Melexis

Microelectronic Integrated Systems

Offering of 7.500.000 Ordinary Shares
Offering Price : to be announced in the financial press
Admission to listing of 45.600.000 existing Ordinary Shares of Melexis on Euronext Brussels

Of the 45.600.000 existing ordinary shares without nominal value of Melexis N.V. (the " Ordinary Shares "), a Belgian company with limited liability (*naamloze vennootschap*) with registered office at Rozendaalstraat 12, B-8900 Ieper, Belgium (the "Company"), 7.500.000 (the " Offered Shares ") are being offered by Elex N.V., a Belgian company with limited liability with registered office at Transportstraat 1, B-3980 Tessenderlo, Belgium (the " Selling Shareholder "). The Offered Shares are being offered by way of a public offering to retail investors in Belgium (the " Public Offering ") and a private offering to institutional investors in Europe, including Belgium (the " Institutional Offering "), together the " Offering ".

The Selling Shareholder has granted ING Bank N.V., London Branch (the " Global Coordinator ") an option (the " Over-allotment Option "), solely for the purpose of covering over-allotments, if any, exercisable for 30 calendar days from the Closing Date (as defined below), to purchase up to an aggregate of 1.150.000 Ordinary Shares, representing 15,33 % of the Offered Shares (the " Additional Shares "), in addition to the Offered Shares referred to above (together with the Offered Shares, the " Shares "). If the Over-allotment Option is exercised in full, the total number of Shares offered will be 8.650.000.

Ordinary Shares of the Company are already traded on Nasdaq Europe under the symbol " MLXS ". The Company's stock is expected to be listed on the First Market of Euronext Brussels on May 17, 2002 (the " Closing Date ").

The Ordinary Shares involve a high degree of risk. See " Risk Factors ", beginning on page [21], for a discussion of factors that should be considered by prospective investors.

Payment for and delivery of the Shares is expected to be made on or about May 22, 2002 (the " Payment Date ").

The Shares have not been and will not be registered under the U.S. Securities Act of 1933 (the " Securities Act ") and, subject to certain exceptions, may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S under the Securities Act (" Regulation S ")).

ING

Global Coordinator

BBL

Retail Coordinator

DEXIA Securities

Co-Lead Manager

The date of this Prospectus is May 3, 2002

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IN CONNECTION WITH THE OFFERING, ING BANK N.V., LONDON BRANCH MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILISE OR MAINTAIN THE MARKET PRICE OF THE ORDINARY SHARES AT A LEVEL WHICH MIGHT NOT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH TRANSACTIONS MAY BE EFFECTED ON NASDAQ EUROPE AND ON EURONEXT BRUSSELS IN ACCORDANCE WITH THE APPLICABLE STABILISATION RULES. SUCH STABILISING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

No person is or has been authorised to give any information or to make any representations other than those contained herein in connection with the Offering and, if given or made, such information or representations must not be relied upon as having been authorised by the Selling Shareholder, the Company or any of the Managers (as defined below).

The information in this Prospectus may only be accurate on the date of this Prospectus. Should an event occur that would have a material influence on the public's judgement of the Offering after the date of the Prospectus and prior to the listing of the Company's Ordinary Shares on Euronext Brussels, then the Company will update the information provided in this Prospectus by way of a publication in the Belgian financial press. Should an event occur that would have a material adverse influence - the Company having published the occurrence of such event in the Belgian financial press - on the public's judgement of the Offering during the Acquisition and Bookbuilding Period or prior to the listing of the Company's Ordinary Shares on Euronext Brussels, the retail investors who have already submitted their purchase orders will have the opportunity to withdraw from the Offering within two business days after said publication.

This Prospectus does not constitute an offer of, or solicitation by or on behalf of, the Company or any of ING Bank N.V., London Branch, Bank Brussels Lambert S.A. ("BBL") and Dexia Securities Belgium S.A. ("Dexia Securities") (together the "Managers") to purchase any of the Shares in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such offer or solicitation. No action has been (or will be) taken to permit a public offering in any jurisdiction where action would be required for that purpose. Accordingly, the Shares may not be offered or sold, directly or indirectly, and this Prospectus may not be distributed, in any jurisdiction except in accordance with the legal requirements applicable in such jurisdiction.

The Shares are being offered and sold outside the United States to non-U.S. persons in reliance on Regulation S and within the United States to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act ("Rule 144A"). Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of these and certain further restrictions on offers, sales and transfers of the Shares and the distribution of this Prospectus, see "Underwriting and Acquisition". The Shares have not been approved or disapproved by the U.S. Securities and Exchange Commission, any state securities commission in the United States or any other U.S. regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the Offering the accuracy or adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

This Prospectus may not be supplied to the public in any jurisdiction outside Belgium in which any registration, qualification or other requirements exist or would exist in respect of any public offering of the Shares and, in particular, may not be distributed to the public in the United States, Canada, Japan, Australia and the United Kingdom. Any failure to comply with these restrictions may constitute a violation of U.S., Canadian, Japanese, Australian or U.K. securities laws or the securities regulation of other jurisdictions.

This Prospectus has not been approved by an authorised person in the United Kingdom and has not been registered with the Registrar of Companies in the United Kingdom. The Shares may not be offered or sold and, prior to the expiry of a period of six months from the Closing Date, will not be offered or sold to any persons in the United Kingdom except to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses, or otherwise in circumstances which have not resulted and will not result in an offer to the public in the United Kingdom within the meaning of the Public

Offers of Securities Regulations 1995. In addition, no person may communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the Financial Services and Markets Act 2000, (the "FSMA") received by it in connection with the issue or sale of any Shares, except in circumstances in which section 21(1) of the FSMA does not apply to the Company.

The Dutch language version of the Prospectus will be made available to investors at no cost at the counters of BBL and Dexia (Dexia Bank including ex-Artesia and ex-Bacob) or upon simple request from BBL at +32 (0)78 15 00 42 or Dexia at +32 (0)2 204 44 89.

In connection with this Offering, the Prospectus has been prepared in Dutch and in English. The Dutch version of this Prospectus is a faithful translation of the English version in accordance with Belgian law. The Company is responsible for the consistency between the Dutch and English version of this document. Pursuant to Belgian law, only the Dutch version of this Prospectus may be used for the purpose of the Public Offering. The Dutch version is the only one having evidential value in connection with the Public Offering and the admission to listing on Euronext Brussels which under Belgian law is considered a public offering. Copies of the Articles of Association and the financial statements of the Company and any other documents mentioned in this Prospectus which are available for inspection by the public, will be made available to investors at no cost upon prior written request addressed to the registered office of the Company.

Each investor considering buying Shares must rely on his own appraisal of the Company including its financial condition, its affairs and the merits and risks involved as described in the Prospectus. In case of any doubt about the contents or the meaning of the information contained in this document, investors should consult an authorised or professional person who specialises in advising on the acquisition of financial instruments.

The Dutch version of this Prospectus has been approved by the Belgian Banking and Finance Commission (*Commissie voor het Bank- en Financiewezen*) (the "BFC") on April 29, 2002, pursuant to article 29ter, §1, of the Belgian Royal Decree n° 185 dated July 9, 1935, as amended (the "Royal Decree"). The approval of this Prospectus does not imply any judgement by the BFC on the merits or the quality of the Offering, the listing on Euronext Brussels, the Shares or the Company and neither does it render any judgement on the position of the persons conducting the Offering. The notice required by article 29, §1 of the Royal Decree will be published in the Belgian financial press on May 11, 2002.

TO NEW HAMPSHIRE RESIDENTS: NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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Available Information & Enforcement of Judgments

The Company has agreed that, for so long as any Shares are " restricted securities " within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of such restricted securities or to any prospective purchaser of such restricted securities designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be provided by Rule 144A(d)(4) under the Securities Act. The Company and the Selling Shareholder are companies organised under the laws of Belgium. None of the Directors and Executive Officers of the such persons are residents of the United States, and all or a substantial portion of the assets of the Company, the Selling Shareholder and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company, the Selling Shareholder or such persons or to enforce against any of them in the U.S. courts judgments obtained in U.S. courts, including judgments predicated upon the civil liability provisions of the securities laws of the United States or any State or territory within the United States. There is doubt as to the enforceability in Belgium in original actions or in actions for the enforcement of judgements of United States Courts of civil liabilities predicated salely upon the federal securities laws of the United States.

Forward Looking Statements and Market Data

This Prospectus contains forward-looking statements including, without limitation, statements containing the words " believes ", " anticipates ", " expects ", " intends ", " plans ", " seeks ", " estimates ", " may ", " will " and " continue " and similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, financial condition, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Factors that might cause such a difference include, but are not limited to, those discussed in " Risk Factors ". Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. These forward-looking statements speak only as of the date of this Prospectus. The Company expressly disclaims any obligation to update any such forward-looking statements in this Prospectus to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based, except to the extent required by Belgian law.

This Prospectus contains data related to the semiconductor market. These market data have been included in studies published by various market research firms. These data include projections that are based on a number of assumptions, including no major deterioration of the present world-wide economic conditions. If any of these assumptions is incorrect, actual results may differ from the projections based on those assumptions.

Financial and Other Information

In this Prospectus, references to euro ("EUR") are to the single currency of the participating member states of the European Union, including Belgium, all references to "BEF" are to Belgian francs, all references to "U.S.$" and "USD" are to United States dollars, all references to "UAH" are to Ukrainian hryvnia and all references to "BGN" are to Bulgarian leva.

Since the introduction of the euro on January 1, 1999, and in accordance with Belgian law, the Company keeps its books and prepares its consolidated financial statements in euro. The functional currency of the Company and of its subsidiaries Melexis Tessenderlo NV, Melexis GmbH and Melexis BV is euro. The functional currency for Melexis Inc. is USD, for Melexis Ukraine UAH and for Melexis Bulgaria Ltd. BGN.

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

The exchange rates used:

USD/EUR (1)	1999	2000	2001	For the first quarter of 2002, ended March 31, 2002
Average	1,0658	0,9236	0,8956	0,8766
End of the period	1,0046	0,9305	0,8813	0,8724
BGN/EUR (1)	**1999**	**2000**	**2001**	**For the first quarter of 2002, ended March 31, 2002**
Average	1,9572	1,9611	1,9566	1,9503
End of the period	1,9559	1,9558	1,9559	1,9504
UAH/EUR (2)	**1999**	**2000**	**2001**	**For the first quarter of 2002, ended March 31, 2002**
Average	4,4002	5,0246	4,8113	4,6663
End of the period	5,2403	5,0568	4,6696	4,6434

1 Source: European Central Bank

2 Source: Financial Press

Persons Responsible for the Prospectus

The undersigned Directors, acting as duly authorised officers of the Company, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief (i) the Prospectus contains all material information with respect to itself and the Shares, (ii) the information contained in the Prospectus is true and accurate in all material respects and is not misleading, (iii) the opinions and intentions expressed in the Prospectus are honestly held, and (iv) there are no other facts the omission or occurrence of which would make any of such information or the expression of any such opinions or intentions misleading.

Roland Duchâtelet
Chairman of the Board

Rudi De Winter
Chief Executive Officer

Independent Accountant

Arthur Andersen Bedrijfsrevisoren, having its office at Uitbreidingstraat 2, B-2600 Antwerp, Belgium, represented by Mr. Ludo De Keulenaer, has been reappointed as statutory auditor of the Company by the shareholders' meeting which was held on March 20, 2001 for a new term of 3 years.

The statutory annual accounts of Melexis established in accordance with Belgian accounting rules as at December 31, 1999, 2000 and 2001 were audited in accordance with Belgian law and an unqualified audit opinion was issued by Arthur Andersen Bedrijfsrevisoren. The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. The consolidated financial statements for the years ending December 31, 1999, 2000 and 2001 were audited by Arthur Andersen Bedrijfsrevisoren and an unqualified opinion was issued.

Legal Advisor

Certain legal matters regarding Belgian law in connection with the Offering and the listing on Euronext Brussels will be passed upon by Linklaters De Bandt.

Glossary of Specialist Terms

ABS	Antilock Braking System. Automotive electronic system that prevents wheels from locking while braking so that the car can still be handled without losing control.
Actuator	An actuator refers to a family of devices that convert electrical energy in mechanical movement.
Adaptive cruise control	Cruise control is a system that keeps the speed of a car constant to improve the drivers comfort on the highway. An adaptive cruise control system will adapt the speed of the car in function of the preceding car.
ASIC	Application Specific Integrated Circuit. Semiconductor circuits specifically designed to suit a customer's particular requirement, as opposed to a memory or microprocessor, which are general-purpose parts.
ASSP	Application Specific Standard Product. A standard product that has been designed to implement a specific application function, as opposed to a general-purpose product such as a memory.
BiCMOS	Bipolar Complementary Metal Oxide Semiconductor. An IC technology combining the linearity and speed advantages of bipolar and the low-power advantages of CMOS on a single IC. Typically used for high speed mixed-signal devices such as RFICs.
Bus	Parallel conductors in an information processing system along which information is transmitted from one part to another. In a car a bus interconnects the different electronic systems (sensors, microcontrollers, actuators).
CAN	Controller Area Network. CAN is a serial bus system especially suited to interconnect smart devices to build smart systems or sub-systems.
Chip	A section of a wafer that contains a discrete component or an integrated circuit. Many chips are made on a single wafer, then separated into dice and packaged individually.
Chip-on-board	This is a technique where a chip is mounded directly on a printed circuit board.
Chopped analogue string	Chopping is a signal conditioning technique to eliminate offset in electronic systems. It is typically used in systems with high precision to handle very small signals.
CMOS	Complementary Metal Oxide Semiconductor. The most popular class of semiconductor technology, characterised by voltage-controlled field-effect transistors.
DC Motor	An electric motor which uses direct current (compared to alternating current) as a source for its energy.
DSP	Digital Signal Processing unit. This is a technique where digital numbers represent analogue signals. The processing of the signals is then done by mathematical operations on the numerical representation of the signals.
EEPROM or E2PROM	Electrically Erasable Programmable Read Only Memory. This is a non-volatile memory typically used in electronic systems to store calibration parameters.

EPROM	Electrically Programmable ROM. Is used to store the program software in a microcontroller. It allows one time programming in the application.
ESP	Electronic Stability Programs. Automotive system that works by comparing the vehicle's path – determined by wheel speed, lateral acceleration, and yaw-rate sensors – with the direction of travel desired by the driver. In the event of a discrepancy, brakes are automatically applied to nudge the vehicle back on track and to reduce speed.
Fab	Fabrication. A semiconductor manufacturing plant making devices and integrated circuits in semiconductor wafers.
Flash	Flash is an electrically erasable non-volatile memory used to store the programs in micro-controllers. It allows loading and modifying of the software of a micro controller in the application itself.
Foundry	A wafer production and processing plant. Usually used to denote a facility that is available on a contract basis to companies that do not have wafer fab capability of their own.
(Giant) Magneto Resistance	This is an effect where a magnetic field causes a change to the value of a resistor. In recent years, improvement was made to this technology to increase this effect. This is referred to as giant magneto resistors.
Hysteresis	An effect mostly deliberately built into electronic systems to get a clear switching (on, off) output from a hesitating and slowly changing continuous input signal.
IC	Integrated Circuit. An electronic circuit in which many active or passive elements are fabricated and connected together on a single chip.
Inductive speed sensors	A whole family of sensors consisting of a coil that picks up a varying magnetic field. The varying magnetic field induces a proportional voltage in the coil.
IR sensors	Sensors detecting infrared light. Heat typically dissipates infrared light. The hotter an object is, the more infrared light it dissipates.
K-bus	A low speed single wire bus system often used for diagnostic purposes in cars. It can be seen as the predecessor of the LIN-bus.
LIN	Local Interconnect Network. The LIN protocol provides a low-cost, robust, short distance, slow speed and limited size network that is well suited for connecting simple controls such as switches, displays, sensors and actuators.
MAP sensor	Manifold Air Pressure sensor. A sensor that measures the pressure of the air coming into the engine.
MEMS	Micro-Electro-Mechanical System. Integrated micro-device or system combining electrical and mechanical components fabricated using integrated circuit compatible fabrication techniques, combining computation with sensing or actuation.

Microcontroller	A single-chip microcomputer with on-board program and input/output capability that can be programmed for various control functions.
Mixed signal IC	An integrated circuit that has both digital and analogue functions on the same semiconductor chip.
Multi-chip module	A hybrid-type package containing a number of integrated circuits and other components replacing a printed circuit board.
OEM	Original Equipment Manufacturer. An OEM is a company that uses product components from one or more other companies to build a product that it sells under its own company name and brand.
Package	The protective container or housing for an electronic component or chip, with external terminals to provide electrical access to the components inside. Packages provide for power and signal distribution, power dissipation, and physical and chemical protection of the circuits.
RAM	Random Access Memory. Is typically used for temporary storage of data information in a microcontroller.
ROM	Read Only Memory. Is typically used to store the program software in a microcontroller.
Sensor	A component that provides an electrical signal in response to a specific physical stimulus such as heat, pressure, acceleration or magnetic field.
System-on-a-Chip	Semiconductor circuit similar to an ASIC except that it contains pre-existing functional cells – typically a microcontroller and memory – thereby creating a system.
Variable reluctance	Is a technique used to measure speed by means of a toothed wheel turning in front of coil biased by a permanent magnet. The turning of the wheel generates a variable magnetic field through the coil. The changing magnetic field induces an equivalent voltage in the coil.
Variable valve timing system	This is a technique where the opening and closing of the valves of a combustion motor are individually controlled and changes depending on the regime of the motor. This allows better control of the combustion process with the purpose of reducing emission.
Wafer	A thin cylindrical slice of semiconductor material – usually silicon – typically 150 or 200 mm in diameter. Arrays of ICs or discrete devices are fabricated in the wafers during the manufacturing process.
X-by-Wire	This refers to all kind of control mechanisms where mechanical control is replaced by pure electrical control, such as drive-by-wire, steer-by-wire and brake-by-wire.
Yaw-rate sensor	This is a sensor measuring the angular velocity perpendicular to the plane of movement. Typically used in navigation and vehicle stability systems.

Summary

The following summary is qualified in its entirety, and should be read in conjunction with the detailed information and financial statements, including the notes thereto, appearing elsewhere in this Prospectus ;

THE COMPANY

Melexis designs, develops, tests and markets advanced integrated semiconductor devices mainly for the automotive industry.

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

The driving factors for integrated semiconductor devices in the automotive industry are 3-fold : safety, environmental awareness and personality.

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

Electric windows with electronic protection have become mostly standard as well as regulated air-conditioning. There is a clear move from hydraulic systems towards electric systems, such as those found in steering and braking assistance. These systems use drive-by-wire concepts. This means that mechanical controls are replaced by purely electronic ones. A wire (copper or glass fibre) transmitting electric signals replaces a mechanical drive, like for example the steel cables which formerly connected the gas pedal to the carburettor.

Melexis' main products are hall effect devices (magnetic sensors), pressure and acceleration sensor elements and interfaces, automotive systems-on-a-chip, embedded microcontrollers, RFID devices, bus systems, optical sensors and IR sensors. In each case the products are principally for automotive applications. The Company has currently about 140 products in production and over 50 in development or qualification.

The Company sells its products to a wide customer base of OEMs of automotive equipment in Europe, North America and more recently also in Japan. Among its 250 customers, the main OEMs are Bosch, Brose, Continental, Delphi, Magneti Marelli, Nippon Seiki, Siemens-VDO, SKF, Texas Instruments, TRW and TT/AB Elektronik. These customers incorporate the Company's products into automotive equipment they supply to vehicle manufacturers around the world. Almost every major vehicle manufacturer world-wide has one or more models in production or development containing Melexis integrated circuits.

To reduce cost and improve reliability, automotive equipment makers try to reduce the number of components in their electronic systems. Melexis' strength is to combine different sensor technologies (Hall, IR, opto, pressure and acceleration) with mixed analogue-digital circuitry (including microprocessor cores, EEPROM, bus drivers), thus building highly advanced and unique integrated micro-electronic systems.

Melexis concentrates its engineering resources and semiconductor design strengths in the development of ASSPs addressing new opportunities in the automotive market. This strategy allows Melexis to considerably leverage its engineering resources towards more return per project development.

THE OFFERING

The Company or Melexis	Melexis N.V., a public company with limited liability incorporated under the laws of Belgium having its registered office at Rozendaalstraat 12, 8900 Ieper, Belgium.
The Offering	The Offering refers to the Offered Shares (7.500.000 Ordinary shares) accounting for 16,45% of the issued share capital of the Company and the additional Shares (up to 1.150.000 Ordinary Shares) involved with the Over-allotment Option. If the Over-allotment Option is exercised in full, the total amount of ordinary Shares offered is 8.650.000 (the "Shares"). The offering consists of the Public Offering (to retail investors in Belgium) and the Institutional Offering (to institutional investors in Europe, including Belgium).
Selling Shareholder or Elex	All of the Shares in the Offering are being sold by the Company's parent company, Elex N.V., a company with limited liability, having its registered office at Transportstraat 1, 3980 Tessenderlo, Belgium. Elex owns 68,82 % of the Ordinary Shares of the Company. It is expected that, following the Offering, the interest of the Selling Shareholder in the share capital of the Company will be reduced to 52,38 % or to 49,86 % if the Over-allotment Option is exercised in full.
Global Coordinator or Sponsor[1]	ING Bank N.V., London Branch.
Retail Coordinator	Bank Brussels Lambert S.A.
Co-Lead Manager	Dexia Securities Belgium S.A.
Total number of Ordinary Shares issued by the Company	45.600.000.
Offering Price	The offering price in the Public Offering and the Institutional Offering will be the same. The Offering Price is subject to a maximum price equal to the closing mid-price of the Ordinary Shares on Nasdaq Europe on the business day prior to the commencement of the Acquisition Period, expected to be May 10, 2002 (the "Maximum Price"). The Offering Price will be fixed after the closing of the Acquisition and Bookbuilding Period, which is expected to occur on or about May 16, 2002. The Offering Price will be published in the Belgian financial press within three business days following the closing of the Acquisition and Bookbuilding Period.
Acquisition Period for the Public Offering	The acquisition period for the Public Offering (the "Acquisition Period")is expected to commence on May 13, 2002 and will close on May 16, 2002. The Acquisition Period may be extended, without prior notice and upon approval of the BFC, by agreement between the Global Coordinator and the Selling Shareholder. During the Acquisition Period, binding offers to purchase Shares will be solicited from retail investors at the Offering Price.

1 The Sponsor's tasks consist mainly in (i) assisting the Company to having is stock admitted to the First Market of Euronext (including assisting the Company in selecting the relevant market and market segments); (ii) assisting the Company with the preparation of the informative documentation, including the Prospectus and (iii), as the case may be, conducting the placement of the said financial instrument.

Bookbuilding Period for the Institutional Offering	The bookbuilding period for the Institutional Offering (the"Bookbuilding Period") is expected to commence on May 13, 2002 and to close on May 16, 2002. The Bookbuilding Period may be extended, without prior notice and upon approval of the BFC, by agreement between the Global Coordinator and the Selling Shareholder.
Payment Date	Payment for and delivery of the Shares is expected to be made on May 22, 2002 (the "Payment Date").
Listing	Ordinary Shares of the Company are already listed on Nasdaq Europe and traded in euro under the symbol "MLXS." The Company's stock is expected to be listed on Euronext Brussels on May 17, 2002.
Over-allotment Option	The Selling Shareholder has granted the Global Coordinator, solely for the purpose of covering over-allotments, if any, an option, for 30 days from the Closing Date, to purchase up to 1.150.000 Additional Shares.
Dividends	The Shares will be entitled to dividends, if any, declared in respect of the financial year ending December 31, 2002 and for all subsequent financial years. See also "Dividend Policy".
Paying Agents in Belgium	BBL and Dexia Bank will act as paying agents in Belgium. These paying agents will not charge shareholders with respect to payments of dividends for Ordinary Shares deposited with them. Investors should inform themselves about the costs that other financial intermediaries may charge in connection with the payments of dividends.
Lock-up	During a period ending 180 days after the execution of the Underwriting Agreement (as defined below under "Underwriting and Sale"), Melexis will not, without the prior written consent of the Global Coordinator, (i) offer, pledge, issue, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, or otherwise dispose of or transfer, directly or indirectly, any of Melexis' Ordinary Shares or any securities convertible into or exchangeable or exercisable for Ordinary Shares of Melexis, or (ii) enter into any swap or any other agreement or any transaction that transfers, in whole or in part, directly or indirectly, the economic ownership of the Ordinary Shares of Melexis. Elex will not, without the prior written consent of the Global Coordinator, directly or indirectly make any offering, sale, short sale or other disposal of any Ordinary Shares or grant any options, convertible securities or other rights to subscribe for or purchase Ordinary Shares of Melexis until 180 days after the execution of the Underwriting Agreement, nor will Elex enter into any contract with the effect of affecting the property of the Ordinary Shares of Melexis of which it was in possession on the signing date of the Underwriting Agreement, with the sole exception of the exercise of the Over-allotment Option, if any.

Clearing and Settlement	The Shares will be in bearer form and represented by one or more global certificates deposited with a common depository for Euroclear, Clearstream Banking Luxembourg and/or the *Interprofessionele Effectendeposito- en Girokas* ("CIK") and they will only be allocated in book-entry form to the purchasers. Upon settlement, and against payment, the Shares will be credited to the purchaser's securities accounts held with accredited financial intermediaries which either directly or indirectly hold an account with CIK, Euroclear and/or Clearstream Banking Luxembourg. Investors should bear in mind that individual physical share certificates cannot be used to settle transactions on Nasdaq Europe whereas shares in book-entry form can be used to settle transactions on both Euronext and Nasdaq Europe as well as between these two stock markets. Payment for the Shares will be made in EUR.
Security codes	Isin code BE0165385973 Common code 008089833.
Use of proceeds	The Selling Shareholder will receive the net proceeds of the Offering. See "Use of Proceeds."

Summary Financial Data of the Company

The summary financial data presented below have been extracted and derived from the Company's consolidated financial statements as at and for the years ended December 31, 1999, 2000 and 2001 presented in euro and prepared in accordance with IAS. The summary financial data of the Company should be read in conjunction with the Company's consolidated financial statements and notes thereto included elsewhere in this Prospectus.

The results of the Company for any interim period are not necessarily indicative for results that may be achieved for a full financial year or any other interim period.

Statements of Income (EUR)		**For the year ended December 31**		**For the first quarter ended March 31**	
	2001	**2000**	**1999**	**2002**	**2001**
		(audited)		**(unaudited)**	
Revenues	102.400.224	85.403.034	53.076.307	27.035.795	24.546.628
Gross margin	44.489.738	36.701.198	21.812.066	11.932.968	10.559.463
Total operating expenses	(24.656.262)	(19.053.963)	(10.296.051)	(6.183.906)	(5.467.422)
Income (loss) from operations	19.833.476	17.647.235	11.516.015	5.749.062	5.092.041
Financial income	10.726.020	10.003.241	3.046.551	1.835.643	1.845.987
Financial charges	(7.054.414)	(8.707.742)	(1.625.039)	(1.499.913)	(1.1.554.687)
Other expenses (net)	(-)	74.711	(-)	(-)	(-)
Income before taxes	**23.505.082**	**19.170.445**	**12.937.527**	**6.084.792**	**5.383.341**
Net income	**20.301.124**	**17.202.890**	**14.013.274**	**5.253.592**	**4.791.173**
Earnings per share	**0,45**	**0,38**	**0,31**	**0,12**	**0,11**

Balance Sheet (in EUR)		**For the year ended December 31**		**As at March 31**	
	2001	**2000**	**1999**	**2002**	**2001**
		(audited)		**(unaudited)**	
Current assets	97.237.046	115.451.920	51.965.341	100.969.176	99.848.434
Non current assets	38.296.110	37.025.937	25.803.236	39.038.001	38.037.500
Total assets	**135.533.156**	**152.477.857**	**77.768.577**	**140.007.177**	**137.885.934**
Current liabilities	36.337.753	70.387.178	23.066.584	36.758.792	50.656.698
Long-term debt less current portion	7.687.798	11.034.007	591.864	6.378.575	11.034.007
Deferred tax liabilities	75.282	150.563	225.847	149.677	131.743
Minority interests	749	620	620	749	620
Total shareholders' equity	91.431.574	70.905.489	53.883.662	96.719.384	76.195.609
Total liabilities, shareholders' equity and minority interests	**135.533.156**	**152.477.857**	**77.768.577**	**140.007.177**	**137.885.934**

Risk Factors

An investment in the 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 Prospectus 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 Prospectus, 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 Prospectus should be read as being applicable to all forward-looking statements wherever they appear in this Prospectus.

1. RISKS RELATED TO THE COMPANY

1.1. 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 : (i) increase market share ; (ii) enhance its brand ; (iii) implement and execute its business and marketing strategy successfully ; (iv) continue to develop and upgrade its technology ; (v) respond to competitive developments ; and (vi) 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, results 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 operating results generally depend on the volume and timing of, and ability to fulfil, 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, results of 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, results of operations and financial condition.

1.2. 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 Ordinary 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 euro on the Ordinary Shares. (See "Consolidated Financial Statements - 3.2. Summary of Significant Accounting Policies – Foreign currencies" and "- 3.4.AC. Financial Instruments").

1.3. Dependence upon certain Related Companies

The Company relies on several related companies for certain aspects of the manufacturing of its products and for the supply of certain unique equipment for the testing of its products (see "Business - 1. History" and "Consolidated Financial Statements - 3.4.AB.1. Shareholders' structure and identification of major related parties").

Even though the Company is likely to be able to secure from third parties alternative manufacturing services and testing equipment, should the relevant associated company terminate its current supply, any such termination may have a material adverse effect on the Company's business in the short term. In addition, any such alternative products are likely to be less effective for the Company's business and more expensive than existing supplies because, to a significant extent, the equipment is tailored to the Company's requirements. No assurance can be given that the terms upon which the services which are currently supplied to the Company could be matched by alternative suppliers. However, in the longer term, the Company could probably reorganize its equipment supply base to get similar equipment and services at comparable cost.

For a detailed description of related parties we refer to the financial statements under the heading "Consolidated Financial Statements - 3.4.AB. Related Parties").

1.4. Managing Growth

The Company has been experiencing a period of rapid 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 rapid 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 results and financial condition.

1.5. 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 issues of equity securities, incurrence of debt and amortisation expenses related to goodwill and other intangible assets (see "Consolidated Financial Statements - 3.4.G. Goodwill" and "- 3.4.H. Intangible fixed assets"), each of which could materially and adversely affect the Company's business, results of operation and financial condition or negatively affect the price of the Ordinary 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, results of operations and financial condition, and the market price of the Ordinary Shares, will not be materially adversely affected.

1.6. 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, results 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, results of operations and financial condition.

1.7. 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. Defects of integrated circuits mounted in vehicles typically occur on a few parts per million installed. Any defects discovered after commercial release could result in (i) adverse publicity; (ii) loss of revenues and market share; (iii) increased service, warranty or insurance costs; or (iv) claims against the Company. Any of the foregoing could have a material adverse effect on the Company's business, results of operations and financial condition.

1.8. Evolving Distribution Channels

The majority of sales to the large automotive accounts is generated by direct sales people. However, over time, increasingly more sales of ASSPs are planned to be 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. See "Business _ 7. Sales and Marketing" and "_ 8.Customers."

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, results of operations and financial condition.

1.9. Protection and Enforcement of Intellectual Property Rights

Although the Company is currently not a party to any litigation involving intellectual property rights, the semiconductor industry is characterised by frequent claims alleging the infringement of patents and other intellectual property rights. Thus, in the future, 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 results 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 thereunder 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.

See also "Business _ 12. Proprietary Rights."

1.10. The Importance of Significant Customers

The biggest customer of Melexis accounted for sales of approximately 13% of the Company's revenues for the year ended December 31, 2001. During the same period, no other individual customer was responsible for generating more than 10% of the Company's revenues. While at the moment of introduction of Melexis on Nasdaq Europe, the top seven customers still accounted for 70% of sales, the top ten customers for the year ended December 31, 2001 only accounted for 66% of sales. This decrease is mainly the result of the increased design of ASSPs as opposed to customised products.

1.11. Significant Shareholders

Following the completion of the Offering, the Selling Shareholder is likely to hold approximately 50% of the Company's 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 or other related parties. 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 this shareholder 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 judgement, could be beneficial to the Company, even though the transactions might conflict with the interests of this shareholder. Likewise, after the Offering, this shareholder will continue to have 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 favourable to the Company than it could obtain in contracts with unrelated third parties, conflicts of interest could arise between the Company and this shareholder or other related parties in certain circumstances. See " Principal Shareholders."

2. RISKS RELATED TO THE BUSINESS

2.1. The Semiconductor Market

The semiconductor industry is characterised 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

See " Business - 10. The Automotive Semiconductor Market."

2.2. 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, Elmos, Honeywell Solid State Elec, Infineon, ITT Semiconductors, Micronas, Motorola Semiconductors, NEC Semiconductors, SGS-Thomson Microelectronics and 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.

See " Business - 11. Competition."

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

2.3. Rapid Technological Change

The semiconductor market is characterised 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 7 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, results of operations and financial condition.

3. RISKS RELATED TO THE OFFERING AND FUTURE TRADING ON EURONEXT

3.1. Limited Trading History of the Ordinary Shares

The Company's Ordinary Shares began trading on Nasdaq Europe on October 10, 1997. The Company cannot make any assurances that an active trading market in the Ordinary Shares will be sustained in the future. The market price of the Ordinary Shares could fluctuate substantially due to a variety of factors, including quarterly fluctuations in results of operations, adverse circumstances affecting the introduction and market acceptance of new products and services offered by the Company, announcements of new products and services by competitors, changes in the semiconductor industry, changes in earnings estimates by analysts, changes in accounting principles, sales of Ordinary Shares by existing shareholders, loss of key personnel and other factors. The market price for the Company's Ordinary Shares may also be affected by its ability to meet analysts' expectations. Failure to meet such expectations, even if not material, could have a negative effect on the market price of the Company's Ordinary Shares.

3.2. Ordinary Shares Eligible for Future Sale

Sales of Ordinary Shares in the public market following this Offering could adversely affect the market price of the Ordinary Shares. Pursuant to the Underwriting Agreement, the Company and the Selling Shareholder will be restricted from selling or otherwise disposing of any Ordinary Share for a period of 180 days from the execution of the Underwriting Agreement, expected to be May 17, 2002. Upon completion of this period, the market price of the Ordinary Shares could be adversely affected if the existing shareholders sell a substantial number of Ordinary Shares on the market.

3.3. Possible Volatility of Stock Price

The trading price of the Company's Ordinary 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 Ordinary 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 Nasdaq Europe, 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 Ordinary Shares, irrespective of the Company's operating performance.

Capitalisation

The table below shows the Company's total capitalisation as at December 31, 2001. This table should be read in conjunction with the Company's consolidated financial statements and the notes accompanying thereto included in this Prospectus.

		December 31, 2001
		(EUR)
Current liabilities:		
Bank loans and overdrafts		3.937.737
Current instalments of long-term debt		5.238.781
Long-term borrowings:		
Long-term debt, less current instalments		7.687.798
Total debt		**16.864 .316**
Shareholders' capital		565.197*
Number of outstanding Ordinary Shares	45.600.000	
Share premium		30.135.419
Legal reserve		56.520
Retained earnings		60.714.671
Cumulative translation adjustments		(40.233)
Total shareholders' equity		**91.431.574**
Total capitalisation		**108.295.890**

* rounded to EUR 1

Use of Proceeds

Elex plans to use the net proceeds from the Offering, estimated to be in the range of EUR 62,5 million (if the Over-allotment Option is exercised in full), in the first place to repay all Elex's outstanding debt to Melexis (see also "Consolidated Financial Statements - 3.4.ab.2. Outstanding balances at year-end"). Elex will use the balance of the proceeds to pay off debts to banks and finance its ongoing activities.

As Melexis is not dependent on this additional cash for its working capital and investment needs, the cash will be used for investment opportunities or, if no rewarding investment opportunities[1] are found, to return the excess cash to the shareholders.

Should the Offering be successful and should no rewarding investment opportunities be found, Melexis intends, upon approval of its Board of Directors, to pay an interim dividend in the amount of approximately EUR 0,50 per Ordinary Share during the second half of 2002. However, there can be no assurance that such dividend will be paid (see also"Dividend Policy").

Should the Offering be successful and Elex pay off all its outstanding debt, amounting to EUR 28.015.444 as at December 31, 2001, towards Melexis, then the balance sheet of Melexis would be as follows:

(in million EUR)	**2001**	**pro forma**
Fixed assets	38,3	38,3
Current assets	97,2	97,2
Cash and cash equivalents	13,5	41,5
Intercompany receivables	43,3	15,3
Shareholders' equity	91,4	91,4
Interest bearing debt	33,7	33,7
Long term	7,7	7,7
Short term	9,1	9,1
Intercompany payables	16,9	16,9

The Offering will result in an increase of the free float from the current 31,18% to about 50,14% if the Over-allotment Option is exercised in full.

1 Rewarding investment opportunities are considered investment opportunities which would generate a higher return than current investments in R&D and sales.

Dividend Policy

The Shares will be entitled to dividends, if any, declared in respect of the financial year ending December 31, 2002, and for all subsequent financial years.

The Company has never declared or paid any dividends on its Ordinary Shares since its incorporation, except for an interim dividend paid in December 1999 of EUR 0,30 per share, being EUR 13.680.000 in total. The Company's current policy is not to pay out dividends. Dividends will only be declared if no rewarding investment opportunities for its internal cash flow proceeds can be found.

Nonetheless, should the Offering be successful and should no rewarding investment opportunities be found, Melexis intends, upon approval of its Board of Directors, to pay an interim dividend in the amount of approximately EUR 0,50 per Ordinary Share during the second half of 2002. However, there can be no assurance that such dividend will be paid.

Trading on Nasdaq Europe

The market model deployed by Nasdaq Europe is a price driven market (also called a dealership market, a quote-driven market or a market maker system) and is organised by market makers. In fact, one can compare the market maker to an additional intermediary in the transaction.

The role of the market makers is to ensure the liquidity of the market, that is to say to be permanently positioned for buying and selling in the market for a minimum quantity of securities. This means that a market maker must post firm quotes: price-quantity combinations at which he is ready to buy (at the bid price) or to sell (at the ask price).

This market model closely resembles that of Nasdaq in the United States but is customised to European best practices. Nasdaq Europe's trading platform centres around a quote-driven, market maker system. In the Nasdaq Europe market, market makers are members of Nasdaq Europe. Competition between multiple market makers in any given stock ensures that price formation is high.

Such competing market maker model provides price certainty and the guarantee of fast executions against professional market participants offering firm prices in a competitive environment. The market maker model works well for highly traded liquid securities and also provides support for less actively traded securities where there is a need for guaranteed pools of liquidity.

The Company's market makers on Nasdaq Europe are: Bank Degroof, Bank Brussels Lambert S.A., BNP Paribas, Crédit Lyonnais Securities, Dexia Securities Belgium S.A./N.V., Fortis Bank nv-sa, KBC Securities N.V., Knight Securities International Ltd., Madoff Securities International Limited, Petercam S.A. and Puilaetco.

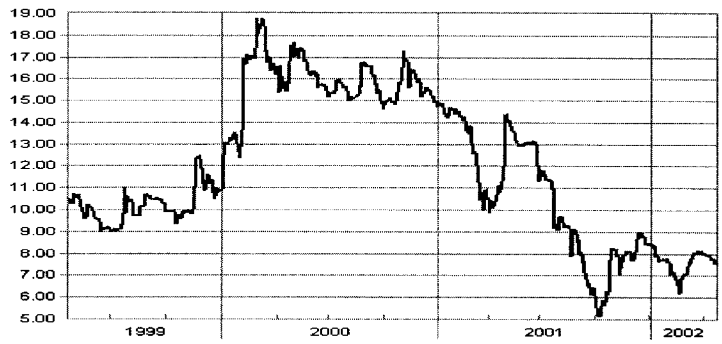
The Company's Ordinary Shares have been listed on Nasdaq Europe since October 10, 1997.

The following table shows the quarterly high and low and average closing mid-price of the Company's Ordinary Shares on Nasdaq Europe in euro and the average daily share trading volume on Nasdaq Europe during each quarter.

	Average Daily	**Closing mid-price**	**Euro per share**	
	Trading Volume	**High**	**Low**	**Average**
Year ending December 31, 2002				
1st quarter	60.819	8,50	6,25	7,58
Year ending December 31, 2001				
4th quarter	61.762	9,25	5,13	7,52
3rd quarter	38.985	11,85	6,08	9,05
2nd quarter	17.593	14,30	10,00	13,29
1st quarter	22.977	15,00	9,70	13,22

On May 2, 2002, the closing mid-price of the Ordinary Shares on Nasdaq Europe was EUR 7,50 per Share.

3-year evolution of the Melexis share on Nasdaq Europe



Currently it is the Company's intention to have a genuine dual listing in order to gain access to the overall European capital market and therefore the Company has currently no intention to apply for a delisting of its stock on Nasdaq Europe.

Objectives of the Euronext Listing

Ordinary Shares of the Company are being traded on Nasdaq Europe (formerly known as EASDAQ) since October 10, 1997 and are amongst the most actively traded shares on this pan-European stock exchange.

Given the European capital market is still fragmented, the Company expects a dual listing on Euronext Brussels to further increase its visibility on the Belgian, Dutch and French capital market, as well as on other European capital markets, and therefore to result in an easier and more seamless access to both retail and institutional investors.

The Euronext listing should also give the Company the opportunity, subject to Euronext approval, to have its Ordinary Shares included in some sector indices, such as the NextEconomy Index of Euronext. The Company currently meets the requirements for inclusion in the NextEconomy Index.

The decision to apply for the listing of the Ordinary Shares on Euronext Brussels was taken by the Company's Board of Directors, during the meeting on February 26, 2002. The listing of the Ordinary Shares on Euronext Brussels is expected to occur on May 17, 2002.

Giving its international scope, the Company has not considered the choice between Amsterdam, Brussels, Lisbon or Paris as the entry point to Euronext as being a real issue. As a Belgian based company, the choice of Euronext Brussels has merely been determined by practical issues.

While Nasdaq Europe can be considered as a price-driven market, the market model deployed by Euronext Brussels is order-driven.

In an order-driven market, there are no market makers. The traders can enter limit orders -to buy (sell) a given quantity at a maximum (minimum) price within a given horizon- or market orders -to buy or to sell a given quantity at the best available price. All of the orders present on the market are hidden behind these orders. This is what is called the "order book", which can be managed automatically by a computer to which the orders are dispatched by the traders (who do not have to be present on the market).

On this type of market, trades occur when orders can be matched, and the spread amounts to the difference between the smallest limit sell price and the highest limit buy price. Indeed, the traders who enter limit orders provide liquidity to those who enter market orders. The order book is, except for the identity of the traders, public information. Buyers and sellers send their buy and sell orders to the stock exchange via their broker. When the price of a buy order meets the price of a sell order, then a transaction (arranged by the stock exchange, i.c. Euronext Brussels) occurs.

The advantage of a market governed by price resides in the transparency of its order book, the disadvantage being sometimes a lack of liquidity for small stocks with a low market capitalization ("small caps").

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

The following management's discussion and analysis of the financial condition and results of operations of the Company should be read in conjunction with the historical consolidated financial statements of the Company and related notes appearing elsewhere in this Prospectus. This discussion and analysis contains forward-looking statements which involve risks and uncertainties. The Company's actual results could differ materially from those anticipated in the forward-looking statements as a result of certain factors, including those set forth under " Risk Factors " and elsewhere in this Prospectus.

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

1. OVERVIEW

Melexis designs, develops, tests and markets advanced integrated semiconductor devices for the automotive industry.

The Company sells its products to a wide customer base of OEMs of automotive equipment in Europe, North America and Japan.
Melexis' main products are automotive microcontrollers, Hall (magnetic) sensor ICs, interface ICs for pressure and acceleration sensors, integrated silicon pressure sensor chips, ASICs, RF ICs, Bus ICs for automotive multiplexing and contactless identification ICs (also known as RFID), in each case principally for automotive applications.

2. RESULTS OF OPERATIONS

The Company recognises revenues 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 recognised upon meeting all contractual conditions.

2.1. Revenues

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

The largest business unit remains Systems-on-a-Chip (25,3%), as this business unit includes both microprocessors and ASIC activities. Since 2001, the Hall sensor product line is the second major business unit with 22% and closely followed by the pressure and acceleration sensor product line, realising 21,6% of the total revenues of the Company. The Hall sensor product line revenues increased by 30% in 2001 as compared to last year. This sharp increase is largely due to the increased use of contactless position sensing in cars using the Melexis' programmable Hall sensors. The Pressure and Acceleration business unit increased by 22%. The increased use of pressure sensors and production launch of new products can largely explain this. The System-on-a-Chip business unit was, with its 11% increase, in line with the 2001 growth of the automotive semiconductor industry.

—— Revenues by business unit:

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

Specific research and development activities are included in the revenues per business unit. These specific R&D activities are performed under contract for customers. For the year 2001, the Company invoiced 10,540,826 EUR for research and development costs to its customers, compared to EUR 4.624.150 in 2000 and EUR 2.467.544 in 1999. One of the contributing factors is the significant increase in the activities performed for the EPIQ group.

Research and Development Revenues (in EUR)	For the Years ended 31st December		
	2001	2000	1999
Research and Development revenues - product development	8.640.266	4.624.150	2.467.544
Research and Development revenues - other	1.900.560	–	–
Total Research and Development Revenues	**10.540.826**	**4.624.150**	**2.467.544**

A major change in the Company's strategy is its shift from the ASIC model to the ASSP model enabling the Company to leverage its design and development efforts on larger numbers of each product, becoming a price setter instead of a price taker and thus enhance profitability. The current ratio between ASIC and ASSP is 80/20.

—— The following table summarises sales by destination:

(in EUR)	Years ended 31st December		
	2001	2000	1999
Western Europe	73.262.944	62.875.556	39.981.312
Germany	36.872.401	34.373.336	17.823.292
France	14.985.880	13.208.717	9.323.054
United Kingdom	7.966.673	4.828.227	5.094.040
Belgium	4.139.050	3.739.411	2.698.418
Austria	3.923.190	3.174.370	700.981
Netherlands	2.909.953	1.684.699	2.905.380
Other	2.465.797	1.866.796	1.436.147
United States of America	13.852.559	12.381.852	7.398.657
Asia	13.408.322	8.501.470	4.738.130
Japan	6.328.143	3.246.321	236.332
Other	7.080.179	5.255.149	4.501.798
Rest of the World	1.876.399	1.644.156	958.208
Total	**102.400.224**	**85.403.034**	**53.076.307**

All geographical areas grew at more or less the same pace as the total Melexis revenue. Japan had a remarkably larger growth in 2001 as compared to 2000 thanks to the start of production of various design wins achieved during the former year.

—— Revenues by business segment: automotive versus non-automotive split

The split between automotive and non-automotive business is based on the nature of the design or project (automotive or non-automotive), as decided by Melexis, and not on the type of application used by the customer.

Automotive vs non-automotive	2001		2000	
	EUR	%	EUR	%
Automotive	83.538.284	82%	68.534.884	80%
Data Processing	2.582.330	3%	1.174.480	1%
Communications	1.129.208	1%	1.007.445	1%
Consumer	10.041.151	10%	8.315.090	10%
Industrial	3.847.186	4%	5.842.847	7%
Military	377.024	0%	372.141	0%
Medical	885.041	1%	156.147	0 %
Total	**102.400.224**	**100%**	**85.403.034**	**100%**

—— Revenue split by customer

The trend is clearly from fewer customers with a high percentage of turnover towards more customers with a less considerable percentage. Broadening the customers base was and is one of the targets to achieve a turnover distribution less dependent on only a limited number of customers.

2.2 Costs of sales

Costs of sales consist of purchases (wafer and assembly costs), transportation costs, labour costs, depreciation (testing equipment) and other direct production costs. The cost of sales increased from EUR 31.264.241 in 1999, to EUR 48.701.836 in 2000 and to EUR 57.910.486 in 2001.

Purchases include the wafer and the assembly costs, representing respectively 47% and 18% of the cost of sales. Labour, depreciation and other direct production costs are made for probing, final testing and quality testing representing 33% of total cost of sales.
Expressed as a percentage of total revenues, the cost of sales slightly decreased from 57,0% in 2000 to 56,6% in 2001. The relative decrease of the cost of sales can mainly be attributed to a different product mix but also to a higher non-product related revenue base.

Cost of sales includes the following expenses:

Cost of sales (in EUR)	2001	2000
Purchases	37.862.434	31.543.786
Transportation costs	1.129.759	573.227
Salaries	6.654.947	6.401.781
Depreciation and amortisation	5.670.667	4.745.258
Other direct production costs	6.592.679	5.437.784
Total	**57.910.486**	**48.701.836**

2.3. Gross margin

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

2.4. Depreciation

Depreciation is computed on a straight-line basis over the following estimated useful lives.

– Buildings	20-33 years
– Machinery, equipment and installations	5 years
– Furniture and vehicles	5 years
– Computer equipment	4 years

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

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

The applied depreciation methods use a salvage rate of 0%.

2.5. Research and development expenses

Research and development expenses amounted to EUR 14.213.783 in 2001, representing 13,9% of total revenues compared to 12,9% in 2000. This 29% increase over 2000 is a result of increased research and development efforts, mainly in Bulgaria, Ukraine and The Netherlands. The research and development activities concentrate further on the development of Hall sensors, integrated pressure and acceleration sensors and gyroscopes, 16 bit micro controllers, infrared and opto sensors, bus ICs and RF components.

2.6. Selling expenses

Marketing and selling expenses consist mainly of salaries and salary related expenses, marketing expenses, travel and entertainment expenses. Marketing and selling expenses further increased over 2001. This increase is basically a result of the increased selling efforts, due to the globalisation of the activities of the company and the increased development of standard products, but is below the relative increase in sales of the Company representing 4,2% of sales (4,4% in 2000).

Selling Expenses (in EUR)	**For the Years ended December 31,**	
	2001	**2000**
Salaries	1.958.809	1.799.127
Depreciation and Amortisation	88.933	54.361
Other	2.498.409	2.391.631
Total	**4.546.151**	**4.245.119**

2.7. General and administrative expenses

General and administrative expenses consist mainly of salaries and salary related expenses, external services, office equipment and related expenses, and insurance expenses. General and administration expenses further increased over 2001 though remain below the relative increase of sales. The general and administrative expenses represented

3,7 % of the total sales in 2001 compared to 3,9 % in 2000. This increase is basically a result of the increased growth of the business activities and the increased number of sites within the Melexis group.

General and Administrative Expenses (in EUR)	For the Years ended December 31,	
	2001	2000
Salaries	835.832	477.941
Depreciation and Amortisation	232.673	120.497
Other	2.998.975	3.202.273
Total	**4.067.480**	**3.800.771**

2.8. Financial results

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

2.9. Taxes

Tax charges for 2001 amount to EUR 3.203.958 compared to EUR 1.814.555 in 2000 and EUR 1.075.748 in 1999. Melexis was subject to a special income tax regime, under which a 0 % tax rate was applicable. This regime expired at the end of 1999. From January 1, 2000 the Company is subject to the applicable tax regime (currently 40,17 % on taxable income).

The effective tax rate is lower than 40,17 %. This is mainly because of tax deductible amortisation charges on the goodwill resulting from the sale of part of the Melexis business to its subsidiaries, Melexis GmbH and Melexis Tessenderlo NV, in 1999 and because of subsidiaries reporting losses. Moreover, some income is not taxable, such as gains resulting from the sale of shares. The effective tax rate(3) amounted to 13,6 % in 2001 and to 9,5 % in 2000.

Deferred tax assets are recorded both in 2001 and 2000 since it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised.

See “ Consolidated Financial Statements -3.4.W. Income taxes.”

2.10. Net income

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

3 tax expenses / profit before taxes

2.11. Liquidity, working capital and capital resources

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

Consolidated Statements of Cash Flows (in EUR)	For theYears ended December 31,		
	2001	2000	1999
Cash flows from operating activities	21.319.752	(7.016.881)	15.122.630
Cash flows from investing activities	(6.042.279)	(12.795.258)	(12.660.869)
Cash flows from financing activities	(67.232.525)	62.354.535	(11.874.086)
Effect of exchange rate changes on cash and cash equivalents	18.920	(181.063)	(63.037)
Increase (decrease) in cash and cash equivalents	(51.936.132)	42.361.333	(9.475.362)
Cash and cash equivalents at beginning of period	65.452.379	23.091.046	32.566.408
Cash and cash equivalents at end of period	13.516.247	65.452.379	23.091.046

In 1999 the Company realised a net profit of EUR 14.013.274 and adjusted for operating activities EUR 14.775.899. Though there was an increase in payables to related companies amounting to EUR 4.280.118 the working capital requirements increased slightly due to higher inventories and accounts receivable resulting in net cash from operating activities of EUR 15.122.630.

The cash flow from investing activities was negative by EUR 12.660.869 as a result of the acquisition of Thesys Mikroelektronik Produkte GmbH from X-Fab Semi-Conductor Foundries GmbH for an amount of EUR 6.724.797 (net of cash acquired) and further investments in fixed assets to realise the growth in turnover. The cash flow from financing activities was negative by EUR 11.874.086, mainly as a result of the payment of an interim dividend of EUR 13.680.000. As a result, the Company's cash position decreased by EUR 9.475.362.

In 2000 the net profit amounted to EUR 17.202.890 and adjusted for operating activities EUR 21.504.806. Because of the increased working capital the net cash from operations was EUR 7.016.881 negative. The increased working capital was the result of increased receivables from related companies amounting to EUR 11.746.299 which was mainly due to a loan of USD 10 million given by Melexis to X-FAB.

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

In 2001 the net profit amounted to EUR 20.301.124 and adjusted for operating activities EUR 25.821.361. Because of the increase in working capital needs the net cash from operating activities amounted to EUR 21.319.752.

The cash flow from investing activities was negative by EUR 6.042.279. This is the result of the investments in fixed assets in order to realise the growth in turnover. The cash flow from financing activities was negative by EUR 67.232.525, mainly as a result of increased lending by Melexis to its parent company Elex. During 2001 Melexis borrowed EUR 9.790.989 and repaid EUR 23.658.529.

Forward Looking Statements

The world-wide automotive market is very stable, with fluctuations which historically do not exceed 5% on a yearly basis. Average yearly growth is 2%.

When correlating car sales to the economic cycles, one should bear in mind that unlike other consumer durables such as furniture, various purchase motives are different:

- the tolerance of society towards the loss of human life in the developed countries is decreasing. Therefore fatal car accidents are less and less acceptable resulting in a huge effort to make cars safer, both actively (for example traction and brake control) and passively (airbag systems for example)
- a car is part of the personality of the buyer, it is like a "grown-up's" toy. Therefore, most customers want to reflect their personality in their car. This results in more features which tend to be electronic to a large extent.

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

The automotive semiconductor market is a steadily growing market, with an estimated Compound Annual Growth Rate (CAGR)(4) of in excess of 10% for the coming years (see "Business - 10. The Automotive Semiconductor Market"). Even if world-wide automotive demand may be down in 2002, the electronic content, driven by increased demand for comfort, safety features and reduced fuel usage, will be higher, resulting in sales of more integrated circuits for automotive applications.

For the financial years 2002 and 2003, the Company expects a significant increase in revenues of up to 25% for some major product lines. The 3 major product lines currently account for approximately 70% of the Company's revenues (currently approximately EUR 70 million). This forecast is based on the Company's own expectations for growth in revenues from existing customers and from several customers that are currently completing their qualification process. Management expects that its total revenues will amount to approximately EUR 120 million for the year 2002 and to approximately EUR 140 million for the year 2003 while margins are expected to remain stable (see "Management's Discussion and Analysis - 2. Results of Operations"). However there can be no guarantee that this goal can and will be achieved.

The Company invested substantially in personnel for research and development in the last years, but believes that, in the foreseeable future, the staff-related costs will not increase more than the relative growth in sales.

4 The Compound Annual Growth Rate formula includes the element of time to calculate the annualised growth. This is the growth you would have to achieve each year to end up with the same result at the end of a multiple-year period. Otherwise said, the CAGR denotes the year over year growth rate applied to the Company's growth over a multiple-year period. The formula for calculating CAGR = (Current Value/Base Value)^(1/number of years) - 1. The caret (^) denotes an exponent.

Business

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

1. HISTORY

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 time, the Company was renamed 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 sensor chips.

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

In October 1997, Melexis and its parent company, Elex, launched an Initial Public Offering (IPO) on the EASDAQ stock exchange market (now Nasdaq Europe). At this IPO, 4.000.000 new Ordinary Shares were issued and 3,300,000 existing Ordinary 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. This company was co-founded by Brad Marshall, its former president, who was appointed as director of Melexis Inc. in 1997. Since April 1994, the co-operation between US MikroChips and Melexis has increasingly deepened. US MikroChips' Hall Sensor expertise coupled with Melexis' integrated circuit technology allowed US MikroChips to effectively become one of the largest volume producers of Hall ICs in the world.

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

Melexis currently buys its wafers from the X-FAB group of companies, which is a related group. The purchase prices are based on market prices for processed wafers. X-FAB sells an important part of its production to IC-vendors other than Melexis. Melexis is currently responsible for 28% of the total sales of the X-FAB group.

Melexis also buys services from related companies, mainly development work by engineers who work in other locations. In addition, Melexis sells services to related parties, mainly research and development but also other services where the Management of Melexis can create high added value (transfer of knowledge, business advice, etc.). All these services are invoiced at market rates.

On October 1, 1999 Melexis acquired Thesys Mikroelektronik Produkte GmbH from X-Fab Semiconductors Foundries GmbH. With this acquisition, the development team headcount has almost doubled and Melexis acquired knowledge in the area of RF (radio frequency applications) and bus-systems (signalling and communication in cars). Its corporate name has been changed to Melexis GmbH.

At the end of 1999, Melexis Tessenderlo NV was incorporated as a subsidiary of Melexis. This newly created entity is active in the domains of Hall Sensors, Pressure Sensors and Household Applications. These are the business units that Melexis has sold to Melexis Tessenderlo NV in 1999.

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

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

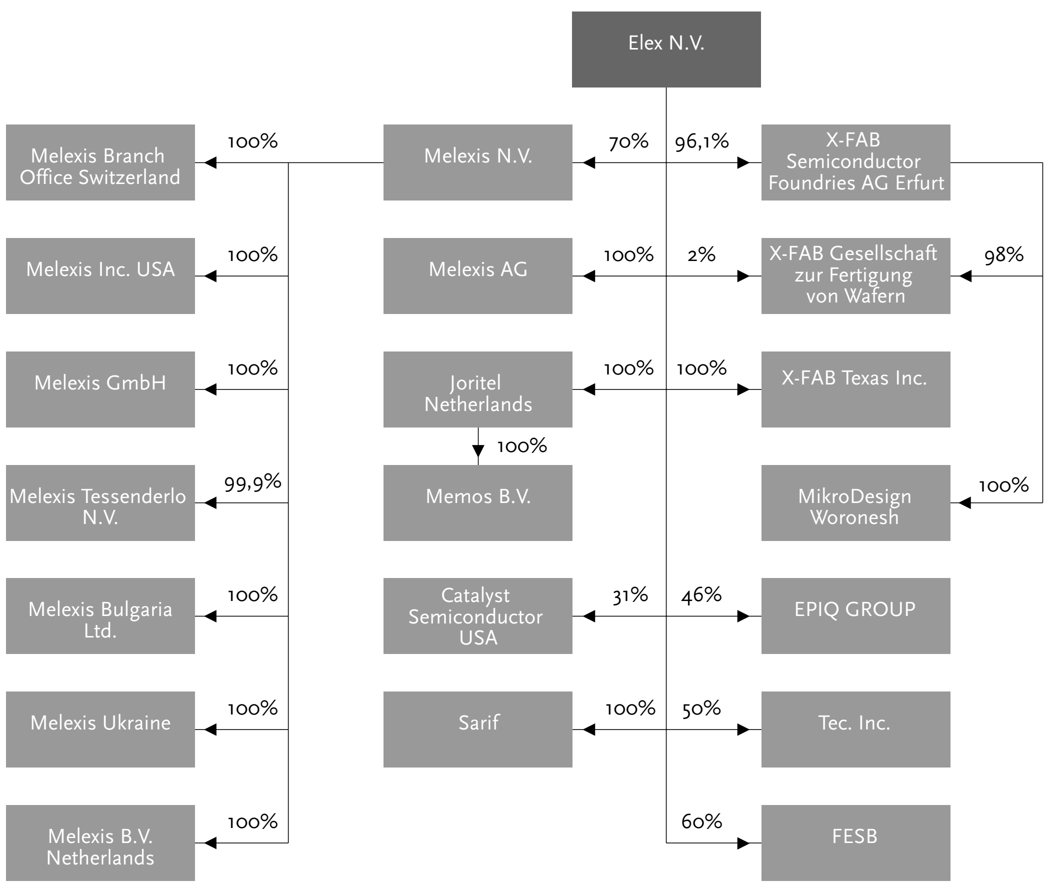
On October 31, 2000, Melexis bought Melexis Bulgaria Ltd. from Sigma Delta Holding NV (now XPEQT NV). This company will be mainly active in test services and in the development of IP (intellectual property), consumer applications and IR Sensors.

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

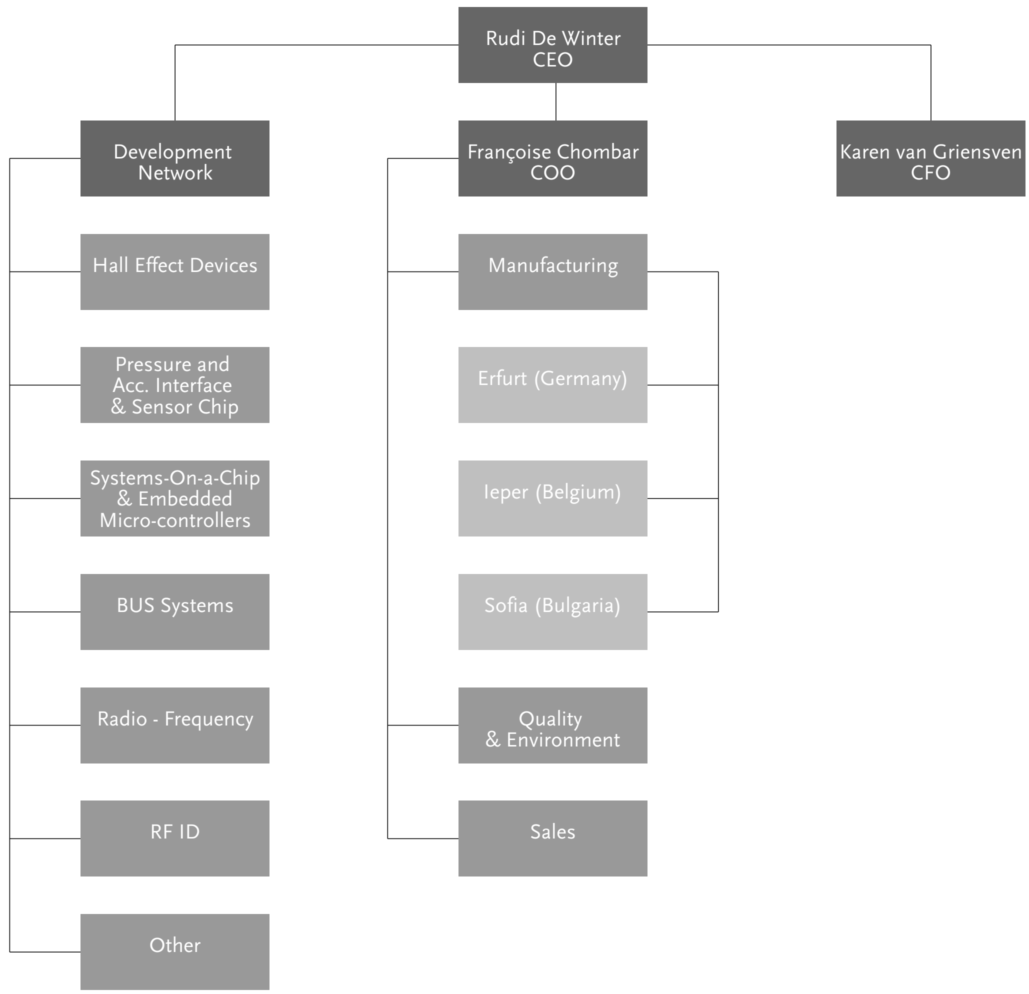
In January 2001, Melexis incorporated Melexis BV, in Utrecht, The Netherlands. This company is mainly active in the field of development of ICs.

2. STRUCTURE OF ELEX AND MELEXIS

All the shares of Elex are indirectly held by Mr. Roland Duchâtelet, Mr. Rudi De Winter and Mrs. Françoise Chombar.



Organisation chart of Melexis:



3. OVERVIEW OF ACTIVITIES

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

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

The automotive semiconductor market is a steadily growing market. Melexis is positioned with its product range to support these innovative growing segments of sensors within the overall automotive market. Melexis is active also in the MEMS area (micro-machined sensors). The market growth of MEMs over the coming 5 years is estimated at 27% on average per year. This proves that the Melexis' strategy chosen a few years ago, was the correct one.

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

Electric windows with electronic protection have become mostly standard as well as regulated air-conditioning. There is a clear move from hydraulic systems towards electric systems, such as those found in steering and braking assistance. These systems use drive-by-wire concepts. This means that mechanical controls are replaced by purely electronic control systems. Melexis' main products are Hall effect devices (magnetic sensors), pressure and acceleration sensor elements and interfaces, automotive systems-on-a-chip, embedded microcontrollers, RFID devices, bus systems, optical sensors and IR sensors. In each case the products are principally for automotive applications.

Melexis is a multi-product company. It has 140 products in production and over 50 in development or qualification. Melexis sells its products to a wide customer base of automotive OEMs. The Company's top seven customers accounted for approximately 52 % of the Company's sales for the year ended 31st December 2001. Melexis counts 250 customers today compared to 60 at the time of the IPO in 1997.

Melexis has always concentrated on the supply of silicon and, as part of this strategy, has chosen to work in partnership with tier 1 and tier 2 suppliers(5). As a result, Melexis components are used by nearly all leading automotive equipment suppliers.
Few new car models do not contain Melexis chips. Melexis concentrates its engineering resources and semiconductor design strengths in the development of ASSPs addressing new opportunities in the automotive market.

Melexis permanently reviews its engineering and development work to identify opportunities for patenting original work. Over the last 7 years Melexis filed 19 patent applications in the United States, which strengthen Melexis' position as an innovative supplier. Of these, 7 have proceeded to full grant in the United States. Also 6 patent applications have been filed according to the Patent Cooperation Treaty for other countries and one PCT-application was filed with the UK Patent Office. A further 4 applications are in the course of preparation. Melexis will continue this effort in 2002. The patent opportunities cover all of the product areas in which Melexis operates.

4. MELEXIS' PRODUCTS

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

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

5 The vehicle manufacturers talk about their supply chain using the terms tier 1, tier 2, tier 3 suppliers. A tier 1 supplier delivers directly to the automotive manufacturers. Tier 1 suppliers mostly supply total systems, such as complete motors, dashboards, etc. Tier 2 suppliers deliver to tier 1 suppliers, tier 3 to tier 2, etc. In a typical case, Melexis would supply a component to a tier 1 or 2 supplier, but not become a tier 1 supplier itself.

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

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

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

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

4.1. Hall Effect Devices

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

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

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

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

Melexis designs products to fulfil the growing need for reliable contactless position sensors to meet the harsh automotive environment and the numerous emerging X-by-Wire (gas-by-wire, brake-by-wire, steering-by-wire and ultimately drive-by-wire) automotive programs.

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

Beside the automotive applications, Melexis' Hall sensors are also used in industrial and computer applications. They are mainly related to smart brush DC motor applications. Beside the high power motors where mainly discrete Hall sensors are used, the main products of Melexis are highly integrated Hall sensors with on-chip drivers that are used in cooling fans for PCs and office equipment.

4.2. Pressure and Acceleration Interface and Sensor Chip

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

The core of every airbag system in a car consists of one or more acceleration sensors. These acceleration sensors determine the forces to which the car is subjected, such as an impact by another car or object. Based on the information gathered from the acceleration sensors the airbag system will decide whether airbag deployment should be initiated or not. Although first generation airbag systems used fairly simple mechanical switches to discriminate between deployment and no deployment conditions, the present generation of sophisticated airbag applications, such as side impact detection, are only possible through the use of advanced sensor technology, dedicated analogue signal processing and sophisticated crash discrimination algorithms implemented in powerful microprocessors. The trend to locate crash sensors at the spots in the car where the crash can be sensed in the most accurate and fastest way, such as the car doors, pillars and crush zones, calls for highly integrated solutions. In this respect Melexis is well placed in the market because of the high integration levels it is able to offer. For about 3 years now, Melexis has been supplying OEMs specialised in automotive safety applications with airbag sensors.

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

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

The pressure sensor chips and acceleration sensor chips developed by Melexis are based on micro machining technology where the physical parameter being sensed causes a temporary and reversible deformation to a specifically designed mechanical structure etched into the solid silicon. Offering either stand-alone or integrated control and interface circuitry into a single die, these techniques produce sensors that are used in high volume in modern automotive applications. Micro-machining could be considered as equivalent to traditional machining (e.g. drilling, dicing) but on a micro-scale. A typical micro-machined membrane for instance is only a few tenths of a millimetre wide.

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

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

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

Besides the automotive applications, Melexis pressure sensors are also used in medical applications for blood pressure measurement. The pressure sensor interface ICs also find their way to the industrial market.

4.3. Systems-On-a-Chip & Embedded Microcontrollers

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

— Peripheral ICs

Peripheral ICs can be part of an ECU (Electronic Control Unit) in a customer product to assist the main processor of the ECU with special functions like analogue, high-voltage actuators, regulators, communication interfacing, etc. Target modules for these products are EPAS (Electrical Assisted Power Steering) and HVAC (Heating, Venting and Air-Conditioning). Peripheral ICs that are not part of an ECU are used for remote functions and interface to electrical motor systems. Typical examples are dashboard oriented switch interface ICs. Melexis offers ASSPs for applications like dashboard indicators, windscreen wipers, remote control door opening and audible warning systems.

— Microcontrollers

This involves systems situated at or surrounding a car door. Applications are window lifters, door modules, door locks, mirror actuators, puddle lights and so on. Out of these " basic door" applications, other similar applications using the same technological strength are derived. Examples are sunroof applications, interior lights and fuel pumps.

The products are designed to be treated as standard products, however they are always developed fior a very strong lead customer with an efficient product design and to ensure a fast start up. During the product design it is Melexis' intention to make the product as flexible as possible and to minimise the number of external components via a very high level of integration and by choosing the right semiconductor technology.

This target is reached by using micro-controllers with an embedded central processing unit surrounded by peripheries like ROM, RAM, EEPROM, EPROM or FLASH and many additional digital and analogue blocks. These are systems having their flexibility in a single ROM mask. Hence, a single chip having several ROM mask versions can cover several applications. Melexis supports all necessary development tools (assembler, linker, compiler, emulators and simulators) in order to help its customers to develop the necessary software efficiently and in a short period of time. Besides that, the business unit also offers standard software routines for the micro controller based products to be used directly by the customers.

Newest trends in the automotive markets like the LIN communication protocol are seen and are taken over directly in several products of the business unit. This allows the customers to use the Melexis' products in a highly efficient way. LIN based products, for instance, allow completely new controlling principles in car applications reducing also the overall costs of electronics.

4.4. RFID

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

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

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

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

4.5. Infrared & Opto

— *IR sensors*

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

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

Because the sensor and interface are combined into one module, calibration can be much more efficient than in the conventional systems with discrete components. Additionally, the module achieves compensation of the complicated nature of IR temperature sensing by creating fully linear output signals, tailored to the needs of each individual customer. This makes the application of IR sensor systems easier and more precise for new applications as well as in retrofit situations.

Other applications are windscreen mist over detection (anti-fog), frost detection or seat occupancy detection for airbag systems. Since the signal-conditioning chip is implemented as a fully programmable building block, numerous configurations, functions and interfacing schemes can be supported by the same concept.

Besides the automotive applications, Melexis’ IR sensor modules can be used in various other remote temperature sensingfield. In the medical application, there is the ear fever thermometer. Aditionnally, there are various industrial applications that require contactless sensing, or that would benefit from contactless temperature sensing. The contactless temperature sensor can handle a very wide temperature range up to and over 1000°C.

— *Optical Sensors*

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

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

This linear array allows manufacturers to build systems that can measure torque, absolute position and angle, linear and angular velocity. The optical sensor makes it possible to integrate several functions such as electronic assisted steering, stability control or intelligent cruise control with fewer additional sensors than in the past. In the next-generation systems it should be possible to turn this optical sensor into a more intelligent, " smart sensor " and to integrate several functions into one single module in order to be able to save fuel, cost, weight and space and offer more comfort and safety to driver and passenger.

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

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

4.6. Bus Systems

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

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

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

Melexis delivers K-Bus, CAN and LIN devices in mass production. In this new area, Melexis has a leading position of supplying the physical interface. The first standard LIN products are already available : the TH8080/82 and the TH8060/61. The first ones are pure LIN transceivers and the other devices contain LIN transceivers with an integrated power supply. The TH8060 is the first world-wide product available in this area. The next step of development will be the fully integrated LIN system on chip. These products are usable for LIN modules in doors, dashboards, seats and air conditioning applications.

Melexis is a specialist in mixed signal ICs used in applications for automotive bus systems and high voltage peripherals up to 50V. The products can be supplied directly from the in-vehicle battery and are robust against typical automotive environmental influences. All of the integrated circuits contain analogue and digital parts. The mixed-signal devices serve as the connection between sensors, actuators and the highly intelligent signal conditioning in the electronic control unit of Melexis' customers.

4.7. Radio-Frequency Products

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

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

Additionally, significant design experience exists in high-precision analogue circuit design for general signal conditioning and infrared (IR) receiver applications. Beside the automotive applications, Melexis' IR receiver ICs find their way into non-automotive applications, such as TV sets, DVD and hi-fi.

4.8. Consumer

These products focus on a high degree of integration of electronic systems in the small and large appliance applications such as iron control with position sensing, coffee machine auto shut-off, timers for frying pans and cookers, and also larger applications such as controls for washing machines. Since 2001 Melexis' products are increasingly designed into medical and health care products, such as measurement systems for blood pressure and blood sugar levels, and into building applications, such as lighting controls for security lights (emergency exit indications).

5. Melexis' Strategy

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

5.1. Focus on Automotive Business

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

5.2. Focus on ASSPs (Application Specific Standard Products)

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

5.3. Preferred partner of automotive OEMs

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

5.4. Technological leadership for design of automotive semiconductors

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

5.5. Strengthen marketing to enlarge its customer base

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

5.6. Excellence in product reliability

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

5.7. Licensing of certain products

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

5.8. Targeting of new regions

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

5.9. Review of opportunities for acquisitions

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

6. Research and Development

Melexis is a research driven company in which Research and Development (R&D) has been, and will remain, of paramount importance in the Company's strategy. Melexis is currently focusing its research and development efforts on the development of Hall Sensors, Integrated Pressure and Acceleration Sensors and Gyroscopes, 16 bit microcontrollers, Infrared and Opto Sensors, Bus ICs and RF components.

The scarcity of the highly skilled engineers needed to successfully design mixed analogue-digital integrated circuits with proprietary microcontroller cores has resulted in the development of Research and Development centres in Ukraine and Bulgaria. The Company's strategy has been within reason to employ highly skilled engineers wherever they are physically located.

There are currently 212 engineers active in the area of Research and Development representing approximately 49 % of the total workforce. The following table provides an overview of the number of engineers employed in the different business units.

Number of R&D employees per Business Unit	For the year ended December 31, 2001
Systems-on-a-Chip	63
Press & Acceleration Sensors	43
Hall Devices	24
RFID	14
Bus Systems	17
RF	11
Other – Miscellaneous	40
Total	**212**

Specific Research and Development activities are performed not for internal use but under contract for customers and therefore generate revenues. These revenues include contracted Research and Development revenues for specific product developments and revenues from in-depth knowledge of future automotive applications (such as knowledge sharing, market studies and acquisition advice) which result from general specific research done by Melexis.
For the year 2001, the Company invoiced EUR 10.540.826 in Research and Development costs to its customers, compared to EUR 4.624.150 in 2000 and EUR 2.476.544 in 1999.

Research and Development Revenues (in EUR)	For the Years ended December 31,		
	2001	2000	1999
Research and Development revenues-product development	8.640.266	4.624.150	2.467.544
Research and Development revenues-other	1.900.560	–	–
Total Research and Development Revenues	**10.540.826**	**4.624.150**	**2.467.544**

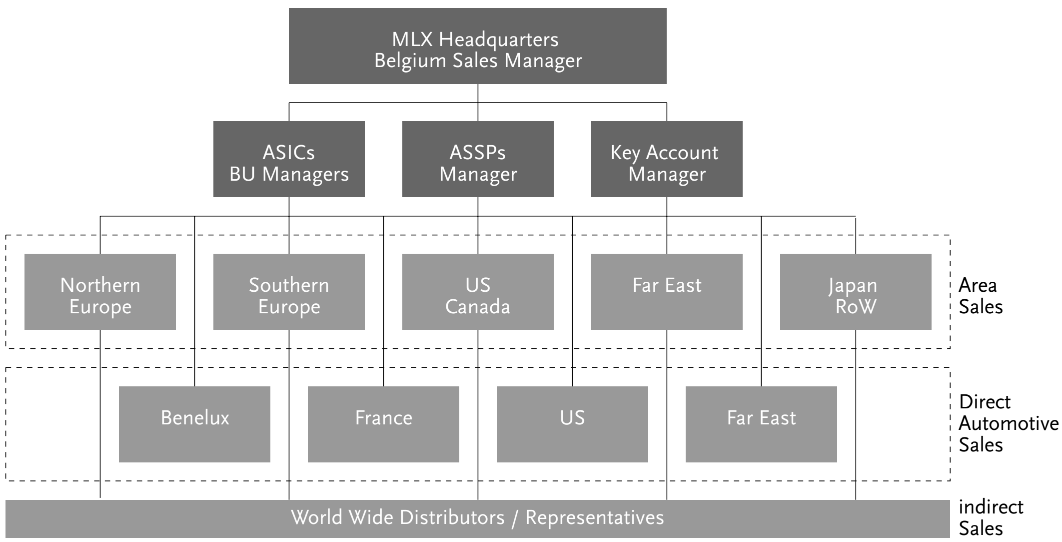
The following table presents the net amounts spent on research and development for the years ended December 31, 2000 and 2001.

Research and Development Costs (in EUR)	For the Years ended December 31,	
	2001	2000
Salaries	6.951.751	5.168.763
Depreciation and Amortisation	1.691.918	1.097.155
Other	5.570.114	4.785.604
Total	**14.213.783**	**11.051.522**

In the future, expenses for Research and Development are expected to remain at the current percentage of sales in order to maintain the Company's present technology advantage. The Company intends to continue its current policy of recruiting appropriately qualified engineers wherever they are located.

7. SALES AND MARKETING

Melexis has a direct sales force and a distribution network.



Melexis' products are mainly sold to automotive OEMs by the direct sales force. It is critical to have a direct sales force since there are only a few key automotive OEM players. Melexis' sales are currently concentrated on a relatively small number of OEMs, with its top 7 customers accounting for approximately 52% of the Company's sales. However, because each OEM sells to a number of different car manufacturers, the Company's products appear in many different car models. Melexis' strategy is to remain or, as the case may be, to become a preferred partner of the OEMs. The Company is dedicated to providing a high level of customer support to assist in the integration of Melexis' technology and products into each customer's systems designed for the car manufacturers. The Company strives to establish close collaborative relationships between the Company's engineering, marketing and management and their customer counterparts to further enhance the sale of products incorporating Melexis' technology.

As well as a direct sales force the Company also has a distribution sales force. This is the consequence of a major change in strategy: from a focus on ASICs only, to also ASSPs. The standardisation of some products allows the Company to enlarge its target customer base.

During 2001, Melexis restructured its sale force to make it more efficient and more global. Whereas in January 2001, the number of sales representatives and distributors for Melexis was 26, the Company added 12 new ones during 2001 and replaced 6 with more promising ones. This enhanced sales network will allow improved brand recognition, a broader market penetration for the ASSPs and increased feedback from the markets world-wide.

Management made and will continue to make major efforts to leverage the technical excellence of Melexis in order to increase its market penetration and to enlarge its customer base.

8. CUSTOMERS

Melexis has always concentrated on the supply of silicon and, as part of this strategy, has chosen to work in partnership with tier 1 and tier 2 suppliers. Melexis counts 250 customers today compared to 60 at the time of the IPO in 1997.

The following table provides an overview of the Company's main blue chip customers.

Germany	Sweden	France	United States	Japan	Netherlands
Bosch	Autoliv	L'Electricfil	Bourns	Alps	Nedap
Brose	SKF	Magneti/Marelli	CTS	Denso	
Conti-Temic		Valeo	Delphi	Nippon Seiki	
Hella			Invensys	NMB	
Siemens/VDO			Meritor	Panasonic	
TT/AB Elektronik			Texas Instruments	Takata	
			TRW		
			Visteon		
			Wabash		

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

	2001	2000	1999
	%	%	%
Customer A	13	12	12
Customer B	9	8	8
Customer C	9	8	10
Customer D	7	5	8
Customer E	7	9	10
Customer F	6	9	5
Customer G	6	6	4
Customer H	4	4	2
Customer I	3	6	7
Customer J	3	2	1
Total	**66**	**68**	**67**

9. CONTRACTS

The contracts Melexis enters into with customers can consist of:

- the purchase, directly or through a distribution network, of standard products already in existence;
- the purchase of a standard product still to be developed. In this case, the customer only pays for the products but typically not for the development. However sometimes the customer does pay a certain price to obtain an advantage such as an exclusivity period or guaranteed lowest prices;
- the purchase of tailor-made products. Those products are made according to the specification of the customer and therefore the customer pays for the development.

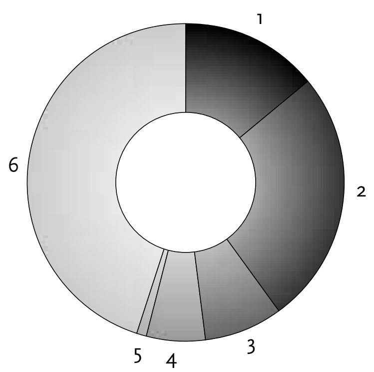
Since most ICs stay in a car model for the lifetime of the model, contracts are typically long term contracts. This is always the case for custom made products. For automotive standard products, contracts are typically concluded for a one year period. The quantities agreed upon for the one year period are merely indicative. since the actual quantities are ordered on a short term notice.

10. THE AUTOMOTIVE SEMICONDUCTOR MARKET

10.1. General

The automotive semiconductor market is very different from other segments of the semiconductor market, such as the computer and telecommunications segments. 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 (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.

According to Zentralverband Elektrotechnik und Industrie (ZVEI) the market for automotive semiconductors currently accounts for approximately 6 % of the total semiconductor market.



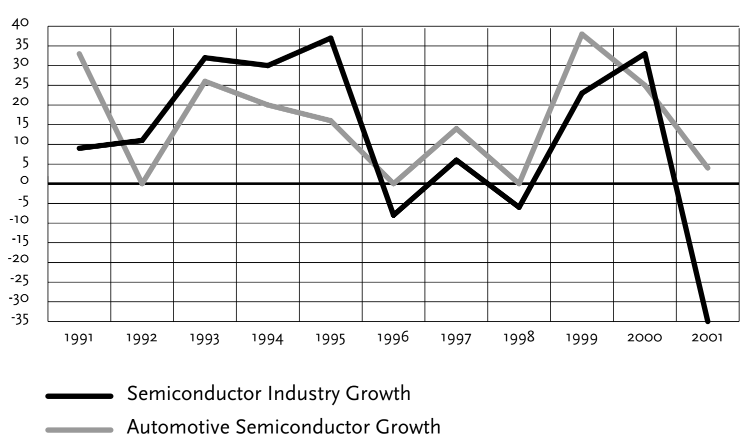
Automotives Share - Semiconductor Market

1	Consumer	14%
2	Communications	26%
3	Industrial	8%
4	Automotive	6%
5	Military	1%
6	Data Processing	45%

Source: ZVEI, 2001

The automotive semiconductor market follows a different growth curve from that of other semiconductor application markets. It has historically consistently outperformed the overall semiconductor market in times of market decline. This is because automotive equipment is less dependent on the semiconductor devices that affect semiconductor market cycles.

Automotives vs. Total Semiconductor Growth



Source: Gartner, 2001

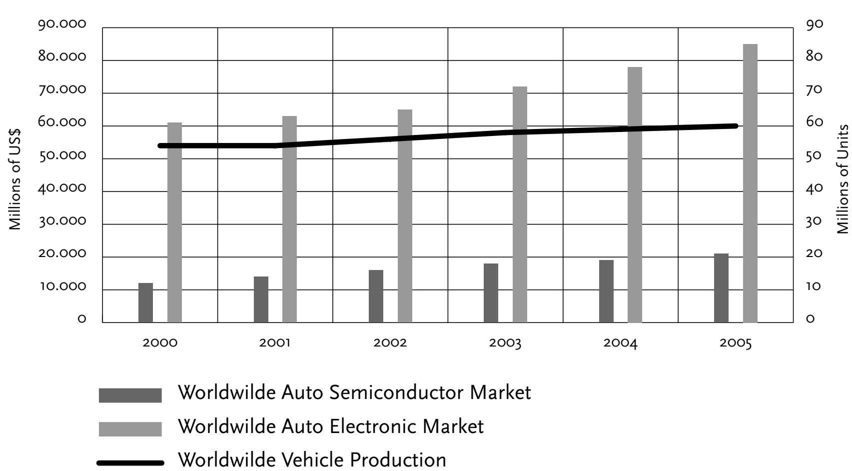
Generally, there is a long lead time for the introduction of new products in the automotive industry. This is primarily caused by the long design cycle and the need for components to be qualified, or approved, by the component manufacturer, its OEM customer and by the car manufacturer. However, once a product is included in the design of an automotive component and has been qualified, the demand for that product is likely to be stable and to continue for a number of years. As is the practice in the industry, an OEM customer of Melexis is not likely to have a rival's product qualified for its automotive component. Therefore in practice an OEM customer of Melexis is very unlikely to change to a rival's product during the life of that particular product. This industry practice creates high revenue visibility.

10.2. Drivers

New cars tend to contain an increasing proportion of electronics with nearly all new automotive subsystems containing more electronics than previous car generations. Management believes that this trend will continue. New applications and technologies, such as suspension and steering controls, chassis control, intelligent cruise control, automatic collision-avoidance, satellite-based navigation systems, electronic transmission control, electronic accelerator pedals and smart airbags will lead to increasing demand for additional electronics. New generations are likely to contain increasing numbers of sensors, control units and actuators. These sensors in the car detect a range of physical parameters from the position of the throttle and the degree of the crank angle to the amount of oxygen in the air, feeding all information into micro controllers and resulting in a "smart" car that knows when to brake, when to accelerate and how to park. Each of these applications is likely to contain semiconductors produced for the automotive industry by companies such as Melexis. The cost of all these electronics in cars is expected by Management, to grow from 12% to 30% of the total cost of new cars by 2010.

While global car production enjoys steady growth, semiconductor consumption for automotive applications enjoys strong growth. The automotive semiconductor market is growing at an annual rate of approximately 12%. Adoption of semiconductors in cars is growing more quickly than the adoption of electronics. New functionality in cars are enabled by semiconductors found in automotive electronic systems.

Automotives Semiconductor Market



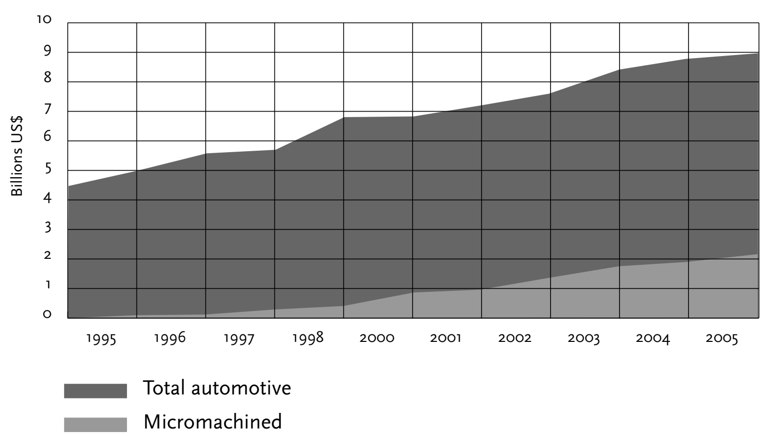
Source: Gartner Dataquest, 2001

Different market drivers for the automotive semiconductor industry can be distinguished:
- Legislation such as emission control mandates for use of engine management for catalytic converters;
- Virtual market forces, such as insurance companies offering motorists discounts for fitting immobilisers;
- Safety sells ABS and airbag auto electronics;

— Increased consumer awareness creates growth in electronics as more people buy " auto-electronics " options ;
— Cost of electronic solutions may be cheaper than mechanical (e.g. power window-lifters are cheaper than manual window winders) ;
— Improved reliability ;
— Competition among auto manufacturers in a market segment ;
— Personalization and connectivity ;

Sensors are in general a more significant and growing product in the automotive market. In this segment the silicon sensors market is growing faster than the traditional automotive sensor market. The difference in growth can be explained by the superiority of the silicon sensor:
— Excellent mechanical properties eliminating one of the major problems which has plagued mechanical sensors for decades : hysteresis, repeatability and long-term drift ;
— Silicon does not suffer from fatigue as is known from metals ;
— Silicon's piezo-resistive characteristics make it highly sensitive to stress ;
— Silicon is highly sensitive to temperature, which is an advantage as it makes direct temperature sensing possible in combinations with pressure, acceleration and light sensors ;
— Batch manufacturability makes it very cost effective. Thousands of sensors can be made on one silicon wafer ;
— The processing technology as it is known from the semiconductor industry allows the production of very small sensors ;
— In many cases it is possible to integrate the electronic and the mechanical function on the same piece of silicon.

Trend Total vs. Micromachined Sensors



Source : ZVEI, 2001

Currently, more expensive cars have a higher electronics content than cheaper cars. As applications which were in the past reserved for expensive cars, like ABS, airbags and power-steering are gradually transferred to less expensive cars, so the electronics content of such cars will increase. In recent years the time lag for technology transfer from high-range to low-range cars has tended to shorten.

10.3. Automotive electronics semiconductor vendors

The automotive electronics market, the client base for Melexis, became more fragmented in 2000, with the top 5 automotive OEMs accounting for 36 % of the market, compared to 41 % in 1999.

Motorola maintained the lead position in the world-wide automotive semiconductor application market in 2000, with more than 10% of the market. Of the top 15 automotive semiconductor application vendors world-wide, four European vendors accounted for almost 20% of the total market in 2000. Of the top 15 automotive semiconductor application vendors world-wide, three were North American, six were Japanese and four were European. There were no Korean vendors in the top 15.

Top 15 automotive semiconductor application vendors world-wide

Company	**1999**	**2000**	**AGR***	**Market share**
	in million U.S.$	**in million U.S.$**	**%**	**%**
Motorola	1.299	1.409	8,5	10,8
NEC	708	836	18,1	6,4
STM	558	807	44,6	6,2
Infineon	613	718	17,1	5,5
Philips	543	596	9,7	4,6
Toshiba	534	595	11,4	4,5
Texas Instruments	468	533	13,9	4,1
Robert Bosch	443	484	9,3	3,7
Fujitsu	409	482	17,8	3,7
Hitachi	415	469	13,0	3,6
ON Semiconductor	289	402	39,1	3,1
Intel	329	330	0,3	2,5
Intersil	199	246	23,6	1,9
Mitsubishi	186	225	21,0	1,7
Denso	193	218	13,0	1,7
Others	3.337	4.728	41,7	36,2
Total Market	**10.523**	**13.078**	**24,3**	**100,0**

* AGR = Average Growth Rate   Source: Gartner Dataquest, 2001

On the automotive electronics OEM semiconductor market, Japanese semiconductor vendors are gaining world-wide market share because of successful design wins in the fast-growth automotive navigation system business in Japan and Europe.

On the automotive electronics OEM semiconductor market, Delphi Automotive was ranked number one in 2000, with an estimated spend of USD 1,3 billion. Delphi was followed by Visteon, Robert Bosh, Lear and Denso.

In 2002 the top 5 automotive electronics OEM semiconductor buyers combined, spent around USD 4,7 billion.

Top 15 automotive electronics OEM semiconductor vendors world-wide

Company	1999	2000	AGR*	Market share
	in million U.S.D	in million U.S.D	%	%
Delphi	1.183	1.301	10,0	9,9
Visteon	944	1.076	14,0	8,2
Robert Bosch	941	988	5,0	7,6
Lear (UTA)	709	779	9,9	6,0
Denso	527	580	10,1	4,4
Siemens Automotive	387	453	17,1	3,5
Mitsubishi	373	418	12,1	3,2
Alpine	292	339	16,1	2,6
Pioneer	288	324	12,5	2,5
Sony	247	279	13,0	2,1
TEMIC	221	270	22,2	2,1
DC	233	259	11,2	2,0
Matsushita/Panasonic	226	255	12,8	1,9
Clarion	230	251	9,1	1,9
Omron	224	251	12,1	1,9
Others	3.498	5.255	20,2	40,2
Total Market	**10.523**	**13.078**	**24,3**	**100,0**

* AGR = Average Growth Rate   Source: Gartner Dataquest, 2001

10.4. European automobile preferences driving electronic innovation

Analysis of vehicle production type by world region reveals that the majority of regional production is typically for local consumption, with only a smaller proportion allocated to export markets. Because of this, the profile of vehicle production type by world region represents world vehicle preferences.
Europe is the world's leading producer of cars, and leads in innovation and adoption of technology. European automobile preferences drive electronic innovation, with devices such as power window lifters, engine immobilisers and climate-control electronics being heavily influenced by European market needs.
Being an indirect supplier to the leading and early technology adoption European car manufacturers, Melexis proves to be a supplier of very innovative products.

11. COMPETITION

There are many competitors in the various market sectors in which the Company carries on its business. Many semiconductor companies serve all markets and sell products into the automotive market. As there are more than one thousand integrated circuit vendors world-wide, Management believes that several hundred sell one or more integrated circuits into an automotive application. Based on the Company's experience, fewer IC vendors are invited to quote for new developments as a consequence of the increasing quality demands from the automotive equipment makers.

Management's perception of who they regard as the most significant competitors of the Company depends to be is strongly on the product group in question. Set out below is Management's view of certain of the Company's significant competitors, selected by product group:

11.1. Hall sensors

Melexis is a world leader in programmable analogue Hall sensors that were first introduced by Melexis. From the Company's own internal market analisys, wich aims at identifying all linear Hall sensor impementation by vehicule manufactures, Management believes that Melexis has by far the largest market share. The main competitor in this field is Micronas who has a standard product and Infineon just entered the market with an ASIC. Due to the fact that the Melexis part integrates the right features needed for automotive applications, it is still the number one part for new designs.
The market leader in volume for Hall sensors, is Allegro. Allegro is the number one in Geartooth sensor technology. Melexis is catching up and gaining market share in this area. Melexis successfully introduced Geartooth sensors for CAM and Crank sensors.
Melexis is the market leader for BLDC (brushless DC) fan driver ICs. The competitors in this area for high end products are Sanyo and Rohm. These companies have a 2 chip solution while Melexis integrates these functions in a single IC.

11.2. Pressure and acceleration sensors

On pressure sensors, the main competitor is Motorola and to some extent also Infineon. The smaller sensor companies such as NovaSensors and Sensonor are not a real threat, as they do not have the capability to integrate signal conditioning on the same IC.
Melexis is the market leader for programmable signal conditioning ICs for pressure sensors. The main competitor is Maxim. However, the Maxim parts are more focused on the industrial market whereas Melexis is focused on the automotive market.
For acceleration sensors, the main competitors are Motorola, Analog Devices and Bosch. They are producing the highest volume on silicon acceleration sensors. Melexis' strength is to integrate on the same component the sensing element, signal conditioning, micro controller and communication bus. This level of integration is not offered by the competitors.

11.3. RF market

Melexis has a very complete offering for transmitter, receiver and transceiver ICs for the ISM bands in the range of 300-900Mhz for all kinds of modulation schemes. This makes Melexis the one-stop supplier for ISM applications. The main competitors are Atmel, Infineon and RF MicroDevices. Besides these, there is also AMS, Chipcon, Mitel, Motorola, Nordic, Philips, TI and Xemics. The latter do not have an offering as wide as Melexis for ISM applications.

11.4. RFID market

Major competitors in the 125Khz RFID area are Atmel, EM Marin, Philips, and TI. Marin has a set of low cost transponder ICs and has an established customer base but has limited expansion capability given its small size, and lack of second sourcing possibilities. Philips has a strong standard product position with the HITAG family, but the number of new developments in the low cost area is rather limited. Atmel Wireless, formerly TEMIC, has a mix of (less performing) standard products, and innovative ASICs integrating RFID in a very diverse range of applications. TI offers a wide range of standard products, but prefers to go further upstream towards offering complete systems.

Melexis' unique selling propositions are based on a range of high performing low cost items for very high volume applications, to further reduce the gap between barcodes and existing contactless solutions, low power highly integrated reader ICs for niche applications requiring a significant number of reader sensor tags with high added value for niche applications, complex low power wireless systems, and combining long range RF and short range RFID.

11.5. IR sensors

Melexis is a technical market leader with the IR module introduced in 2001. Melexis offers a complete system solution and expects to gain market share. Its main competitor is Heimann which currently produces higher volumes of sensor elements for consumer applications as it has been longer in the market, but is not successful in automotive.

11.6. Optical sensors

Other optical device suppliers offer optical sensors more into industrial and computer applications. Melexis has more design-ins on automotive applications. Melexis is using superior assembly technology and achieves better quality.

11.7. Bus-ICs

Melexis' main competitor is Philips who is dominating the market for CAN-protocol because it is a field in which Philips is already conducting its business for a long period. On the newer bus standard LIN, Melexis is part of the steering committee and plays a leading role. Melexis expects to get a significant part of the LIN market when the standard will be deployed in 2003/2004.

11.8. Systems-on-a-chip

Melexis is one of the few companies in the world capable of integrating complete systems on a chip consisting of a micro controller, nv-memory, high voltage blocks and analogue, all on a single die. The competitors in this area are Motorola and ST MicroElectronics. When it comes to additionally integrating sensors, there are currently no competitors.

11.9. ASICs

The competitors for automotive ASICs are mainly ELMOS and ST. Melexis only bids on large volume ASICs. Melexis feels that it has just the right technology offering when it comes to automotive systems combining high voltage, micros, nv-rom, analogue and actuator drivers on a single IC.

12. PROPRIETARY RIGHTS

Melexis is following an active patent policy with one person dedicated to this function. The Intellectual Property Manager helps in identifying inventions, assessing the value of possible patents, drafting and filing these patent applications and following up until granting of patents. Besides this, he supports the business units in defending Melexis' Intellectual Property and defending Melexis against patent claims.

Over the last 7 years Melexis filed 19 patent applications in the United States, which strengthen Melexis' position as an innovative supplier. The covered areas include 6 patents related to magnetic sensors, 5 patents related to infra red temperature sensors, 2 patents related to gyroscopes, 2 patents related to assembly technology and 4 patents related to other activities of the Company. Of these, 7 have proceeded to full grant in the United States. Also 6 patent applications have been filed according to the Patent Cooperation Treaty for other countries and one PCT-application was filed with the UK Patent Office. 4 other applications are in the course of preparation**.**

" Melexis " is a registered trademark in the United States and in the European Union.

13. EMPLOYEES

The average number of employees of the Company and its subsidiaries amounted to 436 in 2001, 311 in 2000 and 125 in 1999.

Employees by site	Place of incorporation	Average number of employees
Melexis Ieper NV	Belgium	62
Melexis Tessenderlo NV	Belgium	51
Melexis Branch Office	Switzerland	25
Melexis Inc.	USA	23
Melexis GmbH	Germany	157
Melexis Ukraine	Ukraine	19
Melexis Bulgaria Ltd.	Bulgaria	89
Melexis BV	The Netherlands	10
Total		**436**

14. PROPERTIES

The Company has properties in Bulgaria, The Netherlands, Switzerland, Tessenderlo (Belgium) and Ieper (Belgium).

(in square meters)	Location		Land	Building	Principal activities
Melexis Ieper NV	Ieper	Belgium	6.400	4.800	R&D + Test operations
Melexis Tessenderlo NV	Tessenderlo	Belgium	1.515	3.608	R&D
Melexis Branch Office	Bevaix	Switzerland	2.000	1.850	R&D + Test operations
Melexis Bulgaria Ltd	Sofia	Bulgaria	309	4.417	R&D + Test operations
	Botevgrad	Bulgaria	9.520	12.105	Test + Assembly operations
Melexis BV	Utrecht	The Netherlands	1.466		R&D
Total			**21.210**	**26.780**	

15. CURRENT INVESTMENTS

The current investments consist of 875.000 shares of Catalyst (United States). The market value is calculated by reference to the value of the respective shares per December 31, 2001 on the stock exchange. This investment is financed with the Company's own funds.

Currently, a building, estimated EUR 3,2 million, is under contruction for Melexis B.V. (The Netherlands). This investment is financed via a bank loan.

16. LEGAL PROCEEDINGS

The Company is currently involved in a dispute with a supplier for a maximum amount of EUR 1 million. The necessary provisions have been accounted for taking into account the expected insurance company settlement.

Except for the foregoing, there is no material litigation in which the Company is involved.

Management

1. DIRECTORS AND SENIOR MANAGEMENT

Name	Age	Position
Mr. Roland Duchâtelet	55	Chairman of the Board and Managing Director
Mr. Rudi De Winter	41	Vice Chairman of the Board and Managing Director & Chief Executive Officer
Mrs. Françoise Chombar	39	Director, Chief Operating Officer
Triakon N.V. represented		
by Mr. Lucien De Schamphelaere	71	Director (non-executive)
Mr. Simon Middelhoek	70	Director (non-executive)
Mrs. Gina De Groote	42	Director (non-executive)
Mrs. Karen van Griensven	31	Chief Financial Officer
Mr. Willy Sierens	52	Advanced Technology
Mr. Klaus Hermann	46	Quality & Environmental Management Representative

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

Mr. Rudi De Winter has been a private shareholder of the Company since April 1994. He has served as acting Chief Executive Officer since 1996 and as Managing Director since 1996. Prior to that date, Mr. De Winter has served as development engineer at Mietec Alcatel (Belgium) from 1984 to 1986 and as development manager at Elmos GmbH (Germany) from 1986 to 1989. In 1990, Mr. De Winter became a director together with Mr. Duchâtelet of Elex, the parent company of Melexis. Mr. De Winter holds a degree in Electronic Engineering from the University of Gent. Mr. De Winter, the Chief Executive Officer and Mrs. Chombar, the Chief Operating Officer, are married.

Mrs. 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. Mrs. Chombar became a director in 1996. She holds a degree as an Interpreter in Dutch, English and Spanish from the University of Gent.

Mr. Lucien De Schamphelaere is the founder and Chairman of the Board of Directors of Triakon NV, a printing company that develops new applications for digital printing. He is director of several companies active in high technology such as Option International, Materialise, Hydrogen and XENEX. He is also chairman of the Board of Directors of Xeikon International, a company specialised in developing, producing and selling digital color-printing presses and a world leader in this field. In the period from 1953 to 1988 he held several positions at Agfa-Gevaert. From 1986 to 1993 he was Director of Agfa-Gevaert's Venture Capital Fund, AGIF. Mr. De Schamphelaere holds a degree in Electronic Engineering.

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

Mrs. Gina De Groote started as mediaplanner at LVH, a middle sized advertising agency with a famous creative reputation in the eighties. In 1983 she moved to Media Plus, the international media agency of Ogilvy. Three years later she became assistant media director at Publicis, the Belgian daughter of the biggest advertising agency in France. In 1989 she returned to LVH as media director, at that time a joint venture with the international network Alliance. In 1991 she created her own agency, GDG/Mediastrategies, based on the trumps: experience, service, creativity, information and reasonable cost. In ten years time this agency has become one of the most creative and service-minded media-agencies in Belgium, with local as well as international clients. Ms. De Groote holds a degree in marketing.

Mrs. Karen van Griensven joined the company in 1997 prior to which she served in a similar position at Elex. Mrs. van Griensven holds a degree as a bioengineer from the University of Gent and an MBA degree from the Solvay Institute in Brussels.

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

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

Overview of the Directors' mandates	
Mr. Roland Duchâtelet	Chairman of the Board of Melexis
	Chairman of the Supervisory Board of X-Fab
	Director of Elex
	Director of EPIQ
	Director of Catalyst Inc.
Mr. Rudi De Winter	CEO of Melexis
	Director of Elex
Mrs. Françoise Chombar	Director of Melexis
	Director of Elex
	Director of EPIQ
	Director of XPEQT
Prof. Simon Middelhoek	Director of Sensor Integration
Mr. Lucien De Schamphelaere	Chairman of the Board of Triakon
	Chairman of the Board of Xeikon International
	Director of Hydrogen
	Director of Option International
	Director of XENEX
	Director of Materialise
	Director of Vandenborre Technologies
Mrs. Gina De Groote	Founder and chairman of GDG/Mediastrategies

None of the Directors has ever been involved in a bankruptcy.

2. COMPENSATION OF DIRECTORS

As indicated in the Articles of Association, the position of Director is non-remunerative. In 2001 the aggregate cash compensation paid or accrued by the Company for its Directors and Senior Executives was as follows:

Remuneration of Directors (in thousand EUR)	Basic Salary	Monetary value of benefits	Bonuses	Long-term Compensation
a) As Directors	–	–	–	–
b) As Executives	97	–	–	–
Remuneration of other Senior Executives	208	–	–	–

All directors are appointed by the Shareholders' Meeting for a renewable term of one year. The appointments can be revoked by the Shareholders' Meeting at any given time. No compensation will be awarded to the Director in question upon retirement or upon early termination of an appointment. The Senior Executives entered in a contract with the Company for an undefined term. The contracts with the Senior Executives are governed by the applicable laws and regulations; no supplemental clauses were built in the contracts regarding the termination of the contract or the compensations and remunerations which would be awarded to the Senior Executive in question upon retirement or upon early termination of the contract.

3. CORPORATE GOVERNANCE

3.1. Statutory Conditions Governing the Board of Directors

The Articles of Association of the Company provide that at least five directors shall be appointed, of which at least two shall be independent directors.

An independent director is any person who (a) is not an employee or consultant of the Company or any of its affiliates, (b) does not hold a participation of 20% or more of the Ordinary Shares in the Company, and (c) does not have any other relationship with the Company which could, in the opinion of the shareholders, interfere with the independent exercise of its duties.

The term of office of the board members may not exceed a period of one year. In accordance herewith, the directors were nominated for a period ending after the annual Shareholders' Meeting of 2003. Directors may be reappointed.

The Articles of Association furthermore provide that resolutions of the Board of Directors are taken with a simple majority vote. In extraordinary circumstances, when required by the necessity and by the interest of the Company, the decisions of the Board of Directors may be reached by unanimous written consent of all the directors. This procedure however cannot be used for ascertaining the annual accounts or applying the authorised capital, nor for any other matter excluded by the Articles of Association.

The Board of Directors of the Company consists of three independent directors, Mr. Lucien De Schamphelaere (acting as managing director of Triakon NV), Mr. Simon Middelhoek and Mrs. Gina De Groote. The independent directors do not possess any Ordinary Shares nor any options on Ordinary Shares of the Company which meets the requirements for Indepedent Directors under rule 10.23 of the Nasdaq Europe Rulebook.

Mr. Roland Duchâtelet and Mr. Rudi De Winter each own respectively 2.900 and 700 Ordinary Shares of the Company. In addition, through Elex, the aforementioned directors, indirectly hold 31.383.914 Ordinary Shares of the Company.

During the financial year 2001, the Board of Directors met 8 times. The main purpose of those meetings was to approve the financial statements of the Company, its strategy and any contemplated acquisitions.

3.2. Day-to-day Management

The day-to-day management of the Company has been delegated to Mr. Roland Duchâtelet and Mr. Rudi De Winter who each have the power to represent the Company for all matters falling within the scope of the day-to-day management.

3.3. Remuneration Committee

The Company has a remuneration committee, consisting of two members, Mr. Lucien De Schamphelaere (who represents Triakon NV) and Mr. Simon Middelhoek. All present members of the committee are independent directors. The remuneration committee has regard to the best interest of the Company when making recommendations on remuneration and incentive packages for directors and executives.

3.4. Audit Committee

The Company has an audit committee, consisting of three members, Triakon NV (represented by Mr. Lucien De Schamphelaere), Mr. Simon Middelhoek and Mrs. Gina De Groote. All present members of the committee are independent directors. The audit committee supervises the accounting and financial reporting of the Company. It verifies the existence of sufficient internal controls and examines in consultation with the statutory auditor accounting and valuation issues.

During the financial year 2001, the Company's Audit Committee met twice together with the Company's statutory auditor in order to discuss the financial and accounting situation of the Company.

3.5. Indemnification of Directors

The Company maintains insurance covering the civil liability of the directors in connection with claims arising from or relating to the performance of their duties on behalf of the Company. The Company's directors' liability insurance insures the directors for claims up to an aggregate amount of EUR 20.000.000 per year. Claims are subject to a EUR 5.112,92 deductible.

3.6. Auditor Remuneration

The aggregate remuneration paid to the Company's auditor for the year ended December 31, 2001 is EUR 61.996,36. This includes an aggregate remuneration of EUR 50.000 for the audit of the statutory financial statements under Belgian GAAP and the consolidated financial statements under IAS, as well as an additional remuneration of EUR 11.996,36 for tax and other compliance work.

3.7. Employee Share Option Plan

The Company does currently not have a share option plan for the benefit of its employees, nor does it intend to introduce one in the near future.

Principal Shareholders

The following table sets forth the share ownership of the Company as of the date of this Prospectus and subsequent to the Offering (assuming the Over-allotment Option is exercised in full), together with the percentage of the ownership of total share capital for the same periods.

Identity of the Shareholders	Number of Ordinary Shares Held		Percentage of the Ordinary Shares Held	
	Prior to the closing of the Offering	Following the Offering*	Prior to the closing of the Offering	Following the Offering*
Elex NV	31.383.914	22.733.914	68,82	49,86
Public	14.216.086	22.866.086	31,18	50,14
Total	**45.600.000**	**45.600.000**	**100**	**100**

* assuming the Offering is successful in its totality and the Over-allotment Option is exercised in full

All the shares of Elex are held indirectly by Mr. Roland Duchâtelet, Mr. Rudi De Winter and Mrs. Françoise Chombar who are all three directors of Melexis.

General Information about the Company and its Share Capital

1. NAME, REGISTERED OFFICE AND INCORPORATION

The Company, Melexis, was incorporated on October 24, 1988 in Ieper. The Company is a company limited by shares and is governed by Belgian law. Its registered offices are located at Rozendaalstraat 12, B-8900 Ieper, Belgium.

The Company's V.A.T. number is BE 435.604.729. The Company is registered with the Registry of Commerce of Ieper under the number 31.905.

2. DOCUMENTS AVAILABLE FOR INSPECTION AND AVAILABLE PERIODIC INFORMATION

The Company's Articles of Association have been filed with, and copies thereof are available to the public at, the Registrar of the Commercial Court of Ieper.

The Company's statutory and consolidated financial statements have been filed with, and copies thereof are available to the public at, the Belgian National Bank.

Upon request, investors can obtain a copy of the Articles of Association and the financial statements from the Company at its registered office.

The Company is required to (i) provide its audited financial statements within three months after the end of its financial year; (ii) provide its unaudited quarterly reports within two months after the relevant quarter; and (iii) to disclose price-sensitive information to the public in accordance with the Nasdaq Europe Rulebook. Following the listing of the Company's Ordinary Shares on the First Market of Euronext Brussels, the Company will, amongst other disclosure requirements, also be subject to the disclosure requirements imposed by the Royal Decree of 3 July 1996 concerning the obligations relating to occasional information of issuers of which the financial instruments have been listed on the first market and the new market of a stock exchange.

3. PURPOSE OF THE COMPANY

Article 3 of the Articles of Association provides that the purpose of the Company is to develop, produce and assemble micro-electronic integrated systems.

The Company may carry out all industrial, commercial and financial transactions as well as transactions involving real estate and other property, which may directly or indirectly increase or promote or have a connection with the business of the Company.

The Company may realise its purpose, in Belgium as well as abroad, by all means and according to the methods it deems best.

The Company can, *inter alia*, take an interest by means of associations, contributions, merger, subscription, participation, financial or other intervention in all companies, existing or to be incorporated, of which the purpose is equal or similar, or which can be a source of outlet.

4. HISTORY OF THE SHARE CAPITAL

Date	Reason	Number of Ordinary Shares	Share Capital	Share Premium
			EUR	EUR
October 24, 1988	Incorporation	10.000	247.894*	
September 23, 1991	Contribution in cash	20.800	515.619*	–
September 14, 1996	Stock split	2.080.000	515.619*	–
August 28, 1997	Stock split	41.600.000	515.619*	29.844.658
October 17, 1997	IPO (capital increase) on Nasdaq Europe	45.600.000	565.197,24*	30.135.419**

* these amounts are converted from Belgian francs into euro at an exchange rate of BEF 40,3399 = EUR 1,00 in round figures

** after the refund of IPO-costs: the year following the IPO, the Company received a refund of excess amounts paid to the lead manager; in accordance with IAS-rules, these amounts were assigned to the year of the IPO.

5. SHARE CAPITAL

As of the date of this Prospectus, the issued capital of the Company amounts to EUR 565.197,24, represented by 45.600.000 Ordinary Shares without nominal value and with a fractional value of approximately EUR 0,012 per Ordinary Share.

6. AUTHORISED CAPITAL

At the Extraordinary Shareholders' Meeting of August 28, 1997, the Shareholders' Meeting conferred the right upon the Board of Directors to increase, in one or more capital increases, the share capital of the Company by an amount of EUR 565.197,24. The authorisation expires on the fifth anniversary of the date of publication in the Belgian Official Gazette of the resolution of August 28, 1997. The authorisation can be renewed.

The Shareholders' Meeting of the Company has authorised the Board of Directors to increase the capital, subject to certain restrictions of Belgian company law, through the issuance of shares, of shares having preferred rights, of non-voting shares and of convertible bonds

The Board of Directors is authorised to request from those subscribing to the capital increase an issuance premium, representing the difference between the issue price and the nominal value of the shares existing at the time of the capital increase. Such issuance premium shall be listed as a distinct reserve fund which may not be used for distribution unless otherwise decided by the Shareholders' Meeting in the same manner as required for a modification of the Company's Articles of Association.

On the occasion of a capital increase within the framework of the authorised capital, the Board of Directors is entitled to cancel or restrict the preferential subscription rights of the existing shareholders, in general or for the benefit of one or more named persons.

The general board authorisation described above becomes, in principle, ineffective in case a public take-over bid for the Company's Ordinary Shares is duly notified to the BFC.

7. FINANCIAL INSTRUMENTS

The Company has not issued any financial instruments, of any kind whatsoever, other than its Ordinary Shares.

8. DESCRIPTION OF THE RIGHTS ATTACHED TO THE ORDINARY SHARES

The Company's Ordinary Shares are registered shares or bearer shares. All bearer shares are represented by one or more global bearer share certificates. Shareholders may request, at their expenses, the Company to convert their Ordinary Shares into individualised physical certificates in bearer form.

Set forth below is a summary of the rights attached to the Ordinary Shares, based on certain provisions contained in the Articles of Association, certain provisions of Belgian company law, certain other Belgian laws applicable to the formation, organisation and operation of the Company and certain obligations pursuant to the Nasdaq Europe Rule Book and the Euronext Rule Book. The following description is a summary for information purposes only and does not purport to be complete.

8.1. Dividend Rights

The Ordinary Shares carry the right to participate in dividends declared in respect of periods commencing from 1 January 2002. Under Belgian company law, dividends must be approved by the shareholders at the annual Shareholders' Meeting. Dividends may be paid either in cash or in kind. However, shareholders may not declare a dividend if the Company has not first allocated at least 5% of its profits to a legal reserve until such reserve is equal to 10% of its share capital or if, following any such dividend, the level of the net assets adjusted for the unamortised balance of the incorporation costs and capitalised research and development costs of the Company falls below the aggregate of the Company's paid-up capital and of its non-distributive reserves. According to the Articles of Association, the Board of Directors is entitled, subject to Belgian company law, to pay an interim dividend.

In accordance with Article 2277 of the Belgian Civil Code, the right to collect dividends declared on registered shares expires five years after the due date. As far as dividends on bearer shares are concerned, the Law of July 24, 1921 provides that when a company deposits the dividends with the Deposit and Consignation Bank ("Deposito- en Consignatiekas"), the right to collect dividends expires after 30 years, in which case the Belgian State becomes the beneficiary of the dividends that have not been collected.

8.2. Voting Rights

Each Ordinary Share entitles its holder to one vote at any Shareholders' Meeting of the Company. Voting rights are suspended with respect to Ordinary Shares (i) which have not been fully paid up in spite of a request of the Company's Board of Directors, (ii) which are owned by more than one person, except if a sole representative has been appointed and notified to the Company with respect to the exercise of voting rights, (iii) which entitle their holder to voting rights in excess of 5% or of any multiple of 5% of the total voting rights existing at the date of any Shareholders' Meeting except if the holder of such Ordinary Shares has effected the notice required by the Belgian Transparency Law to the Company not less than 45 days before the date of the Shareholders' Meeting at which the votes are cast, and (iv) for which voting rights have been suspended by a decision of a competent court.

The Shareholders' Meeting has in principle sole authority with respect to the following matters: (i) the approval of the Company's annual accounts; (ii) the election and dismissal of the Company's Directors and the statutory auditor; (iii) the determination of the Directors' and the statutory auditor remuneration in connection with their mandate; (iv) the discharge of liability to the Directors and the statutory auditor; (v) the bringing of a derivative suit against the Directors; (vi) an increase or decrease in the capital of the Company (except for the right of the Board of Directors to increase the Company's capital within the framework of the authorised capital); (vii) the approval of a merger or a split-up of the Company; and (viii) any amendment to the Articles of Association.

Pursuant to Belgian company law, certain transactions such as an increase or decrease of the capital of the Company, any amendment to the Articles of Association and the approval of the dissolution, merger or split-up of the Company may only be authorised with the approval of at least 75% of the votes validly cast at a Shareholders' Meeting where at least 50% of the Company's share capital is present or represented. Any amendments to the corporate purpose clause of the Company require the approval of at least 80% of the votes validly cast at a Shareholders' Meeting, which meeting may, in principle, only validly decide if a double quorum representing at least 50% of the Company's share capital and at least 50% of the Company's profit shares, if any, is present or represented.

8.3. Right to Attend and Vote at Shareholders' Meetings

— *Meetings*

The annual Shareholders' Meeting takes place on March 20 at 11.00 a.m. at the registered office of the Company or at any other place indicated in the notice for the meeting. If this day is not a business day, the annual meeting will be held on the following business day.

All shareholders are entitled to attend, and vote at, any Shareholders' Meeting. Shareholders are entitled to give a proxy to a party who does not need to be a shareholder. All proxies must be in writing and must comply with all applicable legal provisions. The Board of Directors of the Company may require that the proxies be deposited at the place identified in the notice at the earliest six and at the latest four business days prior to the meeting. Furthermore, as a listed company on Nasdaq Europe, the Company shall provide copies of such proxy solicitations and forms to the Nasdaq Europe Market Authority at least three weeks prior to the date of the meeting.

At the annual Shareholders' Meeting, the Board of Directors submits the audited accounts of the Company for approval, together with the proposed allocation of profits or losses, a proposal for the release of liability of the directors' and of the statutory auditor, and, if necessary, the election or dismissal of directors and the statutory auditor. The Board of Directors also submits an annual report describing the activities of the Company over the past financial year, any capital increase or decrease or issue of convertible bonds and/or warrants, any material events that have occurred since the close of the financial year, any developments that are likely to have a significant impact on the Company's business, and work that was performed regarding research and development, or as otherwise determined by the Board of Directors.

Before taking part in a Shareholders' Meeting, the shareholders or their representatives must sign the attendance list setting out the identity of the shareholder, and, as the case may be, the identity of the proxyholder, and the number of Ordinary Shares they represent.

No quorum is required under Belgian company law for the annual Shareholders' Meeting.

Extraordinary Shareholders' Meetings may be convened by the Board of Directors or by the statutory auditor at any time the Company's interests so require. An Extraordinary Shareholders' Meeting must be convened any time shareholders representing at least one fifth of the Company's capital so require.

Resolutions validly passed at a Shareholders' Meeting are binding upon all shareholders of the Company.

— *Notices*

A notice for a Shareholders' Meeting must indicate the place, date and time of the meeting as well as the agenda. The agenda must specify in detail the proposed resolutions at the meeting. Items that were not mentioned on the agenda cannot be validly decided upon unless all shareholders are present at the meeting and unanimously agree to include the item on the agenda.

The notice must be published once in the Belgian Official Gazette (at least eight business days prior to the meeting) and twice in one nation-wide spread newspaper and in one newspaper from the region in which the registered office of the Company is established, which must be published with a time span of at least eight business days and of which the second must be published at least eight business days prior to the meeting.

Furthermore, as a listed company on Nasdaq Europe, the Company shall provide such notice to shareholders and to the Nasdaq Europe Market Authority at least 20 days prior to the date of the meeting via the Nasdaq Europe Publication Means.

— *Formalities to attend*

Holders of bearer shares that are not represented by a global certificate must deposit their bearer shares at the registered office of the Company or at any other place indicated in the notice at least three business days prior to the meeting. Holders of bearer shares that are represented by a global certificate must provide proof from a participant of CIK or of a common depository for Euroclear or Clearstream Banking Luxembourg that their shares were deposited with CIK or a common depository for Euroclear or Clearstream Banking Luxembourg at least three business days prior to the meeting and that their shares will remain so deposited until after the meeting.

Owners of registered shares must inform the Company of their intention to attend the meeting, in writing, at least three business days prior to the meeting.

8.4. Capital Increases and Preferential Subscription Rights

The shareholders' meeting can decide at any time to increase or decrease the Company's registered capital or to issue warrants or convertible bonds, provided that 50% of the Company's registered capital is present or represented at the meeting and the decision is approved by at least 75% of the votes validly cast.

Under Belgian company law, the Shareholders' Meeting can, by the same qualified majority as referenced above, confer the right upon the Board of Directors to increase the capital of the Company, without further shareholder approval, within certain limits (the so called "authorised capital"). This authorisation must be limited in time (a maximum of five years, renewable) and in scope (the authorised capital cannot exceed the outstanding capital of the Company). The authorisation becomes ineffective in case a public take-over bid for the Company's Ordinary Shares is notified to the BFC.

On the occasion of any capital increase in cash, or any issue of convertible bonds or warrants, the Company's shareholders have a preferential subscription right. Such preferential subscription right is proportionate to the number of Ordinary Shares held by the shareholder at the time of the capital increase or issuance of warrants or convertible bonds. The preferential subscription right can be restricted or cancelled by a resolution approved by 75% of the votes validly cast at a Shareholders' Meeting where at least 50% of the Company's share capital is present or represented. The preferential subscription rights may also be restricted or cancelled by a resolution of the Board of Directors in the framework of the authorised capital (provided that a public take-over bid for the Company's securities has not been notified to the BFC when such a resolution is passed) (See "Authorised Capital").

Preferential subscription rights, if not restricted or cancelled, are transferable during the period during which the Ordinary Shares, bonds or warrants may be subscribed to.

8.5. Dissolution Rights

Under Belgian company law, if the ratio of the Company's net assets to share capital (under Belgian legal and accounting rules) falls below 50%, the Company's Board of Directors must, within two months, convene a Shareholders' Meeting at which the Board of Directors may present a proposal for the continued operation of the Company. Shareholders representing at least 50% of the Company's outstanding share capital and representing at least 75% of the votes validly cost at this meeting may direct the Board of Directors to dissolve the Company. If the ratio of net assets to share capital falls below 25%, the same procedure must again be followed, provided that shareholders representing only 25% of the votes validly cast at the meeting may direct the Board of Directors to dissolve the Company. In addition, if the net assets of the Company fall below EUR 61.500 (the " Minimum Share Capital "), any interested party, for example, a creditor of the Company, may petition a Belgian court for dissolution of the Company. In such a proceeding, the Company may present a plan for its continued operation. It is in the court's discretion whether to grant the request for dissolution or not, and the court may grant the Company a period of time within which to take remedial action. At the date of this Prospectus, the Company has net assets substantially in excess of the Minimum Share Capital.

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.

8.6. Appointment and Removal of Directors

Pursuant to Belgian company law, directors can be appointed and may be removed at any time by a resolution passed by a simple majority of the shareholders present or represented at a general meeting of shareholders.

8.7. Election of Statutory Auditors

Under Belgian company law, the shareholders of a company must elect one or more statutory auditors for Belgian accounting requirements. A Belgian company, without the approval of its shareholders, may also appoint an independent auditor for IAS-purposes. A statutory auditor reviews the annual accounts of a company to ensure they accurately and fairly represent the financial condition of the company for Belgian accounting purposes. Statutory auditors serve for terms of three years, must be elected by the shareholders and may only be removed by the shareholders for cause at a meeting declared specifically for that purpose. Arthur Andersen Bedrijfsrevisoren is in the second year of its three-year term as the Company's statutory auditor and also serves as the Company's IAS independent auditor.

8.8. Right of Inspection

If a statutory auditor has been appointed, as is presently the case with the Company, there is no statutory right under Belgian company law for shareholders to inspect records, books or the shareholders' register of that company. However, there is a statutory obligation for companies to file their financial statements with the National Bank of Belgium within 30 days after their approval by the shareholders at the annual meeting. A copy of these financial statements may be obtained by any person. See also " - 2. Documents Available for Inspection and Available Periodic Information."

9. REPURCHASE AND SALE OF SHARES

Pursuant to Belgian company law and subject to certain exceptions, a company may not acquire its own shares without prior shareholder authorisation at a Shareholders' Meeting held in compliance with the quorum and majority requirements for the modification to the Company's corporate purpose. Approval by the shareholders is not necessary when shares are repurchased with a view to offering them to the Company's personnel.

10. TRANSPARENCY RULES

According to the Nasdaq Europe Rule Book, any natural or legal person who acquires or disposes of, directly or indirectly, voting financial instruments of the Company, is obliged to notify the Company on a form prescribed by the

Nasdaq Europe market authority within five Nasdaq Europe business days from the date of such acquisition or disposal of the total number of voting financial instruments held by such person following such acquisition or disposal, in all cases where the proportion of voting financial instruments held directly or indirectly by such person following the transaction exceeds or falls below the threshold of at least 5% or any multiple of 5% of all outstanding voting financial instruments of the Company. The Company is required to disclose to the public through the Nasdaq Europe Publication Means, an updated schedule of shareholders, known to the Company to hold at least 5% or more of the financial instruments conferring voting rights.

According to the Belgian law of March 2, 1989 concerning the disclosure of shareholder interests (the "Belgian Transparency Law"), any natural or legal person acquiring shares or other securities carrying voting rights (including rights to acquire such shares and securities) with respect to a Belgian company listed on an official stock exchange of a member state of the European Union, such that the proportion of the voting rights of such company held directly or indirectly by such person (together with voting rights attributable to the relevant person's affiliates and concert parties) amounts to at least 5%, must disclose this fact to both the BFC and the relevant company. Any person increasing (or decreasing) its holding in a listed Belgian company above (or below) such 5% threshold, or any multiple of 5% is required to disclose such increase or disposal. The Company must inform the Market Authority of Euronext Brussels of the notification and must mention the notifications it has received in the notes to its annual accounts. The latter will publish details of the notification. Criminal sanctions may be imposed upon persons violating such disclosure obligations. In addition, voting rights attached to shares in violation of such requirements may be temporarily suspended and the holders of such shares are prevented from voting at general meetings.

11. CONFLICTS OF INTERESTS

A director having a direct or indirect interest of a financial nature conflicting with the interests of the Company with respect to a decision or operation to be decided upon by the Board of Directors must notify the other directors as well as the statutory auditor prior to the decision of the Board. Furthermore, any director having a conflicting interest may not participate in the deliberations of the Board of Directors regarding such operation or decision nor vote.

Article 524 of the Belgian Company Code provides, with respect to companies whose shares are listed on a stock exchange located in a member state of the European Union, that any decision to be taken by the Board of Directors which might give rise to a direct or indirect financial advantage to a shareholder having a decisive or important influence on the appointment of the directors of such company is subject to a special procedure. Three directors chosen in view of their independence with respect to the decision or operation to be taken by the Board and an independent expert will together describe and evaluate the financial consequences for the company of the decision or operation to be taken. Such description and evaluation must demonstrate the interest of the decision or operation for the company and its shareholders, as well as the absence of any advantage which might be considered as a privileged remuneration for a shareholder of the company. The auditors are also informed of the fact that such procedure has been followed. Such proceedings do not apply when the decisions of the Board relate to customary transactions entered into at market conditions and under normal market guarantees for similar operations.

12. DISCLOSURE OF INFORMATION

Belgian companies that are listed on Nasdaq Europe and on Euronext Brussels must disclose relevant financial and other information regularly and must keep the public informed of all events likely to affect the market price of their securities. The Company is required to make available to its shareholders and the public (i) annual reports, including audited consolidated financial statements within three months after the end of the financial year and (ii) unaudited quarterly reports for the first, second and third quarters of the Company's financial year, within two months after the end of the relevant quarter. Financial statements included in quarterly reports must include a comparative table showing the same items as the most recently audited annual accounts.

13. ADMISSION TO TRADING OF THE ORDINARY SHARES ON EURONEXT

The Company's Ordinary Shares have been listed on Nasdaq Europe since October 10, 1997.

The Ordinary Shares are expected to be listed on Euronext on or about May 17, 2002.

14. CLEARING AND SETTLEMENT SYSTEM

The Shares are all in bearer form and represented by a global certificate deposited with a common depository of Euroclear and Clearstream Banking Luxembourg and/or CIK.

The Shares are freely transferable and fully paid-up.

The Company does not intend to deliver physical bearer shares. However, as Belgian law and the Company's Articles of Association entitle shareholders to request the Company to deliver individual bearer shares, the Company will do so upon request and at the shareholders' expenses. Costs related to such delivery include the printing costs, the tax on the physical delivery of bearer shares amounting to 0,2% on the value of the relevant shares (see also "taxation") and any other expenses that might be payable to financial intermediaries (for BBL being currently, EUR 12,50 and for Dexia EUR 10).

Investors must be aware that bearer shares represented by individual physical share certificates are not eligible for trading on Nasdaq Europe, as book-entry settlement is mandatory on Nasdaq Europe.

Ownership rights of the Shares will be evidenced by their entry into the purchaser's securities account(s) held by accredited financial intermediaries which either directly or indirectly hold an account with CIK, Euroclear and/or Clearstream Banking Luxembourg.

Transactions on Euronext Brussels will be cleared by Clearnet and settled through CIK. Shareholders wishing to trade their Shares on Euronext through the Euronext clearing and settlement systems will have to hold these Shares in a securities account held with account holders or financial intermediaries that have direct or indirect access to CIK.

Belgian Tax Considerations

The following summary is based on tax laws of the Kingdom of Belgium as in effect on the date of this Prospectus and is subject to changes in Belgian tax law, including changes that could have retroactive effect. This summary does not take into account or discuss the tax laws of any country other than the Kingdom of Belgium.

This summary does not purport to address all material tax consequences of the ownership of shares, and does not take into account the specific circumstances of any particular investor, some of which may be subject to special rules, or to the tax laws of a country other than Belgium. In particular, the summary deals only with investors that hold, or will hold, the Ordinary Shares as capital assets and does not address the tax treatment of investors that are subject to special rules, such as banks, insurance companies, collective investments undertakings, dealers in securities or currencies, persons that hold, or will hold, the Ordinary Shares as a position in a straddle, share-repurchase transaction, conversion transaction, synthetic security or other integrated financial transaction.

The summary is based on laws, treaties and regulatory interpretations in effect on the date hereof, all of which are subject to change, including changes that could have retroactive effect.

Prospective purchasers of the Ordinary Shares should consult their own tax advisers as to the Belgian and other tax consequences of the purchase, ownership and disposition of the Company's Ordinary Shares. This summary does not describe Belgian federal and regional estate and gift tax considerations. Furthermore, it does not address Belgian tax considerations relevant to potential purchasers, subject to taxing jurisdictions other than, or in addition to, the Kingdom of Belgium, and does not address all possible categories of securities' holders, some of whom may be subject to special rules.

For purpose of this discussion, a Belgian resident is an individual subject to the Belgian individual income tax (i.e. an individual who is domiciled in Belgium or has the seat of his wealth in Belgium or a person assimilated to a resident), a corporation subject to the Belgian corporate income tax (i.e. a corporation that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium) or a legal entity subject to the Belgian tax on legal entities (i.e. a legal entity other than a corporation subject to the corporate income tax, that has its statutory seat, its main establishment, its administrative seat or seat of management in Belgium).

1. BELGIAN RESIDENTS

1.1. Dividends

As a general rule, a withholding tax of 25% is levied on the gross amount of dividends paid on or attributed to the shares. Dividends subject to the dividend withholding tax include all benefits from shares in whatever form as well as repayments of statutory capital, except repayments of fiscal capital made in accordance with the Belgian company laws. In principle, fiscal capital includes paid-in capital and paid-in share premiums. Paid-in share premiums held in a segregated account can be repaid pursuant to a special shareholders' resolution if the bylaws of the company so provide. Also, amounts paid in by a corporation for the redemption of its own shares in accordance with Belgian company laws are in principle not subject to withholding tax. Finally, the distributions that Melexis would make to its shareholders as a result of a complete dissolution and liquidation, are also taxed as dividends in so far as the payment exceeds the Company's revalued fully paid-up capital. Currently, no Belgian withholding tax is levied on such redemption and liquidation distributions. However, the Belgian Government has announced its intention to introduce a withholding tax of 10% in case of a redemption of own shares or in case of a complete or partial liquidation as from January 1, 2002.

Under certain circumstances, Belgian domestic law provides for a reduction of the withholding tax rate to 15% in respect of shares which were issued to the public after January 1, 1994.

— *Individuals*

For Belgian resident individuals who acquire and hold the shares as a private investment, payment of this withholding tax fully discharges personal income tax liability. They may nevertheless elect to report the dividends in their personal income tax return. Where the beneficiary opts to declare them, dividends will normally be taxed at the dividend withholding tax rate (25%) or the applicable progressive personal tax rate taking into account the taxpayer's other declared income, whichever is lower. If the beneficiary reports the dividend, the amount of federal income tax payable is increased by the local surtax and, if progressive rates apply, an additional crisis surcharge of maximum 3% is applied. In addition, if the dividends are reported, the withholding tax retained at source may be offset and reimbursed to the extent that it exceeds the tax actually payable, provided that the dividend distribution does not reduce the value of or result in a reduction in value of or a capital loss on the shares.

For Belgian resident individual investors who acquire the shares for professional purposes, the withholding tax does not fully discharge tax liability. Dividends received must be reported by the beneficiary and will be taxed at the resident personal income tax rate. Withholding tax retained at source may in principle be offset against personal tax and is reimbursable to the extent that it exceeds the actual tax payable, subject to two conditions: (i) the taxpayer must fully own the shares at the time of payment or attribution of the dividends; and (ii) the dividend distribution must not reduce the value of the shares or result in a reduction in value of or a capital loss on the shares.

— *Corporations*

For Belgian resident corporations, the withholding tax does not fully discharge tax liability. Gross dividends received must be declared and will be taxed at the resident corporate tax rate, currently 40,17% (39% increased with 3% crisis surcharge). The Belgian Government has however announced a major reform of the Belgian corporate tax laws, including a reduction of the normal applicable corporate tax rate from 39% to 33%. No withholding tax will be due provided the Belgian resident corporation owns or has owned at the time of the distribution of the dividend at least 25% of the shares of Melexis for an uninterrupted period of at least one year. To benefit from the exemption, the qualified shareholder must sign a certificate as to its status as a Belgian resident corporation and as to it having held a 25% or more interest for an uninterrupted period of at least one year. This certificate must then be forwarded to Melexis or the paying agent. A Belgian resident corporation that holds an interest in Melexis of 25% or more but that has not held it for one year at the time the dividends are paid or attributed, may benefit from the exemption if it signs a certificate such as that described above but giving the date from which it has held its 25% or more interest. In the certificate the shareholder must also undertake to continue to hold the interest until the one year period has expired and to notify Melexis immediately if the one year period has expired or if its shareholding falls below 25%. Melexis will hold the withholding tax until the end of the one year period and then pay it to the shareholder or the Belgian tax authorities, as appropriate. If tax is withheld at source, it may in principle be offset against corporate tax and is reimbursable to the extent that it exceeds the actual tax payable, subject again to two conditions: (i) the taxpayer must fully own the shares at the time the dividends are paid or attributed; and (ii) the dividend distribution must not reduce the value of the shares or give rise to a reduction in value of or a capital loss on the shares.

Resident corporate taxpayers may deduct up to 95% of gross dividends received from their taxable profits (other than from certain disallowed expenses), if, at the date the dividends were paid or attributed, they held at least 5% of the capital of Melexis or a participation with an acquisition value of at least EUR 1.200.000,00. This minimum holding requirement does not apply to dividends received by Belgian financial institutions, insurance companies, stock exchange companies and qualifying investment companies. The 95% dividend received exemption is however subject to the conditions of taxation of the income distributed, provided under article 202 and following of the

Income Tax Code (anti-abuse provisions). The exemption depends on a factual determination made upon each distribution and thus may be subject to change.

— *Legal entities*

For taxpayers subject to the tax on legal entities, the withholding tax normally constitutes final taxation. If the withholding tax has not been withheld, the beneficiary of the dividends must declare the income and pay taxes accordingly.

1.2. Capital gains and losses

— *Individuals*

Individual Belgian residents holding the shares as a private investment are not subject to Belgian capital gains tax on the disposal of the shares and losses are not deductible.

Individual Belgian residents may, however, be subject to a 33% tax if the capital gain is deemed to be speculative or if the capital gain is otherwise realised outside the scope of the normal management of one's own private estate, or to a 16,5% tax if, during the five years before the transfer of the shares, the shareholder, or the person from whom he has received the shares without payment of any consideration, has held, directly or indirectly, an important shareholding in Melexis, i.e. a shareholding of more than 25% (the 25% to be calculated on the basis of the shares held by the transferor, his spouse, ancestors, descendants and collaterals up to the second degree of kinship of the transferor and his spouse) and the shares are transferred directly or indirectly to a non-resident legal entity. These taxes are subject to a local surcharge and to a crisis surcharge of maximum 3%. Losses on speculative transactions on shares or on transactions outside the scope of the normal management are deductible from the income from similar transactions.

Individual Belgian residents who hold the shares for professional purposes are taxable at the ordinary progressive income tax rates for business income on any capital gains realised on the disposal of the shares.

Losses on shares realised by individual Belgian residents who hold the shares for professional purposes are deductible from business income.

— *Corporations*

Capital gains realised on shares by a Belgian resident company are fully exempt from Belgian corporate income tax, provided the dividends distributed by the company of which the Belgian resident company holds the shares qualify for the dividend received exemption. Even if no dividends are being distributed, the capital gains tax exemption would still apply if 'in theory' the exemption would apply if dividends were being distributed.

However, the application of the dividend received exemption to such dividends should be evaluated not taking into account the minimum holding requirement mentioned here below.

The so-called exemption relates to the technique whereby dividends received by a Belgian resident parent company from a Belgian or foreign subsidiary are exempt from corporate income tax. Indeed, resident corporate taxpayers may deduct up to 95% of gross dividends received from their taxable profits (other than from certain disallowed expenses), if, at the date the dividends were paid or attributed, they held at least 5% of the capital of the distributing company or a participation with an acquisition value of at least EUR 1.200.000,00. The 95% dividend received exemption is however subject to the conditions of taxation of the income distributed, provided under article 202 and following of the Income Tax Code (anti-abuse provisions).

Losses on shares realised by resident corporations are in general not deductible.

— *Legal entities*

Belgian resident entities subject to the tax on legal entities are normally not subject to the Belgian capital gains taxation on the disposal of the shares, but they may be subject to the 16,5% tax described above (see "Capital Gains – Individuals") if they hold an important participation (more than 25%).

Losses on shares are not deductible.

— *Tax on Stock Exchange Transactions*

Investors purchasing or selling Shares through a Belgian professional intermediary are subject to the tax on stock exchange transactions ("*Taks op Beursverrrichtingen*" or "TOB") in the amount of 0,17% (but limited to EUR 250,00 per transaction and per party) on the purchase and the sale in Belgium of existing shares of a company.

The TOB is not due by:

- Professional intermediaries mentioned in article 2 of the Law of April 6, 1995 acting for their own account;
- Insurance companies mentioned in article 2, § 1 of the Law of July 9, 1975 acting for their own account;
- Pension funds mentioned in article 2, §3 6° of the Law of July 9, 1975 acting for their own account;
- Collective investment institutions mentioned in the Law of December 4, 1990 acting for their own account; or
- Non-residents, acting for their own account, upon delivery of a certificate of non-residence.

1.3. Tax on the Physical Delivery of Bearer Shares

A special tax levied on the physical delivery of bearer securities has been introduced, amounting to 0,2% of the value of the relevant securities.

1.4. Estate and gift tax

An estate tax is levied on the fair market value of shares transferred as part of a Belgian resident's estate.

Gifts of shares in Belgium are subject to gift tax, unless the gift is made by way of a purely physical delivery of bearer shares.

2. BELGIAN NON-RESIDENTS

2.1. Dividends

— *Withholding tax*

As a general rule, a withholding tax of 25% is levied on the gross amount of dividends paid on or attributed to the shares. Dividends subject to the dividend withholding tax include all benefits from shares in whatever form as well as repayments of statutory capital, except repayments of fiscal capital made in accordance with the Belgian company laws. In principle, fiscal capital includes paid-in capital and paid-in share premiums which are booked to a segregated reserve and which can be repaid only pursuant to a special shareholders' resolution if the bylaws of the Company so provide. Amounts paid by a corporation for the redemption of its own shares in accordance with Belgian company laws are in principle not subject to withholding tax. Finally, the distributions that Melexis would make to its shareholders as a result of a complete dissolution and liquidation, are also taxed as dividends so far as the payment exceeds the Company's revalued fully paid-up capital. Currently, no Belgian withholding tax is levied on such redemption and liquidation distributions. However, the Belgian Government has announced its intention to introduce a withholding tax in case of a redemption of own shares or in case of a complete or partial liquidation as from January 1, 2002.

Under certain circumstances, Belgian domestic law provides for a reduction of the withholding tax rate to 15% in respect of shares which were issued to the public after January 1, 1994.
For non-resident individuals and corporations, the withholding tax will be the only tax on dividends in Belgium, unless the non-resident acquired the shares for a business conducted in Belgium through a fixed Belgian base or a Belgian establishment. If the shares were acquired by a non-resident for a business in Belgium, the beneficiary must report any dividends received, which will be taxed at the non-resident personal or corporate tax rate. Withholding tax retained at source may, in principle, be offset against personal or corporate tax and is reimbursable to the extent that it exceeds the actual tax payable, subject to two conditions: (i) the taxpayer must fully own the shares at the time the dividends are paid or attributed; and (ii) the dividend distribution must not reduce the value of the shares or result in a reduction in value of or a capital loss on the shares. Corporate taxpayers may deduct up to 95% of gross dividends from their taxable profits (other than from certain disallowed expenses) if, at the date dividends were paid or attributed, they held at least 5% of the capital of Melexis or a participation with an acquisition value of at least EUR 1.200.000,00. The 95% dividend received exemption is, however, subject to the conditions of taxation of the income distributed provided under article 202 and following of the Income Tax Code. The exemption depends of a factual determination and upon each distribution and thus may be subject to change.

— *Exemptions from and reductions of withholding tax*

Under Belgian law, the withholding tax is not due on dividends paid to a non-resident organisation that is not engaged in any business or other profit activity if it signs a certificate confirming that it is a non-resident organisation exempt from income tax in its country of residence, and not obligated to redistribute dividends to anyone else and not engaged in any business or other profit activity. The organisation must then forward that certificate to Melexis or the paying agent.

Moreover, in accordance with European Union law, European Union resident companies that qualify under the EEC Parent-Subsidiary Directive of July, 23 1990 (90/435/EEC) are exempt from withholding tax if they own at least a 25% interest in Melexis for an uninterrupted period of at least one year. To benefit from the exemption, the qualified shareholder must sign a certificate as to its status as a European Union-resident company within the meaning of the EEC Parent Subsidiary Directive of July, 23 1990 (90/435/EEC) and as to it having held a 25% or more interest for an uninterrupted period of at least one year. This certificate must then be forwarded to Melexis or the paying agent. A shareholder that holds an interest in Melexis of 25% or more but that has not held it for one year at the time the dividends are paid or attributed, may benefit from the exemption if it signs a certificate such as that described above but giving the date from which it has held its 25% or more interest. In the certificate the shareholder must also undertake to continue to hold the interest until the one year period has expired and to notify Melexis immediately if the one year period has expired or if its shareholding falls below 25%. Melexis will hold the withholding tax until the end of the one year period and then pay it to the shareholder or the Belgian tax authorities, as appropriate.

Belgium has concluded tax treaties with more than 55 countries, reducing the dividend withholding tax rate to 15%, 10%, or 5% for residents of those countries, depending of conditions among other related to the importance of the shareholding.

2.2. Capital gains and losses

Capital gains realised on shares by a non-resident individual that has not acquired the shares for a business conducted in Belgium through a fixed base or a Belgian establishment, are not subject to taxation and losses are not deductible.

However, if the gain is deemed to be speculative or is realised outside the scope of normal management of the holder's assets, the gain will be taxable at the rate of 33%, and if, during the five years before the transfer of the shares, the shareholder, or the person from whom he has received the shares without payment of any consideration, has held, directly or indirectly, an important shareholding in Melexis, i.e. a shareholding of more than 25% (the 25% to be calculated on the basis of the shares held by the transferor, his spouse, ancestors, descendants and collaterals up to the second degree of kinship of the transferor and his spouse) and the shares are transferred directly or indirectly to a non-resident legal entity, the gain will be taxable at the rate of 16,5%. These taxes are subject to a local surcharge and to a crisis surcharge of maximum 3%. Losses on speculative transactions on shares or on transactions outside the scope of normal management of the holder's assets are deductible from the income from similar transactions.

Under the Belgium-Netherlands Tax Treaty and the Belgium-Luxembourg Tax Treaty, such gains realised by Belgian non-resident individuals entitled to claim the benefit of those treaties are not taxable in Belgium. Under the Belgium-U.S. Tax Treaty, such gains realised by Belgian non-resident individuals who are entitled to claim the benefit of that treaty are only taxable in Belgium, if the shareholder is present in Belgium during one or more periods totalling 183 or more days during the taxable period.

Capital gains will be taxed at the ordinary progressive income tax and losses will be deductible, if those gains or losses are realised on shares by a non-resident individual that has acquired the shares for a business conducted in Belgium through a fixed base or a Belgian establishment. In such case, losses on shares are deductible.

Capital gains realised by a non-resident corporation that has acquired the shares for a business conducted in Belgium through a fixed base or a Belgian establishment will be taxed at the ordinary corporate income tax rate (40,17%), unless the shares meet the requirement for the 95% dividend received exemption (in which case the capital gain is exempt from corporate income tax). Losses on shares realised by a non-resident corporation are in general not deductible. For the future reduction of the corporate tax rate and the 95% dividend received exemption see above "– Belgian residents – Corporations".

2.3. Tax on Stock Exchange Transactions

Investors purchasing or selling Shares through a Belgian professional intermediary are subject to the tax on stock exchange transactions ("*Taks op Beursverrrichtingen*" or "TOB") in the amount of 0,17% (but limited to EUR 250,00 per transaction and per party) on the purchase and the sale in Belgium of existing shares of a company.

The TOB is not due by:

- Professional intermediaries mentioned in article 2 of the Law of April 6, 1995 acting for their own account;
- Insurance companies mentioned in article 2, § 1 of the Law of July 9, 1975 acting for their own account;
- Pension funds mentioned in article 2, §3 6° of the Law of July 9, 1975 acting for their own account;
- Collective investment institutions mentioned in the Law of December 4, 1990 acting for their own account; or
- Non-residents, acting for their own account, upon delivery of a certificate of non-residence.

2.4. Tax on the Physical Delivery of Bearer Shares

A special tax levied on the physical delivery of bearer securities has been introduced, amounting to 0,2% of the value of the relevant securities.

Certain U.S. Federal Income Tax Considerations

The following is a summary of the material U.S. federal income tax consequences of the acquisition, ownership and disposition of Shares by a U.S. Holder (as defined below). This summary deals only with initial purchasers of Shares that are U.S. Holders and that will hold the Shares as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Shares by particular investors, and does not address state, local, foreign or other tax laws. In particular, this summary does not address tax considerations applicable to investors that own (directly or indirectly) 10 per cent. or more of the voting stock of the Company, nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as banks, insurance companies, investors liable for the alternative minimum tax, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the Shares as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes or investors whose functional currency is not the U.S. $).

As used herein, the term "U.S. Holder" means a beneficial owner of Shares that is (i) a citizen or resident of the United States for U.S. federal income tax purposes, (ii) a corporation, or other entity treated as a corporation, created or organised under the laws of the United States or any State thereof, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust.

The summary assumes that the Company is not a passive foreign investment company (a "PFIC") for U.S. federal income tax purposes, which the Company believes to be the case. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. This determination will depend in part on whether the Company continues to earn substantial amounts of operating income, as well as on the market valuation of the Company's assets and the Company's spending schedule for its cash balances and the repayment by Elex of its outstanding debt to the Company. If the Company were to be a PFIC in any year, materially adverse consequences could result for U.S. Holders. See "Passive Foreign Investment Company Considerations" below.

The summary is based on the tax laws of the United States, including the Internal Revenue Code of 1986, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and Belgium (the "Treaty"), all as currently in effect and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

1. SHARES

1.1. Dividends

General. Distributions paid by the Company out of current or accumulated earnings and profits (as determined for U.S. federal income tax purposes), before reduction for any Belgian withholding tax paid by the Company with respect thereto, will generally be taxable to a U.S. Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the U.S. Holder's basis in the Shares and thereafter as capital gain.

Foreign Currency Dividends. Dividends paid in euros will be included in income in a U.S. $ amount calculated by reference to the exchange rate in effect on the day the dividends are received by the U.S. Holder, regardless of whether the euros are converted into U.S. $. If dividends received in euros are converted into U.S. $ on the day they are received, the U.S. Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

Effect of Belgian Withholding Taxes. As discussed in "Belgian Tax Consideration", under current law payments of dividends by the Company to foreign investors are subject to a 25% Belgian withholding tax. The rate of withholding tax applicable to U.S. Holders that are eligible for benefits under the Treaty is reduced to a maximum of 15%. For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Belgian taxes withheld by the Company, and as then having paid over the withheld taxes to the Belgian taxing authorities. As a result of this rule, the amount of dividend income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of dividends may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Company with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Belgian income taxes withheld by the Company. For purposes of the foreign tax credit limitation, foreign source income is classified in one of several "baskets", and the credit for foreign taxes on income in any basket is limited to U.S. federal income tax allocable to that income. Dividends paid by the Company generally will constitute foreign source income in the "passive income" basket or, in the case of certain holders, the "financial services income" basket. In certain circumstances, a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for foreign taxes imposed on a dividend if the U.S. Holder (i) has not held the Shares for at least 16 days in the 30-day period beginning 15 days before the ex dividend date, or (ii) holds the Shares in arrangements in which the U.S. Holder's expected profit, after non-U.S. taxes, is insubstantial.

U.S. Holders that are accrual basis taxpayers must translate Belgian taxes into U.S. $ at a rate equal to the average exchange rate for the taxable year in which the taxes accrue, while all U.S. Holders must translate taxable dividend income into U.S. $ at the spot rate on the date received. This difference in exchange rates may reduce the U.S. $ value of the credits for Belgian taxes relative to the U.S. Holder's U.S. federal income tax liability attributable to a dividend.

Prospective purchasers should consult their tax advisers concerning the foreign tax credit implications of the payment of Belgian taxes.

1.2. Sale or other disposition

Upon a sale or other disposition of Shares, a U.S. Holder generally will recognise capital gain or loss for U.S. federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the U.S. Holder's adjusted tax basis in the Shares. This capital gain or loss will be long-term capital gain or loss if the U.S. Holder's holding period in the Shares exceeds one year. For a non-corporate U.S. Holder, the maximum long-term capital gains rate is 20 per cent., which is further reduced to 18 per cent. if the Shares have been held for more than five years.

Any gain or loss will generally be U.S. source, except that losses will be treated as foreign source to the extent the U.S. Holder received dividends that were includible in the financial services income basket during the 24-month period prior to the sale.

2. PASSIVE FOREIGN INVESTMENT COMPANY CONSIDERATIONS

A foreign corporation will be a PFIC in any taxable year in which, after taking into account the income and assets of the corporation and certain subsidiaries pursuant to the applicable "look-through rules," either (i) at least 75 per cent. of its gross income is "passive income" or (ii) at least 50 per cent. of the average value of its assets is attributable to assets which produce passive income or are held for the production of passive income. The Company does not believe that it should be treated as a PFIC for U.S. federal income tax purposes but the Company's possible status as a PFIC must be determined annually and therefore may be subject to change. This determination will depend in part on whether the Company continues to earn substantial amounts of operating income, as well as on the market valuation of the Company's assets and the Company's spending schedule for its cash balances and the repayment by Elex of its outstanding debt to the Company. If the Company were to be treated as a PFIC, U.S. Holders of Shares would be required (i) to pay a special U.S. addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

3. BACKUP WITHHOLDING AND INFORMATION REPORTING

Payments of dividends and other proceeds with respect to Ordinary Shares, by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its U.S. federal income tax returns. Certain U.S. Holders (including, among others, corporations) are not subject to backup withholding. U.S. Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Underwriting and Sale

1. UNDERWRITING

ING Bank N.V., London Branch and Dexia Securities shall, pursuant to an underwriting and sale agreement expected to be signed on May 17, 2002 (the "Underwriting Agreement"), agree, severally but not jointly, with the Selling Shareholder to purchase the Offered Shares effectively placed with investors at the Closing Date at the Offering Price and the Selling Shareholder agrees to sell these Offered Shares at the Offering Price.

Subject to the terms and conditions set forth in the Underwriting Agreement, ING Bank N.V., London Branch and Dexia Securities are expected to agree severally but not jointly to purchase respectively 80% and 20% of the Offered Shares that are effectively placed with investors at the Closing Date.

The Company has granted the Global Coordinator an Over-allotment Option, exercisable by the Global Coordinator for 30 days from the Closing Date, to purchase up to an aggregate of 1.150.000 Additional Shares at the Offering Price to cover over-allotments, if any. Upon exercise of the Over-allotment Option, the Global Coordinator shall purchase and pay for such Additional Shares at the initial Offering Price.

The Underwriting Agreement is expected to provide that upon the occurrence of certain events, such as a suspension of trading generally on the world's principal stock exchanges, a suspension of trading of the Ordinary Shares of Melexis on Nasdaq Europe or Euronext Brussels or a material adverse change in the financial markets or in the financial condition and business affairs of the Company, the Global Coordinator may, following consultation with the Selling Shareholder, the Company and Dexia Securities, terminate the Underwriting Agreement prior to the delivery or payment of the Shares.

The Selling Shareholder shall pay the Global Coordinator a combined management and underwriting fee of 1,5% of the Offering Price per Share and a selling concession of 1,5% of the Offering Price per Share.

The Underwriting Agreement provides that the obligations of ING Bank N.V., London Branch and Dexia Securities are subject to certain conditions precedent, and that they are committed to take and to pay the Offering Price for the Offered Shares that are effectively placed with investors at the Closing Date of the Offering. The Company and the Selling Shareholder have agreed to indemnify ING Bank N.V., London Branch and Dexia Securities against certain liabilities in connection with the Offering. In addition, the Selling Shareholder has agreed to reimburse the Global Coordinator for certain expenses made in connection with the Offering.

The global costs of the Offering are estimated at some EUR 2,2 million, assuming all the Shares are sold. This estimation includes fees for legal advice and accountancy fees for a total amount of approximately EUR 150.000, the fees of the BFC of EUR 6.451, publication and printing costs. various other costs, and taxes. The remuneration paid to financial intermediaries will amount to 3% of the Offering Price of the Shares sold (1,5% combined management and underwriting fee and 1,5% selling concession). All these costs and expenses will be borne by the Selling Shareholder.

2. OFFERING PRICE

The Offering Price is subject to a maximum price equal to the closing mid-price of the Ordinary Shares on Nasdaq Europe on the business day prior to the commencement of the Acquisition Period, expected to be May 10, 2002 (the "Maximum Price"). The Maximum Price will be announced in the Belgian financial press on May 13, 2002.

The Offering Price will be determined by negotiations between the Selling Shareholder and the Global Coordinator after the Closing Date of the Offering, which is expected to occur on May 16, 2002. The factors considered in determining the Offering Price shall include the prevailing market price of the Company's Ordinary Shares, prevailing market and economic conditions, the level of interest shown by potential investors and other factors deemed relevant.

The Offering Price will be published in the Belgian financial press within three business days following the Closing Date of the Offering Period.

The Offering Price in the Public Offering and the Institutional Offering will be the same.

3. ACQUISITION PERIOD

The Acquisition Period for the Public Offering (for Belgian retail investors) is expected to commence on May 13, 2002 and is expected to close on May 16, 2002.

The Aquisition Period may be extended, without prior notice and upon approval of the BFC, by agreement between the Global Coordinator and the Selling Shareholder. No purchase orders will be accepted after the closing of the Acquisition Period.

During the Acquisition Period, binding offers to purchase Shares will be solicited from retail investors at the Offering Price.

4. BOOKBUILDING PERIOD

The Bookbuilding Period for the Institutional Offering (for Belgian and institutional investors) is expected to commence on May 13, 2002 and is expected to close on May 16, 2002.

The Bookbuilding Period may be extended, without prior notice and upon approval of the BFC, by agreement between the Global Coordinator and the Selling Shareholder.

The purpose of the Bookbuilding Period is to allow the Offering Price to be determined by the market.

5. ACQUISITION AND BOOKBUILDING PROCEDURE

Retail investors in Belgium may obtain copies of the Prospectus from BBL and Dexia (Dexia Bank including ex-Artesia and ex Bacob). Belgian retail investors are requested to deposit their purchase orders with a financial institution, indicating the number of Shares they wish to purchase at the Offering Price. The purchase orders must be signed and delivered to BBL and/or Dexia.

Investors will bear all costs that may be charged by financial institutions for the opening or closing of a financial account, costs relating to the transfer of securities from one depository account to another and costs related to securities transactions. Investors will bear all costs that may be charged by financial intermediaries other than BBL and/or Dexia, through which purchase orders have been submitted. Investors who submit orders through financial institutions other than BBL and Dexia must inquire about these costs incurred by the intervention of such financial institution.

In addition, Belgian investors may be subject to the Belgian Tax on Stock Exchange Transactions (see "Taxation").

Institutional investors must submit their orders to ING Bank N.V., London Branch, BBL or Dexia Securities.

6. WITHDRAWAL FROM THE OFFERING

Should an event occur that would have a material adverse influence - the Company having published the occurrence of such event in the Belgian financial press - on the public's judgement of the Offering after the date of the Prospectus and before the listing of the Company's Ordinary Shares on Euronext Brussels, the retail investors who have already submitted their purchase orders will have the opportunity to withdraw from the Offering within two business days after said publication.

7. ALLOCATION OF THE SHARES

In the event of over-selling, the purchase orders shall lead to partial allocation. It is the Company's objective to attract new national retail and institutional, and international institutional investors. The Global Coordinator will then, upon approval of the Company and the Selling Shareholder, determine how to allocate the Shares among investors. Objective criteria's will be used to allocate the Shares among the investors.

With regard to the Public Offering, priority may be given to retail investors having submitted their purchase forms with BBL or Dexia.

Of the Shares (including the Additional Shares, if any) 10% shall be offered to retail investors in Belgium. The Global Coordinator may, at its discretion and in consultation with the Selling Shareholder and Dexia Securities, increase or decrease this percentage depending on whether the relative demand from retail investors is significantly greater than the relative demand from institutional investors or vice versa.

If the Global Coordinator determines, or has reason to believe, that for a single investor several orders were submitted, the Global Coordinator may reduce or disregard the allotment. In addition, purchase orders whose abnormally large size could disrupt the secondary market, may be reduced or disregarded.

The outcome of the Offering as well as the method of the allocation with respect to the retail tranche will be published in the Belgian financial press, at the latest within three business days following the Closing Date of the Offering period.

8. PAYMENT

Belgian residents may be subject to a Tax on Stock Exchange Transactions, in the amount of 0,17% on the Offering Price (limited to EUR 250,00 per transaction and per party) for the purchase of Shares.

Belgian retail investors must sign the purchase order thereby authorising their bank to debit their account, for value May 22, 2002 for an amount in euro, equal to the Offering Price multiplied by the number of Shares they wish to purchase, and increased by the Tax on Stock Exchange Transactions and, as the case may be, increased with the costs and/or fees charged by financial institutions other than BBL or Dexia as discussed above.

9. FORM AND DELIVERY OF THE SHARES

The shares are all in bearer form and represented by one or more global certificates deposited with a common depository for Euroclear and Clearstream Banking Luxembourg and/or CIK. Upon settlement, they will be allocated in book-entry form only to the securities account the purchasers have with a financial institution which is a direct member of CIK, Euroclear and/or Clearstream Banking Luxembourg. The book-entry will indicate for whose account CIK, Euroclear and/or Clearstream Banking Luxembourg ultimately hold a certain number of Shares and will, hence, indirectly evidence title to the Shares.

The Company does not intend to deliver physical bearer shares. However, as Belgian law and the Company's Articles of Association entitle shareholdres to request the Company to deliver a physical certificate for their bearer shares, the Company will do so upon request and at the shareholders' expenses. Costs related to such delivery include the printing costs, the tax on the physical delivery of bearer shares amounting to 0,2% on the value of the relevant shares(see also "Taxation") and other expenses that might be payable to financial intermediaries that deliver the physical securities. The latter delivery cost currently amounts to EUR 12,50 for BBL and EUR 10 for Dexia.

Investors must be aware that bearer shares represented by individual physical share certificates are not eligible for trading on Nasdaq Europe, as book-entry settlement from one securities account to another – which are held with a financial intermediary that, either directly or indirectly, holds an account with CIK, Euroclear and/or Clearstream Banking Luxembourg – is mandatory on Nasdaq Europe.

10. OWNERSHIP OF THE SHARES

Ownership rights of the Shares will be evidenced by their entry in the securities account(s) of the purchaser held by accredited financial intermediaries which either directly or indirectly hold an account with CIK, Euroclear and/or Clearstream Banking Luxembourg.

11. LISTING

The listing of the Shares on Euronext Brussels is expected to be effective as from May 17, 2002.

Transfer Restrictions

The Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Each Manager has agreed that, except as permitted by the Underwriting Agreement, it will not offer or sell the Shares (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the offering and the Closing Date, within the United States or to, or for the account or benefit of, U.S. persons, and it will have sent to each dealer to which it sells Shares (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Shares within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The Shares are being offered and sold outside of the United States to non-U.S. persons in reliance on Regulation S. The Underwriting Agreement provides that the Managers may through their respective U.S. broker-dealer affiliates arrange for the offer and resale of Shares within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the Offering, an offer or sale of Shares within the United States by a dealer that is not participating in the offering may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

RULE 144A SHARES

Each purchaser of Shares within the United States pursuant to Rule 144A, by accepting delivery of this Prospectus, will be deemed to have represented, agreed and acknowledged that:

(1) It is (a) a qualified institutional buyer within the meaning of Rule 144A ("QIB"), (b) acquiring such Shares for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Shares has been advised, that the sale of such Shares to it is being made in reliance on Rule 144A.

(2) It understands that such Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that such Shares (to the extent they are in physical form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

> THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF

REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR RESALES OF THIS SECURITY. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THE SHARE MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY IN RESPECT OF SECURITIES ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK.

(4) The Company, the Selling Shareholder, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Securities for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Prospective purchasers are hereby notified that sellers of the Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

REGULATION S SHARES

Each purchaser of Shares outside the United States pursuant to Regulation S and each subsequent purchaser of such Shares in resales prior to the expiration of the distribution compliance period, by accepting delivery of this Prospectus and the Shares, will be deemed to have represented, agreed and acknowledged that:

(1) It is, or at the time Shares are purchased will be, the beneficial owner of such Shares and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.

(2) It understands that such Shares have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period, it will not offer, sell, pledge or otherwise transfer such Shares except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any State of the United States.

(3) It understands that such Shares (to the extent they are in physical form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend to the following effect:

THIS SECURITY HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT.

(4) The Company, the Selling Shareholder, the Managers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

Selected Key Figures

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

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

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

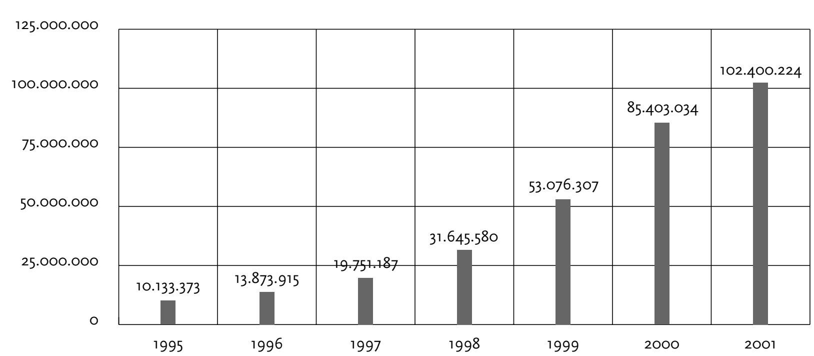
Cash flow and capital expenditure	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
Cash flow (*)	3.192	4.807	7.567	10.168	17.815	24.224	28.977
Depreciation + amortisation	92	301	520	1.904	3.801	7.021	8.675
Capital expenditure	294	1.125	3.660	7.727	7.567	16.426	8.506

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

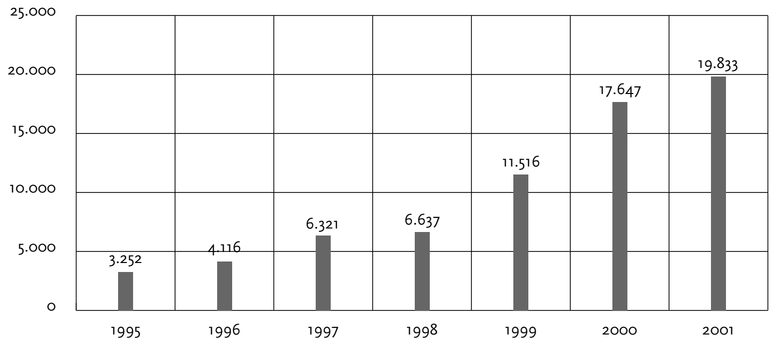
Ratios	**1995**	**1996**	**1997**	**1998**	**1999**	**2000**	**2001**
ROE	85%	55%	16%	15%	26%	24%	22%
Liquidity	4,5	5,9	14,9	6,9	2,2	1,6	2,7
Solvency	66%	80%	93%	88%	69%	47%	67%

(*) liquidity = current assets / current liabilities

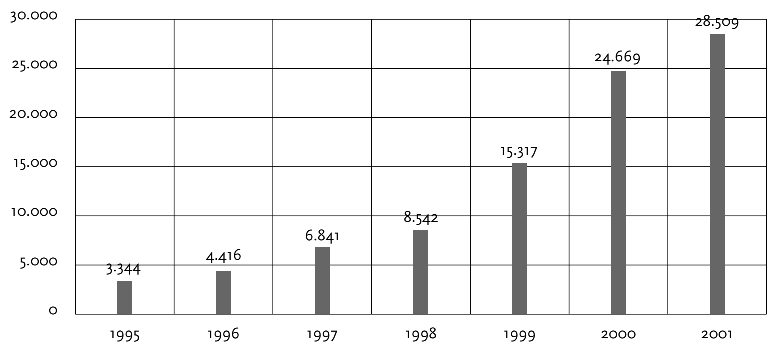
Turnover Evolution (in EUR)



EBIT Evolution (in 1.000 EUR)



Cash Flow Evolution (in 1.000 EUR)



Consolidated Financial Statements

1. INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Melexis NV,

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

Unqualified audit opinion on the consolidated financial statements.

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

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of Melexis NV and subsidiaries as of December 31, 2001, 2000 and 1999, and the results of their operations and their cash flows for the years then ended in accordance with International Financial Reporting Standards issued by the International Financial Reporting Standards Board and in accordance with the 7th EU Directive.

Additional statements

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

— The consolidated directors' report for the year ended December 31, 2001 is in agreement with the consolidated annual accounts and includes the information required by the Belgian law;
— Regardless of formal aspects of minor importance, the consolidated annual accounts are established in conformity with applicable law and regulations in Belgium;
— We draw your attention to footnote 3.4.AB where in accordance with Article 524 of the Belgian Company law, an overview is given of the transactions with related parties that occurred in the course of 2001.

The Statutory Auditor,
ARTHUR ANDERSEN
Bedrijfsrevisoren

Ludo De Keulenaer
February 9, 2002

2. DETAILED CONSOLIDATED FINANCIAL STATEMENTS

Melexis NV Consolidated balance sheets	31st December		
	2001	2000	1999
	EUR	EUR	EUR
Assets			
Current assets			
Cash, and cash equivalents (notes 3.4.A)	13.516.247	65.452.379	23.091.046
Current investments (notes 3.4.B)	3.370.209	–	–
Accounts receivable – trade (notes 3.4.C)	16.748.857	17.638.550	8.719.540
Accounts receivable – Related companies (notes 3.4.AB)	43.310.056	12.290.873	8.265.794
Inventories (notes 3.4.D)	15.722.723	15.340.426	10.148.180
Other current assets (notes 3.4.F)	4.568.954	4.729.692	1.740.781
Total current assets	97.237.046	115.451.920	51.965.341
Non current assets			
Intangible fixed assets (notes 3.4.H)	573.566	584.354	319.878
Property, plant and equipment (notes 3.4.I)	31.087.482	30.255.188	20.110.448
Other non-current assets	320.175	179.656	–
Deferred taxes (notes 3.4.W)	4.027.000	2.727.574	1.089.684
Goodwill (notes 3.4.G)	2.287.887	3.279.165	4.283.226
Total assets	**135.533.156**	**152.477.857**	**77.768.577**
Liabilities and shareholders' equity			
Current liabilities:			
Bank loans and overdrafts (notes 3.4.L)	3.937.737	14.517.038	6.332.284
Current portion of long-term debt	5.238.781	5.180.541	148.900
Accounts payable – trade	3.965.824	4.343.707	3.857.241
Accounts payable – related companies (notes 3.4.AB)	16.959.524	40.713.642	9.738.865
Accrued expenses, payroll and related taxes (notes 3.4.J)	3.978.692	2.773.771	981.130
Other current liabilities	237.166	610.267	444.685
Deferred income (notes 3.4.K)	2.020.029	2.248.212	1.563.479
Total current liabilities	36.337.753	70.387.178	23.066.584
Long-term debt less current portion (notes 3.4.M)	7.687.798	11.034.007	591.864
Deferred tax liabilities	75.282	150.563	225.847
Minority interests	749	620	620
Shareholders' capital	565.197	565.197	565.197
Share premium	30.135.419	30.135.419	30.135.419
Legal reserve	56.520	56.520	56.520
Retained earnings	40.413.547	23.210.657	22.877.383
Current year's profit	20.301.124	17.202.890	14.013.274
Dividend paid	–	–	(13.680.000)
Cumulative translation adjustment	(40.233)	(265.194)	(84.131)
Total shareholders' equity (notes 3.4.N)	91.431.574	70.905.489	53.883.662
Total liabilities, shareholders' equity and minority interests	**135.533.156**	**152.477.857**	**77.768.577**

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

Melexis NV Consolidated Income Statements	Years ended 31st December		
	2001	2000	1999
	EUR	EUR	EUR
Sales	91.859.398	80.778.884	50.608.763
Revenues from Research and Development (notes 3.4.Y)	10.540.826	4.624.150	2.467.544
Cost of sales (notes 3.4.P)	(57.910.486)	(48.701.836)	(31.264.241)
Gross margin	44.489.738	36.701.198	21.812.066
Unrealised exchange gains/loss on foreign exchange contracts	(307.620)	1.047.450	–
Goodwill Amortisation	(991.278)	(1.004.061)	(422.807)
Research and development expenses (notes 3.4.Q)	(14.213.783)	(11.051.522)	(5.453.291)
General and administrative expenses (notes 3.4.R)	(4.067.480)	(3.800.711)	(2.471.681)
Selling expenses (notes 3.4.S)	(4.546.151)	(4.245.119)	(1.948.272)
Other operating expenses (net) (notes 3.4.Z)	(529.950)		
Income from operations	19.833.476	17.647.235	11.516.015
Financial income (notes 3.4.V)	10.726.020	10.003.241	3.046.551
Financial charges (notes 3.4.V)	(7.054.414)	(8.707.742)	(1.625.039)
Other expenses (net)	–	74.711	–
Income before taxes	23.505.082	19.017.445	12.937.527
Income taxes (notes 3.4.W)	(3.203.958)	(1.814.555)	1.075.748
Minority interest –	–	(1)	
Net income of the period	20.301.124	17.202.890	14.013.274
Earnings per share (note 3.4.X)	0.45	0.38	0.31

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

Melexis NV Consolidated Statements of Changes in Equity	Number of Shares	Share capital	Share premium	Legal reserve	Retained earnings	CTA	Total equity
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
December 31,1998	45.600.000	565.197	30.135.419	56.520	22.877.383	(21.094)	53.613.425
Net income					14.013.274		14.013.274
CTA movement						(63.037)	(63.037)
Interim dividend					(13.680.000)		(13.680.000)
December 31,1999	45.600.000	565.197	30.135.419	56.520	23.210.657	(84.131)	53.883.662
Net income					17.202.890		17.202.890
CTA movement						(181.063)	(181.063)
December 31,2000	45.600.000	565.197	30.135.419	56.520	40.413.547	(265.194)	70.905.489
Net income					20.301.124		20.301.124
CTA movement						224.961	224.961
December 31,2001	45.600.000	565.197	30.135.419	56.520	60.714.671	(40.233)	91.431.574

Melexis NV Consolidated Statements of Cash Flows	Years ended 31st December		
(indirect method)	2001	2000	1999
	EUR	EUR	EUR
Cash flows from operating activities:			
Net profit	20.301.124	17.202.890	14.013.274
Adjustments for:			
Operating activities:			
Deferred taxes	(1.299.426)	(1.637.890)	(1.089.684)
Unrealised exchange gains	307.620	(1.047.450)	–
Reserve for uncollectible receivables	601.510	812.039	–
Capital grants (notes 3.4.o)	(955.126)	(1.365.171)	(527.419)
Depreciation	7.684.191	6.017.271	3.378.433
Amortisation Goodwill	991.278	1.004.061	422.807
Income tax	4.476.863	3.452.445	–
Income taxes paid	(3.039.259)	(1.637.890)	–
Unrealised exchange results	424.192		–
Financial results	(3.671.606)	(1.295.499)	(1.421.512)
Operating profit before working capital changes:			
Accounts receivable, net	483.361	(9.731.049)	(2.017.594)
Other current assets	(20.838)	(2.448.888)	634.936
Other non-current assets	(228.644)	(179.656)	–
Due to (from) related companies	(1.407.917)	(11.746.299)	4.280.118
Accounts payable	(369.268)	486.466	321.905
Accrued expenses	(474.604)	1.792.641	(826.769)
Other current liabilities	(373.101)	165.582	389.434
Inventories	(295.749)	(5.192.246)	(2.060.124)
Interest paid	(1.814.849)	(1.668.238)	(375.175)
Net cash from operating activities	21.319.752	(7.016.881)	15.122.630
Cash flows from investing activities:			
Acquisition of subsidiary, net of cash acquired	–	–	(6.724.797)
Purchase of property plant and equipment and intangible assets	(8.505.697)	(16.426.487)	(7.566.948)
Interest received	3.669.047	2.271.229	1.630.876
Proceeds from current investments	976.366	1.360.000	–
Acquisition of current investments	(2.181.995)	–	–
Net cash used in investing activities	(6.042.279)	(12.795.258)	(12.660.869)
Cash flows from financing activities:			
Proceeds from long-term debt	614.471	15.473.784	387.516
Repayment of long-term debt	(3.960.680)		
Proceeds from bank loans and overdrafts	9.176.518	8.184.754	1.415.825
Repayment of bank loans and overdrafts	(19.697.579)		
Proceeds from (repayment of) related party financing	(53.365.384)	38.695.997(1)	
Proceeds from (repayments of) accounts payable to directors	–	–	1.953
Interim dividend payment	–	–	(13.680.000)
Other	129	–	620
Net cash provided by (used in) in financing activities	**(67.232.525)**	**62.354.535**	**(11.874.086)**
Effect of exchange rate changes on cash and cash equivalents	18.920	(181.063)	(63.037)
Increase (decrease) in cash and cash equivalents	(51.936.132)	42.361.333	(9.475.362)
Cash and cash equivalents at beginning of period	65.452.379	23.091.046	32.566.408
Cash and cash equivalents at end of period	13.516.247	65.452.379	23.091.046

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

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

3. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3.1. General

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

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

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

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

3.2. Summary of Significant Accounting Policies

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

Basis of preparation

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

On March 29, 1999, the Minister of Economic Affairs agreed to the preparation of the consolidated annual accounts in accordance with IAS for a period of 5 years (starting with the year ending December 31, 1998).

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

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

Changes in accounting principles

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

Measurement currency

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

Foreign currency

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 recognised in the income statement in the period in which they arise.

Foreign currency translation

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

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

Principles of Consolidation

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

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

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

The consolidation scope includes Melexis NV, its subsidiaries Melexis Tessenderlo NV, Melexis Ukraine, Melexis BV (incorporated respectively in 1999, 2000 and 2001), Melexis Inc. (formerly US MikroChips Inc), which was acquired in the last quarter of 1997, Melexis GmbH, previously known as Thesys Mikroelektronik Produkte GmbH, which was acquired in October 1999 and Melexis Bulgaria Ltd., which was acquired in October 2000. The goodwill on Melexis Bulgaria Ltd. has been computed in compliance with IAS 22 on the financial position effective on the acquisition date, as the difference between the cost of acquisition and the fair value of the identifiable assets and liabilities of Melexis Bulgaria Ltd, and amounted to zero. The fair value is not materially different from the book value at acquisition date.

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

Cash and cash equivalents

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

Receivables

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

Hedging

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

Derivative financial instruments

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

Inventories

Inventories, including work-in-process are comprised of material, labour and manufacturing overheads and are valued at the lower of cost (determined on FIFO basis) or net realisable value after provision for obsolete items. Net realisable 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. Unrealisable inventory has been fully written off.

Property, plant and equipment

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

— Buildings	20-33 years
— Machinery, equipment and installations	5 years
— Furniture and vehicles	5 years
— Computer equipment	4 years

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

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

Investments

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

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

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

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

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

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

Intangible Assets

Intangible assets are measured initially at cost. Intangible assets are recognised 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 amortisation and any accumulated impairment losses. Intangible assets are amortised on a straight-line basis over the best estimate of their useful lives. The amortisation period and the amortisation method are reviewed annually at each financial year-end.

Amounts paid for licenses are capitalised and then amortised on a straight-line basis over the expected periods of benefit. The expected useful life of licenses is 3 years.

Goodwill

The excess of the cost of an acquisition over the company's interest in the fair value of the net identifiable assets and liabilities acquired as at the date of the exchange transaction is recorded as goodwill and recognised as an asset in the balance sheet. Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight-line basis over its useful life. The amortisation periods range from 5 to 20 years, based upon the particular circumstances. Amortisation of goodwill is included in operating profit.

Research and Development Costs

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

Provisions

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

Reserves

Capital reserves represent the legal reserve of the parent company and are in accordance with the Belgian law. The Translation Reserve is used for translation differences arising on consolidation of financial statements of foreign entities.

Minority interests

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

Revenue recognition

The company recognises 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 recognised upon meeting of all contractual conditions.

Government Grants

Government grants are deferred and amortised into income over the period necessary to match them with the related costs that they are intended to compensate. Grants received are treated as deferred income in the accompanying consolidated financial statements. Income relating to government grants is recognised as a deduction from the appropriate expense.

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

Income taxes

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

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

Deferred tax assets and liabilities are recognised regardless of when the timing difference is likely to reverse. Deferred tax assets are not discounted and are classified as non-current assets in the balance sheet. Deferred tax assets are recognised when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilised. At each balance sheet date, the company reassesses unrecognised deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised.

A deferred tax liability is recognised for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortisation 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 recognised in income. The recoverable amount is the higher of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit.

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

Segments

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

Contingencies

Contingent liabilities are not recognised 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 recognised in the financial statements, but disclosed when an inflow of economic benefits is probable.

Subsequent events

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

Earnings per share

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

3.3. Changes in Group's Organisation

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

3.4. Notes

A. Cash and cash equivalents	December 31,		
	2001	2000	1999
	EUR	EUR	EUR
Cash at bank and in hand	13.516.247	3.786.275	1.805.214
Cash equivalents	–	61.666.104	21.285.832
Total	**13.516.247**	**65.452.379**	**23.091.046**

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

B. Current investments	December 31,		
	2001	2000	1999
	EUR	EUR	EUR
Acquisition cost	2.181.995	–	–
Fair value	3.370.209	–	–

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

C. Trade receivables	December 31,		
	2001	2000	1999
	EUR	EUR	EUR
Trade accounts receivable	18.030.912	18.443.526	8.853.235
Allowance for doubtful accounts	(1.282.055)	(804.976)	(133.695)
Total	**16.748.857**	**17.638.550**	**8.719.540**

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

E. Derivatives

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

		2001	2000
Outstanding forward contracts per December 31, not exceeding one year	USD	27.961.000	27.961.000
	GBP	–	10.000.000

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

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

F. Other Current Assets	December 31,		
	2001	2000	1999
	EUR	EUR	EUR
Derivatives – fair value	739.830	1.047.450	–
Other receivables	3.677.927	3.568.519	1.631.396
Prepaid expenses	151.197	113.723	109.385
Total other current assets	4.568.954	4.729.692	1.740.781

G. Goodwill

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

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

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

H. Intangible Fixed Assets	Year ended December 31, 2001		
	Licenses	Prepaid	Total
	EUR	EUR	EUR
Acquisition value			
Balance end of previous period	639.290	219.293	858.583
Additions of the period	101.307	51.941	153.248
Retirements	(19.669)	0	(19.669)
Transfers	271.234	(271.234)	0
Total	**992.162**	**0**	**992.162**
Depreciation			
Balance end of previous period	274.229	0	274.229
Additions of the period	164.030	0	164.030
Retirements	(19.663)	0	(19.663)
Total	**418.596**	**0**	**418.596**
Net book value – December 31, 2001	**573.566**	**0**	**573.566**

I. Property, plant and equipment

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

	Year ended December 31, 2001				
	Land and buildings	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
	EUR	EUR	EUR	EUR	EUR
Cost:					
Beginning of the period	3.952.974	28.354.121	1.734.740	299.141	34.340.976
Additions of the year	2.352.134	10.797.252	597.836	63.476	13.810.698
Acquired from 3rd parties	1.659.086	576.887	76.582		2.312.555
Retirements		(889.572)	(232.620)		(1.122.192)
Transfers		55.695	51.032	(106.727)	0
CTA	2.600	51.695	9.743		64.038
End of the period	**7.966.794**	**38.946.078**	**2.237.313**	**255.890**	**49.406.075**
Accumulated depreciation:					
Beginning of the period	407.300	12.840.483	967.715	15.030	14.230.528
Additions of the period	246.097	5.354.055	330.363	47.998	5.978.513
Acquired from 3rd parties					0
Retirements	(103.964)	(903.817)	(76.293)		(1.084.074)
Transfers					
CTA	(3.037)	14.297	13.984		25.244
Other		676			676
End of the period	**546.396**	**17.305.694**	**1.235.769**	**63.028**	**19.150.887**
Net book value – December 31, 2001	**7.420.398**	**21.640.384**	**1.001.544**	**192.862**	**30.255.188**

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

J. Accrued expenses, payroll and related taxes		December 31,	
	2001	2000	1999
	EUR	EUR	EUR
Vacation pay accruals	514.681	541.154	298.412
Other social accruals	263.846	505.696	156.996
Commissions	88.398	39.587	–
Servicing costs	198.315	198.315	328.503
Taxes	2.858.102	1.444.019	177.262
Other	55.350	45.000	19.957
Total	**3.978.692**	**2.773.771**	**981.130**

K. Deferred Income		December 31,	
	2001	2000	1999
	EUR	EUR	EUR
Capital grants	2.020.029	2.248.212	1.563.479
Total	**2.020.029**	**2.248.212**	**1.563.479**

L. Bank loans and overdrafts		December 31,	
	2001	2000	1999
	EUR	EUR	EUR
Secured	0	0	0
Unsecured	3.937.737	14.517.038	6.332.284
Total	**3.937.737**	**14.517.038**	**6.332.284**

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

— minimum solvency-ratio of 40% on a consolidated basis;
— maximum bank debt/equity-ratio of 1,6 on a consolidated basis.

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

M. Long-term debts

Long-term debts consist of the following:

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

(1) Company concluded a secured loan with Triodosbank for an amount of EUR 3.200.000 to finance the construction of an office building. A mortgage of EUR 3.200.000 is given on the building project. As of December 31, 2001, an amount of EUR 614.471 has been taken up.

Repayments of long-term debt are scheduled as follows:

	December 31,		
	2001	2000	1999
	EUR	EUR	EUR
2000			148.900
2001		5.180.541	31.151
2002	5.238.781	5.180.541	31.151
2003	5.292.115	5.180.541	31.151
2004	1.542.115	180.541	31.151
2005	140.386	32.826	31.151
2006	140.386	32.826	31.151
Thereafter	572.796	426.732	404.958
TOTAL	**12.926.579**	**16.214.548**	**740.764**

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

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

N . Shareholders' equity and rights attached to the shares

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

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

Under Belgian company law, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited statutory accounts of the Company. Dividends may be paid either in cash or in kind. However, shareholders may not declare a dividend if the Company has not first reserved at least 5 per cent of its profits for the financial year until such reserve has reached an amount equal to 10 per cent of its share capital (the " Legal Reserve ") or if, following any such dividend, the level of the net assets adjusted for the unamortised balance of the incorporation costs and capitalised research and development costs of the Company falls below the amount of the Company's paid-in-capital and of its Non-Distributive Reserves. The Board of Directors may pay an interim dividend, provided certain conditions set forth in Belgian company law are met.

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

O . Government grants

The revenue from government grants recognised in 2001 and 2000 comprises:

	2001	2000
	EUR	EUR
Investment grants in building, machinery and employment grants	955.126	1.365.171
Grants for research and development	–	–
	955.126	**1.365.171**

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

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

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

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

P . Cost of sales

Cost of sales comprises of the following expenses:

Cost of sales	2001	2000
	EUR	EUR
Purchases	37.862.434	31.543.786
Transportation costs	1.129.759	573.227
Salaries	6.654.947	6.401.781
Depreciation and amortisation	5.670.667	4.745.258
Other direct production costs	6.592.679	5.437.784
Total	**57.910.486**	**48.701.836**

Q. Research and development expenses

Research and development expenses include of the following expenses:

Research and development costs	2001	2000
	EUR	EUR
Salaries	6.951.751	5.168.763
Depreciation and amortisation	1.691.918	1.097.155
Other	5.570.114	4.785.604
Total	**14.213.783**	**11.051.522**

R. General and administration expenses

General and administration expenses include of the following expenses:

General and administrative expenses	2001	2000
	EUR	EUR
Salaries	835.832	477.941
Depreciation and amortisation	232.673	120.497
Other	2.998.975	3.202.273
Total	**4.067.480**	**3.800.711**

S. Selling expenses

Selling expenses are analysed as follows:

Selling expenses	2001	2000
	EUR	EUR
Salaries	1.958.809	1.799.127
Depreciation and amortisation	88.933	54.361
Other	2.498.409	2.391.631
Total	**4.546.151**	**4.245.119**

T. Personnel expenses and average number of employees	2001	2000
	EUR	EUR
Wages and salaries	16.401.339	13.847.612
Total	**16.401.339**	**13.847.612**

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

U. Depreciation and amortisation expenses	2001	2000
	EUR	EUR
Property, plant and equipment		
Cost of sales	5.670.667	4.745.258
Research and development	1.691.918	1.097.155
General and administration	232.673	120.497
Selling	88.933	54.361
Total	**7.684.191**	**6.017.271**

V. Financial results – Net	Years ended December 31,		
	2001	2000	1999
	EUR	EUR	EUR
Financial income:	10.726.020	10.003.241	3.046.551
– interest income	3.669.047	2.271.229	1.630.876
– exchange differences	4.686.944	5.036.440	1.342.852
– fair value valuation	1.188.214		
– gain on shares	1.059.383	936.203	
– dividend		1.360.000	
– other	122.432	399.369	72.823
Financial charges:	7.054.414	8.707.742	1.625.039
– interest charges	1.814.849	1.668.238	375.175
– bank charges	63.949	69.089	
– exchange differences	4.681.495	5.650.245	1.193.817
– less value on shares	83.017		
– other	411.104	1.320.170	56.047
Net financial results	**3.671.606**	**1.295.499**	**1.421.512**

W. Income taxes

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

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

The income tax expense can be detailed as follows:

	Years ended December 31,		
	2001	2000	1999
	EUR	EUR	EUR
Current tax expenses	(4.476.863)	(3.452.445)	–
Deferred tax income	1.272.905	1.637.890	1.075.748
	(3.203.958)	**(1.814.555)**	**1.075.748**

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

	Years ended December 31,	
	2001	2000
	EUR	EUR
Accounting profit	23.505.082	19.017.445
Tax at the applicable tax rate	(9.441.991)	(7.639.308)
Tax effect of non deductible expenses		
Amortisation of consolidated goodwill	(389.196)	(403.331)
Tax effect of companies operating losses	1.577.301	–
Unrealised exchange rate result	(420.760)	–
Total tax effect on non deductible expenses	**767.345**	**(403.331)**
Tax effect on non taxable income		
Unrealised exchange rate result	–	420.760
Dividend received	–	477.075
Gain on shares	477.306	272.126
Sales of Melexis AG	–	96.625
Amortisation goodwill Melexis Tessenderlo NV	4.638.140	4.638.140
Amortisation goodwill Thesys GmbH	389.637	389.637
Total tax effect on non taxable income	**5.505.083**	**6.294.363**
Other	(34.395)	(66.279)
Tax charge consolidated	(3.203.958)	(1.814.555)

Components of deferred tax assets are as follows:

	January 1, 2001	Credited/(charged) to income statement	Cumulative Translation Adjustment	December 31, 2001
	EUR	EUR	EUR	EUR
Deferred tax asset				
Tax loss carry-forward	2.727.574	1.272.905	26.521	4.027.000

X. Earnings per shares

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

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

Y. Research and development revenues

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

The other revenues can be detailed as follows:

		Years ended December 31,	
	2001	2000	1999
	EUR	EUR	EUR
Research and development revenues – product developments	8.640.266	4.624.150	2.467.544
Research and development revenues – other	1.900.560	–	–
Total research and development revenues	**10.540.826**	**4.624.150**	**2.467.544**

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

Z. Other operating expenses	Years ended December 31,		
	2001	2000	1999
	EUR	EUR	EUR
Other operating expenses	529.950	–	–
Total	**529.950**	**–**	**–**

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

AA. Segment information

Segment information is prepared on the following basis:

A. Business segments

The Melexis group conducts the majority of its business activities in the following two areas:
a) Automotive
b) Non-automotive (other)

B. Geographical segments

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

Business segment data

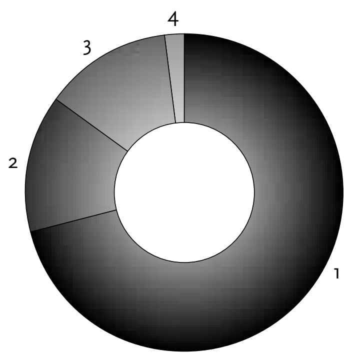
All amounts in 1.000 EUR	Automotive	Other	Unallocated	Total
Sales	74.808	17.051		91.859
Other	8.730	1.811		10.541
Cost of sales	46.521	11.389		57.910
Unrealised exchange gain on foreign exchange contracts			307	307
Goodwill amortisation			991	991
Research and development expenses	11.596	2.618		14.214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

Geographical segment data

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

The following table summarises sales by destination:

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



Revenues by customer

1	Western Europe	71%
2	North America	14%
3	Asia	13%
4	Rest of the World	2%

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

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

AB. Related parties

For the sake of good corporate governance, the Company feels that it is important to spend extra attention to the disclosure of the related party transactions.

1. *Shareholders' structure and identification of major related parties*

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

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

The shareholders of Melexis NV are as follows:

Elex NV owns 70,28% of the outstanding shares (49,0% of these shares are not listed on Nasdaq Europe). The remaining balance of the outstanding shares – 29,72% – is spread in the public.

The shares of Elex are held directly and/or indirectly by Mr Roland Duchâtelet, Mr Rudi De Winter and Ms Françoise Chombar who are all three directors at Melexis.

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

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

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

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

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

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

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

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

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

2. Outstanding balances at year-end

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

Receivables:	December 31,	
On	**2001**	**2000**
Elex NV	28.015.444	422.748
EPIQ group	2.666.372	155.360
X-FAB group	12.621.704	11.156.765
XPEQT	6.536	556.000
TOTAL	**43.310.056**	**12.290.873**

Payables:	December 31,	
On	**2001**	**2000**
Elex NV	12.929.604	38.702.292
EPIQ group	128.197	0
X-FAB group (a subsidiary of Elex NV)	3.793.313	1.319.197
XPEQT	108.410	692.153
TOTAL	**16.959.524**	**40.713.642**

3. Transactions during the year

A. Sales/ purchases of goods and equipment

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

Sales to	
EPIQ group(mainly ICs)	6.755.894
X-FAB group	356.164
XPEQT group	1.323.197

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

B. Sales/purchases of services

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

Purchases from	
EPIQ group (mainly R&D services)	469.264
Elex (mainly R&D services)	213.705

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

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

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

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

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

4. Remuneration of Board of Directors

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

AC. Financial instruments

Financial risk management

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

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

1. Credit Risks

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

2. Interest rate risk

The group does not use derivatives to manage interest rate risks.
The schedule of long-term-debt repayments is disclosed in note m.

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

3. Liquidity risk

Liquidity risk arises from the possibility those customers may not be able to settle obligations to the Company within the normal terms of trade. To manage the risk the Company periodically assesses the financial viability of customers. Any excess cash is invested in short-term deposits.

4. Foreign exchange risk

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

Fair value of Financial Instruments

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

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

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

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

Management believes that the exposure to interest rate risk of financial assets and liabilities as of December 31, 2001 was minimum since their deviation from their respective fair values was not significant.

AD. Commitments

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

AE. Litigation

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

AF. Post-retirement Benefits

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

AG. Subsequent events

There were no subsequent events to be disclosed.

AH. List of subsidiaries consolidated

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

Of the mentioned consolidated subsidiaries, Melexis Gmbh accounted for 32,5% (EUR 33.092.962) of total sales; Melexis Tessenderlo N.V. accounted for 28,5% (EUR 29.165.785) of total sales in 2001.

Condensed Statutory Financial Statements

The Directors' report, the statutory auditor's opinion and the complete set of annual accounts are available at the registered office of the Company at no cost. The statutory auditor issued an unqualified opinion on the annual accounts.

statutory balance sheet	For the years ended December 31,		
in 1.000 EUR	2001	2000	1999
ASSETS			
Fixed assets	**89.291**	**80.166**	**42.473**
I. Formation expenses	289	713	1.138
II. Intangible fixed assets	7	–	–
III. Tangible fixed assets	15.318	16.458	11.540
A. Land and buildings	3.402	3.430	2.118
B. Plant machinery and equipment	11.753	12.668	9.028
C. Furniture and vehicles	163	193	179
F. Assets in progress and advance payments	–	167	215
IV. Financial fixed assets	73.677	62.995	29.795
A. Affiliated companies	73.554	62.886	29.706
1. Participations in third parties	73.554	62.886	29.706
C. Other financial fixed assets	123	109	89
2. Receivables and caution money	123	109	89
Current assets	**78.324**	**101.512**	**107.632**
VI. Stocks and contracts in progress	3.255	2.771	2.228
A. Stocks	3.255	2.771	2.228
1. Raw materials and consumables	577	867	455
2. Contracts in progress	1.965	1.091	1.214
3. Finished goods	713	813	559
VII. Amounts receivable within one year	60.684	35.478	83.769
A. Trade receivables	5.823	6.862	5.388
B. Other receivables	54.861	28.616	78.381
VIII. Cash investments	2.129	61.666	21.130
B. Other investments	2.129	61.666	21.130
IX. Cash deposits	11.867	1.348	257
X. Deferred assets and accrued income	389	249	248
Total assets	**167.615**	**181.678**	**150.105**

statutory balance sheet			For the years ended December 31,	
in 1.000 EUR		2001	2000	1999
EQUITY AND LIABILITIES				
Shareholders' equity		**158.538**	**149.440**	**142.023**
I.	Capital	565	565	565
	A. Outstanding Capital	565	565	565
II.	Share premium account	32.256	32.256	32.256
IV.	Reserves	57	57	57
	A. Legal reserve	57	57	57
V.	Accumulated profits	125.548	116.338	108.809
VI.	Investment grants	112	224	336
PROVISIONS AND DEFERRED TAXES		**273**	**349**	**424**
VII.	A Provisions for liabilities and charges	198	198	198
	4. Other liabilities and charges	198	198	198
VII.	B Deferred taxes	75	151	226
DEBTS		**8.804**	**31.889**	**7.658**
VIII.	Amounts payable after one year	877	591	–
	A. Financial debts	877	591	–
	4. Credit institutions	877	591	–
IX.	Amounts payable within one year	7.884	31.018	7.658
	A. Current portion of amounts payable after one year	185	15.033	118
	B. Financial debts	1.678	12.926	5.747
	1. Credit institutions	1.678	12.926	5.747
	C. Trade	1.165	1.568	1.186
	1. Trade payables	1.165	1.568	1.186
	D. Advances received on contracts in progress	–	151	14
	E. Taxes, remuneration and social security charges	2.296	1.028	184
	1. Taxes	2.031	623	–
	2. Remuneration and social security charges	265	405	184
	F. Other amounts payable	2.560	312	409
X.	Accrued charges and deferred income	43	280	–
Total liabilities		**167.615**	**181.678**	**150.105**

Income statement		For the years ended December 31,		
in 1.000 EUR		2001	2000	1999
I.	Operating revenues	37.602	31.171	42.167
	A. Turnover	36.298	31.015	44.205
	B. Changes in stocks in progress, finished products			
	and contracts in progress	774	131	–2.269
	D. Other operating revenues	530	25	231
II.	Operating charges	(28.862)	(24.166)	(30.941)
	A. Raw materials, consumables and goods for resale	13.116	10.514	20.293
	1. Purchases	12.826	10.926	19.641
	2. Changes in the stocks	290	–412	652
	B. Services and other goods	7.285	6.773	5.360
	C. Remuneration, social security charges and	3.814	2.993	2.243
	D. Depreciations	4.529	3.857	3.040
	E. Amounts written off stocks, contracts in progress and trade receivables	61	–	–
	G. Other operating expenses	57	29	5
III.	Operating profit	8.740	7.005	11.226
IV.	Financial income	8.907	9.355	3.238
	A. Financial fixed assets revenues	14	–	–
	B. Current assets revenues	4.968	4.532	1.783
	C. Other financial revenues	3.925	4.823	1.455
V.	Financial charges	(4.071)	(6.364)	(1.562)
	A. Debt charges	252	592	355
	B Amounts written off on current assets other than those meant under II. E	83	690	–
	C. Other financial charges	3.736	5.082	1.207
VI.	Profit on ordinary activities before taxes	13.576	9.996	12.902
VII	Extraordinary revenues	–	258	86.644
	D. Surplus value realised on fixed assets	–	258	–
	E. Other extraordinary revenues	–	–	86.644
IX.	Profit of the year before taxes	13.576	10.254	99.546
IX bis.	A Transfer from deferred taxes	75	75	–
X.	Income taxes	(4.441)	(2.800)	151
	A. Taxes	4.441	–2.800	–
	B. Regularisation	–	–	151
XI.	**Profit of the year**	**9.210**	**7.529**	**99.697**
XIII.	Profit of the year available for appropriation	9.210	7.529	99.697

Appropriation of the profit	For the years ended December 31,		
in 1.000 EUR	2001	2000	1999
A. Profit to be appropriated	125.548	116.338	122.489
1. Profit of the period available for appropriation	9.210	7.529	99.697
2. Profit carried forward	116.338	108.809	22.792
D. Result to be carried forward	(125.548)	(116.338)	(108.809)
1. Profit to be carried forward	(125.548)	(116.338)	(108.809)
F. Distribution of profit	–	–	(13.680)
1. Dividends	–	–	13.680