Melexis
Microelectronic Integrated Systems

Annual Report 2010

www.melexis.com

Melexis Annual Report 2010

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1. Letter To Our Shareholders

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

Françoise Chombar

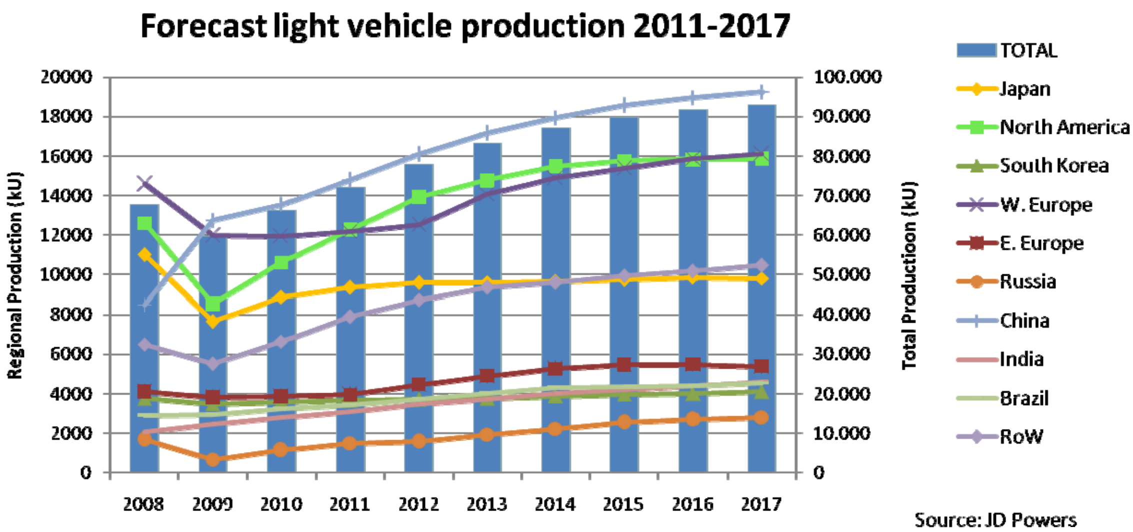
Rudi De Winter

Dear Melexis Shareholder,

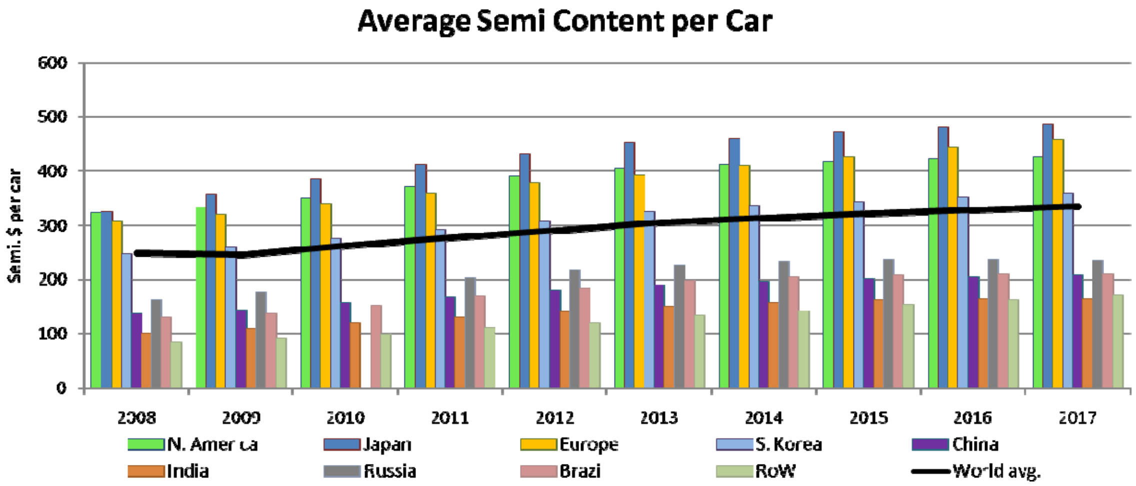
2010 was a record year for Melexis in many respects: we achieved the highest ever annual sales of 219 million euro, after a record fall in sales the preceding year, and reached record gross and operating margins, in relative and absolute terms.

Melexis also further gained market share in 2010: while the total automotive market grew nearly 40% in 2010, Melexis had a growth rate of 70%.

It was a substantial challenge to ramp up the production output in order to accommodate for the unanticipated growth in 2010. Melexis' proactive approach, together with the resilience and sincere commitment of Melexis' team members towards these efforts were well appreciated and positively commented on by our customers.



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



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

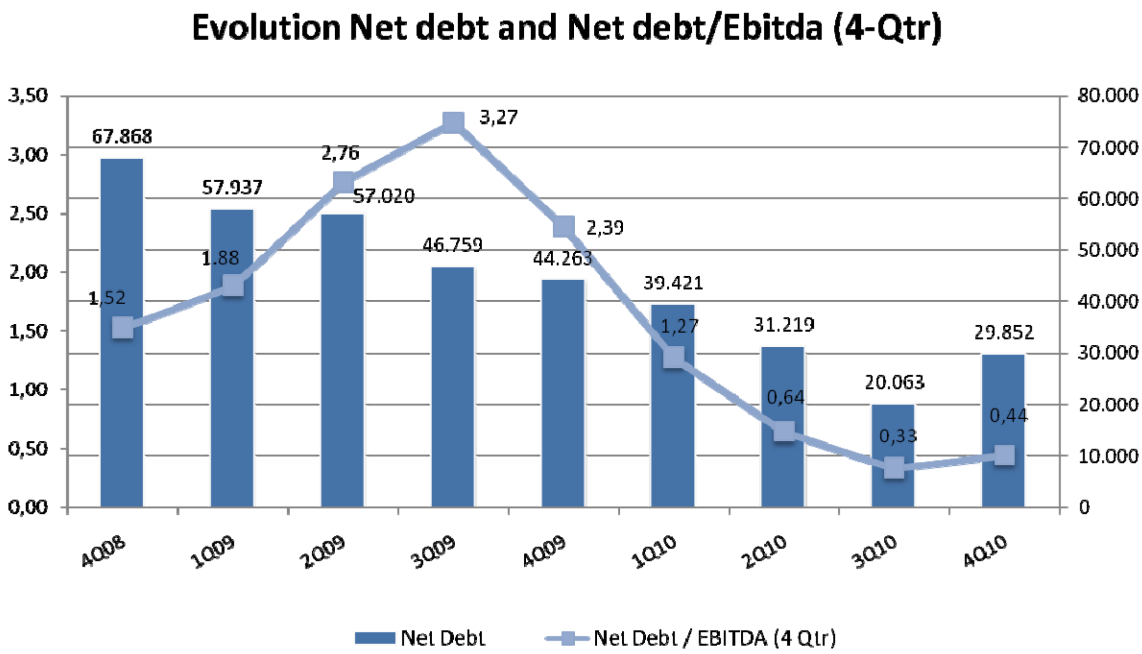
Melexis has been particularly successful over the past years with its Hall effect position sensors. This product line has been growing at rates far beyond the market growth, therefore gaining substantial market share. These products are used for position sensing in for instance brake, throttle or pedal systems, but are also largely used for downsizing motors and in start/stop systems, all resulting into reducing fuel consumption and thus into lowering the environmental footprint of the car.

Our products are now anchoring on a broader customer base. The top 10 customers only account for 52% of total sales compared to over 60% ten years ago. This excellent growth path is being enabled mainly by Melexis' own IP (ASSPs).

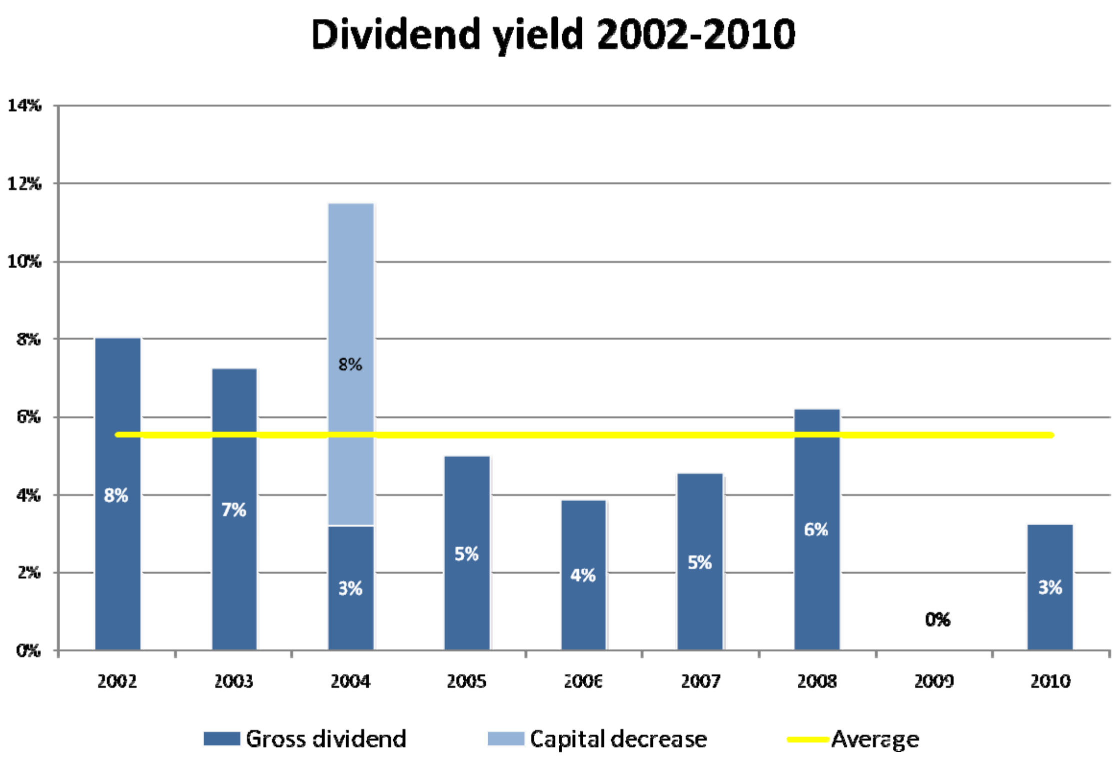
We firmly believe that the fabless model as adopted by Melexis, is the best model. Once the minority, there are currently over 1.300 fabless companies, and also IDMs continue to outsource more and more of their production. Outsourcing has enabled chip companies to succeed and drive innovation by allowing them to focus on technology development and quickly push to the leading edge with minimal investment. According GSA, the fabless sector outperformed the overall semiconductor industry in performance in areas such as sales growth for the period 2004-2009.

In 2011, we will invest extensively in test capacity to accommodate for the ramp up of new product lines and in marketing resources to further increase market intelligence and branding of our products. We also plan to refurbish our production facility and increase office space in Ieper. Therefore, we expect margins to come down somewhat compared to 2010, but still well above pre crisis levels, an effect of the efficiency improvement initiatives over the past years and the better product mix.

During 2010, Melexis further strengthened its balance sheet. Net debt reduced from 44 million EUR end 2009 to 30 million EUR end 2010, mainly as a result of the steep increase in profitability in 2010. Our financial ratios are back towards historical levels.



Melexis paid out a dividend of 30 cent per share in October 2010, a lower pay out ratio than in the years prior to 2009, as the company chose to prioritize the strengthening of the balance sheet. As of 2011 Melexis is very likely to keep on rewarding its shareholders by distributing a significant dividend.



Melexis also resumed the repurchase of own shares in 2010. The total amount of repurchased shares amounted to 349.602.

Asia is now Melexis' top market, representing 93 million Euro of annual sales. China also overtook the US with respect to the number of cars sold. The Melexis Shanghai sales office is now fully deployed to serve this local market. Moreover, the "Melexis Technology Days" events held in September in Shanghai and Shenzhen showed a high customer presence and interest for Melexis' automotive products. China is clearly eager to adopt the newest automotive technologies.

We were awarded supplier of the year by two of our major customers: Continental and Flexpower. Both customers are leaders in their respective market, and therefore, Melexis is proud to partner with them allowing to achieve mutual success.

We also decided to change our vision statement into "we engineer the sustainable future". Melexis' products enable our customers to reduce energy consumption not only in vehicles, but also for instance in mobile phones or computers. Thus Melexis is helping to resolve one of the greatest challenges our world is facing today and tomorrow.

As 2010 has proven, Melexis emerged from the latest crisis as a more robust company. Thanks to the dedication and engagement of our employees we are convinced we can continue to be leaders in our field of expertise and to be at the front end of innovation.

Yours sincerely,
Ieper, 21st of March 2011

Françoise Chombar, CEO

2. Key Figures

(in 1.000 Euro)

Operating results	2006	2007	2008	2009	2010
Revenue	201,502	204,055	185,549	128,890	219,427
EBIT	42,349	40,869	29,559	6,986	56,290
EBITDA	53,263	52,562	44,549	18,553	67,813

Balance structure	2006	2007	2008	2009	2010
Shareholders' equity	69,615	78,147	61,527	59,844	95,455
Net indebtedness	29,920	36,789	67,868	44,263	29,852
Working capital (1)	81,185	74,106	64,405	44,089	59,914

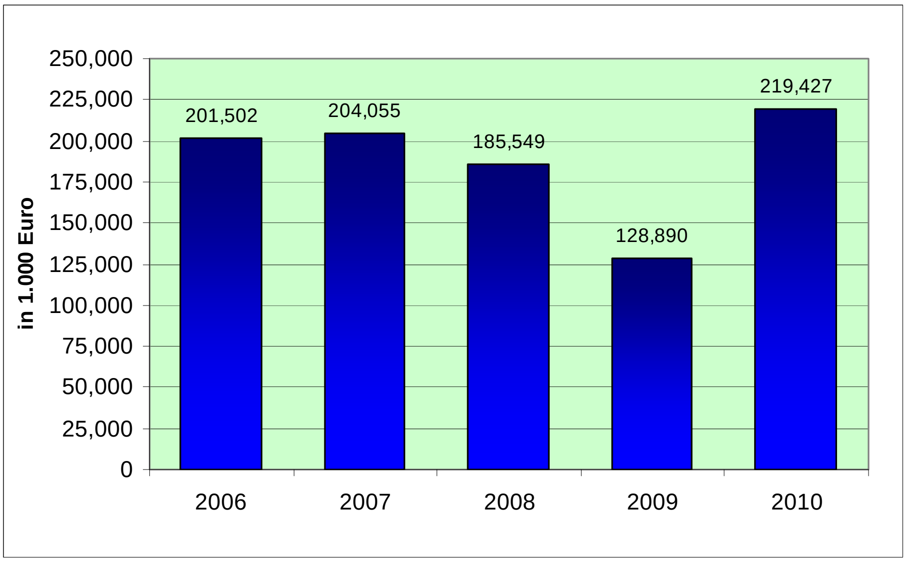
Cash flow and capital expenditure	2006	2007	2008	2009	2010
Net cash from operating activities (2)	37,224	33,238	26,890	30,452	45,047
Depreciation + amortization	10,914	11,693	14,990	11,567	11,523
Capital expenditure	15,490	15,141	9,510	10,972	15,377

Ratios	2006	2007	2008	2009	2010
ROE	50%	47%	36%	-7%	51%
Liquidity	3.2	2.7	2.7	2.4	2.5
Solvency	41%	47%	39%	39%	53%

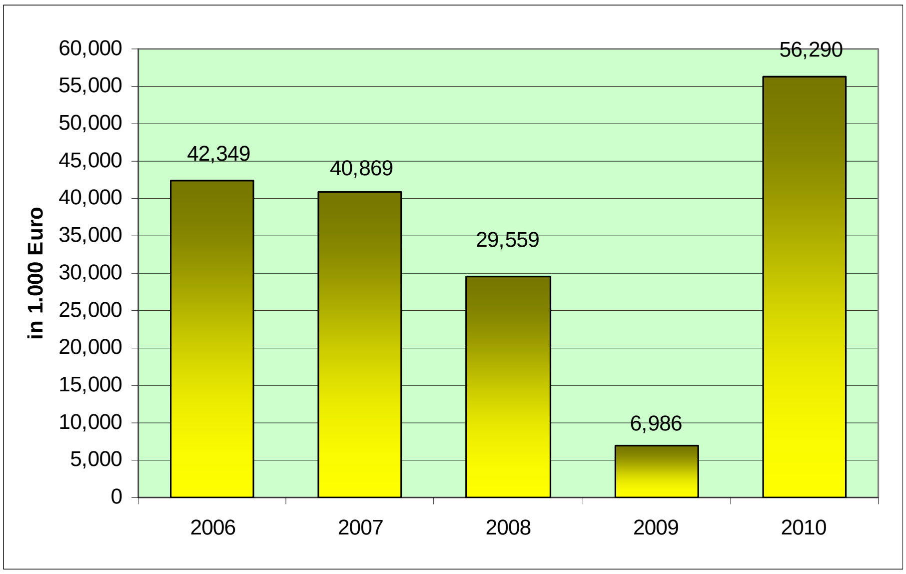
(1) As of 2010 definition of working capital changed as follows :
(Total current assets – Cash and cash equivalents - current investments) – (current liabilities – bank loans and overdrafts – current portion of long-term debt – derivative financial instruments).
Consequently previous years have been adjusted accordingly.

(2) The impairment expenses related to CDO investment, included in balance of 2009, have been correctly included in the cash flow statement as "Adjustments for Operating activities". Consequently the balance for 2009 has been adjusted accordingly.

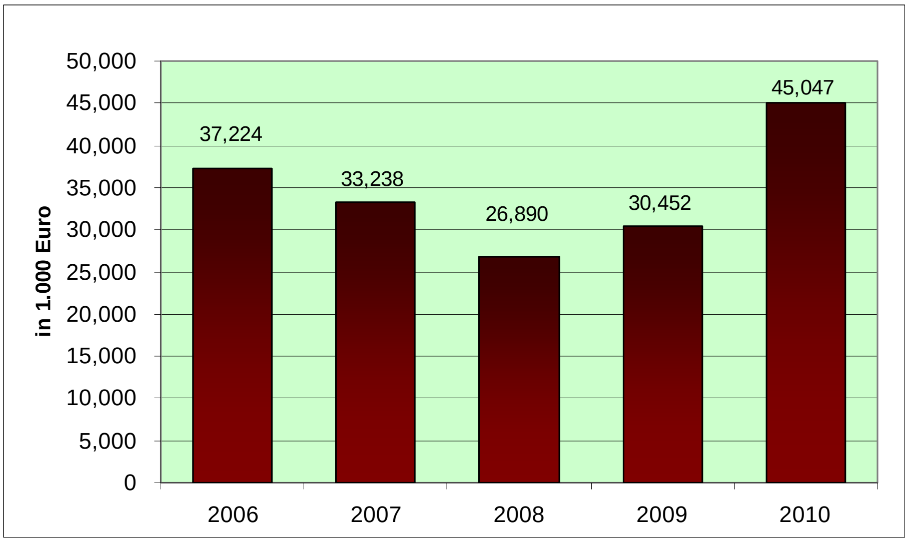
Revenue Evolution



EBIT Evolution



Cash Flow Evolution



3. Corporate Responsibility

3.1 Melexis Makes the Difference in Helping Cars Go Green

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

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

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

3.2 At Melexis, We Engineer The Sustainable Future

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

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

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

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

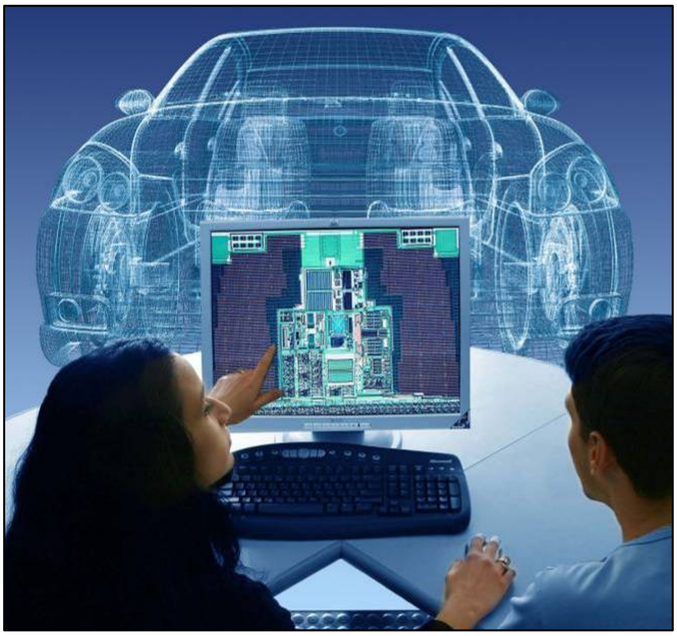
1. **Sustainable development** – development of products and processes that have a minimum effect on the quality environment today and in the future
2. **Prevention** is better than cure
3. The **total effect of the environment** counts – embodied in the development of products whose production (including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

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

3.3 Melexis Values

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

- **Customer Orientation**
- **Enjoyment**
- **Leadership**
- **Profitability**
- **Respect**



A Greener Benchmark for Future Generations

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

3.4 "The Melexis Way"

Customer Orientation

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

Enjoyment

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

Leadership

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

Profitability

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

Respect

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

4. Reflection on Our Strategy

4.1 Simply the Best Innovation Made Safe at Launch

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

4.2 A World of Growth Opportunities

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

4.3 Spotlight on ASSPs and ASICs

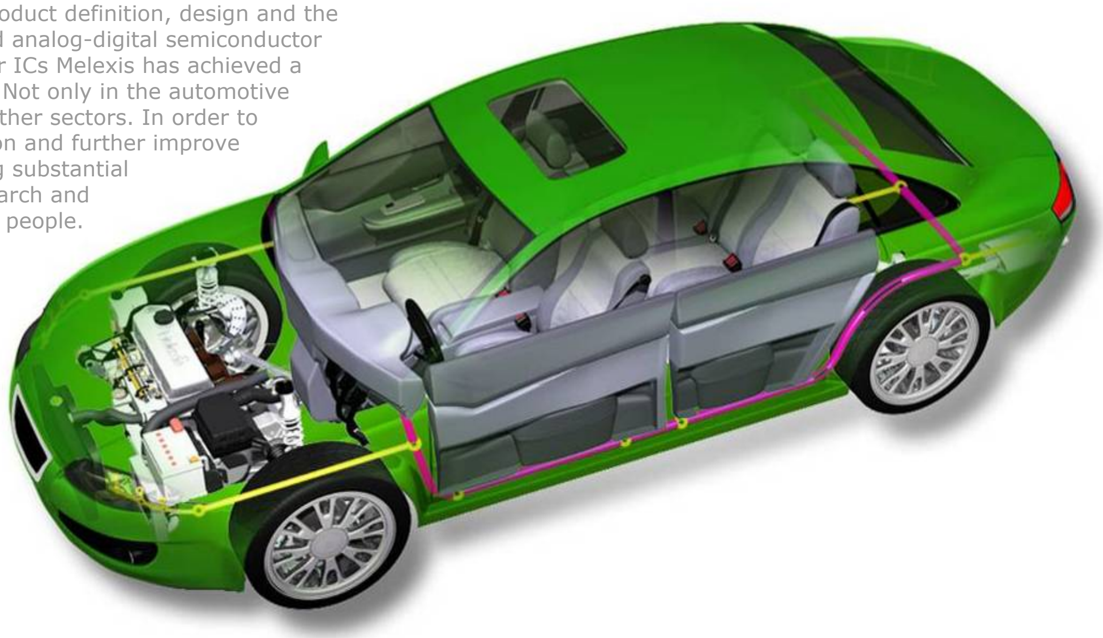
Melexis will continue to develop both ASICs (Application Specific ICs) and ASSPs (Application Specific Standard Products). The latter are Melexis solutions that are within every customer's reach.
The targeted goal is to offer widely accepted building blocks for numerous fields of application.
By integrating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

4.4 Partners of Choice

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

4.5 Leadership in Semiconductor and Sensor Solutions

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



At the Front of the Pack Regarding Quality and Environmental Awareness


CERTIFICATE

DQS GmbH

Melexis N.V.

Quality Management System

ISO/TS 16949 : 2009

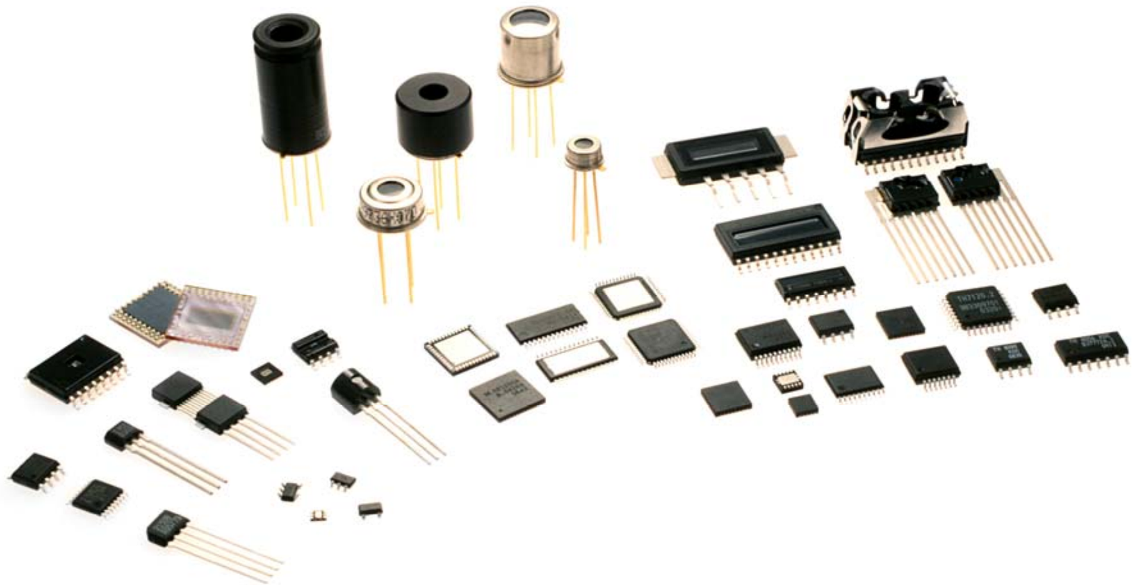
Melexis has an integrated management system that complies with the strict conditions of ISO / TS 16949:2009, including the Semiconductor Commodity. Moreover our company also has been recognized for our commitment to respecting the natural environment with an ISO 14001 certification.

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

5. Our Activities & Product Portfolio

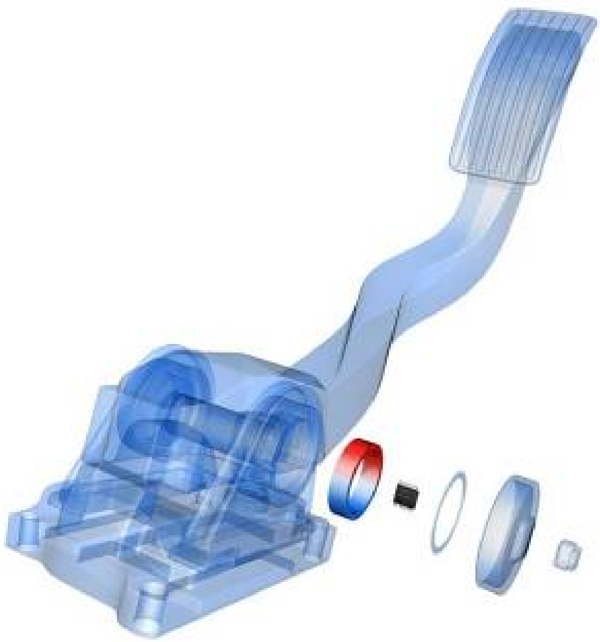
5.1 Overview of Activities

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



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

The market for automotive semiconductors is expecting to experience a growth of +9.8% (CAGR 2009-2017; Source: Strategy Analytics) thanks to the increasing electronic content per vehicle. Government regulations and consumer demand for improved fuel economy, safety and comfort create the need for more electronic sensors and control systems in cars.

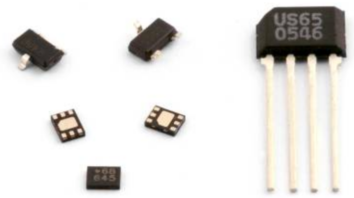


Melexis' investment into systems and processes commensurate to automotive industry standards has resulted in customers trusting 100% of their IC requirements to Melexis. Product development cycles at such customers have provided evolutionary design wins for Melexis. This has given Melexis the responsible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

Melexis technology and know-how has led to market leading positions in non-automotive arenas including RF transmitters, receivers and transceivers, single chip cooling fan ICs, infrared remote control ICs and power supply control chips for cell phone chargers. A customer oriented approach and an innovative design methodology have allowed our customers to win significant and in certain cases dominant market positions. Melexis main products continue to be Hall effect ICs (magnetic sensors), Pressure and Acceleration Sensors, Sensor Interface ICs, Automotive Systems-on-a-Chip, Embedded Microcontrollers, Wireless Communication ICs, Bus System Chips, Optical and Infrared sensors. In each case the products are primarily developed for automotive applications and designated lead customers with subsequent use in commercial and industrial applications.

Melexis holds a broad patent portfolio. These patents serve our customers by providing effective and unique solutions in their highly competitive market segments.
Melexis is a research driven company in which Research and Development has been, and will remain, of paramount importance in the Company's strategy. Investments in R&D consist of both product development and advanced development in new technologies for the automotive market and beyond. The R&D is on one end driven by customer requests, but equally driven by Melexis market research identifying long term needs.

5.2 Sensors



Hall Effect Sensors

Hall Effect Devices detect magnetic field. Typical uses are for movement, position and speed sensing and also current sensing. Hall devices are immune to dust, dirt, humidity and vibration.

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

Melexis markets a patented Hall technology under the brand "Triaxis®". This technology enables the realization of cutting-edge contactless magnetic position sensors. Triaxis® ICs are designed in rotary, linear and 3D-joystick position sensors. The final products are used to improve the fuel efficiency, reduce the engine emission (CO_2 footprint), enhance the vehicle stability control and increase the steering or braking features.

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

Human-machine interface (HMI) applications are also addressed by Triaxis® ICs: they enable novel generation of smart shifters (manual and automatic transmission) or controllers for entertainment systems. The Triaxis® technology is also used for current sensors whose market growth is linked to the increase of electrical systems in today's vehicles as well as the positive trend for hybrid and electrical powertrain.

The Triaxis® portfolio includes electronic compasses.

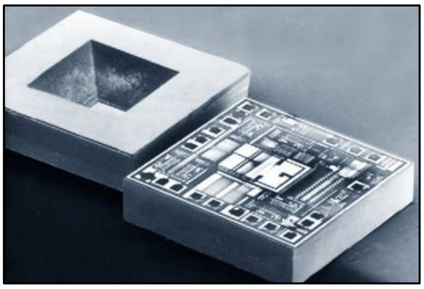
Melexis portfolio of Hall sensors offers solutions for robust and reliable contactless switches replacing the traditional mechanical switches for various applications such a seat-belt buckle, brake and clutch pedals, wiper and window lift motors…

Another example is an ultra-low-power switch or encoder for battery-operated devices such as cellular phones, laptops.

MEMS (Micromachined Electro-Mechanical Systems): Pressure & Acceleration Sensors

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

Pressure is one of the key control parameters in an automobile. It is measured using stand-alone sensors, for which Melexis supplies industry leading signal conditioning interface ICs, or using completely integrated pressure sensors. Integrated pressure sensors incorporate both the sensing element, in the form of a silicon deformable membrane, and the conditioning electronics on the same chip. Melexis is an established player in this market and is committed to stay at the leading edge by continuously investing in the development of innovative products.



Signal conditioning interface ICs

Melexis continues to be the leading supplier in the automotive segment of this market. With this product line it is an established supplier to several of the world's largest automotive sensor manufacturers. Interface ICs form the link between the sensing element, which transforms the physical parameter to be measured in an electrical signal, and the higher level control systems. Typical applications include brake fluid pressure sensing in Antilock Braking Systems, seat belt tension sensors in mandatory second generation airbag systems, fuel pressure sensors in fuel economy enhancing injection systems and refrigerant liquid pressure in automotive air-conditioning systems. The challenges imposed on the car industry to make cars more fuel efficient and environmentally friendly can only be met by an extensive use of all types of sensors. Most types of sensors require conditioning of the sensor signal in order to be used in a control system.
The automotive market is in the midst of a transition phase towards more digitally based signal processing. Melexis has anticipated this trend and is therefore well positioned to supply its customer base with appropriate solutions.

5.3 Actuators

Motor Control ICs

Automotive electronics are a means to respond to volatile oil prices, requests for material savings and environmental requirements. Electric motors allow the upgrading of functional units, such as water pumps and oil pumps, from full-time mechanical drive by the engine to on-demand electric drive. This results in reducing CO_2 emissions, improved fuel economy and more responsive cars.

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

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

LIN

The growing functionality in cars also results in an increase in human interactions. Former simple things like switch modules have to become more intelligent in order to reduce wiring effort and to save copper. In today's vehicle architecture, these switch modules are therefore not directly wired anymore, but they will be connected to a LIN bus system (Local Interconnect network).
Melexis launched a new chip family of intelligent network capable switch controllers called "UniROM switch slaves" to support this trend and to keep the development effort as low as possible. This family of chips accomplishes a unique combination of hardware and software. It is a perfect example of how thoughtful application of technology can remove the need for software development and qualifications. UniROM switch slaves for LIN networks can be found in switch modules on the steering wheel, in the car door, in the car roof and in the center console.

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

5.4 Wireless

During the last ten years, the Wireless Business Unit of Melexis successfully brought short range connectivity and identification solutions to the markets with its leading edge RF and RFID ICs. The frequency coverage of our wireless products is from a few kHz up to 950MHz. In the automotive area, RF receivers and transmitters are widely used in Remote / Passive Keyless Entry (RKE) and Tire Pressure Monitoring Systems (TPMS), whereas RFID readers and transponders are the building blocks of car immobilizers.
In industrial markets, our products are key elements of logistic and traceability applications. We also provide our ICs in home and building automation equipment like garage door openers, security systems, access control and Automatic Meter Reading (AMR). In the consumer market, RFICs are used in remote controls and our RFID technology is successfully integrated in Near Field Communication (NFC) platforms for mobile phones.

An open mindset to understand our customer challenges, a strong system and application knowledge, a large capabilities spectrum to convert requirements into “systems on chip” are part of our core competencies. Combined with the sensing expertise available within Melexis, the Wireless Business Unit builds a market leading position in the Wireless Sensing area. Our next product generation will bring even more innovation to our customers and provide them with highly integrated solutions. In the automotive area, we will strengthen our position in TPMS and Passive Entry and Passive Go systems. In industrial applications, we will focus on assets and cold chain management with specialty sensor transponders and active RFID tag ICs. We also target medical monitoring and control applications.

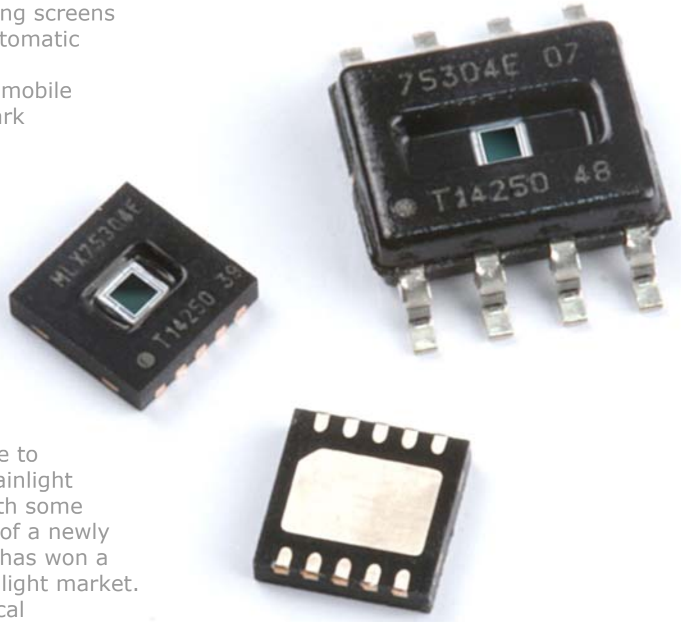
5.5 Opto

The SensorEyeC Family

In 2008, Melexis has increased its product portfolio with a new line of optical sensors, the SensorEyeC family. The MLX75303 and MLX75305 are single-pixel optical sensors that offer the customers a specific solution for their application needs: optical switching, optical high-dynamic range measuring and a highly sensitive, linear light-to-voltage sensor.

The newest offering, the MLX75309, is a programmable optical switch for indoor use, with a special optical response tuned to mimic the human eye response curve without using external filters. Main applications for the SensorEyeC products include LCD screen backlight dimming in handheld consumer products; automotive and avionic lighting controls; printer and copier controls; proximity sensing and contactless switches.

All SensorEyeC devices can contribute to a greener planet through energy saving. Screen dimming not only enhances user comfort when reading screens and displays; it also saves power by automatic dimming. This results in less energy consumption of the screen backlight of mobile devices and flat screen televisions in dark environments. In commercial lighting it can be applied to better match the ambient lighting to the perception of dark or light by the occupants.



RainLight Sensors

Thanks to the large experience of MLX in the field of automotive optical sensors & interfaces, MLX has been able to define and launch its first automotive rainlight interface chip into mass production. With some key features and performance benefits of a newly defined MLX standard product, Melexis has won a second major Tier1 contract in the Rainlight market. Thanks to the MLX interface chips, optical disturbances of the sun and other artefacts are rejected in the most efficient way, allowing our customer to have more efficient HW & SW, and allowing the end-customer (the driver) to have the most efficient automatic wipers, without any false-wipes

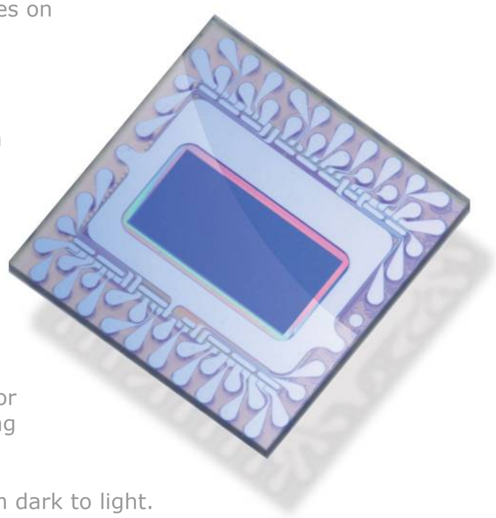
Linear Optical Arrays

For its successful product line of linear optical arrays for steering applications, Melexis plans to launch in 2011 a new member: the MLX75306, our 3rd Generation Linear Optical Array.
This new sensor will allow Melexis customers to improve the current steering applications by reducing the mechanical size, lowering the total system costs, and increasing performance levels to meet the VM needs for the next generation steering systems.
Typical applications include steering angle measurement, steering torque measurement, spectroscopy, bar code reading and precise position measurement.
The advent of Electric Powered Assisted Steering (EPAS) avoids using hydraulic-pumps. Traditional hydraulic systems require a constantly pressurized system, which continuously consumes energy and thus fuel. EPAS only consumes energy when power assist is needed; it does not consume fuel while driving straight ahead.
Fuel composition analysis using spectroscopy can optimize the engine parameters dependant on the fuel content in the fuel tank (diesel, bio-diesel, ethanol, etc), leading to a more efficient combustion in the engine, which again saves fuel.

Automotive Imagers

Camera systems in cars are a fast growing market. Melexis focuses on imagers for:

- Front vision systems including night vision
- Driver assistance systems like for example lane departure warning, adaptive front lighting and traffic sign recognition
- Surround view systems
- Wide Dynamic Range rear view systems



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

Melexis offers imagers and imager related software. Our product offering includes the MLX75411 "Avocet" imager. The predecessors of the "Avocet" imager are currently in production for automotive night vision and for enhanced forward collision warning applications.

The MLX75411 "Avocet" imager provides crisp picture details from dark to light. Thanks to its high "night vision" light sensitivity, dark scenes come out bright. Because of its 154dB wide dynamic range, the imager does not saturate under extreme light conditions, like when sunlight or headlights shine directly into the camera lens. Maximum picture details are depicted simultaneously in low, mid and high tones by means of the imager's on-chip automatic exposure control and 6 barrier wide dynamic range control function called "Autobrite®". The on-chip "Autoview" function offers optimal display viewing experience.

Based on the MLX75411 "Avocet" imager, Melexis is currently demonstrating a world's first automotive color night vision solution, while practically maintaining the system's light sensitivity. Earlier systems only provide a monochrome image. Next to a more natural night look on display, main benefits include improved functioning of driver assistance systems at night, including pedestrian detection, accident avoidance, and lane identification, even when multiple colors are used at road works.

Melexis continues to grow these innovative and potentially life-saving camera solutions opening up new market opportunities in automotive and other market segments.

Intelligent InfraRed Thermometers.

In 2010, Melexis further expanded the product line of intelligent InfraRed thermometers.

For the general purpose and automotive qualified MLX90614, the product line was expanded by offering sensors with smaller Field-Of-View, high accuracy and high stability. This makes these thermometers plug-in suitable for use in handheld thermometers, forehead thermometers, professional medical equipment, white goods and industrial applications. These sensors still offer the same high accuracy, wide temperature range and ease-of-use of the basic device.
In this product family Melexis now also offers versions with added measurement accuracy robustness in thermally demanding environments and applications. This greatly simplifies the design-in of the product in real world applications and has led to new design-ins in many diverse applications.

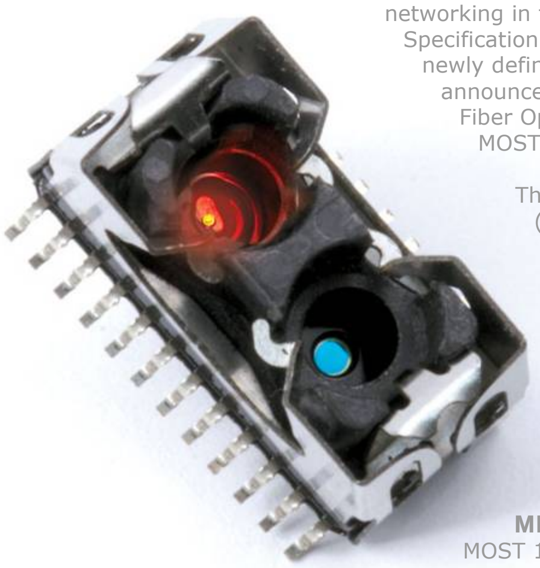
Specifically for the medical market and those applications where the small size of the thermometer is of absolute importance, Melexis developed the MLX90615. This new thermometer offers the same functionality as its bigger brother MLX90614, but in a half-size package.

The most prominent application for infrared thermometers is measuring body temperature to check for fever and illness. There are three main types of IR fever thermometers: ear thermometers, forehead thermometers and non-contact, distance-read thermometers. This application is only increasing in importance as fever screening in public places is used in more and more countries to contain the spread of infectious diseases.
Industrialization is made much easier for our customers because these sensors all are factory calibrated.

MOST 150 Transceivers

On March 10, 2008 the MOST Cooperation (Media Oriented Systems Transport, the de-facto standard for multimedia and infotainment networking in the automotive industry) published their new MOST Specification Rev. 3.0 enabling the industry to begin to work with the newly defined MOST150 physical layer. At the same time Melexis announced development of a single package solution for a 150 Mbps Fiber Optic Transceiver, dedicated for this newly introduced MOST150 physical layer: the MLX75605.

The MLX75605, was subsequently selected by the AEI (Automotive Engineering International, published by SAE) as one of the: "Top Technology stories of the year" SAE (Society of Automotive Engineers) is a non-profit educational and scientific organization of 89000 members who are dedicated to advancing mobility technology to better serve humanity.



MLX75605
MOST 150 Transceiver

MLX75603
MOST 150 Receiver

MLX75604
MOST 150 Transmitter

6. International Locations

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7. Annual Report-Financial Report

7.1 Historic Overview

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

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

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

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

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

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

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

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

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

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

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

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

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

Since January 2003 Melexis NV is delisted from NASDAQ EUROPE.

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

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

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

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

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

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

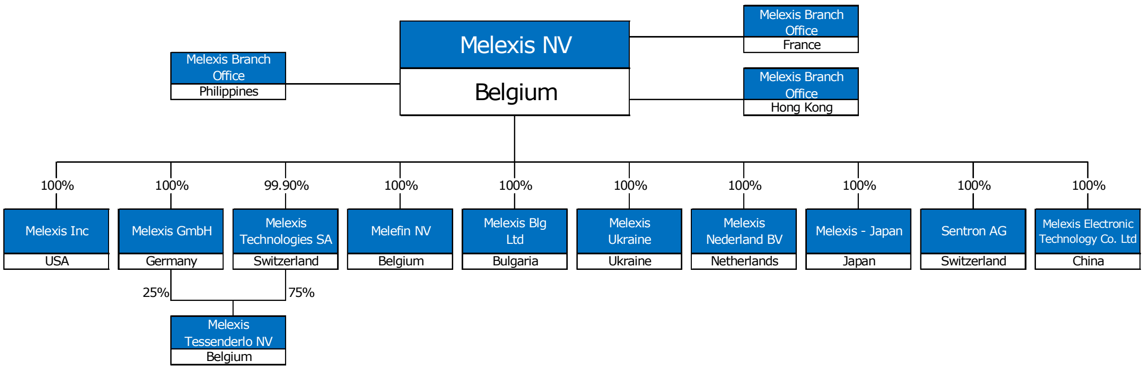
In order to centralize the entrepreneur function for existing as well as for new projects as much as possible within one Melexis entity, on 28 November 2006, Melexis Technologies transferred part of its IP portfolio to Melexis Tessenderlo NV through a contribution in kind into the capital of Melexis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

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

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

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

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



7.2 Comments on the consolidated accounts prepared according to IFRS standards

7.2.1 Selected financial figures

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

Consolidated statement of comprehensive income

December 31st	2010 EUR	2009 EUR	2008 EUR
Product sales	218,479,864	126,841,199	183,915,091
Revenues from Research and Development	946,921	2,049,241	1,634,252
Cost of sales	(117,175,757)	(80,675,348)	(109,632,484)
Gross margin	102,251,028	48,215,092	75,916,859
Research and development expenses	(29,700,695)	(26,122,036)	(29,524,991)
General and administrative expenses	(10,519,214)	(9,790,196)	(10,743,975)
Selling expenses	(5,741,481)	(4,717,004)	(5,254,876)
Other operating expenses (net)		(600,000)	(834,201)
Income from operations (EBIT)	56,289,638	6,985,856	29,558,817
Financial results (net)	(2,126,258)	(13,650,551)	(6,688,598)
Profit before taxes	54,163,380	(6,664,695)	22,870,220
Income taxes	(5,551,243)	2,675,641	(418,814)
Non controlling interest	-	-	-
Net profit of the group	48,612,137	(3,989,054)	22,451,406
Attributable to the shareholders	48,612,137	(3,989,054)	22,451,406

Condensed Consolidated Balance Sheets

December 31st	2010 EUR	2009 EUR	2008 EUR
Current Assets	110,358,638	89,820,064	89,586,113
Non current assets	70,120,337	64,432,190	67,854,435
Current liabilities	44,781,907	37,518,292	32,541,663
Non current liabilities	40,241,848	56,879,796	63,361,301

7.2.2 Exchange rates

Since the introduction of the EURO on January 1st 1999, and in accordance with Belgian law, Melexis NV keeps its books and prepares its consolidated financial statements in EURO. The functional currency of Melexis NV and of its subsidiaries Melexis Tessenderlo NV, Melefin NV, Melexis GmbH and Melexis BV is the EURO. The functional currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH), for Melexis Bulgaria Ltd., the Bulgarian Leva (BGN), for Sentron AG and Melexis Technologies SA the Swiss franc (CHF), for the Philippine branch of Melexis NV the Philippine Peso (PHP), for the Chinese branch of Melexis NV in Hong Kong the Hong Kong Dollar and in Shanghai the Yuan, and for Melexis Japan the Japanese Yen is the measurement currency. Assets and liabilities of Melexis Inc., Melexis Technologies SA, Sentron AG, Melexis Ukraine, Melexis Bulgaria Ltd., Melexis Philippines, Melexis Electronic Technology (Shanghai) Co. Ltd Melexis Hong Kong and Melexis Japan KK are translated at exchange rates in effect at the end of the reporting period, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component "cumulative translation adjustment" (CTA) in the statement of financial position.

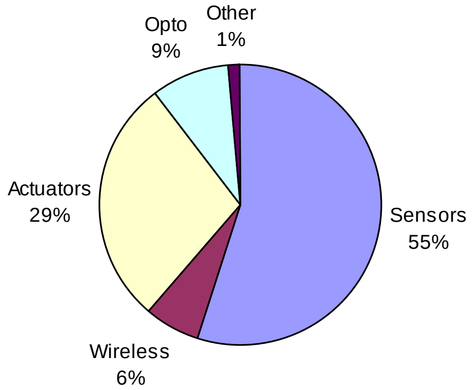
7.2.3 Results of operations

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

Revenues

For 2010 total revenues increased by 70% compared to 2009.
The largest business unit is Sensors (55%), which includes Position, Interface, Pressure, Current and Speed sensor activities, followed by the Actuators business unit (29%). The Opto product lines are the third major business unit, realizing 9% of the total revenues of the company. The Wireless business unit amounts to 6% of total revenues.
Specific research and development activities are included in the revenues per business unit. These specific R&D activities are performed under contract for customers. For the year 2010, the company invoiced EUR 946.921 research and development costs to its customers, compared to EUR 2.049.241 in 2009 and EUR 1.634.252 in 2008.

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



	2010 EUR	2009 EUR	2008 EUR
Sensors	120.183.318	57.221.706	84.827.702
Actuators	62.910.296	43.770.102	58.474.446
Opto	19.148.661	15.911.884	26.674.591
Wireless	13.906.510	8.623.673	12.548.810
Other	3.278.002	3.363.074	3.023.796
Total	219.426.786	128.890.440	185.549.344

Cost of Sales

Costs of sales consist of materials (raw material and semi finished parts), subcontracting, labor, depreciation and other direct production expenses. The cost of sales amounted to EUR 109.632.484 in 2008, EUR 80.675.348 in 2009 and EUR 117.175.757 in 2010.
Expressed as a percentage of total revenues, the cost of sales was 53% in 2010 compared to 63% in 2009 due to the increased loading of the test facilities as a result of the increase in sales in 2010.

Gross margin

The gross margin, expressed as a percentage of total revenues, was 47% in 2010 compared to 37% in 2009.

Research and Development expenses

Research and Development expenses amounted to EUR 29.700.695 in 2010, representing 14% of total revenues. The research and development activities concentrate further on research and development of Hall Effect Sensors, MEMS Sensors and Signal Conditioning Interface Sensors, Motor Control IC's and LIN Slaves, Infrared and Opto Sensors, and Wireless IC's.

General, administrative and selling expenses

General, administrative and selling expenses mainly consist of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses increased by 12% compared to 2009, mainly as a result of increased selling expenses.

Financial results

The net financial results increased from EUR 13.650.551 loss to EUR 2.126.258 loss in 2010. The (net) interest result decreased from a loss of EUR 2.393.662 in 2009 to a loss of EUR 2.827.745 in 2010. The net exchange gains (both realized and unrealized) in 2010 amounted to a gain of EUR 70.310, compared to a gain of EUR 238.147 during 2009.

Net income

The company recorded a net income for 2010 of EUR 48.612.137. This positive result is mainly caused by a sales increase of 70%.

7.2.4 Liquidity, Working Capital and Capital Resources

Cash and cash deposits amounted to EUR 21.179.891 as of December 31, 2010, in comparison to EUR 22.247.024 as of December 31, 2009 and EUR 8.129.385 as of December 31, 2008.

In 2010, operating cash flow before working capital changes amounted to EUR 64.779.854.
Working capital changes were negative in 2010, mainly as a result of an increased accounts receivable and inventories resulting in a net operating cash flow of EUR 45.046.592.

The cash flow from investing activities was negative for an amount of EUR 15.977.204, mainly the net result of on the one hand increased investments in fixed assets amounting to EUR 15.376.932 and the proceeds from current investments for an amount of EUR 1.739.069 and on the other hand interests received for an amount of EUR 1.138.797.

The cash flow from financing activities was negative for an amount of EUR 30.139.299. This is the result of the repayment of bank debts amounting to EUR 13.739.095, interim dividend payment amounting to EUR 12.386.906 and payments to acquire own shares for EUR 4.013.298.

7.2.5 Risk Factors

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

Risks Related to the Company

Operating History; inability to forecast revenues accurately

The Company's business and prospects must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies active in new and rapidly evolving markets, such as the semiconductor market. To address these risks and uncertainties, the Company must, among other things: (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; (vi) respond to competitive developments; and (vii) 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 income from operations generally depend on the volume and timing of, and ability to fulfill, orders received, which are difficult to forecast. The Company may be unable to adjust its expenditures in a timely manner to compensate for any unexpected revenue shortfall. Accordingly, any significant shortfall in revenues in relation to the Company's planned expenditures would have an immediate adverse effect on the Company's business, income from operations and financial condition. Further, in response to changes in the competitive environment, the Company may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on the Company's business, results of operations and financial condition.

Currency fluctuations

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

Credit risk on short term investments

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

Managing Growth

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

Risk of Potential Future Acquisitions

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

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

Dependence on Key Personnel; Ability to Recruit and Retain Qualified Personnel

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

Products May Contain Defects.

The Company's products may contain undetected defects, especially when first released that could adversely affect its business. Despite rigorous and extensive testing, some defects may be discovered only after a product has been installed and used by customers. Any defects discovered after commercial release could result in (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.

Evolving Distribution Channels

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

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

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 characterized 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 there under will provide meaningful protection or other commercial advantage to the Company. Likewise, there can be no assurance that the Company in the future will be able to preserve any of its other intellectual property rights.

The Importance of Significant Customers

Melexis' biggest customer accounts for 16% of total sales. No other customers have sales over 10% of total sales. While at the moment of introduction of Melexis to the stock market in 1997, the top seven customers still accounted for 70% of sales, the top ten customers for the year ended December 31st, 2010 only accounted for 53% of sales. This decrease is mainly the result of the increased design of Application Specific Standard Products as opposed to customized products.

Significant Shareholders

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

Risks Related to the Business

The Semiconductor Market

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

Intense Competition

The automotive semiconductor market is very different from other segments of the semiconductor market. In particular, technological requirements for automotive semiconductors differ significantly as automotive electronics must withstand extreme conditions, including very hot and cold temperatures, dry and humid weather conditions and an environment subject to dust, oil, salt and vibration. In addition and unlike the situation in other segments of the semiconductor market, the supply voltage to automotive semiconductors originating from a car's battery will vary strongly in practice (between 6.5 and 24 volts). As a result these factors make automotive semiconductor product design and, in particular, testing, difficult when compared with other semiconductor markets.
The Company currently competes with a number of other companies. These companies could differ for each type of product. The Company's competitors include, among others, Allegro Microsystems, Analog Devices, Elmos, Freescale, Honeywell Solid State Electronics, Infineon, Micronas, 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.
Any and all of these events could have a material adverse effect on the Company's business results of operations and financial condition.

Rapid Technological Change

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

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

Purchasing

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

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

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

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

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

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

Risks Related to the Trading on Euronext

Possible Volatility of Stock Price

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

7.2.6 Events after the balance sheet date

There are no events after the balance sheet date.

7.2.7 Corporate Governance

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

7.2.8 Statement of the Board of Directors

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

8. Consolidated Financial Statements

Statutory auditor's report to the general meeting of shareholders of Melexis NV on the consolidated financial statements for the year ended 31 December 2010

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

Unqualified audit opinion on the consolidated financial statements

We have audited the consolidated financial statements of Melexis NV for the year ended 31 December 2010, prepared in accordance with *International Financial Reporting Standards* as agreed by the European Union, which show a balance sheet total of 180.478.976 EUR and a consolidated profit of 48.612.137 EUR.

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

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the legal requirements and the Auditing Standards applicable in Belgium, as issued by the Institut des Réviseurs d'Entreprises / Instituut van de Bedrijfsrevisoren. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement, whether due to fraud or error. In accordance with the above-mentioned auditing standards, we have carried out procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The selection of these procedures is a matter for our judgment, as is the assessment of the risk that the consolidated financial statements contain material misstatements, whether due to fraud or error. In making those risk assessments, we have considered the company's internal control relating to the preparation and fair presentation of the consolidated financial statements, in order to design audit procedures that were appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. We have also assessed the appropriateness of the accounting principles and consolidation principles, the reasonableness of accounting estimates made by management, as well as the overall presentation of the consolidated financial statement. Finally, we have obtained from management and the company's officials the explanations and information necessary for our audit. We believe that the audit evidence we have obtained provides a reasonable basis for our opinion.

In our opinion the consolidated financial statements for the year ended 31 December 2010 give a true and fair view of the group's assets and liabilities, its financial position, the results of its operations and cashflow in accordance with *International Financial Reporting Standards* as agreed by the European Union.

Additional statements

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

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

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

Zaventem, April 1th, 2011

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

8.1 Consolidated statement of financial position

December 31st		2010 EUR	2009 EUR	2008 EUR
ASSETS				
Current assets:				
	Cash, and cash equivalents (Note 8.6.5.A)	21,179,891	22,247,024	8,129,385
	Current investments (Note 8.6.5.B)	5,729,096	3,990,126	2,144,695
	Accounts receivable –trade (Note 8.6.5.C)	27,933,275	20,732,619	28,111,606
	Accounts receivable –Related companies (Note 8.6.5.AC 2)	8,795,936	8,012,445	7,085,686
	Inventories (Note 8.6.5.D)	39,216,644	26,395,284	34,370,919
	Other current assets (Note 8.6.5.F)	7,503,796	8,442,566	9,743,823
Total current assets		110,358,638	89,820,064	89,586,114
Non current assets:				
	Intangible assets (Note 8.6.5.G)	1,750,145	1,823,374	465,893
	Property, plant and equipment (Note 8.6.5.H)	48,760,464	43,918,002	45,028,581
	Financial assets (Note 8.6.5 I)	30,100	24,000	10,750,000
	Other non-current assets (Note 8.6.5.AG)	4,344,476	3,088,701	59,801
	Deferred taxes (Note 8.6.5.W)	15,235,152	15,578,113	11,550,161
Total non current assets		70,120,337	64,432,190	67,854,436
TOTAL ASSETS		180,478,975	154,252,254	157,440,550
LIABILITIES				
Current liabilities :				
	Bank loans and overdrafts (Note 8.6.5.L)	-	-	-
	Derivative financial instruments (Note 8.6.5.E)	1,599,078	2,856,493	2,482,814
	Current portion of long-term debt (Note 8.6.5.M)	19,646,769	15,168,353	15,152,217
	Accounts payable – trade	7,274,317	6,528,282	5,737,071
	Accounts payable –related companies (Note 8.6.5.AC 2)	6,603,223	4,930,570	2,342,943
	Accrued expenses, payroll and related taxes (Note 8.6.5.J)	7,159,039	5,988,579	4,398,826
	Provisions	-	-	834,201
	Other current liabilities (Note 8.6.5.X)	1,706,792	1,140,996	1,024,328
	Deferred income (Note 8.6.5.K)	792,689	905,019	569,263
Total current liabilities		44,781,907	37,518,292	32,541,663
Non current liabilities:				
	Long-term debt less current portion (Note 8.6.5.M)	37,114,598	55,332,108	62,989,876
	Other non current liabilities (Note 8.6.5.X)	2,745,626	1,262,468	-
	Deferred tax liabilities (Note 8.6.5.W)	381,624	285,221	371,425
Total non current liabilities		40,241,848	56,879,797	63,361,301
Equity:				
	Shareholders' capital	564,814	564,814	564,814
	Share premium	-	-	-
	Reserve treasury shares	-21,885,610	-17,878,312	-17,757,337
	Revaluation reserve Hedge (Note 9.6.5.E)	-896,368	-1,636,338	-957,260
	Revaluation reserve Fair value (Note 9.6.5.E)	1,378,246	-182,996	-3,525,444
	Legal reserve	56,520	56,520	56,520
	Retained earnings	67,922,723	84,298,682	61,847,277
	Current year's profit	48,612,137	-3,989,054	22,451,406
	Cumulative translation adjustment	-307,712	-1,389,622	-1,152,862
	Equity attributable to company owners	95,444,750	59,843,694	61,527,114
	Non controlling interest	10,471	10,471	10,471
Total equity (Note 8.6.5.N)		95,455,221	59,854,165	61,537,585
TOTAL LIABILITIES		180,478,976	154,252,254	157,440,549

The accompanying notes to this statement of financial position form an integral part of these consolidated financial statements.

8.2 Consolidated Income Statement

December 31st	2010 EUR	2009 EUR	2008 EUR
Product sales	218,479,864	126,841,199	183,915,091
Revenues from Research and Development (Note 8.6.5.Y)	946,921	2,049,241	1,634,252
Cost of sales (Note 8.6.5.P)	(117,175,757)	(80,675,348)	(109,632,484)
Gross margin	102,251,028	48,215,092	75,916,859
Research and development expenses (Note 8.6.5.Q)	(29,700,695)	(26,122,036)	(29,524,991)
General and administrative expenses (Note 8.6.5.R)	(10,519,214)	(9,790,196)	(10,743,975)
Selling expenses (Note 8.6.5.S)	(5,741,481)	(4,717,004)	(5,254,876)
Other operating expenses (net) (Note 8.6.5.Z)	-	(600,000)	(834,201)
Income from operations (EBIT)	56,289,638	6,985,856	29,558,817
Financial income (Note 8.6.5.V)	5,912,460	2,851,207	7,203,397
Financial charges (Note 8.6.5.V)	(8,038,718)	(16,501,758)	(13,891,995)
Result before taxes	54,163,380	(6,664,695)	22,870,220
Income taxes (Note 8.6.5.W)	(5,551,243)	2,675,641	(418,814)
Minority interest	-	-	-
Net result of the period	48,612,137	(3,989,054)	22,451,406
Earnings per share non-diluted (Note 8.6.5.AE)	1.12	(0.09)	0.52
Earnings per share diluted	1.12	(0.09)	0.52

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

8.3 Consolidated Statement of Comprehensive Income

December 31st	2010 EUR	2009 EUR	2008 EUR
Net result	48,612,137	(3,989,054)	22,451,406
Other comprehensive income			
Cumulative translation adjustment	1,081,909	(236,760)	1,110,555
Fair value adjustments cashflow hedges	739,970	(679,078)	(957,260)
Fair value adjustments available-for-sale financial assets	1,561,242	3,342,448	(2,096,482)
Other comprehensive income for the period	3,383,121	2,426,610	(1,943,187)
Total comprehensive income attributable to:			
Attributable to owners of the parent	51,995,258	(1,562,444)	20,508,219
Non controlling interests	-	-	-

The consolidated statements were approved and authorized for issue by the Board of Directors on 08 February 2011 and were signed on its behalf by Françoise Chombar.

Françoise Chombar
Managing Director, Chief Executive Officer (CEO)

8.4 Consolidated Statement of Changes in Equity

	Number of Shares	Share capital	Share Premium	Legal reserve	Retained Earning	Reserve treasury shares	Fair value adjustment Reserve	CTA	Non controlling interest	Total Equity
		EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Net income		-	-	-	28,156,849	-	-	-	-	28,156,849
CTA movement		-	-	-	-	-	-	889,135	-	889,135
Dividend		-	-	-	(21,620,925)	-	-	-	-	(21,620,925)
Reserve treasury shares		-	-	-	-	10,311,855	-	-	-	10,311,855
Destruction own shares		-	-	-	(10,825,648)	-	-	-	-	(10,825,648)
Non controlling interest		-	-	-	-	-	-	-	10,012	
December 31, 2005	43,241,860	564,814	-	56,520	62,244,940	(513,792)	-	(574,014)	10,012	61,788,480
Net income		-	-	-	34,526,601	-	-	-	-	34,526,601
CTA movement		-	-	-	-	-	-	(236,447)	-	(236,447)
Dividend		-	-	-	(21,391,741)	-	-	-	-	(21,391,741)
Reserve treasury shares		-	-	-	-	(5,072,193)	-	-	-	(5,072,193)
Other		-	-	-	10,013	-	-	-	-	10,013
Non controling interest		-	-	-	-	-	-	-	10,471	
December 31, 2006	43,241,860	564,814	-	56,520	75,389,813	(5,585,985)	-	(810,461)	10,471	69,625,172
Net income		-	-	-	37,084,033	-	-	-	-	37,084,033
CTA movement		-	-	-	-	-	-	(1,452,955)	-	(1,452,955)
Dividend		-	-	-	(25,670,089)	-	-	-	-	(25,670,089)
Fair value adjustments through equity		-	-	-	-	-	(1,428,962)	-	-	(1,428,962)
Non controlling interest		-	-	-	-	-	-	-	10,471	
December 31, 2007	43,241,860	564,814	-	56,520	86,803,757	(5,585,985)	(1,428,962)	(2,263,416)	10,471	78,157,199
Net income		-	-	-	22,451,406	-	-	-	-	22,451,406
CTA movement		-	-	-	-	-	-	1,110,555	-	1,110,555
Dividend		-	-	-	(24,956,480)	-	-	-	-	(24,956,480)
Reserve treasury shares		-	-	-	-	(12,171,353)	-	-	-	(12,171,353)
Hedge reserves		-	-	-	-	-	(957,260)	-	-	(957,260)
Fair value adjustments through equity		-	-	-	-	-	(2,096,482)	-	-	(2,096,482)
Non controlling interest		-	-	-	-	-	-	-	10,471	
December 31, 2008	43,241,860	564,814	-	56,520	84,298,683	(17,757,338)	(4,482,704)	(1,152,861)	10,471	61,537,585
Net income		-	-	-	(3,989,054)	-	-	-	-	(3,989,054)
CTA movement		-	-	-	-	-	-	(236,760)	-	(236,760)
Dividend		-	-	-	-	-	-	-	-	0
Reserve treasury shares		-	-	-	-	(120,975)	-	-	-	(120,975)
Hedge reserves		-	-	-	-	-	(679,078)	-	-	(679,078)
Fair value adjustments through equity		-	-	-	-	-	3,342,448	-	-	3,342,448
Non controlling interest		-	-	-	-	-	-	-	10,471	
December 31, 2009	43,241,860	564,814	-	56,520	80,309,629	(17,878,313)	(1,819,334)	(1,389,621)	10,471	59,854,166
Net income		-	-	-	48,612,137	-	-	-	-	48,612,137
CTA movement		-	-	-	-	-	-	1,081,909	-	1,081,909
Dividend		-	-	-	(12,386,906)	-	-	-	-	(12,386,906)
Reserve treasury shares		-	-	-	-	(4,007,297)	-	-	-	(4,007,297)
Hedge reserves (1)		-	-	-	-	-	739,970	-	-	739,970
Fair value adjustments through equity (2)		-	-	-	-	-	1,561,242	-	-	1,561,242
Non controlling interest		-	-	-	-	-	-	-	10,471	
December 31, 2010	43,241,860	564,814	-	56,520	116,534,860	(21,885,610)	481,878	(307,712)	10,471	95,455,221

(1) Hedge reserves gross: EUR (1,357,927) (Note 8.6.5.E)
Deferred tax effect EUR 381,623 (Note 8.6.5.W)

(2) Fair value adjustments:
Current year EUR (1,378,246) (Note 8.6.5.B)
Fair value last year has been reversed for an amount of EUR 182,996

Since November 2002, Melexis NV has given order to a bank to start a share buy back program.
In 2002 Melexis NV repurchased 530.000 shares and 428.482 in 2003 at an average price of EUR 5,73 in 2002 and EUR 5.43 in 2003. In 2004 Melexis NV repurchased 430.000 shares over-the-counter (OTC) at an average price of EUR 8,90, from which 310.000 shares were purchased from Elex NV. Melexis NV also repurchased 969.658 shares at an average price of EUR 8,89 on the regulatory stock market. The total own shares in 2004 amounted to 1.399.658 shares representing 3,14% of the total outstanding shares. In accordance with IFRS, the treasury shares are presented as a deduction from equity. During the Extraordinary Shareholders meeting of April 20th, 2004 it was decided to cancel 1.034.805 treasury shares, bringing the total outstanding shares to 44.565.195 at the end of 2004. Melexis NV Extraordinary Shareholders Meeting of October 4th, 2004 decided to increase the capital, bringing it from EUR 565.197 to EUR 32.821.102, by means of incorporation in the capital of the issue premiums for an amount of EUR 32.255.905. It was then decided to decrease the capital by an amount of EUR 32.256.288, by repayment to each existing share of an amount of EUR 0,72. It was also decided to pay an additional gross dividend to the shareholders of EUR 0,28 per share. During the extraordinary Shareholders Meeting of July 14th, 2005, it was decided to cancel 1.323.335 Treasury shares, bringing the total outstanding shares to 43.241.860 at the end of 2005. During the year 2006 Melexis NV repurchased 406.378 shares at an average price of EUR 12,48. No purchases of own shares were done during 2007.

During the year 2008 Melexis NV and Melexis Tessenderlo NV repurchased 1.245.335 shares at an average price of EUR 9.78. In 2009 Melexis Tessenderlo NV repurchased 22.230 shares at an average price of EUR 4.98. In 2010 Melexis Tessenderlo NV repurchased 349.602 shares at an average price of EUR 11.47. Total own shares at the end of 2010 amount to 2.075.545 representing 4.80% of the total outstanding shares. At the end of 2010 the total number of outstanding shares is still 43.341.860.

8.5 Consolidated Statement of Cash Flows

December 31st (indirect method)	2010 EUR	2009 EUR	2008 EUR
Cash flows from operating activities:			
Net profit	48,612,137	(3,989,060)	22,451,406
Adjustments for Operating activities:			
Deferred taxes	342,961	(4,113,731)	(3,243,855)
Unrealized exchange results	1,159,405	-	772,166
Provisions	-	1,070,886	3,209,457
Government grants	954,960	2,520,405	767,950
Depreciation and amortisation	11,509,517	10,724,664	11,780,976
Impairments (1)	-	10,750,000	-
Financial results	2,200,874	2,393,767	1,410,358
Operating profit before working capital changes:	64,779,854	19,356,931	37,148,458
Accounts receivable, net	(7,130,933)	7,309,340	6,937,788
Other current assets	2,285,020	(1,188,791)	(4,196,138)
Other non-current assets	(1,255,775)	(3,028,901)	7,158
Due to (from) related companies	1,670,344	2,456,903	(6,287,640)
Due (to) from related companies	(783,491)	(926,759)	-
Accounts payable	733,954	(34,284)	(2,861,317)
Accrued expenses	2,588,972	1,674,703	3,018,812
Other current liabilities	565,795	(254,752)	1,569,033
Deferred income tax	209,816	1,262,468	-
Inventories	(14,063,092)	7,749,284	(1,210,509)
Interest paid	(3,417,028)	(3,263,484)	(3,653,161)
Income tax	(1,136,844)	(660,349)	(3,582,665)
Net cash from operating activities	45,046,592	30,452,309	26,889,819
Cash flows from investing activities :			
Financial fixed assets	-	-	-
Purchase of property plant and equipment and intangible assets	(15,376,932)	(10,971,566)	(9,509,600)
Interest received	1,138,797	869,717	1,470,637
Investments/proceeds/ from current investments	(1,739,069)	1,473,016	3,846,469
Acquisition of subsidiary	-	-	-
Net cash used in investing activities	(15,977,204)	(8,628,833)	(4,192,494)
Cash flows from financing activities :			
Payment to acquire own shares	(4,013,298)	(120,975)	(12,171,353)
Repayment from long-term debts	(13,739,095)	(7,641,632)	14,900,307
Proceeds of long-term debts	-	-	-
Repayment of bank loans and overdrafts	-	-	(7,650,000)
Proceeds from (repayment of) related party financing	-	-	-
Dividend payment	(12,386,906)	-	(24,956,480)
Capital decrease	-	-	-
Non-controlling intrests	-	-	-
Net cash used in financing activities	(30,139,299)	(7,762,607)	(29,877,526)
Effect of exchange rate changes on cash	2,778	56,770	44,463
(Decrease) increase in cash	(1,067,133)	14,117,639	(7,135,738)
Cash at beginning of the period	22,247,024	8,129,385	15,265,123
Cash at end of the period	21,179,891	22,247,024	8,129,385
Cash at end of the period minus cash at beginning of the period	(1,067,133)	14,117,639	(7,135,738)

(1) The impairment expenses related to CDO investment have been correctly included in 2010 in the cash flow statement as "Adjustments for Operating activities", in 2009 included in the Cash flow statement as "Cash flow from investing activities". Consequently the balance for 2009 has been adjusted accordingly.

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

8.6 Notes to the consolidated financial statements

8.6.1 General

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

The Melexis group of companies employed, on average 672 in 2010, 695 in 2009 and 772 in 2008.

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

The consolidated statements were authorized for issue by the Board of Directors subsequent to their meeting held on February 8th, 2011 in Antwerp.

8.6.2 Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB") and in conformity with IFRS as adopted by the European Union up to 31 December 2010 (collectively "IFRS"). Melexis has not applied early any new IFRS requirements that are not yet effective in 2010.

8.6.3 Summary of Significant Accounting Policies

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

Basis of preparation

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

Use of estimates and judgments

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.
The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Assumptions and estimates are applied when:

- Recognizing and measuring provisions for tax, litigation risks,
- Determining inventory write-downs,
- Assessing the extent to which deferred tax assets will be realized, (See Note W)
- Useful lives of Property, Plant and Equipment and Intangible assets (See Note G and H)

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

- Recovery of deferred tax assets

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

Measurement currency

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

Foreign currency

Foreign currency transactions

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

Foreign currency translation

Since the introduction of the EURO on January 1st 1999, and in accordance with Belgian law, Melexis NV keeps its books and prepares its consolidated financial statements in EURO. The measurement currency of Melexis NV and of its subsidiaries Melexis Tessenderlo NV, Melefin NV, Melexis GmbH, Melexis Nederland BV and the French branch office is the EURO. The measurement currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) and for Melexis Bulgaria Ltd. the Bulgarian Leva (Bgn). The measurement currency for Sentron AG and for Melexis Technologies SA is the Swiss Franc (CHF) and the measurement currency for Melexis Electronic Technology (Shanghai) Co. Ltd. is the Chinese Yuan Renminbi (CNY). For the Philippine branch of Melexis NV the measurement currency is the Philippinian Peso (PHP), for the Japanese entity the Japanese Yen (JPY) and for the Hong Kong branch the Hong Kong Dollar (HKD).

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

Principles of Consolidation

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

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed 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 unrealized profits and losses are eliminated. Consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidation scope includes on the one hand Melexis NV and its 3 branch offices being Melexis Philippines, Melexis France and Melexis Hong Kong (opened in 2007). On the other hand, the subsidiaries being part of the consolidation scope are Melexis Ukraine, Melexis Nederland BV (incorporated respectively in 2000 and 2001), Melexis Inc. (formerly US MikroChips Inc which was acquired in the last quarter of 1997), Melexis GmbH (previously known as Thesys Mikroelektronik Produkte GmbH acquired in October 1999), Melexis Bulgaria Ltd.(acquired in October 2000), Sentron AG (acquired in February 2004), Melefin NV (constituted during the year 2005 by means of a contribution in kind of the shares of Melexis Tessenderlo NV. As such Melexis Tessenderlo became a granddaughter of Melexis NV. On January 31st, 2006 Melexis GmbH acquired Melexis Tessenderlo NV from Melefin NV), Melexis Technologies SA (during 2006 the Swiss branch Office Bevaix of Melexis NV was transformed in a separate legal entity: Melexis Technologies SA), Melexis Japan (during 2007 a separate legal entity has been incorporated in Japan), Melexis Electronic Technology (during 2009 this separate legal entity has been incorporated in China, Shanghai). Finally, the granddaughter Melexis Tessenderlo NV is also included in the consolidation scope.

Cash and cash equivalents

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

Receivables

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

Hedging

The company applies hedge accounting for a part of its financial instruments as defined under IAS 39.
The hedges whereby hedge accounting is applied are cash flow hedges. Provided the hedge is effective, changes in the fair value of the hedging instrument are initially recognized in a 'hedging reserve' in equity. At maturity they are transferred to the statement of comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognized directly in the statement of comprehensive income.
The table with outstanding derivatives at year-end is disclosed in note e.

Inventories

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

Property, plant and equipment

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

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

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

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

Investments

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

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

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

This category comprises financial assets held for trading which have been acquired principally for the purpose of selling in the short term. Derivatives also fall within this category unless they are designated as hedges and the hedge is effective for accounting purposes. Assets in this category are classified as current.
The fair value of this assets is measured using inputs, other than quoted prices, that are observable for the asset either directly (as prices) or indirectly (derived from prices), conform IFRS 7 – Level 2.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included in current assets, except for maturities greater than 12 months after the balance sheet date, which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the statement of financial position.
The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, conform IFRS 7 – Level 1.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. They are included in non-current assets unless the investment is due to mature within 12 months of the balance sheet date or unless the investment is considered as very liquid.
The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, conform IFRS 7 – Level 1.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in current or non-current assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.
The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, conform IFRS 7 – Level 1.
"Available-for-sale financial assets" and "financial assets at fair value through profit or loss" are subsequently carried at fair value. "Loans and receivables" and "held-to-maturity investments" are subsequently carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" category are included in the statement of comprehensive income in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

Retirement benefits: Defined contribution schemes

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

Intangible Assets

Intangible assets, externally purchased, are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year-end. Amortization of intangible assets is shown as a separate line item in operating charges.
Amounts paid for licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful life of licenses is 5 years.

Business Combinations

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

Goodwill

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

Research and Development Costs

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

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

Equity

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

Provisions

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

Restructuring provision is recorded in compliance with IFRS 37 § 72-75.

Reserves

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

Non controlling interests

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

Revenue recognition

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

Borrowing costs

Borrowing costs are expensed as incurred.

Government Grants

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

Income taxes

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

Impairment of assets

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

Segments

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

Contingencies

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

Subsequent events

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

Earnings per share

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

Financial liabilities

All movements in financial liabilities are accounted for at trade date.
Borrowings are initially recognized as proceeds received, net of transaction costs. Subsequently they are carried at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into

account any issue costs, and any discount or premium on issue. Any differences between cost and redemption value are recognized in the statement of comprehensive income upon redemption.

Trade and other payables

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

Derivative financial instruments

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

Adoption of new and revised standards

The accounting policies adopted in the preparation of the consolidated financial statements are consistent with those applied for the year ended 31 December 2009. The following International Standards and Interpretations have been adopted during the year 2010

- IFRS 3 (revised) 'Business combinations'
- IAS 27 (amended) 'Consolidated and separate financial statements'. As the Group has adopted IFRS 3 (revised), it is required to adopt IAS 27 (revised), 'consolidated and separate financial statements', at the same time.

The application of these International Standards and Interpretations did not have a significant impact on the statement of financial position or the results of the company and therefore has not lead to any changes in the valuation principles applied.

Finally the following International Standards became effective, but are not relevant and thus not applicable for the company:

- IAS 28 (revised 2008) 'Investments in associates' - Consequential amendments arising from amendments to IFRS 3
- IAS 31 (revised 2008) 'Interests in joint ventures' - Consequential amendments arising from amendments to IFRS 3
- Amendment to IFRS 2 Share-based Payment (applicable for annual periods beginning on or after 1 January 2010)
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) were issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009 (normally applicable for annual periods beginning on or after 1 January 2010)
- IAS 39 (amended) 'Financial instruments: Recognition and Measurement – Eligible hedged items

Melexis has not adopted and does not intend to early adopt the following amended standards as issued by the IASB, and endorsed for use by the EU, but not yet mandatory for the accounting period:

- IFRS 9, 'Financial instruments', issued in December 2009. This addresses the classification and measurement of financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The Group is yet to assess IFRS 9's full impact.
- IFRS 7 (amended) "Disclosures – transfers of Financial assets" effective date is 1 July 2011.
- IAS 24 (revised) 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised IAS 24 is required to be applied from 1 January 2011. Earlier application, in whole or in part, is permitted.
- IAS 32 (amended) 'Classification of rights issues', issued in October 2009. The amendment should be applied for annual periods beginning on or after 1 February 2010. Earlier application is permitted.
- 'Prepayments of a minimum funding requirement' (Amendments to IFRIC 14), issued in November 2009. The amendments correct an unintended consequence of IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction'. The amendments are effective for annual periods beginning 1 January 2011. Earlier application is permitted. The amendments should be applied retrospectively to the earliest comparative period presented.
- IFRIC 19, 'Extinguishing financial liabilities with equity instruments'. The interpretation is effective for annual periods beginning on or after 1 July 2010. Earlier application is permitted.

- Improvements to International Financial Reporting Standards 2010 were issued in May 2010. The effective dates vary standard by standard but most are effective 1 January 2011.

8.6.4 Changes in Group's Organization

There have been no changes in the group organization during 2010.

8.6.5 Notes

A Cash and cash equivalents

December 31st.	2010 EUR	2009 EUR	2008 EUR
Cash at bank and in hand	21,179,891	22,247,024	8,129,385
Cash equivalents	-	-	-
Total	21,179,891	22,247,024	8,129,385

B Current investments

December 31st.	2010 EUR	2009 EUR	2008 EUR
Current Investments	5,729,096	3,990,126	2,144,695

December 31st. Detailed current investments	Cost	Fair Value
Assets held to maturity	-	-
Assets available for sale	4,067,616	5,445,862
Derivatives	-	283,234
Total	4,067,616	5,729,096

In principle, Melexis' current investments are classified as assets available for sale. According to IAS 39, the difference between the purchase price and the fair value of current investments classified as available for sale is recognized directly into equity under 'Revaluation reserve Fair value'. As of December 31st, 2010 this fair value adjustment resulted in a profit (increase of equity) amounting to 1.378.246 EUR. The fair value of these assets amounted to 5.445.862 EUR.

Melexis' financial derivatives with a positive market value are classified as assets held for trading. The fair value changes for those derivatives where no hedge accounting is applicable are immediately recognized in the statement of comprehensive income. As of December 31st, 2010 the fair value of the financial derivatives recognized as asset under current investments amounted to 283.152 EUR.

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

As of December 31st, 2010 Melexis had no assets in portfolio classified as investments held to maturity.

C Trade receivables

December 31st.	2010 EUR	2009 EUR	2008 EUR
Trade accounts receivables	28,504,180	22,990,331	29,929,090
Allowance for doubtful accounts	(570,905)	(2,257,712)	(1,817,484)
Total	27,933,275	20,732,619	28,111,606

As at 31 December 2010 trade receivables of EUR 28,504,180 were passed due. The aging analysis of these receivables is as follows:

December 31st.	2010 EUR	2009 EUR	2008 EUR
Not due	21,138,392	15,206,519	16,393,070
<30 days	5,345,366	5,885,268	6,302,142
>30 <60 days	861,459	520,301	4,708,713
>60 days	1,158,963	1,378,243	2,525,165
Total	28,504,180	22,990,331	29,929,090

D Inventories

December 31st	2010 EUR	2009 EUR	2008 EUR
Raw materials and supplies, at cost	9,061,224	1,981,821	2,222,702
Work in progress, at cost	28,209,526	21,647,470	22,584,832
Finished goods, at cost	4,556,651	4,002,668	10,899,702
Reserve for obsolete stock	(2,610,758)	(1,236,675)	(1,336,317)
Net	39,216,644	26,395,284	34,370,919

E Derivatives

Notional amounts

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

December 31st.		2010	2009	2008
Outstanding FX hedge contracts per 31st December, not exceeding 1 year	USD	15,000,000	9,000,000	20,750,000
Outstanding Interest hedge contracts per 31st December, exceeding 1 year	EUR	30,000,000	75,000,000	75,000,000
Outstanding Interest hedge contracts per 31st December, not exceeding 1 year	EUR	45,000,000	-	-
Outstanding Inflation hedge contract per 31st December, exceeding 1 year	EUR	8,400,000	8,400,000	8,400,000

FX hedge contracts are entered into in order to hedge (part of) the outstanding balance sheet exposure in foreign currency (USD).
Interest hedge contracts are entered into in order to hedge (part of) the group's borrowings at floating interest rate.
Inflation hedge contracts are entered into in order to hedge (part of) the salary inflation risk of the group.

Fair value

The fair value of derivatives is based upon market to market valuations.

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

December 31st. Assets	2010 Fair value EUR	2009 Fair value EUR	2008 Fair value EUR
Outstanding Inflation swaps	283,152	105,424	359,040
Total, classified under Current investment (see also Note 9.6.5.B)	283,152	105,424	359,040

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

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

December 31st. Liabilities	2010 Fair value EUR	2009 Fair value EUR	2008 Fair value EUR
Outstanding FX swaps	105,894	(7,796)	(788,606)
Outstanding Interest swaps	(347,045)	(369,772)	(244,034)
Outstanding Interest swaps (hedged)	(1,357,927)	(2,478,924)	(1,450,174)
Total, classified under Derivative financial instruments	(1,599,078)	(2,856,492)	(2,482,814)

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

December 31st. Fair value of instruments through equity (hedge accounting IAS 39)	2010	2009	2008
Outstanding FX hedge swaps per 31st December	-	-	-
Outstanding Interest hedge swaps per 31st December	(1,357,927)	(2,478,924)	(1,450,174)
Outstanding Inflation hedge swaps per 31st December	-	-	-
Subtotal	(1,357,927)	(2,478,924)	(1,450,174)
Deferred tax asset	461,559	842,586	492,914
Total, classified under Revaluation reserve Hedge	(896,368)	(1,636,338)	(957,260)

F Other Current Assets

December 31st	2010 EUR	2009 EUR	2008 EUR
Other receivables	6,582,329	7,164,231	8,246,276
Prepaid expenses	921,468	1,278,335	1,497,547
Total	7,503,796	8,442,566	9,743,823

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

G Intangible Assets

December 31st	Licenses EUR	IP EUR	Total EUR
Acquisition value			
Balance end of previous period	8,203,592	1,264,810	9,468,402
Additions of the period	272,436		272,436
Retirements (-)	(720,843)		(720,843)
Transfers	1,050		1,050
CTA	4,166		4,166
Total	7,760,401	1,264,810	9,025,211
Depreciation			
Balance end of previous period	7,571,247	73,781	7,645,028
Additions of the period	221,274	126,481	347,755
Retirements (-)	(721,266)	-	(721,266)
Transfers	-	-	-
CTA	3,549		3,549
Total	7,074,804	200,262	7,275,066
NET BOOK VALUE	685,597	1,064,548	1,750,145

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

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

H Property, plant and equipment

December 31st	Land and building EUR	Machinery and equipment EUR	Furniture and vehicles EUR	Fixed assets under construction EUR	Total EUR
Cost:					
Beginning of the period	27,126,556	102,370,993	5,019,467	437,810	134,954,826
Additions of the year	181,893	12,190,377	836,656	1,659,686	14,868,612
Retirements	-	(1,713,529)	(662,158)	(132,222)	(2,507,909)
Transfers	40,891	618,811	3,177	(663,929)	(1,050)
CTA	406,547	1,392,163	38,804	-	1,837,514
End of the period	27,755,887	114,858,815	5,235,946	1,301,345	149,151,993
Accumulated depreciation:					
Beginning of the period	5,510,179	82,036,018	3,490,627	-	91,036,824
Additions of the period	1,045,725	8,585,057	642,676	-	10,273,458
Retirements	-	(1,581,138)	(600,014)	-	(2,181,152)
Transfers	-	(1,484)	1,484	-	-
CTA	132,260	1,105,388	24,751	-	1,262,399
End of the period	6,688,164	90,143,841	3,559,524	-	100,391,529
NET BOOK VALUE	21,067,723	24,714,974	1,676,422	1,301,345	48,760,464

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

I Non Current Financial Assets

December 31st	2010 EUR	2009 EUR	2008 EUR
Non current financial assets	30,100	24,000	10,750,000

As per December 31st, 2010, the total of non current financial assets amounts to 30.100 EUR.

This amount reflects the non controlling interest taken in the course of 2009 and 2010 in two companies. The investments are recognized as investments in associates, initially measured at transaction price (cost price).

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

In 2010, the CDO-portfolio generated a total interest amount of 349.787 EUR.

The expected maturity of the CDO-portfolio is 2016-2017. As the CDO-portfolio contains embedded derivatives which can not be separately valued, the total investment is classified as a "held for trading" instrument. As the fair value of the CDO-portfolio was already at 0 EUR, no additional fair value adjustment has been taken in the statement of comprehensive income in 2010.

J Accrued expenses, accrued charges, payroll and related taxes

December 31st	2010 EUR	2009 EUR	2008 EUR
Vacation pay bonuses and 13th month	1,998,344	1,904,611	1,896,805
Other social accruals	495,815	1,593,545	938,475
Remuneration	242,085	303,018	36,154
Social security	106,266	263,610	116,737
Direct and indirect taxes	4,316,530	504,204	974,147
Other	0	7,855	80,051
Liability investment grant	0	1,411,736	0
Provision restructuring	0	0	356,457
total	7,159,039	5,988,579	4,398,826

K Deferred Income

December 31st	2010 EUR	2009 EUR	2008 EUR
Capital grants	792,689	905,019	569,263
Total	792,689	905,019	569,263

L Bank loans and overdrafts

Since the balances at year end of 2010, 2009 and 2008 related to "Bank loans and overdrafts" amount to zero, we left out the table in the annual report of 2010.

M Long and short term debts

December 31st.	2010 EUR	2009 EUR	2008 EUR
Secured loans			
Bank loan (in CHF) at floating interest rate; average rate for the year 2010 was 2.54% (1); maturing in 2019	361,377	336,911	369,974
Bank loan (in EUR) at floating interest rate; average rate for the year 2010 was 2.12% (2); maturing in 2033	2,399,990	2,506,658	2,613,326
Bank loan (in USD) at fixed rate of 6%; maturing in 2018, repaid in 2010	-	156,892	158,793
Bank loan in (EUR) at floating interest rate; average for the year 2010 was 2.16% (4); maturing in 2011	15,000,000	30,000,000	45,000,000
Total secured loans	17,761,367	33,000,461	48,142,093
Unsecured loans			
Unsecured loans (in EUR) at floating interest rate; average rate for the year 2010 was 2.00%; maturing in 2013	39,000,000	37,500,000	30,000,000
Total unsecured loans	39,000,000	37,500,000	30,000,000
Total debt	56,761,367	70,500,461	78,142,093
Current maturities	19,646,769	15,168,353	15,152,217
Long-term portion of debts	37,114,598	55,332,108	62,989,876

(1) The loan is secured by a mortgage on the building of Bevaix, Switzerland.

(2) A secured loan was concluded for an amount of EUR 3.200.000 to finance the construction of an office building. A mortgage of EUR 3.200.000 is given on the building project.

(3) A secured loan was concluded for an amount of USD 300.000. This loan was secured by a mortgage on real estate from Melexis Inc. The loan is repaid and the mortgage is removed in 2010.

(4) A secured loan was concluded for an amount of EUR 75.000.000. This loan is secured by the assets of Melexis GmbH.

As of December 31st, 2010 the engagements for the following financial covenants are:
For Melexis NV:

- Net debt/EBITDA ratio ≤ 2.5
- Tangible net worth/total assets ≥ 35%
- Available cash flow/debt service ratio ≥ 110%

For Melefin NV:

- Tangible net worth > 75 mln EUR.

As per 31 December 2010, Melexis is respecting all its financial covenants.

Repayment of debts as of December 31st, 2010 is scheduled as follows:

December 31st.	2010 EUR
2011	19,646,769
2012	4,646,827
2013	30,146,827
2014	146,827
2015	146,827
Thereafter	2,027,290
Total	56,761,367

N Shareholders' equity and rights attached to the shares

As of December 31st, 2010 the common stock consisted of 43.241.860 issued and outstanding ordinary shares without face value.
Each shareholder is entitled to one vote per share, without prejudice to specific restrictions on the shareholders' voting rights in the Company's Articles of Association and Belgian Company Law, including restrictions for non-voting shares and the suspension or cancellation of voting rights for shares which have not been fully paid up at the request of the Board of Directors.
Under Belgian Company Law, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited statutory accounts of the Company. Dividends may be paid either in cash or in kind. However, shareholders may not declare a dividend if the Company has not first reserved at least 5% of its profits for the financial year until such reserve has reached an amount equal to 10% of its share capital (the "Legal Reserve") or if, following any such dividend, the level of the net assets adjusted for the unamortized balance of the incorporation costs and capitalized research and development costs of the Company falls below the amount of the Company's paid-in-capital and of its non-distributable reserves. The Board of Directors may pay an interim dividend, provided certain conditions set forth in Belgian Company Law are met.

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

O Government grants

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

December 31st	2010 EUR	2009 EUR	2008 EUR
Grants for research and development	957,575	735,057	767,950
Investments grants in building, machinery and employment grants	372,331	312,309	348,115
Total	1,329,906	1,047,366	1,116,065

Grants for research and development are recognized as other expenses included in total research and development expense, see note 8.5.6.Q.

Investments grants in building, machinery and employment grants are recognized as other direct production costs included in total Cost of sales, see note 8.5.6.P.

P Cost of sales

Cost of sales include of the following expenses:

December 31st	2010 EUR	2009 EUR	2008 EUR
Purchases	90,042,848	58,273,274	80,541,490
Transportation costs	2,957,081	1,628,366	2,819,108
Salaries	8,256,029	8,577,115	10,209,713
Depreciation and amortization (*)	7,173,262	7,495,591	9,911,377
Other direct production costs	8,746,537	4,701,002	6,150,725
Total	117,175,757	80,675,348	109,632,413

(*) Includes amounts written off stock for the amount of KEUR 1,251

Q Research and development expenses

Research and development expenses include the following expenses:

December 31st	2010 EUR	2009 EUR	2008 EUR
Salaries	17,509,817	16,284,651	17,001,632
Depreciation and amortization	2,869,096	2,308,641	3,307,925
External services	4,505,810	3,225,109	4,368,180
Prototype wafers	955,160	828,628	1,484,854
Fees	1,437,258	1,295,349	1,440,064
Other	2,423,554	2,179,658	1,922,336
Total	29,700,695	26,122,036	29,524,991

R General and administrative expenses

General and administration expenses include the following expenses:

December 31st	2010 EUR	2009 EUR	2008 EUR
Salaries	3,280,193	3,092,041	2,933,297
Depreciation and amortization	1,423,825	1,102,072	878,478
External services	888,018	1,367,183	1,917,933
Fees	689,546	662,494	819,834
Other	4,237,632	3,566,406	4,194,433
Total	10,519,214	9,790,196	10,743,975

S Selling expenses

Selling expenses include the following expenses:

December 31st	2010 EUR	2009 EUR	2008 EUR
Salaries	3,263,431	2,731,719	2,846,901
Depreciation and amortization	56,847	60,934	58,452
Commissions	828,458	563,322	677,090
Other	1,592,745	1,361,029	1,672,432
Total	5,741,481	4,717,004	5,254,875

T Personnel expenses and average number of employees

December 31st	2010 EUR	2009 EUR	2008 EUR
Wages ans salaries	32,309,470	30,685,526	32,991,543
Total	32,309,470	30,685,526	32,991,543

The average number of employees is 672 in 2010, 695 in 2009 and 772 in 2008.

Key management personnel compensation

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

U Depreciation and amortization expenses

Depreciation and amortization include the following expenses:

December 31st	2010 EUR	2009 EUR	2008 EUR
Cost of sales	7,173,262	7,495,591	9,911,377
Research and development	2,869,096	2,308,641	3,307,891
General and administration	1,423,825	1,102,072	878,478
Selling	56,849	60,934	58,452
Other operating expenses	0	600,000	834,201
Total	11,523,032	11,567,238	14,990,399

V Net Financial Result

December 31st.	2010 EUR	2009 EUR	2008 EUR
Financial income:	(5,912,460)	(2,851,207)	(7,203,398)
interest income	(878,353)	(869,717)	(1,470,637)
exchange differences	(4,190,009)	(1,782,327)	(5,333,967)
result on financial instruments including fair value adjustments	(796,046)	(32,246)	(235,791)
dividend	-	-	-
other	(48,052)	(166,917)	(163,003)
Financial charges:	8,038,718	16,501,758	13,891,995
interest charges	3,706,098	3,263,379	3,798,454
bank charges	93,495	74,467	126,912
exchange differences	4,119,699	1,544,180	5,659,002
impaiment	-	11,546,857	4,250,000
other	119,426	72,875	57,627
Net financial results	2,126,258	13,650,551	6,688,597

W Income taxes

The income tax expenses can be detailed as follows:

December 31st	2010 EUR	2009 EUR	2008 EUR
Current tax expenses	5.492.908	1.088.842	3.169.756
Deferred tax income	58.335	(3.764.483)	(2.750.942)
Total	5.551.243	(2.675.641)	418.814

In 2008 Melexis Technologies SA transferred part of its IP portfolio to Melexis Tessenderlo NV at market value by means of a contribution in kind. This transaction resulted in intangible assets in the Melexis Tessenderlo NV statutory financial statements of EUR 71.2 mio. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of Melexis Tessenderlo NV. Taken into account the domestic tax rate of 33,99%, the deferred tax effect linked to said transaction could amount to approximately EUR 19.3 mio at year end 2010. Past transactions resulted in similar deferred tax effects amounting to approximately EUR 22.8 mio at year end 2010.

Consistent with prior years the company assessed to which extent it is probable that this positive tax effect will effectively be realized in the future. In this respect the Board of Directors in particular takes into account the uncertainties related to the rapid technological evolutions in the sector, the highly competitive market as well as the fact that the company only has short term contracts with its customers. In line with prior year, in her judgment, the Board of Directors not only takes into account the profitability over the coming year but instead the average profitability over the coming three years. Such approach is found to be expedient in order to avoid unrealistic year on year fluctuations in estimated realization of the deferred tax asset. Taking into account these considerations the Board of Directors has decided to recognize as per December 31, 2010 a cumulative deferred tax asset of EUR 9.219.345. Accordingly the unrecognized deferred tax asset resulting from these transactions amounts to approximately EUR 33 mio at year end 2010.

The deferred tax asset linked to available tax losses carried forward accounted for in the hands of Melexis NV at the end of last year amounting to EUR 0.8 has been reversed.

Finally a cumulative deferred tax asset amounting to EUR 5.7 mio has been set up to take into account the deferred tax effect resulting from fair value adjustments related to financial instruments.

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

December 31st	2010 EUR	2009 EUR	2008 EUR
Income before taxes	54.163.380	(6.664.695)	22.870.220
Expected taxes at domestic rate	18.410.133	(2.265.330)	9.885.595
Effective taxes	5.551.243	(2.675.641)	418.814
Difference to be explained	(12.858.890)	(410.311)	(9.466.781)
Explanation of difference			
Difference foreign tax percentages and other tax regimes	(4.315.445)	1.502.004	-
Goodwill Melexis Tessenderlo		-	(671.548)
Effect IP amortization (permanent difference)	(6.709.333)	(6.688.075)	(3.753.058)
Fair value adjustments financial instruments	106.776	-	422.958
Miscellaneous	106.193	(215.138)	151.868
Tax effect non-deductible items	261.652	376.537	1.595.078
Tax effect non-taxable income	2.862.999	(90.683)	-
Tax effect notional interest deduction	(9.224.829)	(5.879.193)	(4.501.199)
Tax effect investment deduction	(3.061.908)	(1.683.282)	(605.516)
Tax effect losses carried forward	(4.628.015)	-	-
Current tax adjustments relating to prior periods	49.675	134.943	523.540
Recognition of additional deferred tax assets	-	-	(2.750.942)
Recognition of additional deferred tax liabilities	-	-	122.038
Unrecognized deferred tax assets current period	12.593.344	11.579.589	-
Effect of previously unrecognized and unused tax losses and tax offsets now recognized deferred tax assets, including valuation allowances	(900.000)	552.987	-
Total	12.858.890	(410.311)	(9.466.781)
Difference	0	0	0

Components of deferred tax assets are as follows:

	1 January 2010	Charged to income statement	Charged to equity	Cumulative Translation Adjustments	31 Dec. 2010
Deferred **tax assets related to**	EUR	EUR		EUR	EUR
Tax amortization charges	8.319.345	900.000	-	-	9.219.345
Fair value adjustments financial instruments	128.335	(10.374)	-	-	117.961
Fair value adjustments hedge accounting	842.586	-	(381.027)	-	461.559
Impairment CDO	5.098.500	-	-	-	5.098.500
Other	1.189.346	(851.559)	-	-	337.787
Total	15.578.112	38.067	(381.027)	-	15.235.152

Components of deferred tax liabilities are as follows:

	1 January 2010	Charged to income statement	Charge to equity	Cumulative Translation Adjustments	31 Dec. 2010
	EUR	EUR		EUR	EUR
Miscellaneous	285.221	96.402	-	-	381.623
Total	285.221	96.402	-	-	381.623

X Other non current liabilities

December 31st	2010 EUR	2009 EUR	2008 EUR
Other non current liability	2,745,626	1,262,468	0
Total	2,745,626	1,262,468	0

The other non current liability relates to an obligation of repayment for subsidies. Melexis Erfurt received an investment grant for a planned investment project which ended at year end 2009. The allocation of subsidies is based on „Joint agreement for the improvement of regional economic structures (GA)" and according "European fund for regional development (EFRE)".
Since not all agreed criteria were met at the end of the investment period, there is a risk that Melexis Erfurt needs to repay the grant. The repayment of the investment grant threatens at the earliest in the financial year 2017. Because of the long-term character of the provision, a non current liability has been booked for the amount of KEUR 1,100 and a discounting effect of KEUR 443 was booked in the Consolidated Statement of Comprehensive Income as financial income (Note 8.2).

The other part of the non current liability relates to the contingent liablility to Sensata (Note 8.6.4AH)

Y Research and development revenues

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

The Research and development revenues are as follows:

December 31st	2010 EUR	2009 EUR	2008 EUR
Research and development revenues-product developments	946921	2,049,241	1,634,252
Total	946,921	2,049,241	1,634,252

Z Other operating expenses (net)

December 31st	2010 EUR	2009 EUR	2008 EUR
Other operating expenses	0	600,000	834,201
Total	0	600,000	834,201

Other operating expenses in 2009 were related to restructuring costs Erfurt.

AA Sensitivity analysis on financial risk

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

Foreign currency risk

The Group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, especially in USD. In 2010, approximately 54% of the Group's sales are denominated in USD and approximately 47% of the Group's operating costs are denominated in USD.

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

Currency rate risk table

FY 2010	Increase / Decrease in EUR/USD rate	Effect on result before taxes (in EUR)
Reference rate : 1.33		
	+0.05 (1.38)	-1,612,821
	-0.05 (1.28)	1,740,322

At 31 December 2010, following financial assets and liabilities are denominated in USD and CHF:

	31 Dec 10 (000 USD)	31 Dec 10 (000 CHF)
Financial assets	28,604	141
- Cash and cash equivalents	1,209	134
- Trade and other receivables	27,395	7
Financial liabilities	7,155	1,349
- Trade and other payables	7,155	899
- Loans and borrowings	0	450

An increase/decrease of the EUR/USD rate of +/- 0.05 (increase from 1.33 to 1.38/decrease from 1.33 to 1.28) would have an impact on the balance sheet value of -584k EUR/ +629k EUR at 31 December 2010.
An increase/decrease of the EUR/CHF rate of +/- 0.05 (increase from 1.25 to 1.30/decrease from 1.25 to 1.20) would have an impact on the balance sheet value of +29k EUR/ -31k EUR at 31 December 2010.

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

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long-term debt obligations with floating interest rates.
At 31 December 2010, approximately 100% of the Group's borrowings are at a floating rate of interest. In order to hedge the interest rate risk, Melexis is using interest rate derivatives.

Interest rate risk table

The following table demonstrates the sensitivity of the Group's financial result to a reasonably possible change in interest rates (through the impact on floating rate borrowings), with all other variables held constant, The calculation is based on outstanding debt at year end and assumes an increase/decrease of the interest rate on the whole interest rate curve.

FY 2010	Increase / Decrease in base points	Effect on financial result (in EUR) excluding derivatives	including derivatives
	+15	-85,143	27,357
	-15	85,143	-27,357

AB Operating segments

Business Segments

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

- Automotive
- Non-automotive (other)

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

Business segment data

December 31st 2010 All amounts in 1.000 EUR	Automotive	Other	Unallocated	Total
Product sales	166,755	51,725	-	218,480
Other revenues	714	233	-	947
COS	85,744	31,432	-	117,176
R&D expenses	21,734	7,967	-	29,701
G&A expenses	7,697	2,822	-	10,519
Selling expenses	4,201	1,540	-	5,741
Other operating expenses	-	-	-	-
Income from operations				56,290
Financial results	-	-	(2,126)	(2,126)
Taxes	-	-	(5,551)	(5,551)
Net result				48,612
Segment assets	91,808	28,477	60,194	180,479
Segment liabilities	108,399	33,624	38,456	180,479
Capital expenditures	11,737	3,640	-	15,377
Depreciation and amortization	8,785	2,725	-	11,510

Business segment data (Continued)

December 31st 2009 All amounts in 1.000 EUR	Automotive	Other	Unallocated	Total
Product sales	87,994	38,847	-	126,841
Other revenues	1,758	292	-	2,050
COS	55,843	24,832	-	80,675
R&D expenses	18,082	8,040	-	26,122
G&A expenses	6,777	3,013	-	9,790
Selling expenses	3,265	1,452	-	4,717
Other operating expenses	-	-	600	600
Income from operations				6,987
Financial results	-	-	(13,651)	(13,651)
Taxes	-	-	2,676	2,676
Net result				(3,988)
Segment assets	65,321	28,838	60,093	154,252
Segment liabilities	69,485	30,676	54,091	154,252
Capital expenditures	7,612	3,360	-	10,972
Depreciation and amortization	7,440	3,285	-	10,725

Information about transactions with major customers

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

December 31st	2010 %	2009 %	2008 %
Customer A	16	13	15
Customer B	7	10	9
Customer C	7	9	7
Customer D	4	4	6
Customer E	4	4	4
Customer F	3	4	3
Customer G	3	4	3
Customer H	3	3	3
Customer I	3	2	3
Customer J	3	2	2
Total	53	57	55

87% of total sales per customer in 2010 relates to automotive.

Information about geographical areas

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

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

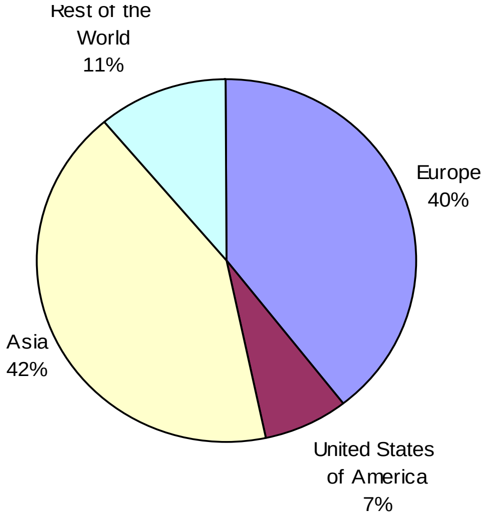
December 31st 2010 All amounts in 1.000 EUR	Europe	US	Total
Revenue by origin	219,427	-	219,427
Assets	179,560	919	180,479

December 31st 2009 All amounts in 1.000 EUR	Europe	US	Total
Revenue by origin	119,121	9,769	128,890
Assets	153,301	952	154,253

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

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

December 31st 2010	2010 EUR	2009 EUR	2008 EUR
Europe	86,830,622	56,561,691	77,992,351
Germany	40,613,639	24,994,299	34,980,013
France	6,673,074	4,496,830	10,425,287
United Kingdom	10,958,959	8,891,645	10,986,603
Ireland	4,181,675	3,573,252	4,028,122
Poland	4,392,791	3,324,053	3,794,445
Switzerland	3,842,867	1,946,275	3,112,909
Netherlands	3,572,518	1,707,377	1,676,881
Czech Republic	1,369,110	1,011,998	1,629,381
Austria	3,000,399	925,198	1,616,876
Romania	3,274,339	999,607	
Other	4,951,251	4,691,157	5,741,834
United States of America	15,421,049	9,769,783	19,829,664
Asia	93,003,932	52,239,512	72,303,017
Japan	16,687,327	5,760,403	19,643,336
China	29,700,109	18,279,998	21,922,053
Thailand	15,573,437	8,044,397	12,904,429
Korea	14,996,627	9,948,580	8,684,461
Philippines	2,508,064	3,364,398	5,611,837
Taiwan	6,603,777	4,215,517	2,948,487
India	2,422,165	1,174,663	444,300
Other	4,512,427	1,451,556	144,114
Rest of the World	24,171,182	10,319,454	15,424,223
Total	219,426,785	128,890,440	185,549,255



AC Related parties

1. Shareholders' structure and identification of major related parties

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

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

The shareholders of Melexis NV are as follows:

Since January 1st, 2006, Xtrion NV is the main shareholder of Melexis NV, as a result of the partial split of Elex NV into Elex NV and Xtrion NV. Xtrion NV owns 50,05% of the outstanding Melexis shares . The shares of Xtrion are held directly and/or indirectly by Mr. Roland Duchâtelet, Mr. Rudi De Winter and Mrs. Françoise Chombar who are all directors at Melexis NV. Elex NV is 100% owned by Roland Duchâtelet .

Xtrion NV owns 59% of the outstanding shares of X-FAB Silicon Foundries NV, producer of wafers, which are the main raw materials for the Melexis products. X-FAB Silicon Foundries NV sells the majority of its products also to third parties.

Per December 31st, 2010, Elex NV owns 100% of the outstanding shares of EPIQ NV. Melexis sells products to EPIQ. For most of these products, EPIQ is used as subcontractor by some OEM customers of Melexis. Therefore, the business relation for these products is with the OEM customer and not with EPIQ.

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

During the year 2010 no transactions took place which can create a potential conflict.

2. Outstanding balances at year-end

As of December 31st 2010, 2009 and 2008, the following balances were outstanding:

Receivables:

31st december		2010	2009	2008
On	Elex	4,130	6,930	8,745
	Xtrion	158,884	117,825	117,262
	Epiq group	8,268,868	7,468,785	5,948,548
	Xfab group	208,207	185,545	228,093
	Xpeqt group	110,274	201,952	731,362
	Other	45,574	31,407	51,676
	Total	8,795,936	8,012,444	7,085,686

Payables:

31st december		2010	2009	2008
On	Elex	2,881	(4,818)	70,774
	Xtrion	127,495	81,937	189,760
	Epiq group	231,172	62,908	220,480
	Xfab group	6,127,313	4,360,931	817,793
	Xpeqt group	114,362	429,611	1,036,301
	Other	-	-	7,835
	Total	6,603,223	4,930,569	2,342,943

3. Transactions during the year

Sales / purchases of goods and equipment

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

31st december	2010	2009	2008
Sales to			
Epiq group (mainly Ics)	11,068,919	6,438,606	10,347,739
Xpeqt group	1,200	135,066	58,721
Xfab group (mainly test & assembly services)	629,737	730,408	1,174,254
Elex	-	1,500	-

31st december	2010	2009	2008
Purchases from			
Xfab group (mainly wafers)	73,171,304	32,382,027	59,132,618
Epiq NV (mainly assembly)	250,910	156,812	499,957
Xpeqt group (mainly equipment and goods)	4,411,223	1,155,841	2,698,633
Xtrion (mainly IT infrastructure)	231,812	129,723	237,605

Sales / purchases of services

31st december	2010	2009	2008
Sales to			
Elex (mainly R&D services and rent)	18,000	16,500	18,347
Xpeqt group (infrastructure office building)	91,642	86,400	80,908
Epiq group (infrastructure office building)	355,174	330,030	303,548
Xtrion (infrastructure office building)	46,158	-	-

31st december	2010	2009	2008
Purchases from			
Xtrion NV (mainly IT and related support)	771,098	655,747	887,898
Elex NV (mainly IT and related support)	13,942	23,911	29,647
Epiq group	3,536	7,714	34,910
Xpeqt group	1,330,877	939,959	994,476
Xfab group	1,303,150	1,870,843	3,169,614

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

The (un-audited) consolidated loss for the year 2010 for X-FAB Silicon Foundries NV group is estimated to be USD 0,3 MIO, whereas equity is estimated at USD 376,3 MIO (un-audited).

The consolidated profit for the EPIQ group is EUR 3,8 MIO (audited), in 2010. Equity amounts to EUR 32,6 MIO (audited).

AD Remuneration of Board of Directors

In accordance with the company's bylaws, directors can be remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 30.000 during 2010. The Chairman and executive directors are not remunerated as director.

AE Earnings per share

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 48.612.137 in 2010, (3.989.054) in 2009 and 22.451.406 in 2008 by the weighted average number of ordinary shares outstanding during the period (43.241.860 in 2010, 2009 and 2008). The average number of ordinary shares outstanding diluted and non-diluted are the same.

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

AF Financial instruments

Financial risk management

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

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

(1) Credit Risks

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

(2) Interest rate risk
The group does use derivatives to manage interest rate risks of the outstanding bank debt.
The schedule of long-term-debt repayments is disclosed in note m.
The table with outstanding derivatives at year-end is disclosed in note e.

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

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

Fair value of Financial Instruments

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

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

The carrying amount of cash and cash equivalents and of bank overdrafts approximates their fair value due to the short-term maturity of these financial instruments. The fair value of current investments is calculated by reference to the market value on the stock exchange on which the shares are listed.
The fair value of the long-term loans is based on the current rates available for debt with the same maturity profile and approximates their carrying amounts.
Management believes that the exposure to interest rate risk of financial assets and liabilities as of December 31st, 2010 was minimal since their deviation from their respective fair values was not significant.

AG Commitments & estimated liabilities

Purchase commitments

As of December 31st, 2010 the company had purchase commitments for tangible fixed assets amounting to EUR 825.000 mainly related to testers. As of December 31st, 2009 the company had purchase commitments for tangible fixed assets amounting to EUR 1.316.448.

Estimated liability

Sensata Technologies and Melexis announced on April 2, 2009 the signing of an agreement to sell Sensata's Vision business to Melexis.
Melexis agreed to purchase inventory and IP (see note 8.6.5.G) related to the Vision business. First a fixed amount of USD 372.000 has been paid in 2009 for the acquired assets (inventory); secondly, Melexis is bound to pay a fixed amount per sold Image sensor over a period of 5 years, started September 30, 2009 and ending at December 31, 2013. The latter estimated liability is accounted for as 'Other non current liabilities' in the consolidated statement of financial position. The long term liability at year end 2010, amounting to EUR 1.600.704 (Note 8.6.5.X), represents the net present value of the expected future payments towards Sensata, based on expected sales of the Image Sensor over the next 3 years. The fact that the estimated liability at year end 2010 is higher then the one at year end 2009 can be explained by the increased expected sales. Invoices paid to Sensata during 2010 have been deducted from the long term outstanding liability at year end 2010.

AH Business Combinations

No business combinations in 2010.

AI Litigation

Melexis Tessenderlo N.V. was involved in two related disputes with one and the same customer, one as claimant and one as defendant. As a mutual agreement was reached, both court cases were closed in 2010. The outstanding long term receivable of 2.7 million Euro is no longer under dispute with this customer. The receivable is accounted for in the consolidated statement of financial position as other non current asset as it will be fully re-paid by the end of 2014.

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

AJ Auditor's Services

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

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

AK Reserves Post-retirement Benefits

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

AL Subsequent events

There are no subsequent events.

AM List of subsidiaries consolidated

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

9. Corporate Governance

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

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

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

An overview of the guidelines and principles where Melexis does not comply, is provided in this Chapter 9 and will be added to the Corporate Governance Charter.

9.1 Board of Directors

Composition of the Board of Directors

In accordance with article 13 of Melexis' Articles of Association, the Board of Directors consists of at least 5 directors. At least three of them should be independent. The directors are appointed by the General Meeting of Shareholders for a period of four years. At any time the General Meeting of Shareholders can dismiss a director. There is no age limit for directors and directors with an expiring mandate can be reappointed within the limits stipulated in the Belgian Companies Code.

The Managing Director is the only member of the Board of Directors that has an executive mandate.

The chairman of the board is Mr. Roland Duchâtelet.

The directors of the company are:

Name	Age	Expiry mandate	Position
Roland Duchâtelet	64	2014	Chairman of the Board of Directors
Rudi De Winter	50	2014	Vice Chairman of the Board and non-executive Director
Françoise Chombar	48	2014	Managing Director, Chief Executive Officer (CEO)
Steve Hix	74	2014	Director (non-executive and independent)
Lina Sarro	52	2014	Director (non-executive and independent)
Jenny Claes	63	2013	Director (non-executive and independent)

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

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

Mr. Roland Duchâtelet is private shareholder of the company since April 1994 and serves as a director ever since. Prior to that date, Mr. Duchâtelet served in various positions in production, product development and marketing functions for several large and small companies. He contributed in the start-up of two other semiconductor manufacturers: Mietec Alcatel (Belgium) from 1983 to 1985 as business development / sales manager and Elmos GmbH (Germany) from 1985 to 1989 as marketing manager. Mr. Duchâtelet is the co-founder of the parent company of Melexis NV. He holds a degree as Electronics Engineer, Applied Economics and an MBA from the University of Leuven.

Mr. Rudi De Winter is private shareholder of the company since April 1994. He served as Chief Executive Officer and Managing Director between 1996 and 2010. Prior to that date, Mr. De Winter served as development engineer at Mietec Alcatel (Belgium) from 1984 to 1986 and as development manager at Elmos GmbH (Germany) from 1986 to 1989. In 1990, Mr. De Winter became director together with Mr. Duchâtelet of

Xtrion NV, the parent company of Melexis NV. Mr. De Winter holds a degree as Electronics Engineer from the University of Gent. Mr. De Winter is married to Ms. Chombar, Chief Executive Officer.

Ms. Françoise Chombar has served as acting Chief Operating Officer since 1994. Prior to that date, she served as planning manager at Elmos GmbH (Germany) from 1986 to 1989. From 1989 she served as operations manager and director at several companies within the Elex-Xtrion group. Ms. Chombar became director in 1996. She holds a master's degree as Interpreter in Dutch, English and Spanish from the University of Gent. In 2004 Ms. Chombar was appointed co-Managing Director and Chief Executive Officer. After the resignation of Mr. Rudi De Winter, mid February 2011, as Managing Director and Chief Executive Officer, Ms. Chombar will continue these functions.

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

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

Ms. Jenny Claes has a long career in three different companies and was mainly active in the field of Logistics. This included responsibilities for commercial planning, production planning, warehousing, transport, international sales administration, ICT and quality management. She participated in the start up of the European Distribution Centre of SKF in Tongeren and held the position of General Manager of SKF Logistics Services Belgium from the end of 2003 till the end of 2008. She now holds the position of Manager Quality and Business Excellence of SKF Logistics Services worldwide. Ms. Jenny Claes holds a Masters degree in International Trade. Ms Claes is also an independent director on the Board of NV Epiq, a company that is (in)directly controlled by Mr Roland Duchâtelet.

Functioning and role of the Board

The internal regulation of the Board is part of the Corporate Governance Charter. The Board convened 7 times in 2010 and discussed, amongst others, the following topics:

- Financial results of the Group;
- Financial risks to which the Group is exposed;
- Budget for the financial year 2010;
- Business plan for the period between 2010 and 2013;
- Possible acquisitions and investments;
- Composition of the Audit Committee and the Nomination and Remuneration Committee.

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

Committees of the Board of Directors

Audit Committee

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

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

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

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

The Audit Committee met twice during 2010. All members attended the meetings. In addition to its powers under the Melexis Corporate Governance Charter, the Audit Committee has discussed the following topic in these meetings:

- Improvement of the Transfer Pricing Policy and procedures;
- Update of the Treasury Policy

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

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee met once in 2010.

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

9.2 Executive Management

Composition

The Executive Management is composed of the following members:

Name	Age	Position
Francoise Chombar	48	Chief Executive Officer
Karen van Griensven	41	Chief Financial Officer
Ursula Saremski	56	VP of Operations and Quality
Marc Biron	41	Chief Technical Officer

Mid February 2011 Mr. Rudi De Winter has resigned from his mandate as Chief Executive Officer. Thereupon Ms. Ursula Saremski and Mr. Marc Biron have been appointed as new members of the Executive Management.

Ms. Karen van Griensven joined the company in 1997 prior to which she served in several financial positions at Elex nv. She was appointed CFO van Melexis in 1998. Ms. van Griensven holds a degree as bio-engineer from the University of Gent and Montpellier and an mba degree from the Solvay Institute in Brussels.

Ms. Ursula Saremski started with Melexis GmbH in Erfurt in September 2005 as Quality Manager, taking up the responsibility for Global Quality in February 2006. Previously, she served at IBM Semiconductors and Philips Semiconductors in management functions for 25 years.

Mr. Marc Biron joined Melexis in 1997 as analog designer. He became Global Development Manager in 2009. Prior to that date, Mr Biron served as Project Manager and Business Unit Manager in the Hall Business Unit. Mr Biron holds a degree as Electronics Engineer (1993) and a PhD (1999) from the University of Liege.

9.3 Remuneration report

Remuneration policy

The remuneration policy for non-executive Directors and the Executive Management was discussed during the meeting of the Nomination and Remuneration Committee. In the current financial year the Melexis Corporate Governance Charter will be extended with the remuneration policy.

Remuneration

Directors

The independent Directors are remunerated for their mandate. The Chairman of the Board and the Managing Director are not remunerated as director of the Company.

The independent Directors are entitled to a fixed annual compensation of EUR 10.000. They do not receive any additional remuneration for the meetings of the Board of Directors, the Audit Committee or the Nomination and Remuneration Committee they attend. In 2010 Melexis paid in total EUR 30.000 to the independent Board members.

Executive Management

The overall consolidated gross compensation paid to the Executive Management during 2010 amounted to EUR 435.000 in 2010, EUR 410.000 in 2009 and en EUR 480.000 in 2008.

The Company does not provide any benefits in kind, pension plan or group insurance to its Directors or Executive Management, neither is a performance related bonus attributed in shares, options to shares or other rights to acquire shares.

None of the Directors or members of the Executive Management have signed an employment or management agreement with the Company that provides in a termination indemnity at the moment of termination of the cooperation, unless the cooperation is terminated without cause and without respecting the agreed notice period.

9.4 Policy on certain transactions

Conflicts of interest in the Board of Directors

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

In 2010 however no transactions took place where Directors were confronted with a conflict of interest.

Other transactions with Directors and Executive Management

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

Given the fact that the Executive Management consisted solely of Directors until the beginning of 2011, this provision was also applicable to the Executive Management. Due to the recent change in the composition of the Executive Management, the Melexis Corporate Governance Charter will be completed on this point.

In 2010 however there were no transactions between the Company and its Directors or Executive Management.

Insider trading

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

In compliance with clause 3.7 of the Belgian Corporate Governance Code 2009 the Melexis Insider Trading Policy was drafted at the beginning of 2011 and will be integrated in the Melexis Corporate Governance Charter after its approval by the Board of Directors.

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

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

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

- Data on transactions or use of assets of the Company are being registered accurately and are being saved in an automated ERP-system;
- Random checks are made to assure that:
    - Transactions have been saved as required for the preparation of the financial accounts in conformity with the IFRS accounting principles;
    - Transactions have been approved by the authorized persons of the Company to do so.

The Company can be validly bound for all of its actions by two Directors signing together or by special proxy holders as determined at the moment of their appointment within the daily management of the Company. In this respect the Board of Directors can delegate the daily management to one or more Directors, who will then bear the title of Managing Director, and/or to one or more Managers. It is however also possible to grant special powers for the execution of certain aspects of the daily management of the Company.

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

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

- Risks that the Company is confronted with are detected and monitored with the responsible persons of the different business units of the Company;
- By using an automated information system, the responsible persons of the business units have permanent access to the financial information with regard to their business unit for monitoring and controlling purposes;
- Closing the accounts at the end of every month warrants that the financial consequences of the identified risks are monitored closely to be able to anticipate to possible adverse evolutions;
- A data protection system based on antivirus software, internal and external backup of data and the controlling of access rights to information, protects the Company's information and guarantees the continuity of the financial reporting.

9.6 Dividend policy

Taking into account the current and expected future cash flow, and in the event that no profitable investment opportunities are being spotted, Melexis intents to distribute (interim)dividends on a regular basis to maximize the return on equity for its shareholders.

In the past the following gross (interim) dividends have been distributed per share:
1999: 0,30 EUR interim dividend
2002: 0,50 EUR interim dividend
2003: 0,50 EUR interim dividend
2004: 0,2762 EUR dividend and 0,7238 EUR capital increase
2005: 0,50 EUR interim dividend
2006: 0,50 EUR interim dividend
2007: 0,60 EUR interim dividend
2008: 0,60 EUR interim dividend
2009: No dividend
2010: 0,30 EUR interim dividend

9.7 Elements pertinent to a take-over bid

Capital structure

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

Restrictions on the transfer of securities

The Articles of Association contain no restrictions on the transfer of the shares. The Board is not aware of any restrictions imposed by law on the transfer of shares by any shareholder.

Restrictions on the exercise of voting rights

Each share entitles the holder to one vote. The Articles of Association contain no restrictions on the voting rights and each shareholder can exercise his voting rights provided he was validly admitted to the General Meeting and his rights had not been suspended. The admission rules to the General Meeting are laid down in Article 28 of the Articles of Association. Pursuant to Article 9 the company is entitled to suspend the exercise of the rights attaching to securities belonging to several owners.

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

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

Agreements among shareholders

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

Appointment and replacement of Directors

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

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

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

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

Amendments to the Articles of Association

The Articles of Association can be amended by the General Meeting in accordance with the Companies Code. Each amendment to the Articles requires qualified majority of votes.

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

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

The Board of Directors is authorized to acquire a maximum number of own shares in accordance with Article 620, § 1, 2º of the Companies Code. The acquired shares may not represent more than 20% of the issued capital with a price per share ranging between a minimum of half of the last closing price of the shares on the stock exchange and a maximum of EUR 17,00 per acquired share. This authority is granted to the Board of Directors for a period of five years as from April 20, 2009.

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

- The number of own shares that is disposed of may not exceed the number of shares of the Company that a direct subsidiary of the Company may hold as a legitimate cross-shareholding within the meaning of Article 631, § 1 of the Companies Code;
- The disposal of a share under this authority shall be made at the last closing price at which the shares were quoted on the Brussels stock exchange at the moment of disposal;

- The shares concerned may only be transferred to Melexis Tessenderlo NV, with registered office at 3980 Tessenderlo, Transportstraat 1, RPR Hasselt 0467.222.076, or to a company of which Melexis NV directly or indirectly holds more than 99% of the dividend entitled securities;
- The reserves the Company has made not available for distribution due to the "acquisition of own shares" are transferred back to reserves available for distribution for an amount equal to the acquisition value of the disposed shares.

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

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

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

Other elements

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

9.8 Auditor

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

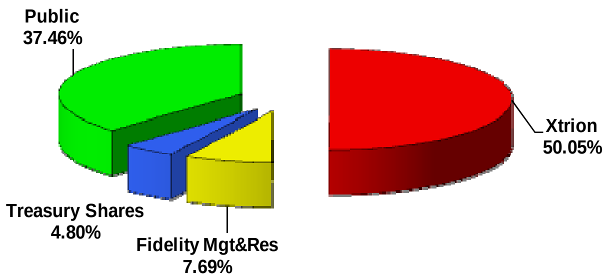
The annual fee for this mandate amounts to EUR 44.975,00, VAT excluded and connected to the consumption index.

10. Shareholder information

Listing	Euronext
Reuters ticker	MLXS.BR
Bloomberg ticker	MELE BB

10.1 Shareholder Structure

Situation on December 31, 2010.



Company	Number of Shares	Participation Rate
Xtrion	21.644.399	50,05%
Fidelity Mgt&Res	3.325.000	7,69%
Treasury Shares	2.075.545	4,80%
Public	16.196.916	37,46%
Total	43.241.860	100,00%

10.2 Share Information

First day of listing	10 October 1997
Number of shares outstanding on Dec 31, 2010	43.241.860
Market capitalization on Dec 31, 2010	EUR 582.035.436

(Euro)	2010	2009	2008	2007	2006	2005	2004	2003
Earnings per share	1,12	-0,09	0,52	0,86	0,80	0,65	0,56	0,54
Net cash from operating activities	1,04	0,46	0,62	0,77	0,86	0,78	0,98	0.50
Gross Dividend (*)	0,30	0,00	0,60	0,60	0,50	0,50	0,28	0,50
Year end price	13,46	6,78	5,00	11,15	13,80	10,76	9,01	9,40
Year's high	13,80	7,44	11,87	15,00	14,38	11,20	10,76	9,90
Year's low	6,84	3,33	4,95	10,15	10,99	9,00	8,40	5,10
Average volume of shares traded/day	34.900	22.137	32.991	56.569	47.027	38.129	39.690	41.593

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

10.3 Shareholder Contact Info

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

10.4 Financial Calendar 2011

Annual Shareholder's Meeting	April 20th, 2011
Announcement of Q1 results	April 28th, 2011
Announcement of Half Year Results	July 28th, 2011
Announcement of Q3 results	October 20th, 2011

10.5 Dividend Policy

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

Gross (interim-) dividend paid out per share in
1999 : EUR 0,30 interim dividend
2002 : EUR 0,50 interim dividend
2003 : EUR 0,50 interim dividend
2004 : EUR 0,2762 dividend and EUR 0,7238 capital decrease
2005 : EUR 0,50 interim dividend
2006 : EUR 0,50 interim dividend
2007 : EUR 0,60 interim dividend
2008 : EUR 0,60 interim dividend
2009 : no dividend
2010: EUR 0,30 interim dividend

11. Excerpt from the Melexis NV separate (non-consolidated) financial statements prepared in accordance with Belgian GAAP

The following information is extracted from the separate Belgian GAAP financial statements of Melexis NV. These separate financial statements, together with the management report of the Board of Directors to the general assembly of shareholders as well as the auditors' report, will be filed with the National Bank of Belgium within the legally foreseen time limits.
It should be noted that only the consolidated financial statements as set forth in chapters 8 and 9 present a true and fair view of the financial position and performance of the Melexis group.
Therefore, these separate financial statements present no more than a limited view of the financial position of Melexis. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended 31 December 2010.
The statutory auditor's report is unqualified and certifies that the non-consolidated financial statements of Melexis NV prepared in accordance with Belgian GAAP for the year ended 31 December 2010, gives a true and fair view of the financial position and results of Melexis NV in accordance with all legal and regulatory dispositions.

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

Condensed non consolidated statement of financial position

in 1.000 EUR	2010	2009	2008
ASSETS			
FIXED ASSETS	170,256	165,815	167,437
I. Formation expenses	-	-	-
II. Intangible assets	92	86	62
III. Tangible assets	9,203	4,781	6,492
A. Land and buildings	1,077	1,165	1,358
B. Plant machinery and equipment	7,342	3,152	4,797
C. Furniture and vehicles	487	383	314
E. Other tangible assets	-	-	-
F. Assets in progress and advanced payments	296	81	23
IV. Financial assets	160,961	160,948	160,883
A. Affiliated companies	160,816	160,666	160,606
1. Participations in third parties	160,816	160,666	160,606
B. Other enterprises linked by participating interests	30	24	-
1. Participations in third parties	30	24	-
C. Other financial assets	115	258	277
2. Receivables and caution money	115	258	277
CURRENT ASSETS	35,022	31,584	35,492
V. Amounts receivable after more than one yea	1,578	311	-
1. Other receivables	1,578	311	-
VI. Stocks and contracts in progress	3,579	3,282	4,495
A. Stocks	3,579	3,282	4,495
1. Raw materials and consumables	179	77	219
2. Contracts in progress	3,285	2,962	2,204
3. Finished goods	115	243	2,072
VII. Amounts receivable within one year	10,994	9,662	10,936
A. Trade receivables	10,888	8,352	9,134
B. Other receivables	106	1,310	1,802
VIII. Cash investments	17,542	17,542	17,994
A. Own shares	17,542	17,542	17,542
B. Other investments and deposits	-	-	452
IX. Cash deposits	305	124	1,572
X. Deferred assets and accrued income	1,023	663	494
TOTAL ASSETS	205,278	197,399	202,929

Condensed non consolidated statement of financial position (Continued)

in 1.000 EUR	2010	2009	2008
SHAREHOLDERS' EQUITY	22,611	19,705	21,889
I. Capital	565	565	565
A. Outstanding Capital	565	565	565
II. Share premium account	-	-	-
IV. Reserves	19,590	19,091	19,091
A. Legal reserve	57	57	57
B. Reserves not available for distribution	19,533	19,035	19,035
1. In respect of own shares held	18,041	17,542	17,542
2. Other	1,493	1,493	1,493
V. Retained earnings	2,456	49	2,233
VI. Investment grants	-	-	-
PROVISIONS AND DEFERRED TAXES	33	30	152
VII. A Provisions for liabilities and charges	33	30	152
4. Other liabilities and charges	33	30	152
VII. B Deferred taxes	-	-	-
DEBTS	182,633	177,664	180,889
VIII. Amounts payable after more than one year	3,000	-	-
A. Financial debts	3,000	-	-
4. Credit institutions	3,000	-	-
IX. Amounts payable within one year	177,940	175,837	178,771
A. Current portion of amounts payable after more than one year	2,000	-	-
B. Financial debts	-	-	-
1. Credit institutions	-	-	-
C. Trade debts	2,917	2,442	1,450
1. Trade payables	2,917	2,442	1,450
D. Advances received on contracts in progress	-	-	-
E. Taxes, remuneration and social security	3,049	726	1,093
1. Taxes	2,406	75	401
2. Remuneration and social security	644	652	691
F. Other amounts payable	169,973	172,669	176,229
X. Accrued charges and deferred income	1,693	2	2,117
TOTAL LIABILITIES	205,277	197,399	202,929

Condensed non consolidated statement of comprehensive income

in 1.000 EUR	2010	2009	2008
I. Operating income	67,142	36,251	59,773
A. Turnover	66,127	36,591	59,164
B. Changes in stocks of finished goods, work and contracts in progress	257	-835	168
C. Other operating income	757	495	442
II. Operating charges	-53,583	-33,939	-48,595
A. Raw materials, consumables and goods for resale	35,246	18,135	30,356
1. Purchases	35,347	17,993	30,512
2. Changes in stocks	-101	142	-156
B. Services and other goods	8,651	6,534	8,363
C. Remuneration, social security charges and pensions	6,774	6,456	6,583
D. Depreciations	2,328	2,619	2,907
E. Amounts written off stocks, contracts in progress and trade receivables	79	237	21
F. Provisions for other costs	3	-121	113
G. Other operating charges	503	79	251
III. Operating result	13,559	2,312	11,179
IV. Financial income	9,637	508	9,107
A. Income from financial fixed assets	8,037	85	7,699
B. Income from current assets	177	14	93
C. Other financial income	1,423	408	1,315
V. Financial charges	5,026	4,979	9,409
A. Debt charges	3,991	4,226	7,266
B. Amounts written off on current assets other than those mentioned under II. F.	-	6	791
C. Other financial charges	1,035	747	1
VI. Result of ordinary activities before taxes	18,171	-2,159	10,877
VIII.Extraordinary charges	-	-	-
D. Loss on disposal of fixed assets	-	-	-
E. Other Extraordinary charges	-	-	-
IX. Result of the year before taxes	18,171	-2,159	10,877
IX. bis. A. Transfer from deferred taxes	-	-	-
X. Income taxes	-2,790	-25	-1,473
A. Taxes	-2,791	-103	-2,472
B. Regularization	1	78	999
XI. Result of the year	15,380	-2,184	9,404
XIII. Profit of the year available for appropriation	15,380	-2,184	9,404

Appropriation of the Result

in 1.000 EUR	2010	2009	2008
A. Result to be appropriated	15,429	49	40,134
1. Result of the period available for appropriation	15,380	-2,184	9,404
2. Result carried forward	49	2,233	30,729
B.Transfers from capital and reserves	-	-	-
1. From capital and share premium account	-	-	-
2. From reserves	-	-	-
C. Transfers to capital and reserves	-499	-	-12,945
1. To capital and share premium account	-	-	-
1. To other reserves	-499	-	-12,945
D. Result to be carried forward	-2,456	-49	-2,233
1. Result to be carried forward	-2,456	-49	-2,233
F. Distribution of profit	-12,474	-	-24,956
1. Dividends	-12,474	-	-24,956

12. Glossary

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

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

Revenue
Product sales + Revenues from Research and Development

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

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

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

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

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

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

Capital expenditure
Investments in Property, Plant and Equipment

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

Liquidity
Current assets/current liabilities

Solvency
Shareholders' equity/total assets