



# Annual Report **2001**

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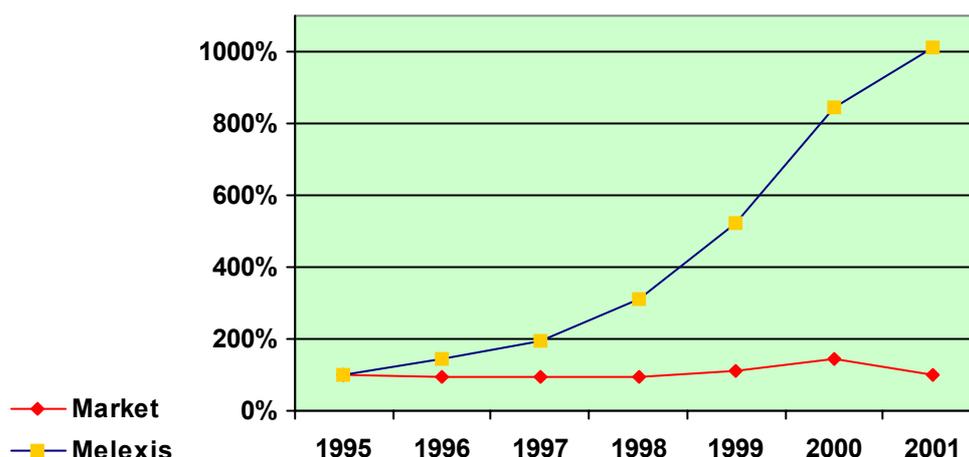
# Letter to the shareholders

Melexis is one of the few semiconductor companies outperforming the average revenue growth in the semiconductor industry in general, and in the automotive semiconductor industry in particular, with 20% growth as compared to 2000, whereas the difficult economic situation made other semiconductor companies drop on average 30%. Profits over 2001 were 20,3 million EUR, 18% up as compared to 2000, whereas other semiconductor companies typically went into the red.

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



Rudi De Winter

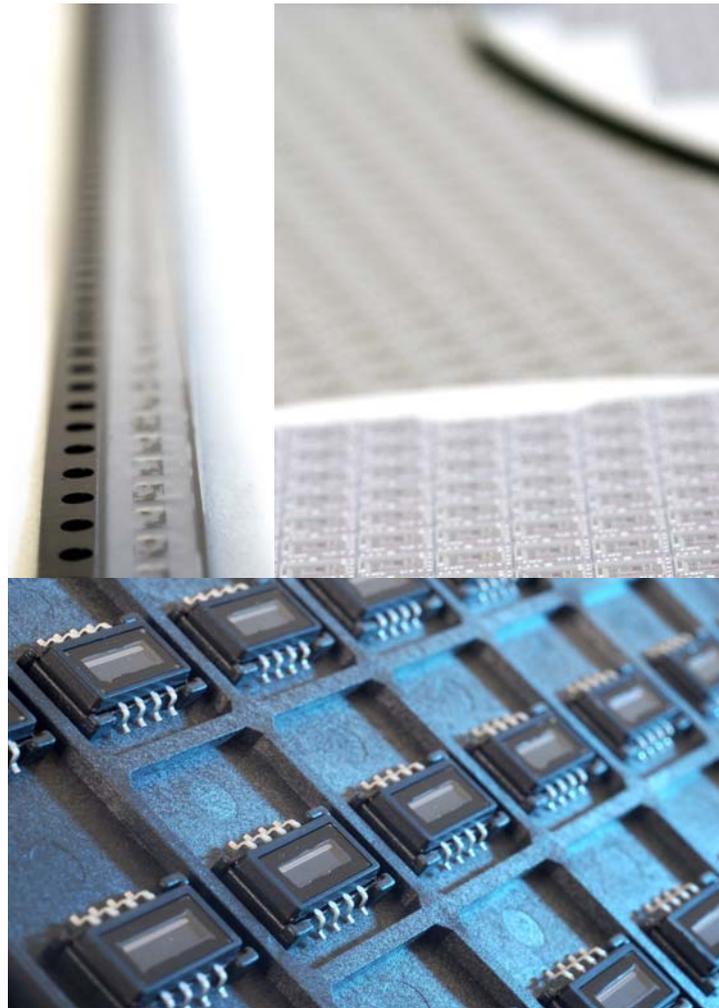


Year	Worldwide (\$ in Billions)		Melexis (Euro)		Worldwide Semiconductor Market Versus Melexis
	Value	%	Value	%	
1995	153	100%	10.133.373	100%	Source: Dataquest
1996	144	94%	13.873.915	137%	
1997	149	97%	19.751.187	195%	
1998	140	92%	31.645.580	312%	
1999	171	111%	53.076.307	524%	
2000	222	145%	85.403.034	843%	
2001	153	100%	102.400.224	1011%	

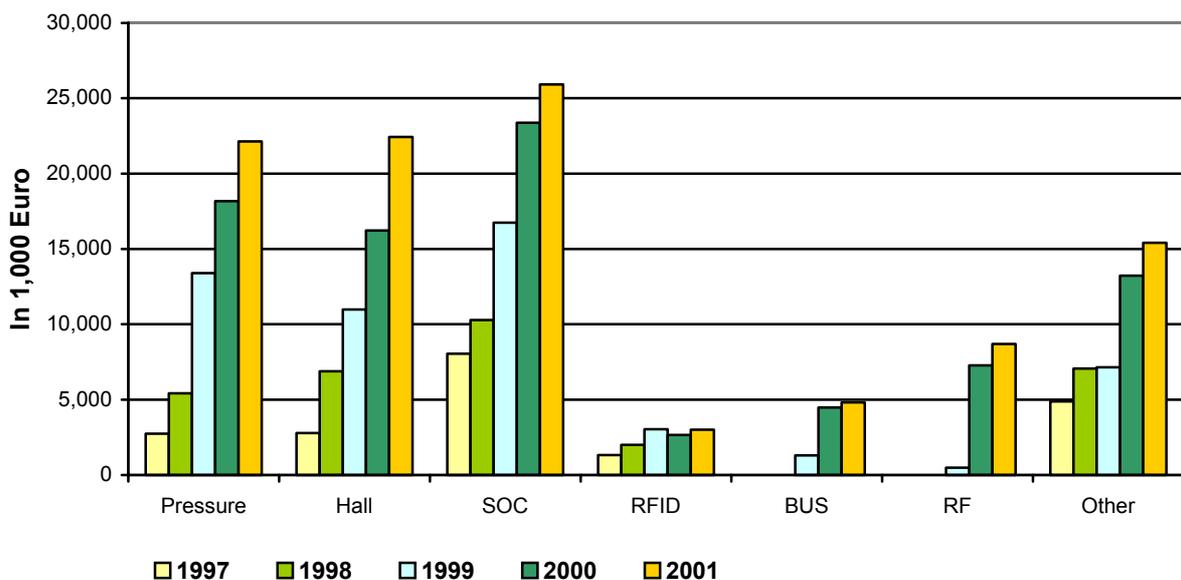
The lead-times from entering a development contract to delivering production volumes are typically 3 years in the automotive arena. This enables Melexis to have a good visibility on its future growth.

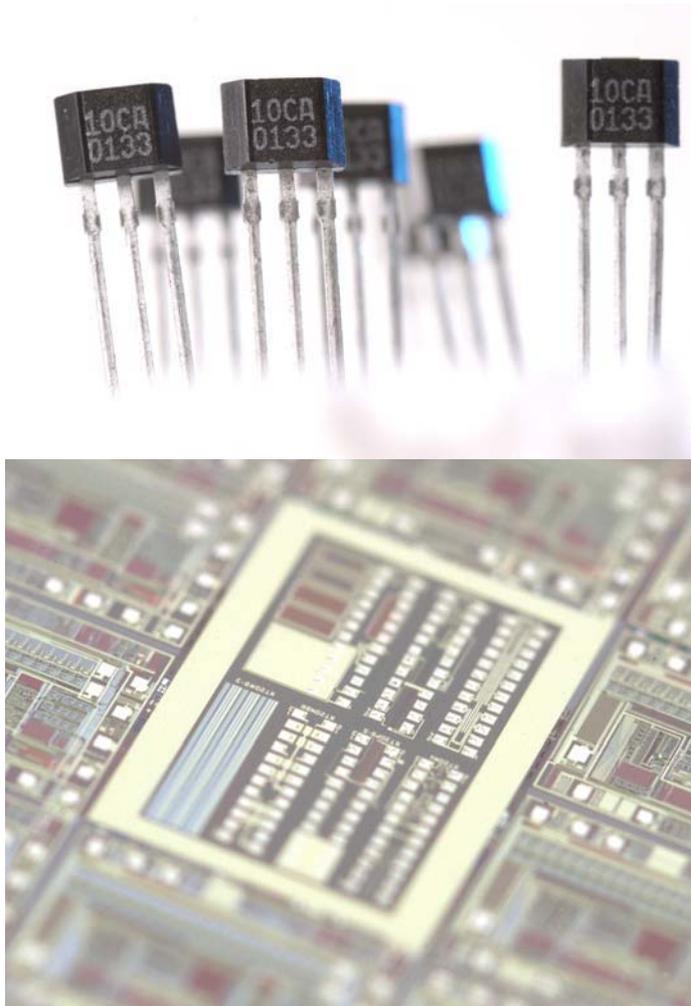
Though Western-Europe remains the stronghold in sales with 71% of the total revenue, sales in the US and Far East are growing steadily. In 1999, Melexis started sales activities in Japan via a large distributor with a dedicated team allocated exclusively to the Melexis product portfolio. There is a very strong demand for sensor ICs in Japan, on which Japanese semiconductor companies are not focused. Melexis is now delivering several products into 8 Japanese companies, most of them in the automotive arena. Typically, it takes more time and effort to penetrate Japanese companies with a first project than with their European or US based counterparts. The good news is that once a first project has been established, other divisions of the same conglomerate are opened up, making acquisition of new business relatively easy.

During 2001, Melexis restructured its sales force to make it more efficient and more global. Whereas in January 2001, the number of sales representatives and distributors for Melexis was 26, we have added 12 new ones during 2001 and



### Sales Per Business Unit Evolution





replaced 6 with more promising ones. This enforced sales network will allow an enhanced brandvesting, a broader market penetration for our Application Specific Standard Products (ASSPs) and an increased feedback from the markets worldwide.

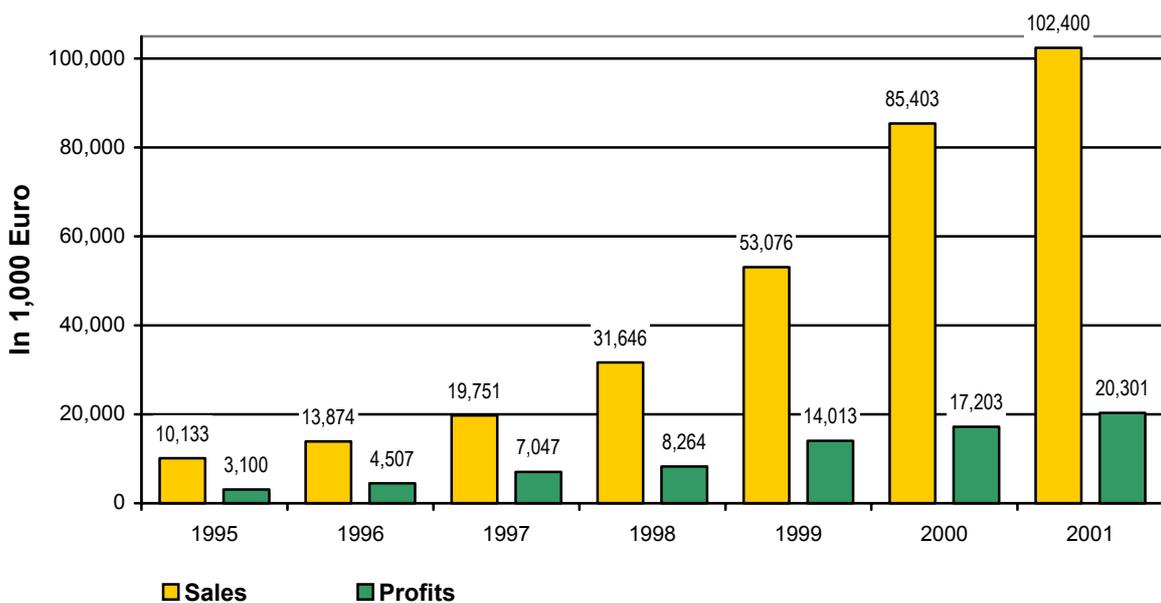
Efficiency improvement has been a continuous effort during 2001. For example, we transferred our US testing facility to Melexis Bulgaria in Q2, focusing the US operation towards its primary role of being our American-based corporate Marketing, Application & Sales facility only.

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

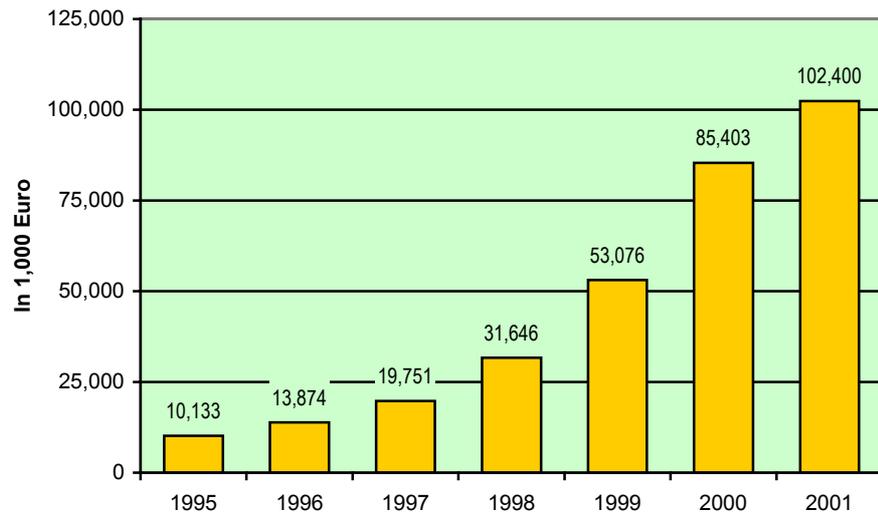
Yours Sincerely,  
leper, February 2002

Roland Duchâtelet      Rudi De Winter  
*Chairman*                      *CEO*

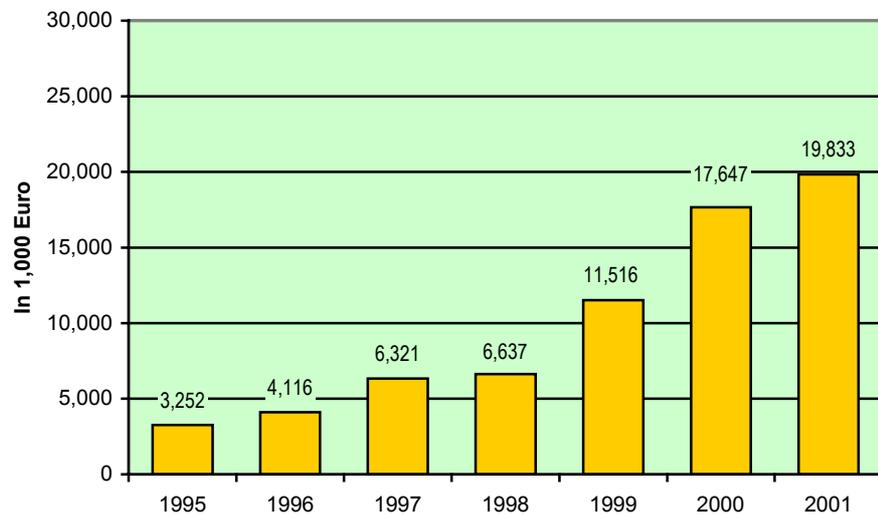
### Turnover & Profit Evolution



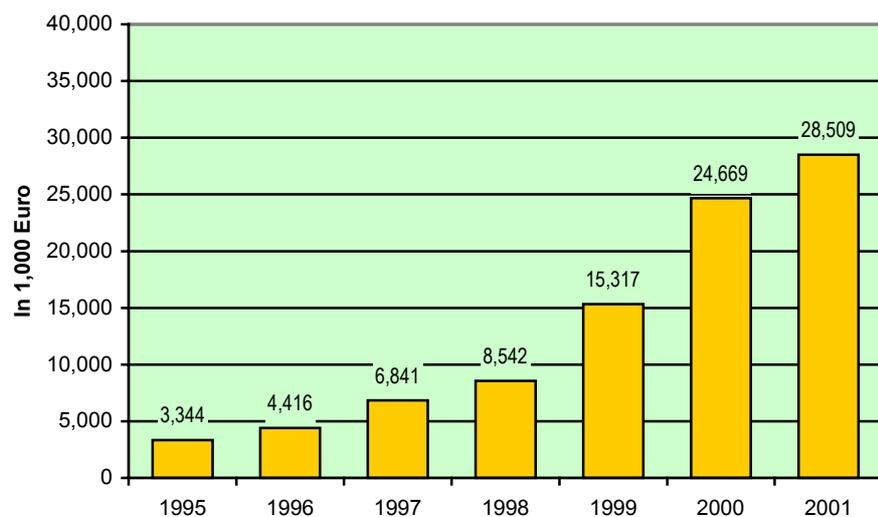
### Turnover Evolution



### EBIT Evolution



### Cash Flow Evolution



## 2. Key Figures (in 1.000 Euro)

<b>Operating results</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Turnover	10.133	13.874	19.751	31.646	53.076	85.403	102.400
EBIT	3.252	4.116	6.321	6.637	11.516	17.647	19.833
EBITDA	3.344	4.416	6.841	8.542	15.317	24.669	28.509

<b>Balance structure</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Shareholders' equity	3.632	8.139	45.080	53.613	53.884	70.905	91.432
Net indebtedness (*)	542	(1.555)	(32.127)	(27.297)	(16.018)	(34.721)	3.348
Working capital	3.586	7.014	39.384	41.504	28.899	16.426	60.899

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

<b>Cash flow and capital expenditure</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
Cash flow (*)	3.192	4.807	7.567	10.168	17.815	24.224	28.977
Depreciation + amortization	92	301	520	1.904	3.801	7.021	8.675
Capital expenditure	294	1.125	3.660	7.727	7.567	16.426	8.506

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

<b>Ratios</b>	<b>1995</b>	<b>1996</b>	<b>1997</b>	<b>1998</b>	<b>1999</b>	<b>2000</b>	<b>2001</b>
ROE	85%	55%	16%	15%	26%	24%	22%
Liquidity	4.5	5.9	14.9	6.9	2.2	1.6	2.7
Solvency	66%	80%	93%	88%	69%	47%	67%

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

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

### 3. Overview of Activities

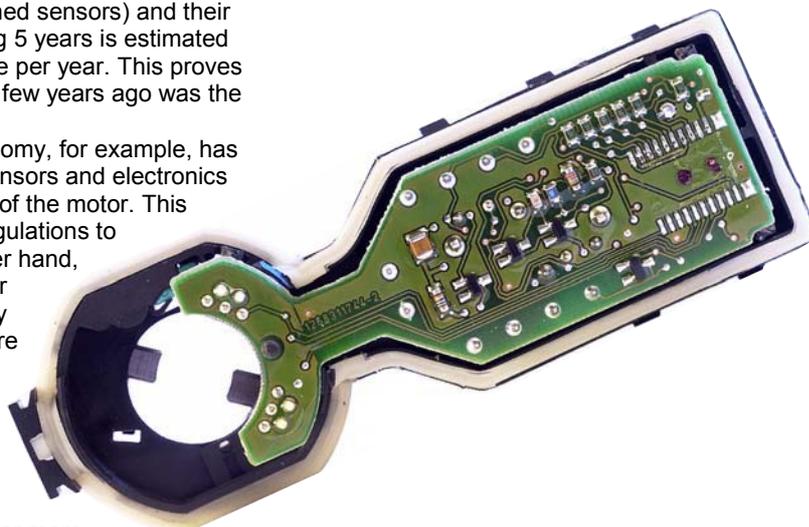
These OEMs, such as Delphi, Bosch, TRW, Brose, Magneti Marelli, TT/AB Elektronik, SKF, Continental, Texas Instruments, Siemens-VDO and Nippon Seiki incorporate the Company's products into automotive equipment they supply to vehicle manufacturers (VMs) around the world. Almost every major vehicle manufacturer worldwide has one or more models in production or development containing Melexis integrated circuits.

The automotive semiconductor market is a steady growing market (about 12% / year). Melexis is positioned with its product range to support these innovative growing segments of sensors within the overall automotive market. Melexis is active also in the MEMS area (micro-machined sensors) and their market growth over the coming 5 years is estimated to increase by 27% on average per year. This proves the Melexis strategy chosen a few years ago was the correct one.

The drive to improve fuel economy, for example, has created a demand for more sensors and electronics to help optimise the efficiency of the motor. This goes hand in hand with the regulations to build "green" cars. On the other hand, there is increasing pressure for more active and passive safety functions. Systems like ABS are standard on most cars and newer systems like ESP and tire pressure sensors are getting more and more popular. Most cars have 2 airbags as standard, and VMs are gradually going towards 4 or more.

Electric windows with electronic protection have become mostly standard as well as regulated air-conditioning. There is a clear move from hydraulic systems towards electric systems, such as found in steering and breaking assistance. These systems use x-by-wire concepts. This means that mechanical controls are replaced by purely electronic ones. Melexis' main products are Hall Effect Devices (magnetic sensors), Pressure and Acceleration Sensor Elements and Interfaces, Automotive Systems-On-a-Chip, embedded Microcontrollers, RFID devices, Bus Systems, Optical Sensors and IR-Sensors. In each case the products are principally for automotive applications.

Melexis is a multi-product company. It has 140 products in production and over 50 in development or qualification. Melexis sells its products to a wide customer base of automotive OEMs. The Company's top seven customers accounted for approximately 52 per cent of the Company's sales



for the year ended 31st December 2001. Melexis counts 250 customers today compared to 60 at the time of the IPO in 1997.

Melexis has always concentrated on the supply of silicon and, as part of this strategy, has chosen to work in partnership with Tier 1 and Tier 2 suppliers. As a result, Melexis components are designed in by nearly all leading automotive equipment suppliers. Few new car models do not contain Melexis chips... Melexis concentrates its engineering resources and semiconductor design strengths in development of application specific standard products addressing new opportunities in the automotive market.

Melexis permanently reviews its engineering and development work to identify opportunities for patenting original work. Melexis currently has 18, which strengthen Melexis' position as an innovative supplier. This effort will be continued in 2002. The patent opportunities cover all of the product areas in which Melexis operates.

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

## 4. Melexis Products

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

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

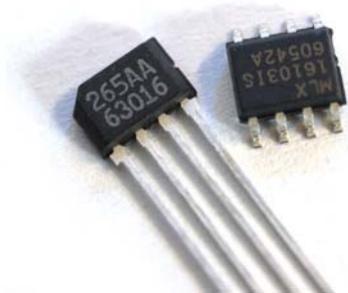
Melexis also actively develops and produces micro-machined sensors, such as pressure, acceleration and infrared thermopile sensors.

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

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

### 4.1 Hall Effect Devices

Hall Effect Devices detect magnetic flux density (mainly produced by a permanent magnet) and are used in both movement and position sensing. By integrating the sensing element onto the same silicon as its control logic and interface circuitry, Melexis has produced sensor chips with various degrees of 'intelligence' to suit most applications. Sensing the rotation of shafts (e.g. cam- and crank-shaft) in engine, monitoring movement in motors and actuators, sensing pedal, throttle and steering wheel position, Melexis Hall Devices are a reliable, contactless method of movement and position detection.



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

Melexis Hall Effect sensors have, on the basis of their performance, successfully replaced inductive speed sensors (Variable Reluctance: VR), resistive position sensors (contacting potentiometer), bipolar Hall sensors and magneto-resistive sensors (Magneto Resistance: MR, Giant Magneto Resistance: GMR) in various automotive applications. The Melexis Hall Effect sensors not only out-perform these alternative sensors but also allow integration of more signal-processing at a competitive cost.

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

Thanks to its leadership position, Melexis designs the right products to fulfill the growing needs of reliable contactless position sensors to meet the harsh automotive environment and the numerous emerging "X-by-Wire" (gas-by-wire, brake-by-wire, steering-by-wire and ultimately drive-by-wire) automotive programs.

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

Melexis Management expects a considerable growth in industrial applications such as smart brushless motor drivers and controllers based on the Hall Effect.

## 4.2 Pressure and Acceleration Interface and Sensor chip

Acceleration sensors, pressure sensors, interface chips and gyroscopes find use in various automotive safety applications such as airbag systems, Electronic Stability Program systems, brake circuits, seat occupancy detection systems,...

The core of every airbag system in a car consists of one or more acceleration sensors. These acceleration sensors determine the forces to which the car is subjected, such as an impact by another car or object. Based on the information gathered from the acceleration sensors the airbag system will decide whether airbag deployment should be initiated or not. Although first generation airbag systems used fairly simple mechanical switches to discriminate between deployment and non-deployment conditions, the present generation of sophisticated airbag applications, such as side impact detection, are only possible through the use of advanced sensor technology, dedicated analog signal processing and sophisticated crash discrimination algorithms implemented in powerful microprocessors. The trend to locate crash sensors at the spots in the car where the crash can be sensed in the most accurate and fastest way, such as the car doors, pillars and crush zones, calls for highly integrated solutions. In this respect Melexis is well placed in the market because of the high integration levels it is able to offer. For about 3 years now, Melexis has been supplying OEMs specialized in automotive safety applications with airbag sensors.

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

Measurements of hydraulic brake fluid pressure and brake booster pressure are typical examples of car safety applications of pressure sensors. It will be clear that pressure sensors have also a vast field of applications outside the scope of safety systems. These applications include air-conditioning systems, motor and transmission oil pressure sensors, Common Rail Pressure sensors and MAP sensors. The pressure sensors developed by this business unit also address these systems.

The pressure sensor chips and acceleration sensor chips developed by Melexis, are based on micro-machining technology, where the physical parameter being sensed causes a temporary and reversible deformation to a specifically designed mechanical structure etched into the solid silicon. Offering either stand-alone or integrated control and interface circuitry into a single die, these techniques produce sensors that are used in high volume in modern automotive applications. Micro-machining could be

considered as equivalent to traditional machining (drilling, dicing, ...) but on a micro-scale. A typical micro-machined membrane for instance is only a few tenths of a millimeter wide.

Another important product line are sensor interface chips. These are supplied in large volumes to major automotive OEMs. Sensor interface chips are needed to pre-process sensor output signals prior to feeding them to a higher system level. More specifically these interface chips process the output signals of a sensor external to the chip. The signal processing compensates the non-idealities of the sensor by amplification, linearization, calibration and buffering to provide a uniform output signal. The automotive environment poses some specific challenges to sensor interfaces: capability of fault detection on different levels, operation in harsh environments, operation in heavily disturbed electrical environments, ... Automotive sensor interface applications have also spin-offs in other markets such as for industrial, consumer and medical applications.

The most recent automotive safety applications introduced on the market, such as ESP (Electronic Stability Program), ACC (Adaptive Cruise Control) and Roll-over sensing call for the use of angular rate sensors, also called gyroscopes. Melexis is developing an innovative gyroscope solution, which is capable of fulfilling the needs of these promising new applications.

During 2001, Melexis has started the development of a next generation high precision micro-machined gyroscope for the application of navigation and vehicle dynamics.



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

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

#### Peripheral ICs

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

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

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

#### Micro-controllers

The business unit puts their activities around all systems situated at or surrounding a car door. Applications are window lifters, door modules, door locks, mirror actuators, piddle lights and so on. Out of these "basic door" applications, other similar applications using the same technological strength are derived. Examples are sunroof applications, interior lights and fuel pumps.

The products are supposed to be treated as standard products, however they are developed always with a very strong lead customer for an efficient product design and for insurance of a fast start up.

During the product design it is Melexis's intention to make the product as flexible as possible and to minimize the number of external components by a very high level of integration choosing the right semiconductor technology.

This target is reached by using micro-controllers with an embedded CPU surrounded by periphery like ROM, RAM, EEPROM, EPROM or FLASH and a lot of additional digital and analog blocks. These are systems having their flexibility in a single ROM mask. Hence, a single chip having several ROM mask versions can cover several applications. Melexis supports all necessary development tools (Assembler, Linker, C-compiler, Emulators and Simulators) in order to help our customers to develop the necessary software efficiently and in a short period of time. Besides that, the BU also offers standard software routines for the microcontroller based products to be used directly by the customers. Newest trends in the automotive markets like LIN are seen and are taken over directly in several products of the BU. This allows the customers to use the Melexis products in a very efficient way. LIN based products, for instance, allow completely new controlling principles in car applications reducing also the overall costs of electronics.



### 4.4 RFID

Contactless Identification systems or Tags, are used, as their name implies, to identify items without the need to make contact with them. This compares for example with bar code pens or plug-in systems. The tag itself is small enough to fit (invisibly, if required) inside an article and can be remotely read by a tag reader. The identification of the individual tag is by transmission of a code sequence. This sequence is either a fixed code unique to the tag or, for more secure systems, a 'rolling' code different for every successive interrogation. The code sequence is based on a mathematical pseudo-random code sequence generator in both the tag and the reader with millions of combinations.

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

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

The Company also has a non-automotive contactless identification IC business. Non-automotive applications for tags include people access control systems and animal and products traceability applications. Airport luggage handling is another typical application based on tags in luggage labels or in luggage transport trays. The main competitive advantages of Melexis tags are their low power consumption, high reading distance and a highly integrated design. Moreover Melexis can offer both tag and reader chip as a complete solution, making life easier for system integrators.

## 4.5 Infrared & Opto

### IR sensors

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

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

Because sensor and interface are combined into one module, calibration can be much more efficient than in the conventional systems with discrete components. Additionally, the module achieves compensation of the complicated nature of IR temperature sensing by creating fully linear output signals, tailored to the needs of each individual customer. This makes the application of IR sensor systems easier and more precise for new applications as well as in retrofit situations. Other applications are windscreen mist over-detection (anti-fog), frost detection or seat occupancy detection for airbag systems. Since the signal-conditioning chip is implemented as a fully programmable building block, numerous configurations, functions and interfacing schemes can be supported by the same concept.

### Optical Sensors

Melexis produces linear optical arrays delivered in a specially designed package, meeting the stringent automotive requirements, making this product unique in the world.

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

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

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



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

Cameras will more and more find their way into cars. A distinction is made between inside camera and outside camera applications. The inside camera can be used for occupancy detection, driver vigilance, interior monitoring,... The outside camera applications are blind spot, overtake, road sign recognition, lane keep assistance, lane change support, ...

Melexis decided to use the know-how, built up during the development of the optical linear array, to also enter the market of the optical 2D arrays. A first standard product, aimed for inside camera applications is now under development. Melexis already signed a contract with a major player for the use of this chip in a seat occupancy detection system, that will increase airbag safety (force of deployment will be adapted to the situation).

## 4.6 Bus Systems

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

Bus Systems contain specific physical interfaces for automotive busses like K-Bus or CAN. Two years ago a new star under the sub-bus systems was born: the LIN bus. With these physical interfaces the communication on main bus as well as on sub-busses in automotive systems can be realised. Additionally, these physical interfaces can be inserted as embedded blocks in more complex integrated circuits, such as peripheral ICs and micro-controller products.

LIN is a new low cost serial bus standard for automobile networks. The standard is mainly driven by German vehicle manufacturers. LIN will be the enabling factor for the implementation of a hierarchical vehicle network in order to gain further quality enhancement and cost reduction of vehicles. Currently the market for LIN products is rapidly growing. We expect a giant market is being created. The improvements and progression of the LIN Standard will be effectuated in the LIN consortium. Melexis is an active associated member of this consortium since January 2001. We play an active role in different workgroups inside this consortium. We work closely together with Philips, Motorola, BMW, Daimler/Chrysler, VW and Audi inside the Physical Layer Workgroup as well as in the Conformance Test Workgroup.

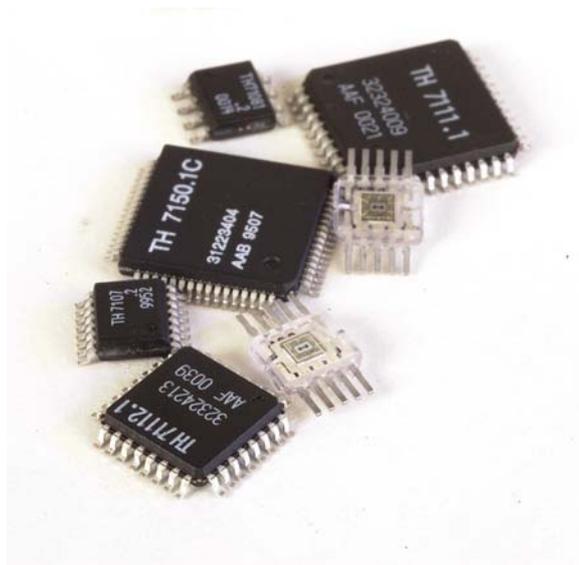
Melexis delivers K-Bus, CAN and LIN devices in mass production. In this new area, LIN, Melexis has a leading position of supplying the physical interface. The first LIN standard products are already available: the TH8080/82 and the TH8060/61. The first ones are pure LIN transceivers and the other devices contain LIN transceivers with an integrated power supply. The TH8060 is world-wide the first product available in this area. The next step of development will be the fully integrated LIN system on chip. These products are usable for LIN modules in doors, dashboards, seats and air conditioning applications. Melexis is a specialist for mixed signal ICs used in applications for automotive bus systems and high voltage peripherals up to 50V. The products can be supplied directly from the in-vehicle battery and are robust against typical automotive environmental influences. All of the integrated circuits contain analog and digital parts. The mixed-signal devices serve as the connection between sensors, actuators and the highly intelligent signal conditioning in the electronic control unit of our customers.

## 4.7 Radio-Frequency Products

In this unit we develop and design radio-frequency ICs (RFICs) that span the application frequency range of a few MHz to more than 1 GHz. The variety of RFICs covers the fields of adjustable low-pass filter chips to wireless transmitter, receiver and transceiver circuits. Our key products are standard transmitters, receivers, transceivers and custom specific ICs for industrial-scientific-medical (ISM) band applications from 315 to 434 and 868 to 915 MHz, such as keyless entry, immobilizers, home services, alarm systems, personal identification, wireless labelling and general short range communication.

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

The wide RF system design know-how helps customers to design in our products quickly and efficiently. Fully functional evaluation boards, available for all our standard products make it easy for an engineer to quickly design them into a new product.



## 4.8 Consumer

These products focus on a high degree of integration of electronic systems in the small and large appliance applications, but since 2001 increasingly also in medical and health care products, such as measurement systems for blood pressure and blood sugar level.

# 5. Melexis Strategy

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

## **a) focus on automotive business**

Management believes that the market for automotive semiconductors offers high growth opportunities for many years to come and consequently should continue to be Melexis' core business. This will allow the Company to benefit from its experience, engineering excellence and competitive advantage in the design, development and testing of highly integrated analog-digital semiconductor devices for the automotive sector. Electronics in the car will continue to grow. They allow carmakers to differentiate their cars from the competition by adding electronic comfort features or offering higher standards of safety or economy.

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

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

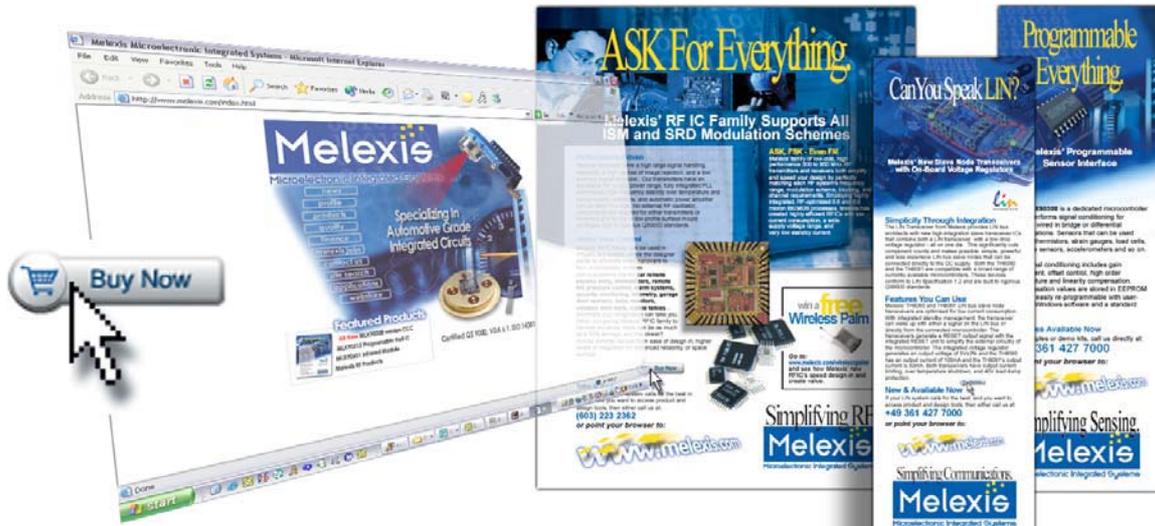
## **c) preferred partner of automotive OEMs**

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

## **d) technological leadership for design of automotive semiconductors**

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





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

The Company seeks to increase its customer base and is committed to further optimizing its product marketing effort in order to achieve this goal.

**f) excellence in product reliability**

Melexis has demonstrated a quality management system complying with the stringent requirements of ISO9001, QS9000, VDA6.1 and ISO14001. End of 2001, re-certification was again successfully achieved for the main sites leper, Tessenderlo and Erfurt. The certification body was the leading German certifier DQS, member of the EQNet. Additionally, our Sofia site achieved the ISO9001/2000 status during 2001. The certification body was SGS Bulgaria, an affiliate office of Société Générale de Surveillance Holding S.A.

**g) licensing of certain products**

When an appropriate opportunity arises, the Company intends to grant licences over certain advanced products to specified customers in order to allow those customers to purchase those advanced products. This will enable the Company to concentrate its engineers on specific projects.

**h) targeting of new regions**

The Company plans to continue concentrating special marketing efforts towards the Far East and the Americas, as it sees these are areas for large potential growth in its sales.

**i) review of opportunities for acquisitions**

The automotive integrated circuit market is a relatively fast moving sector. Although no specific opportunities are currently under consideration, Management will keep the market under close review to enable it to take advantage of any acquisition opportunities if and when they arise. Management does not, however, currently envisage the Company diversifying outside the automotive integrated circuit market.



# 6. Management's Discussion and Analysis

## 6.1 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 31 December, 2001, 2000, 1999 and have been audited by Arthur Andersen Bedrijfsrevisoren.

<b>Consolidated Income statements</b>	<i>Years ended 31<sup>st</sup> December</i>		
	2001 EUR	2000 EUR	1999 EUR
Sales	91.859.398	80.778.884	50.608.763
Revenues from Research and Development	10.540.826	4.624.150	2.467.544
Cost of sales	(57.910.486)	(48.701.836)	(31.264.241)
Gross margin	44.489.738	36.701.198	21.812.066
Unrealized Exchange gains on foreign exchange contracts	(307.620)	1.047.450	
Goodwill amortization	(991.278)	(1.004.061)	(422.807)
Research and Development expenses	(14.213.783)	(11.051.522)	(5.453.291)
General and Administrative expenses	(4.067.480)	(3.800.711)	(2.471.681)
Selling expenses	(4.546.151)	(4.245.119)	(1.948.272)
Other operating expenses (net)	(529.950)	-	-
Income from operations	19.833.476	17.647.235	11.516.015
Financial results(net)	3.671.606	1.295.499	1.421.512
Other(net)		74.711	-
Profit before taxes	23.505.082	19.017.445	12.937.527
Income taxes	(3.203.958)	(1.814.555)	1.075.748
Minority interest			(1)
Net profit	<u>20.301.124</u>	<u>17.202.890</u>	<u>14.013.274</u>

<b>Condensed Consolidated Balance Sheets</b>	<i>31<sup>st</sup> December</i>		
	2001 EUR	2000 EUR	1999 EUR
Cash and cash equivalents ( <i>notes 7.2.4.a</i> )	13.516.247	65.452.379	23.091.046
Total assets	135.533.156	152.477.857	77.768.577
Total current liabilities	36.337.753	70.387.178	23.066.584
Long-term debt	7.687.798	11.034.007	591.864
Shareholders' equity	91.431.574	70.905.489	53.883.662

## 6.2 Exchange Rates

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 functional currency of Melexis NV and of its subsidiaries Melexis Tessenderlo 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) and for Melexis Bulgaria Ltd., the Bulgarian Leva (BGN).

Assets and liabilities of Melexis Inc., Melexis Branch Office, Melexis Ukraine and Melexis Bulgaria Ltd. are translated at exchange rates in effect at the end of the reporting period, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component "cumulative translation adjustment" in the balance sheet.

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

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

The following Management's discussion and analysis of financial condition and results of operations should be read in conjunction with the Company's financial statements for the years ended 31 December, 2001, 2000 and 1999.

### 6.3.1. Overview

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

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

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

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

In the last quarter of 1997, the company acquired US MikroChips Inc. (now Melexis Inc.), based in Webster, Massachusetts. US MikroChips Inc. was founded in January 1993 to take advantage of a rapidly growing market in Asia for Hall Sensors in cooling fans. Since April 1994, the co-operation between US MikroChips and Melexis NV has increasingly deepened. US MikroChips' Hall Sensor expertise coupled with Melexis' integrated circuit technology allowed US MikroChips to effectively become one of the largest volume Hall IC producers in the world.

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

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

Melexis is currently responsible for 28% of total sales of the X-FAB group.

Melexis NV buys services from related companies, mainly development work of engineers who work in other locations. These services are invoiced at market rates.

Melexis also sells services to related parties, mainly research and development but also other services where the management of Melexis can create high added value (transfer of knowledge, business advice, ...).

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

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

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

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

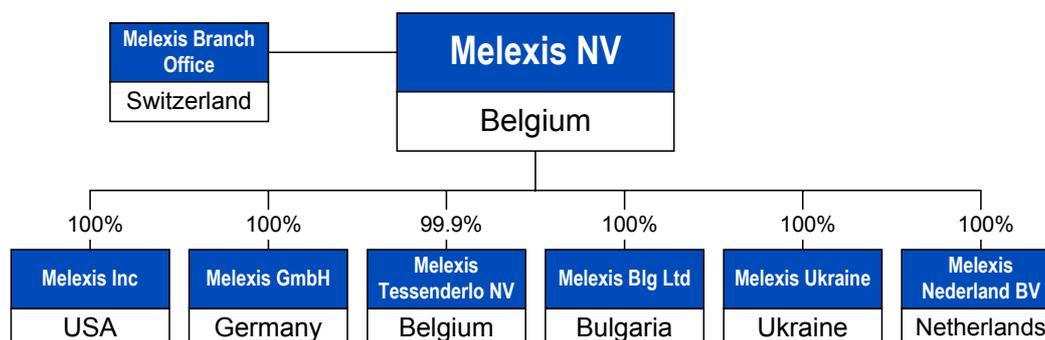
On October 31, 2000, Melexis NV bought Melexis Bulgaria Ltd. from Sigma Delta Holding NV. This company will be mainly active in test services and in the development of IP (Intellectual Property), Household Applications and IR Sensors.

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

In January 2001, Melexis NV incorporated Melexis BV, in Utrecht, The Netherlands. This company is mainly active in the field of development of IC's.

For management purposes, the group is organized on a worldwide basis into the business segments "automotive" and a segment "other", comprising all other products which are subject to different risks than those in the "automotive" segment.

Within the company, different product groups are identified which form the discussion basis for this Management's Discussion and Analysis.



### 6.3.2. Results of operations

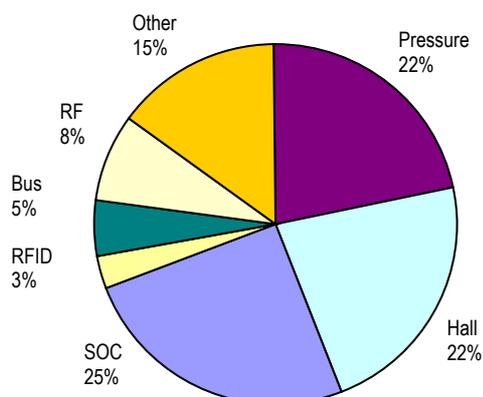
#### Revenues

For 2001 total revenues increased by 20 % as compared to 2000. The major relative increase can be found in the Hall Sensor business unit and Pressure Sensor business unit.

The largest business unit remains Systems-on-a-Chip (25,3%), as this business unit includes both microprocessors and ASICs activities. Since 2001, the Hall sensor product line is the second major business unit with 22 % and closely followed by the pressure and acceleration sensor product line, realizing 21,6 % of the total revenues of the company.

Specific research and development activities are included in the revenues per business unit. These specific R&D activities are performed under contract for customers. For the year 2001, the company invoiced EUR 10.540.826 research and development costs to its customers, compared to EUR 4.624.150 in 2000 and EUR 2.467.544 in 1999. This increase is a consequence of the increased invoicing of Research and development services to EPIQ group as a result of their increased automotive activity.

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



	Years ended 31 <sup>st</sup> December		
	2001 EUR	2000 EUR	1999 EUR
Systems-On-a-Chip	25.913.160	23.375.259	16.744.154
Hall Effect Devices	22.431.959	16.222.087	10.975.676
Pressure & Acc. Sensors	22.140.566	18.168.648	13.403.368
RFID	3.005.139	2.656.171	3.034.147
Bus Systems	4.813.466	4.476.220	1.295.051
RF	8.689.407	7.280.460	475.757
Other- miscellaneous	15.406.527	13.224.189	7.148.154
<b>Total</b>	<b>102.400.224</b>	<b>85.403.034</b>	<b>53.076.307</b>

### Costs of sales

Costs of sales consist of materials (raw material and semi-finished parts), subcontracting, labor, depreciation and other production expenses. They increased from EUR 31.264.241 in 1999, EUR 48.701.836 in 2000 up to EUR 57.910.486 in 2001.

Expressed as a percentage of total revenues, the cost of sales slightly decreased from 57,0 % in 2000 to 56,6 % in 2001. The relative decrease of the cost of sales can be mainly attributed to different product mix but also to a higher non-product related revenue base.

### Gross margin

The gross margin, as a percentage of sales, increased from 43,0 % in 2000 to 43,4 % in 2001 due to the decrease of the cost of sales.

### Research and Development expenses

Research and development expenses amounted to EUR 14.213.783 in 2001, representing 13,9 % of total revenues. This 28,6 % increase over 2000 is a result of increased research and development efforts, mainly in Bulgaria, Ukraine and The Netherlands. The research and development activities concentrate further on the development of Hall Sensors, Integrated Pressure and Acceleration Sensors and Gyroscopes, 16 bit microcontrollers, Infrared and Opto Sensors, Bus ICs and RF components.

### General, administrative and selling expenses

General, administrative and selling expenses consist mainly of salaries and salary related expenses, office equipment and related expenses, travel and entertainment expenses. General, administration and selling expenses further increased over 2001. This increase is basically a result of the increased selling efforts, due to the globalization of the activities of the company and the increased development of standard products, but is below the relative increase in sales of the company.

### Financial results

The net financial results (gains) nearly tripled over 2001. This is mainly the result of increased net interest income as a consequence of increased cash balances that were deposited at the bank or lent to related parties. Income from investing activities amounted to approximately EUR 2,2 million compared to approximately EUR 2 million in 2000. The net exchange gains (both realized and unrealized) in 2001 amounted to EUR 5.449, compared to a loss of EUR 613.805 during 2000. Furthermore, the reserve of 565.000 USD set up during 2000 for a loan given to a distributor, located in Taiwan, was decreased by 326.875 USD during 2001.

### Net income

The company recorded a net income for 2001 of EUR 20.301.124. This represents an 18,0 % increase over 2000, which is slightly lower compared to the increase of 20 % in sales from 2000 to 2001, mainly as a result of increased Research and development spending.

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

Cash and cash deposits amounted to EUR 13.516.247 as of December 31, 2001 in comparison to EUR 65.452.379 as of December 31, 2000 and EUR 23.091.046 as of December 31, 1999.

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

In 2000, cash flow from operating activities amounted to EUR 7.016.881 negative. The net profit amounted to EUR 17.202.890 and was used to finance increased trade receivables and inventories. The operating cash flow used by increased receivables to related companies amounted to EUR 11.746.299 mainly due to a loan of 10 million USD given by Melexis to X-FAB.

The cash flow from investing activities was negative for EUR 12.795.258 as a result of the investments in fixed assets in order to realize the growth in turnover. The cash flow from financing activities was positive for EUR 62.354.535, mainly as a result of increased borrowings by Melexis Tessenderlo NV from external and related parties to pay to Melexis NV for the acquisition of its assets at the end of 1999. This amount of EUR 62.354.535 includes EUR 38.695.997 financial advances received in 2000 and previously reported as a change in working capital.

In 2001, cash flow from operating activities amounted to EUR 21.319.752. The net profit amounted to EUR 20.301.124 and was used to finance increased working capital needs. The cash flow from investing activities was negative for EUR 6.042.279. This is the result of on the one hand, the negative cash flow as a result of the investments in fixed assets in order to realize the growth in turnover, and on the other hand, the positive cash flow as a result of the financial investments.

The cash flow from financing activities was negative for EUR 67.232.525, mainly as a result of increased lending by Melexis NV to its parent company Elex NV.

# 7. Selected Summary Financial Data

## 7.1. Detailed Consolidated Financial Statements

### 7.1.1. Independent Auditor's report

To the Board of Directors and Shareholders of Melexis NV,

We have audited the accompanying consolidated balance sheets of Melexis NV (a Belgian corporation) and subsidiaries as of December 31, 2001, 2000 and 1999, the related consolidated statements of income, the statement of changes in shareholders' equity and cash flows for the years then ended, expressed in Euro. These consolidated financial statements have been prepared under the responsibility of the Company's Board of Directors. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements as of December 31, 2001, 2000 and 1999 of certain subsidiaries, which statements reflect assets and annual revenues respectively of 14 % and 33 % as of December 31, 2001, 14 % and 37 % as of December 31, 2000 and 29% and 21% as of December 31, 1999 of the related consolidated totals. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based solely on the reports of the other auditors. Unqualified audit opinion on the consolidated financial statements.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Melexis NV and subsidiaries as of December 31, 2001, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

#### Additional statements

We complete our report with the following additional statements which do not modify the scope of the above-mentioned opinion on the annual accounts:

- The consolidated directors' report for the year ended December 31, 2001 is in agreement with the consolidated annual accounts and includes the information required by the Belgian law;
- Regardless of formal aspects of minor importance, the consolidated annual accounts are established in conformity with applicable law and regulations in Belgium;
- We draw your attention to footnote 7.2.4.ab where in accordance with Article 524 of the Belgian Company law, an overview is given of the transactions with related parties that occurred in the course of 2001.

The Statutory Auditor,

ARTHUR ANDERSEN  
Bedrijfsrevisoren

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Ludo De Keulenaer

February 9, 2002

## 7.1.2. Detailed Consolidated Financial Statements

### Melexis NV Consolidated balance sheets

31<sup>st</sup> December

	2001	2000	1999
	EUR	EUR	EUR
<b>Assets</b>			
<b>Current assets</b>			
Cash, and cash equivalents (notes 7.2.4.a)	13.516.247	65.452.379	23.091.046
Current investments (notes 7.2.4.b)	3.370.209	-	-
Accounts receivable – trade (notes 7.2.4.c)	16.748.857	17.638.550	8.719.540
Accounts receivable – Related companies (notes 7.2.4.ab)	43.310.056	12.290.873	8.265.794
Inventories (notes 7.2.4.d)	15.722.723	15.340.426	10.148.180
Other current assets (notes 7.2.4.f)	4.568.954	4.729.692	1.740.781
Total current assets	97.237.046	115.451.920	51.965.341
<b>Non current assets</b>			
Intangible fixed assets (notes 7.2.4.h)	573.566	584.354	319.878
Property, plant and equipment (notes 7.2.4.i)	31.087.482	30.255.188	20.110.448
Other non-current assets	320.175	179.656	-
Deferred taxes (notes 7.2.4.w)	4.027.000	2.727.574	1.089.684
Goodwill (notes 7.2.4.g)	2.287.887	3.279.165	4.283.226
<b>TOTAL ASSETS</b>	<b><u>135.533.156</u></b>	<b><u>152.477.857</u></b>	<b><u>77.768.577</u></b>
<b>Liabilities and shareholders' equity</b>			
<b>Current liabilities :</b>			
Bank loans and overdrafts (notes 7.2.4.l)	3.937.737	14.517.038	6.332.284
Current portion of long-term debt	5.238.781	5.180.541	148.900
Accounts payable – trade	3.965.824	4.343.707	3.857.241
Accounts payable – related companies (notes 7.2.4.ab)	16.959.524	40.713.642	9.738.865
Accrued expenses, payroll and related taxes (notes 7.2.4.j)	3.978.692	2.773.771	981.130
Other current liabilities	237.166	610.267	444.685
Deferred income (notes 7.2.4.k)	2.020.029	2.248.212	1.563.479
Total current liabilities	<u>36.337.753</u>	<u>70.387.178</u>	<u>23.066.584</u>
Long-term debt less current portion (notes 7.2.4.m)	7.687.798	11.034.007	591.864
Deferred tax liabilities	75.282	150.563	225.847
Minority interests	749	620	620
Shareholders' capital	565.197	565.197	565.197
Share premium	30.135.419	30.135.419	30.135.419
Legal reserve	56.520	56.520	56.520
Retained earnings	40.413.547	23.210.657	22.877.383
Current year's profit	20.301.124	17.202.890	14.013.274
Dividend paid	-	-	(13.680.000)
Cumulative translation adjustment	(40.233)	(265.194)	(84.131)
Total shareholders' equity (notes 7.2.4.n)	<u>91.431.574</u>	<u>70.905.489</u>	<u>53.883.662</u>
<b>TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS</b>	<b><u>135.533.156</u></b>	<b><u>152.477.857</u></b>	<b><u>77.768.577</u></b>

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

## Melexis NV Consolidated Income Statements

Years ended 31<sup>st</sup> December

	2001 EUR	2000 EUR	1999 EUR
Sales	91.859.398	80.778.884	50.608.763
Revenues from Research and Development (notes 7.2.4.y)	10.540.826	4.624.150	2.467.544
Cost of sales (notes 7.2.4.p)	<u>(57.910.486)</u>	<u>(48.701.836)</u>	<u>(31.264.241)</u>
Gross margin	44.489.738	36.701.198	21.812.066
Unrealized exchange gains/loss on foreign exchange contracts	(307.620)	1.047.450	-
Goodwill Amortization	(991.278)	(1.004.061)	(422.807)
Research and development expenses (notes 7.2.4.g)	(14.213.783)	(11.051.522)	(5.453.291)
General and administrative expenses (notes 7.2.4.r)	(4.067.480)	(3.800.711)	(2.471.681)
Selling expenses (notes 7.2.4.s)	(4.546.151)	(4.245.119)	(1.948.272)
Other operating expenses (net) (notes 7.2.4.z)	<u>(529.950)</u>		
Income from operations	<u>19.833.476</u>	<u>17.647.235</u>	<u>11.516.015</u>
Financial income (notes 7.2.4.v)	10.726.020	10.003.241	3.046.551
Financial charges (notes 7.2.4.v)	(7.054.414)	(8.707.742)	(1.625.039)
Other expenses (net)	-	74.711	-
Income before taxes	<u>23.505.082</u>	<u>19.017.445</u>	<u>12.937.527</u>
Income taxes (notes 7.2.4.w)	(3.203.958)	(1.814.555)	1.075.748
Minority interest	-	-	(1)
Net income of the period	<u>20.301.124</u>	<u>17.202.890</u>	<u>14.013.274</u>
Earnings per share (note 7.2.4.x)	<u>0.45</u>	<u>0.38</u>	<u>0.31</u>

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

## Melexis NV Consolidated Statements of Changes in Equity

	NUMBER OF SHARES	SHARE CAPITAL	SHARE PREMIUM	LEGAL RESERVE	RETAINED EARNINGS	CTA	TOTAL EQUITY
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
December 31, 1998	45.600.000	565.197	30.135.419	56.520	22.877.383	(21.094)	53.613.425
Net income					14.013.274		14.013.274
CTA movement						(63.037)	(63.037)
Interim dividend					(13.680.000)		(13.680.000)
December 31, 1999	45.600.000	565.197	30.135.419	56.520	23.210.657	(84.131)	53.883.662
Net income					17.202.890		17.202.890
CTA movement						(181.063)	(181.063)
December 31, 2000	45.600.000	565.197	30.135.419	56.520	40.413.547	(265.194)	70.905.489
Net income					20.301.124		20.301.124
CTA movement						224.961	224.961
December 31, 2001	45.600.000	565.197	30.135.419	56.520	60.714.671	(40.233)	91.431.574

**Melexis NV Consolidated Statements of Cash Flows**
*Years ended 31<sup>st</sup> December*

(indirect method)	2001 EUR	2000 EUR	1999 EUR
<b>Cash flows from operating activities :</b>			
Net profit	20.301.124	17.202.890	14.013.274
<b>Adjustments for:</b>			
<b>Operating activities :</b>			
Deferred taxes	(1.299.426)	(1.637.890)	(1.089.684)
Unrealised exchange gains	307.620	(1.047.450)	-
Reserve for uncollectible receivables	601.510	812.039	-
Capital grants ( <i>notes 7.2.4.o</i> )	(955.126)	(1.365.171)	(527.419)
Depreciation	7.684.191	6.017.271	3.378.433
Amortization Goodwill	991.278	1.004.061	422.807
Income tax	4.476.863	3.452.445	-
Income taxes paid	(3.039.259)	(1.637.890)	-
Unrealised exchange results	424.192	-	-
Financial results	(3.671.606)	(1.295.499)	(1.421.512)
<b>Operating profit before working capital changes:</b>			
Accounts receivable, net	483.361	(9.731.049)	(2.017.594)
Other current assets	(20.838)	(2.448.888)	634.936
Other non-current assets	(228.644)	(179.656)	-
Due to (from) related companies	(1.407.917)	(11.746.299)	4.280.118
Accounts payable	(369.268)	486.466	321.905
Accrued expenses	(474.604)	1.792.641	(826.769)
Other current liabilities	(373.101)	165.582	389.434
Inventories	(295.749)	(5.192.246)	(2.060.124)
Interest paid	<u>(1.814.849)</u>	<u>(1.668.238)</u>	<u>(375.175)</u>
Net cash from operating activities	21.319.752	(7.016.881)	15.122.630
<b>Cash flows from investing activities :</b>			
Acquisition of subsidiary, net of cash acquired	-	-	(6.724.797)
Purchase of property plant and equipment and intangible assets	(8.505.697)	(16.426.487)	(7.566.948)
Interest received	3.669.047	2.271.229	1.630.876
Proceeds from current investments	976.366	1.360.000	-
Acquisition of current investments	<u>(2.181.995)</u>	-	-
Net cash used in investing activities	(6.042.279)	(12.795.258)	(12.660.869)
<b>Cash flows from financing activities :</b>			
Proceeds from long-term debt	614.471	15.473.784	387.516
Repayment of long-term debt	(3.960.680)	-	-
Proceeds from bank loans and overdrafts	9.176.518	8.184.754	1.415.825
Repayment of bank loans and overdrafts	(19.697.579)	-	-
Proceeds from (repayment of) related party financing	(53.365.384)	38.695.997 <sup>(1)</sup>	-
Proceeds from (repayments of) accounts payable to directors	-	-	1.953
Interim dividend payment	-	-	(13.680.000)
Other	<u>129</u>	<u>-</u>	<u>620</u>
Net cash provided by (used in) financing activities	(67.232.525)	62.354.535	(11.874.086)
Effect of exchange rate changes on cash and cash equivalents	18.920	(181.063)	(63.037)
Increase (decrease) in cash and cash equivalents	(51.936.132)	42.361.333	(9.475.362)
Cash and cash equivalents at beginning of period	65.452.379	23.091.046	32.566.408
Cash and cash equivalents at end of period	<u>13.516.247</u>	<u>65.452.379</u>	<u>23.091.046</u>

<sup>(1)</sup> Including EUR 38.695.997 financial advances received in 2000 and previously reported as a change in working capital.

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

## 7.2. Notes to the consolidated financial statements

### 7.2.1. General

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

The Melexis group of companies employed on average 436 people in 2001, 311 in 2000 and 125 in 1999

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

The financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on February 8, 2002 in Antwerp.

### 7.2.2. Summary of Significant Accounting Policies

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

#### Basis of preparation

The accompanying consolidated financial statements are prepared in accordance with the International Financial Reporting Standards, as published by the International Accounting Standards Board, effective as of December 31, 2001.

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.

#### Changes in accounting principles

Following the introduction of IAS 39, *Financial Instruments: Recognition and Measurement*, available-for-sale investments are carried at fair value and all derivative financial instruments have been recognized as assets or liabilities.

#### 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 are translated at year-end exchange rates with respect to the balance sheet, and at the average exchange rate for the year with respect to the income statements. All resulting translation differences are included in a translation reserve in equity.

#### Foreign currency

##### Foreign currency transactions

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

##### Foreign currency translation

Since the introduction of the EURO on January 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).

Assets and liabilities Melexis Inc., Melexis Branch Office, Melexis Ukraine and Melexis Bulgaria Ltd. are translated at exchange rates in effect at the end of the reporting period, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component "cumulative translation adjustment" in the balance sheet.

#### Principles of Consolidation

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

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

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

The consolidation scope includes Melexis NV, its subsidiaries Melexis Tessenderlo NV, 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 and Melexis Bulgaria Ltd., which was acquired in October 2000. The goodwill on Melexis Bulgaria Ltd. has been computed in compliance with IAS 22 on the financial position effective on the acquisition date, as the difference between the cost of acquisition and the fair value of the identifiable assets and liabilities of Melexis Bulgaria Ltd, and amounted to zero. The fair value is not materially different from the book value at acquisition date.

Melexis AG, which was incorporated in 1998, was sold to Elex NV, the parent company of Melexis NV, on December 31, 2000.

### 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 amortised cost, after provision for doubtful accounts.

### Hedging

The company does not have any financial instruments, that meet the criteria of hedging as defined under IAS 39.

### Derivative financial instruments

Derivative financial instruments that are not designated as hedging instruments are classified as held-for-trading and carried at fair value, with changes in fair value included in net profit or loss.

### 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	4 years

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

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

### Investments

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

Available-for-sale investments are classified as current assets since management intends to realize them within 12 months of the balance sheet date.

All purchases and sales of investments are recognized on the trade date.

Investments are initially measured at cost, which is the fair value of the consideration given for them, including transaction costs.

Available-for-sale investments are subsequently carried at fair value without any deduction for transaction costs by reference to their quoted market price at the balance sheet date.

Gains or losses on measurement to fair value of available-for-sale investments are recognized directly in the net profit or loss for the period.

### Intangible Assets

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

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 3 years.

### Goodwill

The excess of the cost of an acquisition over the company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet.

Goodwill is carried at cost less accumulated amortization and accumulated impairment losses.

Goodwill is amortized on a straight-line basis over its useful life. The amortization periods range from 5 to 20 years, based upon the particular circumstances.

Amortization of goodwill is included in operating profit.

### Research and Development Costs

Expenditure for research and development costs are recognized as an expense when incurred and not capitalized, since they do not meet all conditions of International Financial Reporting Standards NR 38.

### 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.

### Reserves

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

The Translation Reserve is used for translation differences arising on consolidation of financial statements of foreign entities.

### Minority interests

Minority interests include their proportion of the fair values of identifiable assets and liabilities recognized upon acquisition of a subsidiary.

### 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.

### 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. Income relating to government grants is recognized as a deduction from the appropriate expense.

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

### Income taxes

The Melexis Group applies International Financial Reporting Standard 12. The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.

The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to reverse. Deferred tax assets are not discounted and are classified as non-current assets in the balance sheet.

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no

longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that 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 and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased.

### Segments

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

### Contingencies

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

A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

### Subsequent events

Post-year-end events that provide additional information about a company's position at the balance sheet date, (adjusting events), are reflected in the financial statements. Post-year-end events that are not adjusting events are disclosed in the notes when material.

### Earnings per share

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

### 7.2.3.Changes in Group's Organization

In January 2001, Melexis NV incorporated Melexis BV in Utrecht, The Netherlands.

### 7.2.4. Notes

#### A | Cash and cash equivalents

	31 <sup>st</sup> December		
	2001	2000	1999
	EUR	EUR	EUR
Cash at bank and in hand	13.516.247	3.786.275	1.805.214
Cash equivalents	-	61.666.104	21.285.832
Total	<u>13.516.247</u>	<u>65.452.379</u>	<u>23.091.046</u>

The short-term deposits at December 31, 1999 consisted of EUR 20.228.772, GBP 95.000 and CHF 250.000, while the short-term deposits at December 31, 2000 consisted of deposits of EUR 59.691.000 and Commercial Paper of EUR 1.975.104. A part of the company's cash balance as of December 31, 1999 served as a guarantee for straight loans taken up by a commercial bank. The restricted cash balance amounts to approximately EUR 707.500.

#### B | Current investments

	31 <sup>st</sup> December		
	2001	2000	1999
	EUR	EUR	EUR
Acquisition cost	2.181.995	-	-
Fair value	3.370.209	-	-

The current investments consist of 66.980 shares of Dialog Semiconductor and 875.000 shares Catalyst. The market value is calculated by reference to the value of the respective shares per December 31, 2001 on the stock exchange.

#### C | Trade receivables

	31 <sup>st</sup> December		
	2001	2000	1999
	EUR	EUR	EUR
Trade accounts receivable	18.030.912	18.443.526	8.853.235
Allowance for doubtful accounts	<u>(1.282.055)</u>	<u>(804.976)</u>	<u>(133.695)</u>
Total	<u>16.748.857</u>	<u>17.638.550</u>	<u>8.719.540</u>

#### D | Inventories

	31 <sup>st</sup> December		
	2001	2000	1999
	EUR	EUR	EUR
Raw materials and supplies, at cost	2.417.185	3.413.387	1.690.706
Work in progress, at cost	10.085.594	7.777.391	6.187.842
Finished goods, at cost	3.294.312	4.224.016	2.344.000
Reserve for obsolete stock	<u>(74.368)</u>	<u>(74.368)</u>	<u>(74.368)</u>
Net	<u>15.722.723</u>	<u>15.340.426</u>	<u>10.148.180</u>

## E | Derivatives

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

		2001	2000
Outstanding forward contracts per 31 <sup>st</sup> December, not exceeding one year	USD	27.961.000	27.961.000
	GBP	-	10.000.000

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

	<i>31<sup>st</sup> December</i>			
	2001		2000	
	Cost EUR	Fair value EUR	Cost EUR	Fair value EUR
Outstanding forward contracts per 31 <sup>st</sup> December	31.808.862	32.548.692	46.922.412	47.969.862

## F | Other Current Assets

	<i>31<sup>st</sup> December</i>		
	2001	2000	1999
	EUR	EUR	EUR
Derivatives – fair value	739.830	1.047.450	-
Other receivables	3.677.927	3.568.519	1.631.396
Prepaid expenses	<u>151.197</u>	<u>113.723</u>	<u>109.385</u>
Total other current assets	<u>4.568.954</u>	<u>4.729.692</u>	<u>1.740.781</u>

## G | Goodwill

The goodwill relates to the acquisition of the wholly owned subsidiaries Melexis Inc. and Melexis GmbH, previously known as US MikroChips Inc. and Thesys Mikroelektronik Produkte GmbH, and is determined as the difference between the cost of acquisition and the fair value of the identifiable assets and liabilities as of the acquisition date for Melexis Inc. and for Melexis GmbH.

The book value of the goodwill at December 31, 2001 was as follows:

Goodwill accounted for at 31 December 2000:	3.279.165
Less: amortization of goodwill of Melexis Inc.:	(250.359)
Less: amortization of goodwill of Thesys Mikroelektronik Produkte GmbH:	(740.919)
Net goodwill at 31 December 2001:	2.287.887

## H | Intangible Fixed Assets

Year ended 31 <sup>st</sup> December 2001	LICENSES EUR	PREPAID EUR	TOTAL EUR
<b>Acquisition value</b>			
Balance end of previous period	<u>639.290</u>	<u>219.293</u>	<u>858.583</u>
Additions of the period	101.307	51.941	153.248
Retirements	(19.669)	0	(19.669)
Transfers	271.234	(271.234)	0
TOTAL	<u>992.162</u>	<u>0</u>	<u>992.162</u>
<b>Depreciation</b>			
Balance end of previous period	<u>274.229</u>	<u>0</u>	<u>274.229</u>
Additions of the period	164.030	0	164.030
Retirements	(19.663)	0	(19.663)
TOTAL	<u>418.596</u>	<u>0</u>	<u>418.596</u>
Net book value - 31 <sup>st</sup> December, 2001	<u>573.566</u>	<u>0</u>	<u>573.566</u>

## I | Property, plant and equipment

	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FURNITURE AND VEHICLES	FIXED ASSETS UNDER CONSTRUCTION	TOTAL
<i>Year ended 31<sup>st</sup> December, 2001</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
<b>Cost::</b>					
Beginning of the period	<u>7.966.794</u>	<u>38.946.078</u>	<u>2.237.313</u>	<u>255.890</u>	<u>49.406.075</u>
Additions of the year	902.337	6.936.015	303.301	94.498	8.236.151
Retirements	0	(718.468)	(251.905)	(1.167)	(971.540)
Transfers	0	149.809	104.913	(254.722)	0
CTA	40.820	159.409	9.541		209.770
End of the period	<u>8.909.951</u>	<u>45.472.843</u>	<u>2.403.163</u>	<u>94.499</u>	<u>56.880.456</u>
<b>Accumulated depreciation:</b>					
Beginning of the period	<u>546.396</u>	<u>17.305.694</u>	<u>1.235.769</u>	<u>63.028</u>	<u>19.150.887</u>
Additions of the period	364.809	6.767.332	388.020	0	7.520.161
Retirements	0	(768.256)	(167.638)	0	(935.894)
Transfers	0	53.581	9.447	(63.028)	0
CTA	1.977	51.265	4.578	0	57.820
End of the period	<u>913.182</u>	<u>23.409.616</u>	<u>1.470.176</u>	<u>0</u>	<u>25.792.974</u>
<b>Net book value - 31st December, 2001</b>	<u><b>7.996.769</b></u>	<u><b>22.063.227</b></u>	<u><b>932.987</b></u>	<u><b>94.499</b></u>	<u><b>31.087.482</b></u>
	LAND AND BUILDINGS	MACHINERY AND EQUIPMENT	FURNITURE AND VEHICLES	FIXED ASSETS UNDER CONSTRUCTION	TOTAL
<i>Year ended 31<sup>st</sup> December, 2000</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
<b>Cost:</b>					
Beginning of the period	<u>3.952.974</u>	<u>28.354.121</u>	<u>1.734.740</u>	<u>299.141</u>	<u>34.340.976</u>
Additions of the year	2.352.134	10.797.252	597.836	63.476	13.810.698
Acquired from 3 <sup>rd</sup> parties	1.659.086	576.887	76.582		2.312.555
Retirements		(889.572)	(232.620)		(1.122.192)
Transfers		55.695	51.032	(106.727)	0
CTA	2.600	51.695	9.743		64.038
End of the period	<u>7.966.794</u>	<u>38.946.078</u>	<u>2.237.313</u>	<u>255.890</u>	<u>49.406.075</u>
<b>Accumulated depreciation:</b>					
Beginning of the period	<u>407.300</u>	<u>12.840.483</u>	<u>967.715</u>	<u>15.030</u>	<u>14.230.528</u>
Additions of the period	246.097	5.354.055	330.363	47.998	5.978.513
Acquired from 3 <sup>rd</sup> parties					0
Retirements	(103.964)	(903.817)	(76.293)		(1.084.074)
Transfers					
CTA	(3.037)	14.297	13.984		25.244
Other		676			676
End of the period	<u>546.396</u>	<u>17.305.694</u>	<u>1.235.769</u>	<u>63.028</u>	<u>19.150.887</u>
<b>Net book value - 31st December, 2000</b>	<u><b>7.420.398</b></u>	<u><b>21.640.384</b></u>	<u><b>1.001.544</b></u>	<u><b>192.862</b></u>	<u><b>30.255.188</b></u>

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

## J | Accrued expenses, payroll and related taxes

	<i>31<sup>st</sup> December</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Vacation pay accruals	514.681	541.154	298.412
Other social accruals	263.846	505.696	156.996
Commissions	88.398	39.587	-
Servicing costs	198.315	198.315	328.503
Taxes	2.858.102	1.444.019	177.262
Other	55.350	45.000	19.957
Total	<u>3.978.692</u>	<u>2.773.771</u>	<u>981.130</u>

## K | Deferred Income

	<i>31<sup>st</sup> December</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Capital grants	2.020.029	2.248.212	1.563.479
Total	<u>2.020.029</u>	<u>2.248.212</u>	<u>1.563.479</u>

## L | Bank loans and overdrafts

	<i>31<sup>st</sup> December</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Secured	0	0	0
Unsecured	3.937.737	14.517.038	6.332.284
Total	<u>3.937.737</u>	<u>14.517.038</u>	<u>6.332.284</u>

As of December 31, 2001 Melexis NV has engaged itself to the following financial covenants:

minimum solvency-ratio of 40 % on a consolidated basis.

maximum bank debt/equity-ratio of 1.6 on a consolidated basis.

At the end of 1999, the company had an agreement with a commercial bank whereby straight loans taken up in excess of 50.000.000 BEF are guaranteed by cash and cash deposits owned by Melexis NV.

## M | Long-term debts

Long-term debts consist of the following:

	<i>31<sup>st</sup> December</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
<b>Secured</b>			
Bank loan at 5,55% maturing in 2000			117.749
Bank loan at floating interest rate till 30/06/00 average rate for the period till 30/06/00 was 3,125% fixed rate at 5,5% as from 01/07/00 - maturing in 2019	606.919	623.687	623.015
Bank loan at floating interest rate average rate for the year was 3,5% - maturing in 2004	455.189	590.861	
Bank loan at floating interest rate till 2032 average rate for the year was 4,21%	(1) 614.471		
Total secured loans	1.676.579	1.214.548	740.764
<b>Unsecured loan</b>			
Bank loan at floating interest rate average rate for the year was 4,86% - maturing in 2003	11.250.000	15.000.000	
Total unsecured loans	11.250.000	15.000.000	
Total long-term debt	12.926.579	16.214.548	740.764
Less current maturities	<u>5.238.781</u>	<u>5.180.541</u>	<u>148.900</u>
Long-term portion of long-term loans	<u>7.687.798</u>	<u>11.034.007</u>	<u>591.864</u>

(1) Company concluded a secured loan with Triodosbank 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. As of December 31, 2001, an amount of EUR 614.471 has been taken up.

Repayments of long-term debt are scheduled as follows:

	<i>31<sup>st</sup> December</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
2000			148.900
2001		5.180.541	31.151
2002	5.238.781	5.180.541	31.151
2003	5.292.115	5.180.541	31.151
2004	1.542.115	180.541	31.151
2005	140.386	32.826	31.151
2006	140.386	32.826	31.151
Thereafter	572.796	426.732	404.958
TOTAL	<u>12.926.579</u>	<u>16.214.548</u>	<u>740.764</u>

Property, plant and equipment amounting to EUR 1.519.390 as at December 31, 2001, has been pledged as security for long-term debt.

Melexis Branch Office in Switzerland has long-term loans for a total amount of CHF 2.300.000 with a Swiss commercial bank. These loans are secured by a guarantee of CHF 2.300.000 given by Melexis NV to the lending bank.

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

As of 31<sup>st</sup> December 2001, the common stock consisted of 45.600.000 issued and outstanding ordinary shares without face value.

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

Under Belgian Company Law, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited 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 per cent of its profits for the financial year until such reserve has reached an amount equal to 10 per cent of its share capital (the "Legal Reserve") or if, following any such dividend, the level of the net assets adjusted for the unamortized balance of the incorporation costs and capitalized research and development costs of the Company falls below the amount of the Company's paid-in-capital and of its Non-Distributable Reserves. The Board of Directors may pay an interim dividend, provided certain conditions set forth in Belgian Company Law are met.

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 revenue from government grants recognized in 2001 and 2000 comprises:

	2001 EUR	2000 EUR
Investment grants in building, machinery and employment grants	955.126	1.365.171
Grants for research and development	-	-
	<u>955.126</u>	<u>1.365.171</u>

During 2001, Melexis group received grants for additional employment for an amount of EUR 745.787 (Melexis NV received EUR 495.787 and Melexis Tessenderlo NV received EUR 250.000).

The grant received by Melexis NV had been accrued in the accounting books in the past for an amount of EUR 249.893.

The grant received by Melexis Tessenderlo NV is obstructed by the condition that the employment at Melexis Tessenderlo has to increase from 31 units to 70 units. The company has 4 years time to proof that the condition is fulfilled (till June 30, 2005). Attached to this grant for additional employment of Melexis Tessenderlo, a grant for investments was approved by the government for an amount of EUR 123.957. Nothing of this amount was taken up in the books at the end of 2001.

Melexis GmbH received additional grants for investments in 2001 for an amount of EUR 729.000.

## P | Cost of sales

Cost of sales comprises of the following expenses:

<b>COST OF SALES</b>	2001 EUR	2000 EUR
Purchases	37.862.434	31.543.786
Transportation costs	1.129.759	573.227
Salaries	6.654.947	6.401.781
Depreciation and amortization	5.670.667	4.745.258
Other direct production costs	6.592.679	5.437.784
Total	<u>57.910.486</u>	<u>48.701.836</u>

## Q | Research and development expenses

Research and development expenses include of the following expenses:

<b>RESEARCH AND DEVELOPMENT COSTS</b>	2001 EUR	2000 EUR
Salaries	6.951.751	5.168.763
Depreciation and amortization	1.691.918	1.097.155
Other	5.570.114	4.785.604
Total	<u>14.213.783</u>	<u>11.051.522</u>

## R | General and administration expenses

General and administration expenses include of the following expenses:

<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2001</b>	<b>2000</b>
	<i>EUR</i>	<i>EUR</i>
Salaries	835.832	477.941
Depreciation and amortization	232.673	120.497
Other	2.998.975	3.202.273
Total	<u>4.067.480</u>	<u>3.800.711</u>

## S | Selling expenses

Selling expenses are analyzed as follows:

<b>SELLING EXPENSES</b>	<b>2001</b>	<b>2000</b>
	<i>EUR</i>	<i>EUR</i>
Salaries	1.958.809	1.799.127
Depreciation and amortization	88.933	54.361
Other	2.498.409	2.391.631
Total	<u>4.546.151</u>	<u>4.245.119</u>

## T | Personnel expenses and average number of employees

	<b>2001</b>	<b>2000</b>
	<i>EUR</i>	<i>EUR</i>
Wages and salaries	16.401.339	13.847.612
Total	<u>16.401.339</u>	<u>13.847.612</u>

The average number of employees is 436 in 2001, 311 in 2000 and 125 in 1999.

## U | Depreciation and amortization expenses

	<b>2001</b>	<b>2000</b>
	<i>EUR</i>	<i>EUR</i>
<b>Property, plant and equipment</b>		
Cost of sales	5.670.667	4.745.258
Research and development	1.691.918	1.097.155
General and administration	232.673	120.497
Selling	88.933	54.361
Total	<u>7.684.191</u>	<u>6.017.271</u>

## V | Financial results - Net

	<i>Years ended 31<sup>st</sup> December</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
FINANCIAL INCOME:	10.726.020	10.003.241	3.046.551
- interest income	3.669.047	2.271.229	1.630.876
- exchange differences	4.686.944	5.036.440	1.342.852
- fair value valuation	1.188.214		
- gain on shares	1.059.383	936.203	
- dividend		1.360.000	
- other	122.432	399.369	72.823
FINANCIAL CHARGES:	7.054.414	8.707.742	1.625.039
- interest charges	1.814.849	1.668.238	375.175
- bank charges	63.949	69.089	
- exchange differences	4.681.495	5.650.245	1.193.817
- less value on shares	83.017		
- other	411.104	1.320.170	56.047
NET FINANCIAL RESULTS	<u>3.671.606</u>	<u>1.295.499</u>	<u>1.421.512</u>

## W | Income taxes

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

In 1999, Melexis NV sold part of its business to its wholly owned subsidiaries Melexis Tessenderlo NV and to Thesys Mikroelektronik Produkte GmbH at market value. This transaction resulted in a goodwill amount in the Melexis Tessenderlo NV statutory financial statements of approximately EUR 82 million and in the Thesys statutory financial statements of approximately EUR 6 million. This goodwill, which is eliminated in consolidation, results in tax deductible amortization charges at Melexis Tessenderlo NV and Thesys Mikroelektronik Produkte GmbH, which can be offset against future profits. The company recorded in 2000 a deferred tax asset for this temporary difference of approximately EUR 1,6 million, representing the budgeted usage of this temporary difference over the coming 2 years, 2001 and 2002. In 2001, Melexis has set up an additional deferred tax asset for a net amount of EUR 1.272.905, in order for the outstanding amount of deferred tax asset to represent the budgeted usage of the temporary difference over the coming year, 2002 and 2003 taking into account a discount given the uncertainty in the automotive market and the general economic slowdown of the economy in general.

The income tax expense can be detailed as follows:

	<i>Years ended 31<sup>st</sup> December</i>		
	<i>2001</i>	<i>2000</i>	<i>1999</i>
	<i>EUR</i>	<i>EUR</i>	<i>EUR</i>
Current tax expenses	(4.476.863)	(3.452.445)	-
Deferred tax income	<u>1.272.905</u>	<u>1.637.890</u>	<u>1.075.748</u>
	<u>(3.203.958)</u>	<u>(1.814.555)</u>	<u>1.075.748</u>

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

	<i>Years ended 31<sup>st</sup> December</i>	
	2001	2000
	EUR	EUR
Accounting profit	23.505.082	19.017.445
Tax at the applicable tax rate	(9.441.991)	(7.639.308)
Tax effect of non deductible expenses		
Amortization of consol goodwill	(389.196)	(403.331)
Tax effect of companies operating losses	1.577.301	-
Unrealized exchange rate result	(420.760)	-
Total tax effect on non deductible expenses	767.345	(403.331)
Tax effect on non taxable income		
Unrealized exchange rate result	-	420.760
Dividend received	-	477.075
Gain on shares	477.306	272.126
Sales of Melexis AG	-	96.625
Amortization goodwill Melexis Tessenderlo NV	4.638.140	4.638.140
Amortization goodwill Thesys GmbH	389.637	389.637
Total tax effect on non taxable income	5.505.083	6.294.363
Other	(34.395)	(66.279)
Tax charge Consolidated	(3.203.958)	(1.814.555)

Components of deferred tax assets are as follows:

	JANUARY 1, 2001	CREDITED/ (CHARGED) TO INCOME STATEMENT	CUMULATIVE TRANSLATION ADJUSTMENT	DECEMBER 31, 2001
	EUR	EUR	EUR	EUR
<b>Deferred tax asset</b>				
Tax loss carry-forward	2.727.574	1.272.905	26.521	4.027.000

## X | Earnings per shares

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of EUR 20.301.124 in 2001 (2000: EUR 17.202.890) by the weighted average number of ordinary shares outstanding during the period (45.600.000 in 2001 and 2000).

There were no material share transactions or potential share transactions, which occur after the 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.

The other revenues can be detailed as follows:

	<i>Years ended 31<sup>st</sup> December</i>		
	2001	2000	1999
	EUR	EUR	EUR
Research and development revenues – product developments	8.640.266	4.624.150	2.467.544
Research and development revenues - other	<u>1.900.560</u>	-	-
Total research and development revenues	<u>10.540.826</u>	<u>4.624.150</u>	<u>2.467.544</u>

The other research and development revenues for 2001 for an amount of EUR 1.900.560 are mainly comprised of services such as patents, market study and other business advice specifically related to the automotive business.

## Z | Other operating expenses

	<i>Years ended 31<sup>st</sup> December</i>		
	2001 EUR	2000 EUR	1999 EUR
Other operating expenses	529.950	-	-
Total	<u>529.950</u>	<u>-</u>	<u>-</u>

The other operating expenses for 2001 relate to the exceptional loss realized on the disposal of fixed assets of Melexis Inc.

## AA | Segment information

Segment information is prepared on the following basis:

### A. BUSINESS SEGMENTS

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

- a) Automotive
- b) Non-automotive (other)

### B. GEOGRAPHICAL SEGMENTS

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

### Business segment data

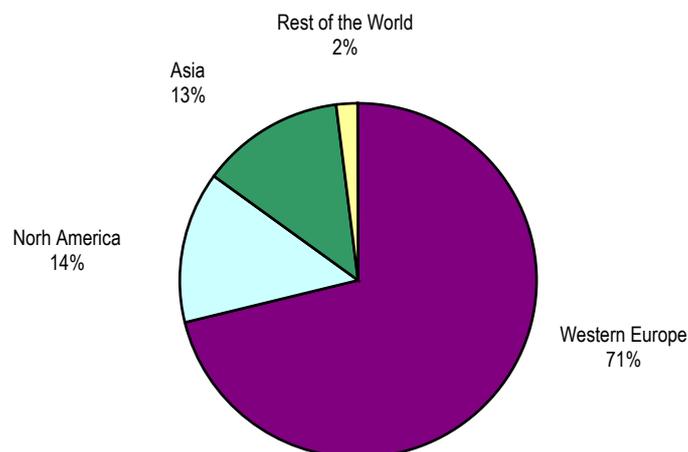
All amounts in 1.000 EUR	<i>Automotive</i>	<i>Other</i>	<i>Unallocate d</i>	<i>Total</i>
Sales	74.808	17.051		91.859
Other	8.730	1.811		10.541
Cost of sales	46.521	11.389		57.910
Unrealized exchange gain on foreign exchange contracts			307	307
Goodwill amortization			991	991
Research and development expenses	11.596	2.618		14.214
General and administrative expenses	3.318	749		4.067
Selling expenses	3.709	837		4.546
Other operating expenses			<u>530</u>	<u>530</u>
Income from operations				19.835
Financial results				3.671
Income taxes				(3.204)
Net income of the period				<u>20.302</u>
Segment assets	50.766	12.793	71.974	135.533
Capital expenditures	6.961	1.545		8.506
Depreciation	6.268	1.416		7.684

## Geographical segment data

All amounts are in 1.000 EUR	Western Europe	Eastern Europe	US	Total
Revenue by origin	95.271	1.664	5.465	102.400
Segment assets	127.833	4.967	2.733	135.533
Capital expenditures	6.526	1.899	81	8.506

The following table summarizes sales by destination:

	<i>Years ended 31<sup>st</sup> December</i>		
	2001 EUR	2000 EUR	1999 EUR
<i>Western Europe</i>	73.262.944	62.875.556	39.981.312
Germany	36.872.401	34.373.336	17.823.292
France	14.985.880	13.208.717	9.323.054
United Kingdom	7.966.673	4.828.227	5.094.040
Belgium	4.139.050	3.739.411	2.698.418
Austria	3.923.190	3.174.370	700.981
Netherlands	2.909.953	1.684.699	2.905.380
Other	2.465.797	1.866.796	1.436.147
<i>United States of America</i>	13.852.559	12.381.852	7.398.657
Asia	13.408.322	8.501.470	4.738.130
Japan	6.328.143	3.246.321	236.332
China	693.526	3.207.021	4.468.638
Other	6.386.653	2.048.128	33.160
<i>Rest of the World</i>	1.876.399	1.644.156	958.208
Total	<u>102.400.224</u>	<u>85.403.034</u>	<u>53.076.307</u>



## Revenues by customer

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

	<i>Years ended 31<sup>st</sup> December</i>		
	2001	2000	1999
	%	%	%
Customer A	13	12	12
Customer B	9	8	8
Customer C	9	8	10
Customer D	7	5	8
Customer E	7	9	10
Customer F	6	9	5
Customer G	6	6	4
Customer H	4	4	2
Customer I	3	6	7
Customer J	3	2	1
TOTAL	66	68	67

## AB | Related parties

In the aftermath of the Enron Debacle, the Company feels that it is important to spend extra attention to the disclosure of the related party transactions.

### 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 Tessenderlo NV	Belgian entity
Melexis Inc	US entity
Melexis Gmbh	German entity
Melexis Bulgaria ea	Bulgarian entity
Melexis Netherlands BV	Dutch entity
Melexis Kiev	Ukraine entity
Melexis Swiss branch	Swiss branch entity

The shareholders of Melexis NV are as follows:

Elex NV owns 70,28% of the outstanding shares (49,0% of these shares are not listed on Nasdaq Europe). The remaining balance of the outstanding shares, 29,72 % are spread in the public. The shares of Elex are held directly and/or indirectly by Mr Roland Duchâtelet and Mr Rudi De Winter who are both directors at Melexis.

Since October 2001, Elex NV also owns 46,42 % of the outstanding shares of EPIQ NV. EPIQ NV is listed on Nasdaq Europe and has become an important business relation for Melexis. Melexis supplies products to EPIQ as well as research and development services and other services.

During 2001, Melexis assisted EPIQ in its transition from a general CEM company to a much more automotive oriented company. These services are reported separately below. They comprise the selection of appropriate automotive applications, development of integrated circuits, assistance in a strategic automotive acquisition and a patent portfolio study of more than 100 patents. We refer to footnote y.

Elex NV owns 96,1% of the outstanding shares of X-FAB Gmbh, which is the parent company of the X-Fab group, a producer of wafers that are the main raw materials for the Melexis products. As in prior years, the X-FAB group is a major supplier for Melexis. X-Fab sells the majority of her products also to third parties.

Melexis, as in prior years, purchases the majority of its test equipment from the XPEQT group. XPEQT AG develops, produces and sells test systems both for the semiconductor industry. Roland Duchâtelet owns 45,6% of the shares, Françoise Chombar 30,4% and Ivan Darakchiev (CEO of that company), 24%.

Elex NV serves as 'clearing and netting house' (balancing of receivables and payables) between the related parties in order to optimize the financial position of all entities involved. A framework contract has been concluded between the parties. Elex NV and the parties involved receive/pay interest on the outstanding balances.

As required by Belgian law (article 523 and 524 of the Company law) the Board of Directors investigates all transactions which can create a potential conflict. For all transactions which have not taken place in the "normal course of business", an independent expert is appointed to review these transaction as to their fair nature and report to independent directors.

For 2001, the Board of Directors has identified following transactions in this matter:

- financing agreements between Elex NV and Melexis NV
- financing agreements between Elex NV and Melexis Tessenderlo NV
- financing agreement between X-FAB group and Melexis NV

The directors independent to these transactions and the financial expert concluded that there are no (direct or indirect) preferred advantages/remunerations granted to a major shareholder. Furthermore, they concluded that the subject financing and related proceeds are to the benefit of the company and all of its shareholders.

## 2. Outstanding balances at year-end

As of December 31, 2001 and 2000, the following balances were outstanding:

### Receivables:

On		31 <sup>st</sup> December	
		2001	2000
	Elex NV	28.015.444	422.748
	EPIQ group	2.666.372	155.360
	X-FAB group	12.621.704	11.156.765
	XPEQT	6.536	556.000
	TOTAL	43.310.056	12.290.873

### Payables:

On		31 <sup>st</sup> December	
		2001	2000
	Elex NV	12.929.604	38.702.292
	EPIQ group	128.197	0
	X-FAB group (a subsidiary of Elex NV)	3.793.313	1.319.197
	XPEQT	108.410	692.153
	TOTAL	16.959.524	40.713.642

## 3. Transactions during the year

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

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

#### Sales to

EPIQ group (mainly IC's)	6.755.894
X-FAB group	356.164
XPEQT group	1.323.197

#### Purchases from

X-FAB group (mainly wafers)	29.734.815
XPEQT group (mainly equipment)	3.095.046

### B. Sales/purchases of services

#### Sales to

EPIQ group (mainly R&D services and acquisition advice)	2.683.704
X-FAB group (mainly R&D services)	246.443
Elex (mainly IT services)	324.000
XPEQT group (mainly R&D services)	830.000

#### Purchases from

EPIQ group (mainly R&D services)	469.264
----------------------------------	---------

Elex (mainly R&D services)

213.705

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.

Elex is an investment company with market value of its assets of over EUR 500 million. The bookvalue of these assets amounts to approximately EUR 180 million. These and other assets are financed by bank debts of EUR 35,5 million (long-term), EUR 94,3 million (short-term), other current liabilities of EUR 33,2 million and equity of EUR 125,8 million.

The receivables that Melexis has on Elex are secured by a guarantee on 25% of the outstanding X-FAB shares.

The X-FAB group incurred a consolidated profit of EUR 19,8 million in 2000 and a consolidated loss in 2001 of EUR 12,0 million as a result of a weak semiconductor market throughout 2001. The operating cash flow remained positive at EUR 14 million.

The EPIQ group incurred a consolidated profit of EUR 1,5 million in 2000 and a loss of EUR 6,1 million in 2001 as a result of strategic investments, exceptional costs and restructuring. Due to this, the equity to debt ratio is now lower than what EPIQ agreed with its banks. EPIQ management believes that the banks will extent their credit and that therefore the going concern assumption is justified.

#### **4. Remuneration of Board of Directors**

In accordance with the company's bylaws, directors are not remunerated for their mandate. The directors or entity that they represent, have received approximately EUR 35.400 both in 2001 and 2000 for services performed.

### **AC | Financial instruments**

#### **Financial risk management**

Melexis operates internationally, which could give an exposure to market risks from changes in interest and foreign exchange rates. Melexis uses derivative financial instruments to manage the foreign exchange 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 not use derivatives to manage interest rate risks. The schedule of long-term-debt repayments is disclosed in note m.

The group has no significant interest-bearing held-to-maturity financial assets.

##### **(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. Any excess cash is invested in short-term deposits.

##### **(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 amounts 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 31, 2001 was minimum since their deviation from their respective fair values was not significant.

#### **AD | Commitments**

As of 31<sup>st</sup> December 2001, the company had purchase commitments for tangible fixed assets amounting to EUR 1.652.373. As of 31<sup>st</sup> December 2000, the company had purchase commitments for tangible fixed assets amounting to EUR 1.828.375.

#### **AE | Litigation**

The company is currently involved in a dispute with a supplier. The necessary provisions have been accounted for taking into account the expected insurance company settlement.

#### **AF | Post-retirement Benefits**

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

#### **AG | Subsequent events**

There were no subsequent events to be disclosed.

#### **AH | List of subsidiaries consolidated**

	<i>Place of incorporation</i>	<i>Principal activities</i>	<i>Ownership interest</i>
Melexis Tessenderlo NV	Belgium	R&D	99,9%
Melexis Inc.	USA	Marketing & selling	100%
Melexis GmbH	Germany	R&D + Test operations	100%
Melexis Ukraine	Ukraine	R&D	100%
Melexis Bulgaria Ltd.	Bulgaria	R&D + Test operations	100%
Melexis BV	The Netherlands	R&D	100%

# 8. Board of Directors

## 8.1 Officers and Members of the Board of Directors and Key Employees

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

Name	Age	Position
Roland Duchâtelet	55	Chairman of the Board and Managing Director
Rudi De Winter	41	Vice Chairman of the Board and Managing Director, Chief Executive Officer
Françoise Chombar	39	Director, Chief Operating Officer
Lucien De Schampheleere	68	Director (non-executive)
Simon Middelhoek	70	Director (non-executive)
Gina De Groote	42	Director (non-executive)
Karen Van Griensven	31	Chief Financial Officer
Willy Sierens	52	Advanced Technology
Klaus Hermann	46	Quality & Environmental Management Representative

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

Mr. **Rudi De Winter** was private shareholder of the company since April 1994. He has served as acting Chief Executive Officer 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 Elex N.V., the parent company of Melexis N.V. Mr. De Winter holds a degree as Electronics Engineer from the University of Gent. Mr. De Winter, Chief Executive Officer and Ms. Chombar, Chief Operating Officer, are married.

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

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

Mr. **Simon Middelhoek** received a M.Sc. degree in Applied Physics from Delft University of Technology in 1956. In 1961 he received his Ph.D. (*cum laude*) in Mathematics and Physics from Amsterdam University. From 1956 to 1962, he worked at the IBM Zurich Research Laboratory, Switzerland, from 1962 to 1963, at the IBM Thomas J. Watson Research Center in Yorktown Heights, N.Y. and again in Switzerland from 1963 to 1969. In 1969 he joined the Faculty of the Electronic Engineering Department at Delft University of Technology as a professor for electronic instrumentation. In 1974 he initiated a scientific program on silicon sensors and microsystems. In 1996 he retired from his official duties, but is still supervising several Ph.D. students. Mr. Middelhoek is an IEEE Fellow, Member of the Royal Netherlands Academy of Arts and Sciences and Foreign Associate of the National Academy of Engineering (USA). He is editor-in-chief of Sensors and Actuators. At the Transducers '97 conference in Chicago he received one of the first Carrier Achievement Awards for his efforts in the field of silicon sensors.

Ms. **Gina De Groot** started as mediaplanner at LVH, a middle sized advertising agency with a famous creative reputation in the eighties. In 1983 she moved to Media Plus, the international media agency of Ogilvy. Three years later she became assistant-media director at Publicis, the Belgian daughter of the biggest advertising agency in France. In 1989 she returned to LVH as media director, at that time a fusion with an international network Alliance. In 1991 she created her own agency, GDG/Mediastrategies, based on the trumps : experience, service, creativity, information and reasonable cost. In ten years time this

agency is known as one of the most creative and service-minded media-agencies in Belgium, with local as well as international clients.

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

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

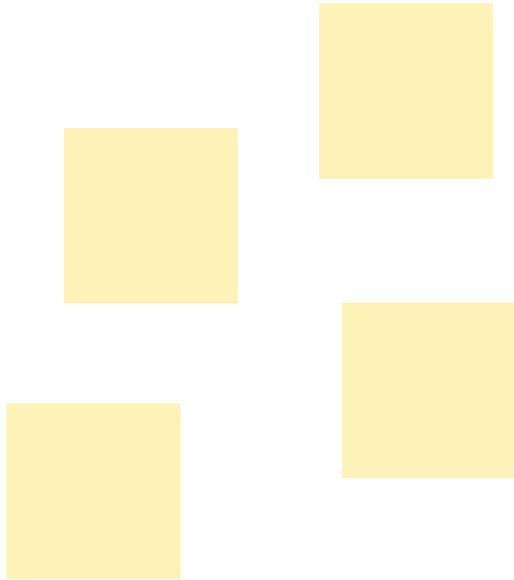
Mr. **Klaus Hermann** joined the company in 1999 following the acquisition of 'Thesys Gesellschaft für Mikroelektronik', prior to which he held positions as development engineer (Funkwerk Erfurt), Manager Reliability Laboratory (MTG) and Vice President Quality (Thesys Gesellschaft für Mikroelektronik). Mr Herman holds a degree in Theoretical Physics.

## 8.2 Compensation of Directors

As indicated in the Articles of Association, the office is non-remunerative. In 2001 the aggregate cash compensation paid or accrued by the Company for its directors and officers was as follows:

### Remuneration of Directors (in 1.000 Euro)

	Basic Salary	Monetary value of benefits	Bonuses	Long-term Compensation
a) As directors	-	-	-	-
b) As executives	97	-	-	-
Remuneration of other senior executives	208	-	-	-



*Corporate Name:*

Melexis N.V.

*Registered Office:*

Rozendaalstraat 12, B-8900 Ieper, Belgium

*Date and Place of Incorporation:*

24th October 1988 at Ieper

*VAT Number:*

BE 435.604.729

*Registry of Commerce:*

Registry of Commerce of Ieper,  
under the number 31.905

*Legislation under which the Company Operates:*

Laws of the Kingdom of Belgium

*Legal Form:*

Limited liability company  
("naamloze vennootschap / société anonyme")

*Purpose:*

According to Article 3 of the Articles of Association, the purpose of the Company is:  
The development, production and assembly of microelectronic integrated systems.

*Liability of the Shareholders of the Company:*

According to Belgian Company Law, the liability of the shareholders of the Company is limited to the amount of their capital contributions.

*Principal Offices of the Company:*

The Company's offices are located at:

Rozendaalstraat 12, B-8900 Ieper  
Telephone number +32 57 22 61 31

