Melexis Unaudited Condensed Consolidated Interim Financial Statements for the 6 months ended June 30th 2010

Regulated Information

Publication

August 31st, 2010

07h00 AM CET

Melexis Unaudited condensed consolidated interim financial statements for the 6 months ended June 30th, 2010

Table of Contents

1. Obligation with regard to the periodical information following the transparency directive effective

The undersigned declare , on behalf and for the account of the company, that, to the best of their knowledge, (a) the condensed interim financial statements as of June 30th, 2010 compiled in compliance with the International Financial Reporting Standard on interim financial statements (IAS 34), as adopted by the European Union, 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 interim management report includes a fair overview of the information required under Article 13, § 5 and 6 of the Royal Decree of November 14, 2007 on the obligations of issuers of financial instruments admitted to trading on a regulated market.

Rudi De Winter, CEO

Françoise Chombar, CEO

2. Unaudited Condensed Consolidated Interim Financial Statements

2.1 Unaudited Condensed Consolidated Interim Statement of Comprehensive Income

	Half Year ended 30/06/2010 K EUR	Half Year ended 30/06/2009 K EUR	Year ended 31/12/2009 K EUR
Product sales	101.803	49.558	126.841
Revenues from Research and Development	420	1.179	2.049
Cost of sales	(55.893)	(33.294)	(80.675)
Gross margin	**46.331**	**17.443**	**48.215**
Research and development expenses	(14.300)	(12.905)	(26.122)
General and administrative expenses	(4.874)	(5.284)	(9.790)
Selling expenses	(2.731)	(2.395)	(4.717)
Other operating expenses (net)			(600)
Result from operations (EBIT)	**24.426**	**(3.141)**	**6.986**
Financial income	5.343	1.393	2.851
Financial charges	(6.293)	(12.814)	(16.502)
Other expenses (net)			
Result before taxes	**23.476**	**(14.562)**	**(6.665)**
Income taxes	(3.256)	2.999	2.676
Minority interest			
Net result of the period	**20.220**	**(11.563)**	**(3.989)**
Earnings per share non-diluted	0.47	(0.27)	(0.09)
Earnings per share diluted	0.47	(0.27)	(0.09)

2.2 Unaudited Condensed Consolidated Interim Statement of Other Comprehensive Income

	Half Year ended 30/06/2010 K EUR	Half Year ended 30/06/2009 K EUR	Year ended 31/12/2009 K EUR
Net result	20.220	(11.563)	(3.989)
Cumulative translation adjustment	1.339	(225)	(237)
Hedge reserves	115	(815)	(679)
Fair value adjustments through equity	84	114	3.342
Total comprehensive income/ (loss) for the period	21.859	(12.489)	(1.563)
Total comprehensive income attributable to:			
Attributable to owners of the parent	21.859	(12.489)	(1.563)
Non controlling interests	0	0	0

2.3 Unaudited Condensed Consolidated Interim Statement of Financial Position

		Half Year ended 30/06/2010 K EUR	Half Year ended 30/06/2009 K EUR	Year ended 31/12/2009 K EUR
ASSETS				
Current assets				
	Cash, and cash equivalents	26.120	11.227	22.247
	Current investments	4.112	2.290	3.990
	Accounts receivable –trade	28.727	19.924	20.733
	Accounts receivable –Related companies	6.528	5.646	8.012
	Inventories	32.938	28.423	26.395
	Other current assets	6.912	8.057	8.443
Total current assets		105.336	75.568	89.820
Non current assets				
	Intangible assets	1.761	1.756	1.823
	Property, plant and equipment	45.064	44.991	43.918
	Financial assets	30	0	24
	Other non-current assets	3.691	50	3.089
	Deferred taxes	14.754	15.404	15.578
Total non current assets		65.300	62.201	64.432
TOTAL ASSETS		170.636	137.769	154.252
LIABILITIES				
Current liabilities :				
	Bank loans and overdrafts			
	Derivative financial instruments	2.747	3.148	2.856
	Current portion of long-term debt	19.606	15.119	15.168
	Accounts payable – trade	7.428	5.128	6.528
	Accounts payable –related companies	5.811	2.309	4.931
	Accrued expenses, payroll and related taxes	8.363	4.945	5.989
	Provisions			
	Other current liabilities	933	748	1.141
	Deferred income	745	460	905
Total current liabilities		45.632	31.856	37.518
Non current liabilities				
	Long-term debt less current portion	41.844	55.419	55.332
	Other non current liabilities	1.262	1.195	1.262
	Deferred tax liabilities	285	371	285
Total non current liabilities		43.392	56.985	56.880
Shareholders' capital		565	565	565
Share premium				
Reserve treasury shares		(17.878)	(17.878)	(17.878)
Revaluation reserve Hedge		(1.521)	(1.772)	(1.636)
Revaluation reserve Fair value		(99)	(3.411)	(183)
Legal reserve		57	57	57
Retained earnings		80.310	84.299	84.299
Result of the period ended		20.220	(11.563)	(3.989)
Cumulative translation adjustment		(51)	(1.378)	(1.390)
Equity attributable to company owners		81.602	48.917	59.844
Non controlling interest		10	10	10
Total equity		81.612	48.927	59.854
TOTAL LIABILITIES		170.636	137.769	154.252

2.4 Unaudited Condensed Consolidated Interim Statement of Changes in Equity

	Number of Shares	Share capital K EUR	Share Premium K EUR	Legal reserve K EUR	Retained Earnings K EUR	Reserve treasury shares K EUR	Hedge reserve K EUR	Fair value adjustment Reserve K EUR	CTA K EUR	Non controlling interest K EUR	Total Equity K EUR
December 31, 2007	43.241.860	565	-	57	86.804	(5.586)		(1.429)	(2.263)	10	78.147
Net result					16.976						16.976
CTA movement									503		503
Dividend											
Reserve treasury shares						(8.889)					(8.889)
Hedge reserves							736				736
Fair value adjustments								(3.852)			(3.852)
through equity											
Non controlling interest											
June 30, 2008	43.241.860	565		57	103.779	(14.475)		(5.281)	(1.760)	10	83.621
Net result					5.475						5.475
CTA movement									608		608
Dividend					(24.956)						(24.956)
Reserve treasury shares						(3.282)					(3.282)
Hedge reserves							(1.693)				(1.693)
Fair value adjustments								1.756			1.756
through equity											
Non controlling interest											
December 31, 2008	43.241.860	565	-	57	84.299	(17.757)	(957)	(3.525)	(1.153)	10	61.527
Net result					(11.563)						(11.563)
CTA movement									(225)		(225)
Dividend											
Reserve treasury shares						(121)					(121)
Hedge reserves							(815)				(815)
Fair value adjustments								114			114
through equity											
Non controlling interest											
June 30, 2009	43.241.860	565		57	72.736	(17.878)	(1.772)	(3.411)	(1.378)	10	48.927
Net result					7.574						7.574
CTA movement									(12)		(12)
Dividend											
Reserve treasury shares											
Hedge reserves							136				136
Fair value adjustments								3.228			3.228
through equity											
Non controlling interest											
December 31, 2009	43.241.860	565	-	57	80.310	(17.878)	(1.636)	(183)	(1.390)	10	59.854
Net result					20.220						20.220
CTA movement									1.339		1.339
Dividend											
Reserve treasury shares											
Hedge reserves							115				115
Fair value adjustments								84			84
through equity											
Non controlling interest											
June 30, 2010	43.241.860	565		57	100.530	(17.878)	(1.521)	(99)	(51)	10	81.612

2.5 Unaudited Condensed Consolidated Interim Statement of Cash Flow

(indirect method)	Half Year ended 30/06/2010 K EUR	Half Year ended 30/06/2009 K EUR	Year ended 31/12/2009 K EUR
Cash flows from operating activities :			
Net result	20.220	(11.563)	(3.989)
Adjustments for operating activities:			
Deferred taxes	824	(3.854)	(4.114)
Unrealized exchange results	1.274	(208)	(635)
Provisions	2.616	431	1.071
Government grants	466	285	2.520
Depreciations	5.150	5.347	10.725
Impairments	0	0	0
Financial results	1.593	996	3.028
Operating profit before working capital changes	**32.143**	**(8.566)**	**8.607**
Accounts receivable, net	(8.045)	8.187	7.309
Other current assets	1.264	1.076	(1.189)
Other non-current assets	(603)	10	(3.029)
Due to related companies	878	(34)	2.457
Due from related companies	1.485	1.440	(927)
Accounts payable	884	(609)	(34)
Accrued expenses	1.443	358	1.675
Other current liabilities	(478)	(180)	(255)
Other non current liabilities	0	89	1.262
Inventories	(8.164)	5.948	7.749
Interest paid	(1.874)	(1.445)	(3.263)
Income tax paid	0	0	(660)
Net cash from operating activities	**18.935**	**6.273**	**19.702**
Cash flows from investing activities :			
Financial fixed assets (incl. own shares)	(6)	10.629	10.629
Purchase of property plant and equipment and intangible assets	(6.233)	(6.600)	(10.972)
Interest received	349	455	870
Investments/proceeds/ from current investments	(122)	(32)	1.473
Acquisition of subsidiary			
Net cash used in investing activities	**(6.013)**	**4.453**	**2.000**
Cash flows from financing activities :			
Repayment from long-term debts	(24.050)	(7.605)	(7.642)
Proceeds of long-term debts	15.000		-
Repayment of bank loans and overdrafts			-
Proceeds from (repayment of) related party financing			-
Dividend payment			-
Capital decrease			-
Minorities			-
Net cash used in financing activities	**(9.050)**	**(7.605)**	**(7.642)**
Effect of exchange rate changes on cash	1	(23)	57
(Decrease) increase in cash	3.873	3.098	14.117
Cash at beginning of the period	22.247	8.129	8.129
Cash at end of the period	26.120	11.227	22.247
Cash at end of the period minus cash at beginning of the period	3.873	3.098	14.117

2.6 Selected Notes to the Unaudited Condensed Consolidated Interim Financial Statements

2.6.1 Summary of Significant Accounting Policies

The principal accounting policies adopted in preparing the unaudited consolidated interim financial statements as of 30th June 2010 of Melexis NV are as follows:

Basis of preparation

The unaudited condensed consolidated interim financial statements for the six months ended June 30th 2010 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union.

The accounting policies, presentation and methods of computation followed in these unaudited condensed interim financial statements are consistent with these applied in the preparation of the Group's financial statements for the year ended December 31st 2009, except for the impact of the adoption of the Standards and Interpretations as described below (Adoption of new and revised standards).

The unaudited condensed consolidated interim financial statements do not include all the information required for year end financial statements and should therefore be read in conjunction with the consolidated financial statements for the year ended December 31st, 2009 as published in the 2009 Annual Report. The Unaudited condensed consolidated interim financial statements were authorized for issue by the Board of Directors on 27 July 2010.

Measurement currency

The measurement currency of Melexis NV has been determined to be the EURO. Non EURO currencies, are translated at period-end exchange rates with respect to the statement of financial position and at the average exchange rate for the period 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 interim financial statements in EURO. The measurement currency of Melexis NV and of its subsidiaries Melexis Tessenderlo NV, Melexis GmbH and Melexis BV is the EURO. The measurement currency for Melexis Inc. is the United States Dollar (USD), for Melexis Ukraine the Ukrainian Hryvnia (UAH) and for Melexis Bulgaria Ltd. the Bulgarian Leva (Bgn). The measurement currency for Sentron AG and for Melexis Technologies SA is the Swiss Franc (CHF) and the measurement currency for Melexis Electronic Technology (Shanghai) Co. Ltd. is the Chinese Yuan Renminbi (CNY). For the Philippine branch of Melexis NV the measurement currency is the Philippinian Peso (PHP), for the Japanese branch 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 and Melexis Electronic Technology (Shanghai) Co. Ltd. are translated at exchange rates in effect at the end of the reporting period, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component "cumulative translation adjustment" in the statement of financial position.

Principles of Consolidation

The unaudited consolidated interim 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 result attributable to minority shareholders' interests are shown separately in the statement of financial position and the statement of comprehensive income, respectively.

The purchase method of accounting is used for acquired businesses. Companies acquired or disposed of during the year are included in the unaudited consolidated interim 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. The Unaudited consolidated interim financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

The consolidation scope includes Melexis NV, its subsidiaries Melexis Ukraine, Melexis BV (incorporated respectively in 1999, 2000 and 2001), Melexis Inc. (formerly US MikroChips Inc), which was acquired in the last quarter of 1997, Melexis GmbH, previously known as Thesys Mikroelektronik Produkte GmbH, which was acquired in October 1999, Melexis Bulgaria Ltd., which was acquired in October 2000, and Sentron AG which was acquired in February 2004.

During the year 2005 a new subsidiary Melefin NV was constituted by means of a contribution in kind of the shares of Melexis Tessenderlo NV. As such Melexis Tessenderlo became a granddaughter of Melexis NV. On January 31st, 2006 Melexis GmbH acquired Melexis Tessenderlo NV from Melefin NV.

Also during 2006 the Swiss branch Office Bevaix of Melexis NV was transformed in a separate legal entity: Melexis Technologies SA.

During 2007 a branch has been set up in Hong Kong and a separate legal entity has been incorporated in Japan.

During 2009 a separate legal entity has been incorporated in China, known as Melexis Electronic Technology (Shanghai) Co. Ltd.

Cash and cash equivalents

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

Receivables

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

Hedging

The company applies hedge accounting for a part of its financial instruments as defined under IAS 39.
The hedges whereby hedge accounting is applied are cash flow hedges. Provided the hedge is effective, changes in the fair value of the hedging instrument are initially recognized in a 'hedging reserve' in equity. At maturity they are transferred to the statement of comprehensive income. The ineffective portion of the change in the fair value of the hedging instrument (if any) is recognized directly in the statement of comprehensive income.
The table with outstanding derivatives at half year-end is disclosed in note 2.6.8.

Inventories

Inventories, including work-in-process are comprised of material, labor and manufacturing overheads and are valued at the lower of cost (determined on FIFO basis) or net realizable value after provision for obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealizable inventory has been fully written off. As of current year we perform the check for obsolete stock on Item level, where in the past this check was done on Project level. This is a more strict and precise analysis which allows to reveal obsolete versions within a project. This is not considered as a change in accounting policy.

Property, plant and equipment

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

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

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

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

Investments

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

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

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

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

(b) Loans and receivables

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

(c) Held-to-maturity investments

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

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in current or non-current assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.
The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities, compliant to 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 methods 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. The identifiable assets and liabilities recognized upon acquisitions 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 is treated as assets and liabilities of the company. 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 is 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.
However, Melexis does capitalize the development expenses for masks as tangible assets. A mask is a thin sheet of material from which a pattern has been cut, placed over a semiconductor chip so that an integrated circuit can be formed on the exposed areas. Masks can be used for the lifetime of the product. Therefore, masks are depreciated over the estimated useful lifetime of 5 years.

Equity

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

Provisions

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

Reserves

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

Non controlling interests

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

Revenue recognition

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.
Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Government Grants

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

Income taxes

The income tax charge is based on the result of the period and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled based on tax rates enacted or substantially enacted at the balance sheet date.
The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are recognized regardless of when the timing difference is likely to reverse.
Deferred tax assets are not discounted and are classified as non current assets in the statement of financial position.
Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each year end balance sheet date, the company reassesses unrecognized deferred tax assets and the amount of recognized 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 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 of) that deferred tax asset to be utilized.
A deferred tax liability is recognized for all taxable temporary differences, unless the deferred tax liability arises from goodwill for which amortization is not deductible for tax purposes.

Impairment of assets

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

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

Segments

Melexis uses the management approach for determining its segment information. This information is based on the available internal information which forms the basis to evaluate the internal performance of its operational segments and the means appropriated to each segment. On a worldwide basis Melexis operates into two major operating businesses. The divisions are the basis upon which Melexis reports its primary segment information. Financial information on geographical segments is also presented in Chapter 2.6.9.

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-period-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-period-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.

Critical accounting estimates and judgments

Estimates and judgments used in developing and applying the consolidated entity's financial statements are continually evaluated and are based on historical experience and other factors, including the expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The resulting accounting estimates will, by definition, seldom equal the related actual results.

Assumptions and estimates are applied when:

- Recognizing and measuring provisions for tax, litigation risks,
- Determining inventory write-downs,
- Assessing the extent to which deferred tax assets will be realized,
- Useful lives of Property, Plant and Equipment and Intangible assets.

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.

Financial liabilities

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

Trade and other payables

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

Derivative financial instruments

The negative fair value of derivative financial instruments is included under this heading.

Adoption of new and revised standards

The following International Standards and Interpretations have been adopted during the year:

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

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

- IAS 28, 'Investments in associates'
- IAS 31 'Interests in joint ventures'
- Amendment to IFRS 2 Share-based Payment (applicable for annual periods beginning on or after 1 January 2010)
- IFRIC 15 Agreements for the construction of real estate (applicable for annual periods beginning on or after 1 January 2010)
- IFRIC 17, 'Distributions of non-cash assets to owners'
- IFRIC 18, 'Transfers of assets from customers'
- 'Additional exemptions for first-time adopters' (Amendment to IFRS 1) were issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Group, as it is an existing IFRS preparer.
- Improvements to International Financial Reporting Standards 2009 were issued in April 2009(normally applicable for annual periods beginning on or after 1 January 2011)

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

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

2.6.2 Results of Operations

Revenues

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

	1H2010 K EUR	1H2009 K EUR	% Change (Y-0-Y) K EUR
Sensors	54.137	19.607	176%
Wireless	6.264	4.497	39%
Actuators	30.122	18.358	64%
Opto	10.095	6.383	58%
Other	1.605	1.892	-15%
TOTAL	**102.223**	**50.737**	**101%**

Cost of Sales

Costs of sales consist of materials (raw material and semi finished parts), subcontracting, labor, depreciation and other direct production expenses. They increased from, K EUR 33.294 in 2009 up to K EUR 55.893 in 2010.
Expressed as a percentage of total revenues, the cost of sales decreased in 2010 from 66 % to 55% mainly due to better utilization of manufacturing equipment.

As of June 30th 2010 a provision of 929 K EUR has been set up covering the expected, future losses on fixed price contracts. These losses are temporary, improvement actions are ongoing. The cost is booked as an accrued expense and is part of the cost of sales.

Gross margin

The gross margin, expressed as a percentage of total revenues, increased from 34 % in 2009 to 45% in 2010 as a result of decreased cost of sales.

Research and Development expenses

Research and development expenses amounted to K EUR 14.300 in 2010, representing 14 % of total revenue. Research and development expenses increased with 11% mainly as a result of increased personnel expenses and external development services.
According to IAS 38 Par. 54 all research costs must be charged to expense. Expenditure for development costs is also recognized as an expense when incurred and not capitalized, since not all criteria set forth by IAS 38. Par. 57 are met. Indeed as of today, the company has no analytical tools in place to distinguish on a reliable basis the research phase from the development phase.

General, administrative and selling expenses

General, administrative and selling expenses consist mainly of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses decreased to 5% of total revenue during the first half of 2010 in comparison with the same period in 2009.

Financial results

The net financial result increased from K EUR 11.421 loss in the first half of 2009 to K EUR 954 loss in the first half of 2010. The (net) interest result decreased from a loss of K EUR 870 in the first half of 2009 to a loss of K EUR 1.532 in the first half of 2010. The net exchange gains (both realized and unrealized) in the first half of 2010 amounted to a gain of K EUR 695 compared to a gain of K EUR 176 during the first half of 2009. The net result from treasury operations (various financial products) amounted in the first half of 2010 to a gain of K EUR 8 in comparison to a gain of K EUR 217 in the first half of 2009.
The financial result was in 1H2009 affected by an extraordinary loss of K EUR 10.750 due to fair value adjustments of the CDO portfolio, consequently the CDO portfolio has 0 value on the balance sheet as per June 30 2010.

Net income

The company recorded a net profit for the first half of 2010 of K EUR 20.220.

2.6.3 Borrowings

2.6.3.1 Bank Loans and Overdrafts

	30th June	
	2010 **K EUR**	**2009** **K EUR**
Secured	-	-
Unsecured	-	-
Total	-	-

2.6.3.2 Long and Short Term Debts

	30th June	
	2010	**2009**
	K EUR	**K EUR**
Secured loans		
Bank loan (in CHF) at floating interest rate (1), average rate for 1H10 was 2,58%, maturing in 2019	338	327
Bank loan (in EUR) at floating interest rate (2), average rate for 1H10 was 1,87% maturing in 2033	2.453	2.560
Bank Loan (in USD) at fixed rate of 6% (3), maturing in 2018	158	150
Bank loan in (EUR) at floating interest rate (4), average rate for 1H10 was 2,36% maturing in 2011	15.000	30.000
Total secured loans	17.950	33.038
Unsecured loans		
Unsecured loans (in EUR) at floating interest rate, average rate for 1H10 was 2,15% maturing in 2013	43.500	37.500
Total unsecured loans	43.500	37.500
Total debt	61.450	70.538
Current maturities	19.606	15.119
Long-term portion of debts	41.844	55.419

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

(2) A secured loan was concluded for an amount of K EUR 3.200 to finance the construction of an office building. A mortgage of K EUR 3.200 is given on the building project.

(3) A secured loan was concluded for an amount of K USD 300. This loan is secured by a mortgage on real estate from Melexis Inc.

(4) A secured loan was concluded for an amount of K EUR 75.000. This loan is secured by the assets of Melexis GmbH.

As of June 30th, 2010 there are engagements for the following financial covenants:
For Melexis NV:

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

For Melefin NV:

- Tangible net worth > EUR 75 mln.

As per 30 June 2010, Melexis is respecting all its financial covenants.

2.6.4 Components deferred Tax Assets and Liabilities

Components of deferred tax assets are as follows:

	1 January 2010	Charged to income statement	Charged to equity	Cumulative Translation Adjustments	30 June 2010
	K EUR	K EUR	K EUR	K EUR	K EUR
Tax amortization charges	8.319				8.319
Fair value adjustments financial instruments	128				128
Fair value adjustments hedge accounting	843		(59)		783
Impairment long term financial assets	5.099				5.099
Tax losses	800	(800)			0
Other	389	35			424
Total	15.578	(765)	(59)		14.754

Components of deferred tax liabilities are as follows:

	1 January 2010	Charged to income statement	Charged to equity	Cumulative Translation Adjustments	30 June 2010
	K EUR	K EUR	K EUR	K EUR	K EUR
Miscellaneous	285	0	0	0	285
Total	285	0	0	0	285

2.6.5 Intangible Assets

	30th June 2010 Licenses & know how K EUR	Total K EUR
Acquisition value		
Balance end of previous period 31/12/2009	9.468	9.468
Additions of the period	98	98
Retirements(-)	2	2
Transfers	0	0
CTA	1	1
TOTAL AS OF JUNE 30TH 2010	9.569	9.569
Depreciation		
Balance end of previous period 31/12/2009	7.645	7.645
Additions of the period	161	161
Retirements(-)	2	2
Transfers	0	0
TOTAL AS OF JUNE 30TH 2010	7.808	7.808
CARRYING AMOUNT AS OF JUNE 30TH 2010	1.761	1.761
CARRYING AMOUNT AS OF DECEMBER 31ST 2009	1.823	1.823

2.6.6 Property, Plant and Equipment

June 30th 2010	Land and buildings K EUR	Machinery and equipment K EUR	Furniture and vehicles K EUR	Fixed assets under Construction K EUR	Total K EUR
Cost:					
Balance end of previous period 31/12/2009	27.127	102.371	5.019	438	134.955
Additions of the year	132	4.675	416	493	5.716
Retirements	0	475	167	115	757
Transfers	0	98	0	-98	0
CTA	386	1.115	40	0	1.541
TOTAL AS OF JUNE 30TH 2010	27.645	107.784	5.308	718	141.455
Accumulated depreciation:					
Balance end of previous period 31/12/2009	5.510	82.036	3.491	0	91.037
Additions of the period	556	4.121	315	0	4.992
Retirements	0	462	155	0	617
Transfers	0	0	0	0	0
CTA	115	839	26	0	980
TOTAL AS OF JUNE 30TH 2010	6.181	86.534	3.677	0	96.392
CARRYING AMOUNT AS OF JUNE 30TH 2010	21.464	21.250	1.631	718	45.063
CARRYING AMOUNT AS OF DECEMBER 31ST 2009	21.616	20.335	1.529	438	43.918

2.6.7 Non Current Assets

	Half Year ended 30/06/2010 K EUR	Half Year ended 30/06/2009 K EUR	Year ended 31/12/2009 K EUR
Non Current Financial Assets	30	0	24

As of June 30th, 2010, the total of non current financial assets amounts to 30 K EUR.

This amount reflects the non controlling interests taken in the course of 2009 and 2010 in 2 companies.

The portfolio of "Collateralized debt obligations" (CDO's), which was acquired in the course of 2006 (for a total value of 15.000 K EUR), is valued at 0 EUR, being management's best estimate of the fair value. This fair value corresponds with the result of multiple valuation techniques, including the valuation technique using data and inputs from observable markets (based on the ratings of underlying assets), as well as inputs that are not based on observable market data (consistent with the valuation technique used at 31 Dec 2008).

The expected maturity of the CDO-portfolio is 2016-2017.

2.6.8 Derivatives

Notional amounts

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

		30th June 2010	30th June 2009
Outstanding FX hedge contracts per 30th June, not exceeding 1 year	K USD	15.000	9.000
Outstanding Interest hedge contracts per 30th June, exceeding 1 year	K EUR	75.000	75.000
Outstanding Inflation hedge contracts per 30th June, exceeding 1 year	K EUR	8.400	8.400

Fair value

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

The following table presents an overview of the fair value of outstanding derivatives per category per 30 June 2010:

Assets	30th June 2010 Fair value K EUR	30th June 2009 Fair value K EUR
Outstanding Inflation swaps	143	391
Outstanding FX swaps	13	-
Total	156	391
Liabilities		
Outstanding FX swaps	-	(104)
Outstanding Interest swaps	(443)	(360)
Outstanding Interest swaps (hedged)	(2.304)	(2.684)
Total	(2.747)	(3.148)

Fair value of instruments through statement of comprehensive income	2010 Fair value K EUR	2009 Fair value K EUR
Outstanding FX swaps per 30th June	13	(104)
Outstanding Interest swaps per 30th June	(443)	(360)
Outstanding Inflation swaps per 30th June	143	391
Total	(300)	(73)

Fair value of instruments through equity (hedge accounting IAS 39)	2010 Fair value K EUR	2009 Fair value K EUR
Outstanding FX hedge swaps per 30th June	-	-
Outstanding Interest hedge swaps per 30th June	(2.304)	(2.684)
Outstanding Inflation hedge swaps per 30th June	-	-
Total	(2.304)	(2.684)

2.6.9 Segment Information

The segment information is presented in respect of the Group's business and geographical segments as described below.

A. Business Segments

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

a) Automotive
b) Non-automotive (other)

B. Geographical Segments

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

Business Segment Data

30th June 2010

All amounts in K EUR	Automotive	Other	Unallocated	Total
Product sales	76.966	24.837		101.803
Other revenues	420			420
COS	41.680	14.212		55.893
R&D expenses	10.664	3.636		14.300
G&A expenses	3.634	1.239		4.874
Selling expenses	2.036	694		2.731
Other operating expenses				
Operational Result				24.426
Financial results			(951)	(951)
Taxes			(3.256)	(3.256)
Net result				20.220
Segment assets	83.503	26.946	60.187	170.636
Segment liabilities	93.994	30.332	46.310	170.636
Capital expenditures	4.712	1.521		6.233
Depreciation	3.894	1.256		5.150

30th June 2009

All amounts in K EUR	Automotive	Other	Unallocated	Total
Product sales	33.380	16.178		49.558
Other revenues	860	319		1.179
COS	22.410	10.884		33.294
R&D expenses	8.686	4.219		12.905
G&A expenses	3.557	1.727		5.284
Selling expenses	1.612	783		2.395
Other operating expenses				
Operational Result				(3.141)
Financial results			(11.421)	(11.421)
Taxes			2.999	2.999
Net result				(11.563)
Segment assets	62.902	30.486	44.380	137.769
Segment liabilities	58.639	28.420	50.710	137.769
Capital expenditures	3.577	1.734		5.311
Depreciation	3.603	1.746		5.349

All amounts in K EUR	Automotive	Other	Unallocated	Total
		31st Dec 2009		
Product sales	87.994	38.847		126.841
Other revenues	1.758	292		2.049
COS	55.843	24.832		80.675
R&D expenses	18.082	8.040		26.122
G&A expenses	6.777	3.013		9.790
Selling expenses	3.265	1.452		4.717
Other operating expenses			600	600
Operational Result				6.986
Financial results			(13.651)	(13.651)
Taxes			2.676	2.676
Net result				(3.989)
Segment assets	65.321	28.838	60.093	154.252
Segment liabilities	69.485	30.676	54.091	154.252
Capital expenditures	7.612	3.360		10.972
Depreciation	7.440	3.285		10.725

Geographical Segment Data

30th June 2010

All amounts are in k EUR	Europe	US	Total
Revenue by origin	102.223		102.223
Segment assets	169.565	1.071	170.636

30th June 2009

All amounts are in k EUR	Europe	US	Total
Revenue by origin	50.730	7	50.737
Segment assets	136.937	832	137.769

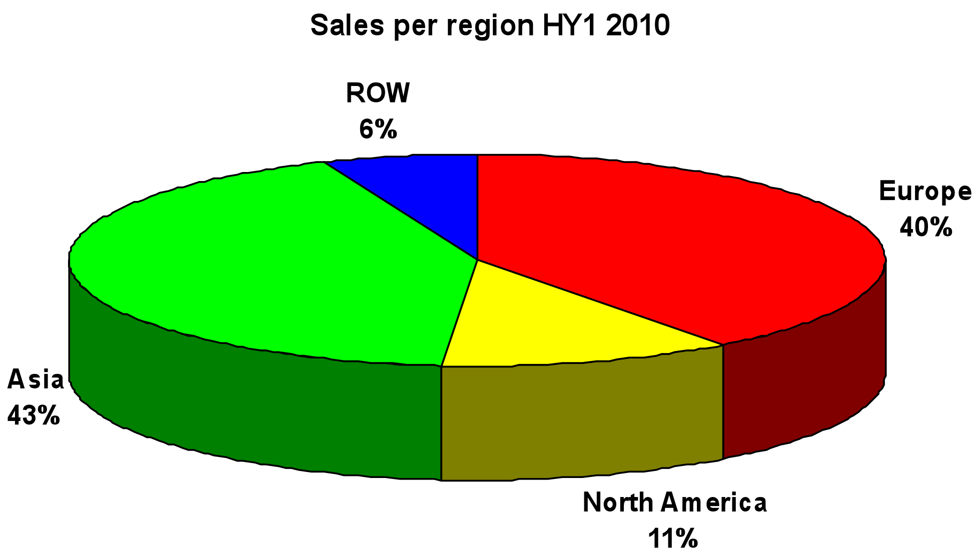
31st Dec 2009

All amounts are in k EUR	Europe	US	Total
Revenue by origin	119.121	9.769	128.890
Segment assets	153.301	952	154.252

The following table summarizes sales by destination:

	30/06/10 K EUR	30/06/09 K EUR	31/12/09 K EUR
Europe	40.733	24.719	56.561
Germany	18.976	10.769	24.994
France	3.190	1.928	4.497
UK	5.585	3.820	8.892
Netherlands	1.603	992	1.707
Ireland	1.968	1.573	3.573
Poland	2.443	1.345	3.324
Switzerland	1.616	794	1.946
Czech Republic	648	589	1.012
Other	4.704	2.909	6.616
USA	7.203	3.594	9.770
Asia	43.507	17.698	52.239
Japan	7.879	927	5.760
China	13.896	7.103	18.280
Korea	7.059	3.480	9.949
Thailand	7.261	2.617	8.044
Philipinnes	1.575	1.412	3.364
Taiwan	2.716	1.515	4.215
Other	3.120	645	2.627
Rest of the world	10.780	4.726	10.320
Total	102.223	50.737	128.890

Sales per geography:



Revenues by Customer

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

	30/06/10 %	30/06/09 %	31/12/09 %
Customer A	17	11	13
Customer B	8	10	10
Customer C	7	10	9
Customer D	4	5	4
Customer E	4	4	4
Customer F	4	4	4
Customer G	3	4	4
Customer H	3	2	3
Customer I	3	2	2
Customer J	3	2	2
TOTAL	56	55	57

2.6.10 Related Parties

2.6.10.1.1 Shareholders' Structure and Identification of Major Related Parties

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

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

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

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

Per June 30th, 2010 ELEX NV owns 79% of the outstanding shares of EPIQ nv. Melexis sells products to EPIQ. For most of these products, EPIQ is used as subcontractor by some OEM customers of Melexis. Therefore, the business relation for these products is with the OEM customer and not with EPIQ.

Melexis, as in prior years, purchases part of its test equipment from the XPEQT group. XPEQT AG develops, produces and sells test systems for the semiconductor industry. Xpeqt NV owns 100 % of Xpeqt AG. Xpeqt NV is owned by Mr. Roland Duchâtelet (60 %) and Mrs. Françoise Chombar (40 %), CEO of Melexis NV.

During the first half year 2010 no transactions took place which can create a potential conflict of interest.

2.6.10.1.2 Outstanding Balances at Half Year End

Receivables:

	K EUR	30/06/10	30/06/09	31/12/09
Of	Elex	4	17	7
	XTRION	136	122	118
	Epiq group	6.076	4.667	7.469
	Xfab group	74		185
	Xpeqt group	205	805	202
	Other	33	35	31
	Total	6.528	5.646	8.012

Payables:

	K EUR	30/06/10	30/06/09	31/12/09
To	Elex	(8)	72	(5)
	XTRION	107	357	82
	Epiq group	126	318	63
	Xfab group	5.368	733	4.361
	Xpeqt group	218	829	430
	Other			
	Total	5.811	2.309	4.931

2.6.10.1.3 Transactions During The Year

Sales/ Purchases of Goods and Equipment

Sales to (in K EUR)	30/06/10	30/06/09	31/12/09
Epiq group (mainly ICs)	5.875	2.488	6.439
Xpeqt group			135
Xfab group (mainly test & assembly services)	275	366	730
Elex			2

Purchases from (in K EUR)	30/06/10	30/06/09	31/12/09
Xfab group (mainly wafers)	35.864	12.735	32.382
Epiq NV (mainly assembly)	146	78	157
Xpeqt group (mainly equipment and goods)	984	229	1.156
Xtrion (mainly IT infrastructure)	76	62	130

Sales/ Purchases of Services

Sales to (in K EUR)	30/06/10	30/06/09	31/12/09
Elex (mainly R&D services and rent)	9	9	17
Xpeqt group (infrastructure office building)	47	101	86
X-Fab group (mainly R&D services)			
EPIQ group (infrastructure office building)	183		330

Purchases from (in K EUR)	30/06/10	30/06/09	31/12/09
Xtrion N.V. (mainly IT and related support)	317	428	656
Elex N.V. (mainly IT and related support)	6	19	24
Epiq group	9		8
Xpeqt group	728	291	940
Xfab group	548	1.375	1.871

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.

2.6.11 Commitments and Contingencies

Per June 30, 2010 Melexis is involved in 2 claims.

- 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 saw no reason to entertain discussions on licensing with them. Therefore, Melexis is defending its position in court.

- Melexis Tessenderlo N.V. is involved in two related disputes with one and the same customer, one as claimant and one as defendant. The latter dispute, which has been rejected by Melexis, and the associated expenses of legal representation are covered by insurance. The legal expenses of the first are not of a magnitude that lies outside the ordinary.

The scope of neither of the two claims is of such a nature that they could jeopardize the Group's financial position. Furthermore management is of the opinion that it is not probable that the above mentioned litigations will finally lead to a future outflow of economic benefits.

2.6.12 Business Combinations

No acquisitions occurred in the first half year period of 2010.

2.6.13 Seasonal Effects

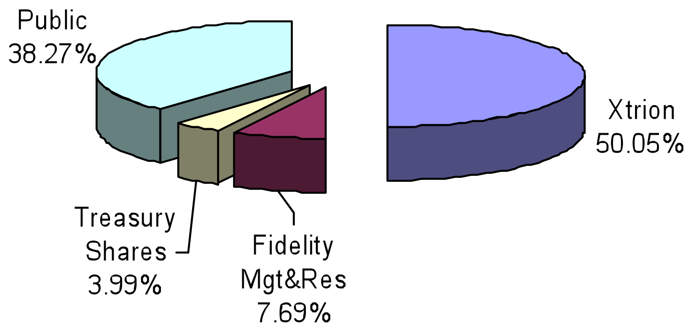
The operations and results of the group are not susceptible to seasonal effects.

3. Shareholder Information

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

3.1 Shareholder Structure

Situation on June 30, 2010



Company	Number of Shares	Participation Rate
Xtrion	21.644.399	50,05%
FMR Corp.	3.325.000	7,69%
Treasury Shares	1.725.943	3,99%
Public	16.546.518	38,27%
Total	43.241.860	100,00%

3.2 Share Information

First day of listing	10 October 1997
Number of shares outstanding on June 30, 2010 non-diluted	43.241.860
Weighted average number of shares on June 30, 2010 non-diluted	41.515.917
Number of shares outstanding on June 30, 2010 diluted	43.241.860
Weighted average number of shares on June 30, 2010 diluted	41.515.917
Market capitalization on June 30, 2010	361.069.531 EUR

4. Risk Factors

Melexis is, as with any company, continuously confronted with – but not exclusively – a number of market and competition risks or more specific risks related to the company (eg. currency fluctuations, customer concentration, dependence on key personnel, product liability, IP or litigation). More information on risk factors can be found in the annual report 2009.

Melexis believes that the most noteworthy risks facing the company for the coming half year would be the volatility in supply and demand, and fluctuations in the USD exchange rate.

5. Financial Calendar

- Release of Q3-results on October 21st , 2010
- Release of annual results 2010 on February 10th , 2011

6. Statutory Auditor's limited review opinion on the condensed consolidated interim financial statements of Melexis NV for the six month period ending 30 June 2010

To the Board of Directors

We have performed a limited review of the attached condensed consolidated interim financial statements of the company MELEXIS NV and its subsidiaries, with total assets of 170.636 KEUR and a net profit of 20.220 KEUR for the six months ended June 30th, 2010. The condensed consolidated interim financial statements include the condensed consolidated interim statement of financial position, the condensed consolidated interim statement of comprehensive income, the condensed consolidated interim statement of other comprehensive income, the condensed consolidated interim statement of changes in equity, the condensed consolidated interim statement of cash flow and selected explanatory notes thereto. The condensed consolidated interim financial statements have been approved by the directors and have been prepared in accordance with IAS 34, *"Interim Financial Reporting"* as adopted by the EU. The quarterly information included in the condensed consolidated interim financial statements was not covered by our limited review.

The preparation of the condensed consolidated interim financial statements and the assessment of its content, are within the responsibility of the Board of Directors. This responsibility includes amongst others: set up, implement and maintain appropriate internal controls over the preparation and the true and fair view of the condensed consolidated interim financial statements, which does not contain material errors, as a result of fraud or errors; select and apply appropriate valuation rules for financial reporting and make accounting estimates which are reasonable in the given circumstances. Our responsibility is to issue a judgment on these condensed consolidated interim financial statements on the basis of our limited review.

Our limited review has been performed in accordance with the recommendations on limited review engagements as issued by the "Instituut van de Bedrijfsrevisoren". A limited review consists mainly of making inquiries of management and applying analytical and other review procedures to the interim financial information and underlying financial data. A limited review is substantially less in scope than an audit performed in accordance with the Auditing Standards on consolidated financial statements as issued by the "Instituut van de Bedrijfsrevisoren" and accordingly we do not express an audit opinion.

BDO Bedrijfsrevisoren Burg. Ven. CVBA / BTW BE 0431 088 289 RPR Brussel
BDO Réviseurs d'Entreprises Soc. Civ. SCRL / TVA BE 0431 088 289 RPM Bruxelles

BDO Bedrijfsrevisoren Burg. Ven. CVBA - BDO Réviseurs d'Entreprises Soc. Civ. SCRL, a limited liability company incorporated in Belgium, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

On the basis of our review:

- we are of the opinion that the condensed consolidated interim financial statements have been prepared in accordance with International Financial Reporting Principles as adopted in the EU; and

- we are not aware of any material modifications that should be made to the condensed consolidated interim financial statements for the 6 months ended June 30th, 2010.

Zaventem, July 27th, 2010

BDO Bedrijfsrevisoren Burg. CVBA (B023)
Statutory auditor
Represented by

Gert Claes

7. Subsequent Events

No subsequent events have occurred that would have a material impact on the unaudited condensed consolidated interim financial statements for the 6 months ended June 30, 2010.

Contact Investor Relations:
Ilse Schoofs
Tel: 0032 13 670 779
Fax: 0032 13 672134
e-mail: isc@melexis.com
web: www.melexis.com

Melexis NV
Roosdaalstraat 12
8900 Ieper
(Belgium)