ANNUAL REPORT 2011

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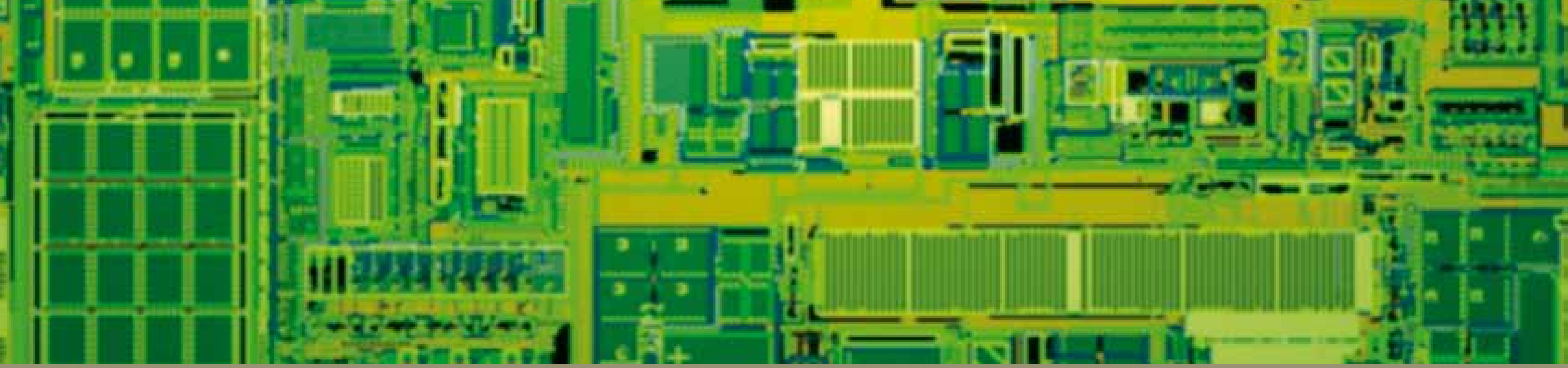
Melexis

Microelectronic Integrated Systems



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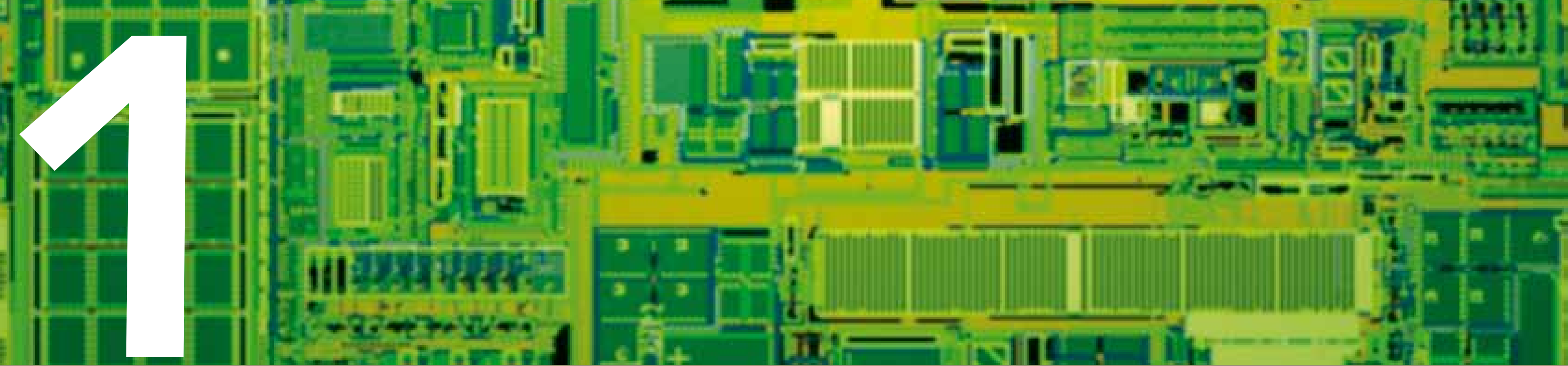


1 LETTER TO THE SHAREHOLDERS

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

Françoise Chombar

Dear shareholder,

Melexis again solidified its position in its core automotive market during 2011 with growth of 11% versus growth of 9% for the global automotive semiconductor market. With overall sales growth of 5%, Melexis also outperformed the global semiconductor market, that showed a consensus growth rate of 3 to 4%. [source: Strategy Analytics]

After a record gross margin of 46,6% in 2010 compared to historical gross margin levels in the range of 41-43%, Melexis still managed to slightly improve its gross margin to 46,9%, by further reducing the cost of yield. The operating margin decreased from 25,2 to 23,6% mainly as a result of the increase in development and marketing resources, as was anticipated.

Automotive sales currently accounts for a record 81% of total turnover. Also in future our main focus will remain on this market. However, we will equally continue to invest in non automotive products centered around a few attractive business cases where we know we can leverage our expertise.

Sales to Europe increased by 15% during 2011. This confirms Europe's leadership, proving that the automotive industry is a true growth driver for this continent.

Investing into the future

As planned, we invested extensively during 2011 in marketing resources to further increase market intelligence and branding of our products. As a result, Melexis launched over 20 new products in 2011. These include among others Hall position sensors, the new generation motor control and LIN chips, our new image sensor, MOST and NFC chip. Many of the design wins in 2011 can be attributed to the launch of these new products. We expect them to contribute significantly to top line growth in the coming years.

Melexis invested over 9 million EUR in test capacity to accommodate for increased volumes in existing products, but also for the ramp up of new product lines. For 2012 we expect investments in the order of 25 million EUR. This includes 9 million EUR for the refurbishing of the production facility and additional office space in Ieper.

Strong cashflow

During 2011, Melexis further strengthened its balance sheet. Net debt reduced from 30 million EUR end 2010 to 19 million EUR end 2011, mainly as a result of the high cash generation during the year.

Melexis paid out a dividend of 60 cent per share in October 2011. Based on the share price at year end this means a dividend yield of 6%. Melexis purchased 923.019 own shares during 2011 at an average price of 10,92 EUR. As a result, the total number of treasury shares at the end of 2011 was 2.998.564, representing 6,93% of shares outstanding.

Automotive semiconductor market

The automotive semiconductor market remains a promising market. Global light vehicle production is forecasted to rise steadily over the near term, but also semiconductor content per car will steadily increase. According to Strategy Analytics, the automotive semiconductor market is expected to grow at an average rate of 9,7% over the next 5 years.

The growth in semi content will be largely driven by the increased demand for semiconductors which support greener and safer cars. To reach this goal, emission and energy reduction concepts and systems are applied. Melexis supports these systems with its sensing and actuator ICs. Safety systems deployment in vehicles reflects the continued consumer demand and government regulations. These are structural evolutions across the board, for both luxury and budget cars which we expect to extend over the next years.

Lean and innovative

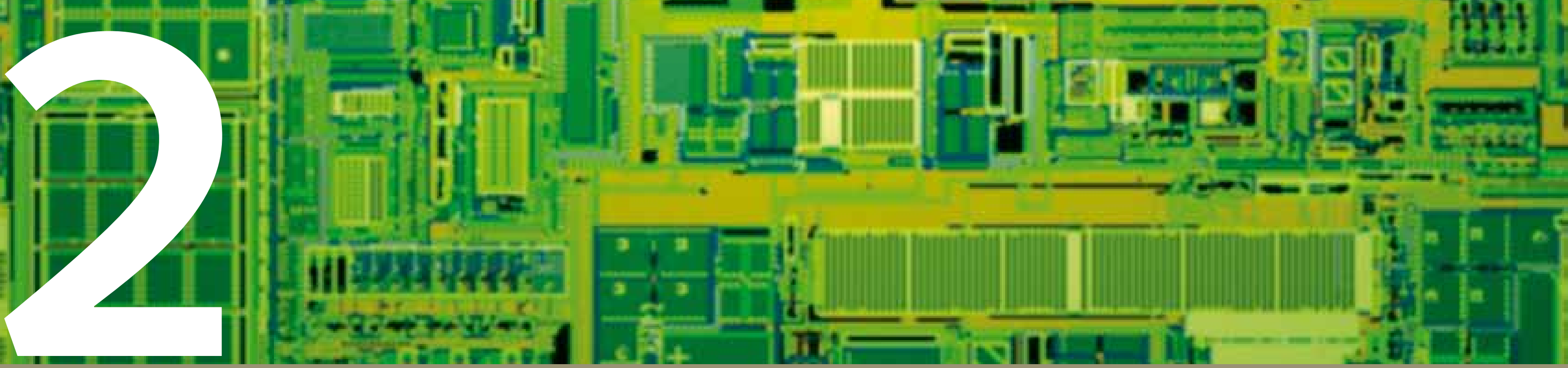
For Melexis to engineer the sustainable future entails the compelling challenge of marrying two seemingly opposing values: creative innovation and lean quality. Melexis core market being the automotive, we are required to work according to high standards, requirements are legion, the quality level asked for is one of the toughest in the semiconductor industry. This reality requires our organization to set up a routine that drives out variance and ensures we deliver the right predictable quality levels reliably all the time. In the same breath, Melexis brings out new innovative products continuously. In contrast to the previously mentioned lean and structured way of working, innovation and creativity are by nature chaotic activities. Innovation means seeing things in different ways, increasing variance, and thinking out of the box. It is the smart blend of these two tendencies that activates virtuous cycles in our company, making it an exciting place to work in a fascinating market place.

Vision

Our people co-create the Melexis vision. They deserve the recognition for the results we present to you today. Thanks to their dedication and engagement, we are convinced we will continue to be leaders in our field to the benefit of all our stakeholders.

> *This is what we do:*
> *This is what we are proud of:*
> *This is who we are:*
>
> *We Engineer the Sustainable Future.*

Sincerely,
Françoise Chombar
In name and on behalf of the whole Melexis crew

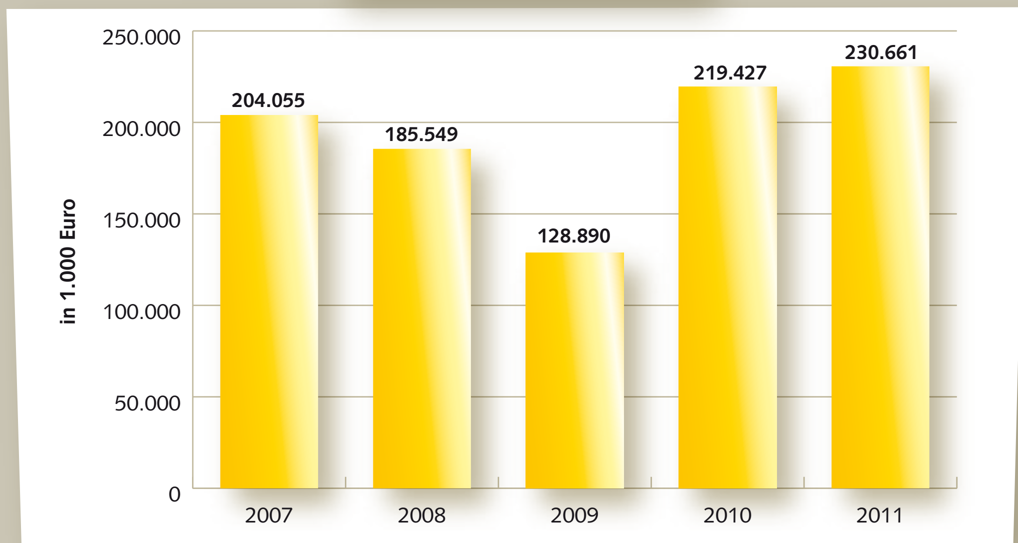


KEY FIGURES

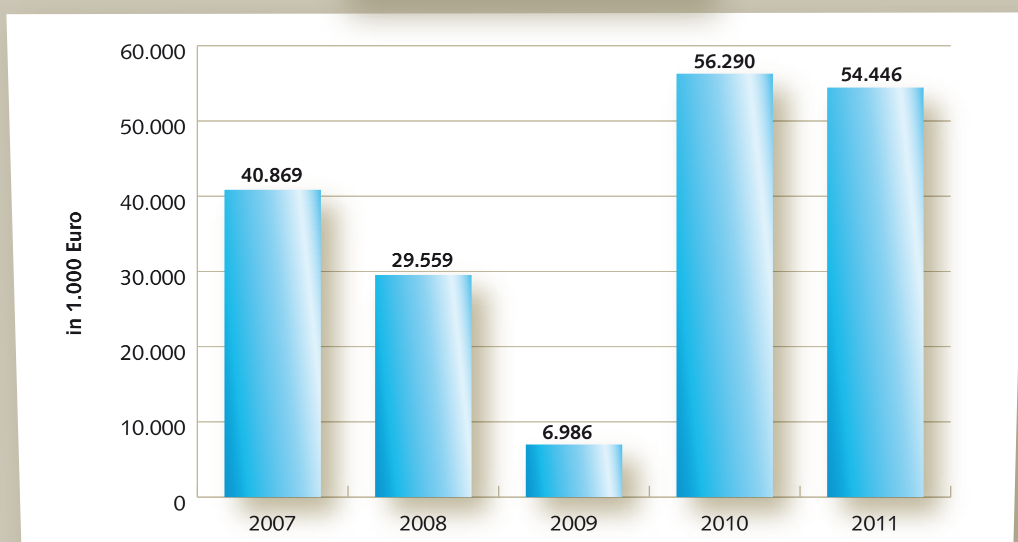
(in 1.000 Euro)

Operating results	2007	2008	2009	2010	2011
Revenue	204.055	185.549	128.890	219.427	230.661
EBIT	40.869	29.559	6.986	56.290	54.446
EBITDA	52.562	44.549	18.553	67.813	66.394
Balance structure	**2007**	**2008**	**2009**	**2010**	**2011**
Shareholders' equity	78.147	61.527	59.844	95.455	107.121
Net indebtedness	36.789	67.868	44.263	29.852	19.212
Working capital	74.106	64.105	44.089	59.914	57.077
Cash flow and capital expenditure	**2007**	**2008**	**2009**	**2010**	**2011**
Net cash from operating activities	33.238	26.890	30.452	45.047	58.212
Depreciation + amortization	11.693	14.990	11.567	11.523	11.948
Capital expenditure	15.141	9.510	10.972	15.377	14.613
Ratios	**2007**	**2008**	**2009**	**2010**	**2011**
ROE	47%	36%	-7%	51%	43%
Liquidity	2,7	2,7	2,4	2,5	3,4
Solvency	47%	39%	39%	53%	60%

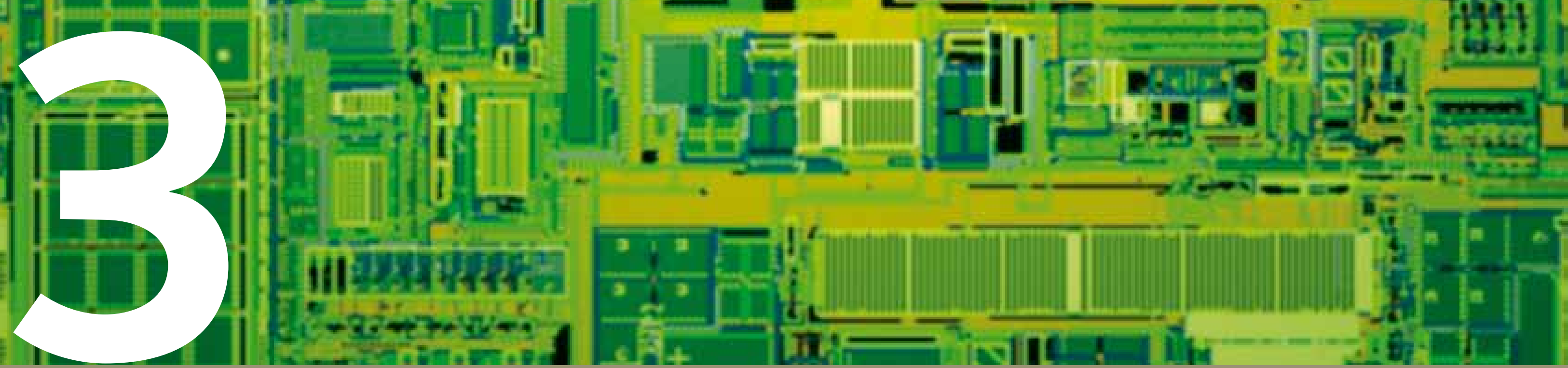
Revenue Evolution



EBIT Evolution



Cash Flow Evolution



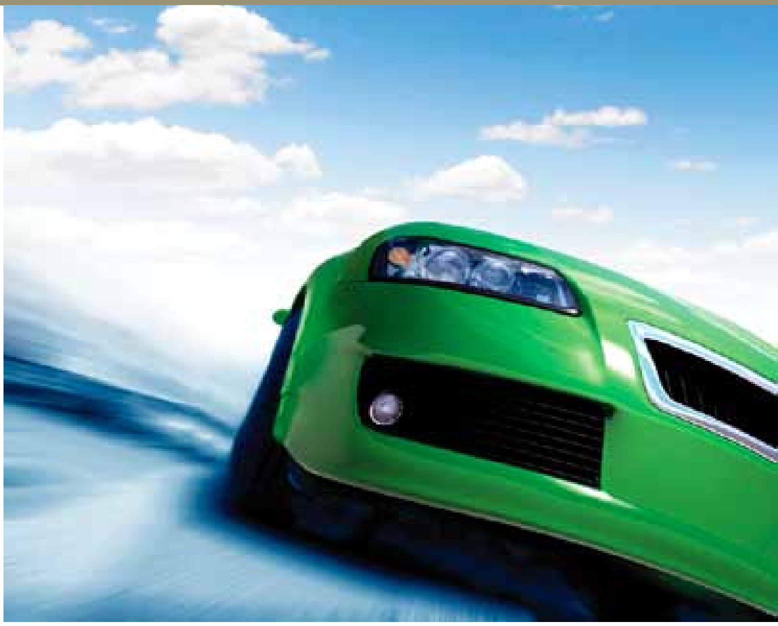
CORPORATE RESPONSIBILITY

3.1 Melexis makes the difference in helping cars go green

Melexis Microelectronic Integrated Systems N.V. designs, develops, tests and markets advanced integrated semiconductor devices. Our core experience is derived from over twenty years supplying ICs to the automotive electronics market. Melexis is and has been an engineering innovator with strong historical contributions toward more energy efficient, safer and more reliable cars, trucks and off-highway equipment. Our engineering of greener, more environmental friendly automotive systems generates dozens of new, smart ICs and sensors every year with a positive impact on fuel economy, carbon emissions and life safety systems on car brands throughout the globe.

Reduced fuel consumption and lower emissions result directly from improvements in IC and IC sensor technologies created by Melexis. Advanced IC Sensors improve fuel injection systems to lower fuel consumption. Sensor Interface ICs are key to pressure sensors to allow better emissions controls. Bus networking ICs mean weight reduction in wire harnesses and advanced microcontroller products such as the Sensorless BLDC motor drivers are critical in HEV (Hybrid and electric vehicles) and Stop/Start Systems.

The engineers behind these innovations are committed to helping our customers achieve success which is, more than ever, accomplished by targeting designs toward a more sustainable future.



3.2 At melexis, we engineer the sustainable future

Pure Pragmatism. No Nonsense. At Melexis we embrace lean manufacturing and management techniques which emphasize our attention on waste and inefficiency. The Environmental Policy of Melexis acts as the red line throughout the organization. It expresses what we stand for as a company and highlights those areas where we want to contribute to our customer's successes and to a sustainable environment. It provides a framework for our everyday operation, influences every decision, guides every action and is the basis of the Quality Strategy covered in the following Mission statement:

> *"Creatively integrate a balanced quality mindset into the Melexis processes to proactively meet internal and external customers' needs."*

The balanced mindset is reflected in a lean and global organization providing credibility and technical competence to our internal and external customers. Delivering customer value is a key element for focusing our attention on engineering the best products.

The Environmental Policy of Melexis aims to interact with the environment and society with the utmost respect and care, demonstrating our responsibility for people and planet. It is based on four environmental principles:

1. **Sustainable development** – development of products and processes that have a minimum effect on the environment today and in the future
2. **Prevention** is better than curing
3. The **total effect on the environment** counts – embodied in the development of products whose production (including energy use), operation and disposal at end-of-life have minimum adverse effects on the environment
4. **Open contact** with stakeholders

By every measure, Melexis strives to be a responsible corporate citizen and our colleagues take an active role in these commitments. The same positive attitudes are instrumental to our continued financial and technical success. We take pride in our daily efforts to reduce waste, improve efficiencies and contribute to engineering the sustainable future.

3.3 Melexis values

At Melexis our values are key to our successful corporate culture. With each day our colleagues reinforce the success of our company culture through the embrace of the following 5 ideals that guide our business approach internally and externally.

- Customer Orientation
- Enjoyment
- Leadership
- Profitability
- Respect

A greener benchmark for future generations

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

3.4 "The Melexis Way"

Customer Orientation

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

Enjoyment

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

Leadership

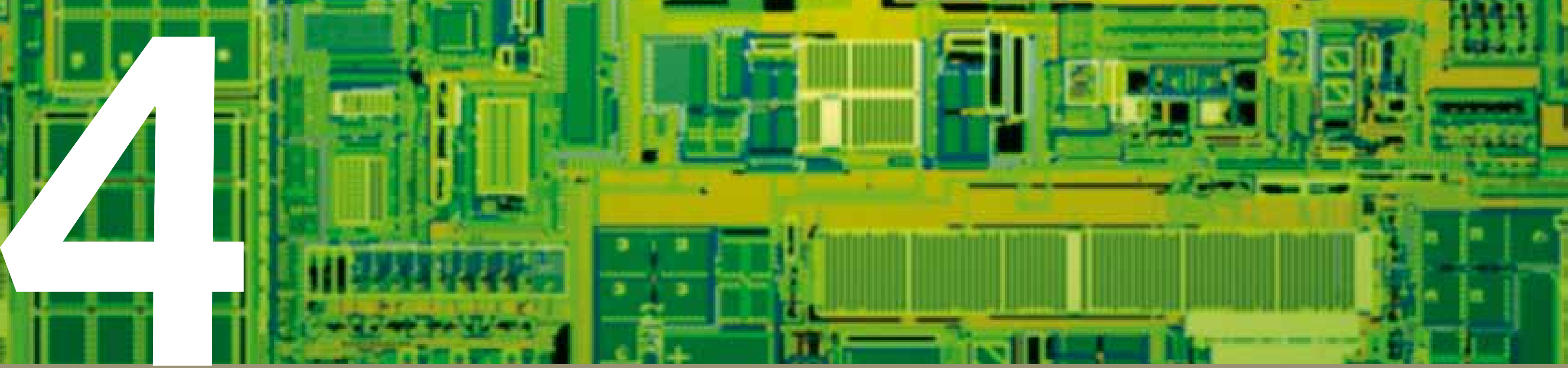
We are leaders in our markets, through providing state-of–the-art products and technologies to our customers. We show leadership through team work and responsibility. Combined individual success creates team success. We will recognize the individual results as well as the team effort. To get there, we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

Profitability

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

Respect

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



4 REFLECTION ON OUR STRATEGY

4.1 Simply the Best Innovation Made Safe at Launch

Customer focus and a consistent strategic vision have been the foundation of Melexis growth. Creating and launching innovative products are necessary to our success. Safely launching those products into production at our sites and at our customers is equally important to the mutual success of Melexis and our customers. Collaborative teams from across Melexis' global organization are embracing the core values and no-nonsense culture to deliver class leading technology solutions. Melexis will continue its commitment in the automotive market and at the same time expand its presence in other fields of application, leveraging its organizational tools and team spirit.

"With a focus on automotive we will continue to expand our presence in other fields of application, new sectors and new markets."

4.2 A world of growth opportunities

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

"By integrating various existing components in an intelligent manner Melexis is capable of creating chipsets for completely new applications, for entirely new markets."

4.3 Spotlight on ASSPs and ASICs

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

4.4 Partners of choice

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

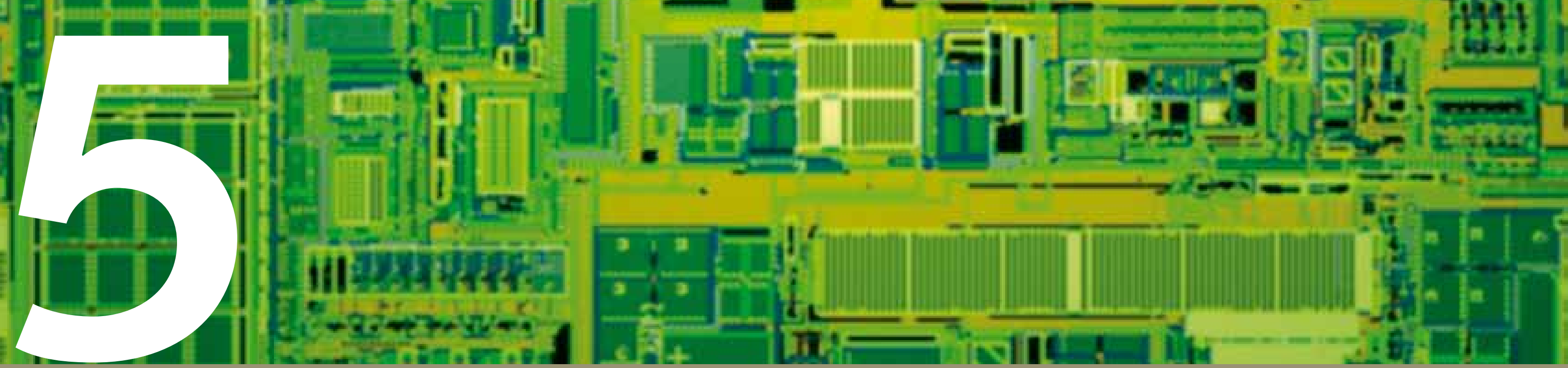
4.5 Leadership in semiconductor and sensor solutions

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

4.6 At the front of the pack regarding quality and environmental awareness

Melexis has an integrated management system that complies with the strict conditions of ISO / TS 16949:2009, including the Semiconductor Commodity. Moreover our company also has been recognized for our commitment to respecting the natural environment with an ISO 14001 certification.

During the development phase, Melexis applies proactive risk management elements of the recently published ISO 26262 standard (also known as ASIL or Automotive Safety Integrity Level). This secures a higher functional safety for electronic systems in road vehicles.



5 OUR ACTIVITIES & PRODUCT PORTFOLIO

5.1 Overview of activities

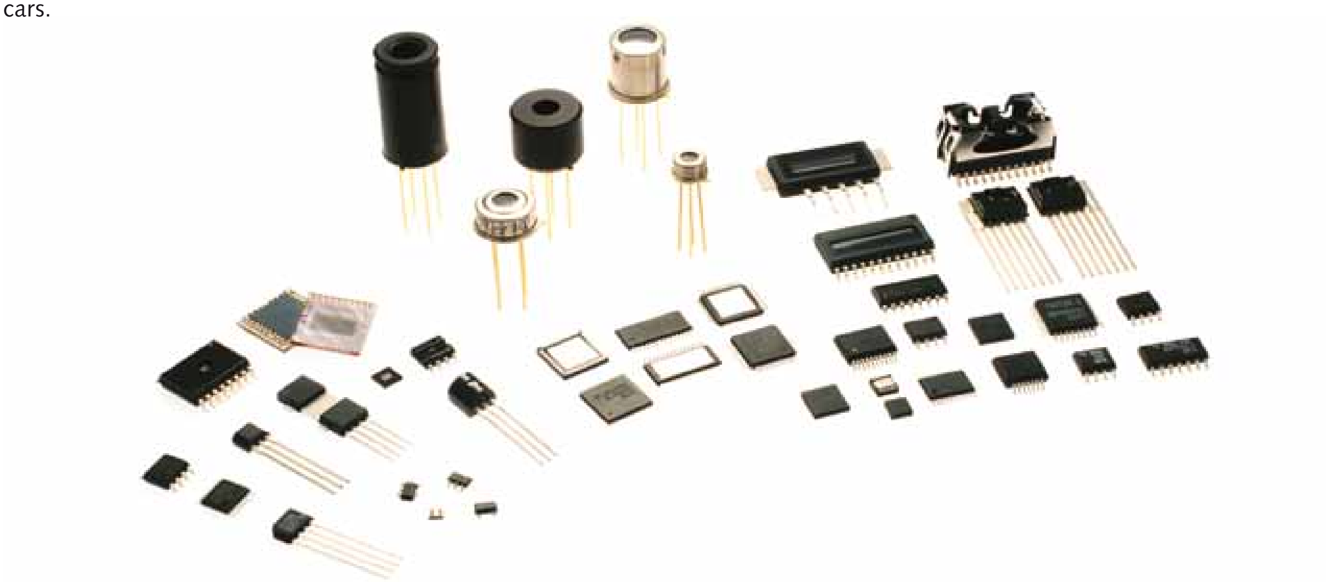
Our customers inspire us to create, develop and market advanced integrated circuits primarily used in automotive electronics systems. This strength enables the innovation and introduction of sophisticated ICs and sensors for the broader consumer, medical and industrial markets worldwide.

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

The market for automotive semiconductors is expected to experience a growth of +9,7% (CAGR 2010-2015; Source: Strategy Analytics) thanks to the increasing electronic content per vehicle. Government regulations and consumer demand for improved fuel economy, safety and comfort create the need for more electronic sensors and control systems in cars.

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

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



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

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

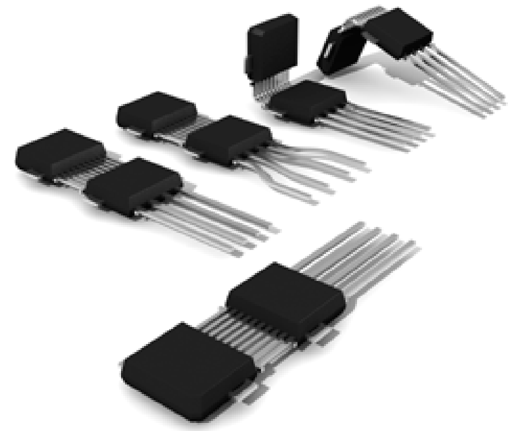
5.2 Sensors

Magnetic sensors

Melexis is a recognized world leader for the magnetic sensing devices, mainly based on the Hall Effect. Typical uses are for movement, position and speed sensing and also current sensing. Magnetic sensors perform contactless measurements and are therefore immune to wear, dust, dirt, humidity and vibration.

Sensing pedal, throttle and steering wheel position, steering torque and transmission shifter, sensing rotation of the cam- and crank-shafts in engines, monitoring movement in motors and actuators, measuring the current flowing from and to the battery are staple functions for millions of Melexis Hall ICs in cars today. Other high volume applications for Hall ICs include mobile telephony, gaming, computing, personal portable devices and automation equipment.

Melexis markets a patented Hall technology under the brand "Triaxis®". This technology enables the realization of cutting-edge contactless magnetic position sensors. Triaxis® ICs are designed in rotary, linear and 3D-joystick position sensors. The final products are used to improve the fuel efficiency, reduce the engine emission, improve the transmission, enhance the vehicle stability control and increase the performances of mechatronic systems (serving applications such as steering, braking or shifting).



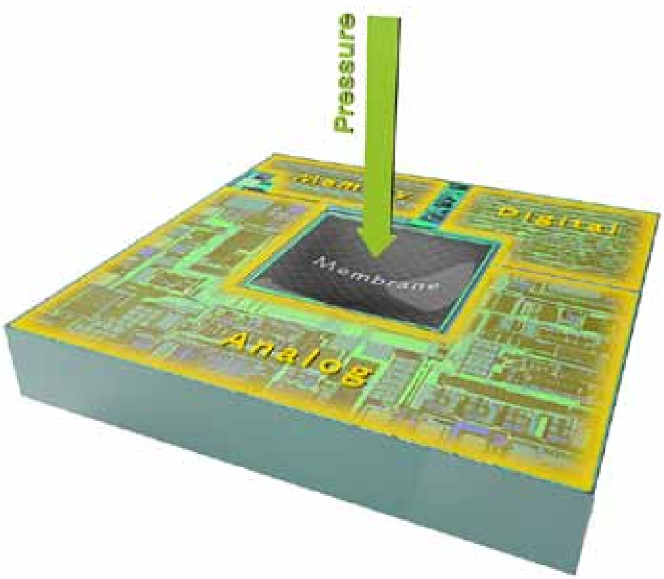
For instance, the Triaxis® technology enables Melexis to actively contribute to innovative programs such as "engine down-sizing", "start/stop" or "robotized gearbox" introduced by the vehicle manufacturers across the world.

Human-machine interface (HMI) applications are also addressed by Triaxis® ICs: they enable novel generation of smart shifters (manual and automatic transmission) or controllers for entertainment systems.

The Triaxis® technology is also used for advanced current sensors whose market growth is linked to the increase of electrical systems in today's vehicles as well as the positive trend for hybrid and electrical powertrain.

Melexis portfolio of magnetic sensors offers solutions for robust and reliable contactless switches replacing the traditional mechanical switches for various applications such as seat-belt buckle, brake and clutch pedals, wiper and window lift motors.

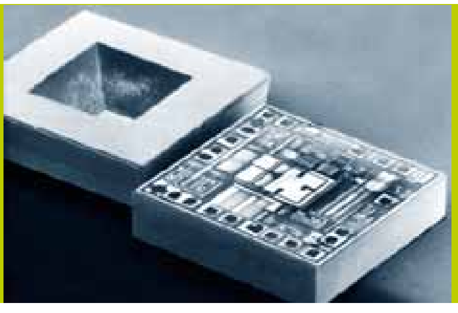
MEMS (Micromachined Electro-Mechanical Systems): Pressure & acceleration sensors



"Melexis is an established player in the MEMS technology market and is committed to stay at the leading edge by continuously investing in the development of innovative products."

Sensors are the enablers of many powertrain, comfort and safety applications in a modern car. Air conditioning, diesel particle filters, vehicle stability control and exhaust after treatment are only a few examples of applications that simply can't exist without the extensive use of sensors. Melexis develops pressure sensors based on MEMS technology, where the pressure causes a temporary and reversible deformation to a mechanical structure etched into the IC. MEMS technology borrows the batch manufacturing methods of the microelectronic industry to produce micro-scale mechanical devices with outstanding performance.

Pressure is one of the key control parameters in an automobile. It is measured using stand-alone sensors, for which Melexis supplies industry leading signal conditioning interface ICs, or using completely integrated pressure sensors. Integrated pressure sensors incorporate both the sensing element, in the form of a silicon deformable membrane, and the conditioning electronics on the same chip.



Signal conditioning interface ICs

Melexis continues to be the leading supplier in the automotive segment of this market. With this product line it is an established supplier to several of the world's largest automotive sensor manufacturers. Interface ICs form the link between the sensing element, which transforms the physical parameter to be measured in an electrical signal, and the higher level control systems. Typical applications include brake fluid pressure sensing in Antilock Braking Systems, fuel pressure sensors in fuel economy enhancing injection systems and refrigerant liquid pressure in automotive air-conditioning systems. The challenges imposed on the car industry to make cars more fuel efficient and environmentally friendly can only be met by an extensive use of all types of sensors. Most types of sensors require conditioning of the sensor signal in order to be used in a control system.

The automotive market is rapidly transitioning towards more digitally based signal processing. Melexis has anticipated this trend and is therefore well positioned to supply its customer base with appropriate solutions.

5.3 Actuators

Motor control ICs

Automotive electronics are a means to respond to volatile oil prices, requests for material savings and environmental requirements. Electric motors allow the upgrading of functional units, such as water pumps and oil pumps, from full-time mechanical drive by the engine to on-demand electric drive. This results in reducing CO2 emissions, improved fuel economy and more responsive cars.

To realize these functions in a reliable way, Brushless DC (BLDC) motors controlled in a sensorless manner are the technology of choice. Other functions that see an increase in electronic content due to the shift from a DC motor control to a Sensorless BLDC motor control are fuel pumps and engine cooling fans. Melexis delivers and develops controllers and drivers for these BLDC motors.

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

"Melexis anticipated in 2008 to the trend of more intelligent electronics in under-the-hood electric motors."

LIN

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

Melexis launched a new chip family of intelligent network capable switch controllers called "UniROM switch slaves" to support this trend and to keep the development effort as low as possible. This family of chips accomplishes a unique combination of hardware and software. It is a perfect example of how thoughtful application of technology can remove the need for software development and qualifications. UniROM switch slaves for LIN networks can be found in switch modules on the steering wheel, in the car door, in the car roof and in the center console.

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

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

5.4 Wireless

For more than ten years, the Wireless Business Unit of Melexis successfully brought short range connectivity and identification solutions to the markets with its leading edge RF and RFID ICs. The frequency coverage of our wireless products is from a few kHz up to 950MHz.

Our latest product generation brings even more innovation to our customers and provides them with highly integrated solutions.

In the automotive area, our Wireless products are widely used in Remote / Passive Keyless Entry (RKE / PKE) and Tire Pressure Monitoring Systems (TPMS). Beside providing regular automotive qualified RF transmitters and receivers, RFID immobilizers, Near Field Communication (NFC) transceivers and pressure sensors, Melexis combines these RF, RFID, sensing and high voltage technologies into unique "systems on chip". Thus, we are providing our customers with highly differentiated products.

Melexis also leads the automotive working group at the DASH7 consortium. The main objective is to provide low power ICs with standardized interfaces and then integrate RKE / PKE / TPMS radios in a single "hub" and therefore reduce costs.

In industrial markets, we provide our ICs in home and building automation equipment like garage door openers, security systems, access control and Automatic Meter Reading (AMR).

In the consumer market, our RFICs are used in remote controls and our RFID technology is successfully integrated in NFC platforms for mobile phones.

Our new targeted field is the medical sector for which we provide high-end medical monitoring and control solutions.

An open mindset to understand our customer challenges and provide valuable support, a strong system and application knowledge, a large capabilities spectrum to convert requirements into "systems on chip" are part of our core competencies.

"Combined with the sensing expertise available within Melexis, the Wireless Business Unit builds a market leading position in the Wireless Sensing area."

5.5 Opto

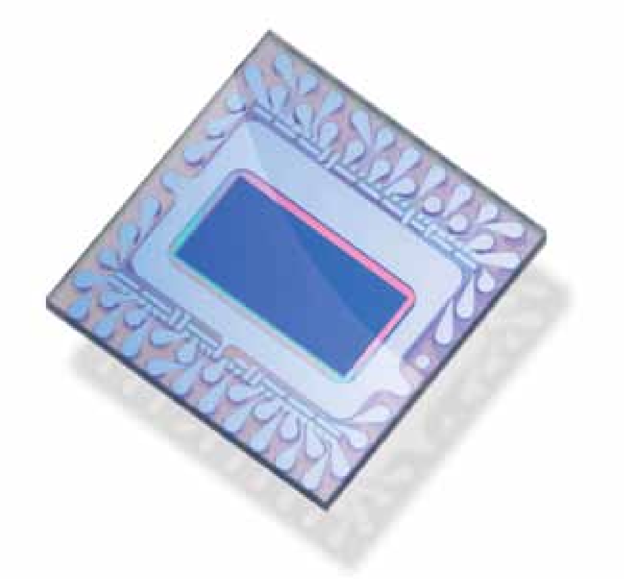
The SensorEyeC Family

The SensorEyeC family offer customers a specific solution for their application needs: optical switching, optical high-dynamic range measuring and a highly sensitive, linear light-to-voltage sensor.

RainLight Sensors

In the never-ending quest for higher comfort and safety, several years ago, automatic light and wipers were introduced by many OEMs. Sufficient visibility for the driver under all (dynamic) circumstances is very important, therefore this automatic rain & light control is considered to be a safety-function.

Thanks to the high level of integration, high performance and rich application features the devices offer, the Melexis Rainlight interface solution, will be the reference in the market for this application.



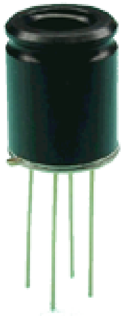
Automotive Imagers

Camera systems in cars are a fast growing market. Melexis focuses on imagers where specific automotive features like Wide Dynamical Range, high (nighttime) sensitivity and automotive robustness are important.

Automotive driver assistance (ADAS) and vision enhancement systems dramatically improve road safety by pro-actively alerting the driver of potential dangers.

With the large dynamical range, and on-chip automatic exposure control and display viewing function, the Melexis imager concepts offer the highest performance solution for these application needs.

Intelligent InfraRed Thermometers.

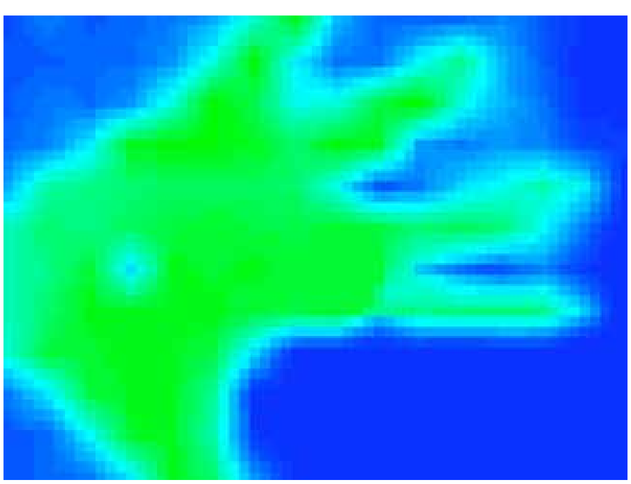


In 2011, Melexis continued to expand the product line of intelligent InfraRed thermometers by introducing new versions with very narrow Field Of View and medical grade accuracy. Main applications are for forehead thermometers and fever screening equipment. These sensors still offer the same high accuracy, wide temperature range and ease-of-use of the basic device.

2011 saw the increased use of the Infrared thermometers in the automotive and medical sector, and consumer medical applications.

Towards the end of the year, Melexis launched an intelligent sensor specifically targeted at professional, high range temperature guns. The sensor can measure temperatures up to 1030°C and features an optical filter specifically suited for high temperature measurements and measurements with a long distance between object and thermometer gun. The main advantage this part offers is the electronic stabilization feature also present in our general product line, now also available for high temperature ranges.

Melexis introduced world's first monolithic integrated 16X4 active pixel thermopile array, which measures the temperature in 64 distinct points simultaneously up to 256Hz. It can be used for air conditioning applications, blind spot detection, occupancy detection, intrusion detection, people counting and consumer applications like microwave ovens and energy efficient room air conditioners.



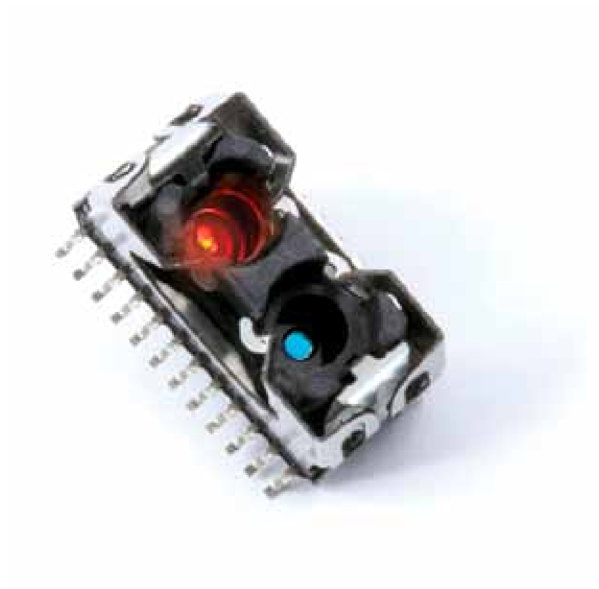
MOST Transceivers

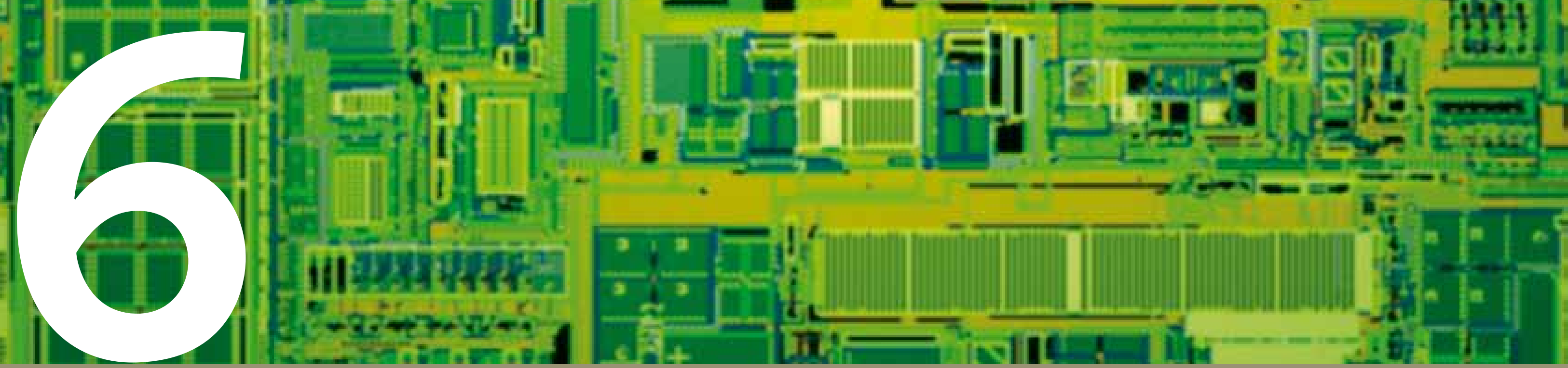
MOST is the de facto standard for fiber optic infotainment networks in automotive applications.

In 2011 the single SMT package 150 Mbps Fiber Optic Transceiver MLX75605 received the official certificate of compliance from the MOST cooperation.

Simultaneously Melexis received the official certificate of compliance for the MLX75608, which is a novel low cost single package SMT solution for MOST25 datacom networks.

MLX75605 MOST 150 Transceive





6 INTERNATIONAL LOCATIONS

BELGIUM

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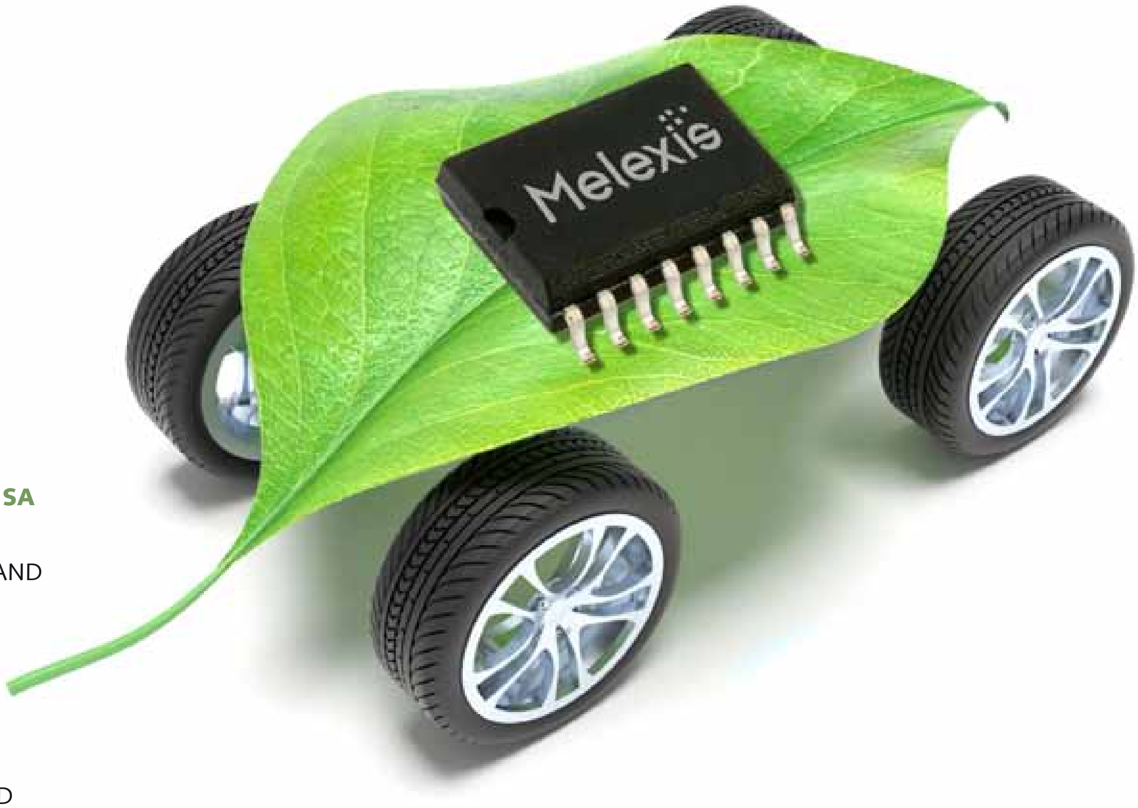

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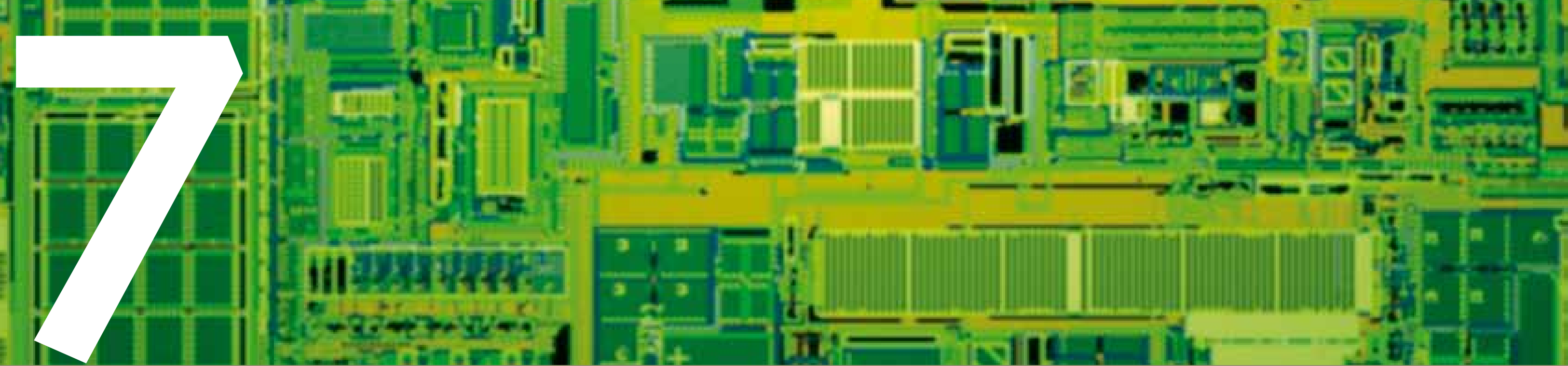


7 ANNUAL REPORT – FINANCIAL REPORT

7.1 Historic Overview

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

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

The private shareholders sold their shares to Elex NV, the majority shareholder of Melexis NV at the time, in the spring of 1996.

In October 1997, Melexis NV and its parent company, Elex NV, launched an Initial Public Offering (IPO) on the EASDAQ stock exchange market. At this IPO, 4.000.000 new shares were issued and 3.300.000 existing shares were sold by the selling shareholder.

In the last quarter of 1997, the company acquired US MikroChips Inc.(now Melexis Inc.), based in Webster, Massachusetts. US MikroChips Inc. was founded in January 1993 to take advantage of a rapidly growing market in Asia for Hall Sensors in cooling fans. Since April 1994, the cooperation between US MikroChips and Melexis NV had increasingly deepened. After changing its name in Melexis Inc., the company is currently involved in marketing and sales support activities as well as contract R&D activities.

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

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

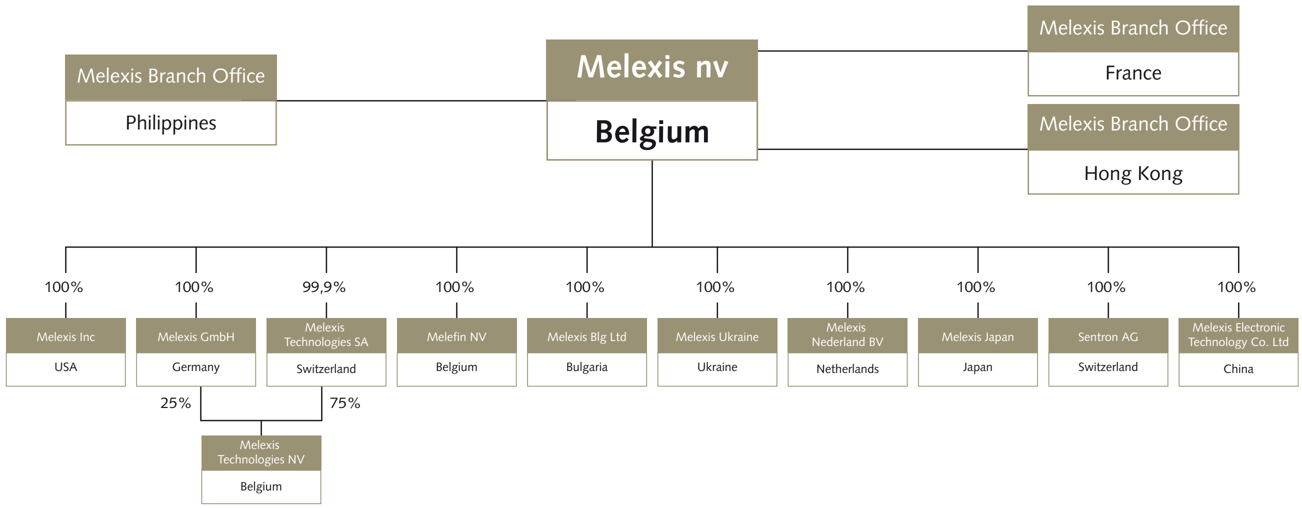
In March 2000, Melexis NV incorporated a branch office in Bevaix, Switzerland.

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

On October 31, 2000, Melexis NV bought Melexis Bulgaria Ltd. from Sigma Delta Holding NV. This company is mainly active in test services and in contract R&D activities related to Hall sensors and IR Sensors.

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

In January 2001, Melexis NV incorporated Melexis BV, in Utrecht, The Netherlands. This company was mainly active in the field of development of ICs. The company's current activity is limited to the mere holding and exploitation of an official building in the Netherlands.



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

Since January 2003, Melexis NV is delisted from NASDAQ EuroPE.

In January 2003, Melexis NV incorporated a branch office in Paris, France. This branch is mainly active in sales support and contract R&D activities.

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

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

On the 23rd of December, 2005, Melexis NV incorporated Melefin NV. Melefin NV has mainly a treasury function within the Melexis group.

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

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

In order to centralize the entrepreneur function for existing as well as for new projects as much as possible within one Melexis entity, on 28 November, 2006, Melexis Technologies SA transferred part of its IP portfolio to Melexis Tessenderlo NV through a contribution in kind into the capital of Melexis Tessenderlo NV. As a result of this transaction, Melexis Technologies SA acquired 56% of the capital of Melexis Tessenderlo NV, reducing the share of Melexis GmbH from 100% to 44%.

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

In order to further centralize the entrepreneur function within the group, on 12 December, 2008, Melexis Technologies SA transferred again part of its IP portfolio to Melexis Tessenderlo NV through a contribution in kind into the capital of Melexis Tessenderlo NV. As a result of this transaction, Melexis Technologies SA increased its share in the capital of Melexis Tessenderlo NV from 56% to 66%, reducing the share of Melexis GmbH from 44% to 34%.

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

Following a repurchase and subsequent cancellation of own shares by Melexis Tessenderlo NV dated December 9, 2010 the shareholder structure of Melexis Tessenderlo NV has slightly changed. Melexis GmbH currently owns 25% of the shares of Melexis Tessenderlo NV whereas Melexis Technologies SA currently owns 75%.

As from September 1, 2011 Melexis Tessenderlo NV changed its name into Melexis Technologies NV.

7.2 Comments on the consolidated accounts prepared according to IFRS standards

7.2.1 Selected financial figures

The tables below set out the components of Melexis' operating income and operating expenses, as well as the key elements of the condensed consolidated statements of financial position.

Consolidated statement of comprehensive income

(in Euro)

December 31st	2011	2010
Product sales	228.854.346	218.479.864
Revenues from Research and Development	1.807.151	946.921
Cost of sales	-122.451.500	-117.175.757
Gross margin	108.209.998	102.251.028
Research and development expenses	-34.341.998	-29.700.695
General and administrative expenses	-12.539.615	-10.519.214
Selling expenses	-6.882.302	-5.741.481
Other operating expenses (net)	-	-
Income from operations (EBIT)	54.446.083	56.289.638
Financial results (net)	-1.166.189	-2.126.258
Profit before taxes	53.279.894	54.163.380
Income taxes	-7.386.270	-5.551.243
Non controlling interest	-	-
Net profit of the group	45.893.624	48.612.137
Attributable to the shareholders	45.893.624	48.612.137

Condensed Consolidated Statement of Financial position

(in Euro)

December 31st	2011	2010
Current Assets	105.022.275	110.358.638
Non current assets	73.080.914	70.120.337
Current liabilities	31.145.550	44.781.907
Non current liabilities	39.836.942	40.241.848
Equity	107.120.697	95.455.221

7.2.2 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 Technologies NV, Melefin NV, Melexis GmbH and Melexis BV is the Euro. The functional currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH), for Melexis Bulgaria Ltd., the Bulgarian Leva (BGN), for Sentron AG and Melexis Technologies SA the Swiss franc (CHF), for the Philippine branch of Melexis NV the Philippine Peso (PHP), for the Chinese branch of Melexis NV in Hong Kong the Hong Kong Dollar and for Melexis Electronic Technology Co. Ltd in Shanghai the Chinese Yuan, and for Melexis Japan the Japanese Yen is the measurement currency. Assets and liabilities of Melexis Inc., Melexis Technologies SA, Sentron AG, Melexis Ukraine, Melexis Bulgaria Ltd., Melexis Philippines, Melexis Electronic Technology (Shanghai) Co. Ltd, Melexis Hong Kong and Melexis Japan are translated at exchange rates at the end of the reporting period. Revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component "cumulative translation adjustment" (CTA) in the statement of financial position.

7.2.3 Result of operations

The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the Company's financial statements of prior years.

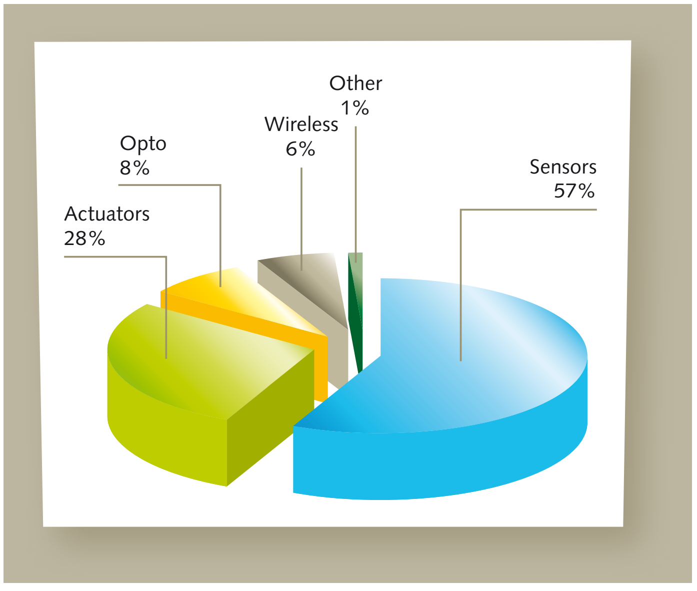
Revenues

For 2011 total revenues increased by 5% compared to 2010. The largest business unit is Sensors (57%), which includes Position, Interface, Pressure, Current and Speed sensor activities, followed by the Actuators business unit (28%). The Opto product lines are the third major business unit, realizing 8% of the total revenues of the company. The Wireless business unit amounts to 6% of total revenues.

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 2011, the company invoiced EUR 1.807.151 research and development costs to its customers, compared to EUR 946.921 in 2010.

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

	2011	2010
Sensors	130.905.168	120.183.318
Actuators	65.664.290	62.910.296
Opto	17.506.466	19.148.661
Wireless	13.644.265	13.906.510
Other	2.941.308	3.278.002
TOTAL	**230.661.497**	**219.426.787**



Cost of Sales

Costs of sales consist of materials (raw material and semi finished parts), subcontracting, labor, depreciation and other direct production expenses. The cost of sales amounted to EUR 117.175.757 in 2010 and EUR 122.451.500 in 2011.

Expressed as a percentage of total revenues, the cost of sales was 53% in 2011 as it was in 2010 due to the increased loading of the test facilities as a result of the increase in sales in 2011.

Gross margin

The gross margin, expressed as a percentage of total revenues, was 47% in 2011 as it was in 2010.

Research and Development expenses

Research and Development expenses amounted to EUR 34.341.998 in 2011, representing 15% of total revenues. The research and development activities concentrate further on research and development of Hall Effect Sensors, MEMS Sensors and Signal Conditioning Interface Sensors, Motor Control IC's and LIN Slaves, Infrared and Opto Sensors, and Wireless IC's.

General, administrative and selling expenses

General, administrative and selling expenses mainly consist of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses increased by 19% compared to 2010, mainly as a result of increased selling and administration expenses.

Financial results

The net financial results increased from EUR 2.126.258 loss to EUR 1.166.189 loss in 2011. The (net) interest result decreased from a loss of EUR 2.827.745 in 2010 to a loss of EUR 1.239.909 in 2011. The net exchange gains (both realized and unrealized) in 2011 amounted to a gain of EUR 298.105, compared to a gain of EUR 70.310 during 2010.

Net income

The company recorded a net income for 2011 of EUR 45.893.624. The decrease in net income is mainly due to the relative higher increase of operating expense compared to the sales growth.

7.2.4 Liquidity, working capital and capital resources

Cash and cash deposits amounted to EUR 17.806.399 as of December 31, 2011, in comparison to EUR 21.179.891 as of December 31, 2010.

In 2011, operating cash flow before working capital changes amounted to EUR 60.994.066. Working capital changes were limited in 2011, resulting in a net operating cash flow of EUR 58.212.169.

The cash flow from investing activities was negative for an amount of EUR 12.300.253, mainly as a result of investments in fixed assets amounting to EUR 14.612.606, compensated by interests received for an amount of EUR 1.188.567 and proceeds from investments for an amount of EUR 1.123.786.

The cash flow from financing activities was negative for an amount of EUR 49.331.010. This is the result of the repayment of bank debts amounting to EUR 15.138.642, interim dividend payment amounting to EUR 24.317.990 and payments to acquire own shares for EUR 9.874.378.

7.2.5 Risk Factors

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

A. RISKS RELATED TO THE COMPANY

Operating history; inability to forecast revenues accurately

The company's business and prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies active in new and rapidly evolving markets, such as the semiconductor market. To address these risks and uncertainties, the company must, among other things: (1) increase market share; (2) enhance its brand; (3) implement and execute its business and marketing strategy successfully; (4) continue to develop and upgrade its technology; (5) respond to competitive developments; and (6) attract, integrate, retain and motivate qualified personnel. There can be no assurance that the company will be successful in accomplishing any or all of these things, and the failure to do so could have a material adverse effect on the company's business, result of operations and financial condition.

As a result of the rapidly evolving markets in which it competes, the company may be unable to forecast its revenues accurately.

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

Currency fluctuations

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

Credit risk on short term investments

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

Managing growth

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

Risk of potential future acquisitions

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

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

Dependence on key personnel; Ability to recruit and retain qualified personnel

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

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

Products may contain defects

The company's products may contain undetected defects, especially when first released that could adversely affect its business. Despite rigorous and extensive testing, some defects may be discovered only after a product has been installed and used by customers. Any defects discovered after commercial release could result in (1) adverse publicity; (2) loss of revenues and market share; (3) increased service, warranty or insurance costs; or (4) claims against the company. Any of the foregoing could have a material adverse effect on the company's business, result of operations and financial condition.

Evolving distribution channels

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

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

Protection and enforcement of intellectual property rights

The semiconductor industry is characterized by frequent claims alleging the infringement of patents and other intellectual property rights. Thus, the company may receive communications or claims from third parties asserting patents or other intellectual property rights on certain technologies or processes used by the company. In the event any third party claim were to be valid, the company could be required to discontinue using certain processes or technologies or to cease the use and sale of infringing products, to pay damages and to acquire licenses to the allegedly infringed technology or develop non-infringing technologies. The company's business, financial condition and result of operations could be materially and adversely affected by any such development.

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

The importance of significant customers

Melexis' biggest customer accounts for 17% of total sales. No other customers have sales over 10% of total sales. While at the moment of introduction of Melexis to the stock market in 1997, the top seven customers still accounted for 70% of sales, the top ten customers for the year ended December 31st, 2011, only accounted for 51% of sales. This decrease is mainly the result of the increased design of Application Specific Standard Products as opposed to customized products.

Significant shareholders

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

B. RISKS RELATED TO THE BUSINESS

The semiconductor market

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

Intense competition

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

The company currently competes with a number of other companies. These companies could differ for each type of product. The company's competitors include, among others, Allegro Microsystems, Analog Devices, Atmel, Austria Micro Systems, Elmos, Freescale, Honeywell, Infineon Semiconductors, Micronas, NXP, ST Microelectronics.

The company believes that the principal competitive factors in its market are technological know-how, human resources, new product development, a close relationship with the leading automotive original equipment manufacturers and to a lesser extent with the car manufacturers.

Many of the company's current and potential competitors have longer operating histories, greater brand recognition, access to larger customer bases and significantly greater financial, technical, marketing and other resources than the company. As a result they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than the company.

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

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

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

Rapid technological change

The semiconductor market is characterized by rapidly changing technology, frequent new product announcements, introductions and enhancements to products, and average unit price erosion. In the automotive semiconductor market the active product life cycle is approximately 5 to 10 years.

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

Purchasing

The vast majority of the company's products are manufactured and assembled by foundries and subcontract manufacturers under a "fabless" model. This reliance upon foundries and subcontractors involves certain risks, including potential lack of manufacturing availability, reduced control over delivery schedules, the availability of advanced process technologies, changes in manufacturing yields, dislocation, expense and delay caused by decisions to relocate manufacturing facilities or processes, and potential cost fluctuations.

During downturns in the semiconductor economic cycle, reduction in overall demand for semiconductor products could financially stress certain of the company's subcontractors. If the financial resources of such subcontractors are stressed, the company may experience future product shortages, quality assurance problems, increased manufacturing costs or other supply chain disruptions.

During upturns in the semiconductor cycle, it is not always possible to respond adequately to unexpected increases in customer demand due to capacity constraints. The company may be unable to obtain adequate foundry, assembly or test capacity from third-party subcontractors to meet customers' delivery requirements even if the company adequately forecasts customer demand.

Alternatively, the company may have to incur unexpected costs to expedite orders in order to meet unforecasted customer demand. The company typically does not have supply contracts with its vendors that obligate the vendor to perform services and supply products for a specific period, in specific quantities, and at specific prices.

The company's foundry and assembly subcontractors typically do not guarantee that adequate capacity will be available within the time required to meet customer demand for products. In the event that these vendors fail to meet required demand for whatever reason, the company expects that it would take up to twelve months to transition performance of these services to new providers. Such a transition may also require qualification of the new providers by the company's customers or their end customers, which would take additional time. The requalification process for the entire supply chain including the end customer could take several years for certain of the company's products.

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

C. RISKS RELATED TO THE TRADING ON EURONEXT

Possible volatility of share price

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

7.2.6 Events after the balance sheet date

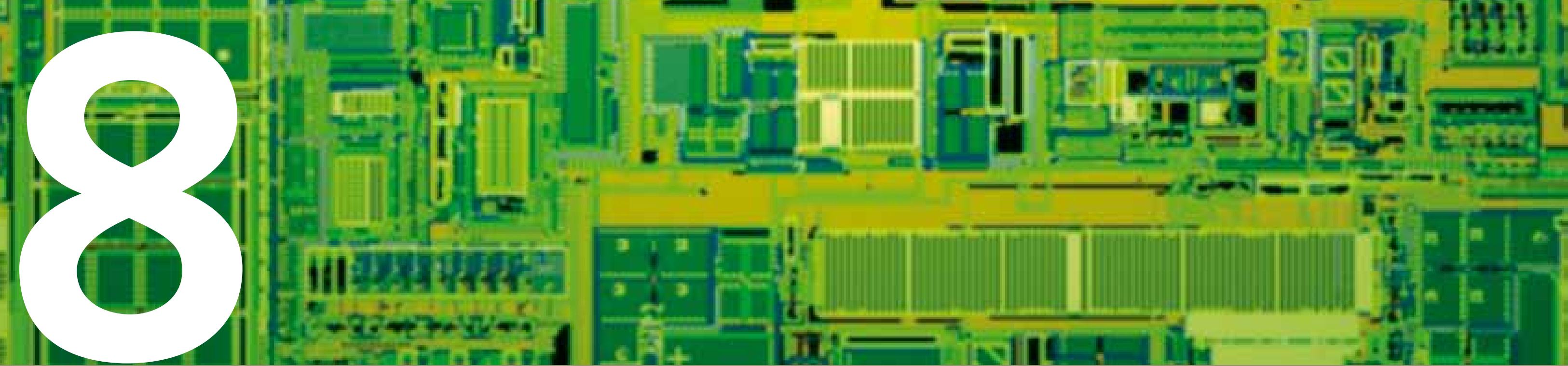
There are no events after the balance sheet date.

7.2.7 Corporate Governance

For the required information with respect to Corporate Governance, please refer to the Corporate Governance section in chapter 9 of Melexis' Annual Report.

7.2.8 Statement of the Board of Directors

The board of directors of Melexis certifies, on behalf and for the account of the company, that, to their knowledge, (a) the financial statements which have been prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the entities included in the consolidation as a whole and (b) the management report includes a fair review of the development and performance of the business and the position of the company and the entities included in the consolidation as a whole, together with a description of the principal risks and uncertainties they face.



8 CONSOLIDATED FINANCIAL STATEMENTS

8.1 Consolidated statement of financial position

(in Euro)

December 31st		2011	2010
ASSETS			
Current assets:	Cash, and cash equivalents (Note 8.6.5.A)	17.806.399	21.179.891
	Current investments (Note 8.6.5.B)	4.605.309	5.729.096
	Accounts receivable –trade (Note 8.6.5.C)	37.801.683	27.933.275
	Accounts receivable –Related companies (Note 8.6.5.AC 2)	722.660	8.795.936
	Inventories (Note 8.6.5.D)	36.943.445	39.216.644
	Other current assets (Note 8.6.5.F)	7.142.779	7.503.796
Total current assets		**105.022.275**	**110.358.638**
Non current assets:	Intangible assets (Note 8.6.5.G)	1.942.760	1.750.145
	Property, plant and equipment (Note 8.6.5.H)	51.353.800	48.760.464
	Financial assets (Note 8.6.5.I)	30.100	30.100
	Other non-current assets	4.933.383	4.344.476
	Deferred taxes (Note 8.6.5.W)	14.820.871	15.235.152
Total non current assets		**73.080.914**	**70.120.337**
TOTAL ASSETS		178.103.189	180.478.975

December 31st		2011	2010
LIABILITIES			
Current liabilities:	Bank loans and overdrafts	-	-
	Derivative financial instruments (Note 8.6.5.E)	964.218	1.599.078
	Current portion of long-term debt (Note 8.6.5.M)	4.647.913	19.646.769
	Accounts payable – trade	8.162.940	7.274.317
	Accounts payable –related companies (Note 8.6.5.AC 2)	5.116.589	6.603.223
	Accrued expenses, payroll and related taxes (Note 8.6.5.J)	8.566.438	7.159.039
	Provisions	-	-
	Other current liabilities (Note 8.6.5.L)	3.062.953	1.706.791
	Deferred income (Note 8.6.5.K)	624.498	792.689
Total current liabilities		**31.145.550**	**44.781.906**
Non current liabilities:	Long-term debt less current portion (Note 8.6.5.M)	36.975.956	37.114.598
	Other non current liabilities (Note 8.6.5.X)	2.860.986	2.745.626
	Deferred tax liabilities (Note 8.6.5.W)	-	381.624
Total non current liabilities		**39.836.942**	**40.241.848**
Equity:	Shareholders' capital	564.814	564.814
	Share premium	-	-
	Reserve treasury shares	-31.759.988	-21.885.610
	Revaluation reserve Hedge (Note 8.6.5.E)	-493.749	-896.368
	Revaluation reserve Fair value (Note 8.6.5.E)	512.288	1.378.246
	Legal reserve	56.520	56.520
	Retained earnings	92.216.871	67.922.723
	Current year's profit	45.893.624	48.612.137
	Cumulative translation adjustment	119.846	-307.712
	Equity attributable to company owners	107.110.226	95.444.750
	Non controlling interest	10.471	10.471
Total equity (Note 8.6.5.N)		**107.120.697**	**95.455.221**
TOTAL LIABILITIES		**178.103.189**	**180.478.975**

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

8.2 Consolidated income statement

(in Euro)

December 31st	2011	2010
Product sales	228.854.346	218.479.864
Revenues from Research and Development (Note 8.6.5.Y)	1.807.151	946.921
Cost of sales (Note 8.6.5.P)	-122.451.500	-117.175.757
Gross margin	108.209.998	102.251.028
Research and development expenses (Note 8.6.5.Q)	-34.341.998	-29.700.695
General and administrative expenses (Note 8.6.5.R)	-12.539.615	-10.519.214
Selling expenses (Note 8.6.5.S)	-6.882.302	-5.741.481
Other operating expenses (net) (Note 8.6.5.Z)	-	-
Income from operations (EBIT)	54.446.083	56.289.638
Financial income (Note 8.6.5.V)	5.647.419	5.912.460
Financial charges (Note 8.6.5.V)	-6.813.609	-8.038.718
Result before taxes	53.279.893	54.163.380
Income taxes (Note 8.6.5.W)	-7.386.270	-5.551.243
Minority interest	-	-
Net result of the period	45.893.624	48.612.137
Earnings per share non-diluted (Note 8.6.5.AE)	1,05	1,12
Earnings per share diluted	1,05	1,12

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

8.3 Consolidated statement of comprehensive income

(in Euro)

December 31st	2011	2010
Net result	45.893.624	48.612.137
Other comprehensive income		
Cumulative translation adjustment	427.558	1.081.909
Fair value adjustments cashflow hedges	402.619	739.970
Fair value adjustments available-for-sale financial assets	-865.958	1.561.242
Other comprehensive income for the period	-35.781	3.383.121
Total comprehensive income attributable to:		
Attributable to owners of the parent	45.857.843	51.995.258
Non controlling interests	-	-

The consolidated statements were approved and authorized for issue by the Board of Directors on February 7th, 2012 and were signed on its behalf by Françoise Chombar.

Françoise Chombar
Managing Director, Chief Executive Officer (CEO)

8.4 Consolidated statement of changes in equity

(in Euro)

	Number of shares	Share capital	Share premium	Legal reserve
December 31, 2009	**43.241.860**	**564.814**	**-**	**56.520**
Net income		-	-	-
CTA movement		-	-	-
Dividend		-	-	-
Reserve treasury shares		-	-	-
Hedge reserves (1)		-	-	-
Fair value adjustments through equity (2)		-	-	-
Non controlling interest		-	-	-
December 31, 2010	**43.241.860**	**564.814**	**-**	**56.520**
Net income		-	-	-
CTA movement		-	-	-
Dividend		-	-	-
Reserve treasury shares		-	-	-
Hedge reserves (1)		-	-	-
Fair value adjustments through equity (2)		-	-	-
Non controlling interest		-	-	-
December 31, 2011	**43.241.860**	**564.814**	**-**	**56.520**

1 Hedge reserves net: EUR 493.749 (Note 8.6.5.E) minus hedge reserves last year net EUR 896.368 (Note 8.6.5.E)

2 Fair value adjustments:
Current year EUR 512.288 (Note 8.6.5.B)
Fair value last year has been reversed for an amount of EUR 1.378.246

Retained earning	Reserve treasury shares	Fair value adjustment reserve	CTA	Non controlling interest	Total equity
80.309.629	**-17.878.313**	**-1.819.334**	**-1.389.621**	**10.471**	**59.854.166**
48.612.137	-	-	-	-	48.612.137
-	-	-	1.081.909	-	1.081.909
-12.386.906	-	-	-	-	-12.386.906
-	-4.007.297	-	-	-	-4.007.297
-	-	739.970	-	-	739.970
-	-	1.561.242	-	-	1.561.242
-	-	-	-	10.471	
116.534.860	**-21.885.610**	**481.878**	**-307.712**	**10.471**	**95.455.221**
45.893.624	-	-	-	-	45.893.624
-	-	-	427.558	-	427.558
-24.317.989	-	-	-	-	-24.317.989
-	-9.874.378	-	-	-	-9.874.378
-	-	402.619	-	-	402.619
-	-	-865.958	-	-	-865.958
-	-	-	-	-	-
138.110.496	**-31.759.988**	**18.539**	**119.846**	**10.471**	**107.120.698**

Since November 2002, Melexis NV has given order to a bank to start a share buy back program.

In 2002 Melexis NV repurchased 530.000 shares and 428.482 in 2003 at an average price of EUR 5,73 in 2002 and EUR 5,43 in 2003. In 2004 Melexis NV repurchased 430.000 shares over-the-counter (OTC) at an average price of EUR 8,90, from which 310.000 shares were purchased from Elex NV. Melexis NV also repurchased 969.658 shares at an average price of EUR 8,89 on the regulatory stock market. The total own shares in 2004 amounted to 1.399.658 shares representing 3,14% of the total outstanding shares. In accordance with IFRS, the treasury shares are presented as a deduction from equity. During the Extraordinary Shareholders Meeting of April 20th, 2004 it was decided to cancel 1.034.805 treasury shares, bringing the total outstanding shares to 44.565.195 at the end of 2004. Melexis NV Extraordinary Shareholders Meeting of October 4th, 2004 decided to increase the capital, bringing it from EUR 565.197 to EUR 32.821.102, by means of incorporation in the capital of the issue premiums for an amount of EUR 32.255.905. It was then decided to decrease the capital by an amount of EUR 32.256.288, by repayment to each existing share of an amount of EUR 0,72. It was also decided to pay an additional gross dividend to the shareholders of EUR 0,28 per share. During the Extraordinary Shareholders Meeting of July 14th, 2005, it was decided to cancel 1.323.335 treasury shares, bringing the total outstanding shares to 43.241.860 at the end of 2005. During the year 2006 Melexis NV repurchased 406.378 shares at an average price of EUR 12,48. No purchases of own shares were done during 2007. Total own shares at the end of 2007 amount to 458.378 representing 1,06% of the total outstanding shares. During the years 2006 and 2007 no own shares have been cancelled. As such, at the end of the year 2007 the total number of outstanding shares is still 43.241.860.

During the year 2008 Melexis NV and Melexis Tessenderlo NV repurchased 1.245.335 shares at an average price of EUR 9,78. In 2009 Melexis Tessenderlo NV repurchased 22.230 shares at an average price of EUR 4,98. In 2010 Melexis Tessenderlo NV repurchased 349.602 shares at an average price of EUR 11,47. In 2011 Melexis Technologies NV repurchased 923.019 shares at an average price of EUR 10,92. Total own shares at the end of 2011 amount to 2.998.564 representing 6,93% of he total outstanding shares.

8.5 Consolidated statement of cash flows

(in Euro)

December 31st (indirect method)	2011	2010
Cash flows from operating activities:		
Net profit	45.893.624	48.612.137
Adjustments for operating activities:		
Deferred taxes	414.281	342.961
Unrealized exchange results	560.174	1.159.405
Provisions	-	-
Government grants	1.342.215	954.960
Depreciation and amortisation	11.948.210	11.509.517
Impairments (1)	-	-
Financial results	835.562	2.200.874
Operating profit before working capital changes:	60.994.066	64.779.854
Accounts receivable, net	-9.847.612	-7.130.933
Other current assets	-1.331.187	2.285.020
Other non-current assets	-588.544	-1.255.775
Due to (from) related companies	-1.486.634	1.670.344
Due (to) from related companies	8.073.276	-783.491
Accounts payable	854.695	733.954
Accrued expenses	5.549.259	2.588.972
Other current liabilities	1.347.004	565.795
Other non current liabilities	-1.069.314	209.816
Inventories	2.340.324	-14.063.092
Interest paid	-2.428.476	-3.417.028
Income tax	-4.194.688	-1.136.844
Net cash from operating activities	58.212.169	45.046.592

December 31st (indirect method)	2011	2010
Cash flows from investing activities:		
Financial fixed assets	-	-
Purchase of property plant and equipment and intangible assets	-14.612.606	-15.376.932
Interest received	1.188.567	1.138.797
Investments, proceeds, from current investments	1.123.786	-1.739.069
Acquisition of subsidiary	-	-
Net cash used in investing activities	-12.300.253	-15.977.204
Cash flows from financing activities :		
Payment to acquire own shares	-9.874.378	-4.013.298
Repayment from long-term debts	-15.138.642	-13.739.095
Proceeds of long-term debts	-	-
Repayment of bank loans and overdrafts	-	-
Proceeds from (repayment of) related party financing	-	-
Dividend payment	-24.317.990	-12.386.906
Capital decrease	-	-
Non-controlling intrests	-	-
Net cash used in financing activities	-49.331.010	-30.139.299
Effect of exchange rate changes on cash	45.599	2.778
(Decrease) increase in cash	-3.373.495	-1.067.133
Cash at beginning of the period	21.179.891	22.247.024
Cash at end of the period	17.806.399	21.179.891
Cash at end of the period minus cash at beginning of the period	-3.373.495	-1.067.133

The impairment expenses related to CDO investment have been correctly included in 2010 in the cash flow statement as "Adjustments for operating activities".

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

8.6 Notes to the consolidated financial statements

8.6.1 General

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

The Melexis group of companies employed, on average 710 people in 2011 and 672 in 2010.

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

The consolidated statements were authorized for issue by the Board of Directors subsequent to their meeting held on February 7th, 2012 in Tessenderlo.

8.6.2 Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union up to December 31st, 2011 (collectively "IFRS"). Melexis has not applied any new IFRS requirements that are not yet effective in 2011.

8.6.3 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 consolidated financial statements 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.

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised when the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Assumptions and estimates are applied when:

- Recognizing and measuring provisions for tax and litigation risks,
- Determining inventory write-downs,
- Assessing the extent to which deferred tax assets will be realized (Note 8.6.5.W),
- Useful lives of property, plant and equipment and intangible assets (Note 8.6.5.G and 8.6.5.H).

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

- Recovery of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and fair value reserves entries only if it is probable that future taxable profits (based on Melexis operational plans) are available to use those temporary differences and losses. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized. Other assumptions and estimates are disclosed in the respective notes relevant to the item where the assumptions or estimates were used for measurement (Note 8.6.5.W).

Measurement currency

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

FOREIGN CURRENCY

Foreign currency transactions

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

Foreign currency translation

Since the introduction of the Euro on January 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 Technologies NV (formerly known as Melexis Tessenderlo NV), Melefin NV, Melexis GmbH, Melexis Nederland BV and the French branch office is the Euro. The measurement currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) and for Melexis Bulgaria Ltd. the Bulgarian Leva (BGN). The measurement currency for Sentron AG and for Melexis Technologies SA is the Swiss Franc (CHF) and the measurement currency for Melexis Electronic Technology (Shanghai) Co. Ltd. is the Chinese Yuan Renminbi (CNY). For the Philippine branch of Melexis NV the measurement currency is the Philippinian Peso (PHP), for the Japanese entity the Japanese Yen (JPY) and for the Hong Kong branch the Hong Kong Dollar (HKD).

Assets and liabilities of Melexis Inc., Melexis Ukraine, Melexis Bulgaria Ltd, Sentron AG, Melexis Technologies SA, Melexis Japan, Melexis Philippines, Melexis Hong Kong and Melexis Electronic Technology (Shanghai) Co. Ltd. are translated at closing rate, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component "cumulative translation adjustment" in the statement of financial position.

Principles of Consolidation

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

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

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

The consolidation scope includes on the one hand Melexis NV and its 3 branch offices being Melexis Philippines, Melexis France and Melexis Hong Kong (opened in 2007). On the other hand, the subsidiaries being part of the consolidation scope are Melexis Ukraine, Melexis Nederland BV (incorporated respectively in 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 acquired in October 1999), Melexis Bulgaria Ltd.(acquired in October 2000), Sentron AG (acquired in February 2004), Melefin NV (constituted during the year 2005 by means of a contribution in kind of the shares of Melexis Technologies NV (formerly known as Melexis Tessenderlo NV). As such Melexis Technologies NV became a granddaughter of Melexis NV. On January 31st, 2006 Melexis GmbH acquired Melexis Technologies NV (from Melefin NV), Melexis Technologies SA (during 2006 the Swiss branch Office Bevaix of Melexis NV was transformed in a separate legal entity: Melexis Technologies SA), Melexis Japan (during 2007 a separate legal entity has been incorporated in Japan), Melexis Electronic Technology (during 2009 this separate legal entity has been incorporated in China, Shanghai). Finally, the granddaughter Melexis Technologies NV is also included in the consolidation scope.

Cash and cash equivalents

Cash includes cash on hand and cash in different bank accounts. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Receivables

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

Hedging

The company applies hedge accounting for a part of its financial instruments as defined under IAS 39.

The hedges whereby hedge accounting is applied are cash flow hedges. Provided the hedge is effective, changes in the fair value of the hedging instrument are initially recognized in a 'hedging reserve' in equity. At maturity they are transferred to the statement of comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognized directly in the statement of comprehensive income.

The table with outstanding derivatives at year end is disclosed in Note 8.6.5.E.

Inventories

Inventories, including work-in-progress are comprised of material, labor and manufacturing overheads and are valued at the lower of cost (determined on FIFO basis) or net realizable value after provision for obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealizable inventory has been fully written off.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is computed on a straight-line basis over the following estimated useful lives.

- Buildings 20-33 years
- Machinery, equipment and installations 5 years
- Furniture and vehicles 5 years
- Computer equipment 5 years
- Mask set 5 years

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

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

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

Investments

The company adopted IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures".

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

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

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

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

(b) Loans and receivables

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

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

(c) Held-to-maturity investments

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

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

(d) Available-for-sale financial assets

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

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

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

Retirement benefits:
Defined contribution schemes

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

Intangible Assets

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

Amounts paid for licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful life of licenses is 5 years.

Business Combinations

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

Goodwill

The excess of the cost of an acquisition over the company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognized as an asset in the statement of financial position. When the excess is negative, a bargain purchase gain is recognized immediately in the statement of comprehensive income. The identifiable assets and liabilities recognized upon acquisition are measured at their fair values as at that date. Any non controlling interest is stated at the minority's proportion of the fair values. Any goodwill arising on the acquisition of a foreign entity and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition of that foreign entity are treated as assets and liabilities of the company (unless it concerns badwill, this is recognized in the comprehensive income). Goodwill is carried at cost less accumulated impairment losses. Impairment of goodwill is included in operating profit.

Research and Development Costs

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

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

Equity

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

Provisions

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

Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Reserves

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

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

Non controlling interests

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

Revenue recognition

The company recognizes revenue from sales of products upon shipment or delivery, depending on when title and risk of loss are transferred under the specific contractual terms of each sale, which may vary from customer to customer.

Revenue from research projects is recognized upon meeting of all contractual conditions.

Borrowing costs

Borrowing costs are expensed as incurred.

Government Grants

Government grants are deferred and amortized into income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in the accompanying consolidated financial statements.

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

Income taxes

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

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

Deferred tax assets and liabilities are recognized regardless of the moment when the timing difference is likely to reverse. Deferred tax assets are not discounted and are classified as non current assets in the statement of financial position.

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

A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortization is not deductible for tax purposes.

Impairment of assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher amount 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 have decreased.

Segments

Melexis uses the management approach for determining its segment information. This information is based on the available internal information which forms the basis to evaluate the internal performance of its operational segments and the means appropriated to each segment. On a worldwide basis Melexis operates into two major operating businesses being automotive and non-automotive. Financial information on geographical segments is also presented in Note 8.6.5.AB.

Contingencies

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

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

Subsequent events

Post year end events that provide additional information about a company's position at the balance sheet date, (adjusting events), are reflected in the financial statements.

Post year end events that are not adjusting events are disclosed in the notes when material.

Earnings per share

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

Financial liabilities

All movements in financial liabilities are accounted at trade date.

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

Trade and other payables

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

Derivative financial instruments

The negative fair value of derivative financial instruments is included under this heading. An overview of the derivative financial instruments with negative fair value can be found in Note 8.6.5.E.

Adoption of new and revised standards

New standards, interpretations and amendments adopted by the group.

During the current financial year, the group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting period starting on January 1, 2011. The group has not applied any new IFRS requirements that are not yet effective in 2011.

The following new standards, interpretations and amendments issued by the IASB and the IFRIC are effective for the current period:

1. IFRS 1 First-time Adoption of International Financial Reporting Standards (Amendment)
2. IFRS 1 First-time Adoption of International Financial Reporting Standards – Improvements to IFRSs (2010)
3. IFRS 3 Business Combinations – Improvements to IFRSs (2010)
4. IFRS 7 Financial Instruments: Disclosures – Improvements to IFRSs (2010)
5. IAS 1 Presentation of Financial Statements – Improvements to IFRSs (2010)
6. IAS 24 (Revised) Related Party Disclosures
7. Consequential Amendments from IAS 27 Consolidated and Separate Financial Statements to IAS 21, IAS 28 and IAS 31
8. IAS 32 Classification of Rights Issues (Amendment)
9. IAS 34 Interim Financial Reporting – Improvements to IFRSs (2010)
10. IFRIC 13 Customer Loyalty Programmes – Improvements to IFRSs (2010)
11. IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (Amendment)
12. IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

Their adoption has not led to major changes in the group's accounting policies.

Standards and Interpretations issued but not yet effective in the current period

The group elected not to early adopt the following new standards, interpretations and amendments, which have been issued but are not yet effective as per December 31st, 2011.

1. IFRS 1 First-time Adoption of International Financial Reporting Standards – Replacement of 'fixed dates' for certain exceptions with 'the date of transition to IFRSs';
2. IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional exemption for entities ceasing to suffer from severe hyperinflation;
3. IFRS 7 Financial Instruments: Disclosures – Amendments enhancing disclosures about transfers of financial assets;
4. IFRS 9 Financial Instruments – Classification and Measurement;
5. IFRS 10 Consolidated Financial Statements;
6. IFRS 11 Joint Arrangements;
7. IFRS 12 Disclosure of Interests in Other Entities;
8. IFRS 13 Fair Value Measurement;
9. IAS 1 Presentation of Financial Statements – Amendments to revise the way other comprehensive income is presented;
10. IAS 12 Income Taxes – Limited scope amendment (recovery of underlying assets);
11. IAS 19 Employee Benefits – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects;
12. IAS 27 Consolidated and Separate Financial Statements – Reissued as IAS 27 'Separate Financial Statements' (as amended in 2011);
13. IAS 28 Investments in Associates – Reissued as IAS 28 'Investments in Associates and Joint Ventures' (as amended in 2011).

The above new standards, interpretations and amendments, which have not been applied in these financial statements, will or may have an effect on the group's future financial statements:

None of the other new standards, interpretations and amendments, which are effective for periods beginning after January 1st, 2011 and which have not been adopted early, are expected to have a material effect on the group's future financial statements.

8.6.4 Changes in group's organization

There have been no changes in the group organization during 2011.

8.6.5 Notes

A. CASH AND CASH EQUIVALENTS

In Euro

December 31st	2011	2010
Cash at bank and in hand	17.806.399	21.179.891
Cash equivalents	-	-
Total	**17.806.399**	**21.179.891**

B. CURRENT INVESTMENTS

In Euro

December 31st	2011	2010
Current Investments	4.605.309	5.729.096

December 31st		
Detailed current investments	**Cost**	**Fair Value**
Assets held to maturity	-	-
Assets available for sale	3.806.394	4.318.682
Derivatives	-	286.627
Total	**3.806.394**	**4.605.309**

In principle, Melexis' current investments are classified as assets available for sale. According to IAS 39, the difference between the purchase price and the fair value of current investments classified as available for sale is recognized directly into equity under 'Revaluation reserve fair value'. As of December 31st, 2011 this fair value adjustment resulted in a profit (increase of equity) amounting to EUR 512.288. The fair value of these assets amounted to EUR 4.318.682.

Melexis' financial derivatives with a positive market value are classified as assets held for trading. The fair value changes for those derivatives where no hedge accounting is applicable are immediately recognized in the statement of comprehensive income. As of December 31st, 2011 the fair value of the financial derivatives recognized as asset under current investments amounted to EUR 286.627.

A detailed overview of the outstanding derivatives, categorized under current investments, can be found in Note 8.6.5.E.

As of December 31st, 2011 Melexis had no assets in portfolio classified as investments held to maturity.

C. TRADE RECEIVABLES

In Euro

December 31st	2011	2010
Trade accounts receivables	38.256.634	28.504.180
Allowance for doubtful accounts	-454.951	-570.905
Total	**37.801.683**	**27.933.275**

As at December 31st, 2011 trade receivables of EUR 14.680.945 were passed due. The aging analysis of these receivables is as follows:

In Euro

December 31st	2011	2010
Not due	23.575.689	21.138.392
<30 days	8.266.938	5.345.366
>30 <60 days	1.646.789	861.459
>60 days	4.767.218	1.158.963
Total	**38.256.634**	**28.504.180**

D. INVENTORIES

Inventories, including work-in-progress 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.

In Euro

December 31st	2011	2010
Raw materials and supplies, at cost	7.505.079	9.061.224
Work in progress, at cost	24.829.906	28.209.526
Finished goods, at cost	7.101.431	4.556.651
Reserve for obsolete stock	-2.492.971	-2.610.758
Net	36.943.445	39.216.644

E. DERIVATIVES

Notional amounts

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

December 31st		2011	2010
Outstanding FX hedge contracts per December 31st, not exceeding 1 year	USD	15.000.000	15.000.000
	CHF	19.200.000	-
Outstanding Interest hedge contracts per December 31st, exceeding 1 year	EUR	30.000.000	30.000.000
Outstanding Interest hedge contracts per December 31st, not exceeding 1 year	EUR	-	45.000.000
Outstanding Inflation hedge contract per December 31st, exceeding 1 year	EUR	8.400.000	8.400.000

FX hedge contracts are entered into in order to hedge (part of) the outstanding balance sheet exposure in foreign currency (USD/CHF).

Interest hedge contracts are entered into in order to hedge (part of) the group's borrowings at floating interest rate. Inflation hedge contracts are entered into in order to hedge (part of) the salary inflation risk of the group.

Fair value

The fair value of derivatives is based upon mark to market valuations (input received from bank).

The following table presents an overview of the fair value of outstanding derivatives, classified as an asset under Current Investment, Derivates:

December 31st	2011	2010
Assets	**Fair value EUR**	**Fair value EUR**
Outstanding FX swaps - confrom IFRS 7 - level 2	286.627	283.152
Total, classified under Current investment (see also Note 9.6.5.B)	**286.627**	**283.152**

These financial instruments are classified as financial assets at fair value through profit or loss.

The following table presents an overview of the fair value of outstanding derivatives, classified as a liability under Derivative financial instruments:

December 31st	2011	2010
Liabilities	**5.507**	**105.894**
Outstanding FX swaps - confrom IFRS 7 - level 2	(221.734)	(347.045)
Outstanding Interest swaps - conform IFRS 7 - level 2	(747.991)	(1.357.927)
Outstanding Interest swaps (hedged) - conform IFRS 7 - level 1	(964.218)	(1.599.078)
Total, classified under Derivative financial instruments	**(964.218)**	**(1.599.078)**

These financial instruments are classified as financial liabilities at fair value through profit or loss.

The following table presents an overview of the fair value of outstanding derivatives, for which hedge accounting is applied as defined under IAS 39. Changes in the fair value of the hedging instrument are recognized in a hedging reserve, classified as 'Revaluation reserve Hedge'.

December 31st	2011	2010
Fair value of instruments through equity (hedge accounting IAS 39)		
Outstanding FX hedge swaps per December 31st	-	-
Outstanding Interest hedge swaps per December 31st	(747.991)	(1.357.927)
Outstanding Inflation hedge swaps per December 31st	-	-
Subtotal	(747.991)	(1.357.927)
Deferred tax asset	254.242	461.559
Total, classified under Revaluation reserve Hedge	**(493.749)**	**(896.368)**

F. OTHER CURRENT ASSETS

In Euro

December 31st	2011	2010
Other receivables	6.460.230	6.582.329
Prepaid expenses	682.549	921.468
Total	**7.142.779**	**7.503.796**

These assets mainly relate to VAT and Corporate Taxes, spread over both balance sheet accounts. As shown in the table above.

G. INTANGIBLE ASSETS

In Euro

December 31st	Licenses	IP	Total
Acquisition value			
Balance end of previous period	7.760.401	1.264.810	9.025.211
Additions of the period	552.575	-	552.575
Retirements (-)	(7.930)	-	(7.930)
Transfers	-	-	-
CTA	1.630	-	1.630
Total	**8.306.676**	**1.264.810**	**9.571.486**
Depreciation			
Balance end of previous period	7.074.804	200.262	7.275.066
Additions of the period	230.102	126.481	356.583
Retirements (-)	(3.990)	-	(3.990)
Transfers	-	-	-
CTA	1.067	-	1.067
Total	**7.301.983**	**326.743**	**7.628.726**
NET BOOK VALUE	**1.004.693**	**938.067**	**1.942.760**

As of 2010 we have included an extra column relating to IP (to make a distinction between the different intangible assets), this relates to the purchase of Sensata's vision business in 2009 (we refer to the business combination of 2009, as briefly described in Note 8.6.5.AG).

The licenses are being depreciated over a period of 5 years, whereas the IP is depreciated over 10 years. The yearly depreciating expenses are included in the income statements mainly as cost of sales (Note 8.6.5.P) and research and development expenses (Note 8.6.5.Q).

At the end of 2011 the licenses have been depreciated for the greatest part. The IP has been depreciated for 2 years and 7 months.

H. PROPERTY, PLANT AND EQUIPMENT

December 31st	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
Cost:					
Beginning of the period	27.755.887	114.858.815	5.235.946	1.301.345	149.151.993
Additions of the year	467.838	9.651.017	1.161.440	4.014.366	15.294.661
Retirements	(530.615)	(1.070.208)	(172.010)	(119.308)	(1.892.141)
Transfers	155.479	1.825.719	238.228	(2.219.426)	-
CTA	96.447	269.654	12.344	-	378.445
End of the period	**27.945.036**	**125.534.997**	**6.475.948**	**2.976.977**	**162.932.958**
Accumulated depreciation:					
Beginning of the period	6.688.164	90.143.841	3.559.524	-	100.391.529
Additions of the period	1.114.146	9.736.663	749.900	-	11.600.709
Retirements	(112.383)	(455.535)	(122.462)	-	(690.380)
Transfers	-	(217.119)	217.119	-	-
CTA	33.572	235.761	7.967	-	277.300
End of the period	**7.723.499**	**99.443.611**	**4.412.048**	**-**	**111.579.158**
NET BOOK VALUE	**20.221.537**	**26.091.386**	**2.063.900**	**2.976.977**	**51.353.800**

Additions of the year mainly relate to test equipment.
Retirements: no material amount of compensation from third parties which have been concluded in the consolidated statement of comprehensive income.

I. NON CURRENT FINANCIAL ASSETS

In Euro

December 31st	2011	2010
Non current financial assets	30.100	30.100

As per December 31st, 2011, the total of non current financial assets amounts to EUR 30.100.

This amount reflects the non controlling interest taken in the course of 2009 and 2010 in two companies.

The investments are recognized as investments in associates, initially measured at transaction price (cost price).

The portfolio of "collateralized debt obligations" (CDO's), which was acquired in the course of 2006 (for a total value of EUR 15.000.000), is valued at EUR 0, being management's best estimate of the fair value. This fair value corresponds with the result of multiple valuation techniques, including the valuation technique using data and inputs from observable markets (based on the ratings of underlying assets), as well as inputs that are not based on observable market data (consistent with the valuation technique used at 31 Dec 2008).

In 2011, the CDO-portfolio generated a total interest amount of EUR 147.514.

The expected maturity of the CDO-portfolio is 2016–2017. As the CDO-portfolio contains embedded derivatives which can not be separately valued, the total investment is classified as a "held for trading" instrument. As the fair value of the CDO-portfolio was already at EUR 0, no additional fair value adjustment has been taken in the statement of comprehensive income in 2011.

J. ACCRUED EXPENSES, ACCRUED CHARGES, PAYROLL AND RELATED TAXES

In Euro

December 31st	2011	2010
Vacation pay bonuses and 13th month	2.670.530	1.998.344
Other social accruals	334.674	495.815
Remuneration	168.428	242.085
Social security	122.079	106.266
Direct and indirect taxes	5.270.727	4.316.530
Other	-	-
Liability investment grant	-	-
Provision restructuring	-	-
Total	**8.566.438**	**7.159.039**

K. DEFERRED INCOME

In Euro

December 31st	2011	2010
Capital grants	624.498	792.689
Total	**624.498**	**792.689**

L. OTHER CURRENT LIABILITIES

In Euro

December 31st	2011	2010
Accrued real estate withholding tax	70.000	-
Accrued financial services	119.415	95.525
Accrued design services	858.493	108.500
Accrued management services	194.260	777.569
Accrued interests	237.498	449.003
Accrued insurances	42.900	141.208
Product liability	500.000	-
Other	1.040.387	134.987
Total	**3.062.953**	**1.706.792**

M. LONG AND SHORT TERM DEBTS

In Euro

December 31st	2011	2010
Secured loans		
Bank loan (in CHF) at floating interest rate; average rate for the year 2011 was 2,50% (1); maturing in 2019	330.547	361.377
Bank loan (in EUR) at floating interest rate; average rate for the year 2011 was 2,65% (2); maturing in 2033	2.293.322	2.399.990
Bank loan (in USD) at fixed rate of 6% (3); maturing in 2018, repaid in 2010	-	-
Bank loan in (EUR) at floating interest rate (4); repaid in 2011	-	15.000.000
Total secured loans	2.623.869	17.761.367
Unsecured loans		
Unsecured loans (in EUR) at floating interest rate; average rate for the year 2011 was 2,55%; maturing in 2013	39.000.000	39.000.000
Total unsecured loans	39.000.000	39.000.000
Total debt	41.623.869	56.761.367
Current maturities	4.647.913	19.646.769
Long-term portion of debts	36.975.956	37.114.598

(1) The loan is secured by a mortgage on the building of Bevaix, Switzerland.
(2) A secured loan was concluded for an amount of EUR 3.200.000 to finance the construction of an office building. A mortgage of EUR 3.200.000 is given on the building project.
(3) A secured loan was concluded for an amount of USD 300.000. This loan was secured by a mortgage on real estate from Melexis Inc. The loan is repaid and the mortgage is removed in 2010.
(4) A secured loan was concluded for an amount of EUR 75.000.000. This loan was secured by the assets of Melexis GmbH. The loan is repaid and the pledges were removed in 2011.

As of December 31st, 2011 there are engagements for the following financial covenants:

For Melexis NV:

- Net debt/EBITDA ratio ≤ 2,5
- Tangible net worth/total assets ≥ 35%

For Melefin NV:

- Tangible net worth > EUR 75 mln.

As per December 31st, 2011 Melexis is respecting all its financial covenants.

Repayment of debts as of December 31st, 2011 is scheduled as follows:

December 31st	2011
2012	4.647.913
2013	34.647.997
2014	147.997
2015	147.997
2016	147.997
Thereafter	1.883.968
Total	**41.623.869**

N. SHAREHOLDERS’ EQUITY AND RIGHTS ATTACHED TO THE SHARES

As of December 31st, 2011 the common stock consisted of 43.241.860 issued and outstanding ordinary shares without face value.

Each shareholder is entitled to one vote per share, without prejudice to specific restrictions on the shareholders’ voting rights in the company’s articles of association and Belgian company law, including restrictions for non-voting shares and the suspension or cancellation of voting rights for shares which have not been fully paid up at the request of the Board of Directors.

Under Belgian company law, the shareholders decide on the distribution of profits at the annual shareholders’ meeting, based on the latest audited statutory accounts of the company. Dividends may be paid either in cash or in kind. However, shareholders may not declare a dividend if the company has not first reserved at least 5% of its profits for the financial year until such reserve has reached an amount equal to 10% of its share capital (the “legal reserve”) or if, following any such dividend, the level of the net assets adjusted for the unamortized balance of the incorporation costs and capitalized research and development costs of the company falls below the amount of the company’s paid-in-capital and of its non-distributable reserves. The Board of Directors may pay an interim dividend, provided certain conditions set forth in Belgian company law are met.

In the event of a liquidation of the company, the proceeds from the sale of assets remaining after payment of all debts, liquidation expenses and taxes are to be distributed proportionally to the shareholders, subject to liquidation preference rights of shares having preferred dissolution rights. The company currently has no plans to issue any shares having such preferred dissolution rights.

O. GOVERNMENT GRANTS

The government grants mentioned below consist of capital grants and operational grants. Capital grants are recognized as cost of sales in relation to the depreciation period of the underlying assets. The operational grants are recognized as research and development expenses when acquired.

In Euro

December 31st	2011	2010
Grants for research and development	1.566.385	957.575
Investments grants in building, machinery and employment grants	374.969	372.331
Total	**1.941.354**	**1.329.906**

Grants for research and development are recognized as other expenses included in total research and development expense, see Note 8.6.5.Q.

Investment grants in building, machinery and employment grants are recognized as other direct production costs included in total cost of sales, see Note 8.6.5.P.

P. COST OF SALES

Cost of sales include of the following expenses:

In Euro

December 31st	2011	2010
Purchases	94.171.104	90.042.848
Transportation costs	3.054.356	2.957.081
Salaries	10.113.960	8.256.029
Depreciation and amortization (*)	7.276.096	7.173.262
Other direct production costs	7.835.984	8.746.537
Total	**122.451.500**	**117.175.757**

(*) Includes amounts written off stock for the amount of KEUR 143

(*) Inventory mutation of 2011 (decrease) for the amount of EUR 2.273.199 is part of total cost of sales

Q. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

In Euro

December 31st	2011	2010
Salaries	19.895.679	17.509.817
Depreciation and amortization	3.122.866	2.869.096
External services	6.301.856	4.505.810
Prototype wafers	1.303.409	955.160
Fees	1.418.041	1.437.258
Other	2.300.146	2.423.554
Total	**34.341.998**	**29.700.695**

R. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

In Euro

December 31st	2011	2010
Salaries	3.752.231	3.280.193
Depreciation and amortization	1.488.627	1.423.825
External services	1.646.732	888.018
Fees	699.226	689.546
Other	4.952.798	4.237.632
Total	**12.539.615**	**10.519.214**

S. SELLING EXPENSES

Selling expenses include the following expenses:

In Euro

December 31st	2011	2010
Salaries	3.975.220	3.263.431
Depreciation and amortization	60.621	56.847
Commissions	952.626	828.458
Other	1.893.835	1.592.745
Total	**6.882.302**	**5.741.481**

T. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

In Euro

December 31st	2011	2010
Wages ans salaries	37.737.091	32.309.470
Total	**37.737.091**	**32.309.470**

The average number of employees is 710 in 2011 and 672 in 2010.

Key management personnel compensation

For more detail on compensation key management, see chapter 9.

U. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

In Euro

December 31st	2011	2010
Cost of sales	7.276.096	7.173.262
Research and development	3.122.866	2.869.096
General and administration	1.488.627	1.423.825
Selling	60.621	56.849
Other operating expenses	-	-
Total	**11.948.210**	**11.523.032**

V. NET FINANCIAL RESULT

In Euro

December 31st	2011	2010
Financial income:	**(5.647.419)**	**(5.912.460)**
interest income	(647.325)	(878.353)
exchange differences	(4.444.618)	(4.190.009)
result on financial instruments including fair value adjustments	(432.731)	(796.046)
dividend	(108.510)	-
other	(14.235)	(48.052)
Financial charges:	**6.813.608**	**8.038.718**
interest charges	2.393.912	3.706.098
bank charges	113.567	93.495
exchange differences	4.146.513	4.119.699
impaiment	-	-
other	159.616	119.426
Net financial results	**1.166.189**	**2.126.258**

W. INCOME TAXES

The income tax expenses can be detailed as follows:

In Euro

December 31st	2011	2010
Current tax expenses	7.285.469	5.492.908
Deferred tax income	100.801	58.335
Total	**7.386.270**	**5.551.243**

In 2008 Melexis Technologies SA transferred part of its IP portfolio to Melexis Technologies NV at market value by means of a contribution in kind. This transaction resulted in intangible assets in the Melexis Technologies NV statutory financial statements of EUR 71,2 mio. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of Melexis Technologies NV. Taken into account the domestic tax rate of 33,99%, the deferred tax effect linked to said transaction could amount to approximately EUR 16,8 mio at year end 2011. Past transactions resulted in similar deferred tax effects amounting to approximately EUR 18,3 mio at year end 2011.

Consistent with prior years the company assessed to which extent it is probable that this positive tax effect will effectively be realized in the future. In this respect the Board of Directors in particular takes into account the uncertainties related to the rapid technological evolutions in the sector, the highly competitive market as well as the fact that the company only has short term contracts with its customers. In line with prior year, in her judgment, the Board of Directors not only takes into account the profitability over the coming year but instead the average profitability over the coming three years. Such approach is found to be expedient in order to avoid unrealistic year on year fluctuations in estimated realization of the deferred tax asset. Taking into account these considerations the Board of Directors has decided to recognize as per December 31st, 2011 a cumulative deferred tax asset of EUR 10.028.448. Accordingly the unrecognized deferred tax asset resulting from these transactions amounts to approximately EUR 25,1 mio at year end 2011.

Linked to available tax losses and tax offsets carried forward in the hands of Melefin NV an additional deferred tax asset amounting to EUR 3,5 mio is taken into account.

Finally a cumulative deferred tax asset amounting to EUR 1,3 mio has been set up to take into account the deferred tax effect resulting from fair value adjustments related to financial instruments.

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

In Euro

December 31st	**2011**	**2010**
Income before taxes	53.279.894	54.163.380
Expected taxes at domestic rate	18.109.836	18.410.133
Effective taxes	7.386.270	5.551.243
Difference to be explained	-10.723.566	-12.858.890
Explanation of the difference	-	-
Difference foreign tax percentages and other tax regimes	-599.290	-4.315.445
Effect IP amortization (permanent difference)	-6.707.988	-6.709.333
Fair value adjustments financial instruments	9.653	106.776
Tax effect non-deductible items	205.637	261.652
Tax effect non-taxable income	-1.972.904	2.862.999
Tax effect patent income deduction	-1.016.029	-
Tax effect notional interest deduction	-10.846.460	-9.224.829
Tax effect investment deduction	-4.261.078	-3.061.908
Tax losses carried forward	-4.621.728	-4.628.015
Current tax adjustments relating to prior years	-187.722	49.675
Miscellaneous	375.970	106.193
Unrecognized deferred tax assets current period	19.083.700	12.593.344
Effect of previously unrecognized and unused tax losses and tax offsets now recognized as deferred tax assets, including valuation allowances	-185.327	-900.000
Total	**-10.723.566**	**-12.858.890**
Difference	**-**	**-**

Components of deferred tax assets are as follows:

In Euro

December 31st	1 jan 11	Charged to income statement	Charged to equity	Cumulative translation adjustments	31 dec 11
Tax amortization charges	9.219.345	809.103	-	-	10.028.448
Fair value adjustments financial instruments	117.961	-42.593	-	-	75.368
Fair value adjustments hedge accounting	461.559	-	-207.317	-	254.242
Impairment CDO	5.098.500	-4.078.800	-	-	1.019.700
Tax losses and tax offsets carried forward	-	3.455.025	-	-	3.455.025
Miscellaneous	232.625	-244.537	-	-	-11.912
Total	**15.129.990**	**-101.802**	**-207.317**	**-**	**14.820.871**

X. OTHER NON CURRENT LIABILITIES

In Euro

December 31st	2011	2010
Other non current liability	2.860.986	2.745.626
Total	**2.860.986**	**2.745.626**

The other non current liability relates to an obligation of repayment for subsidies. Melexis GmbH received an investment grant for a planned investment project which ended at year end 2009. The allocation of subsidies is based on "Joint agreement for the improvement of regional economic structures (GA)" and according "European fund for regional development (EFRE)".

Since not all agreed criteria were met at the end of the investment period, there is a risk that Melexis GmbH needs to repay the grant. The repayment of the investment grant threatens at the earliest in the financial year 2017. Because of the long-term character of the provision, a non current liability has been booked for the amount of KEUR 1.300.

The other part of the non current liability relates to the contingent liablility to Sensata (Note 8.6.5.AH)

Y. RESEARCH AND DEVELOPMENT REVENUES

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

The research and development revenues are as follows:

December 31st	2011	2010
Research and development revenues-product developments	1.807.151,1	946.921
Total	**1.807.151**	**946.921**

Z. OTHER OPERATING EXPENSES (NET)

No other operating expenses to be reported in 2011.

AA. SENSITIVITY ANALYSIS ON FINANCIAL RISK

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

Foreign currency risk

The group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, especially in USD. In 2011, approximately 52% of the group's sales are denominated in USD and approximately 40% of the group's operating costs are denominated in USD.

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

Currency rate risk table

FY 2011	Increase/Decrease in EUR/USD rate	Effect on result before taxes (in EUR)
Reference rate: 1.35		
	+0.05 (1.40)	-1.706.875
	-0.05 (1.30)	1.833.937

At December 31st, 2011, following financial assets and liabilities are denominated in USD and CHF:

	31 Dec 11 (USD)	31 Dec 11 (CHF)
Financial assets	**30.138.151**	**232.392**
Cash and cash equivalents	1.232.261	213.951
Trade and other receivables	28.905.890	18.441
Financial liabilities	**6.509.017**	**1.274.240**
Trade and other payables	6.509.017	874.240
Loans and borrowings	-	400.000

An increase/decrease of the EUR/USD rate of +/- 0,05 (increase from 1,35 to 1,40/decrease from 1,35 to 1,30) would have an impact on the balance sheet value of KEUR -625/ KEUR +673 at December 31st, 2011.

An increase/decrease of the EUR/CHF rate of +/- 0,05 (increase from 1,22 to 1,27/decrease from 1,22 to 1,17) would have an impact on the balance sheet value of KEUR +34/ KEUR -36 at December 31st, 2011.

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

Interest rate risk

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

At December 31st, 2011 approximately 100% of the group's borrowings are at a floating rate of interest. In order to hedge the interest rate risk, Melexis is using interest rate derivatives.

Interest rate risk table

The following table demonstrates the sensitivity of the group's financial result to a reasonably possible change in interest rates (through the impact on floating rate borrowings), with all other variables held constant.

The calculation is based on outstanding debt at year end and assumes an increase/decrease of the interest rate on the whole interest rate curve.

	Increase/Decrease	Effect on financial result (in EUR)	
FY 2011	**in base points**	**excluding derivatives**	**including derivatives**
	+15	-62.436	-17.436
	-15	62.436	17.436

AB. OPERATING SEGMENTS

Business Segments

Operating segments are presented by business segments, consistent with the information that is available and evaluated regularly by the chief operating decision maker. Melexis conducts the majority of its business activities in the following two areas:

- Automotive
- Non-automotive (other)

Operating company management is responsible for managing performance, underlying risks, and effectiveness of operations. Internally, Melexis' management uses performance indicators such as Income from operations (EBIT) and Net result as measures of segment performance and to make decisions regarding allocation of resources. These measures are reconciled to segment profit in the tables presented. The tables below provide the segment information per business segment in the format that is used by management to monitor performance.

Business segment data

All amounts in 1.000 EUR

December 31st 2011	Automotive	Other	Unallocated	Total
Product sales	185.103	43.752		228.854
Other revenues	1.213	595		1.807
COS	95.766	26.685		122.452
R&D expenses	26.858	7.484		34.342
G&A expenses	9.807	2.733		12.540
Selling expenses	5.382	1.500		6.882
Other operating expenses				-
Income from operations				54.446
Financial results			(1.166)	(1.166)
Taxes			(7.386)	(7.386)
Net result				45.894
Segment assets	106.006	25.056	47.041	178.103
Segment liabilities	134.168	31.712	12.223	178.103
Capital expenditures	11.819	2.794		14.613
Depreciation and amortization	9.664	2.284		11.948

All amounts in 1.000 EUR

December 31st 2010	Automotive	Other	Unallocated	Total
Product sales	166.755	51.725	-	218.480
Other revenues	714	233	-	947
COS	85.744	31.432	-	117.176
R&D expenses	21.734	7.967	-	29.701
G&A expenses	7.697	2.822	-	10.519
Selling expenses	4.201	1.540	-	5.741
Other operating expenses	-	-	-	-
Income from operations				56.290
Financial results	-	-	(2.126)	(2.126)
Taxes	-	-	(5.551)	(5.551)
Net result				48.612
Segment assets	91.808	28.477	60.194	180.479
Segment liabilities	108.399	33.624	38.456	180.479
Capital expenditures	11.737	3.640	-	15.377
Depreciation and amortization	8.785	2.725	-	11.510

Information about transactions with major customers

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

In%

December 31st	2011	2010
Customer A	17	16
Customer B	6	7
Customer C	5	7
Customer D	4	4
Customer E	4	4
Customer F	3	3
Customer G	3	3
Customer H	3	3
Customer I	3	3
Customer J	3	3
Total	**51**	**53**

Information about geographical areas

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

The table below shows the revenue by origin, this refers to the geographical area in which the entity, which has made the invoice towards the customer, is located.

All amounts in 1.000 EUR

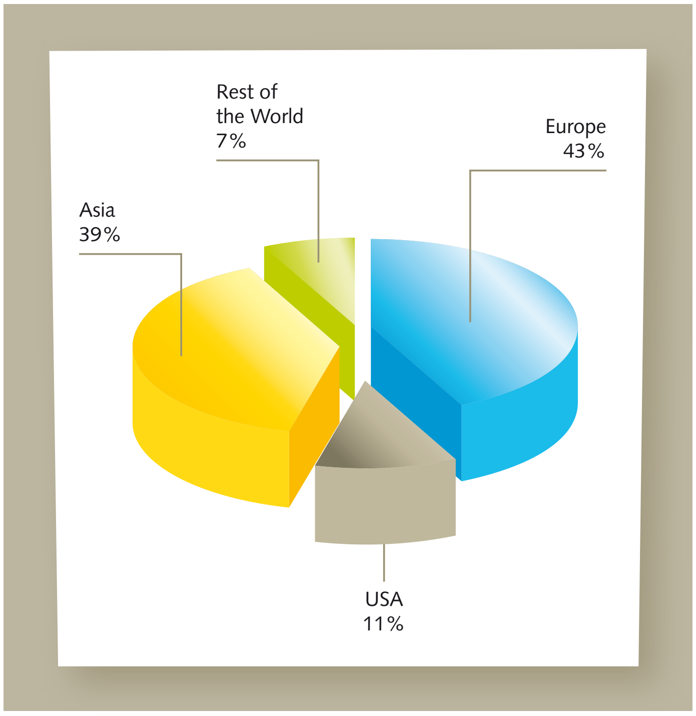
December 31st 2011	Europe	US	Total
Revenue by origin	230.661	-	230.661
Assets	177.902	-	178.515

All amounts in 1.000 EUR

December 31st 2010	Europe	US	Total
Revenue by origin	219.427	-	219.427
Assets	179.560	-	180.479

Due to the fact that the production sites are mainly located in Europe, the assets are also centralized in Europe (see table above). In the other geographical areas outside Europe, mainly sales offices are located and therefore less assets are present.

The following graph and table summarizes sales by destination (this refers to the geographical area in which the customer is located. Also equal to bill to address):



In Euro

December 31st	2011	2010
Europe	**99.526.374**	**86.830.622**
Germany	47.696.569	40.613.639
France	6.302.665	6.673.074
United Kingdom	9.777.420	10.958.959
Ireland	4.607.426	4.181.675
Poland	6.263.252	4.392.791
Switzerland	3.552.999	3.842.867
Netherlands	3.153.790	3.572.518
Czech Republic	1.796.821	1.369.110
Austria	5.344.512	3.000.399
Romania	5.728.276	3.274.339
Other	5.302.643	4.951.251
United States of America	**25.851.004**	**15.421.049**
Asia	**89.610.723**	**93.003.932**
Japan	16.741.735	16.687.327
China	16.542.437	29.700.109
Thailand	18.237.275	15.573.437
Korea	12.625.053	14.996.627
Philippines	1.439.270	2.508.064
Taiwan	6.182.450	6.603.777
India	1.909.260	2.422.165
Hong Kong	11.901.658	
Other	4.031.586	4.512.427
Rest of the World	**15.673.396**	**24.171.182**
Total	**230.661.496**	**219.426.785**

AC. RELATED PARTIES

1. Shareholders' structure and identification of major related parties

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

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

The shareholders of Melexis NV are as follows:

- Since January 1st, 2006, Xtrion NV is the main shareholder of Melexis NV, as a result of the partial split of Elex NV into Elex NV and Xtrion NV. Xtrion NV owns 50,05% of the outstanding Melexis shares . The shares of Xtrion NV are held directly and/or indirectly by Mr. Roland Duchâtelet, Mrs. Françoise Chombar and Mr. Rudi De Winter.
- Elex NV is 99,9% owned by Mr. Roland Duchâtelet. One share is hold by Mr. Roderick Duchâtelet.
- Xtrion NV owns 59% of the outstanding shares of X-FAB Silicon Foundries SE, producer of wafers, which are the main raw materials for the Melexis products. X-FAB Silicon Foundries SE sells the majority of its products also to third parties.
- Per 4 May 2011 Epiq NV sold it subsidiaries in Bulgaria, Mexico and Czech Republic to IMI. As a result these companies are no longer affiliates of Melexis. From this date sales invoices are made directly to IMI.
- Melexis, as in prior years, purchases part of its test equipment from the XPEQT Group. XPEQT Group develops, produces and sells test systems for the semiconductor industry. XPEQT Group is owned by Mr. Roland Duchâtelet (60%) and Mrs. Françoise Chombar (40%), CEO of Melexis NV.
- During the year 2011 no transactions took place which can create a potential conflict.

2. Outstanding balances at year-end

As of December 31st 2011 and 2010, the following balances were outstanding:

Receivables:

December 31st		2011	2010
On	Elex	4.130	4.130
	Xtrion	(1.375)	158.884
	Epiq group	69.096	8.314.442
	Xfab group	379.211	208.207
	Xpeqt group	271.597	110.274
	Total	**722.660**	**8.795.936**

Payables:

December 31st		2011	2010
On	Elex	-	2.881
	Xtrion	36.793	127.495
	Epiq group	-	231.172
	Xfab group	4.487.492	6.127.313
	Xpeqt group	592.304	114.362
	Other	-	-
	Total	**5.116.589**	**6.603.223**

Long term receivable:

December 31st	2011	2010
Long term receivable part of other non-current assets		
Xfab group	520.000	-

EUR 411.307 is outstanding for more then 1 year and EUR 108.693 is due within 1 year.

3. Transactions during the year

Sales/ purchases of goods and equipment

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

December 31st	2011	2010
Sales to		
Epiq group (mainly Ics *)	4.418.130	11.068.919
Xpeqt group	5.255	1.200
Xfab group (mainly test & assembly services)	259.925	629.737
Elex	-	-
Epiq Dieppe	-	-

* IC's: Integrated Circuit boards
** Sales to Epiq Dieppe

December 31st	2011	2010
Purchases from		
Xfab group (mainly wafers)	62.946.078	73.171.304
Epiq NV (mainly assembly)	-	250.910
Xpeqt group (mainly equipment and goods)	3.942.063	4.411.223
Xtrion (mainly IT infrastructure)	399.917	231.812

Sales/purchases of services

December 31st	2011	2010
Sales to		
Elex (mainly R&D services and rent)	37.704	18.000
Xpeqt group (infrastructure office building)	290.148	91.642
Epiq group (infrastructure office building)	37.923	355.174
Xtrion (infrastructure office building)	97.383	46.158
Xfab group	945.859	-

December 31st	2011	2010
Purchases from		
Xtrion NV (mainly IT and related support)	1.434.603	771.098
Elex NV (mainly IT and related support)	158.606	13.942
Epiq group	-	3.536
Xpeqt group	1.046.281	1.330.877
Xfab group	1.506.372	1.303.150

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

The (un-audited) consolidated result for the year 2011 for X-FAB Silicon Foundries SE group is estimated to be USD -84.666.260, whereas equity is estimated at USD 291.201.149 (un-audited).

AD. REMUNERATION OF BOARD OF DIRECTORS

In accordance with the company's bylaws, directors can be remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 45.000 during 2011. The chairman and executive directors are not remunerated as director.

AE. EARNINGS PER SHARE

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 45.893.624 in 2011, EUR 48.612.137 in 2010 and EUR -3.989.054 in 2009 by the weighted average number of ordinary shares outstanding during the period (43.241.860 in 2011, 2010 and 2009).

The average number of ordinary shares outstanding diluted and non-diluted are the same.

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

AF. FINANCIAL INSTRUMENTS

Financial risk management

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

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

(1) Credit Risks

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

(2) Interest rate risk

The group does use derivatives to manage interest rate risks of the outstanding bank debt.
The schedule of long-term-debt repayments is disclosed in Note 8.6.5.M.
The table with outstanding derivatives at year end is disclosed in Note 8.6.5.E.

(3) Liquidity risk

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

(4) Foreign exchange risk

The currency risk of the group occurs due to the fact that the group operates and has sales in USD. The group uses derivative contracts to manage foreign exchange risks. The table with outstanding derivatives at year end is taken up in Note 8.6.5.E.

Fair value of Financial Instruments

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

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

The carrying amount of cash and cash equivalents and of bank overdrafts approximates their fair value due to the short-term maturity of these financial instruments. The fair value of current investments is calculated by reference to the market value on the stock exchange on which the shares are listed.

The fair value of the long-term loans is based on the current rates available for debt with the same maturity profile and approximates their carrying amounts.

Management believes that the exposure to interest rate risk of financial assets and liabilities as of December 31st, 2011 was minimal since their deviation from their respective fair values was not significant.

AG. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of December 31st, 2011 the company had purchase commitments for tangible fixed assets amounting to EUR 707.350 mainly related to testers. As of December 31st, 2010 the company had purchase commitments for tangible fixed assets amounting to EUR 825.000.

Estimated liability

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

Melexis agreed to purchase inventory and IP (Note 8.6.5.G) related to the Vision business. First a fixed amount of USD 372.000 has been paid in 2009 for the acquired assets (inventory); secondly, Melexis is bound to pay a fixed amount per sold image sensor over a period of 5 years, started September 30th, 2009 and ending at December 31st, 2013. The latter estimated liability is accounted for as 'Other non current liabilities' in the consolidated statement of financial position. The long-term liability at year end 2011, amounting to EUR 1.598.725 (Note 8.6.5.X), represents the net present value of the expected future payments towards Sensata, based on expected sales of the Image Sensor over the next 3 years.

Invoices paid to Sensata during 2011 have been deducted from the long-term outstanding liability at year end 2011.

AH. BUSINESS COMBINATIONS

No business combinations in 2011.

AI. LITIGATION

(1) Melexis Technologies NV was involved in two related disputes with one and the same customer, one as claimant and one as defendant. As a mutual agreement was reached, both court cases were closed in 2010. The outstanding long-term receivable of EUR 2,7 million is no longer under dispute with this customer. The receivable is accounted for in the consolidated statement of financial position as other non current asset as it will be fully repaid by the end of 2014.

(2) Melexis is involved in a patent claim because another party was seeking compensation for IP related to a patent on magnetic angle sensing they acquired. As there is prior art on the domain, the Melexis technology was developed in house, the Melexis sensor is different in its functioning and protected by our own patents, Melexis is defending its position in court. On December 9, 2010, the Federal Patent Court in Munich, the only competent German court for judging patent validity, rendered its verdict on the patent nullity case initiated by Melexis in March 2009 against the austriamicrosystems patent claim. In 1st instance, the Court declared all attacked patent claims (1-3 and 5-14) as null and invalid based on the prior art submitted by Melexis. This decision has been appealed at the Federal Supreme Court (Karlsruhe). The invalidation of all relevant claims of the austriamicrosystems patent takes away the basis for the earlier judgment in the parallel patent infringement case judged in Düsseldorf on May 10, 2010 (1st instance) and against which Melexis has lodged an appeal with the Higher Regional Court of Düsseldorf.

(3) Melefin NV (a daughter company of Melexis NV) has taken KBC Bank to court in relation with a dispute regarding an investment by Melexis in CDO's issued by KBC Bank. Melexis invested in 2006 15 million euro in these CDO's. By 2009, Melexis had to write off the full investment as the underlying assets had no more value. Melexis requests the full repayment of the initial investment and the lost interest income.

AJ. AUDITOR'S SERVICES

On consolidated basis audit fees and audit related fees required by law amounted to:

- Audit fees KEUR 142;
- Other services KEUR 4.

AK. RESERVES POST-RETIREMENT BENEFITS

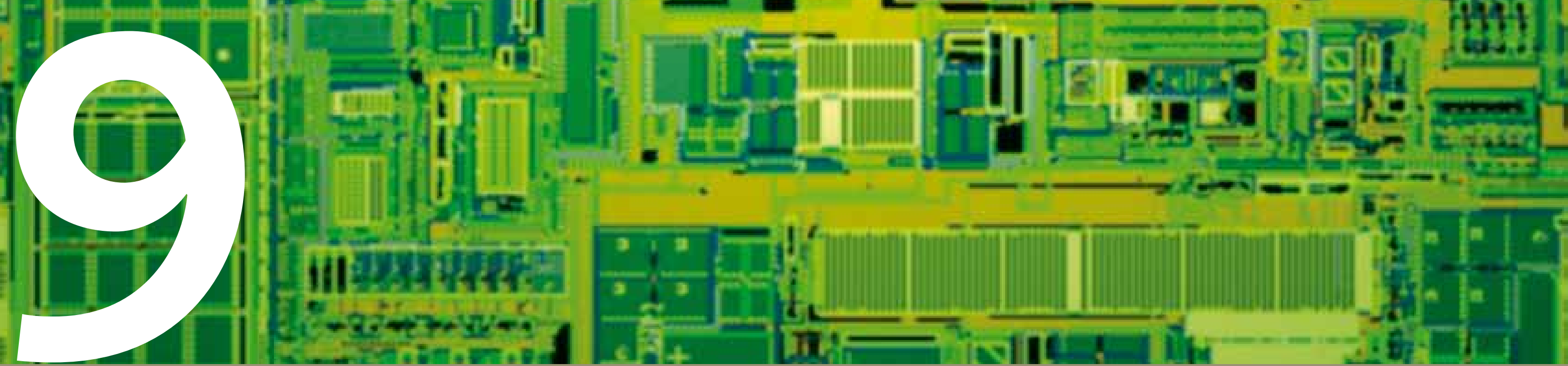
Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

AL. SUBSEQUENT EVENTS

There are no subsequent events.

AM. LIST OF SUBSIDIARIES CONSOLIDATED

Subsidiary	Place of incorporation	Principal activities	Ownership interest
Melexis Inc.	USA	R&D, Marketing & Sales support	100%
Melexis GmbH	Germany	R&D + Test operations	100%
Melexis Ukraine	Ukraine	R&D	100%
Melexis Bulgaria Ltd.	Bulgaria	R&D + Test operations	100%
Melexis BV	The Netherlands	R&D	100%
Sentron AG	Switzerland	R&D	100%
Melefin NV	Belgium	Treasury	99,9%
Melexis Technologies NV	Belgium	R&D	99,9%
Melexis Technologies SA	Switzerland	R&D	99.9%
Melexis Japan	Japan	Marketing & Sales support	100%
Melexis Electronic Technology Co.Ltd	China (Shanghai)	Marketing & Sales support	100%



9 CORPORATE GOVERNANCE STATEMENT

According to the Royal Decree of 6 June 2010 (B.S.G. 28 June 2010) the Belgian Corporate Governance Code 2009 is applicable to all listed companies in Belgium.

Melexis has aligned its Corporate Governance Charter with the Corporate Governance Code 2009.

The Corporate Governance Charter is available on the website of the Company:
http://www.melexis.com/investor_corporate.aspx

An overview of the guidelines and principles where Melexis does not comply with the Corporate Governance Code 2009 is provided in the Corporate Governance Charter.

9.1 Management structure

The Board of Directors is the ultimate decision-making body of Melexis, except for those matters reserved to the general meeting of shareholders (hereafter the "General Meeting") by the Belgian Companies Code (hereafter the "Companies Code") or the articles of association. The main responsibilities of the Board of Directors are giving strategic direction to Melexis and supervising the state of affairs within Melexis.

The Board of Directors is assisted in its role by an Audit Committee and a Nomination and Remuneration Committee. These board committees have an advisory function. Only the Board of Directors has the decision-making power.

The daily management of Melexis has been delegated by the Board of Directors to the Chief Executive Officer, Ms. Françoise Chombar, who can represent the company by its sole signature within the framework of the daily management. For actions that fall outside the scope of the daily management, Melexis is validly represented by two directors acting together.

The Chief Executive Officer is also the chairman of the Executive Management. The Executive Management is responsible for leading Melexis in accordance with the global strategy, values, planning and budgets approved by the Board of Directors. The Executive Management is also responsible for screening the various risks and opportunities that the company might encounter in the short, medium or longer term, as well as for ensuring that systems are in place to address these risks and opportunities.

9.2 Board of Directors

Composition

In accordance with article 13 of Melexis' Articles of Association, the Board of Directors consists of at least 5 members, of which at least three members should be independent in accordance with article 526ter of the Companies Code.

The Board of Directors is composed of at least half non-executive members and at least one executive member. Independent directors fall in the category of non-executive directors.

The directors are appointed by the majority of the votes cast of the general meeting for a period of four years. In the same way the general meeting may dismiss a director at any time. There is no age limit for directors and directors with an expiring mandate can be reappointed within the limits stipulated in the Companies Code.

The Chief Executive Officer is the only member of the Board of Directors that has an executive mandate.

The chairman of the board is Mr. Roland Duchâtelet.

The Directors of the Melexis are:

Name	Age	Expiry mandate	Position
Roland Duchâtelet	65	2014	Chairman of the Board of Directors, non-executive Director
Rudi De Winter	51	2014	Vice Chairman of the Board, non-executive Director
Françoise Chombar	49	2014	Managing Director, Chief Executive Officer (CEO)
Steve Hix	75	2014	Non-executive and independent Director
Lina Sarro	53	2014	Non-executive and independent Director
Jenny Claes	64	2013	Non-executive and independent Director

Mid February 2011 Mr. Rudi De Winter has resigned from his mandate as Managing Director and Chief Executive Officer of the Company. However he remains a member of the Board of Directors as Vice Chairman and non-executive director.

Mr. Steve Hix, Ms. Lina Sarro and Ms. Jenny Claes are independent directors. Although the mandate of Mr. Steve Hix and Ms. Lina Sarro does no longer comply with article 526ter, 2° of the Belgian Companies Code with regard to the maximum number of successive director mandates, the independent directors are not in a position that could jeopardize their independence according to the Board of Directors.

Mr. Roland Duchâtelet is private shareholder of the company since April 1994 and serves as a director ever since. Prior to that date, Mr. Duchâtelet served in various positions in production, product development and marketing functions for several large and small companies. He contributed in the start-up of two other semiconductor manufacturers: Mietec Alcatel (Belgium) from 1983 to 1985 as business development / sales manager and Elmos GmbH (Germany) from 1985 to 1989 as marketing manager. Mr. Duchâtelet is 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 is private shareholder of the company since April 1994. He served as Chief Executive Officer and Managing Director between 1996 and 2010. Prior to that date, Mr. De Winter served as development engineer at Mietec Alcatel (Belgium) from 1984 to 1986 and as development manager at Elmos GmbH (Germany) from 1986 to 1989. In 1990, Mr. De Winter became director together with Mr. Duchâtelet of Xtrion NV, the parent Company of Melexis NV. Mr. De Winter holds a degree as Electronics Engineer from the University of Gent. Mr. De Winter is married to Ms. Chombar, Chief Executive Officer and Managing Director.

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 co-Managing Director and Chief Executive Officer. After the resignation of Mr. Rudi De Winter, mid February 2011, as Managing Director and Chief Executive Officer, Ms. Chombar will continue these functions.

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

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

Ms. Jenny Claes has a long career in three different companies and was mainly active in the field of logistics. This included responsibilities for commercial planning, production planning, warehousing, transport, international sales administration, ICT and quality management. She participated in the start up of the European distribution centre of SKF in Tongeren and held the position of General Manager of SKF Logistics Services Belgium from the end of 2003 till the end of 2008. She now holds the position of Manager Quality and Business Excellence of SKF Logistics Services worldwide. Ms. Jenny Claes holds a Masters degree in International Trade.

Functioning of the Board

The internal regulation of the Board is part of the Corporate Governance Charter. The Board convened 6 times in 2011 and discussed, amongst others, the following topics:

- Financial results of the group;
- Financial risks to which the group is exposed;
- Budget for the financial year 2012;
- Buy back of company shares;
- Possible acquisitions and investments;
- Investment in site expansion Ieper;
- Simplification of the business model;
- Distribution of an interim dividend.

The board members attended all meetings, except for Mr. Steve Hix and Ms. Lina Sarro who missed one meeting.

9.3 Committees

Audit Committee

The Audit Committee assists the Board of Directors in its supervisory tasks with respect to the internal supervision in the broadest sense, including the financial reports, as well as the execution by the Executive Management of the recommendations by the auditor.

The Audit Committee is composed of three non-executive members: Mr. Roland Duchâtelet, Chairman, Mr. Steve Hix, independent director and Ms. Jenny Claes, independent director.

Contrary to provision 5.2./3 of the Belgian Corporate Governance Code 2009, the Chairman of the Board of Directors is also the Chairman of the Audit Committee. The Board of Directors opts to have its advising committees presided by its Chairman to clarify the interests of the Company and the shareholders.

According to Article 526bis, §2 of the Belgian Companies Code at least one independent member of the Audit Committee has to be experienced in accounting and audit. Both Ms. Jenny Claes and Mr. Steve Hix comply with this requirement through their relevant work experience. In this respect we like to refer to the short biographies of the abovementioned members in this chapter.

The Chief Executive Officer, the Chief Financial Officer and the external auditor are invited to the meetings of the Audit Committee to warrant the interaction between the Board of Directors and the Executive Management.

The Audit Committee met twice during 2011. All members attended the meetings. In addition to its powers under the Melexis Corporate Governance Charter, the Audit Committee has discussed the following topic in these meetings:

- Follow up on the implementation of the transfer pricing study of 2010

The Audit Committee meets as much as necessary or desirable for its good functioning, but in any case no less than twice a year. By this provision the company deviates from the recommendation in the Belgian Corporate Governance Code 2009 of 4 meetings a year.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee advises the Board of Directors concerning the way in which the Company's strategic objectives may be promoted by adopting an appropriate nomination and remuneration program. This committee will supervise the development of salaries, allocation of bonuses and the general performance within Melexis.

The Nomination and Remuneration Committee is composed of three non-executive members, Mr. Roland Duchâtelet, Chairman, Mr. Steve Hix, independent director and Ms. Jenny Claes, independent director.

The Nomination and Remuneration Committee met twice in 2011. The Nomination and Remuneration Committee meets as much as necessary or desirable for its good functioning, but in any case no less than once a year. By this provision the Company's Corporate Governance Charter deviates from the recommendation in the Belgian Corporate Governance Code of 2 meetings a year.

9.4 Executive Management

Composition

The Executive Management is composed of the following members:

Name	Age	Position
Patrick Albert	47	Business Unit Manager Wireless
Marc Biron	42	Global Development Manager
Francoise Chombar	49	Chief Executive Officer
Kristof Coddens	41	Business Unit Manager Sensors
Rene Gouverneur	62	Global HR Manager
Karen van Griensven	42	Chief Financial Officer
Marc Lambrechts	46	Business Unit Manager Actuators
Veerle Lozie	38	Global IT Manager
Sam Maddalena	35	Business Unit Manager Opto Sensors
Gianluigi Morello	47	Global Sales Manager
Ursula Saremski	57	Global Operations and Quality Manager

Mid February 2011 Mr. Rudi De Winter has resigned from his mandate as Chief Executive Officer. Ms. Chombar will continue his responsibilities.

9.5 Remuneration report

Remuneration policy

The remuneration policy of Melexis is analyzed on an annual basis by the Nomination and Remuneration Committee in close cooperation with the HR department. This evaluation takes into account the market pay levels to ensure that compensation within Melexis is established in such a way that it enables the company to attract and motivate its talent.

Recommendations of the Nomination and Remuneration Committee are submitted to the Board of Directors for its approval. In this respect a modification of the remuneration policy of the company with regard to the remuneration of the directors and the executive management has been proposed during the previous financial year.

The Board of Directors approved this proposal in its meeting of February 7th, 2012. The new Remuneration Policy will be added to the Corporate Governance Charter of the company. Given the recent update of the remuneration policy, it will most likely remain the same for the two financial years to come.

Remuneration of directors

The remuneration of the directors is subject to the approval of the annual shareholders meeting.

Only the mandates of the independent directors are remunerated. Their compensation consists of a fixed annual remuneration of EUR 15.000 and reimbursement of costs to attend the board and/or committee meetings. In 2011 Melexis paid in total EUR 45.000,00 as remuneration to the independent directors .

The other directors are not compensated for their mandate.

The performances of directors are evaluated by the Board of Directors to ensure that only persons with competences matching Melexis' international ambitions are nominated as director.

Remuneration of executive management

The compensation of the executive management members combines three integrated elements: base salary, variable pay and other benefits. Variable pay payments are dependent on the company's performance and the individual / team performance measured through the achievement of pre-established targets. They can vary up to 20% of the annual base salary, except for the CEO, who can potentially receive a variable pay up to 50% of the annual base salary. Variable pay is paid out in cash. No shares, options or other rights to acquire shares are granted as part of the compensation. The other benefits concern only a smaller part of the total compensation of the executive management.

The Nomination and Remuneration Committee evaluates the performance of the CEO and discusses with the CEO the performance of the other members of the executive management based on the guidelines of the company's remuneration policy.

The Nomination and Remuneration Committee then makes recommendations to the Board of Directors with respect to the compensation level of the CEO and the other members of the executive management based on performance outputs and a benchmark analysis of compensation levels for similar positions at comparable companies. The company has not materially deviated from its remuneration policy during the reported financial year.

CEO

Of all the members of the executive management only the CEO is also a member of the Board of Directors. The CEO does not receive an additional remuneration for this mandate.

The remuneration of the CEO is composed of a fixed amount and a variable pay. The variable pay of the CEO may vary up to 50% of the determined fixed compensation and will have the following multi year payout period: (i) 50% of the variable pay will be based on performance criteria measured over the performance year itself (ii) 25% of the variable pay will be based on performance criteria measured over two financial years and (iii) 25% of the variable pay will be based on performance criteria measured over three financial years. The funding levels for the annual variable payment are dependent on the company's performance against approved financial targets regarding revenue growth and EBIT growth. The Board however retains the discretion to deviate from these guidelines in exceptional circumstances.

In 2011 the CEO received a fixed remuneration amounting to EUR 250.000,00 and a variable pay of EUR 62.500.

The CEO does not benefit from contributions in a pension scheme, nor does she have any extra legal arrangements through an individual/group insurance paid for by the company or does she receive any other fringe benefits.

Other executive managers

The total amount of the fixed remuneration of the other members of the executive management amounted to EUR 655.324,04 in 2011. The total of the 2011 variable pay component payouts amounted to EUR 109.893,00

The executive management variable pay scheme does not include a multi year payout horizon. The annual variable pay opportunities which constitute up to 20% of the annual base remuneration, with the exception of one case with an opportunity of 40%, include (i) a global business performance measured through revenue growth and EBIT growth which represents a 25% opportunity of the total variable pay (ii) an assessment of individual performance measured through achievement of pre-established targets, which represents a 50% opportunity of the total variable pay and may be increased up to 75%, taking a discretionary element into consideration.

In the event that any variable remuneration would be paid based on incorrect financial data, such miscalculation could be compensated with the payment of future remuneration.

The members of the executive management, except for the CEO, also benefit from extra legal arrangements through a group insurance that is in effect in their respective home countries i.e. pension, life insurance, disability and medical insurance. All these group insurance elements are in line with home country market practices and only represent a minor portion of their remuneration.

Some members of the executive management have concluded a service agreement with the company. The total amount paid for the services rendered during the financial year 2011 under such agreements amounted to EUR 457.465,00.

Members of the executive management have contractual agreements with the company or with a subsidiary of the company that provide for severance payments in case of termination of the cooperation in line with the applicable laws of the country where the company or its subsidiary is located. No special arrangements have been made regarding severance payment in the case of contract termination.

9.6 Policy on certain transactions

Conflicts of interest in the Board of Directors

According to Article 523 of the Belgian companies code a member of the Board of Directors has to inform the other directors about any item on the agenda of the Board that will cause a direct or indirect conflict of interest of financial nature to him. In this event the respective director may not participate in the deliberation and the voting on this agenda item.

In 2011 however no transactions took place where directors were confronted with a conflict of interest.

Other transactions with directors and executive management

As determined by clause III.5.3 of the Melexis Corporate Governance Charter, members of the Board of Directors have to refrain from any action that could raise the impression to be in conflict with the interests of the company. Therefore any transaction between a director and the company has to be reported to the chairman of the Board of Directors.

Given the recent change in the composition of the executive management, the Melexis Corporate Governance Charter will be completed on this point towards the members of the executive management.

In 2011 however there were no transactions between the company and its directors or executive management which involved a conflict of interest for a director or member of the executive management.

Insider trading

Melexis complies with the Belgian provisions on insider trading and market abuse. In this respect a list is kept up to date of all people with managerial responsibilities as well as all other people who have access to share price-sensitive information.

In compliance with clause 3.7 of the Belgian Corporate Governance Code 2009 the Melexis Insider Trading Policy was updated in 2011 and approved by the Board of Directors on February 7, 2012. It will be integrated as an Annex to the Melexis Corporate Governance Charter.

9.7 Internal control and risk assessment procedures in relation to financial reporting

The internal control and risk assessment procedures in relation to the process of financial reporting are coordinated by the CFO. Such procedures have to make sure that the financial reporting is based on reliable information and that the continuity of the financial reporting in conformity with the IFRS accounting principles is guaranteed.

The process of internal control in relation to the financial reporting is based on the following principles:

- Data on transactions or use of assets of the company are registered accurately and saved in an automated global enterprise resource planning ("ERP") system by the different Melexis business units.
- Accounting transactions are registered in globally standardized operating charts of accounts.
- The financial information is prepared and reported in first instance by the accounting teams in the different legal entities of Melexis worldwide.
- Consequently the finance managers at the different Melexis sites will review the prepared and reported local financial information before sending it to the Global Finance Department.
- In the Global Finance Department the financial information will receive its final review before it is included in the consolidated financial statements.
- All Melexis sites use the same software for the reporting of the financial data for consolidation.
- Random checks are made to assure that:
  - » Transactions have been saved as required for the preparation of the financial accounts in conformity with the IFRS accounting principles;
  - » Transactions have been approved by the authorized persons of the company to do so.

Melexis is validly represented by the sole signature of the CEO for all aspects of the daily management of the company. Specific powers are granted to members of the executive management to represent Melexis in matters that relate to the business unit for which they are responsible. For actions that fall outside the scope of the daily management, the company is validly represented by two directors acting together.

In the event of detection of certain deficiencies, this will be reported to the executive management to determine which appropriate measures can be taken.

The risk assessment in connection with the financial reporting is based on the following principles:

- Risks that the company is confronted with are detected and monitored with the responsible persons of the different business units of the company.
- By using an automated ERP-system, the responsible persons of the business units have permanent access to the financial information with regard to their business unit for monitoring, controlling and directing purposes with regard to their business activities.
- Closing the accounts at the end of every month warrants that the financial consequences of the identified risks are monitored closely to be able to anticipate to possible adverse evolutions.
- The financial results are also monthly reviewed on a global level.
- A data protection system based on antivirus software, internal and external backup of data and the controlling of access rights to information, protects the company's information and guarantees the continuity of the financial reporting. The adequacy and integrity of these IT systems and procedures is reviewed regularly.

9.8 Elements pertinent to a take-over bid

Capital structure

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

Restrictions on the transfer of securities

The Articles of Association contain no restrictions on the transfer of the shares. The Board of Directors is furthermore not aware of any restrictions imposed by law on the transfer of shares by any shareholder, except in the framework of market abuse regulations.

Restrictions on the exercise of voting rights

Each share entitles the holder to one vote. The Articles of Association contain no restrictions on the voting rights and each shareholder can exercise his voting rights provided he is validly admitted to the General Meeting and his rights have not been suspended. Pursuant to Article 9 of the Articles of Association the company is entitled to suspend the exercise of the rights attaching to securities belonging to several owners until one person is appointed towards the company as representative of the security.

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

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

Agreements among shareholders

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

Appointment and replacement of directors

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

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

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

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

Amendments to the Articles of Association

The Articles of Association can be amended by an Extraordinary General Meeting in accordance with the companies code. Each amendment to the Articles of Association – including capital increases or reductions, mergers, demergers and a winding up – in general requires an attendance quorum of 50% of the subscribed capital and acceptance by a qualified majority of 75% of the votes cast. More stringent majority requirements have to be complied with in a number of cases, such as the modification of the corporate object or the company form.

Authorities of the Board to issue, buy back or dispose of own shares

The Articles of Association do not mention any special authorities granted to the Board of Directors to increase the registered capital.

The Board of Directors is authorized by the Extraordinary General Meeting of April 20, 2009, to acquire a maximum number of own shares in accordance with Article 620, § 1, 5° of the companies code for a period of five years. The acquired shares may not represent more than 20% of the issued capital with a price per share ranging between a minimum of half of the last closing price of the shares on the stock exchange and a maximum of EUR 17,00 per acquired share.

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

- The number of own shares that is disposed of may not exceed the number of shares of the company that a direct subsidiary of the company may hold as a legitimate cross-shareholding within the meaning of Article 631, § 1 of the companies code;
- The disposal of a share under this authority shall be made at the last closing price at which the shares were quoted on the Brussels stock exchange at the moment of disposal;
- The shares concerned may only be transferred to Melexis Technologies NV, with registered office at 3980 Tessenderlo, Transportstraat 1, RPR Hasselt 0467.222.076, or to a company of which Melexis NV directly or indirectly holds more than 99% of the dividend entitled securities;
- The reserves the company has made not available for distribution due to the "acquisition of own shares" are transferred back to reserves available for distribution for an amount equal to the acquisition value of the disposed shares.

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

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

Furthermore the Board of Directors is authorized to acquire own shares or to dispose of purchased own shares if required to prevent a threatened serious harm to the company. Such authority is granted for a period of three years starting as from the publishing date of the amendment of the Articles of Association by the Extraordinary General Meeting of April 20, 2009 in the Annexes to the Belgian State Gazette.

On January 27th, 2012, the Melexis Group was in the possession of 3.077.426 shares out of 43.241.860 shares in the registered capital of the company, or 7.12% of the total outstanding share capital. In accordance with art. 622 of the companies code, the voting rights on these shares are suspended.

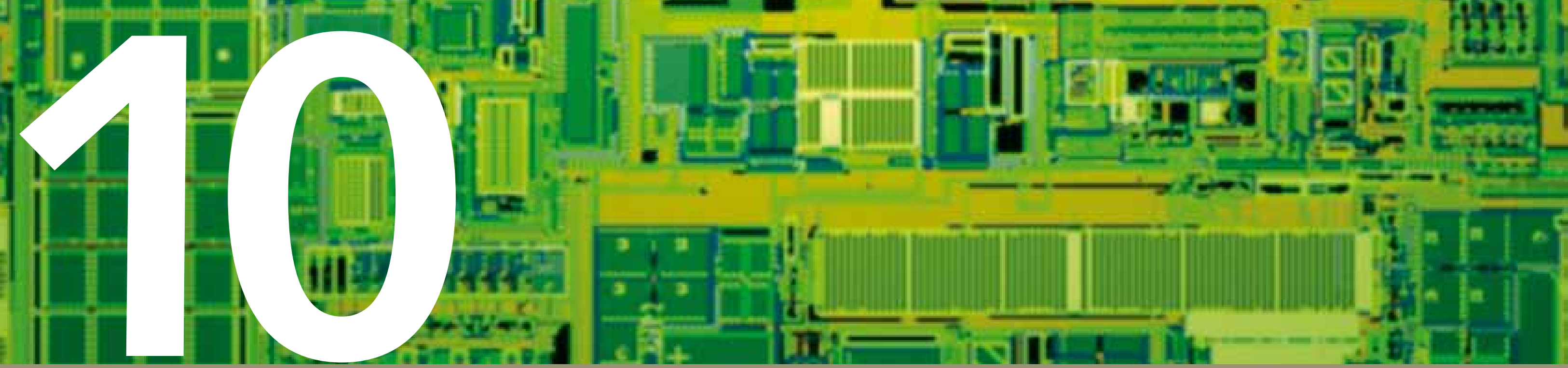
Other elements

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

9.9 Auditor

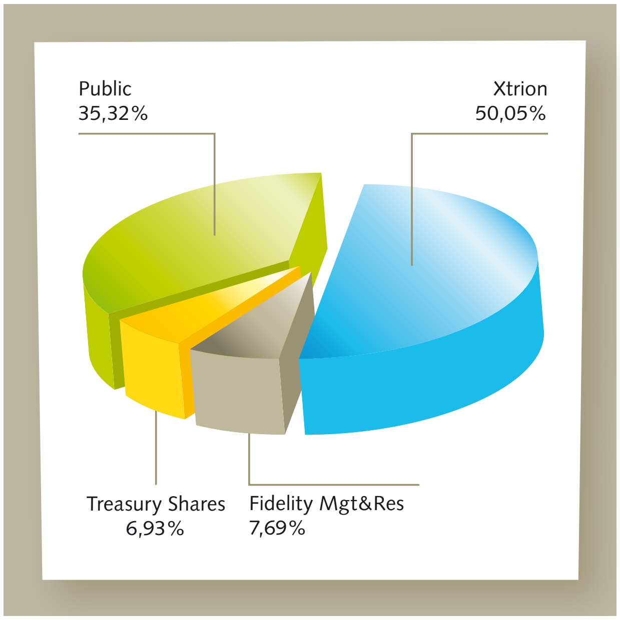
At the annual General Meeting of Shareholders of April 20th,2010 BDO Bedrijfsrevisoren BV o.v.v.e. CVBA, with registered office in 1930 Zaventem, Da Vincilaan 9/E6, represented by Mr. Gert Claes, auditor, has been reappointed as statutory auditor of the company for a period of 3 years, which ends after the annual General Meeting of Shareholders relating to the 2012 financial year.

The annual fee for this mandate amounts to EUR 44.975,00, VAT excluded and connected to the consumption index.



10 SHAREHOLDER INFORMATION

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



10.1 Shareholder structure

Situation on December 31, 2011.

Company	Number of Shares	Participation Rate
Xtrion	21.644.399	50,05%
Fidelity Mgt&Res	3.325.000	7,69%
Treasury Shares	2.998.564	6,93%
Public	15.273.897	35,32%
Total	43.241.860	100,00%

10.2 Share information

- **First day of listing** October 10th, 1997
- **Number of shares outstanding on December 31st, 2011** 43.241.860
- **Market capitalization on December 31st, 2011** EUR 448.418.088

(Euro)	2011	2010	2009	2008	2007	2006	2005	2004	2003
Earnings per share	1,06	1,12	-0,09	0,52	0,86	0,80	0,65	0,56	0,54
Net cash from operating activities	1,35	1,04	0,46	0,62	0,77	0,86	0,78	0,98	0,50
Gross Dividend (*)	0,60	0,30	0,00	0,60	0,60	0,50	0,50	0,28	0,50
Year end price	10,37	13,46	6,78	5,00	11,15	13,80	10,76	9,01	9,40
Year's high	13,84	13,80	7,44	11,87	15,00	14,38	11,20	10,76	9,90
Year's low	8,35	6,84	3,33	4,95	10,15	10,99	9,00	8,40	5,10
Average volume of shares traded/day	34.818	34.900	22.137	32.991	56.569	47.027	38.129	39.690	41.593

(*) in 2004 also a capital decrease of EUR 0,72 per share was paid out

10.3 Shareholder contact info

Investor Relations
Phone: +32 13 67 07 79
Fax: +32 13 67 21 34
Rozendaalstraat 12, B-8900 Ieper, Belgium
www.melexis.com/investor.asp

10.4 Financial calendar 2012

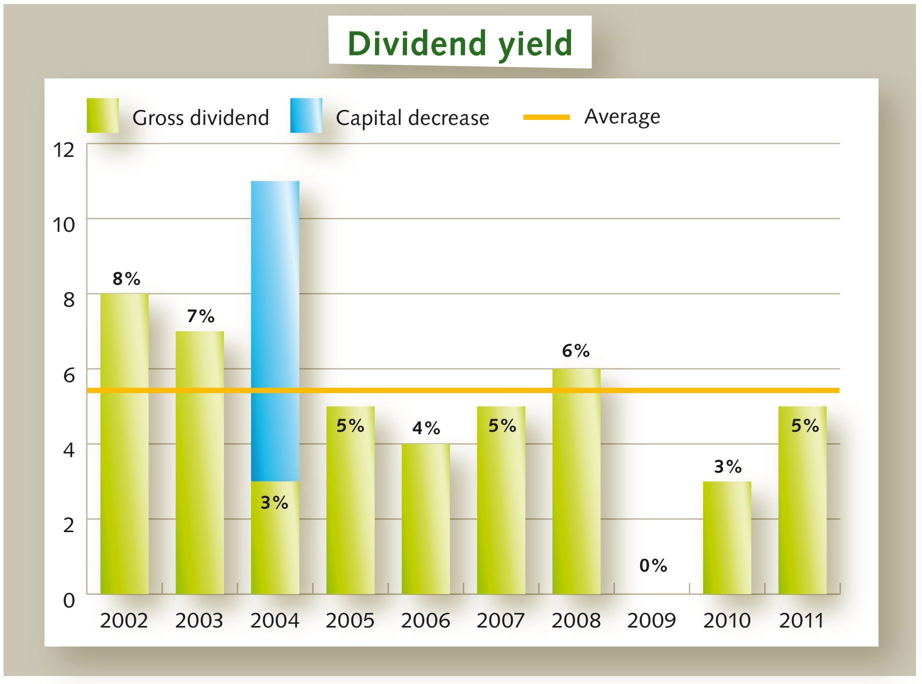
Annual Shareholder's Meeting	April 20th, 2012
Announcement of Q1 results	April 25th, 2012
Announcement of Half Year Results	August 1st, 2012
Announcement of Q3 results	October 17th, 2012
Announcement of Full Year Results	February 6th, 2013

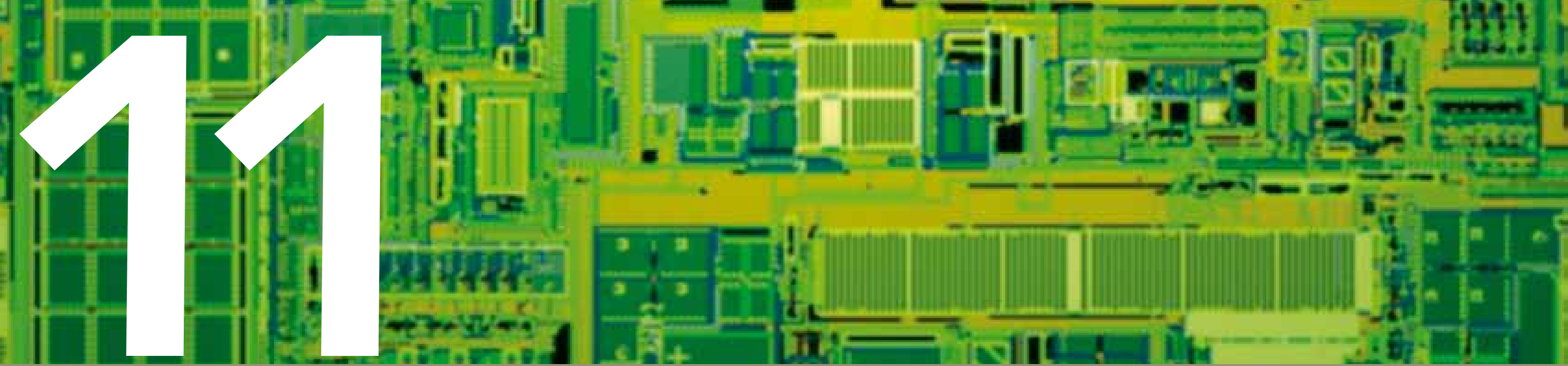
10.5 Dividend policy

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

Gross (interim-) dividend paid out per share in

1999: EUR 0,30 interim dividend
2002: EUR 0,50 interim dividend
2003: EUR 0,50 interim dividend
2004: EUR 0,2762 dividend and EUR 0,7238 capital decrease
2005: EUR 0,50 interim dividend
2006: EUR 0,50 interim dividend
2007: EUR 0,60 interim dividend
2008: EUR 0,60 interim dividend
2009: no dividend
2010: EUR 0,30 interim dividend
2011: EUR 0,60 interim dividend





EXCERPT FROM THE MELEXIS NV SEPARATE (NON-CONSOLIDATED) FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH BELGIAN GAAP

The following information is extracted from the separate Belgian GAAP financial statements of Melexis NV. These separate financial statements, together with the management report of the board of directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits.

It should be noted that only the consolidated financial statements as set forth in chapters 8 and 9 present a true and fair view of the financial position and performance of the Melexis group.

Therefore, these separate financial statements present no more than a limited view of the financial position of Melexis. For this reason, the board of directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended December 31st, 2011.

The statutory auditors' report is unqualified and certifies that the non-consolidated financial statements of Melexis NV prepared in accordance with Belgian GAAP for the year ended December 31st, 2011 give a true and fair view of the financial position and results of Melexis NV in accordance with all legal and regulatory dispositions.

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

Condensed non consolidated statement of financial position

in 1.000 EUR

ASSETS	2011	2010
FIXED ASSETS	**173.725**	**170.256**
I. Formation expenses	-	-
II. Intangible assets	281	92
III. Tangible assets	12.372	9.203
A. Land and buildings	1.229	1.077
B. Plant machinery and equipment	9.843	7.342
C. Furniture and vehicles	755	487
E. Other tangible assets	-	-
F. Assets in progress and advanced payments	545	296
IV. Financial assets	161.072	160.961
A. Affiliated companies	160.881	160.816
1. Participations in third parties	160.881	160.816
B. Other enterprises linked by participating interests	30	30
1. Participations in third parties	30	30
C. Other financial assets	161	115
2. Receivables and caution money	161	115
CURRENT ASSETS	**27.575**	**35.022**
V. Amounts receivable after more than one yea	2.814	1.578
1. Other receivables	2.814	1.578
VI. Stocks and contracts in progress	3.937	3.579
A. Stocks	3.937	3.579
1. Raw materials and consumables	-	179
2. Contracts in progress	3.586	3.285
3. Finished goods	351	115
VII. Amounts receivable within one year	2.516	10.994
A. Trade receivables	2.500	10.888
B. Other receivables	16	106
VIII. Cash investments	17.792	17.542
A. Own shares	17.542	17.542
B. Other investments and deposits	250	-
IX. Cash deposits	198	305
X. Deferred assets and accrued income	318	1.023
TOTAL ASSETS	**201.300**	**205.278**

Condensed non consolidated statement of financial position (Continued)

in 1.000 EUR

	2011	2010
SHAREHOLDERS' EQUITY	**36.460**	**22.611**
I. Capital	565	565
A. Outstanding Capital	565	565
II. Share premium account	-	-
IV. Reserves	20.587	19.590
A. Legal reserve	57	57
B. Reserves not available for distribution	20.530	19.533
1. In respect of own shares held	19.037	18.041
2. Other	1.493	1.493
V. Retained earnings	15.308	2.456
VI. Investment grants	-	-
PROVISIONS AND DEFERRED TAXES	**750**	**33**
VII. A Provisions for liabilities and charges	750	33
4. Other liabilities and charges	750	33
VII. B Deferred taxes	-	-
DEBTS	**164.090**	**182.633**
VIII. Amounts payable after more than one year	1.000	3.000
A. Financial debts	1.000	3.000
4. Credit institutions	1.000	3.000
IX. Amounts payable within one year	161.369	177.940
A. Current portion of amounts payable after more than one year	2.000	2.000
B. Financial debts	26	-
1. Credit institutions	26	-
C. Trade debts	2.194	2.917
1. Trade payables	2.194	2.917
D. Advances received on contracts in progress	-	-
E. Taxes, remuneration and social security	5.807	3.049
1. Taxes	4.807	2.406
2. Remuneration and social security	1.000	644
F. Other amounts payable	151.342	169.973
X. Accrued charges and deferred income	1.721	1.693
TOTAL LIABILITIES	**201.300**	**205.277**

Condensed non consolidated statement of comprehensive income

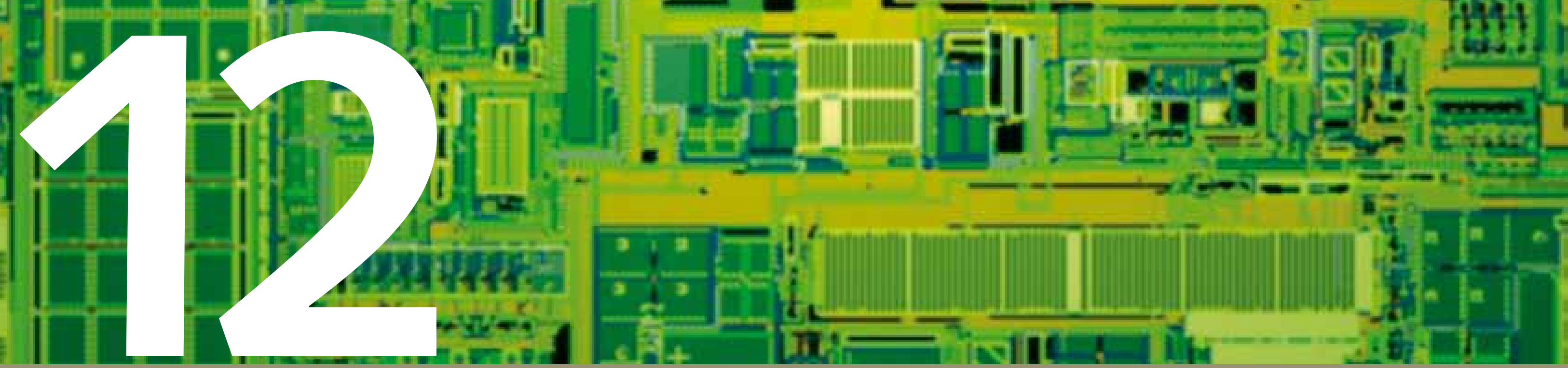
in 1.000 EUR

	2011	2010
I. Operating income	69.366	67.142
A. Turnover	68.009	66.127
B. Changes in stocks of finished goods, work and contracts in progress	472	257
C. Other operating income	885	757
II. Operating charges	-55.950	-53.583
A. Raw materials, consumables and goods for resale	34.088	35.246
1. Purchases	33.909	35.347
2. Changes in stocks	179	-101
B. Services and other goods	9.105	8.651
C. Remuneration, social security charges and pensions	8.848	6.774
D. Depreciations	**3.089**	**2.328**
E. Amounts written off stocks, contracts in progress and trade receivables	-65	79
F. Provisions for other costs	717	3
G. Other operating charges	168	503
III. Operating result	13.416	13.559
IV. Financial income	35.387	9.637
A. Income from financial fixed assets	33.751	8.037
B. Income from current assets	178	177
C. Other financial income	1.458	1.423
V. Financial charges	-7.332	5.026
A. Debt charges	4.959	3.991
B. Amounts written off on current assets other than those mentioned under II. E.	-	-
C. Other financial charges	2.373	1.035
VI. Result of ordinary activities before taxes	41.471	18.171
VIII.Extraordinary charges	-	-
D. Loss on disposal of fixed assets	-	-
E. Other Extraordinary charges	-	-
IX. Result of the year before taxes	41.471	18.171
IX. bis. A. Transfer from deferred taxes	-	-
X. Income taxes	-2.674	-2.790
A. Taxes	-2.986	**-2.791**
B. Regularization	312	1
XI. Result of the year	38.797	15.380
XIII. Profit of the year available for appropriation	**38.797**	**15.380**

Appropriation of the Result

in 1.000 EUR

	2011	2010
A. Result to be appropriated	42.003	15.429
1. Result of the period available for appropriation	38.797	15.380
2. Result carried forward	2.456	49
B.Transfers from capital and reserves	-	-
1. From capital and share premium account	-	-
2. From reserves	-	-
C. Transfers to capital and reserves	-997	-499
1. To capital and share premium account	-	-
1. To other reserves	-997	-499
D. Result to be carried forward	-15.308	-2.456
1. Result to be carried forward	-15.308	-2.456
F. Distribution of profit	-24.948	-12.474
1. Dividends	-24.948	-12.474



12 GLOSSARY

Earnings per share
Profit attributable to equity holders of Melexis divided by the weighted average number of ordinary shares.

Earnings per share diluted
Profit attributable to equity holders of Melexis divided by the fully diluted weighted average number of ordinary shares.

Revenue
Product sales + Revenues from Research and Development.

EBIT (Earnings Before Interests and Taxes)
Turnover/Sales – Cost of sales – Research and development expenses – General and administrative expenses – Selling expenses – Other operating expenses.

EBITDA (Earnings Before Interests and Taxes + Depreciation, amortization and impairment)
EBIT + depreciation, amortization and impairment.

Shareholders' equity
Shareholders' capital + retained earnings (inclusive current year's result) +/- reserves (reserve treasury shares, revaluation reserve hedge, revaluation reserve fair value, legal reserve) +/- Cumulative translation adjustment.

Net Indebtedness
Current portion of long-term debt + long-term debt less current portion + bank loans and overdrafts – current investments - cash and cash equivalents.

Working capital
(Total current assets – Cash and cash equivalents - current investments) – (current liabilities – bank loans and overdrafts – current portion of long-term debt – derivative financial instruments).

Net cash from operating activities
Net Result +/- adjustments for operating activities +/- changes in working capital.

Capital expenditure
Investments in Property, Plant and Equipment.

ROE (Return On Equity)
Net Income/Shareholders' equity.

Liquidity
Current assets/current liabilities.

Solvency
Shareholders' equity/total assets.

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MELEXIS NV

Statutory auditor's report to the general meeting of shareholders on the consolidated financial statements for the year ended December 31, 2011

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Free translation

Statutory auditor's report to the general meeting of shareholders of Melexis NV on the consolidated financial statements for the year ended December 31, 2011

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

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Melexis NV for the year ended December 31, 2011, prepared, in accordance with *International Financial Reporting Standards* as adopted by the European Union), which show a balance sheet total of 178.103.189 EUR and a consolidated profit of 45.893.624 EUR.

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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institut des Réviseurs d'Entreprises / Instituut van de Bedrijfsrevisoren. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement, whether due to fraud or error.

In accordance with the above-mentioned auditing standards, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated financial statements contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the company's internal control relating to the preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have also assessed the appropriateness of the accounting principles and consolidation principles, the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statements. Finally, we have obtained from management and the company's officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended December 31, 2011 give a true and fair view of the group's assets and liabilities, its financial position, the results of its operations and cashflow in accordance with International Financial Reporting Standards as adopted by the European Union.

Additional statement

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

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

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

Zaventem, March 19, 2012

BDO Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory auditor
Represented by Gert Claes