Melexis
Microelectronic Integrated Systems

Annual Report 2008

www.melexis.com

Melexis Annual Report 2008

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1. Letter To Our Shareholders

The mission at Melexis is to provide innovative micro-electronics for our customers' challenges with a passion for achieving mutual success.

Françoise Chombar

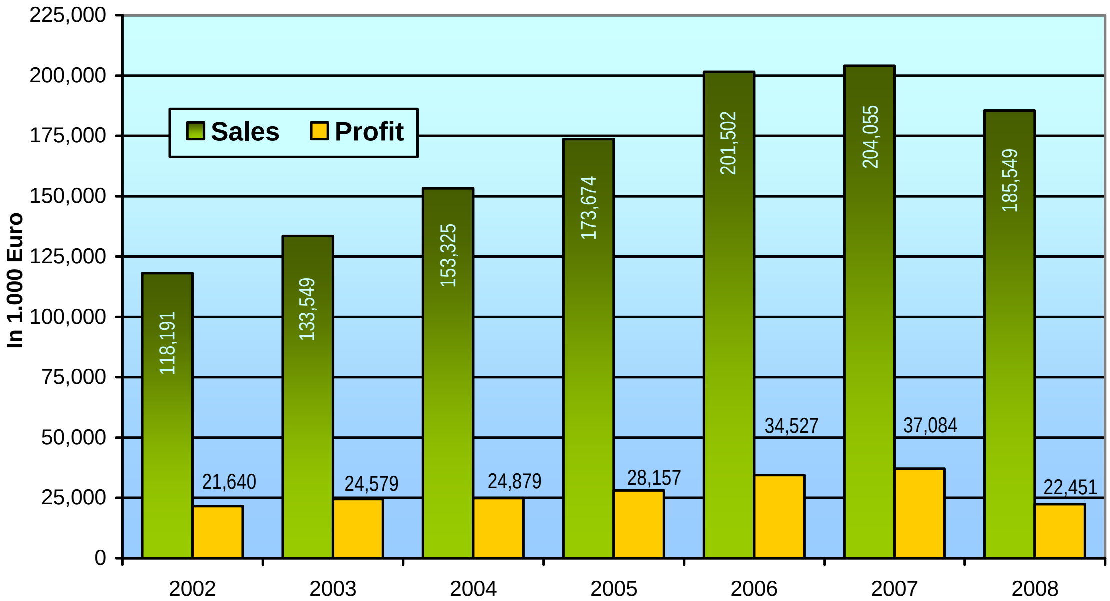
Rudi De Winter

Dear Melexis Shareholder,

We live unprecedented challenging times. Particularly the automotive industry, Melexis' core market, has been hit hard by the worldwide financial and economic crisis. 2008 was marked by unsatisfactory results for Melexis. The full fiscal year produced a minus 9% versus the previous. The 4th quarter sales contracted heavily as a consequence of reduced demand for cars and the flow-through reduction in customer inventory levels. Sales over the year were also negatively impacted by the devaluation of the USD (6%). The operating margin reduced from 20% to 16% representing EUR 29,6 million. Net profit amounted to EUR 22,5 million, a decrease of 39% compared to 2007.

Still, considered over the entire 2008 calendar year Melexis' automotive sales, expressed in dollars, grew 2%, outperforming the market that contracted by 4% (Databeans). Highlights during 2008 included the further sales growth by 9% of the automotive Hall sensors.

Sales & Profit Evolution 2002 - 2008



Safety, comfort and environmental improvements are key areas that vehicle designers target to differentiate their products in a highly competitive market. More and more awareness of the environment influences the buying decisions of drivers throughout the globe. Melexis products, integrated circuits and sensors, are often designed specifically to reduce the environmental impact of cars and trucks.

The introduction of new technologies to help the industry comply with increasingly stringent environmental, fuel economy and safety standards will boost revenues over the coming years. According to Databeans, the percentage of electronic content in cars will rise to 15% in 2012. A very good example of how Melexis helps cars go green can be found in new engine coolant pumps. A traditionally belt driven, all mechanical device, a water pump circulates vital cooling liquid. Water pumps for internal combustion engines are unchanged since the 19th century. Now with patented technology from Melexis these pumps are being converted from belt drive to brushless dc motor drive. Eliminating mechanical belt drive and improving closed loop thermal control create fuel savings of approx. 3%.

During 2008, we have also uncovered a few high volume health care opportunities for Melexis' sensors, one of which has already materialized in the beginning of 2009. There is a continuously growing demand for semiconductors, and particularly sensors, for diverse applications in which Melexis unique sensor technologies have a role to play.

Melexis hence embraces this crisis rather than fearing it. Every crisis provides opportunities. We grasp them. Melexis has been at the forefront of enabling green technology before it was even a hot topic. Melexis expects to continue to work with customers in green and other innovations where our ICs are the small thing that makes a big difference.

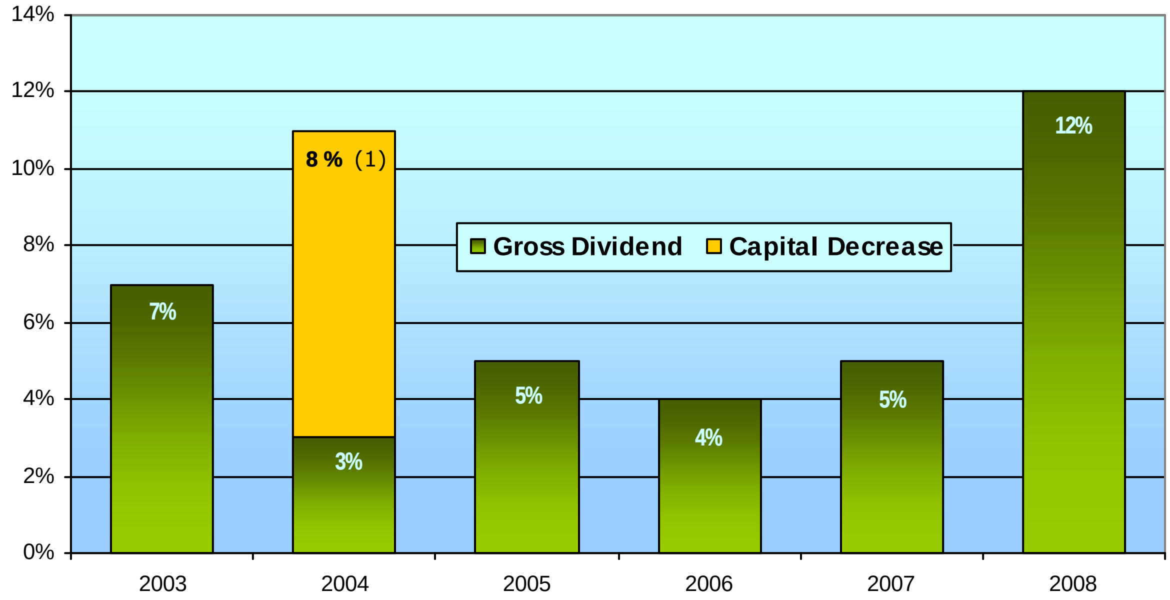
Nevertheless, we are managing the short-term with the same resolve:

- Reducing our global workforce by 10%, a program that started in October last year already and has been virtually completed in January
- Intermittently shutting down manufacturing in all 3 manufacturing sites (from a few days to up to 2.5 weeks)
- Making maximum use of working time reduction for all employees in our German operations and for operators in our Belgian manufacturing facility
- Continuation and acceleration of efficiency and optimization programs (the most important one being the focus on yield improvements: Melexis reduced yield loss by more than 1% of sales in 2008 and will further extend this positive trend during 2009)

- Reviewing and streamlining our cost structure
  This should allow Melexis to have sustainable cost savings of more than EUR 4 million per year, to improve gross margins in the long term and to ensure sufficient cash generation over the next quarters. At the same time, intensive contacts with our customers and suppliers are preparing our supply chain to react without delay to the upturn.

Despite the slowdown, Melexis paid out an (interim) dividend in October 2008 of 60 eurocent per share. This represents a dividend yield of over 15% at current share price level.

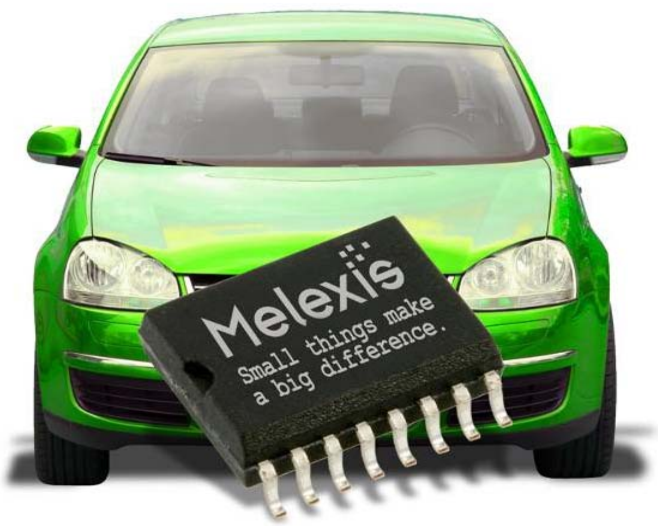
Dividend Yield - 6 Years



(1) : In 2004 a gross dividend of EUR 0,28 per share was paid out as well as a capital decrease of EUR 0,72 per share

2009 will be another challenging year as automotive semiconductor revenues will continue to be weak, but in the longer term, as the crisis passes, Melexis expects normal order levels being resumed in the automotive industry.

Constant innovation in automotive ICs and the expectation that demand for cars will resume to more normal levels, make the automotive market still very attractive. Melexis' technology equally suits strong innovation in the non-automotive arena. Combined with a focused product, customer & organization strategy, Melexis is confident to flourish again and to reach long-term double digit growth.



Yours sincerely,
Ieper, 21st of March 2009

Françoise Chombar, CEO

Rudi De Winter, CEO

2. Key Figures

(in 1.000 Euro)

Operating results	2004	2005	2006	2007	2008
Turnover	153.335	173.674	201.502	204.055	185.549
EBIT	28.947	34.796	42.349	40.869	29.559
EBITDA	41.472	46.168	53.263	52.562	44.549

Balance structure	2004	2005	2006	2007	2008
Shareholders' equity	54.868	61.778	69.615	78.147	61.527
Net indebtedness (*)	33.094	26.249	29.920	36.789	67.868
Working capital	45.020	36.891	81.128	71.869	56.673

(*) : bank debts and overdrafts – cash and cash equivalents

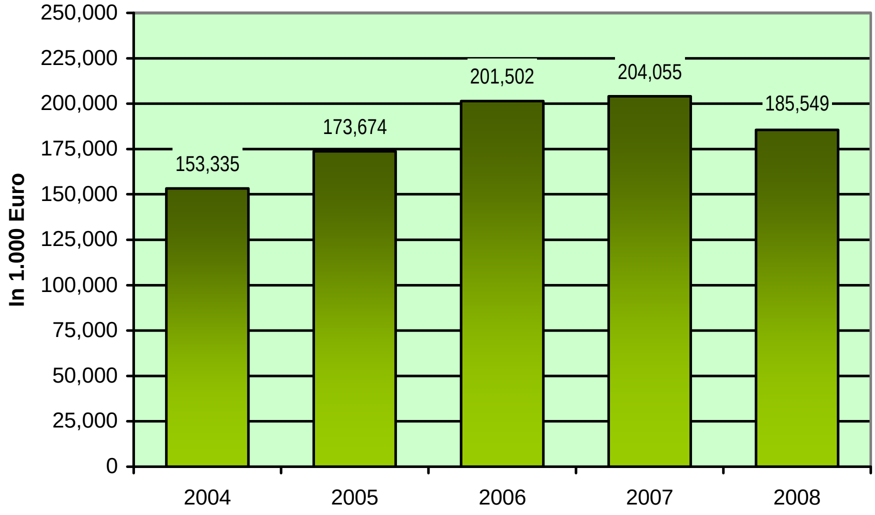
Cash flow and capital expenditure	2004	2005	2006	2007	2008
Cash flow (*)	37.401	39.529	45.440	48.777	34.232
Depreciation + amortization	12.525	11.373	10.914	11.693	14.990
Capital expenditure	10.781	9.334	15.490	15.141	9.510

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

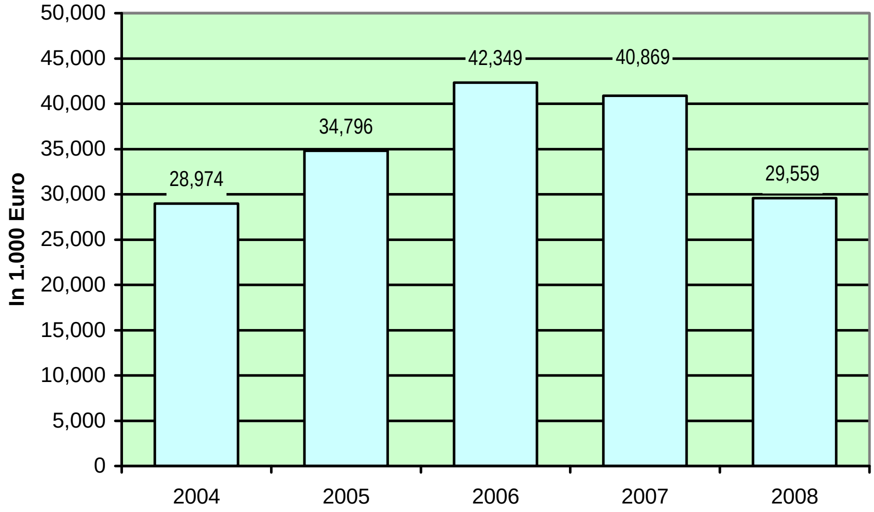
Ratios	2004	2005	2006	2007	2008
ROE	45%	46%	50%	47%	36%
Liquidity (*)	2,5	2,0	3,2	2,7	2,7
Solvency	45%	52%	41%	47%	39%

(*) : liquidity = current assets / current liabilities

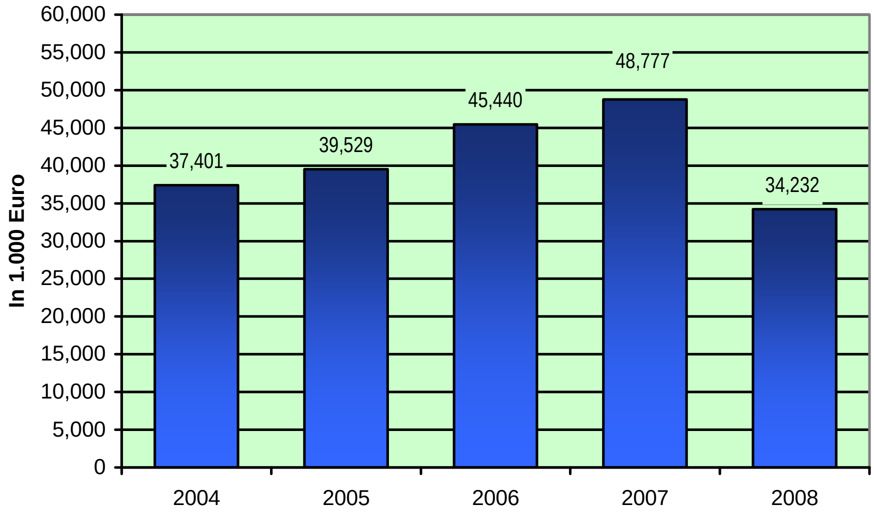
Turnover Evolution



EBIT Evolution



Cash Flow Evolution



3. Introduction

Melexis Makes the Difference in Helping Cars Go Green

Melexis Microelectronic Integrated Systems N.V. designs, develops, tests and markets advanced integrated semiconductor devices. Our core experience is derived from more than fifteen years supplying ICs to the automotive electronics market. Melexis works closely with its customers to deliver greener, more environmental friendly automotive systems and technology. Reduced fuel consumption and lower emissions result directly from improvements in IC and IC sensor technologies created by Melexis

The Difference According To Melexis

For over fifteen years, our customers in the automotive electronics market have inspired us to create, manufacture and deliver advanced Mixed Signal semiconductors, sensor ICs, and programmable sensor IC systems. Through the stringent quality expectations, hostile operating conditions and aggressive economic targets demanded by our automotive customers, Melexis has developed the capability to produce world class, value driven, innovative products. Advanced IC Sensors improve fuel injection systems to lower fuel consumption. Sensor Interface ICs are key to pressure sensors to allow better emissions controls. BUS networking ICs mean weight reduction in wire harnesses and advanced microcontroller products such as the Sensorless BLDC motor drivers are critical in Hybrid and Stop/Go Systems. The people behind these innovations are committed to helping our customers achieve success which is, more than ever, accomplished by reducing the environmental impact of their products.

The difference at Melexis is summarized in our Company Values. These 5 core values are the embodiment of the Melexis Way. It is the vision of how all Melexis employees, from top management to the newest engineering intern are coached and encouraged to approach their daily responsibilities. In equal importance these 5 core values are:

Melexis Values

- **Customer Orientation**
- **Enjoyment**
- **Leadership**
- **Profitability**
- **Respect**

"The Melexis Way"

Customer Orientation

Our challenge is finding innovative ways to excel in the quality of our products and services, our relationships and our results. In doing so, our customers will be successful with their respective customers.

Enjoyment

We are committed to make working at Melexis enjoyable. Passion is part of our mission. Our goals are very ambitious and challenging for all of us. Both the private sphere and our work environment are essential parts of who we are. We therefore support our people in establishing a sustainable balance in their life.

Leadership

We are leaders in our markets, through providing state-of–the-art products and technologies to our customers. We show leadership through team work and responsibility. Combined individual success creates team success. We will recognize the individual results as well as the team effort. To get there, we will ensure that our people are provided with opportunities to be heard and with the skills, information and empowerment to make a difference.

Profitability

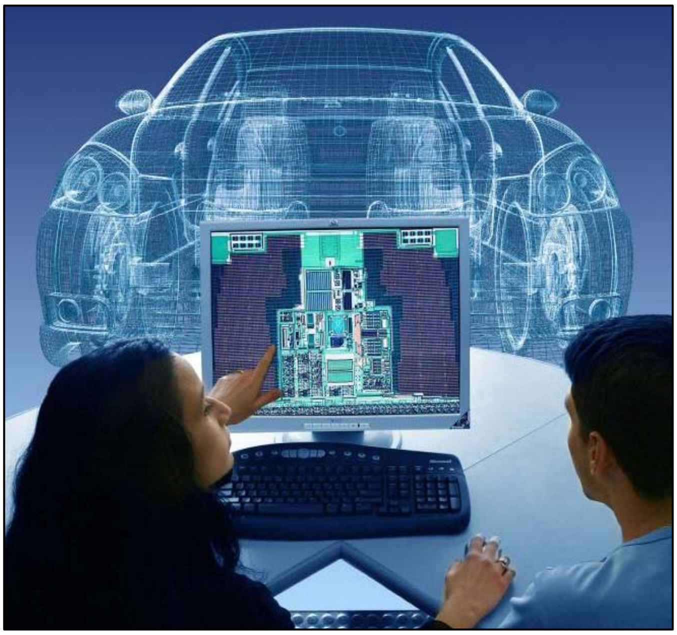
This is the clearest and most tangible way to gauge our true effectiveness at delivering products and services that fulfill our customers' expectations. Superior products and services are bound to generate superior profits. Superior profits will attract superior investors and shareholders thereby sustaining the investment cycles necessary to a financially healthy organization.

Respect

We value diversity and strive for business sustainability. We build a work environment of mutual trust and respect, founded on honesty, openness and fairness where each has equality of opportunity regardless of gender, race, or ethnic background.

No Ordinary Company

Pure Pragmatism. No Nonsense. At Melexis the approach to business and development gives confidence in trying economic times. A staff dedicated to creativity, freedom and respect unites our global ambitions resulting in a maximum effort to align supply and demand, technology and markets with each other. To us as a company, but mainly to our partners, Melexis is No Ordinary Company. Instead, we are a company that takes pride in working towards integrated solutions. Takes pride in our daily efforts to reduce waste, improve efficiencies and contribute to a greener planet. In our company's long standing commitment to carpooling, active management support for employee use of public transit and dedication to maintaining our status as an ISO14000 certified operation. By every measure, Melexis strives to be a responsible corporate citizen and our colleagues take an active role in these commitments. The same positive attitudes are instrumental to our continued financial and technical success. At the beginning of every effort to reach new standards in CO_2 reduction or energy efficiency will be some small things which make a big difference. At Melexis those small things are the integrated circuits.



A Greener Benchmark for Future Generations

Pursuing the future in transportation electronics, collaboratively working on state of the art concepts and technologies, knowing the value created from cleaner driving cars, more fuel efficient trucks and buses. Our teams and partners thinking together to create the integrated circuits and sensors responsible for bringing new possibilities to this centuries rapidly changing automobile landscape. Whether hybrid, electric, gas or diesel it is manifest that all improve to their most efficient form. Melexis is proud to be immersed in this effort. Rooted deeply in the knowledge that **only the best ICs and sensors can make the dream a reality.** That is the benchmark for our future. A greener future for your world and ours.

4. Reflection on Our Strategy

Achieving Mutual Success by Providing Innovative Solutions to our Customers

Customer focus and a consistent strategic vision have been the foundation of Melexis growth. Innovative, dynamic teams from across Melexis' global organization are embracing the core values and no-nonsense culture to deliver solid financial results. This profitable and stable structure enables us to research and present inflection point technology advances for the benefit of our past and future customers. Melexis will continue its commitment in the automotive market and at the same time expand its presence in other fields of application, leveraging its organizational tools and team spirit.

A World of Growth Opportunities

The market in car semiconductors shows sound fundamentals. Despite low growth in vehicle sales, per-vehicle electronic content is steadily increasing. Electronics enable car manufacturers to differentiate themselves with regard to safety, environmental impact, performance or comfort. Developing advanced, integrated applications and solutions for this sector will certainly continue to be the Melexis core business. In addition to that we have also experienced rewarding growth in new markets and sectors in the past year, in consumer electronics, wireless and industrial applications. Melexis, like no other, is able to reap the benefits in these sectors with the expertise gained in the automotive industry. This expertise is in part our knowledge and experience in the field of engineering and testing high-quality, integrated analog digital ICs for severe duty use in cars and trucks. Carefully analyzing and selecting opportunities from the much broader market can mean more probability for considerable growth and the expansion of our activities.

Spotlight on ASSPs and ASICs

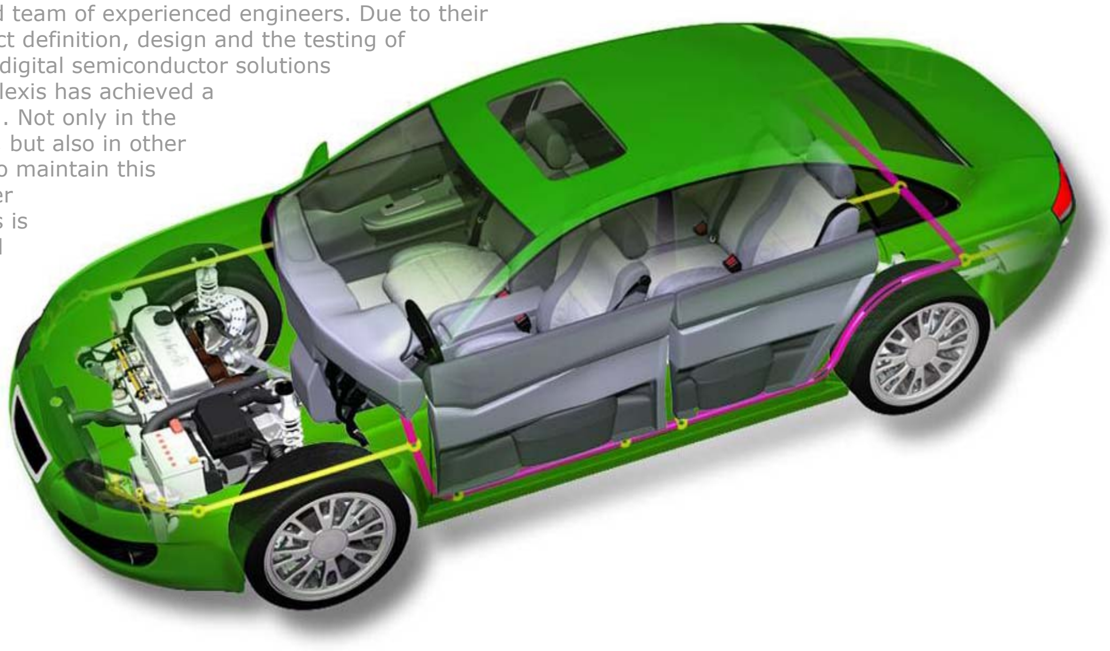
Melexis will continue to develop both ASICs (Application Specific ICs) and ASSPs (Application Specific Standard Products). The latter are Melexis solutions that are within every customer's reach. The targeted goal is to offer widely accepted building blocks for numerous fields of application. By integrating various existing components in an intelligent manner Melexis moreover is capable of creating chipsets for completely new applications, for entirely new markets. Our ASIC partners continue to recognize the value of engaging Melexis for their proprietary, sole source mixed signal solutions. Melexis routinely delivers more than just a finished tested IC based on the customers block schematic, we take pride in being a fully active team member in the definition, design and delivery of the ASIC. Innovative, progressive solutions at the schematic level and throughout the program life make the difference.

From Partner to 'Partner of Choice'

Our field of attention comprises a product's complete lifecycle. That is why we maintain close-knit working relations with our customers and our suppliers. We strive toward strong continuity in such cooperative activities, especially in the field of development, engineering and technical support as the result is more than just a good product. It provides us with the insight and the overview to develop new ICs, which allow us to anticipate new trends and spot emerging market niches. So that we can provide extremely high-quality and cost-efficient products to customers worldwide.

Leadership in Semiconductor Solutions

Melexis has a good team of experienced engineers. Due to their expertise in product definition, design and the testing of integrated analog-digital semiconductor solutions and sensor ICs Melexis has achieved a leadership position. Not only in the automotive sector, but also in other sectors. In order to maintain this position and further improve it, Melexis is making substantial investments in research and development and in people.



Strengthening Sales & Marketing

Melexis' will continue to invest in its sales and marketing power in order to enter into more and stronger alliances with existing and new relations. In this context we will continue to carry the base line for our brand: 'small things make a big difference' to reflect Melexis' role as a semiconductor supplier whose innovations, while physically small, are the essential element in nearly each and every one of our customers' extraordinary systems.

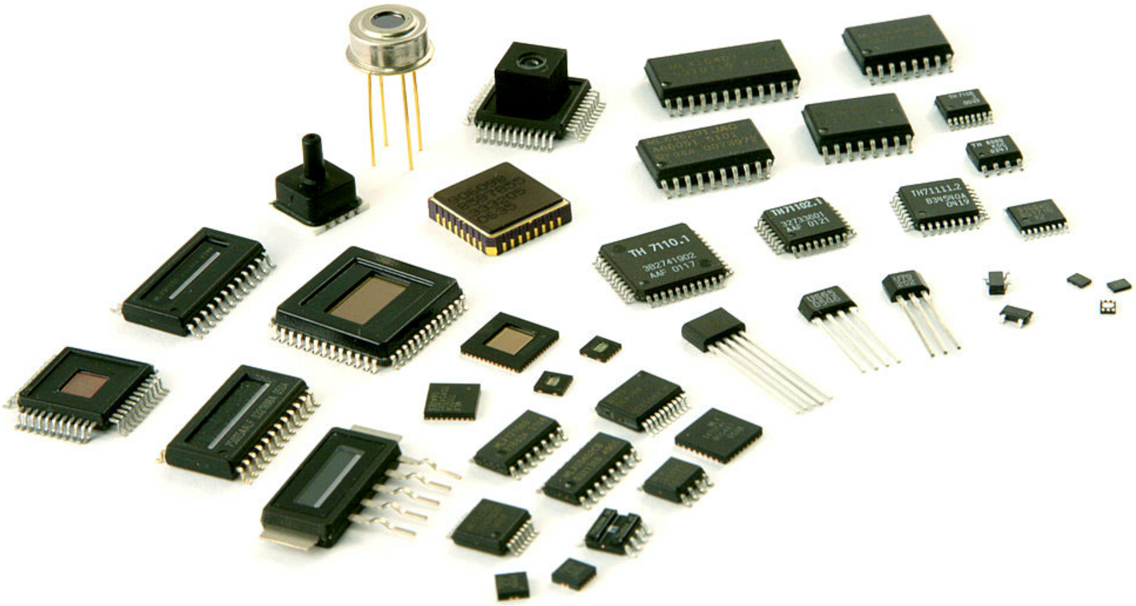
At the Front of the Pack Regarding Quality and Environmental Awareness

Melexis has an integrated management system that complies with the strict conditions of ISO / TS 16949:2002, including the Semiconductor Commodity. Moreover our company also has been recognized for our commitment to respecting the natural environment with an ISO 14001 certification.

RoHS

5. Our Activities & Product Portfolio

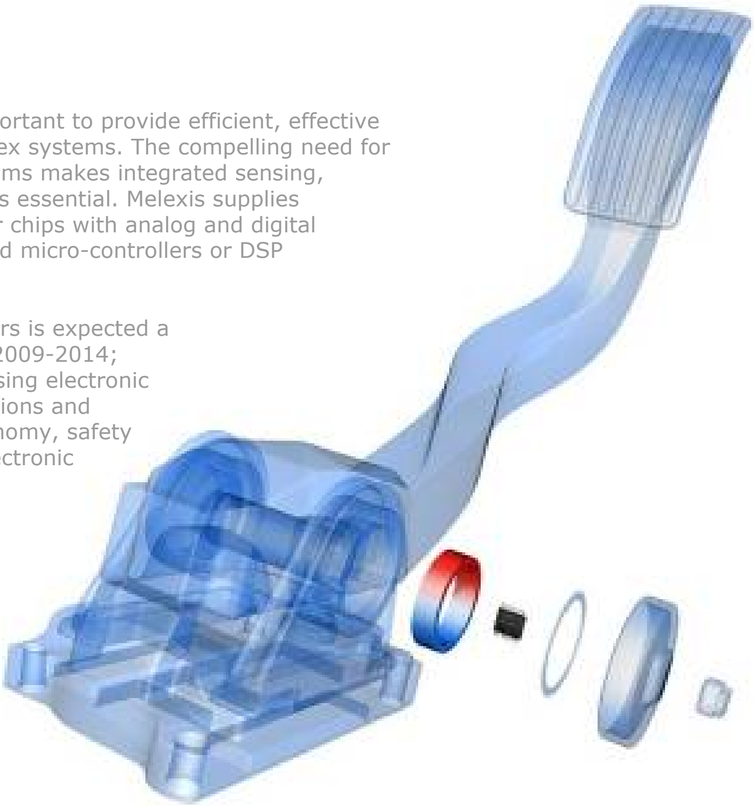
Our customers inspire us to create, develop and market advanced integrated circuits primarily used in automotive electronics systems. This strength enables the innovation and introduction of sophisticated ICs for the broader consumer, medical and industrial markets worldwide.



Overview of Activities

Intelligent Integration is increasingly important to provide efficient, effective solutions needed to simplify many complex systems. The compelling need for reducing installed costs of essential systems makes integrated sensing, intelligence and communications solutions essential. Melexis supplies unique sensor, communication and driver chips with analog and digital outputs and often with advanced on board micro-controllers or DSP capabilities.

The market for automotive semiconductors is expected a compound annual growth rate of 8,5% (2009-2014; Source: Databeans) thanks to the increasing electronic content per vehicle. Government regulations and consumer demand for improved fuel economy, safety and comfort create the need for more electronic sensors and control systems in cars.



Melexis investment into systems and processes commensurate to automotive industry standards has resulted in customers trusting 100% of their IC requirements to Melexis. Product development cycles at such customers have provided evolutionary design wins for Melexis. This has given Melexis the responsible role of helping our customers steer their product strategy based on research and development progress at Melexis. Melexis ICs result in significant reworking and consolidation of traditional systems into a single modular solution. This progress enables the automotive industry to reduce overall costs, increase features and nearly as important, reduce vehicle weight and power consumption.

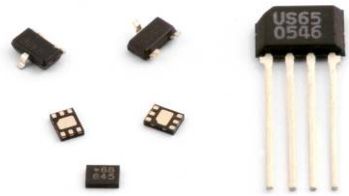
Melexis technology and know-how has led to market leading positions in non-automotive arenas including RF transmitters, receivers and transceivers, single chip cooling fan ICs, infrared remote control ICs and power supply control chips for cell phone chargers. A customer oriented approach and an innovative design methodology have allowed our customers to win significant and in certain cases dominant market positions. Melexis main products continue to be Hall effect ICs (magnetic sensors), Pressure and Acceleration Sensors, Sensor Interface ICs, Automotive Systems-on-a-Chip, Embedded Microcontrollers, Wireless Communication ICs, Bus System Chips, Optical and Infrared sensors. In each case the products are primarily developed for automotive applications and designated lead customers with subsequent use in commercial and industrial applications.

Melexis holds a broad patent portfolio. These patents serve our customers by providing effective and unique solutions in their highly competitive market segments.

Melexis is a research driven company in which Research and Development has been, and will remain, of paramount importance in the Company's strategy. Investments in R&D consist of both product development and advanced development in new technologies for the automotive market and beyond. The R&D is on one end driven by customer requests, but equally driven by Melexis market research identifying long term needs.

Sensor Division

Hall Effect



Hall Effect Devices detect magnetic field. Typical uses are for movement, position and speed sensing and also current sensing. Hall devices are immune to dust, dirt, humidity and vibration.

Melexis produced the first Hall IC with programmability: this breakthrough allowed simplification of our customer's modules. Sensing pedal, throttle and steering wheel position, steering torque and transmission shifter, sensing rotation of the cam- and crank-shafts in engines, monitoring movement in motors and actuators, are staple functions for millions of Melexis Hall ICs in cars today. Other high volume applications for Hall ICs include mobile telephony, gaming, computing, personal portable devices and automation equipment.

Triaxis™

Melexis markets a patented Hall technology under the brand 'Triaxis™'. This technology enables the realization of cutting-edge contactless magnetic position sensors. Triaxis™ ICs are designed in rotary, linear and 3D-joystick position sensors. The final products are used to improve the fuel efficiency, reduce the engine emission (CO_2 footprint), enhance the vehicle stability control and increase the steering or braking features. Human-machine interface (HMI) applications are also addressed by Triaxis™ ICs: they enable novel generation of smart shifters (manual and automatic transmission) or controllers for entertainment systems. The Triaxis™ technology is also used for current sensors whose market growth is linked to the increase of electrical systems in today's vehicles as well as the positive trend for hybrid and electrical powertrain. The Triaxis™ portfolio includes electronic compasses.

Melexis' portfolio of Hall sensors offers solutions for robust switching and smart brushless DC motor controllers with integrated magnetic sensing. Melexis is the recognized innovator in these markets.

One example is the wide range of specialized Hall sensors used in cooling fans for electronic equipment or in vibration motors for cellular phones. Recent innovations include ICs that significantly reduce the acoustic switching noise of cooling fans; an important feature in consumer or office electronic devices.

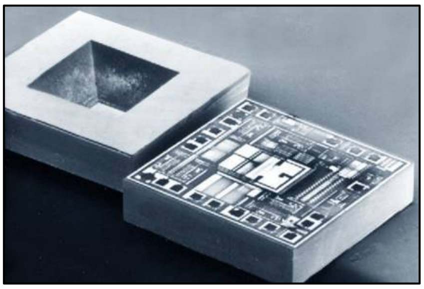
Another example is an ultra-low-power switch or encoder for battery-operated devices such as cellular phones, laptops.

MEMS (Micromachined Electro-Mechanical Systems)

A. Pressure Sensors, Acceleration Sensors, Gyroscopes

Sensors are at the core of many modern automotive applications, such as airbag systems, vehicle stability systems, particle filters, filter monitoring and brake systems. Melexis develops pressure sensors, acceleration sensors and gyroscopes based on silicon micro-machining technology, where the physical parameter being sensed causes a temporary and reversible deformation to a mechanical structure etched into the IC. This is the same technology as used in the motion sensing devices that pilot the Nintendo Wii's game controller or that make the screen on an Apple iPhone switch automatically from portrait to landscape mode.

Pressure is one of the key control parameters in an automobile. It is measured using standalone sensors, for which Melexis supplies industry leading signal conditioning interface ICs, or using completely integrated pressure sensors. Integrated pressure sensors incorporate both the sensing element, in the form of a silicon deformable membrane, and the conditioning electronics on the same chip. In 2008, Melexis has continued to establish itself as a key player in the integrated pressure sensor market. It also made significant progress in the development of its next generation integrated pressure sensor.



Melexis has been a key technology provider for many years to the airbag sensor market due to its competencies in sensor technology, signal conditioning and IC packaging.

B. Signal conditioning interface ICs

In 2008, Melexis has remained one of the world leaders in the automotive segment of this market. Interface ICs allow bridge type piezoresistive and capacitive sensors to communicate intelligently with control systems in cars. Typical applications include pressure sensing in electronically controlled automatic transmissions, seat belt tension sensors in mandatory second generation airbag systems, fuel pressure sensors in fuel economy enhancing injection systems, refrigerant liquid pressure in automotive air-conditioning systems. The challenges imposed on the car industry to make cars more fuel efficient and environmentally friendly can only be met by an extensive use of all types of sensors. Most types of sensors require conditioning of the sensor signal in order to be used in a control system.
The automotive market, along with many other industries, is gradually moving towards more digitally based signal processing. This creates new challenges and opportunities in the field of sensor interfaces. Melexis is well positioned to deliver solutions due to its strong market position and experience in this area.

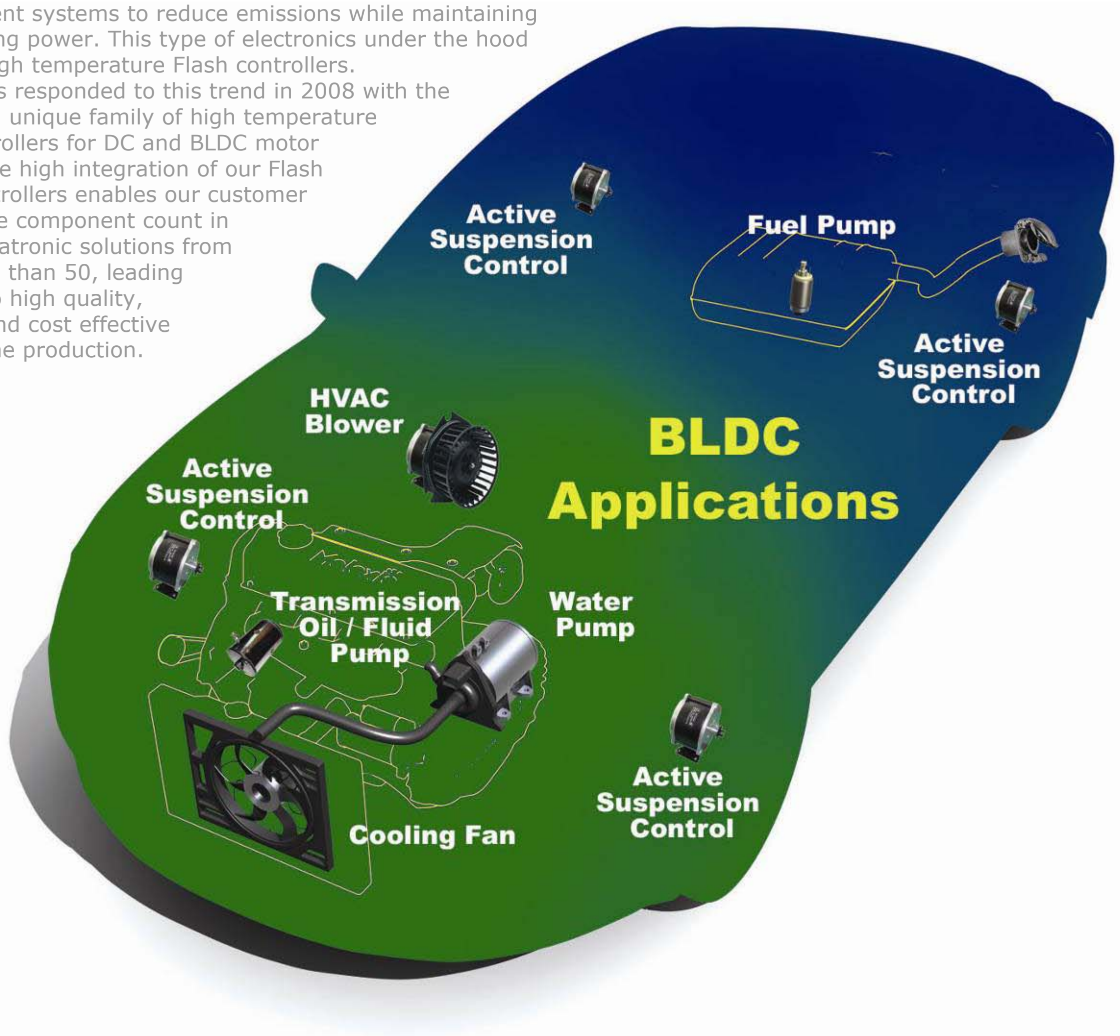
Actuator Division

Automotive electronics are a means to respond to volatile oil prices and the recent downturn of the economy. Intelligent electronics controls improve fuel economy; reduce development cost and time to market, enable increased product diversification and increase comfort features.

The growing functionality in a car results in an increase in the human interactions. Formerly simple things like switch modules must become more intelligent. To support this trend on one side and to keep the development effort as low as possible Melexis has launched a new chip family of intelligent network capable switch controllers dubbed "uniROM switch slaves". This family of chips realizes the unique combination of hardware and software development. It is a perfect example of how thoughtful application of technology can remove the need for software development and qualifications. UniROM switch slaves for LIN networks can be found in complex switch modules on the steering wheel, in the door and in the center console.

Electric motors allow the upgrading of functions like water pumps, oil pumps from full time mechanical drive by the engine to on-demand electric drive. The result is improved fuel economy and more responsive cars. To realize these functions in a reliable way, Brushless DC (BLDC) motors controlled in a sensorless way are the technology of choice. Other functions that see an increase in electronic content due to the shift from DC motor control to Sensorless BLDC motor control are fuel pumps and engine cooling fans.

Electrically controlled valves are becoming the norm in engine management systems to reduce emissions while maintaining or improving power. This type of electronics under the hood requires high temperature Flash controllers. Melexis has responded to this trend in 2008 with the launch of a unique family of high temperature Flash controllers for DC and BLDC motor control. The high integration of our Flash motor controllers enables our customer to slash the component count in their mechatronic solutions from 100 to less than 50, leading the path to high quality, compact and cost effective high volume production.



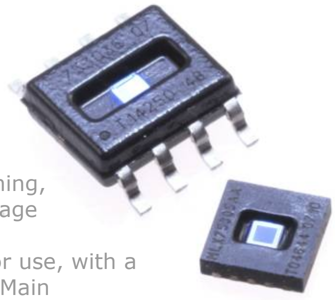
Wireless Division

During the last ten years, the Wireless Division of Melexis successfully brought short range connectivity and identification solutions to the markets with its leading edge RF and RFID ICs. The frequency coverage of our wireless products is from a few kHz up to 950MHz. In the automotive area, RF transceivers, receivers and transmitters are widely used in remote keyless entry (RKE) and tire pressure monitoring systems (TPMS), whereas RFID readers and transponders are the building blocks of car immobilizers. In industrial markets, our products are key elements of logistic and traceability applications. We also provide our ICs in home and building automation equipments like garage door openers, alarm systems, access control and automatic meter reading (AMR). In the consumer market, RFICs are used in remote controls for brown goods and our RFID technology is successfully integrated in NFC platform for mobile phones.

An open mindset to understand our customer challenges, a strong system and application knowledge, a large capabilities spectrum to convert requirements into "systems on chip" are part of our core competencies. Combined with the sensing expertise available within Melexis, the Wireless Division handles the success factors to build a market leading position in the Wireless Sensing area. Our next product generation will bring even more innovation to our customers and provide them with highly integrated solutions. In the automotive area, we will strengthen our position in TMPS and Passive Entry and Start (PASE) systems. In industrial applications, we will focus on assets and cold chain management with specialty sensor transponders and active RFID tag ICs. We also target medical monitoring and control applications.

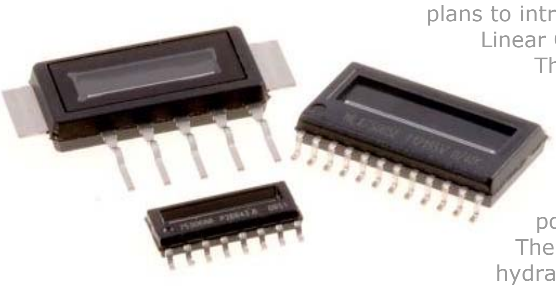
Optical Sensors

The SensorEyeC Family



In 2008, Melexis has increased its product portfolio with a new line of optical sensors, the SensorEyeC family.
The MLX75303, MLX75304 and MLX75305 are single-pixel optical sensors that offer the customers a specific solution for their application needs: optical switching, optical high-dynamic range measuring and a highly sensitive linear light to voltage sensor.
The newest offering, the MLX75309, is a programmable optical switch for indoor use, with a special optical response tuned to the human eye without using external filters. Main applications for the SensorEyeC products include LCD screen backlight dimming in handheld consumer products; automotive and avionic lighting controls; printer and copier controls; proximity sensing and contactless switches.
All SensorEyeC devices can contribute to a greener planet through energy saving. Screen dimming not only enhances user comfort when reading screens and displays, it also saves power by automatic dimming. This results in less energy consumption of the screen backlight of mobile devices and flat screen televisions in dark environments. In commercial lighting it can be applied to better match the ambient lighting to the perception of dark or light by the occupants.

Linear Optical Arrays



For its successful product line of linear optical arrays for steering applications, Melexis plans to introduce in 2009 a new member: the MLX75306, our 3rd Generation Linear Optical Array.
This new sensor will allow Melexis customers to improve the current steering applications by reducing the mechanical size, lowering the total system costs, and increasing performance levels to meet the VM needs for the next generation steering systems.
Typical applications include steering angle measurement, steering torque measurement, spectroscopy, bar code reading and precise position measurement.
The advent of Electric Powered Assisted Steering (EPAS) avoids using hydraulic-pumps. Traditional hydraulic systems require a constantly pressurized system, which continuously consumes energy and thus fuel. EPAS only consumes energy when power assist is needed; it does not consume fuel while driving straight ahead.
Fuel composition analysis using spectroscopy can optimize the engine parameters dependant on the fuel content in the fuel tank (diesel, biodiesel, ethanol, etc), leading to a more efficient combustion in the engine, which saves fuel.

Automotive DSP Camera

Novel CMOS Image Sensor Provides Early Warning Road Safety
Melexis launched a new CMOS image sensor, the MLX75307. This sensor is specifically designed for automotive front vision applications, like Advanced Driver Assistance Systems (ADAS), high beam assist and night vision. It dramatically improves road safety by proactively alerting the driver of potential dangers. Due to the combination of high sensitivity, high dynamic range and low noise, industrial and medical applications may also benefit from this new technology.
A world's first, the MLX75307 features a high dynamic range pixel matrix capable of extending both the input and output dynamic ranges, performing beyond piecewise linear response. Additionally, the sensor features a low light response boost which increases image brightness and contrast in low light conditions – a specific concern for safety at night. This novel and potentially life-saving technology opens up new opportunities in our target applications.

Intelligent InfraRed Thermometers.

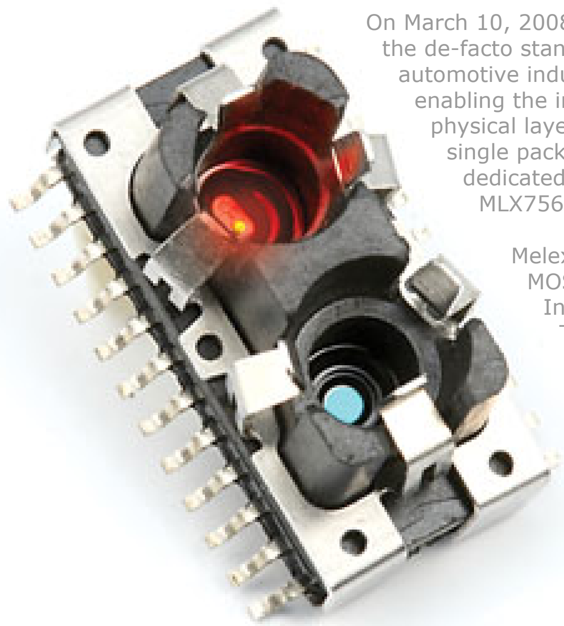
In 2008, Melexis has worked to expand our product line of intelligent InfraRed thermometers.

For the general purpose and automotive qualified MLX90614, the product line has been expanded by offering sensors with different Field-Of-View. This makes these thermometers plug-in suitable for use in handheld thermometers, forehead thermometers, professional medical equipment, white goods and industrial applications. These new sensors still offer the same high accuracy, wide temperature range and ease-of-use of the basic device.
In this product family Melexis now also offers versions with added measurement accuracy robustness in thermally demanding environments and applications. This greatly simplifies the design-in of the product in real world applications and has led to new design-ins in many diverse applications.

Specifically for the medical market and those applications where the small size of the thermometer is of absolute importance, Melexis has developed the MLX90615. This new thermometer offers the same functionality as his bigger brother MLX90614, but in a half-size package.

The most prominent application for infrared thermometers is measuring body temperature to check for fever and illness. There are three main types of IR fever thermometers: ear thermometers, forehead thermometers and non-contact, distance-read thermometers. Industrialization is made much more easy for our customers because these sensors all are factory calibrated.

MLX75605 MOST 150 Transceiver



On March 10, 2008 the MOST Cooperation (Media Oriented Systems Transport, the de-facto standard for multimedia and infotainment networking in the automotive industry) published their new MOST Specification Rev. 3.0 enabling the industry to begin to work with the newly defined MOST150 physical layer. At the same time Melexis announced development of a single package solution for a 150 Mbps Fiber Optic Transceiver, dedicated for this newly introduced MOST150 physical layer: the MLX75605.

Melexis product MLX75605, a Fiber Optic Transceiver for 150 Mbps MOST, selected by the AEI (Automotive Engineering International, published by SAE) as one of the: 'Top Technology stories of the year'

SAE (Society of Automotive Engineers) is a non-profit educational and scientific organization of 89000 members who are dedicated to advancing mobility technology to better serve humanity.

6. International Locations

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7. Risk Factors

An investment in Shares involves certain risks. Prior to making any investment decision, prospective purchasers of Shares should consider carefully all of the information set forth in this Annual Report and, in particular, the risks described below. If any of the following risks actually occur, the Company's business, results of operations and financial condition could be materially adversely affected. Except for the historical information in this Annual Report, the discussion contains certain forward-looking statements that involve risks and uncertainties such as statements regarding the Company's plans, objectives, expectations and intentions. The cautionary statements made in this Annual Report should be read as being applicable to all forward-looking statements wherever they appear in this Annual Report.

7.1 Risks Related to the Company

Operating History; Inability to Forecast Revenues Accurately

The Company's business and prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies active in new and rapidly evolving markets, such as the semiconductor market. To address these risks and uncertainties, the Company must, among other things: (i) increase market share; (ii) enhance its brand; (iii) implement and execute its business and marketing strategy successfully; (iv) continue to develop and upgrade its technology; (vi) respond to competitive developments; and (vii) attract, integrate, retain and motivate qualified personnel. There can be no assurance that the Company will be successful in accomplishing any or all of these things, and the failure to do so could have a material adverse effect on the Company's business, results of operations and financial condition.

As a result of the rapidly evolving markets in which it competes, the Company may be unable to forecast its revenues accurately. The Company's current and future expense levels are based largely on its investment plans and estimates of future revenues. Sales and operating results generally depend on the volume and timing of, and ability to fulfill, orders received, which are difficult to forecast. The Company may be unable to adjust its expenditures in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues in relation to the Company's planned expenditures would have an immediate adverse effect on the Company's business, results of operations and financial condition. Further, in response to changes in the competitive environment, the Company may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on the Company's business, results of operations and financial condition.

Currency fluctuations

The Company is subject to risks of currency fluctuations to the extent that its revenues are received in currencies other than the currencies of the Company's related costs. Fluctuations in the value of the Euro against an investor's currency of investment may affect the market value of the Shares expressed in an investor's currency. Such fluctuations may also affect the conversion into US dollars of cash dividends and other distributions paid in Euros on the Shares.

Credit risk on short term investments

The Company is subject to risks of financial losses on investments in marketable securities and short term deposits.

Dependence upon certain Related Companies

The Company relies on several related companies for certain aspects of the manufacturing of its products and for the supply of certain unique equipment for the testing of its products (see 'Production'). Even though the Company is likely to be able to secure from third parties alternative manufacturing services and testing equipment, should the relevant associated company terminate its current supply, any such termination is likely to have a material adverse effect on the Company's business in the short term. In addition, any such alternative products are likely to be less effective for the Company's business and more expensive than existing supplies and no assurance can be given that the terms upon which the Company might obtain those alternative services will be as favorable as the terms upon which those products/services are currently supplied to the Company by those related companies.
For a detailed description of related parties we refer to Financial statements 'Note – Related Parties').

Managing Growth

The Company has been experiencing a period of rapid growth. To manage future growth effectively, the Company must enhance its financial and accounting systems and controls, further develop its management information systems, integrate new personnel and manage expanded operations. The Company's failure to manage its rapid growth effectively could have a material adverse effect on the quality of its products and services, its ability to retain key personnel and its business, operating results and financial condition.

Risk of Potential Future Acquisitions

As a part of its growth strategy, the Company regularly evaluates potential acquisitions of businesses, technologies and product lines. Announcements concerning potential acquisitions and investments could be made at any time.

Future acquisitions by the Company may result in the use of significant amounts of cash, potentially dilutive issues of equity securities, incurrence of debt and amortization expenses related to goodwill and other intangible assets, each of which could materially and adversely affect the Company's business, results of operation and financial condition or negatively affect the price of the Shares. Should the Company's future acquisitions operate at lower margins than those that exist for the Company's present services and products, they may further limit the Company's growth and place a significant strain on its business and financial resources. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, products and personnel of the acquired company, the diversion of management's attention from other business concerns, risks of entering markets in which the Company has no, or limited, direct prior experience and potential loss of key employees of the acquired company. While the Company has had discussions with other companies, there are currently no commitments or agreements with respect to any potential acquisition, in the event that such an acquisition does occur, there can be no assurance that the Company's business, results of operations and financial condition, and the market price of the Shares, will not be materially adversely affected.

Dependence on Key Personnel; Ability to Recruit and Retain Qualified Personnel

The Company's performance is substantially dependent on the performance and continued presence of its senior management and other key personnel. The Company's performance also depends on the Company's ability to retain and motivate its other officers and employees. The loss of the services of any of the Company's senior management or other key employees could have a material adverse effect on the Company's business, results of operations and financial condition.

The Company's future success also depends on its ability to identify, attract, hire, train, retain and motivate other highly skilled technical, managerial, marketing and customer service personnel. Competition for such personnel is intense, and there can be no assurance that the Company will be able to attract, integrate or retain sufficiently qualified personnel. The failure to retain and attract the necessary personnel could have a material adverse effect on the Company's business, results of operations and financial condition.

Products May Contain Defects.

The Company's products may contain undetected defects, especially when first released that could adversely affect its business. Despite rigorous and extensive testing, some defects may be discovered only after a product has been installed and used by customers. Any defects discovered after commercial release could result in (i) adverse publicity; (ii) loss of revenues and market share; (iii) increased service, warranty or insurance costs; or (iv) claims against the Company. Any of the foregoing could have a material adverse effect on the Company's business, results of operations and financial condition.

Evolving Distribution Channels

The majority of sales to the large automotive accounts are generated by direct sales people. However, over time, increasingly more sales of ASSPs is planned to be generated via the representative and distribution network of Melexis. As the majority of the Melexis ASSP products are unique, the end-customers are still dependent on Melexis and not on the representative or distributor that they are working with.

Every distributor or agent or distribution method may involve risks of unpaid bills, idle inventories and inadequate customer service. Any of the foregoing could have a material adverse effect on the Company's business, results of operations and financial condition.

Protection and Enforcement of Intellectual Property Rights

Although the Company is currently not a party to any litigation involving intellectual property rights, the semiconductor industry is characterized by frequent claims alleging the infringement of patents and other intellectual property rights. Thus, in the future, the Company may receive communications or claims from third parties asserting patents or other intellectual property rights on certain technologies or processes used by the Company. In the event any third party claim were to be valid, the Company could be required to discontinue using certain processes or technologies or to cease the use and sale of infringing products, to pay damages and to acquire licenses to the allegedly infringed technology or develop non-infringing technologies. The Company's business, financial condition and results of operations could be materially and adversely affected by any such development.

The Company has already obtained patent protections and expects to file additional patent applications when appropriate to protect certain of its proprietary technologies. The Company also protects its proprietary information and know-how through the use of trade secrets, confidentiality agreements and other measures. The process of patent protection can be expensive and time-consuming. There can be no assurance that patents will be issued from applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted there under will provide meaningful protection or other commercial advantage to the Company. Likewise, there can be no assurance that the Company in the future will be able to preserve any of its other intellectual property rights.

The Importance of Significant Customers

The two biggest customers of Melexis represent approximately 15% and 9% of the Company's revenues for the year ended December 31st, 2008. While at the moment of introduction of Melexis to the stock market in 1997, the top seven customers still accounted for 70 % of sales, the top ten customers for the year ended December 31st, 2008 only accounted for 55 % of sales. This decrease is mainly the result of the increased design of Application Specific Standard Products as opposed to customized products.

Significant Shareholders

The main Shareholder holds 50,05% of the Company's issued and outstanding Ordinary Shares. As a result, this shareholder, through the exercise of his voting rights, has the ability to significantly influence the Company's management and affairs and all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, some decisions concerning the Company's operations or financial structure may present conflicts of interest between the Company and this shareholder. For example, if the Company is required to raise additional capital from public or private sources to finance its anticipated growth and contemplated capital expenditures, its interests might conflict with those of these shareholders with respect to the particular type of financing sought. In addition, the Company may have an interest in pursuing acquisitions, divestitures, financings, or other transactions that, in management's judgment, could be beneficial to the Company, even though the transactions might conflict with the interests of this shareholder. Likewise, this shareholder has contractual and other business relationships with the Company from time to time. Although it is anticipated that any such transactions and agreements will be on terms no less favorable to the Company than it could obtain in contracts with unrelated third parties, conflicts of interest could arise between the Company and this shareholder in certain circumstances.

7.2 Risks Related to the Business

The Semiconductor Market

The semiconductor industry is characterized by rapid technology change, frequent product introductions with improved price and/or performance characteristics, and average unit price erosion. These factors could have a material adverse effect on the Company's business and prospects

Intense Competition

The automotive semiconductor market is very different from other segments of the semiconductor market. In particular, technological requirements for automotive semiconductors differ significantly as automotive electronics must withstand extreme conditions, including very hot and cold temperatures, dry and humid weather conditions and an environment subject to dust, oil, salt and vibration. In addition and unlike the situation in other segments of the semiconductor market, the supply voltage to automotive semiconductors originating from a car's battery will vary strongly in practice (between 6.5 and 24 volts). As a result these factors make automotive semiconductor product design and, in particular, testing, difficult when compared with other semiconductor markets.

The Company currently competes with a number of other companies. These companies could differ for each type of product. The Company's competitors include, among others, Allegro Microsystems, Analog Devices, Elmos, Freescale, Honeywell Solid State Electronics, Infineon, Micronas, NEC Semiconductors, SGS-Thomson Microelectronics, and ST Microelectronics.
The Company believes that the principal competitive factors in its market are technological know-how, human resources, new product development, a close relationship with the leading automotive original equipment manufacturers and to a lesser extent with the car manufacturers.
Many of the Company's current and potential competitors have longer operating histories, greater brand recognition, access to larger customer bases and significantly greater financial, technical, marketing and other resources than the Company. As a result they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than the Company.

There can be no assurance that the Company will be able to compete successfully against current and future competition. Further, as a strategic response to changes in the competitive environment, the Company may, from time to time, make certain pricing, service and marketing decisions or acquisitions that could have a material adverse effect on its business, results of operations and financial condition.

New technologies and the expansion of existing technologies may increase the competitive pressures on the Company by enabling its competitors to offer a lower-cost service or a better technology. There can be no assurance that any current arrangements or contracts of the Company will be renewed on commercially reasonable terms.

Any and all of these events could have a material adverse effect on the Company's business results of operations and financial condition.

Rapid Technological Change

The semiconductor market is characterized by rapidly changing technology, frequent new product announcements, introductions and enhancements to products, and average unit price erosion. In the Automotive Semiconductor market the active product life cycle is approximately 5 to 7 years.

Accordingly, the Company's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its products and services to evolving industry standards and to improve the performance, features and reliability of its products and services in response to competitive product and service offerings and evolving demands of the marketplace. The failure of the Company to adapt to such changes would have a material adverse effect on the Company's business, results of operations and financial condition.

7.3 Risks Related to the Future Trading on Euronext

Possible Volatility of Stock Price

The trading price of the Company's Shares has been and may continue to be highly volatile and could be subject to wide fluctuations in response to factors such as actual or anticipated variations in the Company's quarterly operating results, announcements of technological innovations, or new services by the Company or its competitors, changes in financial estimates by securities analysts, conditions or trends in semiconductor industries, changes in the market valuations of companies active in the same markets, announcements by the Company or its competitors of significant acquisitions, strategic relationships, joint ventures or capital commitments, additions or departures of key personnel, sales of Shares or other securities of the Company in the open market and other events or factors, many of which are beyond the Company's control. Further, the stock markets in general, and Euronext, the market for semiconductor-related and technology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of such companies. These broad market and industry factors may materially and adversely affect the market price of the Company's Shares, irrespective of the Company's operating performance.

8. Management's Discussion and Analysis

8.1 Introduction

The selected financial data presented below have been extracted and derived from the IFRS consolidated financial statements of Melexis NV for the three years ended at December 31st, 2008, 2007, 2006. The years 2008, 2007 and 2006 have been audited by BDO Atrio Bedrijfsrevisoren Burg. Ven. CVBA.

Françoise Chombar (Melexis CEO) and Rudi De Winter (Melexis CEO) hereby declare that the annual accounts that have been compiled in due compliance with IFRS standards as adopted by the European Union, stand as a true and accurate reflection of the assets, the financial status and the results of the issuer and the companies included as part of the consolidation. The annual report provides a true and accurate reflection of the development of the results of the company, of the issuer's position and of the companies included as part of the consolidation, as well as a description of the major risks and elements of uncertainty which they find themselves faced with.

Consolidated Income statements

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Product sales	183.915.091	202.231.461	198.101.095
Revenues from Research and Development	1.634.252	1.823.707	3.400.623
Cost of sales	(109.632.484)	(119.253.367)	(116.900.172)
Gross margin	75.916.859	84.801.801	84.601.546
Research and development expenses	(29.524.991)	(29.792.249)	(27.603.546)
General and administrative expenses	(10.743.975)	(11.003.868)	(9.789.574)
Selling expenses	(5.254.876)	(6.023.534)	(4.859.789)
Other operating expenses (net)	(834.201)	2.886.460	-
Income from operations (EBIT)	29.558.817	40.868.610	42.348.637
Financial results (net)	(6.688.598)	(1.583.164)	(2.475.068)
Profit before taxes	22.870.220	39.285.446	39.873.099
Income taxes	(418.814)	(2.201.412)	(5.346.498)
Minority interest	-	-	-
Net profit of the group	22.451.406	37.084.034	34.526.601

Condensed Consolidated Balance Sheets

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Current Assets	89.586.113	113.101.603	118.134.085
Non current assets	67.854.435	55.886.619	51.531.534
Current liabilities	32.913.088	42.661.596	37.006.225
Non current liabilities	63.000.347	48.179.898	63.044.693
Shareholders' equity	61.527.114	78.146.728	69.614.701

8.2 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, Melefin NV, Melexis GmbH and Melexis BV is the EURO. The functional currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) for Melexis Bulgaria Ltd., the Bulgarian Leva (BGN), for Sentron AG and Melexis Technologies SA the Swiss franc (CHF), for the Philippine branch of Melexis NV the Philippine Peso (PHP), for the Chinese branch of Melexis NV the Hong Kong Dollar and for Melexis Japan the Japanese Yen is the measurement currency. Assets and liabilities of Melexis Inc., Melexis Technologies SA, Sentron AG, Melexis Ukraine, Melexis Bulgaria Ltd., Melexis Philippines, Melexis Hong Kong and Melexis Japan 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" (CTA) in the balance sheet.

8.3 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 of prior years.

8.3.1. Historic 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 license to produce and sell silicon pressure sensors chips.

The private shareholders sold their shares to ELEX NV, the majority shareholder of Melexis NV at the time, 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. Since April 1994, the cooperation between US MikroChips and Melexis NV had 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 changed into Melexis Inc.

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 entity was 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 is mainly active in the domain of microcontrollers.

On October 31, 2000, Melexis NV bought Melexis Bulgaria Ltd. from Sigma Delta Holding NV. This company is mainly active in test services and in the development of IP (Intellectual Property), Hall sensors 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.

In January 2001, Melexis NV incorporated Melexis BV, in Utrecht, The Netherlands. This company was mainly active in the field of development of ICs.

In May 2002, Melexis NV and its parent company, Elex NV, launched a Second Public Offering (SPO) on the Euronext Brussels stock exchange market. At this SPO, 7.500.000 existing shares were sold by the selling shareholder.

Since January 2003 Melexis NV is delisted from NASDAQ EUROPE.

In January 2003 Melexis NV incorporated a branch office in Paris, France. This branch is mainly active in development of IP.

On the 3rd of February 2004, Sentron AG was purchased. This company is mainly active in the Magnetic Sensor product development.

On 13 October 2005, Melexis created a branch office in Manilla, Philippines. The branch is mainly focused on the development of specific packages.

On the 23th of December, 2005, Melexis NV incorporated Melefin NV, by a contribution in kind of Melexis Tessenderlo NV shares. Melefin NV has mainly a treasury function within the Melexis group.

Since January 1, 2006, Xtrion NV is the main shareholder of Melexis NV, through a partial split of Elex NV into Elex NV and Xtrion NV.

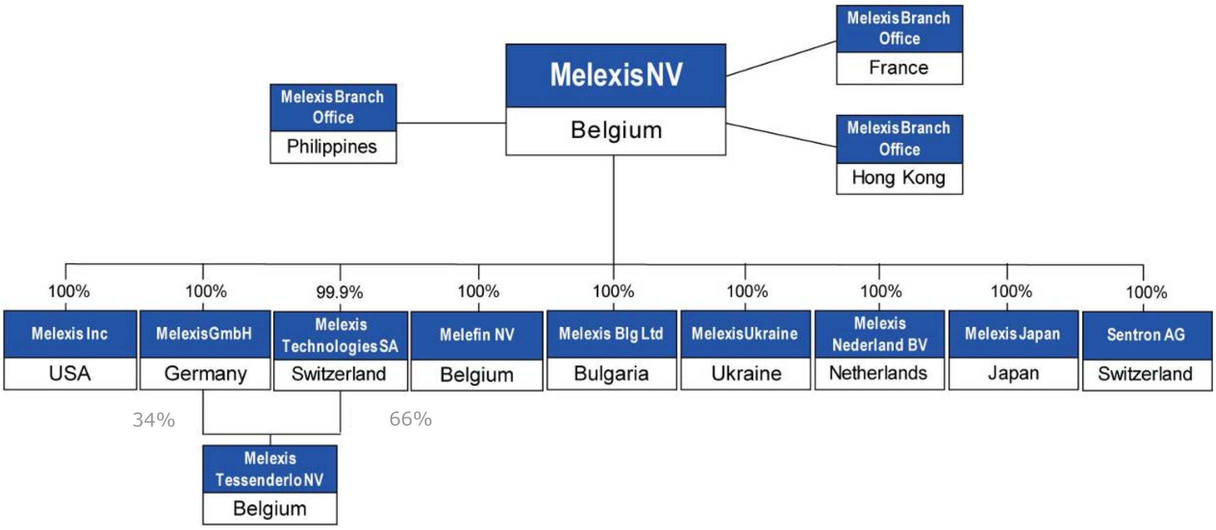
On 31 January 2006, Melexis GmbH acquired Melexis Tessenderlo NV from Melefin NV.

On 26 October 2006, Melexis branch office in Bevaix was transformed into a legal entity Melexis Technologies SA, 99,99 % owned by Melexis NV.

On 28 November 2006 , Melexis Technologies transferred part of its activities to Melexis Tessenderlo NV through incorporation in kind in the capital of Melexis Tessenderlo. As a result of this transaction, Melexis Technologies acquired 56% of the capital of Melexis Tessenderlo, reducing the share of Melexis GmbH from 100% to 44%.

On 13th of March 2007, Melexis created an entity in Tokio and on 10th of July 2007 in Hong Kong. Their principal activities are selling activities.

On 12 December 2008, Melexis Technologies transferred again part of its activities to Melexis Tessenderlo NV through incorporation in kind in the capital of Melexis Tessenderlo. As a result of this transaction, Melexis Technologies increased its share in the capital of Melexis Tessenderlo from 56% to 66%, reducing the share of Melexis GmbH from 44% to 34%.

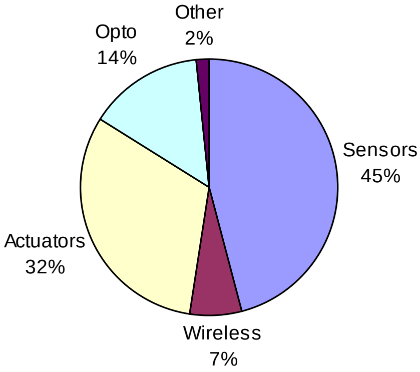


8.3.2. Results of operations

Revenues

For 2008 total revenues decreased by 9% compared to 2007.
The largest division is Sensors (45%), which includes Hall, Pressure, Acceleration and Gyroscope activities, followed by the Actuators division (32%). The Opto product line is the third major division, realizing 14% of the total revenues of the company. The Wireless division amounts to 7% of total revenues.
Specific research and development activities are included in the revenues per division. These specific R&D activities are performed under contract for customers. For the year 2008, the company invoiced EUR 1.634.252 research and development costs to its customers, compared to EUR 1.823.707 in 2007 and EUR 3.400.623 in 2006.

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



	2008 EUR	2007 EUR	2006 EUR
Sensors	84.827.702	86.046.363	85.937.014
Actuators	58.474.446	71.451.224	69.366.823
Opto	26.674.591	29.914.294	28.788.449
Wireless	12.548.810	13.318.918	15.366.823
Other	3.023.796	3.324.368	2.065.289
Total	185.549.344	204.055.168	201.501.718

Cost of Sales

Costs of sales consist of materials (raw material and semi finished parts), subcontracting, labor, depreciation and other direct production expenses. The cost of sales amounted to EUR 116.900.172 in 2006, EUR 119.253.367 in 2007 and EUR 109.632.484 in 2008.
Expressed as a percentage of total revenues, the cost of sales was 59% in 2008 compared to 58% in 2007 due to the reduced loading of the test facilities as a result of the reduction in sales in 2008.

Gross margin

The gross margin, expressed as a percentage of total revenues, was 41% in 2008 compared to 42% in 2007.

Research and Development expenses

Research and Development expenses amounted to EUR 29.524.991 in 2008, representing 16% of total revenues. The research and development activities concentrate further on research and development of Hall Sensors, Integrated Pressure and Acceleration Sensors and Gyroscopes, 16-bit microcontrollers, Infrared and Opto Sensors, BUS ICs and RF components.

General, administrative and selling expenses

General, administrative and selling expenses mainly consist of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses decreased by 6% compared to 2007, mainly as a result of decreased selling expenses.

Other operating income and expenses (net)

The expense of EUR 834.201 relates to a restructuring provision as a consequence of the current turbulence in the automotive markets.

Financial results

The net financial results decreased from EUR 1.583.164 loss to EUR 6.688.598 loss in 2008. The (net) interest result decreased from a loss of EUR 1.257.002 in 2007 to a loss of EUR 2.327.817 in 2008. The net exchange gains (both realized and unrealized) in 2008 amounted to a loss of EUR 325.035, compared to a loss of EUR 896.228 during 2007. During 2008 the company recorded an impairment loss on financial instruments (CDO's) amounting to EUR 4.250.000.

Net income

The company recorded a net income for 2008 of EUR 22.451.206. This represents a 39% decrease compared to 2007, which is higher than the decrease in sales, mainly as a result of the stable Research and Development costs and high financial costs.

8.3.3. Liquidity, Working Capital and Capital Resources

Cash and cash deposits amounted to EUR 8.129.385 as of December 31, 2008, in comparison to EUR 15.265.123 as of December 31, 2007 and EUR 15.897.705 as of December 31, 2006.

In 2008, operating cash flow before working capital changes amounted to 37.148.458.
Working capital changes were negative in 2008, mainly as a result of a decreased accounts payables and increased tax receivables resulting in a net operating cash flow of EUR 26.889.818.

The cash flow from investing activities was negative for an amount of EUR 16.363.847, mainly the result of increased investments in fixed assets amounting to EUR 9.509.600 and purchase of own shares amounting to EUR 12.171.353.

The cash flow from financing activities was negative for an amount of EUR 17.706.173. This is mainly the net result of the payment of an interim dividend amounting to EUR 24.956.480, the repayment of bank debts amounting to EUR 7.650.000 and the increase of long term debts amounting to EUR 14.900.307.

9. Selected Summary Financial Data

9.1. Detailed Consolidated Financial Statements

9.1.1 Independent Auditor's report

STATUTORY AUDITOR'S REPORT TO THE GENERAL MEETING OF SHAREHOLDERS OF MELEXIS NV ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2008

In accordance with the legal requirements, we report to you on the performance of the mandate of statutory auditor, which has been entrusted to us. This report contains our opinion on the true and fair view of the consolidated financial statements as well as the required additional statements and information.

Unqualified audit opinion on the consolidated financial statements, with an emphasis of matter paragraph

We have audited the consolidated financial statements for the year ended December 31, 2008, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a balance sheet total of 157.440.548 EUR and a consolidated profit of 22.451.406 EUR.

Management is responsible for the preparation and the fair presentation of these consolidated financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement, as to whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we considered the group's accounting system, as well as its internal control procedures. We have obtained from management and the company's officials, the explanations and information necessary for executing our audit procedures. We have examined, on a test basis, the evidence supporting the amounts included in the consolidated financial statements. We have assessed the appropriateness of the accounting policies and consolidation principles, the reasonableness of the significant accounting estimates made by the company, as well as the overall presentation of the consolidated financial statements. We believe that these procedures provide a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year 2008 give a true and fair view of the group's assets and liabilities, its financial position, the results of its operation and cash flow, in accordance with International Financial Reporting Standards as adopted by the European Union.

Without qualifying our opinion, we draw attention to disclosure I to the financial statements with respect to non-current financial assets, where management clarifies the applied valuation technique and underlying assumptions, as well as the financial impact hereof. In the context of the actual financial environment, we emphasize the inherent uncertainty relating to these assumptions, as well as the effect on the financial statements.

Additional statements

The preparation of the consolidated Directors' report and its content are the responsibility of management.

Our responsibility is to supplement our report with the following additional statements which do not modify our audit opinion on the consolidated financial statements:

- The consolidated Directors' report includes the information required by law and is consistent with the consolidated financial statements. We are, however, unable to comment on the description of the principal risks and uncertainties which the consolidated group is facing, and of its financial situation, its foreseeable evolution or the significant influence of certain facts on its future development. We can nevertheless confirm that the matters disclosed do not present any obvious inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, April 3, 2009

BDO Atrio Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory Auditor
Represented by Hans Wilmots and Gert Claes

9.1.2 Consolidated Financial Statements

Melexis NV Consolidated balance sheets

		December 31st 2008 EUR	2007 EUR	2006 EUR
ASSETS				
Current assets				
	Cash, and cash equivalents (Note 9.2.4.a)	8.129.385	15.265.123	15.897.705
	Current investments (Note 9.2.4.b)	2.144.695	18.837.646	32.365.879
	Accounts receivable –trade (Note 9.2.4.c)	28.111.606	34.423.242	29.460.370
	Accounts receivable –Related companies (Note 9.2.4.ab)	7.085.686	3.426.874	4.425.046
	Inventories (Note 9.2.4.d)	34.370.919	34.890.286	29.679.962
	Other current assets (Note 9.2.4.f)	9.743.823	6.258.432	6.305.122
Total current assets		89.586.113	113.101.603	118.134.084
Non current assets				
	Intangible assets (Note 9.2.4.g)	465.893	1.101.125	2.516.353
	Property, plant and equipment (Note 9.2.4.h)	45.028.581	46.412.230	41.549.207
	Financial assets (Note 9.2.4 i)	10.750.000		
	Other non-current assets	59.801	66.959	81.455
	Deferred taxes (Note 9.2.4.w)	11.550.161	8.306.305	7.384.520
Total non current assets		67.854.435	55.886.619	51.531.535
TOTAL ASSETS		157.440.548	168.988.222	169.665.619
LIABILITIES				
Current liabilities :				
	Bank loans and overdrafts (Note 9.2.4.l)	-	7.650.000	-
	Derivative financial instruments	2.482.814		
	Current portion of long-term debt (Note 9.2.4.m)	15.152.217	15.072.360	15.149.403
	Accounts payable – trade	5.737.071	8.449.538	7.377.902
	Accounts payable –related companies (Note 9.2.4.ab)	2.342.943	4.971.771	6.084.925
	Accrued expenses, payroll and related taxes (Note9.2.4.j)	4.398.826	4.462.679	7.334.834
	Provisions	834.201		
	Deferred tax liabilities	371.425	249.387	
	Other current liabilities	1.024.328	1.102.888	253.475
	Deferred income (Note 9.2.4.k)	569.263	702.973	805.686
Total current liabilities		32.913.088	42.661.596	37.006.225
Non current liabilities				
	Long-term debt less current portion (Note 9.2.4.m)	62.989.876	48.169.427	63.034.222
	Minority interests	10.471	10.471	10.471
Total non current liabilities		63.000.347	48.179.898	63.044.693
Shareholders' capital		564.814	564.814	564.814
Share premium		-	-	-
Reserve treasury shares		(17.757.337)	(5.585.985)	(5.585.985)
Revaluation reserve Hedge		(957.260)	-	-
Revaluation reserve Fair value		(3.525.444)	(1.428.962)	-
Legal reserve		56.520	56.520	56.520
Retained earnings		61.847.277	49.719.724	40.863.212
Current year's profit		22.451.406	37.084.033	34.526.601
Cumulative translation adjustment		(1.152.862)	(2.263.416)	(810.461)
Total shareholders' equity (Note 9.2.4.n)		61.527.114	78.146.728	69.614.701
TOTAL LIABILITIES		157.440.548	168.988.222	169.665.619

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

Melexis NV Consolidated Income Statements

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Product sales	183.915.091	202.231.461	198.101.095
Revenues from Research and Development (Note 9.2.4.y)	1.634.252	1.823.707	3.400.623
Cost of sales (Note 9.2.4.p)	(109.632.484)	(119.253.367)	(116.900.172)
Gross margin	75.916.859	84.801.801	84.601.546
Impairment of Goodwill	-	-	-
Research and development expenses (Note 9.2.4.q)	(29.524.991)	(29.792.249)	(27.603.546)
General and administrative expenses (Note 9.2.4.r)	(10.743.975)	(11.003.868)	(9.789.574)
Selling expenses (Note 9.2.4.s)	(5.254.876)	(6.023.534)	(4.859.789)
Other operating expenses (net) (Note 9.2.4.z)	(834.201)	2.886.460	-
Income from operations (EBIT)	29.558.817	40.868.609	42.348.637
Financial income (Note 9.2.4.v)	7.203.397	6.863.495	4.035.078
Financial charges (Note 9.2.4.v)	(13.891.995)	(8.446.659)	(6.510.146)
Other expenses (net)	-	-	-
Income before taxes	22.870.220	39.285.446	39.873.099
Income taxes (Note 9.2.4.w)	(418.814)	(2.201.412)	(5.346.498)
Minority interest	-	-	-
Net income of the period	22.451.406	37.084.033	34.526.601
Earnings per share (Note 9.2.4.x)	0,52	0,86	0,80

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

Melexis NV Consolidated Statements of Changes in Equity

	Number of Shares	Share capital EUR	Share Premium EUR	Legal reserve EUR	Retained Earnings EUR	Reserve treasury shares EUR	Fair value adjustment Reserve	CTA EUR	Total Equity EUR
Net income					21.640.134				21.640.134
CTA movement								(316.580)	(316.580)
Interim dividend					(22.800.000)				(22.800.000)
Reserve treasury shares						(3.087.697)			(3.087.697)
December 31,2002	45.600.000	565.197	30.135.419	56.520	59.554.805	(3.087.697)		(356.813)	86.867.431
Net income					24.578.657				25.578.657
CTA movement								(643.221)	(643.221)
Interim dividend					(22.320.788)				(22.320.788)
Reserve treasury shares						(2.328.668)			(2.328.668)
December 31,2003	45.600.000	565.197	30.135.419	56.520	61.812.674	(5.416.365)		(1.000.034)	86.153.411
Net income					24.875.778				24.875.778
CTA movement								(463.115)	(463.115)
Dividend					(11.943.402)				(11.943.402)
Reserve treasury shares						(5.409.282)			(5.409.282)
Destruction own shares					(8.210.386)				(8.210.386)
Capital increase		32.255.905	(30.135.419)						2.120.486
Capital decrease		(32.256.288)							(32.256.288)
December 31, 2004	44.565.195	564.814	-	56.520	66.534.664	(10.825.647)		(1.463.149)	54.867.202

Melexis NV Consolidated Statements of Changes in Equity (continued)

	Number of Shares	Share capital	Share Premium	Legal reserve	Retained Earnings	Reserve treasury shares	Fair value adjustment Reserve	CTA	Total Equity
		EUR	EUR	EUR	EUR	EUR		EUR	EUR
Net income					28.156.849				28.156.849
CTA movement								889.135	889.135
Dividend					(21.620.925)				(21.620.925)
Reserve treasury shares						10.311.855			10.311.855
Destruction own shares					(10.825.648)				(10.825.648)
December 31, 2005	43.241.860	564.814	-	56.520	62.244.940	(513.792)		(574.014)	61.778.468
Net income					34.526.601				34.526.601
CTA movement								(236.447)	(236.447)
Dividend					(21.391.741)				(21.391.741)
Reserve treasury shares						(5.072.193)			(5.072.193)
Other					10.013				10.013
December 31, 2006	43.241.860	564.814	-	56.520	75.389.813	(5.585.985)		(810.461)	69.614.701
Net income					37.084.033				37.084.033
CTA movement								(1.452.955)	(1.452.955)
Dividend					(25.670.089)				(25.670.089)
Fair value adjustments through equity							(1.428.962)		(1.428.962)
December 31, 2007	43.241.860	564.814	-	56.520	86.803.757	(5.585.985)	(1.428.962)	(2.263.416)	78.146.728
Net income					22.451.406				22.451.406
CTA movement								1.110.555	1.110.555
Dividend					(24.956.480)				(24.956.480)
Reserve treasury shares						(12.171.353)			(12.171.353)
Hedge reserves (1)							(957.260)		(957.260)
Fair value adjustments through equity (2)							(2.096.482)		(2.096.482)
December 31, 2008	43.241.860	564.814	-	56.520	84.298.683	(17.757.337)	(4.482.704)	(1.152.862)	61.527.114

(1) Hedge reserves gross: EUR (1.450.174) (notes e)
Deferred tax effect EUR 492.914 (notes w)

(2) Fair value adjustments:
Current year EUR 3.525.444 (note b)
Fair value last year has been reversed for an amount of EUR 1.428.962

Since November 2002, Melexis NV has given order to a bank to start a share buy back program.
In 2002 Melexis NV repurchased 530.000 shares and 428.482 in 2003 at an average price of EUR 5,73 in 2002 and EUR 5.43 in 2003. In 2004 Melexis NV repurchased 430.000 shares over-the-counter (OTC) at an average price of EUR 8,90, from which 310.000 shares were purchased from Elex NV. Melexis NV also repurchased 969.658 shares at an average price of EUR 8,89 on the regulatory stock market. The total own shares in 2004 amounted to 1.399.658 shares representing 3,14 % of the total outstanding shares. In accordance with IFRS, the treasury shares are presented as a deduction from equity. During the Extraordinary Shareholders meeting of April 20th, 2004 it was decided to cancel 1.034.805 treasury shares, bringing the total outstanding shares to 44.565.195 at the end of 2004. Melexis NV Extraordinary Shareholders Meeting of October 4th, 2004 decided to increase the capital, bringing it from EUR 565.197 to EUR 32.821.102, by means of incorporation in the capital of the issue premiums for an amount of EUR 32.255.905. It was then decided to decrease the capital by an amount of EUR 32.256.288, by repayment to each existing share of an amount of EUR 0,72. It was also decided to pay an additional gross dividend to the shareholders of EUR 0,28 per share. During the extraordinary Shareholders Meeting of July 14th, 2005, it was decided to cancel 1.323.335 Treasury shares, bringing the total outstanding shares to 43.241.860 at the end of 2005. During the year 2006 Melexis NV repurchased 406.378 shares at an average price of EUR 12,48. No purchases of own shares were done during 2007. Total own shares at the end of 2007 amount to 458.378 representing 1,06% of the total outstanding shares. During the years 2006 and 2007 no own shares have been cancelled. As such, at the end of the year 2007 the total number of outstanding shares is still 43.241.860. During the year 2008 Melexis NV repurchased 1.245.335 shares at an average price of EUR 9.78. Total own shares at the end of 2008 amount to 1.703.713 representing 3.94% of the total outstanding shares.

Melexis NV Consolidated Statements of Cash Flows

(indirect method)	December 31st 2008 EUR	 2007 EUR	 2006 EUR
Cash flows from operating activities			
Net profit	22.451.406	37.084.033	34.526.601
Adjustments for operating activities:			
Deferred taxes	(3.243.855)	(921.785)	(1.230.834)
Unrealized exchange results	772.166	(328.696)	312.370
Provisions	3.209.457	7.725	-
Government grants	767.950	255.146	1.096.877
Depreciations	11.780.976	11.693.085	10.913.614
Impairments		-	-
Financial results	1.410.358	1.375.933	1.338.366
Operating profit before working capital changes	37.148.458	49.165.441	46.675.861
Accounts receivable, net	6.937.788	(5.847.369)	(4.145.443)
Other current assets	(4.196.138)	(311.168)	(1.877.841)
Other non-current assets	7.158	14.495	1.942
Due to (from) related companies	(6.287.640)	(114.982)	(1.611.177)
Due (to) from related companies	2.628.829		
Accounts payable	(2.861.317)	1.230.407	268.198
Accrued expenses	3.018.812	966.197	6.330.546
Other current liabilities	1.569.033	1.098.800	-
Inventories	(1.210.509)	(5.917.077)	(1.521.246)
Interest paid	(3.653.161)	(3.229.929)	(2.757.001)
Income tax	(3.582.665)	(3.816.772)	(4.420.874)
Net cash from operating activities	26.889.818	33.238.043	36.942.965
Cash flows from investing activities :			
Financial fixed assets (incl. own shares)	(12.171.353)	-	(5.072.193)
Purchase of property plant and equipment and intangible assets	(9.509.600)	(15.140.880)	(15.490.328)
Interest received	1.470.637	2.182.692	1.106.264
Investments/proceeds/ from current investments	3.846.469	12.099.272	(32.365.879)
Acquisition of subsidiary		-	-
Net cash used in investing activities	(16.363.847)	(858.916)	(51.822.136)
Cash flows from financing activities :			
Repayment from long-term debts	14.900.307	(14.941.839)	(1.646.317)
Proceeds of long-term debts			42.205.358
Repayment of bank loans and overdrafts	(7.650.000)	7.650.000	-
Proceeds from (repayment of) related party financing			-
Dividend payment	(24.956.480)	(25.670.089)	(21.391.741)
Capital decrease	-	-	-
Minorities	-	1	458
Net cash used in financing activities	(17.706.173)	(32.961.927)	19.167.758
Effect of exchange rate changes on cash	44.463	(49.782)	(47.844)
(Decrease) increase in cash	(7.135.738)	(632.582)	4.521.876
Cash at beginning of the period	15.265.123	15.897.705	11.375.829
Cash at end of the period	8.129.385	15.265.123	15.897.705
Cash at end of the period minus cash at beginning of the period	(7.135.738)	(632.582)	4.521.876

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

9.2 Notes to the consolidated financial statements

9.2.1 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 in the Automotive Industry in Europe, Asia and North America.

The Melexis group of companies employed, on average 772 in 2008, 763 in 2007 and 696 in 2006.

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 10th, 2009 in Antwerp.

9.2.2 Summary of Significant Accounting Policies

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

Basis of preparation

The accompanying consolidated financial statements are prepared in accordance with the International Financial Reporting Standards as adopted by the EU.

They are prepared under the historical cost convention, except that investments available-for-sale are stated at their fair value as disclosed in the accounting policies hereafter.

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.

Measurement currency

The measurement currency of Melexis NV has been determined to be the EURO. To consolidate the company and each of its subsidiaries financial statements of foreign consolidated subsidiaries, with a non EUR currency, are translated at year-end exchange rates with respect to the balance sheet and at the average exchange rate for the year with respect to the income statements. All resulting translation differences are included in a translation reserve in equity.

Foreign currency

Foreign currency transactions

Each entity within the group translates its foreign currency transactions and balances into its measurement currency by applying to the foreign currency amount the exchange rate between the measurement currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognized in the income statement in the period in which they arise.

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 measurement currency of Melexis NV and of its subsidiaries Melexis Tessenderlo NV, Melexis GmbH and Melexis BV is the EURO. The measurement currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) and for Melexis Bulgaria Ltd. the Bulgarian Leva (Bgn). The measurement currency for Sentron AG and for Melexis Technologies SA is the Swiss Franc (CHF). For the Philippine branch of Melexis NV the measurement currency is the Philippinian Peso (PHP), for the Japanese branch the Japanese Yen (JPY) and for the Hong Kong branch the Hong Kong Dollar (HKD).

Assets and liabilities of Melexis Inc., Melexis Ukraine, Melexis Bulgaria Ltd, Sentron AG and Melexis Technologies SA, 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.

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 unrealized 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 Ukraine, Melexis BV (incorporated respectively in 1999, 2000 and 2001), 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, Melexis Bulgaria Ltd., which was acquired in October 2000, and Sentron AG which was acquired in February 2004.

During the year 2005 a new subsidiary Melefin NV was constituted by means of a contribution in kind of the shares of Melexis Tessenderlo NV. As such Melexis Tessenderlo became a granddaughter of Melexis NV. On January 31st, 2006 Melexis GmbH acquired Melexis Tessenderlo NV from Melefin NV.

Also during 2006 the Swiss branch Office Bevaix of Melexis NV was transformed in a separate legal entity: Melexis Technologies SA.

During 2007 a branch has been set up in Hong Kong and a separate legal entity has been incorporated in Japan.

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.

Receivables

Receivables are stated at the fair value of the consideration given and are carried at amortized cost, after provision for doubtful accounts.

Hedging

The company applies hedge accounting for a part of its financial instruments as defined under IAS 39.
The hedges whereby hedge accounting is applied are cash flow hedges. Provided the hedge is effective, changes in the fair value of the hedging instrument are initially recognized in a 'hedging reserve' in equity. At maturity they are transferred to the profit and loss statement. The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognized directly in profit or loss.
The table with outstanding derivatives at year-end is disclosed in note e.

Derivative financial instruments

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss. The table with outstanding derivatives at year-end is disclosed in note e.

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 realizable 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. Unrealizable 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	5 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 methods 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.

Investments

The company adopted IAS 39, Financial Instruments: Recognition and Measurement on January 1st,2001.

The group classifies its investments in the following categories: financial assets at fair value through profit or loss; loans and receivables; held-to-maturity investments; and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

(a) Financial assets at fair value through profit or loss

This category comprises financial assets held for trading which have been acquired principally for the purpose of selling in the short term. Derivatives also fall within this category unless they are designated as hedges and the hedge is effective for accounting purposes. Assets in this category are classified as current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are included in non-current assets unless the investment is due to mature within 12 months of the balance sheet date or unless the investment is considered as very liquid.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in current or non-current assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and held-to-maturity investments are subsequently carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are included in the income statement in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the income statement as gains and losses from investment securities.

Intangible Assets

Intangible assets are measured initially at cost. Intangible assets are recognized 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 amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end. Amortization of intangible assets is shown as a separate line item in operating charges.
Amounts paid for licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful life of licenses is 5 years.

Goodwill

The excess of the cost of an acquisition over the company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet. The identifiable assets and liabilities recognized upon acquisition are measured at their fair values as at that date. Any minority interest is stated at the minority's proportion of the fair values. Any goodwill arising on the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign entity are treated as assets and liabilities of the company. Goodwill is carried at cost less accumulated impairment losses. Impairment of goodwill is included in operating profit.

Research and Development Costs

According to IAS 38 Par. 54 all research costs must be charged to expense. Expenditure for development costs is also recognized as an expense when incurred and not capitalized, since not all criteria set forth by IAS 38 Par. 57 are met. Indeed as of today, the company has no analytical tools in place to distinguish on a reliable basis the research phase from the development phase.

Equity

Treasury shares are presented in the balance sheet as a deduction from equity. The acquisition of treasury shares is presented as a change in equity. No gain or loss is recognized in the income statement on the sale, issuance, or cancellation of treasury shares. Consideration received is presented in the financial statements as a change in equity.

Provisions

A provision is recognized 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.

Restructuring provision is recorded in compliance with IFRS 37 § 72-75.

Reserves

Capital reserves represent the legal reserve of the parent company and are in accordance with the Belgian law. The translation reserve is used for translation differences arising on consolidation of financial statements of foreign entities.

Minority interests

Minority interests include the third party interests in the fair values of identifiable assets and liabilities recognized upon acquisition of a subsidiary as well as the minority share of the result of the year and retained earnings.

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 of all contractual conditions.

Borrowing costs

Borrowing costs are expensed as incurred.

Government Grants

Government grants are deferred and amortized 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.
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 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 based on tax rates enacted or substantially enacted at the balance sheet date.
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 recognized regardless of when the timing difference is likely to reverse. Deferred tax assets are not discounted and are classified as non current assets in the balance sheet.
Deferred tax assets are recognized 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. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized.
A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortization is not deductible for tax purposes.

Impairment of assets

Property, plant and equipment, intangible assets and goodwill 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 recognized 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 recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased.

Segments

For management purposes Melexis is organized on a worldwide basis into two major operating businesses. The divisions are the basis upon which Melexis reports its primary segment information. Financial information on business and geographical segments is presented in Note AA.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.
A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date, (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.

Adoption of new and revised standards

Melexis has not adopted and does not intend to early adopt the following pronouncements, which have been issued by the IASB or the International Financial Reporting Interpretations Committee ("IFRIC"), but have not yet been endorsed for use in the EU.

IAS 1 Presentation of Financial Statements (annual periods beginning on or after 1 January 2009). This Standard replaces IAS 1 Presentation of Financial Statements (revised in 2003) as amended in 2005.

Amendment to IAS 27 Consolidated and Separate Financial Statements (applicable for annual periods beginning on or after 1 July 2009). This Standard amends IAS 27 Consolidated and Separate Financial Statements (revised 2003).

Amendment to IFRS 2 – Vesting Conditions and Cancellations (applicable for annual periods beginning on or after 1 January 2009).

Amendments to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable financial instruments an obligations arising on liquidation (annual periods beginning on or after 1 January 2009).

IFRS 3 Business Combinations (applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). This Standard replaces IFRS Business Combinations as issued in 2004.

IFRS 8 Operating Segments (applicable for accounting years beginning on or after 1 January 2009)

Amendment to IAS 23 Borrowing Costs (applicable for accounting years beginning on or after 1 January 2009)

IFRIC 11 IFRS 2 Group and Treasury share Transactions (applicable for accounting years beginning on or after 1 March 2007)

IFRIC 12 Service Concession Arrangements (applicable for accounting years beginning on or after 1 January 2008)

IFRIC 13 Customer Loyalty Programmes (applicable for accounting years beginning on or after 1 July 2008)

IFRIC 14 'IAS 19—The limit on a defined benefit asset, minimum funding requirements and their interaction' (applicable for accounting years beginning on or after 1 January 2008)

9.2.3 Changes in Group's Organization

On January 31st, 2006 Melexis GmbH acquired Melexis Tessenderlo NV from Melefin NV. Also during 2006 the Swiss branch Office Bevaix of Melexis NV was transformed into a separate legal entity: Melexis Technologies SA. On November 28th, 2006 Melexis Technologies SA transferred part of its activities to Melexis Tessenderlo NV through incorporation in kind in the capital of Melexis Tessenderlo NV. As a result of this transaction, Melexis Technologies SA acquired 56% of the capital of Melexis Tessenderlo NV, reducing the share of Melexis GmbH from 100% to 44%. In 2007 the Hong Kong branch and the new legal entity in Japan opened. On December 12th, 2008 Melexis Technologies SA transferred again part of its activities to Melexis Tessenderlo NV through incorporation in kind in the capital of Melexis Tessenderlo NV. As a result of this transaction, Melexis Technologies SA increased its share in the capital of Melexis Tessenderlo NV from 56% to 66%, reducing the share of Melexis GmbH from 44% to 34%.

9.2.4 Notes

A Cash and cash equivalents

	December 31st			
	2008 EUR	2007 EUR	2006 Restated (*) EUR	2006 Original (*) EUR
Cash at bank and in hand	8.129.385	14.962.954	15.897.705	15.897.705
Cash equivalents	-	302.169	-	32.365.879
Total	8.129.385	15.265.123	15.897.705	48.263.584

(*) In the annual report 2006, note 9.2.4 A Cash and cash equivalents showed a cash equivalent amount of 32.365.879 EUR at 31 December 2006. The correct entry for this amount is note 9.2.4 B – Current investment in order to be in line with the presented balance sheet.

B Current investments

	December 31st			
	2008 EUR	2007 EUR	2006 Restated (*) EUR	2006 Original (*) EUR
Current Investments	2.144.695	18.837.646	32.365.879	-

(*) In the annual report 2006, note 9.2.4 A Cash and cash equivalents showed a cash equivalent amount of 32.365.879 EUR at 31 December 2006. The correct entry for this amount is note 9.2.4 B – Current investment in order to be in line with the presented balance sheet.

	Cost	Fair Value
Assets held to maturity	-	-
Assets available for sale	5.311.038	1.785.594
Derivatives	-	359.040
Total	5.311.038	2.144.634

In principle, Melexis' current investments are classified as assets available for sale. According to IAS 39, the difference between the purchase price and the fair value of current investments classified as available for sale is recognized directly into equity. As of December 31st, 2008 this fair value adjustment resulted in a loss (decrease of equity) amounting to 3.525.444 EUR. The fair value of these assets amounted to 1.785.594.

Melexis' financial derivatives (section E) are classified as assets held for trading. The fair value changes for those derivatives where no hedge accounting is applicable are immediately recognized in financial profit and loss. As of December 31st, 2008 the fair value of the financial derivatives recognized as asset under current investments amounted to 359.040 EUR.

As of December 31st, 2008 Melexis had no assets in portfolio classified as investments held to maturity.

C Trade receivables

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Trade accounts receivable	29.929.090	36.257.317	31.292.460
Allowance for doubtful accounts	(1.817.484)	(1.834.075)	(1.832.090)
Total	28.111.606	34.423.242	29.460.370

D Inventories

	December 31st 2008 EUR	2007 EUR	2006 EUR
Raw materials and supplies, at cost	2.222.702	4.169.077	12.409.863
Work in progress, at cost	22.584.832	25.934.575	16.587.499
Finished goods, at cost	10.899.702	4.839.925	1.534.607
Reserve for obsolete stock	(1.336.317)	(53.291)	(852.007)
Net	34.370.919	34.890.286	29.679.962

E Derivatives

Notional amounts

The following table presents the evolution of the aggregate notional amounts of the Group's derivative financial instruments outstanding:

		December 31st 2008	2007	2006
Outstanding FX hedge contracts per 31st December, not exceeding 1 year	USD	20.750.000	12.750.000	13.000.000
Outstanding Interest hedge contracts per 31st December, exceeding 1 year	EUR	75.000.000	-	-
Outstanding Inflation hedge contracts per 31st December, exceeding 1 year	EUR	8.400.000	8.400.000	-

Fair value

The fair value of derivatives is based upon market to market valuations.

The following table presents an overview of the fair value of outstanding derivatives per category per 31 December 2008:

	December 31st	
Fair value of instruments through profit & loss	**2008 Fair value EUR**	**2007 Fair value EUR**
Outstanding FX hedge contracts per 31st December	(788.606)	123.917
Outstanding Interest hedge contracts per 31st December	(244.034)	-
Outstanding Inflation hedge contracts per 31st December	359.040	446.842
Total	(673.600)	570.759
Fair value of instruments through equity (hedge accounting IAS 39)	**Fair value EUR**	**Fair value EUR**
Outstanding FX hedge contracts per 31st December	-	-
Outstanding Interest hedge contracts per 31st December	(1.450.174)	-
Outstanding Inflation hedge contracts per 31st December	-	-
Total	(1.450.174)	-

F Other Current Assets

	December 31st		
	2008 EUR	**2007 EUR**	**2006 EUR**
Other receivables	8.246.276	5.985.134	6.130.569
Prepaid expenses	1.497.547	273.298	174.553
Total	9.743.823	6.258.432	6.305.122

G Intangible Assets

	December 31st	
	Licenses EUR	**Total EUR**
Acquisition value		
Balance end of previous period	7.536.438	7.536.438
Additions of the period	343.294	343.294
Retirements(-)	-	-
Transfers	-	-
CTA	-	-
TOTAL	7.879.732	7.879.732
Depreciation	-	-
Balance end of previous period	6.435.313	6.435.313
Additions of the period	978.527	978.527
Retirements(-)	-	-
Transfers	-	-
TOTAL	7.413.840	7.413.840
NET BOOK VALUE	465.893	465.893

H Property, plant and equipment

December 31st 2008	Land and buildings EUR	Machinery and equipment EUR	Furniture and vehicles EUR	Fixed assets under Construction EUR	Total EUR
Cost:					
Beginning of the period	17.087.380	92.508.965	4.684.060	6.790.193	121.070.597
Additions of the year	178.232	5.984.907	346.191	3.067.218	9.576.549
Retirements	-	(986.372)	(329.211)	-	(1.315.582)
Transfers	5.656.934	2.029.222	97.457	(7.783.613)	-
CTA	(58.237)	66.637	(66.339)	(74.077)	(132.016)
End of the period	22.864.309	99.603.359	4.732.158	1.999.722	129.199.548
Accumulated depreciation:					
Beginning of the period	3.756.270	67.856.872	2.990.259	54.968	74.658.368
Additions of the period	876.954	9.407.138	518.357	-	10.802.449
Retirements	-	(876.845)	(268.312)	-	(1.145.157)
Transfers	(45.295)	60.082	40.180	(54.968)	-
CTA	2.757	(111.932)	(35.517)	-	(144.692)
End of the period	4.590.686	76.335.314	3.244.967	-	84.170.967
NET BOOK VALUE	18.273.623	23.268.045	1.487.191	1.999.722	45.028.581

I Non Current Financial Assets

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Non Current Financial Assets	10.750.000	-	-

Disclosure CDO's

As of December 31st, 2008, the total of non current financial assets amounts to 10.750.000 EUR, being management's best estimate of the fair value of the portfolio of "Collateralized debt obligations" (CDO's), which was acquired in the course of 2006 (for a total value of 15.000.000 EUR).

In accordance with IAS 39, the above financial instruments are measured at fair value. Management has concluded that the market for the above financial instruments is non active since 2007. Following IAS 39, (including § 48-48A, AG 71-79 and the IASB Expert Advisory Panel paper on "measuring and disclosing the fair value of financial instruments in markets that are no longer active") the company has established fair value using a valuation technique.

In 2008 management has come to the conclusion that the use of a valuation technique, using only inputs from observable markets, whereby valuation is obtained based upon the comparison of credit spreads, does no longer meet the objective of fair value measurement, in accordance with the accounting guidance. The value, resulting from the application of such a valuation technique, using only data from observable markets, would have amounted to 871.409 EUR. In management's opinion and in applying judgment, such valuation technique insufficiently reflects relevant inputs which are not based on observable market data, such as estimated expected cash flows.

Therefore Melexis has valued the CDO portfolio based on a valuation technique using data and inputs from observable markets (based on the ratings of underlying assets), as well as inputs that are not based on observable market data, in order to arrive at fair value. This valuation technique, which includes the expected recoverability of the investment at expected maturity date, results in a fair value of 10.750.000 EUR.

The inputs from observable markets include the ratings of the underlying assets (bonds and asset backed securities) and known defaults. Inputs that are not based on observable markets include following assumptions:

- expected ABS losses
- expected corporate losses
- anticipated recovery rates

Management is of the opinion that the assumptions used could vary significantly as a result of the current uncertain situation in the global financial markets.

The expected maturity of the CDO-portfolio is 2016-2017. As of December 31, 2008, the invested capital in the CDO-portfolio is still intact and the portfolio still fully generates its interests (1.006.741 EUR in 2008).

As the above financial instrument contains embedded derivatives which can not be separately valued, the total investment is classified as a "held for trading" instrument, and the fair value adjustment of 4.250.000 EUR has been taken in the income statement of 2008.

It also has been decided to reclassify this instrument from current assets to non-current assets, since it is not probable that the market will again be active within the next twelve months.

Incorrect accounting in annual report 2007

In the 2007 annual report, the instrument was wrongly classified as "available for sale", instead of "held for trading". This has been corrected in the 2008 annual report.

Management is of the opinion that the impact of this correction is not "material" in accordance with IAS 8 §42, and has decided not to restate the 2007 income statement. Accordingly, the 2007 fair value adjustment through equity (1.382.957 EUR) has been reversed in the 2008 annual report, and recorded through the income statement of 2008, together with the fair value adjustment of 2008.

Incorrect accounting in annual report 2006

In the notes of the annual report of 2006, this instrument was erroneously presented as "cash and cash equivalent". This has been restated in note 9.2.4. (A and B) of the 2008 annual report.

In the balance sheet of 2006, the instrument was correctly classified as "current investment", so that there is no need for a restatement of the balance sheet of 2006.

J Accrued expenses, payroll and related taxes

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Vacation pay bonuses and 13th month	1.896.805	1.890.940	2.016.134
Other social accruals	938.475	231.991	292.167
Renumeration	36.154	237.545	10.832
Social security	116.737	141.889	42.559
Servicing costs	-	-	-
Direct and indirect taxes	974.147	1.459.324	4.234.520
Other	436.508	500.990	738.623
Total	4.398.826	4.462.679	7.334.834

K Deferred Income

December 31st

	2008 EUR	2007 EUR	2006 EUR
Capital grants	569.263	702.973	805.686
Total	569.263	702.973	805.686

L Bank loans and overdrafts

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Secured	-	7.650.000	-
Unsecured	-	-	-
Total	-	7.650.000	-

M Long and short term debts

	December 31st		
	2008 EUR	**2007 EUR**	**2006 EUR**
Secured loans			
Bank loan (in CHF) at floating interest rate; average rate for the year 2008 was 3,45 % (1) ;maturing in 2019	369.974	362.497	404.389
Bank loan (in EUR) at floating interest rate; average rate for the year 2008 was 5.64 % (2), maturing in 2033	2.613.326	2.719.994	2.588.875
Bank Loan (in USD) at fixed rate of 6 % (3), maturing in 2018	158.793	159.296	190.360
Bank loan in (EUR) at floating interest rate; average rate for the year 2008 was 5.19 % (4); maturing in 2011	45.000.000	60.000.000	75.000.000
Total secured loans	48.142.093	63.241.787	78.183.625
Unsecured loans			
Unsecured loans, maturing in 2013	30.000.000	-	-
Total unsecured loans	30.000.000	-	-
Total debt	78.142.093	63.241.787	78.183.625
Current maturities	15.152.217	15.072.360	15.149.403
Long-term portion of debts	62.989.876	48.169.427	63.034.222

(1) The loan is secured by a mortgage on the building of Bevaix, Switzerland.

(2) A secured loan was concluded for an amount of EUR 3.200.000 to finance the construction of an office building. A mortgage of EUR 3.200.000 is given on the building project.

(3) A secured loan was concluded for an amount of USD 300.000. This loan is secured by a mortgage on real estate from Melexis Inc.

(4) A secured loan was concluded for an amount of EUR 75.000.000. This loan is secured by the assets of Melexis GmbH.

As of December 31st, 2008 there are engagements for the following financial covenants:
For Melexis NV:

- Net debt/EBITDA ratio ≤ 2
- Tangible net worth/total assets ≥ 35%
- Available cash flow/debt service ratio ≥ 110%

For Melexis Tessenderlo NV and Melexis GmbH on a combined basis:

- Net debt/EBITDA ≤ 3

Repayment of debts as of December 31st, 2008 are scheduled as follows:

	December 31st
	2008 EUR
2009	15.152.217
2010	15.154.449
2011	15.155.286
2012	156.175
2013	30.157.118
Thereafter	2.366.848
TOTAL	78.142.093

N Shareholders' equity and rights attached to the shares

As of December 31st, 2008 the common stock consisted of 43.241.860 issued and outstanding ordinary shares without face value.
Each shareholder 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 statutory 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% of its profits for the financial year until such reserve has reached an amount equal to 10% 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.

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.

O Government grants

The government grants mentioned below consist of capital grants and operational grants recorded as other income. Capital grants are recognized as other income in relation to the depreciation period of the underlying assets. The operational grants are recognized as other income when acquired.

	December 31st		
	2008 EUR	**2007 EUR**	**2006 EUR**
Investment grants in building, machinery and employment grants	348.115	571.279	550.855
Grants for research and development	767.950	460.026	545.021
Total	1.116.065	1.031.305	1.095.877

P Cost of sales

Cost of sales include of the following expenses:

	December 31st		
Cost of Sales	**2008 EUR**	**2007 EUR**	**2006 EUR**
Purchases	80.541.490	92.901.016	92.330.200
Transportation costs	2.819.108	3.096.843	2.430.284
Salaries	10.209.713	9.285.571	8.237.142
Depreciation and amortization	9.911.377	7.423.232	6.593.293
Other direct production costs	6.150.725	6.834.664	7.309.253
Total	109.632.484	119.253.367	116.900.172

Q Research and development expenses

Research and development expenses include the following expenses: December 31st

Research and development costs	2008 EUR	2007 EUR	2006 EUR
Salaries	17.001.632	15.971.718	13.813.122
Depreciation and amortization	3.307.925	3.140.197	3.141.272
External Services	4.368.180	5.051.381	5.331.888
Prototype Wafers	1.484.854	2.000.099	2.011.607
Fees	1.440.064	1.273.931	970.537
Other	1.922.336	2.354.923	2.335.120
Total	29.524.991	29.792.249	27.603.546

R General and administrative expenses

General and administration expenses include the following expenses: December 31st

General and administrative expenses	2008 EUR	2007 EUR	2006 EUR
Salaries	2.933.297	2.894.255	2.284.347
Depreciation and amortization	878.478	1.079.082	860.628
External Services	1.917.933	2.184.844	2.402.589
Fees	819.834	952.536	663.267
Other	4.194.433	3.893.151	3.578.741
Total	10.743.975	11.003.868	9.789.574

S Selling expenses

Selling expenses include the following expenses: December 31st

Selling expenses	2008 EUR	2007 EUR	2006 EUR
Salaries	2.846.901	2.875.355	2.143.627
Depreciation and amortization	58.452	50.575	25.767
Commissions	677.090	833.227	915.027
Other	1.672.432	2.264.377	1.775.368
Total	5.254.876	6.023.534	4.859.789

T Personnel expenses and average number of employees

December 31st

	2008 EUR	2007 EUR	2006 EUR
Wages and salaries	32.991.543	31.026.899	26.478.238
Total	32.991.543	31.026.899	26.478.238

The average number of employees is 772 in 2008, 763 in 2007 and 696 in 2006.

U Depreciation and amortization expenses

Depreciation and amortization include the following expenses:

	December 31st 2008 EUR	2007 EUR	2006 EUR
Cost of sales	9.911.377	7.423.232	6.885.947
Research and development	3.307.891	3.140.197	3.141.272
General and administration	878.478	1.079.082	860.628
Selling	58.452	50.575	25.767
Other operating expenses (1)	834.201		
Total	14.990.399	11.693.086	10.913.614

(1) In 2008, a provision was recorded based on a planned global workforce reduction of 10%, the major portion of which will be achieved in HY1/09

V Net Financial Result

	December 31st 2008 EUR	2007 EUR	2006 EUR
Financial income:	(7.203.397)	(6.863.495)	(4.035.078)
- interest income	(1.470.637)	(2.107.270)	(1.272.334)
- exchange differences	(5.333.967)	(4.019.873)	(2.015.755)
- result on financial instruments including fair value adjustments	(235.791)	(570.784)	-
- dividend	-	-	-
- other	(163.003)	(165.568)	(746.989)
Financial charges:	13.891.995	8.446.659	6.510.146
- interest charges	3.798.454	3.364.272	2.703.576
- bank charges	126.912	117.228	540.273
- exchange differences	5.659.002	4.916.101	3.236.101
- impairment	4.250.000	-	-
- other	57.627	49.058	30.196
Net financial results	6.688.598	1.583.164	2.475.068

W Income taxes

The income tax expenses can be detailed as follows:

	December 31st 2008 EUR	2007 EUR	2006 EUR
Current tax expenses	(3.169.756)	(3.123.197)	(6.577.332)
Deferred tax income	2.750.942	921.785	1.230.834
Total	(418.814)	(2.201.412)	5.346.498

In 2008, Melexis Technologies SA transferred part of its IP portfolio to Melexis Tessenderlo NV at market value by means of a contribution in kind. This transaction resulted in intangible assets in the Melexis Tessenderlo NV statutory financial statements of EUR 71.2 mio. This amount, which is eliminated in consolidation, results in tax deductible amortization charges at Melexis Tessenderlo NV. Taken into account the domestic tax rate of 33,99%, the deferred tax effect linked to said transaction could amount to approximately EUR 24.1 mio at year end 2008. Past transactions resulted in similar deferred tax effects amounting to approximately EUR 30.7 mio at year end 2008.

In accordance with the valuation rules on deferred taxes, and consistent with prior years, the company assessed to which extent it is probable that these tax savings will be realizable in the future. Taken into account the uncertainties related to the rapid technological evolutions in the sector, the highly competitive market, and the fact that the company only has short term contracts with its customers, The Board of Directors decided to recognize a cumulative deferred tax asset of EUR 8.837.000, which reflects the budgeted usage of the temporary difference over the coming year 2009. Accordingly the unrecognized deferred tax asset resulting from these transactions amounts to approximately EUR 46 mio at year end 2008.

An additional deferred tax asset amounting to EUR 1.8 mio and deferred tax liability amounting to EUR 0.1 mio have been set up to take into account the deferred tax effect resulting from fair value adjustments related to financial instruments.

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

	December 31st		
	2008 EUR	**2007 EUR**	**2006 EUR**
Income before taxes	22.870.220	39.285.446	39.873.099
Expected taxes at domestic rate	9.885.595	13.353.123	13.552.866
Differential foreign tax rates	-	(1.256.876)	-
Difference group to statutory			
Goodwill Melexis Tessenderlo	(671.548)	(671.548)	(4.596.129)
Intangible assets Melexis Tessenderlo	(3.753.058)	(3.620.857)	-
Goodwill Melexis GmbH	-	-	(606.064)
Fair value adjustments financial instruments	422.958	-	-
Miscellaneous	151.868	-	-
Tax effect of disallowed expenses	1.595.078	140.647	873.050
Notional interest deduction	(4.501.199)	(3.754.146)	(2.188.583)
Investment deduction	(605.516)	(1.188.931)	(535.642)
Miscellaneous (a.o. prior tax years' adjustments)	523.540	-	-
Recognition of additional deferred tax asset	(2.750.942)	(800.000)	(1.153.000)
Recognition of additional deferred tax liability	122.038	-	-
Effective taxes	418.814	2.201.412	5.346.498

Components of deferred tax assets are as follows:

Deferred tax assets related to	1 January 2008 EUR	Charged to income statement EUR	Charged to equity	Cumulative Translation Adjustments EUR	31 Dec. 2008 EUR
Tax amortization charges	7.980.000	857.000	-	-	8.837.000
Fair value adjustments financial instruments	-	350.994	-	-	350.994
Fair value adjustments hedge accounting	-	-	492.914	-	492.914
Impairment CDO	-	1.444.575	-	-	1.444.575
Tax losses	326.305	98.373	-	-	424.678
Total	8.306.305	2.750.942	492.914	-	11.550.161

Components of deferred tax liabilities are as follows:

	1 January 2008 EUR	Charged to income statement EUR	Charge to equity	Cumulative Translation Adjustments EUR	31 Dec. 2008 EUR
Miscellaneous	249.387	122.038	-	-	371.425
Total	249.387	122.038	-	-	371.425

X Earnings per share

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of EUR 22.451.406 in 2008, EUR 37.084.033 in 2007 and EUR 34.526.601 in 2006 by the weighted average number of ordinary shares outstanding during the period (43.241.860 in 2008, 43.241.860 in 2007 and 43.241.860 in 2006).

There were no material share transactions or potential share transactions, which occurred after balance sheet date.

Y Research and development revenues

These revenues include contracted Research and Development revenues for specific product developments and revenues from in-depth knowledge of future automotive applications (such as knowledge sharing, market studies and acquisition advice) which result from general specific research done by Melexis NV.

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Research and development revenues-product developments	1.634.252	1.823.707	3.400.623
Research and development revenues – other	-	-	-
Total	1.634.252	1.823.707	3.400.623

Z Other operating expenses

	December 31st		
	2008 EUR	2007 EUR	2006 EUR
Other operating expenses	(834.201)	(2.886.460)	-
Total	(834.201)	2.886.460	-

AA Segment information

Segment information is prepared on the following basis:

A. Business Segments

The Melexis group conducts the majority of its business activities in the following two areas:

a) Automotive
b) Non-automotive (other)

B. Geographical Segments

The Melexis group's activities are conducted predominantly in Europe, Asia and the United States.

Business segment data

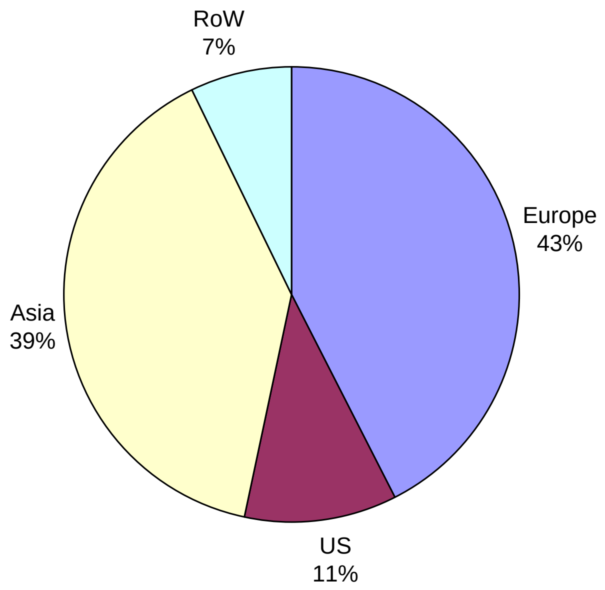
	31st December 2008			
All amounts in 1.000 EUR	**Automotive**	**Other**	**Unallocated**	**Total**
Product sales	134.179	49.736		183.915
Other revenues	1.406	228		1.634
COS	78.300	31.332		109.632
R&D expenses	21.087	8.438		29.525
G&A expenses	7.673	3.071		10.744
Selling expenses	3.753	1.502		5.255
Other operating expenses			834	834
Income from operations				29.559
Financial results			(6.689)	(6.689)
Taxes			(419)	(419)
Net profit				22.451
Segment assets	86.324	31.997	39.120	157.441
Capital expenditures	6.938	2.572		9.510
Depreciation	8.595	3.186		11.781

Geographical segment data

	31st December 2008		
All amounts are in 1.000 EUR	**Europe**	**US**	**Total**
Revenue by origin	184.092	1.457	185.549
Segment assets	156.167	1.274	157.441

The following table summarizes sales by destination:

	2008 EUR	2007 EUR	2006 EUR
Europe	77.992.351	85.712.633	88.080.618
Germany	34.980.013	41.910.441	41.695.004
France	10.425.287	12.697.884	16.184.798
United Kingdom	10.986.603	11.949.001	12.242.213
Ireland	4.028.122	3.754.744	4.711.907
Poland	3.794.445	2.452.644	2.466.870
Switzerland	3.112.909	3.483.526	1.742.742
Netherlands	1.676.881	2.168.195	2.732.858
Czech Republic	1.629.381	1.905.188	1.659.067
Austria	1.616.876	515.986	100.095
Other	5.741.834	4.875.024	4.545.064
United States of America	19.829.664	28.488.197	28.656.933
Asia	72.303.016	76.708.560	76.214.507
Japan	19.643.336	16.103.246	16.488.970
China	24.647.439	26.388.811	21.922.053
Thailand	12.904.429	13.117.658	13.190.655
Korea	8.684.461	5.297.088	3.965.943
Philippines	5.611.837	10.471.338	11.237.026
Taiwan	2.948.487	3.496.764	4.922.134
Other	588.414	1.833.654	1.762.340
Rest of the World	15.424.223	13.145.778	8.549.660
Total	185.549.254	204.055.168	201.501.718



Revenues by customer

The following table summarizes sales by customer for the 10 most important customers. It consists of the sales to the end customer and not to the subcontractors.

31st December

	2008 %	2007 %	2006 %
Customer A	15	14	15
Customer B	9	10	10
Customer C	7	9	8
Customer D	6	6	6
Customer E	4	5	6
Customer F	3	4	4
Customer G	3	4	4
Customer H	3	3	2
Customer I	3	2	2
Customer J	2	2	3
TOTAL	55	60	60

AB Related parties

1. Shareholders' structure and identification of major related parties

Melexis NV is the parent company of the Melexis group that includes following entities which have been consolidated:

Melexis Inc	US entity
Melexis GmbH	German entity
Melexis Bulgaria Ltd.	Bulgarian entity
Melexis BV	Dutch entity
Melexis Ukraine	Ukraine entity
Melexis Technologies SA	Swiss entity
Melexis French branch	French branch
Sentron AG	Swiss entity
Melefin NV	Belgian entity
Melexis Tessenderlo NV	Belgian entity
Melexis Philippine branch	Philippine branch
Melexis Japan	Japanese Entity
Melexis Hong Kong	Chinese branch

The shareholders of Melexis NV are as follows:

Since January 1st, 2006 Xtrion NV is the main shareholder of Melexis NV, as a result of the partial split of Elex NV into Elex NV and Xtrion NV. Xtrion NV owns 50,05 % of the outstanding Melexis shares . The shares of Xtrion are held directly and/or indirectly by Mr. Roland Duchâtelet and Mr. Rudi De Winter who are both directors at Melexis NV. Elex NV is 100 % owned by Roland Duchâtelet.

Xtrion NV owns 59% of the outstanding shares of X-FAB Silicon Foundries NV, producer of wafers and are the main raw materials for the Melexis products. X-FAB Silicon Foundries NV sells the majority of its products also to third parties.

Per December 31st, 2008 ELEX NV owns 79% of the outstanding shares of EPIQ NV. Melexis sells products to EPIQ. For most of these products, EPIQ is used as subcontractor by some OEM customers of Melexis. Therefore, the business relation for these products is with the OEM customer and not with EPIQ.

Melexis, as in prior years, purchases part of its test equipment from the XPEQT group. XPEQT AG develops, produces and sells test systems for the semiconductor industry. Xpeqt NV owns 100% of Xpeqt AG. Xpeqt NV is owned by Mr. Roland Duchâtelet (60%) and Mrs. Françoise Chombar (40%), CEO of Melexis NV.

During the year 2008 no transactions took place which can create a potential conflict.

2. Outstanding balances at year-end

As of December 31st, 2008, 2007 and 2006, the following balances were outstanding:

Receivables:

	December 31st		
	2008	2007	2006
Elex	8.745	22.532	2.968
XTRION	117.262	102.232	1.146.250
Epiq group	5.948.548	1.490.826	1.923.890
Xfab group	228.093	1.198.653	418.820
Xpeqt group	731.362	607.866	816.286
Other	51.676	4.765	116.832
Total	7.085.686	3.426.874	4.425.046

Payables:

	December 31st		
	2008	2007	2006
Elex	70.774	33.814	63.700
XTRION	189.760	213.030	442.179
Epiq group	220.480	(16.114)	21.618
Xfab group	817.793	4.089.092	5.525.957
Xpeqt group	1.036.301	332.747	66.035
Other	7.835	319.202	(34.565)
Total	2.342.943	4.971.771	6.084.925

3. Transactions during the year

A. Sales / purchases of goods and equipment

In the course of the year, following transactions have taken place:

	December 31st		
Sales to	**2008**	**2007**	**2006**
Epiq group (mainly ICs)	10.347.739	9.835.233	9.285.163
Xpeqt group	58.721	8.731	2.400
Xfab group (mainly test & assembly services)	1.174.254	687.987	907.444
Elex	-	800	-
Purchases from	**2008**	**2007**	**2006**
Xfab group (mainly wafers)	59.132.618	74.489.145	75.986.254
Epiq NV (mainly assembly)	499.957	653.592	394.856
Xpeqt group (mainly equipment and goods)	2.698.633	2.296.780	1.417.064
Xtrion (mainly IT infrastructure)	237.605	458.671	194.889
Elex (mainly IT infrastructure)	-	-	14.925

B. Sales / purchases of services

Sales to	December 31st 2008	2007	2006
Elex (mainly R&D services and rent)	18.347	24.480	24.583
Xpeqt group (infrastructure office building)	80.908	402.609	231.387
X-Fab group (mainly R&D services)	-	-	841.201
EPIQ group (infrastructure office building)	303.548	196.499	231.387

Purchases from	2008	2007	2006
Xtrion N.V. (mainly IT and related support)	887.898	1.114.573	1.046.884
Elex N.V. (mainly IT and related support)	29.647	84.573	254.987
Epiq group	34.910	(14.686)	84.814
Xpeqt group	994.476	1.269.549	842.443
Xfab group	3.169.614	3.487.932	-

The Board of Directors and the Audit Committee have reviewed and analyzed the major transactions and concluded these transactions are within the normal course of business and that there are sufficient elements to conclude that the remuneration is based on arm's length principles.

The (unaudited) consolidated profit for the year 2008 for X-FAB Silicon Foundries NV group is estimated to be USD 2.8 MIO, whereas equity is estimated at USD 447.2 MIO (un-audited).

The consolidated result for the EPIQ group is EUR 3.2 MIO (audited), in 2008. Equity amounts to EUR 24.6 MIO (audited).

4. Remuneration of Board of Directors

In accordance with the company's bylaws, directors are remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 27.318 during 2008. The Chairman has not been remunerated as director.

AC Financial instruments

Financial risk management

Melexis NV operates internationally, which could give an exposure to market risks from changes in interest and foreign exchange rates. Melexis NV uses derivative financial instruments to manage the foreign exchange risks, interest risks and inflation risks.

Risk management policies have been defined on group level, and are carried out by the local companies of the group.

(1) Credit Risks

The group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. The group has a policy on business unit level to ensure that sales are only made to new and existing customers with an appropriate credit history.

(2) Interest rate risk

The group does use derivatives to manage interest rate risks of the outstanding bank debt.
The schedule of long-term-debt repayments is disclosed in note m.
The table with outstanding derivatives at year-end is disclosed in note e.

(3) Liquidity risk

Liquidity risk arises from the possibility those customers may not be able to settle obligations to the Company within the normal terms of trade. To manage the risk the Company periodically assesses the financial viability of customers.

(4) Foreign exchange risk

The currency risk of the group occurs due to the fact that the group operates and has sales in USD. The group uses derivative contracts to manage foreign exchange risks. The table with outstanding derivatives at year-end is taken up in note e.

Fair value of Financial Instruments

The fair value of foreign exchange contracts is determined using forward exchange market rates at the balance sheet date. For all of these instruments, the fair values are confirmed to the group by the financial institutions through which the group has entered into these contracts.

The group's principal financial instruments not carried at fair value are cash and cash equivalents, trade receivables, other current assets, other non current assets, trade and other payables, bank overdrafts and long term borrowings.

The carrying amount of cash and cash equivalents and of bank overdrafts approximates their fair value due to the short-term maturity of these financial instruments. The fair value of current investments is calculated by reference to the market value on the stock exchange on which the shares are listed.
The fair value of the long-term loans is based on the current rates available for debt with the same maturity profile and approximates their carrying amounts.
Management believes that the exposure to interest rate risk of financial assets and liabilities as of December 31st, 2008 was minimal since their deviation from their respective fair values was not significant.

AD Commitments & contingent liabilities

As of December 31st, 2008 the company had purchase commitments for tangible fixed assets amounting to EUR 1.731.524. As of December 31st, 2007 the company had purchase commitments for tangible fixed assets amounting to EUR 2.007.386. Melexis also had a rental commitment in Germany for EUR 555.000 per year, but this will no longer apply as from March 2009, due to a move to own premises.

AE Litigation

Per December 31st, 2008 Melexis Tessenderlo N.V. is involved in two related disputes with one and the same customer, one as claimant and one as defendant. The latter dispute, which has been rejected by Melexis, and the associated expenses of legal representation are covered by insurance. The legal expenses of the first are not of a magnitude that lies outside the ordinary. The scope of neither of the two disputes is of such a nature that they could jeopardize the Group's financial position.

AF Auditor's Services

Audit fees and audit related fees required by law amount to EUR 171.321,46. Non audit fees amount to EUR 11.566,85.

AG Reserves Post-retirement Benefits

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

AH Subsequent events

There are no subsequent events.

AI List of subsidiaries consolidated

Place of incorporation	Principal activities	Ownership interest	
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 BV	The Netherlands	R&D	100%
Sentron AG	Switzerland	R&D	100%
Melefin NV	Belgium	Treasury	99,9%
Melexis Tessenderlo NV	Belgium	R&D	99,9%
Melexis Technologies SA	Switzerland	R&D	99.9%
Melexis Japan	Japan	Marketing & Selling	100%

10. Corporate Governance

The Company's Corporate Governance Charter is available at the website of the company: www.melexis.com. Next to the General Shareholder's meeting, the main policy-making bodies of the Group are the Board of Directors and the Board of Management.

Board of Directors

Composition of the Board of Directors

In accordance with article 13 of Melexis' Articles of Association, the Board of Directors comprises at least 5 Directors. They are appointed by the General Meeting of Shareholders for a period of three years. At any time the General Shareholders Meeting can dismiss a director. There is no age limit for directors and outgoing directors can be reappointed.

The chairman of the board is Roland Duchâtelet.

The directors of the company are:

Name	Age	Position
Roland Duchâtelet	62	Chairman of the Board and Director
Rudi De Winter	48	Vice Chairman of the Board and Managing Director, Chief Executive Officer (CEO)
Francoise Chombar	46	Managing Director, Chief Executive Officer (CEO)
Steve Hix	72	Director (non-executive)
Lina Sarro	51	Director (non-executive)
Triakon Nv, represented by Lucien De Schamphelaere	77	Director (non-executive)

Mr. Steve Hix, Mrs. Lina Sarro and Triakon N.V., represented by Mr. Lucien De Schamphelaere are independent directors. They are not subject to any incompatibilities with the respective law (such as criteria for independence art. 526 ter of the Belgian Company Law). Moreover, according to the Board, their independence is beyond doubt and is uncompromised by any conflicts of interests.

Beginning 2009, Mr. De Schamphelaere resigned as Board member and as member of the audit and remuneration committee. The appointment of a new independent director will be on the agenda of the next General Shareholder's meeting.

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, 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 NV. 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 since 1996 and as 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 became director together with Mr. Duchâtelet of Xtrion 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 Executive Officer, are married.

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-Xtrion group. Ms. Chombar became director in 1996.

She holds a master's degree as Interpreter in Dutch, English and Spanish from the University of Gent. In 2004 Ms. Chombar was appointed co-Chief Executive Officer.

Mr. Lucien De Schamphelaere is the founder and Chairman of the Board of Directors of Triakon N.V., a printing office that explores new applications for digital printing. He is also director of several companies active in high technology such as Option International, Materialize and XEMEX.
In 1988 Mr. De Schamphelaere founded Xeikon, a company which he led for more than 10 years. Xeikon develops, produces and sells digital color printing presses and is a world leader in this field. Before founding Xeikon he held several positions at Agfa-Gevaert. From 1986 to 1993 he was Director of Agfa-Gevaert's Venture Capital Fund, AGIF. Mr. De Schamphelaere holds a degree in Electronic Engineering.

Ms. Lina Sarro is Professor in Microsystems Technology at the Delft University of Technology and the Delft Institute of Microelectronics and Submicron Technology (DIMES). She is also scientific director of DiSens, (Delft Institute for Intelligent Sensor Microsystems). Ms. Sarro has more than 20 years experience in integrated silicon sensors and microsystems technology. She has authored and co-authored over 300 journal and conference papers. She acts as reviewer for a number of technical journals and is a steering committee member and technical program committee member for several international conferences. She is a member of the Royal Dutch Academy of Science, IEEE Fellow and receiver of the Eurosensors Fellow award in 2004 for her contribution in the field of sensor technology Ms. Sarro holds a Laurea degree (cum laude) in solid state physics from the University of Naples, Italy and a PhD degree in electrical engineering from the Delft University of Technology.

Mr. Steve Hix is a high-technology entrepreneur, who is no stranger to building successful multi-million dollar companies from a modest start-up. He served the United States Navy during twenty-one years, including ten years as project design engineer for the Joint Chiefs Staff. His experiences are based on more than 30 years of managing and founding various successful (high-technology) companies like AdVan Media and Sarif.
Mr. Hix is also founder and former CEO of InFocus Corporation, Co-Founder of Planar Systems Inc and has important management positions at Sigma Research Inc., Tektronix Inc. and Watkins Johnson. He is member of the National Academy of Sciences and Engineering, of the International Standards and Conformity Assessment, of the National Research Council and of the US Trade Policy Project Committee. In 1994, Mr. Hix was Technology Executive of the Year and in 1991 Northwest Entrepreneur of the Year.

Functioning and role of the Board

The internal regulation of the Board is part of the Corporate Governance Chapter. The Board conveyed 7 times in 2008, whereby Lina Sarro and Lucien Deschamphelaere each did not attend on one meeting.

Directors Remuneration

In accordance with the company's bylaws, directors are remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 27.318 during 2008. The Chairman and executive directors have not been remunerated as director.

Committees of the Board of Directors

Audit Committee

The audit committee consists of three non-executive members, Roland Duchâtelet, Chairman, Steve Hix, independent director and Lucien Deschampelaere, independent director. The external auditor is regularly invited to the meetings of the Audit Committee.

The Audit Committee met twice during 2008. All members attended the meetings.

According a new Directive, at least one independent member to the audit committee has to be experienced in accounting and audit. Both Lucien Deschamphelaere and Steve Hix comply with this through their relevant work experience as CEO's of stock listed companies.

Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of three non-executive members, Roland Duchâtelet, Chairman, Steve Hix, independent director and Lucien Deschampelaere, independent director.
The Remuneration and Nomination Committee did not meet during 2008.

Management

Composition of the Management (in their own names or via management companies).

The Board of management consists of Rudi De Winter, Chief Executive Officer, Françoise Chombar, Chief Executive Officer and Karen van Griensven, Chief Financial Officer.

Management's remuneration

The overall gross compensation paid to management during 2008 amounted to EUR 480.000.

Dividend Policy

Taking into account the current and future cash flow situation and if no rewarding investment opportunities can be found, Melexis NV intends to pay out regular (interim-) dividends, in order to maximize the return on equity for its shareholders.

Gross (interim-) dividend paid out per share in
1999 : EUR 0,30 interim dividend
2002 : EUR 0,50 interim dividend
2003 : EUR 0,50 interim dividend
2004 : EUR 0,2762 dividend and EUR 0,7238 capital decrease
2005 : EUR 0,50 interim dividend
2006 : EUR 0,50 interim dividend
2007 : EUR 0,60 interim dividend
2008 : EUR 0,60 interim dividend

Purchase of own shares

The company shall be allowed to acquire or alienate its own shares in compliance with the relevant provisions of the Company Code. This shall not require a resolution from the general shareholders' meeting in the event the acquisition or alienation of said shares is required to prevent the company from suffering an imminent and serious disadvantage as specified in the Company Code, for a period of three years counting from the publication of the amendment of the articles of association on the date of the twentieth of April two thousand and six in the Annex to the Belgian Law Gazette.

The extraordinary general meeting of shareholders of the twentieth of April, two thousand and eight has moreover authorized the Board of Directors, pursuant to article 620 § 1, section five of the Company Code, to acquire a maximum of four million three hundred and twenty-four thousand one hundred and eighty-six (4.324.186) own shares by purchase or in exchange, in either one or several transactions, either directly or to be transacted by a person acting in his own name but for the account of the company or by a direct subsidiary in the sense as intended by article 5, § 2, 1 °, 2 º and 4 ° of the Company Code, at a price per share equal to at least the last closing price against which said shares were quoted on the primary market of the Brussels Stock Exchange at the time of the acquisition and no more than seventeen euros (€ 17.00) per share. The present power of attorney shall be valid for a period of eighteen (18) months counting from the date of the resolution as passed by the general shareholders meeting and may be renewed pursuant to article 620 of the Company Code.

The Board of Directors shall be duly authorized to alienate own shares as provided for by article 622 § 2, 1 ° and 2 ° of the Company Code. In addition, the Board of Directors shall be duly authorized to alienate all own shares the company may have acquired in execution of the authorization as intended in the previous paragraph. At December 31st, 2008 Melexis had a total of 1.703.713 treasury shares.

Auditor

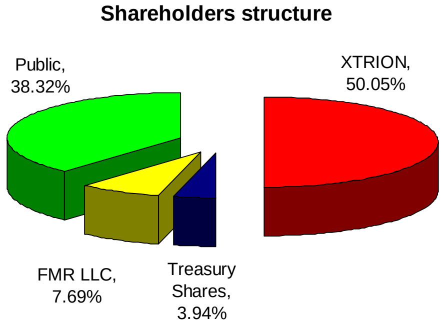
During the extraordinary Shareholder's meeting held on June 14th 2007 BDO Atrio Bedrijfsrevisoren Burg. Ven. CVBA, represented by Hans Wilmots and Gert Claes has been re-appointed as statutory and group auditor for a period of 3 years.

11. Shareholder Information

Listing	Euronext
Reuters ticker	MLXS.BR
Bloomberg ticker	MELE BB

Shareholder Structure

Situation on December 31, 2008.



Company	Number of Shares	Participatio n Rate
Xtrion	21.644.399	50,05%
FMR Corp.	3.325.000	7,69%
Treasury Shares	1.703.713	3,94%
Public	16.568.748	38,32%
Total	43.241.860	100,00%

Share Information

First day of listing	10 October 1997
Number of shares outstanding on Dec 31, 2008	43.241.860
Market capitalization on Dec 31, 2008	EUR 216.209.300

(Euro)	2008	2007	2006	2005	2004	2003
Earnings per share	0,52	0,86	0,80	0,65	0,56	0,54
Cash flow per share (**)	0,79	1,13	1,05	0,91	0,84	0,78
Gross Dividend (*)	0,60	0,60	0,50	0,50	0,28	0,50
Year end price	5,00	11,15	13,80	10,76	9,01	9,40
Year's high	11,87	15,00	14,38	11,20	10,76	9,90
Year's low	4,95	10,15	10,99	9,00	8,40	5,10
Average volume of shares traded/day	32.991	56.569	47.027	38.129	39.690	41.593

(*) in 2004 also a capital decrease of EUR 0,72 per share was paid out
(**) Cash flow = Net income + Depreciation + Impairment/amortization of goodwill

Shareholder Contact Info

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Financial Calendar 2009

Annual Shareholder's Meeting	April 20th, 2009
Announcement of Q1 results	April 23rd, 2009
Announcement of Half Year Results	July 30th, 2009
Announcement of Q3 results	October 22nd, 2009

12. Condensed statutory financial statements

The full statutory financial statements can be obtained at the registered office of the company at Rozendaalstraat 12, 8900 Ieper.

Statutory Balance Sheet

in 1.000 EUR	2008	2007	2006
ASSETS			
FIXED ASSETS	167.437	169.075	158.605
I. Formation expenses	-	-	-
II. Intangible assets	62	67	448
III. Tangible assets	6.492	8.115	9.469
A. Land and buildings	1.358	1.516	1.336
B. Plant machinery and equipment	4.797	5.873	7.724
C. Furniture and vehicles	314	411	374
E. Other tangible assets	-	-	-
F. Assets in progress and advanced payments	23	315	35
IV. Financial assets	160.883	160.893	148.688
A. Affiliated companies	160.606	160.606	148.433
1. Participations in third parties	160.606	160.606	148.433
C. Other financial assets	277	287	255
2. Receivables and caution money	277	287	255
CURRENT ASSETS	35.492	39.564	29.084
VI. Stocks and contracts in progress	4.495	4.172	3.464
A. Stocks	4.495	4.172	3.464
1. Raw materials and consumables	219	64	894
2. Contracts in progress	2.204	3.474	2.446
3. Finished goods	2.072	634	123
VII. Amounts receivable within one year	10.936	21.820	8.465
A. Trade receivables	9.134	6.482	8.037
B. Other receivables	1.802	15.338	428
VIII. Cash investments	17.994	5.586	12.987
A. Own shares	17.542	5.586	5.586
B. Other investments and deposits	452	-	7.401
IX. Cash deposits	1.572	7.174	3.916
X. Deferred assets and accrued income	494	812	252
TOTAL ASSETS	202.929	208.640	187.689

LIABILITIES			
SHAREHOLDERS' EQUITY	21.889	37.441	61.897
I. Capital	565	565	565
A. Outstanding Capital	565	565	565
II. Share premium account	-	-	-
IV. Reserves	19.091	6.147	5.872
A. Legal reserve	57	57	57
B. Reserves not available for distribution	19.035	6.090	5.815
1. In respect of own shares held	17.542	5.586	5.586
2. Other	1.493	504	229
V. Accumulated profits	2.233	30.729	55.460
VI. Investment grants	-	-	-
PROVISIONS AND DEFERRED TAXES	152	53	145
VII. A Provisions for liabilities and charges	152	53	145
4. Other liabilities and charges	152	53	145
VII. B Deferred taxes	-	-	-
DEBTS	180.889	171.146	125.647
VIII. Amounts payable after more than one year	-	-	-
A. Financial debts	-	-	-
4. Credit institutions	-	-	-
IX. Amounts payable within one year	178.771	167.407	123.994
A. Current portion of amounts payable after more than one year	-	-	-
B. Financial debts	-	-	-
1. Credit institutions	-	-	-
C. Trade debts	1.450	2.506	3.650
1. Trade payables	1.450	2.506	3.650
D. Advances received on contracts in progress	-	-	-
E. Taxes, remuneration and social security	1.093	770	1.434
1. Taxes	401	193	886
2. Remuneration and social security	691	577	548
F. Other amounts payable	176.229	164.131	118.910
X. Accrued charges and deferred income	2.117	3.739	1.652
TOTAL LIABILITIES	**202.929**	**208.640**	**187.689**

Statutory Income Statement

in 1.000 EUR	2008	2007	2006
	December 31st		
I. Operating income	59.773	68.218	81.740
A. Turnover	59.164	65.939	85.594
B. Changes in stocks of finished goods, work and contracts in progress	168	1.538	(4.196)
C. Other operating income	442	740	342
II. Operating charges	(48.595)	(57.964)	(70.283)
A. Raw materials, consumables and goods for resale	30.356	38.279	45.792
1. Purchases	30.512	37.448	43.895
2. Changes in stocks	(156)	831	1.897
B. Services and other goods	8.363	9.778	14.254
C. Remuneration, social security charges and pensions	6.583	5.920	5.435
D. Depreciations	2.907	4.020	4.658
E. Amounts written off stocks, contracts in progress and trade receivables	21	(17)	43
F. Provisions for other costs	113	(93)	(198)
G. Other operating charges	251	76	299
III. Operating profit	11.179	10.254	11.457
IV. Financial income	9.107	1.810	1.158
A. Income from financial fixed assets	7.699	73	83
B. Income from current assets	93	-	107
C. Other financial income	1.315	1.737	968
V. Financial charges	9.409	10.229	(5.449)
A. Debt charges	7.266	6.410	4.800
B. Amounts written off on current assets other than those mentioned under II. E.	791	3.010	-
C. Other financial charges	1.352	809	649
VI. Profit on ordinary activities before taxes	10.877	1.835	7.166
VIII.Extraordinary charges	-	-	-
D. Loss on disposal of fixed assets	-	-	-
E. Other Extraordinary charges	-	-	-
IX. Profit of the year before taxes	10.877	1.835	7.166
IX. bis. A. Transfer from deferred taxes	-	-	-
X. Income taxes	(1.473)	(621)	(2.659)
A. Taxes	(2.472)	(2.572)	(2.851)
B. Regularization	999	1.951	192
XI. Profit of the year	9.404	1.214	4.507
XIII. Profit of the year available for appropriation	9.404	1.214	4.507

Appropriation of the Profit

in 1.000 EUR	2008	2007	2006
A. Profit to be appropriated	40.134	56.674	82.153
1. Profit of the period available for appropriation	9.404	1.214	4.507
2. Profit carried forward	30.729	55.460	77.646
B.Transfers from capital and reserves	-	-	-
1. From capital and share premium account	-	-	-
2. From reserves	-		-
C. Transfers to capital and reserves	(12.945)	(275)	(5.301)
1. To capital and share premium account	-	-	-
1. To other reserves	(12.945)	(275)	(5.301)
D. Result to be carried forward	(2.233)	(30.729)	(55.460)
1. Profit to be carried forward	(2.233)	(30.729)	(55.460)
F. Distribution of profit	(24.956)	(25.670)	(21.392)
1. Dividends	(24.956)	(25.670)	(21.392)