



# Half-year Report 2008

# Melexis Half-year Report 2008

## Table Of Contents

1	Obligation with regard to the periodical information following the transparency directive effective as of January 1 <sup>st</sup> , 2008	3
2	Consolidated profit and loss	4
3	Consolidated balance sheet	4
4	Condensed consolidated statements of cash flow	6
5	Management's discussion and analysis	7
6	Financial Calendar	8
7	Segment information	8
8	Related parties	11
9	Risk factors	12
10	Statutory auditor's limited review	13
11	Subsequent events	13

# 1. Obligation with regard to the periodical information following the transparency directive effective as of January 1<sup>st</sup>, 2008

The undersigned declare that the consolidated financial overviews, that have been compiled in due compliance with the standards for the annual accounts in due compliance with IFRS standards as adopted by the European Union, stand as a true and accurate reflection of the assets, the financial status and the results of the issuer and the companies included as part of the consolidation. The report provides a true and accurate reflection of the required information.

Rudi De Winter, CEO  
 Françoise Chombar, CEO  
 Karen van Griensven, CFO

## 2. Consolidated Profit & Loss

CONFORM IAS 34		Half Year ended	Half Year ended	Year ended
in kEUR		30/06/2008	30/06/2007	31/12/2007
<b>Sales</b>		<b>103,084</b>	<b>101,136</b>	<b>204,055</b>
	<b>Cost of sales</b>	-60,656	-59,158	-119,253
<b>Gross Margin</b>		<b>42,428</b>	<b>41,978</b>	<b>84,802</b>
	<b>Goodwill amortization</b>			
	<b>R&amp;D</b>	-15,147	-14,634	-29,792
	<b>G&amp;A</b>	-5,109	-5,178	-11,004
	<b>Selling</b>	-2,785	-2,769	-6,024
	<b>Other operating income</b>			2,886
<b>Income from operations</b>		<b>19,387</b>	<b>19,398</b>	<b>40,869</b>
	<b>Other expenses (net)</b>	-309	-877	-1,583
<b>Income before taxes</b>		<b>19,078</b>	<b>18,521</b>	<b>39,285</b>
	<b>Income taxes</b>	-2,102	-1,540	-2,201
<b>Net income</b>		<b>16,976</b>	<b>16,981</b>	<b>37,084</b>
<b>Net income per share in EURO</b>		<b>0.39</b>	<b>0.39</b>	<b>0.86</b>

### 3. Consolidated Balance Sheet

CONFORM IAS 34 in kEUR	Half Year ended 30/06/2008	Half Year ended 30/06/2007	Year ended 31/12/2007
Current Assets :			
Cash and cash equivalents	10,123	8,699	15,265
Current investments	17,675	15,681	18,838
A/R Trade	32,946	34,803	34,423
A/R from related parties	5,160	10,769	3,426
Advance related parties			
Other current assets	10,936	11,797	6,258
Inventories	34,121	38,194	34,891
<b>Total current assets</b>	<b>110,960</b>	<b>119,943</b>	<b>113,101</b>
Non current assets :			
Costs of incorporation			
Property, plant and equipment	45,157	43,866	46,412
Financial fixed assets			
Intangible fixed assets	659	1,790	1,101
A/R directors			
Other non-current assets	60	94	67
Deferred tax assets	9,450	7,380	8,307
<b>Total non current assets</b>	<b>55,326</b>	<b>53,131</b>	<b>55,887</b>
<b>Total assets</b>	<b>166,286</b>	<b>173,074</b>	<b>168,988</b>

<b>Liabilities and shareholders Equity</b>			
Current liabilities :			
Bank loans and overdrafts	7,510		7,650
Current portion of LT debt	15,148	15,096	15,072
A/P trade	6,026	8,171	8,450
Affiliated companies	6,777	7,660	4,972
Accrued expenses, payroll and taxes	4,878	5,258	4,463
Other current liabilities	1,060	1,888	1,352
Deferred income	499	595	703
<b>Total current liabilities</b>	<b>41,898</b>	<b>38,667</b>	<b>42,662</b>
Non current liabilities :			
LT debt less current portion	40,506	47,988	48,170
Deferred tax liabilities	249	249	
Minority interests	10	10	10
<b>Total non current liabilities</b>	<b>40,766</b>	<b>48,248</b>	<b>48,180</b>
Shareholders' equity :			
Shareholders' capital	565	565	565
Share premium			
Treasury shares	-14,475	-5,586	-5,586
Revaluation reserve	-4,544		-1,429
Legal reserve	57	57	57
Retained earnings	86,804	75,390	49,720
Current period's profit	16,976	16,981	37,084
Cumulative translation adjustment	-1,760	-1,247	-2,264
<b>Total shareholders equity</b>	<b>83,622</b>	<b>86,159</b>	<b>78,147</b>
<b>Total liabilities, shareholders' equity and minority interests</b>	<b>166,286</b>	<b>173,074</b>	<b>168,988</b>

## 4. Condensed consolidated statements of cash flow

CONFORM IAS/IFRS in kEUR	Half Year ended 30/06/2008	Half Year ended 30/06/2007	Year ended 31/12/2007
<b>Cash flow from operating activities</b>			
Net income	16,976	16,981	37,084
<b>Adjustments :</b>			
- Depreciation	5,887	5,529	11,693
- A/R, Trade	1,477	-5,488	-5,847
- Due to affiliated companies	71	827	-115
- Inventories	770	-8,628	-5,917
- A/P	-2,424	794	1,230
- Accrued expenses	415	-2,026	966
-Other	-5,881	-4,576	-5,856
<b>Net cash from operating activities</b>	<b>17,291</b>	<b>3,414</b>	<b>33,238</b>
<b>Cash flow from investing activities</b>			
Acquisition of subsidiary, net of cash acquired			
Financial fixed assets (incl. own shares) (*)	-8,889		
Purchase of PPE and intangible assets	-4,633	-7,120	-15,141
Interest received	788	748	2,183
Proceeds from current investments	-1,953	16,685	12,099
Acquisition of current investments			
<b>Net cash provided from investing activities</b>	<b>-14,686</b>	<b>10,312</b>	<b>-859</b>
<b>Cash flows from financing activities</b>			
Proceeds/Repayment of long-and short-term debt	-7,727	-15,100	-14,942
Proceeds from bank loans and overdrafts			7,650
Repayment of bank loans and overdrafts			
Proceeds from (repayment of) related party financing		-5,596	
Proceeds from (repayment of) A/P to directors			
Interim dividend payment			-25,670
Other			
Capital Decrease			
Minority			
<b>Net cash provided from financing activities</b>	<b>-7,727</b>	<b>-20,696</b>	<b>-32,961</b>
CTA	-22	-229	-50
Increase/decrease in cash and cash equivalents	-5,143	-7,199	-632
<b>Cash at beginning of the period</b>	<b>15,265</b>	<b>15,898</b>	<b>15,898</b>
<b>Cash at the end of the period</b>	<b>10,123</b>	<b>8,699</b>	<b>15,266</b>

# 5. Management's Discussion and Analysis

## Revenues

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

(in k EUR)	30/06/08	30/06/07	% CHANGE (Y-O-Y)
Sensors	43,315	42,198	3%
Wireless	6,743	7,381	-9%
Actuators	33,722	35,652	-5%
Opto	17,837	14,748	21%
Other	1,468	1,155	27%
<b>TOTAL</b>	<b>103,085</b>	<b>101,134</b>	<b>2%</b>

## Cost of Sales

Costs of sales consist of materials (raw material and semi finished parts), subcontracting, labor, depreciation and other direct production expenses. They increased from, kEUR 59.158 in 2007 up to kEUR 60.656 in 2008.

Expressed as a percentage of total revenues, the cost of sales increased in 2008 from 58 % to 59% mainly due to an increased labor costs in relation to the total revenue.

## Gross margin

The gross margin, expressed as a percentage of total revenues, decreased from 42 % in 2007 to 41% in 2008 as a result of increased cost of sales.

## Research and Development expenses

Research and development expenses amounted to kEUR 15.147 in 2008, representing 15 % of total revenue. Research and development expenses increased with 4% mainly as a result of increased personnel expenses. The research and development activities concentrate further on the development of Hall Sensors, Integrated Pressure and Acceleration Sensors and Gyroscopes, 16 bit microcontrollers, Infrared and Opto Sensors, Bus ICs and RF components.

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.

## General, administrative and selling expenses

General, administrative and selling expenses consist mainly of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses remained stable at 8% of total revenue during the first half of 2008 in comparison with the same period in 2007.

## Financial results

The net financial results increased from EUR 876.835 loss in the first half of 2007 to EUR 308.933 loss in the first half of 2008. The (net) interest result increased from a loss of EUR 1.000.075 in the first half of 2007 to a loss of EUR 972.530 in the first half of 2008. The net exchange gains (both realized and unrealized) in the first half of 2008 amounted to a loss of EUR 522.896, compared to a gain of EUR 178.956 during the first half of 2007. The net result from treasury operations (diverse financial products) amounted in the first half of 2008 to a gain of EUR 1.309.998 in comparison to EUR 0 in the first half of 2007.

## Net income

The company recorded a net income for the first half of 2008 of kEUR 16.967. The net result remained stable in comparison to the same period last year as overall expenses grew slightly stronger than growth in sales.

# 6. Financial Calendar

- Release of Q3-results on October 23<sup>rd</sup> 2008
- Release of annual results on February 12<sup>th</sup> 2009

# 7. Segment information

Segment information is prepared on the following basis:

## A. Business Segments

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

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

## B. Geographical Segments

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

## Business segment data

30<sup>th</sup> June 2008

All amounts in k EUR	Automotive	Other	Unallocated	Total
Product sales	74.245	27.754		101.999
Other revenues	923	162		1.085
COS	43.071	17.585		60.656
R&D expenses	10.756	4.391		15.147
G&A expenses	3.628	1.481		5.109
Selling expenses	1978	807		2.785
Other operating expenses				
<u>Income from operations</u>				<u>19.387</u>
Financial results				-309
Taxes				-2.102
<u>Net profit</u>				<u>16.976</u>
Segment assets	81.718	30.547	54.003	166.268
Capital expenditures	3.372	1.261		4.633
Depreciation	4.285	1.602		5.887

## Geographical segment data

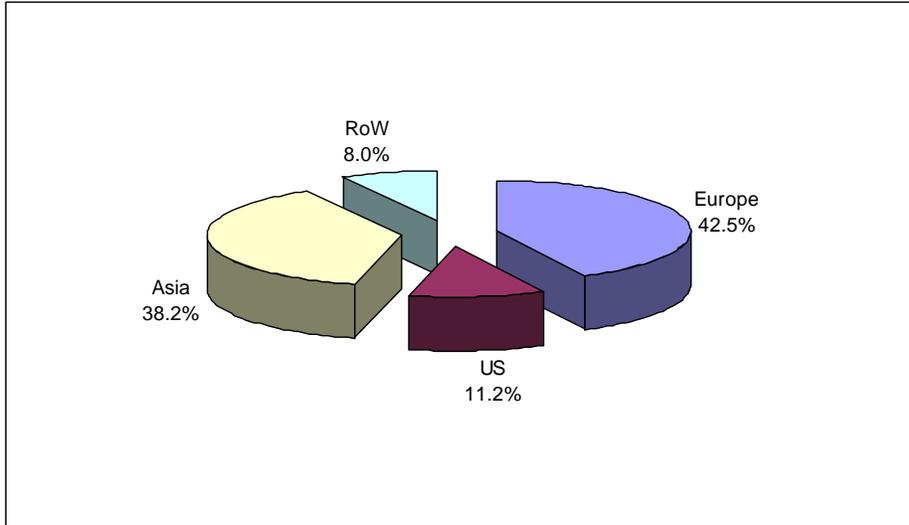
30<sup>th</sup> June 2008

All amounts are in k EUR	Western Europe	Eastern Europe	US	Total
Revenue by origin	98.535	3.116	1.433	103.084
Segment assets	135.743	28.784	1.759	166.286

The following table summarizes sales by destination:

	30/06/08 kEUR	30/06/07 kEUR
<u>Western Europe</u>	<u>43.832</u>	<u>43.194</u>
Germany	20.276	20.064
France	6.010	6.502
United Kingdom	6.482	6.514
Belgium	72	176
Ireland	2.134	1.917
Poland	1.971	1.066
Other	6.886	6.954
<u>United States of America</u>	<u>11.576</u>	<u>14.646</u>
<u>Asia</u>	<u>39.396</u>	<u>37.388</u>
Japan	11.900	7.995
China	3.221	2.610
Other	24.275	26.783
<u>Rest of the World</u>	<u>8.280</u>	<u>5.907</u>
<u>Total</u>	<u>103.084</u>	<u>101.135</u>

## Sales per geography:



## Revenues by customer

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

	30 <sup>th</sup> June	
	30/06/08	30/06/07
	%	%
Customer A	14	14
Customer B	9	11
Customer C	6	8
Customer D	6	6
Customer E	5	0
Customer F	4	5
Customer G	3	5
Customer H	3	4
Customer I	3	2
Customer J	2	2
<u>TOTAL</u>	<u>57</u>	<u>59</u>

## 8. Related parties

### 8.1 Outstanding balances

As of June 30<sup>th</sup>, 2008 and 2007 the following balances were outstanding:

#### Receivables:

On	kEUR	30/06/08	30/06/07
	Elex	4	3
	XTRION	103	1.100
	Epiq group	2.908	1.897
	Xfab group	1.389	6.741
	Xpeqt group	739	869
	Other	15	159
		<hr/>	
	Total	5.160	10.769

#### Payables:

On	kEUR	30/06/08	30/06/07
	Elex	41	2
	XTRION	200	321
	Epiq group	-13	7
	Xfab group	5.460	7.063
	Xpeqt group	1.081	259
	Other	8	8
		<hr/>	
	Total	6.777	7.660

### 8.2 Transactions during the first semester

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

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

Sales to (in kEUR)	30/06/08	30/06/07
Epiq group (mainly ICs)	5.360	4.438
Xpeqt group		
Xfab group (mainly test & assembly services)	305	280
Elex		

Purchases from (in kEUR)	30/06/08	30/06/07
Xfab group (mainly wafers)	33.435	41.541
Epiq NV (mainly assembly)	249	217
Xpeqt group (mainly equipment and goods)	2.069	982
Xtrion (mainly IT infrastructure)	168	240

## ***B. Sales/purchases of services***

Sales to (in kEUR)	30/06/08	30/06/07
Elex (mainly R&D services and rent)	9	13
Xpeqt group (infrastructure office building)	29	15
X-Fab group (mainly R&D services)	-	-
EPIQ group (infrastructure office building)	-	-

Purchases from (in kEUR)	30/06/08	30/06/07
Xtrion N.V. (mainly IT and related support)	415	470
Elex N.V. (mainly IT and related support)	21	42
Epiq group	-	-
Xpeqt group	480	612
Xfab group	1.754	1.847

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 therefore do not fall within the influence of art 523 and 524 of the Company Code and that there are sufficient elements to conclude that the remuneration is based on arm's length principles.

## **9. Risk Factors**

Melexis is, as with any company, continuously confronted with – but not exclusively – a number of market and competition risks or more specific risks related to the company (eg. currency fluctuations, customer concentration, dependence on key personnel, product liability, IP or litigation). More information on risk factors can be found in the annual report 2007.

Melexis believes that the most noteworthy risks facing the company for the coming half year would be the general market conditions and the currency fluctuations.

## 10. Statutory auditor's limited review report

We have performed a limited review on the interim consolidated financial statements of Melexis NV for the period ended June 30<sup>th</sup>, 2008 which show a balance sheet total of 166.286 thousand EUR and a net profit for the period of 16.976 thousand EUR. Our review was performed within the framework of the reporting on the interim consolidated financial statements for a six-month period then ended. Our examination has been conducted in accordance with the recommendation of the Institute of Company Auditors (Instituut der Bedrijfsrevisoren/Institut des Réviseurs d'Entreprises) with regards to limited review procedures.

Therefore, our review consisted mainly of the examination, comparison and discussion of the financial information. As a consequence, our review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Based on our review, we are not aware of any important adjustments that should be made to the interim consolidated financial statements.

Zaventem, July 29<sup>th</sup>, 2008

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

## 11. Subsequent events

No subsequent events were registered.