



# Annual Report 2009



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# Melexis Annual Report 2009

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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

Dear Melexis Shareholder,

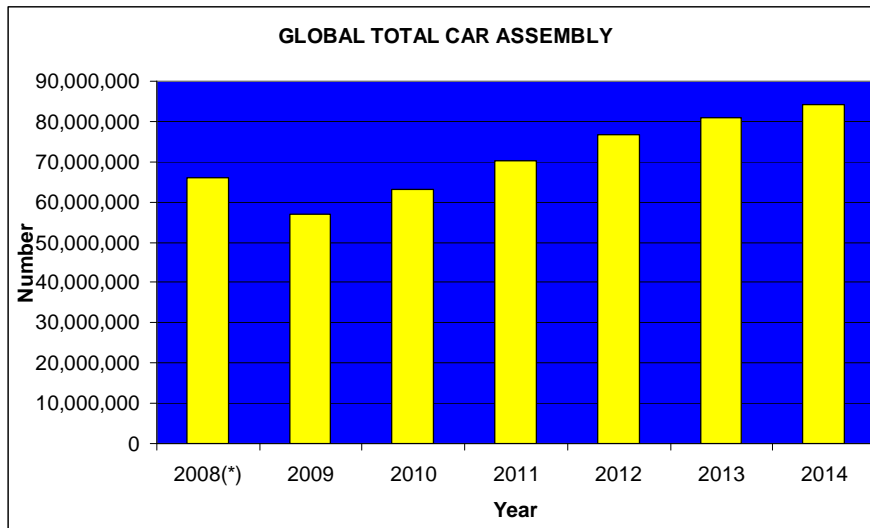
An unprecedented decline of 26% occurred in the automotive markets during 2009<sup>1</sup>. The production rate of light vehicles is closely coupled to the consumption rate of automotive semiconductors. The global financial crisis contributed directly to this dramatic drop in new vehicle sales. The subsequent correction in the last quarter of 2008 and first quarter of 2009 of production rates at the car manufacturers resulted in IC suppliers, in turn, reacting quickly and slowing their production rates to avoid oversupply and excess inventory.



Rudi De Winter

2009 was hence a year of incomparable extremes for Melexis. Whilst the beginning of the year was marked by the most severe drop in sales in Melexis' history, the end of the year immersed our organization into a steep resumption of orders.

The root cause of these extremes lies in well-known industry dynamics, exemplified by the "inventory accelerator" theory by Peter M. Senge<sup>2</sup>. In short, his theory proves that even a slight change in demand can create huge up- or downward fluctuations in inventories. The reasons are that material and information flows are always subject to delays and that the different players only have access to local inventory status and thus make local replenishment decisions.



Source: PWC Quarterly Forecast Update - Jan 10, 2010. (\*) Quarterly Forecast Update October 2009

<sup>1</sup> source Gartner Inc. "Dataquest Insight: Automotive Semiconductor Market Forecast, 4Q09 Update"

<sup>2</sup> Peter M. Senge, senior lecturer at the Massachusetts Institute of Technology (MIT), "The Fifth Discipline" (ISBN 0-385-26095-4)







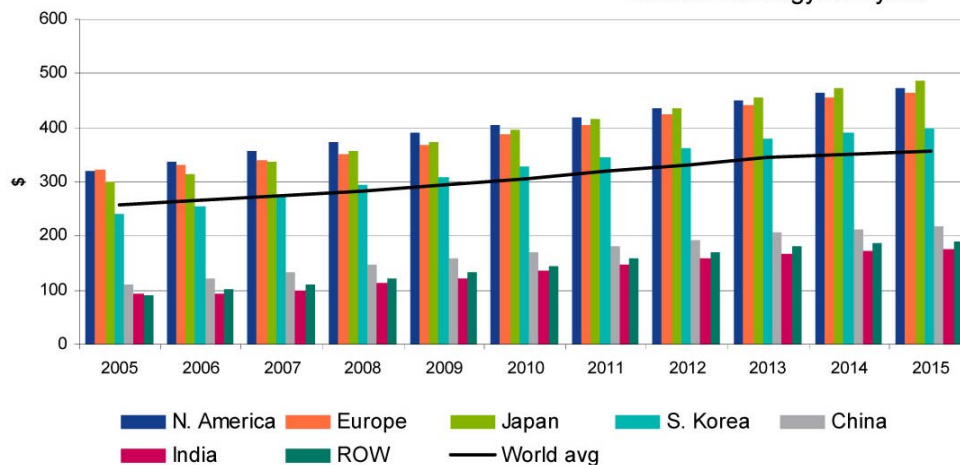
These inventory ups and downs tend to be more dramatic the further away the supplier is from the end customer. Their amplitude and variance increase steadily as they move downstream, translated in our case in the automotive industry, from the buyer of a car, over the car dealer, the vehicle manufacturer, the different tier suppliers (ranging up to 6 or 7) to Melexis as a component supplier. During the 2<sup>nd</sup> half of 2008, the financial crisis not only triggered a sudden decrease in consumer demand, but equally resulted in an overreaction downstream in the supply chain, as companies were focused on reducing their inventory in an attempt to positively affect their working capital. The combination of both effects, the usual inventory dynamics and on top the credit crunch, resulted in Melexis' sales taking a minus 57% year on year decline in the first quarter of 2009.

Over the full year, Melexis' sales dropped more than 30% compared to the previous year to 129 mio. EUR, demonstrating a steady recovery since Q2. The gross margin remained quite high at 37%, as it is Melexis' strategy to outsource its wafer and assembly production, and only to have testing services in house. The operating margin reduced from 16% to 5% or 7 mio. EUR. The Melexis fabless business model to outsource wafer production allowed to close the year with a positive operational result. Net profit amounted to a loss of 4 mio EUR, mainly as a result of the write off of the remaining 10,7 mio EUR CDO investment.

Despite the recent turmoil in the automotive market, Melexis is convinced that its focus should remain on this market. According Gartner, the automotive semiconductor market is expected to grow at an average rate of 12% over the next 5 years. Global light vehicle production is forecasted to rise steadily over the near term, but also semiconductor content per car will further increase.

### Average Semi Content per Car

Source: Strategy Analytics



The growth in silicon content will be largely driven by the increased demand of semiconductors for greener cars. The latest International Car show in Frankfurt showed clearly that the number one priority for most car manufactures is to make their models environmentally friendly. To reach this goal, emission and energy reduction concepts and systems are applied. Melexis supports many car models with its sensor and actuator ICs. These technological systems will not be limited to the luxury segment, but will definitely be used on a broad basis to lower every vehicle's environmental footprint globally. Melexis' capability to deliver the next generation of integration will help to make these emission reduction systems available in future low budget cars. The rise in new design wins by Melexis in 2009 compared to the previous year only confirms this, as the business environment was never tougher.

End of April 2009, Melexis acquired Sensata's Vision business, based in Cambridge, MA, USA. This business already provides CMOS imagers and imaging modules to automotive advanced driver assistance systems for customers such as Bosch and Delphi. Melexis' strategic focus on automotive semiconductors and sensors renders this acquisition of immediate benefit to customers of its existing optoelectronic and imaging sensor products. The market has begun production deployment of vision-based, automotive safety and convenience features, like night vision, lane departure warning, road sign recognition and advanced cruise control. Melexis' product portfolio meets the durability, performance and reliability expectations required by vehicle designers.

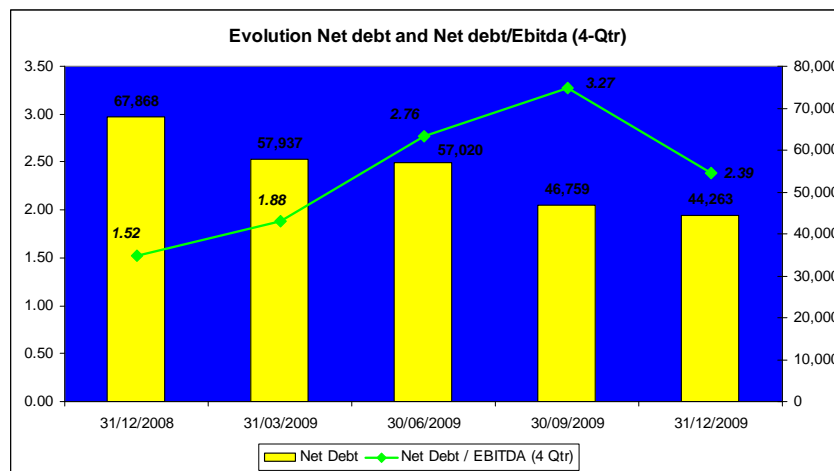




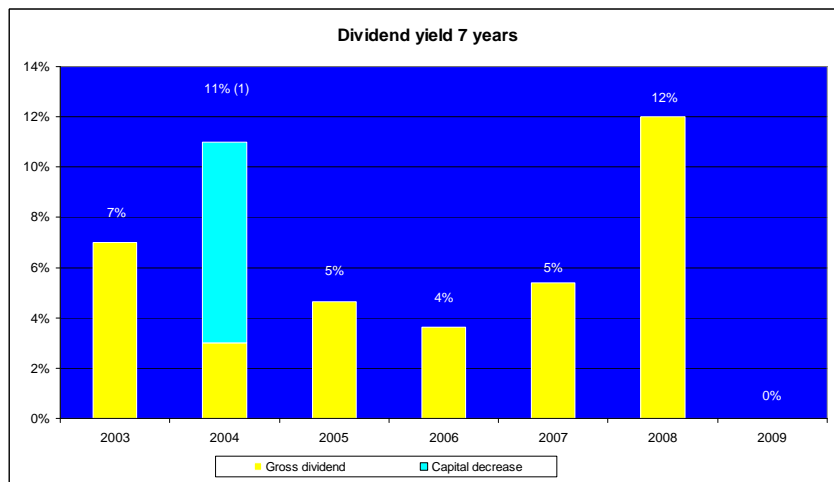
Melexis continued working on its cost improvement programs. Throughout 2009, Melexis managed to realize cost savings of 10 million EUR by

- Reducing its global workforce by 10%;
- Intermittently shutting down manufacturing in all 3 manufacturing sites
- Making maximum use of working time reduction for all employees in its German and Belgian operations;
- Continuation and acceleration of efficiency and optimization programs (the most important one being the focus on yield improvements: Melexis again reduced yield loss by 1% of sales in 2009 and will further extend this positive trend during 2010);
- Reviewing and streamlining its cost structure.  
This should allow Melexis to have sustainable cost savings of more than EUR 4 mio. per year enabling gross and operating margins to improve in the long term

Melexis also managed to strengthen its balance sheet. Net debt reduced from 68 mio EUR end 2008 to 45 mio EUR end 2009, mainly as a result of the positive working capital evolution. Also our financial ratios are moving back towards historical levels.



Due to the extreme circumstances in 2009, Melexis decided not to pay out a dividend. As business resumes, Melexis is very likely to start paying dividends again.



Attentive to bringing about continuous improvement, we polish our organization to keep it resilient and to prepare for the future. Melexis took the opportunity during the past market slack to finalize a major realignment of its organization touching mainly the business creation groups (sales, product marketing and R&D). This will allow us, on the one hand, to benefit from economies of scale in development and, on the other hand, to increase focus on our customers' needs.



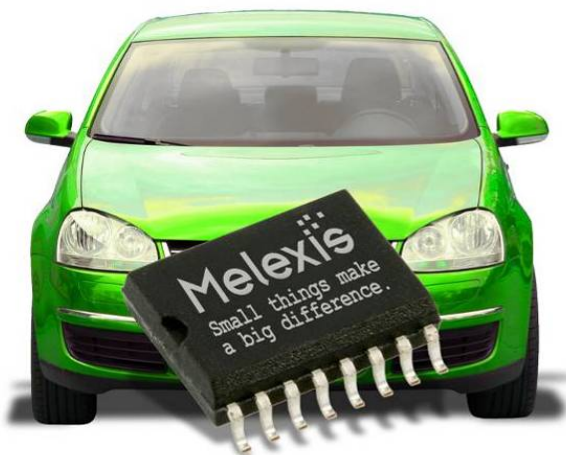


China overtook the US in 2009 with respect to the number of cars sold. While the rest of the world suffered from depressed car sales, China car sales increased 46% compared to the previous year. In order to better serve the Chinese automotive market and our Chinese customers, Melexis set up an application engineering and sales office in Shanghai, which is by now fully operational. The fourth quarter of 2009 marked a significant turning point for Melexis as Asia sales overtook sales in Europe for the first time.

Moreover, in September, Melexis officially opened its new building in Erfurt. Some of our innovative products, for example MEMS, optical sensors and cameras, require a state-of-the-art environment which was no longer economically achievable in the previous building. Equally, the new building is more environmentally-friendly.



2009 has been the most challenging year in Melexis' existence, as we were hit hard by the most turbulent automotive downturn ever. In hindsight, the 08/09 crisis, though painful, has proven to be truly beneficial for our company too. It has impelled us to "sharpen the saw" in all aspects of our business. It has allowed us to become more consciously healthy on the expense side, while keeping sound top line growth in the focus. Despite adversity, our crew has shown great character, vigor and above all unity throughout. They deserve the credit for the way Melexis has weathered this storm. Melexis is absolutely equipped for a renewed growth path in an overall sustainably attractive automotive market.



Yours sincerely,  
leper, 21st of March 2009

Françoise Chombar, CEO

Rudi De Winter, CEO



## 2. Key Figures

(in 1.000 Euro)

Operating results	2005	2006	2007	2008	2009
Revenue	173.674	201.502	204.055	185.549	128.890
EBIT	34.796	42.349	40.869	29.559	6.986
EBITDA	46.168	53.263	52.562	44.549	18.553

Balance structure	2005	2006	2007	2008	2009
Shareholders' equity	61.778	69.615	78.147	61.527	59.844
Net indebtedness (*)	26.249	29.920	36.789	67.868	44.263
Working capital	36.891	81.128	71.869	56.673	52.017

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

Cash flow and capital expenditure	2005	2006	2007	2008	2009
Cash flow (*)	39.529	45.440	48.777	34.232	7.578
Depreciation + amortization	11.373	10.914	11.693	14.990	11.567
Capital expenditure (*) : cash flow = net result + depreciation and amortization	9.334	15.490	15.141	9.510	10.972

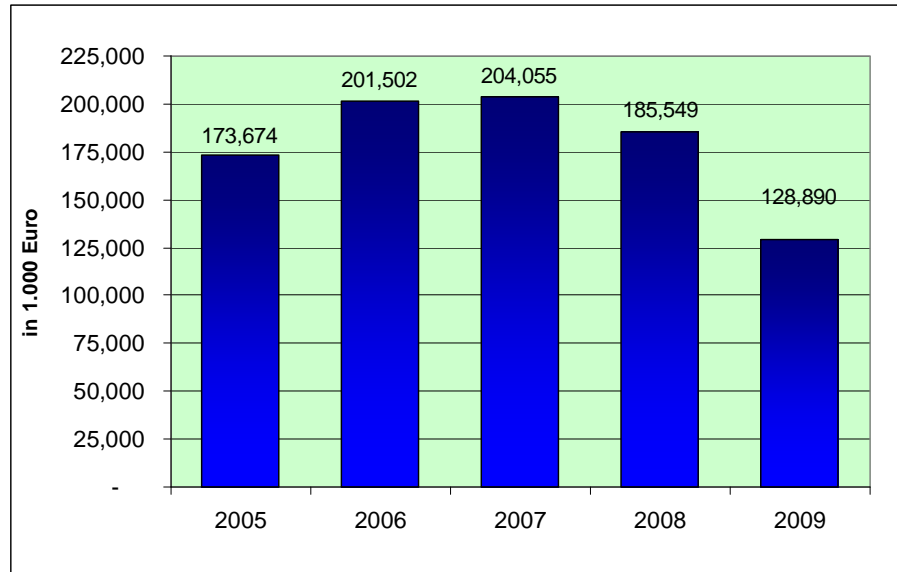
Ratios	2005	2006	2007	2008	2009
ROE	46%	50%	47%	36%	-7%
Liquidity (*)	2,0	3,2	2,7	2,7	2.4
Solvency	52%	41%	47%	39%	39%

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

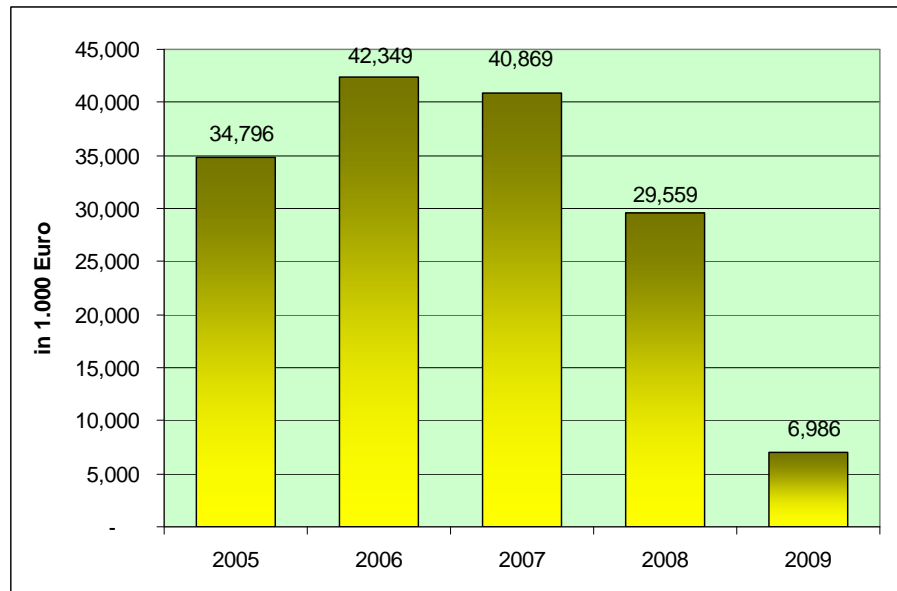




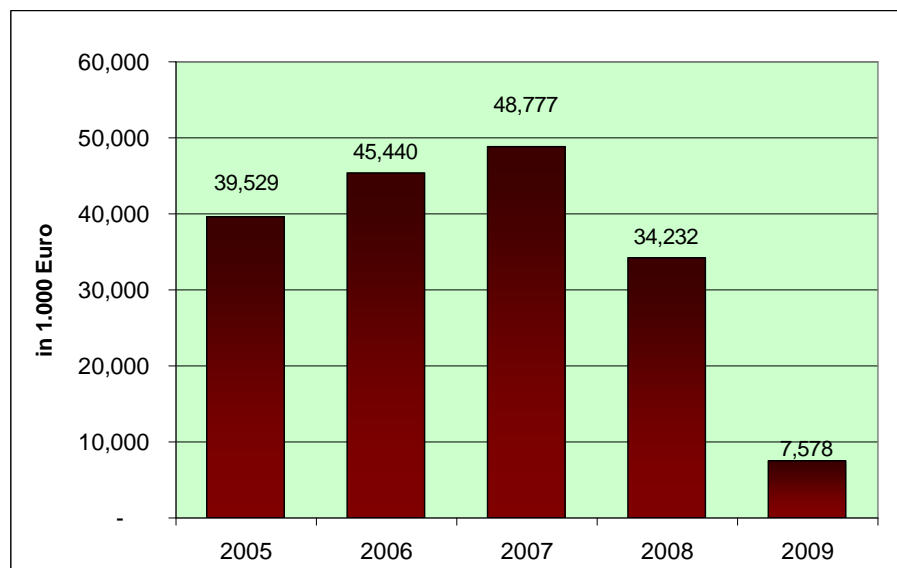
## Revenue Evolution



## 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.

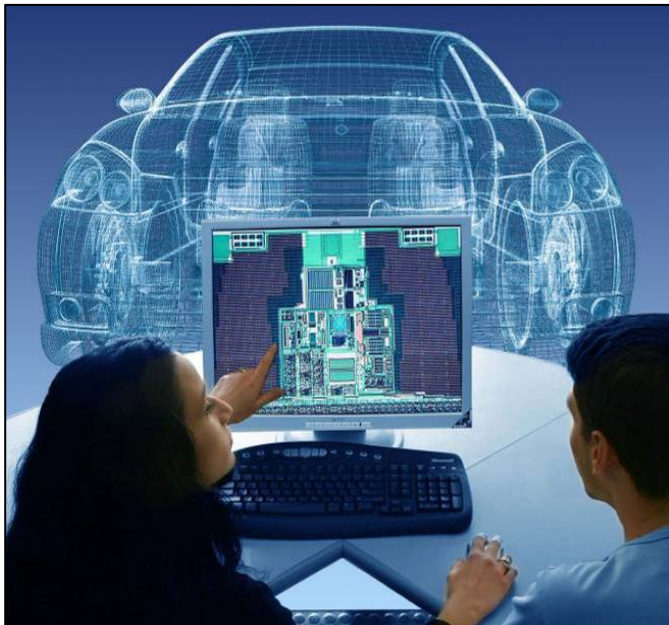






## No Ordinary Company

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. 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 CO2 reduction or energy efficiency will be some small things which make a big difference. At Melexis those small things are the integrated circuits and sensors.



## 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 century's 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

### Simply the Best Innovation Made Safe at Launch

Customer focus and a consistent strategic vision have been the foundation of Melexis growth. Creating and launching innovative products are necessary to our success. Safely launching those products into production at our sites and at our customers is equally important to the mutual success of Melexis and our customers. Collaborative teams from across Melexis' global organization are embracing the core values and no-nonsense culture to deliver class leading technology solutions. 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 and Sensor 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.





## Global Branding for Melexis

Melexis will continue to invest in its global brand in order to extend its presence as an innovative technology leader in automotive electronics. In the world's fastest growing automotive market Melexis will extend its presence through its Shanghai technical support center and Chinese language web site. Melexis long standing participation in supplying advanced efficiency improving automotive ICs yields an earnest brand message that "Melexis is Driving Green Solutions". Since its earliest products and continuing to the present portfolio Melexis IC and sensor solutions have allowed our customers to improve fuel efficiency, lower emissions of greenhouse gases and extend vehicle lifetimes. Because small things make a big difference, especially in the future health of our world.



## 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.



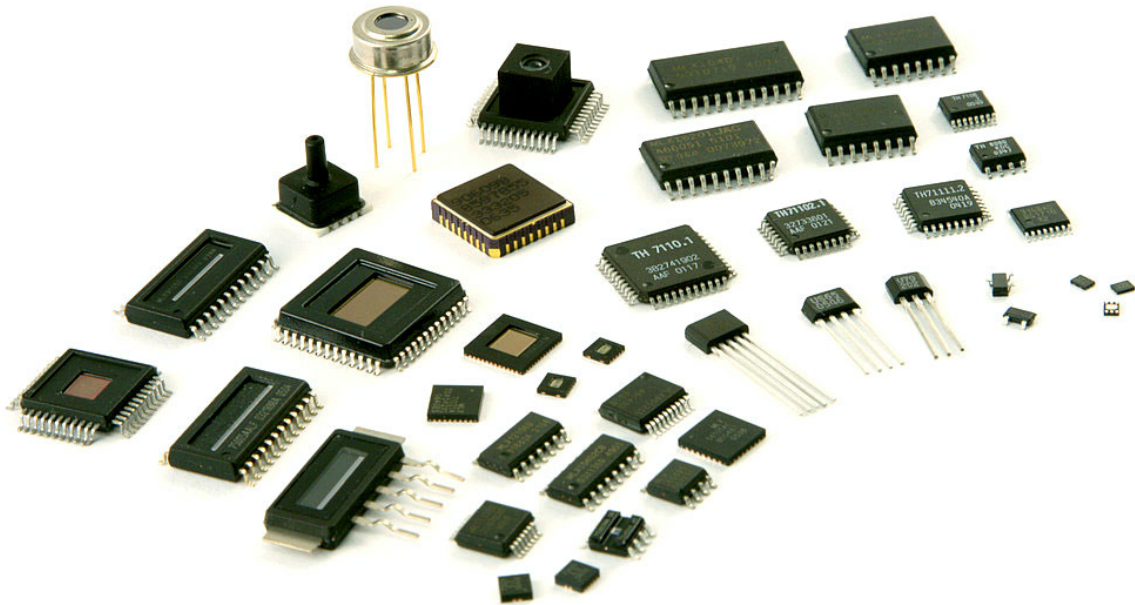




## 5. Our Activities & Product Portfolio

### Overview of Activities

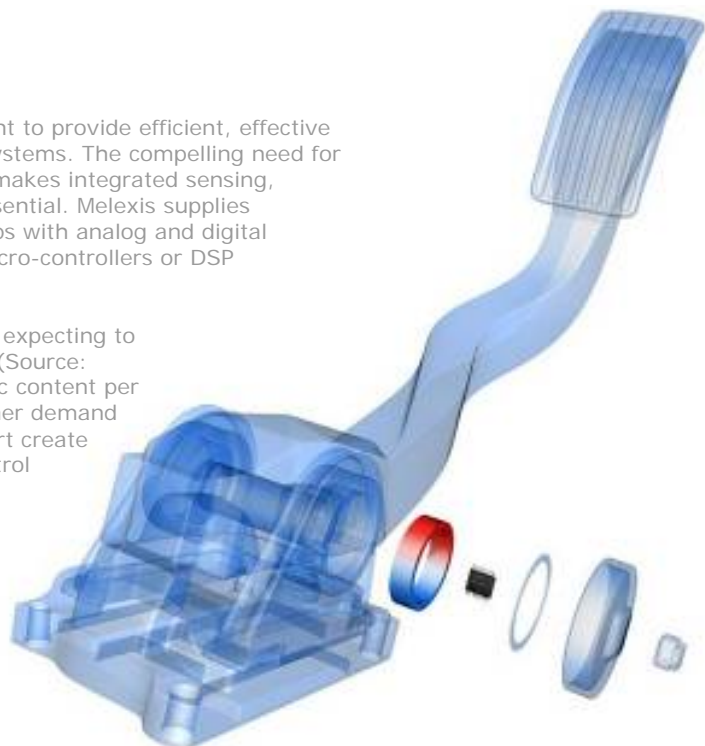
Our customers inspire us to create, develop and market advanced integrated circuits primarily used in automotive electronics systems. This strength enables the innovation and introduction of sophisticated ICs and sensors for the broader consumer, medical and industrial markets worldwide.



### 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 expecting to experience a growth of 12% (CAGR) in 2010 (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 energy 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.

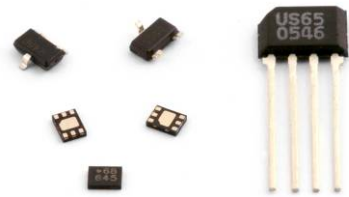


## Sensors

### Hall Effect Sensors

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.



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 (CO2 footprint), enhance the vehicle stability control and increase the steering or braking features.

For instance, the Triaxis® technology enables Melexis to actively contribute to programs such as "engine down-sizing" and "start/stop" introduced by the vehicle manufacturers.

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.

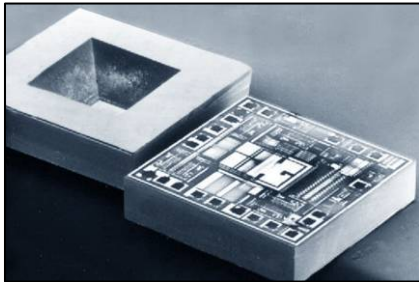
One example is the wide range of specialized Hall sensors used in cooling fans for electronic equipment or in vibration motors for cellular phones. Recent innovations include ICs that significantly reduce the acoustic switching noise of cooling fans; an important feature in consumer or office electronic 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): Pressure & 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. Micro-machining technology borrows the batch manufacturing methods of the microelectronic industry to produce micro-scale mechanical devices with outstanding performance.

Pressure is one of the key control parameters in an automobile. It is measured using stand-alone 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. Melexis is an established player in this market and is committed to stay at the leading edge by continuously investing in the development of innovative products.



## **Signal conditioning interface ICs**

In 2009 Melexis has consolidated its leading positioning in the automotive segment of this market. With this product line it is now a key supplier to several of the world's largest automotive sensor manufacturers. Interface ICs allow bridge type piezo-resistive 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.



## Actuators

### Motor Control ICs

Automotive electronics are a means to respond to volatile oil prices, requests for material savings and environmental requirements. Electric motors allow the upgrading of functional units, such as water pumps and oil pumps, from full-time mechanical drive by the engine to on-demand electric drive. This results in reducing CO2 emissions, improved fuel economy and more responsive cars. To realize these functions in a reliable way, Brushless DC (BLDC) motors controlled in a sensorless manner are the technology of choice. Other functions that see an increase in electronic content due to the shift from a DC motor control to a Sensorless BLDC motor control are fuel pumps and engine cooling fans. Melexis delivers and develops controllers and drivers for these BLDC motors.

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 microcontrollers.

Melexis responded to this trend already in 2008 with the launch of a unique family of high temperature Flash products for DC and BLDC motor control. The high integration of Melexis motor controllers enables our customers to slash the component count in their mechatronic solutions from 100 to less than 50, leading the path to high quality, compact cost effective and environmental friendly high volume solutions.



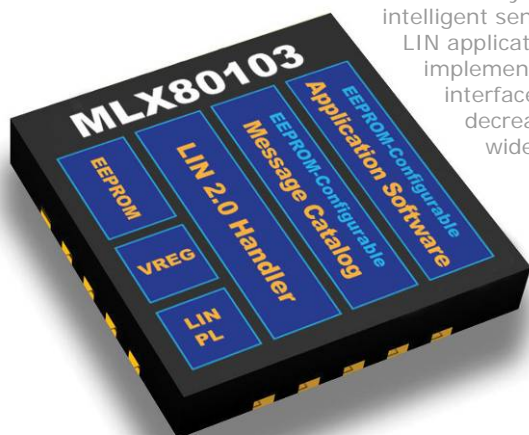
### LIN Slaves

The growing functionality in cars also results in an increase in human interactions. Former simple things like switch modules have to become more intelligent in order to reduce wiring effort and to save copper. In today's vehicle architecture, these switch modules are therefore not directly wired anymore, but they will be connected to a LIN bus system (Local Interconnect network).

Melexis launched a new chip family of intelligent network capable switch controllers called "UniROM switch slaves" to support this trend and to keep the development effort as low as possible. This family of chips accomplishes a unique combination of hardware and software. 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 switch modules on the steering wheel, in the car door, in the car roof and in the center console.

The LIN bus system is also used more often for different kinds of applications such as intelligent sensors or actuators.

LIN applications may also be realized with discrete microcontrollers. In such implementations a System Basis IC (SBC) is required to provide the physical bus interface functionality. SBC's simplify our customer's development efforts and decrease module cost. This enables the deployment of LIN bus control for a wider range of applications.







## Wireless

### Wireless ICs

During the last ten years, the Wireless Business Unit 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 equipment like garage door openers, alarm systems, access control and automatic meter reading (AMR). In the consumer market, RFICs are used in remote controls and our RFID technology is successfully integrated in Near Field Communication (NFC) platforms 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 Business Unit builds 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 TPMS 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.





## Opto

### The SensorEyeC Family

In 2008, Melexis has increased its product portfolio with a new line of optical sensors, the SensorEyeC family. The MLX75303 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 mimic the human eye response curve 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

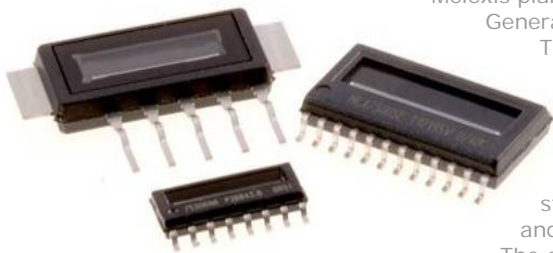
For its successful product line of linear optical arrays for steering applications, Melexis plans to launch in 2010 a new member: the MLX75306, our 3rd Generation Linear Optical Array.

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, bio-diesel, ethanol, etc), leading to a more efficient combustion in the engine, which again saves fuel.

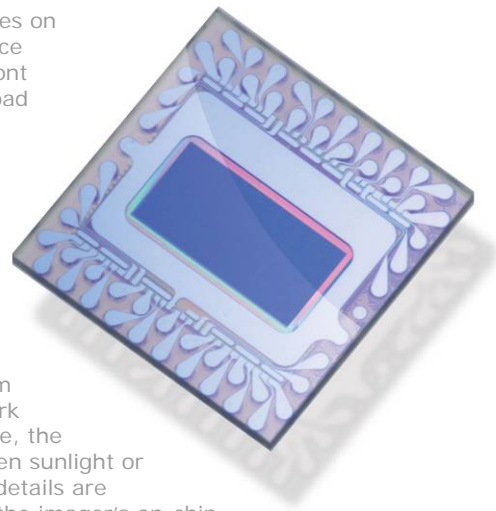


### Automotive Imagers

Camera systems in cars are a fast growing market. Melexis focuses on front vision applications including night vision and driver assistance applications like for example lane departure warning, adaptive front lighting and traffic sign recognition. They dramatically improve road safety by pro-actively alerting the driver of potential dangers.

Through the acquisition of the Sensata Vision team in spring 2009, Melexis offers camera imagers and modules. Our most recent product offering includes the MLX75411 "Avocet" imager and the MLX75403 automotive camera module. The predecessors of the "Avocet" imager are currently in production for automotive night vision and for enhanced forward collision warning applications.

The MLX75411 "Avocet" imager provides crisp picture details from dark to light. Thanks to its high "night vision" light sensitivity, dark scenes come out bright. Because of its 154dB wide dynamic range, the imager does not saturate under extreme light conditions, like when sunlight or headlights shine directly into the camera lens. Maximum picture details are depicted simultaneously in low, mid and high tones by means of the imager's on-chip automatic exposure control and 6 barrier wide dynamic range control function called "Autobrite®". The on-chip "Autoview" function offers optimal display viewing experience.





Based on the MLX75411 "Avocet" imager, Melexis is currently demonstrating a world's first automotive color night vision solution, while practically maintaining the system's light sensitivity. Earlier systems only provide a monochrome image. Next to a more natural night look on display, main benefits include improved functioning of driver assistance systems at night, including pedestrian detection, accident avoidance, and lane identification, even when multiple colors are used at road works.

Our automotive camera, the MLX75403, is enabling vision applications in several other market segments; specifically heavy truck, light and heavy rail, agriculture & construction, autonomous vehicles and robotics applications. Industrial and transportation applications also benefit from this fully integrated camera solution due to its unique combination of high sensitivity, industry leading wide dynamic range, low noise and performance over temperature.



Melexis continues to grow these innovative and potentially life-saving camera solutions opening up new market opportunities in automotive and other market segments.

### Intelligent InfraRed Thermometers.

In 2009, Melexis further expanded the product line of intelligent InfraRed thermometers.

For the general purpose and automotive qualified MLX90614, the product line was expanded by offering sensors with smaller Field-Of-View, high accuracy and high stability. This makes these thermometers plug-in suitable for use in handheld thermometers, forehead thermometers, professional medical equipment, white goods and industrial applications. These 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 developed the MLX90615. This new thermometer offers the same functionality as its 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. This application is only increasing in importance as fever screening in public places is used in more and more countries to contain the spread of infectious diseases.

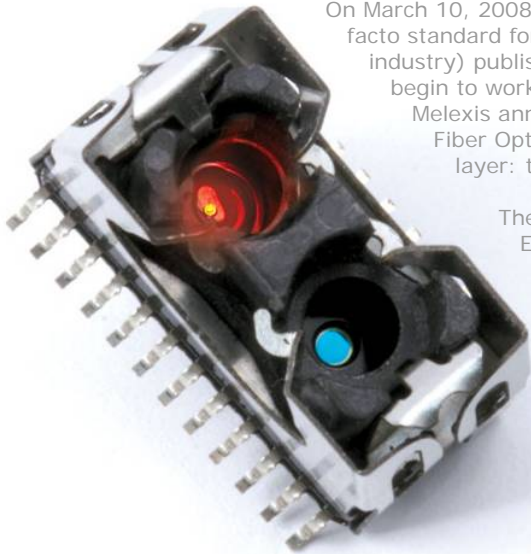
Industrialization is made much easier for our customers because these sensors all are factory calibrated.



## MOST 150 Transceivers

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.

The MLX75605, was subsequently 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.



**MLX75605**  
MOST 150 Transceiver



**MLX75603**  
MOST 150 Receiver



**MLX75604**  
MOST 150 Transmitter





## 6. International Locations

### BELGIUM

**Melexis NV**  
Rozendaalstraat 12  
8900 IEPER  
Tel: +32 57 22 61 31  
Fax: +32 57 21 80 89

### Melexis Tessenderlo NV

Transportstraat 1  
3980 TESSENDERLO  
Tel: +32 13 67 07 80  
Fax: +32 13 67 21 34

### BULGARIA

**Melexis Bulgaria Ltd.**  
2, Samokovsko shosse blvd  
Gorubliane 1138 SOFIA  
Tel: +359 2 80 70 400  
Fax: +359 2 80 70 406

### CHINA

**Melexis Electronic Technology (Shanghai) Co., Ltd.**  
19K, No.838, Zhangyang Road, Huadu Mansion,  
Pudong, SHANGHAI 200122  
Tel: +86 21 5820 8299  
Fax: +86 21 5820 1266

### FRANCE

**Melexis NV/BO Paris**  
Tour Arago - 5 Rue Bellini  
92806 PUTEAUX LA DÉFENSE  
Tel: +33 1 47 78 11 34  
Fax: +33 1 47 78 06 35

### GERMANY

**Melexis GmbH**  
Konrad-Zuse-Strasse 15  
99099 ERFURT  
Tel: +49 361 4302 6000  
Fax: +49 361 4302 6010

### HONG KONG

**Melexis Microelectronic Integrated System**  
Room 219, Core Building 2, No. 1,  
Science Park West Avenue,  
Hong Kong Science Park,  
Shatin, HONG KONG  
Tel: (852) 2210 7070  
Fax: (852) 2210 7073

### JAPAN

**Melexis Office Yokohama**  
Yokohama Aioicho building 10 F  
6-104 Aioicho, Naka-Ku  
Yokohama-Shi  
2310012 Kanagawa JAPAN  
Tel: +81 45 226 5370  
Fax: +81 45 226 5375

### PHILIPPINES

**Melexis Philippines**  
Unit 611, Common Goal Tower,  
Industry Street, Madrigal, Business Park  
Ayala Alabamg, Muntinlupa City, PHILIPPINES

### SWITZERLAND

**Melexis Technologies SA**  
Chemin de Buchaux 38  
2022 BEVAIX  
Tel: +41 32 847 06 60  
Fax: +41 32 847 06 99

### Sentron AG

Baarermattstrasse 10  
6300 ZUG  
Tel: +41 41 711 21 70  
Fax: +41 41 711 21 88

### UKRAINE

**Melexis Ukraine**  
4, Kotelnikova Street  
03115 KIEV  
Tel: +38 44 495 07 00  
Fax: +38 44 495 07 01

### USA

**Melexis Inc.**  
41 Locke Road  
NH 03301 CONCORD  
Tel: +1 603 223 2362  
Fax: +1 603 223 9614

### Melexis Detroit

37899 West Twelve Mile Road, Suite 320  
MI 48331 FARMINGTON HILLS  
Tel: +1 248 306 5400  
Fax: +1 248 306 0330

### Melexis Cambridge

10 Wilson Road, 3<sup>rd</sup> Floor  
Cambridge MA 02138  
Tel: +1 617 661 7600  
Fax: +1 617 661 7601

[info@melexis.com](mailto:info@melexis.com)

[www.melexis.com](http://www.melexis.com)





## 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; (v) respond to competitive developments; and (vi) 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.

#### **Managing 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 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 have been 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 13% and 10% of the Company's revenues for the year ended December 31st, 2009. 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, 2009 only accounted for 57 % 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 10 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.

### **Purchasing**

The vast majority of the Company's products are manufactured and assembled by foundries and subcontract manufacturers under a "fabless" model. This reliance upon foundries and subcontractors involves certain risks, including potential lack of manufacturing availability, reduced control over delivery schedules, the availability of advanced process technologies, changes in manufacturing yields, dislocation, expense and delay caused by decisions to relocate manufacturing facilities or processes, and potential cost fluctuations. During downturns in the semiconductor economic cycle, such as the current global economic recession, reduction in overall demand for semiconductor products could financially stress certain of the Company's subcontractors. If the financial resources of such subcontractors are stressed, the Company may experience future product shortages, quality assurance problems, increased manufacturing costs or other supply chain disruptions.

During upturns in the semiconductor cycle, it is not always possible to respond adequately to unexpected increases in customer demand due to capacity constraints. The Company may be unable to obtain adequate foundry, assembly or test capacity from third-party subcontractors to meet customers' delivery requirements even if the Company adequately forecasts customer demand. Alternatively, the Company may have to incur unexpected costs to expedite orders in order to meet unforecasted customer demand. The Company typically does not have supply contracts with its vendors that obligate the vendor to perform services and supply products for a specific period, in specific quantities, and at specific prices. The Company's foundry and assembly subcontractors typically do not guarantee that adequate capacity will be available within the time required to meet customer demand for products. In the event that these vendors fail to meet required demand for whatever reason, the Company expects that it would take up to twelve months to transition performance of these services to new providers. Such a transition may also require qualification of the new providers by the Company's customers or their end customers, which would take additional time. The requalification process for the entire supply chain including the end customer could take several years for certain of the Company's products.

Melexis sources the majority of its wafers from a related party (cfr. also Related Parties in Chapter 9), but sources also from 2 Asian wafer fabs to reduce the risk of dependency on one supplier. For the packaging services, Melexis sources from several Asian vendors





## 7.3 Risks Related to the 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 31<sup>st</sup>, 2009, 2008, 2007. The years 2009, 2008 and 2007 have been audited by BDO Bedrijfsrevisoren Burg. Ven. CVBA.

Françoise Chombar (Melexis CEO) and Rudi De Winter (Melexis CEO) hereby declare that the consolidated financial statements 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 statement of comprehensive income

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Product sales	126.841.199	183.915.091	202.231.461
Revenue from research and development	2.049.241	1.634.252	1.823.707
Cost of sales	(80.675.348)	(109.632.484)	(119.253.367)
Gross margin	48.215.092	75.916.859	84.801.801
Research and development expenses	(26.122.036)	(29.524.991)	(29.792.249)
General and administrative expenses	(9.790.196)	(10.743.975)	(11.003.868)
Selling expenses	(4.717.004)	(5.254.876)	(6.023.534)
Other operating expenses (net)	(600.000)	(834.201)	2.886.460
Income from operations (EBIT)	6.985.856	29.558.817	40.868.610
Financial results (net)	(13.650.551)	(6.688.598)	(1.583.164)
Result before taxes	(6.664.695)	22.870.220	39.285.446
Income taxes	2.675.641	(418.814)	(2.201.412)
Non controlling interest	-	-	-
Net result of the group	(3.989.054)	22.451.406	37.084.034

#### Condensed Consolidated statement of financial position

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Current Assets	89.820.064	89.586.113	113.101.603
Non current assets	64.432.190	67.854.435	55.886.619
Current liabilities	37.518.292	32.541.663	42.219.209
Non current liabilities	56.879.797	63.361.301	48.418.814
Equity	59.854.165	61.537.585	78.157.199





## 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 in Hong Kong the Hong Kong Dollar and in Shanghai the Yuan, 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 Electronic Technology (Shanghai) Co. Ltd Melexis Hong Kong and Melexis Japan KK 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 statement of financial position.

## 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. After changing its name in Melexis Inc., the company is currently involved in marketing and sales support activities as well as contract R&D activities.

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 contract R&D activities 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 contract R&D activities related to 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. The company's current activity is limited to the mere holding and exploitation of an official building in the Netherlands.

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 sales support and contract R&D activities.

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

On 13 October 2005, Melexis created a branch office in Manila, Philippines. The branch supports the third party assembly houses.

On the 23rd of December, 2005, Melexis NV incorporated Melefin NV. 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.

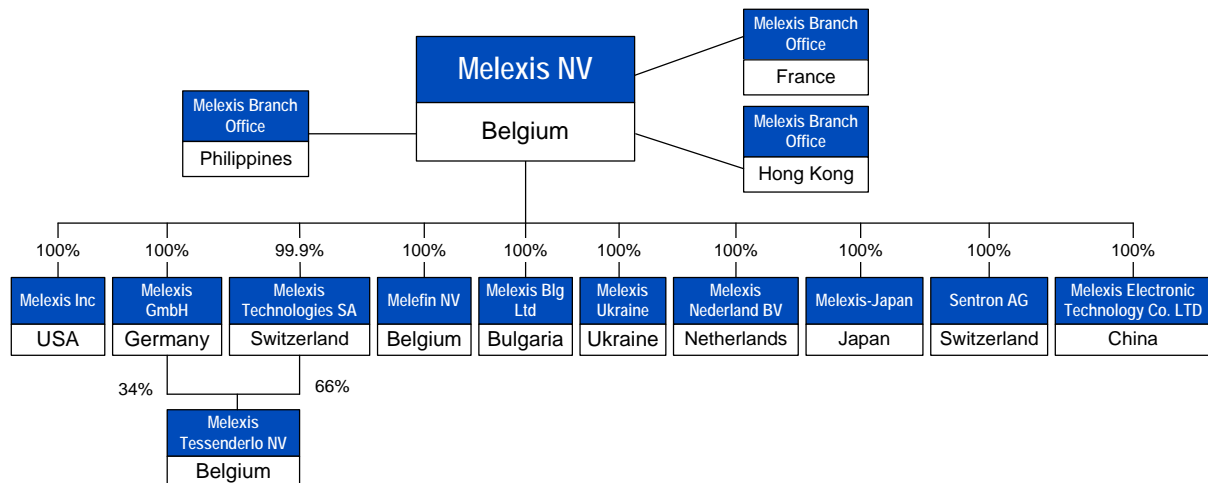
On 26 October 2006, Melexis branch office in Bevaix was transformed into a legal entity Melexis Technologies SA, 99,99 % owned by Melexis NV.

In order to centralize the entrepreneur function for existing as well as for new projects as much as possible within one Melexis entity, on 28 November 2006, Melexis Technologies transferred part of its IP portfolio to Melexis Tessenderlo NV through a contribution in kind into 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 Tokyo and on 10th of July 2007 in Hong Kong. Their principal activities are sales support activities.

In order to further centralize the entrepreneur function within the group, on 12 December 2008, Melexis Technologies transferred again part of its IP portfolio to Melexis Tessenderlo NV through a contribution in kind into 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%.

Melexis Electronic Technology (Shanghai) Co. Ltd. has been incorporated on September 22, 2009. Its principle activity is sales and application support on the Chinese mainland.





## 8.3.2 Results of operations

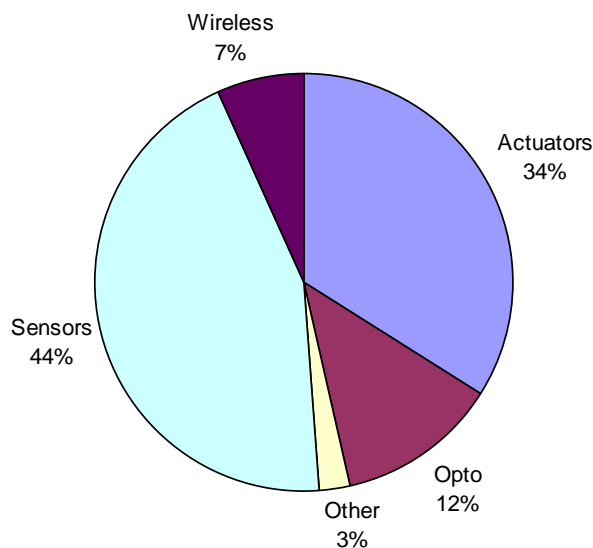
### Revenues

For 2009 total revenues decreased by 31% compared to 2008.

The largest division is Sensors (44%), which includes Hall, Pressure, Acceleration and Gyroscope activities, followed by the Actuators division (34%). The Opto product line is the third major division, realizing 12% 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 2009, the company invoiced EUR 2.049.241 research and development costs to its customers, compared to EUR 1.634.252 in 2008 and EUR 1.823.707 in 2007.

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



	2009 EUR	2008 EUR	2007 EUR
Sensors	57.221.706	84.827.702	86.046.363
Actuators	43.770.102	58.474.446	71.451.224
Opto	15.911.884	26.674.591	29.914.294
Wireless	8.623.673	12.548.810	13.318.918
Other	3.363.074	3.023.796	3.324.368
<b>Total</b>	<b>128.890.440</b>	<b>185.549.344</b>	<b>204.055.168</b>

### 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 119.253.367 in 2007, EUR 109.632.484 in 2008 and EUR 80.675.348 in 2009.

Expressed as a percentage of total revenues, the cost of sales was 63% in 2009 compared to 59% in 2008 due to the reduced loading of the test facilities as a result of the reduction in sales in 2009.

### Gross margin

The gross margin, expressed as a percentage of total revenues, was 37% in 2009 compared to 41% in 2008.

### Research and Development expenses

Research and Development expenses amounted to EUR 26.122.036 in 2009, representing 20% of total revenues. The research and development activities concentrate further on research and development of Hall Sensors, Integrated Pressure and Acceleration, 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 9% compared to 2008, mainly as a result of decreased selling expenses.





### **Other operating income and expenses (net)**

The expense of EUR 600.000 relates to restructuring costs as a consequence of the decline of the global automotive market.

### **Financial results**

The net financial results decreased from EUR 6.688.598 loss to EUR 13.650.551 loss in 2009. The (net) interest result decreased from a loss of EUR 2.327.817 in 2008 to a loss of EUR 2.393.662 in 2009. The net exchange gains (both realized and unrealized) in 2009 amounted to a gain of EUR 238.147, compared to a loss of EUR 325.035 during 2008. During 2009 the company recorded an impairment loss on financial instruments (CDO's) amounting to EUR 10.750.000.

### **Net income**

The company recorded a net loss for 2009 of EUR 3.989.054. This negative result is mainly caused by a sales decrease of 31% and a high financial loss mainly as a result of the impairment on the CDO portfolio for an amount of EUR 10.750.000.

## **8.3.3 Liquidity, Working Capital and Capital Resources**

Cash and cash deposits amounted to EUR 22.247.024 as of December 31, 2009, in comparison to EUR 8.129.385 as of December 31, 2008 and EUR 15.265.123 as of December 31, 2007.

In 2009, operating cash flow before working capital changes amounted to EUR 8.606.931.

Working capital changes were positive in 2009, mainly as a result of a decreased accounts receivable and inventories resulting in a net operating cash flow of EUR 19.702.308.

The cash flow from investing activities was positive for an amount of EUR 2.000.192, mainly the net result of on the one hand increased investments in fixed assets amounting to EUR 10.971.556 and on the other hand an impairment loss on financial fixed assets (CDO's) amounting to EUR 10.750.000, the proceeds from current investments for an amount of EUR 1.473.016 and interests received for an amount of EUR 869.717.

The cash flow from financing activities was negative for an amount of EUR 7.641.632. This is the result of the repayment of bank debts amounting to EUR 7.641.632.





## 9. Consolidated Financial Statements

### Statutory auditor's report to the general meeting of shareholders of Melexis NV on the consolidated financial statements for the year ended December 31, 2009

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.

#### Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements for the year ended December 31, 2009, prepared in accordance with International Financial Reporting Standards as agreed by the European Union. The consolidated financial statements include the statement of financial position as of December 31 2009, the consolidated statement of comprehensive income, the consolidated statement of other non comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, as well as a summary of significant accounting policies and other notes. The total of the statement of financial position amounts to 154.252.254 EUR and the consolidated statement of comprehensive income shows a consolidated loss of 3.989.054 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 Institut des Réviseurs d'Entreprises / Instituut van de Bedrijfsrevisoren. 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 ended December 31, 2009 give a true and fair view of the group's assets and liabilities, its financial position and the results of its operations in accordance with International Financial Reporting Standards as agreed by the European Union.

#### Additional statement

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 statement, 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 6, 2010

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







## 9.1 Consolidated statement of financial position

December 31 <sup>st</sup>	2009 EUR	2008 EUR	2007 EUR
<b>ASSETS</b>			
<b>Current assets</b>			
Cash, and cash equivalents (Note 9.2.4.a)	22.247.024	8.129.385	15.265.123
Current investments (Note 9.2.4.b)	3.990.126	2.144.695	18.837.646
Accounts receivable –trade (Note 9.2.4.c)	20.732.619	28.111.606	34.423.242
Accounts receivable –Related companies (Note 9.2.4.ac)	8.012.445	7.085.686	3.426.874
Inventories (Note 9.2.4.d)	26.395.284	34.370.919	34.890.286
Other current assets (Note 9.2.4.f)	8.442.566	9.743.823	6.258.432
<b>Total current assets</b>	<b>89.820.064</b>	<b>89.586.113</b>	<b>113.101.603</b>
<b>Non current assets</b>			
Intangible assets (Note 9.2.4.g)	1.823.374	465.893	1.101.125
Property, plant and equipment (Note 9.2.4.h)	43.918.002	45.028.581	46.412.230
Financial assets (Note 9.2.4.i)	24.000	10.750.000	-
Other non-current assets (Note 9.2.4.ag)	3.088.701	59.801	66.959
Deferred tax assets (Note 9.2.4.w)	15.578.113	11.550.161	8.306.305
<b>Total non current assets</b>	<b>64.432.190</b>	<b>67.854.435</b>	<b>55.886.619</b>
<b>TOTAL ASSETS</b>	<b>154.252.254</b>	<b>157.440.548</b>	<b>168.988.222</b>
<b>LIABILITIES</b>			
<b>Current liabilities :</b>			
Bank loans and overdrafts (Note 9.2.4.l)	-	-	7.650.000
Derivative financial instruments (Note 9.2.4.e)	2.856.493	2.482.814	-
Current portion of long-term debt (Note 9.2.4.m)	15.168.353	15.152.217	15.072.360
Accounts payable – trade	6.528.282	5.737.071	8.449.538
Accounts payable –related companies (Note 9.2.4.ac)	4.930.570	2.342.943	4.971.771
Accrued expenses, payroll and related taxes (Note 9.2.4.j)	5.988.579	4.398.826	4.462.679
Provisions	-	834.201	-
Other current liabilities	1.140.996	1.024.328	1.102.888
Deferred income (Note 9.2.4.k)	905.019	569.263	702.973
<b>Total current liabilities</b>	<b>37.518.292</b>	<b>32.541.663</b>	<b>42.219.209</b>
<b>Non current liabilities</b>			
Long-term debt less current portion (Note 9.2.4.m)	55.332.108	62.989.876	48.169.427
Other non current liabilities	1.262.468	-	-
Deferred tax liabilities (Note 9.2.4.w)	285.221	371.425	249.387
<b>Total non current liabilities</b>	<b>56.879.797</b>	<b>63.361.301</b>	<b>48.418.814</b>
<b>Shareholders' capital</b>	<b>564.814</b>	<b>564.814</b>	<b>564.814</b>
Share premium	-	-	-
Reserve treasury shares	(17.878.312)	(17.757.337)	(5.585.985)
Revaluation reserve Hedge	(1.636.338)	(957.260)	-
Revaluation reserve Fair value	(182.996)	(3.525.444)	(1.428.962)
Legal reserve	56.520	56.520	56.520
Retained earnings	84.298.682	61.847.277	49.719.724
Current year's result	(3.989.054)	22.451.406	37.084.033
Cumulative translation adjustment	(1.389.622)	(1.152.862)	(2.263.416)
Equity attributable to company owners	59.843.694	61.527.114	78.146.728
Non controlling interest	10.471	10.471	10.471
<b>Total equity (Note 9.2.4.n)</b>	<b>59.854.165</b>	<b>61.537.585</b>	<b>78.157.199</b>
<b>TOTAL LIABILITIES</b>	<b>154.252.254</b>	<b>157.440.548</b>	<b>168.988.222</b>

The accompanying notes to this statement of financial position form an integral part of these consolidated financial statements.



## 9.2 Consolidated Statement of Comprehensive Income

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Product sales	126.841.199	183.915.091	202.231.461
Revenues from Research and Development (Note 9.2.4.y)	2.049.241	1.634.252	1.823.707
Cost of sales (Note 9.2.4.p)	(80.675.348)	(109.632.484)	(119.253.367)
Gross margin	48.215.092	75.916.859	84.801.801
Research and development expenses (Note 9.2.4.q)	(26.122.036)	(29.524.991)	(29.792.249)
General and administrative expenses (Note 9.2.4.r)	(9.790.196)	(10.743.975)	(11.003.868)
Selling expenses (Note 9.2.4.s)	(4.717.004)	(5.254.876)	(6.023.534)
Other operating expenses (net) (Note 9.2.4.z)	(600.000)	(834.201)	2.886.460
Income from operations (EBIT)	6.985.856	29.558.817	40.868.609
Financial income (Note 9.2.4.v)	2.851.207	7.203.397	6.863.495
Financial charges (Note 9.2.4.v)	(16.501.758)	(13.891.995)	(8.446.659)
Result before taxes	(6.664.695)	22.870.220	39.285.446
Income taxes (Note 9.2.4.w)	2.675.641	(418.814)	(2.201.412)
Non controlling interest	-	-	-
Net result of the period	(3.989.054)	22.451.406	37.084.033
Earnings per share non-diluted (Note 9.2.4.x)	(0.09)	0,52	0,86
Earnings per share diluted	(0.09)	0,52	0,86

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





### 9.3 Consolidated Statement of other Comprehensive Income

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Net result	(3.989.054)	22.451.406	37.084.033
Cumulative translation adjustment	(236.760)	1.110.555	(1.452.955)
Fair value adjustments cashflow hedges	(679.078)	(957.260)	0
Fair value adjustments available-for-sale financial assets	3.342.448	(2.096.482)	(1.428.962)
Total comprehensive income for the period	(1.562.444)	20.508.219	34.202.116
Total comprehensive income attributable to:			
Attributable to owners of the parent	(1.562.444)	20.508.219	34.202.116
Non controlling interests	0	0	0

The consolidated statements were approved and authorized for issue by the Board of Directors on 09 February 2010 and were signed on its behalf by Françoise Chombar.

Françoise Chombar  
Managing Director, Chief Executive Officer (CEO)



## 9.4 Consolidated Statements of Changes in Equity

	Number of Shares	Share capital	Share Premium	Legal reserve	Retained Earnings	Reserve treasury shares	Hedge reserve	Fair value adjustment reserve	CTA	Non controlling interest	Total Equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
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)
Non controlling interest										1.012	1.012
<b>December 31, 2004</b>	<b>44.565.195</b>	<b>564.814</b>	<b>-</b>	<b>56.520</b>	<b>66.534.664</b>	<b>(10.825.647)</b>			<b>(1.463.149)</b>	<b>1.012</b>	<b>54.868.214</b>
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)
Non controlling interest										10.012	10.012
<b>December 31, 2005</b>	<b>43.241.860</b>	<b>564.814</b>	<b>-</b>	<b>56.520</b>	<b>62.244.940</b>	<b>(513.792)</b>			<b>(574.014)</b>	<b>10.012</b>	<b>61.788.480</b>
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
Non controlling interest										10.471	10.471
<b>December 31, 2006</b>	<b>43.241.860</b>	<b>564.814</b>	<b>-</b>	<b>56.520</b>	<b>75.389.813</b>	<b>(5.585.985)</b>			<b>(810.461)</b>	<b>10.471</b>	<b>69.625.172</b>
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)
Non controlling interest										10.471	10.471
<b>December 31, 2007</b>	<b>43.241.860</b>	<b>564.814</b>	<b>-</b>	<b>56.520</b>	<b>86.803.757</b>	<b>(5.585.985)</b>		<b>(1.428.962)</b>	<b>(2.263.416)</b>	<b>10.471</b>	<b>78.157.199</b>
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)
Non controlling interest										10.471	10.471
<b>December 31, 2008</b>	<b>43.241.860</b>	<b>564.814</b>	<b>-</b>	<b>56.520</b>	<b>84.298.683</b>	<b>(17.757.337)</b>	<b>(957.260)</b>	<b>(3.525.444)</b>	<b>(1.152.862)</b>	<b>10.471</b>	<b>61.537.585</b>
Net income					(3.989.054)						(3.989.054)
CTA movement									(236.760)		(236.760)
Dividend										0	0
Reserve treasury shares						(120.975)					(120.975)
Hedge reserves (1)							(679.078)				(679.078)
Fair value adjustments through equity (2)								3.342.448			3.342.448
Non controlling interest										10.471	10.471
<b>December 31, 2009</b>	<b>43.241.860</b>	<b>564.814</b>	<b>0</b>	<b>56.520</b>	<b>80.309.629</b>	<b>(17.878.312)</b>	<b>(1.636.338)</b>	<b>(182.996)</b>	<b>(1.389.622)</b>	<b>10.471</b>	<b>59.854.165</b>

(1) Hedge reserves gross: EUR (2.478.924) (note e)  
Deferred tax effect EUR 842.586 (note w)

(2) Fair value adjustments:  
Current year EUR 182.996 (note b)  
Fair value last year has been reversed for an amount of EUR 3.525.444





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 and Melexis Tessenderlo NV repurchased 1.245.335 shares at an average price of EUR 9,78. In 2009 Melexis Tessenderlo NV repurchased 22.230 shares at an average price of EUR 4,98. Total own shares at the end of 2009 amount to 1.725.943 representing 3,99% of the total outstanding shares.







## 9.5 Consolidated Statements of Cash Flows

December 31 <sup>st</sup> (indirect method)	2009 EUR	2008 EUR	2007 EUR
Cash flows from operating activities			
Net result	(3.989.060)	22.451.406	37.084.033
Adjustments for operating activities:			
Deferred taxes	(4.113.731)	(3.243.855)	(921.785)
Unrealized exchange results	-	772.166	(328.696)
Provisions	1.070.886	3.209.457	7.725
Government grants	2.520.405	767.950	255.146
Depreciations	10.724.664	11.780.976	11.693.085
Impairments	-	-	-
Financial results	2.393.767	1.410.358	1.375.933
Operating profit before working capital changes	8.606.931	37.148.458	49.165.441
Accounts receivable, net	7.309.340	6.937.788	(5.847.369)
Other current assets	(1.188.791)	(4.196.138)	(311.168)
Other non-current assets	(3.028.901)	7.158	14.495
Due to (from) related companies	2.456.903	(6.287.640)	(114.982)
Due (to) from related companies	(926.759)	2.628.829	-
Accounts payable	(34.284)	(2.861.317)	1.230.407
Accrued expenses	1.674.703	3.018.812	966.197
Other current liabilities	(254.752)	1.569.033	1.098.800
Deferred income tax	1.262.468	-	-
Inventories	7.749.284	(1.210.509)	(5.917.077)
Interest paid	(3.263.484)	(3.653.161)	(3.229.929)
Income tax	(660.349)	(3.582.665)	(3.816.772)
Net cash from operating activities	19.702.308	26.889.818	33.238.043
Cash flows from investing activities :			
Financial fixed assets (incl. own shares)	10.629.025	(12.171.353)	-
Purchase of property plant and equipment and intangible assets	(10.971.566)	(9.509.600)	(15.140.880)
Interest received	869.717	1.470.637	2.182.692
Investments/proceeds/ from current investments	1.473.016	3.846.469	12.099.272
Acquisition of subsidiary	-	-	-
Net cash used in investing activities	2.000.192	(16.363.847)	(858.916)
Cash flows from financing activities :			
Repayment from long-term debts	(7.641.632)	14.900.307	(14.941.839)
Proceeds of long-term debts	-	-	-
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)
Capital decrease	-	-	-
Minorities	-	-	1
Net cash used in financing activities	(7.641.632)	(17.706.173)	(32.961.927)
Effect of exchange rate changes on cash	56.770	44.463	(49.782)
(Decrease) increase in cash	14.117.639	(7.135.738)	(632.582)
Cash at beginning of the period	8.129.385	15.265.123	15.897.705
Cash at end of the period	22.247.024	8.129.385	15.265.123
Cash at end of the period minus cash at beginning of the period	14.117.639	(7.135.738)	(632.582)

The accompanying notes to this statement of cash flows form an integral part of the consolidated financial statements.



## 9.6 Notes to the consolidated financial statements

### 9.6.1 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 695 in 2009, 772 in 2008 and 763 in 2007.

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

The consolidated statements were authorized for issue by the Board of Directors subsequent to their meeting held on February 9th, 2010 in Antwerp.

### 9.6.2 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 as of 31 December 2009.

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 statement of financial position and at the average exchange rate for the year with respect to the statement of comprehensive income. 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 statement of comprehensive income in the period in which they arise.

### Foreign currency translation

Since the introduction of the EURO on January 1<sup>st</sup> 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) and the measurement currency for Melexis Electronic Technology (Shanghai) Co. Ltd. is the Chinese Yuan Renminbi (CNY). 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, Melexis Technologies SA and Melexis Electronic Technology (Shanghai) Co. Ltd. are translated at exchange rates in effect at the end of the reporting period, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component "cumulative translation adjustment" in the statement of financial position.

### 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 statement of financial position and statement of comprehensive income, 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 31<sup>st</sup>, 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.

During 2009 a separate legal entity has been incorporated in China, known as Melexis Electronic Technology (Shanghai) Co. Ltd.





### **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 statement of comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognized directly in the statement of comprehensive income.

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
- Mask set	5 years

Melexis does capitalize the development expenses for masks as tangible assets. A mask is a thin sheet of material from which a pattern has been cut, placed over a semiconductor chip so that an integrated circuit can be formed on the exposed areas. Masks can be used for the lifetime of the product. Therefore, masks are depreciated over the estimated useful lifetime of 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" and IFRS 7 "Financial Instruments: Disclosures".

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.

The fair value of this assets is measured using inputs, other than quoted prices, that are observable for the asset either directly (as prices) or indirectly (derived from prices), conform IFRS 7 – Level 2.

### **(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 statement of financial position.

The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, conform IFRS 7 – Level 1.

### **(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.

The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, conform IFRS 7 – Level 1.

### **(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.

The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, conform IFRS 7 – Level 1.







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 statement of comprehensive income 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 statement of comprehensive income as gains and losses from investment securities.

### **Retirement benefits: Defined contribution schemes**

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

### **Intangible Assets**

Intangible assets, externally purchased, 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.

### **Business Combinations**

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the statement of financial position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognized at their fair values at the acquisition date. The results of acquired operations are included in the consolidated statement of comprehensive income from the date on which control is obtained. They are deconsolidated from the date control ceases.

### **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 statement of financial position. The identifiable assets and liabilities recognized upon acquisition are measured at their fair values as at that date. Any non controlling 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.

However, Melexis does capitalize the development expenses for masks as tangible assets. A mask is a thin sheet of material from which a pattern has been cut, placed over a semiconductor chip so that an integrated circuit can be formed on the exposed areas. Masks can be used for the lifetime of the product. Therefore, masks are depreciated over the estimated useful lifetime of 5 years.

### **Equity**

Treasury shares are presented in the statement of financial position 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 statement of comprehensive income 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.

## Non controlling interests

Non controlling 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 statement of comprehensive income and as deferred income on the statement of financial position (Note o).

## Income taxes

The income tax charge is based on the result of 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 statement of financial position.

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 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**

Melexis uses the management approach for determining its segment information. This information is based on the available internal information which forms the basis to evaluate the internal performance of its operational segments and the means appropriated to each segment. On a worldwide basis Melexis operates into two major operating businesses. The divisions are the basis upon which Melexis reports its primary segment information. Financial information on geographical segments is also presented in Note AB.

### **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 result for the period attributable to ordinary shareholders by the weighted average number of shares outstanding during the period.



### **Critical accounting estimates and judgments**

Estimates and judgments used in developing and applying the consolidated entity's financial statements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results. Assumptions and estimates are applied when:

- Recognizing and measuring provisions for tax, litigation risks,
- Determining inventory write-downs,
- Assessing the extent to which deferred tax assets will be realized,
- Useful lives of Property, Plant and Equipment and Intangible assets

The critical estimates and judgments that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are listed below.

- Recovery of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and fair value reserves entries only if it is probable that future taxable profits (based on Melexis operational plans) are available to use those temporary differences and losses. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized. Other assumptions and estimates are disclosed in the respective notes relevant to the item where the assumptions or estimates were used for measurement (note W).

### **Financial liabilities**

All movements in financial liabilities are accounted for at trade date.

Borrowings are initially recognized as proceeds received, net of transaction costs. Subsequently they are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on issue. Any differences between cost and redemption value are recognized in the statement of comprehensive income upon redemption.

#### ***Trade and other payables***

Trade payables are measured at amortized cost, i.e. at the net present value of the payable amount. Unless the impact of discounting is material, the nominal value is taken.

#### ***Derivative financial instruments***

The negative fair value of derivative financial instruments is included under this heading.





### Adoption of new and revised standards

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied for the year ended 31 December 2008. The following International Standards and Interpretations have been adopted during the year 2009

- IFRS 7 Financial Instruments: Disclosures (Amendment)
- IAS 39 (amendments) Reclassification of financial assets: effective date and transition
- IFRS 8 Operating Segments (replacing IAS 14)
- IAS 1 Presentation of Financial Statements

The application of these International Standards and Interpretations did not have a significant impact on the statement of financial position or the results of the company and therefore has not lead to any changes in the valuation principles applied.

**Melexis has not adopted and does not intend to early adopt the following amended standards as issued by the IASB, and endorsed for use by the EU, but not yet mandatory for the accounting period.**

- IFRS 3 Business Combinations (Revised)
- IFRS 8 Business Combinations (Amended)
- IAS 27 Consolidated and Separate Financial Statements

**Melexis has not adopted and does not intend to early adopt the following amended standards, which have been issued by the IASB, but have not yet been endorsed for use in the EU.**

- IFRS 1 First-time Adoption of International Financial Reporting Standards — Additional Exemptions for First-time Adopters (Amendments)
- IFRS 2 Group Cash-settled Share-based Payment Arrangements

**Finally the following International Standards became effective, but are not relevant and thus applicable for the company:**

- IFRS 1 First-time Adoption of International Financial Reporting Standards — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
- IAS 27 Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate (Amendments)
- IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation (Amendments)
- IFRIC 9 Reassessment of Embedded Derivatives and IAS 39 Financial Instruments: Recognition and Measurement – Eligible hedged items (Amendments)
- IFRIC 13 Customer Loyalty Programs
- IFRIC 14 IAS 19 The limit of a defined benefit asset, minimum funding requirements and their interaction
- IFRIC 15 Agreements for the Construction of Real Estate
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation
- IFRIC 17 Distributions of Non-cash Assets to Owners
- IFRIC 18 Transfers of Assets from Customers





### 9.6.3 Changes in Group's Organization

In 2009 the new legal entity, Melexis Electronic Technology (Shanghai) Co. Ltd., in China opened. Furthermore the group acquired a minority share in a third party during 2009.

### 9.6.4 Notes

#### A Cash and cash equivalents

December 31 <sup>st</sup>	2009 EUR	2008 EUR	2007 EUR
Cash at bank and in hand	22.247.024	8.129.385	14.962.954
Cash equivalents	-	-	302.169
Total	22.247.024	8.129.385	15.265.123

#### B Current investments

December 31 <sup>st</sup>	2009 EUR	2008 EUR	2007 EUR
Current Investments	3.990.126	2.144.695	18.837.646

December 31 <sup>st</sup>	Cost	Fair Value
Detailed current investments		
Assets held to maturity	-	-
Assets available for sale	4.067.616	3.884.702
Derivatives	-	105.424
Total	4.067.616	3.990.126

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 31<sup>st</sup>, 2009 this fair value adjustment resulted in a loss (decrease of equity) amounting to 182.996 EUR. The fair value of these assets amounted to 3.884.702 EUR.

Melexis' financial derivatives with a positive market value are classified as assets held for trading. The fair value changes for those derivatives where no hedge accounting is applicable are immediately recognized in the statement of comprehensive income. As of December 31<sup>st</sup>, 2009 the fair value of the financial derivatives recognized as asset under current investments amounted to 105.424 EUR.

As of December 31<sup>st</sup>, 2009 Melexis had no assets in portfolio classified as investments held to maturity.

#### C Trade receivables

December 31 <sup>st</sup>	2009 EUR	2008 EUR	2007 EUR
Trade accounts receivable	22.990.331	29.929.090	36.257.317
Allowance for doubtful accounts	(2.257.712)	(1.817.484)	(1.834.075)
Total	20.732.619	28.111.606	34.423.242

As at 31 December 2009 trade receivables of EUR 7.783.812 were passed due but not impaired. The aging analysis of these receivables is as follows:





December 31 <sup>st</sup>	2009 EUR	2008 EUR
<30 days	5.885.268	6.302.142
>30 <60 days	520.301	4.708.713
> 60 days	1.378.243	2.525.165
Total	7.783.812	13.536.020

## D Inventories

December 31 <sup>st</sup>	2009 EUR	2008 EUR	2007 EUR
Raw materials and supplies, at cost	1.981.821	2.222.702	4.169.077
Work in progress, at cost	21.647.470	22.584.832	25.934.575
Finished goods, at cost	4.002.668	10.899.702	4.839.925
Reserve for obsolete stock	(1.236.675)	(1.336.317)	(53.291)
Net	26.395.284	34.370.919	34.890.286

## E Derivatives

### Notional amounts

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

December 31 <sup>st</sup>		2009	2008	2007
Outstanding FX hedge contracts per 31 <sup>st</sup> December, not exceeding 1 year	USD	9.000.000	20.750.000	12.750.000
Outstanding Interest hedge contracts per 31 <sup>st</sup> December, exceeding 1 year	EUR	75.000.000	75.000.000	-
Outstanding Inflation hedge contracts per 31 <sup>st</sup> December, exceeding 1 year	EUR	8.400.000	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 2009:

December 31 <sup>st</sup>	2009	2008	2007
Assets	Fair value EUR	Fair value EUR	Fair value EUR
Outstanding Inflation swaps	105.424	359.040	446.842
Outstanding FX swaps	-	-	123.917
Total	105.424	359.040	570.759
Liabilities			
Outstanding FX swaps	(7.796)	(788.606)	123.917
Outstanding Interest swaps	(369.772)	(244.034)	-
Outstanding Interest swaps (hedged)	(2.478.924)	(1.450.174)	-
Total	(2.856.492)	(2.482.814)	-

December 31 <sup>st</sup>	2009	2008	2007
Fair value of instruments through statement of comprehensive income	Fair value EUR	Fair value EUR	Fair value EUR
Outstanding FX swaps per 31st December	(7.796)	(788.606)	123.917
Outstanding Interest swaps per 31st December	(369.772)	(244.034)	-
Outstanding Inflation swaps per 31st December	105.424	359.040	446.842
Total	(272.144)	(673.600)	570.759

December 31 <sup>st</sup>	2009	2008	2007
Fair value of instruments through equity (hedge accounting IAS 39)			
Outstanding FX hedge swaps per 31st December	-	-	-
Outstanding Interest hedge swaps per 31st December	(2.478.924)	(1.450.174)	-
Outstanding Inflation hedge swaps per 31st December	-	-	-
Total	(2.478.924)	(1.450.174)	-

## F Other Current Assets

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Other receivables	7.164.231	8.246.276	5.985.134
Prepaid expenses	1.278.335	1.497.547	273.298
Total	8.442.566	9.743.823	6.258.432

These assets mainly relate to VAT and Corporate Taxes.



## G Intangible Assets

December 31 <sup>st</sup> 2009	Licenses EUR	Total EUR
Acquisition value		
Balance end of previous period	7.879.732	7.879.732
Additions of the period	1.608.048	1.608.048
Retirements(-)	(13.889)	(13.889)
Transfers	(5.036)	(5.036)
CTA	(453)	(453)
TOTAL	9.468.402	9.468.402
Depreciation	-	-
Balance end of previous period	7.413.840	7.413.840
Additions of the period	245.849	245.849
Retirements(-)	(13.889)	(13.889)
Transfers	(350)	(350)
CTA	(422)	(422)
TOTAL	7.645.028	7.645.028
NET BOOK VALUE	1.823.374	1.823.374

## H Property, plant and equipment

	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed assets under Construction	Total
December 31 <sup>st</sup> 2009	EUR	EUR	EUR	EUR	EUR
Cost:					
Beginning of the period	22.864.309	99.603.359	4.732.158	1.999.722	129.199.548
Additions of the year	3.213.104	5.735.176	701.507	65.459	9.715.246
Retirements	-	(3.413.658)	(410.996)	(46.523)	(3.871.177)
Transfers	1.087.698	498.190	-	(1.580.852)	5.036
CTA	(38.555)	(52.074)	(3.202)	4	(93.827)
End of the period	27.126.556	102.370.993	5.019.467	437.810	134.954.826
Accumulated depreciation:					
Beginning of the period	4.590.686	76.335.314	3.244.967	-	84.170.967
Additions of the period	936.549	8.924.019	618.246	-	10.478.814
Retirements	-	(3.185.393)	(370.749)	-	(3.556.142)
Transfers	(9.365)	9.014	701	-	350
CTA	(7.691)	(46.936)	(2.538)	-	(57.165)
End of the period	5.510.179	82.036.018	3.490.627	-	91.036.824
NET BOOK VALUE	21.616.377	20.334.975	1.528.840	437.810	43.918.002





## I Non Current Financial Assets

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Non Current Financial Assets	24.000	10.750.000	-

As of December 31<sup>st</sup>, 2009, the total of non current financial assets amounts to 24.000 EUR.

This amount reflects the non controlling interest taken in the course of 2009 in a company.

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), is valued at 0 EUR, being management's best estimate of the fair value. This fair value corresponds with the result of multiple valuation techniques, including the 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 (consistent with the valuation technique used at 31 Dec 2008),

In 2009, the CDO-portfolio generated a total interest amount of 689.402 EUR.

The expected maturity of the CDO-portfolio is 2016-2017. The fair value adjustment of 10.750.000 EUR compared with December 31<sup>st</sup>, 2008 has been taken in the statement of comprehensive income of 2009.

## J Accrued expenses, accrued charges, payroll and related taxes

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Vacation pay bonuses and 13th month	1.904.611	1.896.805	1.890.940
Other social accruals	1.593.545	938.475	231.991
Remuneration	303.018	36.154	237.545
Social security	263.610	116.737	141.889
Direct and indirect taxes	504.204	974.147	1.459.324
Other	1.419.591	436.508	500.990
Consulting	106.965	-	-
Insurances	82.679	72.405	79.000
Audit fees	80.500	35.000	40.000
Lawyer	27.094	-	100.000
Training	45.000	-	-
Bank costs	382.582	778.421	647.651
Contingent liability	82.797	-	-
Total	6.796.196	5.284.652	5.329.330

## K Deferred Income

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Capital grants	905.019	569.263	702.973
Total	905.019	569.263	702.973

## L Bank loans and overdrafts

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Secured	-	-	7.650.000
Unsecured	-	-	-
Total	-	-	7.650.000





## M Long and short term debts

December 31 <sup>st</sup>	2009 EUR	2008 EUR	2007 EUR
<b>Secured loans</b>			
Bank loan (in CHF) at floating interest rate; average rate for the year 2009 was 3,11 % (1) ;maturing in 2019	336.911	369.974	362.497
Bank loan (in EUR) at floating interest rate; average rate for the year 2009 was 2.05% (2), maturing in 2033	2.506.658	2.613.326	2.719.994
Bank Loan (in USD) at fixed rate of 6 % (3), maturing in 2018	156.892	158.793	159.296
Bank loan in (EUR) at floating interest rate; average rate for the year 2009 was 2.80 % (4); maturing in 2011	30.000.000	45.000.000	60.000.000
<b>Total secured loans</b>	<b>33.000.461</b>	<b>48.142.093</b>	<b>63.241.787</b>
<b>Unsecured loans</b>			
Unsecured loans (in EUR) at floating interest rate; average rate for the year 2009 was 2.84%; maturing in 2013	37.500.000	30.000.000	-
<b>Total unsecured loans</b>	<b>37.500.000</b>	<b>30.000.000</b>	<b>-</b>
<b>Total debt</b>	<b>70.500.461</b>	<b>78.142.093</b>	<b>63.241.787</b>
Current maturities	15.168.353	15.152.217	15.072.360
Long-term portion of debts	55.332.108	62.989.876	48.169.427

(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, 2009 there are renegotiated engagements for the following financial covenants:

For Melexis NV:

- Net debt/EBITDA ratio  $\leq$  3.5
- Tangible net worth/total assets  $\geq$  30%
- Available cash flow/debt service ratio  $\geq$  110%

For Melefin NV:

- Tangible net worth > 75 mln EUR.

Melexis NV will not distribute any dividends (or interim dividends) to its shareholders, if initial covenants (net debt/EBITDA < 2.5 and tangible net worth/total assets > 35%) are not respected, and in any case not before June 30th 2010.

Melexis NV, or any of its subsidiaries, will not pursue a share-back in relation to Melexis NV's shares, if initial covenants (net debt/EBITDA < 2.5 and solvency > 35%) are not respected, and in any case not before June 30th 2010.

As per 31 December 2009, Melexis is respecting all its financial covenants.



Repayment of debts as of December 31st, 2009 are scheduled as follows:

December 31 <sup>st</sup>	2009 EUR
2010	15.168.353
2011	15.154.287
2012	155.145
2013	37.656.057
2014	157.024
Thereafter	2.209.595
TOTAL	70.500.461

## N Shareholders' equity and rights attached to the shares

As of December 31st, 2009 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. Capital grants are recognized as cost of sales in relation to the depreciation period of the underlying assets. The operational grants are recognized as Research and development expenses when acquired.

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Grants for research and development	735.057	348.115	460.026
Investment grants in building, machinery and employment grants	312.309	348.115	571.279
Total	1.047.366	1.116.065	1.1031.305

## P Cost of sales

Cost of sales include of the following expenses:

December 31 <sup>st</sup>	2009	2008	2007
Cost of Sales	EUR	EUR	EUR
Purchases	58.273.274	80.541.490	92.901.016
Transportation costs	1.628.366	2.819.108	3.096.843
Salaries	8.577.115	10.209.713	9.285.571
Depreciation and amortization	7.495.591	9.911.377	7.423.232
Other direct production costs	4.701.002	6.150.725	6.834.664
Total	80.675.348	109.632.484	119.253.367

## Q Research and development expenses

Research and development expenses include the following expenses:

December 31 <sup>st</sup>	2009	2008	2007
Research and development costs	EUR	EUR	EUR
Salaries	16.284.651	17.001.632	15.971.718
Depreciation and amortization	2.308.641	3.307.925	3.140.197
External Services	3.225.109	4.368.180	5.051.381
Prototype Wafers	828.628	1.484.854	2.000.099
Fees	1.295.349	1.440.064	1.273.931
Other	2.179.658	1.922.336	2.354.923
Total	26.122.036	29.524.991	29.792.249





## R General and administrative expenses

General and administration expenses include the following expenses:

December 31st	2009	2008	2007
General and administrative expenses	EUR	EUR	EUR
Salaries	3.092.041	2.933.297	2.894.255
Depreciation and amortization	1.102.072	878.478	1.079.082
External Services	1.367.183	1.917.933	2.184.844
Fees	662.494	819.834	952.536
Other	3.566.406	4.194.433	3.893.151
Total	9.790.196	10.743.975	11.003.868

## S Selling expenses

Selling expenses include the following expenses:

December 31st	2009	2008	2007
Selling expenses	EUR	EUR	EUR
Salaries	2.731.719	2.846.901	2.875.355
Depreciation and amortization	60.934	58.452	50.575
Commissions	563.322	677.090	833.227
Other	1.361.029	1.672.432	2.264.377
Total	4.717.004	5.254.876	6.023.534

## T Personnel expenses and average number of employees

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Wages and salaries	30.685.526	32.991.543	31.026.899
Total	30.685.526	32.991.543	31.026.899

The average number of employees is 695 in 2009, 772 in 2008 and 763 in 2007.

### Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group.

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Gross compensation	410.000	480.000	426.000
Total	410.000	480.000	426.000

## U Depreciation and amortization expenses

Depreciation and amortization include the following expenses:





December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Cost of sales	7.495.591	9.911.377	7.423.232
Research and development	2.308.641	3.307.891	3.140.197
General and administration	1.102.072	878.478	1.079.082
Selling	60.934	58.452	50.575
Other operating expenses	600.000	834.201	
Total	11.567.238	14.990.399	11.693.086

## V Net Financial Result

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Financial income:	(2.851.207)	(7.203.397)	(6.863.495)
- interest income	(869.717)	(1.470.637)	(2.107.270)
- exchange differences	(1.782.327)	(5.333.967)	(4.019.873)
- result on financial instruments including fair value adjustments	(32.246)	(235.791)	(570.784)
- dividend	-	-	-
- other	(166.917)	(163.003)	(165.568)
Financial charges:	16.501.758	13.891.995	8.446.659
- interest charges	3.263.379	3.798.454	3.364.272
- bank charges	74.467	126.912	117.228
- exchange differences	1.544.180	5.659.002	4.916.101
- impairment	11.546.857	4.250.000	-
- other	72.875	57.627	49.058
Net financial results	13.650.551	6.688.598	1.583.164

## W Income taxes

The income tax expenses can be detailed as follows:

December 31 <sup>st</sup>	2009	2008	2007
	EUR	EUR	EUR
Current tax expenses	1.088.842	3.169.756	3.123.197
Deferred tax income	(3.764.483)	(2.750.942)	(921.785)
Total	(2.675.641)	418.814	2.201.412

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. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of 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 21.7 mio at year end 2009. Past transactions resulted in similar deferred tax effects amounting to approximately EUR 27.1 mio at year end 2009.



Consistent with prior years the company assessed to which extent it is probable that this positive tax effect will effectively be realized in the future. In this respect the Board of Directors in particular takes into account the uncertainties related to the rapid technological evolutions in the sector, the highly competitive market as well as the fact that the company only has short term contracts with its customers. Contrary to prior years in its judgment the Board of Directors has decided not only to take into account the profitability over the coming year but to take into account instead the average profitability over the coming three years. Such change in accounting estimate is found to be expedient in order to avoid unrealistic year on year fluctuations in estimated realization of the deferred tax asset. Taking into account these considerations the Board of Directors has decided to recognize as per December 31, 2009 a cumulative deferred tax asset of EUR 8.319.345 whereas the previous years' judgment based on a one year forecast would have resulted in a cumulative deferred tax asset of EUR 4.632.866. Accordingly the unrecognized deferred tax asset resulting from these transactions amounts to approximately EUR 40 mio at year end 2009.

Linked to available tax losses carried forward in the hands of Melexis NV an additional deferred tax asset amounting to EUR 0.8 is taken into account.

Finally a cumulative deferred tax asset amounting to EUR 6.1 mio has been set up to take into account the deferred tax effect resulting from fair value adjustments related to financial instruments.

Reconciliation of the expected tax expense and the consolidated income taxes is as follows:

	2009 EUR	2008 EUR	2007 EUR
Income before taxes	(6.664.695)	22.870.220	39.285.446
Expected taxes at domestic rate	(2.265.330)	9.885.595	13.353.123
<u>Effective taxes</u>	<u>(2.675.641)</u>	<u>418.814</u>	<u>2.201.412</u>
Difference to be explained	(410.311)	(9.466.781)	(11.151.711)
Explanation of difference			
Difference foreign tax percentages and other tax regimes	1.502.004	-	(1.256.876)
Goodwill Melexis Tessenderlo	-	(671.548)	(671.548)
Effect IP amortization (permanent difference)	(6.688.075)	(3.753.058)	(3.620.857)
Fair value adjustments financial instruments	-	422.958	-
Miscellaneous	(215.138)	151.868	-
Tax effect non-deductible items	376.537	1.595.078	140.647
Tax effect non-taxable income	(90.683)	-	-
Tax effect notional interest deduction	(5.879.193)	(4.501.199)	(3.754.146)
Tax effect investment deduction	(1.683.282)	(605.516)	(1.188.931)
Current tax adjustments relating to prior periods	134.943	523.540	-
Recognition of additional deferred tax assets	-	(2.750.942)	(800.000)
Recognition of additional deferred tax liabilities	-	122.038	-
Unrecognized deferred tax assets arising in the period	11.579.589	-	-
Effect of previously unrecognized and unused tax losses and tax offsets now recognized deferred tax assets, including valuation allowances	552.987	-	-
Total	(410.311)	(9.466.781)	(9.894.835)
Difference	0	0	1.256.876





Components of deferred tax assets are as follows:

	1 January 2009	Charged to statement of comprehensive income	Charged to equity	Cumulative Translation Adjustments	31 Dec. 2009
<b>Deferred tax assets related to</b>	<b>EUR</b>	<b>EUR</b>		<b>EUR</b>	<b>EUR</b>
Tax amortization charges	8.837.000	(517.655)	-	-	8.319.345
Fair value adjustments financial instruments	350.994	(222.659)	-	-	128.335
Fair value adjustments hedge accounting	492.914	-	349.672	-	842.586
Impairment CDO	1.444.575	3.653.925	-	-	5.098.500
Recognition of tax losses	-	800.000	-	-	800.000
Other	424.678	(35.332)	-	-	389.346
<b>Total</b>	<b>11.550.161</b>	<b>3.678.279</b>	<b>349.672</b>	<b>-</b>	<b>15.578.112</b>

Components of deferred tax liabilities are as follows:

	1 January 2009	Charged to statement of comprehensive income	Charge to equity	Cumulative Translation Adjustments	31 Dec. 2009
	<b>EUR</b>	<b>EUR</b>		<b>EUR</b>	<b>EUR</b>
Miscellaneous	371.425	(86.204)	-	-	285.221
<b>Total</b>	<b>371.425</b>	<b>(86.204)</b>	<b>-</b>	<b>-</b>	<b>285.221</b>

## X Earnings per share

Basic earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR (3.989.054) in 2009, 22.451.406 in 2008 and EUR 37.084.033 in 2007 by the weighted average number of ordinary shares outstanding during the period (43.241.860 in 2009 and 2008, 43.241.860 in 2007).

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.

The Research and development revenues are as follows:

December 31 <sup>st</sup>	<b>2009 EUR</b>	<b>2008 EUR</b>	<b>2007 EUR</b>
Research and development revenues-product developments	2.049.241	1.634.252	1.823.707
<b>Total</b>	<b>2.049.241</b>	<b>1.634.252</b>	<b>1.823.707</b>

## Z Other operating expenses

December 31 <sup>st</sup>	<b>2009 EUR</b>	<b>2008 EUR</b>	<b>2007 EUR</b>
Other operating expenses	600.000	834.201	(2.886.460)
<b>Total</b>	<b>600.000</b>	<b>834.201</b>	<b>(2.886.460)</b>

Expenses in 2009 were related to restructuring costs Erfurt.



## AA Sensitivity analysis on financial risk

Melexis is mainly sensitive to foreign currency and interest rate risk.

### Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, especially in USD. In 2009, approximately 46% of the Group's sales are denominated in USD and approximately 30% of the Group's operating costs are denominated in USD.

The following table demonstrates the sensitivity to a reasonably possible change in the EUR/USD exchange rate, with all other variables held constant of the Group's result before tax.

### Currency rate risk table

FY 2009	Increase / Decrease in EUR/USD rate	Effect on result before tax(in EUR)
	+0.05	-788.475
	-0.05	845.866

At 31 December 2009, following financial assets and liabilities are denominated in USD and CHF:

	31 Dec 09 (000 USD)	31 Dec 09 (000 CHF)
Financial assets	22.226	486
- Cash and cash equivalents	2.637	448
- Trade and other receivables	19.589	38
Financial liabilities	6.088	1.083
- Trade and other payables	5.862	583
- Loans and borrowings	226	500

An increase/decrease of the EUR/USD rate of +/- 0.05 would have an impact on the balance sheet value of - 376k EUR/ +403k EUR at 31 December 2009.

An increase/decrease of the EUR/CHF rate of +/- 0.05 would have an impact on the balance sheet value of +13k EUR/ -14k EUR at 31 December 2009.

The portion of other non-functional currencies (other than USD and CHF) is not material.

### Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.

At 31 December 2009, approximately 99,7% of the Group's borrowings are at a floating rate of interest. In order to hedge the interest rate risk, Melexis is using interest rate derivatives.



## Interest rate risk table

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's financial result (through the impact on floating rate borrowings). The calculation is based on outstanding debt at year end and assumes a increase/decrease of the interest rate on the whole interest rate curve.

FY 2009	Increase / Decrease in basis points	Effect on financial result (in EUR)	
		excluding derivatives	Including derivatives
	+15	-105.515	-6.749
	-15	+105.515	6.749

## AB Segment information

The segment information is presented in respect of the Group's business and geographical segments as described below.

### 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 Western Europe, Eastern Europe, Asia and the United States.

## Business segment data

31st December 2009 All amounts in 1.000 EUR	Automotive	Other	Unallocated	Total
Product sales	87.994	38.847		126.841
Other revenues	1.758	292		2.049
COS	55.843	24.832		80.675
R&D expenses	18.082	8.040		26.122
G&A expenses	6.777	3.013		9.790
Selling expenses	3.265	1.452		4.717
Other operating expenses			600	600
Income from operations				6.986
Financial results			(13.651)	(13.651)
Taxes			2.676	2.676
Net result				(3.989)
Segment assets	65.321	28.838	60.093	154.252
Segment liabilities	69.485	30.676	54.091	154.252
Capital expenditures	7.612	3.360	-	10.972
Depreciation	7.440	3.285		10.725





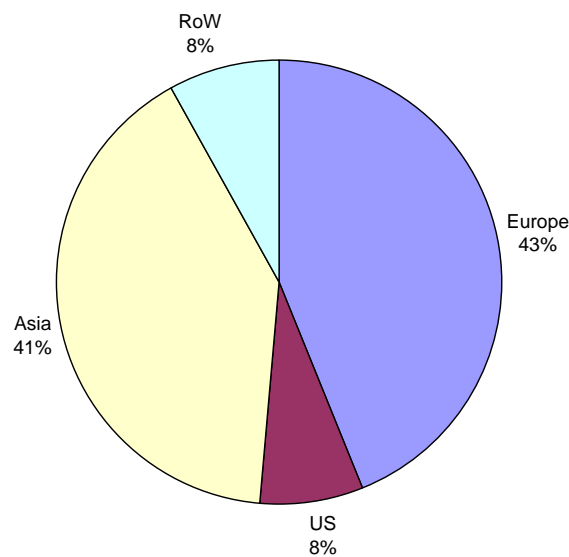
### Business segment data (Continued)

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 result				22.451
Segment assets	86.324	31.997	39.120	157.441
Segment liabilities				
Capital expenditures	6.938	2.572		9.510
Depreciation	8.595	3.186		11.781

### Geographical segment data

31st December 2009 All amounts are in 1.000 EUR	Europe	US	Total
Revenue by origin	119.121	9.769	128.890
Segment assets	153.301	952	154.252

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:

	2009 EUR	2008 EUR	2007 EUR
<u>Europe</u>	<u>56.561.690</u>	<u>77.992.351</u>	<u>85.712.633</u>
Germany	24.994.299	34.980.013	41.910.441
France	4.496.830	10.425.287	12.697.884
United Kingdom	8.891.645	10.986.603	11.949.001
Ireland	3.573.252	4.028.122	3.754.744
Poland	3.324.053	3.794.445	2.452.644
Switzerland	1.946.275	3.112.909	3.483.526
Netherlands	1.707.377	1.676.881	2.168.195
Czech Republic	1.011.998	1.629.381	1.905.188
Austria	925.198	1.616.876	515.986
Other	5.690.764	5.741.834	4.875.024
<u>United States of America</u>	<u>9.769.783</u>	<u>19.829.664</u>	<u>28.488.197</u>
<u>Asia</u>	<u>52.239.513</u>	<u>72.303.016</u>	<u>76.708.560</u>
Japan	5.760.403	19.643.336	16.103.246
China	18.279.998	21.922.053	26.388.811
Thailand	8.044.397	12.904.429	13.117.658
Korea	9.948.580	8.684.461	5.297.088
Philippines	3.364.398	5.611.837	10.471.338
Taiwan	4.215.517	2.948.487	3.496.764
India	1.174.663	444.300	60.900
Other	1.451.556	144.114	1.772.754
<u>Rest of the World</u>	<u>10.319.454</u>	<u>15.424.223</u>	<u>13.145.778</u>
<u>Total</u>	<u>128.890.440</u>	<u>185.549.254</u>	<u>204.055.168</u>

### 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.

31 <sup>st</sup> December	2009 %	2008 %	2007 %
Customer A	13	15	14
Customer B	10	9	10
Customer C	9	7	9
Customer D	4	6	6
Customer E	4	4	5
Customer F	4	3	4
Customer G	4	3	4
Customer H	3	3	3
Customer I	2	3	2
Customer J	2	2	2
<u>TOTAL</u>	<u>57</u>	<u>55</u>	<u>60</u>



## AC 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
Melexis Shanghai	Chinese entity

The shareholders of Melexis NV are as follows:

Since January 1<sup>st</sup>, 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, Mr. Rudi De Winter and Mrs. Françoise Chombar who are all directors at Melexis NV. Elex NV is 100 % owned by Roland Duchatelet.

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 31<sup>st</sup>, 2009, 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 2009 no transactions took place which can create a potential conflict.

### 2. Outstanding balances at year-end

As of December 31<sup>st</sup> 2009, 2008 and 2007, the following balances were outstanding:

#### Receivables:

31st December		2009	2008	2007
On	Elex	6.930	8.745	22.532
	XTRION	117.825	117.262	102.232
	Epiq group	7.468.785	5.948.548	1.490.826
	Xfab group	185.545	228.093	1.198.653
	Xpeqt group	201.952	731.362	607.866
	Other	31.407	51.676	4.765
<b>Total</b>		<b>8.012.445</b>	<b>7.085.686</b>	<b>3.426.874</b>







## Payables:

31st December		2009	2008	2007
On	Elex	(4.818)	70.774	33.814
	XTRION	81.937	189.760	213.030
	Epiq group	62.908	220.480	(16.114)
	Xfab group	4.360.931	817.793	4.089.092
	Xpeq group	429.611	1.036.301	332.747
	Other	0	7.835	319.202
	<b>Total</b>	<b>4.930.569</b>	<b>2.342.943</b>	<b>4.971.771</b>

## 3. Transactions during the year

### A. Sales/ purchases of goods and equipment

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

31st December		2009	2008	2007
Sales to				
	Epiq group (mainly ICs)	6.438.606	10.347.739	9.835.233
	Xpeq group	135.066	58.721	8.731
	Xfab group (mainly test & assembly services)	730.408	1.174.254	687.987
	Elex	1.500	-	800

31st December		2009	2008	2007
Purchases from				
	Xfab group (mainly wafers)	32.382.027	59.132.618	74.489.145
	Epiq NV (mainly assembly)	156.812	499.957	653.592
	Xpeq group (mainly equipment and goods)	1.155.841	2.698.633	2.296.780
	Xtrion (mainly IT infrastructure)	129.723	237.605	458.671





## B. Sales/purchases of services

31st December	2009	2008	2007
Sales to			
Elex (mainly R&D services and rent)	16.500	18.347	24.480
Xpeq group (infrastructure office building)	86.400	80.908	402.609
EPIQ group (infrastructure office building)	330.030	303.548	196.499

31st December	2009	2008	2007
Purchases from			
Xtrion N.V. (mainly IT and related support)	655.747	887.898	1.114.573
Elex N.V. (mainly IT and related support)	23.911	29.647	84.573
Epiq group	7.714	34.910	(14.686)
Xpeq group	939.959	994.476	1.269.549
Xfab group	1.870.843	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 (un-audited) consolidated loss for the year 2009 for X-FAB Silicon Foundries NV group is estimated to be USD 70,7 MIO, whereas equity is estimated at USD 377,1 MIO (un-audited).

The consolidated profit for the EPIQ group is EUR 3,07 MIO (audited), in 2009. Equity amounts to EUR 27,58 MIO (audited).

## 4. Remuneration of Board of Directors

In accordance with the company's bylaws, directors can be remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 28.584 during 2009. The Chairman and executive directors are not remunerated as director.

## AD 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, 2009 was minimal since their deviation from their respective fair values was not significant.

#### **AE Commitments & contingent liabilities**

As of December 31st, 2009 the company had purchase commitments for tangible fixed assets amounting to EUR 1.316.448. As of December 31st, 2008 the company had purchase commitments for tangible fixed assets amounting to EUR 1.731.524.

#### **AF Business Combinations**

Sensata Technologies and Melexis announced on April 2, 2009 the signing of an agreement to sell Sensata's Vision business to Melexis.

The Vision business already provides CMOS imagers and imaging modules to automotive advanced driver assistance systems for customers such as Bosch and Delphi.

Melexis strategic focus on automotive semiconductors and sensors renders this acquisition of immediate benefit to customers of its existing optoelectronic and imaging sensor products.

Melexis agreed to purchase inventory and goodwill related to the Vision business. The aggregate purchase price due to Sensata Technologies for the acquired assets consists of the sum of USD 372.000 for inventory (related to material usage projected to be consumed within the next six months) paid to Sensata Technologies at the closing date of the Asset Purchase agreement, plus the amount of the consigned inventory consumed (any inventory of the Business projected to be consumed beyond six months from the closing date of the Asset Purchase agreement) and a fixed amount per sold chip to be paid by Melexis to Sensata for the next 5 years. This liability is estimated at EUR 1.262.468 (the net present value of the expected future payments, based on expected sales over the next 5 years) and as it relates to goodwill, this same amount was also taken up as an intangible fixed asset.

#### **AG Litigation**

Since 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.

The outstanding long term receivable with this customer is accounted for in the Consolidated statement of financial position as other non current asset.

Melexis is involved in a patent claim because another party was seeking compensation for IP related to a patent on magnetic angle sensing they acquired. As there is prior art on the domain, the Melexis technology was developed in house, the Melexis sensor is different in its functioning and protected by our own patents,





Melexis saw no reason to entertain discussions on licensing with them. Therefore, Melexis is defending its position in court.

### AH Auditor's Services

On consolidated basis audit fees and audit related fees required by law amounted to 148 KEUR. Non audit fees amount to 40 KEUR.

### AI Reserves Post-retirement Benefits

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

### AJ Subsequent events

There are no subsequent events.

### AK List of subsidiaries consolidated

Subsidiary	Place of incorporation	Principal activities	Ownership interest
Melexis Inc.	USA	Marketing & Sales support	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 & Sales support	100%
Melexis Electronic Technology Co.Ltd	China (Shanghai)	Marketing & Sales support	100%





## 10. Corporate Governance

The Company's Corporate Governance Charter is available at the website of the company: [www.melexis.com](http://www.melexis.com). Melexis complies to the Belgian Corporate Governance Code 2009. Reference is made to the Corporate Governance Charter of Melexis for an overview of the guidelines and principles for which Melexis does not comply.

### 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. At least three of them should be independent. The directors are appointed by the General Meeting of Shareholders for a period of four 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 within the limits laid down in the Belgian Companies Code.

The chairman of the board is Roland Duchâtelet.

The directors of the company are:

Name	Age	Position
Roland Duchâtelet	63	Chairman of the Board of Directors
Rudi De Winter	49	Vice Chairman of the Board and Managing Director, Chief Executive Officer (CEO)
Françoise Chombar	47	Managing Director, Chief Executive Officer (CEO)
Steve Hix	72	Director (non-executive)
Lina Sarro	51	Director (non-executive)
Jenny Claes	62	Director (non-executive)

Beginning 2009, Triakon NV, represented by Mr. De Schampheleere, resigned as Board member and as a member of the audit and remuneration committee. During the Shareholders Meeting of April 20, 2009 the resignation of Triakon NV, represented by Mr. Lucien De Schampheleere, and the new appointment of Mrs. Jenny Claes as independent director were accepted.

Mr. Steve Hix, Mrs. Lina Sarro and Mrs. Jenny Claes 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 Companies Code). Moreover, according to the Board, their independence is beyond doubt and is uncompromised by any conflicts of interests.

**Mr. Roland Duchâtelet** was private shareholder of the company since April 1994 and has served as a 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.





**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.

**Mrs. Jenny Claes** has a long career in three different companies and was mainly active in the field of Logistics. This included responsibilities for commercial planning, production planning, warehousing, transport, international sales administration, ICT and quality management. She participated in the start up of the European Distribution Centre of SKF in Tongeren and held the position of General Manager of SKF Logistics Services Belgium from the end of 2003 till the end of 2008. She now holds the position of Manager Quality and Logistics Excellence of SKF Logistics Services worldwide. Mrs. Jenny Claes holds a Masters degree in International Trade. Ms Claes is also an independent director on the Board of NV Epiq, a company that is (in)directly controlled by Mr Roland Duchâtelet.

### Functioning and role of the Board

The internal regulation of the Board is part of the Corporate Governance Charter. The Board conveyed 4 times in 2009, whereby Mrs Lina Sarro and Triakon NV, represented by Lucien De Schamphelaere, each did not attend on one meeting.

### Directors Remuneration

The independent directors are remunerated for their mandate. They are entitled to a fixed annual compensation of 10.000 EUR. During 2009 Melexis paid in total 28.500 EUR to the independent Board members. The Chairman and executive directors are not 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 Jenny Claes, independent director. The external auditor is regularly invited to the meetings of the Audit Committee.

The Audit Committee met twice during 2009. All members attended the meetings.

According to a new Directive, at least one independent member to the audit committee has to be experienced in accounting and audit. Both Jenny Claes and Steve Hix comply with this through their relevant work experience. We make also reference to the short biographies of the above mentioned members in this chapter to testify to their experience in accounting and audit.

### Remuneration and Nomination Committee

The Remuneration and Nomination Committee consists of three non-executive members, Roland Duchâtelet, Chairman, Steve Hix, independent director and Jenny Claes, independent director. The Remuneration and Nomination Committee did not meet during 2009, but did meet on February 9th 2010.







## Executive Management Committee

### Composition of the Management.

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 consolidated gross compensation paid to management during 2009 amounted to 410.000 EUR.

## Elements pertinent to a take-over bid

### *Capital structure*

The registered capital of Melexis NV amounts to EUR 564.813,86 and is represented by 43.241.860 equal shares without par value. The shares are in registered or non-material form.

### *Restrictions on the transfer of securities*

The Articles of Association contain no restrictions on the transfer of the shares. The Board is not aware of any restrictions imposed by law on the transfer of shares by any shareholder.

### *Restrictions on the exercise of voting rights*

Each share entitles the holder to one vote. The Articles of Association contain no restrictions on the voting rights and each shareholder can exercise his voting rights provided he was validly admitted to the General Meeting and his rights had not been suspended. The admission rules to the General Meeting are laid down in Article 28 of the Articles of Association. Pursuant to Article 9 the company is entitled to suspend the exercise of the rights attaching to securities belonging to several owners.

No person can vote at the General Meeting using voting rights attaching to securities that had not been reported timely in accordance with the Articles of Association and with the law.

The Board is not aware of any other restrictions imposed by law on the exercise of voting rights.

### *Agreements among shareholders*

The Board of Directors is not aware of any agreements among shareholders that may result in restrictions on the transfer of securities or the exercise of voting rights.

### *Appointment and replacement of Directors*

The Articles of Association (Articles 13 and following) and the Melexis Corporate Governance Charter contain specific rules concerning the (re)appointment, the induction and the evaluation of Directors.

Directors are appointed for a term not exceeding four years by the General Meeting of Shareholders, who can also dismiss them at any time. An appointment or dismissal requires a simple majority of votes.

If and when a position of Director prematurely becomes vacant within the Board the remaining Directors temporarily appoint a new Director until the moment the General Meeting will appoint a new Director. Said appointment will then be included in the agenda of the next General Meeting.

The Nomination and Remuneration Committee submits a reasoned recommendation to the Board on the nomination of directors and equally makes propositions to the Board on the remuneration policy of non executive directors and executive management.

### *Amendments to the Articles of Association*

The Articles of Association can be amended by the General Meeting in accordance with the Companies Code. Each amendment to the Articles requires qualified majority of votes.

### **Authorities to the Board in order to issue, buy back or disposal of own shares**





The Articles of Association do not contain any special authorities to the Board of Directors in order to increase the registered capital.

The Board of Directors is authorized to acquire a maximum number of own shares in accordance with Article 620, § 1, 2° of the Companies Code that in the aggregate represent not more than 20% of the issued capital at a price per share ranging between minimum half of the last closing price at which the shares were quoted on the stock exchange and maximum EUR 17,00 per acquired share. This authority is granted for a period of five years as from April 20, 2009.

The Board of Directors is authorized to dispose of purchased own shares under the following conditions:

- This authority applies for a number of own shares not exceeding the number of shares which would result in the threshold applicable for the legitimate cross-shareholdings held by indirect subsidiaries of the company within the meaning of Article 631, § 1 of the Companies Code being reached;
- The disposal of a share under this authority shall be made at the last closing price at which the shares were quoted on the stock exchange at the moment of disposal;
- The shares concerned may only be transferred to Melexis Tessenderlo NV, with registered office at 3980 Tessenderlo, Transportstraat 1, RPR Hasselt 0467.222.076, or to a company of which Melexis NV directly or indirectly (i.e. through companies of which Melexis NV directly holds more than 99% of the dividends entitled securities) holds more than 99% of the dividends entitled securities;
- The reserves not available for distribution "acquisition of own shares" created by the company in order to hold its own shares are transferred back to reserves available for distribution for an amount equal to the acquisition value of the shares disposed of.

This authority is granted for an indefinite period as from April 20, 2009.

The Board of Directors is also authorized to dispose of purchased shares to the extent that the shares are disposed of on the regulated market which they are quoted on.

Furthermore the Board of Directors is authorized to acquire shares or to dispose of purchased shares if required to prevent a threatened serious harm to the company. Such authority is granted for a period of three years starting as from the moment the amendment of the Articles of Association dated April 20, 2009 was published in the Annexes to the Belgian Official Gazette.

#### *Other elements*

- The company has not issued securities with special control rights.
- No agreements have been concluded between the company and its Directors or employees providing for a compensation if as a result of a take-over bid the Directors resign or are made redundant without valid reason or if the employment of the employees is.

## **Auditor**

Pending approval at the next annual shareholders' meeting on April 20<sup>th</sup> 2010, BDO Bedrijfsrevisoren, represented by Mr Gert Claes will be reappointed as statutory auditor for a period of 3 years, which ends after the Ordinary General Shareholders' Meeting relating to the 2012 financial year.



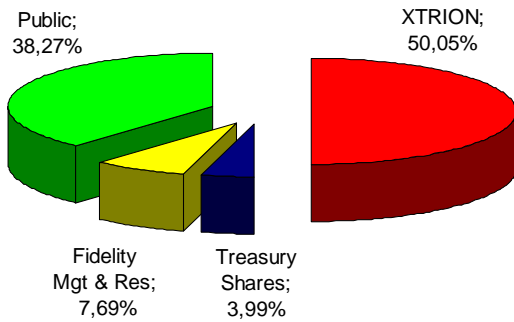


# 11. Shareholder Information

Listing Euronext  
 Reuters ticker MLXS.BR  
 Bloomberg ticker MELE BB

## Shareholder Structure

Situation on December 31, 2009.



Company	Number of Shares	Participation Rate
Xtrion	21.644.399	50,05%
Fidelity Mgt&Res	3.325.000	7,69%
Treasury Shares	1.725.943	3,99%
Public	16.546.518	38,27%
Total	43.241.860	100,00%

## Share Information

First day of listing 10 October 1997  
 Number of shares outstanding on Dec 31, 2009 43.241.860  
 Market capitalization on Dec 31, 2009 EUR 293.178.811

(Euro)	2009	2008	2007	2006	2005	2004	2003
Earnings per share	-0,09	0,52	0,86	0,80	0,65	0,56	0,54
Cash flow per share (**)	0,18	0,79	1,13	1,05	0,91	0,84	0,78
Gross Dividend (*)	0,00	0,60	0,60	0,50	0,50	0,28	0,50
Year end price	6,78	5,00	11,15	13,80	10,76	9,01	9,40
Year's high	7,44	11,87	15,00	14,38	11,20	10,76	9,90
Year's low	3,33	4,95	10,15	10,99	9,00	8,40	5,10
Average volume of shares traded/day	22.137	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 result + Depreciation + Impairment of goodwill

## Shareholder Contact Info

Ilse Schoofs  
 Investor Relations  
 Rozendaalstraat 12, B-8900 Ieper, Belgium  
[www.melexis.com/investor.asp](http://www.melexis.com/investor.asp)

Phone: +32 13 67 07 79  
 Fax: +32 13 67 21 34

## Financial Calendar 2010

Annual Shareholder's Meeting	April 20th, 2010
Announcement of Q1 results	April 22nd, 2010
Announcement of Half Year Results	July 29th, 2010
Announcement of Q3 results	October 21st, 2010





## 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

2009 : no dividend





## 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	2009	2008	2007
<b>ASSETS</b>			
<b>FIXED ASSETS</b>	165.815	167.437	169.075
I. Formation expenses	-	-	-
II. Intangible assets	86	62	67
III. Tangible assets	4.781	6.492	8.115
A. Land and buildings	1.165	1.358	1.516
B. Plant machinery and equipment	3.152	4.797	5.873
C. Furniture and vehicles	383	314	411
E. Other tangible assets	-	-	-
F. Assets in progress and advanced payments	81	23	315
IV. Financial assets	160.948	160.883	160.893
A. Affiliated companies	160.690	160.606	160.606
1. Participations in third parties	160.690	160.606	160.606
C. Other financial assets	258	277	287
2. Receivables and caution money	258	277	287
<b>CURRENT ASSETS</b>	31.584	35.492	39.564
V. Amounts receivable after more than one year	311	-	-
1. Other receivables	311	-	-
VI. Stocks and contracts in progress	3.282	4.495	4.172
A. Stocks	3.282	4.495	4.172
1. Raw materials and consumables	77	219	64
2. Contracts in progress	2.962	2.204	3.474
3. Finished goods	243	2.072	634
VII. Amounts receivable within one year	9.662	10.936	21.820
A. Trade receivables	8.352	9.134	6.482
B. Other receivables	1.310	1.802	15.338
VIII. Cash investments	17.542	17.994	5.586
A. Own shares	17.542	17.542	5.586
B. Other investments and deposits	-	452	-
IX. Cash deposits	124	1.572	7.174
X. Deferred assets and accrued income	663	494	812
<b><u>TOTAL ASSETS</u></b>	<b><u>197.399</u></b>	<b><u>202.929</u></b>	<b><u>208.640</u></b>





## Statutory Balance Sheet (Continued)

in 1.000 EUR	2009	2008	2007
<b>LIABILITIES</b>			
<b>SHAREHOLDERS' EQUITY</b>	19.705	21.889	37.441
I. Capital	565	565	565
A. Outstanding Capital	565	565	565
II. Share premium account	-	-	-
IV. Reserves	19.091	19.091	6.147
A. Legal reserve	57	57	57
B. Reserves not available for distribution	19.035	19.035	6.090
1. In respect of own shares held	17.542	17.542	5.586
2. Other	1.493	1.493	504
V. Retained earnings	49	2.233	30.729
VI. Investment grants	-	-	-
<b>PROVISIONS AND DEFERRED TAXES</b>	30	152	53
VII. A Provisions for liabilities and charges	30	152	53
4. Other liabilities and charges	30	152	53
VII. B Deferred taxes	-	-	-
<b>DEBTS</b>	177.664	180.889	171.146
VIII. Amounts payable after more than one year	-	-	-
A. Financial debts	-	-	-
4. Credit institutions	-	-	-
IX. Amounts payable within one year	175.837	178.771	167.407
A. Current portion of amounts payable after more than one year	-	-	-
B. Financial debts	-	-	-
1. Credit institutions	-	-	-
C. Trade debts	2.442	1.450	2.506
1. Trade payables	2.442	1.450	2.506
D. Advances received on contracts in progress	-	-	-
E. Taxes, remuneration and social security	726	1.093	770
1. Taxes	75	401	193
2. Remuneration and social security	652	691	577
F. Other amounts payable	172.669	176.229	164.131
X. Accrued charges and deferred income	1.827	2.117	3.739
<b>TOTAL LIABILITIES</b>	<b>197.399</b>	<b>202.929</b>	<b>208.640</b>



December 31st

**Statutory Income Statement**

<b>in 1.000 EUR</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
I. Operating income	36.251	59.773	68.218
A. Turnover	36.591	59.164	65.939
B. Changes in stocks of finished goods, work and contracts in progress	(835)	168	1.538
C. Other operating income	495	442	740
II. Operating charges	(33.939)	(48.595)	(57.964)
A. Raw materials, consumables and goods for resale	18.135	30.356	38.279
1. Purchases	17.993	30.512	37.448
2. Changes in stocks	142	(156)	831
B. Services and other goods	6.534	8.363	9.778
C. Remuneration, social security charges and pensions	6.456	6.583	5.920
D. Depreciations	2.619	2.907	4.020
E. Amounts written off stocks, contracts in progress and trade receivables	237	21	(17)
F. Provisions for other costs	(121)	113	(93)
G. Other operating charges	79	251	76
III. Operating result	2.312	11.179	10.254
IV. Financial income	508	9.107	1.810
A. Income from financial fixed assets	85	7.699	73
B. Income from current assets	14	93	-
C. Other financial income	408	1.315	1.737
V. Financial charges	4.979	9.409	10.229
A. Debt charges	4.226	7.266	6.410
B. Amounts written off on current assets other than those mentioned under II. E.	6	791	3.010
C. Other financial charges	747	1.352	809
VI. Result of ordinary activities before taxes	(2.159)	10.877	1.835
VIII. Extraordinary charges	-	-	-
D. Loss on disposal of fixed assets	-	-	-
E. Other Extraordinary charges	-	-	-
IX. Result of the year before taxes	(2.159)	10.877	1.835
IX. bis. A. Transfer from deferred taxes	-	-	-
X. Income taxes	(25)	(1.473)	(621)
A. Taxes	(103)	(2.472)	(2.572)
B. Regularization	78	999	1.951
XI. Result of the year	(2.184)	9.404	1.214
<u>XIII. Profit of the year available for appropriation</u>	<u>(2.184)</u>	<u>9.404</u>	<u>1.214</u>





## Appropriation of the Result

in 1.000 EUR	2009	2008	2007
A. Result to be appropriated	49	40.134	56.674
1. Result of the period available for appropriation	(2.184)	9.404	1.214
2. Result carried forward	2.233	30.729	55.460
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)
1. To capital and share premium account	-	-	-
2. To other reserves	-	(12.945)	(275)
D. Result to be carried forward	(49)	(2.233)	(30.729)
1. Result to be carried forward	(49)	(2.233)	(30.729)
F. Distribution of profit	-	(24.956)	(25.670)
1. Dividends	-	(24.956)	(25.670)





December 31st

## Statutory Income Statement

in 1.000 EUR	2009	2008	2007
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
<u>XIII. Profit of the year available for appropriation</u>	<u>9.404</u>	<u>1.214</u>	<u>4.507</u>





## Appropriation of the Profit

in 1.000 EUR	2009	2008	2007
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)

