

Melexis

INSPIRED ENGINEERING



ANNUAL REPORT 2021





ON THE COVER: THE HONEY BEE

Thanks to its magnetic compass, the fascinating honey bee has the ability to perceive the omnipresent magnetic field (MF) of the Earth. Its magnetic field sensitivity matches this wonderful creature with our Triaxis® magnetic sensors.

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Dear Melexis shareholder,

As 2021 was a surprising year for all of us, we are sure you have plenty of questions you would like to ask the Melexis leadership team. So we decided to organize a double interview with Françoise Chombar, Chair of the Board, and Marc Biron, our new CEO, to give you more insight into our strategy and the highlights of 2021.

Marc, Françoise, welcome to the both of you. 2021 was obviously a year of transition for Melexis. Marc became CEO and Françoise is the new Chair of the Board. What was your experience during this change in leadership? Did you notice a difference in approach or impact?

Françoise: Well, the CEO transition from myself to Marc was in fact very smooth. Of course there is a difference. There should be. Marc is a different person, but our mission, our strategy as a whole and our values are still the same. It's good to have new leadership from time to time as this ensures a new boost. That was exactly one of the intentions of the swap. In my perception the transition is a success. But maybe we have to ask other people (laughs).

Marc: I have the same impression. Françoise and I prepared the transition well. The goal is to keep the same strategy: an evolution, not a revolution. Of course, the change of leadership triggered some slight modifications in policy.

Françoise, what is the main objective of the Chair of the Board? How different is the impact you can make compared to being a CEO?

Françoise: Well, a CEO is of course extremely operational. As CEO you have to make sure that everything runs smoothly. As Chair, I can take the helicopter view from a distance. I make time to be a sounding board for the CEO and I'm still an ambassador of Melexis to the outside world. I think it's a way to grow and expand my focus while still helping to guide the company.

“Our strategic choices from the past are paying off”

Marc, in your opinion, what were the commercial highlights in 2021, which we know was a record year for Melexis?

Marc: The COVID-19 pandemic and the chip shortage gave us a strong headwind, but we still achieved great business success in 2021. It is a confirmation that all our strategic decisions of the past were the correct ones. For example our success in applications for electrification of vehicles. We had many design wins and considerable revenue growth in the field of current sensors which monitor the state of the battery. The same goes for current sensors which optimize the performance of the DC/DC converter. Other successes were realized in the field of thermal management of electric vehicles.

“ Both in automotive and adjacent markets we reach our goals of **contributing to a better planet** ”



These systems require a lot of chips like embedded drivers and position sensors. In anticipation of the electrification trend, we developed these products and were ready for the market shift. Now we see this strategic choice is paying off.

Some years ago Françoise also set course for the development of solutions for what we call the adjacent market (non-automotive). Here we have seen successes with temperature sensors for health monitoring. Our position sensors have also done well in the gaming industry and latch and switch solutions have been incorporated into power tools. So also in this area, the organization is delivering according to the strategic intent.

A record year is without any doubt reason for pride. But we can imagine that this influences the goals set by the Board of Directors.

Françoise: When you are successful, you should not lower your goals. You should, based on actual knowledge, determine how to leverage the realized successes. You have to maintain a balance between sustainable growth and keeping the corporate values alive during that continued strive for success. Living the values is still a condition sine qua non because they are the root of our growth. What's especially nice for me to see is that in both automotive and adjacent markets we reach our goals of contributing to a better planet.

Marc, what would be the most satisfying goal for you to see Melexis achieve by January 2023?

Marc: We have some challenges ahead and we should continue to manage them. The first challenge is the chip shortage. This will remain a tough situation well into 2022. The huge demand for electronics will only intensify, which is of course good for Melexis. The digitalization of the world is a big demand driver. To manage the supply we are upscaling capacity in-house and at our suppliers, obviously in close

cooperation with them. We've got sufficient new business opportunities to match the capacity as it gets built.

“Chips are not a commodity”

How do you combine these two? Managing a supply shortage while creating new business seems contradictory?

Marc: It's indeed difficult to find the right balance. We have an existing business where we need to deliver at least the minimum of what the market demands. But we also need to increase our footprint in the car of tomorrow. We won't let competitors take our place there. How do we do this? By working from day to day with our suppliers so we can optimize the throughput in such a way that part of the new supply can go to the new markets. This is not easy but many people within Melexis are dedicated to this challenge. The mismatch between the supply and the demand is also an opportunity to select the businesses that fit our values and our strategic intents.

Françoise: I've been in semiconductors for more than 35 years. It's the first time ever that I see customers and car manufacturers being open to long-term commitments. They used to treat chips like commodities. Now they have discovered the truth: chips are not a commodity. It takes quite a bit of time to make them, even more time to qualify them and surely a lot of time to set up the right capacity. The mind shift towards long-term cooperation is really a major game changer. People dealing with customers have to realize that they shouldn't stop booking new business. Because by the time the new customers will need their products, we will be able to deliver. In that sense this chip shortage is an opportunity for us. We have to take advantage of this mind shift right now. The momentum is there.

Is this mind shift and intensified cooperation within the supply chain something that will last beyond the supply crunch?

Françoise: Like Marc mentioned, the digitalization of the world is leading to chips being ubiquitous. You hear IT evangelists preaching about data being the new gold. But without chips there are no data, so chips are the new gold. You need sensors to capture data, you need digital computing power to process data and these data need to be converted to action in the real world. That's where our drivers come in. So we are in a fantastic era and market. It's fascinating to see new applications, robotization and automation taking off with the help of our solutions. Everything needs to interact with the real world.

Marc: It's sensing and driving.

Françoise: Indeed. So we are in a perfect setting. The overall strategy from the last couple of years is now blossoming into beautiful results. This is not something achieved only by management, everyone in the company contributed. This journey towards success will continue well into the future.

The strategic choices were already made a long time ago.

Marc, can you explain what the vision, mission and strategy look like?

Marc: We will keep fine-tuning the strategy to integrate new opportunities as they arise, but the basics still hold: Melexis ICs and people shape our future. Our mission is to develop and produce solutions that are beneficial for people and the planet. Our electronics minimize fuel consumption and thus reduce CO₂ emissions. But we look further. We also want solutions that have a positive impact on people. In automotive that means increasing comfort and safety. Outside automotive we aim for added value in robotics, health monitoring, computing, gaming, alternative mobility and a net zero carbon world.

“Robotics that make sense”

You mentioned robotics. There is a catch phrase about 'robotics that make sense'. What is that innovation all about?

Marc: It's about giving robots the sense of touch. Our working prototype will be a game changer in the field of robotics. Robots already have a lot of functionality: vision, interpretation of signals, movement and interaction. But the sense of touch is still missing. Within Melexis we have the right competency to give robots a real sense of touch. In a

pilot we succeeded to do so. During the next months we will further elaborate this beyond only delivering a chip. It will be a complete solution so this system can be integrated directly in the hand of the robot.

All these innovations and recent commercial successes imply the need for more colleagues while at the same time other companies are also looking for identical highly-skilled candidates. How does Melexis deal with that?

Marc: We need to test, ship and supply more products. Thus we need more people to support this growing business. We also need more capacity in development as we intend to keep innovating. In previous years we launched between 10 and 15 new products each year. In 2021 we launched 16 new products. As we continue to increase the number of product launches, we also need to increase the number of colleagues to support them. We recruit not only for today's growth, but also to secure our ongoing success well into the future. As we grow it is our goal to keep the cost of employment relatively constant in relation to our revenue.

“A job of and for the future”

How do COVID-19 and the fact that a lot of companies are looking for the same profiles influence the recruitment?

Marc: This is indeed one of our two biggest challenges. While the first priority is still coming to grips with the chip shortage, the talent shortage is also a significant challenge. One that we have faced in the past. To meet this challenge we have a strategic team that constantly finds new ways to communicate the attractiveness of Melexis as an employer of choice.

So why would people choose Melexis as an employer?

Marc: Melexis is a dynamic, expanding company that focuses on developing products to support the needs of the planet while providing solutions that meet the expectations of society. Our mission is to contribute to sustainability, comfort and safety. I'm convinced this message resonates with people. Who wouldn't like to be part of a growing company that creates a better future? There are a lot of opportunities to grow and to learn. Growing financially is one thing, but experiencing growth in expertise is really a satisfying experience. People in Melexis have a job of and for the future.

Françoise: I fully agree and want to add two more things from my helicopter view. Melexis was a pioneer of corporate

values in the nineties. Even before anyone was talking about values, we had them and we were living them, so it's deeply ingrained in our legacy and history. A second aspect is the diversity within our company. We are gender neutral and diversity is in our DNA. Other companies are talking about it and are trying to launch programs to implement diversity, equity and inclusion. But at Melexis this is not even an issue anymore. We don't have that challenge. At all. Diversity is embossed on our identity and way of working. While this is well known within Melexis, our challenge is to make sure that the outside world also knows it. Whatever you are, wherever you come from, whatever you believe, whatever preferences you have.... When you are part of this team, it means that you have something to offer, that you have competencies we want. That makes you part of the game. Other companies are jealous of the inclusive mindset within Melexis. We need to foster that advantage and we work on it every day. Let's carry this message to the outside world.

Marc: We also have a very modern way of working. When the lockdown started, our colleagues were able to work from home from day one. Everything was already in place. We trust our people's ability to make autonomous decisions within the clarity of a framework. And we see how people appreciate it. We believe people know best for themselves how, where and when they should work to get the best results.

**“Trust and autonomy is what we give,
results are what we get”**

The hybrid working model was indeed incorporated very smoothly. It almost seemed effortless. Françoise, in your position you are in contact with a lot of other companies. How do we perform? Is Melexis unique in this approach?

Françoise: I believe we are leaders in the pack. The transition was indeed seamless. What sets us apart is that we care how people feel. We ask, listen, measure and provide help. Working from home and how you experience it varies from person to person. It's important to personalize the approach. The main difference between Melexis and many other companies is that we trust our people. Why change that? Trust and autonomy is what we give. Results are what we get. It goes both ways: everybody is happy. The company, team and individual all benefit from this.

In the fight against COVID-19 we see that different countries have their own set of regulations. How does Melexis deal with that? Do you limit yourself to following national legislation at each site? Or do you have special Melexis regulations as well?

Marc: For sure we follow the legislation of all countries. Furthermore, at the beginning of this pandemic, we assembled a multidisciplinary team within Melexis to monitor the situation. They focus on communication and define the right measures for each country. Every site has a different mission, such as production or development. So they need a different approach as well. One of our values is 'We Care'. We care about our people and about our customers. Our people need to be and feel safe. At the same time we must be able to provide our customers with the products they need. The multidisciplinary team strives to strike the right balance between the two.

**“Making people understand
how essential semiconductors are”**

Françoise, you have always been an outspoken STEM* ambassador. How will this evolve in your new role as Chair?

Françoise: It will never move out of the spotlight. I'm a lifelong STEMist and advocate for diversity. I'm President of the STEM platform in Flanders. Now that I'm no longer operationally occupied as CEO, I can spend more time on these topics. I'm a member of the executive board of the EU Pact for Skills for semiconductors. The EU realizes there is a giant need for talent, upskilling and reskilling. More students with a STEM curriculum are needed.

Membership of these STEM fora allows me to amplify my influence on a broader European scale. We connect with organizations outside of Europe. We gather a lot of knowledge on diversity, equity and inclusion. This helps to increase interest in STEM education. We already see an increased choice for STEM in Flanders. Sometimes we even exceed our targets. My target is an equal presence of men and women in STEM. In some areas we are getting there.

What I consider essential as well is helping people understand how essential semiconductors are for the future of the planet and our well-being. They are so hidden within applications that nobody knows or sees them. As an industry we have to bring that forward. People know what doctors do, but they have no clue of the work done by semiconductor engineers

* Science, technology, engineering and mathematics

and specialists to give doctors the possibility to do their job. There is also a need to brand our industry and to communicate how essential it is for all mankind. When children realize the important role this technology plays in our world, they will be more likely to choose a STEM education. I think it's vital for Melexis to be part of this ongoing dialogue.

During this conversation you mentioned the corporate values several times. How do these values impact our customers?

Marc: We care, we always have a plan, we know the value of money, we are always on the customer's side and we enjoy the journey towards success. These values remain relevant and essential. We decided to start a campaign to see how people live the values. It's important everybody understands what they mean so we all have the same mindset. With the same mindset we will be able to make faster and smarter decisions, working together in harmony and consistency. This will result in better communication and collaboration with our customers.

“Sustainability is in our DNA”

At the moment everybody is dealing with challenge number one: how to live through and with the virus. When this crisis is over, without a doubt sustainability will be the most important societal topic. How is Melexis dealing with sustainability? What are our plans to create the best imaginable future for ourselves, our company and society?

Françoise: Sustainability is embedded in the larger ESG (Environmental Social Governance) requirements which are also matters that the Board addresses. So I'm also very much involved in this topic. This is not new for us. We've been

addressing sustainability since the beginning of Melexis and it has only increased in relevance. As ESG will garner more attention, the spotlight shines not only on environmental issues but also on governance and social topics. We don't have a lot of difficulties with the social requirements, they really are in our genes and embedded in our value system. We had previously done a lot of work in support of environmental issues, but now need to formalize our efforts.

Marc: It's important to realize that this is in our mission: we contribute to a more sustainable planet. For a decade we have developed solutions that reduce energy and fuel consumption, lowering greenhouse gas emissions. We have significantly contributed to the electrification of the car. From a product and mission perspective, sustainability is in our DNA. But that's not enough. We have a strategic team tracking our CO₂ footprint. They define action plans to further reduce it. As soon as the targets are defined we will communicate them to the whole company. It's one of our main goals for 2022.

Françoise: This will help us achieve the Sustainable Development Goals (SDGs) of the United Nations. There is a lot of work to do. But we already did and do a lot. We are continuously working toward making our new facilities more climate friendly using techniques like heat recuperation. We just need to formalize and communicate all our initiatives.

Thank you both for the insights. One final question. Marc, could you summarize 2021 in one sentence? Françoise, can you do the same for 2022?

Marc: 2021 was the year of great challenges concluded with great success thanks to the contribution of all Melexians.

Françoise: 2022 is the start of a fascinating future, definitely for Melexis!



A NEW CAPTAIN AT THE HELM

Big news on 3 February: Melexis appointed a new CEO. In August 2021, Marc Biron took over the position from Françoise Chombar who, in turn, became Chair of the Board. Mr. Biron joined Melexis in 1997 at the age of 27 and has built up extensive experience in the automotive industry. From 2009 to 2017 he was VP Global Development & Quality and in 2018 he became general manager of the Sense & Drive business unit. Mr. Biron has been a member of the Executive Management team since 2010.



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



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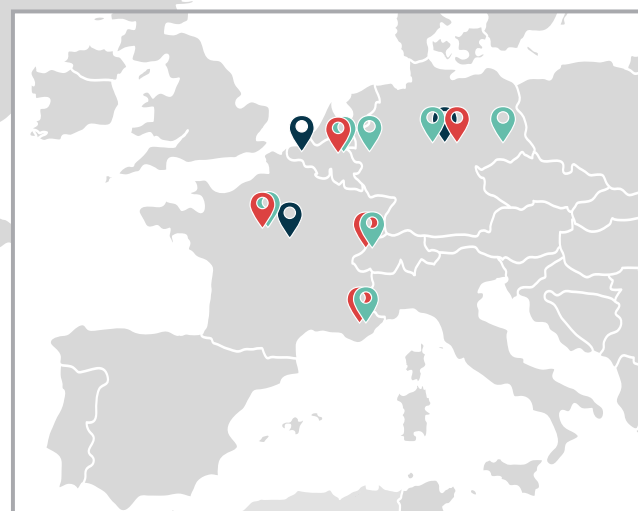
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CHINA

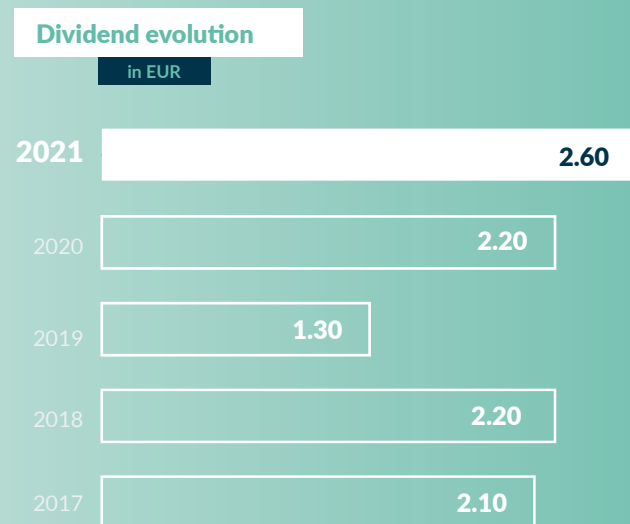
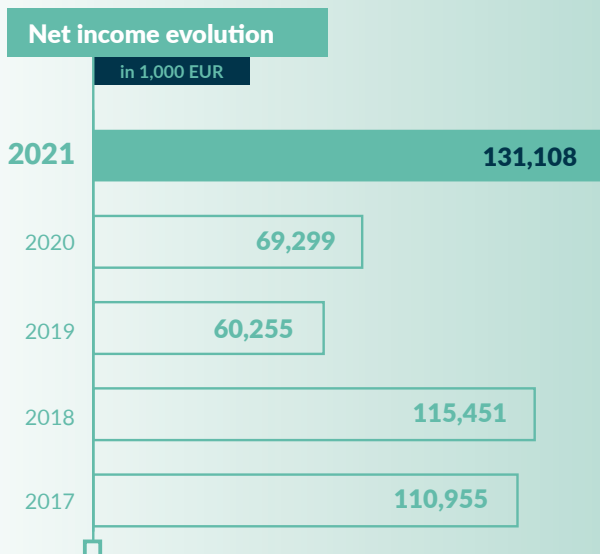
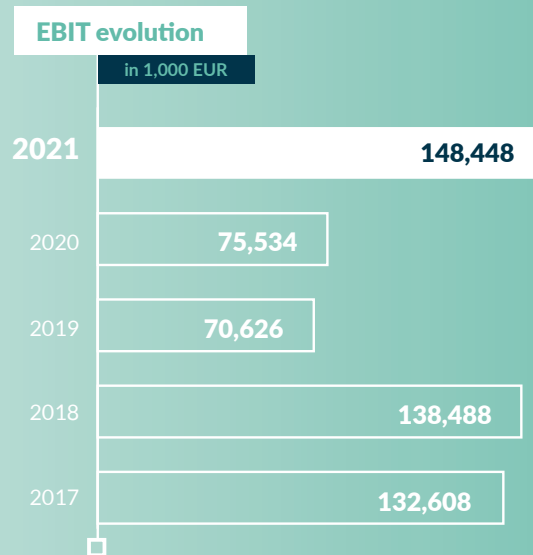
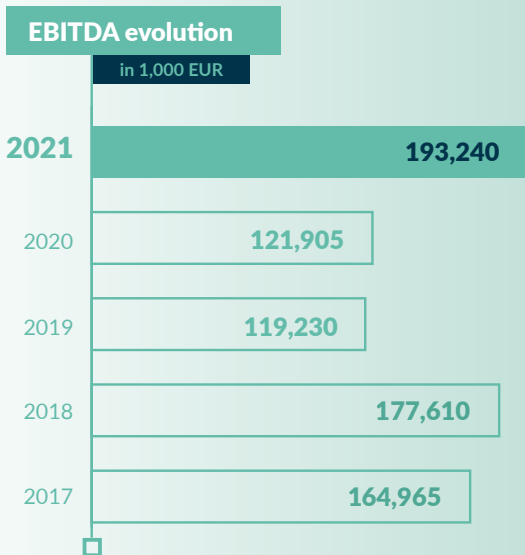
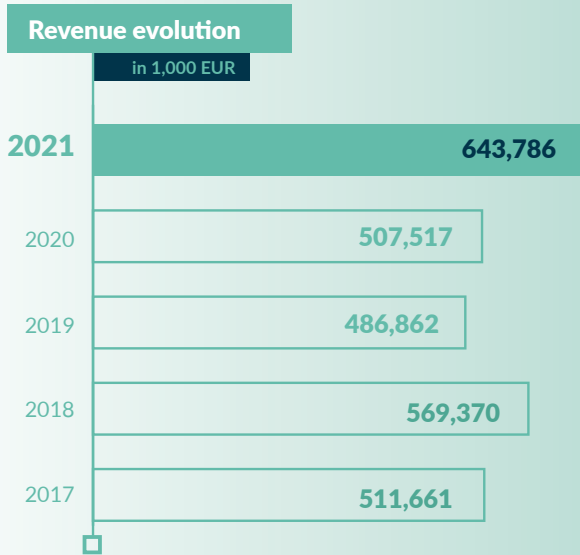
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Room 607, Building B, SOHO FuXing Plaza,
No. 277 DanShui Road, HuangPu District,
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2.3 OUR KEY FIGURES

in 1,000 EUR

Operating results	2017	2018	2019	2020	2021
Revenue	511,661	569,370	486,862	507,517	643,786
Gross profit	235,396	261,136	196,234	197,988	273,601
EBIT	132,608	138,488	70,626	75,534	148,448
EBITDA	164,965	177,610	119,230	121,905	193,240
Net income	110,955	115,451	60,255	69,299	131,108
Balance structure	2017	2018	2019	2020	2021
Shareholders' equity	294,303	326,006	299,070	314,776	389,056
Net indebtedness*	(60,798)	418	23,150	6,627	(40,680)
Working capital	84,633	139,128	146,127	151,587	179,062
Cash flow and capital expenditure	2017	2018	2019	2020	2021
Net cash from operating activities	113,306	99,079	94,400	95,761	142,232
Depreciation + amortization	32,357	39,122	48,604	46,372	44,792
Capital expenditure	46,417	76,296	26,632	24,835	39,088
Ratios	2017	2018	2019	2020	2021
ROE	38%	35%	20%	22%	34%
Liquidity	2.5	3.5	4.4	4.9	4.2
Solvency	73%	76%	71%	73%	84%

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



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
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



PROUD OF OUR DIPLOMATIC RECOGNITION

In October 2021, our Chinese colleagues were honored to receive the Belgian ambassador, Jan Hoogmartens, in their office in Shanghai. During the visit Melexis engineers introduced him to our company and technology. Mr. Hoogmartens was accompanied by consuls Bart Boschmans, Frederic Van Kerrebroeck and Peter Tanghe. Furthermore, our American colleagues welcomed Wim

Sohier from the Belgian Consulate during the Sensors Converge event in San Jose. Our colleagues in Malaysia received a diplomatic visitor as well, when the Belgian ambassador Pascal H. Grégoire was guided around our offices in Kuching. The diplomatic recognition proves Melexis is making a difference to create the best imaginable future.

3.1 WE DEVELOP CHIPS

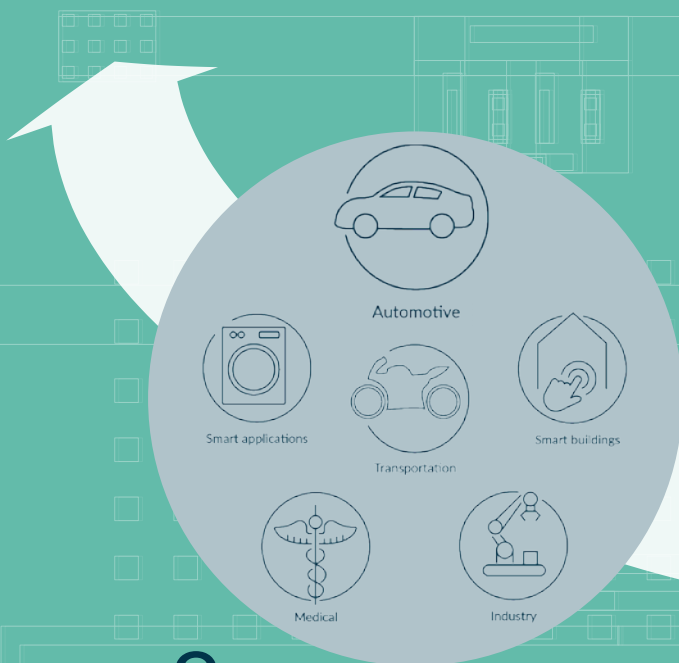
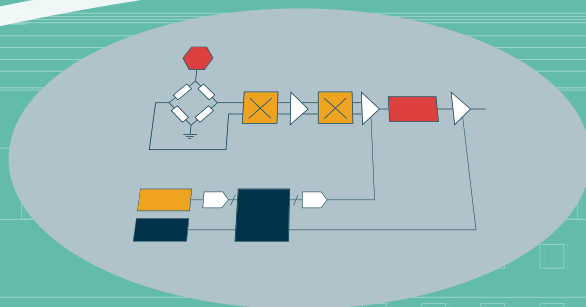
1. DEFINE THE CHIP

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.

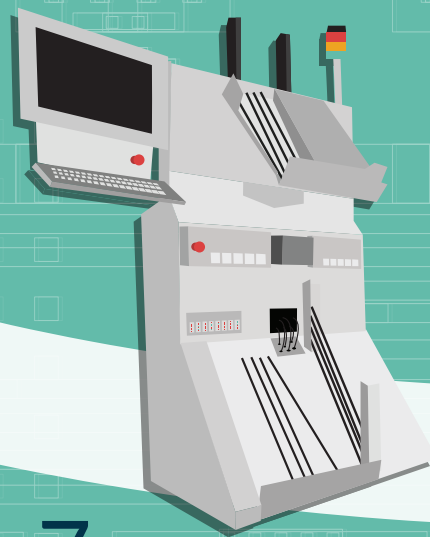


8. CHIPS ARE EVERYWHERE

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.



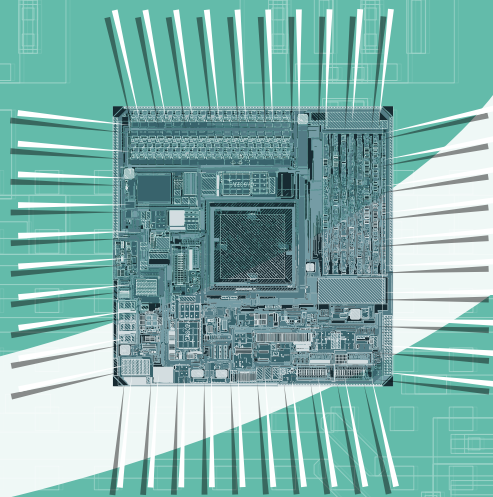
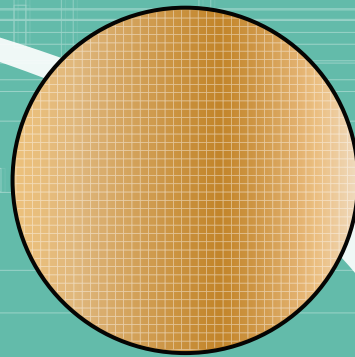
3. LAYOUT OF THE CHIP

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.

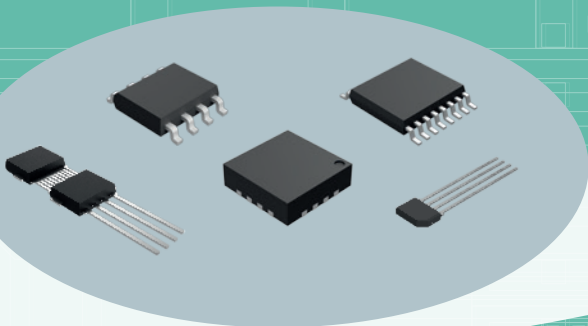


5. TESTING OF THE WAFERS

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

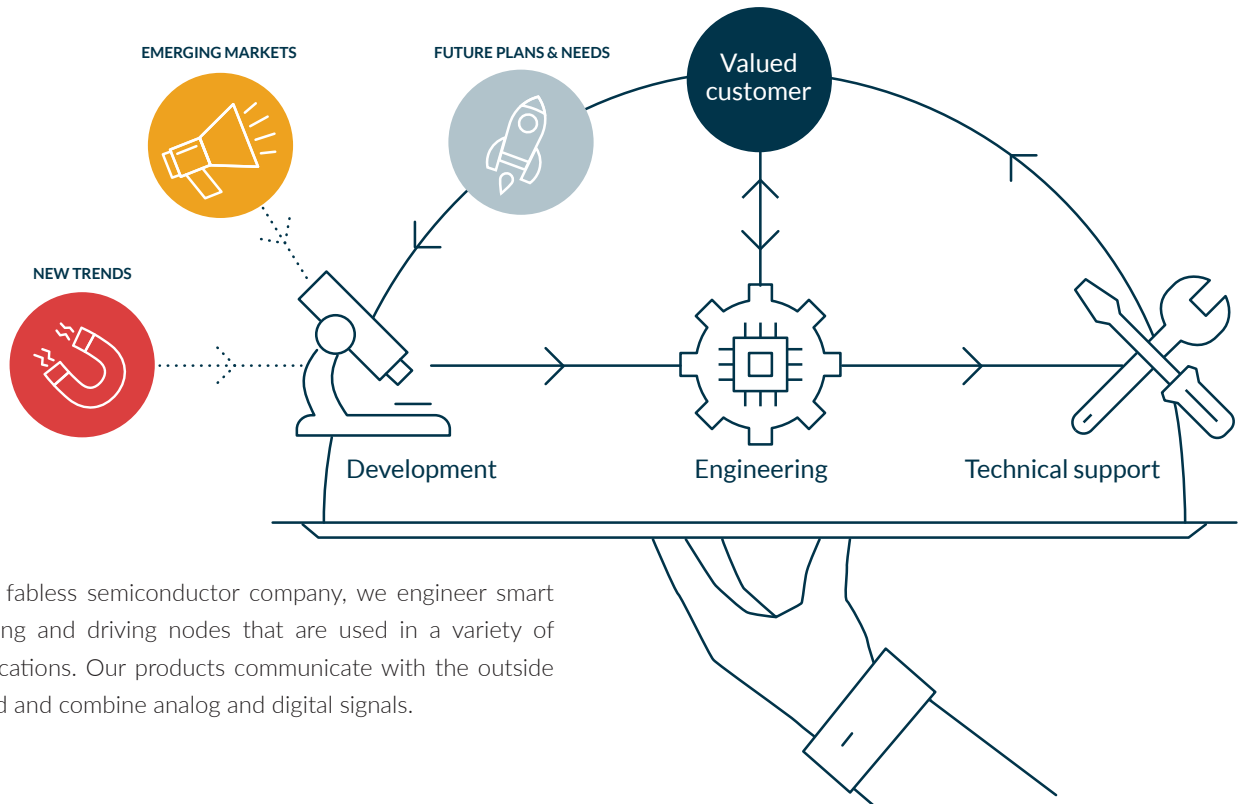
6. PACKAGING OF THE CHIP

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.



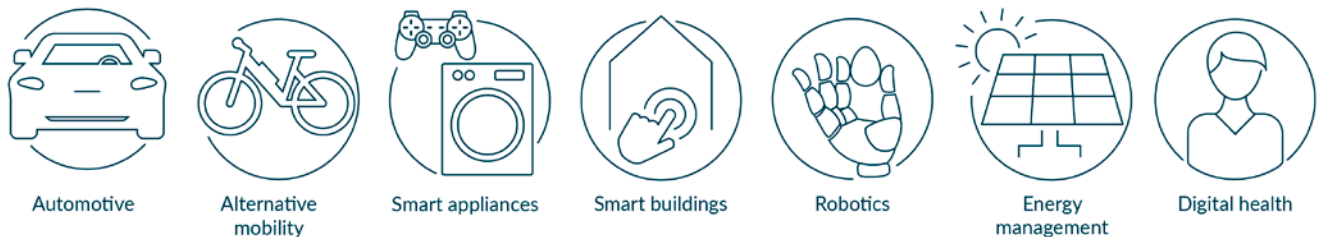
3.2 WE INNOVATE FOR OUR CUSTOMERS

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

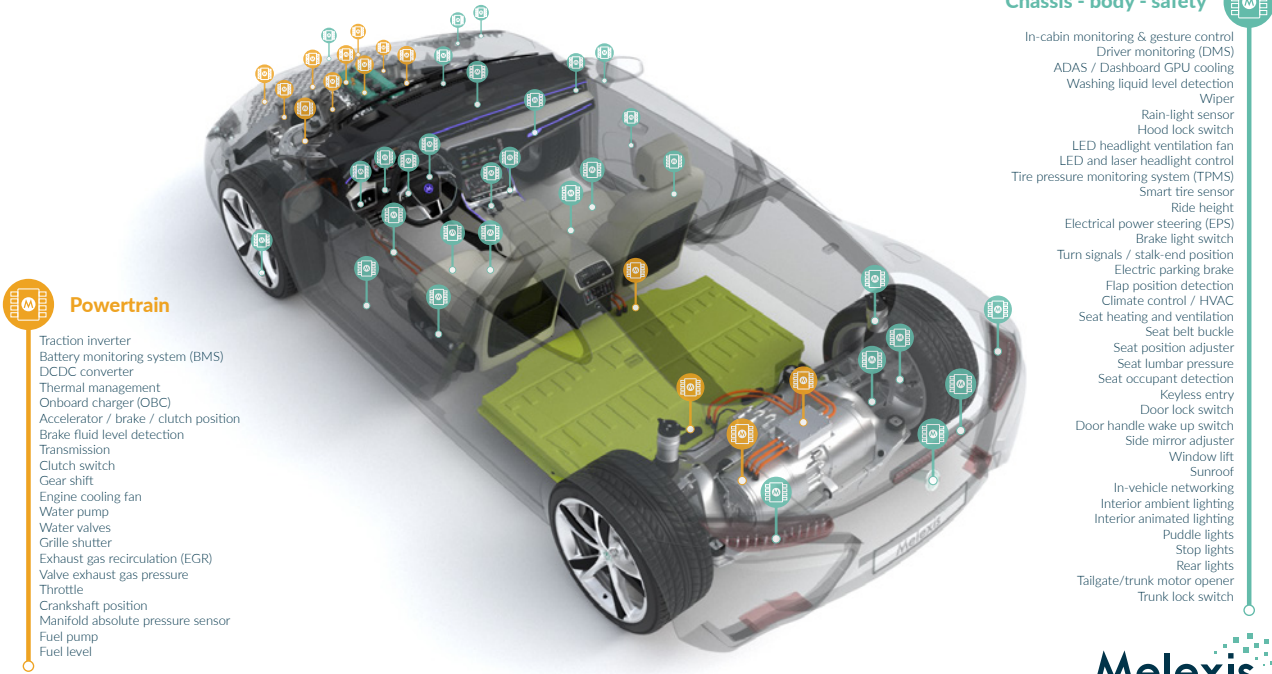


Melexis operates mainly in the semiconductor market for cars, a market that has a solid foundation and exciting growth opportunities. However, we continuously build on our knowledge and experience and are expanding our scope to include new applications, new markets and new sectors, including micromobility,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

3.3 WE CATER TO MANY DIFFERENT MARKETS



18 chips in every new car



- Powertrain**
- Traction inverter
 - Battery monitoring system (BMS)
 - DCDC converter
 - Thermal management
 - Onboard charger (OBC)
 - Accelerator / brake / clutch position
 - Brake fluid level detection
 - Transmission
 - Clutch switch
 - Gear shift
 - Engine cooling fan
 - Water pump
 - Water valves
 - Grille shutter
 - Exhaust gas recirculation (EGR)
 - Valve exhaust gas pressure
 - Throttle
 - Crankshaft position
 - Manifold absolute pressure sensor
 - Fuel pump
 - Fuel level

- Chassis - body - safety**
- In-cabin monitoring & gesture control
 - Driver monitoring (DMS)
 - ADAS / Dashboard GPU cooling
 - Washing liquid level detection
 - Wiper
 - Rain-light sensor
 - Hood lock switch
 - LED headlight ventilation fan
 - LED and laser headlight control
 - Tire pressure monitoring system (TPMS)
 - Smart tire sensor
 - Ride height
 - Electrical power steering (EPS)
 - Brake light switch
 - Turn signals / stalk-end position
 - Electric parking brake
 - Flap position detection
 - Climate control / HVAC
 - Seat heating and ventilation
 - Seat belt buckle
 - Seat position adjuster
 - Seat lumbar pressure
 - Seat occupant detection
 - Keyless entry
 - Door lock switch
 - Door handle wake up switch
 - Side mirror adjuster
 - Window lift
 - Sunroof
 - In-vehicle networking
 - Interior ambient lighting
 - Interior animated lighting
 - Puddle lights
 - Stop lights
 - Rear lights
 - Tailgate/trunk motor opener
 - Trunk lock switch



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

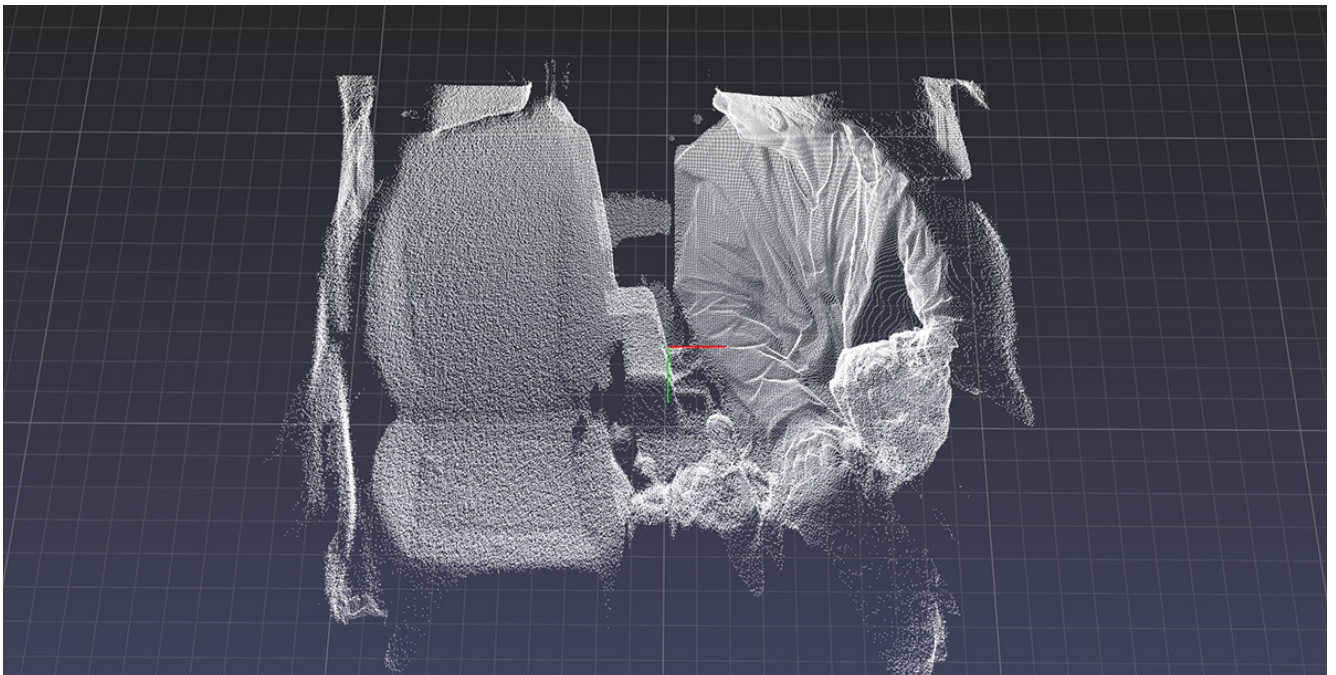
Melexis products stand out from those of competing manufacturers because of our intrinsic capacity to integrate detection, processing, activation and communication into one single chip. This smart integration is increasingly critical in delivering optimal solutions that simplify complex electronic designs.

Our products are invariably found on the edge of innumerable applications. They either take an analog signal from the physical environment and convert it to a digital signal, as we do with our smart sensors, or they 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. In fact, most of our products use mixed signals, as they combine analog and digital signals.

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.



SPREADING TECHNOLOGICAL KNOWLEDGE

Melexis employees have extensive knowledge and competencies which are not only beneficial for our company. Sharing this knowledge outside the company increases traction for innovation and new technologies. A nice

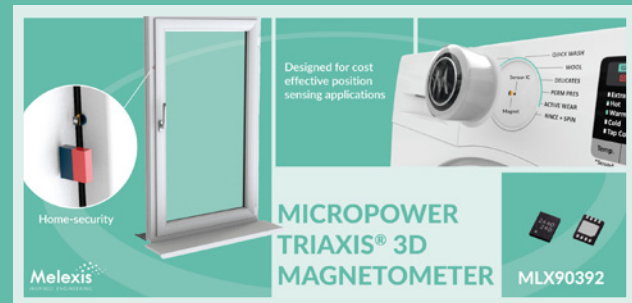
example of this sharing mindset is the white paper about vertical-cavity surface-emitting lasers or VCSELs used in IR illumination (www.melexis.com/tech-talks/in-cabin-ir-illumination-for-time-of-flight-applications).

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.

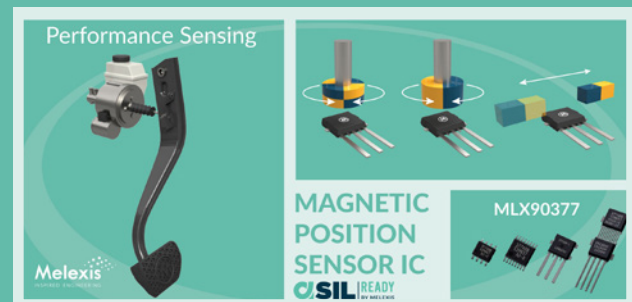
MLX90392

Melexis is known for its automotive solutions. However, due to their proven quality, our products find their way onto other markets as well. That is why Melexis launched the MLX90392 on 6 May. It brings patented Triaxis® Hall magnetic-sensing technology to cost-conscious white goods, smart metering, gaming and home-security sectors.



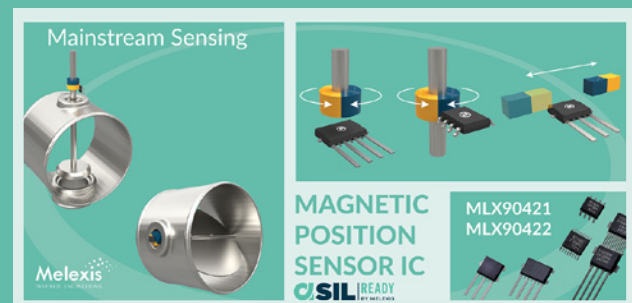
MLX90377

On 27 May, Melexis launched its new MLX90377. This flexible magnetic position sensor IC is ideal for high-performance automotive applications. It senses three axes (i.e. X, Y, Z) from a magnet to measure rotary or linear motion. The single-mold package (SMP) improves PCB-less integration and manufacturing costs.



MLX90421 AND MLX90422

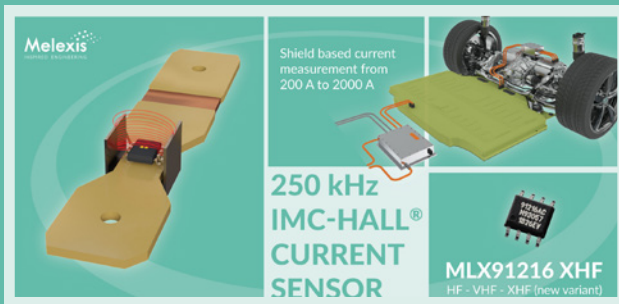
Melexis launched the MLX90421 and MLX90422 on 10 June. These ISO 26262 programmable solutions offer the flexibility to address both linear and rotary position sensing. Intended for use in cost-sensitive automotive applications including powertrain actuators, pedal positioning, fuel level gauges and transmission systems, these ICs have superior capabilities in terms of functional safety and electromagnetic compliance (EMC) characteristics. They also support heightened temperature operation.



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 more widely 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



MLX91216 XHF

Our first product launch of 2021 was the expansion of the IMC-Hall® current sensor IC portfolio with the MLX91216 XHF. This new variant, launched on 28 January, extends the measuring capability beyond 2000 A and is suitable for redundant monitoring of battery management systems. The IC enables smaller assemblies with surface mount package solutions. This avoids the use of more complex through-hole packages that often require specific lead bending and forming that are native to core-based solutions.



MLX91218 AND MLX91219

Melexis unveiled its new automotive 200-2000 A current sensors on 24 June. The MLX91218 and MLX91219 with integrated overcurrent detection deliver enhanced accuracy for managing high-speed applications such as motor control, inverters and converters, but also redundant monitoring of battery management systems (BMS). The advantages they deliver include increased resolution, optional 3.3 V or 5 V operation and integrated overcurrent detection circuitry.

FREE ONLINE MAGNETIC SIMULATOR LAUNCHED

Melexis is more than products. On 1 July we launched our Magnetic Simulator, a free online simulation tool for magnetic position sensor design with fast results, high accuracy and configurability, covering linear and rotary modes of operation. By using the simulation application, engineers can quickly design a custom magnetic sensor module to their own specification.



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.

MELEXIS DEVELOPMENT KITS

On 7 December, Melexis introduced its latest development kits (DVKs) for current sensor IC evaluation. These DVKs give engineers a real preview of each IC's features in their own design. At the same time, they optimize the investment and resource allocation. The new DVKs provide engineers with designing systems that make life easier. The hassle of building your own setup, sourcing material from different suppliers, is finally over. By using these DVKs and the various devices included, engineers can quickly and comfortably assess their systems' operational parameters. They can then select the ideal current sensor from the Melexis portfolio for their specific requirements. This leads to better-realized design concepts and a faster time-to-market.



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.

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 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 microactuators 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.

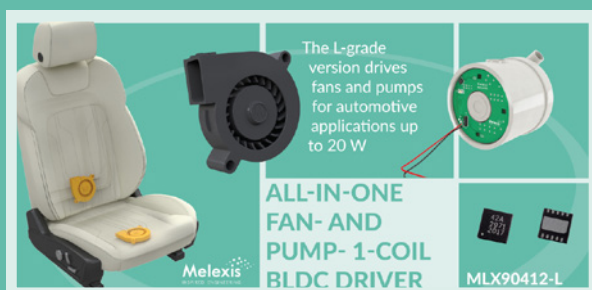
MLX81340 AND MLX81344

At the beginning of December, Melexis launched LIN BLDC-motor pre-drivers that combine small size with high performance and power capability for automotive mechatronic applications. The MLX81340 (with 32 KB Flash) and MLX81344 (with 64 KB Flash) integrate three channels of high-side and low-side drivers. Our family of LIN drivers allows customers to achieve a tailored solution for applications from below 10 W up to 1000 W. They control external NFETs with up to 60 nC capacitance to handle applications up to 500 W. The drivers leverage single-chip integration that saves space, simplifies design and enhances reliability.



MLX90412-L

On 18 March, Melexis launched the MLX90412-L. This all-in-one single-coil fan and pump driver IC offers unprecedented acoustic noise and vibration performance. That makes it a cost-effective alternative for applications which were previously exclusively considered for more expensive 3-phase solutions. MLX90412-L is suitable for air pumps, water pumps, axial fans and radial and cross-blower applications.



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.

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

MLX90411GLW

As operating lifetime is a key requirement, on 28 October, Melexis launched the MLX90412GLW. The latest version of this 2.2 A automotive-qualified pump and fan driver IC is optimized to deal with high ambient temperature levels and supports prolonged operational lifespans. This goes up to 15,000 hours of EV applications such as battery cooling. With the MLX90412GLW, pump manufacturers can offer a complete portfolio of water pump solutions. Its high degree of integration requires a much smaller number of external components than in traditional solutions that are currently available on the market.



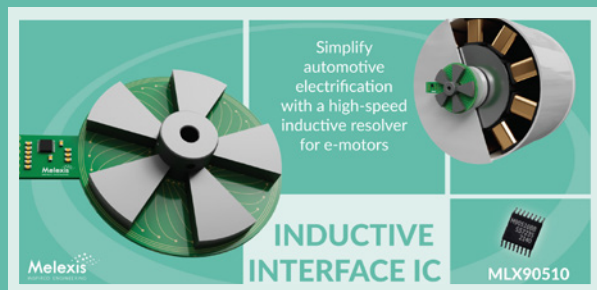
sensing IC solutions for more than a decade. Our ASSP product family strategy includes analog and digital output versions, specifically designed to address the challenges of e-machine, e-brake booster and electrical power steering types of applications.

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 harsh, demanding automotive environments.

MLX90510

On 16 December, Melexis presented a new inductive sensing IC that is intrinsically immune to stray magnetic fields. The MLX90510 inductive interface IC enables high-speed resolvers minimizing the ECU effort required to get best-in-class accuracy under extreme mechanical and electrical conditions. With its superior EMC capabilities, the MLX90510 is perfect for e-motor control, e-brake booster and e-power steering applications. An efficient electric powertrain requires the synchronization of the stator supply currents with the rotor position. This leads to optimal efficiency and torque characteristic control. Thanks to the digital architecture and rugged design, automotive engineers take full advantage of the MLX90510 EMC robustness with minimal effort on the ECU side, resulting in module cost reduction.



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 radiofrequency transmitter circuits are combined with a low power microcontroller in a single tiny form factor.

Embedded lighting ICs

Our LIN-based RGB LED drivers enable sophisticated yet cost-effective ambient lighting for vehicles from entry-level to mid-range and 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.



MLX81117

Car manufacturers are increasingly using LED lighting to optimize their customer experience. To support them, Melexis launched the MLX81117 multi-channel RGB-LED driver for MeLiBu™ Lighting on 25 March. MLX81117 is the next member of the Melexis Lighting IC family to support the MeLiBu™ high-speed communication interface, enabling automotive OEMs to deliver enhanced features in new models.

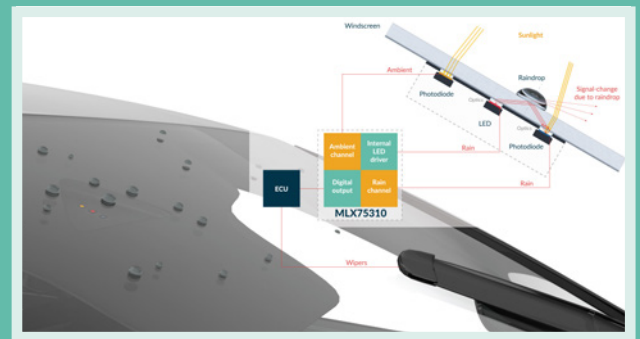
Optical sensor ICs and time-of-flight (ToF)

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 positions, 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

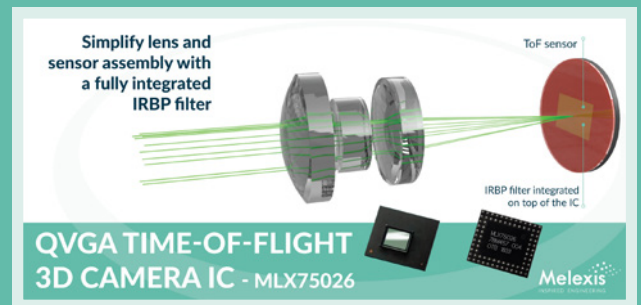
MLX75310

On 18 February, Melexis introduced the MLX75310, a second-generation rain-light sensor interface chip including an integrated LED driver. The IC provides various auxiliary circuit functions to support the main mission of the rain-light sensor.



MLX75026

On 15 September, Melexis launched a new version of its time-of-flight 3D camera MLX75026 with a fully integrated infrared bandpass (IRBP) filter. By integrating the IRBP filter, it is no longer required to include a separate IR filter in the lens or sensor assembly. This solution is unique in the industry. It reduces design complexity and cost, while creating more design choice when sourcing a lens.



EVK75026 AND EVK75027

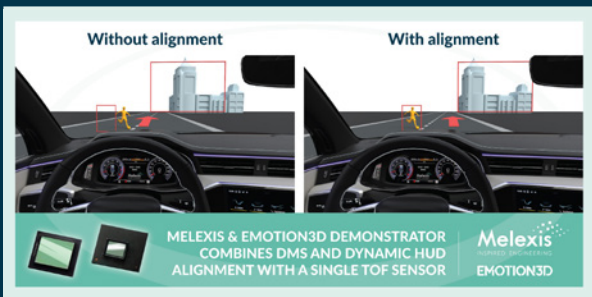
On 6 December, Melexis released its latest time-of-flight evaluation platforms, the EVK75026 and the EVK75027. The MLX75026 (QVGA) and MLX75027 (VGA) enable real-time 3D imaging at (Q)VGA resolution with unsurpassed accuracy and sunlight robustness.



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.

PARTNERSHIPS BOOST INNOVATION

If you want to go fast, go alone. If you want to go far, go together. Melexis does not operate on an island. We regularly form partnerships with other companies, allowing us to take our innovations to the next level. On 4 March, Chronoptics and Melexis signed a partnership, allowing Melexis the exclusive use of Chronoptics' multipath and linearity error correction technologies for automotive applications. This further optimizes our time-of-flight (ToF) technology. Another partnership with Emotion3D allows Melexis to offer a unique 3D ToF demonstrator. The solution combines the driver monitoring system with high-precision 3D driver localization and dynamically aligns augmented reality head-up display objects. Finally, Melexis also partnered with MultiCoreWare who will use our ToF software for facial authentication.



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.

TRADE FAIRS AND WEBINARS

Although 2021 was a year heavily affected by COVID-19, Melexis kept reaching out to its clients. Online when necessary, in real life if possible. In January we attended CES in Las Vegas, one of the biggest tech events in the United States. Another live event was Sensors Converge, organized in September in San Jose. In Europe we attended CEE Automotive in Budapest and were digitally present at SIA Powertrain & Power Electronics. Furthermore, we organized a webinar about skin thermometry which was followed by more than 50 high-level prospects. Our Asian colleagues met with live public at DMS Tech and Electronica China in Shanghai, while also being digitally present at the online Automotive Engineering Exposition 2021.



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 the 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.

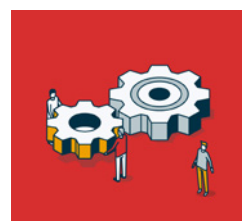
We care for the planet too. We are acutely aware of the increasing worldwide concern for safety and sustainability, two areas in which we have been active for many years. From sensors and sensor interfaces to embedded and smart drivers, we are constantly innovating to help create the most sustainable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



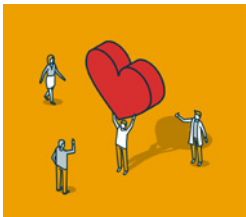
We are on the customer's side

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.



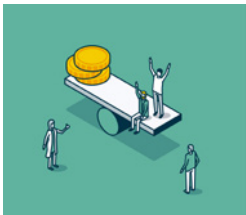
We always have a plan

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.



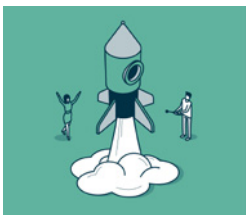
We care

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 to 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.

4.1.4 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). For more information on our sustainability initiatives, please refer to chapter 6.



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 remain 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 18 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 aging 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 geopolitical landscape is not favorable. The ongoing 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 hardware.

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-over-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 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 and building, health and medical, computing, data center and 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.

A NEW BUILDING IN BULGARIA: MORE THAN STONES IN SILICON SOFIA

In 2021 Melexis finalized the works on its new building in Sofia. At the end of June, a press conference was held to announce the upcoming finalization and the start of a recruitment campaign to breathe life into the building. The choice for Sofia is not accidental. Highly skilled people, its interesting central location and an entire ecosystem of other high-tech companies are fertile ground for even more innovation and improved production.



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 fleets in China and Europe (with the China 6 and Euro 6c/6d/7 norms respectively) impose requirements for cleaner and greener innovations on the existing car fleets.

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.

Melexis ICE-specific sensors are magnetic, inductive or micro-electromechanical (MEMS) and include, among others, camshaft and crankshaft sensors, valve position sensors (air-intake throttle

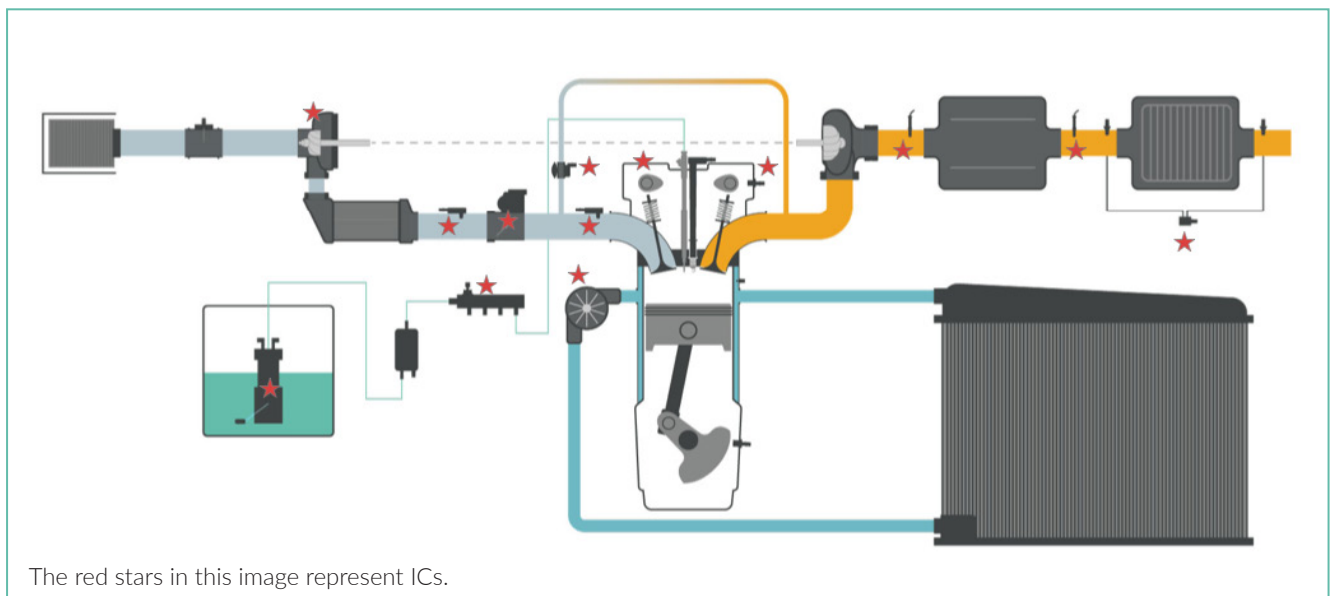
valve, manifold actuator, water valve, exhaust gas recirculation (EGR) valve, variable turbo geometry actuator, etc.), manifold absolute pressure (MAP) and temperature (TMAP), fuel pressure, fuel vapor pressure, crankcase pressure sensors, exhaust gas temperature and oxygen sensors (sensor signal conditioning 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 drives 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 to the engine.

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

Figure - Sensor-rich internal combustion engine



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.

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.

Figure - Highlights of the inverter for an EV

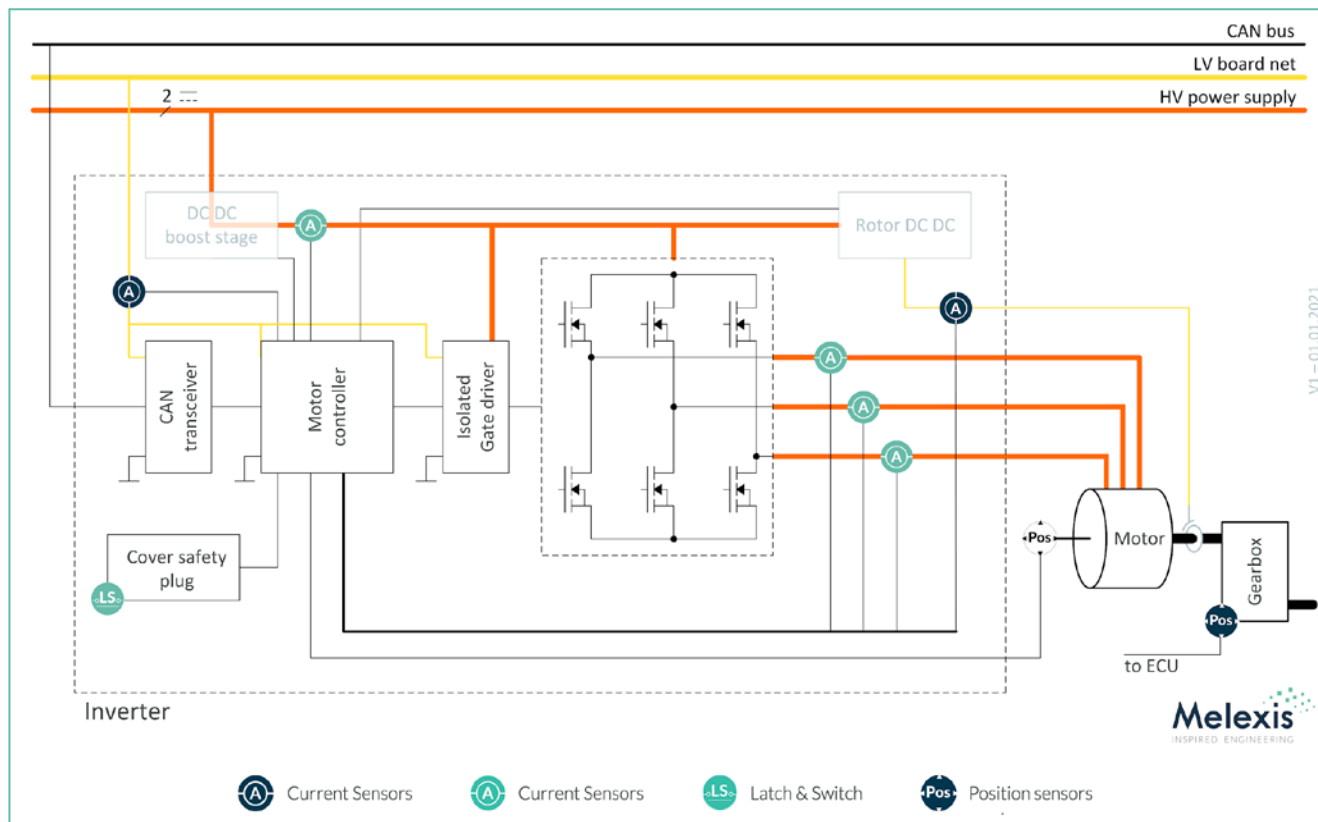


Figure - Highlights of the thermal management for a pHEV

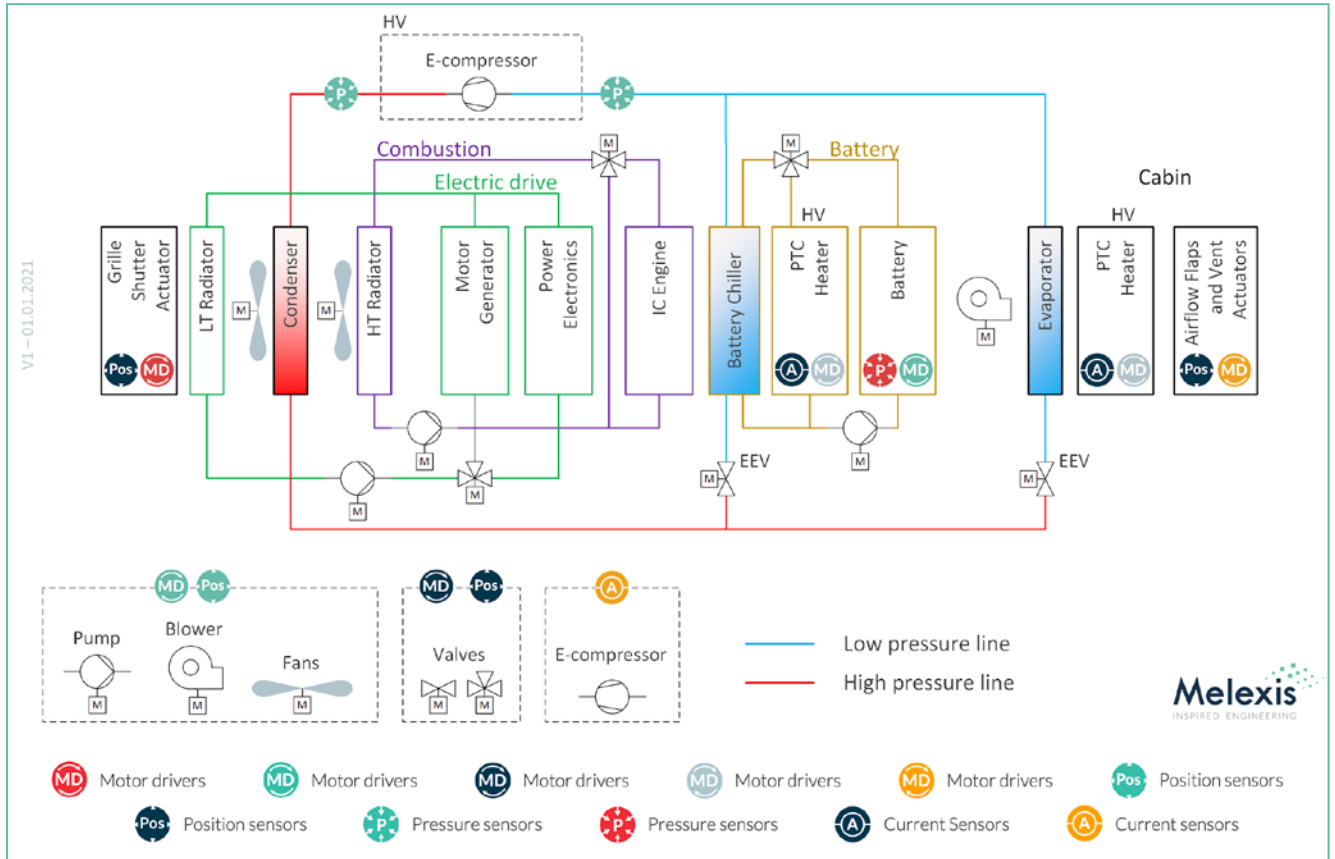
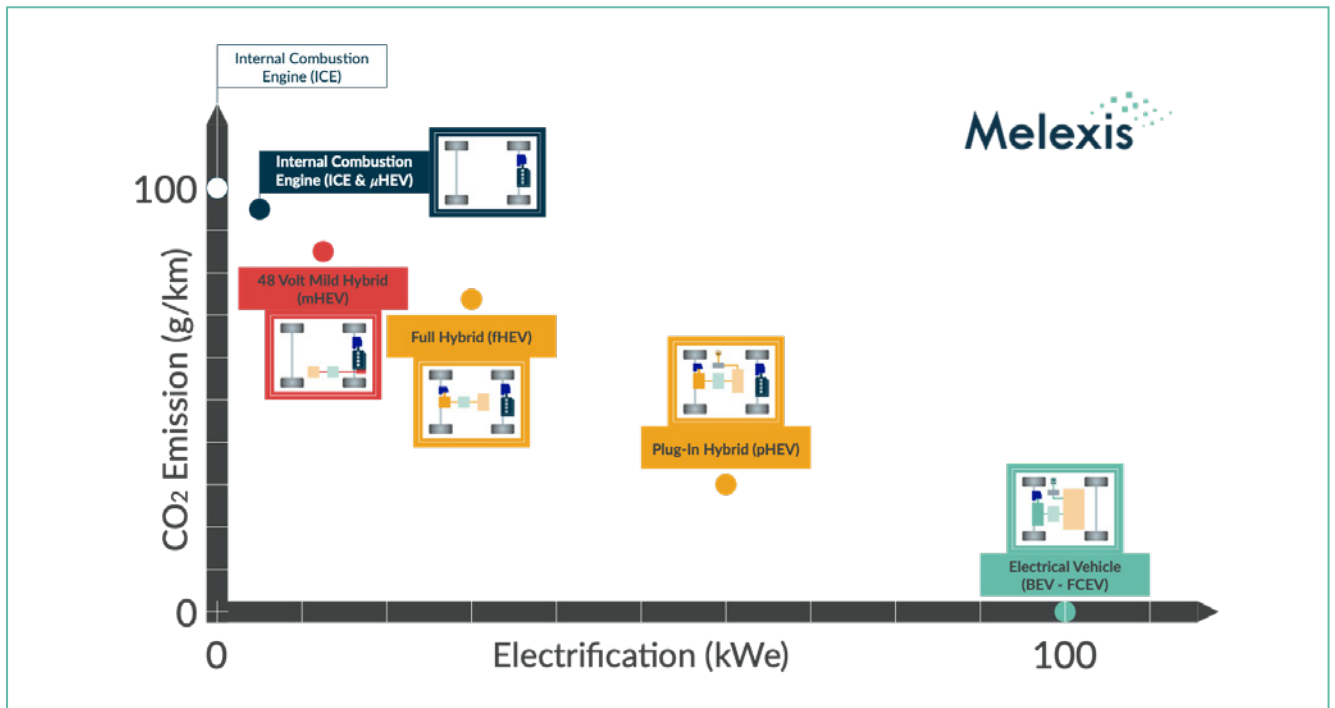


Figure - CO₂ emission reduction vs. hybridization electric power



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 cells [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.

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 while 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 using 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.

5.2.2 Chassis-body-safety

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, these components 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. We have a pioneering role in the development and evolution

MLX81130

Melexis has developed an intelligent OLED controller for combined point (LED) and area (OLED) lighting for vehicles. The MLX81130, launched on 22 July, can drive 25 LEDs and OLEDs and supports the Melexis Light Bus (MeLiBu™) interface. Using LEDs alongside OLEDs typically requires two types of drivers, with two controllers and possibly two entire subsystems that are not easily integrated. The MLX81130 overcomes this, thanks to independently programmable outputs that



can drive both LEDs and OLEDs. A system that is highly appreciated by automotive engineers!

of many new applications, leading to improved on-board comfort, driving pleasure and safety. Included in the many new and traditional applications are networked lighting and gesture control.

Networked lighting (interior/exterior)

Light has long been associated with comfort, due to its strong influence on a person's emotions: warm colors can induce passion; cool 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 engaged 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.

In addition to our leadership in interior automotive lighting, Melexis takes a similar technical approach to providing novel and stylish design solutions for automotive rear lighting.

On-board comfort

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 previously mentioned.

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 and interior monitoring

With automation on the rise, interior safety is becoming even more important than ever. 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.

MLX81118

On 18 November, Melexis enhanced the design of creative and animated automotive lighting by introducing a multi-channel LIN RGB LED controller with 24 LED driver outputs. Capable of driving eight RGB channels, the MLX81118 reduces the bill of materials and simplifies the design of cutting-edge interior and exterior lighting. The MLX81118 enables trendsetting styles by providing the highly flexible control needed for creative effects. With outputs to support eight RGB channels and precision control of color



and brightness, designers can leverage new powers to add personalization and enhance safety in their vehicles.

Driver-vehicle interface

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

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 and 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 all 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. However, regenerative braking systems found on HEVs and EVs open the door to innovations in aerodynamics and new sensor opportunities for Melexis. Features such as retractable air dams and rear spoilers create business opportunities with motor drivers. In addition to vehicle height position sensors (magnetic and inductive), Melexis supports systems like active roll stabilization and active suspension which is still reserved to the high-end segments (in combination with 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 the case of zero-emission electric mobility, current and position sensors are instrumental in controlling the traction motor and sensing 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 of 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.

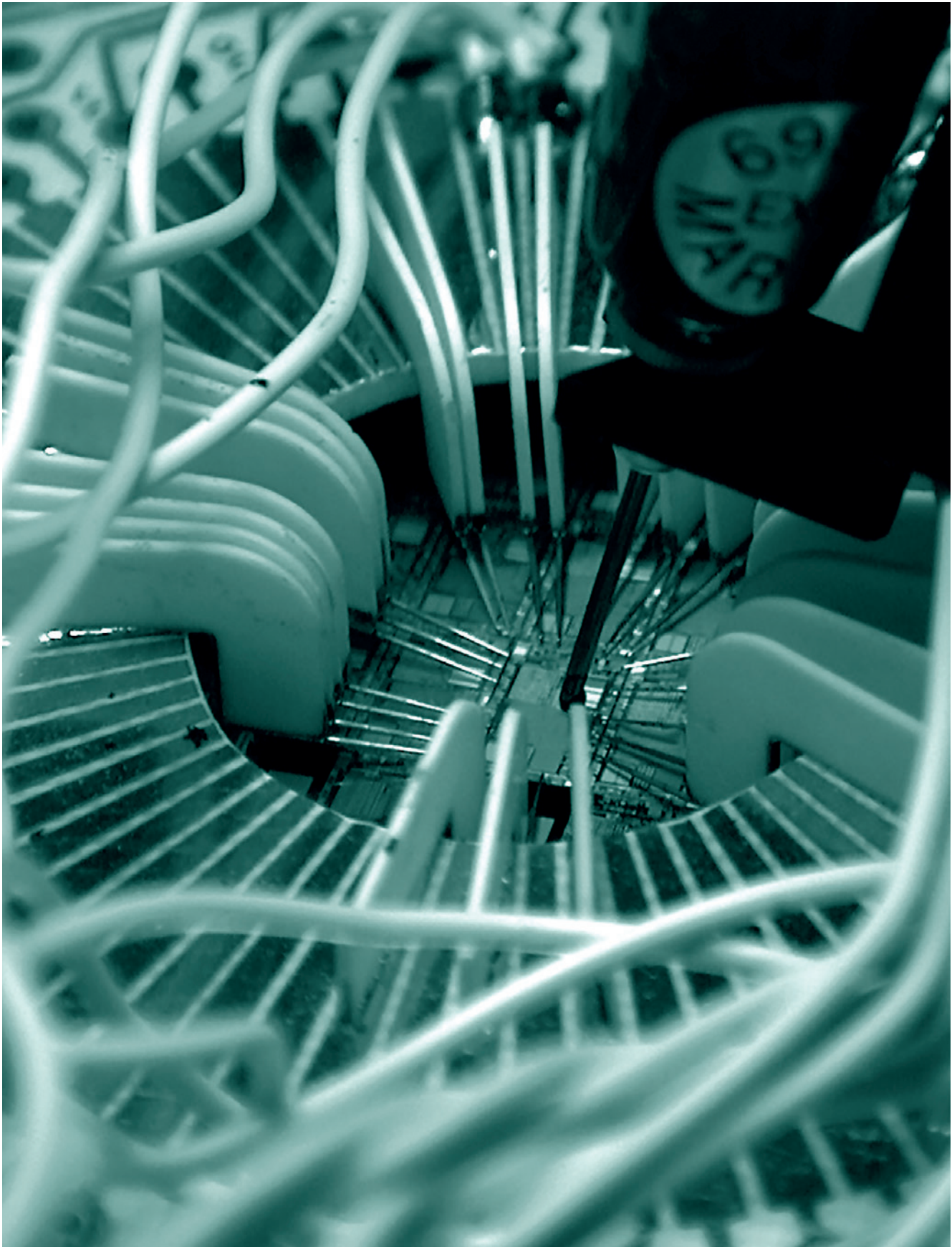
5.3 WE FOCUS ON ASSPs AND ASICs

More than 70% of our developments stem from our 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 close relationships 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 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 2021 fiscal year and is valid for the whole organization.

6.1 OUR KEY MATERIAL TOPICS AND CONCERNS

6.1.1 THE SUSTAINABLE DEVELOPMENT GOALS

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:

SUSTAINABLE DEVELOPMENT GOALS



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

* www.un.org/sustainabledevelopment/sustainable-development-goals/

6.1.2 THE GRI STANDARDS

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.

GRI Standard	Topic
205	Anti-corruption
301	Materials
302	Energy
303	Water and effluents
305	Emissions
306	Waste
308	Supplier environmental assessment
401	Employment
403	Occupational health and safety
404	Training and education
405	Diversity and equal opportunity
408	Child labor
409	Forced or compulsory labor
414	Supplier social assessment

This chapter reports on all these material topics. For easy referencing, please refer to 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 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

Due to the global COVID-19 pandemic and its multitude of operational and social restrictions, we reached out to our stakeholders to tackle these exceptional circumstances. By communicating with our stakeholders through all

means possible, including e-mails, social media and video calls, Melexis worked hard to stay in touch, maintain the long-standing trust in our company and ensure its continuous 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 employment type: employee statistics on 31.12.2021

At year's end in 2021, 1,515 Melexians worked full-time and 89 Melexians worked part-time at Melexis.

	EMPLOYMENT TYPE					
	Full-time		Part-time		Currently inactive at Melexis	
	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage
APAC						
Female	30	100%	0	0%	0	0%
Male	45	100%	0	0%	0	0%
EMEA						
Female	442	86%	54	10%	20	4%
Male	982	96.3%	34	3.3%	4	0.4%
NALA						
Female	6	100%	0	0%	0	0%
Male	10	91%	1	9%	0	0%
Female count	478	87%	54	10%	20	4%
Male count	1,037	96.4%	35	3.3%	4	0.4%
Total 2021	1,515	93%	89	5%	24	1%
Total 2020	1,364	92%	94	6%	32	2%

By new hires: employee statistics on 31.12.2021

	AGE						Total absolute #
	<35		35-55		>55		
Region	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage	
APAC							
Female	1	14%	6	86%	0	0%	7
Male	4	67%	2	33%	0	0%	6
EMEA							
Female	55	43%	62	49%	10	8%	127
Male	137	63%	75	34%	6	3%	218
NALA							
Female	0	0%	1	50%	1	50%	2
Male	0	0%	0	0%	2	100%	2
Female count	56	41%	69	51%	11	8%	136
Male count	141	62%	77	34%	8	4%	226
Total 2021	197	54%	146	40%	19	5%	362
Total 2020	70	56%	52	42%	2	2%	124

In 2021, we welcomed 362 new Melexians, an increase from last year's 124 new hires. To keep up with our ever-growing business needs and to venture into adjacent markets, Melexis actively manages to find the right talent for the right job, by promoting the upskilling and reskilling of internal talent, while also increasing the volume and variety of our external job vacancies.

Our dedicated talent scouts flexibly adapt their branding and recruiting strategy to scan the labor market to hire for global key positions, including hard-to-fill profiles and vacancies. This global team collaborates seamlessly with the local HR teams and the hiring managers, flexibly addressing hiring locations and fostering diversity at the same time. To back up their efforts, the career section of our website and online tools like LinkedIn, Xing and Google Ads are actively used.

In order to keep rejuvenating our workforce and attract young graduates, Melexis usually focuses on job fairs, university networking and collaboration activities. They provide ample 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. However, in 2021, in the face of ongoing COVID-19 measures, this strategy had to be translated into online sessions, which proved somewhat less effective. That is why we redefined and reintroduced our dedicated Fresh Graduates Program in Bulgaria in 2021 and, following its favorable results, will continue to do so globally in the upcoming years.

By retention: employee statistics on 31.12.2021

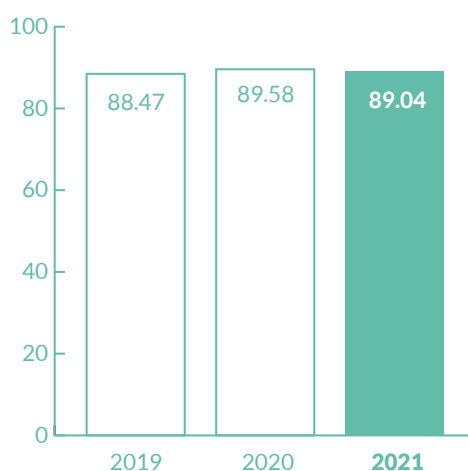
Melexis is often cited as an attractive employer. We aim to excel in the area of career opportunities, long-term job security, life balance, financial health, appealing job content, personal development and strong management. We strive for optimal working, environmental and social conditions and are 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 shown in our high and stable retention rate of 89%.

On top of our prolonged efforts for lifelong learning and personal development, our retention rate may be favorably influenced by the COVID-19 pandemic. In the face of disruptive working circumstances, our retention numbers remain stable. Melexians clearly feel more connected with their company than ever before, as we stand by our value 'We care' in times of crisis.

Below tables show Melexis' employee retention rate on the one hand, and our turnover rate on the other. The turnover rate includes terminations, resignations and retirements. The minimal 0.54% turnover increase is driven mainly by the job classification 'Function Global Operations': these profiles are highly sought-after in the high-tech labor market and tend to switch employers more frequently.

Employee turnover (permanent employees only) in 2021, by region, age and gender							
	AGE						Total absolute #
	<35		35-55		>55		
Region	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage	
APAC							
Female	3	60%	2	40%	0	0%	5
Male	2	20%	7	70%	1	10%	10
EMEA							
Female	21	36%	29	50%	8	14%	58
Male	70	60%	39	33%	8	7%	117
NALA							
Female	0	0%	2	100%	0	0%	2
Male	1	50%	1	50%	0	0%	2
Female count	24	37%	33	51%	8	12%	65
Male count	73	57%	47	36%	9	7%	129
Total 2021	97	50%	80	41%	17	9%	194
Total 2020	81	50%	66	40%	16	10%	163

Retention trend (%) 2019-2021



Employee benefits

Benefits vary according to local legislation obligations and local market practices. We aim to offer benefits that are market competitive or even transcend current market practices in all our sites. On top of that, we focus on opportunities for tax optimization, so that employees end up with an optimized net remuneration package.

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, remote working,

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.

Melexis does not offer compensation in the form of Melexis shares as we strongly believe 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 the Melexis community on the other.

In the course of 2021, Melexis was delighted to offer all colleagues a one-time allowance as a way to say thank you for joint efforts during the prolonged COVID-19 health crisis.

Their dedication and spirit helped us to remain a successful and resilient organization, as reflected in our results. It is a recognition of their incredible energy and commitment during a time of crisis, supporting each other and customers and maintaining an excellent quality of service, regardless of the new hybrid way of working. The implementation modalities of the allowance have been determined locally, in line with local market practices and needs.

Parental leave

99 Melexians have taken parental leave over the course of 2021. This is the first year that we publish detailed information on this topic, which will serve as a reference point for future annual reports. To this end, we have collected site data that is based on each country's local definition of parental leave. The below table lists parental leave but does not include pregnancy or birth leave. It is worthwhile noting that both female and male Melexians take up their parental roles. In turn, the high parental leave numbers of the EMEA region may partly be explained by Europe's stimulating parenting legislation. Melexis frequently goes beyond what is legally required and has, for example, facilitated and expanded pregnancy leave for our US employees.

	PARENTAL LEAVE				
	Full-time		Part-time		Total absolute #
Region	Absolute #	Percentage	Absolute #	Percentage	
APAC					
Female	0	0%	0	0%	0
Male	1	100%	0	0%	1
EMEA					
Female	22	52%	20	48%	42
Male	39	71%	16	29%	55
NALA					
Female	0	0%	0	0%	0
Male	1	100%	0	0%	1
Female count	22	52%	20	48%	42
Male count	41	72%	16	28%	57
Total 2021	63	64%	36	36%	99

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, develop and coach our people.

At intervals, a people survey is sent out to all Melexians to gather their feedback on different topics such as company image, well-being, development, performance management, remuneration, vision and strategy. The survey allows us to assess Melexis as an employer in a structured, consistent and uniform way with the ability to compare results 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.

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. 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. In 2021, we have significantly increased training opportunities for all functional levels and different business skills and provided better digital learning experiences. We developed (technical and digital) solutions that enable user-friendly content access both internally and externally, inspiring peer learning and expert knowledge sharing.

To provide colleagues with more insight into their internal career possibilities, an ambitious job family classification project has been implemented. Following the analysis of more than 400 unique positions, Melexis created 24 job families, each clustering positions with shared or similar key accountabilities and purposes. This 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 2021, we developed a trajectory for beginning leaders to guide them through volatile, uncertain, complex and ambiguous (VUCA) times. This well-liked leadership program, designed in partnership with external experts and fully performed online, allowed no less than 60 first-time leads to improve and upgrade their leadership skills.

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 strengthened team connection and collaboration, provided the required transparency to the business on people-related topics and allowed increased proactivity and agility within our HR processes.

The automated registration of training activities and hours, aimed at consolidating all our business and technical training records, both on global and local levels, allows for more in-depth data analytics and future planning. In 2021, we logged 74,789 hours of training. These include a mix of readily available online courses on the Melexis University platform, blended learning and peer training. This hybrid model improves business

and production skills as well as social skills. In 2021, special attention was also given to physical and mental well-being in times of COVID-19. With a focus on core competencies like resilience and active learning, we want to support the development of future-proof talent and have fully integrated the development of resilience into our well-being program.

In addition to our internal programs, we invested EUR 573,143 in training sessions provided by external parties in 2021.

As always, 100% of our colleagues received their yearly or twice-yearly performance and career development review in 2021. In our digital talent center, team leaders and managers find easy and uniform guiding tools and processes to review their team members while individual colleagues can access their individual objectives and review on the same platform.

6.3.3 Diversity and equal opportunity

Diversity of the Board of Directors: statistics on 31.12.2021

	AGE			Total absolute #
	<35	35-55	>55	
Female	0	1	2	3
Male	0	1	2	3
Total 2021	0	2	4	6
Total 2020	0	0	5	5

As evidenced, the Board of Directors is well balanced in terms of gender diversity.

Diversity of employees by region and gender: employee statistics on 31.12.2021

At year's end in 2021, 1,628 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 more than 34% of female colleagues, an unusually high number when compared to other high-tech companies and an increase of 1% year-on-year.

Region	Female		Male		Total absolute #
	Absolute #	Percentage	Absolute #	Percentage	
APAC	30	40%	45	60%	75
EMEA	516	34%	1,020	66%	1,536
NALA	6	35%	11	65%	17
Total 2021	552	34%	1,076	66%	1,628
Total 2020	492	33%	998	67%	1,490

Diversity of employees by age: employee statistics on 31.12.2021

At year's end in 2021, we noted a fairly even and representative distribution of generations on the work floor at Melexis. With a keen eye on attracting young graduates, Melexis usually reverts to job fairs, university networking and collaboration activities. However, in 2021, in the face of ongoing COVID-19 measures, this strategy proved somewhat less effective. That is why we redefined and reintroduced our dedicated Fresh Graduates Program in Bulgaria in 2021 and, following its favorable results, will continue to do so globally in the upcoming years.

	AGE						Total absolute #
	<35		35-55		>55		
Region	Absolute #	Percentage	Absolute #	Percentage	Absolute #	Percentage	
APAC							
Female	13	43%	16	53%	1	3%	30
Male	7	16%	37	82%	1	2%	45
EMEA							
Female	187	36%	283	55%	46	9%	516
Male	430	42%	513	50%	77	8%	1,020
NALA							
Female	0	0%	5	83%	1	17%	6
Male	2	18%	6	55%	3	27%	11
Female count	200	36%	304	55%	48	9%	552
Male count	439	41%	556	52%	81	8%	1,076
Total 2021	639	39%	860	53%	129	8%	1,628
Total 2020	602	40%	776	52%	112	8%	1,490

GENDER EQUALITY EMBEDDED IN MELEXIS' DNA

Melexis has always advocated gender equality. Our former CEO, Françoise Chombar, emphasized the importance of equal chances on any occasion. For example, she participated in 'The Female Future of Tech', a virtual event of the Global Semiconductor Alliance. She also gave a live interview on

Belgian national television where she advocated inclusion as a driver for innovation and a better world. Her ceaseless efforts to promote gender equality and inclusion never go unnoticed and she received an award from the Catholic University of Leuven for her societal merit.



A diverse workforce of 50 nationalities

Melexis is present in 12 countries worldwide, with a diverse workforce of no less than 50 nationalities. This versatility is a direct result of our hiring strategy that seems to foster diversity naturally. Reflecting our 'We care' value, Melexis never labels humans according to gender, age, vulnerability, nationality, religion or educational level. HR decisions are not influenced by any preferential treatment. We simply

select new colleagues based on fundamental criteria like competencies, performance record and potential.

Considering the current challenges to attract the right talent in the labor market, we pursue international recruitment for every location, followed by dedicated support for international hires during their onboarding period.

50 NATIONALITIES

Algeria, Argentina, Bangladesh, Belgium, Bosnia, Brazil, Bulgaria, China, Congo, Egypt, Ethiopia, Finland, France, Germany, Greece, Hungary, India, Iran, Iraq, Italy, Japan, Lebanon, Latvia, Lithuania, Malaysia, Mauritius, Mexico, Morocco, Netherlands, New Zealand, Palestine, Philippines, Poland, Portugal, Romania, Russia, Serbia, Slovenia, South Africa, South Korea, Spain, Switzerland, Tunisia, Turkey, Ukraine, United Kingdom, United States, Venezuela, Vietnam, Zimbabwe



INTERNATIONAL RECOGNITION

Melexis and our solutions are widely recognized. This often leads to awards for the ingenuity of our products, the efficiency of our operations or our general merit. Thumbs up for the Bulgarian HR team as Melexis received



the Bulgarian Employer of Choice award on 2 March. Our colleagues in China received the 2021 Gasgoo Award for Technology Innovation for the powertrain and electrification of our MLX91220. This 0-50 A isolated integrated Hall-effect current sensor with dual overcurrent detection operates on a 5 V supply. It is the easiest all-in-one integrated current sensor with a perfect balance between small footprint, low impedance, high bandwidth, isolation and more general features.

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 remote working. In 2021, remote working opportunities have become a staple in the new hybrid way of working.

Over the last years, and in line with our company 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 training 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 2021 no work-related fatalities or serious injuries 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.

All our sites are audited for mandatory ISO 14001 certification, both internally and by external consultants. As such, they comply with all due procedures regarding any possible hazard identification, risk assessment and incident investigation regarding occupational health and safety.

For a second year, Melexis closely monitored and responded to the COVID-19 outbreak around the world in 2021. 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 remote working, social distancing and business continuity planning – were implemented in all our sites worldwide. 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'.

With the 2021 development of a COVID-19 vaccine, many sites have also helped to facilitate vaccination opportunities for colleagues, external co-workers and sometimes even their families. For example, colleagues appreciated the fact that Melexis invited local health agencies or municipalities to administer vaccines on site, or local scientific experts to respond to possible questions and concerns surrounding vaccination in their own language.

In collaboration with (external) local occupational health services, each Melexis site has a description of the functions that contribute to the identification and elimination of hazards and minimization of risks, and an explanation of how the organization ensures the quality of these services and facilitates workers' access to them. It stands to reason that local occupational health services are obliged to maintain the confidentiality of workers' personal health-related information and ensure the latter is not used for any favorable or unfavorable treatment of workers.

Colleagues are encouraged to connect into site groups and communities and facilitate reporting any occupational health and safety issues. Both spontaneous and Melexis-organized groups such as Speak@Melexis, Oxygen and High Five have already suggested and implemented practical workflow improvements in this way.

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 counseling 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 2021, still 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. Depending on the site, Melexis is experimenting with outside walking meetings, green patches inside and outside office buildings, leisure opportunities (like fitness rooms, darts, table tennis), online yoga sessions, dedicated newsletters from Fit@Melexis that focus on moving, food and the mind, reassuring COVID-19 information sessions etc. 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.

6.4.3 Cybersecurity

At Melexis, we attach great importance to keeping our assets safe. All of our IT tools have been screened in terms of vulnerability to cyberattacks. Unfortunately, however, cyberattacks are never 100% preventable. 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.

TAKING WELL-BEING TO HEART WITH THE PULSE SURVEYS

The onset of COVID-19 changed the lives of all Melexians, from where and when they work to how they connect with friends, family and colleagues. In alignment with our company values, Melexis launched the Five Ways of Well-Being newsletters in 2020, delving into the simple things you can do as part of your daily work and private life to boost resilience and well-being. In 2021, we wanted to ensure that well-being was integrated more formally in our daily ways of working. To do so, a global team was created to enable all sites to align themselves with our global well-being strategy.

As numbers never lie, the Global Well-Being Team decided to create a brand-new quarterly survey. These consecutive Pulse Surveys focus on connection, collaboration and engagement and allow Melexis to work with a well-being index that can be monitored globally, regionally and locally. With a representative response rate of more than 40 percent, the results are encouraging!

In 2021, the first three* surveys clearly indicate that the feeling of connection among Melexians remains strong, even in the face of increasingly hybrid work models. The first survey also highlighted three points of attention, regarding the ability to disconnect at the end of the day and to find new ways to stay energized, and

to keep learning in times of information overload. Points of attention immediately led to dedicated actions, the results of which swiftly reflected into higher score results.

For example, the team created a central storage place for well-being information and resources for employees, new hires and team leaders on our intranet and talent center with dynamic links to local well-being initiatives. Also, together with an external party, we created a series of five webinars to create healthy hybrid habits. A new platform harbors a well-being library while each site organizes get-togethers like site walks, food events, online games, an international week of happiness, detox (disconnect) week, desk bikes, running events, and sleep workshops. Furthermore, the online Fit@Melexis community that started up in leper has now been expanded globally and is pulling in many colleagues who are eager to take their well-being in hand and contribute to a better work experience.

The Global Well-Being team will keep a finger on the pulse with ensuing surveys and are already planning an attractive events calendar for 2022.

*Results of the fourth survey were not yet available at the time of writing this article.



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 make the right decisions. That is why we established a Mel & Lex communication campaign, which consists of nine principles:

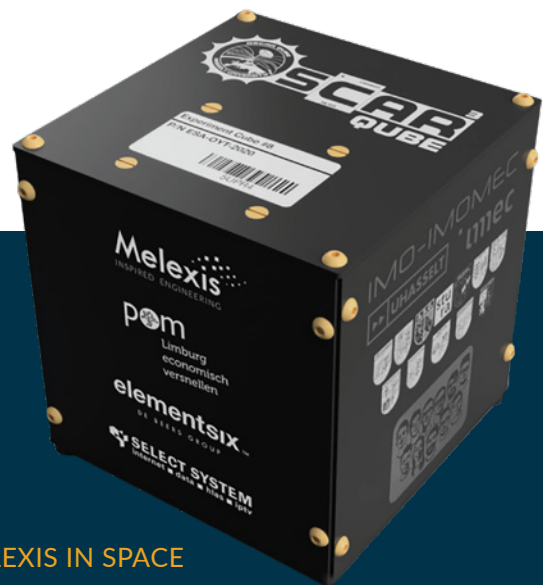
1. Knowing our code of conduct on information security
2. Wearing our badge at all times
3. Thinking before we click
4. Reporting any suspicious activity
5. Managing our passwords properly
6. Asking for help in case an IT or security breach is suspected
7. Collaborating in the cloud
8. Backing up our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

As our company is rooted in intellectual property, development and know-how, protecting this knowledge is vital for Melexis. Therefore, our mascots Mel & Lex launched an IT security campaign. They do IT safely. Over the last two years, Melexians have become more aware of security. No small feat, considering the worldwide increase in security hacks by ill-intentioned crooks. However, as Mel & Lex are diligent go-getters, they keep coming up with even smarter safety tips.



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.



MELEXIS IN SPACE

Melexis entered space! As of 29 August, the Melexis logo is floating in the big wide open. A multidisciplinary team from UHasselt (university of Hasselt, Belgium) came up as the clear winner of a European Space Agency contest. By winning the ESA contest, the students were able to introduce their scientific project, the OSCAR-Qube, into the international space station ISS.

The Qube is an advanced, high-sensitivity magnetometer built with carbon materials and synthetic diamonds. Its goal is to measure magnetic fields in space and on earth. The Qube was launched with a SpaceX-23 rocket from NASA's Kennedy Space Center. Because Melexis, a specialist in magnetic sensors, sponsored its retrieval, our logo was placed on the Qube.

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 Ieper, the collection of educational toys for underprivileged children in Tessenderlo, a fundraising for people with disabilities in Erfurt, a UNICEF 'Back2school' information campaign, a second-hand clothes collection, a food donation initiative for families in need in Sofia, a clothing collection for people in need in Kyiv, our US teams volunteering at a foodbank 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. 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.

STUDENTS IN STEM, THE FUTURE PILOTS OF OUR ECONOMY

As a high-tech company, Melexis strongly believes that STEM provides answers to most of our societal problems. Through innovation and understanding we can create the best imaginable future. This is why Melexis supports different STEM initiatives around the world. Examples are the Formula Electric and High Speed Karlsruhe race teams who participated in the Formula Student Championship. Other sponsored projects were the 'Sound of Science Nights', the Board of European Students of Technology in Belgium and Bulgaria and the Sensor Space Camp in Erfurt. In the latter, 30 students worked with six different camp partners on different challenges in sensory, 3D printing, optic and robotic fields. At the Melexis Challenge, students were dared to build their own sensor-controlled 3D light cube through soldering, programming and the assembling of LEDs. During the German 'Tag der Berufe', Melexis welcomed students onsite and gave them a tour of the production hallway, allowing students to gain more insight into future study and job opportunities.



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.

Over the years, through collaboration with suppliers and through quality innovations, Melexis has continuously enhanced its Zero Incident Program. Its objectives remain the prevention of incidents and the early detection of any abnormality.

Over the 2019-2021 period, Melexis has reduced its defective parts at customer (so-called Parts Per Billion) by 15% year-over-year.

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).

Reporting on our care for the planet

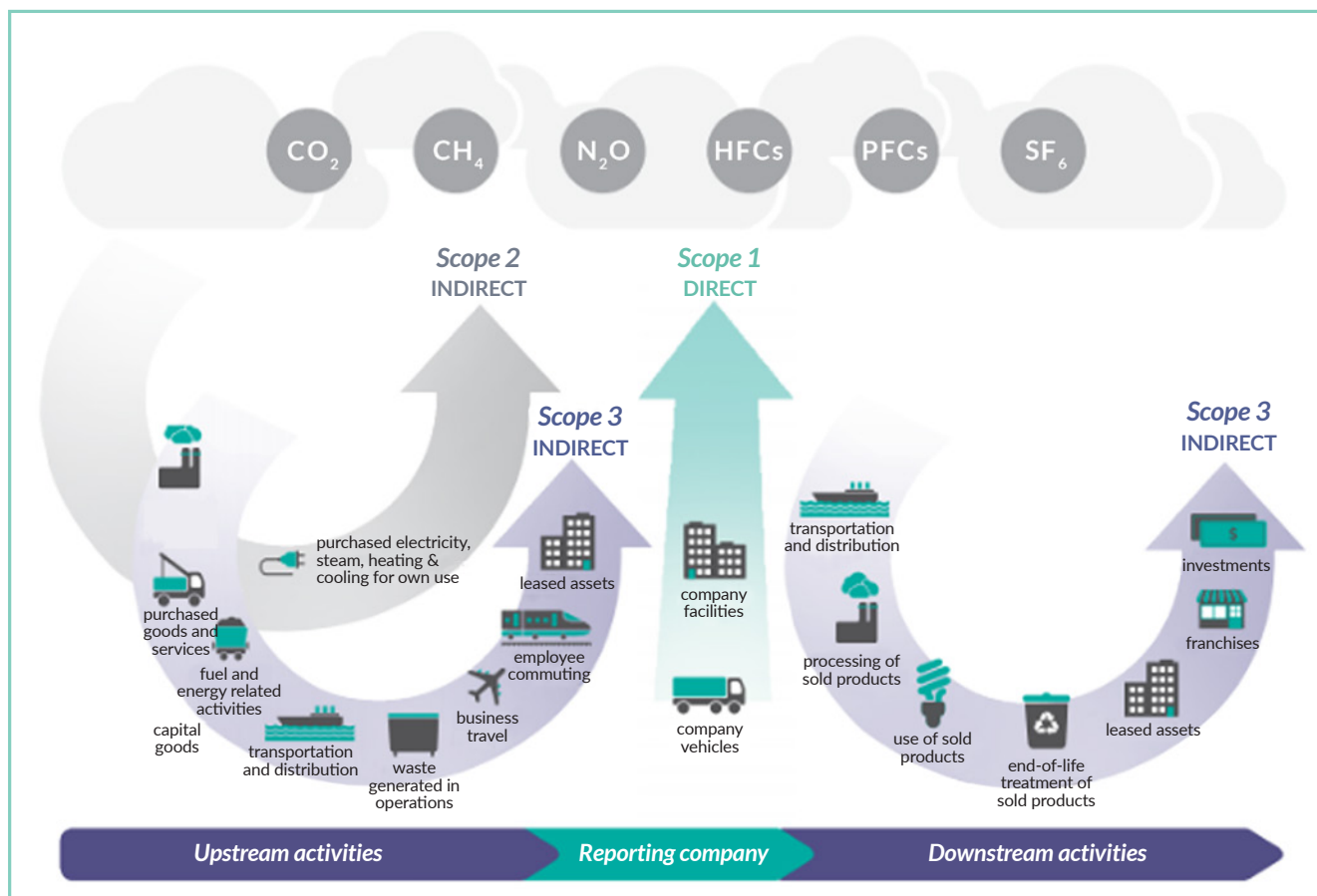
Melexis has been caring for people and the planet for more than 30 years. While this care is deeply ingrained in our DNA, we are increasing our attention to and efforts for the planet even more in a desire to meet the expectations of our stakeholders. All our stakeholders' decisions, especially the ones of investors, employees and customers, are based on trust. Our respect for environmental and social impact is a critical element in that trust.

The European Green Deal and the European 'Fit for 55' program have put in motion a momentum for a renewed sustainability reporting approach. Reporting on the emission of greenhouse gases has become a business imperative, with reporting on scope 1 and 2 emissions now essential and scope 3 emissions still voluntary.

Based on advancing insights, and in a bid to provide more transparency on our environmental impact, we are now measuring our impact more accurately and developing multi-year action plans. To this end, and in consultation with external consultants, our sites are now thoroughly investing in providing information regarding their environmental impact. To meet stakeholder interest, we are continuously expanding the reporting on our website's sustainability pages. At the same time, we report on our scope 1 and 2 emissions in this annual report for the first time. The report also includes information on materials used, energy, water, effluents and waste and environmental compliance (see page 59-61).

Our carbon footprint: Melexis reports on scope 1 and 2

In order to reduce our ecological footprint, it is necessary to first determine our carbon footprint. Based on this, targets for reducing the greenhouse gas emission can be defined and realized in order to evolve towards low-carbon or CO₂ neutral business operations.



Source: Greenhouse Gas Protocol

The carbon footprint analysis is based on the Greenhouse Gas or GHG Protocol (the most widely used protocol to calculate greenhouse gas emissions) and lists three scopes as presented in the image above :

- Scope 1 covers the direct emissions from owned or operated assets (for example, the fumes from the tailpipes of a company's fleet of vehicles).
- Scope 2 covers the indirect energy-related emissions from the purchase of energy.
- Scope 3 emissions are all other indirect emissions, being the emissions from everything else, such as raw materials, suppliers, distributors, product use ...

For the calculation of the carbon footprint the 'méthode Bilan Carbone®', version V8.6.1 was used. The study was carried out in accordance with ISO 14064-1 (ISO 14064-1: Greenhouse gases – Part 1: Specification with guidance at the organization level for quantification and reporting of greenhouse gas emissions and removals). The results are presented in conformity with the Greenhouse Gas (GHG)

Protocol guidelines. The GHG Protocol Corporate Accounting and Reporting Standard provides requirements and guidance for companies and other organizations, such as NGOs, government agencies, and universities, that are preparing a corporate-level GHG emissions inventory.

Scope	Ton CO ₂ e	%
I	724	5.2
II	13,090	94.8
Total 2021	13,814	100

Scope	Activity	Unit	2021
II	Total emission	ton CO ₂ e	13,814
	Production volume	devices	1,775,559
	Specific emission	ton CO ₂ e/10 ⁶ dev.	7.78

Melexis has been reporting on its scope 2 emissions for a few years now. As opposed to previous years, our 2021 measurements cover all our sites and cover a broader scope. Our scope 1 and 2 footprints calculated for 2021 will serve as a baseline for 2022 to define a realistic target for CO₂ reduction to meet the carbon neutrality goal of the European Green Deal in 2050.

6.6.1 Climate change and the greenification trend

The world 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. 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.

An important environmental risk that Melexis faces is linked primarily to climate change, such as the higher occurrence of natural hazards. Melexis is mapping, proactively and together with our suppliers, business continuity risks including natural hazards, at every stage of the supply chain and ensuring mitigation of the main risks.

Another risk related to climate change is the potential need for increased expenditures and investments by players in the semiconductor industry to ensure compliance with new regulations to reduce the CO₂ footprint. The production of wafers for instance is very energy and water intensive. Moreover, the environmental footprint of transportation of ICs is high, given the global nature of the semiconductor supply chain. Therefore, regulation in view of climate change could put pressure on the industry and lead to substantial increases in the cost of doing business.

Melexis is continuously looking for ways to reduce emissions and energy by designing sustainable products for our customers who are also increasingly looking to minimize their impact on the environment. To do so, Melexis adheres to the Greenhouse Gas or GHG Protocol and is now measuring its

scope 1 and 2 emissions. In consultation with an external consultant, all our sites have now been assessed and their baseline measurements regarding CO₂ emissions have been determined. These initial values provide the starting point for annual comparisons and allow for the establishment of future key performance indicators.

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 reuse. 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.

Local sites are forever stepping up efforts to create sustainable awareness in practical daily steps. Whether they abolish plastic drinking cups and cutlery, teach employees to sort waste properly, collect reusable toys and clothes or donate furniture, all these baby steps together create more awareness and buy into our respect for natural resources and, ultimately, the planet.

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 GWh to 4.1 GWh in 2019. In 2020 and 2021, our sites in Ieper, Tessenderlo 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 GWh in electricity consumption.

In 2022, 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 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 we will be installing approximately 350 m² of solar panels, leading to an estimated CO₂ reduction of 5,917 kg per year, which represents the equivalent of 29,585 km traveled by car or the CO₂ consumption of 473 trees.

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. In 2021, nine internal audits were performed, five of which took place online because of the COVID-19 pandemic.

In the last few years, we have improved our audit methodology by combining different kinds of audits. These combined audits minimize the audit effort as much as possible. Relevant standard requirements and processes are covered at all sites and experts are involved as co-auditors at the different locations.

In 2021, we also initiated deep dive audits. Deep dive audits focus specifically on a particular process. Typically, it involves a small number of audits (usually three or four) and starts with the process owner. Based on this first layer, the interactions with other processes are then also audited. The results of these audits are included in the combined audit report of the site where the process owner is located.

In 2021, nine customer audits were performed, spread over five Melexis locations. Most of these audits were performed remotely due to COVID-19-related restrictions.

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 following table 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.

For information on our scope 1 and 2 emissions, please refer to chapter 6.6.

			UNITS	2021	2020	2019
Materials*	Materials used by weight	Total	tons	116.5	83.7	85.6
		material category 'Silicon'	tons	11.56	6.40	5.36
		material category 'Copper'	tons	43.89	32.73	33.50
		material category 'Gold'	tons	0.27	0.22	0.23
		material category 'Silver'	tons	1.57	1.17	1.19
		material category 'Silica'	tons	48.60	35.70	37.44
		material category 'Tin'	tons	2.00	1.41	1.46
	material category 'Others'	tons	8.66	6.05	6.43	
Energy	Energy consumption within the organization	Total	megawatt hour	30,343	26,418	27,033
	Energy intensity	Total	megawatt hour per 1 million sold parts	17.09	19.38	21.69
Water	Water withdrawal	Total	cubic meter	10,715	9,066	9,382
Effluents and waste	Water discharge by quality and destination	Total	tons	10,715	9,066	9,382
	Waste	Total	tons	265	216	212
	Significant spills	Number of significant spills in 2021	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

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 2021. We comply with all locally relevant environmental legal requirements for our production sites. As of 2022, this will include our brand-new offices in Sofia, Bulgaria.

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.

In 2021, Melexis successfully passed ten out of ten certification audits related to IATF 16949:2016 (ISO 9001:2015) and ISO 14001:2015.

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, Melexis continually updates its webpage on quality and environment to answer frequently asked environmental questions: www.melexis.com/en/tech-info/quality/environmental-forms-and-declarations/faq. In 2021, we have expanded on this, adding a dedicated web page on sustainability. This includes product-related environmental information forms, all relevant REACH documentation and other certificates.

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 with 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 environmental coordinator. Compliance 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.

6.6.7 EU taxonomy

The EU taxonomy is a classification system based on performance criteria that assess an economic activity's contribution towards six environmental objectives: climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems. Technical screening criteria for each environmental objective have been defined through delegated acts.

On 9 December, the Delegated Act on climate mitigation and climate adaptation was adopted by the European Union. The act lays out the technical screening criteria – the benchmarks that define if an economic activity addresses (or in taxonomy terms delivers a substantial contribution to) the objective of climate mitigation or adaptation. It also contains minimum safeguards that must be secured for all other four environmental objectives of the taxonomy – the Do No Significant Harm (DNSH) criteria.

For 2021, companies are required to report only on the eligibility of their economic activities. The interpretation of the EU taxonomy is however today still somewhat unclear and many rules, regulations and guidelines are still under development.

Assessment Melexis

Under the current EU taxonomy there is no activity that clearly matches the business of Melexis. We believe that activity 3.6 'Manufacturing of low carbon technologies' is linked most to the Melexis business activities. It is clear that Melexis is an enabler of technologies that reduce energy consumption and GHG emissions significantly. However, based on the current application of the eligibility criteria, our products and technologies must directly enable the requested aim of substantial life-cycle GHG emission reductions in other sectors of the economy and this compared to the best performing alternative technology/product/solution available on the market.

There is currently insufficient guidance to determine under which conditions the standard for this aim is met. This is why we opt to have 0% of Melexis' total net sales, CAPEX and OPEX currently disclosed as eligible.

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 89% 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. No new suppliers have been onboarded for bill-of-material in 2021. We have been working on a similar methodology for key equipment (machinery) suppliers and intend to roll this out shortly.

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

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. We reinforce our dual sourcing strategy with several activities, identified on the basis of a continuous evaluation of our spend portfolio, supply risk and business importance.

Throughout 2021, in the aftermath of the COVID-19 pandemic and as a result of recovering automotive sales, Melexis faced and - at the time of writing - is still facing an upsurge in demand and a limitation of supply, longer lead times and increased cost structures at our suppliers. A delicate balancing act was and remains needed in order to support our suppliers to increase their capacity and, at the same time, match that capacity with the demand of our customers to ensure no overinvestments were being made.

This includes obtaining long-term capacity commitments from our suppliers to support the growing demand from our customers. It requires close cooperation with suppliers to monitor several raw material market situations. We also support suppliers through our direct contacts with material suppliers, increasing leverage and bringing business visibility. And finally, we have increased the dual sourcing availability and flexibility of our suppliers with sub suppliers. The importance we attach to dual sourcing and business contingency plans remains high on the agenda for the coming years.

With regard to production continuity in 2021, 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 continued exploring new China-based suppliers in 2021. 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. With the Brexit deadline postponed several times, Melexis' multidisciplinary Brexit readiness project team had ample time to 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. This preparation resulted in a very smooth transition without any hiccups.

Equally, in 2021, we continued to monitor 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 2021, the ongoing global COVID-19 pandemic kept challenging us in unprecedented ways. Our supply chain management team worked ever more closely with suppliers during trying times. Non-stop open communication and a transparent relationship with key suppliers enabled us to respond to local COVID-19 cases in factories efficiently. Working closely together with suppliers allowed us to maximize output while ensuring and supporting restrictive measures to secure a safe working environment for all employees.

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.

All 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 prove they respect the protection of internationally proclaimed human rights for all, including the

basic human rights of employees within their supply chain. We follow up on this with a bi-annual CSR questionnaire that is sent to all our key suppliers in the format of a multiple-choice self-assessment. The survey was held in 2018 and 2020 and is subsequently planned for 2022.

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. Suppliers must also work diligently with other, third-party suppliers to systematically address the process for sourcing minerals that are conflict-free.

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/quality/environmental-forms-and-declarations.

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

6.8 OUR BUSINESS ETHICS

Melexis has 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.

Melexis organized presentations for each of its sites over the course of 2020 and 2021 to promote and refresh the commitments in its Code of Conduct. Subsequently, every Melexis employee received a recording of this presentation. Melexis also created a complementary training and test for these presentations and launched a pilot on its Belgian sites. Since its rollout in Q4, 74.5% of the assigned persons have already engaged with this training and test. The full implementation of this complementary training is planned for the 2022 reporting period.

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. This policy has been communicated to all employees working for Melexis, in all the regions where Melexis is active. Melexis has launched and is further elaborating on its anti-corruption training for its colleagues and governance body members (the members of the Board of Directors) 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 one of the main risks 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. Additionally, Melexis has also identified abuse of function and trust as a main risk of corruption. 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,

that do not result in any (impression of) partiality towards the gifting party. Melexis requires full disclosure of and prior relevant clearance for any gift that is not of minimal value or that may result in an impression of bias.

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 encountered and diligently resolved one incident of corruption in 2021. The incident was related to abuse of function and trust. Melexis chose to discontinue the relationship with the involved business partners as a result of the incident. Melexis has taken appropriate organizational measures to resolve the incident and minimize potential future risks.

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. This policy was updated in view of the EU whistleblowing directive to ensure that colleagues have complete knowledge of how to report their concerns and how their reports will be processed. Melexis also remains responsive to the national implementations of this directive by member states as they come into force. 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/).

Melexis’ Corporate Governance Charter can be consulted on our website: 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.
- 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.

The directors of Melexis are:

Name	Age	Expiry mandate	Position
Françoise Chombar	59	2022	Chair and non-executive director (from 1 August 2021)
Marc Biron	51	2025	Managing director, CEO (from 1 August 2021)
Roland Duchâtelet	75	2022	Non-executive director
Procexcel BV, represented by Jenny Claes	74	2021	Non-executive and independent director (until 11 May 2021)
Shiro Baba	72	2025	Non-executive and independent director
Martine Baelmans	57	2022	Non-executive and independent director
Maria Pia De Caro	51	2025	Non-executive and independent director (from 11 May 2021)

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, Mr. Marc Biron, who can represent the company by his 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.

Besides that, the Executive Management is responsible for screening the various risks and opportunities that the company might encounter in the short, medium or longer term, and for ensuring that systems are in place to identify and address these risks and opportunities.

On 1 August 2021, Ms. Françoise Chombar, Melexis' Chief Executive Officer, became Chair of the Board of Directors.

Mr. Roland Duchâtelet, remains a member of the Board of Directors.

The 2020 Belgian Code on Corporate Governance stipulates that "the board should ensure that, when considering nominating the former CEO as a board member, the necessary safeguards are in place so that the new CEO has the required autonomy. If the board envisages appointing a former CEO as chair, it should carefully consider the positive and negative implications of such a decision and disclose in the CG Statement why such appointment will not hamper the required autonomy of the CEO."

The general principle is that the Board of Directors defines the strategy of the company, whereas the CEO is responsible for the execution thereof. With the appointment of Françoise Chombar as Chair of the Board, the long-term strategy and vision of Melexis are ensured. Apart from being the representative of the controlling shareholder, Ms. Chombar brings in a wealth of knowledge and experience to the Board.

The appointment of Françoise Chombar as Chair of the Board does not hamper the autonomy of the new CEO, Marc Biron. Melexis' HR approach builds upon the principles of the self-determination theory: autonomy, relatedness, and competence, three components that result in the best possible performance. This is no different for the CEO.

While the Chair of the Board and the CEO have regular consultations, these solely serve as providing a sounding board



Board of Directors

Martine Baelmans, Shiro Baba, Françoise Chombar, Marc Biron, Roland Duchâtelet, Maria Pia De Caro

for the CEO. The Chair never intervenes in the day-to-day management of the company.

Mr. Marc Biron replaced Ms. Françoise Chombar as the new Chief Executive Officer of Melexis on 1 August 2021. After approval of the shareholders during the annual shareholders' meeting, he joined the Board of Directors on 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 are independent in accordance with article 7:87 of the Belgian Code of Companies and Associations. The Board of Directors is composed of at least 50% of 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 Ms. Françoise Chombar.

The Board of Directors aims at achieving the largest possible diversity and complementarity between the board members. This is one of the key policy guidelines the Board takes into account when proposing a new director for appointment to the annual

shareholders' meeting. As a result, the current composition of the Board of Directors also exceeds 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.

Ms. Françoise Chombar 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. In 1994, she was appointed Chief Operating Officer of Melexis. Ms. Chombar became director in 1996. 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 continued these functions until August 2021. In 2021, she was appointed as Chair of Melexis' Board of Directors. 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. In March 2021, Ms. Chombar joined the Board of BioRICS, a health tech company. 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. She holds a master's degree in interpreting in Dutch, English and Spanish from the University of Ghent.

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.

Mr. Marc Biron holds a degree in electronic engineering and obtained a Ph.D. in applied sciences in 1999 at the University of Liège, Belgium. Mr. Biron began his career in the electronics industry in 1997 when joining Melexis, where he held a number of senior positions over a 25-year period. In 2006, Mr. Biron was given responsibility for the Hall sensor/engine management business unit and its turnover generation. In 2009, he became global development & quality manager, focusing on the efficient development of profitable and reliable products, leading a team of 500 people. In 2018, he became VP and general manager of the sense & drive business unit and added the responsibility of global innovation manager in 2020, focusing on the right new technologies and know-how. In 2021, Mr. Biron was appointed Chief Executive Officer of Melexis. Since September 2013, Mr. Biron has been a visiting lecturer for the course 'Major Project in Electronics' at the University of Liège.

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 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 and 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 at KU Leuven. Ms. Baelmans holds a master's degree in mechanical engineering and a Ph.D. in engineering sciences from KU Leuven. Her research has mainly focused on thermodynamics and heat transfer, particularly in applications for electronics cooling.

Ms. Maria Pia De Caro currently serves as Chief Supply Officer at Nomad Foods, where she is responsible for the entire supply chain organization including strategy, manufacturing operations, planning and logistics, procurement and safety management. Ms. De Caro has a track record of more than 25 years of leadership in areas such as engineering, manufacturing, M&A and supply chain at a number of fast-moving consumer goods companies like Procter & Gamble and Mondelez. Ms. De Caro holds a master's degree in mechanical engineering from the Sapienza University of Rome and is an avid supporter of diversity and inclusion.

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, induction and 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 the 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 2021, the Board convened nine (9) times and treated, among others, the following topics:

- Sale of treasury shares through an accelerated bookbuilding procedure
- Financial results of the Group
- Financial and legal risks to which the Group is exposed
- Strategic review
- Dividend policy

- Budget for the next financial year
- Code of Conduct
- COVID-19
- Recommendations of the Audit Committee and the Nomination and Remuneration Committee.

Ms. Martine Baelmans could not attend the meeting of the Board of Directors on 26 February 2021 and 23 April 2021.

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: Mr. Shiro Baba, independent director and Chair*, Mr. Roland Duchâtelet, director and Ms. Maria Pia De Caro, 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 Ms. Maria Pia De Caro 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 four (4) times in 2021. All members were present at all the meetings.

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
- Internal audit updates.

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. Françoise Chombar, director and Chair, Ms. Martine Baelmans, independent director and Ms. Maria Pia De Caro, independent director.** The committee has the relevant expertise regarding remuneration policy.

* On 11 May 2021, Mr. Shiro Baba replaced Procexcel BV, represented by Ms. Jenny Claes, as Chair of the Audit Committee.

** On 11 May 2021, Ms. Maria Pia De Caro replaced Procexcel BV, represented by Ms. Jenny Claes, as a member of the Remuneration Committee. On August 1, 2021, Ms. Françoise Chombar was appointed Chair of the Remuneration Committee.

The Nomination and Remuneration Committee met four (4) times in 2021. All members were present at all the meetings.

In addition to the exercise of its legal powers and the duties listed in the Melexis Corporate Governance Charter, in 2021 the Nomination and Remuneration Committee reviewed, among others:

- Remuneration and variable remuneration of the Executive Management
- Assessment of the variable remuneration of the CEO
- HR strategy and policies
- Executive Management team assessment.

7.5 EXECUTIVE MANAGEMENT

Composition

The Executive Management is composed of the following members*:

Name	Age	Position
Marc Biron**	51	Chief Executive Officer
Kristof Coddens	51	VP Artificial Intelligence
Antonius Duisters	54	VP Sense & Drive
Karen van Griensven	51	Chief Financial Officer
Vincent Hilligsmann	51	VP Corporate Strategy – Global Sales, Brand & Communication
Veerle Lozie	48	Chief Operations and Information Officer
Damien Macq	55	VP Sense & Light
Nicolas Simonne	47	VP Development & Quality
Heidi Stieglitz	62	VP Human Resources & Sites

As evidenced, the Executive Management consists of a diverse team, not only as to gender diversity but also considering age and professional background. To maintain the diversity, 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, Damien Macq, Marc Biron, Veerle Lozie, Nicolas Simonne, Vincent Hilligsmann, Antonius Duisters, Heidi Stieglitz

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

** On 1 August 2021, Mr. Marc Biron replaced Ms. Françoise Chombar as CEO. Ms. Chombar became Chair of the Board of Directors.

7.6 REMUNERATION REPORT

Introduction

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 11 May 2021.

In order to recognize the great efforts of the personnel to secure the company objectives in the unusually adverse circumstances in 2021, all personnel were awarded with a 10% increase to their variable pay. This also applies to (the short-term variable pay of) members of the Executive Management and the CEO and is a deviation from the Remuneration Policy as published on the website.

Total remuneration

The application of the remuneration policy during 2021 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				
Françoise Chombar - Non-executive director	-	-	-	-	-	-	-	-	Fixed: - Variable: -
Roland Duchâtelet - Non-executive director	-	-	-	-	-	-	-	-	Fixed: - Variable: -
Shiro Baba - Independent director	20,000.00	-	-	-	-	-	-	20,000.00	Fixed: 100% Variable: 0%
Procexcel BV, permanently represented by Jenny Claes - independent director	10,000.00	-	66.40	-	-	-	-	10,066.40	Fixed: 100% Variable: 0%
Martine Baelmans - Independent director	20,000.00	-	-	-	-	-	-	20,000.00	Fixed: 100% Variable: 0%
Maria Pia De Caro - Independent director	12,802.00	-	-	-	-	-	-	12,802.00	Fixed: 100% Variable: 0%
Marc Biron - Executive director	-	-	-	-	-	-	-	-	Fixed: - Variable: -
Marc Biron Consulting BV, permanently represented by Marc Biron - Executive, CEO (from 1 August 2021)	261,500.00	-	4,645.19	98,832.00	32,090.00	-	-	397,067.19	Fixed: 67.03% Variable: 32.97%
Sensinnovat BV, permanently represented by Françoise Chombar - Executive, CEO (until 1 August 2021)	145,831.00	-	1,136.30	40,104.00	22,786.00	-	-	209,857.30	Fixed: 70.03% Variable: 29.97%
Executive Management excl. Sensinnovat BV and Marc Biron Consulting BV	1,720,509.00	-	28,556.24	402,753.67	133,893.38	-	-	2,285,712.29	Fixed: 76.52% Variable: 23.48%

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 dependent on the achievement of the target revenue growth and target EBIT growth over the reference period, which are measured on a Melexis Group consolidated basis, based on IFRS accounting standards. The same targets are used for the short, medium and long-term bonus. 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%

In 2021 there was a change in CEO. Therefore, in what follows, we will each time present the data for both CEOs separately.

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

The results for performance year 2021 are shown in the table below. Compared to 2020, the revenue growth was 27% while the EBIT growth was 97%. This means that 100% of the short-term cash bonus will be paid out. This amount will be increased by the exceptional 10% applicable to all personnel as well as a 20% discretionary increase awarded by the Board of Directors on the basis of reasoned advice from the Nomination and Remuneration Committee.

When Marc Biron became CEO on 1 August 2021, his salary was increased. In calculating his variable pay, we took into account the average salary he received in 2021.

Marc Biron Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance	Discretionary increases
	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: 27% Revenue growth: 97%	10% to all personnel 20% individual
	b)	€ 0	b)	€ 74,873	b)	€ 74,873	€ 98,832
TOTAL BONUS							€ 98,832

Françoise Chombar was awarded the following short-term variable pay for her performance as CEO until 1 August 2021. She will receive a pro rata part for seven months.

Françoise Chombar Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance	Discretionary increases
	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: 27% Revenue growth: 97%	10% to all personnel
	b)	€ 0	b)	€ 36,458	b)	€ 36,458	€ 40,104
TOTAL BONUS							€ 40,104

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

The results for performance year 2021 are shown in the table below. Compared to 2019, the revenue growth was 110% while the EBIT growth was 32%. This means that 100% of the medium-term cash bonus will be paid out.

When Marc Biron became CEO on 1 August 2021, his salary was increased and the percentages for the medium-term cash bonus increased from 10% to 12.5%. Françoise Chombar will receive a pro rata part of the medium-term cash bonus for seven months.

Marc Biron 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: 32% Revenue growth: 110%
	b)	€ 0	b)	€ 25,727	b)	€ 25,727
TOTAL BONUS						€ 25,727

Françoise Chombar 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: 32% Revenue growth: 110%
	b)	€ 0	b)	€ 18,229	b)	€ 18,229
TOTAL BONUS						€ 18,229

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

The results for performance year 2021 are shown in the table below. Compared to 2018, the revenue growth was 13% while the EBIT growth was 7%. This means that 25% of the long-term cash bonus will be paid out.

When Marc Biron became CEO on 1 August 2021, his salary was increased and the percentages for the long-term cash bonus increased from 10% to 12.5%. Françoise Chombar will receive a pro rata part for of the long-term cash bonus for seven months.

Marc Biron 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: 7% Revenue growth: 13%
	b)	€ 0	b)	€ 25,451	b)	€ 6,363
TOTAL BONUS						€ 6,363

Françoise Chombar 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: 7% Revenue growth: 13%
	b)	€ 0	b)	€ 18,229	b)	€ 4,557
TOTAL BONUS						€ 4,557

b. Other members of the Executive Management

The variable remuneration for the other members of the Executive Management contains 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 2021 are shown in the table below. Compared to 2020, the revenue growth was 27% while the EBIT growth was 97%. This means that 100% of the short-term cash bonus will be paid out.

Performance criteria	a)	Minimum threshold performance	a)	Maximum performance	a)	Measured performance	Discretionary increases
	b)	Corresponding remuneration	b)	Corresponding remuneration	b)	Actual remuneration outcome	
Global business performance	a)	Revenue and EBIT growth <10%	a)	Revenue and EBIT growth >15%	a)	EBIT growth: 27% Revenue growth: 97%	10% to all personnel 20% discretionary to some members
	b)	€ 0	b)	€ 161,246.75	b)	€ 161,246.75	€ 201,376.84
Individual/team performance (+ individual discretionary)	a)		a)		a)		
	b)	€ 0	b)	€ 161,246.75	b)	€ 161,246.75	€ 201,376.84
TOTAL BONUS							€ 402,753.67

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

The results for performance year 2021 are shown in the table below. Compared to 2019, the revenue growth was 32% while the EBIT growth was 110%. This means that 100% 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: 32% Revenue growth: 110%
	b)	€ 0	b)	€ 107,447.50	b)	€ 107,447.50
TOTAL BONUS						€ 107,447.50

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

The results for performance year 2021 are shown in the table below. Compared to 2018, the revenue growth was 13% while the EBIT growth was 7%. This means that 25% of the long-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: 7% Revenue growth: 13%
	b)	€ 0	b)	€ 105,783.50	b)	€ 26,445.88
TOTAL BONUS						€ 26,445.88

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. To ensure comparability, the annual change in remuneration is only reported since the implementation of Directive (EU) 2017/828 as regards the encouragement of long-term shareholder engagement.

	2017	2018	2019	2020	2021
Annual change in the remuneration of directors and members of the Executive Management					
Fixed remuneration					5.0%
Variable remuneration					155.3%
Annual change in the developments and performances					
Performance criteria (EBIT)	15.9%	4.4%	-49.0%	6.9%	96.5%
Performance criteria (revenue)	12.1%	11.3%	-14.5%	4.2%	26.9%
Annual change in the average remuneration of employees*					
	1.6%	-2.9%	0.7%	4.7%	3.9%

* 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 2021 the ratio between the highest and lowest remuneration was 41.02 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 2021.

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 2021.

Use of claw-back provisions

In 2021, no claw-back occurred.

Deviations from the remuneration policy

In order to recognize the great efforts of the personnel to secure the company objectives in the unusually adverse circumstances in 2021, all personnel were awarded with a 10% increase to their variable pay. This also applies to (the short-term variable pay of) members of the Executive Management and the CEO and is a deviation from the Remuneration Policy as published on the website.

Vote of the shareholders

The annual shareholders' meeting of 12 May 2021 has approved the remuneration report regarding the financial year ending on 31 December 2020 with a 98.07% majority of the 74.53% votes cast validly.

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.

In 2021 there was one conflict of interest as per article 7:96 of the Belgian Code of Companies and Associations:

“Roland Duchâtelet and Françoise Chombar declare that they have a financial interest that may conflict with that of the Company in agenda item 4. Under this agenda item the Company is expected to enter into a cost allocation agreement for an intended private placement through ABB with Xtrion NV, the controlling company of Melexis, of which Mr. Duchâtelet and Ms. Chombar are important shareholders.

In accordance with article 7:96 of the Belgian Companies and Associations Code (BCAC), the directors concerned cannot participate in the deliberation or decision and these minutes must contain the following information: nature of the transactions, justification of the decisions taken and the financial consequences of the transactions for the Company. This information is included above and in agenda item 4.

The statutory auditor of the Company shall be notified of this conflict of interest.

(...)

4. In the framework of the ABB, the Company will enter into an agreement with Xtrion NV and Melexis Technologies NV in order to share the costs of the Transaction (the Cost Sharing Agreement).

The board of directors resumes the deliberations of the committee of independent directors in application of article 7:97 BCAC. The other directors have no further comments and concur with these considerations and the decision of the committee.

For the application of article 7:96 BCAC, the board of directors hereby further identifies:

- The nature of the transaction

With the Cost Sharing Agreement to be entered into, the Company, Xtrion NV and Melexis Technologies wish to share the costs of the Transaction pro rata to the number of shares they sell.

- Justification of the decisions taken

The Company takes the opportunity to participate in the professionally organized ABB process, which it would not be able to organize for its participation of 1,785 shares alone. Given the limited number of shares it is selling, it is only taking on a fraction of the total cost of the Transaction. It would also have to bear costs for other methods of selling her own shares. Moreover, the Board of Directors is convinced that the distribution of costs in accordance with the pro rata number of shares sold per seller is logical and fair.

- The patrimonial consequences of the transactions for the Company

The total cost of the Transaction is estimated at EUR 1,840,951. Of this, the Company shall bear 1,835.26 EUR in accordance with the Cost Sharing Agreement, corresponding to its pro rata share of the shares to be sold.

DECISION:

The Board of Directors unanimously decides to approve the Cost Sharing Agreement, substantially in the form as attached as Exhibit 4.”

Related parties transactions

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 related parties.

In 2021, the above mentioned procedure regarding related parties transactions had to be applied once.

On 2 March 2021 at 2 pm Melexis announced the following statement via a press release (www.melexis.com/en/go/investors/xtrion-and-melexis-announce-private-placement-of-melexis-shares) in accordance with article 7:97 of the Belgian Code of Companies and Associations:

"In application of Article 7:97, §4/1 BCAC, Melexis is disclosing hereby the fact that the proposed private placement contains two aspects of related party transactions.

1° Nature of the related party transactions

Melexis, Melexis Technologies and Xtrion are expected to enter into a placement agreement with the Joint Global Coordinators pursuant to which the latter will execute the private placement and facilitate the sale of shares resulting from the ABB. The three companies will also share the costs of the private placement amongst them.

2° Information on the related party

Xtrion is the controlling shareholder of Melexis, and as such qualifies as a related party. The signing of the placement agreement and the agreement on the cost sharing can be seen as a related party transaction for Melexis and Melexis Technologies under the scope of the special procedure of article 7:97 BCAC.

3° Date and value of the transaction

The Parties intend to share the costs of the ABB pro rata the number of shares of the Company they each sell. These costs comprise a.o. the placement fees, tax on stock-exchange transactions (TST), legal fees and the auditor fees. They have been estimated (based on the reference closing price of the Melexis share on Euronext Brussels on February 25 2021 of EUR 96.70) at a maximum of EUR 1,849,951. These costs will be shared pro rata the number shares sold by the parties in the private placement, which will result in an estimated maximum cost for:

- Melexis of EUR 1,835.26 ; and for*
- Melexis Technologies of EUR 354,051.20.*

The liabilities undertaken under the Placement Agreement are in line with market practice for similar transactions and have been undertaken severally pro rata the shares sold by the respective parties in the private placement but not jointly.

4° Advice by Committee of Independent Directors and statutory auditor's review

In application of article 7:97 BCAC, the Committee of Independent Directors of Melexis has issued a written advice, the conclusion of which is:

"In view of the foregoing, the Committee advises to the Board of Directors that it considers the entering into the Cost Sharing Agreement and the Placement Agreement by the Company and by Melexis Technologies is not contrary to the interest of the Company and not unjustified. The Committee is also of the opinion that it is highly unlikely that the entering into these agreements would lead to disadvantages which would outweigh the advantages outlined above in this advice."

The Board of Directors of Melexis did not deviate from this conclusion.

The review by the statutory auditor of Melexis, PwC Bedrijfsrevisoren CVBA/SCRL in application of Article 7:97, §4 BCAC concludes as follows: "Based on the procedures we have performed, as described in this report, we do not report any exceptions to you."

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 2021, except for those mentioned above regarding the private placement, 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 ensure 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 the 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 possible adverse evolutions.
- The financial results are also reviewed monthly 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 former 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 2021, the Melexis Group was not in the possession of any shares in the registered capital of the company*.

Termination of management agreements

All management agreements with the members of the Executive Management provide for a severance payment equal to twelve months' fixed remuneration if the management agreement is terminated due to a change of control.

* 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.

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 Culliganlaan 5, 1831 Machelen, 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, was appointed as the permanent representative 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. Contrary to recommendation 7.9 of the Code 2020, the 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		2021	2020
ASSETS			
Current assets:	Cash, and cash equivalents (Note 8.9.5.A)	34,950,394	58,883,048
	Current investments, derivatives (Note 8.9.5.B)	10,356,160	244,971
	Accounts receivable – trade (Note 8.9.5.D)	80,229,168	65,099,023
	Accounts receivable – related companies (Note 8.9.5.Z.2)	5,179,602	372,415
	Assets for current tax (Note 8.9.5.X)	5,976,258	4,695,479
	Inventories (Note 8.9.5.E)	144,490,280	123,457,242
	Other current assets (Note 8.9.5.F)	10,680,012	10,636,656
Total current assets		291,861,874	263,388,836
Non-current assets:	Deferred tax assets (Note 8.9.5.X)	25,230,552	28,490,331
	Other non-current assets (Note 8.9.5.Z.2)	3,140,921	4,202,869
	Property, plant and equipment (Note 8.9.5.I)	132,020,095	129,949,108
	Intangible assets (Note 8.9.5.G)	4,334,611	4,650,041
	Leased assets (Note 8.9.5.H)	4,592,441	2,731,139
Total non-current assets		169,318,620	170,023,489
TOTAL ASSETS		461,180,495	433,412,325

in EUR

31 December		2021	2020
LIABILITIES			
Current liabilities:	Current portion of long-term debt (Note 8.9.5.M)	-	-
	Lease liabilities (Note 8.9.5.H)	1,718,141	1,632,661
	Accounts payable – trade (Note 8.9.5.L)	22,667,627	18,327,737
	Accounts payable – related companies (Note 8.9.5.Z)	19,785,548	15,759,006
	Short-term employee benefits accruals (Note 8.9.5.J)	17,810,905	11,881,630
	Accrued taxes (Note 8.9.5.X)	789,822	473,355
	Other current liabilities (Note 8.9.5.L)	4,002,058	3,433,130
	Deferred income (Note 8.9.5.K)	2,437,459	2,799,357
Total current liabilities		69,211,560	54,306,876
Non-current liabilities:	Long-term debt less current portion (Note 8.9.5.M)	-	62,000,000
	Lease liabilities (Note 8.9.5.H)	2,908,663	2,122,166
	Deferred tax liabilities (Note 8.9.5.X)	3,824	207,134
Total non-current liabilities		2,912,487	64,329,300
Equity:	Shareholders' capital	564,814	564,814
	Reserve treasury shares	-	(3,817,835)
	Legal reserve	56,520	56,520
	Retained earnings	393,129,007	324,085,148
	Cumulative translation adjustment	(4,694,303)	(6,112,907)
Equity attributable to company owners		389,056,038	314,775,740
	Non-controlling interest	410	410
Total equity (Note 8.9.5.N)		389,056,448	314,776,149
TOTAL EQUITY AND LIABILITIES		461,180,495	433,412,325

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	2021	2020
Total revenue (Note 8.9.5.O)	643,786,021	507,517,322
Cost of sales (Note 8.9.5.Q)	(370,185,495)	(309,529,267)
Gross margin	273,600,526	197,988,055
Research and development expenses (Note 8.9.5.R)	(78,387,958)	(77,690,691)
General and administrative expenses (Note 8.9.5.S)	(32,052,847)	(30,929,601)
Selling expenses (Note 8.9.5.T)	(14,711,311)	(13,834,237)
Income from operations (EBIT)	148,448,410	75,533,526
Financial income (Note 8.9.5.W)	13,199,634	6,225,939
Financial charges (Note 8.9.5.W)	(7,347,737)	(5,846,771)
Profit or loss before tax	154,300,306	75,912,694
Income tax (Note 8.9.5.X)	(23,192,091)	(6,613,382)
Net profit or loss for the period	131,108,216	69,299,312
Earnings per share attributable to the ordinary equity holders of the parent		
Earnings per share non-diluted (Note 8.9.5.AB)	3.25	1.72
Earnings per share diluted (Note 8.9.5.AB)	3.25	1.72

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	2021	2020
Net profit or loss	131,108,216	69,299,312
Other comprehensive income		
Recyclable items of profit or loss		
Cumulative translation adjustment	1,418,523	(1,523,466)
Total other comprehensive income (loss) for the period	1,418,523	(1,523,466)
Total comprehensive income (loss) for the period	132,526,739	67,775,846
Total comprehensive income attributable to:		
Owners of the parent	132,526,739	67,775,846
Non-controlling interests	-	-

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 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
Net income		-	-	131,108,216
CTA movement		-	-	(81)
Dividends		-	-	(88,880,000)
Sale own shares		-	-	26,815,725
31 December 2021	40,400,000	564,814	56,520	393,129,007

Reserve treasury shares	CTA	Non-controlling interest	Total equity
(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
-	-	-	131,108,216
-	1,418,605	-	1,418,523
-	-	-	(88,880,000)
3,817,835	-	-	30,633,560
-	(4,694,303)	410	389,056,448

In 2020 and 2021, no purchases of own shares took place.

8.5 CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR

31 December (indirect method)	2021	2020
Cash flows from operating activities		
Net profit	131,108,216	69,299,312
Adjustments for operating activities		
Deferred taxes (Note 8.9.5.X)	3,259,779	(841,052)
Unrealized exchange results (Note 8.9.5.W)	(6,489,626)	(2,212,514)
Accrued income tax (Note 8.9.5.X)	16,817,249	4,549,900
Government grants (Note 8.9.5.P)	844,434	942,039
Depreciation and amortization (Note 8.9.5.V)	42,996,800	44,453,225
Depreciation and amortization leased assets (Note 8.9.5.H)	1,794,991	1,918,352
Financial results (Note 8.9.5.W)	1,954,204	(1,183,820)
Operating profit before working capital changes	192,286,048	116,925,442
Accounts receivable, net (Note 8.9.5.D)	(15,098,538)	(6,973,601)
Other current assets (Note 8.9.5.F)	(2,098,581)	(4,755,575)
Other non-current assets	1,061,712	(4,199,851)
Due from related companies (Note 8.9.5.Z)	(4,807,240)	(236,641)
Due to related companies (Note 8.9.5.Z)	4,026,542	26,206
Accounts payable	4,285,333	2,236,783
Employee benefit liabilities (Note 8.9.5.J)	5,929,275	1,238,783
Other current liabilities (Note 8.9.5.L)	526,044	(870,492)
Other non-current liabilities	(565,208)	389,245
Inventories (Note 8.9.5.E)	(26,700,113)	(210,145)
Interest paid (Note 8.9.5.W)	(112,062)	(482,299)
Prepayment income tax (Note 8.9.5.X)	(16,500,783)	(7,327,146)
Net cash from operating activities	142,232,430	95,760,709
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Note 8.9.5.I and 8.9.5.G)	(39,088,143)	(24,835,443)
Interest received (Note 8.9.5.W)	5,331	56,297
Investments, proceeds, from current investments	244,971	(166,534)
Net cash used in investing activities	(38,837,842)	(24,945,680)

31 December (indirect method)	2021	2020
Cash flows from financing activities		
Repayment and proceeds from long-term debts (Note 8.9.5.M)	(62,008,402)	93,563
Repayment leasings (Note 8.9.5.H)	(2,784,317)	(933,825)
Impact of exchange results on financing items	(4,315,933)	2,271,615
Dividend payment (Chapter 8.4)	(88,880,000)	(52,070,017)
Sale of shares	30,633,560	-
Net cash used in financing activities	(127,355,092)	(50,638,664)
Effect of exchange rate changes on cash	27,849	(64,841)
Cash at beginning of the period	58,883,048	38,771,524
Cash at end of the period	34,950,394	58,883,048
Cash at end of the period minus cash at beginning of the period	(23,932,655)	20,111,524

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

8.6 RESULT OF OPERATIONS

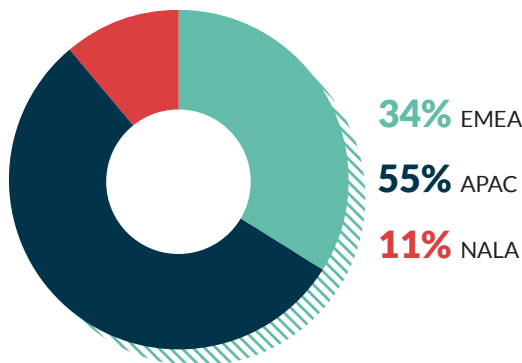
The following discussion and analysis of the financial condition and results of operations should be read in conjunction with the company's financial statements from previous years.

Revenue

In 2021, total revenue increased by 27% compared to 2020, from EUR 507,517,322 in 2020 to EUR 643,786,021 in 2021. The EUR/USD exchange rate had a negative impact of 1% on sales.

The increase in sales was propelled by strong demand and order intake. Structurally, we continue to enjoy strong momentum of new products and content growth.

APAC continued being the largest region for Melexis, representing 55% of total sales in 2021, led by China, Hong Kong and Japan with respectively EUR 79,064,308, EUR 61,043,570 and EUR 45,630,857 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 2021.



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 370,185,495 in 2021 compared to EUR 309,529,267 in 2020. Expressed as a percentage of total revenue, the cost of sales decreased from 61% in 2020 to 57.5% in 2021, mainly because of the increase in sales.

Gross margin

The gross margin, expressed as a percentage of total revenues, increased from 39.0% in 2020 to 42.5% in 2021.

Research and development expenses

Research and development expenses amounted to EUR 78,387,958 in 2021, representing 12.2% of total revenue, versus EUR 77,690,691 in 2020. 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 increased by 4% compared to 2020. The main variance is attributable to an increase in costs related to utilities and insurance.

Income from operations

The company recorded an operational income for 2021 of EUR 148,448,410 compared to EUR 75,533,526 in 2020, an increase of 97%. The increase in gross margin, combined with a smaller increase in operating expenses than in sales, led to an increase in the operating margin from 14.9% in 2020 to 23.1% in 2021.

Financial result

The net financial result amounted to EUR 5,851,897 profit in 2021 compared to EUR 379,169 profit in 2020. The (net) interest result amounted to a loss of EUR 524,946 in 2021 compared to a loss of EUR 794,089 in 2020. The currency exchange result (both realized and unrealized) amounted to a loss of EUR 3,527,217 in 2021, compared to a gain of EUR 1,306,140 in 2020. The fair value of the inflation swaps resulted in an unrealized financial gain of EUR 10,205,720 in 2021 (Note 8.9.5.W).

Income taxes

Income taxes amounted to EUR 23,192,091 in 2021 compared to EUR 6,613,382 in 2020 (Note 8.9.5.X).

Net income

The company recorded a net income for 2021 of EUR 131,108,216, an increase of 89% compared to 2020.

8.7 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 34,950,394 as of 31 December 2021, compared to EUR 58,883,048 as of 31 December 2020.

In 2021, operating cash flow before working capital changes amounted to EUR 192,286,048 compared to EUR 116,925,442 in 2020. Net operating cash flow including working capital changes amounted to EUR 142,232,430. This amount was mainly impacted by changes in inventories, accounts receivable and accrued expenses.

The cash flow from investing activities was negative by an amount of EUR 38,837,842, as a result of investments in fixed assets amounting to EUR 39,088,143 compensated by financial fixed assets for an amount of EUR 3,817,835, interest received for an amount of EUR 5,331 and proceeds from current investments for an amount of EUR 244,971. The cash flow from financing activities was negative by an amount of EUR 127,355,092. This was mainly the net result of the repayment of long-term debt for an amount of EUR 62,008,402, the impact of exchange results on financing items amounting to EUR 4,315,933, the repayment of leasings amounting to EUR 2,784,317 and the 2020 final and 2021 interim dividend payment amounting to EUR 88,880,000, compensated by the sale of treasury shares for an amount of EUR 30,633,560.

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 28 March 2022 and were signed on its behalf by Marc Biron.

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

Marc Biron
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 2021 to 31 December 2021.

The Melexis Group of companies employed on average (FTE) 1,482 people in 2021 and 1,449 in 2020.

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 28 January 2022.

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 2021 (collectively "IFRS"). Melexis did not apply any new IFRS requirements not yet effective in 2021.

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 2021. 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.

Variable consideration: some of the contracts contain commercial discounts and rebates. These incentives are included in the transaction price. A liability is set up for the most likely amount of variable consideration that is to be paid by Melexis in the future. This liability is recognized when the revenue and the corresponding accounts receivable position is recognized.

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 2021 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
- 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
- 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 2021.

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 2021. The Group has not applied any new IFRS requirements that are not yet effective as per 31 December 2021.

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2021 and have been endorsed by the European Union:

1. 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.
2. 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.
3. 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.

The following new standard and amendments have been issued, are not mandatory for the first time for the financial

year beginning 1 January 2021 but have been endorsed by the European Union:

1. 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 pop 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. The EU regulation provides an optional exemption from applying the annual cohort requirement that relates to the timing of the recognition of the profit in the contract, the contractual service margin, in profit or loss. Entities making use of the exemption are not applying IFRS as issued by the IASB and need to disclose the fact.
2. Amendment to IFRS 16 Leases COVID-19-Related Rent Concessions beyond 30 June 2021 (effective 01/04/2021, with early application permitted). The amendments extend, by one year, the May 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. In particular, the amendment permits a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022 (rather than only payments originally due on or before 30 June 2021). The amendment is effective for annual reporting periods beginning on or after 1 April 2021 (earlier application permitted, including in financial statements not yet authorized for issue at the date the amendment is issued).
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 1 January 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 2018-2020 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.

The following amendments have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2021 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 01/01/2023), 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. 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. Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting

policies (effective 1 January 2023). The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. The IAS 1 amendment requires companies to disclose their material accounting policy information rather than their significant accounting policies. Further, the amendment to IAS 1 clarifies that immaterial accounting policy information need not be disclosed. To support this amendment, the Board also amended IFRS Practice Statement 2, 'Making Materiality Judgements', to provide guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).

3. Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (effective 1 January 2023). The amendment to IAS 8, 'Accounting Policies, Changes in Accounting Estimates and Errors', clarifies how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted (subject to any local endorsement process).
4. Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (effective 1 January 2023). The amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations. The

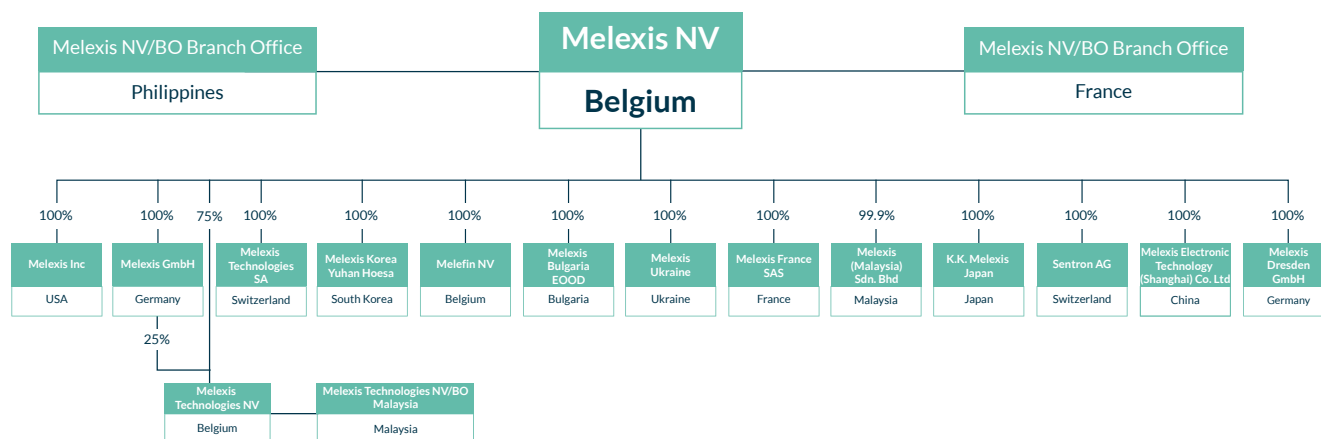
main change in the amendments is an exemption from the initial recognition exemption of IAS 12.15(b) and IAS 12.24. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition. The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Early adoption is permitted.

5. Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021, effective 1 January 2023). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements.

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 2021.

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	2021	2020
Cash at bank and in hand	34,950,394	58,883,048
Total	34,950,394	58,883,048

B. CURRENT INVESTMENTS, DERIVATIVES

in EUR

31 December	2021	2020
Current investments, derivatives	10,356,160	244,971

The amount of current investments recognized by Melexis as per 31 December 2021 fully relates to derivative financial assets which are all measured for at fair value. Changes in the fair value of these derivatives are recognized in profit or loss by Melexis. More information on the actual gains and losses recognized in the profit and loss statement of Melexis can be found in Note 8.9.5.W.

There were no outstanding derivatives as per 31 December 2021 for which Melexis has elected to apply hedge accounting by designating the derivative as a hedging instrument in an eligible relationship.

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

A detailed overview of the outstanding derivatives, categorized under Current investments, is included in Note 8.9.5.C.

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		2021	2020
Outstanding FX hedge contracts on 31 December not exceeding 1 year	USD	50,000,000	55,000,000
Outstanding inflation hedge contracts, exceeding 1 year	EUR	30,000,000	-

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

Fair value

The fair value of derivatives is based upon mark to market valuations. 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 investments, Derivatives:

in EUR

31 December		2021	2020
Assets		Fair value	Fair value
Outstanding FX swaps - level 2		150,440	244,971
Outstanding inflation swaps - level 2		10,205,720	-
Total, classified under Current investment (see also Note 8.9.5.B)		10,356,160	244,971

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	2021	2020
Trade accounts receivable	80,297,319	65,313,272
Allowance for doubtful accounts	(68,151)	(214,248)
Total	80,229,168	65,099,023

As of 31 December 2021, trade receivables of EUR 6,834,434 were past due.

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

in EUR

31 December	2021	2020
Not due	73,394,734	61,313,256
<30 days	5,794,097	3,557,352
>30 <60 days	209,953	517,564
>60 days	830,384	(289,149)
Total	80,229,168	65,099,023

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 2021			
	Allowance for doubtful accounts	No allowance for doubtful accounts	Total receivables
Not due	-	73,394,734	73,394,734
<30 days	-	5,794,097	5,794,097
>30 <60 days	-	209,953	209,953
>60 days	68,151	762,234	830,384
Total	68,151	80,161,017	80,229,168

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.

Melexis uses an early warning system to detect potential bad debtors. In this system, the most recent available financial information of the customer (with focus on credit ratios) is combined with an analysis of their (future) order and payment behavior. The analysis is done on a weekly basis and thoroughly investigated by the credit control team. No additional impairment or credit losses needed to be taken in 2021.

E. INVENTORIES

Inventory is written off when no sales are expected or when the goods contain defects. In 2021, EUR 5,669,071 of additional inventory was written off. EUR 6,322,862 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	2021	2020
Raw materials and supplies, at cost	14,954,778	15,831,288
Work in progress, at cost	117,783,017	102,144,375
Finished goods, at cost	17,609,166	11,992,051
Reserve for obsolete stock	(5,856,680)	(6,510,471)
Net	144,490,280	123,457,242

F. OTHER CURRENT ASSETS

in EUR

31 December	2021	2020
Other receivables	7,713,241	7,432,262
Prepaid expenses	2,966,771	3,204,395
Total	10,680,012	10,636,656

The other receivables mainly relate to VAT.

Prepaid expenses are expenses paid in advance for the whole year, for example insurance fees, license fees, etc. These increase at the beginning of the year and decrease towards the end.

G. INTANGIBLE ASSETS

in EUR

31 December	Licenses	IP	Total
Acquisition value			
Balance end of previous period	21,869,776	1,264,810	23,134,586
Additions of the period	1,498,803	-	1,498,803
Retirements (-)	(61,351)	-	(61,351)
CTA	118,576	-	118,576
Total	23,425,804	1,264,810	24,690,614
Depreciation			
Balance end of previous period	17,219,735	1,264,810	18,484,545
Additions of the period	1,823,955	-	1,823,955
Retirements (-)	(61,351)	-	(61,351)
Transfers	-	-	-
CTA	108,855	-	108,855
Total	19,091,193	1,264,810	20,356,003
NET BOOK VALUE	4,334,611	-	4,334,611

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	5,966,029	362,327	6,328,356
Additions of the year	3,345,370	343,516	3,688,886
Retirements	(2,068,026)	(74,759)	(2,142,785)
Transfers	9,606	(1,328)	8,278
CTA	162,455	-	162,455
End of the period	7,415,435	629,756	8,045,191
Accumulated depreciation			
Beginning of the period	3,444,468	152,749	3,597,217
Additions of the period	1,601,697	111,806	1,713,503
Retirements	(1,977,034)	(7,388)	(1,984,422)
Transfers	1,442	-	1,442
CTA	125,008	-	125,008
End of the period	3,195,581	257,167	3,452,748
NET BOOK VALUE	4,219,854	372,589	4,592,443

Additions and retirements mainly relate to building rental contract modifications.

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	1,632,661	2,122,166	3,754,827
End of the period	1,718,141	2,908,663	4,626,804

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

in EUR

31 December	Land and building	Furniture and vehicles	Total
< 1 year	1,585,308	132,833	1,718,141
> 1 year < 3 years	2,684,874	223,789	2,908,663
TOTAL	4,270,182	356,622	4,626,804

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

in EUR

Depreciation charges leased buildings	1,680,133
Depreciation charges leased vehicles	114,859
Interest expense (included in finance cost)	47,113
Expenses related to short-term leases or low-value assets (included in admin expenses)	667,331

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	57,413,663	327,215,368	21,530,377	21,000,870	427,160,278
Additions of the period	624,694	1,733,725	1,911,363	26,029,730	30,299,511
Retirements (-)	(8,220)	(9,630,537)	(1,377,980)	(580,687)	(11,597,424)
Transfers	13,883,987	19,729,800	1,742,301	(35,356,087)	-
CTA	383,183	2,057,341	148,143	6,999	2,595,666
End of the period	72,297,306	341,105,696	23,954,203	11,100,825	448,458,030
Accumulated depreciation					
Beginning of the period	22,183,832	259,010,579	16,016,760	-	297,211,171
Additions of the period	2,670,556	22,453,283	2,598,987	-	27,722,826
Retirements (-)	(8,220)	(9,198,086)	(1,292,521)	-	(10,498,827)
CTA	164,950	1,719,100	118,717	-	2,002,767
End of the period	25,011,118	273,984,876	17,441,943	-	316,437,937
NET BOOK VALUE	47,286,188	67,120,820	6,512,260	11,100,825	132,020,093

Additions of the year 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. Retirements are mainly linked to items with zero net book value which are not in use anymore by the company.

There are currently no restrictions in title for any of our 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	2021	2020
Holiday pay and year-end bonus	14,896,706	8,403,533
Other social accruals	950,028	711,305
Remuneration	830,439	1,462,568
Social security	297,206	377,234
Direct and indirect taxes	836,525	926,989
Total	17,810,905	11,881,630

The increase in bonus accrual is directly linked to an increase in the operational result of Melexis: 50% of the bonus accrual is 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.

K. DEFERRED INCOME

in EUR

31 December	2021	2020
Capital grants	278,474	340,518
Deferred income	2,158,985	2,458,838
Total	2,437,459	2,799,357

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	2021	2020
Accrued real estate withholding tax	362,000	125,000
Accrued financial services	346,076	537,809
Accrued design services	1,368,772	857,174
Accrued management services	193,913	327,865
Accrued HR services	659,967	167,437
Accrued insurances	439,633	147,122
Accrued IT services	20,041	-
Accrued licenses and royalties	6,000	264,000
Accrued other employee costs	199,000	99,699
Accrued utilities	-	86,457
Other	406,656	820,567
Total	4,002,058	3,433,130

M. LONG AND SHORT-TERM DEBT

in EUR (unless stated otherwise)

31 December	2021	2020
Unsecured loans		
Unsecured loan at floating interest rate; maturing in 2028	-	37,000,000
Unsecured loan at floating interest rate; maturing in 2028	-	15,000,000
Unsecured loan at floating interest rate; maturing in 2028	-	10,000,000
Total debt	-	62,000,000

All long and short-term debt was paid back in 2021.

As of 31 December 2021 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 2021, 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.

N. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

Shareholder's capital

As of 31 December 2021, 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.

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 total impact on equity is an increase of EUR 30,633,479.

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 per cent 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	2021	2020
Product sales	643,786,021	507,517,322
Total	643,786,021	507,517,322

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	2021	2020
Grants for research and development	779,558	917,259
Investment grants in building, machinery and employment grants	158,610	122,703
Total	938,168	1,039,962

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	2021	2020
Purchases	278,690,472	228,561,253
Transportation costs	5,797,806	4,036,925
Salaries	36,377,591	31,629,106
Depreciation and amortization (*)	31,657,625	32,126,516
Maintenance	8,297,365	5,680,277
Utilities	5,303,087	3,499,891
Other direct production costs	4,061,549	3,995,300
Total	370,185,495	309,529,267

(*) Includes accruals for write-offs on inventory for the amount of EUR 5,669,071 and reversal of accruals for write-offs in previous year for EUR 6,322,862. This accrual reversal refers to inventory written off in previous years that we scrapped or sold in 2021. Consequently, the net impact on the consolidated income statement of 2021 is EUR 653,791.

Cost of sales increased in 2021 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	2021	2020
Salaries	48,758,047	48,776,724
Depreciation and amortization	8,025,468	8,547,337
External services	9,410,664	7,801,108
Fees	5,224,622	5,822,438
Prototype wafers	1,071,796	1,476,306
Rent and maintenance	576,549	829,281
Subsidies	(779,558)	(917,259)
Travel	344,958	476,311
Engineering purchases	5,755,412	4,878,445
Total	78,387,959	77,690,691

S. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

in EUR

31 December	2021	2020
Salaries	10,337,980	9,540,822
Depreciation and amortization	4,541,871	5,156,327
External services	4,688,071	5,237,699
Fees	2,826,743	2,457,737
Maintenance	2,594,503	2,362,418
Insurances	1,689,651	1,367,839
Utilities	2,657,408	2,182,915
Travel	175,366	182,356
Other	2,541,254	2,441,488
Total	32,052,847	30,929,601

T. SELLING EXPENSES

Selling expenses include the following expenses:

in EUR

31 December	2021	2020
Salaries	10,204,912	9,530,164
Depreciation and amortization	566,827	541,397
Commissions	1,378,082	1,211,464
External services	1,333,611	1,364,391
Travel	308,362	361,072
Other	919,517	825,749
Total	14,711,311	13,834,237

U. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

in EUR

31 December	2021	2020
Wages and salaries	105,678,530	99,476,816
Total	105,678,530	99,476,816

The average number of employees (FTE) was 1,482 in 2021 and 1,449 in 2020.
For more details on the compensation of key management, see chapter 7.

V. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

in EUR

31 December	2021	2020
Cost of sales	31,657,625	32,126,516
Research and development	8,025,468	8,547,337
General and administration	4,541,871	5,156,327
Selling	566,827	541,397
Total	44,791,791	46,371,577

W. NET FINANCIAL RESULT

in EUR

31 December	2021	2020
Financial income	13,199,634	6,225,939
Interest income	5,331	56,297
Exchange differences	2,898,036	6,169,469
Result on financial instruments excluding fair value adjustments	90,445	-
Fair value adjustment inflation swaps	10,205,720	-
Other	102	173
Financial charges	(7,347,737)	(5,846,771)
Interest charges	(530,277)	(850,386)
Bank charges	(297,676)	(133,055)
Exchange differences	(6,425,253)	(4,863,329)
Fair value adjustment FX swaps	(94,531)	-
Net financial results	5,851,897	379,168

X. INCOME TAXES

The income tax expenses can be broken down as follows:

in EUR

31 December	2021	2020
Current tax expenses	20,135,622	7,584,558
Deferred tax expenses	3,056,469	(971,176)
Total	23,192,091	6,613,382

Accrued income taxes and prepayments increased compared to last year due to an increase in taxable result.

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 3.9 million at year end 2021.

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 23.2 million at year end 2021.

Added to deferred tax effects linked to available tax offsets carried forward in the hands of Melexis NV and Melexis Technologies 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 26.1 million at year end 2021.

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 2021 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 2021 a cumulative deferred tax asset of EUR 25,230,552. Accordingly, the unrecognized deferred tax asset amounts to approximately EUR 0.9 million at year end 2021.

Furthermore, a deferred tax liability of EUR 3,824 was recognized at year end 2021 related to temporary differences in FX recognition.

Consolidated figures show a current tax receivable amounting to EUR 5,976,258 and a current tax liability amounting to EUR 789,822. 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, the overpayment of German taxes for financial year 2020 amounting to EUR 1.0 million and the overpayment of Belgian taxes for financial years 2020 and 2021 amounting to EUR 2.8 million.

Components of deferred tax assets are as follows:

in EUR

	1 Jan 2021	Charged to income statement	Charged to equity	31 Dec 2021
Tax amortization charges	26,467,000	(279,000)	-	26,188,000
Fair value adjustments to financial instruments	(61,243)	(2,527,797)	-	(2,589,040)
Tax losses carried forward	1,656,000	(721,000)	-	935,000
Miscellaneous	428,574	268,018	-	696,592
Total	28,490,331	(3,259,779)	-	25,230,552

Financial instruments refer to our FX and inflation derivatives used for hedging purposes. For more information on these derivatives please refer to note 8.9.5.C.

Deferred tax assets expected to be recovered within 12 months amount to EUR 14.6 million. Deferred tax assets expected to be recovered after more than 12 months amount to EUR 10.6 million.

Components of deferred tax liabilities are as follows:

in EUR

	1 Jan 2021	Charged to income statement	31 Dec 2021
Miscellaneous	(207,134)	203,310	(3,824)
Total	(207,134)	203,310	(3,824)

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

in EUR

31 December	2021	2020
Income before taxes	154,300,306	75,912,694
Expected taxes at domestic rate	38,575,077	18,978,173
Effective taxes	23,192,091	6,613,382
Difference to be explained	(15,382,986)	(12,364,791)
Explanation of the difference		
Difference in foreign tax percentages and other tax regimes	(2,875,692)	(579,406)
Tax effect of non-deductible items	385,625	347,371
Tax effect of non-taxable income	(61,791)	(165,175)
Tax effect of patent/innovation income deduction	(8,393,736)	(7,704,829)
Tax effect of investment deduction	(3,843,307)	(3,235,331)
Tax losses carried forward	(479,572)	(992,818)
Current tax adjustments relating to prior years	146,210	(208,239)
Miscellaneous	442,663	297,533
Unrecognized deferred tax assets for the current period	-	360,553
Change of recognition of deferred tax assets (decrease + / increase -)	(703,385)	(484,450)
Total	(15,382,986)	(12,364,791)
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 10 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	2021	2020
Customer A	14	13
Customer B	6	6
Customer C	6	6
Customer D	5	5
Customer E	4	4
Customer F	2	2
Customer G	2	2
Customer H	2	2
Customer I	2	2
Customer J	2	2
Total	45	44

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	2021	2020
in Europe, Middle East and Africa	218,612,188	175,193,303
Germany	87,366,434	74,687,422
France	16,707,034	11,789,880
United Kingdom	8,171,188	7,707,698
Poland	13,247,390	12,306,519
Switzerland	19,723,510	16,366,765
Ireland	643,296	780,334
Czech Republic	5,806,874	4,902,922
Austria	11,470,309	11,364,502
Netherlands	270,120	773,287
Romania	16,868,186	11,736,171
Bulgaria	4,475,567	3,507,386
Spain	2,082,092	1,843,096
Hungary	5,288,011	3,883,092
Italy	9,103,728	5,048,951
Other	17,388,450	8,495,278
North and Latin America	68,834,039	55,064,260
United States	43,547,279	35,050,745
Canada	5,639,494	4,466,624
Mexico	19,608,794	15,502,540
Brazil	38,473	44,351
Asia Pacific	356,339,794	277,259,760
Japan	45,630,857	40,964,411
China (excluding Hong Kong)	79,064,308	63,762,467
Hong Kong	61,043,570	46,028,880
Thailand	55,662,545	38,246,179
South Korea	36,020,347	30,052,072
Philippines	23,628,359	21,264,842
Taiwan	26,743,507	19,748,914
India	6,686,814	4,644,659
Singapore	20,653,562	10,982,045
Other	1,205,924	1,565,291
Total	643,786,021	507,517,323

Z. RELATED PARTIES

1. Shareholder 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 50% + 1 share 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 Xpeqt Group. Xpeqt Group develops, produces and sells test systems for the semiconductor industry. Xpeqt 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 2021 and 2020, the following balances were outstanding:

Receivables

in EUR

31 December		2021	2020
From	Elex NV	2,033	2,033
	Xtrion NV	4,840	-
	Fremach Group	-	2,643
	X-FAB Group	5,164,721	356,313
	Xpeqt Group	8,007	11,426
	Total	5,179,602	372,415

Payables

in EUR

31 December		2021	2020
To	Elex NV	137,033	92,107
	Xtrion NV	112,430	28,658
	X-FAB Group	18,564,840	14,848,994
	Xpeqt Group	972,585	789,778
	Anvo-Systems Dresden GmbH	(1,340)	(531)
	Total	19,785,548	15,759,006

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

in EUR

31 December		2021	2020
From	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	2021	2020
Sales to		
Fremach Group (mainly integrated circuits or ICs)	24,375	40,255
Xpeqt Group	1,040	1,967
X-FAB Group (mainly test and assembly services)	10,531	-
31 December	2021	2020
Purchases from		
X-FAB Group (mainly wafers)	211,306,745	163,281,329
Xpeqt Group (mainly equipment and goods)	5,164,048	2,736,553
Xtrion NV (mainly IT infrastructure)	828,240	507,829

Sales/purchases of services

31 December	2021	2020
Sales to		
Elex NV (infrastructure office building)	20,160	20,160
Xpeqt Group (infrastructure office building)	99,299	92,913
Xtrion NV (infrastructure office building)	91,445	48,000
X-FAB Group	526,708	613,195
Anvo-Systems Dresden GmbH	95,951	59,335
31 December	2021	2020
Purchases from		
Xtrion NV (mainly IT, R&D services and related support)	2,790,114	2,178,893
Elex NV (support services)	1,130,711	85,123
Xpeqt Group	2,651,307	3,323,743
X-FAB Group	6,172,673	2,975,761
X-CelePrint Ltd	12,000	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 51,611 remuneration in 2021. 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 131,108,216 in 2021 and EUR 69,299,312 in 2020 by the weighted average number of ordinary shares outstanding during the period (40,400,000 in 2021 and 40,400,000 in 2020).

The average number of ordinary shares outstanding diluted and non-diluted are the same.

No material share transactions or potential share transactions occurred after the balance sheet date.

On 28 January 2022, the Board of Directors decided to propose to the annual shareholders' meeting to pay out over the result of 2021 a total dividend of 2.60 EUR gross per share. This amount contains an interim dividend of EUR 1.30 per share, which was paid in October 2021 as interim dividend, and a final dividend of EUR 1.30 per share which will be payable after approval by the annual shareholders' meeting.

AC. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of 31 December 2021, the company had purchase commitments for tangible fixed assets amounting to EUR 8,634,268 mainly related to the Sofia building expansion and test equipment for the production sites.

AD. BUSINESS COMBINATIONS

No business combinations in 2021.

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 209,384.

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 1,100,928 in 2021 compared to EUR 1,193,979 in 2020.

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 2021 and 2020.

AH. SUBSEQUENT EVENTS

It goes without saying that our most important concern today is our people in Kyiv. We are in close contact with local colleagues throughout these challenging times and we are committed to help them.

A dedicated taskforce set up at the end of December is monitoring the situation and supporting our colleagues. Contingency plans have been put in place.

In Kyiv we have a team of around 60 people who are working on R&D activities. There is no immediate impact on our manufacturing operations and current product delivery engagements. As such, these events qualify as a non-adjusting event, with no impact on the 2021 figures.

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

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.AK 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 14% of total sales. No other customers have sales over 10% of total sales. For the year ended 31 December 2021, the 10 most important customers accounted for 45% of total sales (see 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 Note 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 50% + 1 share 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 chapter 8.9.

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 V). 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, 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 'fables' 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 Note 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 2021, approximately 42% of the Group's sales are denominated in USD and approximately 46% 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 2021	Increase/decrease in EUR/USD rate	Effect on profit or loss before taxes (in EUR)
Reference rate: 1.18 (average FY 2021)		
	+0.05 (1.23)	(1,736,826)
	-0.05 (1.13)	1,890,342

On 31 December 2021, the following financial assets and liabilities were present, shown in USD and CHF:

	31 Dec 2021 (in USD)	31 Dec 2021 (in CHF)
Financial assets	50,429,155	200,999
Cash and cash equivalents	17,282,282	195,077
Trade and other receivables	33,146,873	5,922
Financial liabilities	21,955,532	743,036
Trade and other payables	21,955,532	743,036
Loans and borrowings	-	-

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.13) would have an impact on the balance sheet value of -1,062,914 EUR/ +1,161,096 EUR on 31 December 2021.

An increase/decrease of the EUR/CHF rate of +/- 500 base points (reference rate = 1.03) would have an impact on the balance sheet value of +24,221 EUR/ -26,684 EUR on 31 December 2021.

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 2021, the Group had no long-term debt obligations.

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.AM.

(2) Interest rate risk

On 31 December 2021, the Group does not use derivatives to manage interest rate risks of the outstanding bank debt.

(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 per 31 December 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. The Group uses inflation hedge contracts to hedge Belgian salary payments. For more information please refer to note 8.9.5.C.

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 2021 was minimal since their deviation from their respective fair values was not significant.

AM. COVID-19

Melexis has been closely monitoring and responding to the COVID-19 evolutions around the world 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

COVID-19 remains a risk for 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 ensures that our manufacturing sites keep running under the best achievable circumstances.

Despite the pandemic, Melexis posted a year-over-year sales growth of 27%.

Balance sheet

On 31 December 2021, the cash position amounted to EUR 34,950,394 and the bank debt of EUR 62,000,000 had been paid off. Unused committed credit lines were 147 million EUR. The inventory increased with EUR 21 million compared with end 2020.

Based on our strong results and cash flow position in 2021, no impairment was deemed required. Melexis will continue to respect all covenants on its active credit lines.

Deferred tax asset

Given our full-year guidance and in line with the above-mentioned redundancy of impairment, 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 off 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. This analysis does 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 has been no impact of the COVID-19 pandemic on our inventories.

Outlook

Melexis expects sales in the first quarter of 2022 to be in the range of EUR 177 to 183 million.

For the full year 2022, Melexis expects sales growth between 12% and 17%, with a gross profit margin around 42% and an operating margin around 23% at the midpoint of the sales guidance, all taking into account a EUR/USD exchange rate of 1.13.

For the full year 2022, Melexis expects CAPEX to be around 45 million EUR.

AN. CLIMATE CHANGE

The world 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. 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. A decline in demand for Melexis' products, a large part of which support the transition to a lower carbon economy, is unlikely. Therefore, we have not impaired any assets in 2021.

Melexis is continuously looking for ways to reduce emissions and energy by designing sustainable products for our customers who are also increasingly looking to minimize their impact on the environment. To do so, Melexis adheres to the Greenhouse Gas or GHG Protocol and is now measuring its scope 1 and 2 emissions. In consultation with an external consultant, all our sites have now been assessed and their baseline measurements regarding CO₂ emissions have been determined. These initial values provide the starting point for annual comparisons and allow for the establishment of future key performance indicators. Besides that, Melexis continuously evaluates the possible impact of climate change in its business creation process. For more information on our initiatives with regard to a lower carbon economy, please refer to chapter 6 of this annual report.

An important environmental risk that Melexis faces is linked primarily to climate change, such as the higher occurrence of natural hazards. Melexis is mapping, proactively and together with our suppliers, business continuity risks including natural hazards, at every stage of the supply chain and ensuring mitigation of the main risks.

Another risk related to climate change is the potential need for increased expenditures and investments by players in the semiconductor industry to ensure compliance with new regulations to reduce the CO₂ footprint. The production of wafers for instance is very energy and water intensive. Moreover, the environmental footprint of transportation of ICs is high, given the global nature of the semiconductor supply chain. Therefore, regulation in view of climate change could put pressure on the industry and lead to substantial increases in the cost of doing business. In 2021, expenses related to climate change were not material.

There is no substantial impact of climate change considerations on the financial judgments and estimates made in this annual report.

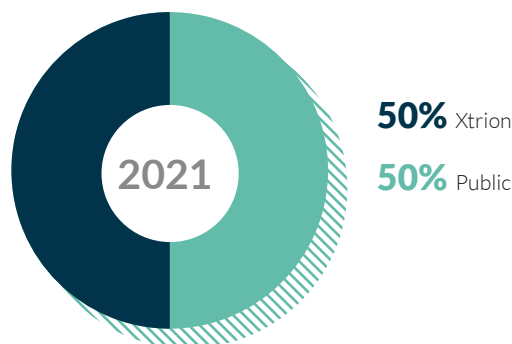


- Listing Euronext
- Reuters ticker MLXS.BR
- Bloomberg ticker MELE BB

9.1 SHAREHOLDER STRUCTURE

Situation on 31 December 2021*

Company	Number of shares	Participation rate
Xtrion NV	20,200,001	50%
Public	20,199,999	50%
Total	40,400,000	100%



* The shareholder structure changed on 5 March 2021 due to a private placement of Melexis shares.

9.2 SHARE INFORMATION

- First day of listing 10 October 1997
- Number of shares outstanding on 31 December 2021 40,400,000
- Market capitalization on 31 December 2021 EUR 4,233,920,000

(in EUR)	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Earnings per share	3.25	1.72	1.49	2.86	2.75	2.38	2.45	2.10	1.37	1.25	1.06
Net cash from operating activities	3.52	2.37	2.34	2.47	2.80	2.67	2.85	2.35	1.75	1.41	1.35
Gross dividend	2.60	2.20	1.30	2.20	2.10	2.00	1.90	1.00	0.70	0.65	0.60
Year end price	104.80	79.90	67.05	50.90	84.37	63.65	50.18	37.50	23.18	12.88	10.37
Year's high	109.60	82.30	72.65	92.83	87.37	65.88	59.47	37.54	24.44	13.40	13.84
Year's low	79.70	46.10	47.66	45.62	64.41	40.94	37.70	23.10	13.19	10.60	8.35
Average volume of shares traded/day	81,014	85,165	126,252	107,094	54,966	59,810	73,249	35,665	22,741	22,958	34,818

9.3 CONTACT INFO

Investor Relations

investor@melexis.com

Rozendaalstraat 12, B-8900 leper, Belgium

www.melexis.com/en/investors

9.4 FINANCIAL CALENDAR 2022

27 April 2022

Announcement of Q1 results

10 May 2022

Annual Shareholders' Meeting

27 July 2022

Announcement of half-year results

26 October 2022

Announcement of Q3 results

1 February 2023

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

2021: EUR 1.30 interim dividend

EUR 1.30 final dividend

(approval by the annual shareholders' meeting on 10 May 2022)

The following information is extracted from the separate Belgian GAAP financial statements of Melexis NV. These separate financial statements, together with the management report of the Board of Directors to the general shareholders' meeting 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 2021. 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 2021 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	2021	2020
FIXED ASSETS	1,319,775	1,324,318
II. Intangible assets	139	213
III. Tangible assets	31,600	36,065
A. Land and buildings	13,035	13,962
B. Plant machinery and equipment	14,359	19,938
C. Furniture and vehicles	1,685	1,571
F. Assets under construction and advanced payments	2,521	594
IV. Financial assets	1,288,036	1,288,040
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	40	44
2. Receivables and caution money	40	44
CURRENT ASSETS	4,134	3,786
V. Amounts receivable after more than one year	41	3
1. Other receivables	41	3
VII. Amounts receivable within one year	1,568	2,060
A. Trade receivables	34	429
B. Other receivables	1,534	1,631
VIII. Cash investments	-	21
A. Own shares	-	21
B. Other investments and deposits	-	-
IX. Cash deposits	328	207
X. Deferred assets and accrued income	2,198	1,495
TOTAL ASSETS	1,323,909	1,328,104

Condensed non-consolidated statement of financial position (continued)

in 1,000 EUR

	2021	2020
SHAREHOLDERS' EQUITY	731,657	832,946
I. Capital	565	565
A. Outstanding capital	565	565
IV. Reserves	56	3,894
A. Legal reserve	56	56
B. Reserves not available for distribution	-	3,838
1. In respect of own shares held	-	3,838
V. Retained earnings	730,777	828,205
VI. Investment grants	259	282
DEBTS	592,252	495,158
VIII. Long-term debt	4	-
D. Banks	-	-
IX. Amounts payable within one year	590,353	492,808
A. Current portion of amounts payable after more than one year	-	-
C. Trade debts	2,391	2,137
1. Trade payables	2,391	2,137
E. Taxes, remuneration and social security	4,261	3,678
1. Taxes	224	778
2. Remuneration and social security	4,017	2,900
F. Other amounts payable	583,700	486,992
X. Accrued charges and deferred income	1,896	2,350
TOTAL LIABILITIES	1,323,909	1,328,104

Condensed non-consolidated statement of comprehensive income

in 1,000 EUR

	2021	2020
I. Operating income	62,745	58,188
A. Turnover	60,275	55,691
C. Other operating income	2,469	2,497
II. Operating charges	(53,877)	(50,720)
B. Services and other goods	15,601	13,873
C. Remuneration, social security charges and pensions	26,926	24,360
D. Depreciations	11,098	12,233
E. Amounts written off stocks, contracts in progress and trade receivables	-	-
G. Other operating charges	253	254
III. Operating result	8,868	7,468
IV. Financial income	166	60,653
B. Income from current assets	142	60,506
C. Other financial income	24	147
V. Financial charges	(5,072)	(5,622)
A. Debt charges	4,958	5,603
C. Other financial charges	114	19
VI. Result of the year before taxes	3,962	62,499
VII. Income taxes	(188)	(302)
A. Taxes	188	302
B. Regularization	-	-
VIII. Result of the year	3,774	62,197
IX. Profit of the year available for appropriation	3,774	62,197

Appropriation of the result

in 1,000 EUR

	2021	2020
A. Result to be appropriated	831,979	917,083
1. Result of the period available for appropriation	3,774	62,197
2. Result carried forward	828,205	854,886
B. Transfers from capital and reserves	3,837	-
C. Transfers to capital and reserves	-	-
1. To other reserves	-	-
D. Result to be carried forward	730,777	828,205
1. Result to be carried forward	730,777	828,205
F. Distribution of profit	(105,040)	(88,878)
1. Dividends	(105,040)	(88,878)



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 (CAPEX)

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
APAC	Asia Pacific region
AR-HUD	Augmented-reality head-up display
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 system
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
DVK	Development kit
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
EMEA	Europe, Middle East and Africa
EMI	Electromagnetic interference
EPA	Electric power-assisted steering
EPS	Electronic power steering
ESD	Electrostatic discharge
ESP	Electronic stability program
EV	Electric vehicle
EVAP	Evaporation
FAE	Field application engineers
FIR	Far-infrared
FOV	Field of view
GAAP	Generally Accepted Accounting Principles
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
IRBP	Infrared bypass
ISO	International organization for standardization
ISO/TS	International organization for standardization/ technical specification
KPI	Key performance indicator
LED	Light-emitting diode
LIN	Local interconnect network
MAP	Manifold absolute pressure
MEMS	Microelectromechanical system
NALA	North America and Latin America
NFET	Negative-channel field effect transistor
OBC	On-board charger
OCD	Overcurrent detection
OEM	Original equipment manufacturer
OLED	Organic light-emitting diode
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
SMP	Single-mold 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
VCSEL	Vertical-cavity surface-emitting laser
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	3
	102-4 Location of operations	2.2
	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
	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	6.5
	102-13 Membership of associations	2.4
	102-14 Statement from senior decision-maker	1
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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.

The official ESEF-prepared version of this annual report is available on our website: www.melexis.com/en/investors/results-and-presentations/financial-reports.

This annual report covers the period 1 January - 31 December 2021. You can find the financial report as of page 85.

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 150-153.

Design and layout

www.magelaan.be



MELEXIS NV

**Statutory auditor's report to the general shareholders'
meeting on the consolidated accounts for the year
ended 31 December 2021**

5 April 2022



STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF MELEXIS NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 31 DECEMBER 2021

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 and the proposal formulated by the works' council. 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 5 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 2021, the consolidated income statement and the consolidated statement of 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 461.180.495 and a profit for the year of EUR 131.108.216.

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 2021, 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 matter

A key audit matter is a matter that, in our professional judgement, was of most significance in our audit of the consolidated accounts of the current period. This matter was 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 this matter.

Key audit matter regarding assumptions and estimates on tax positions

Description of the key audit matter

The global organisation and the business nature of Melexis' operations, results in complex tax accounting. The group operates across multiple 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 might be uncertain as it is subject to judgement (ref notes 8.9.3 and 8.9.5.X). Income tax audits can require several years to conclude and transfer pricing decisions may impact the group's income tax positions. Given the level of complexity involved, we consider assumptions and estimates on tax positions to be a key audit matter.

How our audit addressed the key audit matter

The audit engagement team, with the support of income tax and transfer pricing specialists, evaluated and tested the group's current and deferred income tax positions, and the transfer pricing policy in each significant jurisdiction.

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 directors' current or future business management at Group level.



As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism 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 audit committee 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 audit committee 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 audit committee, 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 mandate 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 separate report on 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 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 itemised in the notes to the consolidated accounts.

European Uniform Electronic Format (ESEF)

We have also verified, in accordance with the draft standard on the verification of the compliance of the financial statements with the European Uniform Electronic Format (hereinafter “ESEF”), the compliance of the ESEF format with the regulatory technical standards established by the European Delegate Regulation No. 2019/815 of 17 December 2018 (hereinafter: “Delegated Regulation”).

The board of directors is responsible for the preparation, in accordance with ESEF requirements, of the consolidated financial statements in the form of an electronic file in ESEF format (hereinafter “digital consolidated financial statements”) included in the annual financial report.

Our responsibility is to obtain sufficient appropriate evidence to conclude that the format and marking language of the digital consolidated financial statements comply in all material respects with the ESEF requirements under the Delegated Regulation.

Based on the work we have performed, we believe that the format of and marking of information in the digital consolidated financial statements included in the annual financial report of Melexis NV per 31 December 2021 comply in all material respects with the ESEF requirements under the Delegated Regulation.

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.

Antwerp, 5 April 2022

The statutory auditor
PwC Reviseurs d'Entreprises SRL/PwC Bedrijfsrevisoren BV
represented by

Sofie Van Grieken

Sofie Van Grieken
Réviseur d'Entreprises/Bedrijfsrevisor

Melexis 

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