.928
Other	45.000	19.957	-
Total	<u>2.773.771</u>	<u>981.130</u>	<u>374.360</u>

#### J | DEFERRED INCOME

	31 st December		
	2000	1999	1998
	EUR	EUR	EUR
Capital grants	2.248.212	1.563.479	0
Total	<u>2.248.212</u>	<u>1.563.479</u>	<u>0</u>

#### K | BANK LOANS AND OVERDRAFTS

	31 st December		
	2000	1999	1998
	EUR	EUR	EUR
Secured	0	0	0
Unsecured	14.517.038	6.332.284	4.916.459
Total	<u>14.517.038</u>	<u>6.332.284</u>	<u>4.916.459</u>

As of December 31, 2000 Melexis nv has engaged itself to the following financial covenants:

- minimum solvency-ratio of 40 % on a consolidated basis.
- maximum bank debt/equity-ratio of 1.6 on a consolidated basis.

Furthermore and as described in a) the company had in 1998 a compensating balance agreement whereby cash owned was given as guarantee to cover loans (amount EUR 22,9 mio) taken up by its parent company. At the end of 1999, the company had an agreement with a commercial bank

whereby straight loans taken up in excess of 50.000.000 BEF are guaranteed by cash and cash deposits owned by Melexis nv.

#### L | LONG-TERM DEBTS

Long-term debts consist of the following:

	31 st December		
	2000	1999	1998
	EUR	EUR	EUR
<b>Secured</b>			
Bank loan at 5,55 % maturing in 2000		117.749	353.248
Bank loan at floating interest rate till 30/06/00; average rate for the period till 30/06/00 was 3,125 %; Fixed rate at 5,5 % as from 01/07/00; maturing in 2019	623.687	623.015	
Bank loan at floating interest rate; average rate for the year was 3,5 %; maturing in 2004	590.861		
Total secured loans	1.214.548	740.764	353.248
<b>Unsecured loan</b>			
Bank loan at floating interest rate; average rate for the year was 5,86 %; maturing in 2003	15.000.000		
Total unsecured loans	15.000.000		
Total long-term debt	16.214.548	740.764	353.248
Less current maturities	<u>5.180.541</u>	<u>148.900</u>	<u>235.499</u>
Long-term portion of long-term loans	<u>11.034.007</u>	<u>591.864</u>	<u>117.749</u>

Repayments of long-term debt are scheduled as follows:

	<i>31 st December</i>	
	2000	1999
	EUR	EUR
2000		148.900
2001	5.180.541	31.151
2002	5.180.541	31.151
2003	5.180.541	31.151
2004	180.541	31.151
2005	32.826	31.151
Thereafter	459.558	436.109
	16.214.548	740.764

Property, plant and equipment amounting to EUR 2.177.613 as at December 31, 2000, has been pledged as security for long-term debt.

Melexis Branch Office has long-term loans for a total amount of CHF 1.850.000 with a Swiss commercial bank. These loans are secured by a guarantee of CHF 1.850.000 given by Melexis nv to the lending bank.

#### M | SHAREHOLDERS' EQUITY AND RIGHTS

##### ATTACHED TO THE SHARES

As of 31st December 2000, the common stock consisted of 45.600.000 issued and outstanding ordinary shares without face value.

Each holder of shares is entitled to one vote per share, without prejudice to specific restrictions on the shareholders' voting rights in the Company's Articles of Association and Belgian Company Law, including restrictions for non-voting shares and the suspension or cancellation of voting rights for shares which have not been fully paid up at the request of the Board of Directors.

Under Belgian Company Law, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited accounts of the Company. Dividends may be paid either in cash or in kind. However, shareholders may not declare a dividend if the Company has not first reserved at least 5 per cent of its profits for the

financial year until such reserve has reached an amount equal to 10 per cent of its share capital (the 'Legal Reserve') or if, following any such dividend, the level of the net assets adjusted for the unamortized balance of the incorporation costs and capitalized research and development costs of the Company falls below the amount of the Company's paid-in-capital and of its Non-Distributable Reserves. The Board of Directors may pay an interim dividend, provided certain conditions set forth in Belgian Company Law are met. Dividends may be paid either in cash or in kind.

In the event of a liquidation of the Company, the proceeds from the sale of assets remaining after payment of all debts, liquidation expenses and taxes are to be distributed proportionally to the shareholders, subject to liquidation preference rights of shares having preferred dissolution rights. The Company currently has no plans to issue any shares having such preferred dissolution rights.

#### N | GOVERNMENT GRANTS

The revenue government grants recognized in 2000 comprises:

	2000
	EUR
Investment grants in building and machinery	1.365.171
Grants for research and development	-
	<u>1.365.171</u>

#### O | COST OF SALES

Cost of sales comprises of the following expenses:

Cost of Sales	2000
	EUR
Purchases	31.543.786
Transportation costs	573.227
Salaries	6.401.781
Depreciation and amortisation	4.745.258
Other direct production costs	5.437.784
Total	<u>48.701.836</u>

#### P | RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

	2000 EUR
Research and development costs	
Salaries	5.168.763
Depreciation and amortisation	1.097.155
Other	4.785.604
Total	<u>11.051.522</u>

#### Q | GENERAL AND ADMINISTRATION EXPENSES

General and administration expenses include the following expenses:

	2000 EUR
General and administrative expenses	
Salaries	477.941
Depreciation and amortisation	120.497
Other	3.202.273
Total	<u>3.800.711</u>

#### R | SELLING EXPENSES

Selling expenses are analysed as follows:

	2000 EUR
Selling expenses	
Salaries	1.799.127
Depreciation and amortisation	54.361
Other	2.391.631
Total	<u>4.245.119</u>

#### S | PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

	2000 EUR
Wages and salaries	13.847.612
Total	<u>13.847.612</u>

The average number of employees is 311 in 2000, 125 in 1999 and 63 in 1998.

#### T | DEPRECIATION AND AMORTISATION EXPENSES

	2000 EUR
Property, plant and equipment	
Cost of sales	4.745.258
Research and development	1.097.155
General and administration	120.497
Selling	54.361
Licences	38.758
Total	<u>6.056.029</u>

#### U | FINANCIAL RESULTS - NET

	Years ended 31 st December		
	2000 EUR	1999 EUR	1998 EUR
Financial income:	10.003.241	3.046.551	2.329.154
- interest income	2.271.229	1.630.876	1.429.040
- exchange differences	5.036.440	1.342.852	800.233
- dividend	1.360.000		
- other	1.335.572	72.823	99.881
Financial charges:	8.707.742	1.625.039	786.964
- interest charges	1.668.238	375.175	221.431
- bank charges	69.089		
- exchange differences	5.650.245	1.193.817	540.270
- other	1.320.170	56.047	25.263
Net financial results	<u>1.295.499</u>	<u>1.421.512</u>	<u>1.542.190</u>

#### V | INCOME TAXES

Melexis nv was subject to a special income tax regime. Under this regime, a 0 % tax rate was applicable. This special tax regime expired at the end of financial year 1999. From January 1, 2000 onwards, the company will be subject to the applicable tax regime (currently 40,17 % on taxable income).

In 1999, Melexis nv sold part of its business to its wholly owned subsidiaries Melexis Tessenderlo nv and to Thesys Mikroelektronik Produkte GmbH at market value. This transaction resulted in a goodwill amount in the Melexis Tessenderlo nv statutory financial statements of approximately 82 million EUR and in the Thesys statutory financial statements of approximately 6 million EUR. This

goodwill, which is eliminated in consolidation, results in tax deductible amortization charges at Melexis Tessenderlo NV and Thesys Mikroelektronik Produkte GmbH, which can be offset against future profits. The company has recorded in 2000 a deferred tax asset for this temporary difference of approximately 1,6 mio EUR, representing the budgeted usage of this temporary difference over the coming 2 years, 2001 and 2002. The positive income tax effect is included in the following:

	<i>Years ended 31 st December</i>		
	2000	1999	1998
	EUR	EUR	EUR
Current tax expense	(3.452.445)	-	-
Deferred tax income	1.637.890	1.075.748	98.127
Other		-	-
	<u>(1.814.555)</u>	<u>1.075.748</u>	<u>98.127</u>

Reconciliation of the effective tax rate to the statutory tax rate is as follows:

	<i>Years ended 31 st December</i>	
	2000	1999
	EUR	EUR
Accounting profit	19.017.445	
Tax at the applicable tax rate	(7.767.314)	
Tax effect of non deductible expenses		
Amortization on consol goodwill	(403.331)	
Non deductible expenses overall	(10.202)	
Total tax effect on non deductible expenses	(413.533)	
Tax effect on non taxable income		
Unrealized exchange rate result	420.760	
Dividend received	477.075	
Gain on shares	272.126	
Sales of MLX AG	96.625	
Amortization goodwill MLX T'lo	4.638.140	
Amortization goodwill Thesys	389.637	
Total tax effect on non taxable income	6.294.363	
Other	71.929	
Tax charge Consolidated	(1.814.555)	

Components of deferred tax liability are as follows:

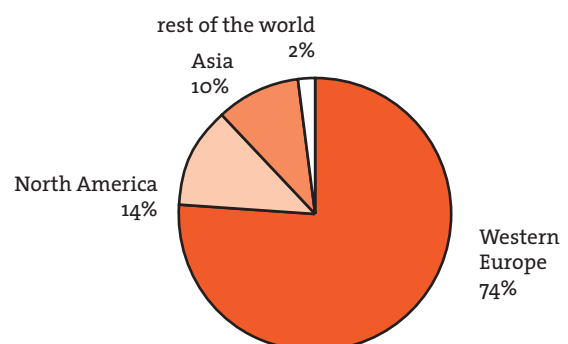
	1 January 2000	Credited/ (charged) to income statement	Credited/ (charged) to equity	31 Dec. 2000
	EUR	EUR	EUR	EUR
Deferred tax asset				
Tax loss carry-forward	1.089.684	1.637.890		2.727.574

## W | SEGMENT INFORMATION

### Revenues by destination

The following table summarizes sales by destination:

	<i>Years ended 31 st December</i>		
	2000	1999	1998
	EUR	EUR	EUR
<i>Western Europe</i>	62.875.556	39.981.312	25.434.942
Germany	34.373.336	17.823.292	7.359.438
France	13.208.717	9.323.054	4.151.256
United Kingdom	4.828.227	5.094.040	5.816.294
Belgium	3.739.411	2.698.418	2.159.392
Austria	3.174.370	700.981	-
Netherlands	1.684.699	2.905.380	2.444.037
Other	1.866.796	1.436.147	3.504.525
<i>United States of America</i>	12.381.852	7.398.657	5.930.210
<i>Asia</i>	8.501.470	4.738.130	-
Japan	3.246.321	236.332	
China	3.207.021	4.468.638	
Other	2.048.128	33.160	
<i>Rest of the World</i>	1.644.156	958.208	280.428
Total	<u>85.403.034</u>	<u>53.076.307</u>	<u>31.645.580</u>



### Revenues by customer

The following table summarizes sales by customer for the 10 most important customers.

	Years ended 31 st December		
	2000 %	1999 %	1998 %
Customer A	12	12	15
Customer B	9	10	2
Customer c	8	8	13
Customer D	8	10	13
Customer E	6	4	0
Customer F	6	7	2
Customer G	4	2	0
Customer H	3	6	11
Customer I	2	3	3
Customer J	2	1	0
Total	60	63	59

### X | RELATED PARTIES

Melexis currently buys its wafers from the X-FAB group of companies, which are related companies. The price is based on market prices for processed wafers. X-FAB sells an important part of its production to other IC-vendors than Melexis at similar prices. Melexis also buys services from other related companies, mainly development work of engineers who work in other locations. These services are invoiced at cost plus basis whereby the margin is based on market rates.

As per December 31, 2000 the Company had the following positions outstanding towards related parties:

	Place of incorporation	Principal activities	Ownership interest
Melexis Tessenderlo NV	Belgium	R&D	99,99 %
Melexis Inc.	USA	Marketing & selling	100 %
Melexis GmbH	Germany	R&D + Test operations	100 %
Melexis Ukraine	Ukraine	R&D	100 %
Melexis Bulgaria Ltd.	Bulgaria	R&D + Test operations	100 %
Melexis AG	Switzerland	R&D + Test operations	100 %

### Accounts receivable related companies:

	31st December, 2000 EUR
EPIQ group	155.360
Elex NV	422.748
X-FAB-group (a subsidiary of Elex NV)	11.156.765
Sigma Delta Holding	556.000
Total	12.290.873

### Accounts payable related companies:

	31st December, 2000 EUR
Elex NV	38.702.292
X-FAB-group (a subsidiary of Elex NV)	1.319.197
Sigma Delta Holding	692.153
Total	40.713.642

### Y | COMMITMENTS

As of 31st December 2000, the company had purchase commitments for tangible fixed assets amounting to EUR 1.828.375.

### Z | LITIGATION

The company is currently not subject to any legal proceeding.

#### aa) Post-retirement Benefits

The company has not arranged for post-retirement benefits for its employees. Accordingly, the company has no such liabilities/commitments.

#### ab) List of subsidiaries consolidated

# 7. Board of Directors

## 7.1. Officers and Members of the Board of Directors and Key Employees

In accordance with the Belgian law, its Board of Directors manages the company's affairs. Pursuant to the Bylaws, executive authority for daily management and implementation of the decisions of the Board of Directors may be delegated to one or more directors referred to as Managing Directors ('afgevaardigd bestuurder'). The officers, directors and managing directors of the company are as follows:

<i>Name</i>	<i>Age</i>	<i>Position</i>
Roland Duchâtelet	54	Chairman of the Board and Managing Director
Rudi De Winter	40	Vice Chairman of the Board and Managing Director, Chief Executive Officer
Françoise Chombar	38	Director, Chief Operating Officer
Lucien De Schamphelaere	67	Director (non-executive)
Simon Middelhoek	69	Director (non-executive)
Brad Marshall	64	President of Melexis Inc.
Karen van Griensven	30	Chief Financial Officer
Willy Sierens	51	Advanced Technology
Klaus Hermann	45	Quality & Environmental Management Representative

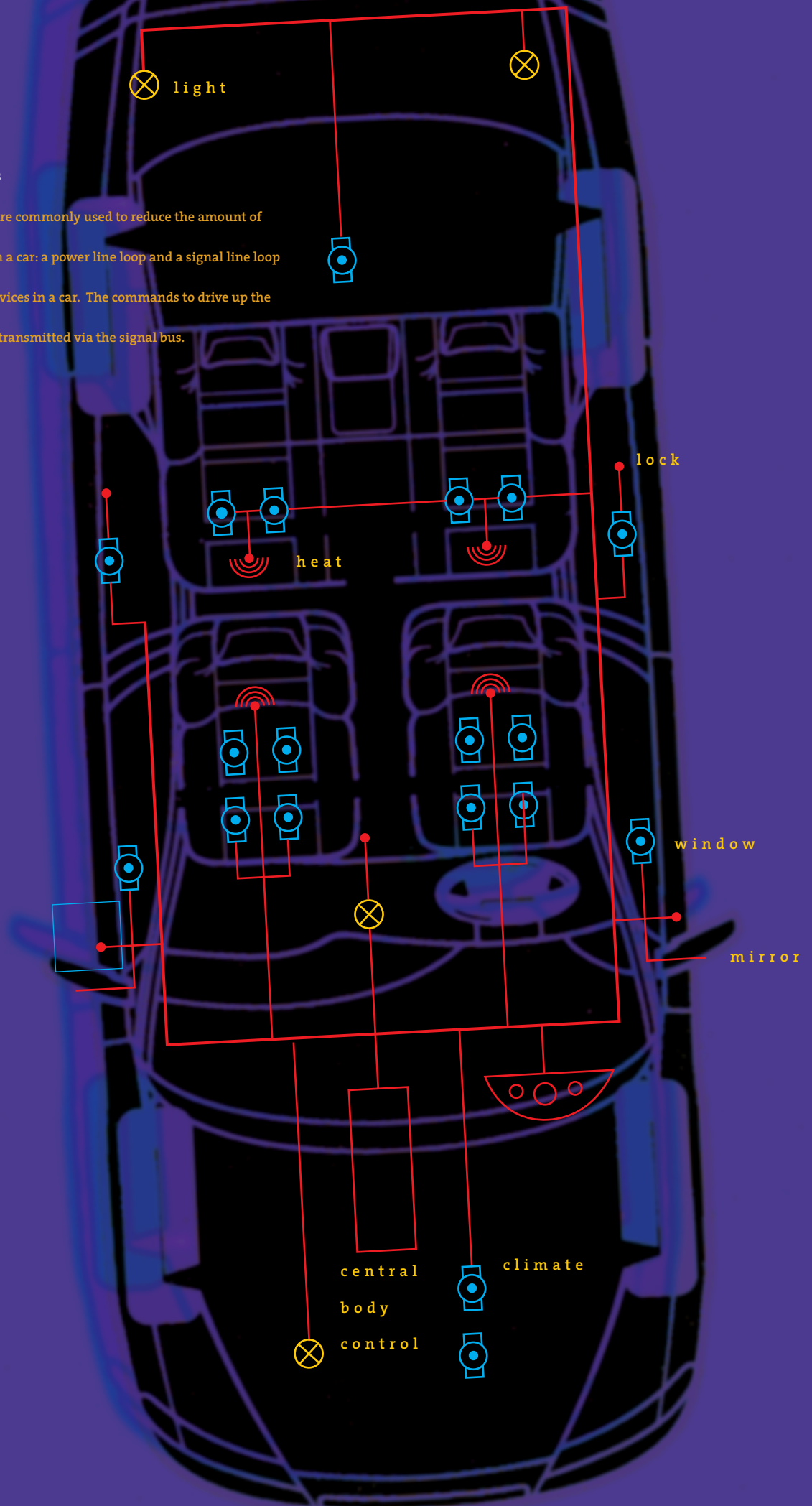
Mr. **Roland Duchâtelet** was private shareholder of the company since April 1994 and has served as a Managing Director since that date. Prior to that date, Mr. Duchâtelet has served in various positions in production, finance, product development and marketing functions for several large and small companies. He contributed in the start-up of two other semiconductor manufacturers: Mietec Alcatel (Belgium) from 1983 to 1985 as business development / sales manager and Elmos GmbH (Germany) from 1985 to 1989 as marketing manager. Mr. Duchâtelet was the co-founder of the parent company of Melexis n.v. He holds a degree as Electronics Engineer, Applied Economics and an MBA from the University of Leuven.

Mr. **Rudi De Winter** was private shareholder of the company since April 1994. He has served as acting Chief Executive Officer and Managing Director since 1996. Prior to that date, Mr. De Winter has served as development engineer at Mietec Alcatel (Belgium) from 1984 to 1986 and as development manager at Elmos GmbH (Germany) from 1986 to 1989. In 1990, Mr. De Winter, together with Mr. Duchâtelet, became director of Elex n.v., the parent company of Melexis n.v. Mr. De Winter holds a degree as Electronics Engineer from the University of Gent. Mr. De Winter, Chief Executive Officer and Ms. Chombar, Chief Operating Officer, are married.



## Bus Systems

Bus systems are commonly used to reduce the amount of copper wire in a car: a power line loop and a signal line loop connect all devices in a car. The commands to drive up the actuators are transmitted via the signal bus.





Ms. **Françoise Chombar** has served as acting Chief Operating Officer since 1994. Prior to that date, she served as planning manager at Elmos GmbH (Germany) from 1986 to 1989. From 1989 she served as operations manager and director at several companies within the Elex group. Ms. Chombar became director in 1996. She holds a degree as Interpreter in Dutch, English and Spanish from the University of Gent.

Mr. **Lucien De Schamphelaere** is the founder and Chairman of the Board of Directors of Xeikon N.V., a company listed on the NASDAQ national market. Mr. De Schamphelaere has held over a period of over 35 years several management positions in the fields of process control and instrumentation at Agfa Gevaert. Mr. Deschamphelaere is also director of Imec v.z.w., a Belgium based semiconductor research institute. Mr. De Schamphelaere holds a degree in Electronic Engineering.

Mr. **Simon Middelhoek** received a M.Sc. degree in Applied Physics from Delft University of Technology in 1956. In 1961 he received his Ph.D. (cum laude) in Mathematics and Physics from Amsterdam University. From 1956 to 1962, he worked at the IBM Zurich Research Laboratory, Switzerland, from 1962 to 1963, at the IBM Thomas J. Watson Research Center in Yorktown Heights, N.Y. and again in Switzerland from 1963 to 1969. In 1969 he joined the Faculty of the Electronic Engineering Department at Delft University of Technology as a professor for electronic instrumentation. In 1974 he initiated a scientific program on silicon sensors and microsystems. In 1996 he retired from his official duties, but is still supervising several Ph.D. students. Mr. Middelhoek is an IEEE Fellow, Member of the Royal Netherlands Academy of Arts and Sciences and Foreign Associate of the National Academy of Engineering (USA). He is editor-in-chief of Sensors and Actuators. At the Transducers

'97 conference in Chicago he received one of the first Carrier Achievement Awards for his efforts in the field of silicon sensors.

Mr. **Brad Marshall**, served as a technical instructor, teaching Basic Electronics, Radar Systems and Missile guidance Systems in the US Air Force from 1955 to 1959. In the Air Force, Mr. Marshall graduated from the University of New Hampshire with a degree in Electronic Engineering, BSEE. He attended Worcester Polytechnic Institute, Worcester, MA, USA obtaining credits toward a Masters degree in Business Administration. From 1964 to 1993, Mr. Marshall was an employee of Sprague Electric now called Allegro, holding positions as R&D and design engineer, business unit manager, Vice President of marketing and product development. Since 1993, Mr. Marshall has been co-founder, shareholder and president of US Mikrochips, now Melexis Inc.

Ms. **Karen van Griensven** joined the company in 1997 prior to which she served in a similar position at Elex N.V. Ms. van Griensven holds a degree as bio-engineer from the University of Gent and Montpellier and an MBA degree from the Solvay Institute in Brussels.

Mr. **Willy Sierens** joined the company in 1996, prior to which he held positions as process engineer (Electromag), management consultant (PA Technology) and project engineer (Diamand Boart). Mr. Sierens holds a degree as Civil Engineer in the field of electro-mechanics from the University of Leuven. As the challenges in tomorrow's semiconductor industry lie in the combination of silicon and packaging of electronic and mechanical characteristics, Melexis has chosen to dedicate special attention to those challenges by assigning Mr. Sierens full-time for advanced technology investigations into complex IC systems.

Mr **Klaus Herman** joined the company in 1999 following the acquisition of 'Thesys Gesellschaft für Mikroelektronik', prior to which he held positions as development engineer (Funkwerk Erfurt), Manager

Reliability Laboratory (MTG) and Vice President Quality (Thesys Gesellschaft für Mikroelektronik). Mr Herman holds a degree in Theoretical Physics.

## 7.2. Compensation of Directors

As indicated in the Articles of Association, the office is non-remunerative. In 2000 the aggregate cash compensation paid or accrued by the Company for its directors and officers was as follows:

### REMUNERATION OF DIRECTORS (in 1000 EURO)

	Basic Salary	Monetary value of benefits	Bonuses	Long-term Compensation
a) As directors	-	-	-	-
b) As executives	266	-	-	-
Remuneration of other senior executives	211	-	-	-