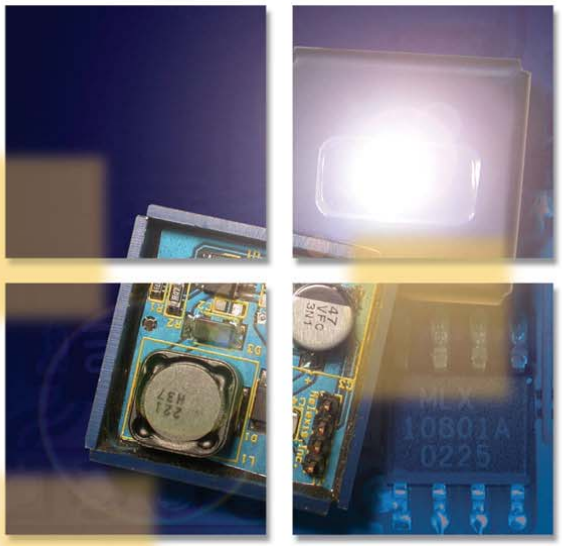
Melexis

Microelectronic Integrated Systems



Annual Report 2004

English Version

On March 29, 2005 the CBFA (Commission for Bank, Finance and Insurance) has given Melexis nv permission to use the present annual report as reference for each public issue Melexis NV would do within the framework of the law of April 22, 2003. This concerns public offering of stocks within the procedure of separate information supply prior to publication of the next annual report. In view of this procedure Melexis NV needs to add a transaction note to the present annual report to draw up a prospectus that conforms to article 4 of the law of April 22, 2003. This prospectus has to be submitted to the CBFA for approval according to article 14 of the law of April 22, 2003.

Melexis Annual Report 2004

Table Of Contents

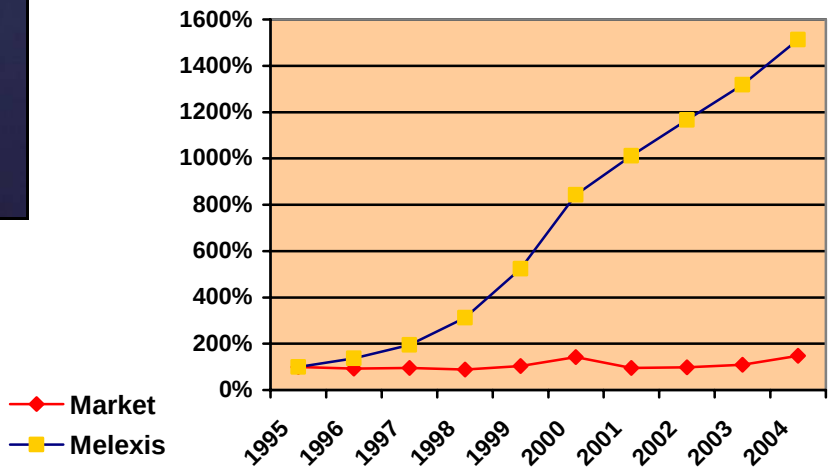
1. Letter to the Shareholders

Françoise Chombar

Rudi De Winter

Melexis customers have expressed their confidence in Melexis again in 2004 by continuing to select Melexis Mixed Signal ICs and sensors for their critical systems and solutions. Their confidence has driven an uninterrupted positive growth and positive profit track record of 10 years duration with net margins between 16 and 20% and a return on equity in the 25% range. This growth period includes several severe down cycles in the overall market for semiconductor ICs. Melexis continues to follow a clear and focused business strategy relying on the automotive markets demand for ICs. This market has a projected annual growth rate in the next decade of 7-9%. The sensor IC market has some significant barriers to entry for traditional semiconductor manufacturers from both the IDM and fabless models. Melexis is a recognized industry leader in the Sensor IC market especially in the automotive grade sensors niche.

Automotive suppliers require Melexis to embrace specific quality systems in order to be awarded new business. Melexis has met the strictest requirements including approval to ISO/TS16949 with zero deviations during the 2004 renewal audit cycle. Only a few competitors are approved to this newest standard giving Melexis an advantage in the market when bidding on new design opportunities. These design wins generally require a gestation period of 3 to 5 years to reach full production volumes but in return can run 5 to even 10 years before obsolescence.

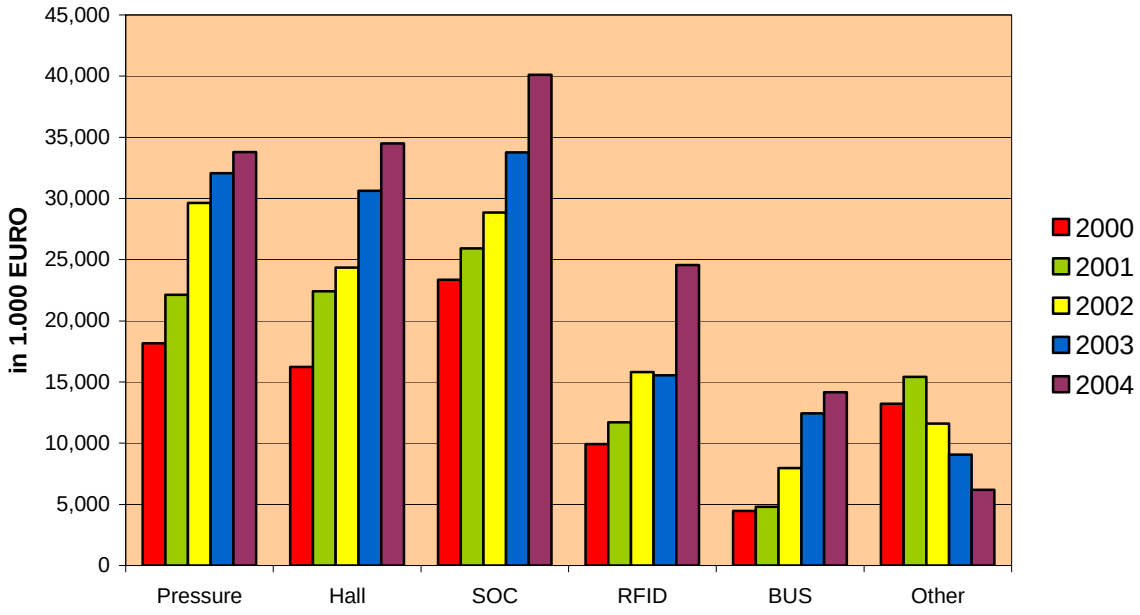


	Worldwide ($ in Billions)		Melexis (Euro)	
1995	144	100%	10.133.373	100%
1996	132	92%	13.873.915	137%
1997	137	95%	19.751.187	195%
1998	126	88%	31.645.580	312%
1999	149	103%	53.076.307	524%
2000	204	142%	85.403.034	843%
2001	139	96%	102.400.224	1011%
2002	141	98%	118.191.252	1166%
2003	166	116%	133.549.184	1318%
2004	213	148%	153.334.939	1513%

Worldwide Semiconductor Market Versus Melexis

Source: WSTS,
World Semiconductor Trade Statistics

Sales Per Business Unit Evolution



Consolidated results for the past fiscal year yielded 15 % revenue growth compared to 2003. The profits over 2004 increased by 1%, at 24.9 million EUR. Melexis growth has been achieved through a dedicated effort to manage the exposure of product margins to the negative effects of the Dollar/Euro exchange rate during the fiscal reporting period. Measured in stable exchange rate terms the top line growth would have been close to 19% and the bottom line growth close to 11%. For 2005, we expect an increase in revenues of 10-15%, with a net profit margin in the range of 16-18%.

Melexis is the largest fab-less semiconductor company in Europe according to IC Insights and the largest pure play automotive semiconductor company in the world by comparative assessments of public information. In November 2004, Forbes Magazine found Melexis to be the only Belgian publicly traded company in their *best under a billion* enterprises in Asia/Pacific and Europe.

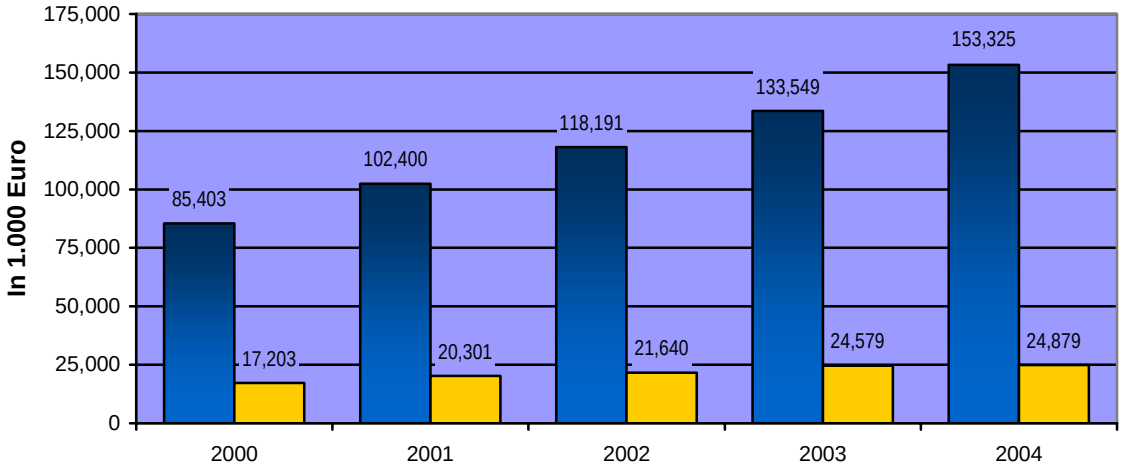
Though Western-Europe remains the stronghold in sales with 51.8% of the total revenue, sales to the Far East have grown by more than 50% to 48.3.6M€ mainly due to the shift in manufacturing form Europe and USA to Asia but also as a result of continued design wins by Melexis with traditional Asian based suppliers.

In February of 2004 Melexis completed the acquisition of Zug, Switzerland based Sentron AG. Sentron AG is an innovator in magnetic sensing technology with a portfolio of patented technology on advanced Hall effect sensing particularly 360 degree contactless rotary sensors and also DC current sensing. The complementary nature of Melexis established customer base for magnetic Hall effect sensing, high volume manufacturing expertise, automotive market focus and the patented technology and processes of Sentron AG has already resulted in new business opportunities and applications. A continuing growth in the value of this acquisition is expected as the technology is applied to serve new applications and markets.

In 2004 Melexis signed agreements with On Semiconductor relating to its IP in LIN bus technology. The formal adoption of the SAE J1602 standard in 2004 has enhanced interest in LIN bus technology. Melexis has many years of experience designing and producing physical layer interface ICs supporting this bus protocol and through this cooperation will leverage our prior investments for future returns. Further product developments in this arena for Melexis standard ICs is underway.

Other cooperation agreements announced in 2004 included an agreement with PerkinElmer regarding automotive IR thermopiles and temperature sensing technology. PerkinElmer and Melexis expect to improve their respective market positions through complementary strengths in technology development, Digital Signal Processing integration and packaging solutions. Joint product development efforts continue since the completion of this agreement.

Sales & Profit Evolution



Melexis significant internal activities in 2004 include an investment in a Human Resource system relating to Performance Management. The objective of this activity is the continued attraction, retention and development of talented team members for all aspects of the companies operations.

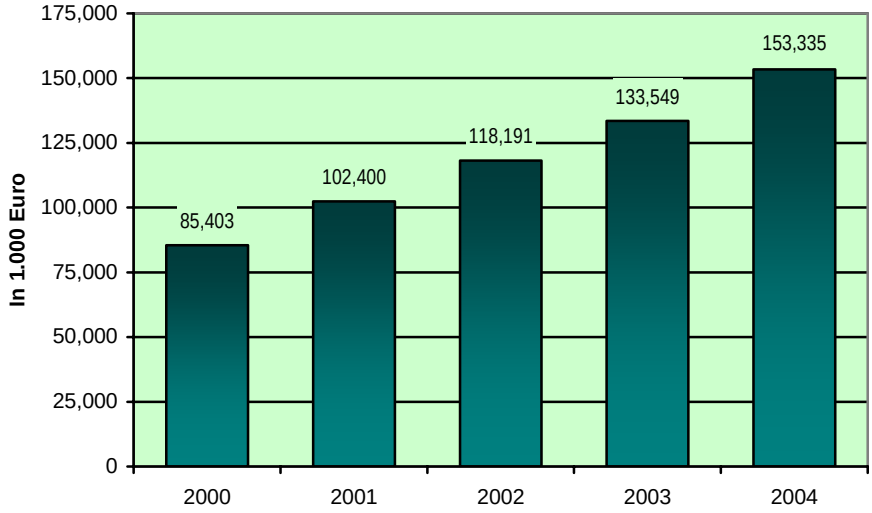
Focused investment into R&D and application support capabilities allows Melexis to offer its customers highly innovative products on a continuous basis and to provide them with the high level of application support required to design in these products. Customer success is Melexis success.

2004 was another year that proved our strategy works.

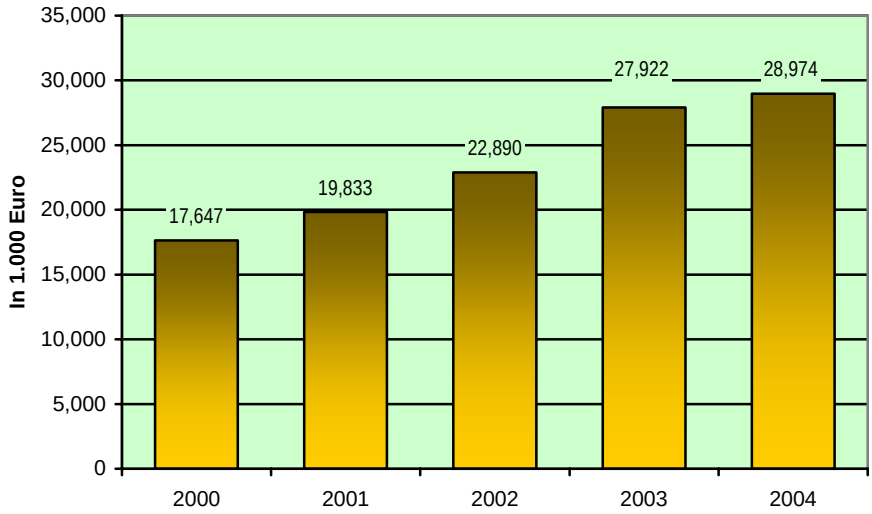
Yours sincerely,
Ieper, 14 February 2005

Françoise Chombar, CEO
Rudi De Winter, CEO

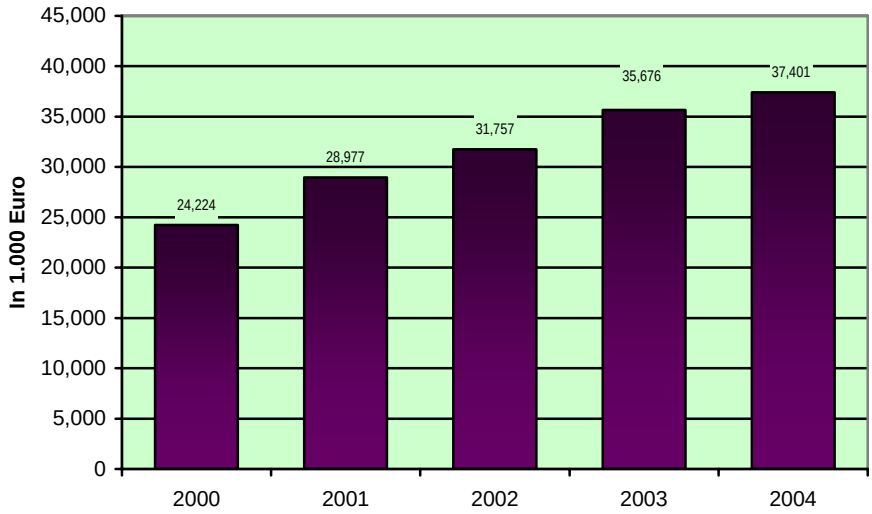
Turnover Evolution



EBIT Evolution



Cash Flow Evolution



2. Key Figures

(in 1.000 Euro)

Operating results	2000	2001	2002	2003	2004
Turnover	85.403	102.400	118.191	133.549	153.335
EBIT	17.647	19.833	22.890	27.922	28.947
EBITDA	24.669	28.509	33.007	39.019	41.472

Balance structure	2000	2001	2002	2003	2004
Shareholders' equity	70.905	91.432	86.867	86.153	54.868
Net indebtedness (*)	(34.721)	3.348	(2.580)	8.582	33.094
Working capital	45.065	60.899	47.244	59.930	45.020

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

Cash flow and capital expenditure	2000	2001	2002	2003	2004
Cash flow (*)	24.224	28.977	31.757	35.676	37.401
Depreciation + amortization	7.021	8.675	10.117	11.097	12.525
Capital expenditure	16.426	8.506	14.585	11.304	10.781

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

Ratios	2000	2001	2002	2003	2004
ROE	24%	22%	25%	29%	45%
Liquidity	1.6	2.7	3.2	4.5	2.5
Solvency	47%	67%	77%	71%	45%

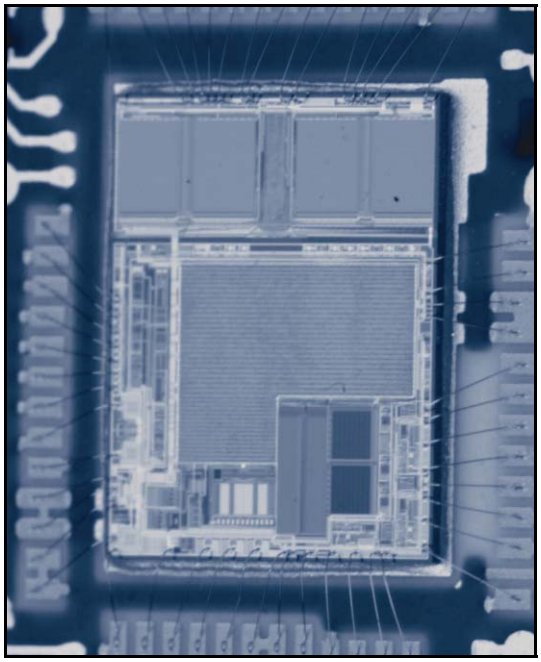
(*) : liquidity = current assets / current liabilities

Our customers inspire us to create, develop and market advanced integrated circuits primarily used in automotive electronics systems. The principle customer base consists of systems and module suppliers to the automobile vehicle manufacturers in Europe, North America and Japan.

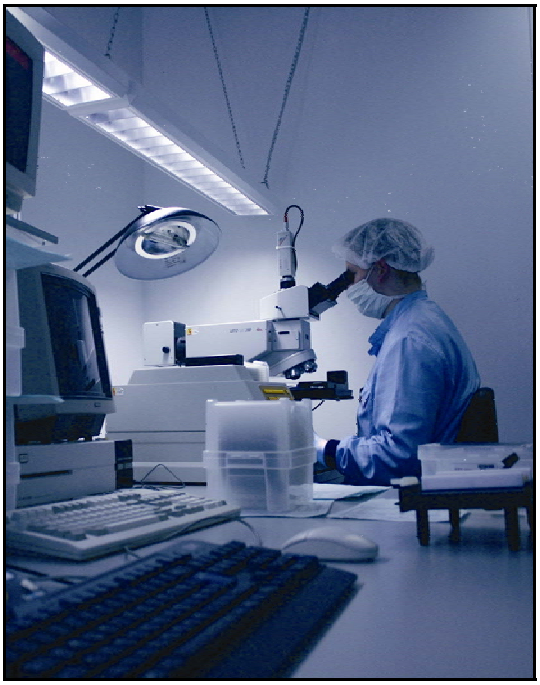
3. Overview of Activities

Melexis continues to be a key supplier to many automotive electronics module and system suppliers worldwide. Customers such as Texas Instruments, TRW, TT/AB Elektronik, Brose, Bosch, Delphi, Continental, Nippon Seiki, Denso, Takata and Vishay rely on Melexis ICs and sensors as key components for mission critical functions in advanced safety, powertrain and body applications. Nearly every manufacturer of vehicles worldwide has one or more models shipping in production with Melexis ICs on board.

The market for automotive electronics continues to grow at an annual rate of 9%. This is above the overall growth rate of 3% for cars and light trucks due to the increasing electronic content present in each vehicle. This increasing content is a result of consumer demand for improved fuel economy and creature comforts without sacrificing power and drivability. Government regulations concerning pollution, safety and fuel economy have also increasingly demanded electronic sensors and control systems to achieve mandated targets.



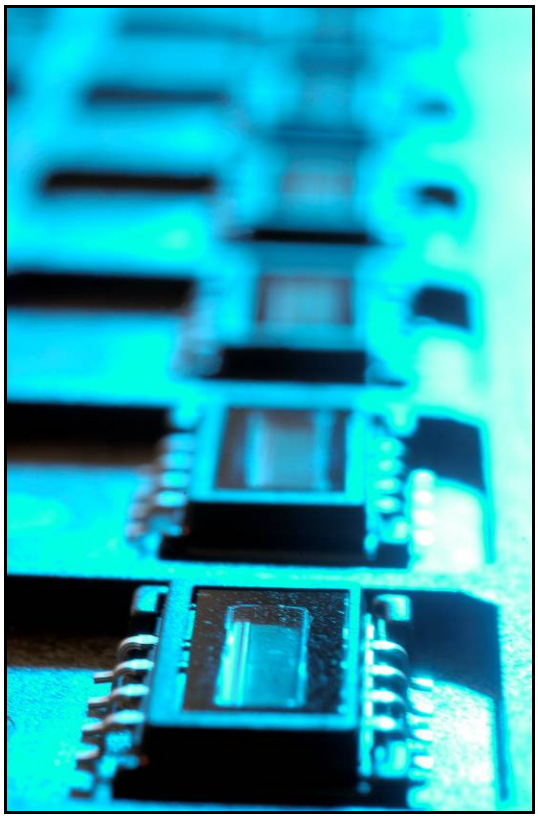
A semiconductor supplier in the automotive market must pursue a strategy that serves the demanding Quality requirements and stringent product development expectations of the Tier Suppliers. Melexis investment into systems and processes in line with automotive industry demands have resulted in many customers trusting 100% of their IC requirements to Melexis development and operations teams. Product development cycles at such customers have provided evolutionary design wins for Melexis. This has given Melexis the responsible role of helping our customers steer their market strategy based on research and development progress at Melexis. Melexis ICs can often result in significant reworking of traditional systems and even consolidation or elimination of multiple systems with a single modular solution. This progress enables the automotive industry to reduce overall costs and nearly as important, reduce vehicle weight and power consumption.



While Melexis primary focus is on automotive products there are many other significant business activities and markets being addressed outside of this arena. Some specific areas where Melexis technology and know how has led to market leading positions include RF transmitters, receivers and transceivers, single chip brushless DC cooling fan ICs for consumer and commercial equipment, infrared remote controls for consumer products and power supply control chips for cell phone chargers. A customer oriented approach and a dedicated high quality, innovative design methodology has allowed certain ASIC and ASSP solutions for these types of markets to win significant and in

certain cases dominant positions for our partners.
Melexis main products continue to be Hall effect ICs (magnetic sensors), Pressure and Acceleration Sensors, Sensor Interface ICs, Automotive Systems-on-a-Chip, Embedded Microcontrollers, Wireless Communication ICs, Bus System Chips, Optical and Infrared sensors. In each case the products are primarily developed for automotive applications and designated lead customers with subsequent use in commercial and industrial applications.

The Company's top 10 customers accounted for 63.5% of Sales for the year ended December 31st 2004. As every year Melexis continues to add to its base of existing automotive customers and related manufacturers. As a result Melexis components are increasingly specified in more vehicle models and platforms worldwide.



Melexis continues to concentrate its engineering and development effort on application specific standard products (ASSPs) for automotive applications. Melexis continues to monitor the efforts of its designers and product development specialists and has filed 35 patent applications in 2004. Melexis has cumulatively filed for 97 patents in the last 5 years and has been awarded 13 patents related to device and technology innovations. Melexis will continue to emphasize protection for its innovative developments as a tool to protect gross margins from competitive pressure. These patents also serve our customers who in turn can apply our devices for cost effective and unique solutions in their highly competitive market segments.

Melexis is a research driven company in which Research and Development has been, and will remain, of paramount importance in the Company's strategy. Melexis is currently focusing its research and development efforts on the development of Hall effect ICs (magnetic sensors), Pressure and Acceleration Sensors, Sensor Interface ICs, Automotive Systems-on-a-Chip, Embedded Microcontrollers, Wireless Communication ICs, Bus System Chips, Optical and Infrared sensors.
The scarcity of the highly skilled engineers needed to successfully design mixed analog-digital integrated circuits with proprietary microcontroller cores has resulted in the development of Research and Development centers in Ukraine and Bulgaria. The Company's strategy has been within reason to employ highly skilled engineers wherever they are physically located.

There are currently 260 engineers active in the area of Research and Development representing approximately 38 % of the total workforce.

Specific Research and Development activities are performed not for internal use but under contract for customers and therefore generate 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.
For the year 2004, the Company invoiced EUR 4.583.254 in Research and development costs to its customers, compared to EUR 5.277.438 in 2003 and EUR 5.740.295 in 2002.

Melexis invested 22.46 million EUR in R&D in 2004 representing 14.6% of sales. This consists of both product development and advanced development in new technologies for the automotive market. The R&D is on one end driven by customer requests, but increasingly driven by Melexis market research identifying long term needs. The customer driven projects (ASIC) are partially financed by the customer, and the ASSP development driven by our market intelligence are fully financed by Melexis.

The February 2004 acquisition of Sentron GmbH. has enhanced Melexis existing position as a leading innovator in Hall sensor magnetic sensing technology. Sentron's IMC (Integrated

Magnetic Concentrator) process when combined with Melexis existing automotive grade Hall sensor capabilities will allow Melexis customers to realize new functions in rotary position sensing, current sensing and even solid state compassing.
The cooperation agreement with On Semiconductor has allowed more customers access to Melexis market leading LIN bus technology. ON Semiconductor in a first evolution has focused on application support with existing technology. On Semi's position as a leading Power IC supplier to the automotive market can give their customers and ours opportunities to integrate the LIN protocol in next generation motor and actuator controls. PerkinElmer's capabilities in packaging and system engineering for IR thermal measurement can benefit customers of both companies when combined with Melexis advanced micromachined silicon designs and microcontroller interface expertise. Existing automotive systems like Automatic Climate Control and Blind Spot Detection of passing cars will require the proficiency of both organizations to deliver world class solutions.

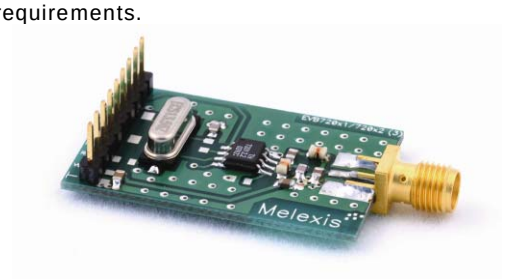
Melexis has been a supplier of semiconductors since 1989, initially in the field of Asics and 'chip on board' assembly and then increasingly supplying sensor chips and sensor interface ICs. These activities have been expanding in volume but have also been specifically and successfully focused on the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

4. Melexis Products

Intelligent Integration is increasingly important to the automotive industry where solutions are needed to simplify existing electromechanical systems. The compelling need for reducing installed costs of essential automotive systems like window controls, wiper systems, fuel delivery systems, steering systems and many other fundamental vehicle building blocks continually makes integrated sensing, intelligence and communications solutions essential. Melexis supplies sensor chips for position, movement detection, pressure and acceleration with both analogue and digital outputs and with optional on board micro-controllers.

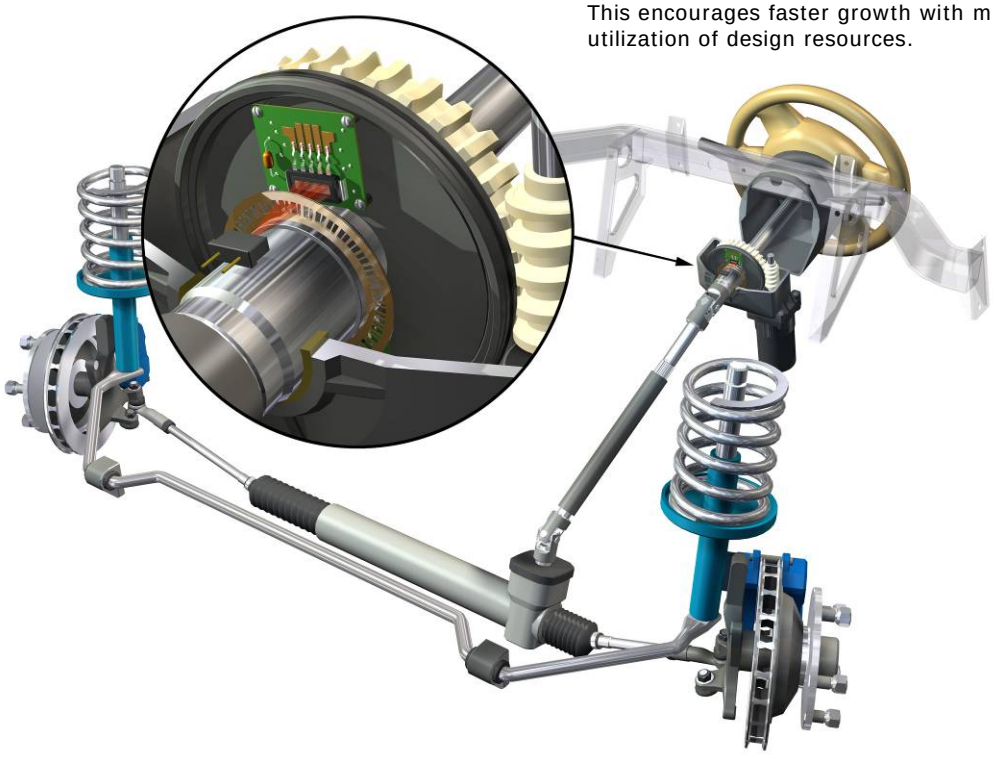
Embedded micro-controllers find a wider use in Melexis products. We find them today in Melexis Hall sensors, pressure sensors, acceleration sensors and sensor interfaces. This is a unique feature to the Melexis products that allows us to stay in front of the competition because it gives a great level of flexibility to adapt 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 fabless business model allows the consideration of best in class IP and foundry services to support next generation system requirements.



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.



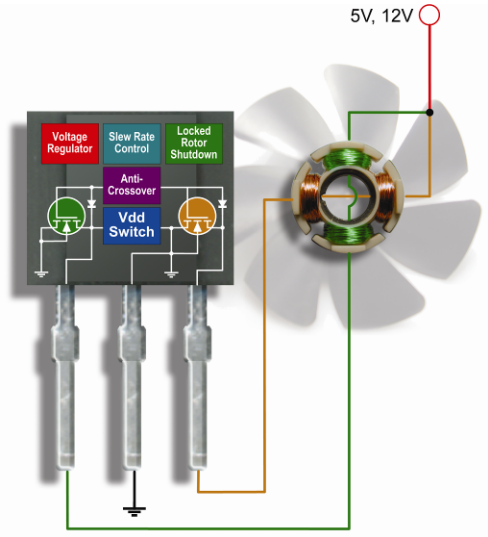
4.1 Sensors

Hall Effect Devices

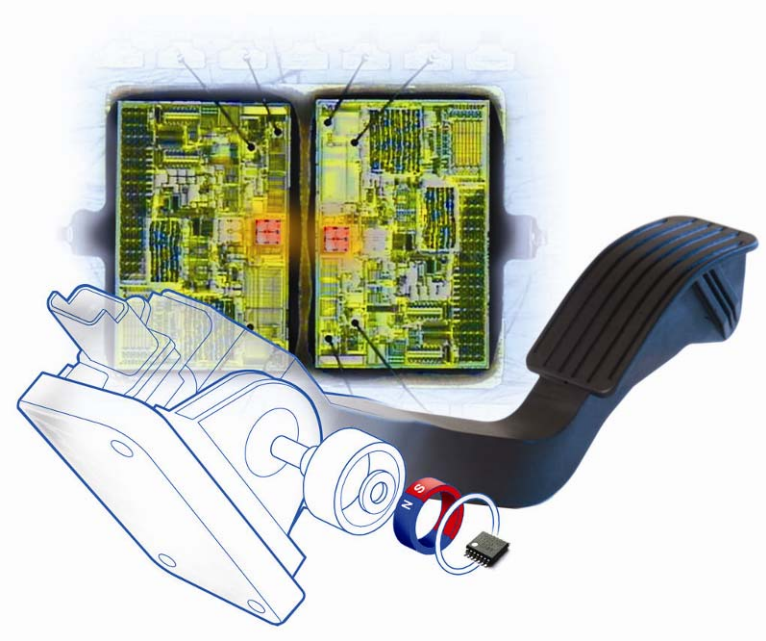
Hall Effect Devices detect magnetic flux density produced by a permanent magnet or current in a wire. Typical uses are for movement and position sensing. Hall devices are by their nature immune to dust, dirt and vibration, ideal characteristics for performance in an automotive environment. By integrating the sensing element onto the same silicon as its control logic and interface circuitry, Melexis produces sensors with intelligence. Melexis was the first Hall IC manufacturer to add user programmability to its Hall ICs. This breakthrough innovation has allowed a simplification of our customer's modules due to the flexibility and customizable options of Melexis ICs. Sensing rotation of shafts like the cam- and crank-shaft in the engine, monitoring movement in motors and actuators, sensing pedal, throttle and steering wheel position are staple functions for millions of Melexis Hall ICs in cars today.

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, Eeprom memory) 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, potentiometer type resistive position sensors, bipolar Hall sensors and magneto-resistive sensors. The Melexis Hall Effect sensors out-perform these alternate sensor technologies by integration of more signal-processing at a competitive cost. The future shows that the value of integration can provide for communication, decision making and flexible functions embedded into a single chip.



Another "worlds first" from Melexis has been created in the dual redundant programmable linear Hall IC. This chip is targeted at safety systems like pedal position sensing in drive by wire control systems. These unique solutions have achieved a significant nexus between total installed cost and fully redundant reliability. Melexis Management continues investment in Hall magnetic technology to realize considerable further potential in automotive applications like a contactless 360 degrees rotary position sensor to replace full-turn and multi-turn potentiometer sensors.



Consumer Hall

Melexis Management is also convinced in the marketability of highly integrated Hall ICs for high volume industrial applications such as smart brushless DC motor drivers and controllers with integrated magnetic sensing.

Based on automotive technologies, Melexis has developed a wide range of specialized Hall sensors, used for electronic equipment cooling fans. Unique functions such as low voltage operation, high start-up current, small die and package size are offered. Their cost effectiveness makes these products a preferred integrated solution for numerous applications.

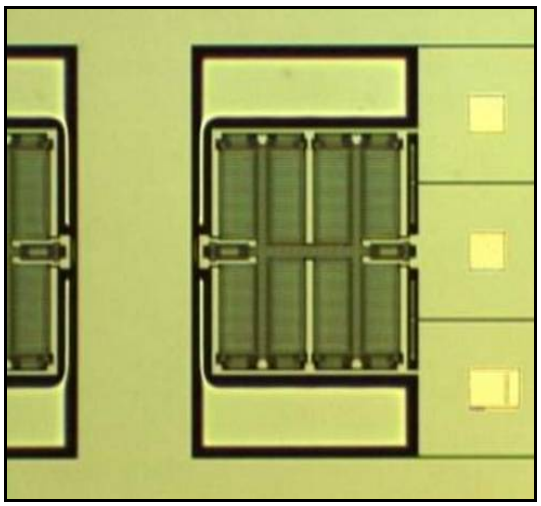
The completion of even more efficient driver solutions will allow our partners to halve the copper content in their motors without any loss of performance. Introduction of these devices began in 2004 for design in activity with ramp up to volume production in 2005.

MEMS
(Micromachined Electro-Mechanical Systems)

Pressure Sensors, Acceleration Sensors, Gyroscopes

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

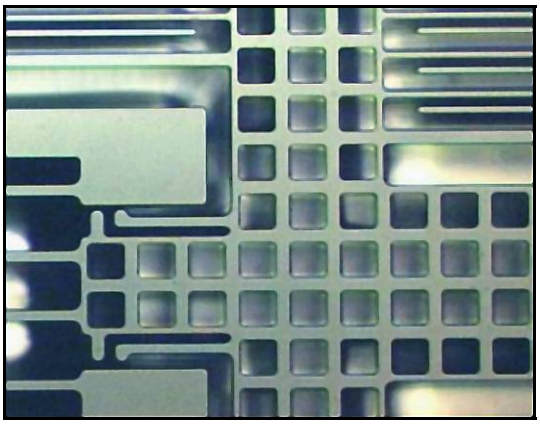
In an automobile many pressure readings are required including water, oil, manifold air, air conditioning cooling system and brake fluid. Measurements can be taken using standalone sensors, for which Melexis can supply the conditioning IC, or using completely integrated pressure sensors. Integrated pressure sensors incorporate both the sensing element, in the form of a silicon deformable membrane, and the conditioning electronics on the same chip. Integrated pressure sensors give significant cost savings in the final packaging of the device.



Every airbag system in a car requires one or more acceleration sensors. These acceleration sensors detect an impact with another car or a stationary object. The information from the acceleration sensors will decide whether airbag deployment should occur. First generation airbag systems used simple mechanical sensors.

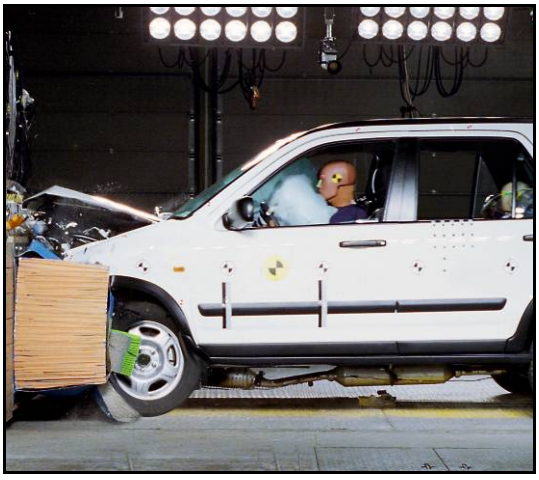
The present generation with features such as side impact curtains, require advanced sensor technology, dedicated analog signal processing and sophisticated crash discrimination algorithms implemented in powerful microprocessors. The trend to locate crash sensors at the spots in the car where the crash can be sensed in the most accurate and quickest 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, due to its broad technology portfolio. For many years Melexis has been supplying customers specializing 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, active suspension control, etc.



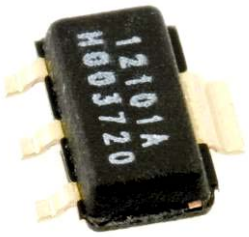
The pressure sensor and acceleration sensor chips, developed by Melexis, are based on micro-machining technology, where the physical parameter being sensed causes a temporary and reversible deformation to a specifically designed mechanical structure etched into the solid silicon. These techniques produce sensors that are used in high volume in modern automotive applications. Micro-machining could be considered as equivalent to traditional machining but on a micro-scale. A typical micro-machined membrane is only a few tenths of a millimeter wide.

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. During 2004 Melexis has completed development of its innovative gyroscope solution, which will give it a competitive edge in this emerging market.



Interface ICs

A mainstay product for Melexis, Interface ICs continue to generate significant business volume and new business growth. These highly engineered ICs are the “interpreter” that allow bridge type piezo and capacitive sensors to communicate intelligently with decision making systems in cars. Typical applications include pressure sensing in Electronic controlled automatic transmissions, seat belt tension sensors in mandatory second generation airbag systems, fuel pressure sensors in fuel economy enhancing injection systems. Many other solutions in vehicles rely on the seemingly contradictory ability of Melexis to deliver sophisticated but cost competitive “interpreters”.



4.2 Actuators

Microcontrollers and Communication Bus ICs

These products focus on the integration of high volume electronic systems. Two different product classes are presented: peripheral ICs and micro-controller 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, or communication interfacing.
Target modules for these products are EPAS (Electrically Assisted Power Steering) and HVAC (Heating, Ventilating 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.
Melexis has established a dominant market position in systems situated at the car door. Applications are window lifters, door switch modules, door locks, mirror actuators, and puddle lights. 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.

During design Melexis makes the product as flexible as possible and minimizes the number of external components by a very high level of integration. This target is reached using microcontrollers with an embedded CPU surrounded by periphery like ROM, RAM, EEPROM, EPROM or FLASH and additional digital and analog blocks. The systems derive their flexibility from a single ROM mask. Hence, a one chip family can be created with several ROM mask versions which can cover many applications. Melexis supports all necessary development tools (Assembler, Linker, C-compiler, Emulators and Simulators) enabling development of the necessary software quickly and efficiently. Melexis also offers standard software routines for the convenience of its customers.
Melexis microcontrollers take advantage of synergies from across the company to embed sensing when needed and to share design expertise in embedded intelligence solutions when applied to sensor products.
Communication protocols like LIN have been ported to Melexis microcontrollers and leverage the IP of the Bus group to further enhance simplified solutions for Melexis customers

Reducing the amount of copper wire in a car will reduce weight and improve economy. Vehicle Manufacturers are upgrading from point to point controls of functions to communication Bus systems. A single pair of wires connects all devices in a car to a central controller.

Bus Systems for integrated communications of chassis and powertrain functions include protocols like LIN, K-Bus, GM-Lan or CAN. The new sub-bus system LIN and the SAE version, J2602, are rapidly being adopted for new vehicle architectures. The Melexis physical interface ICs allow communication on main bus as well as on sub-busses in automotive systems.

Melexis delivers K-Bus, GM-Lan, CAN and LIN devices in mass production. In the newest protocol, LIN, Melexis has a leading position of supplying the physical interface and system ICs. Melexis has also developed next generation LIN ASSPs. These ICs have all necessary functions for a LIN node monolithically integrated and allow network designers to make the lowest cost LIN slave nodes while retaining maximum flexibility. To achieve this, Melexis has developed a dedicated microcontroller which is optimized for the control of real time bus communication in combination with application tasks. All ASSPs in this family have the same architecture with this microcontroller as the core element.

This microcontroller is well suited for applications like switch modules for window lifters, mirror adjustment, seat adjustment, HVAC control panels as well as switch modules within the steering wheel or the dashboard.

In the same family, a microcontroller to drive small motors via a LIN bus system was developed. This device is well suited for applications like flap control in HVAC systems, mirror adjustment and AFS (adaptive front-lighting system) control.
This new single chip integration enables Melexis' customers to create customized and cost effective LIN system solutions.

Melexis is a specialist for mixed signal ICs used in applications for high voltage peripherals up to 80V. The products can be connected directly to 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.

Chassis Actuators

Tire Pressure Monitoring Systems (TPMS) will become mandatory safety devices on all new cars in the US by 2006 (TREAD ACT). Therefore, they have to be produced in a very cost effective way. However, TPMS are complex systems which have to survive the harsh environment inside a car tire for 10 years. Today these systems are too expensive and complex to fulfill the cost requirements for all new cars.
The TPMS systems that are available today consist of more than twenty components. Melexis combines its expertise in pressure and motion sensors on a chip, embedded microcontrollers and contactless identification systems with newly developed packaging techniques to achieve a highly integrated TPMS system. This 'system in a package' is fully tested and calibrated at Melexis before delivering it to the customer. It has an integrated microcontroller, which makes it very flexible. It can be programmed to fulfill the needs of different customers and vehicle platforms.

4.3 Wireless Communications ICs

RF ICs

Melexis designs and develops Radio Frequency ICs (RFICs) that span the application frequency range of about 27 to 950 MHz. Our key products are standard transmitters, receivers, transceivers and custom specific ICs for the non-licensed industrial-scientific-medical (ISM) band applications from 315 to 434 MHz and 868 to 930 MHz. Typical applications include remote keyless entry (RKE), tire pressure monitoring systems (TPMS), garage door openers, home automation, alarm systems, personal identification and general short range communication. The key to serving this market lies in strong applications support as the RF engineering challenges are known to be quite specialized. Melexis has created strong internal RF application engineering centers in all major markets to ensure the best experience for our customers when they seek to upgrade their products to wireless operation.

RFID ICs

RFID is a means of automatic identification. Like barcoding it is an information acquisition technology. RFID consists of a sensing device which transmits via radio waves to a specially designed RFID tag, which replies with a radio message. Data within a tag identifies an item in manufacture, goods in transit, a specific vehicle, an animal or individual. Especially, RFID is known for use in automotive security as either keyless entry or engine immobilizer systems. RFID is also starting to be used for transmitting information such as tire pressure, and temperature from tires to the car.

Melexis has been an early innovator in so-called wireless sensing through its RFID products. The company's competitive advantage in wireless Sensing derives from low power consumption, high reading distance and a highly integrated design. Moreover Melexis can offer both tag and reader chips as a complete solution, simplifying system integration. Wireless temperature tracking of perishable goods is an example of the benefits possible from Melexis sensing capabilities and leading edge RFID expertise.

Melexis expertise in RF and RFID will be considered for the newly emerging challenges in Near Field Communication (NFC).

4.4 Optoelectronics

IR Sensors

Melexis continued this past year to extend its reach into the HVAC control systems of automobiles by ramping up shipments of its Infrared Thermometers to more customers and into more platforms. This technology is gaining consumer awareness as drivers and passengers learn to appreciate the quicker response to changing conditions like sunlight, shade, more passengers or fewer. As this awareness grows and the technology becomes a desired feature competing vehicle manufacturers are accelerating their programs for deploying IR based HVAC control systems.

Other future applications are windscreen mist-over detection (anti-fog), frost detection or seat occupancy detection for airbag systems. There is also growing interest from the industrial, medical and commercial market, where contactless temperature measurement is needed.
Another potential 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. This market can be very interesting for safety reasons when the air-conditioning systems in cars will work with CO2-gasses (expected in 2008).
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.
Melexis is expanding its IR-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. Demonstrators are available and industrialization of the production versions is underway.

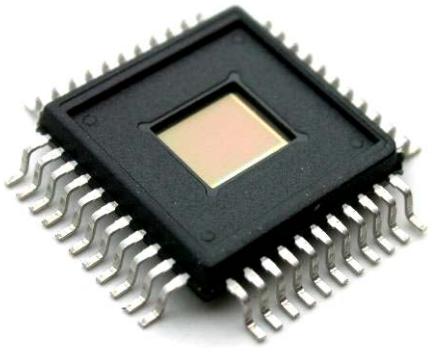
Optical Sensors

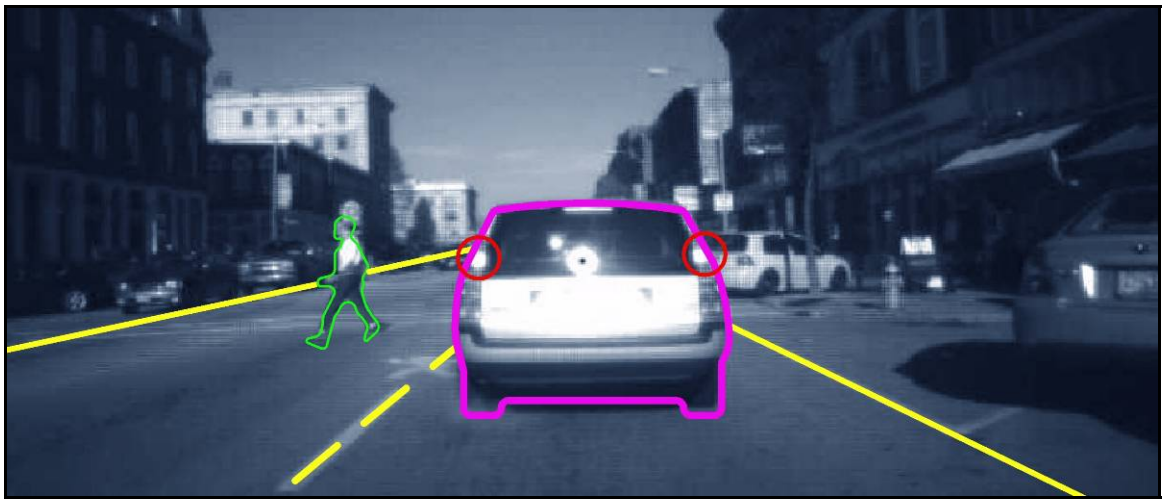
Since 2001, Melexis has been in full production with an automotive grade optical linear array IC. The Melexis linear array is the key sensing element for a high resolution and robust steering wheel position sensor, used as input for ESP (Electronic Stability Program) systems. These systems aid the driver in avoiding skids and loss of control on poor road surfaces or during emergency maneuvers. Following the first generation optosensor, used in the EPAS system, Melexis has designed a second generation. These new devices implement 2D linear arrays.

CMOS Imaging Sensors

Melexis has launched an improved version of its 2 automotive cameras. Key improvements are: sensitivity (both in the visible range and near IR), shutter efficiency, dynamic range, dark current (temperature range), programmability and ease of use. The cameras are designed for all the major automotive driver enhancement systems being promoted by Vehicle manufacturers for existing and future platforms. These include seat-occupancy detection, lane departure warning, blind spot detection, night vision and park assist.

Melexis has established many core competencies and considerable design experience with high-precision analog circuit design for signal conditioning, optical packaging and infrared (IR) receiver functions. These competencies have benefited both customers in the automotive and non-automotive markets. Melexis continues to work selectively in developing and delivering market leading optoelectronic components.





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 is to stay 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 analogue-digital semiconductor devices for the automotive sector. Electronics in the car will continue to grow. They allow carmakers to differentiate their cars from the competition by adding electronic comfort features, or offering higher standards of safety or economy.

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 the automotive industry

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 analogue-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 Quality

Melexis has demonstrated an integrated management system complying with the stringent requirements of ISO / TS 16949:2002 and ISO 14001. Melexis achieved the ISO/ TS 16949:2002 re-certification for the sites Ieper, Tessenderlo, Erfurt and Sofia in 2004. In addition the certification body also re-confirmed the fulfillment of the semiconductor specific requirements according to ISO/ TS 16949 Semiconductor Commodity.

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, 2004, 2003, 2002. The year 2004 has been audited by BDO Bedrijfsrevisoren BCV, the years 2003 and 2002 by Deloitte & Partners Bedrijfsrevisoren.

Consolidated Income statements

	31st December		
	2004	2003	2002
	EUR	EUR	EUR
Product sales	148.751.685	128.271.746	112.450.957
Revenues from Research and Development	4.583.254	5.277.438	5.740.295
Cost of sales	(90.479.760)	(76.365.213)	(67.819.291)
Gross margin	62.855.179	57.183.971	50.371.961
Unrealized exchange gains/loss on foreign exchange contracts	-	-	-
Goodwill Amortization	(555.689)	(740.919)	(991.279)
Research and development expenses	(22.457.478)	(18.749.812)	(16.614.561)
General and administrative expenses	(6.143.793)	(5.043.344)	(5.081.029)
Selling expenses	(4.751.358)	(4.727.943)	(4.794.638)
Other operating expenses (net)	-	-	-
Income from operations (EBIT)	28.946.861	27.921.954	22.890.454
Financial results (net)	25.003	427.089	1.760.466
Other (net)	-	-	-
Profit before taxes	28.971.864	28.349.043	24.650.920
Income taxes	(4.096.086)	(3.770.386)	(3.010.786)
Minority interest	-	-	-
Net profit	24.875.778	24.578.657	21.640.134

Condensed Consolidated Balance Sheets

	31st December		
	2004	2003	2002
	EUR	EUR	EUR
Current Assets	74.907.848	77.033.697	69.074.563
Non current assets	47.829.013	44.043.975	43.967.079
Long term liabilities	29.887.495	17.103.333	21.831.038
Short Term liabilities	37.982.164	17.820.928	4.343.173
Shareholders' equity	54.867.202	86.153.411	86.867.431

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) , for Sentron Ag the Swiss franc (CHF). Assets and liabilities of Melexis Inc., Melexis Branch Office, Sentron Ag, 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” (CTA) in the balance sheet.

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, 2004, 2003 and 2002.

6.3.1. Historic overview

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

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

The private shareholders sold their shares to ELEX NV, the 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 had increasingly deepened. US MikroChips’ Hall Sensor expertise coupled with Melexis’ integrated circuit technology allowed US MikroChips to effectively become one of the largest volume Hall IC producers in the world.

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

Melexis mainly 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 38 % of total sales of the X-FAB group.

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 is 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 ICs.

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.

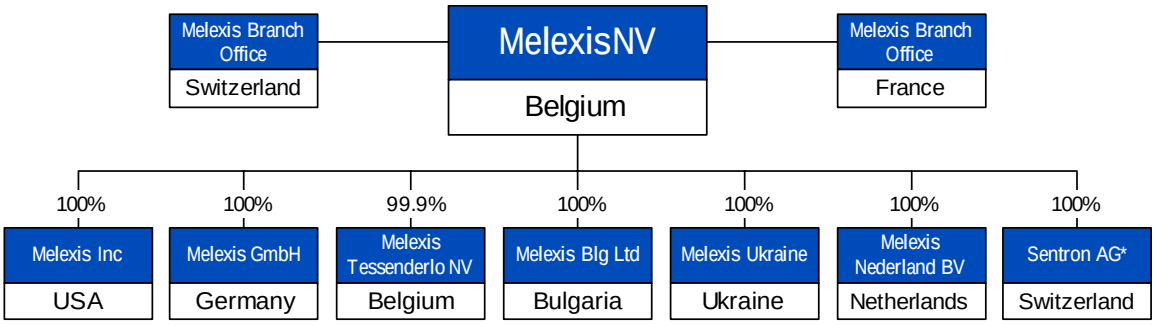
In May 2002, Melexis NV and its parent company, Elex NV, launched a Second Public Offering (SPO) on the Euronext Brussels stock exchange market. At this SPO, 7.500.000 existing shares were sold by the selling shareholder.

Since January 2003 Melexis NV is delisted from NASDAQ EUROPE.

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

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

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

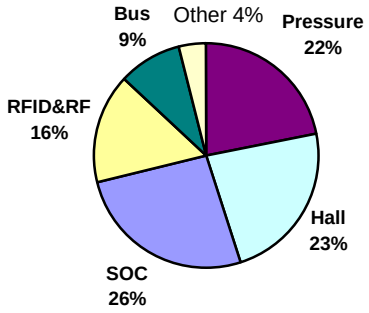


6.3.2. Results of operations

Revenues

For 2004 total revenues increased by 14.8 % as compared to 2003. The major relative increase can be found in the RF business unit and SOC business unit.
The largest business unit is SOC business unit (26 %), which includes both microprocessors and ASICS activities, followed by the Hall sensor product business unit (23%). The Pressure sensor product line is the third major business unit, realizing 22 % 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 2004, the company invoiced EUR 4.583.254 research and development costs to its customers, compared to EUR 5.277.438 in 2003 and EUR 5.740.295 in 2002.

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



	Years ended 31st December		
	2004 EUR	2003 EUR	2002 EUR
Systems-On-a-Chip	40.106.774	33.775.709	28.855.688
Hall Effect Devices	34.490.001	30.639.986	24.351.005
Pressure & Acc. Sensors	33.799.525	32.068.235	29.624.721
RFID&RF	24.570.517	15.548.249	15.806.083
Bus Systems	14.170.445	12.444.584	7.957.562
Other-miscellaneous	6.197.677	9.072.422	11.596.193
Total	153.334.939	133.549.184	118.191.252

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 67.819.291 in 2002 up to EUR 76.365.213 in 2003 and EUR 90.479.760 EUR. in 2004.
Expressed as a percentage of total revenues, the cost of sales was 59 % in 2004 compared to 57 % in 2003. The main reason for the increase in cost of sales is the change in product mix and the reduced R&D revenues.

Gross margin

The gross margin, as a percentage of total revenues, was at 41 % in 2004 compared to 43 % in 2003 and 2002. This was due to a shift in the product mix to lower margin products (because of strong growth in the RF unit), an adverse EUR/USD evolution during the second quarter and a lower level of R&D income.

Research and Development expenses

Research and development expenses amounted to EUR 22.457.478 in 2004, representing 15 % of total costs. The 20 % increase over 2003 includes the depreciation on the increase in intangible fixed assets of Sentron AG. 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 were stable during the year 2004.

Financial results

The net financial results (gains) decreased from EUR 427.089 to 25.003 EUR in 2004. The (net) interest result increased from a loss of EUR 63.051 in 2003 to a profit of EUR 237.927 in 2004. The net exchange gains (both realized and unrealized) in 2004 amounted to a loss of EUR 117.158, compared to EUR 722.141 profit during 2003.

Net income

The company recorded a net income for 2004 of EUR 24.875.778. This represents a 1 % increase compared to 2003, which is below the growth in sales from 2003 to 2004, mainly as a result of deteriorating gross margins.

6.3.3. Liquidity, Working Capital and Capital Resources

Cash and cash deposits amounted to EUR 16.296.964 as of 31 December 2004 , in comparison to EUR 14.127.504 as of December 31, 2003 and EUR 15.981.551 as of December 31, 2002.

In 2004, operating cash flow before working capital changes amounted to EUR 35.514.375. Working capital was positive, mainly as a result of better control over inventory levels, trade accounts receivables and accounts payable, resulting in a net operating cash flow of EUR 43.885.389.

The cash flow from investing activities was negative for 26.989.762 EUR, as a result of increased investments in fixed assets, the result of the purchase of own shares during the year 2004 and the acquisition of Sentron AG.

The cash flow from financing activities was negative for EUR 14.567.055. This is mainly the net result of on the one hand the payment of a dividend of EUR 11.943.401 and the capital decrease of EUR 31.298.074 at the end of December 2004, and on the other hand the increase of borrowings for EUR 26.681.488.

7. Selected Summary Financial Data

7.1. Detailed Consolidated Financial Statements

7.1.1. Independent Auditor's report

To the Shareholders of Melexis NV,

We have audited the consolidated balance sheet of MELEXIS NV and subsidiaries as of December 31, 2004, and the related consolidated statements of income, the consolidated statement of cash flows, the consolidated statement of changes in equity, the notes and the consolidated directors' report for the year then ended. These consolidated annual accounts have been prepared under the responsibility of the Board of Directors. The balance sheet total as of December 31, 2004 is EUR 122.736(000) and the profit for the year then ended is EUR 24.876(000).

The consolidated financial statements as of December 31, 2003 were audited by Deloitte.

Unqualified audit opinion on the consolidated annual accounts :

Our audit was made in accordance with the auditing standards of the Belgian Institute of Company Auditors. These require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated annual accounts are free of material misstatement, taking into account Belgian Law and regulations with respect to the consolidated annual accounts. In accordance with these standards, we have taken into consideration the administrative and accounting procedures and system of internal control of the company. We examined, on a test basis, evidence supporting the amounts and disclosures in the consolidated annual accounts. We also assessed the valuation rules, the principles of consolidation, significant accounting estimates made by management and the presentation of the consolidated annual accounts as a whole.
We received from the management of the company the information and explanations we requested.
We believe that these procedures provide a reasonable basis for our opinion.

In our opinion, based on our audits and the reports of other auditors, the annual accounts referred to above present fairly, in all material respects, the assets, liabilities and consolidated financial position of MELEXIS, NV and subsidiaries as of December 31, 2004, and the consolidated results of their operations, cash flows and statement of changes in equity for the year then ended in accordance with the accounting standards issued by the International Financial Reporting Standards Board and the information given in the notes to the consolidated annual accounts is adequate.

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, 2004 is in agreement with the consolidated annual accounts and includes the information required by the law;

- In accordance with applicable law and regulations, we confirm that the company's administrative organization is adapted to apply International Financial Reporting Standards as indicated above;

- Regardless of formal aspects of minor importance, the consolidated annual accounts are established in conformity with applicable law and regulations.

The Statutory Auditor,

BDO
Bedrijfsrevisoren BCV

_____
Koen De Brabander
April 5, 2005

7.1.2. Detailed Consolidated Financial Statements

Melexis NV Consolidated balance sheets

	31st December		
	2004	2003	2002
	EUR	EUR	EUR
Assets			
Current assets			
Cash, and cash equivalents (notes 7.2.4.a)	16.296.964	14.127.504	15.981.551
Current investments (notes 7.2.4.b)	-	-	-
Accounts receivable –trade (notes 7.2.4.c)	18.862.825	20.195.709	16.591.571
Accounts receivable –Related companies (notes 7.2.4.ab)	7.730.775	9.965.278	13.832.697
Inventories (notes 7.2.4.d)	25.379.362	27.754.465	19.654.346
Other current assets (notes 7.2.4.f)	6.637.922	4.990.741	3.014.398
Total current assets	74.907.848	77.033.697	69.074.563
Non current assets			
Intangible assets (notes 7.2.4.h)	4.883.050	1.516.973	1.968.858
Property, plant and equipment (notes 7.2.4.i)	36.644.511	36.551.703	35.152.186
Other non-current assets	107.894	-	-
Deferred taxes (notes 7.2.4.w)	6.193.558	5.419.610	5.549.427
Goodwill (notes 7.2.4.g)	-	555.689	1.296.608
Total non current assets	47.829.013	44.043.975	43.967.079
TOTAL ASSETS	122.736.861	121.077.672	113.041.642
Liabilities and shareholders' equity			
Current liabilities :			
Bank loans and overdrafts (notes 7.2.4.l)	-	3.333.333	3.816.741
Current portion of long-term debt (notes 7.2.4.m)	11.409.998	1.779.871	5.242.676
Accounts payable – trade	4.979.089	3.853.249	4.043.618
Accounts payable –related companies (notes 7.2.4.ab)	5.244.577	2.596.338	2.244.788
Accrued expenses, payroll and related taxes (notes 7.2.4.j)	6.227.711	3.882.564	4.417.832
Other current liabilities	704.573	88.466	501.321
Deferred income (notes 7.2.4.k)	1.321.547	1.569.512	1.564.062
Total current liabilities	29.887.495	17.103.333	21.831.038
Non current liabilities			
Long-term debt less current portion (notes 7.2.4.m)	37.981.152	17.596.459	4.342.112
Deferred tax liabilities	-	223.408	-
Minority interests	1.012	1.061	1.061
Total non current liabilities	37.982.164	17.820.928	4.343.173
Shareholders' capital	564.814	565.197	565.197
Share premium	-	30.135.419	30.135.419
Reserve treasury shares	(10.825.647)	(5.416.365)	(3.087.697)
Legal reserve	56.520	56.520	56.520
Retained earnings	41.658.886	37.234.017	37.914.671
Current year's profit	24.875.778	24.578.657	21.640.134
Cumulative translation adjustment	(1.463.149)	(1.000.034)	(356.813)
Total shareholders' equity (notes 7.2.4.n)	54.867.202	86.153.411	86.867.431
TOTAL LIABILITIES, SHAREHOLDERS' EQUITY AND MINORITY INTERESTS	122.736.861	121.077.672	113.041.642

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

Melexis NV Consolidated Income Statements

	31st December		
	2004	2003	2002
	EUR	EUR	EUR
Product sales	148.751.685	128.271.746	112.450.957
Revenues from Research and Development (notes 7.2.4.y)	4.583.254	5.277.438	5.740.295
Cost of sales (notes 7.2.4.p)	(90.479.760)	(76.365.213)	(67.819.291)
Gross margin	62.855.179	57.183.971	50.371.961
Unrealized exchange gains/loss on foreign exchange contracts	-	-	-
Goodwill Amortization	(555.689)	(740.919)	(991.279)
Research and development expenses (notes 7.2.4.q)	(22.457.478)	(18.749.812)	(16.614.561)
General and administrative expenses (notes 7.2.4.r)	(6.143.793)	(5.043.344)	(5.081.029)
Selling expenses (notes 7.2.4.s)	(4.751.358)	(4.727.943)	(4.794.638)
Other operating expenses (net) (notes 7.2.4.z)	-	-	-
Income from operations	28.946.861	27.921.954	22.890.454
			-
Financial income (notes 7.2.4.v)	5.049.748	6.344.004	9.504.543
Financial charges (notes 7.2.4.v)	(5.024.745)	(5.916.915)	(7.744.077)
Other expenses (net)	-	-	-
Income before taxes	28.971.864	28.349.043	24.650.920
Income taxes (notes 7.2.4.w)	(4.096.086)	(3.770.386)	(3.010.786)
Minority interest	-	-	-
Net income of the period	24.875.778	24.578.657	21.640.134
Earnings per share (Note 7.2.4.x)	0.56	0.54	0.47

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
Net income					24.578.657			25.578.657
CTA movement							(643.221)	(643.221)
Interim dividend					(22.320.788)			(22.320.788)
Reserve treasury shares						(2.328.668)		(2.328.668)
December 31,2003	45.600.000	565.197	30.135.419	56.520	61.812.674	(5.416.365)	(1.000.034)	86.153.411
Net income					24.875.778			24.875.778
CTA movement							(463.115)	(463.115)
Dividend					(11.943.402)			(11.943.402)
Reserve treasury						(5.409.282)		(5.409.282)
Destruction own shares					(8.210.386)			(8.210.386)
Capital increase		32.255.905	(30.135.419)					2.120.486
Capital decrease		(32.256.288)						(32.256.288)
December 31,2004	44.565.195	564.814	-	56.520	66.534.664	(10.825.647)	(1.463.149)	54.867.202

Since November 2002 , Melexis NV has given order to a bank to start a share buy back program.
In 2002 Melexis NV repurchased 530.000 shares and 428.482 in 2003 at an average price of 5.73 EUR in 2002 and 5.43 EUR in 2003. In 2004 Melexis NV repurchased 430.000 shares over-the-counter(OTC) at an average price of 8.90 EUR, from which 310.000 shares were purchased from Elex NV. Melexis NV also repurchased 969.658 shares at an average price of 8.89 EUR on the regulatory stock market. The total own shares in 2004 amounted to 1.399.658 shares representing 3.14 % of the total outstanding shares.
In accordance with IFRS, the treasury shares are presented as a deduction from equity.
During the annual meeting on April 20, 2004 it was decided to cancel 1.034.805 treasury shares, bringing the total outstanding shares to 44.565.195 at the end of 2004.
Melexis NV Extraordinary Shareholders Meeting at October 4, 2004 decided to increase the capital, bringing it from EUR 565.197 to EUR 32.821.102, by means of incorporation in the capital of the issue premiums for an amount of EUR 32.255.905. It was then decided to decrease the capital by an amount of EUR 32.256.288, by repayment to each existing share of an amount of EUR 0.72.
It was also decided to pay an additional gross dividend to the shareholders of EUR 0.28 per share.

Melexis NV Consolidated Statements of Cash Flows

(indirect method)	31st December 2004 EUR	2003 EUR	2002 EUR
Cash flows from operating activities :			
Net profit	24.875.778	24.578.657	21.640.134
Adjustments for:			
Operating activities:			
Deferred taxes	(997.356)	353.225	(1.522.427)
Unrealized exchange gains	(298.764)	1.973.138	2.106.823
Reserve for uncollectible receivables	(527.262)	713.105	658.333
Government grants	(247.965)	(850.471)	(2.491.621)
Depreciation	11.969.185	10.355.983	9.125.270
Amortization Goodwill	555.689	740.919	991.279
Income tax	-	3.417.161	4.533.213
Income taxes paid	-	(4.669.830)	(4.496.003)
Unrealized exchange results	-	-	-
Financial results	185.070	63.051	(2.086.834)
Operating profit before working capital changes:	35.514.375	36.674.938	28.458.167
Accounts receivable, net	1.733.321	(5.581.056)	(1.254.700)
Accounts receivables, affiliates	-	1.626.115	(3.778.098)
Other current assets	(1.647.191)	132.248	3.514.928
Other non-current assets	(107.893)	-	320.175
Due to (from) related companies	2.895.834	-	-
Accounts payable	1.128.282	109.631	84.690
Accrued expenses	2.343.165	(535.268)	419.361
Other current liabilities	616.107	(412.856)	264.155
Inventories	2.186.564	(8.347.569)	(4.030.840)
Interest paid	(782.616)	(805.878)	(1.796.388)
Income tax	5.441	-	-
Net cash from operating activities	43.885.389	22.860.305	22.201.450
Cash flows from investing activities :			
Treasury shares	(12.457.002)	(2.328.668)	(3.087.697)
Purchase of property plant and equipment and intangible assets	(10.781.219)	(11.303.615)	(14.585.265)
Interest received	896.310	742.827	3.109.103
Proceeds from current investments	-	-	4.144.328
Acquisition of subsidiary	(4.646.851)	-	-
Net cash used in investing activities	(26.988.762)	(12.889.456)	(10.419.531)
Cash flows from financing activities :			
Proceeds from long-term debt	30.014.821	-	1.825.247
Repayment of long-term debt	-	-	(5.167.038)
Proceeds from bank loans and overdrafts		9.308.134	1.876.614
Repayment of bank loans and overdrafts	(3.333.333)	-	(1.997.610)
Proceeds from (repayment of) related party financing	1.992.932	1.292.854	17.031.228
Dividend payment	((11.943.401)	(22.320.788)	(22.800.000)
Other		-	311
Capital decrease	(31.298.074)	-	-
Net cash used in financing activities	(14.567.055)	(11.719.800)	(9.231.248)
Effect of exchange rate changes on cash and cash equivalents		(105.096)	(85.367)
(Decrease) increase in cash and cash equivalents	2.169.460	(1.854.047)	2.465.304
Cash and cash equivalents at beginning of period	14.127.504	15.981.551	13.516.247
Cash, cash equivalents at end of period	16.296.964	14.127.504	15.981.551

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

The Melexis group of companies employed, on average, 643 people in 2004, 550 people in 2003, and 445 people in 2002.

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 14 February 2005 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, 2004.

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

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

Measurement currency

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

Foreign currency

Foreign currency transactions

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

Foreign currency translation

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

Assets and liabilities of Melexis Inc., Melexis Ukraine, Melexis Bulgaria Ltd and Sentron AG, 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 inter-company profits and unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidation scope includes Melexis NV, its subsidiaries Melexis Tessenderlo NV, Melexis Ukraine, Melexis BV (incorporated respectively in 1999, 2000 and 2001), Melexis Inc. (formerly US MikroChips Inc), which was acquired in the last quarter of 1997, Melexis GmbH, previously known as Thesys Mikroelektronik Produkte GmbH, which was acquired in October 1999, Melexis Bulgaria Ltd., which was acquired in October 2000, and Sentron AG which was acquired in February 2004.

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 5 years.

Goodwill

The excess of the cost of an acquisition over the company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the balance sheet. The identifiable assets and liabilities recognized upon acquisition are measured at their fair values as at that date. Any minority interest is stated at the minority's proportion of the fair values. Any goodwill arising on the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign entity are treated as assets and liabilities of the company. Goodwill is carried at cost less accumulated 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. As per December 31, 2004 goodwill is completely amortized.

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

Income taxes

The income tax charge is based on profit for the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.
The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to reverse. Deferred tax assets are not discounted and are classified as non current assets in the balance sheet.
Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized.
A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortization is not deductible for tax purposes.

Impairment of assets

Property, plant and equipment, intangible assets and goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.
Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or has decreased.

Segments

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

Contingencies

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

Subsequent events

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

Earnings per share

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

7.2.3. Changes in Group's Organization

Begin February 2004 Melexis NV acquired Sentron AG, a swiss company . This company is mainly active in the development of Magnetic Sensor product development.

7.2.4. Notes

A Cash and cash equivalents

	31st December		
	2004 EUR	2003 EUR	2002 EUR
Cash at bank and in hand	16.296.964	8.127.504	15.981.551
Cash equivalents		6.000.000	-
Total	16.296.964	14.127.504	15.981.551

B Current investments

	31st December		
	2004 EUR	2003 EUR	2002 EUR
Acquisition cost	-	-	-
Fair value	-	-	-

C Trade receivables

	31st December		
	2004 EUR	2003 EUR	2002 EUR
Trade accounts receivable	20.813.038	21.833.395	18.531.959
Allowance for doubtful accounts	(1.950.213)	(1.637.686)	(1.940.388)
Total	18.862.825	20.195.709	16.591.571

D Inventories

	31st December		
	2004 EUR	2003 EUR	2002 EUR
Raw materials and supplies, at cost	3.814.415	2.315.026	3.375.834
Work in progress, at cost	14.183.544	17.279.329	10.432.252
Finished goods, at cost	7.455.771	8.234.478	5.920.628
Reserve for obsolete stock	(74.368)	(74.368)	(74.368)
Net	25.379.362	27.754.465	19.654.346

E Derivatives

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

		2004	2003	2002
Outstanding forward contracts(sales) per 31st December, not exceeding 1 year	USD	10.000.000	20.490.000 -	20.000.000 -

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					
	2004		2003		2002	
	Cost EUR	Fair value EUR	Cost EUR	Fair value EUR	Cost EUR	Fair value EUR
Outstanding forward contracts per 31st December	7.332.5871	7.333.529	16.262.061	16.249.988	19.148.080	19.141.504

F Other Current Assets

31st December

	2004 EUR	2003 EUR	2002 EUR
Derivatives-fair value	-	-	-
Other receivables	6.572.192	4.806.666	2.798.798
Prepaid expenses	65.730	184.075	215.600
Total other current assets	6.637.922	4.990.741	3.014.398

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, 2004 was as follows:

Gross amount at December 31, 2003	4.968.783
Additions of the year	-
Gross amount at December 31, 2004	4.968.783
Accumulated amortization at December 31, 2003	(4.413.094)
Amortization of goodwill of Thesys Mikroelektronik Produkte GmbH:	(555.689)
Accumulated amortization at December 31, 2004	(4.968.783)
Net book value at December 31, 2004:	0

H Intangible Assets

Year ended 31st December 2004	Licenses EUR	Total EUR
Acquisition value		
Balance end of previous period	2.744.843	2.744.843
Additions of the period	4.737.131	4.737.131
Retirements(-)	-	-
Transfers	-	-
CTA	-	-
TOTAL	7.481.974	7.481.974
Depreciation		
Balance end of previous period	1.516.973	1.516.973
Additions of the period	1.081.951	1.081.951
Retirements(-)	-	-
Transfers	-	-
TOTAL	2.598.924	2.598.924
Net book value - 31st December, 2004	4.883.050	4.883.050

During the year 2004, Sentron AG was acquired. The surplus paid for the acquisition was allocated to the intangible assets (licenses) and depreciated over 5 years.

I Property, plant and equipment

				31st December	
	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed assets under Construction	Total
Year ended 31st December	EUR	EUR	EUR	EUR	EUR
Cost:					
Beginning of the period	14.528.784	62.634.859	3.008.825	86.313	80.258.781
Additions of the year	212.079	9.480.535	1.307.884	454.199	11.454.697
Retirements		(1.942.472)	(373.938)	-	(2.316.410)
Transfers	-	-	-	(86.313)	(86.313)
CTA	(283.514)	12.804	-		(270.710)
End of the period	14.457.349	70.185.726	3.942.771	454.199	89.040.046
Accumulated depreciation:					
Beginning of the period	1.803.892	39.996.204	1.906.981	-	43.707.077
Additions of the period	566.899	9.202.060	807.339	-	10.576.298
Retirements	-	(1.531.890)	(344.246)	-	(1.876.136)
Transfers	-	286.764	(286.764)	-	-
CTA	(11.702)	-		-	(11.702)
End of the period	2.359.088	47.953.138	2.083.310	-	52.395.535
Net book value - 31st December, 2004	12.098.261	22.232.590	1.859.462	454.199	36.644.511

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		
	2004	2003	2002
	EUR	EUR	EUR
Vacation pay accruals	1.848.847	979.103	702.602
Other social accruals	402.954	948.283	881.758
Advance payments	-	149.530	12.655
Commissions	100.000	125.000	73.668
Servicing costs	-	-	-
Direct and indirect taxes	3.875.709	1.154.388	2.360.018
Other	-	526.260	387.131
Total	6.227.510	3.882.564	4.417.832

K Deferred Income

	31st December		
	2004	2003	2002
	EUR	EUR	EUR
Capital grants	1.321.547	1.569.512	1.564.062
Total	1.321.547	1.569.512	1.564.062

L Bank loans and overdrafts

	31st December		
	2004 EUR	2003 EUR	2002 EUR
Secured(1)	-	3.333.333	-
Unsecured	-	-	3.816.741
Total	-	3.333.333	3.816.741

(1) The bank loan is secured by a proxy on the business concern of Melexis Tessenderlo NV and Melexis NV for an amount of EUR 1.250.000. Melexis has the irrevocable commitment not to mortgage its real estate.

M Long-term debts

Long-term debts consist of the following:

	31st December		
	2004 EUR	2003 EUR	2002 EUR
Secured			
Bank loan (in CHF) at floating interest rate ; average rate for the period 2004 was 3.75 % (1) ;maturing in 2019	486.098	513.512	585.238
Bank loan (in CHF) at floating interest rate; average rate for the year was 6.11 % ; repaid in 2004	0	144.425	309.832
Bank loan (in EUR) at floating interest rate till 2032; average rate for the year 2004 was 2.93 % (2) (average rate 2003: 3.71%)	3.039.998	3.146.666	2.439.718
Bank Loan ((in EUR) at fixed interest rate of 4.8 % (3);maturing in 2008	260.000	340.000	
Bank Loan (in USD) at fixed rate of 6 % (4);maturing 2018	205.194	231.727	
Bank Loan (in EUR) at floating interest of 2.947 %);maturing 2006(5)	5.625.000	5.000.000	
Bank loan (in EUR) at floating intrest rate; average rate for the year was 2.947 %; maturing in 2009 (5)	10.000.000	-	-
Bank loan (in EUR) at floating interest rate; average rate for the year was 3.158 %; maturing in 2009 (6)	20.000.000	-	-
Bank loan in (EUR) at floating interest rate; average rate for the year was 3.158 %;maturing in 2009(5)	9.775.000	-	-
Total secured loans	49.391.290	9.376.330	3.334.788
Unsecured loan			
Bank loan (in EUR) at floating interest rate; average rate for the year was 2.6 % (average rate 2002: 3.95 %); – repaid in 2003	-		6.250.000
Bank loan (in EUR) at floating interest rate; average rate for the year was 2.6 % - maturing in 2006.	-	10.000.000	
Total	-	10.000.000	6.250.000
Total long-term debt	49.391.290	19.376.330	9.584.788
Less current maturities	11.409.998	1.779.871	5.242.676
Long-term portion of long-term loans	37.981.152	17.596.459	4.342.112

(1) As at December 31, 2004 Melexis Branch Office in Switzerland has long-term loan for a total amount of respectively CHF 750.000 with a Swiss commercial bank. The loan is secured by a mortgage on the building of Bevaix, Switserland.

(2) 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.

(3) Company concluded a secured loan for an amount of EUR 400.000 to finance investments in equipment. This loan is secured by a guarantee machinery for USD 1.14 MIO and a guarantee of Melexis NV of EUR 2.25 MIO.

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

(5) Company concluded a secured loan for an amount of EUR 10 MIO. This loan is secured by a proxy on the business concern of Melexis Tessenderlo NV and Melexis NV for an amount of EUR 1.250.000 and will be secured by a mandate to grant lien of the current/floating assets of Melexis Nv/Melexis Tessenderlo, for an amount of EUR 10 MIO in capital.
Melexis NV has the irrevocable commitment not to mortgage its real estate.

(6) Company concluded a secured loan for an amount of EUR 20 MIO. This loan is secured by a mandate to grant a lien on the current/floating assets of Melexis Nv and Melexis Tessenderlo for an amount of EUR 20 mio in capital. Melexis NV undertakes not to mortgage, assign, lease its real estate.

As of December 31, 2004 Melexis NV has engaged itself to the following financial covenants:

minimum solvency-ratio of 35 % on a consolidated basis.
minimum net financial debt / Ebitda < 1.7

Repayments of long-term debt are scheduled as follows:

	31st December		
	2004 EUR	2003 EUR	2002 EUR
2002		-	-
2003	-	-	5.242.676
2004	-	1.779.871	1.546.010
2005	11.409.999	7.104.837	141.093
2006	12.572.499	6.949.271	141.093
2007	7.728.749	231.246	141.093
2008	7.668.749	172.016	-
2009	5.773.749		
Thereafter	4.237.405	3.139.089	2.372.823
TOTAL	49.391.291	19.376.330	9.584.788

N Shareholders' equity and rights attached to the shares

As of 31st December 2004, the common stock consisted of 44.565.195 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 government grants consist of capital grants and operational grants. The capital grants are taken in otherI income in relation to the depreciation period of the underlying assets. The operational grants are recorded in other income when acquired..

31 December	2004 EUR	2003 EUR	2002 EUR
Investment grants in building, machinery and employment grants	1.069.112	871.384	1.516.332
Grants for research and development	873.488	1.554.490	975.289
Total	1.942.600	2.425.874	2.491.621

P Cost of sales

Cost of sales comprises of the following expenses:

Cost of Sales	31st December 2004 EUR	2003 EUR	2002 EUR
Purchases	68.689.221	53.179.064	47.015.735
Transportation costs	1.747.451	1.505.680	1.383.668
Salaries	7.740.523	6.142.602	6.841.860
Depreciation and amortization	7.173.438	7.322.020	6.732.055
Other direct production costs	5.129.127	8.215.847	5.845.973
Total	90.479.760	76.365.213	67.819.291

Q Research and development expenses

Research and development expenses include the following expenses:

Research and development costs	31st December 2004 EUR	2003 EUR	2002 EUR
Salaries	11.938.298	11.164.709	8.044.261
Depreciation and amortization	3.870.668	2.481.535	2.133.662
Other	6.648.513	5.103.568	6.436.638
Total	22.457.479	18.749.812	16.614.561

R General and administration expenses

General and administration expenses include of the following expenses:

General and administrative expenses	31st December 2004 EUR	2003 EUR	2002 EUR
Salaries	1.965.718	1.345.972	1.002.641
Depreciation and amortization	800.049	497.411	231.869
Other	3.378.027	3.199.961	3.846.519
Total	6.143.794	5.043.344	5.081.029

S Selling expenses

Selling expenses are analyzed as follows:

Selling expenses	31st December 2004 EUR	2003 EUR	2002 EUR
Salaries	2.046.251	1.706.286	1.796.830
Depreciation and amortization	120.129	55.017	27.684
Commissions	783.162	417.792	920.838
Other	1.801.816	2.548.848	2.049.286
Total	4.751.358	4.727.943	4.794.638

T Personnel expenses and average number of employees

	31st December 2004 EUR	2003 EUR	2002 EUR
Wages and salaries	23.690.790	20.359.569	17.385.592
Total	23.690.790	20.359.569	17.385.592

The average number of employees is 643 in 2004 , 550 in 2003, 445 in 2002.

U Depreciation and amortization expenses

	31st December		
	2004	2003	2002
	EUR	EUR	EUR
Property, plant and equipment			
Cost of sales	7.173.438	7.322.020	6.732.055
Research and development	3.870.668	2.481.535	2.133.662
General and administration	800.049	497.411	231.869
Selling	120.129	55.017	27.683
Total	11.964.284	10.355.983	9.125.270

V Financial Results – Net

	31st December		
	2004	2003	2002
	EUR	EUR	EUR
Financial income:	5.049.748	6.344.004	9.504.543
- interest income	1.080.520	742.827	3.109.103
- exchange differences	3.817.878	5.599.488	5.616.810
- fair value valuation	-	-	-
- gain on shares	-	-	774.119
- dividend	-	-	-
- other	151.350	1.689	4.511
Financial charges:	5.024.745	5.916.915	7.744.077
- interest charges	834.051	805.878	1.796.388
- bank charges	225.895	210.386	73.703
- exchange differences	3.940.165	4.877.297	5.851.011
- less value on shares	-	-	-
- other	24.634	23.353	22.976
Net financial results	25.003	427.089	1.760.466

W Income taxes

The income tax expense can be detailed as follows:

	31st December 2004 EUR	2003 EUR	2002 EUR
Current tax expenses	(5.122.007)	(3.501.007)	(4.533.213)
Deferred tax income	1.025.922	(269.379)	1.522.427
	(4.096.085)	(3.770.386)	(3.010.786)

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. Applicable tax regime changed from 40.17 % to 33.99 % from year 2003 onwards.

In 1999, Melexis NV sold part of its business to its wholly owned subsidiaries Melexis Tessenderlo NV and to Melexis GmbH (previously known as 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 Melexis GmbH 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 statutory financial statements of approximately EUR 20 million. These goodwill amounts, which are eliminated in consolidation, result in tax deductible amortization charges at Melexis Tessenderlo NV and Melexis GmbH, which can be offset against future profits. The company recognized a deferred tax asset of EUR 6.027.000 to represent the budgeted usage of the temporary difference over the coming year, 2005. Company's unrecognized deferred tax asset relating to amortization of goodwill amounts to EUR 8 million.

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

	31st December 2004 EUR	2003 EUR	2002 EUR
Accounting profit	28.971.864	28.349.043	24.650.920
Expected taxes	10.319.719	9.976.507	9.902.275
Use of tax losses	(1.550.210)	(1.486.046)	(1.739.534)
Tax effect of non taxable income			
Goodwill Melexis Tessenderlo	(4.596.129)	(4.528.149)	(4.836.553)
Goodwill Melexis Gmbh	(380.109)	(509.257)	(389.796)
Gain on shares	-	-	(310.964)
Tax effect of disallowed expenses	302.821	278.158	393.500
Tax credits from previous years	-	(630.225)	(8.142)
Deferred taxes not recognized	-	669.398	-
Effective taxes	4.096.086	3.770.386	3.010.786

Components of deferred tax assets are as follows:

	1 January 2004	Charged to income statement	Cumulative Translation Adjustment	31 Dec. 2004
	EUR	EUR	EUR	EUR
Tax amortization charges	5.027.000	1.000.000	-	6.027.000
Tax losses	392.610	(197.486)	(28.565)	166.558
Total	5.419.610	802.514	(28.656)	6.193.558

Components of deferred tax liabilities are as follows:

	1 January 2004	Charged to income statement	Cumulative Translation Adjustment	31 Dec. 2004
	EUR	EUR	EUR	EUR
Inventories deductible	(140.600)	140.600	-	0
Fixed assets	(82.808)	82.808	-	0
Total	(223.408)	223.408	-	0

X Earnings per shares

Basic earnings per share are calculated by dividing the net profit for the period attributable to ordinary shareholders of EUR 24.875.778 in 2004 , EUR 24.578.657 in 2003 and in 2002 EUR 21.640.134 by the weighted average number of ordinary shares outstanding during the period (44.565.195 in 2004, 45.600.000 in 2003 and 2002).

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 NV.

	31st December		
	2004 EUR	2003 EUR	2002 EUR
Research and development revenues-product developments	4.583.254	5.277.438	5.740.295
Research and development revenues – other	-	-	-
Total research and development revenues	4.583.254	5.277.438	5.740.295

Z Other operating expenses

	31st December		
	2004 EUR	2003 EUR	2002 EUR
Other operating expenses	-	-	-
Total	-	-	-

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, Asia and the United States.

Business segment data

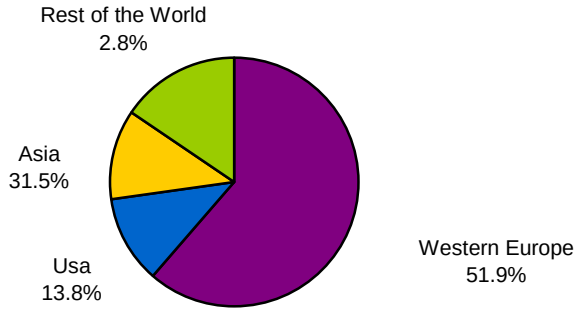
All amounts in 1.000 EUR	Automotive	Other	Unallocated	Total
Product sales	108.028	40.724		148.752
Other revenues	3.992	591		4.583
COS	61.470	29.010		90.480
Goodwill amortization	-	-	556	556
R&D expenses	16.394	6.063		22.457
G&A expenses	4.485	1.659		6.144
Selling expenses	3.468	1.283		4.751
Other operating expenses	-	-		-
Income from operations				28.947
Financial results				25
Taxes				(4.096)
Net profit				24.876
Segment assets	59.126	21.868	41.743	122.737
Capital expenditures	7.870	2.911		10.781
Depreciation	8.737	3.232		11.969

Geographical segment data

All amounts are in 1.000 EUR	Western Europe	Eastern Europe	US	Total
Revenue by origin	145.643	1.179	6.513	153.335
Segment assets	108.722	10.253	3.762	122.736

The following table summarizes sales by destination:

	2004 EUR	2003 EUR	2002 EUR
Western Europe	79.496.062	82.006.921	78.685.830
Germany	34.066.920	41.471.213	40.458.890
France	19.644.599	17.033.862	16.978.387
United Kingdom	17.397.859	18.072.266	15.349.359
Belgium	407.300	360.780	944.102
Austria	1.042.500	1.677.940	1.630.054
Netherlands	1.439.145	1.712.089	2.133.946
Other	5.498.034	1.678.769	1.191.092
United States of America	21.222.135	15.207.569	15.453.924
Asia	48.306.720	32.618.184	21.311.537
Japan	13.093.784	15.688.523	12.144.355
China	700.331	125.414	192.962
Other	34.512.605	16.804.246	8.974.220
Rest of the World	4.310.022	3.716.511	2.739.961
Total	153.334.939	133.549.184	118.191.252



Revenues by customer

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

	Years ended 31st December		
	2004 %	2003 %	2002 %
Customer A	16	16	18
Customer B	14	14	13
Customer C	7	7	8
Customer D	9	7	9
Customer E	6	6	7
Customer F	4	5	2
Customer G	2	3	3
Customer H	2	3	3
Customer I	2	1	2
Customer J	2	1	1
TOTAL	63	63	66

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
Melexis French branch	French branch
Sentron AG	Swiss entity

The shareholders of Melexis NV are as follows:

As of 31 December 2004 Elex NV owns 48.57 % of the outstanding shares (38.95 % of the outstanding shares are not listed on Euronext Brussels). 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 NV.

Elex NV also owns 75 % of the outstanding shares of EPIQ NV. EPIQ NV is listed on Euronext 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 group , producer of wafers that are the main raw materials for the Melexis products. As in prior years, the X-FAB group is a major supplier for Melexis. X-Fab sells the majority of its products also to third parties.

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

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.
In 2004, the Board of Directors has not identified new transactions in this matter.

2. Outstanding balances at year-end

As of December 31, 2004 and 2003, the following balances were outstanding:

Receivables:

On	31st December 2004	2003	2002
Elex	500	-	1.742.006
Epiq group	2.401.078	3.390.507	4.204.235
Xfab group	4.415.599	6.408.532	7.436.404
Xpeqt group	688.385	-	450.052
Other	225.213	166.239	-
TOTAL	7.730.775	9.965.278	13.832.697

Payables:

On	31st December 2004	2003	2002
Elex NV	91.522	480.561	-
Epiq group	162.600	17.727	12.437
Xfab group (a subsidiary of Elex NV)	4.660.526	1.345.321	1.859.180
Xpeqt group	335.953	752.729	373.171
TOTAL	5.250.601	2.596.338	2.244.788

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	2004	2003	2002
Epiq group (mainly IC's)	10.377.964	11.689.910	10.872.951
Xpeqt group	28.818	69.954	136.176
Xfab group (mainly test & assembly services)	2.217.718	3.431.751	4.067.550

Purchases from	2004	2003	2002
Xfab group (mainly wafers)	56.362.751	54.765.678	43.458.666
Epiq group (mainly assembly)	365.168	411.436	940.478
Xpeqt group (mainly equipment and goods)	1.700.524	3.745.468	3.798.169
Elex (mainly IT infrastructure)	386.262	95.295	403.642

B. Sales/purchases of services

Sales to	2004	2003	2002
Elex (mainly R&D services and rent)	80.909	211.113	168.250
Xpeqt group (infrastructure office building)	85.488	35.000	513.450
X-Fab group (mainly R&D services)	824.917	304.290	305.910
EPIQ group (infrastructure office building)	31.809	3.000	-

Purchases from	2004	2003	2002
Elex N.V. (mainly IT and related support)	1.031.740	1.090.535	1.137.015
Epiq group	29.396	-	-
Xpeqt group	591.141	-	-

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

The (unaudited) consolidated result for the X-FAB group is estimated to be EUR 6.7 mio.
Equity is estimated at EUR 132.6 mio (unaudited).

The consolidated result for the EPIQ group is estimated to be break-even (unaudited), in 2004 mainly as a result of the restructuring actions undertaken during the year 2004 . Equity is estimated at EUR 14.7 mio.(unaudited).

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 respectively EUR 30.000 in 2004 and EUR 40.727 in 2003 for services performed.

AC Financial instruments

Financial risk management

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

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, 2004 was minimum since their deviation from their respective fair values was not significant.

AD Commitments

As of 31st December 2004, the company had purchase commitments for tangible fixed assets amounting to EUR 286.192. As of 31st December 2003, the company had purchase commitments for tangible fixed assets amounting to EUR 279.122.

AE Litigation

The company is currently not subject to any legal proceeding.

AF Auditor's Services

The company has incurred no non-audit fees in 2004 to its statutory auditor or related companies.

AG Reserves Post-retirement Benefits

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

AH Subsequent events

Melexis NV has decided to set up a branch in the Phillippines.

AI 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%
Sentron AG	Switserland	R&D	100%

8. Corporate Governance

Next to the General Shareholder's meeting, the main policy-making bodies of the Group are the Board of Directors and the Board of management.

Board of Directors

Composition of the Board of Directors

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

The board is chaired by Roland Duchâtelet.

The directors of the company are :

Name	Age	Position
Roland Duchâtelet	58	Chairman of the Board and Director
Rudi De Winter	44	Vice Chairman of the Board and Managing Director, Chief Executive Officer (CEO)
Françoise Chombar	42	Managing Director, Chief Executive Officer (CEO)
Steve Hix	68	Director (non-executive)
Simon Middelhoek	74	Director (non-executive)
Triakon Nv, represented by Lucien De Schamphelaere	73	Director (non-executive)

Mr. Steve Hix, Mr. Simon Middelhoek and Triakon Nv, represented byMr. Lucien De Schamphelaere are independent directors.

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 NV. He holds a degree as Electronics Engineer, Applied Economics and an MBA from the University of Leuven.

Mr. Rudi De Winter was private shareholder of the company since April 1994. He has served as acting Chief Executive Officer since 1996 and as Managing Director since 1996. Prior to that date, Mr. De Winter has served as development engineer at Mietec Alcatel (Belgium) from 1984 to 1986 and as development manager at Elmos GmbH (Germany) from 1986 to 1989. In 1990, Mr. De Winter became director together with Mr. Duchâtelet of 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 Executive Officer, are married.

Ms. Françoise Chombar has served as acting Chief Operating Officer since 1994. Prior to that date, she served as planning manager at Elmos GmbH (Germany) from 1986 to 1989. From 1989 she served as operations manager and director at several companies within the Elex group. Ms. Chombar became director in 1996. She holds a master's degree as Interpreter in Dutch, English and Spanish from the University of Gent. In 2004 Ms. Chombar was appointed Chief Executive Officer for operations, sales and human resources.

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, Materialize 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.

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.

Directors Remuneration

The overall amount paid to the directors amounts to 30k EUR.

Committees of the Board of Directors

Audit Committee

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

The Audit Committee meets twice a year.

Remuneration Committee

The Remuneration Committee consists of three non-executive members, Roland Duchâtelet, Chairman, Simon Middelhoek, independent director and Lucien Deschampelaere, independent director.

Management

Composition of the Management

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

Managements remuneration

The overall gross payment paid to management during 2004 amounted to 160 k EUR.

Dividend Policy

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

Gross (interim-) dividend payed out per share in

1999 : 0.30 EUR interim dividend
2002 : 0.50 EUR interim dividend
2003 : 0.50 EUR interim dividend
2004 : 0.2762 EUR dividend and 0.7238 EUR capital decrease

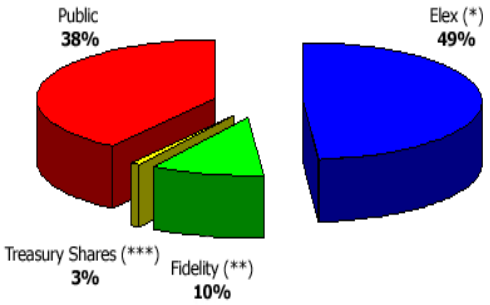
Auditor

During the General Shareholder"s meeting on April 20th, 2004 a new auditor BDO Bedrijfsrevisoren BCV, represented by Koen De Brabander, was appointed for a period of 3 years.

9. Shareholder Information

Listing	**Euronext**
Reuters ticker	**MLXS.BR**
Bloomberg ticker	**MELE BB**

9.1 Shareholder Structure



Company	NumberOf Shares	Participation Rate
Elex	21.644.399	48.57%
Fidelity	4,643,473	10.42%
Treasury Shares	1.323.335	2.96%
Public	16,953.988	38.05%
Total	44,565,195	100%

9.2 Share Information

First day of listing	10 October 1997
Number of shares outstanding on Dec 31, 2004	44.565.195
Market capitalization on Dec 31, 2004	401.532.mio EUR

(Euro)	2004	2003	2002	2001	2000	1999
Earnings per share	0.56	0.54	0.47	0.45	0.38	0.31
Cashflow per share	0.84	0.78	0.70	0.64	0.53	0.27
Gross Dividend (*)	0.28	0.50	0.50	-	-	0.30
Year end price	9.01	9.40	5.89	8.43	14.95	10.80
Year's high	10.76	9.90	9.10	15.00	19.00	12.56
Year's low	8.40	5.10	5.00	5.13	11.62	8.85
Average volume of shares traded/day	39.690	41.593	36.374	35.533	98.304	23.127

(*) in 2004 also a capital decrease of 0.72 EUR per share was paid out

9.3 Shareholder Contact Info

Karen van Griensven
Chief Financial Officer
Rozendaalstraat 12, B-8900 Ieper, Belgium
www.melexis.com/investor.asp

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

9.4 Financial Calendar 2005

Announcement of Preliminary Annual Results	February 15, 2005
Annual Shareholder's Meeting	April 20, 2005
Announcement of Q1 results	May 3, 2005
Announcement of Half Year Results	August 2, 2005
Announcement of Q3 results	November 8, 2005

10. Condensed statutory financial statements

The following data sets forth a short version of the statutory financial data of Melexis NV which has been audited and approved by the auditors BDO BCV.
The full statutory financial statements can be obtained at the registered office of the company at Rozendaalstraat 12, 8900 Ieper.

Statutory Balance Sheet	For the years ended December 31st		
in 1.000 EUR	2004	2003	2002
ASSETS			
FIXED ASSETS	129.160	125.806	125.896
I. Formation expenses	-	-	-
II. Intangible assets	988	1.314	1.214
III. Tangible assets	14.178	15.879	17.928
A. Land and buildings	2.869	2.973	3.221
B. Plant machinery and equipment	10.833	12.582	14.406
C. Furniture and vehicles	476	324	301
E. Other tangible assets	-	-	-
F. Assets in progress and advanced payments	-	-	-
IV. Financial assets	113.994	108.613	108.613
A. Affiliated companies	113.836	108.492	108.492
1. Participations in third parties	113.836	108.492	108.492
C. Other financial assets	158	121	121
2. Receivables and caution money	158	121	121
CURRENT ASSETS	46.071	51.327	50.228
VI. Stocks and contracts in progress	6.519	6.869	4.891
A. Stocks	6.519	6.869	4.891
1. Raw materials and consumables	578	617	1.313
2. Contracts in progress	4.759	4.539	1.932
3. Finished goods	1,181	1.713	1.646
VII. Amounts receivable within one year	16.729	34.628	31.552
A. Trade receivables	11.100	8.912	6.879
B. Other receivables	5.629	25.716	24.673
VIII. Cash investments	10.826	5.000	3.088
A. Own shares	10.826	-	3.088
B. Other investments and deposits	-	5.000	-
IX. Cash deposits	11.877	4.630	10.664
X. Deferred assets and accrued income	120	200	33
TOTAL ASSETS	175.231	177.133	176.124

EQUITY AND LIABILITIES			
SHAREHOLDERS' EQUITY	100.677	148.300	163.735
I. Capital	565	565	565
A. Outstanding Capital	565	565	565
II. Share premium account	-	32.256	32.256
IV. Reserves	12.205	57	3.145
A. Legal reserve	57	57	57
B. Reserves not available for distribution	12.148	-	3.088
1. In respect of own shares held	12.148	-	3.088
V. Accumulated profits	87.907	115.422	127.707
VI. Investment grants	-	-	62
PROVISIONS AND DEFERRED TAXES	256	198	230
VII. A Provisions for liabilities and charges	256	198	198
4. Other liabilities and charges	256	198	198
VII. B Deferred taxes	-	-	32
DEBTS	74.298	28.635	12.159
VIII. Amounts payable after more than one year	34.672	14.075	706
A. Financial debts	34.672	14.075	706
4. Credit institutions	34.672	14.705	706
IX. Amounts payable within one year	11.540	14.456	11.434
A. Current portion of amounts payable after more than one year	359	1.583	189
B. Financial debts	11.181	3.333	3.554
1. Credit institutions	-	3.333	3.554
C. Trade debts	4.857	8.918	3.671
1. Trade payables	4.857	8.918	3.671
D. Advances received on contracts in progress	-	-	-
E. Taxes, remuneration and social security	2.202	555	1.702
1. Taxes	1.721	14	1.415
2. Remuneration and social security	481	541	287
F. Other amounts payable	21.022	67	2.318
X. Accrued charges and deferred income	4	104	19
TOTAL LIABILITIES	175.231	177.133	176.124

Statutory Income Statement	For the years ended December 31st		
in 1.000 EUR	2004	2003	2002
I. Operating income	63.707	52.443	64.825
A. Turnover	63.773	49.690	43.630
B. Changes in stocks of finished goods, work and contracts in progress	(311)	2.674	900
D. Other operating income	245	79	20.295
II. Operating charges	(53.079)	(46.191)	(36.285)
A. Raw materials, consumables and goods for resale	31.403	26.202	19.043
1. Purchases	31.364	25.506	19.779
2. Changes in stocks	39	696	(736)
B. Services and other goods	10.521	8.896	7.457
C. Remuneration, social security charges and pensions	5.822	5.135	4.181
D. Depreciations	5.297	5.840	5.396
E. Amounts written off stocks, contracts in progress and trade receivables	(9)	1	48
F. Provisions for other costs	18	-	-
G. Other operating charges	28	117	160
III. Operating profit	10.627	6.252	28.540
IV. Financial income	2.273	8.277	8.595
A. Income from financial fixed assets	-	-	-
B. Income from current assets	908	4.211	4.634
C. Other financial income	1.365	4.066	3.961
V. Financial charges	(2.800)	(5.318)	(5.028)
A. Debt charges	935	859	566
B. Amounts written off on current assets other than those mentioned under II. E.	-	-	-
C. Other financial charges	1.866	4.459	4.462
VI. Profit on ordinary activities before taxes	10.100	9.211	32.107
VIII.Extraordinary charges	(8)	(2)	-
D. Loss on disposal of fixed assets	-	(2)	-
E. Other Extraordinary charges	(8)	-	-
IX. Profit of the year before taxes	10.092	9.209	32.107
IX. bis. A. Transfer from deferred taxes	-	32	189
X. Income taxes	(3.832)	(2.293)	(4.249)
A. Taxes	(3.864)	(2.423)	(4.249)
B. Regularization	32	130	-
XI. Profit of the year	6.260	6.948	28.047
XIII. Profit of the year available for appropriation	6.260	6.948	28.047

Appropriation Of The Profit	For the years ended December 31st		
in 1.000 EUR	2004	2003	2002
A. Profit to be appropriated	121.682	134.655	153.595
1. Profit of the period available for appropriation	6.260	6.948	28.047
2. Profit carried forward	115.422	127.707	125.548
B.Transfers from capital and reserves	-	3.088	-
1.From capital and share premium account	-	-	-
2. From reserves	-	3.088	-
C. Transfers to capital and reserves	(21.466)	-	(3.088)
1. To capital and share premium account	-	-	-
1. To other reserves	(21.466)	-	(3.088)
D. Result to be carried forward	(87.907)	(115.422)	(127.707)
1. Profit to be carried forward	(87.907)	(115.422)	(127.707)
F. Distribution of profit	(12.309)	(22.321)	(22.800)
1. Dividends	(12.309)	(22.321)	(22.800)