

Melexis

INSPIRED ENGINEERING

ANNUAL REPORT 2020





ON THE COVER: THE JELLYFISH

Some jellyfish have ocelli or light-sensitive organs. The box jellyfish has 24 eyes, two of which are capable of seeing color, as well as four parallel information processing areas, which are said to make it one of the few creatures to have a 360-degree view of its environment. Its abilities are very much linked to the unique characteristics of many of our sensors, such as the Triaxis® 3D magnetic sensors or the SensorEyeC light sensors.

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Dear Melexis shareholder,

2020 was so far one of the most bizarre years of our lifetime. The impact of a single virus was felt throughout our professional and private lives like nothing before. We were collectively tested on our capacity to be agile on the one hand and on our ability to keep going on the other. Throughout this report you will be able to read about how we tackled the pandemic within Melexis.

I would like to express special praise to our full Melexis community who have demonstrated tremendous resilience and incredible creativity throughout this difficult period. With the vaccination campaign underway, 2021 brings a positive perspective. This being said, the new way of working, blending physical and online, will be retained going forward, as we've discovered it to be excellently effective and matching our international collaboration, whether internally or with our customers and partners across the globe.

Ahead of the 2020 results publication, I proposed to the Board that I would step down as CEO. The Board agreed that it was a good time to make this change, as all the signals are there that the company is again at the beginning of a growth spurt. It is my experience that such a change brings valuable

new perspectives and new energy that boost the potential of the company, teams and individuals alike.

As of 1 August 2021, Marc Biron will be appointed as the new chief executive officer of Melexis to replace me and will become in charge of the general management of the company. Marc is the best successor I could wish for and I will be by his side during and after the transition period. He is well placed to guide us through the transition that the automotive industry, a key area for Melexis, is in today. In addition, he has started paving the way for the company to also apply its wealth of technological knowhow to carefully selected new markets.

Along with the decision to appoint my successor, the Board of Directors graciously elected me as their chairwoman from 1 August onwards. Subject to the approval of the shareholders during the annual shareholders' meeting in May, Marc Biron will also join the Board.

Financial performance

When it comes to our financial performance, 2020 was - to say the least - a challenging year. After a solid start, whereby Melexis posted a year-over-year sales growth of 19% in the first quarter, the pandemic struck and caused a

“Today, every new car worldwide carries on average **13 Melexis chips**. This makes me very proud and excited for the future.”



substantial impact on our second- and third-quarter sales. In the course of September, however, we started observing an uptick in orders, whilst inventories at customers were estimated at very low levels. Since the release of our third-quarter results, we have been witnessing a strong order intake. The end of 2020 marked a turning point for Melexis. Despite the numerous challenges that COVID-19 had posed, out of adversity came opportunity: next to catering to our valued automotive customers as always, Melexis also tapped into other applications that gained momentum with the COVID-19 outbreak. Driven by the increased demand in healthcare, micromobility and gaming applications, Melexis could grow its adjacent sales by over 50% vs. the previous year. We ended the year with a record quarterly sales level of 147.4 million EUR, resulting in 507.5 million EUR or 4% sales growth for the full year. Also remarkable was the outperformance of Asia, which represented 55% of sales in 2020.

The Melexis share price ended the year at EUR 79.90, up 19% over the year. The Board of Directors approved on 29 January 2021 to propose to the annual shareholders' meeting to pay out over the result of 2020 a total dividend of EUR 2.20 gross per share.

On 22 March 2021, Melexis was included in the BEL 20 index, the benchmark index for the Belgian stock market. This milestone proves that Melexis is an established value with a positive impact on the Belgian economy.

For the full year 2021, Melexis expects sales growth between 15% and 20%, with a gross profit margin around 41% and an operating margin around 19% at the midpoint of the sales guidance, all taking into account a EUR/USD exchange rate of 1.21. CAPEX is expected to be around 40 million EUR.

Disruption in supply chain

For a couple of months now, we have been in a turbulent market situation because of strongly increased demand that

took off in the last quarter of the year after uncertainty created by COVID-19 throughout 2020 and partially also induced by the geopolitical tensions. The overall global microelectronics supply chain finds itself in the midst of a technology war. There is an overheating of the semiconductor market, particularly manifesting in significant component shortages. Already in the second quarter of 2020 Melexis started to take precautionary measures, increasing stock levels and communicating with our customers to prepare for demand increases later in the year.

Product launches

In 2020 and despite the operational challenges triggered by the pandemic, we launched no less than 13 new products, almost half of which are specifically conceived for adjacent markets such as 2-/3-wheelers, home appliances and products for industrial use. Newly launched automotive products all serve the future car, carbon-free and intelligent. Based on 2020 data, we can now state that on average, every new car worldwide carries 13 Melexis chips on board from 11 the year before. All this makes me very proud and excited for the future.

Sustainability at heart

Since its conception Melexis is dedicated to positively impact and care for our various stakeholders, on an economic, environmental and social level. That is why we embrace two globally recognized sustainability initiatives: the United Nations Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI). This year we held a compelling materiality workshop that included all internal key representatives and departments of our company. During that workshop Melexis defined the SDG topics that are material to our company and stakeholders and you will find more information about them and our approach in the next chapters of this report. I would just like to highlight here that Melexis is especially well positioned to contribute to the electrification trend in the automotive industry that is currently seeing an acceleration on the back of a heightened and justified attention to combating climate change.

People are the engine of our company

As stated earlier, our people have navigated this pandemic year in an amazing way. It fills me with pride that as a group we were able to take care of each other, respect the guidelines and still ensure our business was safeguarded. It has been a tough ride for everyone, but this amazing group of Melexians stuck together, both virtual and physical, and was able to find creative solutions for interacting with and serving our customers.

Looking forward to the future

The world will return to a new normalcy, that much is clear to us now that vaccination programs throughout the world are

being implemented. Our organization is built on sound values which have only strengthened over time. These values serve us well today and will continue to do so tomorrow in a volatile, uncertain, complex and ambiguous world. Combined with our technology mastery and a clear vision, they enable us also to harvest the opportunities that disruption brings, to the benefit of all our stakeholders. Melexis stands for engineering that enables the best imaginable future - a future which is safe, clean and comfortable, a future we are looking forward to.

Yours sincerely,

Françoise Chombar

On behalf of the entire Melexis team



Melexis is a limited liability company headquartered in Ieper, Belgium, and incorporated under Belgian law. Melexis designs, develops, tests and markets advanced innovative integrated semiconductor devices for the automotive industry and many other markets. We sell our products to a wide customer base in Europe, Asia and North America. This introductory chapter provides an organizational profile of Melexis.

2.1 WE ENGINEER THE BEST IMAGINABLE FUTURE

Melexis is a global supplier of microelectronic semiconductor solutions. Our company represents engineering that enables the best imaginable future - a future that is safe, clean, comfortable and healthy. All of these aspects are reflected in the multitude of applications that our technology empowers.

2.2 OUR SITES WORLDWIDE

 Sales & Applications

 Manufacturing

 Research & Development

BELGIUM

 **Melexis NV**
Rozendaalstraat 12
8900 Ieper

 **Melexis Technologies NV**
Transportstraat 1
3980 Tessenderlo

 **GERMANY**
Melexis GmbH
Konrad-Zuse-Strasse 15
99099 Erfurt

 **Melexis Dresden GmbH, Dresden**
Zur Wetterwarte 50
Haus 337 / Eingang A
01109 Dresden

 **Melexis Dresden GmbH, Düsseldorf**
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40468 Düsseldorf

 **FRANCE**
Melexis NV/BO France, Paris
4 Place des Vosges
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 **Melexis NV/BO France, Grasse**
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Le Cube Business
06130 Grasse

 **Melexis France SAS**
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USA

 **Melexis Inc., Novi**
27333 Meadowbrook Road
Suite 200
MI 48377 Novi

 **Melexis Inc., San Jose**
2055 Alameda Way
CA 95126 San Jose

SWITZERLAND

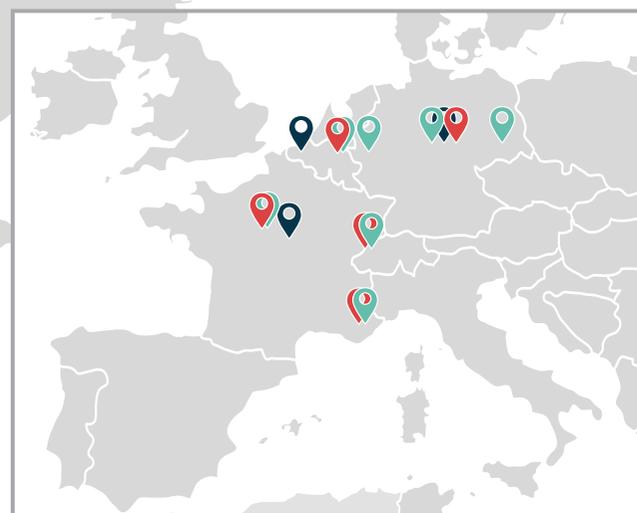
 **Melexis Technologies SA**
Chemin de Buchaux 38
2022 Bevaix

BULGARIA

 **Melexis Bulgaria EOOD**
2, Samokovsko Shosse
Gorublyane
1138 Sofia

UKRAINE

 **Melexis Ukraine**
4, Kotelnikova Street
03115 Kiev





MALAYSIA

Melexis (Malaysia) Sdn. Bhd.
1, Silicon Drive
Sama Jaya Free Industrial Zone
93350 Kuching

PHILIPPINES

Melexis NV/BO Philippines, Laguna
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Cabuyao, Laguna 4025

KOREA

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JAPAN

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Technical Research Center
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Yokohama, 231-0005

CHINA

Melexis Electronic Technology (Shanghai) Co., Ltd
Room 607, Building B, SOHO FuXing Plaza,
No. 277 DanShui Road, HuangPu District,
Shanghai

2.3 OUR KEY FIGURES

in 1,000 EUR

Operating results	2016	2017	2018	2019	2020
Revenue	456,285	511,661	569,370	486,862	507,517
Gross profit	208,548	235,396	261,136	196,234	197,988
EBIT	114,369	132,608	138,488	70,626	75,534
EBITDA	140,240	164,965	177,610	119,230	121,905
Net income	96,257	110,955	115,451	60,255	69,299
Balance structure	2016	2017	2018	2019	2020
Shareholders' equity	262,465	294,303	326,006	299,070	314,776
Net indebtedness*	(60,808)	(60,798)	418	23,150	2,872
Working capital	76,916	84,633	139,128	146,127	151,587
Cash flow and capital expenditure	2016	2017	2018	2019	2020
Net cash from operating activities	107,951	113,306	99,079	94,400	95,761
Depreciation + amortization	25,872	32,357	39,122	48,604	46,372
Capital expenditure	28,774	46,417	76,296	26,632	24,835
Ratios	2016	2017	2018	2019	2020
ROE	37%	38%	35%	20%	22%
Liquidity	2.8	2.5	3.5	4.4	4.9
Solvency	73%	73%	76%	71%	73%

*Current definition of net indebtedness does not include impact from IFRS 16. For more information on IFRS 16, see note 8.9.5.H.

Revenue evolution



Gross profit evolution



EBITDA evolution



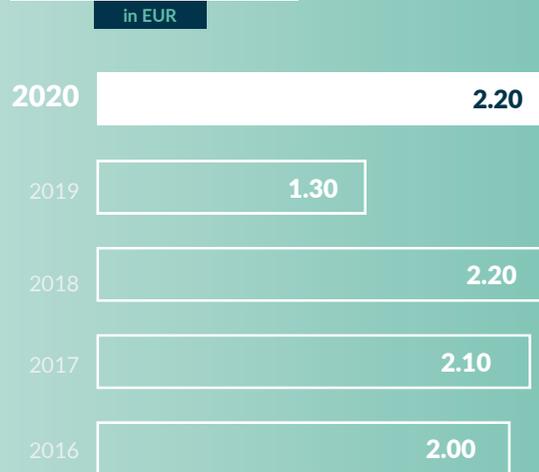
EBIT evolution



Net income evolution



Dividend evolution



2.4 OUR INDUSTRY ASSOCIATIONS

Melexis participates in the following industry associations, allowing us to get access to and learn from the industry's best practices.

NAME OF THE ASSOCIATION	TYPE OF ASSOCIATION	WEBSITE
AEC-Q100	Industry association	www.aecouncil.com
Agoria - Transport & Mobility Club	Local industry association	www.agoria.be/nl/Transport-Mobility-Technology-Solutions
CAN in Automation (CiA)	Industry association	www.can-cia.org
DGQ	Local quality association	www.dgq.de
EIRMA	Industry association	www.eirma.org
ESIA	Industry Association	www.eusemiconductors.eu
IEEE	Professional org. of advanced technology	www.ieee.org
ISELED Alliance	Industry association	www.iseled.com
ISO	Standardization	www.iso.org
MIPI Alliance	Industry association	www.mipi.org
NBN	Standardization	www.nbn.be
Silicon Saxony	Network	www.silicon-saxony.de/netzwerk/verein
VDA	Industry association	www.vda.de
VDE/GMM	Network	www.vde.com
VDI	Industry association	www.vdi.de
ZVEI	Industry association	www.zvei.org



3.1 WE DEVELOP CHIPS

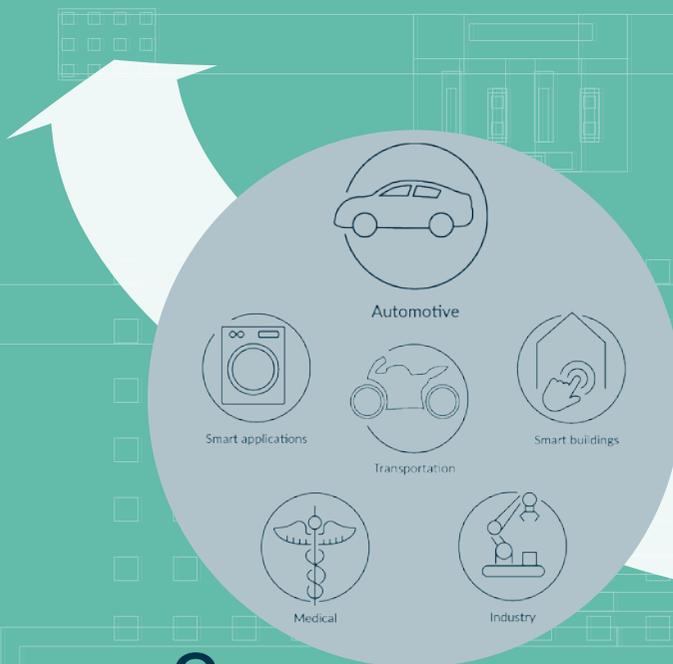
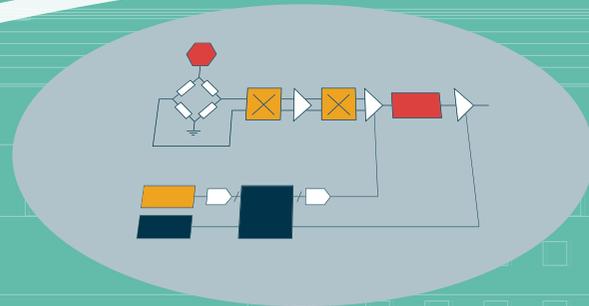
1. DEFINE THE CHIP

We have to make sure the chip fully meets our customer's needs, so we collect all information on the chip's functions and operating conditions, such as temperature, current, pressure and more.



2. DESIGN THE CHIP

Our systems architects develop the plan. Blocks are then implemented by a design engineer, using basic elements (transistors, resistors) to build a virtual circuit, the correct functionality of which is verified using mathematical models. Then the individual blocks are combined, in order to minimize chip area.

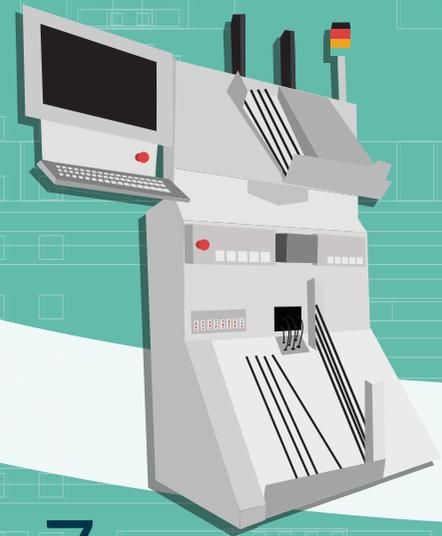


8. CHIPS ARE EVERYWHERE

Every chip has its own story to live. Melexis makes many chips to measure the real world and report accurately what is happening to a controller.

7. TESTING OF THE CHIP

Each chip is tested with a testing regime similar to that of the wafer test (see step 5), but this time at three different temperatures: -40°C, 25°C and 135°C.



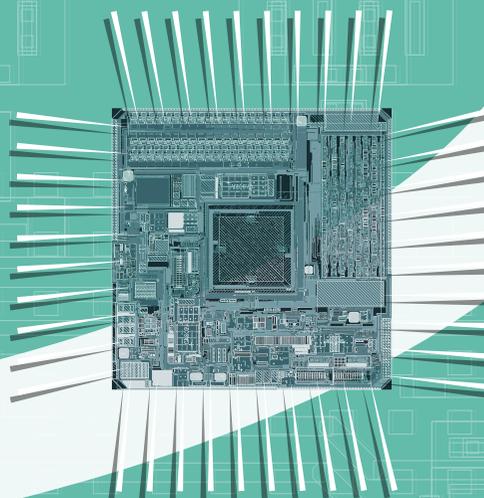
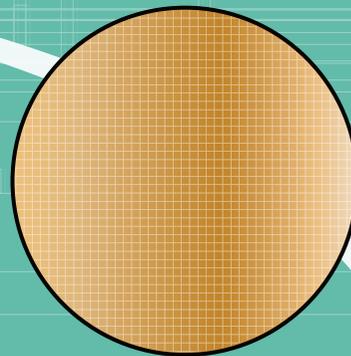
3. LAYOUT OF THE CHIP

Our layout engineers arrange the conceptual standard blocks into their physical locations.



4. MANUFACTURING ON SILICON WAFERS

Copies of the layout are made on a single silicon wafer, made from pure sand (or silica). In the wafer fab, the layout is then transformed into a working chip, by transferring very fine patterns on the silicon wafer through a photolithographic process.

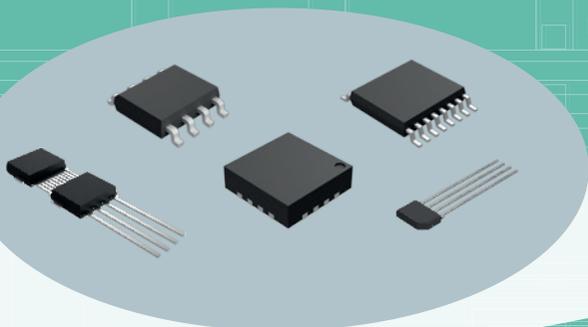


5. TESTING OF THE WAFERS

Wafer testing, also known as probing, involves testing the chip with tiny needles which electrically connect each chip to the tester.

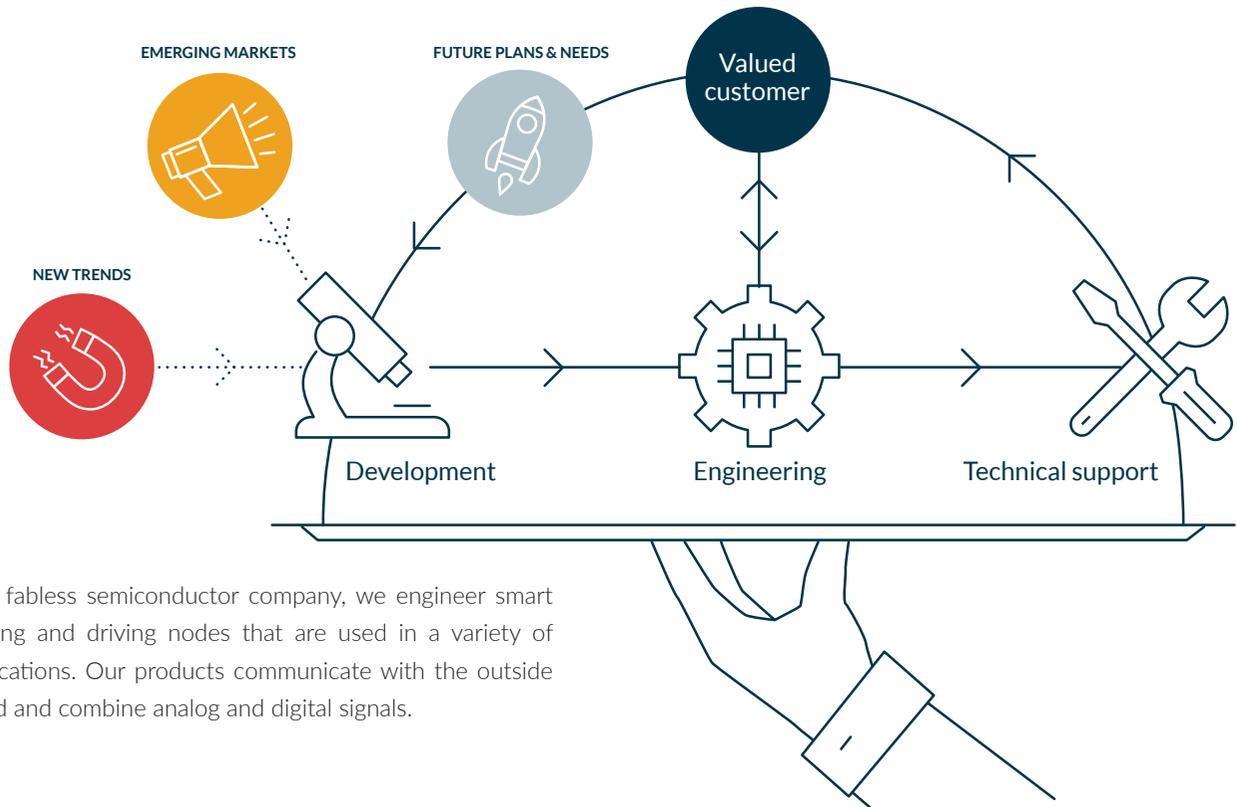
6. PACKAGING OF THE CHIP

Wafers are sawn into individual die and then assembled into the required package. The package's main function is to protect the delicate silicon chip from its environment, both the chip itself and its electrical connections or bondwire.



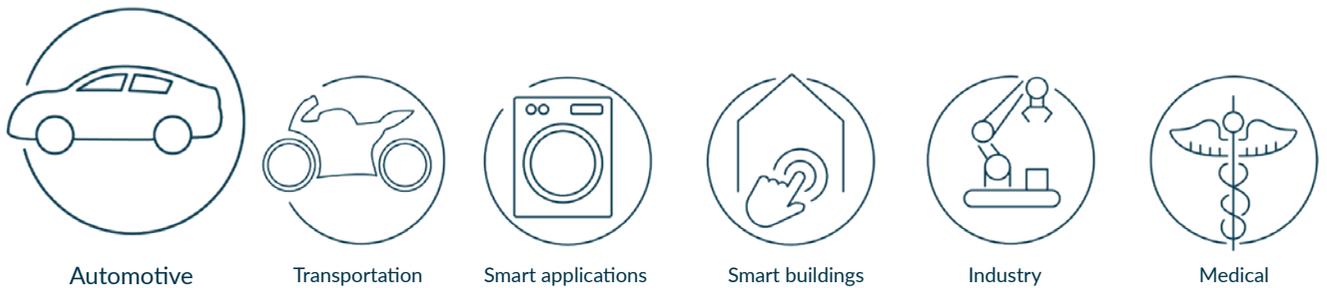
3.2 WE INNOVATE FOR OUR CUSTOMERS

WE ENABLE EDGE SENSING AND EDGE DRIVING



As a fabless semiconductor company, we engineer smart sensing and driving nodes that are used in a variety of applications. Our products communicate with the outside world and combine analog and digital signals.

WE CATER TO DIFFERENT SECTORS

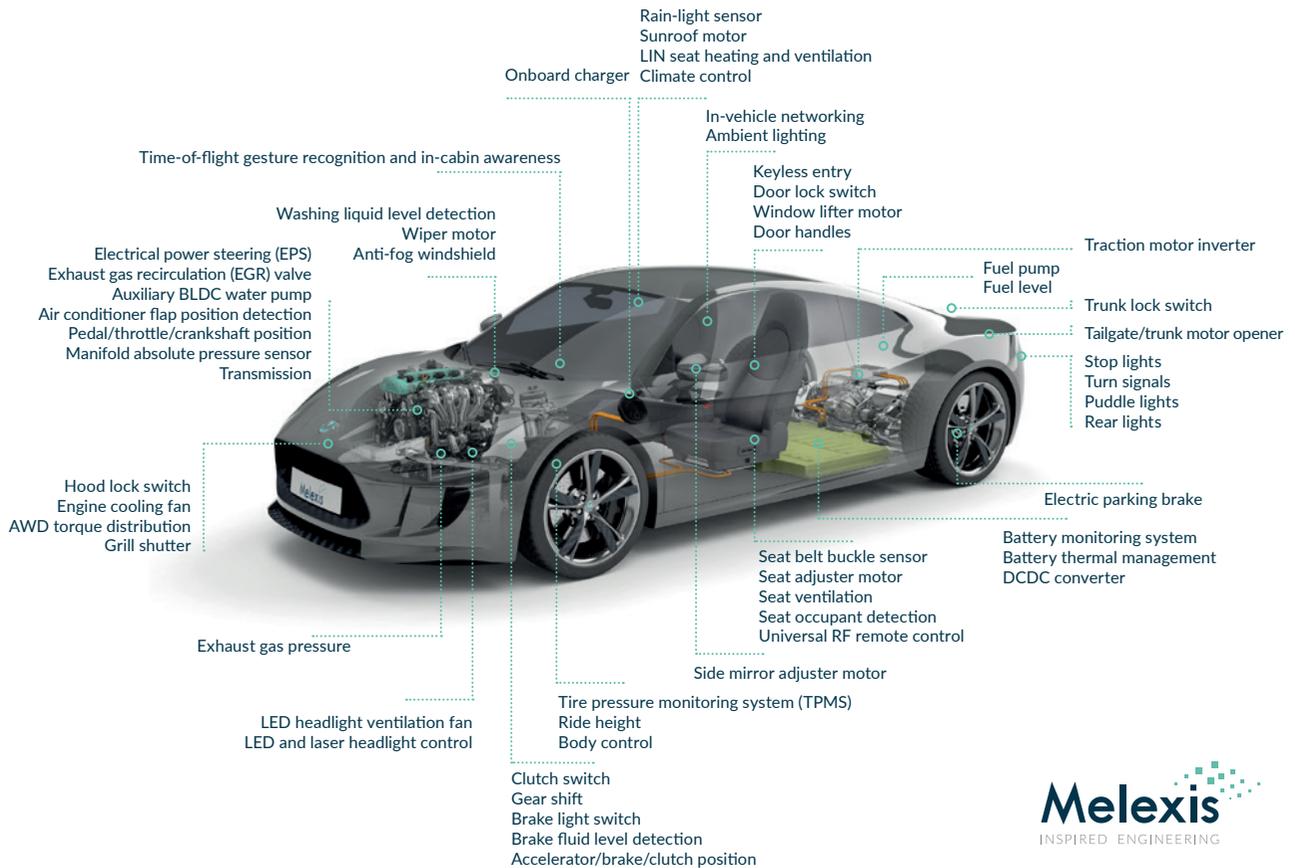


Melexis operates mainly in the semiconductor market for cars, a market that has a solid foundation and exciting growth opportunities. However, we continuously build on our knowledge and experience and are expanding our scope to include new applications, new markets and new sectors, including micromobility, home and consumer electronics, industrial applications and healthcare.

3.3 WE CATER TO MANY DIFFERENT MARKETS



13 CHIPS IN EVERY NEW CAR

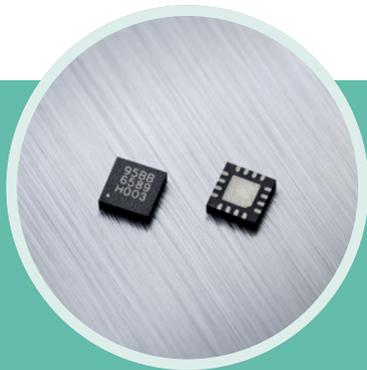


Our solutions allow systems to become more aware of and interact directly with their surroundings. Melexis is focusing on innovation in both new and established product ranges as we want to take advantage of beneficial market developments in sectors including automotive, industry, medical, home and building automation. Our expertise in product definition, design and testing creates integrated analog and digital semiconductor solutions and sensor and driver chips.

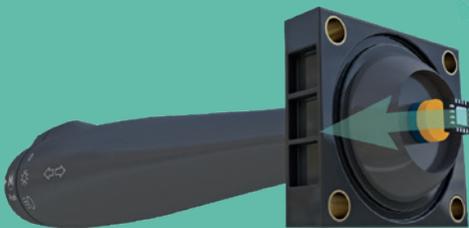
3.4 OUR SOLUTIONS

Melexis products stand out from those of rival manufacturers because of our intrinsic capacity to integrate detection, processing, activation and communication into one single chip. This smart integration is increasingly critical in delivering optimal solutions that simplify complex electronic designs.

Our products are invariably found on the edge of applications that we serve. Either we take an analog signal from the physical environment and convert it to a digital signal, as we do with our smart sensors. Or we convert a digital signal into an analog action, as we do through our drivers. Our products communicate with the outside world, either to record something or to send something. Most of our products are in fact mixed signals, as they combine analog and digital signals.



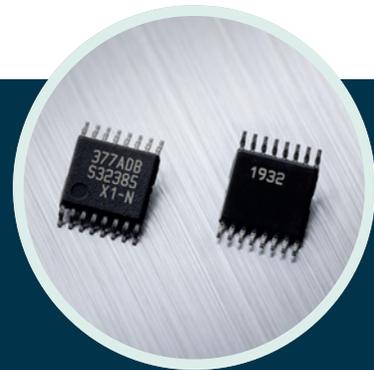
On 19 June, Melexis launched the **MLX90395** Triaxis® magnetometer node, an automotive-grade (AEC-Q100) monolithic sensor that uses the Hall-effect to provide contactless sensing in three dimensions. The dual-die version of the MLX90395 provides redundancy for demanding scenarios, such as gear lever position sensing in automotive applications.



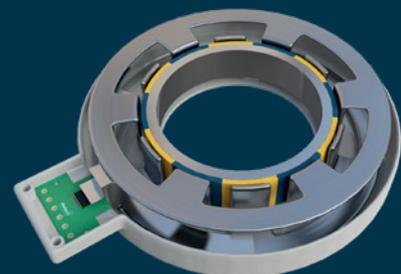
Magnetic position sensor ICs

The effective, accurate and reliable sensing of position is essential to modern vehicles and many other applications. With magnetic sensing and its ability to deliver contactless sensing, innovative advancements such as Melexis' patented Triaxis® technology allow engineers to solve design challenges in numerous automotive and other applications.

Triaxis® is an innovative magnetic sensor technology capable of extremely accurate three-axis magnetic field measurements (Bx, By and Bz) from a single sensor integrated circuit (IC). Using the three magnetic components, two- or three-dimensional sensors that detect rotary (angle), linear (stroke) or joystick-type motion can be created. One of the many benefits of the technology is that this allows the use of smaller and lower-cost magnets, making it an elegant solution in space- and cost-constrained applications.



On 31 March, we announced the **MLX91377** ASIL-ready Hall-sensor IC that is suitable for use in safety-critical automotive systems such as electric power-assisted steering (EPAS). With an ambient operating temperature of up to 160°C and its combination of high linearity with excellent thermal stability, including low offset and sensitivity drift, the MLX91377 supports accurate, dependable torque sensing in EPAS systems to enable safe control in conventional and autonomous driving.

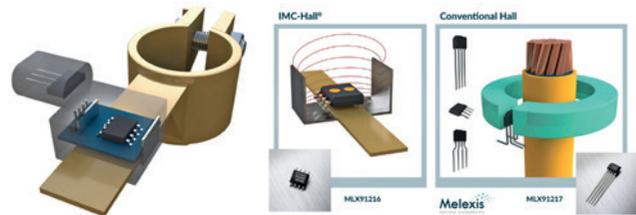


Melexis' Hall-effect ICs are used to detect acceleration and brake pedal, throttle and steering wheel position as well as steering torque and gear selection. Triaxis[®] sensors are also used to monitor movement in engines and drivers and to measure current in electrical systems. Other high-volume applications for these Hall-effect ICs include game controllers, factory automation and white goods.

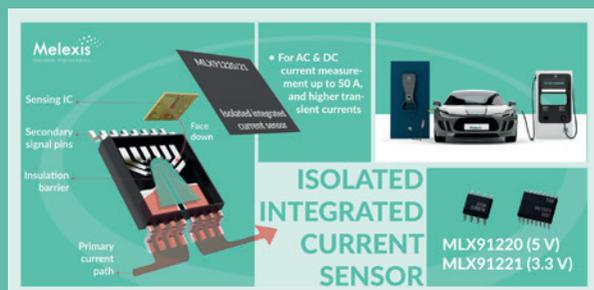


Current sensor ICs

Our Hall-effect based current measuring solutions draw upon our extensive experience, with millions of devices in the field. Our products offer significant performance enhancements and a rugged design, making them ideal for the innovative applications found in the fast-growing market for the electrification of modern automobiles. At first, the IMC-Hall[®] technology found its way into battery monitoring applications, but in recent years it has been deployed massively as a primary sensor in inverter and converter applications. The growing demand for functional safety (ASIL) in battery management systems with Li-ion chemistry has also led to a substantial demand increase, given the need for a (heterogenous) redundant sensing solution next to shunts. The IMC-Hall[®] technology, used for example in the MLX91216, is now the preferred solution for many designers as it provides denser power electronics, a more flexible and lighter integration of the mechanical components and an overall system cost reduction.



On 7 December, Melexis announced its second generation of isolated integrated current sensors **MLX91220** (5 V) and **MLX91221** (3.3 V). These Hall-effect based current sensors are qualified for use in a range of automotive and industrial applications, such as on-board chargers (OBC), DC/DC converters, power supplies, and small electric drives.



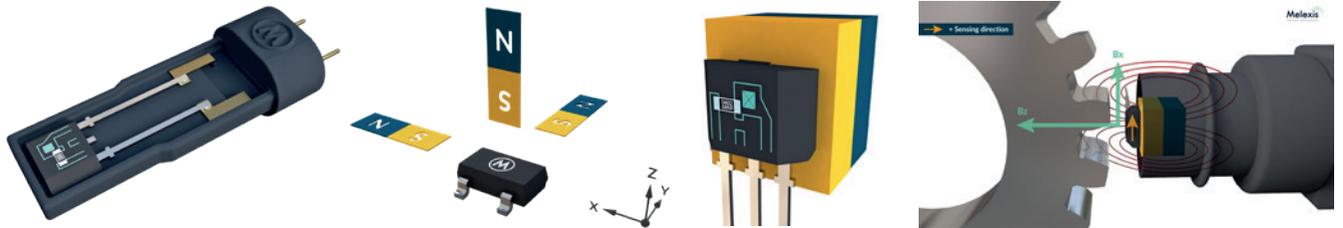
On 5 November, Melexis introduced the **MLX91211** Hall-effect current-sensing IC. Two variants are offered providing a choice of features and performance to satisfy cost-sensitive applications. These range from belt-driven starter generators to traction inverters for low-speed electric vehicles and e-scooters, as well as industrial applications such as electrified forklift trucks and pallet trucks.



Latch and switch ICs

Latch and switch devices rely on the principles of the Hall-effect too, as the position of a magnet determines the physical position of an object. These on-off switching devices are quite common in a variety of applications, ranging from the automotive (braking, shifter applications, thermal valves and seat belts), to power tools, gaming and

even respiratory systems. The Melexis latch and switch sensors use an innovative magnetic technology that allows the measurement of the lateral magnetic flux component. These popular products can be integrated easily into applications that require simplified design and stable magnetic characteristics.



On 24 September, we unveiled a robust Hall-effect latch for cost-sensitive applications such as power tools, PCs, servers and home appliances. The **MLX92214** features simplify design and ensure stable magnetic characteristics.



OUR LATCHES AND SWITCHES POWER LIFE-SAVING VENTILATORS

Melexis latches and switches can play a crucial role in helping COVID-19 patients. As a vital component of intensive care respirators, our 3-wire latches **US2881**, **US2882** and **MLX92211** form part of different motor solutions and help enable motor commutation by

measuring the magnetic field. At the peak of the COVID-19 pandemic, some of our automotive customers have even temporarily adapted their production lines in order to produce much-needed respirators for the medical sector.

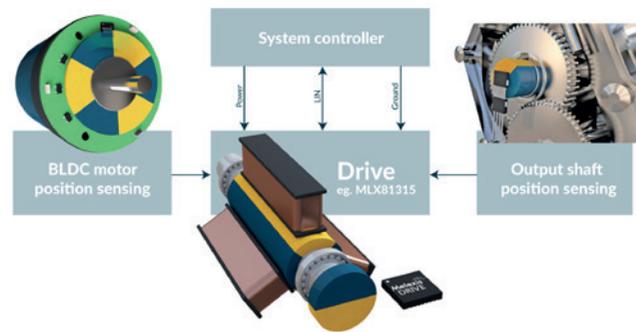
Embedded motor driver ICs

For more than a decade, Melexis has been providing LIN drivers for small motors that target automotive mechatronic applications including motor-controlled flaps, valves, fans and pumps. Our Melexis solutions are well known for enabling system cost optimization and small-sized mechatronic applications for OEMs while also ensuring low system heating and low-noise motor drive.

Melexis developed an entire second generation family of smart LIN motor drivers for motor currents from 0.1 A to 100 A. These ICs enable low footprint 12 V applications to drive the electric motor with a sensor or sensorless in the most silent and efficient way, making them an excellent choice for new hybrid and electric cars.

Brushless direct current (BLDC) motors can be found in pumps, blowers, fans and positioning actuators. However,

not all actuator applications are as visible: one of the main actuator markets in the automotive sector deals with micro-actuators used in HVAC systems. These are used to divert airflow and render a car more efficient and comfortable. A smooth and silent operation is one of the most important criteria to ensure the comfort of car passengers. Additional applications using BLDC motors are expansion valves used to control the refrigerant flow into the evaporator in precise amounts, resulting in efficient cooling.



SMART LIN DRIVER IC FOR DC, STEPPER AND BLDC MOTORS

- Targeting automotive mechatronic applications up to 10 W
- Supports low-noise sensorless or sensorless field-oriented-control (FOC)

MLX81330 (0.5 A)
MLX81332 (1 A)

Melexis

On 1 December, we launched the third generation of our popular LIN driver for small motors. The third-generation **MLX81330** (0.5 A motor drive) and **MLX81332** (1.0 A motor drive) smart LIN drivers target automotive mechatronic applications at up to 10 W, including motor-controlled flaps and valves, small fans and pumps.



SHOWCASING GONE VIRTUAL IN TIMES OF COVID-19

To promote our product range, Melexis regularly attends high-tech fairs and exhibitions. At the start, 2020 was no different as we had planned to attend 22 physical industry events, four webinars and eight tech days. As the spread of COVID-19 began to unfold, Melexis changed its approach in an agile way. With the exception of four physical events, we went virtual in 2020. We attended five online events (mainly with a focus on far infrared and time-of-flight solutions) including

the digital edition of Electronica, the world's leading trade fair and conference for electronics. Furthermore, Melexis organized 17 well-promoted webinars on a variety of product lines and topics and one tech day, a workshop at a customer's site. All over the world, the COVID-19 pandemic has boosted the creation of live and recorded online events and as we expect this trend to take hold in the future, we will continue to embrace it and absorb it into our marketing mix.

Fan and pump driver ICs

Fan control manages the rotational speed of an electric fan. In electronic devices, various types of fans and pumps are used to provide adequate cooling, sensing and different fan control mechanisms to balance their cooling capacities

and the noise they generate. Our broad portfolio comprises one-coil, two-coil and three-phase motor controllers, enabling cost-optimized, minimum-sized and whisper-silent cooling solutions for automotive and consumer applications.



On 8 October, we introduced a new single coil fan and pump driver IC with a peak driving capability of 2.2 A. The **MLX90412** combines high performance with low noise operation, making it ideal for a wide range of home appliances and industrial applications. Suitable for driving loads of up to 35 W, it complements the previously released **MLX90411**, adding a high-power option to the range.

For highest efficiency or lowest acoustic noise on a wide range of fans and pumps up to 35 W

ALL-IN-ONE FAN- AND PUMP- 1-COIL BLDC DRIVER

MLX90412

Melexis
MOTOR DRIVERS

42A 2873 9012

The advertisement features a teal background. On the left, there is an exploded view of a fan and pump driver assembly. On the right, there is a photograph of the MLX90412 IC chip. The text is arranged in a grid-like format, with the product name and key features prominently displayed.

We introduced the **MLX80302** on 27 October. It is our most powerful and cost-efficient version of our market-leading motorcycle fuel pump controller, helping manufacturers comply with tightening environmental regulations, including the BS-6 emission standards in India.

- Compact application designs
- Enables fast system startup
- Super robust against signal noise

3-PHASE BLDC FAN & PUMP DRIVER

MLX80302

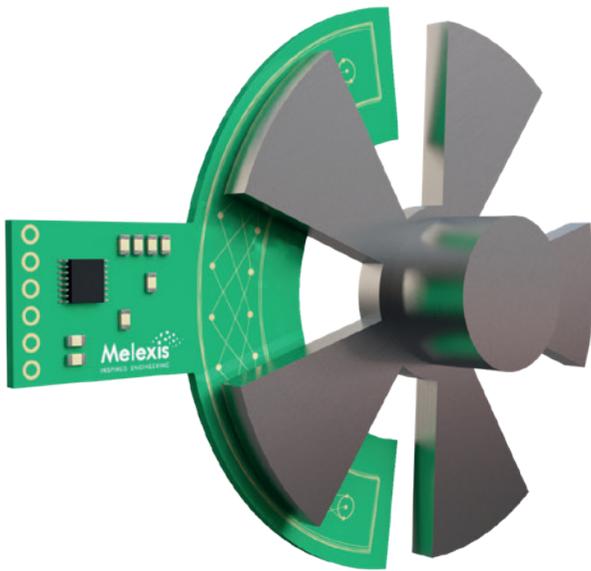
Melexis
MOTOR DRIVERS

42A 2873 9012

The advertisement features a teal background. On the left, there is a photograph of a motorcycle. On the right, there is an exploded view of a fuel pump and fan assembly, and a photograph of the MLX80302 IC chip. The text is arranged in a grid-like format, with the product name and key features prominently displayed.

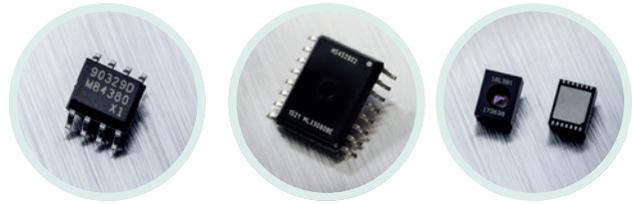
Inductive position sensor ICs

Inductive position sensors are used in applications that require very high position sensing accuracy under the harshest conditions of magnetic stray fields and temperature. Melexis has already been investing in inductive position sensing IC solutions for more than a decade. Our ASSP product family strategy includes analog and digital output versions, specifically designed to address the challenges of e-machine, e-brake booster and electrical power steering types of applications.



Pressure sensor ICs

As a unique and leading partner for our automotive customers, we can address all pressure sensor segments with our advanced technologies, be it signal conditioning ICs for high pressure applications, relative and absolute pressure sensors, both packaged and factory-calibrated for low pressure measurements. We offer plug-and-play solutions with the best-in-class robustness and performances in demanding harsh automotive environments.



On 13 October, we introduced the **MLX90820**, a fully integrated absolute pressure sensor IC for applications in the 10 to 50 bar mid-pressure range.



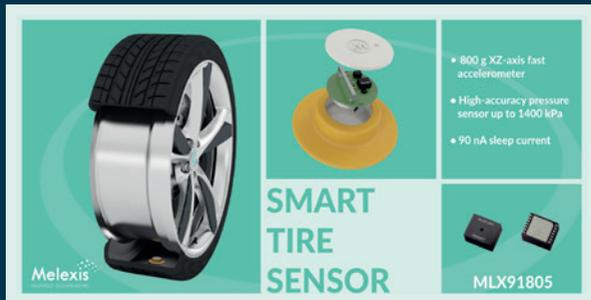
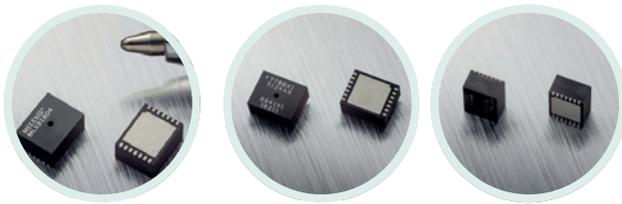
EYE-CATCHING COLLABORATION

Eyeware, the Swiss-based 3D eye-tracking technology company on a mission to bring attention-sensing solutions to multiple industries, and Melexis have joined forces to create an advanced driver monitoring system (DMS). The DMS

leverages Eyeware's attention-monitoring technology, which uses Melexis' new **MLX75027** 3D time-of-flight sensors with VGA resolution, to enable robust eye gaze and head tracking for in-cabin driver monitoring, even in sunlight.

Tire monitoring sensor ICs

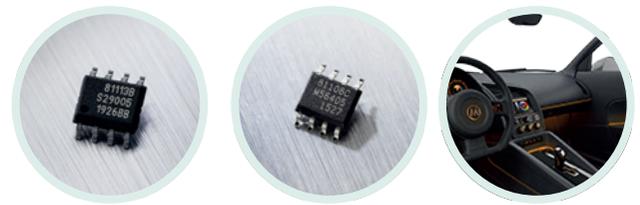
As one of the most fully featured, ultra-low power tire pressure measurement system (TPMS) solutions available today, the Melexis offering integrates all the electronic subsystems required to develop a high performance TPMS with a minimum of external components. Pressure and acceleration sensors, low-frequency transceiver and radio-frequency transmitter circuits are combined with a low power microcontroller in a single tiny form factor.



On 24 November, we launched the world's first combined sensor for smart tires, the **MLX91805**. It will help OEMs prepare for the upcoming extension of mandatory tire pressure monitoring to include commercial vehicles and enable future generations of smart tires.

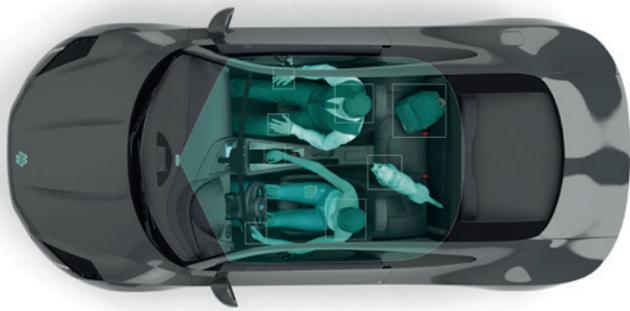
Embedded lighting ICs

Our LIN-based RGB LED drivers enable sophisticated yet cost-effective ambient lighting for vehicles from entry-level over mid-range to luxury models. The Melexis offering raises the performance bar and lowers the external component count, thanks to the very high electromagnetic compatibility (EMC) robustness achieved by using silicon-on-insulator (SOI) technology and the full system-on-chip integration. Additionally, new products are designed in accordance with ISO 26262 to ease system-level functional-safety certification.



On 27 August, we introduced the **MLX81116**, a multichannel RGB LED driver. The MLX81116 supports the MeLiBu™ high-speed communication IP to enable intelligent animated automotive lighting concepts. The technology is already being leveraged by multiple leading global OEMs to enhance the safety and comfort features of their latest models on the road.





Optical sensor ICs and time-of-flight (ToF)

The industry is advancing towards greater levels of autonomous driving in the coming years, but even so the driver will still need to be able to take control in certain circumstances. Real-time monitoring of the driver's attention level, position and movements is therefore crucial. Today, in-cabin monitoring and driver sensing ToF technology is used for gesture recognition. However, the potential scope of ToF goes way further. ToF cameras can map a driver's hands position, head position and upper body position in 3D to ascertain that the driver is facing the road ahead and has his hands firmly placed on the wheel. ToF technology has gained new momentum because of additional active safety standards and features required by new car models, going beyond in-cabin use. It is now being evaluated for exterior uses like short-range cocooning because it combines high resolution with accurate depth information at short range, complementing long-range systems such as cameras and radars.

The introduction and production volume availability of the **MLX75026** was announced on 17 September. The product is an AEC-Q100 qualified QVGA time-of-flight sensor. The MLX75026 is the third generation of QVGA ToF devices from Melexis and joins the wider product portfolio.



Temperature sensor ICs

In the automotive market, our array sensors are suitable for multi-zone air conditioning, passenger classification (for more effective airbag use) and driver monitoring (to prevent drivers from becoming distracted). In consumer electronics, array sensors are used in microwave ovens to measure the temperature of heated food. In Internet-of-Things systems, they are used for many tasks in the field of temperature measurement and detection. And that is not all: our far-infrared array sensors can also be found in low-resolution visual thermometers for use in building automation and the industrial, security and do-it-yourself sectors.





Since its founding more than 30 years ago, Melexis has grown into a company with approximately 1,500 colleagues on three continents, all of whom are passionate about shaping the future and all of whom care deeply about people and planet.

We care for people. Our company combines exceptional people with a unique company culture, great products and a promising future. A shared corporate vision enables our growth and we realize that it is our people who represent a vital link in the chain that connects motivated individuals, outstanding teams and great results.

We care for the planet too. We are acutely aware of the increasing worldwide concern for safety and sustainability, two areas in which we have been active for many years. From sensors and sensor interfaces to embedded and smart drivers, we are constantly innovating to help create the most sustainable and reliable solutions possible.

This chapter outlines our main guiding principles regarding ethics and integrity. It also outlines our commitment to sustainability as it lists our engagement to advancing the United Nations Sustainable Development Goals (SDGs) and our sustainability reporting through the Global Reporting Initiative (GRI) framework.

4.1 OUR GUIDING PRINCIPLES

4.1.1 THE MELEXIS WAY

The Melexis values support our company's vision, they shape our culture and they reflect what we value as a company. These values are straightforward: we are on the customer's side, we always have a plan, we care, we understand the value of money and we enjoy the journey towards success. 'The Melexis Way' truly represents the essence of our identity and guides us in everything we do.



We are on the customer's side

We are rooting for our customers' success. We don't stop at engineering innovations for our customers, we feel part of their team and are with them all the way. The time we spend on-site at our customers offers us unbeatable industry insight. Experiencing our customers' challenges and understanding their perspective allows us to peer over the horizon of our industry to build future-proof innovations.



We always have a plan

We became leaders in the industry because we are not daunted by challenges. We love coming up with new ways to create value, whether it is by removing obstacles or by exploring new and exciting opportunities. We are proud to build the future alongside talented colleagues and customers. And even though we work in the most demanding industries and settings, we are low maintenance ourselves: you can count on us to be collaborative, patient and self-driven.



We care

For us, technology is about solving fundamental societal challenges. We think it takes all kinds of people to solve these challenges, so we actively strive to build a diverse team. We take nothing for granted, be it our people, our partners and customers, our planet or our resources. We attract and cultivate talent in an environment that values learning, growth, collaboration and continuous improvement.



We understand the value of money

We take pride in our track record as an industry leader in terms of innovation, operational excellence, growth and results. We remain committed to lean ways of working that have brought us where we are today. This way, we create enduring value for customers, shareholders and other stakeholders. Our close relationship with customers allows us to focus on engineering solutions that offer maximum added value, day after day.



We enjoy the journey towards success

We are privileged to work with people who bring enthusiasm and eagerness to the job, who are always willing to innovate, and who show confidence in their own and their teams' resourcefulness. We celebrate our victories, but we think it is even more important to enjoy the journey itself – we get a real sense of achievement from working towards audacious goals with a team we can rely on.

4.1.2 THE MELEXIS QUALITY AND ENVIRONMENTAL POLICY

The Melexis quality and environmental policy is the guiding principle throughout our organization. It provides a framework for our day-to-day operations and guides every decision and every action. Our quality mission statement sets out the aim: 'smart solutions that enable innovation and strengthen the confidence of our customers.' Our quality and environmental policy strives to keep our environmental footprint as small as possible because we take our responsibility to both people and planet very seriously.

4.1.3 THE MELEXIS CODE OF CONDUCT

Melexis has outlined an ethical code of conduct (www.melexis.com/en/investors/corporate-governance/supervision-and-compliance) to provide a clear and unambiguous reference for expected behavior during business activities. Melexis, our colleagues, the members of our Board and our executive management all follow this code of conduct as it sets out the responsibilities Melexis takes on in the workplace and in doing business with its partners. These responsibilities include rules on respect for human rights, anti-corruption and anti-bribery, anti-competitive behavior, health and safety, customer privacy and on many other crucial topics.

4.2 SUSTAINABILITY AT HEART

Melexis is dedicated to positively impact and care for our various stakeholders, on an economic, environmental and social level. That is why we embrace two globally recognized sustainability initiatives: the United Nations Sustainable Development Goals (SDGs) and the Global Reporting Initiative (GRI).

Adopted by all its member states, the UN has developed 17 Sustainable Development Goals (SDGs) as the blueprint to achieve a better and more sustainable future for all.

The SDGs address the global challenges we face, including those related to poverty, inequality, climate change, environmental degradation, peace and justice*. Following a compelling materiality workshop that included all internal key representatives and departments, Melexis has defined the SDG topics that are material to our company and stakeholders. As we have a significant or major impact on the following SDGs, we will support these with dedicated company initiatives:



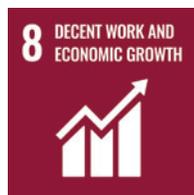
SDG 13: Climate action

- Our sustainable mobility-focusing products
- Fuel efficiency
- Emissions to air
- CO₂ reduction contributions
- Shift to electric vehicles
- Shared mobility



SDG 12: Responsible consumption and production

- Responsible supply chain
- Energy use
- Business ethics, human rights, child labor
- Product quality and safety
- Product lifecycle
- Conflict minerals



SDG 8: Decent work and economic growth

- Development of people
- Retention
- Employee health and safety



SDG 3: Good health and well-being

- Our health-focusing products



SDG 9: Industry, innovation and infrastructure

- Continuous innovation
- Intellectual property
- Responsible supply chain



SDG 5: Gender equality

- Diversity and inclusivity
- STEM initiatives, with special attention to female representation

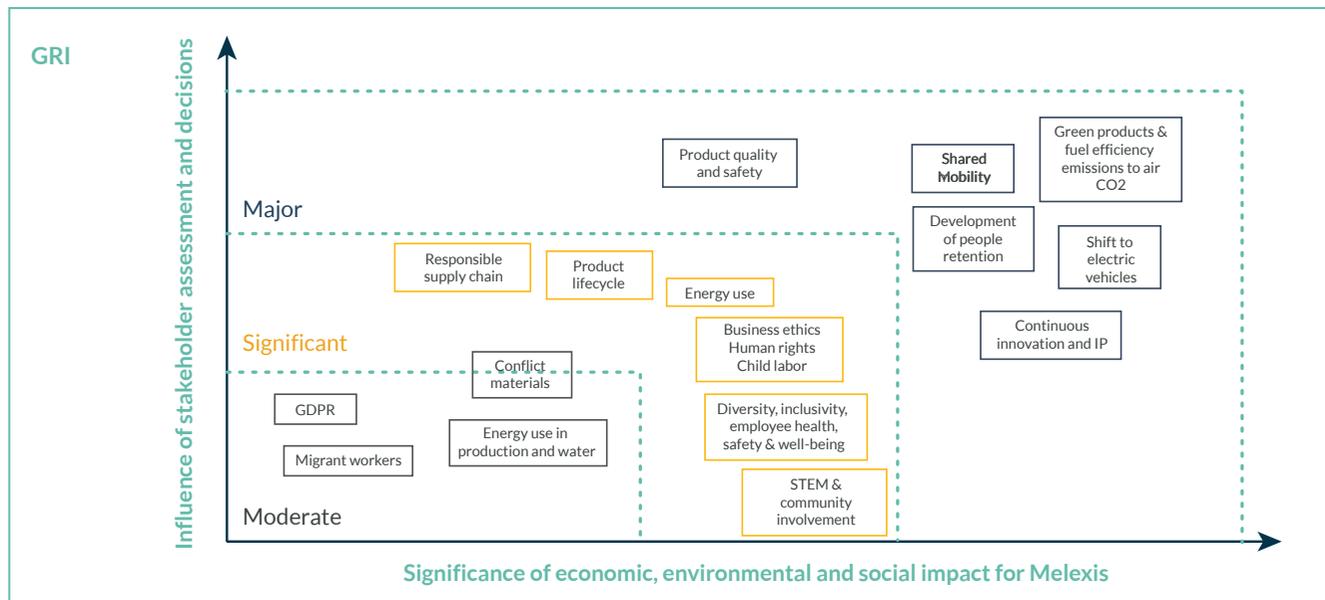


* <https://www.un.org/sustainabledevelopment/sustainable-development-goals/>

The Global Reporting Initiative (GRI) Standards help organizations to determine their material impact on the economy, environment and society. Its sustainability reporting framework increases accountability and enhances transparency regarding an organization's contribution to sustainable development.

For some years now, Melexis has been inspired by the GRI Standards. Following several internal stakeholder workshops

within our company, Melexis has identified the relevant material GRI topics as seen in the table below and reports on them throughout this annual report. Fully in line with the Belgian law of 3 September 2017 (detailing the publication of non-financial information and information regarding diversity by large companies and groups), we will continue to report our sustainability efforts in accordance with the GRI Standards: Core option. Please refer to chapter 6 for our sustainability report and to chapter 13 for our GRI content index.



4.3 CYBERSECURITY

At Melexis, we attach great importance to keeping our assets safe. All our IT tools have been screened in terms of vulnerability to cyberattacks. Unfortunately however, cyberattacks are never excluded. That is why we have two continuity response plans (CRPs) in place to limit the harm that cyberattacks could cause: a continuity response plan with regard to the technical track, and a continuity response plan with regard to the communication track.

Next to the Melexis code of conduct which outlines our colleagues' obligations with regard to computing and information resources, our information security code of conduct is intended to raise awareness and knowledge of the importance, risks and consequences of information security for Melexis. By increasing the information security awareness and knowledge and emphasizing the employees' role in protecting information, we strengthen a secure environment to support our company's future growth.

As people are often the weakest link when it comes to preventing cyberattacks, we believe that Melexians can truly make the difference and we want to empower them to take the right decisions. That is why we established a Mel & Lex communication campaign, which consists of nine principles:

1. Our code of conduct on information security
2. Wearing our badge at all times
3. Thinking before we click
4. Reporting any suspicious activity
5. Managing our passwords properly
6. Asking for help in case an IT or security breach is suspected
7. Collaborating in the cloud
8. Backing up our data
9. Thinking twice before we print in order not to leave confidential documents unattended for too long.

To raise awareness on cybersecurity within Melexis, a fun test featuring our (COVID-proof) mascots Mel & Lex was created and promoted through our newsletter.

SECURITY FIRST

**Would you recognize phishing?
Take the test!**

**Think Twice
Act Wise
Think before
you click**

Logins and passwords are a hacker's favorite prey. Through all kinds of phishing techniques, they try to get access to confidential company information, shared files and company platforms. And they love to spread viruses.

No wonder Mel & Lex are no fan of hackers. Before Mel clicks on any hyperlink, she doublechecks the address on spelling mistakes and strange characters. Lex never downloads illegal software. And when he opens e-mails, he makes sure the sender's name and extension seem valid. Mel & Lex will not be fooled by an e-mail from info@Melexis.com.

Melexis
INSPIRED. ENGINEERING



The Melexis strategy is to strengthen our position in the automotive industry by maintaining our presence in internal combustion engines (ICE) and chassis-body-safety applications that we already serve today, to step up our presence in hybridization and electrification applications and to become the global number one in networked lighting. As said, we aim to further boost our footprint in the automotive industry - today, every new car worldwide contains 13 Melexis chips on average - and to grow in other markets, particularly in alternative mobility and in health, medical, computing, data center, telecom infrastructure and robotics applications. We are equally present in the markets of smart appliances and smart home, building, gaming, industrial and energy applications. Our relentless customer focus, the creation of innovative and compelling products combined with a timely and reliable production process are fundamental to how we do business.

Our strategy is set against several global megatrends. One key trend is an increasing and ageing population. Another is that the world, while it must find a way to meet growing demand, also needs to continue the fight against climate change and seek solutions for both CO₂ and power consumption reduction. The call for green products has never been greater than today, a demand that will only increase in the coming years in all markets and impact mobility and energy consumption. The European Green Deal is striving to make Europe the first climate-neutral continent and will pave the way for a better future. Next to that, artificial intelligence and its related technology is triggering more computing power, more data servers and more connectivity. The world is becoming truly virtual, a trend pushed by the COVID-19 pandemic and the need for a different kind of connection to work and socialize.  The current geopolitical landscape is not favorable. The intensified trade war between China and the United States leads to more deglobalization and impacts the way in which supply chains are set up to navigate through customs or lockdown measures. Last but definitely not least, the rise of health applications has been pushed forward by the COVID-19 pandemic which highlighted the world population's vulnerability.

These megatrends bring both risks and opportunities for Melexis. The world and its economies need to find solutions to all these major calls for action. We recognize that the pace and path forward is uncertain and will require agile decision making. We are committed to work together with our global customer base to contribute to the solutions that will enable the best imaginable future, a future that is sustainable, safe, clean, comfortable and healthy.

The key to our success is our well-matched team of almost 700 experienced engineers. For the past 30 years, their expertise in application, system and product definition, design and testing of integrated sensing and driving solutions has given Melexis a leading position. Melexis invests substantially in R&D and in its people and will continue to do so. In addition, an energizing mix of team spirit, a shared set of core values and a no-nonsense culture empower our people to offer high-quality, leading technological solutions to customers.

5.1 WE ARE GOING FOR 20 ICs PER CAR

We are evolving together with the automotive industry that is currently at a turning point. Under the hood, a shift has taken place from a single combustion engine towards a hybrid powertrain combining an internal combustion engine (fueled from the tank) and an electric motor (powered by a battery). In parallel, the automotive ecosystem welcomes new players with disruptive approaches for the architecture, the development or the manufacturing of car platforms which become software-defined and rely on feature-rich hardwares.

The powertrain evolution is making the component landscape more complex and dynamic. As a partner of choice in the automotive industry, we are focused on developing innovations to facilitate that transformation. Melexis is also present in other sections of the vehicle, such as the chassis, the body and the safety parts, for which new needs are emerging.

Despite a modest growth in car sales globally, and even a significant decrease the last two years, the amount of new electronic solutions being integrated into vehicles is steadily increasing year-on-year. We aspire to put 20 ICs in every new car worldwide in the foreseeable future spread across various powertrain and chassis-body-safety applications.

As a world leader in automotive semiconductor sensor and driver ICs, we moreover use our core experience in creating chips for vehicle electronics to expand our product portfolio to also meet the needs of smart appliances, smart home & building, health & medical, computing, data center & telecom infrastructures, energy, gaming, alternative e-mobility and various industrial applications.

To further increase our offering to new markets, we have identified areas where Melexis can play a stronger role based on our capabilities and we are now executing exploration projects to enable future product developments.

5.2 THESE APPLICATION TRENDS DRIVE OUR INNOVATION

With a strong focus on our competencies, Melexis caters to our customers' needs today and drives innovations for the future. We choose to operate in those areas where we can make a difference.

5.2.1 Powertrain

Low-emission vehicles (featuring a combustion engine)

The pure internal combustion engine (ICE) is disappearing step by step. A clear transition from mechanical function operations to electric operations has been taking place for years and will continue to do so. Tighter emission regulations on the fleet in regions such as in China and Europe (with the China 6 and Euro 6c/6d/7 norms respectively) impose cleaner and greener innovations on the existing and major car fleet.

Melexis offers precise and accurate sensor ICs and versatile motor driver ICs contributing to numerous facets of better engine management such as air intake, ignition timing, fuel, exhaust gas and temperature management.

ICE-specific sensors provided by Melexis are magnetic, inductive or microelectromechanical (MEMS) and include, among others, camshaft and crankshaft sensors, valve position sensors (air-intake throttle valve, manifold actuator, water valve, exhaust gas recirculation (EGR) valve, variable turbo geometry actuator, etc.), manifold absolute pressure (MAP) and temperature (TMAP), fuel pressure, fuel vapor pressure,

crankcase pressure sensors, exhaust gas temperature and oxygen sensors (sensor signal conditioning ICs), and diesel and gasoline particulate filter pressure sensors.

In addition to better engine management, improved transmissions (from the engine to the wheels) enable seamless shifting and lead to higher energy efficiency. Melexis' magnetic switches, position sensors and pressure sensors serve those application needs.

Finally, the engine is now limited to driving the wheels, the alternator and the HVAC compressor, and no longer other mechanical loads which have been electrified. This electrification has entered powertrain functions such as thermal and fuel management, and also chassis functions such as power steering. The mechanical water pump(s) of the cooling system is (are) replaced by electric water pumps. Similarly, the electric power steering (EPS) system uses an electric motor that draws energy from the vehicle's electrical system to reduce the steering assistance's energy needs, compared to the historical hydraulic power steering directly hooked on the engine.

ICE-specific motor drivers provided by Melexis drive electric water pumps, water valves, grille shutter and high-efficiency

cooling fans for improved thermal management of the engine, and also fuel and oil pumps.

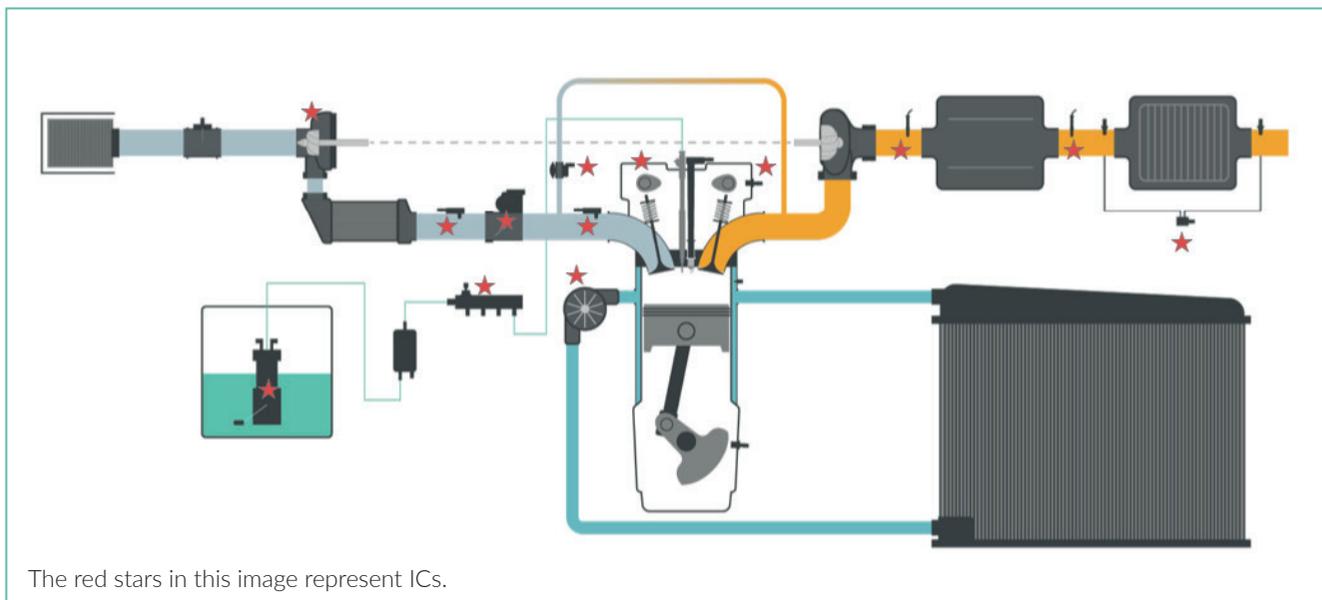
Hybrid electric vehicles (HEV)

Next to the electrification leading to less mechanical loads and more electric loads, an automatic start-stop system is now well embedded in today's cars, automatically shutting down and restarting the ICE to reduce the amount of time the engine spends idling, thereby reducing fuel consumption and emissions. This is referred to as the first step of hybridization, also known as microhybridization (μ HEV - standard 12 V battery).

The other hybrid electric vehicles are the mild hybrid (mHEV), full hybrid (fHEV) and plug-in hybrid (pHEV, rechargeable). All the hybrid powertrains feature a self-charging mode coupled with the braking of the vehicle (regenerative brake).

The electric powertrain (support/assist or drive) is fed from a small-size 48 V battery (mHEV), a mid-size 300-400 V battery (fHEV) or large-size 300-400 V battery (pHEV). The latter is the only one enabling a significant range for a continuous zero-emission drive.

Figure - Sensor-rich internal combustion engine



Melexis' magnetic current and position sensors are used by world-leading automotive tiers, in 48 V starter-generators of mHEV and in powerful traction motor inverters of fHEV and pHEV.

The different levels of hybridization allow less and less CO₂ (and the directly linked fuel consumption) and other emissions (e.g. NOx, particulate matters, etc.), with increasing electric power contributing to the motion of the vehicle.

The electric power level and battery size cause thermal management challenges: at least four different temperatures need to be efficiently regulated (engine, motor and power electronics, battery and cabin), where only two exist in a conventional vehicle (engine and cabin). Next-generation complex intertwined thermal systems using heat pumps and electric heaters are being developed today at the OEMs.

Melexis' motor drivers, magnetic switches, position sensor (magnetic and inductive) and pressure sensor ICs enable the engineering of those complex thermal systems.

Electric vehicles (EV)

We are moving to a world in 2050 where the majority of our vehicles will be 100% electric, enabling zero emission while driving. The arrival of pure EVs (featuring battery [BEV] or fuel cell [FCEV]) has led to two paradigm shifts: the only source of energy is electric and the heat is not freely available (as it is around a combustion engine). In addition, both the source of energy and the power electronics are temperature sensitive.

The electric drive range is defined through the efficiency of the electric traction motor(s), the optimized use of power electronics and battery, and the thermal management. Increasing the range is one of the biggest drivers behind technology improvements for electric vehicles.

Melexis' current and position sensors are used in the power electronics (inverter - DC/AC converter) of an electric car and guarantee accurate torque and efficient power management for the traction motor(s). Current sensors are also present on voltage converters (DC/DC) and on-board chargers (AC/DC). Melexis' current and pressure sensors are essential in the battery management system for a performant and safe operation.

Figure - CO₂ emission reduction vs. hybridization electric power

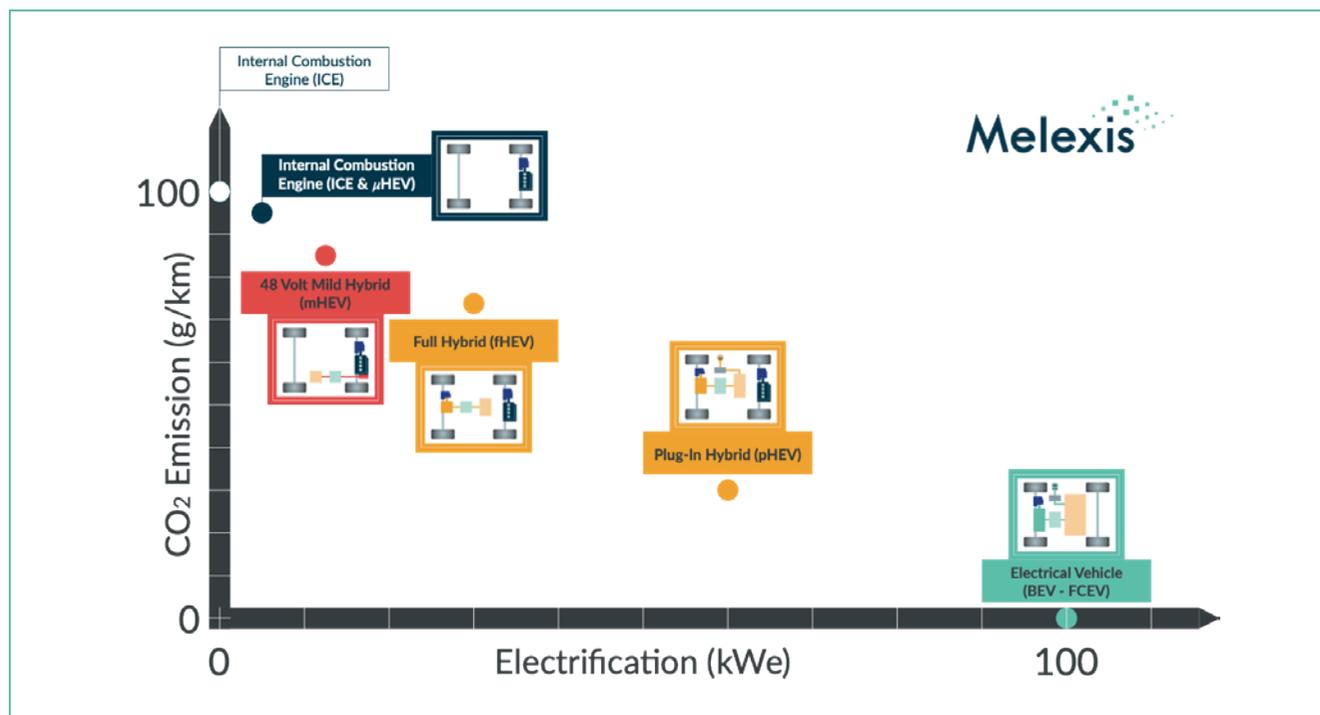


Figure - Highlights of the thermal management for a pHEV

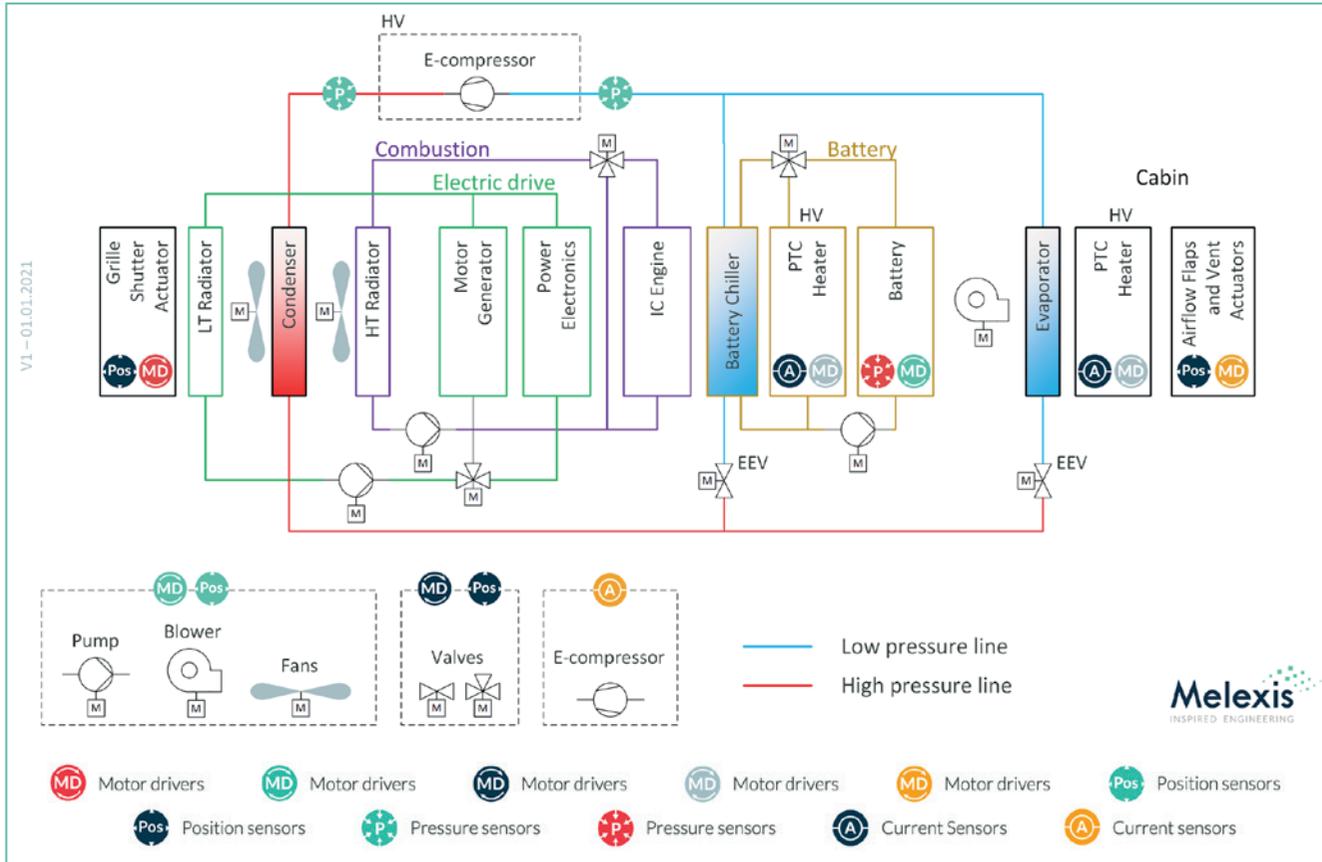
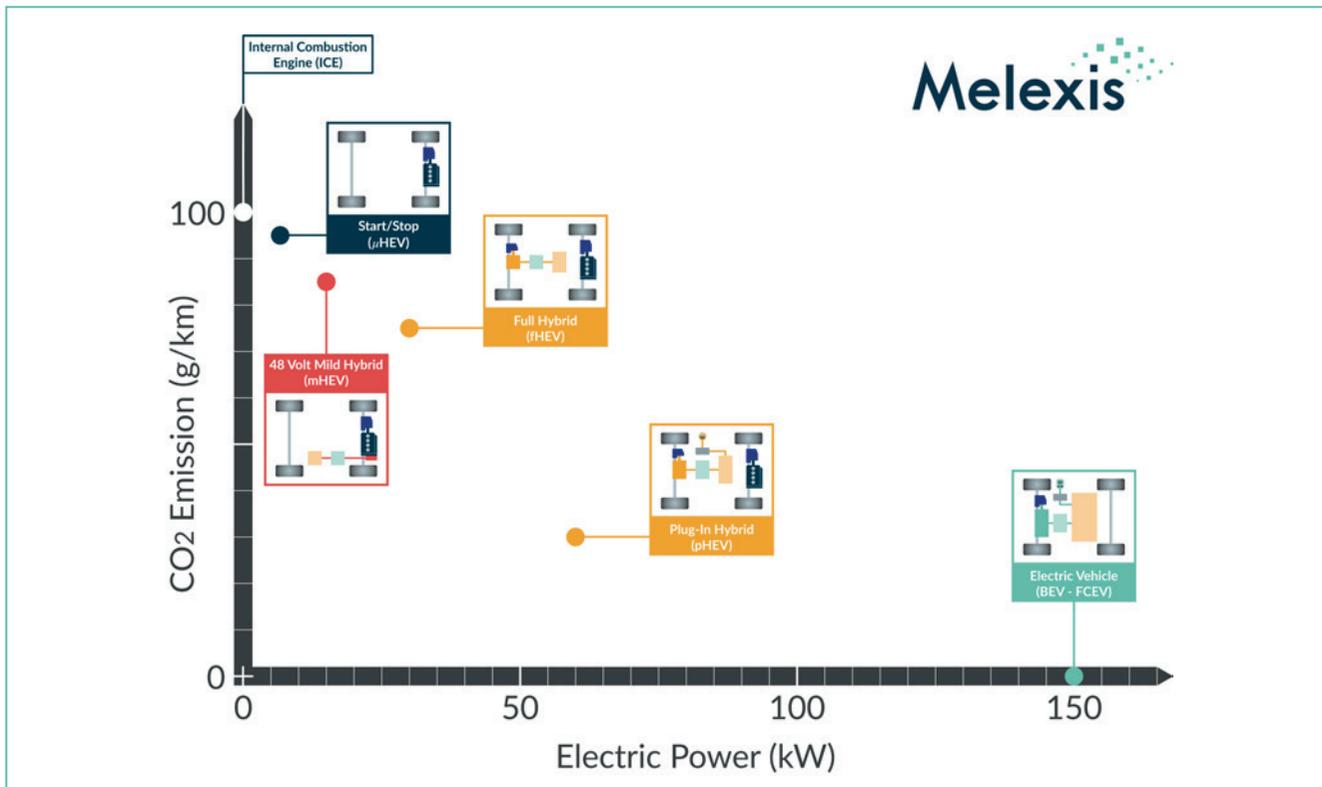


Figure - CO₂ emission reduction vs. electric power



As an EV does not generate heat on its own, it requires a wide range of sensors and electric motor drivers to keep the motor, the power electronics, the battery as well as individual passengers at an ideal temperature whilst using a minimal amount of electric energy.

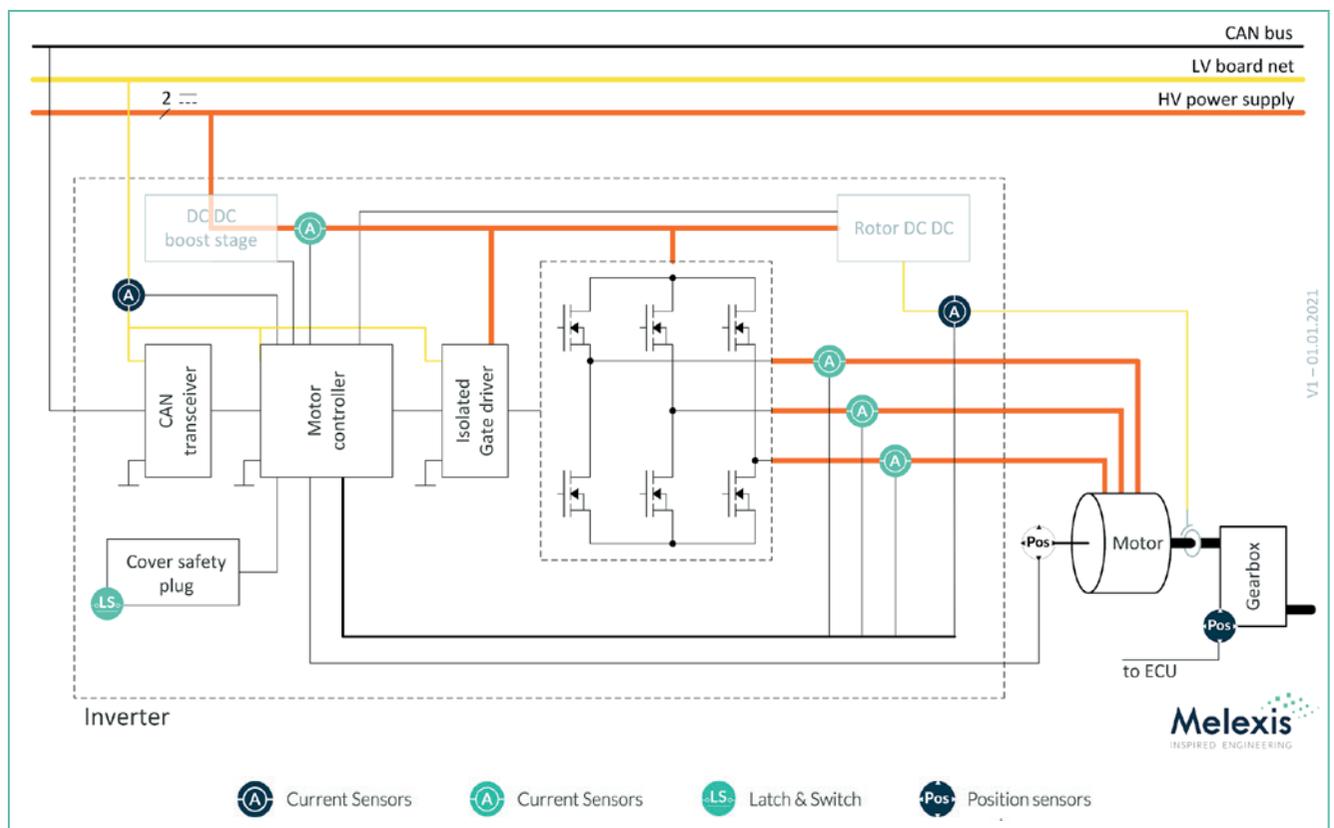
The thermal management system of the EV is enabled by e.g. smart expansion valves, flaps, fans, blowers, compressors and heaters, which in turn rely on Melexis motor drivers, pressure, temperature and magnetic sensors (current, switches and position sensors).

In addition, we are paving the way to play a significant role in all future thermal management needs in cooling and heating systems, both for powertrain components like the battery and the power electronics, as well as for the air conditioning of the cabin.

Novel products such as smart fuses or contactors are developed involving Melexis current sensors to control the triggering function.

We are just at the beginning of what could be done in this area. Upcoming challenges consist of further optimizing the range, increasing the efficiency of the power electronics, introducing innovative thermal management technologies, enabling cost optimization, securing supply chain resource availability and ensuring an efficient charging and recycling eco-system.

Figure - Highlights of the inverter for an EV



5.2.2 Chassis-body-safety

Beyond and regardless of the powertrain type (ICE, HEV or EV), today's vehicles display countless features relying on electronic components such as sensors, motor drivers and transceivers.

Introduced on the high-end models, they quickly become optional and then standard equipment on mid-range and low-end models.

Melexis is a key contributor to the technology innovation and continuous growth of the chassis-body-safety segment. Networked lighting and gesture control are illustrating the pioneering role of Melexis next to many other applications listed below, new or traditional, but still evolving in terms of requirements, in particular when they lead to improved on-board comfort, driving pleasure or safety.

Networked lighting (interior/exterior)

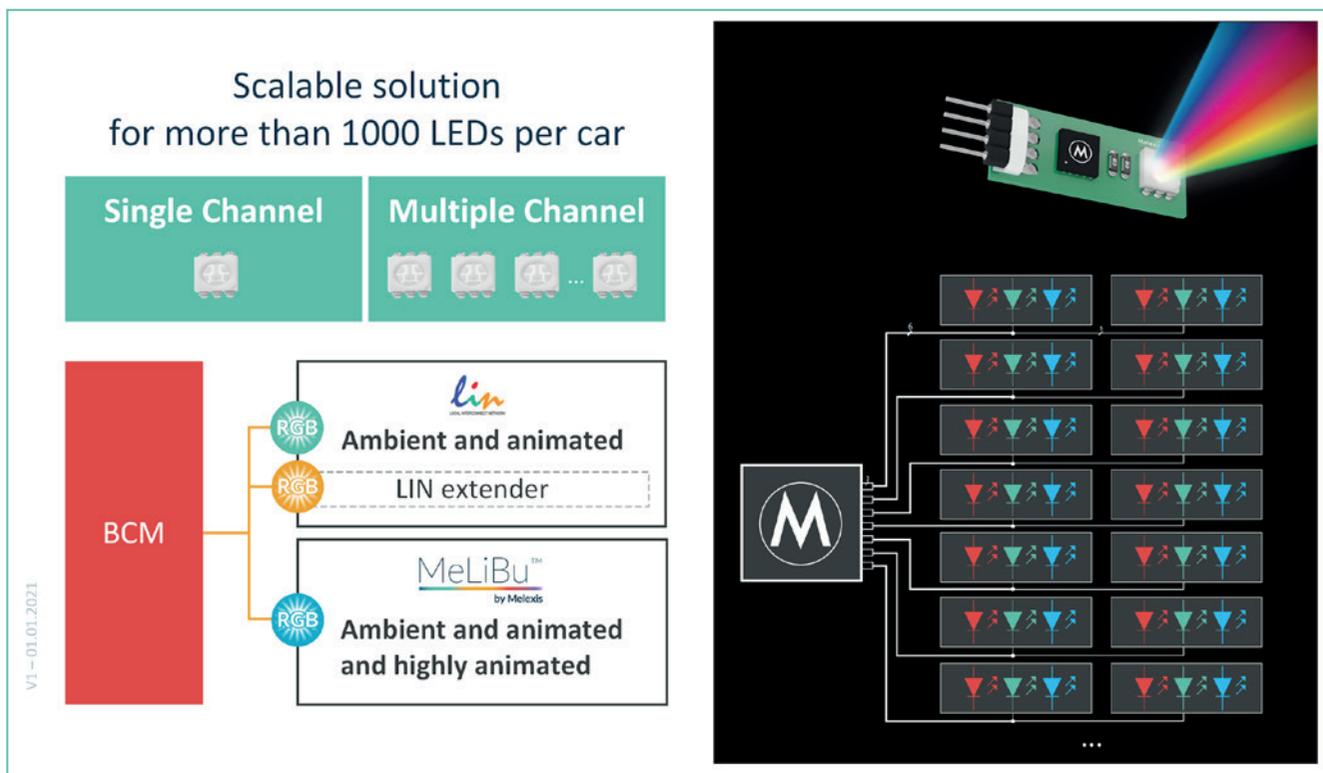
Light has long been allied with comfort, due to its strong influence on a person's emotions: warm colors can induce passion; cold colors can bring calm. Light has an ever-increasing role to play in the communication of information. We are all

familiar with lights that warn of a hazard or emergency. With the arrival of autonomous driving, this aspect of lighting is likely to intensify. Typical examples are when the driver is using headphones, or is in a telephone conversation. In such cases, the interior suddenly changing to red could alert the driver to take control of the car.

Melexis already has considerable experience in the development of LIN-based RGB LED automotive systems for ambient interior lighting (static). To address the challenges of smart animated (dynamic) lighting, we developed and trademarked Melexis Light Bus (MeLiBu™). It combines the best of LIN and CAN: the easily usable, extendable protocol and hardware architecture of LIN with the speed and robust communication system of CAN. MeLiBu™ ensures the seamless integration of LED systems from different tier suppliers, as well as different application cases.

Next to our leadership in interior automotive lighting, Melexis serves the automotive rear-lighting for which the implementation of novel and stylish design can benefit from a similar technical approach.

Figure - Networked lighting - ambient & dynamic interior lighting



On-board comfort (Body)

The HVAC (Heating Ventilation and Air Conditioning) systems equip nearly all cars today. The modern implementation features a modular approach for diffusing the air flow (multi-zone) combined with low-noise and efficient blowers to not disturb the quiet electric mode of the hybrid or electric vehicles. This is valid for the main unit and also the units mounted in the seats for even more comfort.

Motor drivers for flaps, fans and blowers as well as pressure and temperature sensors represent Melexis' contribution to the on-board comfort beyond the interior lighting applications mentioned previously.

Further developments for HEVs or EVs target electric compressors (i.e. decoupled from the engine) and consider the cabin HVAC as part of the larger thermal management system.

Gesture control & interior monitoring (Body)

With automation on the rise, interior safety is becoming even more important than before. A time-of-flight or ToF system is capable of understanding subtle human gestures as well as the shape, size and behavior of objects and people inside a car. It enables drivers to operate the infotainment (radio, phone calls...) and the HVAC systems, using simple gestures without taking their eyes off the road. The sensor can also improve safety, for example through monitoring driver behavior, head pose, body pose, as well as hands-on-wheel detection and advanced seat belt detection.

Driver-vehicle interface (Body)

Melexis also serves more common ways of translating driver's demand into action at the vehicle level. Those interfaces include pedal position sensors (magnetic and inductive) for the accelerator and brake pedals (both remain key for EVs as they enable the one-pedal driving mode and the regenerative brake), shifter position sensors selecting the operation mode of the transmission and steering angle and steering torque sensors (magnetic and inductive), enabling electric power steering and vehicle stability applications.

The Melexis miniature magnetic position sensors are used in a novel concept of top-column module (behind the steering wheel) to measure the position of the stalks in a contactless fashion, no longer using mechanical switches.

Other (Body)

To complete the body applications, there is an intake of sockets driven from additional electrification of some functions (e.g. electrically retractable door handles or telematics & 5G antenna cooling) and further improvements of others already electrified (e.g. window-lift, sunroof, power tailgate, door lock, wiper, mirrors, seat, keyless entry, ECU cooling, etc.).

This fuels demand for magnetic and inductive position sensors, magnetic switches, optical sensors and motor drivers.

Chassis

The chassis applications represent a stable available market for Melexis. Moreover, the regenerative brake associated with the HEVs and EVs opens new sensor opportunities for Melexis and aerodynamics innovations, such as retractable air dams or rear spoilers, create business opportunities in terms of motor drivers.

Next to the vehicle height position sensors (magnetic and inductive), Melexis supports systems like active roll stabilization or active suspension still reserved to the high-end segments (in combination with the hybridization). Melexis continues to deliver tire pressure monitoring sensors (TPMS).

Passive safety

Melexis' leadership is recognized for innovative magnetic solutions addressing the contactless seat belt buckle requirements.

5.2.3 Additional application trends that drive our innovations

Temperature control applications

As we become more conscious of our health and our environment, temperature sensing is becoming increasingly relevant. As a result, it is a function now being added to many fitness and health monitoring devices in the form of medical body thermometers, point-of-care equipment and smart wearable devices.

This technology is also integrated in smart buildings for access control, dynamic HVAC and lighting control systems, and also in smart appliances.



The Melexis non-contact temperature sensing solutions are used in a number of medical applications for which we encountered a high demand in 2020 because of COVID-19. Further developments are ongoing to capture the growth for health and medical applications.

Motion control

The use of robotics continues to advance, expand, and evolve at a rapid pace and in many different environments such as industrial (quality improvements and productivity increase with decreasing costs), collaborative robots (increasing safety for employees) and humanoids (human-mirrored senses and motions).

Melexis aims to play an important role in this emerging market by providing, among others, sensors and motor drivers for motion control.

Cooling management

In our hyperconnected world, driven by cloud data storing and computing (e.g. artificial intelligence or AI) through wireless telecommunication (e.g. 5G), the required systems are getting more complex and faster, with more loads and processes that are power draining.

Today, Melexis supports the cooling needs and delivers ICs for robust and high-efficiency fans used for processing units (CPUs/GPUs) in computing servers, data centers, base stations and game consoles. Similar products are also used for home appliances (e.g. in refrigerators).

Future solutions are currently being developed to address the continuously growing need for thermal and power management systems.

Alternative transportation

Our acquaintance with the automotive industry is an opportunity for Melexis to explore other applications related to mobility as it is undisputed that mobility needs and habits are changing and will continue to evolve. At Melexis, alternative transportation covers, among others, motorcycles

(with ICE), electric motorcycles, e-bikes, robotaxis, and also drones, air taxis or automated guided vehicles (AGVs). The need for low-emission or clean electric mobility drives innovations which can be addressed by Melexis' products (dedicated or derived from our automotive portfolio) and which, combined with the expected market growth, represent a substantial business potential.

For low-emission motorcycles, the key products are motor drivers (for fuel pumps), magnetic switches (for speed sensing), pressure sensors (for optimized engine management) and position sensors (for engine management and throttle control).

In case of zero-emission electric mobility, the current and position sensors are instrumental to control the traction motor and sense the actual cyclist demand (torque measurement for the pedal assist, pedaling cadence).

Energy management and monitoring

A clean environment calls for clean energy, such as solar energy, for which Melexis has a portfolio of current sensors to address the different sensing needs on those systems (e.g. input current measurement in solar panels, residential inverter, uninterruptible power supply, battery monitoring and overcurrent, etc.).

User interface



COVID-19 has triggered a surge on the market of gaming applications (e.g. personal computers, consoles, etc.), and this wave is expected to last. Next to the cooling (see above) of those intensively used devices, Melexis enables great gaming experiences through the controllers (e.g. joystick, steering wheels, pedals, etc.) or an innovative positioning system for pawns on an interactive board. Those applications are made possible by Melexis' magnetic switches and position sensors. Similar products are also found on computer peripheral devices.

5.3 WE FOCUS ON ASSPS AND ASICS

Two thirds of our developments stem from own initiatives and are created independently, from within Melexis. We call these our ASSPs or application-specific standard products and sell them to multiple customers in a variety of markets. Our ASSPs are our intellectual property that we share for the benefit of our customers. This approach is one of the key building blocks for our future growth. In addition, we offer programmable functionalities allowing customers to adapt the basic chip comprising our technology to their specific needs in a flexible manner.

When it comes to our ASICs or custom-made application-specific integrated circuits, customers have every reason to put their trust in our mixed-signal ICs. At Melexis, the latter include not only analog and digital but also sensing capabilities. Moreover, we pride ourselves on offering more than just a finished and tested component based on the customer's block diagram. The responsible teams partner up with customers to design, develop and deliver the most suitable ASIC solution for their needs.

5.4 WE WANT TO BE OUR CUSTOMERS' PARTNER OF CHOICE

We foster a close relationship with our customers and our suppliers. We aim for strong continuity in these collaborative activities, especially in the field of development, engineering and technical support. Working closely together with our customers allows us to go beyond simply developing a good product: we continuously search for out-of-the-box solutions that other companies have not yet detected. It offers crucial insight and the big-picture perspective needed to develop applications that anticipate future plans and needs, new trends and emerging markets.

6 OUR SUSTAINABILITY REPORT

With our annual sustainability report, inspired by the Global Reporting Initiative (GRI) Standards, Melexis endeavors to enable accountability and transparency regarding our company's sustainability efforts. In the following subchapters, various material topics with regard to sustainability are covered. Unless otherwise specified, the disclosed information refers to the 2020 fiscal year and is valid for the whole organization.

6.1 OUR KEY MATERIAL TOPICS AND CONCERNS

The Global Reporting Initiative (GRI) Standards allow organizations to assess their material impact on the economy, environment and society. To this end, Melexis has organized several internal stakeholder workshops within our company to determine the GRI topics that are truly material to our company's sustainability. These key topics and concerns include our stakeholder engagement, human resources, safety, health, well-being, the environment, a responsible supply chain, business ethics and local communities. This chapter reports on all these material topics. For easy referencing, please check chapter 13 for our GRI content index.

6.2 OUR STAKEHOLDER ENGAGEMENT

Melexis takes nothing for granted, be it our people, our partners, our customers, the planet or its resources. An open dialogue with various yet equally important stakeholders is essential in order to continuously improve overall sustainability.

Our stakeholders are those people whom Melexis has an influence on or who have an influence on Melexis, including customers, shareholders, suppliers, distributors, representatives and neighbors. They deserve the utmost integrity, honesty and fairness in all their interactions with our company and we make sure to respond adequately to their reasonable expectations and interests.

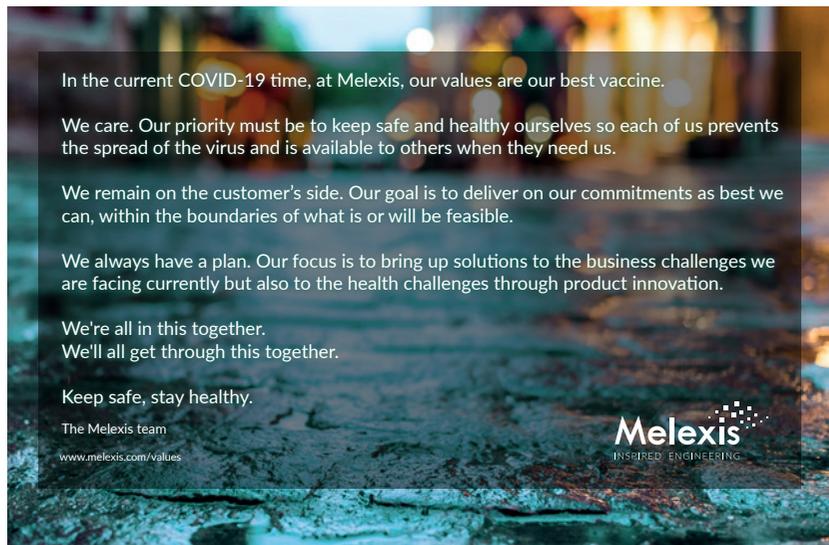
The following table lists our stakeholders, their respective concerns and interests and the different communication channels we use to respond to them.

Our stakeholder groups, their interests and our communication channels

OUR STAKEHOLDER GROUPS	THEY CARE ABOUT	WE COMMUNICATE VIA
Our customers	<ul style="list-style-type: none"> • Product quality, safety and lifecycle • The greenification trend, fully embedded in society and with their customers • Health and medical applications in light of COVID-19 • Responsible supply chain and conflict minerals • Business ethics and customer privacy 	<ul style="list-style-type: none"> • Annual customer audits and business reviews • Annual strategic technology roadmaps • Regular sales meetings with key customers • 24/7 technical support hotline • Technical interface engineers • Weekly social media posts • Monthly press releases • Monthly events • Brochures and product sheets • Letters, e-mail, phone and social media with regard to COVID-19
Our colleagues	<ul style="list-style-type: none"> • The greenification trend, fully embedded in society • Development and retention • Diversity and migrant workers • Safety, health and well-being • STEM and community involvement 	<ul style="list-style-type: none"> • Monthly internal company newsletters • Quarterly internal information meetings • Regular team meetings • Employee values program • Regular leadership communications • People surveys • Global employee performance excellence system • Global intranet • Social media and website
Our investors	<ul style="list-style-type: none"> • The greenification trend and the shift towards electric vehicles • Continuous innovation and intellectual property • Responsible supply chain (conflict minerals) • Business ethics and customer privacy 	<ul style="list-style-type: none"> • Annual shareholders meetings • Quarterly reports • Annual report • Regular analyst meetings • Investor relations newsletters and press releases • Yearly financial statements • Weekly social media posts
Our suppliers	<ul style="list-style-type: none"> • Product quality, safety and lifecycle • Continuous innovation and intellectual property • Responsible supply chain and conflict minerals • Business ethics and customer privacy 	<ul style="list-style-type: none"> • Supplier audits and business reviews • Regular supplier meetings • Weekly social media posts • Supplier assessment
Our communities	<ul style="list-style-type: none"> • STEM involvement • Community involvement • Health and safety • Materials and energy use 	<ul style="list-style-type: none"> • Industry associations • Corporate social responsibility activities • Trade fairs • Weekly social media posts • Regular press releases



In 2020, due to the global COVID-19 pandemic and its multitude of operational restrictions and social distancing, we risked losing our close connection with stakeholders. To prevent this from happening, we ensured a massive outreach to our stakeholders to tackle these exceptional circumstances. By communicating with all our stakeholders via all means possible, such as e-mails, social media and video calls, Melexis worked hard to stay in touch, maintain the long-standing trust in our company and continue day-to-day operational management.



6.3 OUR TALENTS

People are not only the most important assets in our company, they ARE our company. Our HR approach builds upon the principles of the self-determination theory: autonomy, relatedness and competence. These three universal and

innate psychological needs are seen in humanity across time, gender and culture. They are essential to the psychological health, well-being and growth of any individual. In this chapter, we outline our human resources approach.

6.3.1 Our employment statistics

By region and gender: employee statistics on 31.12.2020

At year's end in 2020, 1,490 Melexians worked at Melexis. Notwithstanding the fact that we are a high-tech engineering company, we are proud to be able to attract and retain the unusually high number of more than 33% of female colleagues.

Region	FEMALE		MALE		2020	2019
	Absolute #	Percentage	Absolute #	Percentage	Total absolute #	Total absolute #
APAC	28	36%	49	64%	77	78
EMEA	458	33%	936	67%	1,394	1,412
Americas	6	32%	13	68%	19	33
Total	492	33%	998	67%	1,490	1,523

By employment type: employee statistics on 31.12.2020

At year's end in 2020, 1,364 Melexians worked full-time and 94 Melexians worked half-time at Melexis.

Region	EMPLOYMENT TYPE					
	Full-time		Part-time		Currently inactive at Melexis (thematical leave)	
	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage
APAC						
Female	28	100%	0	0%	0	0%
Male	49	100%	0	0%	0	0%
EMEA						
Female	370	81%	60	13%	28	6%
Male	900	96%	32	3%	4	0%
Americas						
Female	5	83%	1	17%	0	0%
Male	12	92%	1	8%	0	0%
Female count	403	82%	61	12%	28	6%
Male count	961	96.3%	33	3.3%	4	0.4%
Total 2020	1,364	92%	94	6%	32	2%
Total 2019	1,425	94%	79	5%	19	1%

By age: employee statistics on 31.12.2020

At year's end in 2020, we noted a fairly even and representative distribution of generations on the work floor at Melexis.

Region	AGE			Total absolute #
	<35	35-55	>55	
APAC				
Female	16	11	1	28
Male	6	41	2	49
EMEA				
Female	172	246	40	458
Male	403	465	68	936
Americas				
Female	0	6	0	6
Male	5	7	1	13
Female count	188	263	41	492
Male count	414	513	71	1,998
Total 2020	602	776	112	1,490
Total 2019	653	763	107	1,523

By new hires: employee statistics on 31.12.2020

In 2020, we welcomed 124 new Melexians, a decrease from last year's 196 new hires. As Melexis is increasingly focusing on internal upskilling and reskilling internal talent, we take pride in considering internal candidates first for open positions and providing them with opportunities to grow and pursue lifelong learning through internal transfers.

If vacant positions cannot be filled internally, our dedicated talent scouts scan the labor market to hire for global key positions, including hard-to-fill vacancies. This global team collaborates seamlessly with the local HR teams, flexibly addressing hiring locations and fostering diversity at the same time.

The career section of our website and online tools like LinkedIn, Xing and Google Ads are actively used. Job fairs and university networking and collaboration activities have been continued, respectively strengthened. They provide us with opportunities to showcase our innovative solutions for sustainable mobility, now and in the future, a message that is not lost on the upcoming generation of young professionals.

Region	AGE			Total absolute #
	<35	35-55	>55	
APAC				
Female	1	0	0	1
Male	1	3	0	4
EMEA				
Female	18	18	1	37
Male	50	26	1	77
Americas				
Female	0	4	0	4
Male	0	1	0	1
Female count	19	22	1	42
Male count	51	30	1	82
Total 2020	70	52	2	124
Total 2019	123	73	0	196

By retention: employee statistics on 31.12.2020

Melexis is often cited as an attractive employer. It is true that we aim to excel in the area of career opportunities, long-term job security, life balance, financial health, appealing job content, personal development and strong management. We strive for optimal working, environmental and social conditions and are privileged to work with people who bring enthusiasm and eagerness to the job. And colleagues clearly appreciate what our company stands for. They tend to stick with Melexis, as can be seen in our high retention rate of 89%.



On top of our prolonged efforts for lifelong learning and personal development, in 2020, our retention rate may have been favorably influenced by the COVID-19 pandemic. In spite of the disruptive working circumstances that the pandemic caused, Melexians have never felt more connected with their company, a company that stands by its value 'We care' in times of crisis and communicates openly and transparently about the challenges that COVID-19 posed.

Employee turnover (permanent employees only) in 2020, by region, age and gender				
	AGE			
Region	<35	35-55	>55	Total absolute #
APAC				
Female	0	0	0	0
Male	3	2	0	5
EMEA				
Female	26	15	4	45
Male	48	41	6	95
Americas				
Female	0	0	1	1
Male	4	8	5	17
Female count	26	15	5	46
Male count	55	51	11	117
Total 2020	81	66	16	163
Total 2019	112	61	17	190

Employee benefits

Benefits may vary according to local legislation obligations. Melexis respects the well-being of its colleagues and wants to stand out as a preferred place to work. That is why Melexis offers its colleagues more benefits than is legally required. These benefits may include, among others: parental leave (for both partners), flexible working hours, teleworking, additional health/pension/life insurance, benefits passes, meal vouchers, etc. All benefits standard to full-time employees are also applicable to part-time employees and employees with an employment agreement of determined duration.

6.3.2 Training and education

At Melexis, people are not taken for granted. Talent is attracted and cultivated in an environment that prizes learning, growth, collaboration and continuous improvement.

We listen to our people

At intervals, a people survey is sent out to all Melexians to gather their feedback on different topics such as company image, development, performance management, remuneration, vision and strategy. The survey allows assessing Melexis as an employer in a structured, consistent and uniform way with the possibility to compare to other high-tech companies

and to define areas of strength and areas which need to be improved to create the best imaginable future for our people.

We develop and coach our people

The Melexis business competences and values are the fundamentals of our talent development. We aim to nurture talent in a culture of coaching, feedback, recognition and candor. The core of our learning strategy is based on the self-determination theory, which underlines the three universal and innate psychological needs of autonomy (ownership), competence and relatedness at the workplace.

When joining Melexis or taking up a new position, a structured onboarding program facilitates a colleague's smooth integration. Melexis is constantly improving its worldwide onboarding program, called 'Melexis OnBoard', to ensure new Melexians are oriented, integrated and delivering results as efficiently, effectively and energetically as possible. The Melexis University serves as the central platform for all relevant content. Once new hires are on board, they can expect to be offered global, competence-based programs and career pathing. The impact of our larger development programs is enhanced by applying higher levels of evaluation. As an innovative employer, Melexis supports

further knowledge building on the concept of leadership within organizations through its endowment of the Antwerp Management School Chair.

Lifelong learning and a learning mindset are the backbone of everything we do to provide learning solutions. As an employer, we want our colleagues to do what they love and we need to inspire them to find their own sweet spot in their career by helping them to connect their purpose, passion and profession. By providing in-depth knowledge in different areas with targeted on-the-job development, we help them to become agile learners.

As colleagues own their development journey, they are encouraged to determine their own learning needs. To this end, our HR team members are evolving towards a role as learning facilitator as they are increasingly moving away from a traditional training center and facilitating the learner's experience. 2020 saw the discovery phase of developing (technical and digital) solutions that will enable user-friendly content access both internally and externally, inspire peer learning and expert knowledge sharing.

In 2020, to provide colleagues with more insight into their internal career possibilities, an ambitious job family classification project was implemented. Several workgroups analyzed the more than 400 unique positions at Melexis and created 24 job families, each clustering positions with shared or similar key accountabilities and purposes. This new job family approach now constitutes the backbone of our HR processes. It ensures transparent functional and cross-functional career paths, a better alignment between positions across functions and an objective and efficient way to describe positions.



Leadership development retains our laser focus, as we consider our leaders as multipliers of the learning mindset. In 2020, we conducted two programs - one for beginning and one for advanced leaders - to guide them through VUCA (volatile, uncertain, complex and ambiguous) times, all the more relevant during the COVID-19 pandemic. These leadership programs, designed in partnership with external experts and fully performed online, provided us with valuable insights on how to pursue a 70/20/10 blended learning approach.



With a focus on core competencies like resilience and active learning – more than ever essential in a COVID-19 context – we aim to support the development of future-proof talent. That is why we have also fully integrated the development of resilience into our well-being program.

As the digital way of working has become fully integrated into our daily realities, it has become a crucial driver for transformation. In 2021, our focus on further digitalization

SETTING THE BAR WITH EUROPEAN INDUSTRY INITIATIVES

Melexis participates in European industry initiatives to promote, among others, more diversity in the European microelectronics industry and a COVID-19 recovery planning. For example, in October 2020, together with other captains of industry, our CEO Françoise Chombar was invited to a high-level roundtable hosted by the EU Commissioners for Jobs and Social Rights and for Internal Market. The key takeaway? Only with a diverse, substantial and skilled microelectronics talent pool can the EU achieve its R&D, design and manufacturing ambitions while ensuring its sovereignty in the digital age. Subsequently, in November 2020, Ms. Chombar also joined a panel discussion with top representatives at EF ECS2020, the European Forum for Electronic Components and Systems to focus on the impact of COVID-19 on the European ECS value chain and on recovery plans for a digital future.



will strengthen team connection and collaboration, provide the required transparency to the business on people-related topics and allow increased proactivity and agility within our HR processes.

In 2020, we launched an automated registration of training activities and hours, with the aim of consolidating all our business and technical training records, both on global and local levels, allowing for more in-depth data analytics and future planning. In 2020, we have logged 47,760 hours of training. We invested EUR 448,792 in training sessions provided by external parties.

6.3.3 Diversity and equal opportunity

A diverse work floor with 49 nationalities

Melexis is present in 12 countries worldwide, with a diverse workforce of no less than 49 nationalities. This is a direct result of our hiring strategy that seems to foster diversity naturally as we select new colleagues based on fundamental criteria like competencies, performance record and potential. Considering the current challenge to attract talent in the labor market, we pursue international recruitment for every location to gain the right talent, followed by dedicated support for international hires during their onboarding period.

DIVERSITY, A NO-BRAINER

“Why does it matter who is present when technology is born? As more diverse teams come up with more and better ideas, diversity is a clear competitive advantage for companies and countries. In a data- and tech-driven society, valuing cultural differences, nurturing an inclusive mindset and being conscious about unconscious bias also counters data bias and thus inequality. To create the best imaginable future, many more diverse talents are vital.” This was the key message Françoise Chombar, our CEO, shared at the Imec panel discussion about diversity and inclusion. As Ms. Chombar brainstormed with female captains of industry and the Imec team, the audience enjoyed captivating insights.



49 NATIONALITIES

Afghanistan, Argentina, Bangladesh, Belgium, Bosnia, Brazil, Bulgaria, Canada, China, Congo, Egypt, Finland, France, Germany, Greece, Hungaria, India, Iran, Italy, Japan, Lebanon, Libya, Malaysia, Mauritius, Morocco, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Serbia, Singapore, Slovenia, South Africa, South Korea, Spain, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, United States, Venezuela, Vietnam, Zimbabwe



Our remuneration policy

As a global company, Melexis employs people in different locations around the world. To become an employer of choice, to facilitate teamwork and cooperation and to secure engineering excellence in product development and product quality, Melexis has defined a reward policy based on the three cornerstones of fairness, transparency and consistency.

The reward programs are driven by the desire to continuously invest in our people and are based on business performance and local competitive market practices. Melexis' goal is to secure externally competitive and internally equitable remuneration packages based on the three cornerstones above and on differentiation.

Melexis' performance philosophy fosters a culture of excellence through achieving results. Achievement of results has a positive impact on the personal and professional growth of its people and enables Melexis to reward them financially in line with their contribution to the business.

Salaries are determined by local markets. They have been benchmarked against country-based benchmark data, independent of gender or nationality. Remuneration reviews are implemented annually. On top of local geography and the job function, the annual review takes into account the progress made by employees regarding their required technical and business competencies (which are evaluated by performance and career development reviews), the allocated budget, the comparison of the individual salary to the relevant pay market and a determination to ensure an internal and fair pay consistency across Melexis positions and functions across the globe.



Our people increasingly value Melexis' attention towards life balance as part of their employment value proposition, such as flexible working hours and teleworking. In 2020, teleworking opportunities were facilitated in the light of the COVID-19 pandemic's social distancing measures.

Over the last years, and in line with our company's values, increased focus is given to health and well-being programs, medical coverage plans, accident coverage and retirement and disability plans.

6.4 SAFETY, HEALTH AND WELL-BEING

6.4.1 Occupational health and safety

Melexis takes safety in the workplace very seriously and works hard to avoid any risk, hazard, accident or injury in the workplace. A safe working environment begins with creating awareness. At Melexis, health and safety trainings as well as exercises (such as evacuation, fire prevention and first aid) are organized on a regular basis. Our Melexis sites comply with local regulations and ensure continuous improvement regarding their working environment. Injuries are tracked at all sites in accordance with local legislation. In 2020 no work-related fatalities or serious injuries have occurred.

In the clean rooms in our testing facilities, rigorous hygiene standards are put in place. A strict protective dress code needs to be respected. Our colleagues' well-being is never disregarded. Preventive maintenance of tools and equipment further contributes to safety in the workplace. Properly functioning tools and equipment prevent not only unexpected downtime but also accidents.



In 2020, Melexis closely monitored and responded to the COVID-19 outbreak around the world. More than ever, the health and safety of our colleagues and other stakeholders were our foremost concern. With a dedicated COVID-19 taskforce firmly in place, we worked around the clock to react to the pandemic adequately and communicated with our colleagues intensely. Specific measures – such as teleworking, social distancing and business continuity planning – were implemented in all our sites worldwide. This has been a huge undertaking, impacting every single team worldwide. IT teams moved swiftly to facilitate online meetings. Site managers rearranged office spaces to allow for locally required distances between office desks. Internal wall-mounted air conditioning units have been deactivated to avoid inter-room air circulation. Following the air quality recommendation of HVAC consultants, Melexis measured and remained well within that target in all its office and building rooms. To make sure everyone was on board, our safety mascots Mel and Lex spread the word in an internal safety awareness campaign. All these concerted efforts showcased just how much our colleagues respect the Melexis value 'We care'.



6.4.2 Our colleagues' well-being

 Not merely mindful of avoiding accidents and injuries or ensuring business continuity, Melexis also offers a workplace that truly cares. As an employer, Melexis promotes an internal culture of transparency and awareness around well-being by providing a comfortable, safe and secure work environment. We foster an open culture in which people feel free to speak openly. We provide development courses about well-being and have set up a network of internal persons of trust and external professionals who are available for phone or face-to-face counselling when required. We ensure that these options are properly promoted and regularly review people's perception of their state of well-being by continuously collecting feedback so that improvements can be made. With a focus on the development of core competencies like resilience – in 2020, more than ever essential in the COVID-19 context – we aim to support future-proof talent.

We expect, in turn, that our people become actively engaged in their own health and participate in activities that promote mental and physical well-being. We encourage Melexians to live a healthy lifestyle by providing nutritious food options such as fresh fruit at our sites. We equally support different sports activities. Colleagues are offered the possibility to have flexible working hours and to work from home. The Melexis culture is based on trust. We believe that when people are able to organize their work autonomously, they are even more motivated to deliver output.

Melexis respects all local work-related legislation and abides by the local laws when it comes to social elections, worker representation, shift work, the company's handbook, timely notification of operational changes etc. Approximately 50% of all employees are covered by collective bargaining agreements.

MELEXIS HELPS TO EASE HEALTHCARE BURDEN



Under the impulse of med-tech company Byteflies, a Belgian consortium of seven medical and technological companies has developed an innovative patch that contains a Melexis temperature sensor. The patch is attached to the chest and allows for continuous, remote and wireless monitoring of COVID-19 patients' respiration, heart rate and soon temperature as well. The system transmits the recorded data to the patient's general practitioner or specialist and even contains an alert button.

With CovidCare@Home, Byteflies wants to help mitigate the strain on Belgian hospitals and healthcare workers in exceptional circumstances with a medically certified system that allows to discharge COVID-19 patients from hospital faster. Patients on the mend can continue to recover in the comfort of their own homes, with regular monitoring by experienced healthcare staff. We are proud that our temperature sensor is a critical part of this innovative and pragmatic solution.

WE CARE, TRULY AND DEEPLY



In 2020, COVID-19 changed the lives of all Melexisians, from where and when they work to how they connect with friends, family and colleagues. In alignment with our company values, Melexis wants to help identify ways to bring joy to how and where we work, while remaining safe. To this end, we launched a newsletter in which well-being takes centre stage. These newsletters center around the Five Ways to Well-being (see picture) as research has shown that there are five simple things you can do as part of your daily life – at work and at home – to build resilience, boost your well-being and lower your risk of developing mental health problems. Each newsletter delves into those five aspects by providing down-to-earth tips and tricks, telling examples, interesting videos and so much more. Whether it is an explanation on the ideal ergonomic setup of a home office, a relaxing yoga session, the creation of an online Fit@Melexis community or video call etiquette, our colleagues are triggered to take their well-being in hand and contribute to a better work experience in a rapidly changing world.



MELEXIS IS CHIPPING IN, HEALTH- AND HOMEWISE



2020 saw the entire world racing to contain the COVID-19 pandemic. Melexis was no exception as we contributed to make a lasting impact. Our chips turned out to be multi-applicable as vital components in medical devices like respirators, ventilators, point-of-care

COVID-19 tests and contactless thermal cameras. Much like our temperature sensor chips, our latches and switches play a crucial role in helping COVID-19 patients: our 3-wire latches are an essential part of the motor solutions in intensive care respirators.

As our lives are now predominantly centered in and around the home, Melexis is making all the difference there too. When it comes to entertainment, our Triaxis® position sensor ensures that joystick controllers function properly and our time-of-flight 3D cameras take care of face recognition. Drones are filled with Melexis sensor chips too, like position sensors in the joystick, cooling fan drivers, a time-of-flight 3D camera to detect obstacles and assist with landing. And in the home office, printers contain Melexis switches to detect an open or closed lid, the paper load, the cooling fan driver and the device current. Our solutions keep offering limitless and exciting new possibilities in the face of changing circumstances.



6.5 LOCAL COMMUNITIES

For Melexis, technology is about solving fundamental societal challenges. After all, one of our core values is that 'We care'. Melexis respects all its stakeholders. Our collective reputation as a corporation and as a collection of individuals representing the Melexis brand must meet the highest standards. This means that all our stakeholders, including customers, shareholders, suppliers, distributors, representatives and neighbors, deserve the utmost integrity, honesty and fairness in all their interactions with our company.

6.5.1 Our social responsibility

In many Melexis sites a social engagement team is set up to coordinate and implement Melexis' efforts to the benefit of the communities we operate in. Every year, a number of local initiatives are set up at our sites. These may include but are not limited to breast cancer awareness in leper, the collection of educational toys for underprivileged children in Tessenderlo, a fundraising for people with disabilities in Erfurt, a UNICEF 'Back2school' information campaign and a food donation initiative for families in need in Sofia, a clothing collection for people in need in Kyiv and car-free days on some sites.

6.5.2 Our educational responsibility

Melexis invests a lot of time and effort in establishing long-term educational partnerships with local universities. Such cooperation takes on many different forms: Melexis colleagues give guest lectures at universities, they provide practical training to students and internships and summer jobs are made available for students.

Our focal point of educational awareness and responsibility is the organization of several STEM-related activities. STEM stands for Science, Technology, Engineering and Mathematics and aims to foster inquiring minds, logical reasoning and collaboration skills. Each of the four STEM domains is indispensable for today's and tomorrow's world. Their real strength, however, lies in where the domains meet, in how they complement and reinforce one another and, of course, in the cross-pollination with other (social) sciences and domains. STEM concerns everyone, because it looks for answers to societal challenges: from energy to health and food security, from sustainable mobility to refining a care robot.

For several years now, Melexis has been firmly committed to bringing STEM to the forefront whenever possible. We



organize several successful initiatives for children and aim to boost their interest in the exact sciences and technology from a young age. In Belgium, we cooperate closely with the STEM academy coordinated by Technopolis®. The STEM academy network is aimed at children and youngsters aged five to eighteen and supports initiatives that provide education in areas such as electronics, electricity and robotics. Melexis provides the STEM academy network with financial support via a 'technology bonus'. Our company also offers colleagues the chance to act - during working hours - as 'technology

mentors' and share their knowledge at various academies in Belgium. Our CEO, Françoise Chombar, is also the Chair of the STEM platform, an independent group of experts who advise the STEM steering group and the Flemish government on STEM action plans.

Melexis is determined to follow this path for many years to come. You can find more on our STEM support activities on our website: www.melexis.com/en/info/stem.

SUSTAINED STEM INITIATIVES

As a recognized STEM ambassador, our company backs internal and external STEM initiatives worldwide and focuses on those initiatives that encourage children and young adults to take part in science and technology projects. These are some of the local site initiatives in 2020, aimed at cultivating the curiosity of the younger generation.

leper and Tessenderlo, Belgium

- We supported the campaign #STEMheroes that was launched by the Flemish broadcasting corporation VRT, the STEM platform and the Flemish science education centre Technopolis. Geared towards teenagers, the campaign sheds light on the many different STEM profiles and jobs, with a special emphasis on female role models in various technical and technological professions and sectors. That is why one of our female process engineers showed a 13-year-old reporter around the leper site, explaining all there is to know about microchips, the technology that is needed to design, produce and test them and the way in which these tiny ICs make cars safer, greener and more comfortable.
- As always, we participated in the annual Science Day. Even as a first-time digital event, with online workshops, lectures, podcasts and virtual tours, more than 80 participants were able to fascinate, inspire and inform online visitors on science and technology. Melexis recorded the podcast 'On a trip through the life of a microchip' which clearly explained microchips: what are they, where did it all start and what are the steps from concept to application?
- Melexis joined a partnership with the PXL STEM Academy to support their 'DigiMobile' project in which digital technology aims to make mobility smarter, safer and

greener through workshops for children between 8 and 12 years old. In these workshops, children are taught about autonomous driving, electric vehicles and the basics of microchips and sensors. They even learn to program a small robot. Melexis contributes by providing one of our engineers to help out during the workshops and by providing materials the children can work with.

Sofia, Bulgaria: For the last couple of years, we have organized the 'STEM in school' initiative in Sofia to boost the STEM interest of more than 500 primary school pupils via a treasure hunt activity. Children have to solve separate tasks in the four different STEM fields and each solution opens a box to the next challenge. In light of COVID-19, our in-house team is now working to move the popular initiative to an online environment to keep inspiring children and reach an even broader audience.

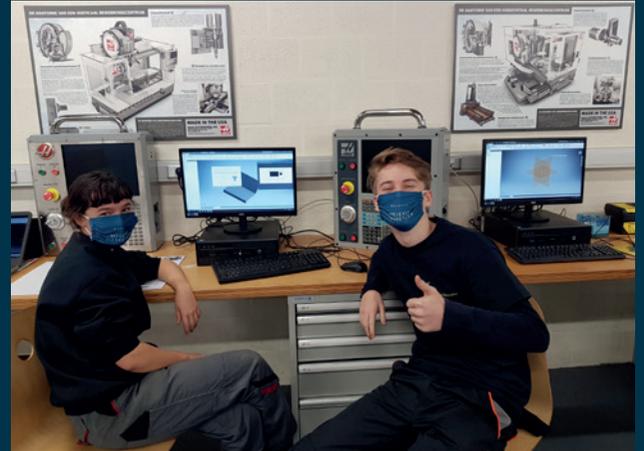


Bevaix, Switzerland: Together with the Neuchâtel-based Swiss Foundation for Research in Microtechnics, we ran two workshops for children between 7 and 13 years old. During these workshops, they learned the basics of electronics and sensors while building a microrobot called Mr. Neon and a Melexis sensor-driven compass.

Kyiv, Ukraine: To mark the international Children's Day, we organized an online scientific Kyiv city tour, focusing on little-known facts about Kyiv's inventors and their inventions. On that occasion, children were also invited to participate in an entertaining STEM quiz in which, it turns out, their parents were more than happy to participate too. Our Kyiv site also purchased and donated STEM games and jigsaw puzzles for children in need.

SPINNING TABLES WHILE LEARNING

Melexis teamed up with a local Belgian secondary school in Bilzen, PSSB, to investigate the creation of a DJ turntable demo that can be used for the promotion of our product portfolio. It allows PSSB pupils to dive into the diverse world of integrated circuits while Melexis mentors the pupils



professionally. Melexis takes care of the software design while the pupils take charge of the mechanical development as part of their end-of-school project. Students of the fifth grade are currently working on the mechanical design of the DJ panel and are drawing the components. We are eagerly awaiting the result, a very cool demo to show off with at international trade fairs.

6.6 THE ENVIRONMENT

Our quality and environmental policy strives to keep our environmental footprint as small as possible because we take our responsibility to both people and planet very seriously. This environmental awareness and responsibility translates into many different areas. Melexis continuously monitors and measures its environmental performance in order to be able to improve it.

Our quality and environmental policy is based on five principles:

- Sustainable development: we develop products and processes that have a minimal impact on the environment, now and in the future.
- Prevention is better than cure: we design products that are 'safe at launch' and 'first time right', maximizing the value of the effort and materials used.
- The total environmental impact counts: production (including energy consumption), use and end-of-life disposal have as little effect as possible on the environment.

- An open dialogue with all stakeholders: everything we do contributes to our corporate social responsibility, with team members playing an active part. This positive attitude helps determine the financial and technological success of our company. We are proud of our daily efforts to produce less waste, improve efficiency and contribute to building a sustainable future.
- Zero incidents: throughout the entire supply chain and life cycle of our products, we ensure robust competitive processes that continuously reduce incident occurrence and enhance incident detection.

We aim to use our technological expertise to improve the quality of people's lives. Our environmental program focuses on three aspects: our environmental efficiency (relating to the life cycle of our products), our environmental effectiveness (relating to our processes and work environment) and our environmental social responsibility (taking into account our Melexis values and strategies).

6.6.1 Climate change and the greenification trend

We are continuously looking for ways to reduce emissions and energy by designing the right and 'green' products for our customers who are also increasingly looking to minimize their impact on the environment.

6.6.2 Materials, emissions, water and waste

We reduce our use of raw materials as much as possible and we are always looking for the most environmentally-friendly materials to use in our products. We design our packaging to facilitate its recycling and re-use. We look to reduce our CO₂ emissions and use renewable energy as much as possible. We minimize waste by separating it efficiently to ensure recycling. And we apply the 5S strategy to ensure effective workflows and areas, travel and transportation as we encourage carpooling and streamline shipments and deliveries. Our water consumption is merely destined towards basic usage in our facilities, for example for showers, toilets and wash basins.

6.6.3 Energy

With a keen eye on reducing our ecological impact, our sites are actively analyzing environmental opportunities. By replacing its end-of-life and energy-gobbling old testing equipment with more efficient ones, Erfurt reduced its power consumption in production from 5 GW to 4.1 GW in 2019. In 2020, our sites in Ieper and Bevaix have installed charge points for electric vehicles, fitting in nicely with our strategic mobility plans. Furthermore, the use of new chillers in the current Sofia building's air conditioning helped save a projected 1 GW in electricity consumption.

In 2021, when the brand-new building in Sofia becomes fully operational, it is to be expected that it will positively impact our environmental performance data even further. The new state-of-the-art building was designed to minimize the risk of energy and heat waste. The amount of electricity used will be minimized by the use of low-consumption compressors and the amount of water used will be reduced by the collection and reuse of rainwater. To control the building's temperature, we have targeted potential energy-loss points like windows and doors, we are recuperating heat emanating from the facility's own equipment and we have opted for outdoor blinds to avoid the accumulation of heat inside. Another promising step is taken at the site in Bevaix, where, through a

win-win contracting model with a third party, we are looking to install more than 300 m² of solar panels in 2021.

6.6.4 The precautionary principle

In light of our business activity, it should be noted that ISO 14001 certification rules have defined Melexis as a company with low environmental impact. Melexis designs high-tech semiconductors and integrated circuits and its main production process is testing: we probe products on wafer level and subsequently on the final device.

This means that no chemical substances or hazardous substances are used in our production sites. We use nitrogen for low-temperature testing and electricity is the main source of energy for our operational processes.

However, we practice a 'precautionary principle' by identifying, assessing, preventing and continuously mitigating risks related to environmental, quality, supply chain and sustainability aspects. The main environmental risks that Melexis faces are linked primarily to global climate change, such as natural hazards. Melexis is mapping, proactively and together with our suppliers, natural hazards at every stage of the supply chain and ensuring mitigation of such risks. Our internal requirements and targets are often more stringent than applicable guidelines, laws and standards. We do this not just to comply with legal requirements but because we, just like our customers, are genuinely concerned with any impact our solutions may have on their final end-user products.

That is why Melexis employs a variety of mechanisms to monitor, measure and improve the effective implementation of our quality and environmental management system. These include the follow-up on environmental key performance indicators by maintaining balance score cards, specific reporting (including details about waste, water, nitrogen, electricity ...) and regular internal audits in accordance with the Melexis global audit program.

Melexis increasingly focuses on reducing the ecological footprint of our sites too. We keep investing in green energy and lowering our emission levels. Notwithstanding our ISO 14001 certification as a low environmental impact company, we do collect our main environmental performance data for the purpose of transparency. The table below indicates the use of materials in all our Melexis sites and our key suppliers.

It also contains entries on energy, water, emissions, effluents and waste from our three major manufacturing sites, Erfurt,

Ieper and Sofia. The sites of Corbeil and Kuching are not included in these figures because their impact is negligible.

Our environmental performance data of our manufacturing sites Erfurt, Sofia and Ieper on 31.12.2020

			UNITS	2020	2019	2018
Materials*	Materials used by weight	Total	tons	83.7	85.6	90.96
		material category 'Silicon'	tons	6.40	5.36	4.80
		material category 'Copper'	tons	32.73	33.50	36.48
		material category 'Gold'	tons	0.22	0.23	0.24
		material category 'Silver'	tons	1.17	1.19	1.34
		material category 'Silica'	tons	35.70	37.44	39.73
		material category 'Tin'	tons	1.41	1.46	1.59
		material category 'Others'	tons	6.05	6.43	6.76
Energy	Energy consumption within the organization	Total	megawatt hour	26,418	27,033	27,008
	Energy intensity	Total	megawatt hour per 1 million sold parts	19.38	21.69	18.10
Water	Water withdrawal	Total	cubic meter	9,066	9,382	10,224
Emissions	Energy indirect (Scope 2) GHG emissions	Total	tons CO ₂	10,394	8,339	11,479
	GHG emissions intensity	Total	tons CO ₂ per 1 million sold parts	7.62	6.69	7.69
Effluents and waste	Water discharge by quality and destination	Total	tons	9,066	9,382	10,224
	Waste	Total	tons	216	212	256
	Significant spills	Number of significant spills in 2020	number	0	0	0
Environmental compliance	Non-compliance with environmental laws and regulations	Number of non-compliances with environmental laws and regulations	number	0	0	0

*These data comprise the materials of all our Melexis sites and our key suppliers.

6.6.5 Our environmental compliance

ISO 14001 certification sets the parameters for an environmental management system. It provides a framework for establishing effective energy-efficient processes and to limit waste, reducing environmental risks and supporting the development of energy-efficient solutions. We have passed all ISO 14001 audits in 2020. We comply with all locally relevant environmental legal requirements for our production sites.

Recognized standards are of crucial importance in the automotive industry and thus also essential to suppliers like Melexis. Vehicle manufacturers must be able to trust suppliers to have their processes under control, understand their customers' needs and continue to innovate. The IATF 16949 quality management system certificate demonstrates that we meet all these criteria.

Driving a car is a self-evident part of people's lives. We drive to work, to school, go shopping and visit friends and family. To minimize the risks on society which are related to driving, the industry has provided steady improvements in car safety over the last decades. Advances in modern electronics have accelerated the number and quality of safety systems. Semiconductor devices and computer controlled systems with complex software are integral to these system designs.

ISO 26262 provides appropriate standardized requirements, processes and an automotive-specific risk-based approach to determine integrity levels, also known as Automotive Safety Integrity Levels or ASILs. ASILs are used to specify applicable requirements of the ISO 26262 standard so as to avoid unreasonable residual risk. The Melexis ASIL-ready Functional Safety Program was designed and deployed to institutionalize these competencies and to realize functional safety as an organization-wide capability. With respect to functional safety, Melexis keeps complying with ever evolving EU legislation. To do so, we invested in software that is continuously filtering new EU rules and regulations that involve chemicals and materials that we effectively use. Furthermore, it should be noted that our focus on product safety and quality is not limited to traditional automotive

solutions but also includes more autonomous vehicles and the consumer, medical and industrial applications.

For the purpose of increased transparency, in 2020, Melexis updated its webpage on quality and environment to answer some frequently asked environmental questions: www.melexis.com/en/quality-environment/environmental-topics/faq

6.6.6 Our environmental engagement to stakeholders

Melexis is dedicated to considering the needs and expectations of all parties interested in terms of its overarching environmental strategy and performance. We involve and enter into dialogue with all our stakeholders. These include:

- Our customers: close communication loops with our customers help us identify new development opportunities for environmentally-friendly products. Melexis is accountable for supporting customers and supplying them with products of the highest quality only, in order to meet customer requirements in a manner that is consistent with environmental standards.
- Our colleagues: they are involved in environmental sustainability and continuous improvement activities. Their input is taken into account in management reviews as well as continuous improvement plans.
- Our investors: Melexis strives to ensure minimizing risks while maximizing returns to guarantee a good relationship to our investors.
- Our suppliers and subcontractors: they are a crucial element of our environmental program. We require them to act environmentally responsibly and have their own environmental policy, system and continuous improvement planning in place. Melexis requests environmental information records on all materials supplied to us, all within a defined time frame. An ISO 14001 certification is requested in case of supplier selection.
- Society: we recognize that we have a responsibility towards the local communities and surrounding environment where we operate and hence take their needs and requirements into account in terms of strategies and objectives.
- Legal authorities: legal requirements set into force with laws and regulations by the relevant local legal authorities are recorded by each national organization. These are communicated to the relevant local sites on a regular basis by our appointed environmental responsible. Compliance

FIRST-EVER ONLINE AUDITS



As can be expected, regular onsite audits form an integral part of our quality and environmental pledge to customers. However, the exceptional circumstances of COVID-19 called for a different approach, which is why Melexis organized customer and internal audits online for the very first time. Following fully remote audit sessions in May and October, sites in Ieper, Tessenderlo and Erfurt successfully passed two remote customer quality audits in which customers expressed their appreciation for our flexibility. We equally managed to go ahead as planned with our 2020 internal albeit remote audits by setting up virtual manufacturing tours with pictures and videos. At the same time, IATF adapted some of its auditing rules to allow online certification audits and some of our sites did indeed take advantage of this new option.

with local, national and supranational legislation that is relevant for our customers is also taken into account and given as much attention as our customer-specific requests.

For all product declarations, product conformities and our answers to frequently asked environmental questions, please consult www.melexis.com/en/tech-info/environment.

6.7 RESPONSIBLE SUPPLY CHAIN

Developing and maintaining long-term and sustainable relationships with suppliers is essential for Melexis' success and growth. It is also a key factor in ensuring business continuity, which is why Melexis is working closely with its suppliers in each step of the process. We are proud to see that the majority of our supplier base has been stable since the company was founded and is based on trusted, long-term partnerships with key suppliers*. Nevertheless, and as can be expected, we do on a regular basis reevaluate the sustainability of all our supplier collaborations.

With 88% business to the automotive market, it goes without saying that our supplier management adheres to the automotive industry standards with regards to supplier selection, evaluation, qualification and development. Yet, as our solutions for medical, industrial and consumer applications are becoming increasingly popular, we are currently adapting our supply chain strategy to the needs of customers and markets in an agile and flexible way.

6.7.1 How we select and evaluate suppliers

Melexis pursues a balanced supplier portfolio in each solution or service category. Preferred suppliers play a key role but, at the same time, we never lose sight of our business continuity plan. Hence, when deemed appropriate, Melexis strives for a dual manufacturing approach. A multifunctional team selects the suppliers and ensures that all aspects from cost to quality, innovation capabilities, supply chain risks, supply chain robustness and standardization possibilities are considered.

Supplier audit is a mandatory step for direct suppliers to get the status of preferred supplier. VDA 6.3 is used to assess the supplier's ability to meet automotive and customer specific requirements from both quality and technical perspective.

Key suppliers in the field of bill-of-material (for wafers and assembly) are evaluated on a quarterly basis on several metrics and foster dialogue between Melexis and the supplier on potential improvement plans. In 2020 we have started working on a similar methodology for key equipment (machinery) suppliers and intend to roll this out in 2021. The output of these evaluations is taken into account in any sourcing decision, on top of cost, business continuity planning and technical factors.

6.7.2 How we manage supply chain risks and business continuity

Melexis works with numerous suppliers for which we do not always have an alternative source available. A robust process is in place to safeguard the continuity of supply for critical processes and products. In this context, some actions were taken in 2020: we onboarded three new suppliers, stopped collaborating with two suppliers and have strategically diversified suppliers for our equipment park (such as tape-on-reel equipment). We have further reinforced our dual sourcing strategy with several new dual sourcing activities in 2020. These were identified on the basis of a continuous evaluation of our spend portfolio, based on supply risk and business importance.

With regard to production continuity in 2020, our global business continuity response team has defined clear links between any incident's investigation and the escalation path for its impact on operations. In local sites, we have improved and standardized our production assessment process, in which local teams evaluate the possible consequences of an event and its impact on our equipment and subsequently on our production output.

Melexis closely follows any geopolitical shift that may affect our business continuity. For example, to improve our lead time and proximity to our Chinese customers, we have been exploring new China-based suppliers in 2020. Furthermore, as soon as the United Kingdom voted in favor of leaving the European Union, Melexis established a multidisciplinary Brexit readiness project team to follow up on any possible impact Brexit may have on our business model and business continuity. Since 2018, the UK and EU had been conducting formal negotiations regarding the Brexit modalities and its deadlines. This transition period - with several deadlines having been postponed - provided ample time for Melexis to

* Key suppliers are those suppliers who either represent a high spend or are of strategic importance to Melexis.

assess the Brexit impact and risks on our customers, supply chains and internal automation processes (such as our ERP system). Even though we only work with a limited number of UK customers and suppliers, we made sure to defuse any issues that could arise and have communicated about possible risks and their solutions with all stakeholders involved.

Equally, in 2020, we improved our procedure for monitoring the financial robustness of suppliers. We kicked off a more formal supplier tracking methodology in collaboration with our finance department to document and track key financial parameters of our key suppliers with the goal to detect early warning signs or changes in their financial situation.



Last but not least, in 2020, the global COVID-19 pandemic presented each and every one of us with unprecedented challenges. Our supply chain management team intensified their activities and worked even more closely with suppliers during these trying times. As a result of their flexible and agile approach, we have managed to successfully avoid major disruptions in our supply chain. Non-stop communication and our strong relationship with key suppliers enabled us to respond to local situations efficiently. Together with suppliers, we were able to take the right steps at the right moment whilst keeping a secured environment for all employees. We have, for example, provided face masks to suppliers in need, while suppliers took additional and extraordinary measures to keep our Melexis production up and running.

6.7.3 Supplier social and environmental assessment

As Melexis is committed to operate in a socially and environmentally responsible manner in all areas of its business, we make sure to comply with all relevant legislation.

Key suppliers are required to sign a quality agreement that states, among others, that they ensure that all relevant laws and regulations are known, understood and implemented. Suppliers must respect the protection of internationally proclaimed human rights for all, including the basic human rights of employees within their supply chain. Therefore, suppliers must also work diligently with other, third-party suppliers to systematically address the process for sourcing minerals that are conflict-free.

Melexis proactively undertakes due diligence and continuous monitoring of its supply chain to avoid direct or indirect procurement of conflict minerals. Our products do not contain any conflict minerals (gold, tantalum, tungsten and tin) mined from the Eastern Democratic Republic of Congo (DRC) and its adjoining countries, as defined in Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and its affiliated laws or regulations.

Melexis confirms that all products supplied to Melexis customers do not contain 'intentionally introduced' lead, cadmium, mercury, hexavalent chromium, polybrominated biphenyls (PBB) or polybrominated diphenyl ethers (PBDE) as defined in the Restrictions on Hazardous Substances (RoHS) EU Directive 2011/65/EU and the Commission's Delegated Directive (EU) 2015/863 of 31 March 2015 amending Annex II to Directive 2011/65/EU unless exempted by regulation.

Melexis further declares that any unintentional contaminant concentrations of these substances are below 0.1% for lead, mercury, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE) for each homogeneous material. Impurities of cadmium are less than 0.01% for each homogeneous material.

In addition, Melexis confirms that all our green products supplied to Melexis customers do not contain any halogen (bromine and chlorine) as defined under IEC 61249-2-21.

Melexis is not required to register our company's products under the REACH (Registration, Evaluation, Authorization and Restriction of Chemicals) Regulation EC/1907/2006. Nevertheless, Melexis aims to achieve the REACH goals, meaning that all products supplied to Melexis' customers do not contain any of the substances in the Candidate List of Substances of Very High Concern (SVHC). Also included are the new substances announced by ECHA (European Chemical Agency) on 15 January 2018. Melexis also acknowledges Annex XVII of REACH regulation and confirms the absence of those substances too.

Our product solutions are tested at every stage of development in accordance with our own internal worldwide procedure for negative health and safety impacts. In addition, Melexis products are inspected annually by an external institute for hazardous substances. Our customers are informed about

the results by means of product declarations. Safety data sheets are equally available for all our product solutions.

In short, we can attest that we are compliant with ROHS, REACH, the conflict minerals requirements (e.g. based on Dodd-Frank Wall Street Reform and Consumer Protection Act), ELV/WEEE and any other local legal requirements and requests. Our product declarations and their conformity with the above-mentioned requirements can be consulted in greater detail on www.melexis.com/en/tech-info/environment.

Melexis is equally committed to not help produce any products for military use.

6.8 OUR BUSINESS ETHICS

Melexis has outlined an ethical code of conduct to provide a clear and unambiguous reference to human rights and expected behavior during business activities. Melexis colleagues are made aware of the Melexis values, a strict adherence to the Melexis Code of Conduct and the avoidance of any activity that may lead to a disrespect for human rights, corruption, bribery, anti-competitive behavior and privacy. Melexis colleagues receive newsletters, site presentations and training on the Melexis Code of Conduct to ensure their commitment.

6.8.1 Human rights, child labor and forced or compulsory labor

Melexis recognizes that human rights are fundamental and universal. These include freedom from discrimination based on race, creed, color, nationality, ethnic origin, age, religion, gender, sexual orientation, marital status, disability, and the freedom of thought, conscience and religion.

Melexis is fully committed to the effective abolition of child labor and forced labor. Besides economic considerations, we believe that it is unethical to partake in child labor: it sustains poverty across generations and leads to under-skilled workers in the future.

To ensure adherence by our business partners, the Melexis general purchase conditions require suppliers to comply with our Code of Conduct and with all applicable laws, rules and regulations on (international) trade. Furthermore, we conduct

reviews of key suppliers by means of self-assessment questionnaires. All our key suppliers reported to either have an internal or an external policy on the topics of human rights, child labor and forced labor.

Key suppliers are equally required to sign a quality agreement that states, among others, that they ensure that all relevant laws and regulations are known, understood and implemented. Suppliers must respect the protection of internationally proclaimed human rights for all, including the basic human rights of employees within their supply chain. Therefore, suppliers must also work diligently with other, third-party suppliers to systematically address the process for sourcing minerals that are conflict-free.

Melexis has not found any violations of human rights or instances of child labor or forced labor in the reports it received from its key suppliers.

6.8.2 Anti-corruption and anti-bribery

Melexis strives to fight corruption and seeks to avoid conflicts of interest. We want to distinguish ourselves from our competitors through high-quality products and excellent services. The slightest hint of corruption would conflict with this goal and with our values. The Melexis Code of Conduct provides directions and guidelines to prevent and deal with corruption. Melexis is also implementing and launching anti-corruption training to further reduce any risk of unacceptable behavior. Moreover, our purchasing policy provides our employees with clear guidelines on ethical business relationships with suppliers that are based on our core value of respect.

Melexis has determined that the main risk of corruption and/or bribery stems from dealing with Melexis stakeholders such as customers and suppliers, more specifically the acceptance and giving of personal gifts or hospitality to and from Melexis stakeholders. The existence of corruption and/or the acceptance of bribes could result in loss of economic profits because of damage to Melexis' reputation and integrity.

Therefore, any agreement or understanding regarding favors or benefits in exchange for gifts will not be accepted by Melexis. Exceptions to this rule are only allowed for gifts of minimal value, given in the ordinary course of business.

Melexis requires full disclosure of and prior relevant clearance for any gift that is not of minimal value.

Melexis will also not pay or offer bribes or illicit payments to government officials, candidates or any other party in order to obtain or retain business. Melexis colleagues will not assist others in profiting from opportunities discovered through their affiliation with Melexis and which should normally be served by Melexis. Melexis does not allow any personal relationship with a customer, supplier or competitor, in which personal interests conflict or might appear to conflict with that of the company. In case of a family (or any other personal) relationship, management must always be informed to avoid any conflict of interest.

Melexis also counts on all other business partners it engages with to uphold respectable standards on anti-corruption. Furthermore, the Melexis general purchase conditions require suppliers to comply with the Melexis Code of Conduct and with all applicable laws, rules and regulations on (international) trade. Key suppliers are equally required to sign a quality agreement that states, amongst others, that they ensure that all relevant laws and regulations are known, understood and implemented.

Melexis has seen no incidents of corruption in the 2020 reporting period. Melexis remains vigilant, engaged and willing to deal with all significant risks that might present themselves.

6.8.3 Anti-competitive behavior

Melexis values fair and open competition and respects all relevant laws and regulations that serve it. Melexis colleagues are expected to fully devote their energy to Melexis. Any outside employment which interferes or competes with their employment at Melexis is not allowed. Melexis has a clean history regarding anti-competitive behavior litigation and fully intends to keep it that way.

6.8.4 Respect for customer privacy

Melexis continuously offers training to its employees, outlining how to use and process confidential, proprietary and personal information in a correct and secure manner. Melexis has not received any substantiated complaints concerning breaches of customer privacy, neither from outside parties or from regulatory bodies during the reporting period. Similarly, Melexis has not identified any reportable leaks, thefts, or losses of customer data during the reporting period.

6.8.5 Mechanisms for advice and concerns about ethics

Melexis colleagues are encouraged to speak up if they experience, witness or learn of unlawful harassment, discrimination or unethical behavior. An internal speak-up policy was implemented in 2018 to increase transparency and stimulate the reporting of any concerns regarding unethical behavior or incidents. Any colleague reporting a possible case of questionable conduct can expect a careful, fast, respectful and discreet examination of his or her report. Any act that is inconsistent with our Code of Conduct will be promptly corrected and is subject to disciplinary action, up to and including termination.

The Melexis Code of Conduct is publicly available on our website.



With the Royal Decree of 12 May 2019 (B.S.G. 17 May 2019), the 2020 Belgian Code on Corporate Governance (hereinafter “Code 2020”) was introduced as the new reference code on corporate governance as of 1 January 2020 for all listed companies in Belgium.

The full text of the Code 2020 can be found on the website of the Belgian Corporate Governance Committee, both in English and Dutch (www.corporategovernancecommittee.be/en/).

In the first quarter of 2020, Melexis aligned its Corporate Governance Charter with the Code 2020 on Corporate Governance. The Corporate Governance Charter can be consulted on the website of the company at: www.melexis.com/en/investors/corporate-governance/corporate-governance-charter.

7.1 SHAREHOLDERS

Melexis seeks to guarantee transparent and clear communication with its shareholders. Active participation of the shareholders is encouraged by Melexis.

In order to achieve this goal, the shareholders can find all important and relevant information on our website. Melexis publishes its annual reports, half-year reports, statutory reports, quarterly results and the financial calendar on its website in the section ‘Investor Relations’. Melexis realizes that the publication of these reports and information benefits its trust-based relationship with its shareholders and other stakeholders.

Furthermore, Melexis is committed to guaranteeing shareholder rights:

- Shareholders can submit questions to the company (at the latest six days) prior to the annual shareholders’ meeting in order to have those questions answered during the meeting.
- At the latest 30 days prior to the annual shareholders’ meeting, the agenda and other relevant documents are published on our website.

The directors of Melexis are:

Name	Age	Expiry mandate	Position
Roland Duchâtelet	74	2022	Chair of the Board, Non-executive director
Françoise Chombar	58	2022	Managing director, CEO
Procexel BVBA, represented by Jenny Claes	73	2021	Non-executive and independent director
Shiro Baba	71	2021	Non-executive and independent director
Martine Baelmans	56	2022	Non-executive and independent director

- Shareholders representing at least 3% of the share capital have the right to add items and/or resolution proposals to the agenda at the latest 22 days prior to the annual shareholders' meeting.
- During the annual shareholders' meeting, shareholders have the right to vote on each item on the agenda. In case they cannot attend the meeting, they have the right to appoint a proxy holder.
- The minutes of the annual shareholders' meeting with the voting results will be published on our website after the meeting.

7.2 MANAGEMENT STRUCTURE

The Board of Directors determines the strategic direction of Melexis and supervises 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 daily management, Melexis is validly represented by two directors acting jointly.

The Chief Executive Officer is also the Chair 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 identify and address these risks and opportunities.

As of 1 August 2021 onwards, Ms. Françoise Chombar, Melexis' Chief Executive Officer, will become chairwoman of the Board of Directors. Mr. Roland Duchâtelet, current chairman of the Board of Directors, will remain a member of the Board of Directors.

Mr. Marc Biron will replace Ms. Françoise Chombar as the new Chief Executive Officer of Melexis. Subject to the approval of the shareholders during the annual shareholders' meeting, he will also join the Board of Directors as from 1 August 2021.

7.3 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 7:87 of the Belgian Code of Companies and Associations.

The Board of Directors is composed of at least half non-executive members and at least one executive member. Independent directors qualify as non-executive directors.

The directors are appointed by the majority of the votes cast at the annual shareholders' meeting for a period of four years. In the same way, the annual shareholders' meeting may revoke 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 Belgian Code of Companies and Associations.

Currently, the Chief Executive Officer is the only member of the Board of Directors that has an executive mandate. The Chair of the Board is Mr. Roland Duchâtelet.

The composition of the Board of Directors complies with the requirement of article 7:86 of the Belgian Code of Companies and Associations that at least one third of its members has to be of a different gender.

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

Ms. Françoise Chombar 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 in

interpreting in Dutch, English and Spanish from the University of Ghent. In 2004, Ms. Chombar was appointed co-Managing Director and Chief Executive Officer. After the resignation of Mr. Rudi De Winter, mid February 2011, as Managing Director and Chief Executive Officer, Ms. Chombar has continued these functions. Ms. Chombar is currently a Board member at Umicore, a global materials technology and recycling group. On 26 July 2019, she was appointed as a member of the Board and the Strategy and Governance / Nomination Committees of Soitec, a company specialized in generating and manufacturing semiconductor materials. Ms. Chombar is also president of the STEM platform, an advisory board to the Flemish government, aiming to encourage young people to pursue an education in science, technology, engineering or mathematics.

Ms. Jenny Claes has a long track record 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 center of SKF in Tongeren and held the position of General Manager of SKF Logistics Services Belgium from the end of 2003 until 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 master's degree in international trade.

Mr. Shiro Baba has 38 years of professional and management experience in different fields related to the semiconductor business. He started his career in 1975 with the semiconductor division of Hitachi. As from 1999, he held several general management positions within the Hitachi semiconductor



Board of Directors

Martine Baelmans, Shiro Baba, Françoise Chombar, Roland Duchâtelet, Jenny Claes

division. From 2003 until 2009, Mr. Baba was employed by Renesas Technology Corp. as general manager of the Automotive Semiconductor business unit, among others, and later as Board Director and senior VP. His last mandate was President & CEO of Hitachi ULSI Systems Co. before retiring in 2013. In April 2013, Mr. Baba was appointed independent director of Melexis. Mr. Baba obtained a master's degree in electrical and physical engineering from the Tokyo Institute of Technology and in electrical engineering from Stanford University.

Ms. Martine Baelmans started her career at KU (Catholic University) Leuven in 1987 as assistant at the Division of Applied Mechanics and Energy Conversion. Since 2006, she has been full professor at the Faculty of Engineering Sciences. She is currently also vice-rector for education policy, innovation and entrepreneurship at this university. Ms. Baelmans holds a master's degree in mechanical engineering and a PhD degree in engineering sciences from KU Leuven. Her research has been mainly focused on thermodynamics and heat transfer, particularly in applications for electronics cooling.

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 annual shareholders' meeting, which can also revoke their mandate 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 annual shareholders' meeting appoints a new director. Said appointment will then be included in the agenda of the next annual shareholders' meeting.

The Nomination and Remuneration Committee submits a reasoned recommendation to the Board on the nomination of directors and equally makes recommendations to the Board on the remuneration policy for directors and Executive Management.

Functioning of the Board of Directors

The terms of reference of the Board of Directors are part of the Corporate Governance Charter.

In 2020, the Board convened ten (10) times and treated, among others, the following topics:

- Financial results of the Group
- Financial and legal risks to which the Group is exposed
- Possible acquisitions
- Strategic review
- Dividend policy
- Budget for the next financial year
- Recommendations of the Audit Committee and the Nomination and Remuneration Committee.

Ms. Jenny Claes could not attend the meetings of the Board of Directors of 31 January and 17 August. Ms. Martine Baelmans could not be present at the meeting of the Board of Directors of 26 October.

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. The last review was performed in 2019, led by the Chair.

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 quality of the information provided
- The individual contribution of each member of the Board.

7.4 COMMITTEES

Audit Committee

The Audit Committee assists the Board of Directors in its supervisory duties with respect to the internal supervision in the broadest sense, including the financial reporting, as described in the company's Corporate Governance Charter and article 7:99 of the Belgian Code of Companies and Associations. The Audit Committee also monitors the assessment and follow-up by the Executive Management of the auditor's recommendations.

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

According to article 7:99 of the Belgian Code of Companies and Associations, the members of the Audit Committee as a whole have competencies relevant to the sector in which Melexis is operating and at least one of its members has a competence in auditing and accounting. Both Procexcel BV, represented by Ms. Jenny Claes, and Mr. Shiro Baba comply with the latter requirement through their relevant work experience. In this respect, we refer to the short biographies of the above-mentioned members in this chapter.

The Chief Executive Officer, the Chief Financial Officer, the external and internal 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 (3) times in 2020. Mr. Shiro Baba could not attend the meeting of the Audit Committee on 30 January.

In addition to the exercise of its legal powers and the duties listed in the Melexis Corporate Governance Charter, the Audit Committee reviewed, among others:

- Statutory audit fees
- Reports of the statutory auditor and internal auditor
- Delegation of authority.

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, which qualifies as a remuneration committee pursuant to article 7:100 of the Belgian Code of Companies and Associations, advises, among others, 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 supervises the development of remuneration, allocation of variable remuneration and the general performance within Melexis.

The Nomination and Remuneration Committee is composed of three non-executive members of which a majority of independent directors, Ms. Martine Baelmans, independent director and Chair, Mr. Roland Duchâtelet, and Procexcel BV, represented by Ms. Jenny Claes, independent director. The committee has the relevant expertise regarding remuneration policy.

The Nomination and Remuneration Committee met four (4) times in 2020. Ms. Jenny Claes could not attend the meetings of the Nomination and Remuneration Committee of 31 January and 16 March.

In addition to the exercise of its legal powers and the duties listed in the Melexis Corporate Governance Charter, in 2020 the Nomination and Remuneration Committee reviewed, among others:

- Remuneration and variable remuneration of Executive Management
- Assessment of the variable remuneration of the CEO
- Remuneration policy
- Executive team assessment.

7.5 EXECUTIVE MANAGEMENT

Composition

The Executive Management* is composed of the following members:

Name	Age	Position
Marc Biron	50	VP Sense & Drive
Françoise Chombar	58	Chief Executive Officer
Kristof Coddens	50	VP Artificial Intelligence
Karen van Griensven	50	Chief Financial Officer
Vincent Hiligsmann	50	VP Corporate Strategy – Global Sales, Brand & Communication
Veerle Lozie	47	Chief Operations and Information Officer
Damien Macq	54	VP Sense & Light
Nicolas Simonne	46	VP Development & Quality
Heidi Stieglitz	61	VP Human Resources & Sites

*Certain members are representatives of private companies with limited liability (BV/SRL).

As evidenced, the Executive Management consists of a diverse team, not only as to gender diversity but also considering age and professional background. The Board of Directors sees to it that, among others, the above-mentioned diversity criteria are taken into consideration by Melexis in its selection processes and management succession planning.



Executive management

Karen van Griensven, Kristof Coddens, Heidi Stieglitz, Damien Macq, Françoise Chombar, Marc Biron, Nicolas Simonne, Vincent Hiligsmann, Veerle Lozie

7.6 REMUNERATION REPORT

Introduction

2020 marks for Melexis a new formal approach to its director and executive remuneration. Although the remuneration elements did not change significantly, Melexis' shareholders' meeting approved, for the first time, a formal remuneration policy in line with the new provisions of the Belgian Companies and Associations Code (BCAC). This remuneration report has been established for the first time under the new provisions of article 3:6, §3 BCAC as introduced by the Law of 28 April 2020.

The remuneration of the directors and the Executive Management is governed by Melexis' remuneration policy which can be found under www.melexis.com/en/investors/corporate-governance/corporate-governance-charter. This remuneration policy was approved by the shareholders' meeting on 12 May 2020. The Board of Directors will present an updated version of the remuneration policy to the shareholders' meeting in 2021. The changes are intended to further clarify and align the calculation of the variable pay of the entire executive management and to correct some redaction errors.

The formal approval of the remuneration policy by the shareholders' meeting and the new reporting obligations under article 3:6, §3 BCAC did not result in significant changes in the structure or the quantum of the director and executive remuneration, which during 2020 remained consistent with past practice.



The COVID crisis was the most important highlight of the 2020 remuneration. Because of the impact of the crisis on the financials of the company, the targets for variable remuneration of 2020 were not met.

Total remuneration

The application of the remuneration policy during 2020 for the directors and executives lead to the effective remuneration as shown in the table below:

in EUR

Name, position	1. Fixed remuneration			2. Variable remuneration		3. Extra-ordinary items	4. Pension expense	5. Total remuneration	6. Proportion of fixed and variable remuneration
	Base salary	Fees	Other benefits*	One-year variable	Multi-year variable				
Roland Duchâtelet - Non-executive director	-	-	-	-	-	-	-	-	Fixed: - Variable: -
Procexcel BV, permanently represented by Jenny Claes - Independent director	20,000.00	-	-	-	-	-	-	20,000.00	Fixed: 100% Variable: -
Shiro Baba - Independent director	20,000.00	-	4,046.00	-	-	-	-	20,000.00	Fixed: 100% Variable: -
Martine Baelmans - Independent director	20,000.00	-	-	-	-	-	-	20,000.00	Fixed: 100% Variable: -
Françoise Chombar - Executive director	-	-	-	-	-	-	-	-	Fixed: - Variable: -
Sensinnovat BV, permanently represented by Françoise Chombar - Executive, CEO	249,996.00	-	783.72	-	TBD**	-	-	250,779.72	Fixed: 100% Variable: -
Executive Management excl. Sensinnovat BV	1,788,712.12	-	15,776.41	286,160.22	-	-	-	1,804,488.63	Fixed: 100% Variable: -

* The 'Other benefits' comprise compensation for traveling and other expenses.

** At the time of publishing this annual report, the benchmark necessary to calculate the long-term cash bonus of the CEO (average automotive semiconductor market growth) is not yet available.

Application of the performance criteria

a. CEO

The variable remuneration for the CEO contains both a short, medium and long-term element:

- i) Short term: 25% is based on performance criteria measured over one financial year;
- ii) Medium term: 12.5% is based on performance criteria measured over two financial years;
- iii) Long term: 12.5% is based on performance criteria measured over three financial years.

The cash bonus for the CEO is calculated on yearly established targets on the basis of the following global business performance criteria, which are measured on a Melexis Group consolidated basis, based on IFRS accounting standards:

- i) 75% of the cash bonus (the short and medium-term element) depends on the achievement of the target revenue growth and target EBIT growth of Melexis over the reference period as indicated in the table below. This KPI ensures a link between the bonus and the recurring operational result of Melexis;

		Revenue growth		
		<10%	>10% - <15%	>15%
EBIT growth	<10%	0	25%	50%
	>10% - <15%	50%	75%	100%
	>15%	75%	100%	100%

- ii) 25% of the cash bonus (the long-term element) depends on the outperformance of Melexis' automotive top line over the average automotive semiconductor market growth, the benchmark being rolling average based on the market data provided by a selected market intelligence provider.

1. Short-term cash bonus (one-year variable)

The results for performance year 2020 are shown in the table below. Compared to 2019, the revenue growth was 4.2% while the EBIT growth was 6.9%. This means that 0% of the short-term cash bonus will be paid out.

Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance
	b)	Corresponding remuneration	b)	Corresponding remuneration	b)	Actual remuneration outcome
Target revenue growth and EBIT growth	a)	Revenue and EBIT growth <10%	a)	Revenue and EBIT growth >15%	a)	EBIT growth: 6.9% Revenue growth: 4.2%
	b)	€ 0	b)	€ 62,499.00	b)	€ 0
TOTAL BONUS		€ 0		€ 62,499.00		€ 0

2. Medium-term cash bonus (two-year variable)

The results for performance year 2020 are shown in the table below. Compared to 2018, the revenue growth was -10.9% while the EBIT growth was -45.5%. This means that 0% of the medium-term cash bonus will be paid out.

Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance
	b)	Corresponding remuneration	b)	Corresponding remuneration	b)	Actual remuneration outcome
Target revenue growth and EBIT growth over two financial years	a)	Revenue and EBIT growth <10%	a)	Revenue and EBIT growth >15%	a)	EBIT growth: -10.9% Revenue growth: -45.5%
	b)	€ 0	b)	€ 31,249.50	b)	€ 0
TOTAL BONUS		€ 0		€ 31,249.50		€ 0

3. Long-term cash bonus (three-year variable)

The three-year variable remuneration of the CEO depends on the outperformance over the past 3 years of Melexis' automotive top line over the average automotive semiconductor market growth, the benchmark being a 3 years rolling average based on the market data provided by a selected market intelligence provider.

At the time of publishing this annual report, the benchmark necessary to calculate the long-term cash bonus of the CEO (average automotive semiconductor market growth) is not yet available. Therefore, this information is omitted.

These amounts result from the following calculations:

Performance criteria	a)	Threshold performance	a)	Measured performance
	b)	Corresponding remuneration	b)	Actual remuneration outcome
Automotive growth over three financial years	a)	Unknown at the time of publication	a)	TBD
	b)	€ 31,249.50	b)	TBD
TOTAL BONUS		€ 31,249.50		TBD

b. Other members of the Executive Management

The variable remuneration for the other members of the Executive Management contains both a short, medium and long-term element:

- i) Short term: 25% to 30% (depending on whether a certain member of the Executive Management is involved in business creation or not) is based on performance criteria measured over one financial year;
- ii) Medium term: 10% is based on performance criteria measured over two financial years;
- iii) Long term: 10% is based on performance criteria measured over three financial years.

The short-term cash bonus is calculated on yearly established targets on the basis of the following performance criteria, which are all measured on a Melexis Group consolidated basis, based on IFRS accounting standards:

- i) 50% based on the global business performance measured through the achievement of the target revenue growth and target EBIT growth of Melexis over the performance year as indicated in the table below. This KPI ensures a link between the bonus and the operational result of Melexis;

ii) 50% based on the individual/team performance measured through achievement of pre-established targets;

An additional 20% (corresponds to max 5% (no business creation) or 6% (business creation) of ABS) was awarded to some members of the Executive Management on top of the short-term cash bonus at the discretion of the Board of Directors upon recommendation of the Nomination and Remuneration Committee.

For the medium and long-term cash bonus, Melexis' performance against approved financial targets regarding revenue growth and EBIT growth is taken into consideration. This 20% of the cash bonus is paid out subject to the verification of the global business performance over two (medium term) or three (long term) years.

1. Short-term cash bonus (one-year variable)

The results for performance year 2020 are shown in the table below. Compared to 2019, the revenue growth was 4.2% while the EBIT growth was 6.9%. This means that the threshold value for the global business performance criterion was not met.

Performance criteria	Relative weighting	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance
		b)	Corresponding remuneration	b)	Corresponding remuneration	b)	Actual remuneration outcome
Global business performance	50%	a)	Revenue and EBIT growth <10%	a)	Revenue and EBIT growth >15%	a)	EBIT growth: 6.9% Revenue growth: 4.2%
		b)	€ 0	b)	€ 216,505.18	b)	€ 0
Individual/team performance (+discretionary)	50% (+20%)						
		b)	€ 0	b)	€ 303,107.25	b)	€ 286,160.22
TOTAL BONUS			€ 0		€ 519,612.43		€ 286,160.22

2. Medium-term cash bonus (two-year variable)

The results for performance year 2020 are shown in the table below. Compared to 2018, the revenue growth was -10.9% while the EBIT growth was -45.5%. This means that 0% of the short-term cash bonus will be paid out.

Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance
	b)	Corresponding remuneration	b)	Corresponding remuneration	b)	Actual remuneration outcome
Target revenue growth and EBIT growth over two financial years	a)	Revenue and EBIT growth <10%	a)	Revenue and EBIT growth >15%	a)	EBIT growth: -10.9% Revenue growth: -45.5%
	b)	€ 0	b)	€ 157,768.14	b)	€ 0
TOTAL BONUS		€ 0		€ 157,768.14		€ 0

3. Long-term cash bonus (three-year variable)

The results for performance year 2020 are shown in the table below. Compared to 2017, the revenue growth was -0.8% while the EBIT growth was -43.0%. This means that 0% of the short-term cash bonus will be paid out.

Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance
	b)	Corresponding remuneration	b)	Corresponding remuneration	b)	Actual remuneration outcome
Target revenue growth and EBIT growth over three financial years	a)	Revenue and EBIT growth <10%	a)	Revenue and EBIT growth >15%	a)	EBIT growth: 43.0% Revenue growth: -0.8%
	b)	€ 0	b)	€ 157,768.14	b)	€ 0
TOTAL BONUS		€ 0		€ 157,768.14		€ 0

Share-based remuneration

The remuneration policy of Melexis does not provide for share-based remuneration for directors or executives.

Evolution of the remuneration and performances of Melexis

The table below provides an overview on the annual change of total remuneration, developments and performance of Melexis, average remuneration of employees and the ratio of the highest and the lowest remuneration on a full-time equivalent basis.

	2016	2017	2018	2019	2020
Annual change in the developments and performances					
Performance criteria (EBIT)	6.3%	15.9%	4.4%	-49.0%	6.9%
Performance criteria (revenue)	14.0%	12.1%	11.3%	-14.5%	4.2%
Automotive revenue (3-year rolling average)	12.8%	9.7%	15.0%	3.5%	0.0%
Automotive benchmark (3-year rolling average)	7.3%	7.8%	8.4%	7.2%	TBD
Annual change in the average remuneration of employees*					
	1.2%	1.6%	-2.9%	0.7%	4.7%

*The average employee remuneration was calculated with the numbers as reported in note 8.9.5.U (Wages and salaries) in this annual report (Personnel expenses and average number of employees); including variable pay, social security, pension and benefit costs.

In 2020 the ratio between the highest and lowest remuneration was 39.3 to 1. The highest remuneration of a member of the Executive Management used for this comparison includes the base salary, pension, and other benefits paid in 2020.

All figures are presented on a Melexis Group consolidated basis in the table above.

Severance payments

No severance payments took place as no management contract with a member of the Executive Management was terminated in 2020.

Use of claw-back provisions

In 2020, no claw-back occurred.

Deviations of the remuneration policy

Contrary to the compound annual growth rate (CAGR) that is mentioned in the remuneration policy, a simple growth rate is used to calculate the medium and long-term cash bonus. The reference to the CAGR was a redaction error.

Vote of the shareholder

The annual shareholders' meeting of 12 May 2020 has approved the remuneration report regarding the financial year ending on 31 December 2019 with an 86.56% majority of the 75.55% votes cast validly. A question was raised at the meeting with regard to the reasoning why Melexis does not grant shares as part of the Executive Management's remuneration. The Chairman clarified subsequently that (i) the CEO is already an important shareholder of Melexis and (ii) Melexis strongly believes in the self-determination theory (Edward L. Deci and Richard M. Ryan, psychologists at the University of Rochester) arguing that contingent rewards can have detrimental effects on intrinsic motivation, creativity and innovation. Melexis focuses on intrinsic value creation for Melexis; the share price is a result thereof. The financial numbers which impact the level of the business component of the variable remuneration, i.e. revenue growth and EBIT growth, are important elements driving the valuation of Melexis. As such, we believe there is a clear alignment between shareholders on the one hand and Management and the Melexis community on the other.

7.7 POLICY ON CERTAIN TRANSACTIONS

Conflicts of interest in the Board of Directors

According to article 7:96 of the Belgian Code of Companies and Associations, 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 a financial nature to him/her. In this event, the respective director may not participate in the deliberation and voting on this agenda item.

Pursuant to article 7:97 of the Belgian Code of Companies and Associations, 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.

In 2020, there were no conflicts of interest for which the procedures of the above mentioned articles needed to be applied.

Other transactions with directors and the Executive Management

As determined by the Melexis Corporate Governance Charter, members of the Board of Directors and the Executive Management have to refrain from any action that could raise an impression of being in conflict with the interests of the company. Therefore, any transaction between a director or a member of the Executive Management and the company has to be reported to the Chair of the Board of Directors.

In 2020 however, there were no transactions between the company and its directors or a member of the Executive Management involving a conflict of interest. All related party transactions were made on terms equivalent to those that prevail in arm's length transactions.

Insider trading

Melexis developed an Insider Trading Policy to comply with the European and 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 sensitive information related to the Melexis share.

The purpose of the Melexis Insider Trading Policy is to prevent the abuse of inside information.

Before trading any company shares, the members of the Board of Directors and the Executive Management have to receive the green light from the Compliance Officer and have to report back once the transaction has been completed. Furthermore, in compliance with the same legislation, the members of the Board of Directors and the Executive Management as well as their closely associated persons have to notify all their transactions above a certain threshold in Melexis shares to the Belgian Financial Services and Markets Authority, who will publish these notices on its website.

Compliance with the Melexis Insider Trading Policy is supported and verified by the Compliance Officer.

7.8 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 functions.
- 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.
- Subsequently, 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.

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 function 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 functions of the company.
- By using an automated ERP system, the responsible persons of the functions have permanent access to the financial information with regard to their function 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.
- In accordance with the 2020 Belgian Code on Corporate Governance, Melexis has set up an internal audit function, whose resources and skills are adapted to assess the financial reporting and the risk management of the company. The Audit Committee receives a periodic summary of the internal audit activities.

7.9 ELEMENTS PERTINENT TO A TAKE-OVER BID

Capital structure

The registered capital of Melexis NV amounts to EUR 564,813.86 and is represented by 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 that he is validly admitted to the annual shareholders' 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 attached to securities belonging to several owners until one person is appointed towards the company as representative of the security.

No one can vote at the annual shareholders' meeting using voting rights attached to securities that have not been reported in due time 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 Belgian Code of Companies and Associations. 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 of Directors 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 23 April 2019 to acquire own shares of the company, either directly or by a person acting in his or her own name but on behalf of the company or by a direct subsidiary within the meaning of Article 1:14, §2, 1°, 2° and 4° of the Belgian Code of Companies and Associations. The company is subject to the following conditions for the acquisition of own shares in the context of Article 7:215 of the Belgian Code of Companies and Associations:

- This authorization applies to a number of own shares that is at most equal to the number of shares as a result of which, due to the acquisition thereof, the limit of 20% referred to in Article 620, § 1, first section, 2° of the Belgian Companies Code would have been achieved.
- The acquisition of a share in the framework of this authorization must take place at a price per share between EUR 0.01 and EUR 100.00.
- The par value of the number of own shares to be acquired that the company wishes to purchase, including the previously acquired own shares held by the company, may not exceed twenty per cent (20%) of the share capital of the company.
- The compensation for the acquisition of these own shares may not exceed the company's resources that, in accordance with Article 7:212 of the Belgian Code of Companies and Associations, are eligible for distribution.
- The acquisition of the shares in the framework of this authorization will entail the immediate creation of a non-distributable reserve 'acquisition of own shares' equal to the global purchase price of the acquired shares, and this by means of a withdrawal from the available profit reserve. The creation of a non-distributable reserve is only mandatory if and for as long as the shares are held in portfolio.

This authorization is valid for a period of five (5) years from the publication of this decision in the Belgian Official Gazette (10 May 2019).

The existing authorizations of the Board of Directors for the alienation of own shares held in accordance with article 7:218, §1, of the Belgian Code of Companies and Associations and article 622, §2, 1° of the Belgian Companies Code were awarded for an indefinite period by the resolutions of the extraordinary general meeting of 22 April 2014:

- The number of own shares disposed of may not exceed the number of shares in 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 take place 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, whose registered office is situated at 3980 Tessenderlo, Transportstraat 1, RPR Hasselt 0467.222.076, or to a company of which Melexis NV directly or indirectly holds more than 99% of the dividend entitled securities.
- The reserves the company has made 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 7:218, §2, section 2, 1° of the Belgian Code of Companies and Associations to the extent that the shares are disposed of on the regulated market on which they are quoted.

On 31 December 2020, 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 article 7:217 of the Belgian Code of Companies and Associations, the voting rights on these shares are suspended.

Termination of management agreements

All management agreements with the members of the Executive Management (except the CEO) provide for a severance payment equal to twelve months' fixed

remuneration if the management agreement is terminated due to a change of control.

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.

7.10 AUDITOR

PwC Bedrijfsrevisoren BV, whose registered office is situated at 1932 Sint-Stevens-Woluwe, Woluwedal 18, listed in the Register for Legal Entities of Brussels with company number 429.501.944, was appointed as statutory auditor of the company. Ms. Sofie Van Grieken, auditor, and Mr. Koen Vanstraelen, auditor, are appointed as the permanent representatives of the auditor.

7.11 COMPLIANCE WITH THE 2020 BELGIAN CODE ON CORPORATE GOVERNANCE

Melexis does not grant shares, options or other rights to acquire shares to the members of its Executive Management. The CEO is already an important shareholder of the company. Contrary to recommendation 7.9 of the Code 2020, the other members of the Executive Management are not required to hold a minimum threshold of shares in the company. Melexis strongly believes in the self-determination theory (Edward L. Deci and Richard M. Ryan, psychologists at the University of Rochester) arguing that contingent rewards can have detrimental effects on intrinsic motivation, creativity and innovation. Within Melexis, we focus on intrinsic value creation for the company; the share price is a result thereof. The financial numbers which impact the level of the business component of the variable remuneration, i.e. revenue growth and EBIT growth, are important elements driving the valuation of the company. As such, we believe there is a clear alignment between shareholders on the one hand and management and the Melexis community on the other.



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8.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR

31 December		2020	2019
ASSETS			
Current assets:	Cash, and cash equivalents (Note 8.9.5.A)	58,883,048	38,771,524
	Current investments, derivatives (Note 8.9.5.B)	244,971	78,437
	Accounts receivable – trade (Note 8.9.5.D)	65,099,023	58,310,231
	Accounts receivable – related companies (Note 8.9.5.Z)	372,415	135,774
	Assets for current tax (Note 8.9.5.X)	4,695,479	1,745,394
	Inventories (Note 8.9.5.E)	123,457,242	128,505,476
	Other current assets (Note 8.9.5.F)	10,636,656	9,781,065
Total current assets		263,388,836	237,327,901
Non-current assets:	Deferred tax assets (Note 8.9.5.X)	28,490,331	27,649,279
	Other non-current assets (Note 8.9.5.Z.2)	4,202,869	3,000
	Property, plant and equipment (Note 8.9.5.I)	129,949,108	143,607,634
	Intangible assets (Note 8.9.5.G)	4,650,041	5,209,492
	Leased assets (Note 8.9.5.H)	2,731,139	4,812,548
Total non-current assets		170,023,489	181,281,953
TOTAL ASSETS		433,412,325	418,609,854

in EUR

31 December		2020	2019
LIABILITIES			
Current liabilities:	Current portion of long-term debt (Note 8.9.5.M)	-	-
	Lease liabilities (Note 8.9.5.H)	1,632,661	1,824,954
	Accounts payable – trade (Note 8.9.5.L)	18,327,737	16,139,383
	Accounts payable – related companies (Note 8.9.5.Z)	15,759,006	15,732,800
	Accrued expenses, payroll and related taxes (Note 8.9.5.J)	11,881,630	10,642,846
	Accrued taxes (Note 8.9.5.X)	473,355	3,250,601
	Other current liabilities (Note 8.9.5.L)	3,433,130	4,304,950
	Deferred income (Note 8.9.5.K)	2,799,357	2,279,988
Total current liabilities		54,306,876	54,175,523
Non-current liabilities:	Long-term debt less current portion (Note 8.9.5.M)	62,000,000	62,000,000
	Lease liabilities (Note 8.9.5.H)	2,122,166	3,026,754
	Deferred tax liabilities (Note 8.9.5.X)	207,134	337,258
Total non-current liabilities		64,329,300	65,364,012
Equity:	Shareholders' capital	564,814	564,814
	Reserve treasury shares	(3,817,835)	(3,817,835)
	Legal reserve	56,520	56,520
	Retained earnings	324,085,148	306,855,934
	Cumulative translation adjustment	(6,112,907)	(4,589,522)
Equity attributable to company owners		314,775,740	299,069,910
	Non-controlling interest	410	410
Total equity (Note 8.9.5.P)		314,776,149	299,070,320
TOTAL LIABILITIES		433,412,325	418,609,854

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 EUR

31 December	2020	2019
Total revenue (Note 8.9.5.O)	507,517,322	486,861,654
Cost of sales (Note 8.9.5.Q)	(309,529,267)	(290,627,802)
Gross margin	197,988,055	196,233,852
Research and development expenses (Note 8.9.5.R)	(77,690,691)	(79,557,736)
General and administrative expenses (Note 8.9.5.S)	(30,929,601)	(30,600,475)
Selling expenses (Note 8.9.5.T)	(13,834,237)	(15,449,571)
Income from operations (EBIT)	75,533,526	70,626,070
Financial income (Note 8.9.5.W)	6,225,939	2,061,763
Financial charges (Note 8.9.5.W)	(5,846,771)	(3,440,048)
Profit or loss before tax	75,912,694	69,247,785
Income tax (Note 8.9.5.X)	(6,613,382)	(8,992,551)
Net profit or loss for the period	69,299,312	60,255,234
Earnings per share attributable to the ordinary equity holders of the parent	-	-
Earnings per share non-diluted (Note 8.9.5.AB)	1.72	1.49
Earnings per share diluted (Note 8.9.5.AB)	1.72	1.49

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 EUR

31 December	2020	2019
Net profit or loss	69,299,312	60,255,234
Other comprehensive income		
Recyclable items of profit or loss		
Fair value adjustments to cashflow hedges	-	-
Cumulative translation adjustment	(1,523,385)	937,574
Total other comprehensive income (loss) for the period	(1,523,385)	937,574
Total comprehensive income (loss) for the period	67,775,927	61,192,808
Total comprehensive income attributable to:		
Owners of the parent	67,775,927	61,192,808

The amounts included in other comprehensive income are net of tax effects.

8.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR

	Number of shares	Share capital	Legal reserve	Retained earnings
31 December 2018	40,400,000	564,814	56,520	334,719,404
Net income	-	-	-	60,255,234
CTA movement	-	-	-	(214)
Dividends	-	-	-	(88,118,490)
Non-controlling interest	-	-	-	-
31 December 2019	40,400,000	564,814	56,520	306,855,934
Net income	-	-	-	69,299,312
CTA movement	-	-	-	(81)
Dividends	-	-	-	(52,070,017)
31 December 2020	40,400,000	564,814	56,520	324,085,148

Reserve treasury shares	Hedge reserve	Fair value adjustment reserve	CTA	Non-controlling interest	Total equity
(3,817,835)	-	-	(5,527,096)	10,471	326,006,277
-	-	-	-	-	60,255,234
-	-	-	937,574	-	937,360
-	-	-	-	-	(88,118,490)
-	-	-	-	(10,061)	(10,061)
(3,817,835)	-	-	(4,589,522)	410	299,070,320
-	-	-	-	-	69,299,312
-	-	-	(1,523,385)	-	(1,523,466)
-	-	-	-	-	(52,070,017)
(3,817,835)	-	-	(6,112,907)	410	314,776,149

In 2019 and 2020, no purchases of own shares took place. At the end of 2020, 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.

8.5 CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR

31 December (indirect method)	2020	2019
Cash flows from operating activities		
Net profit	69,299,312	60,255,234
Adjustments for operating activities		
Deferred taxes (Note 8.9.5.X)	(841,052)	(2,655,330)
Unrealized exchange results (Note 8.9.5.W)	(2,212,514)	(604,439)
Accrued income tax	4,549,900	10,374,265
Government grants (Note 8.9.5.P)	942,039	1,099,238
Depreciation and amortization (Note 8.9.5.V)	44,453,225	46,759,867
Depreciation and amortization leased assets (Note 8.9.5.H)	1,918,352	1,844,526
Financial results (Note 8.9.5.W)	(1,183,820)	2,640,490
Operating profit before working capital changes	116,925,442	119,713,851
Accounts receivable, net (Note 8.9.5.D)	(6,973,601)	16,962,935
Other current assets (Note 8.9.5.F)	(4,755,575)	(2,686,597)
Other non-current assets	(4,199,851)	1,000
Due to (from) related companies (Note 8.9.5.Z)	(236,641)	1,765,375
Due (to) from related companies (Note 8.9.5.Z)	26,206	-
Accounts payable	2,236,783	(4,678,111)
Accrued expenses (Note 8.9.5.J)	1,238,783	141,043
Other current liabilities (Note 8.9.5.L)	(870,492)	1,536,585
Other non-current liabilities	389,245	(721,272)
Inventories (Note 8.9.5.E)	(210,145)	(14,303,161)
Interest paid (Note 8.9.5.W)	(482,299)	(523,400)
Prepayment income tax	(7,327,146)	(22,808,021)
Net cash from operating activities	95,760,709	94,400,227
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Note 8.9.5.I and 8.9.5.G)	(24,835,443)	(26,631,932)
Interest received (Note 8.9.5.W)	56,297	90,472
Investments, proceeds, from current investments	(166,534)	22,182
Net cash used in investing activities	(24,945,680)	(26,519,278)

31 December (indirect method)	2020	2019
Cash flows from financing activities		
Repayment and proceeds from long-term debts (Note 8.9.5.M)	93,563	26,927,071
Repayment leasings (Note 8.9.5.H)	(933,825)	(1,805,366)
Impact of exchange results on financing items	2,271,615	(661,015)
Dividend payment (Note 8.4)	(52,070,017)	(88,118,490)
Non-controlling interests	-	(10,061)
Net cash used in financing activities	(50,638,664)	(63,667,860)
Effect of exchange rate changes on cash	(64,841)	36,511
(Decrease) increase in cash	20,111,524	4,249,601
Cash at beginning of the period	38,771,524	34,521,924
Cash at end of the period	58,883,048	38,771,524
Cash at end of the period minus cash at beginning of the period	20,111,524	4,249,601

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

The movement in net debt¹ is as follows:

in EUR

	1 January 2020	Cash flows	Non-cash changes	31 December 2020
			Foreign exchange movements	
Short-term debt	-	-	-	-
Long-term debt	62,000,000	-	-	62,000,000
Total debt	62,000,000	-	-	62,000,000

¹ Current definition of net debt does not include impact from IFRS 16. For more information on IFRS 16, see note 8.9.5.H.

8.6 RESULT OF OPERATIONS

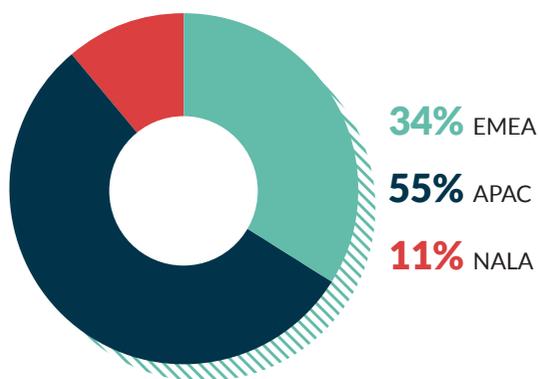
The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the company's financial statements from previous years.

Revenue

In 2020, total revenue increased by 4% compared to 2019, from EUR 486,861,654 in 2019 to EUR 507,517,322 in 2020. The EUR/USD exchange rate had a negative impact of 1%.

Next to a continued launch of products in the automotive market, Melexis also tapped into the adjacent markets that gained momentum with the COVID-19 outbreak. As a result, both our automotive and non-automotive sales increased.

APAC continued being the largest region for Melexis, representing 55% of total sales in 2020, led by China, Hong Kong and Japan with respectively EUR 63,762,467, EUR 46,028,880 and EUR 40,964,411 in sales. EMEA, being the second largest region for Melexis, accounted for 34% of total sales. NALA comes in third, accounting for 11% of sales in 2020.



Cost of sales

Cost of sales consists of materials (raw materials and semi-finished parts), subcontracting, labor, depreciation and other direct production expenses. The cost of sales amounted to EUR 309,529,267 in 2020 compared to EUR 290,627,802 in 2019.

Expressed as a percentage of total revenue, the cost of sales increased from 59.7% in 2019 to 61% in 2020. This results mainly from an increase in purchases and transportation costs (Note 8.9.5.Q).

Gross margin

The gross margin, expressed as a percentage of total revenues, decreased from 40.3% in 2019 to 39.0% in 2020, mainly due to the change in product mix.

Research and development expenses

Research and development expenses amounted to EUR 77,690,691 in 2020, representing 15.3% of total revenue, versus EUR 79,557,736 in 2019. The main research and development activities focused on magnetic sensors, inductive sensors, pressure sensors, temperature sensors, optical sensors, tire monitoring sensors, sensor interfaces, embedded drivers, embedded lighting and smart drivers.

General, administrative and selling expenses

General, administrative and selling expenses mainly consisted of salaries and salary related expenses, office equipment and related expenses, commissions and advertising expenses. The general, administrative and selling expenses decreased by 1% compared to 2019. The main variance is attributable to a decrease in travel expenses, from EUR 1,709,554 in 2019 to EUR 543,429 in 2020 (Notes 8.9.5.S and 8.9.5.T).

Income from operations

The company recorded an operational income for 2020 of EUR 75,533,526 compared to EUR 70,626,070 in 2019, an increase of 6.9%. The decrease in operating expenses, combined with an increase in sales, led to an increase in the operating margin from 14.5% in 2019 to 14.9% in 2020.

Financial result

The net financial result amounted to EUR 379,169 profit in 2020 compared to EUR 1,378,284 loss in 2019. The (net) interest result amounted to a loss of EUR 794,089 in 2020 compared to a loss of EUR 839,049 in 2019. The currency exchange result (both realized and unrealized) amounted to a gain of EUR 1,306,140 in 2020, compared to a loss of EUR 382,225 in 2019 (Note 8.9.5.W).

Income taxes

Income taxes amounted to EUR 6,613,382 in 2020 compared to EUR 8,992,551 in 2019 (Note 8.9.5.X).

Net income

The company recorded a net income for 2020 of EUR 69,299,312, an increase of 15% compared to 2019.

8.7 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 58,883,048 as of 31 December 2020, compared to EUR 38,771,524 as of 31 December 2019.

In 2020, operating cash flow before working capital changes amounted to EUR 116,925,442 compared to EUR 119,713,851 in 2019. Net operating cash flow including working capital changes amounted to EUR 95,760,709. This amount was mainly impacted by changes in inventories, accounts receivable, accounts payable and (accruals for) income tax.

The cash flow from investing activities was negative by an amount of EUR 24,945,680, as a result of investments in fixed assets amounting to EUR 24,835,443 and proceeds from investments for an amount of EUR 166,534 compensated by interests received for an amount of EUR 56,297. The cash flow from financing activities was negative by an amount of EUR 50,638,664. This was mainly the net result of the impact of exchange results on financing items amounting to EUR 2,271,615, repayment of leasings amounting to EUR 933,825 and the 2020 interim dividend payment amounting to EUR 52,070,017.

8.8 STATEMENT OF THE BOARD OF DIRECTORS

The Melexis Board of Directors hereby certifies, for and on behalf of the company, that, to its knowledge:

- (a) the financial statements 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.

The consolidated statements were approved and authorized for issue by the Board of Directors on 29 March 2021 and were signed on its behalf by Françoise Chombar.

The consolidated statements have not been changed after the approval by the Board of Directors.



Françoise Chombar
Managing Director, Chief Executive Officer (CEO)

8.9 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.9.1 General

Melexis is a limited liability company incorporated under Belgian law. The company has been operating since 1988. The company designs, develops, tests and markets advanced integrated semiconductor devices mainly 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 1 January 2020 to 31 December 2020.

The Melexis Group of companies employed on average (FTE) 1,449 people in 2020 and 1,500 in 2019.

The registered office of the Group is located at Rozendaalstraat 12, 8900 Ieper, Belgium. The company is listed on Euronext. The consolidated results as included in the press release were authorized for issue by the Board of Directors subsequent to the meeting held on 29 January 2021.

8.9.2 Statement of compliance

The consolidated financial statements were 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 until 31 December 2020 (collectively "IFRS"). Melexis did not apply any new IFRS requirements not yet effective in 2020.

8.9.3 Summary of significant accounting policies

The consolidated financial statements of Melexis NV were prepared according to IFRS as accepted by the EU on 1 January 2020. The principal accounting policies adopted when preparing the consolidated financial statements of Melexis NV were as follows:

Basis of preparation

The consolidated financial statements were prepared under the historical cost convention, except for investments available for sale, assets held for sale and derivative financial instruments, which were 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.

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.

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 8.9.5.X), useful lives of property, plant and equipment and intangible assets (note 8.9.5.G and 8.9.5.I).

Deferred tax assets are recognized for deductible temporary differences, unused tax losses/tax attributes carried forward 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/tax attributes. This includes management's best estimate based on all facts and circumstances. 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 8.9.5.X).

Please refer to the accounting policies of inventories, property, plant and equipment, intangible assets and provisions in this chapter for the assumptions and estimates.

Presentation currency

The euro has been designated as the presentation currency of Melexis NV. 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 income statement. All resulting translation differences are included in a translation reserve in equity.

Foreign currency transactions

Each entity within the Group translates its foreign currency transactions and balances into its functional currency by applying to the foreign currency amount the exchange rate between the functional 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 income statement in the period in which they arise.

Foreign currency translation

Since the introduction of the euro on 1 January 1999, and in accordance with Belgian law, Melexis NV keeps its books and prepares its consolidated financial statements in euro. The functional currency of the subsidiaries is as follows:

Melexis Inc.	USD
Melexis GmbH	EUR
Melexis Bulgaria EOOD	BGN
Melexis Ukraine	UAH
Melexis Technologies SA	CHF
Melexis NV/BO France	EUR
Sentron AG	CHF
Melefin NV	EUR
Melexis Technologies NV	EUR
Melexis NV/BO Philippines	PHP
K.K. Melexis Japan Technical Research Center	JPY
Melexis Electronic Technology (Shanghai) Co., Ltd	CNY
Melexis (Malaysia) Sdn. Bhd.	MYR
Melexis Technologies NV/BO Malaysia	MYR
Melexis Dresden GmbH	EUR
Melexis France SAS	EUR
Melexis Korea Yuhan Hoesa	KRW

Assets and liabilities of Melexis Inc., Melexis Ukraine, Melexis Bulgaria EOOD, Sentron AG, Melexis Technologies SA, K.K. Melexis Japan Technical Research Center, Melexis NV/BO Philippines, Melexis Electronic Technology (Shanghai) Co. Ltd, Melexis Technologies NV/BO Malaysia, Melexis (Malaysia) Sdn. Bhd. and Melexis Korea Yuhan Hoesa are translated at closing rate, and revenues and expenses are translated at the average exchange rate during the period. Equity components have been translated at historical exchange rates. Gains or losses resulting from this translation are reflected in the component 'cumulative translation adjustment' in the statement of financial position.

Principles of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is re-assessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

De-facto control exists in situations where the company has the practical ability to direct the relevant activities of the investee without holding the majority of the voting rights. In determining whether de-facto control exists, the company considers all relevant facts and circumstances, including:

- The size of the company's voting rights relative to both the size and dispersion of other parties who hold voting rights
- Substantive potential voting rights held by the company and by other parties
- Other contractual arrangements
- Historic patterns in voting attendance.

The consolidated financial statements present the results of the company and its subsidiaries ("the Group") as if they formed a single entity. Inter-company transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the acquisition 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 on which control ceases.

The consolidation scope includes on the one hand Melexis NV and its two branch offices being Melexis NV/BO Philippines, and Melexis NV/BO France. On the other hand, the subsidiaries being part of the consolidation scope are Melexis Ukraine, Melexis Inc., Melexis GmbH, Melexis Bulgaria EOOD, Sentron AG, Melefin NV, Melexis Technologies NV, Melexis Technologies SA, K.K. Melexis Japan Technical Research Center, Melexis Electronic Technology (Shanghai) Co. Ltd, Melexis (Malaysia) Sdn. Bhd., Melexis Technologies NV/BO Malaysia, Melexis Dresden GmbH, Melexis France SAS and Melexis Korea Yuhan Hoesa.

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.

Hedging

The company can apply hedge accounting for a part of its financial instruments as defined under IFRS 9.

Derivatives are initially recognized at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The hedges whereby hedge accounting is applied are cash flow hedges. At the inception of the hedge relationship, the Group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

The table with outstanding derivatives at year end is disclosed in note 8.9.5.C.

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. Inventory is written off when no sales are expected in the next six months.

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. An item of property, plant and equipment is initially measured at its cost. Cost includes:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates
- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management
- The estimated costs of dismantling and removing the item and restoring the site on which it is located, unless those costs relate to inventories produced during that period.

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.

Depreciation starts when the asset is ready for use.

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 and other financial assets

(a) Classification

The Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss)
- Those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognized on trade date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortized cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognized in profit or loss and presented net within other gains/(losses) in the period in which it arises.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognized in other gains/(losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(d) Impairment

From 1 January 2018, the Group assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables.

Non-current assets held for sale

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active program to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value
- A sale is expected to complete within twelve months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy
- Fair value less costs of disposal.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated. The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

Retirement benefits: defined contribution schemes

A defined contribution plan is a pension plan under which the Group pays fixed contributions (percentage of annual gross salary). The scheme is funded through payments to the insurance company. 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. Melexis does not have intangible assets with indefinite useful lives.

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, IP is 10 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. Goodwill is tested yearly for impairment losses.

Research and development costs

According to IAS 38 Par. 57 development costs are capitalized, only if among others the technical and economic feasibility can be proven, the future economic benefits are probable and costs can be reliably measured.

Management has reviewed the development expenses based on the IFRS criteria and is of the opinion that the development expenses should be expensed as the existence of an actual market for the output of Melexis' development efforts can only be demonstrated in a late stage of the project cycle.

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.

Warranty claims

Even though Melexis has installed elaborate test procedures before commencing delivery of its products, product defects might still arise upon the installation or the end consumer's use of the product. If such product defects materialize, expensive and time-consuming product modifications might ensue, and further liability claims might arise. A provision for expected but not yet known warranties is not recognized because a sufficiently reliable estimate of the amount is not possible. The amount recognized for known warranty claims is the best estimate of the expenditure required to settle the claim based on historical experience.

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

Melexis has one major revenue stream. The Group designs, develops and delivers semiconductors. Sales are recognized when control over the product has transferred, being when the products are shipped to or delivered at the customer. In case customers make a payment before the transfer of control is met, a contract liability is recognized as prescribed in the IFRS 15 standard.

The Group is involved in several consignment arrangements. Revenue is not recognized upon delivery of a product if the product is held on consignment, but when the control is transferred to the customer.

The Group does not have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Some of the contracts contain commercial discounts and rebates. These incentives are included in the transaction price. A reduction of revenue is recognized as a liability for the most likely amount when it is expected that the customer will achieve the expected volume to receive a discount, so it is highly probable that no significant reversal of revenue would take place in the future.

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. As of 2014, Melexis has only one operating segment. The available information that is evaluated regularly has only one operating segment. Melexis' products

and production processes have evolved in such a way that the distinction between automotive and non-automotive segments is no longer relevant. Operating decisions are taken during a committee lead by the CEO, based on performance assessments. Financial information on geographical segments is presented in note 8.9.5.Y.

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 and other short-term monetary liabilities are initially recognized at fair value and subsequently carried at amortized cost using the effective interest method.

Derivative financial instruments

If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognized in other comprehensive income is frozen and recognized in profit or loss in accordance with the policy set out in the paragraph above. Subsequent changes in the fair value of the derivative are recognized in profit or loss. If the Group closes out its position before the transaction takes place (even though it is still expected to take place) the cumulative gain or loss on changes in fair value of the derivative is recognized in profit and loss. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss immediately. The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk (such as floating to fixed interest rate swaps) are also recognized in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in profit or loss within finance expense or finance income.

Where derivatives are used to hedge the Group's exposure to fair value interest rate risk (such as fixed to floating rate swaps), the hedged item is re-measured to take into account the gain or loss attributable to the hedged risk (in the case of a fixed rate loan, the hedged risk is changes in the fair value of interest rates) with the gains or losses arising recognized in profit or loss. This offsets the gain or loss arising on the hedging instrument which is measured at fair value through profit or loss. An overview of the derivative financial instruments with their fair value can be found in note 8.9.5.C.

Leasing

IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control

the use of an identified asset for a period of time in exchange for consideration. The Group leases various properties and cars.

Rental contracts are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2020 was between 0.8% and 2.11%.

From 1 January 2019, leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivable
- Variable lease payments that are based on an index or a rate
- Amounts expected to be payable by the lessee under residual value guarantees
- The exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. Right-of-use assets are measured at cost comprising the following:

- The amount of the initial measurement of the lease liability
- Any lease payments made at or before the commencement date less any lease incentives received
- Any initial direct costs, and
- Restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of twelve months or less. Melexis recognizes the interest expenses of lease liabilities in the interest paid component in the cash-flow statement. Melexis opted not to distinguish between lease and non-lease components and accounted for the full amount of the lease liability.

Adoption of new and revised standards

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU on 1 January 2020.

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 1 January 2020. The Group has not applied any new IFRS requirements that are not yet effective as per 31 December 2020.

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 January 2020 and have been endorsed by the European Union:

1. Amendments to references to the conceptual framework in IFRS standards (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance, in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
2. Amendments to the definition of material in IAS 1 and IAS 8 (effective 1 January 2020). The amendments clarify the definition of material and make IFRS more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing

and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statements.

3. Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform (effective 1 January 2020). The amendments require qualitative and quantitative disclosures to enable users of financial statements to understand how an entity's hedging relationships are affected by the uncertainty arising from interest rate benchmark reform.
4. Amendments to the guidance of IFRS 3 Business Combinations that revises the definition of a business (effective 1 January 2020). The new guidance provides a framework to evaluate when an input and a substantive process are present (including for early stage companies that have not generated outputs). To be a business without outputs, there will now need to be an organized workforce. The changes to the definition of a business will likely result in more acquisitions being accounted for as asset acquisitions across all industries, particularly real estate, pharmaceutical, and oil and gas. Application of the changes would also affect the accounting for disposal transactions.

The following new amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2020 but have been endorsed by the European Union:

1. Amendment to IFRS 16 Leases Covid 19-Related Rent Concessions (effective 01/06/2020, with early application permitted). If certain conditions are met, the Amendment would permit lessees, as a practical expedient, not to assess whether particular COVID-19-related rent concessions are lease modifications. Instead, lessees that apply the practical expedient would account for those rent concessions as if they were not lease modifications.
2. Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9 (effective 01/01/2021). This amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

3. Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (effective 01/01/2021). These amendments address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The amendments are effective for annual periods beginning on or after 1 January 2021, with earlier application permitted.

The following new standards and amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2020 and have not been endorsed by the European Union:

1. Amendments to IAS 1 'Presentation of Financial Statements: Classification of Liabilities as current or non-current' (effective 1 January 2022) affect only the presentation of liabilities in the statement of financial position – not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. The IASB has issued an exposure draft to defer the effective date to 1 January 2023. They:
 - Clarify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least twelve months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of a liability
 - Clarify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.
2. IFRS 17 'Insurance contracts' (effective 1 January 2023). This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features. On 17 March 2020, IASB decided to defer the effective date to annual reporting periods beginning on or after 1 January 2023. The endorsement includes the amendments issued by the Board in June 2020, which are aimed at helping companies implement the Standard

and making it easier for them to explain their financial performance.

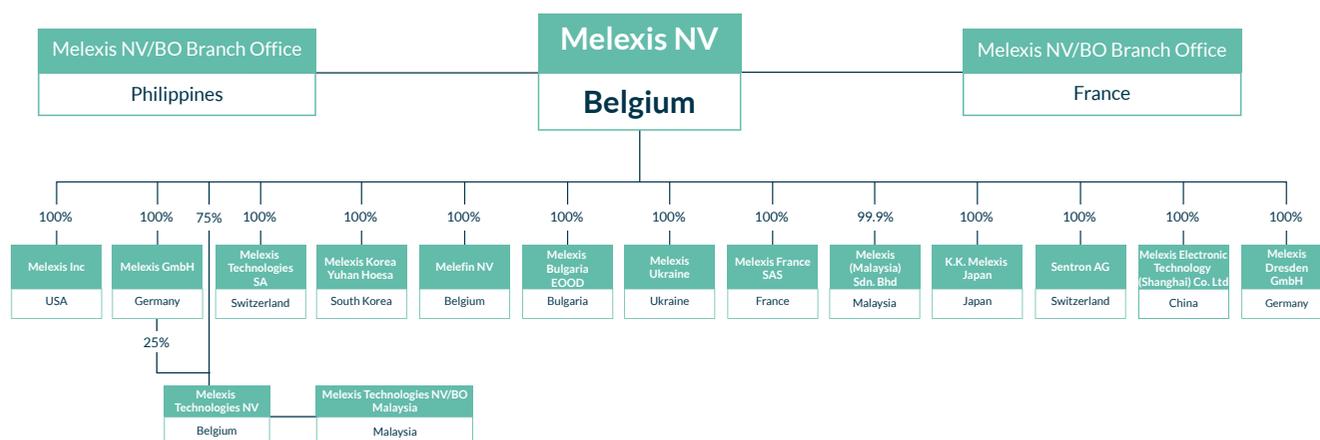
3. Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets as well as Annual Improvements (effective 01/01/2022). The package of amendments includes narrow-scope amendments to three Standards as well as the Board's Annual Improvements, which are changes that clarify the wording or correct minor consequences, oversights or conflicts between requirements in the Standards.
 - Amendments to IFRS 3 Business Combinations update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
 - Amendments to IAS 16 Property, Plant and Equipment prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognize such sales proceeds and related cost in profit or loss.

- Amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets specify which costs a company includes when assessing whether a contract will be loss-making.
- Annual Improvements make minor amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 9 Financial Instruments, IAS 41 Agriculture and the Illustrative Examples accompanying IFRS 16 Leases.

At any time, management aims at providing a fair representation of the financial statements to its stakeholders according to IFRS legislation. In case of changes in IFRS legislation that materially impact, but are not yet adopted by Melexis, management ensures timely disclosure of the impact on Melexis' financial statements. There is no impact expected.

The Group elected not to adopt early the new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per 31 December 2020.

8.9.4 Overview of Group structure



Please refer to chapter 9.1 for the shareholder structure.

8.9.5 Notes

A. CASH AND CASH EQUIVALENTS

in EUR

31 December	2020	2019
Cash at bank and in hand	58,883,048	38,771,524
Total	58,883,048	38,771,524

B. CURRENT INVESTMENTS, DERIVATIVES

in EUR

31 December	2020	2019
Current investments, derivatives	244,971	78,437

In principle, Melexis' current investments are classified as assets available for sale. On 31 December 2020, Melexis had no current investments in portfolio classified as assets available for sale. Melexis' financial derivatives with a positive market value are classified as assets at fair value through profit and loss. The fair value changes for derivatives where no hedge accounting is applicable are immediately recognized in the statement of comprehensive income. As of 31 December 2020, the fair value of the financial derivatives recognized as an asset under current investments amounted to EUR 244,971. A detailed overview of the outstanding derivatives, categorized under Current investments, is included in note 8.9.5.C. On 31 December 2020, Melexis had no assets in portfolio classified as investments held to maturity.

C. DERIVATIVES

Notional amounts

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

31 December		2020	2019
Outstanding FX hedge contracts at 31 December not exceeding 1 year	USD	55,000,000	13,000,000

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

Fair value

All derivative financial instruments are measured at fair value derived from level 2 input criteria. For FX swaps, this is calculated using the forward rate of the appropriate currency pair on 31 December.

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

in EUR

31 December		2020	2019
Assets		Fair value	Fair value
Outstanding FX swaps - level 2		244,971	78,437
Total, classified under Current investment (see also Note 8.9.5.B)		244,971	78,437

These financial instruments are classified as financial assets at fair value through profit or loss. Please refer to note 8.9.5.W for the representation of the gains and losses relating to these assets.

No outstanding derivatives were classified as a liability under Derivative financial instruments.

As of 31 December 2020, there were no outstanding derivatives for which hedge accounting was applied as defined under IFRS 9. As a result, no changes in the fair value of hedging instruments were recognized in a hedging reserve.

D. TRADE RECEIVABLES

Trade receivables are measured at fair value and are subsequently measured at amortized cost, less allowance for credit losses. Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs.

in EUR

31 December	2020	2019
Trade accounts receivables	65,313,272	58,382,459
Allowance for doubtful accounts	(214,248)	(72,228)
Total	65,099,023	58,310,231

As of 31 December 2020, trade receivables of EUR 3,785,767 were past due.

The aging analysis of these receivables, including allowance for doubtful accounts, is as follows:

in EUR

31 December	2020	2019
Not due	61,313,256	51,768,559
<30 days	3,557,352	4,960,377
>30 <60 days	517,564	854,631
>60 days	(289,149)	726,663
Total	65,099,023	58,310,231

In the following aging analysis, the distinction is made between the receivables for which an allowance for doubtful accounts is made and the receivables for which no allowance for doubtful accounts is needed:

in EUR

31 December 2020			
	Allowance for doubtful accounts	No allowance for doubtful accounts	Total receivables
Not due	-	61,313,256	61,313,256
<30 days	-	3,557,352	3,557,352
>30 <60 days	-	517,564	517,564
>60 days	(214,248)	(74,901)	(289,149)
Total	(214,248)	65,313,271	65,099,023

The credit control department reviews on a regular basis the outstanding balances of customers.

When there is a significant increase in the credit risk of a customer, an allowance for doubtful accounts is made. The analysis of the increased credit risk is performed according to the credit loss model of IFRS 9. The output of the analysis did not result in material amounts to be accounted for. More information on the credit loss analysis can be found in note 8.9.5.AN.

E. INVENTORIES

Inventory is written off when no sales are expected or when the goods contain defects. In 2020, EUR 5,253,365 of additional inventory was written off. EUR 5,638,815 of the inventory written off during the previous year was reversed because it had been scrapped or sold. Work in progress consists of material that is being worked on in probing, assembly and final test.

in EUR

31 December	2020	2019
Raw materials and supplies, at cost	15,831,288	15,088,422
Work in progress, at cost	102,144,375	105,528,739
Finished goods, at cost	11,992,051	14,784,236
Reserve for obsolete stock	(6,510,471)	(6,895,921)
Net	123,457,242	128,505,476

F. OTHER CURRENT ASSETS

in EUR

31 December	2020	2019
Other receivables	7,432,262	6,681,549
Prepaid expenses	3,204,395	3,099,516
Total	10,636,656	9,781,065

The other receivables mainly relate to VAT.

G. INTANGIBLE ASSETS

in EUR

31 December	Licenses	IP	Total
Acquisition value			
Balance end of previous period	20,353,085	1,264,810	21,617,895
Additions of the period	1,514,234	-	1,514,234
Retirements (-)	-	-	-
CTA	2,457	-	2,457
Total	21,869,776	1,264,810	23,134,586
Depreciation			
Balance end of previous period	15,143,593	1,264,810	16,408,403
Additions of the period	2,079,298	-	2,079,298
Retirements (-)	-	-	-
Transfers	-	-	-
CTA	(3,157)	-	(3,157)
Total	17,219,734	1,264,810	18,484,544
NET BOOK VALUE	4,650,041	-	4,650,041

Licenses are being amortized over a period of 5 years. IP is amortized over 10 years. All intangible assets have finite useful lives. The yearly amortization expenses are included in the statement of comprehensive income mainly as cost of sales (note 8.9.5.Q) and research and development expenses (note 8.9.5.R).

H. LEASED ASSETS AND LIABILITIES

This note provides information for leased assets where Melexis is a lessee. The balance sheet shows the following amounts related to leased assets:

in EUR

31 December	Land and building	Furniture and vehicles	Total
Leased assets			
Beginning of the period	6,425,811	221,960	6,647,771
Additions of the year	803,946	164,156	968,102
Retirements* (-)	(1,093,442)	(23,789)	(1,117,231)
CTA	(170,286)	-	(170,286)
End of the period	5,966,029	362,327	6,328,356
Accumulated depreciation			
Beginning of the period	1,751,571	83,652	1,835,223
Additions of the period	1,803,784	114,568	1,918,352
Retirements (-)	(55,386)	(45,471)	(100,857)
CTA	(55,501)	-	(55,501)
End of the period	3,444,468	152,749	3,597,217
NET BOOK VALUE	2,521,561	209,578	2,731,139

*The retirement shown in category Land and building is related to the discontinuation of the use of the leased building in Nashua (USA).

The balance sheet shows the following amounts related to lease liabilities:

in EUR

31 December	Current liabilities	Non-current liabilities	Total
Beginning of the period	1,824,954	3,026,754	4,851,708
End of the period	1,632,661	2,122,166	3,754,827

The table below shows the duration of the outstanding lease contracts:

in EUR

31 December	Land and building	Furniture and vehicles	Total
< 1 year	1,334,599	298,009	1,632,608
> 1 year < 3 years	2,039,208	83,011	2,122,219
TOTAL	3,373,807	381,020	3,754,827

The statement of profit and loss shows the following amounts relating to leases:

in EUR

Depreciation charges leased buildings	1,802,311
Depreciation charges leased vehicles	116,041
Interest expense (included in finance cost)	30,398
Expenses related to short-term leases or low-value assets (included in admin expenses)	708,816

I. PROPERTY, PLANT AND EQUIPMENT

in EUR

31 December	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
Cost					
Beginning of the period	57,351,006	319,880,942	19,761,499	12,112,168	409,105,615
Additions of the period	616,757	3,932,633	2,135,914	17,980,347	24,665,651
Retirements (-)	(416,147)	(2,605,367)	(595,447)	(157,256)	(3,774,217)
Transfers	153,694	8,568,449	325,012	(9,047,155)	-
CTA	(291,647)	(2,561,289)	(96,601)	112,766	(2,836,771)
End of the period	57,413,663	327,215,368	21,530,377	21,000,870	427,160,278
Accumulated depreciation					
Beginning of the period	20,042,087	231,555,971	13,899,924	-	265,497,982
Additions of the period	2,283,528	31,976,926	2,751,235	-	37,011,689
Retirements (-)	(60,238)	(2,749,986)	(520,129)	-	(3,330,353)
CTA	(81,545)	(1,772,332)	(114,270)	-	(1,968,147)
End of the period	22,183,832	259,010,579	16,016,760	-	297,211,171
NET BOOK VALUE	35,229,831	68,204,789	5,513,617	21,000,870	129,949,107

Additions of the period mainly relate to test equipment and infrastructure under construction.

Retirements: no material amount of compensation from third parties has been included in the consolidated statement of comprehensive income.

Fixed assets under construction: this mainly relates to the construction in progress of test equipment and infrastructure. The transfer to machinery and equipment relates to the finished construction of new test equipment.

There are currently no restrictions in title for any of our property, plant and equipment or PPE assets nor are they pledged as security for liabilities. The purchase commitments related to PPE assets are disclosed in note 8.9.5.AC.

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

in EUR

31 December	2020	2019
Holiday pay and year-end bonus	8,403,533	8,342,620
Other social accruals	711,305	962,641
Remuneration	1,462,568	570,365
Social security	377,234	449,208
Direct and indirect taxes	926,989	318,011
Total	11,881,630	10,642,846

K. DEFERRED INCOME

in EUR

31 December	2020	2019
Capital grants	340,518	425,175
Deferred income	2,458,838	1,854,813
Total	2,799,357	2,279,988

The capital grant is attributed to the consolidated statement of comprehensive income pro rata the depreciation of the new machinery and equipment related to the investment grant.

The deferred income relates to shipments that were not delivered at the customer before year end. As this performance obligation was not met, revenue was not recognized at year end but will be recognized when the shipment will be delivered to the customer. The performance obligation was met shortly after year end and revenue was recognized in January of the next year. A contract liability is recognized in case a payment for a customer is due before a related performance obligation is satisfied.

L. ACCOUNTS PAYABLE AND OTHER CURRENT LIABILITIES

Trade payables are non-interest bearing and are normally settled on 30-day terms.

Other current liabilities comprise the following:

in EUR

31 December	2020	2019
Accrued real estate withholding tax	125,000	110,600
Accrued financial services	537,809	270,783
Accrued design services	857,174	1,979,087
Accrued management services	327,865	434,354
Accrued HR services	167,437	176,720
Accrued insurances	147,122	112,000
Accrued IT services	-	75,620
Accrued grant	-	94,000
Accrued licenses and royalties	264,000	287,228
Accrued other employee costs	99,699	89,277
Accrued utilities	86,457	106,000
Other	820,567	569,280
Total	3,433,130	4,304,950

M. LONG AND SHORT-TERM DEBT

in EUR (unless stated otherwise)

31 December	2020	2019
Unsecured loans		
Unsecured loan at floating interest rate; maturing in 2028	37,000,000	37,000,000
Unsecured loan at floating interest rate; maturing in 2028	15,000,000	15,000,000
Unsecured loan at floating interest rate; maturing in 2028	10,000,000	10,000,000
Total debt	62,000,000	62,000,000
Long-term portion of debt	62,000,000	62,000,000

As of 31 December 2020 and for Melexis consolidated, there are the following financial covenants:

- Net debt/EBITDA ratio ≤ 3.5
- Tangible net worth/total assets $\geq 30\%$

As per 31 December 2020, Melexis is respecting all its financial covenants and expects that this will remain the case in the future. There are no major differences between the fair value and carrying amount of the debt, since the interest payable on those borrowings is close to current market rates. They are classified as level 3 fair values in the fair value hierarchy due to the use of unobservable inputs.

The repayment of debt as of 31 December 2020 is scheduled as follows:

in EUR

31 December	
2021	-
2022	-
2023	-
2024	-
2025	8,875,000
Thereafter	53,125,000
Total	62,000,000

N. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

Shareholder's capital

As of 31 December 2020, the common stock consisted of 40,400,000 issued and outstanding ordinary shares without face value, unchanged from last year.

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 the Belgian Code of Companies and Associations, 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 the Belgian Code of Companies and Associations, the shareholders decide on the distribution of profits at the annual shareholders' meeting, based on the latest audited statutory accounts of the company. Dividends may be paid either in cash or in kind. However, shareholders may not declare a dividend if the company has not first reserved at least 5% of its profits for the financial year until such reserve has reached an amount equal to 10% of its share capital (the "legal reserve") or if, following any such dividend, the level of the net assets adjusted for the unamortized balance of the incorporation costs and capitalized research and development costs of the company falls below the amount of the company's paid-in-capital and of its non-distributable reserves. The Board of Directors may pay an interim dividend,

provided that certain conditions set forth in the Belgian Code of Companies and Associations 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.

Reserves

Reserve treasury shares: for own shares repurchased by the company or entities belonging to the Melexis Group, the amount of consideration paid is recognized as a deduction from equity. In case of a cancellation or sale of treasury shares, the result of the transaction is included in retained earnings.

Revaluation reserve hedge: changes in the fair value of the hedging instrument, for which hedge accounting is applied as defined under IFRS 9, are recognized in a hedging reserve. For more details about the fair value of the hedging instruments through equity, please refer to note 8.9.5.C.

Revaluation reserve fair value: the difference between the purchase price and the fair value of current investments classified as available for sale is recognized directly into equity into 'Revaluation reserve fair value'. For more detail about the fair value of the current investments, please refer to note 8.9.5.C.

Legal reserve: the part of the retained earnings that cannot be used for distribution to the shareholders as a result of the legal requirement to have a legal reserve of at least 10% of the share capital.

Retained earnings: the net earnings retained by the company to be reinvested in its core business, or to pay debt.

Cumulative translation adjustment: the foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

O. PRODUCT SALES

The product sales are as follows:

in EUR

31 December	2020	2019
Product sales	507,175,993	486,416,177
Total	507,175,993	486,861,654

For the revenue from product sales, please refer to the operating segments section in note 8.9.5.Y.

P. GOVERNMENT GRANTS

The government grants mentioned below consist of capital grants and operational grants. Capital grants are received for investments in buildings, machinery and equipment. The capital grants consist of a percentage of the purchase price of the building, machinery and equipment. Capital grants can be revoked if the expected investment threshold is not met. Operational grants are received as an incentive for research and development expenses. Operational grants are paid after pre-defined milestones are met. 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 EUR

31 December	2020	2019
Grants for research and development	917,259	1,025,811
Investment grants in building, machinery and employment grants	122,703	95,041
Total	1,039,962	1,120,852

Grants for research and development are recognized as a reduction of other expenses included in total research and development expenses, see note 8.9.5.R.

Investment grants in building, machinery and employment grants are recognized as a reduction of purchases included in total cost of sales, see note 8.9.5.Q.

Q. COST OF SALES

Cost of sales includes the following expenses:

in EUR

31 December	2020	2019
Purchases	228,561,253	204,998,967
Transportation costs	4,036,925	3,563,227
Salaries	31,629,106	33,126,524
Depreciation and amortization (*)	32,126,516	34,292,096
Maintenance	5,680,277	6,041,820
Utilities	3,499,891	3,394,119
Other direct production costs	3,995,300	5,211,048
Total	309,529,267	290,627,802

(*) Includes accruals for write-offs on inventory for the amount of EUR 5,253,365 and reversal of accruals for write-offs in previous year for EUR 5,638,815. This accrual reversal refers to inventory written off in previous years that we scrapped or sold in 2020. Consequently, the net impact on the consolidated income statement of 2020 is EUR 385,449.

Cost of sales increased in 2020 due to an increase in sales. The higher cost of sales can mainly be attributed to higher purchases.

R. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

in EUR

31 December	2020	2019
Salaries	48,776,724	46,044,566
Depreciation and amortization	8,547,337	8,506,294
External services	7,801,108	10,497,319
Fees	5,822,438	5,618,636
Prototype wafers	1,476,306	938,945
Rent and maintenance	829,281	938,756
Subsidies	(917,259)	(1,056,085)
Travel	476,311	1,314,182
Engineering purchases	4,878,445	6,755,123
Total	77,690,691	79,557,736

S. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

in EUR

31 December	2020	2019
Salaries	9,540,822	9,027,868
Depreciation and amortization	5,156,327	5,575,001
External services	5,237,699	5,166,814
Fees	2,457,737	2,344,812
Maintenance	2,362,418	2,272,228
Insurances	1,367,839	1,344,819
Utilities	2,182,915	2,236,519
Rent	-	12,982
Travel	182,356	548,719
Other	2,441,488	2,070,713
Total	30,929,601	30,600,475

T. SELLING EXPENSES

Selling expenses include the following expenses:

in EUR

31 December	2020	2019
Salaries	9,530,164	10,153,904
Depreciation and amortization	541,397	231,001
Commissions	1,211,464	1,143,162
External services	1,364,391	1,600,627
Travel	361,072	1,160,834
Other	825,749	1,160,042
Total	13,834,237	15,449,571

U. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

in EUR

31 December	2020	2019
Wages and salaries	99,476,816	98,352,862
Total	99,476,816	98,352,862

The average number of employees (FTE) was 1,449 in 2020 and 1,500 in 2019.

Key management personnel compensation

For more detail on compensation of key management, see chapter 7.

V. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

in EUR

31 December	2020	2019
Cost of sales	32,126,516	34,292,096
Research and development	8,547,337	8,506,294
General and administration	5,156,327	5,575,001
Selling	541,397	231,001
Total	46,371,577	48,604,393

W. NET FINANCIAL RESULT

in EUR

31 December	2020	2019
Financial income	6,225,939	2,061,763
Interest income	56,297	90,472
Exchange differences	6,169,469	1,971,224
Other	173	68
Financial charges	(5,846,771)	(3,440,048)
Interest charges	(850,386)	(929,521)
Bank charges	(133,055)	(134,896)
Exchange differences	(4,863,329)	(2,353,449)
Fair value adjustment FX swaps	-	22,182
Net financial results	379,168	(1,378,284)

X. INCOME TAXES

The income tax expenses can be broken down as follows:

in EUR

31 December	2020	2019
Current tax expenses	7,584,558	11,576,407
Deferred tax expenses	(971,176)	(2,583,856)
Total	6,613,382	8,992,551

Intra-group transactions resulted in intangible assets in the Melexis Technologies SA and Melexis Bulgaria EOOD statutory (standalone) financial statements. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of these companies. Deferred tax effects linked to these transactions could amount to approximately EUR 4.5 million at year end 2020.

As from financial year 2016, the Board of Directors deemed it expedient to start capitalizing research and development efforts in Melexis Technologies NV's standalone/tax financial statements. Such approach is found to be a best practice approach from a Belgian accounting and tax perspective. Deferred tax effects linked thereto amount to approximately EUR 23.3 million at year end 2020.

Added to deferred tax effects linked to available tax offsets carried forward in the hands of Melexis NV, Melexis Technologies NV and Melefin NV and deferred tax effects resulting from, among others, fair value adjustments related to financial instruments, the maximum amount of deferred tax assets to be recognized amounts to EUR 29.8 million at year end 2020.

As in previous years, the company assessed to what 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 took 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. Deferred tax amounts recognized in financial statements per 31 December 2020 are based on management's best estimate covering expected business performance in the foreseeable future. Taking into account these considerations, the Board

of Directors decided to recognize as per 31 December 2020 a cumulative deferred tax asset of EUR 28,490,331. Accordingly, the unrecognized deferred tax asset amounts to approximately EUR 1.3 million at year end 2020.

Furthermore, a deferred tax liability of EUR 207,134 was recognized at year end 2020, related to temporary differences in asset depreciation and FX recognition.

Consolidated figures show a current tax receivable amounting to EUR 4,695,479 and a current tax liability amounting to EUR 473,355. The most important components of the current tax receivable are the overpayment of Swiss taxes for financial year 2019 amounting to EUR 1.0 million and the overpayment of Belgian taxes for financial years 2019 and 2020 amounting to EUR 2.6 million.

Components of deferred tax assets are as follows:

in EUR

	1 Jan 2020	Charged to income statement	Charged to equity	31 Dec 2020
Tax amortization charges	24,938,000	1,529,000	-	26,467,000
Fair value adjustments to financial instruments	(23,202)	(38,041)	-	(61,243)
Tax losses carried forward	2,350,000	(694,000)	-	1,656,000
Miscellaneous	384,481	44,093	-	428,574
Total	27,649,279	841,052	-	28,490,331

Deferred tax assets expected to be recovered within 12 months amount to EUR 14.2 million. Deferred tax assets expected to be recovered after more than 12 months amount to EUR 14.3 million.

Components of deferred tax liabilities are as follows:

in EUR

	1 Jan 2020	Charged to income statement	31 Dec 2020
Miscellaneous	(337,258)	130,124	(207,134)
Total	(337,258)	130,124	(207,134)

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

in EUR

31 December	2020	2019
Income before taxes	75,912,694	69,247,785
Expected taxes at domestic rate	18,978,173	20,483,495
Effective taxes	6,613,382	8,992,551
Difference to be explained	(12,364,791)	(11,490,944)
Explanation of the difference		
Difference in foreign tax percentages and other tax regimes	(579,406)	1,343,519
Effect of IP amortization	-	2,118,641
Tax effect of non-deductible items	347,371	903,561
Tax effect of non-taxable income	(165,175)	(470,553)
Tax effect of patent/innovation income deduction	(7,704,829)	(12,835,332)
Tax effect of notional interest deduction	-	(177,735)
Tax effect of investment deduction	(3,235,331)	(3,674,561)
Tax losses carried forward	(992,818)	(1,099,612)
Current tax adjustments relating to prior years	(208,239)	(237,806)
Miscellaneous	297,533	667,176
Unrecognized deferred tax assets for the current period	360,553	1,551,743
Change of recognition of deferred tax assets (decrease + / increase -)	(484,450)	420,015
Total	(12,364,791)	(11,490,944)
Difference	0	0

Y. OPERATING SEGMENTS

Business segments

Melexis' products and production processes that are regularly evaluated have only one operating segment.

Information about transactions with major customers

The following table summarizes sales per customer for the ten most important customers. It consists of the sales to end customers and not to subcontractors or distributors. All of these customers were included in the analysis of credit risk performed according to the credit loss model of IFRS 9. The output of this analysis did not result in material amounts to be accounted for. Please refer to note 8.9.5.AN for more information.

in %

31 December	2020	2019
Customer A	13	15
Customer B	6	7
Customer C	6	6
Customer D	5	6
Customer E	4	3
Customer F	2	3
Customer G	2	3
Customer H	2	2
Customer I	2	2
Customer J	2	2
Total	44	49

Information about geographical areas

The Melexis Group's activities are conducted predominantly in EMEA (Europe, Middle-East and Africa), APAC (Asia Pacific) and NALA (North and Latin America). The origin of all revenue is in Belgium, as the invoicing entity is located in Belgium.

The following table summarizes sales by destination, determined by the customer's billing address:

in EUR

31 December	2020	2019
Europe, Middle East and Africa	175,193,303	192,546,533
Germany	74,687,422	83,899,256
France	11,789,880	11,259,202
United Kingdom	7,707,698	11,354,209
Poland	12,306,519	17,008,904
Switzerland	16,366,765	13,354,221
Ireland	780,334	3,934,827
Czech Republic	4,902,922	2,832,431
Austria	11,364,502	13,124,111
Netherlands	773,287	1,025,163
Romania	11,736,171	13,376,941
Bulgaria	3,507,386	3,997,666
Spain	1,843,096	1,797,905
South Africa	-	231,720
Hungary	3,883,092	2,695,208
Italy	5,048,951	5,980,061
Other	8,495,278	6,674,707
North and Latin America	55,064,260	66,222,468
United States	35,050,745	43,966,445
Canada	4,466,624	6,191,932
Mexico	15,502,540	15,967,146
Brazil	44,351	96,945
Asia Pacific	277,259,760	228,092,654
Japan	40,964,411	31,327,675
China (excluding Hong Kong)	63,762,467	52,463,940
Hong Kong	46,028,880	29,077,259
Thailand	38,246,179	47,557,817
South Korea	30,052,072	25,057,533
Philippines	21,264,842	13,655,376
Taiwan	19,748,914	12,394,417
India	4,644,659	2,770,289
Singapore	10,982,045	12,662,371
Other	1,565,291	1,125,976
Total	507,517,323	486,861,654

Z. 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 EOOD	Bulgarian entity
Melexis Ukraine	Ukrainian entity
Melexis Technologies SA	Swiss entity
Melexis NV/BO France	French branch
Sentron AG	Swiss entity
Melefin NV	Belgian entity
Melexis Technologies NV	Belgian entity
Melexis NV/BO Philippines	Philippine branch
K.K. Melexis Japan Technical Research Center	Japanese entity
Melexis Electronic Technology (Shanghai) Co., Ltd	Chinese entity
Melexis (Malaysia) Sdn. Bhd.	Malaysian entity
Melexis Technologies NV/BO Malaysia	Malaysian branch
Melexis Dresden GmbH	German entity
Melexis France SAS	French entity
Melexis Korea Yuhan Hoesa	South Korean entity

- Xtrion NV owns 53.58% of the outstanding Melexis shares. The shares of Xtrion NV are controlled directly and/or indirectly by Mr. Roland Duchâtelet, Mr. Rudi De Winter and Ms. Françoise Chombar. Mr. Duchâtelet and Ms. Chombar are directors at Melexis NV.
- Elex NV is 99.9% owned by Mr. Roland Duchâtelet. One share is held by Mr. Roderick Duchâtelet.
- Xtrion NV owns 48.4% 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. X-FAB Silicon Foundries SE is listed on Euronext Paris since 2017.
- Melexis, as in prior years, purchases part of its test equipment from the Xpeq Group. Xpeq Group develops, produces and sells test systems for the semiconductor industry. Xpeq Group is owned by Xtrion NV for 99.99%. One share is held by Ms. Françoise Chombar and one share is held by Mr. Roland Duchâtelet.

- Xtrion NV owns 86% of the outstanding shares of X-CelePrint Ltd.
- Xtrion NV owns 70.6% of the outstanding shares of X Display Company Technology Ltd.
- Xtrion NV owns 24% of the outstanding shares of Anvo-Systems Dresden GmbH.
- Elex NV owns 99.9% of the outstanding shares of Fremach International NV.

Please refer to chapter 7 for the potential conflicts of interest and the remuneration of key management.

2. Outstanding balances at year end

As of 31 December 2020 and 2019, the following balances were outstanding:

Receivables

in EUR

31 December		2020	2019
On	Elex NV	2,033	2,033
	Xtrion NV	-	4,840
	Fremach Group	2,643	-
	X-FAB Group	356,313	114,617
	Xpeqt Group	11,426	14,284
	Total	372,415	135,774

Payables

in EUR

31 December		2020	2019
On	Elex NV	92,107	62
	Xtrion NV	28,658	36,912
	X-FAB Group	14,848,994	15,002,727
	Xpeqt Group	789,778	694,525
	Anvo-Systems Dresden GmbH	(531)	(1,426)
	Total	15,759,006	15,732,800

Long-term receivables, part of other non-current assets

in EUR

31 December		2020	2019
On	X-FAB Group	4,199,930	-
	Total	4,199,930	-

The long-term receivable from the X-FAB Group is related to a pre-financing agreement for specialized equipment purchased and owned by X-FAB.

3. Transactions during the year

Sales/purchases of goods and equipment

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

in EUR

31 December	2020	2019
Sales to		
Fremach Group (mainly integrated circuits or ICs)	40,255	16,448
Xpeqt Group	1,967	2,080
31 December	2020	2019
Purchases from		
X-FAB Group (mainly wafers)	163,281,329	163,213,600
Xpeqt Group (mainly equipment and goods)	2,736,553	5,282,419
Xtrion NV (mainly IT infrastructure)	507,829	512,109

Sales/purchases of services

31 December	2020	2019
Sales to		
Elex NV (infrastructure office building)	20,160	20,160
Xpeqt Group (infrastructure office building)	92,913	119,660
Xtrion NV (infrastructure office building)	48,000	48,000
X-FAB Group	613,195	734,993
Anvo-Systems Dresden GmbH	59,335	187,627
31 December	2020	2019
Purchases from		
Xtrion NV (mainly IT, R&D services and related support)	2,178,893	2,117,421
Elex NV (support services)	85,123	216,317
Xpeqt Group	3,323,743	3,922,226
X-FAB Group	2,975,761	3,075,021
X-CelePrint Ltd	81,625	-

The Board of Directors and the Audit Committee have reviewed and analyzed the major transactions and concluded that 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.

AA. 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 60,000 remuneration and EUR 4,046 expenses in 2020. The other directors are not remunerated.

AB. EARNINGS PER SHARE

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 69,299,312 in 2020 and EUR 60,255,234 in 2019 by the weighted average number of ordinary shares outstanding during the period (40,400,000 in 2020 and 40,400,000 in 2019).

The average number of ordinary shares outstanding diluted and non-diluted are the same. On 29 January 2021, the Board of Directors decided to propose to the annual shareholders' meeting to pay out over the result of 2020 a total dividend of 2.20 EUR gross per share. This amount contains an interim dividend of EUR 1.30 per share, which was paid in October 2020 as interim dividend, and a final dividend of EUR 0.90 per share which will be payable after approval by the annual shareholders' meeting.

AC. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of 31 December 2020, the company had purchase commitments for tangible fixed assets amounting to EUR 6,361,489 mainly related to the Sofia building expansion and test equipment for the production sites.

AD. BUSINESS COMBINATIONS

No business combinations in 2020.

AE. LITIGATION

The company is currently not involved in any litigations.

AF. AUDITOR'S SERVICES

On a consolidated basis, the audit fees required by law amounted to EUR 176,869.

AG. 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. The contributions to defined contribution schemes amounted to EUR 1,193,979 in 2020 compared to EUR 1,120,462 in 2019.

The company's employees in Belgium participate in defined contribution plans, funded through a group insurance. The employer contributions paid to the group insurance are based on a fixed percentage of the salary. By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, equal to 3.75% on employee contributions and 3.25% on employer contributions for contributions until 2015 and 1.75% on all contributions as from 2016. Since the minimum guaranteed reserves were entirely covered by plan assets by the insurance company, no amounts were recognized in the statement of financial position on 31 December 2020 and 2019.

AH. SUBSEQUENT EVENTS

On 5 March 2021, Xtrion NV, Melexis NV and Melexis Technologies NV sold Melexis shares in a private placement. Xtrion NV sold a total of 1,444,398 existing shares, reducing its participation in Melexis from 53.6% to 50.0% + 1 share. Melexis and Melexis Technologies sold all treasury shares, a total of 346,141. The purpose of the sale was to increase the free float, to enhance the liquidity of the Melexis share and to support the representation in relevant indices. The net proceeds of the sale will be used by Melexis and Melexis Technologies to finance general corporate purposes, including the long-term shareholder remuneration practice.

For subsequent events related to COVID-19, please refer to note AN.

No other subsequent events have taken place.

AI. LIST OF SUBSIDIARIES CONSOLIDATED

Subsidiary	Place of incorporation	Principal activities	Ownership interest
Melexis Inc.	USA	R&D, Sales & Applications	100%
Melexis GmbH	Germany	R&D, Manufacturing, Sales & Applications	100%
Melexis Ukraine	Ukraine	R&D	100%
Melexis Bulgaria EOOD	Bulgaria	R&D, Manufacturing	100%
Sentron AG	Switzerland	R&D	100%
Melefin NV	Belgium	Treasury	100%
Melexis Technologies NV	Belgium	R&D, Sales & Applications	100%
Melexis Technologies SA	Switzerland	R&D, Sales & Applications	100%
K.K. Melexis Japan Technical Research Center	Japan	Sales & Applications	100%
Melexis Electronic Technology (Shanghai) Co., Ltd	China (Shanghai)	Sales & Applications	100%
Melexis (Malaysia) Sdn. Bhd.	Malaysia	Manufacturing	99.9%
Melexis Dresden GmbH	Germany	R&D	100%
Melexis France SAS	France	Manufacturing	100%
Melexis Korea Yuhan Hoesa	South Korea	Sales & Applications	100%

AJ. 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. Furthermore, 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.

Manufacturing

The Group has multiple manufacturing sites around the world. These sites are exposed to risks related to interruptions of our manufacturing processes, such as political upheavals, natural disasters, occupational accidents and pandemics. These could impede the Group's ability to manufacture at these sites on the planned scale or to export products manufactured at those sites, which in turn can impact our financial condition and results of operations. Contingency plans are in place in order to be able to respond adequately to crisis situations.

Dependence on data and IT systems

The Group heavily depends on the reliability and security of its IT systems: networks, infrastructure, operating systems and databases. These systems are subject to attempted security breaches and other cybersecurity threats, a risk that is becoming more important with the rise in the level of threats to data security. If successful, this could adversely impact our business and result in an immediate loss of revenue for the Group. To mitigate these risks, an array of precautionary measures were put in place.

Currency fluctuations

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

Fluctuations in the value of the euro against an investor's currency of investment may affect the market value of the shares expressed in an investor's currency. Such fluctuations may also affect the conversion into US dollars of cash dividends and other distributions paid in euros on the shares.

Please refer to the foreign currency risk in note 8.9.5.AL 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 operations and financial condition or negatively affect the price of the shares. Should the company's future acquisitions operate at lower margins than those that exist for the company's present services and products, they may further limit the company's growth and place a significant strain on its business and financial resources. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, products and personnel of the acquired company, the diversion of management's attention from other business concerns, risks of entering markets in which the company has no, or limited, direct prior experience and potential loss of key employees of

the acquired company. While the company has had discussions with other companies, there are currently no commitments or agreements with respect to any potential acquisition. In the event that such an acquisition does occur, there can be no assurance that the company's business, 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 ASSPs have been generated via the representative and distribution network of Melexis. As the

majority of the Melexis ASSPs 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 for applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted thereunder will provide meaningful protection or other commercial advantage to the company. Likewise, there can be no assurance that the company will be able to preserve any of its other intellectual property rights in the future.

Claims

Melexis receives, on a regular basis, claims from customers, and might receive claims from competitors as well. These claims are being recognized as a liability in the Consolidated Statement of Financial Position. The company uses all possible resources to limit the risk for the company. More information on the pending claims can be found in note 8.9.5.AE Litigation.

The importance of significant customers

Melexis' biggest customer accounts for 13% of total sales. No other customers have sales over 10% of total sales. For the year ended 31 December 2020, the 10 most important customers accounted for 44% of total sales (cfr. note 8.9.5.Y).

Significant supplier

Melexis sources the majority of its wafers from X-FAB, a related party that is controlled by Melexis' largest shareholder, Xtrion NV (see also Related Parties in chapter 8.9.5.Z). Conditions of the commercial relations between X-FAB and Melexis are in line with those that would have been agreed upon between independent parties in comparable circumstances. The arm's length character of these conditions are analyzed, determined, and tested in accordance with the principles and best practices in this respect as detailed in the OECD's 2017 Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations. Notwithstanding due care taken in the Group's transfer pricing analysis, there can be no assurance that the tax authorities or courts will not take a position contrary to the Group's position.

To reduce the risk of dependency on one supplier, Melexis also sources from two other Asian wafer fabs. For packaging services, Melexis sources from several Asian vendors.

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 conflicts of interest, please refer to the related parties in chapter 8.9.

Climate change

The main environmental risks that Melexis faces are linked primarily to climate change, such as natural hazards. Melexis is mapping, proactively and together with our suppliers, natural hazards at every stage of the supply chain and ensuring mitigation of such risks.

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.

The automotive industry

As a semiconductor company with most of its revenue coming from the automotive industry, Melexis sales are impacted by, among others, the amount of vehicles produced and sold worldwide.

The demand for vehicles is influenced by the economic and geopolitical situation in different regions. Macro-economic risks and trade tensions can lead to reduced purchasing power, causing the demand for vehicles to drop.

Other factors that can lead to a reduced demand for vehicles include a shift in consumer purchase behavior, uncertainty amongst consumers on what type of car to buy and new forms of mobility such as car sharing and robotaxis.

Intense competition

The automotive semiconductor market is very different from other segments of the semiconductor market. In particular, technological requirements for automotive semiconductors

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

The company currently competes with a number of other companies. These companies could differ for each type of product. The company's competitors include, among others, Allegro Microsystems, Analog Devices, Microchip Technology, AMS, Elmos, Honeywell, Infineon Technologies, TDK (Micronas), NXP, ST Microelectronics, On Semiconductor and Texas Instruments.

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 with the car manufacturers.

The company's current and potential competitors could 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. Furthermore, 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 perform services and supply products for a specific period, in specific quantities, and at specific prices.

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

Melexis sources the majority of its wafers from a related party (see also Related Parties in chapter 8.9.5.Z), but sources from two Asian wafer fabs as well, to reduce the risk of dependency on one supplier. For the packaging services, Melexis sources from several Asian vendors.

Geopolitical environment

Uncertain political landscapes and tensions in global trade could have a significant impact on Melexis' business by causing a reduced free trade of goods and services and, as a consequence, disruptions in the supply chain. Examples of such situations include increased protectionism, technology wars and rising populism.

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. Furthermore, 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.

AK. SENSITIVITY ANALYSIS ON FINANCIAL RISK

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

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 2020, approximately 44% of the Group's sales are denominated in USD and approximately 45% 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 of the Group's result before tax, with all other variables held constant.

FY 2020	Increase/decrease in EUR/USD rate	Effect on profit or loss before taxes (in EUR)
Reference rate: 1.14 (average FY 2020)		
	+0.05 (1.19)	(1,207,382)
	-0.05 (1.09)	1,318,109

On 31 December 2020, the following financial assets and liabilities were present, shown in USD and CHF:

	31 Dec 2020 (in USD)	31 Dec 2020 (in CHF)
Financial assets	39,164,765	213,324
Cash and cash equivalents	12,887,582	207,402
Trade and other receivables	26,277,183	5,922
Financial liabilities	19,513,548	591,977
Trade and other payables	19,513,548	591,977
Loans and borrowings	-	-

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.23) would have an impact on the balance sheet value of EUR -626,981/EUR +680,246 on 31 December 2020.

An increase/decrease of the EUR/CHF rate of +/- 500 base points (reference rate = 1.08) would have an impact on the balance sheet value of EUR +15,508/EUR -17,013 on 31 December 2020.

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.

On 31 December 2020, all of the Group's borrowings are at a floating rate of interest. Melexis is currently not using interest rate derivatives to hedge the interest rate risk.

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.

	Increase/decrease	Effect on financial result (in EUR)
FY 2020	in base points	
	+15	(93,000)
	-15	93,000

AL. 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 can use derivative financial instruments to manage the foreign exchange risks, interest risks and inflation risk.

Risk management policies have been defined on Group level, and are carried out by the local companies of the Group. COVID-19 had no impact on the existing risk management procedures.

(1) Credit risks

Credit 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. The Group has no significant concentration of credit risk with any single counterparty or group of counterparties having similar characteristics. For more information on the impact of COVID-19 on credit risk, please refer to note 8.9.5.AN.

(2) Interest rate risk

At year end, the Group does not use derivatives to manage interest rate risks of the outstanding bank debt.

The schedule of long-term-debt repayments is disclosed in note 8.9.5.M.

(3) Liquidity risk

Liquidity risk arises from the possibility that the Group is unable to meet its financial obligations upon maturity, due to the inability to convert assets into cash without incurring a loss. To prevent this, the Group keeps a significant cash

reserve in combination with multiple unused committed credit lines.

(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 risk. The table with outstanding derivatives at year end is taken up in note 8.9.5.C.

(5) Inflation risk

The inflation risk of the Group arises from the possibility that the salaries will increase due to inflation. At year end, the Group does not use derivative contracts to manage (part of) the inflation risk.

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 31 December 2020 was minimal since their deviation from their respective fair values was not significant.

AM. BREXIT

As soon as the United Kingdom voted in favor of leaving the European Union, Melexis established a multidisciplinary

Brexit readiness project team to follow up on any possible impact Brexit could have on our business model and business continuity. Since 2018, the UK and EU had been conducting formal negotiations regarding the Brexit modalities and its deadlines. This transition period - with several deadlines having been postponed - provided ample time for Melexis to assess the Brexit impact and risks on our customers, supply chains and internal automation processes (such as our ERP system). Even though Melexis only works with a limited number of UK customers and suppliers, we made sure to defuse any issues that could arise and have communicated about possible risks and their solutions with all stakeholders involved.

AN. COVID-19

Melexis has been closely monitoring and responding to the COVID-19 evolutions around the world and this since January 2020. More than ever, the health and safety of our people and our other stakeholders are our foremost concern. We have a Melexis COVID-19 taskforce in place which worked intensely to plan for and react to the outbreak in a timely fashion. Specific measures – such as working from home, social distancing and business continuity planning – have been implemented in all facilities worldwide.

Business and financial impact

With approximately 90% of its products sold in automotive, Melexis depends on the worldwide demand for vehicles. This demand was significantly impacted in 2020 by COVID-19 and the accompanying measures, such as quarantine measures and cities put on lockdown. Melexis content growth in vehicles softened the negative impact of lower car sales.

COVID-19 adversely impacted Melexis' supply chain, for example by causing a delay in delivery of equipment, wafers, packaging services, etc. due to mitigation measures taken by governments and bottlenecks in production, transportation and customs activities. Supply chain and business contingency planning ensured that our manufacturing sites kept running under the best achievable circumstances. These disruptions in the supply chain, arisen due to COVID-19, have been resolved to a large extent. The remaining issues are often linked to products where demand is high.

Melexis implemented technical unemployment due to COVID-19 in several countries. This resulted in cost savings of approximately EUR 1.8 million. The impact of specific

COVID-19 related costs (mainly supplies and services related to hygienic measures) was minor.

Despite a solid start of the year, Melexis decided on **1 April 2020** to withdraw its full-year 2020 outlook as the economic impact resulting from the COVID-19 pandemic could not be quantified at that moment. As a matter of prudence and in light of the extreme unpredictability of the situation at that time, the Board of Directors decided to propose to the annual shareholders' meeting to pay out over the result of 2019 a total dividend of 1.30 EUR gross per share, which was paid in October 2019 as interim dividend. A final dividend was not paid.

On **29 April 2020**, Melexis published its Q1 2020 results and was not able to provide a financial outlook for Q2 2020.

On **29 July 2020**, Melexis published its Q2 2020 results, stating in the business comment that despite the COVID-19 pandemic, it was able to post 1H2020 sales growth of 1% versus 1H2019. Supply and demand disruptions had been tackled in an efficient manner, and cost savings had been effectively implemented where possible.

On **28 October 2020**, Melexis published its Q3 2020 results. During the third quarter, we noticed an improvement of customer sentiment and, in the course of September, a substantial uptick in orders. Thanks to proactive supply chain and inventory management, Melexis was able to meet increased customer demand. Inventories at customers continued to be estimated at low levels.

Finally, on **3 February 2021**, Melexis published its full-year 2020 results, announcing a 4% year-over-year growth. Next to a continued launch of products in the automotive market, Melexis had also tapped into the adjacent markets that gained momentum with the COVID-19 outbreak. Part of Melexis' products like temperature sensors are critical components to many of the equipment to overcome the pandemic. The applications range from diagnostics, patient monitoring systems and respiratory devices to a variety of body thermometers. Increased traction in gaming applications, as a consequence of the globally increased consumer interest during lockdown, and spurred by the release of the next generation gaming GPUs, boosted the demand for our 1-coil fan drivers. In 2020, sales to adjacent markets represented 12% of total sales, a strong increase versus 2019.

Balance sheet

On 31 December 2020, the cash position had increased to EUR 58,883,048 with an outstanding bank debt of EUR 62,000,000, stable compared to end 2019. Unused committed credit lines were 103 million EUR. Debt restructuring was not considered necessary. The inventory decreased with EUR 5 million compared with end 2019, offset by an increase in accounts receivable by EUR 7 million.

Deferred tax asset

Based on the discounted cash flow analysis, as described in the paragraph below, there are no issues noticed in regard to the recoverability of the deferred tax asset on our balance sheet.

Expected credit losses

Due to COVID-19, the credit control department increased their focus on the outstanding balances of customers. When there is a significant increase in the credit risk of a customer, an allowance for doubtful accounts is made. The analysis of the increased credit risk is performed according to the credit loss model of IFRS 9. The output of the analysis did not result in material amounts to be accounted for.

The amount of credit losses written of in our consolidated statement of financial position is negligible (less than EUR 220,000). An analysis of the expected credit losses booked in the current financial year is made on a yearly basis. The analyses done in 2020 did not show any material impact of the COVID-19 pandemic on expected credit losses. Furthermore, we did not see any impact on our customers' payment behavior that could lead to customer credit losses in the future. As a result, no provisions for future credit losses were foreseen. We will continue to monitor this in the future and accruals will be taken if material expected customer credit losses appear.

Outstanding receivables

There is no impact of the COVID-19 pandemic on our outstanding receivables. On the contrary, the percentage of receivables outstanding for more than 30 days is lower than in previous years. We have increased our focus on outstanding receivables in light of the COVID-19 situation. Our proactive follow-up on the outstanding receivables and our actions taken to get receivables paid according to agreed terms resulted in no visible impact of the COVID-19 pandemic on our outstanding receivables.

Inventories

There was no impact of the COVID-19 pandemic on our inventories. The company intentionally kept its chip inventories at a higher level in the past year in order to meet an elevated demand.

Impairment testing

Following the outbreak of the COVID-19 pandemic, Melexis performed impairment testing in June 2020 under IAS 36. This exercise, which was performed on cash-generating unit level, compared the discounted expected future cash flows with the carrying amounts of the company's net assets. In this process, estimated future cash flows were discounted to their present values using discount rates reflecting the current market assessment of the time value of money. The time value of money was estimated based on the average weighted cost of capital (WACC) of Melexis and a set of peers obtained from the Bloomberg Professional database. This exercise resulted in a discount rate of 7.9%. Future cash flows were estimated as follows: the first six years of future cash flows were estimated based on management's most recent business planning forecasts, which take into account the estimated impact of COVID-19. Subsequently, a terminal value was estimated based on the aforementioned business planning forecasts, the 7.9% WACC as detailed above and a long-term growth rate of 2% (which is commensurate with long-term inflation expectations as well as external analyst expectations). The aforementioned assumptions taken to perform the impairment analyses were tested for sensitivity. Based on the various scenarios considered in this exercise, there is significant headroom and any reasonable alternative assumption could not undermine the conclusion that no impairment is required. On top of the aforementioned sensitivity testing, the outcome of Melexis' discounted cash flow analysis was challenged against Melexis' minimum and average share price over a time horizon of 3, 6, and 12 months prior to the moment of the impairment analysis and various recent valuation reports from external analysts covering Melexis. These additional tests confirmed the significant headroom and our conclusion that no impairment is required.

The exercise was updated at year end, using the same assumptions as in June 2020. The conclusions did not change and, as a result, no impairment was required.

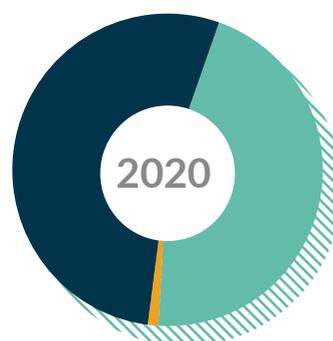


- Listing Euronext
- Reuters ticker MLXS.BR
- Bloomberg ticker MELE BB

9.1 SHAREHOLDER STRUCTURE

Situation on 31 December 2020

Company	Number of shares	Participation rate
Xtrion NV	21,644,399	53.58%
Treasury shares	346,141	0.86%
Public	18,409,460	45.57%
Total	40,400,000	100.00%



53.58% Xtrion
45.57% Public
0.86% Treasury shares

The shareholder structure changed on 5 March 2021 due to a private placement of Melexis shares. See note 8.9.5.AH for more information.

9.2 SHARE INFORMATION

- First day of listing 10 October 1997
- Number of shares outstanding on 31 December 2020 40,400,000
- Market capitalization on 31 December 2020 EUR 3,227,960,000

(in EUR)	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Earnings per share	1.72	1.49	2.86	2.75	2.38	2.45	2.10	1.37	1.25	1.06	1.12
Net cash from operating activities	2.37	2.34	2.47	2.80	2.67	2.85	2.35	1.75	1.41	1.35	1.04
Gross dividend	2.20	1.30	2.20	2.10	2.00	1.90	1.00	0.70	0.65	0.60	0.30
Year end price	79.90	67.05	50.90	84.37	63.65	50.18	37.50	23.18	12.88	10.37	13.46
Year's high	82.15	72.65	92.83	87.37	65.88	59.47	37.54	24.44	13.40	13.84	13.80
Year's low	65.84	47.66	45.62	64.41	40.94	37.70	23.10	13.19	10.60	8.35	6.84
Average volume of shares traded/day	85,165	126,252	107,094	54,966	59,810	73,249	35,665	22,741	22,958	34,818	34,900

9.3 CONTACT INFO

Investor Relations

Phone: +32 13 67 07 79

Rozendaalstraat 12, B-8900 Ieper, Belgium

www.melexis.com/en/investors

9.4 FINANCIAL CALENDAR 2021

28 April 2021

Announcement of Q1 results

11 May 2021

Annual shareholders' meeting

1 June 2021

Analyst meeting

28 July 2021

Announcement of half-year results

27 October 2021

Announcement of Q3 results

2 February 2022

Announcement of full-year results

9.5 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 per share out of distributable reserves:

2016: EUR 1.30 interim dividend

EUR 0.70 final dividend

2017: EUR 1.30 interim dividend

EUR 0.80 final dividend

2018: EUR 1.30 interim dividend

EUR 0.90 final dividend

2019: EUR 1.30 interim dividend

2020: EUR 1.30 interim dividend

EUR 0.90 final dividend

(approval by the annual shareholders' meeting on 11 May 2021)

The following information is extracted from the separate Belgian generally accepted accounting principles or 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 7 and 8 present a true and fair view of the financial position and performance of the Melexis Group.

Therefore, these separate financial statements present no more than a limited view of the financial position of Melexis. For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended 31 December 2020. 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 31 December 2020 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 EUR

ASSETS	2020	2019
FIXED ASSETS	1,324,318	1,334,386
II. Intangible assets	213	272
III. Tangible assets	36,065	46,077
A. Land and buildings	13,962	14,798
B. Plant machinery and equipment	19,938	29,246
C. Furniture and vehicles	1,571	1,636
F. Assets under construction and advanced payments	594	397
IV. Financial assets	1,288,040	1,288,037
A. Affiliated companies	1,287,996	1,287,996
1. Participations	1,287,996	1,287,996
B. Other enterprises linked by participating interests	-	-
1. Participations	-	-
C. Other financial assets	44	41
2. Receivables and caution money	44	41
CURRENT ASSETS	3,786	4,249
V. Amounts receivable after more than one year	3	3
1. Other receivables	3	3
VII. Amounts receivable within one year	2,060	1,904
A. Trade receivables	429	104
B. Other receivables	1,631	1,800
VIII. Cash investments	21	21
A. Own shares	21	21
B. Other investments and deposits	-	-
IX. Cash deposits	207	192
X. Deferred assets and accrued income	1,495	2,128
TOTAL ASSETS	1,328,104	1,338,635

Condensed non consolidated statement of financial position (continued)

in 1,000 EUR

	2020	2019
SHAREHOLDERS' EQUITY	832,946	859,650
I. Capital	565	565
A. Outstanding capital	565	565
IV. Reserves	3,894	3,894
A. Legal reserve	56	57
B. Reserves not available for distribution	3,838	3,837
1. In respect of own shares held	3,838	3,838
V. Retained earnings	828,205	854,886
VI. Investment grants	282	305
DEBTS	495,158	478,985
VIII. Long-term debt	-	-
D. Banks	-	-
IX. Amounts payable within one year	492,808	476,202
A. Current portion of amounts payable after more than one year	-	-
C. Trade debts	2,137	1,553
1. Trade payables	2,137	1,553
E. Taxes, remuneration and social security	3,678	2,956
1. Taxes	778	69
2. Remuneration and social security	2,900	2,888
F. Other amounts payable	486,992	471,693
X. Accrued charges and deferred income	2,350	2,783
TOTAL LIABILITIES	1,328,104	1,338,635

Condensed non consolidated statement of comprehensive income

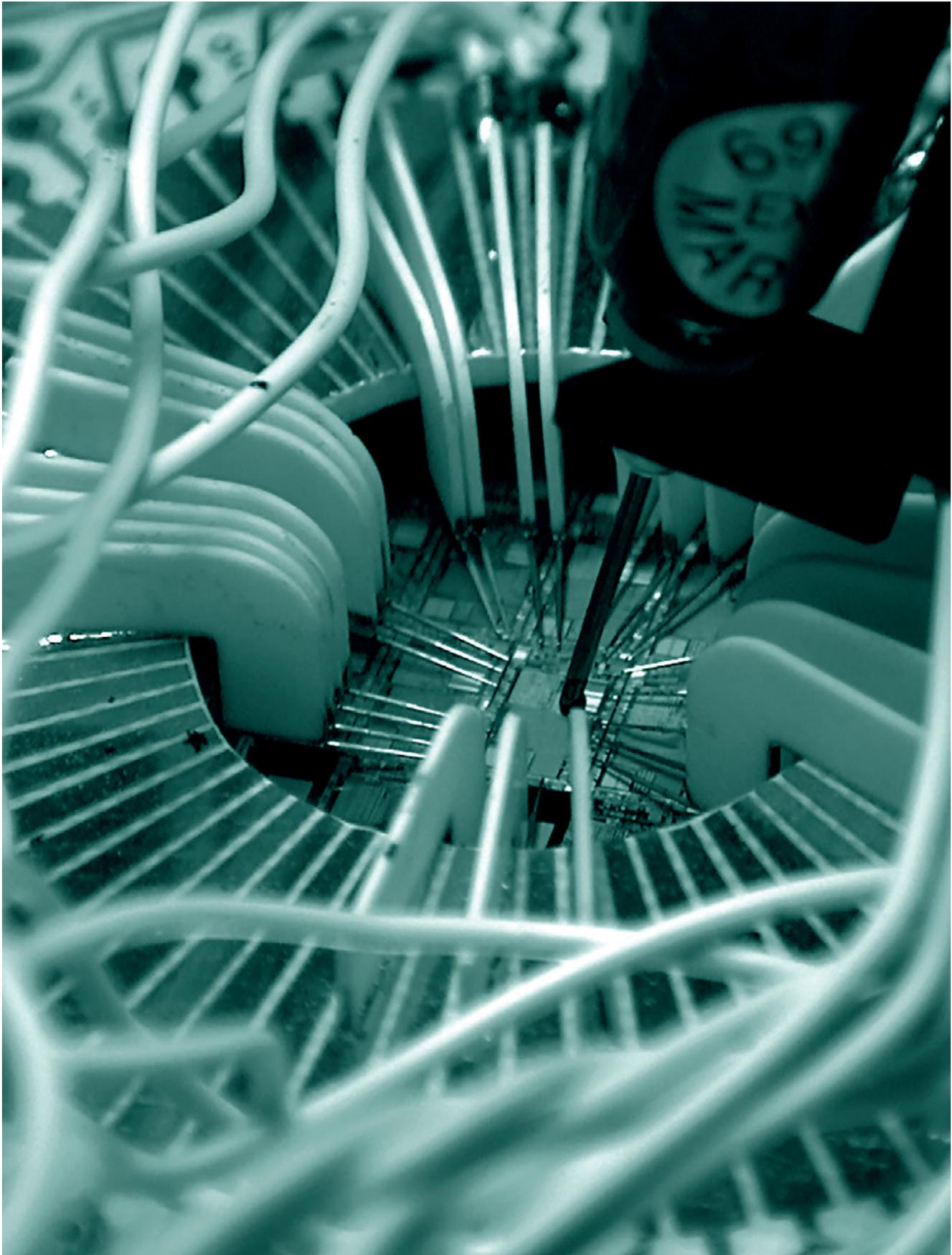
in 1,000 EUR

	2020	2019
I. Operating income	58,188	63,211
A. Turnover	55,691	61,589
C. Other operating income	2,497	1,622
II. Operating charges	(50,720)	(53,015)
B. Services and other goods	13,873	15,517
C. Remuneration, social security charges and pensions	24,360	24,610
D. Depreciations	12,233	12,708
E. Amounts written off stocks, contracts in progress and trade receivables	-	-
G. Other operating charges	254	180
III. Operating result	7,468	10,196
IV. Financial income	60,653	779,997
B. Income from current assets	60,506	1
C. Other financial income	147	88
V. Financial charges	(5,622)	(7,020)
A. Debt charges	5,603	6,928
C. Other financial charges	19	92
VI. Result of the year before taxes	62,499	783,173
VII. Income taxes	(302)	286
A. Taxes	302	29
B. Regularization	-	(315)
VIII. Result of the year	62,197	783,459
IX. Profit of the year available for appropriation	62,197	783,459

Appropriation of the result

in 1,000 EUR

	2020	2019
A. Result to be appropriated	917,083	911,203
1. Result of the period available for appropriation	62,197	783,459
2. Result carried forward	854,886	127,744
C. Transfers to capital and reserves	-	(3,799)
1. To other reserves	-	(3,799)
D. Result to be carried forward	828,205	854,886
1. Result to be carried forward	828,205	854,886
F. Distribution of profit	(88,878)	(52,518)
1. Dividends	(88,878)	(52,518)



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

Tangible net worth

Total assets - liabilities - intangible assets

ADAS	Advanced driver-assistance system
AEC	Automotive electronics council
ASIC	Application-specific integrated circuit
ASIL	Automotive safety integrity level
ASSP	Application-specific standard product
AWD	All-wheel drive
BLDC	Brushless DC (direct current)
BMC	Body control module
BMS	Battery management systems
BOM	Bill of materials
CAN FD	Controller area network with flexible data rate
CEO	Chief executive officer
CFO	Chief financial officer
CMOS	Complementary metal oxide semiconductor
CTA	Cumulative translation adjustments
DC	Direct current
DMS	Driver monitoring system
DRC	Democratic Republic of Congo
DSP	Digital signal processor
ECHA	European chemical agency
ECU	Electronic control unit
EGR	Exhaust gas recirculation
ELV/WEEE	End-of-life vehicles/Waste electrical and electronic equipment
EMC	Electromagnetic compatibility
EMI	Electromagnetic interference
ESD	Electrostatic discharge
ESP	Electronic stability program
EPA	Electric power-assisted steering
EPS	Electronic power steering
EV	Electric vehicle
EVAP	Evaporation
FAE	Field application engineers
FIR	Far-infrared
FOV	Field of view
GHG	Greenhouse gases
GPU	Graphics processing unit
GRI	Global reporting initiative
HVAC	Heating, ventilation and air conditioning
IATF	International automotive task force
IAS(B)	International accounting standards (board)

IC	Integrated circuit
ICE	Internal combustion engine
IFRS	International financial reporting standards
IMC	Integrated magnetic concentrator
IOT	Internet of things
IP	Intellectual property
ISO	International organization for standardization
ISO/TS	International organization for standardization/technical specification
KPI	Key performance indicator
LIN	Local interconnect network
MAP	Manifold absolute pressure
MEMS	Microelectromechanical system
NFET	Negative-channel field effect transistor
OBC	On-board charger
OEM	Original equipment manufacturer
OSIC	Oxygen sensor integrated circuit
PBB	Polybrominated biphenyl
PBDE	Polybrominated diphenyl ether
PCB	Printed circuit board
PWM	Pulse width modulation
QVGA	Quarter video graphics array
R&D	Research & development
REACH	Registration, evaluation, authorization and restriction of chemicals
RF	Radio frequency
RGB	Red, green and blue
ROHS	Restriction on the use of hazardous substances
ROM	Read-only memory
SDG	Sustainable development goals
SENT	Single edge nibble transmission
SIP	Single-in-line package
SOI	Silicon-on-insulator
SOT	Small outline transistor
STEM	Science, technology, engineering and mathematics
SVHC	Substances of very high concern
SWTW	Semiconductor wafer test workshop
TOF	Time-of-flight
TPMS	Tire pressure monitoring system
TRS	Transmission range selection
VGA	Video graphics array

For some years now, Melexis has been inspired by the GRI Standards. Following several internal stakeholder workshops within our company, Melexis has identified the relevant material GRI topics as seen in the table below and reports on them throughout this annual report. Fully in line with the Belgian law of 3 September 2017 (detailing the publication of non-financial information and information regarding diversity by large companies and groups), we will continue to report our sustainability efforts in accordance with the GRI Standards: Core option.

GRI STANDARD	DISCLOSURE	SECTION NUMBER/URL
GRI 101: Foundation 2016		
	GRI 101 does not include any disclosures.	Not applicable.
General Disclosures		
GRI 102: General Disclosures 2016	102-1 Name of the organization	2
	102-2 Activities, brands, products and services	3
	102-3 Location of headquarters	2
	102-4 Location of operations	2.3
	102-5 Ownership and legal form	2
	102-6 Markets served	3.3
	102-7 Scale of the organization	6.3.1
	102-8 Information on employees and other workers	6.3.1
	102-9 Supply chain	6.7.1
	102-10 Significant changes to the organization and its supply chain	6.7.2
	102-11 Precautionary principle or approach	6.6.4
	102-12 External initiatives	https://www.melexis.com/en/tech-info/environment
	102-13 Membership of associations	2.4
	102-14 Statement from senior decision-maker	1
	102-15 Key impacts, risks, and opportunities	5 6.2 6.4.1 6.6.3 6.6.4 6.6.5 6.7.2 6.8.2
	102-16 Values, principles, standards, and norms of behavior	4 6.8
102-17 Mechanisms for advice and concerns about ethics	6.8.5	
102-18 Governance structure	7	
102-21 Consulting stakeholders on economic, environmental, and social topics	6.2	

	102-22 Composition of the highest governance body and its committees	7
	102-23 Chair of the highest governance body	7
	102-24 Nominating and selecting the highest governance body	7
	102-25 Conflicts of interest	7
	102-26 Role of highest governance body in setting purpose, values, and strategy	7
	102-27 Collective knowledge of highest governance body	7
	102-28 Evaluating the highest governance body's performance	7
	102-30 Effectiveness of risk management processes	7
	102-35 Remuneration policies	7 6.3.3
	102-36 Process for determining remuneration	7 6.3.3
	102-38 Annual total compensation ratio	7
	102-40 List of stakeholder groups	6.2
	102-41 Collective bargaining agreements	6.3.1
	102-42 Identifying and selecting stakeholders	6.2
	102-43 Approach to stakeholder engagement	6.2 6.7.1
	102-44 Key topics and concerns raised	6.2
	102-45 Entities included in the consolidated financial statements	8.9.5
	102-46 Defining report content and topic Boundaries	1 4.2 6.1
	102-47 List of material topics	4.2
	102-50 Reporting period	14
	102-51 Date of the most recent report	The most recent report was the 2019 annual report.
	102-52 Reporting cycle	Annual
	102-53 Contact point for questions regarding the report	14
	102-54 Claims of reporting in accordance with the GRI Standards	4.2
	102-55 GRI content index	13
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Françoise Chombar, Managing Director

Annual report

This annual report has been compiled internally with the utmost care. If we have overlooked something or if you have any question regarding this report, please feel free to contact us via investor@melexis.com.

This annual report covers the period 1 January - 31 December 2020. You can find the financial report as of page 77.

The report has also been made compliant with the Belgian law of 3 September 2017 detailing the publication of non-financial information and information regarding diversity by certain large companies and groups. For this information, Melexis has been inspired by the Global Reporting Initiative Standards: Core option. We are committed to report on our sustainability efforts increasingly over the next few years. You can find the GRI content index on pages 142-145.

Design and layout

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MELEXIS NV

**Statutory auditor's report to the general shareholders'
meeting on the consolidated accounts for the year
ended 31 December 2020**

1 April 2021



STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF MELEXIS NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2020

We present to you our statutory auditor's report in the context of our statutory audit of the consolidated accounts of Melexis NV (the "Company") and its subsidiaries (jointly "the Group"). This report includes our report on the consolidated accounts, as well as the other legal and regulatory requirements. This forms part of an integrated whole and is indivisible.

We have been appointed as statutory auditor by the general meeting d.d. 12 May 2020, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended 31 December 2022. We have performed the statutory audit of the Company's consolidated accounts for 4 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 433.412.325 and a profit for the year of EUR 69.299.312.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing as approved by the IAASB which are applicable to the year-end and which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

We have obtained from the board of directors and Company officials the explanations and information necessary for performing our audit.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.



Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated accounts of the current period. These matters were addressed in the context of our audit of the consolidated accounts as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1) First key audit matter regarding fraud in revenue recognition

Description of the key audit matter

As is the case for many listed Companies, growth expectations in terms of revenues and period result are high which could result in pressure to meet ambitious targets: variable (executive) management reward and incentive schemes are based on achieving specific targets and, in our opinion, therefore may also place pressure to manipulate revenue recognition. The majority of the group's sales arrangements is generally straightforward, being on a point of sale basis and requiring little judgement to be exercised.

We consider this point as a key audit matter because there is a risk that management may override controls to intentionally misstate revenue transactions, either through the judgements made in estimating rebates, applying non-contractual price changes, recording fictitious revenue transactions or through intentionally increasing period-end sales to distributors, having a right of overstock return, to achieve the mentioned targets.

How our audit addressed the key audit matter

We assessed the Melexis revenue recognition policies and how they are applied, including the relevant controls, and tested controls over revenue recognition where appropriate. We discussed key contractual arrangements with management and obtained relevant documentation, including rebate arrangements. Where rebate arrangements exist, we obtained third-party confirmations or performed appropriate alternative procedures, including review of contracts and recalculation of rebates. We also performed an analysis over changes to prior period rebate estimates to challenge the assumptions made, including assessing the estimates for evidence of management bias.

As part of our overall revenue recognition testing, we used data analysis tools to test the correlation of revenue transactions to cash receipts for the complete set of sales throughout the year. We performed cut-off and sales price testing for a sample of revenue transactions around the period end date to check whether they were accurately recognised and recorded in the appropriate period. Other audit procedures are specifically designed to address the risk of management override of controls included journal entry testing, applying particular focus to the existence and timing of revenue transactions. Having performed these procedures, we did not identify exceptions that are significant to the financial statements as a whole.



2) Second key audit matter regarding tax positions

Description of the key audit matter

The global nature of Melexis operations, of which an overview can be found in section 8.9.4 of the notes to the consolidated financial statements, results in complexities in the payment of and accounting for income taxes: the group operates across 14 countries and is subject to periodic challenges by local tax authorities on a range of income tax matters during the normal course of business. Income tax legislation is open to different interpretations and the income tax treatment of some items is uncertain. Income tax audits can require several years to conclude and transfer pricing judgements may impact the group's income tax liability. Management applies judgement in assessing these income tax exposures in each jurisdiction, many of which require interpretation of local income tax laws. Given the complexities and the level of judgement involved, we consider this point as a key audit matter.

How our audit addressed the key audit matter

We obtained an understanding of the group's process for determining income tax provisions and calculating the income tax charge, and walked through management's controls over income tax reporting. The group audit team, including income tax specialists, evaluated the income tax positions taken by management, in each significant jurisdiction in the context of local income tax law, evaluated the correspondence with income tax authorities and the status of any income tax audits. We assessed the group's transfer pricing judgements, considering the way in which the group's business operate and the correspondence and agreements reached with tax authorities. We found the group's judgements in respect of the group's position on uncertain tax items and contingencies to be consistent and in line with our expectations.

3) Third key audit matter regarding claims and litigations

Description of the key audit matter

The semiconductor industry is characterized by claims alleging the infringement of patents and other intellectual property (IP) rights. The group might receive communications or claims from third parties asserting patents or other IP rights on certain technologies or processes used by the group. In the event any third party claim were to be valid, the group 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.

We consider this point as a key audit matter, the majority of the group's sales arrangements being within the Automotive market where service level agreements are very precise and strict, the group might receive claims from third parties for supply chain break-downs and / or delays directly or indirectly caused by the group as well as for undetected quality problems since, despite rigorous and extensive testing, some defects might only be discovered after a product has been installed and used by customers.



How our audit addressed the key audit matter

We assessed the Melexis policy for obtaining patent protections: however, there can be no certainty that patents will be issued for applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted thereunder will provide meaningful protection or other commercial advantage to the company. We confirmed that intellectual property, legal and quality risks are discussed on a regular basis within the Audit Committee. As part of our audit procedures, we have discussed positions with the group's legal department and collected and assessed written confirmations from the group's lawyers. We found the positions taken by the group to be sustained by appropriate evidence.

Responsibilities of the board of directors for the preparation of the consolidated accounts

The board of directors is responsible for the preparation of consolidated accounts that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium, and for such internal control as the board of directors determine is necessary to enable the preparation of consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated accounts, the board of directors is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the board of directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Statutory auditor's responsibilities for the audit of the consolidated accounts

Our objectives are to obtain reasonable assurance about whether the consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated accounts.

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium. A statutory audit does not provide any assurance as to the Group's future viability nor as to the efficiency or effectiveness of the board of directors' current or future business management at Group level. Our responsibilities in respect of the use of the going concern basis of accounting by the board of directors are described below.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;



- Obtain an understanding of internal control relevant to the audit 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 Group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors;
- Conclude on the appropriateness of the board of directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our statutory auditor's report to the related disclosures in the consolidated accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our statutory auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the consolidated accounts, including the disclosures, and whether the consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts, the non-financial information and the other information included in the annual report on the consolidated accounts.



Statutory auditor's responsibilities

In the context of our engagement and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, the non-financial information and the other information included in the annual report on the consolidated accounts and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report on the consolidated accounts

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts, this directors' report is consistent with the consolidated accounts for the year under audit and is prepared in accordance with article 3:32 of the Companies' and Associations' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing:

- Letter to our shareholders
- Who we are
- What we do
- What we stand for
- Our strategy
- Our sustainability report
- Our corporate governance
- Shareholder information
- Excerpts from the Melexis NV statutory
- Glossary
- List of used acronyms
- GRI content index
- About this report

is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 3:32, §2 of the Companies' and Associations' Code is included in the directors' report on the consolidated accounts. [The Company has prepared the non-financial information, based on the Global Reporting Initiative (GRI) framework. However, in accordance with article 3:80, §1, 5° of the Companies' and Associations' Code, we do *not* express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative (GRI) framework as disclosed in the consolidated accounts.



Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 3:65 of the Companies' and Associations' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Hasselt, 1 April 2021

The statutory auditor
PwC Reviseurs d'Entreprises SRL / PwC Bedrijfsrevisoren BV
represented by

Sofie Van Grieken

SOFIE VAN GRIEKEN
Réviseur d'Entreprises / Bedrijfsrevisor

Koen Vanstraelen

KOEN VANSTRAELEN
Réviseur d'Entreprises / Bedrijfsrevisor

Melexis



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