Annual Report 2002

English Version

Annual Report 2002

Table Of Contents

Simplifying Sensing.

Melexis

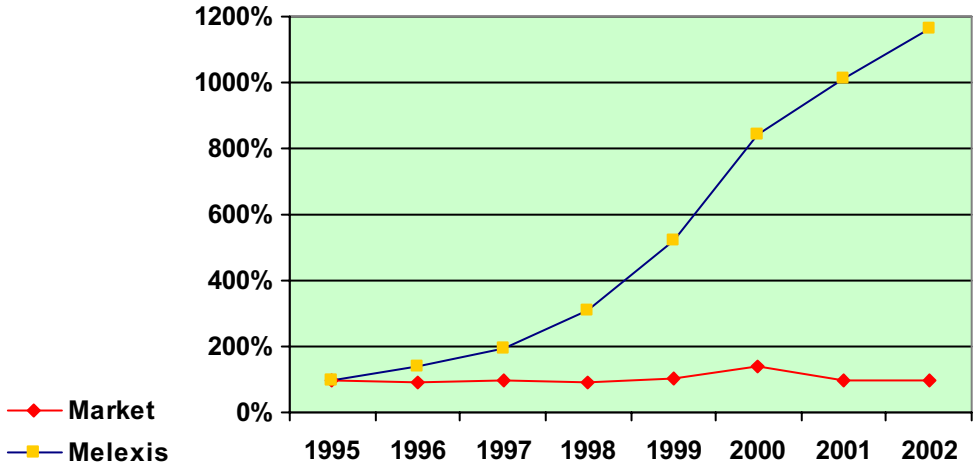
Microelectronic Integrated Systems

Letter to the Shareholders

Yet again, Melexis gained market share during 2002 with a 15% revenue growth as compared to 2001. Yet again, Melexis is one of the very few semiconductor companies outperforming the average revenue growth in the semiconductor industry in general, and in the automotive semiconductor industry in particular (1,3% growth in 2002). Profits over 2002 were 21,6 million EUR, close to 7% up as compared to 2001. These results are in line with the expectations, proving that Melexis is well in control of its market and its budget.

Rudi De Winter

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.



	Worldwide ($ in Billions)		Melexis (Euro)	
1995	144	100%	10.133.373	100%
1996	132	92%	13.873.915	137%
1997	137	95%	19.751.187	195%
1998	126	88%	31.645.580	312%
1999	149	103%	53.076.307	524%
2000	204	142%	85.403.034	843%
2001	139	96%	102.400.224	1011%
2002	141	98%	118.191.252	1166%

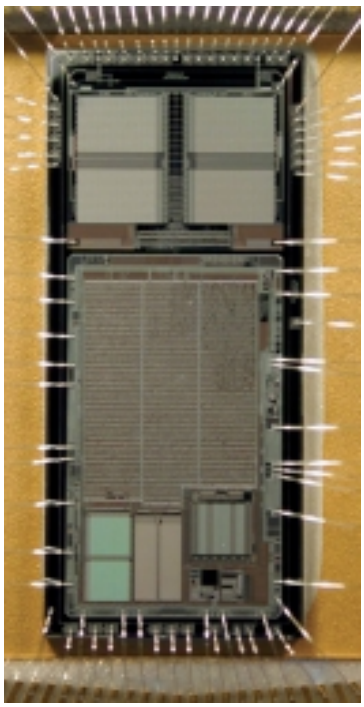
Worldwide Semiconductor Market Versus Melexis

Source: WSTS, World Semiconductor Trade Statistics

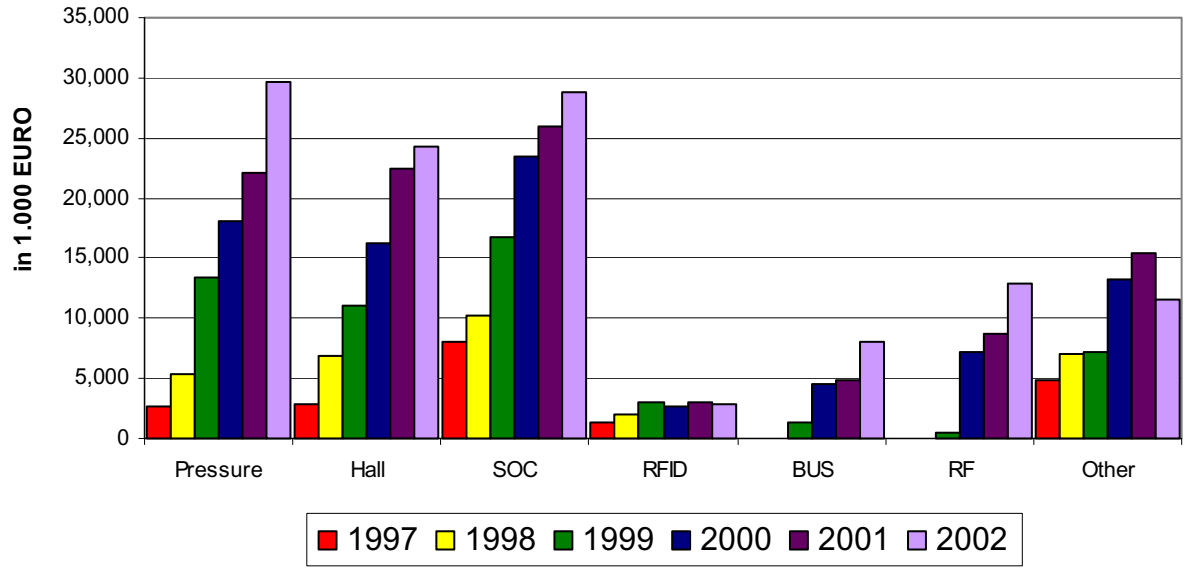
The lead-times from entering a development contract to delivering production volumes are typically 3 years in the automotive arena. This enables Melexis to have a good visibility on its future growth.

Though Western-Europe remains the stronghold in sales with 67% of the total revenue, sales in the US and the Far East, especially in Japan, are growing steadily. In a record period of 3 years, Melexis and its Japanese distributor's dedicated team, allocated exclusively to the Melexis product portfolio, managed to achieve a share of 10% of the total Melexis revenue.

During 2002, Melexis continued to focus on enhancing the sales and marketing force to make it more efficient and more global. This enforced sales network allows an enhanced brandvesting, a broader market penetration for our Application Specific Standard Products (ASSPs) and an increased feedback from the markets worldwide. At the same time, a greater emphasis has been sought for the Melexis brand name in the Central Automotive Region of Detroit, where a dedicated business development nucleus was formed. New geographic markets have been opened, such as South-Africa. Melexis continues to be active and to take initiatives in automotive consortia, such as the LIN consortium and the Safe-by-Wire consortium.



Sales Per Business Unit Evolution



Melexis equally continues to invest efforts in efficiency improvements. In 2002, the decision was made to execute a daring plan for introduction of a full Oracle e-business suite into all Melexis sites worldwide. The first phase of this plan was successfully executed on January 13th, 2003 with the go life of the finance and order management modules in the sites of Ieper, Tessenderlo, Bevaix and Sofia.

Melexis continued to grow its R&D activities in Sofia, Bulgaria and Kiev, Ukraine. Both cities have good semiconductor tradition and renowned technical universities. This additional R&D capacity is an investment in the future and will give Melexis the potential to keep growing. Nevertheless, R&D spending was kept at about the same level as in 2001 (14%).

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

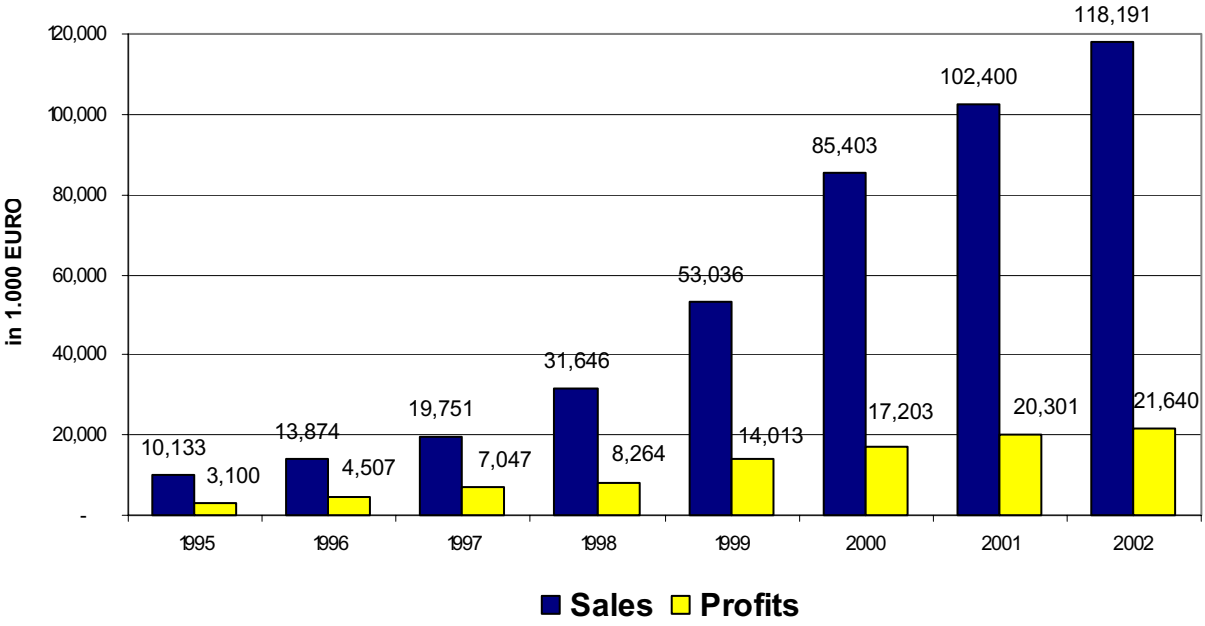
Yours Sincerely,

Ieper, February 2003

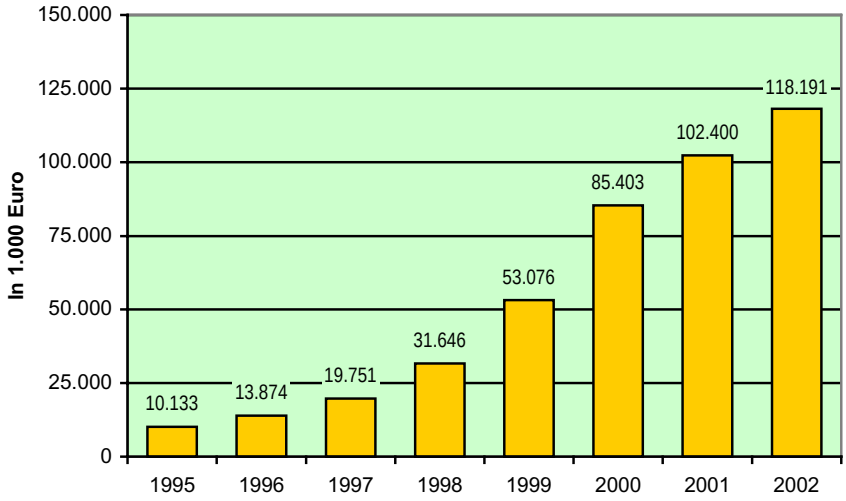
Roland Duchâtelet
Chairman

Rudi De Winter
CEO

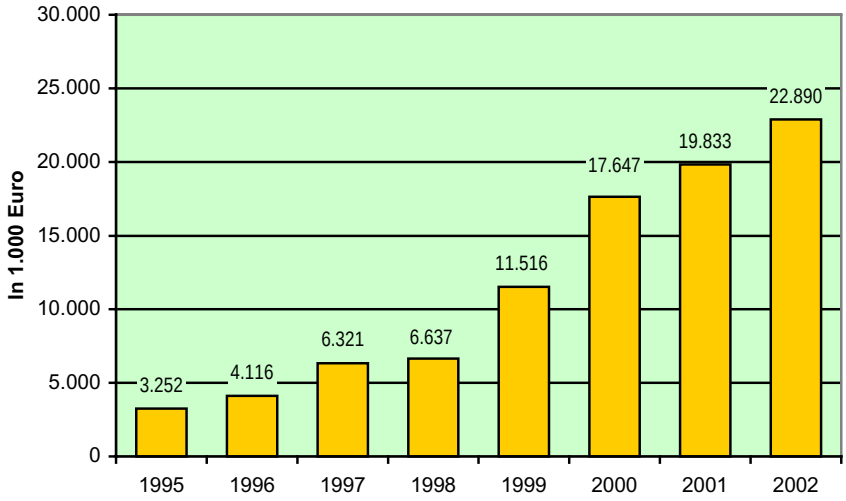
Sales & Profit Evolution



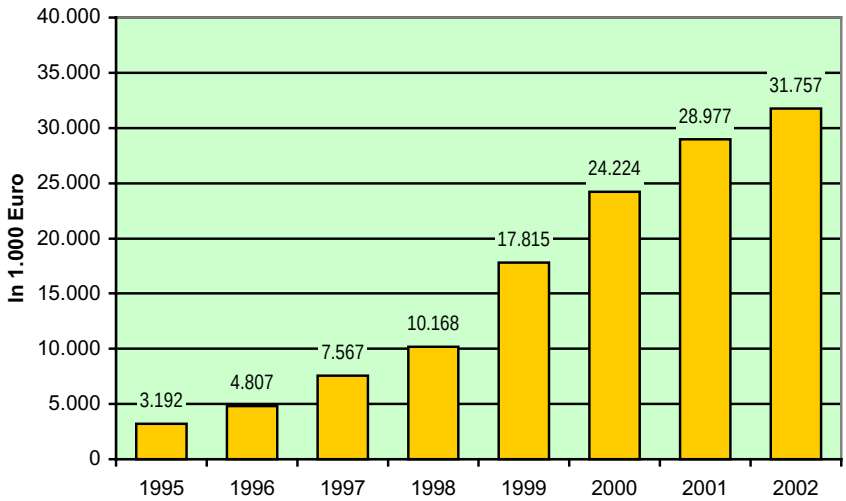
Turnover Evolution



EBIT Evolution



Cash Flow Evolution



2. Key Figures (in 1.000 Euro)

Operating results	1995	1996	1997	1998	1999	2000	2001	2002
Turnover	10.133	13.874	19.751	31.646	53.076	85.403	102.400	118.191
EBIT	3.252	4.116	6.321	6.637	11.516	17.647	19.833	22.890
EBITDA	3.344	4.416	6.841	8.542	15.317	24.669	28.509	33.007

Balance structure	1995	1996	1997	1998	1999	2000	2001	2002
Shareholders' equity	3.632	8.139	45.080	53.613	53.884	70.905	91.432	86.867
Net indebtedness (*)	542	(1.555)	(32.127)	(27.297)	(16.018)	(34.721)	3.348	(2.580)
Working capital	3.586	7.014	39.384	41.504	28.899	45.065	60.899	47.244

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

Cash flow and capital expenditure	1995	1996	1997	1998	1999	2000	2001	2002
Cash flow (*)	3.192	4.807	7.567	10.168	17.815	24.224	28.977	31.757
Depreciation + amortization	92	301	520	1.904	3.801	7.021	8.675	10.117
Capital expenditure	294	1.125	3.660	7.727	7.567	16.426	8.506	14.585

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

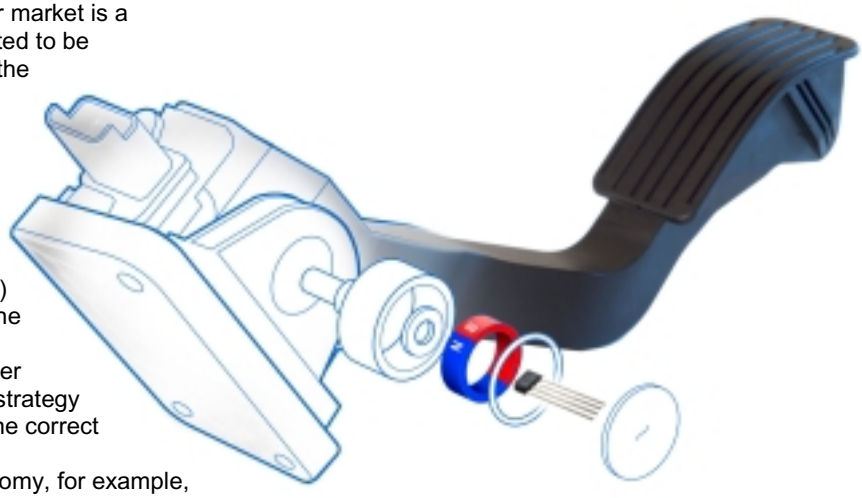
Ratios	1995	1996	1997	1998	1999	2000	2001	2002
ROE	85%	55%	16%	15%	26%	24%	22%	25%
Liquidity	4.5	5.9	14.9	6.9	2.2	1.6	2.7	3.2
Solvency	66%	80%	93%	88%	69%	47%	67%	77%

(*) : 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 Bosch, Brose, Continental, Delphi, Finmek, Nippon Seiki, Siemens-VDO, SKF, Texas Instruments, TRW, TT/AB Elektronik and Vishay 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 (expected to be on average about 9%/ year in the coming years). 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, RF and 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, selling its products to a wide customer base of automotive OEMs. The Company's top seven customers accounted for approximately 62 per cent of the Company's sales for the year ended 31st December 2002. As every year, Melexis has widened its global customer base.

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 41 patents filed, from which 9 are already granted, which strengthen Melexis' position as an innovative supplier. This effort will be continued in 2003. The patent opportunities cover all of the product areas in which Melexis operates.

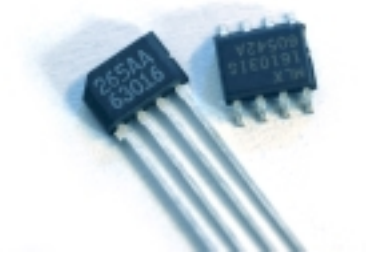
Melexis has been a supplier of semiconductors since 1989, initially in the field of Asics and 'chip on board' assembly and then increasingly supplying sensor chips and sensor interface ICs. These activities have been expanding in volume but have also been specifically and successfully focused on the 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 ASICs 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 offer 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, Microcontroller) can be integrated. Most of the devices can withstand the severe automotive conditions despite few external components.
Melexis Hall Effect sensors can be seen, on the basis of their performance, as a competitive technical alternative for 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). The Melexis Hall Effect sensors not only out-perform these alternate sensor technologies 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 electrical DC motor driver.
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 contactless magnetic switches to replace microswitches. Melexis Management is also convinced in the potential of high volume industrial applications such as smart brushless DC 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 4 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 rollover sensing, vehicle stability control, electrical park break activation, active suspension control, etc.

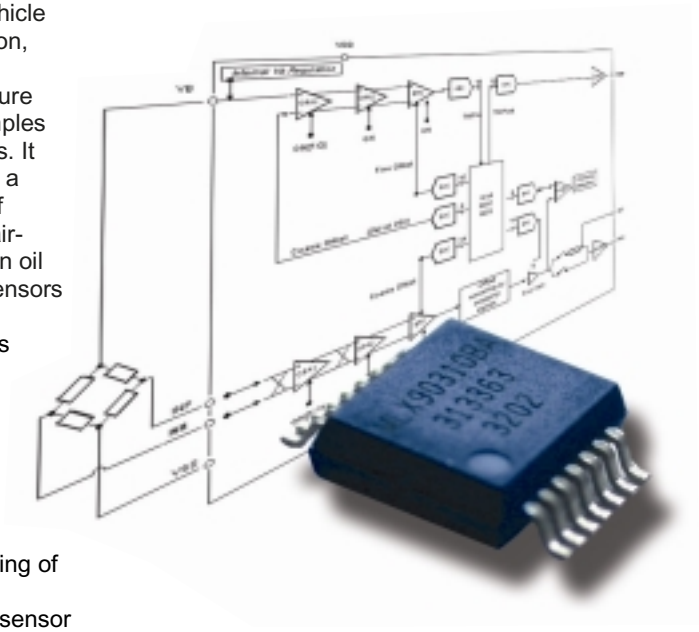
Measurements of hydraulic brake fluid pressure and brake booster pressure are typical examples of car safety applications of pressure sensors. It will be clear that pressure sensors have also a vast field of applications outside the scope of safety systems. These applications include air-conditioning 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.

One of the assets of Melexis is its capability to supply so-called integrated pressure sensors. These pressure sensors implement the pressure sensing diaphragm and the associated signal conditioning electronics on the same silicon substrate. This can lead to significant cost savings in the final packaging of the device, due to the high integration level.

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. 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 Rollover 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.



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

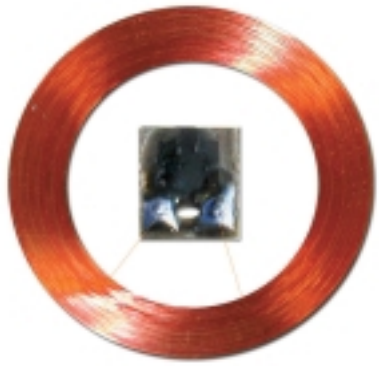
These product ranges focus on the integration of high volume electronic systems in general. Basically two different product classes are observed: peripheral ICs and micro-controller ICs.

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 its activities around all systems situated or surrounded at a car door. Applications are window lifters, door modules, door locks, mirror actuators, poddle 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 the Melexis intention is 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 microcontrollers with an embedded CPU surrounded by periphery like ROM, RAM, EEPROM, EPROM or FLASH and a lot of additional digital and analog blocks. They are systems having their flexibility in a single ROM mask. Hence, a single chip having several ROM mask versions can cover several 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 directly over in several products of the BU. This allows that the customers use the Melexis products in a very efficient way. LIN based products, for instance, allow completely new controlling principles in the car applications reducing also the overall costs of electronics.



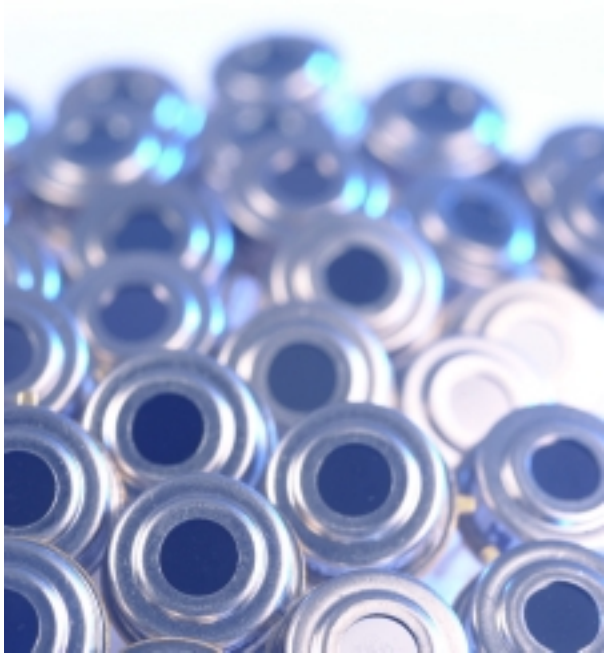
4.4 RFID

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. Wireless temperature tracking of perishable goods and blood pockets is the latest hot topic, where the synergies of Melexis sensor capabilities and leading edge RFID expertise are being leveraged.
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 is offering more precise as well as more versatile and easier solutions for automotive climate control applications. Overall system cost is effectively



reduced by offering performance superior to existing conventional systems.

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

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.

A new Melexis market for IR-applications is gas-analysis. Since every gas has its unique absorption spectrum for IR radiation, the Melexis IR sensor, with appropriate filter, can be used for CO and CO2 concentration measurements. Melexis already started production for industrial applications. Automotive design ins are expected to follow. Currently Melexis delivers IR sensors to several major automotive airco manufacturers, as well as to numerous industrial equipment manufacturers. Melexis is expanding its product range by developing array IR sensors that allow thermal 2D imaging. Primarily, these new array sensors will be targeted for automotive applications, but industrial equipment manufacturers will also benefit from the quality and price level offered.

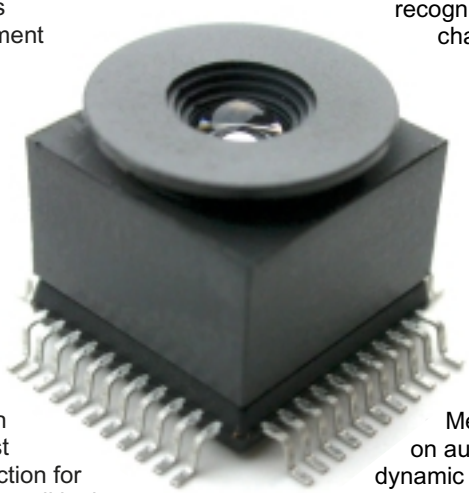
Optical Sensors

Melexis has developed and is currently selling in large volumes linear optical arrays in a specially designed package to meet the stringent automotive requirements.

Typical applications are high resolution steering systems such as optical EPAS or ESP. Such advanced systems can be found in modern cars, nowadays already driving on our roads.

In the future, new optical systems will arise, with advanced features and benefits to the end-user. To anticipate this growing popularity, Melexis is developing new optical chips and together with its assembly partners a new standard automotive package to house the automotive optical chips of the future.

Also 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 has currently developed 2 versions of automotive cameras: a CIF resolution camera for inside vision and a Panoramic VGA camera for outside vision. 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).

Melexis will continue to work further on automotive cameras, with improved dynamic range and enhanced sensitivity in the near IR. Both parameters are crucial for most automotive applications and will allow Melexis to take a significant part of the continously growing automotive camera market.

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 may be inserted as embedded blocks in more complex integrated circuits, such as peripheral ICs and micro-controller products.
LIN is a new low cost serial bus standard for automobile networks. The standard is 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 that a giant market is being created.
The improvements and progression of the LIN Standard will be done in the LIN consortium. Melexis is an active associated member of this consortium since Jan 2001. We play an active role in different workgroups inside the LIN 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 the new area LIN, Melexis has a leading position of supplying the physical interface. The first products of a new family of LIN standard products are already available: the TH8080/82 and the TH8060/61. The first of those devices are pure LIN transceiver 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 and 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 930 MHz, such as remote keyless entry (RKE), tire pressure monitoring systems (TPMS), garage door openers, home automation, alarm systems, personal identification 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, Industrial and Medical

Melexis has developed a wide range of products taking advantage of our low cost technology with high voltage capabilities (up to 80V). This has resulted in the industrialization of more complex, low cost and high quality systems.
In household applications, there is an increasing demand for safety features, such as timer based auto-shut-off functions of heating elements. This can be combined with the position and movement detection, for example as a safety feature in irons. A new generation triac controller has been developed and is in production. Thanks to a dedicated DSP (digital signal processing) a very stable and precise regulation can be achieved.
This business unit also focuses on medical applications such as a dedicated ASIC for a personal blood pressure meter as a wrist-watch device or a professional device for 24-hour long-term monitoring. This ASIC offers possibility for instantaneous communication of high volume data, as well as ensures both high degree of computation and easy programming by software simulator and C-compiler. Thanks to our experience we provide our customers with extremely fast implementation of their ideas onto our ASIC.

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 and consequently advanced integrated semiconductor devices for automotive applications 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 2002, re-certification was again successfully achieved for the main sites Ieper, Tessenderlo and Erfurt. Additionally, our Sofia site achieved the ISO9001, QS9000 and VDA6.1 certifications in December as well. The certification body was the leading German certifier DQS, member of the IQNeT.

g) licensing of certain products

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

h) targeting the globe

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, 2002, 2001, 2000 and have been audited by Deloitte & Partners Bedrijfsrevisoren (previously known as Arthur Andersen Bedrijfsrevisoren).

Consolidated Income statements

	Years ended 31st December		
	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Sales	112.450.957	91.859.398	80.778.884
Revenues from Research and Development	5.740.295	10.540.826	4.624.150
Cost of sales	(67.819.291)	(57.910.486)	(48.701.836)
Gross margin	50.371.961	44.489.738	36.701.198
Unrealized exchange gains/loss on foreign exchange contracts	-	(307.620)	1.047.450
Goodwill Amortization	(991.279)	(991.278)	(1.004.061)
Research and development expenses	(16.614.561)	(14.213.783)	(11.051.522)
General and administrative expenses	(5.081.029)	(4.067.480)	(3.800.711)
Selling expenses	(4.794.638)	(4.546.151)	(4.245.119)
Other operating expenses (net)	-	(529.950)	-
Income from operations	22.890.454	19.833.476	17.647.235
Financial results (net)	1.760.466	3.671.606	1.295.499
Other (net)	-	-	74.711
Profit before taxes	24.650.920	23.505.082	19.017.445
Income taxes	(3.010.786)	(3.203.958)	(1.814.555)
Minority interest	-	-	-
Net profit	21.640.134	20.301.124	17.202.890

Condensed Consolidated Balance Sheets

	31st December		
	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Cash and cash equivalents (notes 7.2.4.a)	15.981.551	13.516.247	65.452.379
Total assets	113.041.642	135.533.156	152.477.857
Total current liabilities	21.831.038	36.337.753	70.387.178
Long-term debt	4.342.112	7.687.798	11.034.007
Shareholders' equity	86.867.431	91.431.574	70.905.489

6.2 Exchange Rates

Since the introduction of the EURO on January 1st 1999, and in accordance with Belgian law, Melexis NV keeps its books and prepares its consolidated financial statements in EURO. The functional currency of Melexis NV and of its subsidiaries Melexis Tessenderlo NV, 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, 2002, 2001 and 2000.

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 cooperation 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 40% 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.

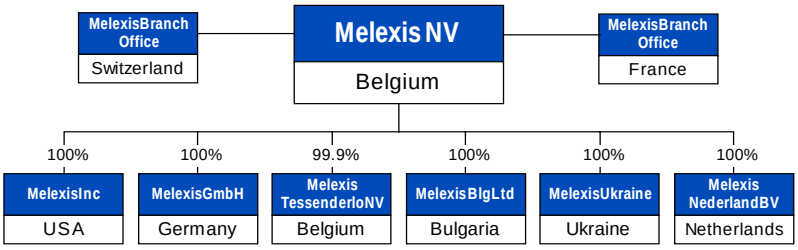
At the end of 2000, Melexis NV sold Melexis AG, its 100 % subsidiary in Bevaix, Switzerland to Elex NV, its parent company.

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.

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

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



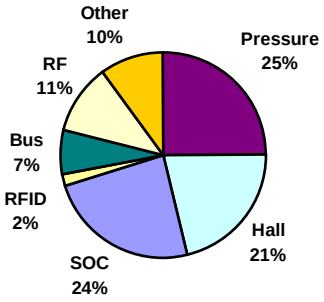
(*) On the 1st of January 2003, Melexis France Branch Office was incorporated. This company will be mainly active in the development of IP (Intellectual Property).

6.3.2. Results of operations

Revenues

For 2002 total revenues increased by 15 % as compared to 2001. The major relative increase can be found in the Pressure Sensor business unit, Bus systems en RF business unit.
The largest business unit is Pressure Sensor (25%), followed by System-on-a-Chip business unit (24%), which includes both microprocessors and ASICS activities. The Hall sensor product line is the third major business unit, realizing 21 % 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 2002, the company invoiced EUR 5.740.295 research and development costs to its customers, compared to EUR 10.540.826 in 2001 and EUR 4.624.150 in 2000.

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



	Years ended 31st December		
	2002 EUR	*2001 EUR*	*2000 EUR*
Systems-On-a-Chip	28.855.688	25.913.160	23.375.259
Hall Effect Devices	24.351.005	22.431.959	16.222.087
Pressure & Acc. Sensors	29.624.721	22.140.566	18.168.648
RFID	2.867.165	3.005.139	2.656.171
Bus Systems	7.957.562	4.813.466	4.476.220
RF	12.938.918	8.689.407	7.280.460
Other-miscellaneous	11.596.193	15.406.527	13.224.189
Total	118.191.252	102.400.224	85.403.034

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 48.701.836 in 2000, EUR 57.910.486 in 2001 up to EUR 67.819.291 in 2002. Expressed as a percentage of total revenues, the cost of sales slightly increased from 56,6 % in 2001 to 57,4 % in 2002. The relative increase of the cost of sales can be mainly attributed to the different product mix.

Gross margin

The gross margin, as a percentage of sales, decreased from 43,4 % in 2001 to 42,6 % in 2002 due to the increase of the cost of sales.

Research and Development expenses

Research and development expenses amounted to EUR 16.614.561 in 2002, representing 14% of total revenues.
This 16 % increase over 2002 is in line with the growth in sales. 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, commissions, travel and advertising expenses. General, administration and selling expenses further increased over 2002. This increase is basically a result of the increased general and administrative efforts.

Financial results

The net financial results (gains) more than halved over 2002. This is mainly the result of decreased income from investing activities. The net exchange gains (both realized and unrealized) in 2002 amounted to a loss of EUR 234.201, compared to EUR 5.449 profit during 2001.

Net income

The company recorded a net income for 2002 of EUR 21.640.134. This represents a 6,6 % increase compared to 2001, which is lower compared to the increase of 15 % in sales from 2002 to 2001, mainly as a result of decreased financial results.

6.3.3. Liquidity, Working Capital and Capital Resources

Cash and cash deposits amounted to EUR 15.981.551 as of December 31, 2002 in comparison to EUR 13.516.247 as of December 31, 2001 and EUR 65.452.379 as of December 31, 2000.

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.

In 2002, cash flow from operating activities amounted to EUR 22.201.450. The company realized a net profit of EUR 21.640.134 and was used to finance increased working capital needs.
The cash flow from investing activities was negative for EUR 10.419.531 as a result of the purchase of own shares and increased investments in fixed assets to realize the growth in turnover. The cash flow from financing activities was negative for EUR 9.231.248. This is mainly the net result of on the one hand, the payment of an interim dividend of EUR 22.800.000 and on the other hand, the repayment of intercompany debt by the mother 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, 2002, 2001 and 2000, 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, 2002, 2001 and 2000 of certain subsidiaries, which statements reflect assets and annual revenues respectively of 25 % and 29 % as of December 31, 2002, 14 % and 33 % as of December 31, 2001 and 14% and 37% as of December 31, 2000 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 standards on auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Melexis NV and subsidiaries as of December 31, 2002, 2001 and 2000, 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, 2002 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 2002.

The Statutory Auditor,

DELOITTE & PARTNERS
Bedrijfsrevisoren

_____

Ludo De Keulenaer
February 21, 2003

7.1.2. Detailed Consolidated Financial Statements

Melexis NV Consolidated balance sheets

	31st December		
	2002 EUR	2001 EUR	2000 EUR
Assets			
Current assets			
Cash, and cash equivalents (notes 7.2.4.a)	15.981.551	13.516.247	65.452.379
Current investments (notes 7.2.4.b)	-	3.370.209	-
Accounts receivable –trade (notes 7.2.4.c)	16.591.571	16.748.857	17.638.550
Accounts receivable –Related companies (notes 7.2.4.ab)	13.832.697	43.310.056	12.290.873
Inventories (notes 7.2.4.d)	19.654.346	15.722.723	15.340.426
Other current assets (notes 7.2.4.f)	3.014.398	4.568.954	4.729.692
Total current assets	69.074.563	97.237.046	115.451.920
Non current assets			
Intangible assets (notes 7.2.4.h)	1.968.858	573.566	584.354
Property, plant and equipment (notes 7.2.4.i)	35.152.186	31.087.482	30.255.188
Other non-current assets	-	320.175	179.656
Deferred taxes (notes 7.2.4.w)	5.549.427	4.027.000	2.727.574
Goodwill (notes 7.2.4.g)	1.296.608	2.287.887	3.279.165
Total non current assets	43.967.079	38.296.110	37.025.937
TOTAL ASSETS	113.041.642	135.533.156	152.477.857
Liabilities and shareholders' equity			
Current liabilities :			
Bank loans and overdrafts (notes 7.2.4.l)	3.816.741	3.937.737	14.517.038
Current portion of long-term debt (notes 7.2.4.m)	5.242.676	5.238.781	5.180.541
Accounts payable – trade	4.043.618	3.965.824	4.343.707
Accounts payable –related companies (notes 7.2.4.ab)	2.244.788	16.959.524	40.713.642
Accrued expenses, payroll and related taxes (notes 7.2.4.j)	4.417.832	3.978.692	2.773.771
Other current liabilities	501.321	237.166	610.267
Deferred income (notes 7.2.4.k)	1.564.062	2.020.029	2.248.212
Total current liabilities	21.831.038	36.337.753	70.387.178
Non current liabilities			
Long-term debt less current portion (notes 7.2.4.m)	4.342.112	7.687.798	11.034.007
Deferred tax liabilities	-	75.282	150.563
Minority interests	1.061	749	620
Total non current liabilities	4.343.173	7.763.829	11.185.190
Shareholders' capital	565.197	565.197	565.197
Share premium	30.135.419	30.135.419	30.135.419
Reserve treasury shares	(3.087.697)	-	-
Legal reserve	56.520	56.520	56.520
Retained earnings	37.914.671	40.413.547	23.210.657
Current year's profit	21.640.134	20.301.124	17.202.890
Cumulative translation adjustment	(356.813)	(40.233)	(265.194)
Total shareholders' equity (notes 7.2.4.n)	86.867.431	91.431.574	70.905.489
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	113.041.642	135.533.156	152.477.857

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

Melexis NV Consolidated Income Statements

Years ended 31st December

	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Sales	112.450.957	91.859.398	80.778.884
Revenues from Research and Development (notes 7.2.4.y)	5.740.295	10.540.826	4.624.150
Cost of sales (notes 7.2.4.p)	(67.819.291)	(57.910.486)	(48.701.836)
Gross margin	50.371.961	44.489.738	36.701.198
Unrealized exchange gains/loss on foreign exchange contracts	-	(307.620)	1.047.450
Goodwill Amortization	(991.279)	(991.278)	(1.004.061)
Research and development expenses (notes 7.2.4.q)	(16.614.561)	(14.213.783)	(11.051.522)
General and administrative expenses (notes 7.2.4.r)	(5.081.029)	(4.067.480)	(3.800.711)
Selling expenses (notes 7.2.4.s)	(4.794.638)	(4.546.151)	(4.245.119)
Other operating expenses (net) (notes 7.2.4.z)	-	(529.950)	-
Income from operations	22.890.454	19.833.476	17.647.235
	-	-	-
Financial income (notes 7.2.4.v)	9.504.543	10.726.000	10.003.241
Financial charges (notes 7.2.4.v)	(7.744.077)	(7.054.414)	(8.707.742)
Other expenses (net)	-	-	74.711
Income before taxes	24.650.920	23.505.082	19.017.445
Income taxes (notes 7.2.4.w)	(3.010.786)	(3.203.958)	(1.814.555)
Minority interest	-	-	-
Net income of the period	21.640.134	20.301.124	17.202.890
Earnings per share (Note 7.2.4.x)	0.47	0.45	0.38

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	Reserve treasury shares	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
Net income					21.640.134			21.640.134
CTA movement							(316.580)	(316.580)
Interim dividend					(22.800.000)			(22.800.000)
Reserve treasury shares						(3.087.697)		(3.087.697)
December 31,2002	45.600.000	565.197	30.135.419	56.520	59.554.805	(3.087.697)	(356.813)	86.867.431

Since November 2002, Melexis started a share buy back program on the stock exchange. By the end of 2002, 530.000 shares had been repurchased at an average price of EUR 5,83 per share. In accordance with IFRS, treasury shares are presented as a deduction from equity.

Melexis NV Consolidated Statements of Cash Flows

Years ended 31st December

(indirect method)	*2002* EUR	*2001* EUR	*2000* EUR
Cash flows from operating activities :			
Net profit	21.640.134	20.301.124	17.202.890
Adjustments for:			
Operating activities:			
Deferred taxes	(1.522.427)	(1.299.426)	(1.637.890)
Unrealized exchange gains	2.106.823	307.620	(1.047.450)
Reserve for uncollectible receivables	658.333	601.510	812.039
Government grants (notes 7.2.4.o)	(2.491.621)	(955.126)	(1.365.171)
Depreciation	9.125.270	7.684.191	6.017.271
Amortization Goodwill	991.279	991.278	1.004.061
Income tax	4.533.213	4.476.863	3.452.445
Income taxes paid	(4.496.003)	(3.039.259)	(1.637.890)
Unrealized exchange results	-	424.192	-
Financial results	(2.086.834)	(3.671.606)	(1.295.499)
Operating profit before working capital changes:			
Accounts receivable, net	(1.254.700)	483.361	(9.731.049)
Accounts receivables, affiliates	(3.778.098)	-	-
Other current assets	3.514.928	(20.838)	(2.448.888)
Other non-current assets	320.175	(228.644)	(179.656)
Due to (from) related companies	-	(1.407.917)	(11.746.299)
Accounts payable	84.690	(369.268)	486.466
Accrued expenses	419.361	(474.604)	1.792.641
Other current liabilities	264.155	(373.101)	165.582
Inventories	(4.030.840)	(295.749)	(5.192.246)
Interest paid	(1.796.388)	(1.814.849)	(1.668.238)
Net cash from operating activities	22.201.450	21.319.752	(7.016.881)
Cash flows from investing activities :			
Treasury shares	(3.087.697)	-	-
Purchase of property plant and equipment and intangible assets	(14.585.265)	(8.505.697)	(16.426.487)
Interest received	3.109.103	3.669.047	2.271.229
Proceeds from current investments	4.144.328	976.366	1.360.000
Acquisition of current investments	-	(2.181.995)	-
Net cash used in investing activities	(10.419.531)	(6.042.279)	(12.795.258)
Cash flows from financing activities :			
Proceeds from long-term debt	1.825.247	614.471	15.473.784
Repayment of long-term debt	(5.167.038)	(3.960.680)	
Proceeds from bank loans and overdrafts	1.876.614	9.176.518	8.184.754
Repayment of bank loans and overdrafts	(1.997.610)	(19.697.579)	-
Proceeds from (repayment of) related party financing	17.031.228	(53.365.384)	38.695.997 (*1)
Interim dividend payment	(22.800.000)	-	-
Other	311	129	-
Net cash provided by (used in) in financing activities	(9.231.248)	(67.232.525)	62.354.535
Effect of exchange rate changes on cash and cash equivalents	(85.367)	18.920	(181.063)
Increase (decrease) in cash and cash equivalents	2.465.304	(51.936.132)	42.361.333
Cash and cash equivalents at beginning of period	13.516.247	65.452.379	23.091.046
Cash, cash equivalents at end of period	15.981.551	13.516.247	65.452.379

(1) 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 445 people in 2002, 436 people in 2001 and 311 in 2000.

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

The financial statements were authorized for issue by the Board of Directors subsequent to their meeting held on February 20, 2003 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 31,2002.

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

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

Measurement currency

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

Foreign currency

Foreign currency transactions

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

Foreign currency translation

Since the introduction of the EURO on January 1st 1999, and in accordance with Belgian law, Melexis NV keeps its books and prepares its consolidated financial statements in EURO. The measurement currency of Melexis NV and of its subsidiaries Melexis Tessenderlo NV, Melexis GmbH and Melexis BV is the EURO. The measurement currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) and for Melexis Bulgaria Ltd. the Bulgarian Leva (Bgn).

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.

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 ProdukteGmbH, 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 amortized 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	5 years

Expenditures, incurred after the fixed assets have been placed in operation, such as repairs and maintenance and overhaul costs, are charged against income, in the period in which the costs are incurred.
The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Investments
The company adopted IAS 39, Financial Instruments: Recognition and Measurement on January 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. Amortization of intangible assets is shown as a separate line item in operating charges.
Amounts paid for licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful life of licenses is 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. The identifiable assets and liabilities recognized upon acquisition are measured at their fair values as at that date. Any minority interest is stated at the minority's proportion of the fair values. Any goodwill arising on the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign entity are treated as assets and liabilities of the company. Goodwill is carried at cost less accumulated amortization and accumulated impairment losses. Goodwill is amortized on a straight-line basis over its useful life, i.e. 5 years. 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 IAS 38.

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

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

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.

Borrowing costs
Borrowing costs are expensed as incurred.

Government Grants
Government grants are deferred and amortized into income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in the accompanying consolidated financial statements. 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 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,, intangible assets and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

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

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

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

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

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

7.2.3. Changes in Group's Organization

There have been no changes in group's organization during 2002.

7.2.4. Notes

A Cash and cash equivalents

	31st December		
	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Cash at bank and in hand	15.981.551	13.516.247	3.786.275
Cash equivalents			61.666.104
Total	15.981.551	13.516.247	65.452.379

The cash equivalents at December 31, 2000 consisted of deposits of EUR 59.691.000 and Commercial Paper of EUR 1.975.104.

B Current investments

	31st December		
	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Acquisition cost	-	2.181.995	-
Fair value	-	3.370.209	-

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

C Trade receivables

	31st December		
	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Trade accounts receivable	18.531.959	18.030.912	18.443.526
Allowance for doubtful accounts	(1.940.388)	(1.282.055)	(804.976)
Total	16.591.571	16.748.857	17.638.550

D Inventories

	31st December		
	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Raw materials and supplies, at cost	3.375.834	2.417.185	3.413.387
Work in progress, at cost	10.432.252	10.085.594	7.777.391
Finished goods, at cost	5.920.628	3.294.312	4.224.016
Reserve for obsolete stock	(74.368)	(74.368)	(74.368)
Net	19.654.346	15.722.723	15.340.426

E Derivatives

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

		2002	2001	2000
Outstanding forward contracts per 31st December,	USD	20.000.000	27.961.000	27.961.000
not exceeding 1 year	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:

	31st December					
	2002		2001		2000	
	Cost EUR	Fair value EUR	Cost EUR	Fair value EUR	Cost EUR	Fair value EUR
Outstanding forward contracts per 31st December	19.148.080	19.141.504	31.808.862	32.548.692	46.922.412	47.969.862

F Other Current Assets

	31st December		
	2002 EUR	2001 EUR	2000 EUR
Derivatives-fair value	-	739.830	1.047.450
Other receivables	2.798.798	3.677.927	3.568.519
Prepaid expenses	215.600	151.197	113.723
Total other current assets	3.014.398	4.568.954	4.729.692

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, 2002 was as follows:

Gross amount at December 31, 2001	4.968.783
Additions of the year	-
Gross amount at December 31, 2002	4.968.783
Accumulated amortization at December 31, 2001	(2.680.896)
Amortization of goodwill of Melexis Inc.:	(250.360)
Amortization of goodwill of Thesys Mikroelektronik Produkte GmbH:	(740.919)
Accumulated amortization at December 31, 2002	(3.672.175)
Net book value at December 31, 2002:	1.296.608

The remaining net book value relates fully to goodwill of Thesys Mikroelektronik Produkte GmbH, with remaining depreciation period of 1,75 years.

H Intangible Assets

Year ended 31st December 2002	*Licenses EUR*	*Total EUR*
Acquisition value		
Balance end of previous period	992.162	992.162
Additions of the period	1.609.563	1.609.563
CTA	137	137
TOTAL	**2.601.862**	**2.601.862**
Depreciation		
Balance end of previous period	418.596	418.596
Additions of the period	214.408	214.408
TOTAL	**633.004**	**633.004**
Net book value - 31st December, 2002	**1.968.858**	**1.968.858**

I Property, plant and equipment

Year ended 31st December, 2002	Land and buildings *EUR*	Machinery and equipment *EUR*	Furniture and vehicles *EUR*	Fixed assets under construction *EUR*	Total *EUR*
Cost:					
Beginning of the period	8.909.951	45.472.843	2.403.163	94.499	56.880.456
Additions of the year	2.685.920	9.719.314	394.726	253.474	13.053.434
Retirements	-	(467.309)	(137.327)	-	(604.636)
Transfers	-	94.498		(94.498)	-
CTA	27.254	(11.643)	(15.597)	-	14
End of the period	**11.623.125**	**54.807.703**	**2.644.965**	**253.475**	**69.329.268**
Accumulated depreciation:					
Beginning of the period	913.182	23.409.616	1.470.176	-	25.792.974
Additions of the period	413.784	8.156.247	340.831	-	8.910.862
Retirements	-	(387.774)	(124.325)	-	(512.099)
Transfers	-	-	-	-	
CTA	(395)	(7.256)	(7.004)	-	(14.655)
End of the period	**1.326.571**	**31.170.833**	**1.679.678**	**-**	**34.177.082**
Net book value - 31st December, 2002	**10.296.554**	**23.636.870**	**965.287**	**253.475**	**35.152.186**

	Land and buildings *EUR*	Machinery and equipment *EUR*	Furniture and vehicles *EUR*	Fixed assets under construction *EUR*	Total *EUR*
Cost:					
Beginning of the period	7.966.794	38.946.078	2.237.313	255.890	49.406.075
Additions of the year	902.337	6.936.015	303.301	94.498	8.236.151
Retirements	-	(718.468)	(251.905)	(1.167)	(971.540)
Transfers	-	149.809	104.913	(254.722)	-
CTA	40.820	159.409	9.541	-	209.770
End of the period	**8.909.951**	**45.472.843**	**2.403.163**	**94.499**	**56.880.456**
Accumulated depreciation:					
Beginning of the period	546.396	17.305.694	1.235.769	63.028	19.150.887
Additions of the period	364.809	6.767.332	388.020	-	7.520.161
Retirements	-	(768.256)	(167.638)	-	(935.894)
Transfers	-	53.581	9.447	(63.028)	-
CTA	1.977	51.265	4.578	-	57.820
End of the period	**913.182**	**23.409.616**	**1.470.176**	**0**	**25.792.974**
Net book value - 31st December, 2001	**7.996.769**	**22.063.227**	**932.987**	**94.499**	**31.087.482**

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

	31st December		
	2002 EUR	2001 EUR	2000 EUR
Vacation pay accruals	702.602	514.681	541.154
Other social accruals	881.758	263.846	505.696
Advance payments	12.655		
Commissions	73.668	88.398	39.587
Servicing costs		198.315	198.315
Direct and indirect taxes	2.360.018	2.858.102	1.444.019
Other	387.131	55.350	45.000
Total	4.417.832	3.978.692	2.773.771

K Deferred Income

	31st December		
	2002 EUR	2001 EUR	2000 EUR
Capital grants	1.564.062	2.020.029	2.248.212
Total	1.564.062	2.020.029	2.248.212

L Bank loans and overdrafts

	31st December		
	2002	2001 EUR	2000 EUR
Secured	-	-	-
Unsecured	3.816.741	3.937.737	14.517.038
Total	3.816.741	3.937.737	14.517.038

As of December 31, 2002 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.

M Long-term debts

Long-term debts consist of the following:

	31st December		
	2002 EUR	2001 EUR	2000 EUR
Secured			
Bank loan (in CHF) at floating interest rate till 30/06/00; average rate for the period till 30/06/00 was 3,125% ; Fixed rate at 5% ;maturing in 2019	585.238	606.919	623.687
Bank loan (in CHF) at floating interest rate; average rate for the year was 3,6% (average rate 2001: 3,5%) ; maturing in 2004	309.832	455.189	590.861
Bank loan (in EUR) at floating interest rate till 2032; average rate for the year was 4,22 % (1) (average rate 2001: 4,21%)	2.439.718	614.471	
Total secured loans	3.334.788	1.676.579	1.214.548
Unsecured loan			
Bank loan (in EUR) at floating interest rate; average rate for the year was 3,95 % (average rate 2001: 4,86%); maturing in 2004	6.250.000	11.250.000	15.000.000
Total unsecured loans	6.250.000	11.250.000	15.000.000
Total long-term debt	9.584.788	12.926.579	16.214.548
Less current maturities	5.242.676	5.238.781	5.180.541
Long-term portion of long-term loans	4.342.112	7.687.798	11.034.007

(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, 2002 and 2001 an amount of respectively EUR 2.439.718 and EUR 614.471 has been taken up.

Repayments of long-term debt are scheduled as follows:

	31st December		
	2002 EUR	2001 EUR	2000 EUR
2001			5.180.541
2002		5.238.781	5.180.541
2003	5.242.676	5.292.115	5.180.541
2004	1.546.010	1.542.115	180.541
2005	141.093	140.386	32.826
2006	141.093	140.386	32.826
2007	141.093	140.386	32.826
Thereafter	2.372.823	432.409	393.906
TOTAL	9.584.788	12.926.579	16.214.548

Property, plant and equipment amounting to EUR 4.117.124. as at December 31, 2002, has been pledged as security for long-term debt. As at December 2001, pledged property, plant and equipment was EUR 1.519.390.

As at December 31, 2002 and December 31, 2001, Melexis Branch Office in Switzerland has long-terms loans for a total amount of respectively CHF 1.850.000 and 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 31st December 2002, 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 percent 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 2002, 2001 and 2000 comprises:

	2002 EUR	*2001 EUR*	*2000 EUR*
Investment grants in building, machinery and employment grants	1.516.332	955.126	1.365.171
Grants for research and development	975.289	-	-
	2.491.621	955.126	1.365.171

P Cost of sales

Cost of sales comprises of the following expenses:

Cost of Sales	*2002 EUR*	*2001 EUR*	*2000 EUR*
Purchases	47.015.735	37.862.434	31.543.786
Transportation costs	1.383.668	1.129.759	573.227
Salaries	6.841.860	6.654.947	6.401.781
Depreciation and amortization	6.732.055	5.670.667	4.745.258
Other direct production costs	5.845.973	6.592.679	5.437.784
Total	67.819.291	57.910.486	48.701.836

Q Research and development expenses

Research and development expenses include of the following expenses:

Research and development costs	*2002 EUR*	*2001 EUR*	*2000 EUR*
Salaries	8.044.261	6.951.751	5.168.763
Depreciation and amortization	2.133.662	1.691.918	1.097.155
Other	6.436.638	5.570.114	4.785.604
Total	16.614.561	14.213.783	11.051.522

R General and administration expenses

General and administration expenses include of the following expenses:

General and administrative expenses	*2002 EUR*	*2001 EUR*	*2000 EUR*
Salaries	1.002.641	835.832	477.941
Depreciation and amortization	231.869	232.673	120.497
Other	3.846.519	2.998.975	3.202.273
Total	5.081.029	4.067.480	3.800.711

S Selling expenses

Selling expenses are analyzed as follows:

Selling expenses	*2002 EUR*	*2001 EUR*	*2000 EUR*
Salaries	1.796.830	1.958.809	1.799.127
Depreciation and amortization	27.684	88.933	54.361
Commissions	920.838	585.450	24.979
Other	2.049.286	1.912.959	2.366.652
Total	4.794.638	4.546.151	4.245.119

T Personnel expenses and average number of employees

	2002 EUR	*2001 EUR*	*2000 EUR*
Wages and salaries	17.385.592	16.401.339	13.847.612
Total	17.385.592	16.401.339	13.847.612

The average number of employees is 445 in 2002, 436 in 2001 and 311 in 2000.

U Depreciation and amortization expenses

	2002 EUR	2001 EUR	2000 EUR
Property, plant and equipment			
Cost of sales	6.732.055	5.670.667	4.745.258
Research and development	2.133.662	1.691.918	1.097.155
General and administration	231.869	232.673	120.497
Selling	27.684	88.933	54.361
Total	9.125.270	7.684.191	6.017.271

V Financial results – Net

	Years ended 31st December		
	2002 EUR	2001 EUR	2000 EUR
Financial income:	9.504.543	10.726.020	10.003.241
- interest income	3.109.103	3.669.047	2.271.229
- exchange differences	5.616.810	4.686.944	5.036.440
- fair value valuation	-	1.188.214	-
- gain on shares	774.119	1.059.383	936.203
- dividend	-	-	1.360.000
- other	4.511	122.432	399.369
Financial charges:	7.744.077	7.054.414	8.707.742
- interest charges	1.796.388	1.814.849	1.668.238
- bank charges	73.703	63.949	69.089
- exchange differences	5.851.011	4.681.495	5.650.245
- less value on shares	-	83.017	-
- other	22.976	411.104	1.320.170
Net financial results	1.760.466	3.671.606	1.295.499

W Income taxes

The income tax expense can be detailed as follows:

	Years ended 31st December		
	2002 EUR	2001 EUR	2000 EUR
Current tax expenses	(4.533.213)	(4.476.863)	(3.452.445)
Deferred tax income	1.522.427	1.272.905	1.637.890
	(3.010.786)	(3.203.958)	(1.814.555)

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 is 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. In 2002, Melexis Swiss Branch, which is an Integral part of Melexis NV, sold part of its business also to Melexis Tessenderlo NV. This transaction resulted in a goodwill amount in the Melexis Tessenderlo NV statutory financial statements of approximately EUR 20 million. These goodwill amounts, which are eliminated in consolidation, result in tax deductable amortization charges at Melexis Tessenderlo NV and Thesys Mikroelektronik Produkte GmbH, which can be offset against future profits. The company increased its existing deferred tax asset of EUR 4.027.000 to EUR 5.027.000 in order for the outstanding amount of deferred tax asset to represent the budgeted usage of the temporary difference over the coming year, 2003, taking into account the decrease in Belgian corporate tax charge from 40,17% to 33,99% as of fiscal year 2003. Company's unrecognized deferred tax asset relating to amortization of goodwill amounts to EUR 18.180.524. An additional deferred tax asset has been recognized on the tax losses of Melexis Inc. for an amount of EUR 522.427 as it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. The tax losses carried forward expire between December 31, 2019 and December 31, 2021.

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

	Years ended 31st December		
	2002 EUR	*2001 EUR*	*2000 EUR*
Accounting profit	24.650.920	23.505.082	19.017.445
Tax at the applicable tax rate	(9.902.275)	(9.441.991)	(7.639.308)
Tax effect of non deductible expenses			
Amortization of consolidation goodwill	(385.360)	(389.196)	(403.331)
Tax effect of companies operating losses or subject to other tax regimes	1.794.148	1.577.301	-
Unrealized exchange rate result	-	(420.760)	-
Total tax effect on non deductible expenses	1.408.788	767.345	(403.331)
Tax effect on non taxable income			
Unrealized exchange rate result	-	-	420.760
Dividend received	-	-	477.075
Gain on shares	310.964	477.306	272.126
Sales of Melexis AG	-	-	96.625
Amortization goodwill Melexis Tessenderlo NV	4.836.553	4.638.140	4.638.140
Amortization goodwill Thesys GmbH	389.796	389.637	389.637
Total tax effect on non taxable income	5.537.313	5.505.083	6.294.363
Other	(54.612)	(34.395)	(66.279)
Tax charge Consolidated	(3.010.786)	(3.203.958)	(1.814.555)

Components of deferred tax assets are as follows:

	1 January 2001	*Credited (charged) to income statement*	*Cumulative Translation Adjustment*	*31 Dec. 2001*
	EUR	*EUR*	*EUR*	*EUR*
Tax deductible amortization charges	2.727.574	1.272.905	26.521	4.027.000

	1 January 2002	*Credited (charged) to income statement*	*Cumulative Translation Adjustment*	*31 Dec. 2002*
	EUR	*EUR*	*EUR*	*EUR*
Tax deductible amortization charges	4.027.000	1.000.000	-	5.027.000
Tax losses	-	522.427	-	522.427
Total	4.027.000	1.522.427	-	5.549.427

Undistributed earnings of foreign subsidiaries were approximately EUR 7,8 million at December 31, 2002. Since it is the intention of the company to reinvest these earnings, no deferred tax liability has been provided.

X Earnings per shares

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of EUR 21.640.134 in 2002 (2001: EUR 20.301.124) by the weighted average number of ordinary shares outstanding during the period (45.600.000 in 2002 and 2001).

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.

	Years ended 31st December		
	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Research and development revenues-product developments	5.740.295	8.640.266	4.624.150
Research and development revenues - other	-	1.900.560	-
Total research and development revenues	5.740.295	10.540.826	4.624.150

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. These services were rendered to related parties. (see also note ab)

Z Other operating expenses

	Years ended 31st December		
	2002	*2001*	*2000*
	EUR	*EUR*	*EUR*
Other operating expenses	-	529.950	-
Total	-	529.950	-

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

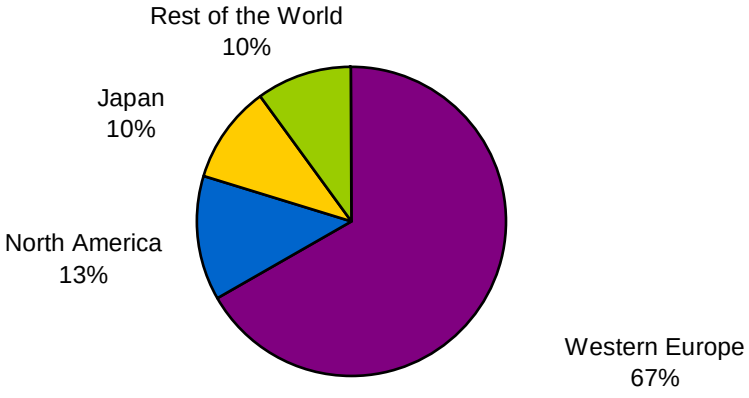
All amounts in 1.000 EUR	*Automotive*	*Other*	*Unallocated*	*Total*
Sales	86.336	26.115		112.451
Other	4.609	1.131		5.740
COS	51.632	16.187		67.819
Unrealized exchange gain on foreign exchange contracts				-
Goodwill amortization			991	991
R&D expenses	12.793	3.822		16.615
G&A expenses	3.912	1.169		5.081
Selling expenses	3.692	1.103		4.795
Other operating expenses				-
Income from operations				22.890
Financial results				1.760
Taxes				3.011
Net profit				21.640
Segment assets	53.543	17.855	41.644	113.042
Capital expenditures	11.230	3.355		14.585
Depreciation	7.026	2.099		9.125

Geographical segment data

All amounts are in 1.000 EUR	*Western Europe*	*Eastern Europe*	*US*	*Total*
Revenue by origin	112.416	2.821	2.954	118.191
Segment assets	101.926	8.191	2.925	113.042
Capital expenditures	14.001	571	13	14.585

The following table summarizes sales by destination:

	2002 EUR	*2001 EUR*	*2000 EUR*
Western Europe	78.685.830	73.262.944	62.875.556
Germany	40.458.890	36.872.401	34.373.336
France	16.978.387	14.985.880	13.208.717
United Kingdom	15.349.359	7.966.673	4.828.227
Belgium	944.102	4.139.050	3.739.411
Austria	1.630.054	3.923.190	3.174.370
Netherlands	2.133.946	2.909.953	1.684.699
Other	1.191.092	2.465.797	1.866.796
United States of America	15.453.924	13.852.559	12.381.852
Asia	21.311.537	13.408.322	8.501.470
Japan	12.144.355	6.328.143	3.246.321
China	192.962	693.526	3.207.021
Other	8.974.220	6.386.653	2.048.128
Rest of the World	2.739.961	1.876.399	1.644.156
Total	118.191.252	102.400.224	85.403.034



Revenues by customer

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

	Years ended 31st December		
	2002	*2001*	*2000*
	%	*%*	*%*
Customer A	18	13	12
Customer B	13	9	8
Customer C	9	6	6
Customer D	8	9	8
Customer E	7	7	9
Customer F	3	7	5
Customer G	3	6	9
Customer H	3	3	2
Customer I	3	2	2
Customer J	2	1	1
TOTAL	69	63	62

AB Related parties

1. Shareholders' structure and identification of major related parties

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

Melexis Tessenderlo NV	Belgian entity
Melexis Inc	US entity
Melexis Gmbh	German entity
Melexis Bulgaria Ltd.	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 49,9 % of the outstanding shares (38 % of these shares are not listed on Euronext Brussels). The remaining balance of the outstanding shares, 50,1% 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.

Elex NV also owns 64 % 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.

Elex NV owns 86 % of the outstanding shares of X-FAB AG, and 100% of X-FAB Texas Inc., both producers 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 its 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 for the semiconductor industry. Roland Duchâtelet owns 45,6% of the shares, Françoise Chombar 30,4% and Ivan Darakchiev (CEO of that company), 24%.

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 transactions as to their fair nature and report to independent directors.

For 2002, 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/ Melexis Tessenderlo NV

- purchase of land and building from EPIQ NV by Melexis Tessenderlo 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, 2002 and 2001, the following balances were outstanding:

Receivables:

		31st December	
On		*2002*	*2001*
	Elex NV	1.742.006	28.015.444
	Epiq group	4.204.235	2.666.372
	Xfab group	7.436.404	12.621.704
	Xpeqt group	450.052	6.536
	TOTAL	13.832.697	43.310.056

Payables:

		31st December	
On		*2002*	*2001*
	Elex NV		12.929.604
	Epiq group	12.437	128.197
	Xfab group (a subsidiary of Elex NV)	1.859.180	3.793.313
	Xpeqt group	373.171	108.410
	TOTAL	2.244.788	16.959.524

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	*2002*	*2001*
Epiq group (mainly IC's)	10.872.951	6.755.894
Xpeqt group	136.176	1.323.197
Xfab group (mainly test & assembly services)	4.067.550	6.604.572 [1]

[1] The Annual Report 2001 reported only the material charge to Xfab group for an amount of EUR 356.164.
The test and assembly services amounted to EUR 6.248.408. These services are cross charged by Xfab group to third parties.

Purchases from	*2002*	*2001*
Xfab group (mainly wafers)	43.458.666	29.734.815
Epiq NV (mainly building)	940.478	
Xpeqt group (mainly equipment)	3.798.169	3.095.046
Elex (mainly IT infrastructure)	403.642	

B. Sales/purchases of services

Sales to	*2002*	*2001*
Elex (mainly R&D services)	168.250	324.000
Xpeqt group (mainly R&D services)	513.450	830.000
X-Fab group (mainly R&D services)	305.910	246.443
EPIQ group (mainly R&D services and M&A assistance)		2.683.704

Purchaes from	*2002*	*2001*
Elex N.V. (mainly IT and related support)	1.137.015	213.705
EPIQ group (mainly R&D services)		469.264

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 a book value of its assets amounting to approximately EUR 220 million (unaudited). These and other assets are financed by bank debts of EUR 90 million and equity of EUR 135 million (unaudited).

X-FAB Inc. incurred a loss of USD 32 million in 2002 as a result of a weak semiconductor market throughout 2002 and overcapacity resulting thereof. X-FAB AG realized a profit of EUR 28 million in 2002.

The EPIQ group incurred an estimated consolidated loss of EUR 38 million (unaudited), in 2002 mainly as a result of restructuring charges and write off of goodwill. Equity is estimated at EUR 24 million.

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 in 2002 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, 2002 was minimum since their deviation from their respective fair values was not significant.

AD Commitments

As of 31st December 2002, the company had purchase commitments for tangible fixed assets amounting to EUR 796.477. As of 31st December 2001, the company had purchase commitments for tangible fixed assets amounting to EUR 1.652.373.

AE Litigation

The company is currently involved in a dispute with a supplier. The necessary reserves 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

Since the closing of the accounting year, an amount of 387.207 own shares were purchased for a total amount of EUR 2.108.769.

On the 1st of January 2003, Melexis France Branch Office was incorporated. This company will be mainly active in development of IP (Intellectual Property).

AH List of subsidiaries consolidated

	Place of incorporation	Principal activities	Ownership interest
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	56	Chairman of the Board and Managing Director
Rudi De Winter	42	Vice Chairman of the Board and Managing Director, Chief Executive Officer
Françoise Chombar	40	Director, Chief Operating Officer
Lucien De Schamphelaere	71	Director (non-executive)
Simon Middelhoek	71	Director (non-executive)
Gina De Groote	43	Director (non-executive)
Karen van Griensven	32	Chief Financial Officer
Klaus Hermann	47	Quality & Environmental Management Representative
Steve Hix	65	Director (non-executive)

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 master's degree as Interpreter in Dutch, English and Spanish from the University of Gent.

Mr. Lucien De Schamphelaere is the founder and Chairman of the Board of Directors of 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 Schamphelaere founded Xeikon, a company which he led for more than 10 years. Xeikon develops, produces and sells digital color printing presses and is a world leader in this field. Before founding Xeikon he held several positions at Agfa-Gevaert. From 1986 to 1993 he was Director of Agfa-Gevaert's Venture Capital Fund, AGIF.
Mr. De Schamphelaere holds a degree in Electronic Engineering.

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 and later was one of the founders of the internationally well-known Microelectronics Institute DIMES. In 1996 he retired from his official duties, but is still associated with several sensor related activities. Mr. Middelhoek is an IEEE Fellow, a Member of the Royal Netherlands Academy of Arts and Sciences and Foreign Associate of the National Academy of Engineering (USA). He was from 1981 – 2002 Editor-in-chief of the scientific journal 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 and microsystems.

Ms. Gina De Groote 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 moment a fusion with an international network Alliance.
In 1991 she created her own agency, GDG/Mediastrategies, based on the trumps : experience, service, creativity, information, reasonable cost. Ten years after, this agency is known as one of the most creative and service-minded media-agencies in Belgium. Clients are local as well as international.

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 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.

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

8.2 Compensation of Directors

As indicated in the Articles of Association, the office is non-remunerative. In 2002 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 executive	35	-	-	-
Remuneration of other senior executives	81	-	-	-

Appendix : Condensed statutory financial statements (short version)

statutory balance sheet	*For the years ended December 31st*		
in 1.000 EUR	*2002*	*2001*	*2000*
ASSETS			
FIXED ASSETS	**125.896**	**89.291**	**80.166**
I. Formation expenses	-	289	713
II. Intangible assets	1.214	7	-
III. Tangible assets	17.928	15.318	16.458
A. Land and buildings	3.221	3.402	3.430
B. Plant machinery and equipment	14.406	11.753	12.668
C. Furniture and vehicles	301	163	193
E. Other tangible assets	-	-	-
F. Assets in progress and advanced payments	-	-	167
IV. Financial assets	106.754	73.677	62.995
A. Affiliated companies	106.633	73.554	62.886
1. Participations in third parties	106.633	73.554	62.886
C. Other financial assets	121	123	109
2. Receivables and caution money	121	123	109
CURRENT ASSETS	**50.228**	**78.324**	**101.512**
VI. Stocks and contracts in progress	4.891	3.255	2.771
A. Stocks	4.891	3.255	2.771
1. Raw materials and consumables	1.313	577	867
2. Contracts in progress	1.932	1.965	1.091
3. Finished goods	1.646	713	813
VII. Amounts receivable within one year	31.552	60.684	35.478
A. Trade receivables	6.879	5.823	6.862
B. Other receivables	24.673	54.861	28.616
VIII. Cash investments	3.088	2.129	61.666
A. Own shares	3.088	-	-
B. Other investments and deposits	-	2.129	61.666
IX. Cash deposits	10.664	11.867	1.348
X. Deferred assets and accrued income	33	389	249
TOTAL ASSETS	**176.124**	**167.615**	**181.678**

EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	**163.735**	**158.538**	**149.440**
I. Capital	565	565	565
A. Outstanding Capital	565	565	565
II. Share premium account	32.256	32.256	32.256
IV. Reserves	3.145	57	57
A. Legal reserve	57	57	57
B. Reserves not available for distribution	3.088		
1. In respect of own shares held	3.088		
V. Accumulated profits	127.707	125.548	116.338
VI. Investment grants	62	112	224
PROVISIONS AND DEFERRED TAXES	**230**	**273**	**349**
VII. A Provisions for liabilities and charges	198	198	198
4. Other liabilities and charges	198	198	198
VII. B Deferred taxes	32	75	151
DEBTS	**12.159**	**8.804**	**31.889**
VIII. Amounts payable after more than one year	706	877	591
A. Financial debts	706	877	591
4. Credit institutions	706	877	591
IX. Amounts payable within one year	11.434	7.884	31.018
A. Current portion of amounts payable after more than one year	189	185	15.033
B. Financial debts	3.554	1.678	12.926
1. Credit institutions	3.554	1.678	12.926
C. Trade debts	3.671	1.165	1.568
1. Trade payables	3.671	1.165	1.568
D. Advances received on contracts in progress	-	-	151
E. Taxes, remuneration and social security	1.702	2.296	1.028
1. Taxes	1.415	2.031	623
2. Remuneration and social security	287	265	405
F. Other amounts payable	2.318	2.560	312
X. Accrued charges and deferred income	19	43	280
TOTAL LIABILITIES	**176.124**	**167.615**	**181.678**

Statutory income statement	*For the years ended December 31st*		
in 1.000 EUR	*2002*	*2001*	*2000*
I. Operating income	**64.825**	**37.602**	**31.171**
A. Turnover	43.630	36.298	31.015
B. Changes in stocks of finished goods, work and contracts in progress	900	774	131
D. Other operating income	20.295	530	25
II. Operating charges	**(36.285)**	**(28.862)**	**(24.166)**
A. Raw materials, consumables and goods for resale	19.043	13.116	10.514
1. Purchases	19.779	12.826	10.926
2. Changes in stocks	(736)	290	-412
B. Services and other goods	7.457	7.285	6.773
C. Remuneration, social security charges and pensions	4.181	3.814	2.993
D. Depreciations	5.396	4.529	3.857
E. Amounts written off stocks, contracts in progress and trade receivables	48	61	-
G. Other operating charges	160	57	29
III. Operating profit	**28.540**	**8.740**	**7.005**
IV. Financial income	**8.595**	**8.907**	**9.355**
A. Income from financial fixed assets	-	14	-
B. Income from current assets	4.634	4.968	4.532
C. Other financial income	3.961	3.925	4.823
V. Financial charges	**(5.028)**	**(4.071)**	**(6.364)**
A. Debt charges	566	252	592
B. Amounts written off on current assets other than those mentioned under II. E.	-	83	690
C. Other financial charges	4.462	3.736	5.082
VI. Profit on ordinary activities before taxes	**32.107**	**13.576**	**9.996**
VII. Extraordinary income	**-**	**-**	**258**
D. Surplus value realized on fixed assets	-	-	258
E. Other extraordinary income	-	-	-
IX. Profit of the year before taxes	**32.107**	**13.576**	**10.254**
IX. bis. A. Transfer from deferred taxes	**189**	**75**	**75**
X. Income taxes	**(4.249)**	**(4.441)**	**(2.800)**
A. Taxes	(4.249)	(4.441)	(2.800)
B. Regularization	-	-	-
XI. Profit of the year	**28.047**	**9.210**	**7.529**
XIII. Profit of the year available for appropriation	**28.047**	**9.210**	**7.529**

Appropriation of the profit

in 1.000 EUR	*For the years ended December 31st* *2002*	*2001*	*2000*
A. Profit to be appropriated	153.595	125.548	116.338
1. Profit of the period available for appropriation	28.047	9.210	7.529
2. Profit carried forward	125.548	116.338	108.809
C. Transfers to capital and reserves	(3.088)	-	-
1. To other reserves	(3.088)	-	-
D. Result to be carried forward	(127.707)	(125.548)	(116.338)
1. Profit to be carried forward	(127.707)	(125.548)	(116.338)
F. Distribution of profit	(22.800)	-	-
1. Dividends	(22.800)	-	-