

Melexis

Microelectronic Integrated Systems

ANNUAL REPORT 2013

www.melexis.com





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Happy 25th birthday, Melexis!



With a track record of profitable growth, it is with pride and pleasure that we look back at a quarter century of outstanding value creation. It is our intention to keep at it. Melexis is continuously rejuvenating itself. We are exercising, learning, innovating, creating value and enjoying ourselves in the process, energized as we are by our vision for engineering the sustainable future to the advantage of our customers, of our fellow-workers, of our shareholders, of people and planet.

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LETTER TO THE SHAREHOLDERS

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



Françoise Chombar

Dear Melexis Shareholder,

Happy 25th birthday, Melexis! With a track record of profitable growth, it is with pride and pleasure that we look back at a quarter century of outstanding value creation. It is our intention to keep at it. Melexis is continuously rejuvenating itself. We are exercising, learning, innovating, creating value and enjoying ourselves in the process, energized as we are by our vision for engineering the sustainable future to the advantage of our customers, of our fellow-workers, of our shareholders, of people and planet.

Growing Market Share

According to Strategy Analytics, Melexis now occupies the 5th place in the world of automotive sensors. A daunting accomplishment, if we may dare to say so. Indeed, it is worth mentioning that our top 10 companions are all at least double our age. The Melexis vision coupled with the dedication, engagement and creative spirit of the Melexis people clearly convinces our customers to value the Melexis contribution to their business.

Melexis slowly but surely increases market share in its core business and we let the figures speak for themselves: We had a slow start in the first half of 2013. We gained momentum in the 2nd half. The 2013 world automotive semiconductor demand grew by 6,4% according Strategy Analytics records dated January 2014. Melexis automotive sales outperformed with 14,5%. The global semiconductor market growth was 4,4% according WSTS's statistics per December 2013. Melexis total sales went up by 11,5% to reach 275 million euro.

Automotive sales currently accounts for a record 87% of total turnover. Also in the future our main focus will remain on this market. At the same time, we are renewing our attention to markets outside automotive. Some nice successes can already be found in white goods and personal health applications. The expertise gathered over the years and the technologies we master can be leveraged towards attractive business cases where we know we can make a valuable difference.

The Melexis geographical spread of the customer base is pretty much in line with the distribution of global automotive semiconductor demand, while keeping strong in Europe, which firmly retains its position as innovator in the automotive world. This is a sound foundation for the future.

Investing for tomorrow

We are confident towards the future and we continued to invest extensively during 2013 in development and marketing. Melexis launched 14 new products in 2013. We further strengthened our core in magnetic sensors and LIN. LIN stands for Local Interconnect Network and refers to an in-car data exchange protocol. We equally added some new avenues in optical sensing. We invite you to have a look at the video on our website by searching for 'Optical Gesture & Proximity Sensing' to get a feel for it. All of the 2013 newly launched products are engineered to contribute in one or the other way to reducing the environmental footprint of our customers and our customers' customers. Melexis drives green solutions.

Melexis invested over 22 million euro in 2013, of which 12 million euro in test capacity and 4 million euro in the refurbishment of the production facility and the new building in Ieper. The official opening took place on April 22nd. 'Aesthetics matter. Attractive things work better.'¹ Indeed, the Ieper building is a beautiful piece of work and an amazing translation of the Melexis guiding principles, our values which we have carried since our inception:

- Customer orientation: The spirit of continuous improvement is pervasive throughout.
- Enjoyment: With plenty of light, a healthy climatization, connecting spaces, adequate room for focused working, ... we did everything to ensure that people's creativity and teamwork can thrive.
- Respect: Sustainability is at the heart of our company and the building just breathes sustainability, with an optimum regeneration of energy, a passive concrete construction on a compact space for the lowest possible environmental footprint. This building is as green as it gets in the Melexis world today. Respect also for both our 24/7 operations people and female co-workers as they can safely park their cars in the basement.
- Profitability: Eye for detail and attention to quality in everything we do leads to profitable growth which in turn engenders further innovation.
- Leadership: Our people's common goal is to reach the top. Achieving something grand together, whether it's achieving leadership status on a product line, or making a customer smile, or inaugurating a gorgeous building, is a truly fulfilling experience. And yet, once a summit attained, we are already reaching out for the next one to be conquered. For Melexis people, also the journey is the reward.

¹ A quote by Don Norman, Author and Engineering professor.

Healthy financials

Melexis financially performed strong by achieving double digit sales growth, a full year gross profit above 46% and an operating margin above 23%, well above our initial guidance for the year. Melexis generated around 50 million euro free cash flow², allowing us to convert a net debt position of 12 million euro at the beginning of the year into a net cash position of 5 million euro at the end of the year.

Melexis furthermore increased its (interim-) dividend from 65 to 70 cent per share, again an increase of 8% compared to the previous year.

Melexis' financial performance during 2013 was recognized by investors, as our stock price increased by 80% over the year compared to an increase of 18% for the Bel-20 Index. We are proud we have received the 2013 Euronext Brussels award of best performing stock in the Belgian midcap segment (Bel Mid).

Long-term market outlook

The automotive semiconductor market remains promising. Global light vehicle production is forecasted to rise steadily over the near term, but also semiconductor content per car will steadily increase. ZVEI, the German central association of electrical engineering and electronics, isn't seeing the end of this trend before end of the 2020'ies. The growth in semi content will be largely driven by the increased demand for semiconductors which support greener and safer cars. To reach this goal, emission and energy reduction concepts and systems are applied. Melexis supports these systems with its sensing and actuator ICs. Safety systems deployment in vehicles reflects the continued consumer demand and government regulations. These are structural evolutions across the board, for both luxury and budget cars which we expect to extend over the next years. According Strategy Analytics, CAAGR for automotive semiconductor dollar demand over the 4 year period 2013 to 2017 is expected to be +7,2%.

Lean and innovative

For Melexis to engineer the sustainable future entails the compelling challenge of marrying two seemingly opposing values: creative innovation and lean quality. Melexis core market being the automotive, we are required to work according to high standards, requirements are legion, the quality level asked for is one of the

² free cash flow = CF from operating activities minus CF from investing activities.



toughest in the semiconductor industry. This reality requires our organization to set up a routine that drives out variance and ensures we deliver the right predictable quality levels reliably all the time. In the same breath, MLX brings out new innovative products continuously. In contrast to the previously mentioned lean and structured way of working, innovation and creativity are by nature chaotic activities. Innovation means seeing things in different ways, increasing variance, and thinking out of the box. It is the smart blend of these two tendencies that activates virtuous cycles in our company, making it an exciting place to work in a fascinating market place.

Vision

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

This is what we do:

This is what we are proud of:

This is who we are:

We Engineer the Sustainable Future.

Sincerely,

Françoise Chombar

In name and on behalf of the whole Melexis Crew

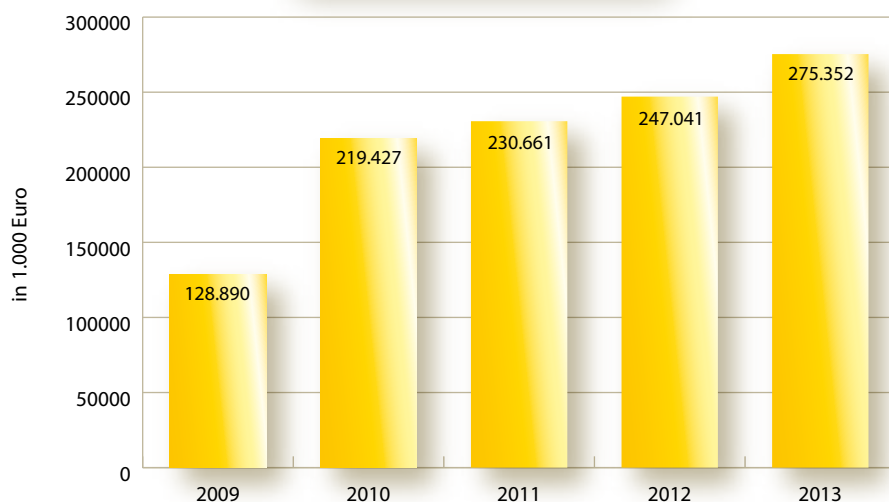
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KEY FIGURES

In 1.000 Euro

Operating results	2009	2010	2011	2012	2013
Revenue	128.890	219.427	230.661	247.041	275.352
EBIT	6.986	56.290	54.446	55.856	63.713
EBITDA	18.553	67.813	66.394	71.066	79.222
Balance structure	2009	2010	2011	2012	2013
Shareholders' equity	59.844	95.455	107.121	129.277	157.639
Net indebtedness	44.263	29.852	19.212	11.732	(9.225)
Working capital	44.089	59.914	57.077	61.023	64.630
Cash flow and capital expenditure	2009	2010	2011	2012	2013
Net cash from operating activities	30.452	45.047	58.212	55.456	70.825
Depreciation + amortization	11.567	11.523	11.948	15.210	15.509
Capital expenditure	10.972	15.377	14.613	20.749	22.532
Ratios	2009	2010	2011	2012	2013
ROE	-7%	51%	43%	40%	35%
Liquidity	2,4	2,5	3,4	1,8	3,4
Solvency	39%	53%	60%	66%	73%

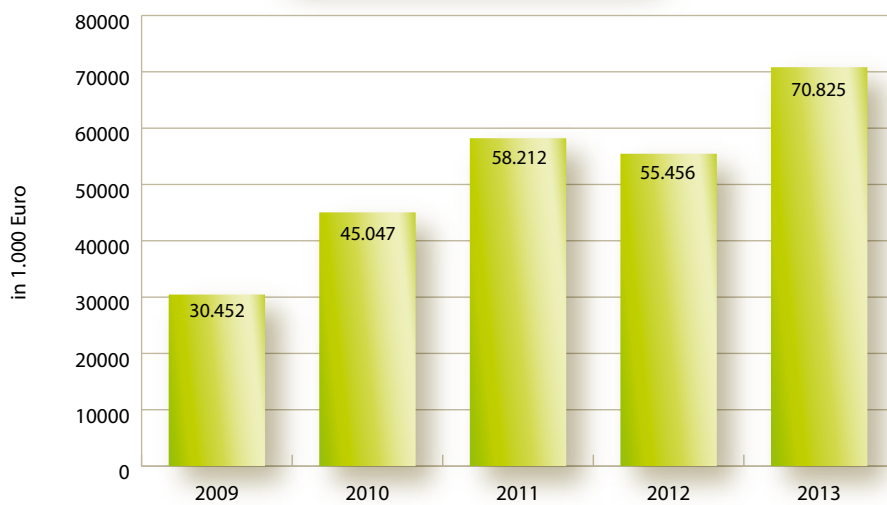
Revenue Evolution



EBIT Evolution



Cash Flow Evolution



3

CORPORATE RESPONSIBILITY

3.1 At Melexis, we engineer the sustainable future, helping cars go green

Melexis designs, develops, tests and markets advanced integrated semiconductor devices. Our core experience is derived from over twenty years supplying ICs to the automotive electronics market. Melexis is and has been an engineering innovator with strong historical contributions toward more energy efficient, safer and more reliable cars, trucks and off-road equipment. Our engineering of greener, more environmental friendly automotive systems generates dozens of new, smart ICs and sensor components 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, helping our planet remain green

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 represented by the following Quality Mission statement:

“Drive smart solutions to enable Melexis innovative products and to encourage customer confidence”





Proactively taking ownership of improvement opportunities and timely implementation of smart solutions is the Melexis Quality Way.

Continuously monitoring and enhancing product quality throughout the product life cycle and supply chain and steering creativity into concrete actions enable Melexis innovative products.

Effectively listening and timely response to customers and systemic improvements of systems, methods, tools and skills encourage customer confidence.

Through a lean and global organization we strive to provide credibility and technical competence to our internal and external customers.

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

Sustainable development – development of products and processes that have a minimum effect on the environment today and in the future

Preventing is better than curing – our goal is to make our products ‘safe at launch on time’ achieving ‘first time right’ designs, maximizing the value of all effort and materials.

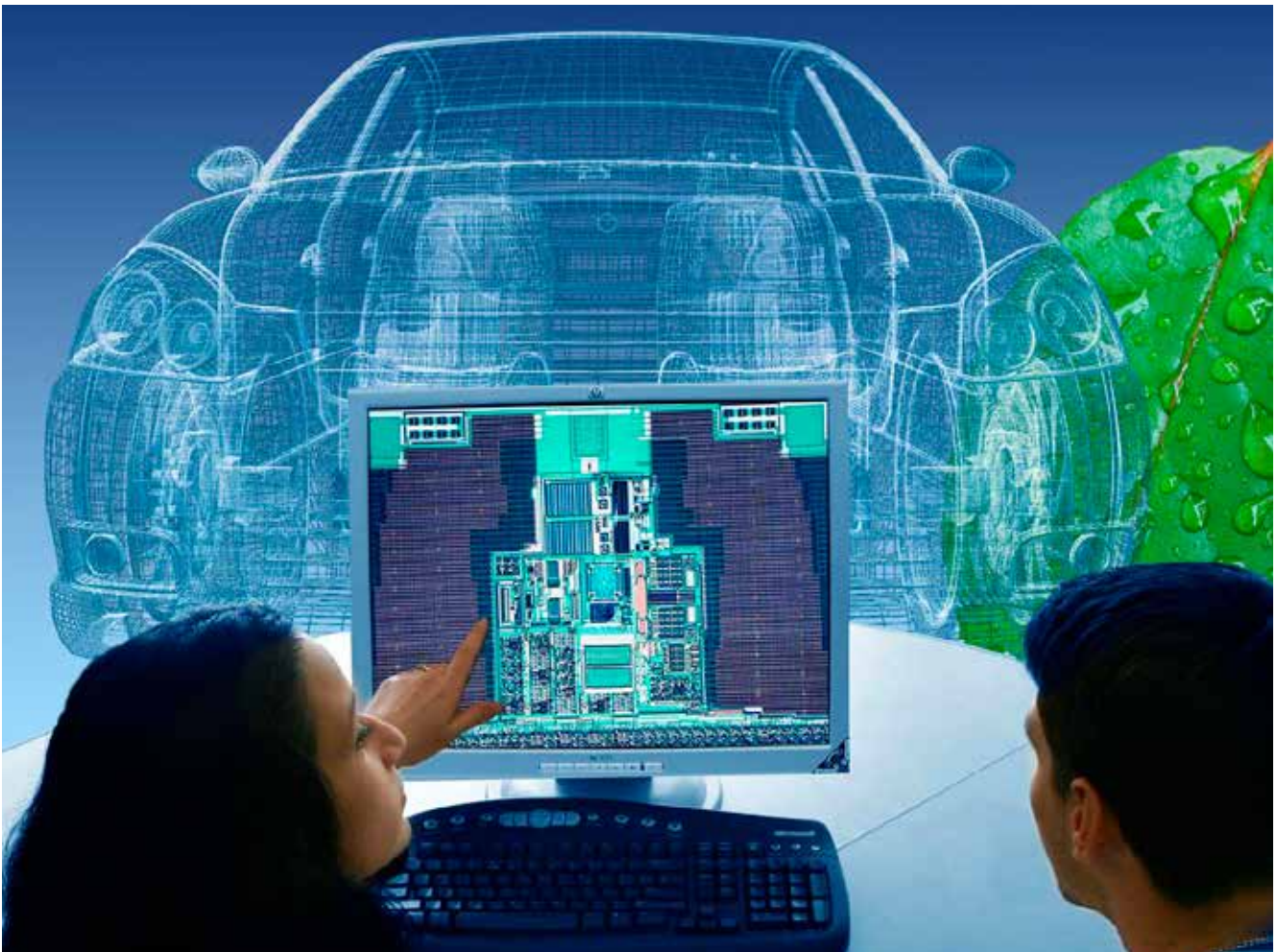
The **total effect on the environment** counts – embodied in the development of products whose production (including energy use), operation and disposal at end-of-life have minimum adverse effects on the environment

Open contact with stakeholders

By every measure, Melexis strives to be a responsible corporate citizen and our team members 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.

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 sensor components responsible for bringing new possibilities to this century's rapidly changing automobile landscape. Whether combustion, hybrid or electric 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 sensor components can make the dream a reality. That is the benchmark for our future. A greener future for our world.



3.3 'The Melexis Way'

At Melexis our values are key to our successful corporate culture. With each day our people reinforce the success of our company culture by embracing the following 5 principles that guide our business approach internally and externally.

Customer Orientation

We engineer the sustainable future for our customers. Our challenge is finding innovative ways to excel in the quality of our products and services, our relationships and our results. In doing so, we enable our customers to 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 and innovative 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. One goal, one team, one voice.



Profitability

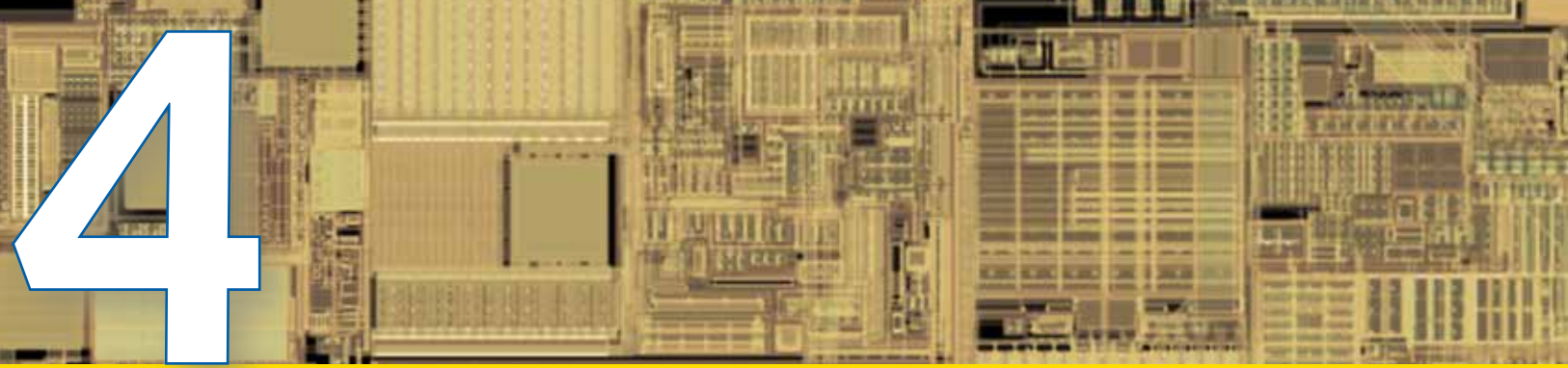
This is the clearest and most tangible way to gauge our true effectiveness at delivering products and services that fulfill our customers' expectations. Superior products and services are bound to generate superior profits. Superior profits will attract superior investors and shareholders thereby sustaining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



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, ethnic background or experience.





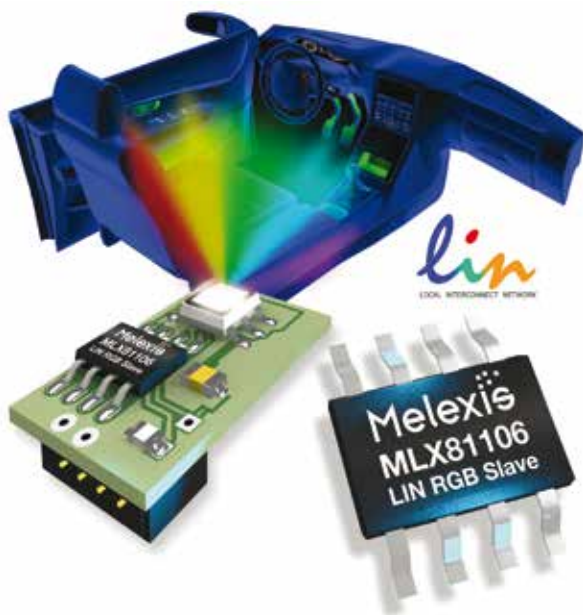
REFLECTION ON OUR STRATEGY

4.1 Simply the Best Innovation Made Safe at Launch On Time

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 being on time for 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 see rewarding growth in new markets and sectors, in consumer electronics, industrial and personal health 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 and sensor components 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.

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 innovative products, which allow us to anticipate new trends and spot emerging market niches.

4.5 Leadership in semiconductor and sensor solutions

Melexis has a commendable team of experienced engineers. Due to their expertise in product definition, design and testing of integrated analog-digital semiconductor solutions and sensor chips Melexis has achieved a leadership position. In order to maintain this position and further improve it, Melexis is making substantial investments in research and development and in people.



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

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

During the development phase, Melexis applies pro-active risk management elements of the 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

PRODUCT PORTFOLIO

5.1 Overview

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

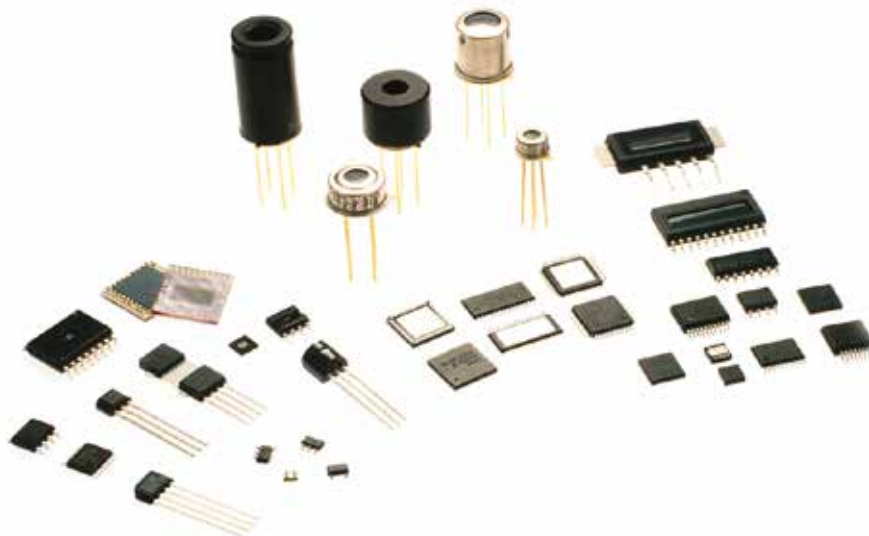
Melexis' products include sensing, communication and actuating components. Melexis differentiates itself from the competition by its ability to integrate all these components into a system, be it a chip set or a system-on-chip. Intelligent integration is increasingly important to provide efficient, effective solutions needed to simplify many complex systems. Melexis supplies unique sensor, communication and driver chips with analog and digital outputs and often with advanced on board micro-controllers or DSP capabilities.

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 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.



5.2 Sensors

Magnetic sensors

Melexis is a recognized world leader for the magnetic sensing devices, mainly based on the Hall Effect.

Typical uses are for movement, position and speed sensing and also current sensing. Magnetic sensors perform contactless measurements and are therefore immune to wear, dust, dirt, humidity and vibration.

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

Since nearly a decade, Melexis has marketed a patented Hall technology under the brand 'Triaxis®' and has set a new benchmark for the contactless magnetic position sensors. Triaxis® ICs are designed in cutting-edge rotary, linear and 3D-joystick position sensors. The final products are used to improve the fuel efficiency, reduce the engine emission, improve the transmission, enhance the vehicle stability control and increase the performances of advanced mechatronic systems (serving applications such as steering, braking or shifting).

For instance, the Triaxis® technology enables Melexis to actively contribute to innovative programs such as 'low emission engines', 'start/stop', 'hybrid' or 'robotized gearbox' introduced by the vehicle manufacturers across the world.

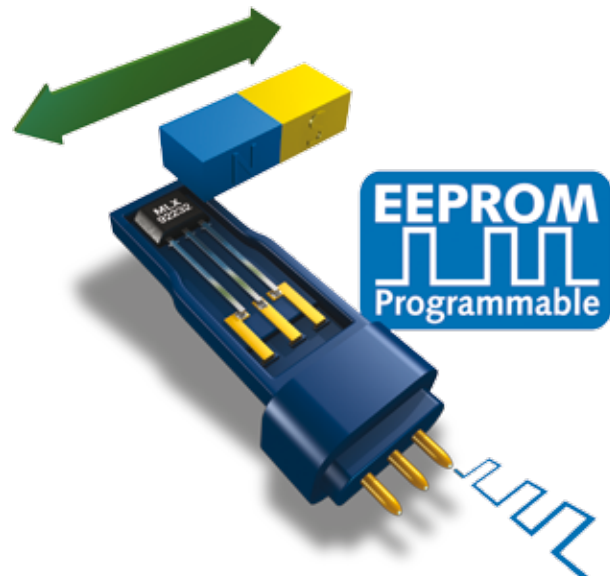
Human-machine interface (HMI) applications are also addressed by Triaxis® ICs: they enable novel generation of smart shifters (manual and automatic transmission); robust joysticks for off-road vehicles or miniature controllers for consumer electronics.

Triaxis®

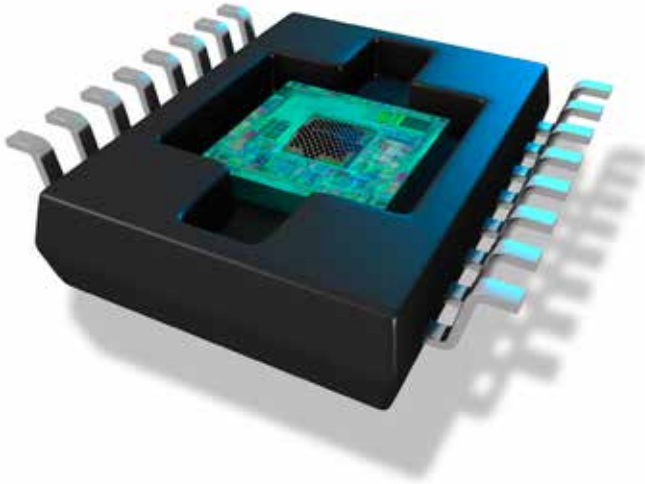


The Triaxis® technology is also used for advanced current sensors monitoring the current of the battery and the electrical powertrain (hybrid or electrical vehicles). Similar sensors are also used for energy monitoring in industrial systems or household appliances confirming our motto 'We Engineer the Sustainable Future'.

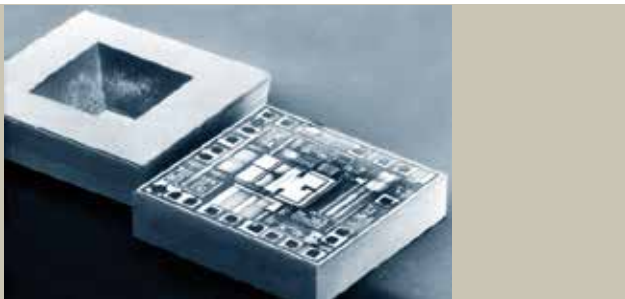
Melexis portfolio of magnetic sensors offers solutions for robust and reliable contactless switches replacing the traditional mechanical switches for various applications such as seat-belt buckle, brake and clutch pedals, wiper and window lift motors.



MEMS (Micromachined Electro-Mechanical Systems): Pressure sensors



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



Pressure is one of the key control parameters in an automobile. It is measured using standalone 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.

Driven by an innovative product portfolio, Melexis could record strong growth in 2013 with this product line.

As an established player in the MEMS technology market, Melexis is committed to stay at the leading edge by continuously investing in innovative products. In 2013 several new product developments were kicked off that should secure the growth of this product line going forward.

Signal conditioning ICs

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

In 2013 we have seen a further proliferation of the trend towards digital communication protocols. For several years Melexis has been investing in products to serve that market need and is therefore well positioned to benefit from this evolution.

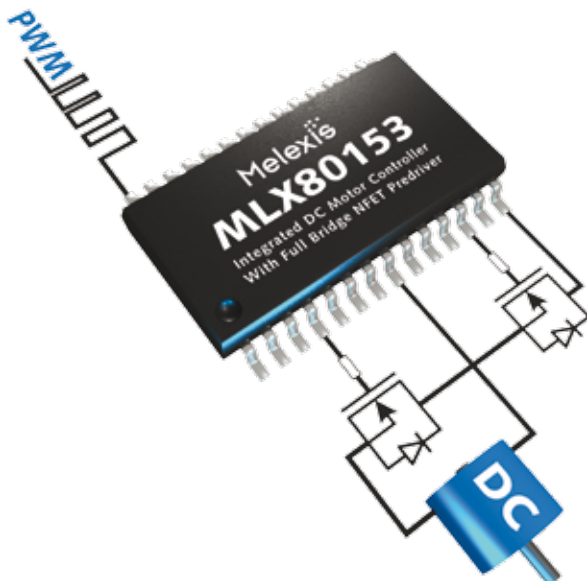
5.3 Actuators

Motor control ICs

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

To realize these functions in a reliable way, Brushless DC (BLDC) motors controlled in a sensorless manner are the technology of choice. Other functions that see an increase in electronic content due to the shift from a DC motor control to a Sensorless BLDC motor control are fuel pumps and engine cooling fans. Melexis delivers and develops controllers and drivers for these BLDC motors. Also outside of the automotive industries, opportunities are being investigated to leverage the built-up expertise in brushless motor control.

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

With a growing quantity of electronic circuitry being incorporated into each new generation of cars entering the market, ensuring that efficient data transfer is maintained has ever more profound importance. The greater reliance on in-vehicle networking stems directly from the vast number of electronic control units (ECUs) now being employed in automobiles. These serve in a variety of different tasks, including the control of lighting systems, comfort electronics, braking mechanisms and audio/infotainment systems, as well as the retrieval of vital information from sensors for engine management and safety purposes. The number of ECUs has steadily climbed over the last two decades.

Though its speed is fairly low, LIN permits new functionality such as customizable LIN RGB LED ambient lighting, based on LIN RGB LEDs. Through this they can add a higher degree of differentiation in their models without heavy investment. The more forward-thinking automobile brands have already started to recognize the value of such a differentiating feature and roll it out with their next models. For ambient lighting to have real impact on the in-vehicle environment and add to passenger/driver comfort, a large number of solid state light sources need to be deployed throughout the cabin interior - being located in the foot wells, along the dashboard, across the underside of the roof, the door panels, etc, as well as illuminating certain mechanical parts (such as the interior door handles, cup holders and such like). With the curbing of any financial outlay required for implementation deemed to be of paramount importance, utilization of the local interface network (LIN) has emerged as a way to control the string of LEDs in ambient lighting systems - thereby making use of an existing bus infrastructure.

It means that RGB ambient modules can be interconnected with the vehicle's LIN system without requiring long drawn out development processes or heavy use of engineering resources. For that emerging application Melexis has developed a new worldwide unique family of ICs called 'LIN RGB'. With the help of those ICs this functionality of ambient light will no longer be confined to high-end automobiles, but will potentially be applicable across the board.

The LIN bus system is also used more often for different kinds of applications such as intelligent sensors or actuators or adding communication functionality to existing conventional sensors.

LIN applications may also be realized with discrete micro-controllers. 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.

Within the LIN World Melexis offers an 'One-Stop-Shop' to our customers for all kind of possible LIN implementations starting from simple transceiver and SBCs products up to fully integrated LIN System ICs including embedded micro-controller.

5.4 Wireless

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

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

Automotive solutions (PKE, NFC and TPMS)

In the automotive area, our Wireless products are deployed in Remote/Passive Keyless Entry (RKE/PKE), in infotainment with Near Field Communication (NFC) and in Tire Pressure Monitoring Systems (TPMS). On top of providing stand-alone high-performance automotive qualified RF transceivers, RFID immobilizers and NFC transceivers, Melexis is combining these wireless technologies with various sensor interfaces, high voltage/high current devices in advanced packages to build unique 'systems on chip' or 'systems in package', providing our customers with highly differentiated products.

Multi-market and sensing applications

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

In the consumer market, more specifically in consumer electronics and white goods markets, our RFICs are used in remote controls and our RFID technologies are successfully integrated in systems for brand protection, security and payment systems.

In the medical market, we are offering sensing and wireless monitoring solutions for personal health applications.

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



5.5 Opto

The SensorEyeC family

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

RainLight sensors

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

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

ActiveLight interface IC

Proximity sensors can be highly effective for supplementing touch-based Human-Machine Interfaces. With single-zone and multi-zone proximity sensing, engineers are presented with a way to implement more intuitive and safe user experiences. Applications for this technology include:

- Proximity Detection
- Simple Gesture Recognition, (simple swipes)
- Driver/Passenger Discrimination, such as infotainment options deemed too distracting for the driver allowing passenger-only to access.
- Circular Gesture Detection

Melexis has developed a series of highly robust sensor interface ICs. Based on CMOS process technology, the MLX75030 and MLX75031 ActiveLight proximity and simple gesture detection ICs feature proprietary integrated ambient light suppression technology, making them highly tolerant to the effects of static and dynamically varying background light. Furthermore it has proven electro-magnetic compliance, plus a small footprint that is highly suited to space-constrained designs.

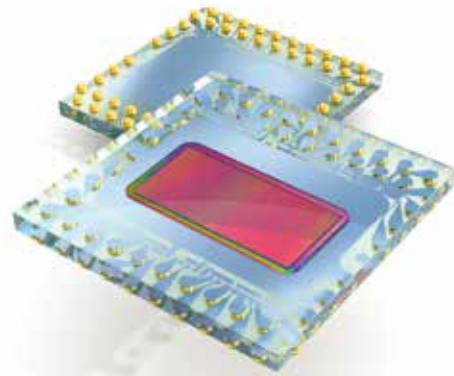


Automotive imagers

Camera systems in cars are a fast growing market. Melexis focuses on imagers where specific automotive features like High Dynamic Range (HDR), high sensitivity for improved night time performance, automotive robustness and automotive functional safety (ASIL, Automotive Safety Integrity Level) are important.

Automotive driver assistance (ADAS) and vision enhancement systems dramatically improve road safety by pro-actively alerting the driver of potential dangers. From 2016 onward, the EU NCAP (New Car Assessment Project) will attribute safety points to cars that detect pedestrians in front of the car and perform automatic emergency braking (AEB) if a collision is imminent.

With the Melexis image sensor portfolio, Melexis targets ADAS, Surround View, HDR Rear-View and Mirror Replacement applications. The Melexis image sensor solutions offer the highest performance solution for these applications.



InfraRed temperature sensors

The 16x4 thermal array, launched by Melexis in 2012, found in 2013 its first applications in low resolution visual thermometers for the DIY market and as an add-on for mobile phones.

This small, low cost, thermal array measures the temperature at 64 distinct positions at frame rates up to 64Hz. It is possible to measure with low noise multiple temperatures at high speed. The sensor can measure temperatures accurately in a wide temperature operating range and a wide target object range. It can also generate a low resolution thermal image useful to detect people or hot objects in a scene.



The sensor has received a lot of interest for people detection in applications like green air-conditioning and occupancy monitoring for intelligent buildings. In the automotive sector the sensor is investigated for blind spot detection, multi zone air-conditioning and passenger classification. In the consumer sector the sensor is being studied in microwave ovens to detect the temperature of food being heated and intelligent lighting systems.

The single channel InfraRed thermometer product line enjoyed further growth due to increased application of the sensors in new medical and consumer applications.



6

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ANNUAL REPORT – FINANCIAL REPORT

7.1 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 according to IFRS standards.

Consolidated statement of comprehensive income

in Euro

December 31 st	2013	2012
Product sales	273.224.126	245.030.451
Revenues from Research and Development	2.128.328	2.010.312
Cost of sales	(147.823.170)	(131.564.583)
Gross margin	127.529.284	115.476.180
Research and development expenses	(41.373.287)	(38.868.794)
General and administrative expenses	(14.924.846)	(13.149.381)
Selling expenses	(7.518.489)	(7.602.191)
Other operating expenses (net)	-	-
Income from operations (EBIT)	63.712.661	55.855.814
Financial results (net)	(494.504)	(924.672)
Profit before taxes	63.218.157	54.931.143
Income taxes	(8.004.607)	(3.401.784)
Non controlling interest	-	-
Net profit of the group	55.213.550	51.529.359
Attributable to the shareholders	55.213.550	51.529.359

Condensed Consolidated Statement of Financial position

in Euro

December 31 st	2013	2012
Current Assets	128.187.250	113.067.082
Non current assets	86.629.749	82.503.399
Current liabilities	37.301.122	62.550.420
Non current liabilities	19.877.336	3.742.960
Equity	157.638.541	129.277.100

7.2 Exchange rates

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

7.3 Result of operations

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

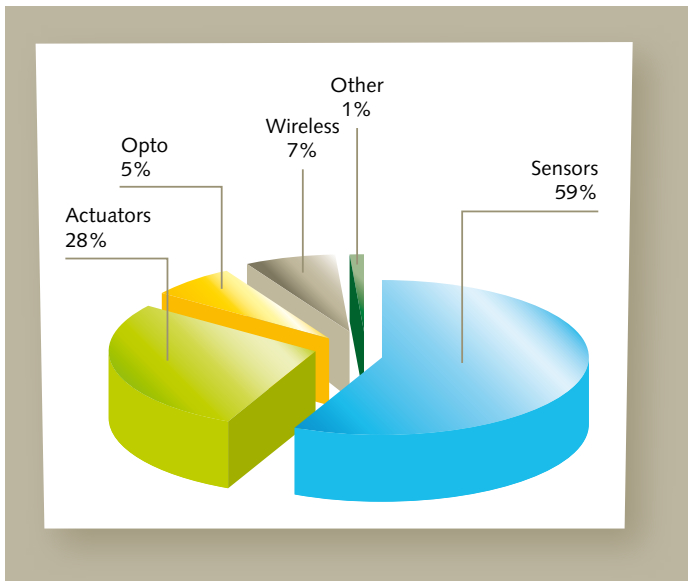
Revenues

For 2013 total revenues increased by 11% compared to 2012. The largest business unit is Sensors (60%), which includes Position, Interface, Pressure, Current and Speed sensor activities, followed by the Actuators business unit (28%). Next are the Wireless and Opto product lines with respectively 7% and 5% of the total revenues of the company .

Specific research and development activities are included in the revenues per business unit. These specific R&D activities are performed under contract for customers. For the year 2013, the company invoiced EUR 2.128.328 research and development costs to its customers, compared to EUR 2.010.312 in 2012.

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

	2013	2012
Sensors	163.893.274	145.378.310
Actuators	76.514.989	69.518.980
Opto	14.266.403	14.635.755
Wireless	18.082.913	14.512.135
Other	2.594.875	2.995.583
TOTAL	275.352.454	247.040.763



Cost of Sales

Cost 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 147.823.170 in 2013 and EUR 131.564.583 in 2012.

Expressed as a percentage of total revenues, the cost of sales increased to 54% in 2013 compared to 53% in 2012.

Gross margin

The gross margin, expressed as a percentage of total revenues decreased from 47% in 2012 to 46% in 2013.

Research and Development expenses

Research and Development expenses amounted to EUR 41.373.287 in 2013, representing 15% of total revenues. The research and development activities concentrate further on research and development of Hall Effect Sensors, MEMS Sensors and Signal Conditioning Interface Sensors, Motor Control IC's and LIN Slaves, Infrared and Opto Sensors and wireless IC's.

General, administrative and selling expenses

General, administrative and selling expenses mainly consist of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses increased by 8% compared to 2012, slower than sales growth.

Financial results

The net financial results amounted to EUR 494.504 loss in 2013 compared to EUR 924.672 loss in 2012. The (net) in-

terest result amounted to a gain of EUR 104.287 compared to a loss of EUR 1.118.386 in 2012. The net exchange gains (both realized and unrealized) in 2013 amounted to a loss of EUR 405.320, compared to a loss of EUR 27.307 during 2012.

Net income

The company recorded a net income for 2013 of EUR 55.213.550. The increase in net income, in comparison with 2012, is mainly due to the increase of revenue.

7.4 Liquidity, working capital and capital resources

Cash and cash deposits amounted to EUR 27.721.955 as of December 31, 2013, in comparison to EUR 21.316.624 as of December 31, 2012.

In 2013, operating cash flow before working capital changes amounted to EUR 72.316.258. Working capital changes in 2013 are mainly situated in inventories and accrued expenses, resulting in a net operating cash flow of EUR 70.824.525.

The cash flow from investing activities was negative for an amount of EUR 21.717.345, mainly as a result of investments in fixed assets amounting to EUR 22.532.106, compensated by interests received for an amount of EUR 689.963 and proceeds from investments for an amount of EUR 124.798.

The cash flow from financing activities was negative for an amount of EUR 42.685.787. This is the result of the repayment of bank debts amounting to EUR 14.648.086 and the interim dividend payment amounting to EUR 28.037.701.

7.5 Risk Factors

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

the company's plans, objectives, expectations and intentions. The cautionary statements made in this annual report should be read as being applicable to all forward-looking statements wherever they appear in this annual report.

A. RISKS RELATED TO THE COMPANY

Operating history; inability to forecast revenues accurately

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

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

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

Currency fluctuations

The company is subject to risks of currency fluctuations to the extent that its revenues are received in currencies other than the currencies of the company's related costs. Fluctua-

tions 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.

Please refer to the foreign currency risk in chapter 8.6.5 AA of Melexis' Annual Report for more information about the impact of foreign currencies.

Credit risk on short term investments

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

Managing growth

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

Risk of potential future acquisitions

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

Future acquisitions by the company may result in the use of significant amounts of cash, potentially dilutive issuing of equity securities, incurrence of debt and amortization expenses related to goodwill and other intangible assets, each of which could materially and adversely affect the company's business, result of operation and financial condition or negatively affect the price of the shares. Should the company's future acquisitions operate at lower margins than those that exist for the company's present services and products, they may further limit the company's growth and place a significant strain on its business and financial resources. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, products and personnel of the acquired company, the diversion of management's attention from other business concerns, risks of entering markets in which the company has no, or limited, direct prior experience and potential loss of key employees of the acquired company. While the company has had discussions with other compa-

nies, there are currently no commitments or agreements with respect to any potential acquisition. In the event that such an acquisition does occur, there can be no assurance that the company's business, result of operations and financial condition, and the market price of the shares, will not be materially adversely affected.

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

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

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

Products may contain defects

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

Evolving distribution channels

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

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

Protection and enforcement of intellectual property rights

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

The company has already obtained patent protections and expects to file additional patent applications when appropriate to protect certain of its proprietary technologies. The company also protects its proprietary information and know-how through the use of trade secrets, confidentiality agreements and other measures. The process of patent protection can be expensive and time consuming. There can be no assurance that patents will be issued from applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted there under will provide meaningful protection or other commercial advantage to the company. Likewise, there can be no assurance that the company in the future will be able to preserve any of its other intellectual property rights. Melexis is currently involved in a court case with another company related to IP infringement. More information can be found in note 8.6.5 AI Litigation of Melexis' Annual Report.

The importance of significant customers

Melexis' biggest customer accounts for 17% of total sales. No other customers have sales over 10% of total sales. While at the moment of introduction of Melexis to the stock market in 1997, the top seven customers still accounted for 70% of sales, the top ten customers for the year ended December 31st, 2013, only accounted for 51% of sales. This decrease is

mainly the result of the increased design of Application Specific Standard Products as opposed to customized products.

Significant shareholders

The main shareholder holds 53,58% 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.

For the required information with respect to the potential conflict please refer to the related parties in chapter 8.6.5 AC of Melexis' Annual Report.

B. RISKS RELATED TO THE BUSINESS

The semiconductor market

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

Intense competition

The automotive semiconductor market is very different from other segments of the semiconductor market. In particular, technological requirements for automotive semiconductors differ significantly as automotive electronics must withstand extreme conditions, including very hot and cold tempera-

tures, dry and humid weather conditions and an environment subject to dust, oil, salt and vibration. In addition and unlike the situation in other segments of the semiconductor market, the supply voltage to automotive semiconductors originating from a car's battery will vary strongly in practice (between 6.5 and 24 volts). As a result these factors make automotive semiconductor product design and, in particular, testing, difficult when compared with other semiconductor markets.

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

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

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

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

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

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

Rapid technological change

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

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

Purchasing

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

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

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

Alternatively, the company may have to incur unexpected costs to expedite orders in order to meet unforecasted customer demand. The company typically does not have supply contracts with its vendors that obligate the vendor to per-

form 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 8), but sources also from 2 Asian wafer fabs to reduce the risk of dependency on one supplier. For the packaging services, Melexis sources from several Asian vendors.

C. RISKS RELATED TO THE TRADING ON EURONEXT

Possible volatility of share price

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

7.6 Events after the balance sheet date

There are no events after the balance sheet date.

7.7 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.

7.8 Branches

For the branches of Melexis NV please refer to the principles of consolidation section in chapter 8.6.3 of Melexis' Annual Report.

7.9 Financial instruments

For the financial instruments please refer to the derivatives section in chapter 8.6.5 E.

7.10 Statement of the Board of Directors

The board of directors of Melexis certifies, on behalf and for the account of the company, that, to their knowledge:

- (a) the financial statements which have been prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the entities included in the consolidation as a whole and,
- (b) the management report includes a fair review of the development and performance of the business and the position of the company and the entities included in the consolidation as a whole, together with a description of the principal risks and uncertainties they face.



8

CONSOLIDATED FINANCIAL STATEMENTS

8.1 Consolidated statement of financial position

in Euro

December 31 st		2013	2012
ASSETS			
Current assets:	Cash, and cash equivalents (Note 8.6.5.A)	27.721.955	21.316.624
	Current investments (Note 8.6.5.B)	3.827.173	3.927.971
	Accounts receivable –trade (Note 8.6.5.C)	39.466.930	35.359.131
	Accounts receivable –Related companies (Note 8.6.5.AC 2)	1.636.493	636.298
	Assets for current tax (Note 8.6.5.W)	4.803.232	5.466.515
	Inventories (Note 8.6.5.D)	44.265.081	38.358.513
	Other current assets (Note 8.6.5.F)	6.466.387	8.002.030
Total current assets		128.187.250	113.067.082
Non current assets:	Intangible assets (Note 8.6.5.G)	4.727.016	2.113.452
	Property, plant and equipment (Note 8.6.5.H)	66.323.948	60.003.867
	Financial assets (Note 8.6.5.I)	6.100	30.100
	Other non-current assets	1.476.948	5.550.948
	Deferred tax assets (Note 8.6.5.W)	14.095.737	14.805.031
Total non current assets		86.629.749	82.503.399
TOTAL ASSETS		214.816.999	195.570.480

December 31 st		2013	2012
LIABILITIES			
Current liabilities:	Bank loans and overdrafts	-	-
	Derivative financial instruments (Note 8.6.5.E)	1.145.573	1.103.278
	Current portion of long-term debt (Note 8.6.5.M)	4.147.398	34.648.086
	Accounts payable – trade	13.895.152	12.329.208
	Accounts payable – related companies (Note 8.6.5.AC 2)	7.461.359	4.680.441
	Accrued expenses, payroll and related taxes (Note 8.6.5.J)	5.171.491	4.262.582
	Accrued taxes (Note 8.6.5.W)	3.680.964	3.571.967
	Provisions	-	-
	Other current liabilities (Note 8.6.5.L)	1.251.075	1.374.241
	Deferred income (Note 8.6.5.K)	548.109	580.617
Total current liabilities		37.301.122	62.550.420
Non current liabilities:	Long-term debt less current portion (Note 8.6.5.M)	18.176.860	2.328.387
	Other non current liabilities (Note 8.6.5.X)	1.700.476	1.414.572
	Deferred tax liabilities (Note 8.6.5.W)	-	-
Total non current liabilities		19.877.336	3.742.960
Equity:	Shareholders' capital	564.814	564.814
	Share premium	-	-
	Reserve treasury shares	(3.817.835)	(3.817.835)
	Revaluation reserve Hedge (Note 8.6.5.E)	(260.679)	(607.786)
	Revaluation reserve Fair value (Note 8.6.5.E)	1.304.375	72.824
	Legal reserve	56.520	56.520
	Retained earnings	105.224.346	81.732.689
	Current year's profit	55.213.550	51.529.359
	Cumulative translation adjustment	(657.021)	(263.955)
Equity attributable to company owners		157.628.070	129.266.629
	Non controlling interest	10.471	10.471
Total equity (Note 8.6.5.N)		157.638.541	129.277.100
TOTAL LIABILITIES		214.816.999	195.570.480

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

8.2 Consolidated income statement

in Euro

December 31 st	2013	2012
Product sales	273.224.126	245.030.451
Revenues from Research and Development (Note 8.6.5.Y)	2.128.328	2.010.312
Cost of sales (Note 8.6.5.P)	(147.823.170)	(131.564.583)
Gross margin	127.529.284	115.476.180
Research and development expenses (Note 8.6.5.Q)	(41.373.287)	(38.868.794)
General and administrative expenses (Note 8.6.5.R)	(14.924.846)	(13.149.381)
Selling expenses (Note 8.6.5.S)	(7.518.489)	(7.602.191)
Other operating expenses (net) (Note 8.6.5.Z)	-	-
Income from operations (EBIT)	63.712.661	55.855.814
Financial income (Note 8.6.5.V)	5.223.695	6.327.723
Financial charges (Note 8.6.5.V)	(5.718.199)	(7.252.395)
Result before taxes	63.218.157	54.931.142
Income taxes (Note 8.6.5.W)	(8.004.607)	(3.401.784)
Non controlling interest	-	-
Net result of the period	55.213.550	51.529.359
Earnings per share non-diluted (Note 8.6.5.AE)	1,37	1,25
Earnings per share diluted	1,37	1,25

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

8.3 Consolidated statement of comprehensive income

in Euro

December 31 st	2013	2012
Net result	55.213.550	51.529.359
Other comprehensive income		
Cumulative translation adjustment	(393.067)	(383.801)
Fair value adjustments cashflow hedges	347.107	(114.037)
Fair value adjustments available-for-sale financial assets	1.231.551	(439.464)
Other comprehensive income for the period	1.185.592	(937.302)
Total comprehensive income attributable to:		
Attributable to owners of the parent	56.399.142	50.592.057
Non controlling interests	-	-

The consolidated statements were approved and authorized for issue by the Board of Directors on February 3rd, 2014 and were signed on its behalf by Françoise Chombar.

The consolidated statements haven't been changed after the approval by the Board of Directors.



Françoise Chombar
Managing Director, Chief Executive Officer (CEO)

8.4 Consolidated statement of changes in equity

in Euro

	Number of shares	Share capital	Share premium	Legal reserve
December 31st, 2010	43.241.860	564.814	-	56.520
Net income	-	-	-	-
CTA movement	-	-	-	-
Hedge reserves ⁽¹⁾	-	-	-	-
Fair value adjustments through equity ⁽²⁾	-	-	-	-
Other comprehensive income	-	-	-	-
Dividend	-	-	-	-
Reserve treasury shares	-	-	-	-
Non controlling interest	-	-	-	-
Destruction own shares	-	-	-	-
Transactions with owners of the Parent				
December 31st, 2011	43.241.860	564.814	-	56.520
Net income	-	-	-	-
CTA movement	-	-	-	-
Hedge reserves ⁽¹⁾	-	-	-	-
Fair value adjustments through equity ⁽²⁾	-	-	-	-
Other comprehensive income	-	-	-	-
Dividend	-	-	-	-
Reserve treasury shares	-	-	-	-
Non controlling interest	-	-	-	-
Destruction own shares	(2.841.860)	-	-	-
Transactions with owners of the Parent	(2.841.860)	-	-	-
December 31st, 2012	40.400.000	564.814	-	56.520
Net income	-	-	-	-
CTA movement	-	-	-	-
Hedge reserves ⁽¹⁾	-	-	-	-
Fair value adjustments through equity ⁽²⁾	-	-	-	-
Other comprehensive income	-	-	-	-
Dividend	-	-	-	-
Reserve treasury shares	-	-	-	-
Non controlling interest	-	-	-	-
Destruction own shares	-	-	-	-
Transactions with owners of the Parent	-	-	-	-
December 31st, 2013	40.400.000	564.814	-	56.520

1 Hedge reserves net: EUR 260.679 (Note 8.6.5.E) minus hedge reserves last year net EUR 607.786 (Note 8.6.5.E)

Retained earning	Reserve treasury shares	Fair value adjustment reserve	CTA	Non controlling interest	Total equity
116.534.860	(21.885.610)	481.878	(307.712)	10.471	95.455.221
45.893.624	-	-	-	-	45.893.624
-	-	-	427.558	-	427.558
-	-	402.619	-	-	402.619
-	-	(865.958)	-	-	(865.958)
-	-	(463.339)	427.558	-	(35.781)
(24.317.989)	-	-	-	-	(24.317.989)
-	(9.874.378)	-	-	-	(9.874.378)
-	-	-	-	-	-
-	-	-	-	-	-
(24.317.989)	(9.874.378)	-	-	-	(34.192.367)
138.110.496	(31.759.988)	18.539	119.846	10.471	107.120.698
51.529.359	-	-	-	-	51.529.359
-	-	-	(383.801)	-	(383.801)
-	-	(114.037)	-	-	(114.037)
-	-	(439.464)	-	-	(439.464)
-	-	(553.501)	(383.801)	-	(937.302)
(26.036.169)	-	-	-	-	(26.036.169)
-	(2.399.485)	-	-	-	(2.399.485)
-	-	-	-	-	-
(30.341.638)	30.341.638	-	-	-	-
(56.377.807)	27.942.153	-	-	-	(28.435.654)
133.262.048	(3.817.835)	(534.962)	(263.955)	10.471	129.277.100
55.213.550	-	-	-	-	55.213.550
-	-	-	(393.067)	-	(393.067)
-	-	347.107	-	-	347.107
-	-	1.231.551	-	-	1.231.551
-	-	1.578.659	(393.067)	-	1.185.592
(28.037.702)	-	-	-	-	(28.037.702)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(28.037.702)	-	-	-	-	(28.037.702)
160.437.896	(3.817.835)	1.043.696	(657.021)	10.471	157.638.541

2 Fair value adjustments: Current year EUR 1.304.375 (Note 8.6.5.B) minus reversal fair value last year for an amount of EUR 72.824

During the extraordinary shareholder's meeting on April 20, 2012 it was decided to cancel 2.841.860 treasury shares, bringing the total outstanding shares to 40.400.000 shares. During 2012, Melexis Technologies NV and Melexis NV purchased 189.473 shares of Melexis NV on Euronext Brussels at an average price of EUR 11.47.

At the end of 2012, Melexis NV holds 1.785 own shares and Melexis Technologies NV holds 344.356 shares of Melexis NV, in total representing 0.86% of shares outstanding. During 2013 no additional purchase of own shares was done, therefore the amount of own shares held by Melexis NV and Melexis Technologies NV remains the same.

8.5 Consolidated statement of cash flows

in Euro

December 31 st (indirect method)	2013	2012
Cash flows from operating activities		
Net profit	55.213.550	51.529.359
Adjustments for operating activities		
Deferred taxes	709.294	15.840
Unrealized exchange results	(225.746)	1.124.172
Provisions	-	-
Government grants	1.160.700	718.934
Depreciation and amortisation	15.508.990	15.210.063
Impairments	-	-
Financial results	(50.529)	(282.031)
Operating profit before working capital changes	72.316.258	68.316.337
Accounts receivable, net	(4.846.655)	2.345.629
Other current assets	2.604.341	(8.165.483)
Other non-current assets	4.074.000	(616.682)
Due to (from) related companies	2.780.918	(436.147)
Due (to) from related companies	(1.000.195)	86.361
Accounts payable	1.575.326	4.173.435
Accrued expenses	5.370.467	2.903.887
Other current liabilities	74.248	(1.690.430)
Other non current liabilities	285.904	(1.351.234)
Inventories	(7.543.924)	(4.496.907)
Interest paid	(519.485)	(2.000.447)
Income tax	(4.346.680)	(3.612.411)
Net cash from operating activities	70.824.525	55.455.908

December 31st (indirect method)	2013	2012
Cash flows from investing activities		
Financial fixed assets	-	-
Purchase of property plant and equipment and intangible assets	(22.532.106)	(20.749.184)
Interest received	689.963	1.220.454
Investments, proceeds, from current investments	124.798	677.339
Acquisition of subsidiary	-	-
Net cash used in investing activities	(21.717.345)	(18.851.391)
Cash flows from financing activities		
Payment to acquire own shares	-	(2.399.485)
Repayment from long-term debts	(14.648.086)	(4.647.682)
Proceeds of long-term debts	-	-
Repayment of bank loans and overdrafts	-	-
Proceeds from (repayment of) related party financing	-	-
Dividend payment	(28.037.701)	(26.036.169)
Capital decrease	-	-
Non controlling interest	-	-
Destruction of shares	-	-
Net cash used in financing activities	(42.685.787)	(33.083.336)
Effect of exchange rate changes on cash	(16.062)	(10.957)
(Decrease) increase in cash	6.405.331	3.521.182
Cash at beginning of the period	21.316.624	17.806.399
Cash at end of the period	27.721.955	21.316.624
Cash at end of the period minus cash at beginning of the period	6.405.331	3.510.225

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 accounting year covers the period from January 1st, 2013 till December 31st, 2013.

The Melexis group of companies employed, on average 836 people in 2013 and 794 in 2012.

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 3rd, 2014 in Tessenderlo.

8.6.2 Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union up to December 31st, 2013 (collectively "IFRS"). Melexis has not applied any new IFRS requirements that are not yet effective in 2013.

8.6.3 Summary of significant accounting policies

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU per January 1, 2013. The principal accounting policies adopted in preparing the consolidated financial statements of Melexis NV are as follows:

Basis of preparation

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

Use of estimates and judgments

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

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

Assumptions and estimates are applied when:

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

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

Recovery of deferred tax assets

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

Measurement currency

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

FOREIGN CURRENCY

Foreign currency transactions

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

Foreign currency translation

Since the introduction of the Euro on January 1st 1999, and in accordance with Belgian law, Melexis NV keeps its books and prepares its consolidated financial statements in Euro. The measurement currency of Melexis NV and of its subsidiaries Melexis Technologies NV (formerly known as Melexis Tessenderlo NV), Melefin NV, Melexis GmbH, Melexis Nederland BV and the French branch office is the Euro. The measurement currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) and for Melexis Bulgaria Ltd. the Bulgarian Leva (Bgn). The measurement currency for Sentron AG, Melexis Switzerland SA 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 Phillipinian 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 Switzerland SA, Melexis Japan, Melexis Philippines, Melexis Hong Kong and Melexis Electronic Technology (Shanghai) Co. Ltd. are translated at closing rate, and revenues and ex-

penses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component "cumulative translation adjustment" in the statement of financial position.

Principles of Consolidation

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

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

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

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

entity has been incorporated in Japan), Melexis Electronic Technology (during 2009 this separate legal entity has been incorporated in China, Shanghai). Finally, the granddaughter Melexis Technologies NV is also included in the consolidation scope. In 2012 Melexis NV purchased 15% of the shares of Melexis Technologies NV. As a result Melexis Technologies partially became a direct subsidiary of Melexis NV. In December 2013 Melexis Switzerland SA was founded. Melexis Switzerland SA is a 100% subsidiary of Melexis NV. In December 2013 Melexis Switzerland SA acquired 100% of the shares of Melexis Technologies SA.

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 amortized cost, after allowance for doubtful accounts.

Hedging

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

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

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

Inventories

Inventories, including work-in-progress are comprised of material, labor and manufacturing overheads and are valued at the lower of cost (determined on FIFO basis) or net realizable value after reserve 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	3-5 years
• Mask set	5 years

Melexis does capitalize the 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 quoted prices (Conform IFRS 7 – level 1) or inputs, other than quoted prices, that are observable for the asset either directly (as prices) or indirectly (derived from prices), both 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 inputs, other than quoted prices, that are observable for the asset either directly (as prices) or indirectly (derived from prices). This conform IFRS 7 – Level 2 or Level 3.

(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 this assets is measured using quoted prices (Conform IFRS 7 – level 1) or inputs, other than quoted prices, that are observable for the asset either directly (as prices) or indirectly (derived from prices). This conform IFRS 7 – Level 2 or Level 3.

(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

The shares of Melexis NV are listed without par value. Melexis' aim in managing its equity is to maintain a healthy financial structure with a minimal dependency on external financing as well as to create shareholders value. Melexis

intends to pay out regular (interim-) dividends, in order to maximize the return on equity for its shareholders.

Treasury shares

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

Provisions

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

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

Reserves

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

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

Non controlling interests

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

Revenue recognition

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

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

Borrowing costs

Borrowing costs are expensed as incurred. Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are included in the cost of the asset.

Government Grants

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

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

Income taxes

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

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

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

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the

extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized.

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

Impairment of assets

Property, plant and equipment and intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in income. The recoverable amount is the higher amount of an asset's net selling price and value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its useful life.

Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased.

Segments

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

Contingencies

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

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

Subsequent events

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

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

Earnings per share

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

Financial liabilities

All movements in financial liabilities are accounted at trade date.

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

Trade and other payables

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

Derivative financial instruments

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

Adoption of new and revised standards

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU per January 1, 2013.

New standards, interpretations and amendments adopted by the group.

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on January 1,

2013. The Group has not applied any new IFRS requirements that are not yet effective as per December 31, 2013.

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

1. Annual Improvements to IFRSs 2009-2011 Cycle (issued by the IASB in May 2012)
2. IFRS 1 – First-time Adoption of International Financial Reporting Standards (Amendment March 2012) – Amendments for government loan with a below-market rate of interest when transitioning to IFRSs
3. IFRS 7 – Financial Instruments: Disclosures (Amendment December 2011) – Amendments related to the offsetting of assets and liabilities
4. IFRS 13 – Fair Value Measurement – Original Issue May 2011
5. IAS 1 – Presentation of Financial Statements (Amendment June 2011) – Amendments to revise the way other comprehensive income is presented
6. IAS 19 – Employee Benefits (Amendment June 2011) – Amended Standard resulting from the Post-Employment Benefits and Termination Benefits projects
7. IAS 27 – Consolidated and Separate Financial Statements – Reissued as IAS 27 Separate Financial Statements (May 2011)
8. IAS 28 – Investments in Associates – Reissued as IAS 28 Investments in Associates and Joint Ventures (May 2011)
9. IFRIC 20 – Stripping Cost in the Production Phase of Surface Mine

The adoption of this amendment has not led to major changes in the Group's accounting policies.

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

The Group elected not to early adopt the following new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per December 31, 2013.

1. Annual Improvements to IFRSs 2010-2012 Cycle (issued by the IASB in December 2013)
2. Annual Improvements to IFRSs 2011-2013 Cycle (issued by the IASB in December 2013)
3. IFRS 7 – Financial Instruments: Disclosures (Amendment December 2011) – Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
4. IFRS 7 – Financial Instruments: Disclosures (Amendment November 2013) – Additional hedge accounting disclosures (and consequential amendments) resulting

from the introduction of the hedge accounting chapter in IFRS 9

5. IFRS 9 – Financial Instruments – Classification and Measurement (Original issue November 2009, and subsequent amendments)
6. IFRS 10 – Consolidated Financial Statements – Original Issue May 2011
7. IFRS 10 – Consolidated Financial Statements (Amendment June 2012) – Amendments to transitional guidance
8. IFRS 10 – Consolidated Financial Statements (Amendment October 2012) – Amendments for investment entities
9. IFRS 11 – Joint Arrangements – Original Issue May 2011
10. IFRS 11 – Joint Arrangements (Amendment June 2012) – Amendments to transitional guidance
11. IFRS 12 – Disclosure of Interests in Other Entities – Original Issue May 2011
12. IFRS 12 – Disclosure of Interests in Other Entities (Amendment June 2012) – Amendments to transitional guidance
13. IFRS 12 – Disclosure of Interests in Other Entities (Amendment October 2012) – Amendments for investment entities

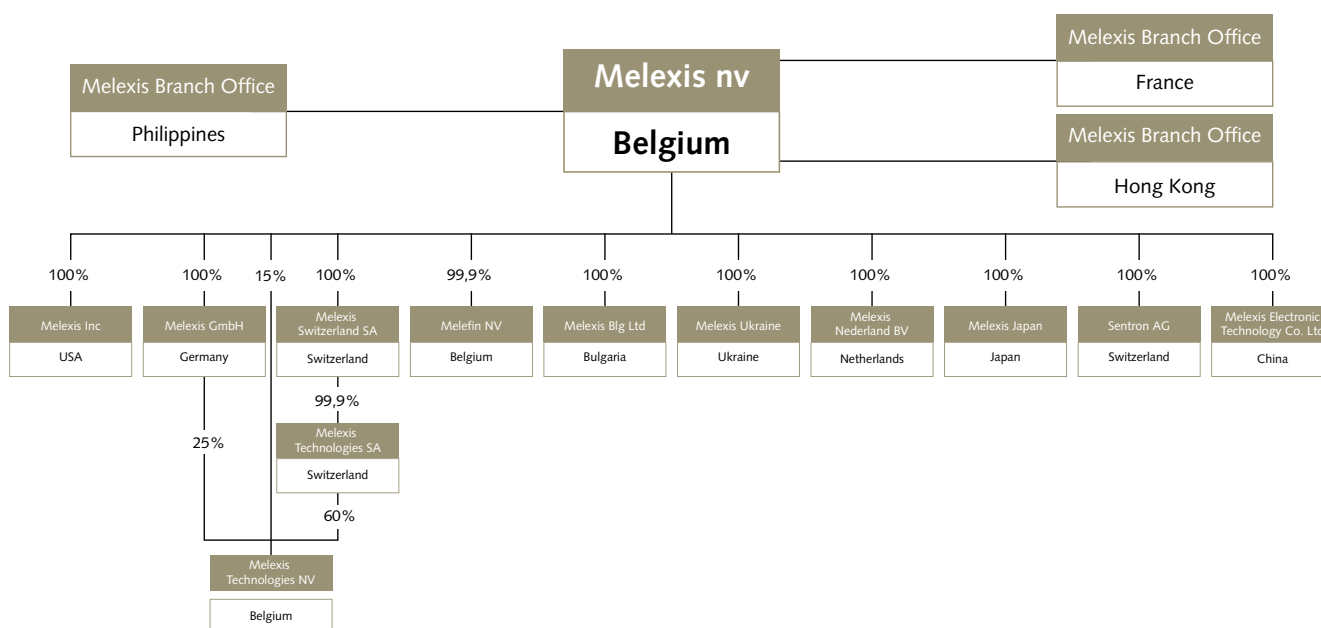
14. IAS 19 – Employee Benefits (Amendment November 2013) – Amendments relating to Defined Benefit Plans: Employee Contributions
15. IAS 27 – Consolidated and Separate Financial Statements (Amendment October 2012) – Amendments for investment entities
16. IAS 32 – Financial Instruments: Presentation (Amendment December 2011) – Amendments relating to the offsetting of assets and liabilities
17. IAS 36 – Impairment of Assets (Amendment May 2013) – Recoverable Amounts Disclosures for Non-Financial Assets
18. IAS 39 – Financial Instruments: Recognition and Measurement (Amendment June 2013) – Novation of Derivatives and Continuation of Hedge Accounting
19. IAS 39 – Financial Instruments: Recognition and Measurement (Amendment November 2013) – Amendments for continuation of hedge accounting (fair value hedge of interest rate exposure) when IFRS 9 is applied
20. IFRIC 21 – Levies (May 2013)

None of the other new standards, interpretations and amendments, which are effective for periods beginning after 1st January 2014 and which have not been adopted early, are expected to have a material effect on the Group's future financial statements.

8.6.4 Changes in group's organization

Melexis Technologies NV was partially transferred by Melexis Technologies SA to Melexis NV on June 30th, 2012. As a consequence, Melexis NV holds 15% of the shares of Melexis Technologies NV, while the participation of Melexis Technologies SA reduced from 75% to 60%. In

December 2013 Melexis Switzerland SA was incorporated. Melexis Switzerland SA is a 100% subsidiary of Melexis NV. Melexis Switzerland SA purchased 100% of the shares of Melexis Technologies SA.



8.6.5 Notes

A. CASH AND CASH EQUIVALENTS

In Euro

December 31 st	2013	2012
Cash at bank and in hand	27.721.955	21.316.624
Cash equivalents	-	-
Total	27.721.955	21.316.624

B. CURRENT INVESTMENTS

In Euro

December 31 st	2013	2012
Current Investments	3.827.173	3.927.971

December 31 st		
Detailed current investments	Cost	Fair Value
Assets held to maturity	-	-
Assets available for sale	2.483.971	3.788.346
Derivatives	-	38.827
Total	2.483.971	3.827.173

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, 2013 this fair value adjustment resulted in a profit (increase of equity) amounting to EUR 1.304.375. The fair value of these assets amounted to EUR 3.788.346.

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, 2013 the fair value of the financial derivatives recognized as asset under current investments amounted to EUR 38.827.

A detailed overview of the outstanding derivatives, categorized under current investments, is included in Note 8.6.5.E.

As of December 31st, 2013 Melexis had no assets in portfolio classified as investments held to maturity.

C. TRADE RECEIVABLES

In Euro

December 31 st	2013	2012
Trade accounts receivables	40.149.726	35.769.197
Allowance for doubtful accounts	(682.796)	(410.065)
Total	39.466.930	35.359.131

As at December 31st, 2013 trade receivables of EUR 9.470.366 were passed due.

The aging analysis of these receivables is as follows:

In Euro

December 31 st	2013	2012
Not due	29.996.563	24.633.368
<30 days	6.752.288	6.977.185
>30 <60 days	74.609	1.576.197
>60 days	2.643.469	2.172.380
Total	39.466.930	35.359.131

D. INVENTORIES

Inventories, including work-in-progress are comprised of material, labor and manufacturing overheads and are valued at the lower of cost (determined on FIFO basis) or net realizable value after reserve for obsolete items. Net realizable value is the selling price in the ordinary course of business,

less the costs of completion, marketing and distribution. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealizable inventory has been fully written off.

In Euro

December 31 st	2013	2012
Raw materials and supplies, at cost	25.006.813	23.808.109
Work in progress, at cost	22.261.021	18.557.353
Finished goods, at cost	1.609.767	362.469
Reserve for obsolete stock	(4.612.520)	(4.369.418)
Net	44.265.081	38.358.513

E. DERIVATIVES

Notional amounts

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

December 31 st		2013	2012
Outstanding FX hedge contracts per December 31 st , not exceeding 1 year	USD	16.000.000	15.000.000
	CHF	-	10.420.000
Outstanding Interest hedge contracts per December 31 st , exceeding 1 year	EUR	15.000.000	15.000.000
Outstanding Interest hedge contracts per December 31 st , not exceeding 1 year	EUR	-	30.000.000
Outstanding Inflation hedge contract per December 31 st , exceeding 1 year	EUR	15.000.000	15.000.000
Outstanding Inflation hedge contract per 31 st December, not exceeding 1 year	EUR	-	8.400.000

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

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

Fair value

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

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

December 31 st	2013	2012
Assets	Fair value EUR	Fair value EUR
Outstanding Inflation swaps - conform IFRS 7 - level 2	-	48.752
Outstanding FX swaps - conform IFRS 7 - level 2	38.827	-
Total, classified under Current investment (see also Note 9.6.5.B)	38.827	48.752

These financial instruments are classified as financial assets at fair value through profit or loss. For the representation of the gains and losses relating to these assets we refer to Note 8.6.5 V.

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

December 31st	2013	2012
Liabilities	Fair value EUR	Fair value EUR
Outstanding FX swaps - conform IFRS 7 - level 2	-	(18.665)
Outstanding Interest swaps - conform IFRS 7 - level 2	-	(60.859)
Outstanding Interest swaps (hedged) - conform IFRS 7 - level 2	(394.908)	(920.748)
Outstanding Inflation swaps - conform IFRS 7 - level 2	(750.665)	(103.006)
Total, classified under Derivative financial instruments	(1.145.573)	(1.103.278)

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	2013	2012
Fair value of instruments through equity (hedge accounting IAS 39)		
Outstanding FX hedge swaps per December 31 st	-	-
Outstanding Interest hedge swaps per December 31 st	(394.908)	(920.748)
Outstanding Inflation hedge swaps per December 31 st	-	-
Subtotal	(394.908)	(920.748)
Deferred tax asset	134.229	312.962
Total, classified under Revaluation reserve Hedge	(260.679)	(607.786)

F. OTHER CURRENT ASSETS

In Euro

December 31st	2013	2012
Other receivables	4.913.060	6.754.227
Prepaid expenses	1.553.327	1.247.803
Total	6.466.387	8.002.030

The other receivables mainly relate to VAT.

G. INTANGIBLE ASSETS

In Euro

December 31 st	Licenses	IP	Total
Acquisition value			
Balance end of previous period	8.932.786	1.264.810	10.197.596
Additions of the period	3.441.359	-	3.441.359
Retirements (-)	-	-	-
Transfers	-	-	-
CTA	(145.240)	-	(145.240)
Total	12.228.905	1.264.810	13.493.715
Depreciation			
Balance end of previous period	7.630.920	453.224	8.084.144
Additions of the period	557.735	126.481	684.216
Retirements (-)	-	-	-
Transfers	-	-	-
CTA	(1.661)	-	(1.661)
Total	8.186.994	579.705	8.766.699
NET BOOK VALUE	4.041.910	685.105	4.727.016

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

The licenses are being amortized over a period of 5 years, whereas the IP is amortized over 10 years because all intan-

gible assets have finite useful lives. The yearly amortizing expenses are included in the statement of comprehensive income mainly as cost of sales (Note 8.6.5.P) and research and development expenses (Note 8.6.5.Q).

At the end of 2013 the IP has been amortized for 4 years and 7 months.

H. PROPERTY, PLANT AND EQUIPMENT

December 31 st	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
Cost					
Beginning of the period	28.235.849	136.860.220	7.315.379	10.114.934	182.526.382
Additions of the year	207.452	11.005.439	1.038.136	9.230.451	21.481.478
Retirements	(259.729)	(4.365.312)	(1.057.048)	(1.238.016)	(6.920.105)
Transfers	10.259.885	5.000.910	640.006	(15.900.801)	-
CTA	(80.795)	(572.627)	(28.738)	(662)	(682.822)
End of the period	38.362.662	147.928.630	7.907.735	2.205.906	196.404.933
Accumulated depreciation					
Beginning of the period	8.870.437	108.401.363	5.250.715	-	122.522.515
Additions of the period	1.376.576	10.088.858	981.692	-	12.447.126
Retirements	-	(3.443.952)	(979.413)	-	(4.423.365)
Transfers	-	(154.836)	154.836	-	-
CTA	(36.733)	(408.048)	(20.510)	-	(465.291)
End of the period	10.210.280	114.483.385	5.387.320	-	130.080.985
NET BOOK VALUE	28.152.382	33.445.245	2.520.415	2.205.906	66.323.948

Additions of the year mainly relate to test equipment and the building in Ieper.

Retirements: no material amount of compensation from third parties which have been concluded in the consolidated statement of comprehensive income.

Please refer to Note 8.6.5 M for secured loans on property, plant and equipment.

Fixed assets under construction: this mainly relates to the construction in progress of test equipment. The transfer from fixed assets under construction to land and building relates to the new building in Ieper for which the official opening was in 2013. The transfer to machinery and equipment relates to the finished construction of new test equipment.

I. NON CURRENT FINANCIAL ASSETS

In Euro

December 31 st	2013	2012
Non current financial assets	6.100	30.100

As per December 31st, 2013, the total of non current financial assets amounted to EUR 6.100.

This amount reflects the non controlling interest taken in the course of 2010 in a company. The non controlling interest in another company acquired in 2009 has been sold in 2013.

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

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

In Euro

December 31st	2013	2012
Vacation pay bonuses and 13 th month	4.040.289	3.270.866
Other social accruals	428.250	207.660
Remuneration	264.912	363.955
Social security	219.234	159.609
Direct and indirect taxes	218.806	260.492
Total	5.171.491	4.262.582

K. DEFERRED INCOME

In Euro

December 31st	2013	2012
Capital grants	548.109	580.617
Total	548.109	580.617

The investment grant is attributed to the consolidated statement of comprehensive income pro rata the acquisition value of new machinery and equipment.

L. OTHER CURRENT LIABILITIES

In Euro

December 31st	2012	2011
Accrued real estate withholding tax	25.000	25.000
Accrued financial services	234.892	114.155
Accrued design services	339.241	768.120
Accrued management services	199.273	95.100
Accrued interests	13.600	42.282
Accrued insurances	77.200	4.000
Other	361.869	325.584
Total	1.251.075	1.374.242

M. LONG AND SHORT TERM DEBTS

In Euro

December 31 st	2013	2012
Secured loans		
Bank loan (in CHF) at floating interest rate; average rate for the year 2013 was 2.50% (1); maturing in 2019	244.272	289.820
Bank loan (in EUR) at floating interest rate; average rate for the year 2013 was 1.57% (2); maturing in 2033	2.079.986	2.186.654
Total secured loans	2.324.258	2.476.474
Unsecured loans		
Unsecured loans (in EUR) at floating interest rate; matured in 2013	-	34.500.000
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2013 was 1,57%; maturing in 2018	20.000.000	-
Total unsecured loans	20.000.000	34.500.000
Total debt	22.324.258	36.976.474
Current maturities	4.147.398	34.648.086
Long-term portion of debts	18.176.860	2.328.387

(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.

As of December 31st, 2013 there are engagements for the following financial covenants:

For Melexis NV consolidated:

- Net debt/EBITDA ratio $\leq 2,5$
- Tangible net worth/total assets $\geq 35\%$

As per December 31st, 2013 Melexis is respecting all its financial covenants.

Repayment of debts as of December 31st, 2013 is scheduled as follows:

December 31 st	2013
2014	4.147.398
2015	4.147.398
2016	4.147.398
2017	4.147.398
2018	4.147.398
Thereafter	1.587.268
Total	22.324.258

N. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

As of December 31st, 2013 the common stock consisted of 40.400.000 issued and outstanding ordinary shares without face value. The extraordinary general meeting of Melexis NV decided on 20 April 2012 to cancel 2.841.860 of its own shares.

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 un-amortized 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 a reduction of research and development expenses when incurred.

In Euro

December 31st	2013	2012
Grants for research and development	1.022.361	967.567
Investments grants in building, machinery and employment grants	293.666	341.716
Total	1.316.027	1.309.283

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

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

P. COST OF SALES

Cost of sales include the following expenses:

In Euro

December 31st	2013	2012
Purchases	112.061.348	98.185.367
Transportation costs	2.894.958	2.778.447
Salaries	14.312.666	13.033.760
Depreciation and amortization (*)	10.089.299	10.180.233
Other direct production costs	8.464.899	7.386.776
Total	147.823.170	131.564.583

The increase in sales resulted in an increase in purchases. The salaries increased due to an increase in headcount.

(*) Includes amounts written off on inventory for the amount of KEUR 226

Inventory movement of 2013 (increase) for the amount of EUR 5.906.567 is part of total cost of sales

Q. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

In Euro

December 31st	2013	2012
Salaries	22.774.397	22.013.834
Depreciation and amortization	3.479.572	3.317.546
External services	7.084.781	6.981.509
Prototype wafers	1.287.288	1.230.841
Fees	2.460.849	1.760.226
Other	4.286.400	3.564.838
Total	41.373.287	38.868.794

Due to an increase in headcount the expenses for salaries increase.

R. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

In Euro

December 31st	2013	2012
Salaries	4.068.914	3.657.867
Depreciation and amortization	1.873.922	1.648.752
External services	2.926.671	2.236.312
Fees	937.765	943.123
Other	5.117.575	4.663.326
Total	14.924.846	13.149.381

S. SELLING EXPENSES

Selling expenses include the following expenses:

In Euro

December 31st	2013	2012
Salaries	4.167.735	4.233.652
Depreciation and amortization	66.198	63.534
Commissions	986.756	986.450
Other	2.297.801	2.318.555
Total	7.518.489	7.602.191

T. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

In Euro

December 31st	2013	2012
Wages and salaries	45.323.711	42.939.114
Total	45.323.711	42.939.114

The average number of employees is 836 in 2013 and 794 in 2012.

Key management personnel compensation

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

U. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

In Euro

December 31st	2013	2012
Cost of sales	10.089.299	10.180.233
Research and development	3.479.572	3.317.546
General and administration	1.873.922	1.648.752
Selling	66.198	63.534
Other operating expenses	-	-
Total	15.508.990	15.210.064

V. NET FINANCIAL RESULT

In Euro

December 31st	2013	2012
Financial income	5.223.695	6.327.723
interest income	696.970	605.394
exchange differences	3.320.395	5.307.404
result on financial instruments excluding fair value adjustments	-	90.633
fair value adjustment FX swaps	57.492	-
fair value adjustment Interest swaps	60.859	160.875
fair value adjustment Inflation swaps	-	-
fair value adjustment current investments available for sale	-	-
dividend	135.637	135.637
other	952.342	27.780
Financial charges	(5.718.199)	(7.252.395)
interest charges	(592.683)	(1.723.780)
bank charges	(99.319)	(125.026)
exchange differences	(3.725.715)	(5.334.711)
result on financial instruments excluding fair value adjustments	(525.851)	127.178
fair value adjustment FX swaps	-	(24.172)
fair value adjustment Interest swaps	-	-
fair value adjustment Inflation swaps	(696.411)	(103.006)
fair value adjustment current investments available for sale	-	-
other	(78.221)	(68.878)
Net financial results	(494.504)	(924.672)

W. INCOME TAXES

The income tax expenses can be detailed as follows:

In Euro

December 31st	2013	2012
Current tax expenses	7.474.047	3.327.225
Deferred tax expenses	530.560	74.559
Total	8.004.607	3.401.784

Past intra group transactions resulted in intangible assets in the Melexis Technologies NV and Melexis Technologies SA statutory financial statements. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of both companies. Deferred tax effects linked to these transactions could amount to approximately EUR 23.0 mio at year end 2013. Added to deferred tax effects linked to the amount of available tax losses and tax offsets carried forward in the hands of Melexis Technologies NV the maximum deferred tax assets to be recognized in the hands of both companies amount to EUR 44,3 mio at year end 2013.

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 expedi-

ent in order to avoid unrealistic year on year fluctuations in estimated realization of the deferred tax asset. Taking into account these considerations the Board of Directors has decided to recognize as per December 31st, 2013 a cumulative deferred tax asset of EUR 8.466.608. Accordingly the unrecognized deferred tax asset amounts to approximately EUR 35,8 mio at year end 2013.

Finally a cumulative deferred tax asset amounting to EUR 5,5 mio is recognized to take into account the deferred tax effect resulting from fair value adjustments related to financial instruments. Most important component thereof is the deferred tax asset related to the entire past write-off of the CDO investment (i.e. 15.000.000 x 33.99%).

Consolidated figures show a current tax receivable amounting to EUR 4.803.232 and a current tax liability amounting to EUR 3.680.964. Most important component of the current tax receivable is Belgian withholding tax amounting to EUR 3.315.182 withheld at the occasion of the 2012 cancellation of shares. Most important component of the current tax liability is the Belgian corporate income tax due by Melexis NV for financial year 2013 amounting to EUR 2.345.090.

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

In Euro

December 31st	2013	2012
Income before taxes	63.218.157	54.931.143
Expected taxes at domestic rate	21.487.852	18.671.095
Effective taxes	8.004.607	3.401.784
Difference to be explained	(13.483.245)	(15.269.312)
Explanation of the difference		
Difference foreign tax percentages and other tax regimes	1.989.681	(249.807)
Effect IP amortization (permanent difference)	(6.044.816)	(6.543.685)
Fair value adjustments financial instruments	(196.483)	(69.399)
Tax effect non-deductible items	202.139	234.605
Tax effect non-taxable income	(673.668)	(212.716)
Tax effect patent income deduction	(8.567.376)	(5.866.317)
Tax effect notional interest deduction	(1.479.013)	(932.889)
Tax effect investment deduction	(1.418.325)	(1.479.930)
Tax losses carried forward	-	(675.696)
Current tax adjustments relating to prior years	705.571	(2.055.083)
Miscellaneous	(58.424)	1.130.782
Unrecognized deferred tax assets current period	1.229.045	1.338.487
Change of recognition of deferred tax assets (decrease + / increase -)	828.424	112.337
Total	(13.483.245)	(15.269.311)
Difference	0	0

The amount of unrecognized deferred tax assets comprises amounts of EUR 4.427.439, EUR 3.613.798 and EUR 2.805.223 with expiry dates December 31, 2016, December 31, 2017 respectively December 31, 2018.

Components of deferred tax assets are as follows:

In Euro

December 31st	1 jan 2013	Charged to income statement	Charged to equity	Cumulative translation adjustments	31 dec 2013
Tax amortization charges	10.952.448	(2.485.840)	-	-	8.466.608
Fair value adjustments financial instruments	3.483.858	1.856.596	-	-	5.340.454
Fair value adjustments hedge accounting	312.962	-	(178.733)	-	134.229
Miscellaneous	55.763	98.684	-	-	154.447
Total	14.805.031	(530.560)	(178.733)		14.095.738

X. OTHER NON CURRENT LIABILITIES

In Euro

December 31st	2013	2012
Other non current liability	1.700.476	1.414.572
Total	1.700.476	1.414.572

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

Since not all agreed criteria were met at the end of the investment period, there is a risk that Melexis GmbH needs to repay the grant. The repayment of the investment grant threatens at the earliest in the financial year 2017. Because of the long-term character of the liability, a non current liability has been booked for the amount of KEUR 1.582.

Y. PRODUCT SALES AND RESEARCH AND DEVELOPMENT REVENUES

Research and development revenues relate to revenues for specific product developments.

The product sales and research and development revenues are as follows:

December 31 st	2013	2012
Product sales	273.224.126	245.030.451
Research and development revenues-product developments	2.128.328	2.010.312
Total	275.352.454	247.040.763

For the revenue from product sales, please refer to the Operational Segments section in chapter 8.6.5 AB.

Z. OTHER OPERATING EXPENSES (NET)

No other operating expenses to be reported in 2013.

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 2013, approximately 54% of the group's sales are denominated in USD and approximately 49% of the group's 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 2013	Increase/Decrease in EUR/USD rate	Effect on result before taxes (in EUR)
Reference rate: 1.33 (average FY 2013)		
	+0.05 (1.38)	(1.678.026)
	-0.05 (1.28)	1.809.156

At December 31st, 2013, following financial assets and liabilities are denominated in USD and CHF:

	31 Dec 13 (USD)	31 Dec 13 (CHF)
Financial assets	35.422.215	536.059
Cash and cash equivalents	5.772.298	525.050
Trade and other receivables	29.649.917	11.009
Financial liabilities	10.063.951	1.873.764
Trade and other payables	10.063.951	1.573.764
Loans and borrowings	-	300.000

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.33) would have an impact on the balance sheet value of -784k EUR/ +845k EUR at 31 December 2013.

An increase/decrease of the EUR/CHF rate of +/- 500 base points (reference rate = 1.22) would have an impact on the balance sheet value of +45k EUR/ -49k EUR at 31 December 2013.

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

Interest rate risk

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

At December 31st, 2013 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 2013	Increase/Decrease	Effect on financial result (in EUR)	
	in base points	excluding derivatives	including derivatives
	+15	(33.486)	(10.986)
	-15	33.486	10.986

AB. OPERATING SEGMENTS

Business Segments

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

- Automotive
- Non-automotive (other)

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

Business segment data

All amounts in 1.000 Euro

December 31st 2013	Automotive	Other	Unallocated	Total
Product sales	237.043	36.182	-	273.224
Other revenues	1.696	433	-	2.128
Cost of sales	(124.621)	(23.202)	-	(147.823)
R&D expenses	(34.879)	(6.494)	-	(41.373)
G&A expenses	(12.582)	(2.343)	-	(14.925)
Selling expenses	(6.338)	(1.180)	-	(7.518)
Other operating expenses	-	-	-	-
Income from operations	-	-	-	63.713
Financial results	-	-	(495)	(495)
Taxes	-	-	(8.005)	(8.005)
Net result	-	-	-	55.214
Segment assets	132.891	20.284	61.642	214.817
Segment liabilities	172.553	26.338	15.926	214.817
Capital expenditures	19.548	2.984	-	22.532
Depreciation and amortization	13.455	2.054	-	15.509

All amounts in 1.000 Euro

December 31st 2012	Automotive	Other	Unallocated	Total
Product sales	207.129	37.902	-	245.030
Other revenues	1.393	617	-	2.010
Cost of sales	(108.431)	(23.133)	-	(131.565)
R&D expenses	(32.034)	(6.834)	-	(38.869)
G&A expenses	(10.837)	(2.312)	-	(13.149)
Selling expenses	(6.265)	(1.337)	-	(7.602)
Other operating expenses	-	-	-	-
Income from operations				55.856
Financial results	-	-	(925)	(925)
Taxes	-	-	(3.402)	(3.402)
Net result	-	-	-	51.529
Segment assets	118.293	21.646	55.632	195.570
Segment liabilities	136.007	24.888	34.675	195.570
Capital expenditures	17.540	3.210	-	20.749
Depreciation and amortization	12.857	2.353	-	15.210

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 customers and not to the subcontractors.

In%

December 31st	2013	2012
Customer A	17	17
Customer B	6	6
Customer C	5	5
Customer D	5	4
Customer E	4	4
Customer F	4	4
Customer G	3	3
Customer H	3	3
Customer I	2	3
Customer J	2	2
Total	51	51

Information about geographical areas

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

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

All amounts in 1.000 Euro

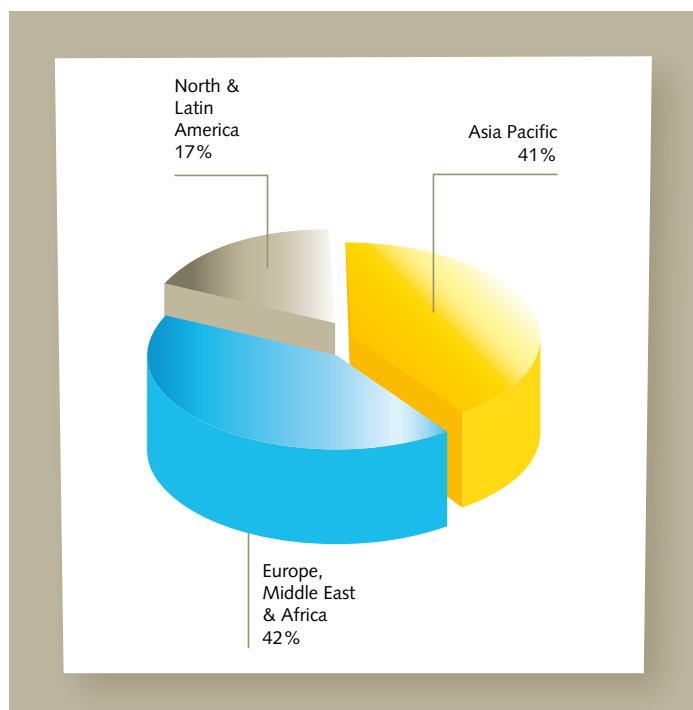
December 31 st 2013	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Revenue by origin	275.352	-	-	275.352
Non current assets	84.305	264	2.061	86.630

All amounts in 1.000 Euro

December 31 st 2012	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Revenue by origin	247.041	-	-	247.041
Non current assets	80.781	303	1.419	82.503

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

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



In Euro

December 31st	2013	2012
Europe, Middle East and Africa	116.755.336	103.810.941
Germany	53.470.929	51.171.619
France	7.068.026	5.860.499
United Kingdom	9.336.060	9.588.263
Poland	6.838.479	5.014.783
Switzerland	4.130.345	3.200.586
Ireland	5.082.778	1.938.007
Czech Republic	1.648.890	1.603.723
Austria	10.795.792	8.539.675
Netherlands	1.358.523	2.416.704
Romania	8.187.661	7.024.604
Bulgaria	1.263.495	794.468
Spain	1.744.252	1.428.024
South Africa	2.296.858	1.574.184
Other	3.533.247	3.655.803
North and Latin America	45.891.278	44.721.024
United States	31.405.704	27.576.041
Canada	1.357.544	5.514.970
Mexico	13.055.084	11.228.941
Brazil	72.947	401.072
Asia Pacific	112.705.839	98.508.798
Japan	22.768.882	20.210.535
China	22.781.757	18.720.641
Hong Kong	9.695.257	8.868.316
Thailand	29.014.936	23.019.190
Korea	13.888.848	13.604.989
Philippines	1.997.625	1.483.728
Taiwan	5.500.818	5.755.167
India	2.355.088	3.105.148
Other	4.702.628	3.741.085
Total	275.352.454	247.040.763

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 and branches which have been consolidated:

Melexis Inc	US entity
Melexis GmbH	German entity
Melexis Bulgaria Ltd.	Bulgarian entity
Melexis BV	Dutch entity
Melexis Ukraine	Ukrainian entity
Melexis Technologies SA	Swiss entity
Melexis French branch	French branch
Sentron AG	Swiss entity
Melefin NV	Belgian entity
Melexis Technologies NV	Belgian entity
Melexis Philippine branch	Philippine branch
Melexis Japan	Japanese Entity
Melexis Hong Kong	Chinese branch
Melexis Electronic Technology Co. Ltd	Chinese entity
Melexis Switzerland SA	Swiss 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 53,58% of the outstanding Melexis shares. The shares of Xtrion NV are held directly and/or indirectly by Mr. Roland Duchâtelet, Mrs. Françoise Chombar and Mr. Rudi De Winter.
- Elex NV is 99,9% owned by Mr. Roland Duchâtelet. One share is held by Mr. Roderick Duchâtelet.
- Xtrion NV owns 59% of the outstanding shares of X-FAB Silicon Foundries SE, producer of wafers, which are the main raw materials for the Melexis products. X-FAB Silicon Foundries SE sells the majority of its products also to third parties.
- 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 2013 a transaction took place which can create a potential conflict. Please refer to chapter 9.6.

2. Outstanding balances at year-end

As of December 31st 2013 and 2012, the following balances were outstanding:

Receivables

December 31 st		2013	2012
On	Elex	4.455	2.726
	Xtrion	4.598	9.196
	Fremach Dieppe	52.650	134.160
	Epiq NV	1.815	1.815
	Xfab group	1.560.903	476.663
	Xpeqt group	12.071	11.738
	Total	1.636.493	636.298

Payables

December 31 st		2013	2012
On	Elex	18.813	61
	Xtrion	203.966	80.699
	Epiq NV	(4)	(4)
	Xfab group	6.343.398	4.245.240
	Xpeqt group	810.877	354.446
	Anvo-Systems	83.940	-
	Other	370	-
	Total	7.461.359	4.680.441

Long term receivable

December 31 st		2013	2012
Long term receivable part of other non-current assets			
	Xfab group	1.466.548	298.904

EUR 1.466.548 is outstanding for more than 1 year and EUR 642.722 is due within 1 year.

3. Transactions during the year

Sales/ purchases of goods and equipment

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

December 31 st	2013	2012
Sales to		
Fremach Dieppe (mainly IC's)*	1.197.183	872.703
Xpeq group	2.851	1.040
Xfab group (mainly test & assembly services)	-	6.732
Elex	-	-

* IC's: *Integrated Circuits*

December 31 st	2013	2012
Purchases from		
Xfab group (mainly wafers)	85.374.234	71.220.552
Xpeq group (mainly equipment and goods)	5.666.735	3.937.611
Xtrion (mainly IT infrastructure)	319.126	209.014

Sales/purchases of services

December 31 st	2013	2012
Sales to		
Elex (mainly R&D services and rent)	22.607	18.785
Xpeq group (infrastructure office building)	110.369	124.314
Epiq NV (infrastructure office building)	19.666	18.000
Xtrion (infrastructure office building)	45.600	45.644
Xfab group	448.031	493.262

December 31 st	2013	2012
Purchases from		
Xtrion NV (mainly IT and related support)	1.229.668	1.001.594
Elex NV (mainly IT and related support)	100.581	40.859
Xpeq group	1.348.325	1.086.597
Xfab group	2.092.097	1.594.354
Anvo-Systems	515.989	-

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.

AD. REMUNERATION OF BOARD OF DIRECTORS

In accordance with the company's bylaws, directors can be remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 45.000 and 9.008 expenses during 2013. 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 55.213.550 in 2013, EUR 51.529.359 in 2012 and EUR 45.893.624 in 2011 by the weighted average number of ordinary shares outstanding during the period (40.400.000 in 2013, 41.256.451 in 2012, 43.241.860 in 2011).

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.

The dividend paid out in 2013 amounted to EUR 0,70 per share and EUR 0,65 per share in 2012.

AF. FINANCIAL INSTRUMENTS

Financial risk management

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

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

(1) Credit risks

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

(2) Interest rate risk

The group does use derivatives to manage interest rate risks of the outstanding bank debt.

The schedule of long-term-debt repayments is disclosed in Note 8.6.5.M.

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

(3) Liquidity risk

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

(4) Foreign exchange risk

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

Fair value of Financial Instruments

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

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

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

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

Management believes that the exposure to interest rate risk of financial assets and liabilities as of December 31st, 2013 was minimal since their deviation from their respective fair values was not significant.

AG. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of December 31st, 2013 the company had purchase commitments for tangible fixed assets amounting to EUR 4.237.247 mainly related to test equipment for the production sites.

Estimated liability

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

Melexis agreed to purchase inventory and IP (Note 8.6.5.G) related to the Vision business. First a fixed amount of USD 372.000 has been paid in 2009 for the acquired assets (inventory); secondly, Melexis is bound to pay a fixed amount per sold image sensor over a period of 5 years, started September 30th, 2009 and ending at December 31st, 2013. The latter estimated liability is accounted for as 'Account payable trade' in the consolidated statement of financial position. The liability at year end 2012, amounting to EUR 773.079, represents the net present value of the expected future payments towards Sensata, based on expected sales of the Image Sensor.

At the end of 2013 the value was zero.

AH. BUSINESS COMBINATIONS

No business combinations in 2013.

AI. LITIGATION

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

which Melexis has lodged an appeal with the Higher Regional Court of Düsseldorf. During 2013 there were no changes.

(2) Melefin NV (a subsidiary of Melexis NV) has taken KBC Bank to court in relation with a dispute regarding an investment by Melexis in CDO's issued by KBC Bank. Melexis invested in 2006 15 million euro in these CDO's. By 2009, Melexis had to write off the full investment as the underlying assets had no more value. Melexis requests the full repayment of the initial investment and the lost interest income. The case was judged in the Court of Hasselt on 14 November 2012 in favour of KBC Bank, against which Melexis has appealed with the Supreme Court of Antwerp. During 2013 there were no changes.

AJ. AUDITOR'S SERVICES

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

- Audit fees EUR 120.000;
- Other services EUR 6.000.

AK. RESERVES POST-RETIREMENT BENEFITS

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

AL. SUBSEQUENT EVENTS

There are no subsequent events.

AM. LIST OF SUBSIDIARIES CONSOLIDATED

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

9

CORPORATE GOVERNANCE STATEMENT

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

The English, Dutch and French versions of the Code can be found on the website of the Belgian Corporate Governance Committee.

Melexis has aligned its Corporate Governance Charter with the 2009 Belgian Code on Corporate Governance. The Corporate Governance Charter can be consulted on the website of the Company at:

<http://www.melexis.com/InvestorRelations-Corporate-Governance.aspx>

An overview of the principles and guidelines where Melexis does not comply with the 2009 Belgian Code on Corporate Governance is given in Section 9.10 of this Corporate Governance Statement.

9.1 Management structure

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

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

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

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

9.2 Board of Directors

Composition

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

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

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

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

The Directors of Melexis are:

Name	Age	Expiry mandate	Position
Roland Duchâtelet	67	2014	Chairman of the Board of Directors, non-executive Director
Rudi De Winter	53	2014	Vice Chairman of the Board, non-executive Director
Françoise Chombar	51	2014	Managing Director, Chief Executive Officer (CEO)
Lina Sarro	56	2014	Non-executive and independent Director
Procexcel BVBA, represented by Jenny Claes	66	2017	Non-executive and independent Director
Shiro Baba	64	2017	Non-executive and independent Director

The Chairman of the Board is Mr. Roland Duchâtelet. The composition of the Board of Directors already takes into account the Act of 28 July 2011 which requires that one third of its members has to be of a different gender as of 1 January 2017.

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: Mitec 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. Since January 2011, he is Chief Executive

Officer at X-FAB, a main supplier and related party to Melexis. Between 1996 and 2010 he served as Chief Executive Officer and Managing Director of Melexis. Prior to that date, Mr. De Winter served as development engineer at Mitec Alcatel (Belgium) from 1984 to 1986 and as development manager at Elmos GmbH (Germany) from 1986 to 1989. In 1990, Mr. De Winter became director together with Mr. Duchâtelet of Xtrion NV, the parent Company of Melexis NV. Mr. De Winter holds a degree as Electronics Engineer from the University of Gent. Mr. De Winter is married to Ms. Chombar, Chief Executive Officer and Managing Director.

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



Board of Directors

Shiro Baba, Lina Sarro, Roland Duchâtelet, Rudi De Winter, Françoise Chombar, Jenny Claes.

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.

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. Ms. Claes held the position of Manager Quality and Business Excellence of SKF Logistics Services worldwide. Ms. Jenny Claes holds a Masters degree in International Trade.

Mr. Shiro Baba has 38 years professional and management experience in different fields related to the semiconductor business. He started his career in 1975 with the semiconduc-

tor division of Hitachi. Since 1999 he has held several general management positions within the Hitachi semiconductor division. From 2003 till 2009 Mr. Baba was employed by Renesas Technology Corp. amongst others as general manager of the Automotive Semiconductor Business Unit and later as Board Director and senior VP. His last mandate was President & CEO of Hitachi ULSI Systems Co. before retiring in 2013. Since April 2013 Mr. Baba has been appointed as independent director of Melexis. Mr. Baba obtained a Master's degree in Electrical and Physical Engineering from Tokyo Institute of Technology and in Electrical Engineering from Stanford University.

Appointment and replacement of directors

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

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

If and when a position of a director prematurely becomes vacant within the Board, the remaining directors temporarily appoint a new director until the General Meeting appoints 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 for directors and Executive Management.

Functioning of the Board

The internal regulation of the Board is part of the Corporate Governance Charter. The Board convened 6 times in 2013 and discussed, amongst others, the following topics:

- Financial results of the group;
- Financial risks to which the group is exposed;
- Strategic review
- Incorporation of a Swiss holding company;
- Dividend and share buy back policy;
- Transfer of shares in Anvo-Systems Dresden GmbH to Xtrion NV;
- Budget for the financial year 2014;
- Recommendations of the Audit Committee and the Nomination and Remuneration Committee.

The board members attended all meetings, except for Phix Focus Inc., represented by Mr. Steve Hix who missed one meeting prior to the expiry of his mandate at the General Meeting of 2013.

Evaluation of the Board and its Committees

The effectiveness of the Board of Directors and its Committees is monitored and reviewed every three years in order to achieve possible improvements in the management of Melexis.

In the evaluation special attention is paid to:

- The functioning of the Board of Directors and its relevant committees;
- The thoroughness with which important issues are prepared and discussed;
- The effectiveness of the interaction with the Executive Management.

The non-executive directors will also make an evaluation of their interaction with the Executive Management, whereby they meet in the absence of the executive directors.

9.3 Committees

Audit Committee

The Audit Committee assists the Board of Directors in its supervisory tasks with respect to the internal supervision in the broadest sense, including the financial reports, as described in the Company's Corporate Governance Charter. The Audit

Committee also assists the Executive Management with its execution of the recommendations by the auditor.

The Audit Committee is composed of three non-executive members: Mr. Roland Duchâtelet, Chairman, Procexcel BVBA, represented by Ms. Jenny Claes, independent director and Mr. Shiro Baba, independent director.

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 Procexcel BVBA, represented by Ms. Jenny Claes, and Mr. Shiro Baba 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 three times during 2013 All members attended the meetings, except for Phix Focus Inc., represented by Mr. Steve Hix who did not attend the meetings prior to the expiry of his mandate at the General Meeting of 2013.

Nomination and Remuneration Committee

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

The Nomination and Remuneration Committee is composed of three non-executive members, Mr. Roland Duchâtelet, Chairman, Procexcel BVBA, represented by Ms. Jenny Claes, independent director and Mr. Shiro Baba, independent director.

The Nomination and Remuneration Committee met three times in 2013. All members attended the meetings, except for Phix Focus Inc., represented by Mr. Steve Hix who did not attend the meetings prior to the expiry of his mandate at the General Meeting of 2013.

9.4 Executive Management

Composition

The Executive Management is composed of the following members:

Name	Age	Position
Marc Biron	43	Global Development Manager
Françoise Chombar	51	Chief Executive Officer
Kristof Coddens	43	Business Unit Manager Sensors
René Gouverneur	64	Global HR Manager
Karen van Griensven	43	Chief Financial Officer
Marc Lambrechts	48	Business Unit Manager Actuators
Veerle Lozie	40	Global Operations and IT Manager
Damien Macq	47	Business Unit Manager Wireless
Sam Maddalena	37	Business Unit Manager Opto Sensors
Gianluigi Morello	49	Global Sales Manager
Ursula Saremski	58	Global Quality Manager

9.5 Remuneration report

Remuneration policy

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

Recommendations of the Nomination and Remuneration Committee are submitted to the Board of Directors for its approval.

The Board of Directors approved the remuneration policy in its meeting of February 7th, 2012. The Remuneration Policy has been added to the Corporate Governance Charter of the company. The remuneration policy will most likely remain the same during the current and following financial year.

Remuneration of directors

The remuneration of the directors is subject to the approval of the General Meeting.

Only the mandates of the independent directors are remunerated. Their compensation consists of a fixed annual remuneration of EUR 15.000 and reimbursement of costs to attend the board and/or committee meetings. In 2013 Melexis paid in total EUR 45.000 as remuneration to the independent directors and EUR 9.008 as reimbursement of costs.

The other directors are not remunerated for their mandate and do not receive any fringe benefits.

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

Remuneration of Executive Management

The compensation of the Executive Management members combines three integrated elements: base salary, variable pay and other benefits. Variable pay payments are dependent on the company's performance and the individual/team performance measured through the achievement of pre-established targets. They can vary up to 20% of the annual base salary, except for the CEO, who can potentially receive a variable pay up to 50% of the annual base salary.

Variable pay is paid out in cash. No shares, options or other rights to acquire shares are granted as part of the compensation. The other benefits concern only a smaller part of the total compensation of the Executive Management.

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

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

CEO

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

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

In 2013 the CEO received a fixed remuneration amounting to EUR 229.163 and a variable pay of EUR 31.250.

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

Other Executive Managers

The total amount of the fixed remuneration of the other members of the Executive Management amounted to EUR 1.260.939 in 2013. The total of the 2013 variable pay component payouts amounted to EUR 88.339.

The Executive Management variable pay scheme does not include a multi year payout horizon. The annual variable pay opportunities which constitute up to 30% of the annual base remuneration, with the exception of one case with an opportunity of 40%, include (i) a global business performance measured through revenue growth and EBIT growth which represents a 40% opportunity of the total variable pay (ii) an assessment of individual performance measured through achievement of pre-established targets, which represents a 40% opportunity of the total variable pay and may be increased up to 60%, taking a discretionary element into consideration.

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

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

Some members of the Executive Management have concluded a service agreement with the company. The total amount of fixed remuneration paid for the services rendered during the financial year 2013 under such agreements amounted to EUR 584.630. The total of the 2013 variable pay component under these agreements amounted to EUR 20.310. These amounts are included in the total amount of the remuneration for the other members of the Executive Management mentioned above.

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

9.6 Policy on certain transactions

Conflicts of interest in the Board of Directors

According to Article 523 of the 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.

Pursuant to article 524 of the Belgian Companies Code, companies listed on the stock exchange must follow a special procedure before decisions are taken or operations are executed concerning (i) the relations of the listed company with an affiliated company, except its subsidiaries, and (ii) the relations between a subsidiary of the listed company and an affiliated company of the subsidiary, other than a subsidiary of the subsidiary. Prior to the decision or transaction, a committee composed of three independent directors, assisted by one or more independent experts, must prepare a written motivated advice for the Board of Directors. The auditor delivers an opinion regarding the accuracy of the information contained in the committee advice and in the minutes of the Board of Directors' decision. The advice of the committee, an excerpt from the minutes of the Board of Directors and the opinion of the auditor have to be recorded in the annual report of the company.

On December 9th, 2013 the Board of Directors approved the transfer by Melexis to its majority shareholder Xtrion NV of (i) 24% of the share capital of Anvo-Systems Dresden GmbH, a company duly incorporated and existing under the laws of Germany, having its registered offices at 01067 Dresden (Germany), Friedrichstrasse 24b, registered with the German trade register under number HRB 27385 (hereafter "Anvo-Systems"), (ii) put and call options to acquire the remaining shares in the share capital of Anvo-Systems and (iii) its receivable towards Anvo-Systems, for the total amount of EUR 5.789.177.

The investment of Melexis in Anvo-Systems during the latter's start-up phase allowed Melexis to learn more about non-volatile memory technology and the use of it in embedded products. During product development Melexis substantially benefited from the assistance provided by Anvo-Systems in memory solutions. Melexis' management however is of the opinion that going forward, a running

business of stand-alone memory products would not add direct value to Melexis. The high volatility characterizing the memory business is not compatible with the genuine Melexis business environment.

The committee of independent directors advised the Board of Directors on November 25, 2013 as follows:

- “CONSIDERING the aforementioned analysis of potential gains and harms for Melexis caused by the envisaged transactions;
- CONSIDERING the valuation report of Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft which has been prepared specifically for the purpose of determining a correct price for the transfer of the assets and liabilities; and
- CONSIDERING the beneficial proprietary effects of the envisaged transactions for Melexis NV,

the committee determines that the envisaged transactions are not of such nature as to cause Melexis NV a disadvantage which is obviously excessive, considering the company policy. The committee therefore recommends approving the envisaged transactions.”

In 2013 there were no other conflicts of interest.

The auditor confirmed on December 16th, 2013 that nothing came to their attention that would make them conclude that the information included in the advice of the committee of independent directors or in the minutes of the Board of Directors would not give a true and fair view.

Other transactions with directors and executive management

As determined by clause VII.2 of the Melexis Corporate Governance Charter, members of the Board of Directors and the Executive Management 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.

In 2013 however there were no transactions between the company and its directors or executive managers which involved a conflict of interest.

Insider trading

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

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

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

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

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

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

- » Transactions have been saved as required for the preparation of the financial accounts in conformity with the IFRS accounting principles;
- » Transactions have been approved by the authorized persons of the company to do so.

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

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

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

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

9.8 Elements pertinent to a take-over bid

Capital structure

The registered capital of Melexis NV amounts to EUR 564.814 and is represented by 40.400.000 equal shares without par value. The shares are in registered or non-material form.

Restrictions on the transfer of securities

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

Restrictions on the exercise of voting rights

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

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

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

Agreements among shareholders

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

Amendments to the Articles of Association

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

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

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

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

The Extraordinary General Meeting of April 20, 2009 also authorised the Board of Directors for an indefinite period of time to dispose of its purchased own shares under the following conditions:

- The number of own shares that is disposed of may not exceed the number of shares of the company that a direct subsidiary of the company may hold as a legitimate cross-shareholding within the meaning of Article 631, § 1 of the Companies Code;
- The disposal of a share under this authority shall be made at the last closing price at which the shares were quoted on the Brussels stock exchange at the moment of disposal;
- The shares concerned may only be transferred to Melexis Technologies NV, with registered office at 3980 Tessenlo, 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 unavailable 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.

The Board of Directors is also authorized for an indefinite period of time to dispose of purchased own shares in accordance with Article 622, §2, section 2, 1° of the Companies Code to the extent that the shares are disposed on the regulated market on which they are quoted.

The Board of Directors is authorized by the Extraordinary General Meeting of April 20, 2012, to acquire own shares in accordance with Article 620, § 1, section 3 of the Companies Code or to dispose of purchased own shares in accordance with Article 6220, § 2, 2° of the Companies Code 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 in the Annexes to the Belgian State Gazette.

On 31 December 2013, the Melexis Group was in the possession of 346.141 shares out of 40.400.000 shares in the registered capital of the company, or 0,86% of the total outstanding share capital. In accordance with art. 622 of the Companies Code, the voting rights on these shares are suspended.

Other elements

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

9.9 Auditor

At the annual General Meeting of April 22nd, 2013 BDO Bedrijfsrevisoren BV o.v.v.e. CVBA, with registered office in 1930 Zaventem, Da Vincilaan 9/E6, listed in the Register for Legal Entities of Brussels with company number 431.088.289, has been reappointed as statutory auditor of the company for a period of 3 years, which ends after the annual General Meeting of 2016 relating to the 2015 financial year. Ms. Veerle Catry, auditor, with office in 9820 Merelbeke, Guldensproenpark 100, blok K, is appointed as permanent representative of the auditor.

The annual fee for this mandate amounts for the entire Mel-exis group to EUR 120.000 audit fees and EUR 6.000 legal fees, VAT excluded and is adjusted annually according to the consumer index.

9.10 Compliance with the 2009 Belgian Code on Corporate Governance

Melexis complies to a large extent to all corporate governance rules of the 2009 Belgian Code on Corporate Governance. In view of the “comply-or-explain”- principle of the Code the following overview sets out the principles of the Code that Melexis does not comply with, along with an explanation of the reasons for non-compliance.

Principle 2.4./1, 2°, Appendix A, Independent directors

The 2009 Belgian Code on Corporate Governance and article 526ter, 2° of the Companies Code prescribe among others that a director is considered to be independent when he/she has not served for more than three consecutive terms as a non-executive director of the Board, without exceeding a total term of more than twelve years. Due to the fact that Melexis confirmed the appointment of its independent directors annually prior to the introduction of article 526ter of the Companies Code In December 2008, the appointment of Ms. Lina Sarro as independent director has exceeded the maximum of three consecutive mandates as a non-executive director. However, her mandate is not caught by any other inconsistency and she is not in a position that could jeopardize her independence according to the Board of Directors. Nevertheless her mandate ends on April 22, 2014 and will not be extended.

Principle 4.12 & 4.13, Board evaluation

The 2009 Belgian Code on Corporate Governance recommends that the non-executive directors regularly (preferably once a year) assess their interaction with the Executive Management in absence of the executive directors. Since the CEO is the only executive director of the Board, Melexis opts to assess the interaction between the Board and the Executive Management in her presence.

The 2009 Belgian Code on Corporate Governance recommends a periodic evaluation of the contribution of each Director aimed at adapting the composition of the Board to take account of changing circumstances. When dealing with re-election, the Director’s commitment and effectiveness should be evaluated in accordance with a pre-established and transparent procedure. Given the limited size of the Board of Directors, the effectiveness of the Board and its Committees will be monitored and reviewed collectively

every three years in order to achieve possible improvements in the management of the company. The commitment and effectiveness of the independent Directors is evaluated with each re-election upon advise of the Nomination and Remuneration Committee. This approach reflects the shareholders structure of the company.

Principle 5, Appendix C, Audit Committee, 5.2/3 - 5.2/17 - 5.2/28

The 2009 Belgian Code on Corporate Governance recommends that the Chairman of the Board should not chair the Audit Committee. The Board of Directors of Melexis opts to have its advising committees presided by its Chairman to clarify the interests of the Company and the shareholders. The 2009 Belgian Code on Corporate Governance recommends setting up an independent internal audit function, whose resources and skills are adapted to the type, size and complexity of the company. If the company does not have an internal audit function, the need to create such a function is evaluated at least annually. Given the current size of the company, the risks and the existing control systems, the internal audit function is fulfilled by the finance department under supervision of the Chief Financial Officer (CFO). Where appropriate, the Audit Committee receives a periodic summary of the internal audit activities.

The 2009 Belgian Code on Corporate Governance recommends that the Audit Committee meets four times a year. In 2013, the Audit Committee met three times. The nature of the activity and the associated risks did not require more meetings, and the financial matters are also widely handled during the Board of Directors meetings.

10

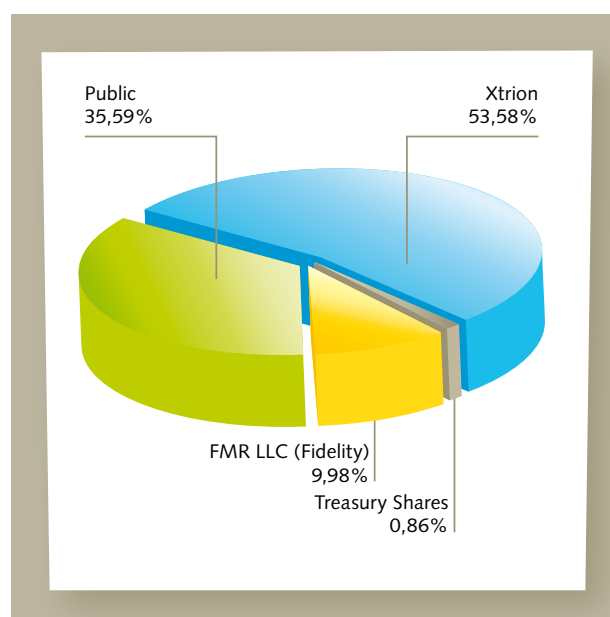
SHAREHOLDER INFORMATION

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

10.1 Shareholder structure

Situation on December 31, 2013

Company	Number of Shares	Participation Rate
Xtrion	21.644.399	53,58%
FMR LLC (Fidelity)	4.032.132	9,98%
Treasury Shares	346.141	0,86%
Public	14.377.328	35,59%
Total	40.400.000	100,00%



10.2 Share information

- First day of listing October 10th, 1997
- Number of shares outstanding on December 31st, 2013 40.400.000
- Market capitalization on December 31st, 2013 EUR 936.472.000

(Euro)	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Earnings per share	1,37	1,25	1,06	1,12	(0,09)	0,52	0,86	0,80	0,65	0,56
Net cash from operating activities	1,75	1,41	1,35	1,04	0,46	0,62	0,77	0,86	0,78	0,98
Gross Dividend (*)	0,70	0,65	0,60	0,30	0,00	0,60	0,60	0,50	0,50	0,28
Year end price	23,18	12,88	10,37	13,46	6,78	5,00	11,15	13,80	10,76	9,01
Year's high	24,44	13,40	13,84	13,80	7,44	11,87	15,00	14,38	11,20	10,76
Year's low	13,19	10,60	8,35	6,84	3,33	4,95	10,15	10,99	9,00	8,40
Average volume of shares traded/day	21.046	20.591	34.818	34.900	22.137	32.991	56.569	47.027	38.129	39.690

(*) 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/InvestorRelations.aspx

10.4 Financial calendar 2014

Annual Shareholder's Meeting	April 22nd, 2014
Announcement of Q1 Results	April 23rd, 2014
Announcement of Half Year Results	July 30th, 2014
Announcement of Q3 Results	October 22nd, 2014
Announcement of Full Year Results	February 4th, 2015

10.5 Dividend policy

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

Gross (interim-) dividend paid out per share in

1999:	EUR 0,30 interim dividend
2002:	EUR 0,50 interim dividend
2003:	EUR 0,50 interim dividend
2004:	EUR 0,2762 dividend and EUR 0,7238 capital decrease
2005:	EUR 0,50 interim dividend
2006:	EUR 0,50 interim dividend
2007:	EUR 0,60 interim dividend
2008:	EUR 0,60 interim dividend
2009:	no dividend
2010:	EUR 0,30 interim dividend
2011:	EUR 0,60 interim dividend
2012:	EUR 0,65 interim dividend
2013:	EUR 0,70 interim dividend

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EXCERPT FROM THE MELEXIS NV STATUTORY

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

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

Therefore, these separate financial statements present no more than a limited view of the financial position of Melexis.

For this reason, the board of directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended December 31st, 2013. Participations in affiliated companies are recognized at purchase price.

The statutory auditors' report is unqualified and certifies that the non-consolidated financial statements of Melexis NV prepared in accordance with Belgian GAAP for the year ended December 31st, 2013 give a true and fair view of the financial position and results of Melexis NV in accordance with all legal and regulatory dispositions.

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

Condensed non consolidated statement of financial position

In 1.000 Euro

ASSETS	2013	2012
FIXED ASSETS	679.956	240.383
I. Formation expenses		-
II. Intangible assets	342	536
III. Tangible assets	24.626	18.137
A. Land and buildings	10.700	1.154
B. Plant machinery and equipment	12.090	9.732
C. Furniture and vehicles	1.042	739
E. Other tangible assets	-	-
F. Assets under construction and advanced payments	793	6.512
IV. Financial assets	654.989	221.710
A. Affiliated companies	654.952	221.646
1. Participations	654.952	221.646
B. Other enterprises linked by participating interests	6	30
1. Participations	6	30
C. Other financial assets	30	34
2. Receivables and caution money	30	34
CURRENT ASSETS	1.075	5.265
V. Amounts receivable after more than one year	47	4.354
1. Other receivables	47	4.354
VI. Stocks and contracts in progress	-	-
A. Stocks	-	-
1. Raw materials and consumables	-	-
2. Contracts in progress	-	-
3. Finished goods	-	-
VII. Amounts receivable within one year	249	194
A. Trade receivables	99	120
B. Other receivables	150	74
VIII. Cash investments	271	271
A. Own shares	21	21
B. Other investments and deposits	250	250
IX. Cash deposits	176	248
X. Deferred assets and accrued income	332	198
TOTAL ASSETS	681.031	245.649

Condensed non consolidated statement of financial position (Continued)

In 1.000 Euro

	2013	2012
SHAREHOLDERS' EQUITY	465.094	54.111
I. Capital	565	565
A. Outstanding Capital	565	565
II. Share premium account	-	-
IV. Reserves	79	78
A. Legal reserve	57	57
B. Reserves not available for distribution	22	21
1. In respect of own shares held	22	21
2. Other	-	-
V. Retained earnings	464.177	53.468
VI. Investment grants	274	-
PROVISIONS AND DEFERRED TAXES	-	-
VII. A. Provisions for liabilities and charges	-	-
4. Other liabilities and charges	-	-
VII. B Deferred taxes	-	-
DEBTS	215.937	191.538
VIII. Amounts payable after more than one year	-	-
A. Financial debts	-	-
4. Credit institutions	-	-
IX. Amounts payable within one year	214.519	190.345
A. Current portion of amounts payable after more than one year	-	1.000
B. Financial debts	6	2
1. Credit institutions	6	2
C. Trade debts	2.067	2.064
1. Trade payables	2.067	2.064
D. Advances received on contracts in progress	-	-
E. Taxes, remuneration and social security	3.693	3.782
1. Taxes	2.338	2.640
2. Remuneration and social security	1.355	1.142
F. Other amounts payable	208.753	183.498
X. Accrued charges and deferred income	1.418	1.191
TOTAL LIABILITIES	681.031	245.649

Condensed non consolidated statement of comprehensive income

In 1.000 Euro

	2013	2012
I. Operating income	34.898	35.109
A. Turnover	34.045	35.617
B. Changes in stocks of finished goods, work and contracts in progress	-	(1.299)
C. Other operating income	852	792
II. Operating charges	(24.231)	(23.604)
A. Raw materials, consumables and goods for resale	-	4.163
1. Purchases	-	-
2. Changes in stocks	-	4.163
B. Services and other goods	9.661	7.177
C. Remuneration, social security charges and pensions	9.673	9.366
D. Depreciations	4.704	3.728
E. Amounts written off stocks, contracts in progress and trade receivables	1	(229)
F. Provisions for other costs	-	(750)
G. Other operating charges	193	148
III. Operating result	10.667	11.505
IV. Financial income	492	69.690
A. Income from financial fixed assets	-	69.162
B. Income from current assets	181	163
C. Other financial income	311	365
V. Financial charges	(3.446)	(3.956)
A. Debt charges	3.424	3.771
B. Amounts written off on current assets other than those mentioned under II. E.	-	-
C. Other financial charges	22	184
VI. Result of ordinary activities before taxes	7.712	77.239
VII. Extraordinary income	435.286	-
D. Gains on disposal of fixed assets	435.286	-
VIII. Extraordinary charges	(1.661)	-
D. Loss on disposal of financial fixed assets	1.661	-
E. Other Extraordinary charges	-	-
IX. Result of the year before taxes	441.337	77.239
IX. bis. A. Transfer from deferred taxes	-	-
X. Income taxes	(2.349)	16
A. Taxes	2.349	(187)
B. Regularization	-	203
XI. Result of the year	438.988	77.255
XIII. Profit of the year available for appropriation	438.988	77.255

Appropriation of the Result

In 1.000 Euro

	2013	2012
A. Result to be appropriated	492.456	92.563
1. Result of the period available for appropriation	438.988	77.255
2. Result carried forward	53.468	15.308
B. Transfers from capital and reserves	-	2.988
1. From capital and share premium account	-	-
2. From reserves	-	2.988
C. Transfers to capital and reserves	(1)	(15.823)
1. To capital and share premium account	-	-
1. To other reserves	(1)	(15.823)
D. Result to be carried forward	(464.176)	(53.468)
1. Result to be carried forward	(464.176)	(53.468)
F. Distribution of profit	(28.279)	(26.260)
1. Dividends	(28.279)	(26.260)

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GLOSSARY

Earnings per share

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

Earnings per share diluted

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

Revenue

Product sales + Revenues from Research and Development.

EBIT (Earnings Before Interests and Taxes)

Turnover/Sales – Cost of sales – Research and development expenses – General and administrative expenses – Selling -expenses – Other operating expenses.

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

EBIT + depreciation, amortization and impairment.

Shareholders' equity

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

Net Indebtedness

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

Working capital

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

Net cash from operating activities

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

Capital expenditure

Investments in Property, Plant and Equipment.

ROE (Return On Equity)

Net Income/Shareholders' equity.

Liquidity

Current assets/current liabilities.

Solvency

Shareholders' equity/total assets.



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MELEXIS NV

**Statutory auditor's report to the
general meeting for the year
ended 31 December 2013**



Statutory auditor's report to the general meeting of the company Melexis NV for the year ended 31 December 2013

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 consolidated statement of financial position as at 31 December 2013, the consolidated income statement for the year ended 31 December 2013 and the explanatory notes, as well as the required additional information.

Report on the consolidated financial statements - unqualified opinion

We have audited the consolidated financial statements of the company Melexis NV for the year ended 31 December 2013, prepared in accordance with International Financial Reporting Standards as adopted by the European Union, which show a total of 214.816.999 EUR on the consolidated statement of financial position and a consolidated profit for the year of 55.213.550 EUR.

Management's responsibility for the consolidated financial statements

Management is responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. 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 is sufficient and appropriate to provide a basis for the audit opinion.

A handwritten signature in blue ink, located at the bottom right of the page.

Unqualified opinion

In our opinion, the consolidated financial statements of the company Melexis NV as of 31 December 2013 give a true and fair view of the net assets and financial position of the group as at 31 December 2013, as well as its consolidated results and cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

Management is responsible for the preparation and the content of the consolidated Directors' report.

As part of our engagement and in accordance with the additional Belgian standard on auditing added to the International Standards on Auditing, it is our responsibility, for all significant aspects, to ascertain the compliance of certain legal and regulatory requirements. Based on that requirement we report the following additional statement, which does not modify our audit opinion on the consolidated financial statements:

- The consolidated Directors' report includes the information required by law, is consistent, in all material aspects, with the consolidated financial statements and does not include any obvious inconsistencies with the information that we became aware of during the performance of our engagement.

Zaventem, 13 March 2014



BDO Réviseurs d'Entreprises Soc. Civ. SCRL
Statutory auditor
Represented by Veerle Catry

