



ANNUAL REPORT

2014

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# LETTER TO THE SHAREHOLDERS

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



Françoise Chombar

Dear Melexis Shareholder,

2014 was a dazzling year for Melexis. It is the first time since 2000 that Melexis experienced a sales growth of over 20%, except for 2010 which was by all means very exceptional immediately following the crisis years. According to Strategy Analytics, the world automotive semiconductor demand grew by 7,7% in 2014, whereas Melexis automotive sales outperformed with 23% growth. This clearly demonstrates that Melexis is gaining market share and that we are moving in the right markets and applications.

As in previous years, growth was mainly driven by Position sensors and Sensor Interface ASICs, mainly for under the hood applications. In addition, the sensor product lines FIR (Far Infrared) and TPMS (Tire Pressure Monitoring System) showed an above average growth. In the driving product lines we can highlight the micro-actuators. These are used to actuate small motors in applications such as airco flaps and grille shutters. A growth driver in the area of communicating is the Keyless Entry & Go product line. Geographically speaking, Asia and in particular China contributed most.

2014 saw the launch of more products than ever before. We launched 17 products across our spectrum of technologies: magnetic, pressure, image and temperature sensors, motor controllers and pre-drivers, LIN transceivers and wireless products, such as a combo of an NFC for wireless power charging. With more than 2/3rds of launches contributing to the green economy and more than half of them that can be considered world premieres, we live up to our vision of being an innovator engineering the sustainable future.

## Financials

Melexis financial performance in 2014 was extremely strong: sales growth of 21% was translated in a gross margin growth of 26% thanks to a favorable product mix, improved capacity utilization and better yield levels. Stronger than anticipated growth throughout the whole year triggered multiple top line guidance increases and as a result, lower operating costs versus sales. The operating result increased from 23 to 27% of sales, or an increase of 40% versus 2013.

In 2014, Melexis increased its (interim-)dividend from 0.70 to 1.00 EUR per share, an increase of 43% in line with net profit growth.

The Melexis share ended 2014 at 37.50 EUR or a performance of 62% for the year, excluding dividend.



## Long Term Trends

The long term drivers for growth, being safer and greener cars remain strongly present. According Strategy Analytics, global light vehicle production is expected in the next 3 years to grow at an average rate of 4 to 5% and semiconductor content per car around 2%, resulting in total growth of the automotive semi market of 6 to 8%. Automotive sales currently accounts for a record 88% of total Melexis sales.

Melexis outside automotive sales growth was 6% in 2014. We intend to further leverage our automotive technology expertise into other markets, particularly white goods. In 2014 we were for instance successful in HVAC (Heating Ventilation and Air Conditioning) applications in China with several new customers currently being lined up.

## Outlook 2015

Assuming a stable EUR/USD exchange rate versus 2014, Melexis expects sales growth in 2015 to be between 8% and 14%, a gross profit margin above 47% and an operating margin above 25%. Taking into account a EUR/USD exchange rate of 1.15, the sales growth is expected to be between 18% and 24% with an operating margin above 26%.

In order to support long term growth, we intend to invest around 40 million EUR in 2015, of which 10 million in infrastructure. Furthermore, we want to increase R&D spending to our mid-term target of 14-15% in order to further strengthen our portfolio of current product lines.

## Vision

We pride ourselves of caring for both our results and our people. Our company culture and the values it underwrites are the cornerstone of everything we do every day. True innovation lives in an environment where listening to stakeholders, conscious product marketing and delivering on promises is coupled with an open mind and respect for both the disciplined and the maverick. 2014 has taught us again more about what to do better and how to improve further. Our people deserve the recognition for the results we present to you today. Thanks to their dedication and engagement, we are convinced we can continue to be leaders in our field to the benefit of all our stakeholders.

*This is what we do:*

*This is what we are proud of:*

*This is who we are:*

*We Engineer the Sustainable Future.*

Sincerely,

Françoise Chombar

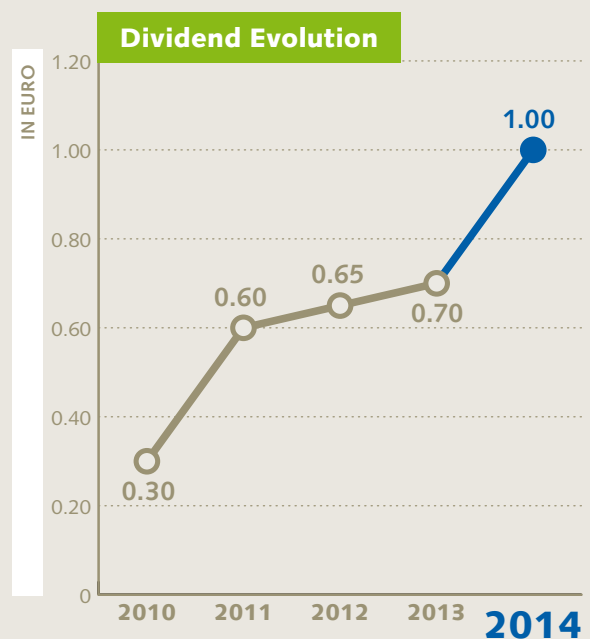
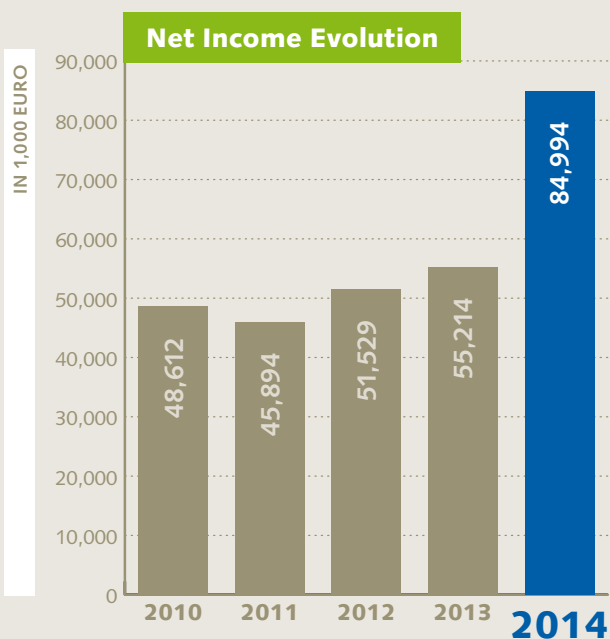
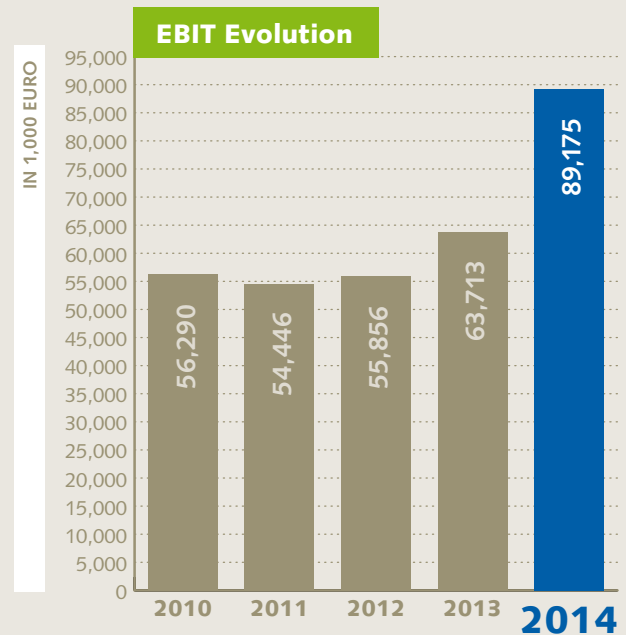
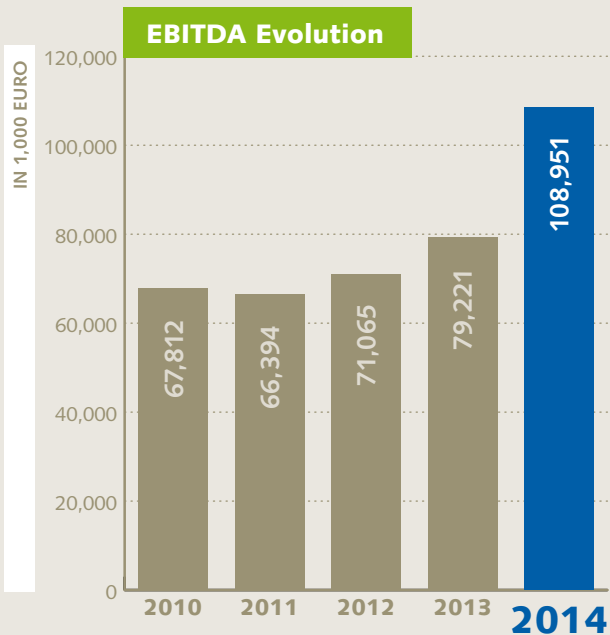
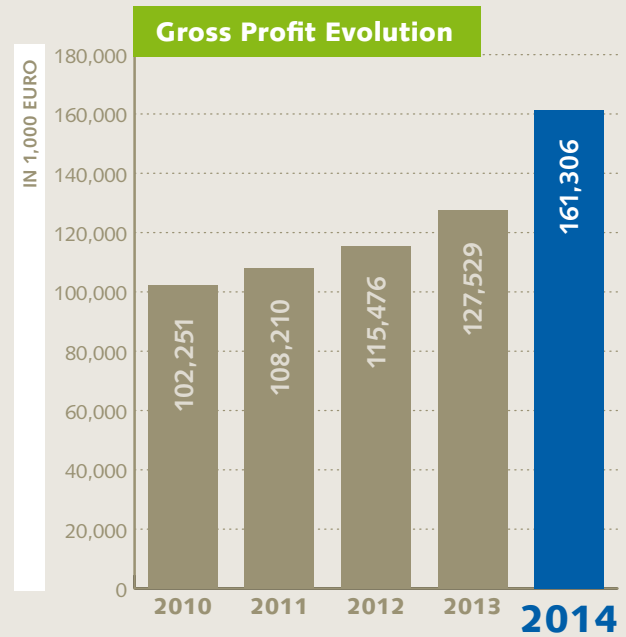
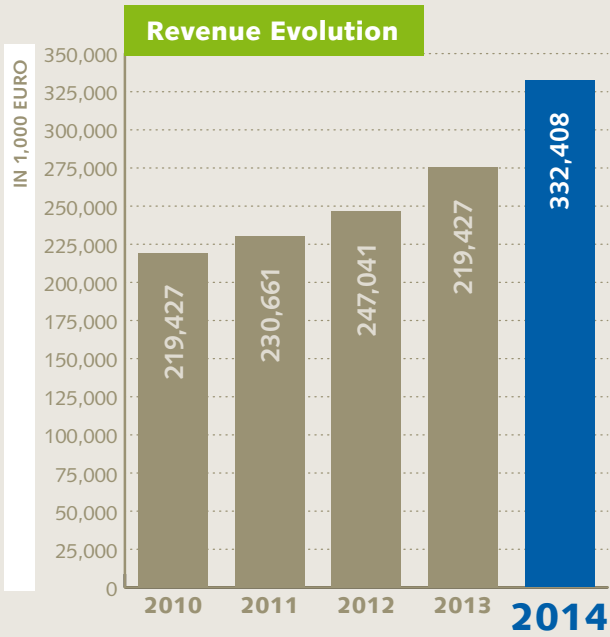
In name and on behalf of the whole Melexis Crew around the globe

# 2

## KEY FIGURES

In 1,000 Euro

<b>Operating results</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Revenue	219,427	230,661	247,041	275,352	332,408
Gross profit	102,251	108,210	115,476	127,529	161,306
EBITDA	67,813	66,394	71,066	79,222	108,951
EBIT	56,290	54,446	55,856	63,713	89,175
Net income	48,612	45,894	51,529	55,214	84,994
<b>Balance structure</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Shareholders' equity	95,455	107,121	129,277	157,639	204,936
Net indebtedness	29,852	19,212	11,732	(9,225)	(41,446)
Working capital	59,914	57,077	61,023	64,630	71,985
<b>Cash flow and capital expenditure</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
Net cash from operating activities	45,047	58,212	55,456	70,825	94,994
Depreciation + amortization	11,523	11,948	15,210	15,509	19,775
Capital expenditure	15,377	14,613	20,749	22,532	23,694
<b>Ratios</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>
ROE	51%	43%	40%	35%	41%
Liquidity	2.5	3.4	1.8	3.4	4.2
Solvency	53%	60%	66%	73%	80%





# 3

## CORPORATE RESPONSIBILITY

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

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

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

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

### 3.2 At Melexis, we engineer the sustainable future, helping our planet remain green

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

*"Drive smart solutions to enable Melexis innovative products and to encourage customer confidence"*







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

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

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

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

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

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

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

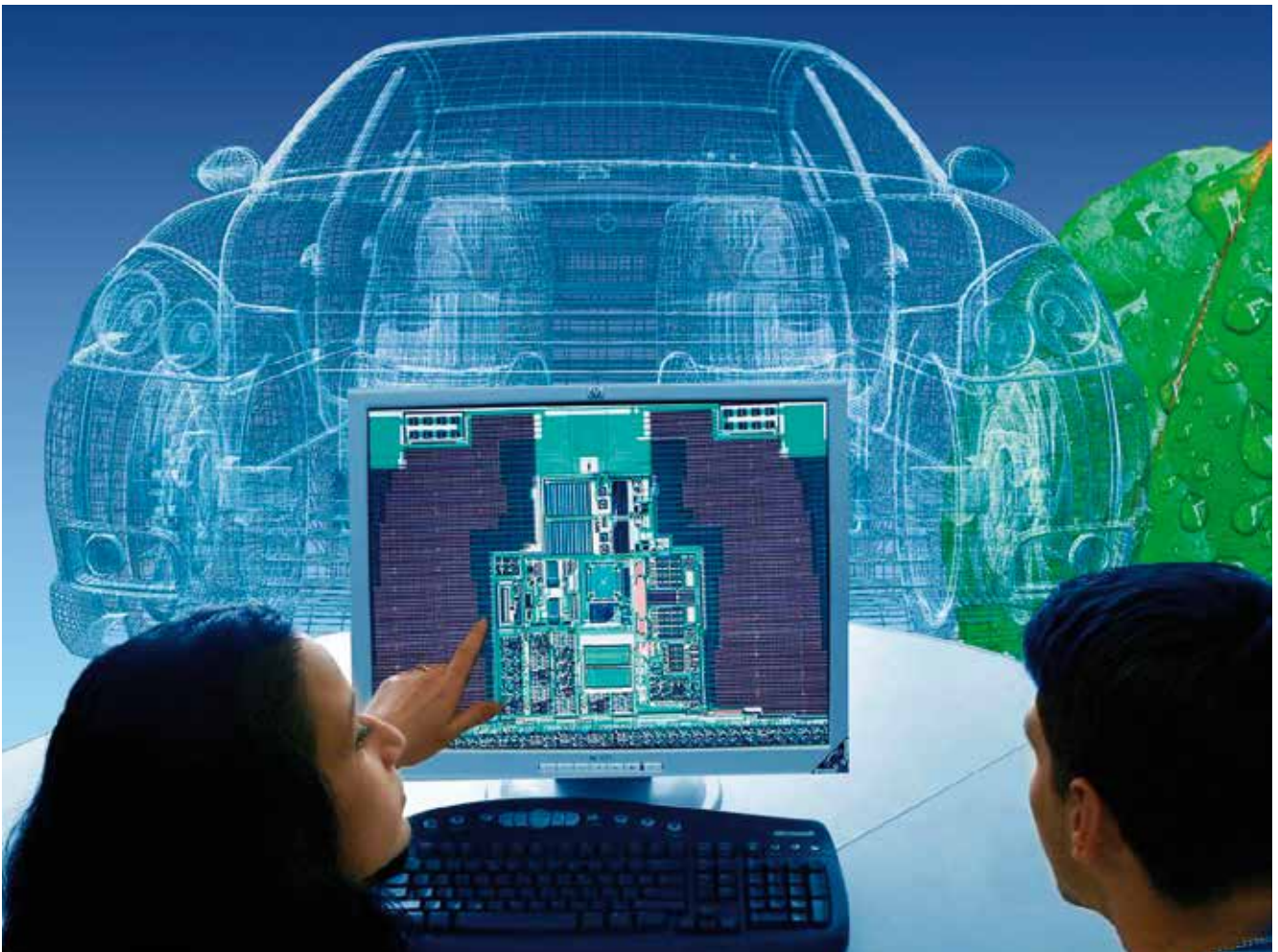
The **total effect on the environment** counts – embodied in the development of products whose production (including energy use), operation and disposal at end-of-life have minimum adverse effects on the environment

**Open contact** with stakeholders

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

## A GREENER BENCHMARK FOR FUTURE GENERATIONS

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





### 3.3 'The Melexis Way'

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

#### Customer Orientation

We engineer the sustainable future for our customers. Our challenge is finding innovative ways to excel in the quality of our products and services, our relationships and our results. In doing so, we enable our customers to be successful with their respective customers.



#### Enjoyment

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



#### Leadership

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



#### Profitability

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



#### Respect

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





# 4

## REFLECTION ON OUR STRATEGY

### 4.1 Simply the Best Innovation Made Safe at Launch On Time

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

### 4.2 A world of growth opportunities

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





### 4.3 Spotlight on ASSPs and ASICs

Melexis will continue to develop both ASICs (Application Specific ICs) and ASSPs (Application Specific Standard Products).

The latter are Melexis solutions that are within every customer's reach. The targeted goal is to offer widely accepted building blocks for numerous fields of application.

Our ASIC partners continue to recognize the value of engaging Melexis for their proprietary, sole source mixed signal solutions. Melexis routinely delivers more than just a finished tested IC based on the customers' block schematic. We take pride in being a fully active team member in the definition, design and delivery of the ASIC. Innovative, progressive solutions at the schematic level and throughout the program life make the difference.

### 4.4 Partners of choice

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

### 4.5 Leadership in semiconductor and sensor solutions

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



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

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

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



# 5

## PRODUCT PORTFOLIO

### 5.1 Introduction

Vehicles used to rely completely on the driver to make the smart decisions, such as to run the engine under optimal conditions (manual choke, open loop control e.g. no exhaust gas sensor) or how to brake under slippery conditions (now ABS and stability management). In the latest generation of cars, systems are present to help avoid lane departure, to ensure a safe distance is maintained from the vehicle ahead and to apply automatic braking in case of emergency. Many simple tasks have been taken away from the driver for comfort and safety, as our vehicles become more conscious by interacting with their surroundings on the driver's behalf.

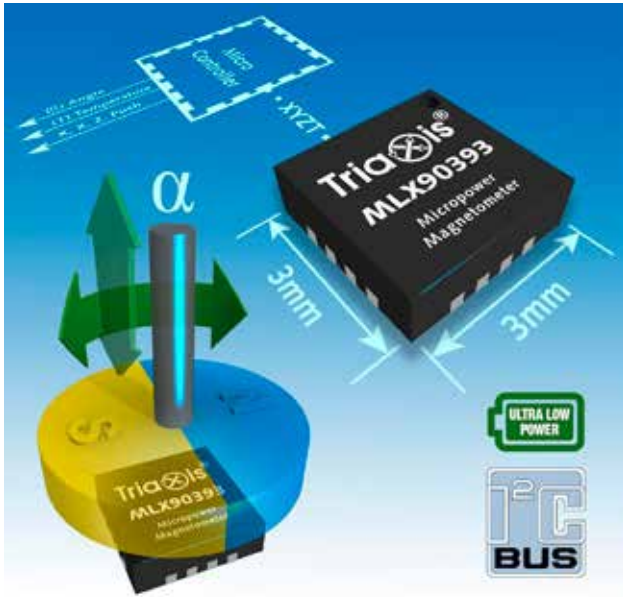
The aforementioned trends are not only being witnessed in the automotive market, but now everyday objects are becoming greener and safer for a more comfortable and sustainable world. Melexis products enable cars and many other things to effectively become conscious.

Real time sensing of both systems and the surrounding environment requires secure communication of data in varying speeds, as well as the sophisticated control and remote actuation that have been successfully addressed in the automotive industry for decades. If these themes of sensing, processing, actuating and robustly communicating sounds more familiar than ever before that's because they are. Whether it's a car, or a refrigerator, or a mobile device the same trends are present.

One way in which Melexis products differentiate themselves from the competition is by their inherent ability to integrate these elements into a system. Intelligent integration is increasingly important to provide the efficient, effective solutions needed to simplify complex systems.







## 5.2 Sensing

The growth of the Internet of Things (IoT) will further expand the concept of awareness. Meanwhile, some say that the automobile can already be thought of as the biggest, most sophisticated and connected mobile device. Whether it is a pressure, a temperature, a change in position or a hand gesture, Melexis innovations in silicon-based sensing ICs can sense them all. Melexis' innovations have allowed the company to lead the field.

Melexis is recognized as a long-standing world leader in magnetic sensing. For over a decade, the company has driven the market forward with devices based on its patented Triaxis® Hall sensor technology, which has set new benchmarks for contactless magnetic position sensing. Typical uses for these sensor devices are for movement, position and speed sensing, as well as current sensing. Magnetic sensors perform contactless measurements and are therefore immune to wear and tear, dust, dirt, humidity and vibration. Furthermore, Triaxis® technology allows magnetic sensors to be deployed across multiple markets in both automotive and everyday applications. By taking out the mechanical tolerances and simplifying the design of the magnetic aspects, Melexis' Triaxis® products are more cost effective to design-in for robust applications and easier to manufacture too.

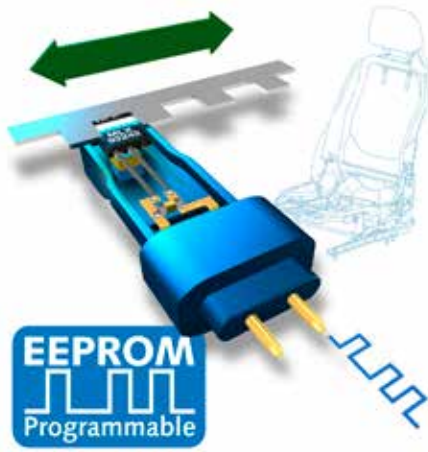
Sensing pedal, throttle and steering wheel position, steering torque and transmission shifter or sensing rotation of the cam and crank-shafts in engines are typical functions for millions of Melexis Hall ICs.

Triaxis® sensors are also employed for monitoring movement in motors, actuators dedicated devices and for measuring the current flowing in every electrical system. Other high volume applications for these Hall ICs include mobile devices, gaming, computing and automation equipment.

The proprietary Triaxis® technology from Melexis has proven to be a leading solution for a variety of position sensing requirements. EGR valves, turbo wastegate actuators, electronic throttle, steering angle, suspension height, transmission clutch, shift and fork position and human machine interface (HMI) are among the operational problems solved by Triaxis® technology.

Melexis' innovative Dual Mold Package enables 'No PCB' assemblies to be realized. This concept integrates the necessary passive protection components directly into the IC package, thereby improving reliability, lowering bill of materials costs and saving valuable space.

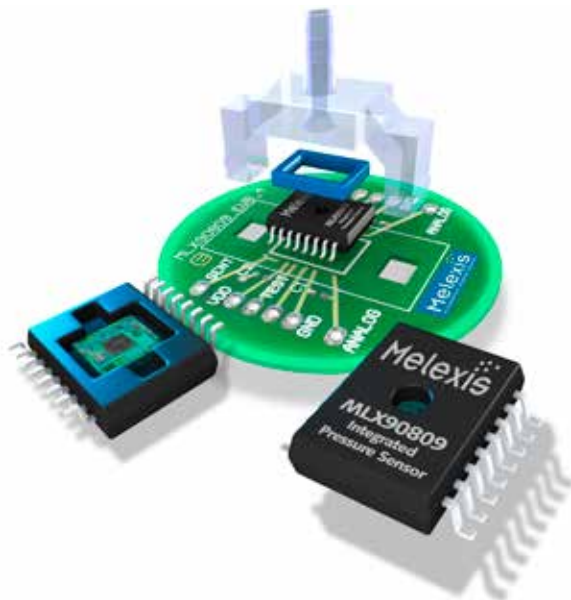




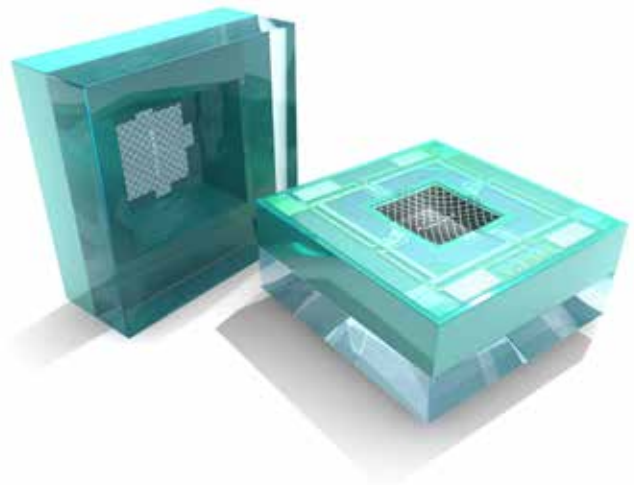
The Melexis portfolio of magnetic sensors offers solutions for robust and reliable contactless switches - replacing the traditional mechanical switches for various applications, such as seat-belt buckle, brake and clutch pedals. Enhanced features in the programmable switch and latch ICs enable our customers to benefit from a higher degree of flexibility in design and manufacturing.

Sensors are the enablers of many safety, comfort and powertrain applications in a modern car. Air conditioning, diesel particle filters, vehicle stability control and exhaust after treatment are only a few examples of applications that simply cannot exist without the extensive use of sensors.

Melexis develops pressure sensors based on MEMS (Micro-Electro-Mechanical Systems) technology, where the pressure causes a temporary and reversible deformation to a mechanical structure etched into the IC. Pressure is one of the key control parameters in almost all market segments. It can be measured using standalone sensors, for which Melexis also supplies industry leading signal conditioning interface ICs, or via completely integrated pressure sensors.



Integrated pressure sensors incorporate both the sensing element, in the form of a silicon deformable membrane, and the conditioning electronics on the same chip. This allows Melexis to address more applications and support our customers in their challenges.



MEMS technology also is used in products such as the company's far InfraRed (FIR) thermal arrays, which have been adopted for low-resolution visual thermometers within the industrial and do-it-yourself markets and even as add-on modules for smartphones. These small, low cost, thermal arrays combine optics, embedded processing and industry-unique MEMS thermopiles into small package devices.

Expensive thermal cameras have long been used in security applications, but thanks to the integrated Melexis MEMS implementation (which is in mass production), new applications like green air conditioning and occupancy monitoring for intelligent buildings are feasible for a more efficient and conscious world.



The MLX90621 FIRray is a 16 x 4 element array of thermopile sensors suitable for detecting thermal radiation and measuring temperatures without making contact with the object. Covering a -20°C to 300°C object temperature range, this thermopile sensor array produces a map of heat values for the target area in real time, avoiding the need to scan the area with a single point sensor or the use of an expensive microbolometer device. The MLX90621 can greatly simplify the thermal imaging system it is integrated into, by immediately capturing 64 pixel images in 2D, thus keeping the price point in the range needed for high volume, low cost applications.

In the automotive sector, the FIR array sensor is suitable for multi-zone air conditioning, passenger classification and driver monitoring. In the consumer sector, the sensor is being implemented into microwave ovens to detect the temperature of food being heated, and IoT provides a myriad of applications for the future in the fields of temperature and detection. Alongside the expansion of Melexis ground-breaking FIR array product offerings, the single channel infra-red (IR) thermometer product line has enjoyed further growth due to increased application of the sensors in new medical and consumer applications.

In the never-ending quest for higher comfort and safety, automatic light and wipers were introduced by many car manufacturers several years ago. Sufficient visibility for the driver under all (dynamic) circumstances is very important, therefore the automatic rain and wiper control is considered to be a safety function. Thanks to the high level of integration, high performance and rich application features the devices offer, the Melexis rain-light interface solution has become the reference in the market for this application.



Consciousness is not only about each device interacting with the world around it. Handheld devices, living spaces and especially cars have to be aware of the user/occupant in a non-intrusive way. For a full and enjoyable user experience, a more intuitive and natural interaction with the various systems is needed.

Melexis technologies, such as proximity sensors and time-of-flight (ToF) 3D cameras, are exactly what early adopters of Natural User Interface (NUI) are searching for in their implementations. Melexis is perfectly placed to address this new NUI trend and its exacting demands for high levels of robustness. After all, what use is a more intuitive and natural HMI if it is not robustly executed?

Proximity sensing can be highly effective for single-zone and multi-zone proximity or presence sensing while 3D ToF sensing enables a complete touch-less HMI. Melexis' ToF sensor, due to its outstanding backlight and sunlight rejection, allows use of Air Gesture interface or 3D object recognition in challenging environments like cars and manufacturing plants.

With the ongoing move towards autonomous and semi-autonomous vehicles, the ability to monitor the driver's level of engagement at any point in the journey is becoming a critical concern and ToF is an enabling technology in this application.



The MLX75023 is a QVGA resolution optical ToF camera sensor. Combined with a modulated light source, this sensor is capable of measuring distance and reflectivity at full resolution. The high dynamic range DepthSense™ pixels support strong background light rejection and extremely fast frame rates.

Unique to the automotive sector, this sensor enable highly effective 3D imaging with minimal associated post-processing cost, suitable for gesture recognition and driver monitoring.



### 5.3 Communicating

Other devices contributing to the safety and comfort aspects of cars are the wireless products deployed in Remote/Passive Keyless Entry (RKE/PKE), in infotainment with Near Field Communication (NFC) and in Tire Pressure Monitoring Systems (TPMS).

Since the inclusion of TPMS in vehicles sold within the USA became mandatory, the TPMS market has grown dramatically worldwide. With one of the most integrated and energy efficient solutions on the market, Melexis is well positioned and investing for further growth. In addition to TPMS, wireless connectivity is a key enabler in the automotive and industrial markets.

Wireless ICs are employed whenever the lift-gate remotely opens on your car, or you press the button to close your garage door. Home and building automation, security systems, access control and increasingly new IoT applications such as

Automatic Meter Reading (AMR) are all based on wireless technology and chipsets.

It was back in the mid-nineties that the previously stand-alone electronic modules in each vehicle started to be connected together on the vehicle bus. Nowadays, these once independently functioning modules communicate with each other and the stream of data between them represents the vehicle's consciousness. Almost every module from the engine controller, ambient lighting effects to the rear view mirror rely on being connected.

Most car manufacturers now base their vehicle architectures on at least a two tier network. LIN is widely used for the low speed bus applications, while the upcoming next generation of CAN (i.e. CAN FD) will be the high speed backbone of the network.



Thanks to the wide portfolio of bus transceivers and integrated LIN node devices, Melexis products will be the basis for these new electrical architectures. Melexis has established itself as the 'One-Stop-Shop' when it comes to LIN - covering everything from simple transceivers and system basis ICs right through to fully integrated LIN system-on-chip (SoC) solutions with embedded microcontrollers.

LIN RGB ambient lighting is among the newest and most LIN network intensive applications being incorporated into next generation vehicles.

The Melexis LIN RGB slave provides a single chip solution for driving up to 4 LEDs (RGB+1) via constant current sources in automotive ambient lighting applications.

All necessary components like physical layer LIN transceiver, LIN controller, voltage regulator, and 16-bit RISC-based microcontroller, as well as supporting functions like ADC, 16-bit current modulation, constant current high voltage capable outputs and LED color and aging compensation are integrated into the chip.

The LIN product portfolio provides the functional blocks which allow many applications to reduce size and weight with only the addition of few external components.

## 5.4 Driving

Gathering information from the surroundings is not enough, as there can be no true interaction without driving and actuation.

Smart motor drivers for water pumps, oils pumps and powerful cooling fans contribute to more environmentally efficient systems. Melexis has been pioneering in smart motor drivers with its TruSense™ patented technology and leverages know-how and experience to bring to the market new effective solutions.





The MLX8120x highly integrated 3 phase motor controller family includes versions in different memory configurations, pin counts and packages. It follows the Melexis high integration concept by putting a 16-bit Flash microcontroller, voltage regulator, LIN protocol, Power FET gate driver and several blocks for BLDC motor operation in one single IC. This device family uses the Melexis TruSense™ sensor-less BLDC motor control technology and supports sensor-less and sensor based BLDC motor operation.

BLDC motors can be found in pumps, blowers, fans and positioning BLDC actuators.

But not all actuation applications are so visible.

One of the biggest actuation markets in automotive is for the micro actuators which are employed both in active grille shutters for aerodynamic and HVAC (Heating Ventilation Air Conditioning) systems. These are used to divert airflow and make the vehicle more efficient and comfortable. The seamless operation of these driving and actuation modules relies on the stream of data being passed from the LIN network.

Another example of driver ICs in hidden applications are the Melexis integrated fan drivers, where in addition to the ability to drive the fan directly, the IC also integrates the magnetic sensing function in the smallest possible package. In addition to automotive seat ventilation, small fans are used to cool the ever growing numbers of in-vehicle processors, LCD displays and office equipment.



## 5.5 Conclusion

Melexis products enable systems to be aware and interact with surroundings. Thanks to its expertise in product definition, design and the testing of integrated analog/digital semiconductor solutions and sensor chips, the company is assured of its leadership position.

As the automobile and many other devices follow the same trend of becoming more conscious, Melexis' commitment to innovation both in our new and established products make them perfectly positioned to take advantage of these growing market trends.

# 6

## INTERNATIONAL LOCATIONS



### **BELGIUM** 1 2

#### **Melexis NV**

Rozendaalstraat 12  
8900 Ieper

#### **Melexis Technologies NV**

Transportstraat 1  
3980 Tessenderlo

### **BULGARIA** 3

#### **Melexis Bulgaria Ltd.**

2, Samokovsko Shosse  
Gorubliane  
1138 Sofia

### **CHINA** 4

#### **Melexis Electronic Technology (Shanghai) Co., Ltd.**

1501B, no 620, Zhangyang Road  
Pudong  
200122 Shanghai

### **FRANCE** 5

#### **Melexis NV/BO Paris**

4 place des Vosges  
92052 Courbevoie

### **GERMANY** 6

#### **Melexis GmbH**

Konrad-Zuse-Strasse 15  
99099 Erfurt

### **HONG KONG** 7

#### **Melexis Hong Kong Branch**

Unit 501, 5/F, Bio-Informatics Centre,  
No. 2 Science Park West Avenue,  
Hong Kong Science Park

### **JAPAN** 8

#### **K.K. Melexis Japan**

Yokohama Aioi-cho building 10 F  
6-104 Aioi-cho, Naka-Ku,  
Yokohama-Shi,  
2310012 Kanagawa-Ken

### **PHILIPPINES** 9

#### **Melexis Philippine Branch**

c/o Automated Technology (Phils.) Inc.  
No. 1 Hologram St. corner Main Avenue  
Light Industry and Science Park SEPZ -1  
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2022 Bevaix

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## 7

## ANNUAL REPORT – FINANCIAL REPORT

## 7.1 Consolidated statement of financial position

in Euro

December 31 <sup>st</sup>		2014	2013
<b>ASSETS</b>			
Current assets:	Cash, and cash equivalents (Note 7.9.5.A)	59,610,361	27,721,955
	Current investments (Note 7.9.5.B)	16,605	3,827,173
	Accounts receivable –trade (Note 7.9.5.D)	40,381,783	39,466,930
	Accounts receivable –Related companies (Note 7.9.5.AC 2)	1,583,942	1,636,493
	Assets for current tax (Note 7.9.5.AA)	977,505	4,803,232
	Assets held for sale (Note 7.9.5.E)	1,209,563	-
	Inventories (Note 7.9.5.F)	56,411,937	44,265,081
	Other current assets (Note 7.9.5.G)	5,911,087	6,466,387
<b>Total current assets</b>		<b>166,102,784</b>	<b>128,187,250</b>
Non current assets:	Intangible assets (Note 7.9.5.H)	4,723,303	4,727,016
	Property, plant and equipment (Note 7.9.5.I)	71,732,753	66,323,948
	Financial assets (Note 7.9.5.J)	6,100	6,100
	Other non-current assets	963,950	1,476,948
	Deferred tax assets (Note 7.9.5.AA)	13,244,507	14,095,737
<b>Total non current assets</b>		<b>90,670,612</b>	<b>86,629,749</b>
<b>TOTAL ASSETS</b>		<b>256,773,396</b>	<b>214,816,999</b>

December 31 <sup>st</sup>		2014	2013
<b>LIABILITIES</b>			
Current liabilities:	Derivative financial instruments (Note 7.9.5.C)	2,050,498	1,145,573
	Current portion of long-term debt (Note 7.9.5.N)	4,148,252	4,147,398
	Accounts payable – trade	13,863,085	13,895,152
	Accounts payable – related companies (Note 7.9.5.AC 2)	6,158,866	7,461,359
	Accrued expenses, payroll and related taxes (Note 7.9.5.K)	6,585,174	5,171,491
	Accrued taxes (Note 7.9.5.AA)	4,894,429	3,680,964
	Other current liabilities (Note 7.9.5.M)	1,343,448	1,251,075
	Deferred income (Note 8.6.5.K)	436,136	548,109
<b>Total current liabilities</b>		<b>39,479,888</b>	<b>37,301,122</b>
Non current liabilities:	Long-term debt less current portion (Note 7.9.5.N)	14,032,984	18,176,860
	Other non current liabilities (Note 7.9.5.O)	1,899,425	1,700,476
<b>Total non current liabilities</b>		<b>15,932,409</b>	<b>19,877,336</b>
Equity:	Shareholders' capital	564,814	564,814
	Reserve treasury shares	(3,817,835)	(3,817,835)
	Revaluation reserve Hedge (Note 7.9.5.C)	(452,551)	(260,679)
	Revaluation reserve Fair value (Note 7.9.5.B)	-	1,304,375
	Legal reserve	56,520	56,520
	Retained earnings	205,378,254	160,437,896
	Cumulative translation adjustment	(378,573)	(657,021)
<b>Equity attributable to company owners</b>		<b>201,350,628</b>	<b>157,628,070</b>
	Non controlling interest	10,471	10,471
<b>Total equity (Note 8.6.5.N)</b>		<b>201,361,099</b>	<b>157,638,541</b>
<b>TOTAL LIABILITIES</b>		<b>256,773,396</b>	<b>214,816,999</b>

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

## 7.2 Consolidated income statement

in Euro

December 31 <sup>st</sup>	2014	2013
Product sales (Note 7.9.5.Q)	330,754,939	273,224,126
Revenues from Research and Development (Note 7.9.5.Q)	1,652,716	2,128,328
Cost of sales (Note 7.9.5.S)	(171,101,702)	(147,823,170)
Gross margin	161,305,953	127,529,284
Research and development expenses (Note 7.9.5.T)	(45,433,627)	(41,373,287)
General and administrative expenses (Note 7.9.5.U)	(16,381,465)	(14,924,846)
Selling expenses (Note 7.9.5.V)	(7,975,847)	(7,518,489)
Other operating expenses (net) (Note 7.9.5.Y)	(2,339,678)	-
Income from operations (EBIT)	89,175,337	63,712,661
Financial income (Note 7.9.5.Z)	7,148,506	5,223,695
Financial charges (Note 7.9.5.Z)	(4,240,903)	(5,718,199)
Result before taxes	92,082,940	63,218,157
Income taxes (Note 7.9.5.AA)	(7,088,715)	(8,004,607)
Net result of the period	84,994,225	55,213,550
Earning per share attributable to the ordinary equity holders of the parent		
Earnings per share non-diluted (Note 7.9.5.AE)	2.10	1.37
Earnings per share diluted	2.10	1.37

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



## 7.3 Consolidated statement of comprehensive income

in Euro

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Net result	84,994,225	55,213,550
<b>Other comprehensive income</b>		
Cumulative translation adjustment	278,448	(393,067)
Fair value adjustments cashflow hedges	(191,872)	347,107
Fair value adjustments available-for-sale financial assets	(1,304,375)	1,231,551
<b>Total other comprehensive income for the period</b>	<b>(1,217,799)</b>	<b>1,185,592</b>
<b>Total comprehensive income/ (loss) for the period</b>	<b>83,776,426</b>	<b>56,399,142</b>
<b>Total comprehensive income attributable to:</b>		
Attributable to owners of the parent	83,776,426	56,399,142

## 7.4 Consolidated statement of changes in equity

in Euro

	Number of shares	Share capital	Legal reserve	Retained earning
<b>December 31<sup>st</sup>, 2012</b>	<b>40,400,000</b>	<b>564,814</b>	<b>56,520</b>	<b>133,262,048</b>
Net income	-	-	-	55,213,550
CTA movement	-	-	-	-
Hedge reserves (Note 7.9.5 C)	-	-	-	-
Fair value adjustments through equity (Note 7.9.5 B)	-	-	-	-
Other comprehensive income	-	-	-	-
Dividend	-	-	-	(28,037,702)
Transactions with owners of the Parent	-	-	-	(28,037,702)
<b>December 31<sup>st</sup>, 2013</b>	<b>40,400,000</b>	<b>564,814</b>	<b>56,520</b>	<b>160,437,896</b>
Net income	-	-	-	84,994,225
CTA movement	-	-	-	-
Hedge reserves (Note 7.9.5 C)	-	-	-	-
Fair value adjustments through equity (Note 7.9.5 B)	-	-	-	-
Other comprehensive income	-	-	-	-
Dividend	-	-	-	(40,053,868)
Transactions with owners of the Parent	-	-	-	(40,053,868)
<b>December 31<sup>st</sup>, 2014</b>	<b>40,400,000</b>	<b>564,814</b>	<b>56,520</b>	<b>205,378,253</b>

<b>Reserve treasury shares</b>	<b>Hedge reserve</b>	<b>Fair value adjustment reserve</b>	<b>CTA</b>	<b>Non controlling interest</b>	<b>Total equity</b>
(3,817,835)	(607,786)	72,824	(263,955)	10,471	129,277,100
-	-	-	-	-	55,213,550
-	-	-	(393,067)	-	(393,067)
-	347,107	-	-	-	347,107
-	-	1,231,551	-	-	1,231,551
-	347,107	1,231,551	(393,067)	-	1,185,592
-	-	-	-	-	(28,037,702)
-	-	-	-	-	(28,037,702)
(3,817,835)	(260,679)	1,304,375	(657,021)	10,471	157,638,540
-	-	-	-	-	84,994,225
-	-	-	278,448	-	278,448
-	(191,872)	-	-	-	(191,872)
-	-	(1,304,375)	-	-	(1,304,375)
-	(191,872)	(1,304,375)	278,448	-	(1,217,799)
-	-	-	-	-	(40,053,868)
-	-	-	-	-	(40,053,868)
(3,817,835)	(452,551)	-	(378,573)	10,471	201,361,099



During the extraordinary shareholder's meeting on April 20, 2012 it was decided to cancel 2,841,860 treasury shares, bringing the total outstanding shares to 40,400,000 shares. During 2012, Melexis Technologies NV and Melexis NV purchased 189,473 shares of Melexis NV on Euronext Brussels at an average price of EUR 11.47.

At the end of 2012, Melexis NV holds 1,785 own shares and Melexis Technologies NV holds 344,356 shares of Melexis NV, in total representing 0,86% of shares outstanding. During 2013 and 2014 no additional purchase of own shares was done, therefore the amount of own shares held by Melexis NV and Melexis Technologies NV remains the same.

## 7.5 Consolidated statement of cash flows

in Euro

December 31 <sup>st</sup> (indirect method)	2014	2013
<b>Cash flows from operating activities</b>		
Net profit	84,994,225	55,213,550
<b>Adjustments for operating activities</b>		
Deferred taxes (Note 7.9.5.AA)	851,230	709,294
Unrealized exchange results (Note 7.9.5 Z)	994,560	(225,746)
Government grants (Note 7.9.5 R)	677,413	1,160,700
Depreciation and amortisation (Note 7.9.5 X)	19,775,224	15,508,990
Impairments (Note 7.9.5 Y)	2,339,678	-
Financial results (Note 7.9.5 Z)	(3,470,961)	(50,529)
Operating profit before working capital changes	106,161,369	72,316,258
Accounts receivable, net (Note 7.9.5 D)	(1,956,687)	(4,846,655)
Other current asset (Note 7.9.5 G)s	3,511,741	2,604,341
Other non-current assets	483,835	4,074,000
Due to (from) related companies (Note 7.9.5 AC)	(1,302,493)	2,780,918
Due (to) from related companies (Note 7.9.5 AC)	52,551	(1,000,195)
Accounts payable	(32,145)	1,575,326
Accrued expenses (Note 7.9.5 K)	6,903,026	5,370,467
Other current liabilities (Note 7.9.5 M)	94,558	74,248
Other non current liabilities (Note 7.9.5 O)	991,196	285,904
Inventories (Note 7.9.5 F)	(15,224,561)	(7,543,924)
Interest paid (Note 7.9.5 Z)	(412,394)	(519,485)
Income tax (Note 7.9.5 AA)	(4,275,878)	(4,346,680)
Net cash from operating activities	94,994,117	70,824,525
<b>Cash flows from investing activities</b>		
Purchase of property plant and equipment and intangible assets (Note 7.9.5.I)	(23,694,096)	(22,532,106)
Interest received (Note 7.9.5 Z)	481,710	689,963
Investments, proceeds, from current investments	4,306,980	124,798
Acquisition of subsidiary	-	-
Net cash used in investing activities	(18,905,407)	(21,717,345)

<b>December 31<sup>st</sup> (indirect method)</b>	<b>2014</b>	<b>2013</b>
<b>Cash flows from financing activities</b>		
Repayment from long-term debts (Note 7.9.5.N)	(4,146,437)	(14,648,086)
Dividend payment (Note 7.4)	(40,053,868)	(28,037,701)
Net cash used in financing activities	(44,200,305)	(42,685,787)
Effect of exchange rate changes on cash	(487,307)	(16,062)
(Decrease) increase in cash	31,888,406	6,405,331
Cash at beginning of the period	27,721,955	21,316,624
Cash at end of the period	59,610,361	27,721,955
Cash at end of the period minus cash at beginning of the period	31,888,406	6,405,331

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

## 7.6 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 of prior years.

### Revenues

For 2014 total revenues increased by 21% compared to 2013, from EUR 275,352,454 in 2013 to EUR 332,407,655 in 2014. In 2014 EUR 1,652,716 research and development costs were invoiced to its customers, compared to EUR 2,128,328 in 2013. Specific research and development activities are performed under contract for customers. Sales to automotive customers were 88% of sales in 2014. The portion of ASSP sales represented 56%, 3% higher than in the full year 2013.

### Cost of Sales

Costs of sales consist of materials (raw material and semi-finished parts), subcontracting, labor, depreciation and other direct production expenses. The cost of sales amounted to EUR 171,101,702 in 2014 and EUR 147,823,170 in 2013.

Expressed as a percentage of total revenues, the cost of sales decreased to 52% in 2014 compared to 54% in 2013.

### Gross margin

The gross margin, expressed as a percentage of total revenues increased from 46% in 2013 to 49% in 2014.

### Research and Development expenses

Research and Development expenses amounted to EUR 45,433,627 in 2014, representing 14% of total revenues. The research and development activities concentrate further on research and development of Hall Effect Sensors, MEMS Sensors and Signal Conditioning Interface Sensors, Motor Control IC's and LIN Slaves, Infrared and Opto Sensors and wireless IC's.

### General, administrative and selling expenses

General, administrative and selling expenses mainly consist of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses increased by 10% compared to 2013, slower than sales growth.

### Financial results

The net financial results amounted to EUR 2,907,604 profit in 2014 compared to EUR 494,504 loss in 2013. The (net) interest result amounted to a gain of EUR 69,316 compared to a gain of EUR 104,287 in 2013. The net currency exchange gains (both realized and unrealized) in 2014 amounted to a gain of EUR 2,264,638, compared to a loss of EUR 405,320 during 2013.

### Net income

The company recorded a net income for 2014 of EUR 84,994,225. The increase in net income, in comparison with 2013, is mainly due to the increase of revenue.

## 7.7 Liquidity, working capital and capital resources

Cash and cash deposits amounted to EUR 59,610,361 as of December 31, 2014, in comparison to EUR 27,721,955 as of December 31, 2013.

In 2014, operating cash flow before working capital changes amounted to EUR 106,161,369. Working capital changes in 2014 are mainly situated in inventories and accrued expenses, resulting in a net operating cash flow of EUR 94,994,117.

The cash flow from investing activities was negative for an amount of EUR 18,905,407, mainly as a result of investments in fixed assets amounting to EUR 23,694,096, compensated by interests received for an amount of EUR 481,710 and proceeds from investments for an amount of EUR 4,306,980.

The cash flow from financing activities was negative for an amount of EUR 44,200,305. This is the result of the repayment of bank debts amounting to EUR 4,146,437 and the interim dividend payment amounting to EUR 40,053,868.



## 7.8 Statement of the Board of Directors

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

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

The consolidated statements were approved and authorized for issue by the Board of Directors on March 9th, 2015 and were signed on its behalf by Françoise Chombar.

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



Françoise Chombar  
Managing Director, Chief Executive Officer (CEO)

## 7.9 Notes to the consolidated financial statements

### 7.9.1 General

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

The accounting year covers the period from January 1st, 2014 till December 31st, 2014.

The Melexis group of companies employed, on average 836 people in 2013 and 915 in 2014.

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

The consolidated statements were authorized for issue by the Board of Directors subsequent to their meeting held on February 2nd, 2015 in Hasselt.

### 7.9.2 Statement of compliance

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union up to December 31st, 2014 (collectively "IFRS"). Melexis has not applied any new IFRS requirements that are not yet effective in 2014.

### 7.9.3 Summary of significant accounting policies

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU per January 1, 2014. The principal accounting policies adopted in preparing the consolidated financial statements of Melexis NV are as follows:

#### Basis of preparation

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

### **Use of estimates and judgments**

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

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

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 7.9.5 AA), useful lives of property, plant and equipment and intangible assets (Note 7.9.5 H and 7.9.5 I).

Deferred tax assets are recognized for deductible temporary differences, unused tax losses and fair value reserves entries only if it is probable that future taxable profits (based on Melexis' operational plans) are available to use those temporary differences and losses. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized. Other assumptions and estimates are disclosed in the respective notes relevant to the item where the assumptions or estimates were used for measurement (Note 7.9.5 AA).

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

### **Foreign currency 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 statement of comprehensive income in the period in which they arise.

### **Foreign currency translation**

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

Assets and liabilities of Melexis Inc., Melexis Ukraine, Melexis Bulgaria Ltd, Sentron AG, Melexis Technologies SA, Melexis Switzerland SA, Melexis Japan, Melexis Philippines, Melexis Hong Kong and Melexis Electronic Technology (Shanghai) Co. Ltd. are translated at closing rate, and revenues and expenses are translated at the average ex-

change 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 reassessed 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. Intercompany 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 recognised 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 3 branch offices being Melexis Philippines, Melexis France and Melexis Hong Kong (opened in 2007). On the other hand, the subsidiaries being part of the consolidation

scope are Melexis Ukraine, Melexis Nederland BV (incorporated respectively in 2000 and 2001), Melexis Inc. (formerly US MikroChips Inc. which was acquired in the last quarter of 1997), Melexis GmbH (previously known as Thesys Mikroelektronik Produkte GmbH acquired in -October 1999), Melexis Bulgaria Ltd.(acquired in October 2000), Sentron AG (acquired in February 2004), Melefin NV (constituted during the year 2005 by means of a contribution in kind of the shares of Melexis Technologies NV (formerly known as Melexis Tesenderlo NV). As such Melexis Technologies NV became a granddaughter of Melexis NV. On January 31st, 2006 Melexis GmbH acquired Melexis Technologies NV (from Melefin NV), Melexis Technologies SA (during 2006 the Swiss branch Office Bevaix of Melexis NV was transformed in a separate legal entity: Melexis Technologies SA), Melexis Japan (during 2007 a separate legal entity has been incorporated in Japan), Melexis Electronic Technology (during 2009 this separate legal entity has been incorporated in China, Shanghai). Finally, the granddaughter Melexis Technologies NV is also included in the consolidation scope. In 2012 Melexis NV purchased 15% of the shares of Melexis Technologies NV. As a result Melexis Technologies partially became a direct subsidiary of Melexis NV. In December 2013 Melexis Switzerland SA was founded. Melexis Switzerland SA is a 100% subsidiary of Melexis NV. In December 2013 Melexis Switzerland SA acquired 100% of the shares of Melexis Technologies SA.

### Cash and cash equivalents

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

### Hedging

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

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

The table with outstanding derivatives at year end is disclosed in Note 7.9.5.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.

Expenditures, incurred after the fixed assets have been placed in operation, such as repairs and maintenance and overhaul costs, are included in the statement of comprehensive income, in the period in which the costs are incurred.

The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

## Financial assets

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

sets at initial recognition and re-evaluates this designation at every reporting date.

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

This category comprises financial assets held for trading which have been acquired principally for the purpose of selling in the short term. Derivatives also fall within this category unless they are designated as hedges and the hedge is effective for accounting purposes. Assets in this category are classified as current.

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

### (b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.



### (c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. They are included in non-current assets unless the investment is due to mature within 12 months of the balance sheet date or unless the investment is considered as very liquid.

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

### (d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in current or non-current assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.

The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities conform IFRS 7 – Level 1.

“Available-for-sale financial assets” and “financial assets at fair value through profit or loss” are subsequently carried at fair value. “Loans and receivables” and “held-to-maturity investments” are subsequently carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the “Financial assets at fair value through profit or loss” -category are included in the statement of comprehensive income in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

### 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 programme to locate a buyer has been initiated
- The asset or disposal group is being marketed at a reasonable price in relation to its fairvalue, and
- A sale is expected to complete within 12 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; and
- 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. Amortization of intangible assets is shown as a separate line item in operating charges.

Amounts paid for licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful life of licenses is 5 years.

### **Business Combinations**

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

### **Goodwill**

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

### **Research and Development Costs**

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

### **Equity**

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

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

### **Treasury shares**

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

### **Provisions**

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

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

### **Reserves**

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

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

### **Non-controlling interests**

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

### **Revenue recognition**

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

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

### **Borrowing costs**

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

### **Government Grants**

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

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

### **Income taxes**

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

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

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

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the company reassesses unrecognized deferred tax as-

sets 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 by the chief operating decision maker 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 for each individual product during a committee lead by the CEO, based on performance assessments. Financial information on geographical segments is presented in Note 7.9.5 AB.

## Contingencies

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

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

## Subsequent events

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

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

## Earnings per share

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

## Financial liabilities

All movements in financial liabilities are accounted at trade date.

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

## Trade and other payables

Trade payables and other short-term monetary liabilities are initially recognised at fair value and subsequently carried at amortised 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 recognised in other comprehensive income is frozen and recognised 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 recognised in profit or loss. If the Group closes out its po-

sition 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 recognised 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 recognised 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 recognised 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 recognised 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 remeasured 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 recognised 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 negative fair value can be found in Note 7.9.5.C.

## Adoption of new and revised standards

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU per January 1, 2014.

## New standards, interpretations and amendments adopted by the group.

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on January 1, 2014. The Group has not applied any new IFRS requirements that are not yet effective as per December 31, 2014.



The following new Standards, Interpretations and Amendments issued by the IASB and the IFRIC are effective for the current annual period:

1. IFRS 10 - Consolidated Financial Statements – Original Issue May 2011
2. IFRS 10 - Consolidated Financial Statements (Amendment June 2012) – Amendments to transitional guidance
3. IFRS 10 - Consolidated Financial Statements (Amendment October 2012) – Amendments for investment entities
4. IFRS 11 - Joint Arrangements - Original Issue May 2011
5. IFRS 11 - Joint Arrangements (Amendment June 2012) – Amendments to transitional guidance
6. IFRS 12 - Disclosure of Interests in Other Entities - Original Issue May 2011
7. IFRS 12 - Disclosure of Interests in Other Entities (Amendment June 2012) – Amendments to transitional guidance
8. IFRS 12 - Disclosure of Interests in Other Entities (Amendment October 2012) – Amendments for investment entities
9. IAS 27 - Consolidated and Separate Financial Statements (Amendment October 2012) — Amendments for investment entities
10. IAS 32 - Financial Instruments: Presentation (Amendment December 2011) — Amendments relating to the offsetting of assets and liabilities
11. IAS 36 – Impairment of Assets (Amendment May 2013) — Recoverable Amounts Disclosures for Non-Financial Assets
12. IAS 39 – Financial Instruments: Recognition and Measurement (Amendment June 2013) — Novation of Derivatives and Continuation of Hedge Accounting

The adoption of these new standards and amendments has not led to major changes in the Group's accounting policies.

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

The Group elected not to early adopt the following new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per December 31, 2014.

1. Annual Improvements to IFRSs 2010-2012 Cycle (issued by the IASB in December 2013)

2. Annual Improvements to IFRSs 2011-2013 Cycle (issued by the IASB in December 2013)
3. Annual Improvements to IFRSs 2012-2014 Cycle (issued by the IASB in September 2014)
4. IFRS 7 - Financial Instruments: Disclosures (Amendment December 2011) — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
5. IFRS 7 – Financial Instruments: Disclosures (Amendment November 2013) — Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
6. IFRS 9 - Financial Instruments — Classification and Measurement (Original issue November 2009, and subsequent amendments)
7. IFRS 10 – Consolidated Financial Statements — Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (September 2014)
8. IFRS 10 – Consolidated Financial Statements — Amendments regarding the application of the consolidation exception (December 2014)
9. IFRS 11 - Joint Arrangements — Amendments regarding the accounting for acquisitions of an interest in a joint operation (May 2014)
10. IFRS 12 – Disclosure of Interests in Other Entities — Amendments regarding the application of the consolidation exception (December 2014)
11. IFRS 14 – Regulatory Deferral Accounts (Original issue January 2014)
12. IFRS 15 - Revenue from Contracts with Customers (Original issue May 2014)
13. IAS 1 - Presentation of Financial Statements — Amendments resulting from the disclosure initiative (December 2014)
14. IAS 16 – Property, Plant and Equipment — Amendments regarding the clarification of acceptable methods of depreciation and amortization (May 2014)
15. IAS 16 – Property, Plant and Equipment — Amendments bringing bearer plants into the scope of IAS 16 (June 2014)
16. IAS 19 - Employee Benefits — Amendments relating to Defined Benefit Plans: Employee Contributions (November 2013)
17. IAS 27 - Consolidated and Separate Financial Statements — Amendments reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (August 2014)

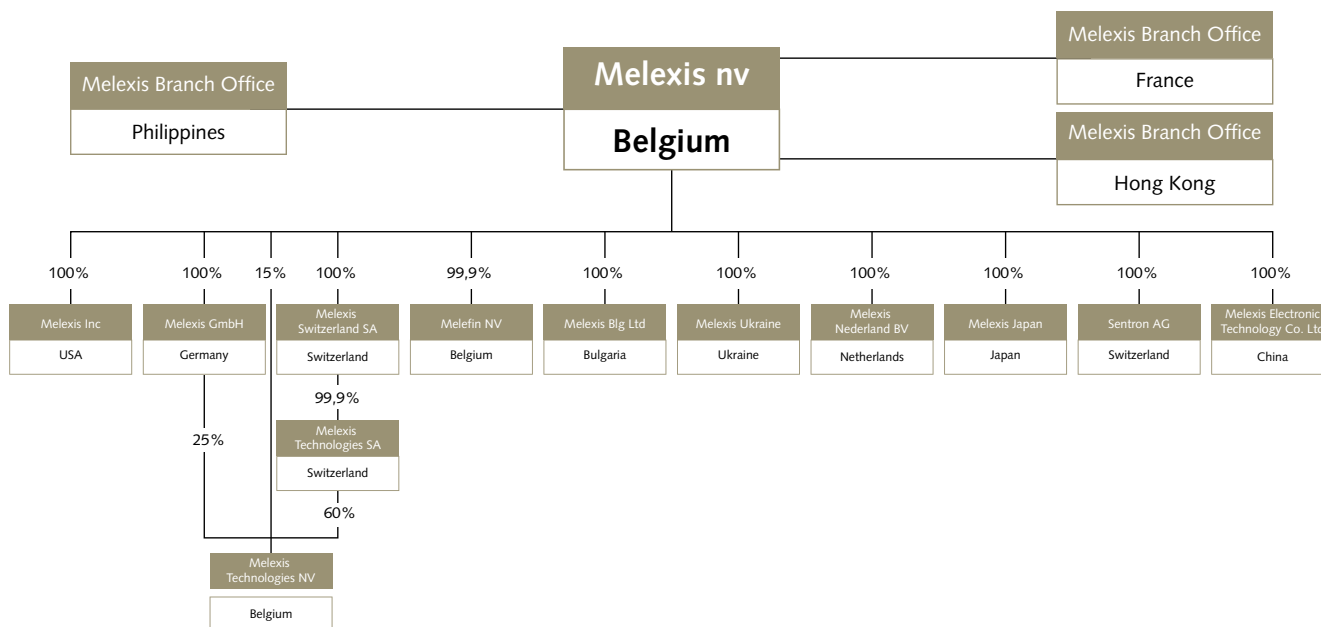
- 18. IAS 28 – Investments in Associates and Joint Ventures — Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (September 2014)
- 19. IAS 28 – Investments in Associates and Joint Ventures — Amendments regarding the application of the consolidation exception (December 2014)
- 20. IAS 38 – Intangible Assets — Amendments regarding the clarification of acceptable methods of depreciation and amortization (May 2014)
- 21. IAS 39 – Financial Instruments: Recognition and Measurement — Amendments for continuation of

- hedge accounting (fair value hedge of interest rate exposure) when IFRS 9 is applied (November 2013)
- 22. IAS 41 – Agriculture — Amendments bringing bearer plants into the scope of IAS 16 (June 2014)
- 23. IFRIC 21 – Levies (May 2013)

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

## 7,9,4 Overview of Group structure

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



## 7.9.5 Notes

### A. CASH AND CASH EQUIVALENTS

in Euro

December 31 <sup>st</sup>	2014	2013
Cash at bank and in hand	59,610,361	27,721,955
<b>Total</b>	<b>59,610,361</b>	<b>27,721,955</b>

### B. CURRENT INVESTMENTS

in Euro

December 31 <sup>st</sup>	2014	2013
Current Investments	16,605	3,827,173

In principle, Melexis' current investments are classified as assets available for sale. According to IAS 39, the difference between the purchase price and the fair value of current investments classified as available for sale is recognized directly into equity under 'Revaluation reserve fair value'. As of December 31<sup>st</sup>, 2014 Melexis has no current investments in portfolio classified as assets available for sale. The assets available for sale per December 31<sup>st</sup>, 2013 have been sold during 2014. The result of the sale is included in Note 7.9.5 Z. Melexis' financial derivatives with a positive market value

are classified as assets at fair value through profit and loss. The fair value changes for those derivatives where no hedge accounting is applicable are immediately recognized in the statement of comprehensive income. As of December 31<sup>st</sup>, 2014 the fair value of the financial derivatives recognized as asset under current investments amounted to EUR 16,605. A detailed overview of the outstanding derivatives, categorized under current investments, is included in Note 7.9.5.C. As of December 31<sup>st</sup>, 2014 Melexis had no assets in portfolio classified as investments held to maturity

### C. DERIVATIVES

#### Notional amounts

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

December 31 <sup>st</sup>		2014	2013
Outstanding FX hedge contracts per December 31 <sup>st</sup> , not exceeding 1 year	USD	19,000,000	16,000,000
	CHF	70,000,000	-
Outstanding Interest hedge contracts per December 31 <sup>st</sup> , exceeding 1 year	EUR	15,000,000	15,000,000
Outstanding Inflation hedge contract per December 31 <sup>st</sup> , exceeding 1 year	EUR	15,000,000	15,000,000

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

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

## Fair value

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

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

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
<b>Assets</b>	<b>Fair value EUR</b>	<b>Fair value EUR</b>
Outstanding FX swaps - conform IFRS 7 - level 2	16,605	38,827
<b>Total, classified under Current investment (see also Note 7.6.5.B)</b>	<b>16,605</b>	<b>38,827</b>

These financial instruments are classified as financial assets at fair value through profit or loss. For the representation of the gains and losses relating to these assets we refer to Note 7.9.5 Z.

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

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
<b>Liabilities</b>	<b>Fair value EUR</b>	<b>Fair value EUR</b>
Outstanding FX swaps - conform IFRS 7 - level 2	(78,234)	-
Outstanding Interest swaps (hedged) - conform IFRS 7 - level 2	(685,580)	(394,908)
Outstanding Inflation swaps - conform IFRS 7 - level 2	(1,286,684)	(750,665)
<b>Total, classified under Derivative financial instruments</b>	<b>(2,050,498)</b>	<b>(1,145,573)</b>

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

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
<b>Fair value of instruments through equity (hedge accounting IAS 39)</b>		
Outstanding Interest hedge swaps per December 31 <sup>st</sup>	(685,580)	(394,908)
Subtotal	(685,580)	(394,908)
Deferred tax asset	233,029	134,229
<b>Total, classified under Revaluation reserve Hedge</b>	<b>(452,551)</b>	<b>(260,679)</b>



## D. TRADE RECEIVABLES

in Euro

December 31 <sup>st</sup>	2014	2013
Trade accounts receivables	40,759,419	40,149,726
Allowance for doubtful accounts	(377,636)	(682,796)
<b>Total</b>	<b>40,381,783</b>	<b>39,466,930</b>

As at December 31st, 2014 trade receivables of EUR 6,012,813 were passed due.

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

in Euro

December 31 <sup>st</sup>	2014	2013
Not due	34,368,970	29,996,563
<30 days	5,039,754	6,752,288
>30 <60 days	948,934	74,609
>60 days	24,125	2,643,469
<b>Total</b>	<b>40,381,783</b>	<b>39,466,930</b>

In the following aging analysis the distinction is made between the receivables for which an accrual for doubtful debtors is made and the receivables for which no accrual for doubtful debtors is needed:

in Euro

December 31 <sup>st</sup>	2014		
	accrual for doubtful debtors	no accrual for doubtful debtors	total receivables
Not due	-	34,368,970	34,368,970
<30 days	-	5,039,754	5,039,754
>30 <60 days	-	948,934	948,934
>60 days	401,761	-	401,761
<b>Total</b>	<b>401,761</b>	<b>40,357,658</b>	<b>40,759,419</b>

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

When a customer is no longer able to fulfill the outstanding balance an accrual for doubtful debtor is made.

## E. ASSETS HELD FOR SALE

The Group intends to dispose of two office buildings in the next 12 months, as the company is no longer using these buildings for its core activities. A search is underway for a buyer. An impairment loss of EUR 2,339,678 was recognized on reclassification of the buildings as held for sale. Please refer to note 7.9.5 Y for the impact of the impairment in the statement of comprehensive income.

## F. INVENTORIES

Inventory is written off when no sales are expected or when the goods contain defects. In 2014 EUR 3,077,705 additional inventory has been written off, EUR 3,120,534 of the inventory that was written off in 2013 has been scrapped or sold.

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Raw materials and supplies, at cost	32,246,188	25,006,813
Work in progress, at cost	27,339,194	22,261,021
Finished goods, at cost	1,396,245	1,609,767
Reserve for obsolete stock	(4,569,690)	(4,612,520)
<b>Net</b>	<b>56,411,937</b>	<b>44,265,081</b>

## G. OTHER CURRENT ASSETS

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Other receivables	4,638,659	4,913,060
Prepaid expenses	1,272,428	1,553,327
<b>Total</b>	<b>5,911,087</b>	<b>6,466,387</b>

The other receivables mainly relate to VAT.

## H. INTANGIBLE ASSETS

in Euro

December 31 <sup>st</sup>	Licenses	IP	Total
<b>Acquisition value</b>			
Balance end of previous period	12,228,905	1,264,810	13,493,715
Additions of the period	740,321	-	740,321
Retirements (-)	(261,972)	-	(261,972)
CTA	181,205	-	181,205
<b>Total</b>	<b>12,888,459</b>	<b>1,264,810</b>	<b>14,153,269</b>
<b>Depreciation</b>			
Balance end of previous period	8,186,994	579,705	8,766,699
Additions of the period	776,697	126,481	903,178
Retirements (-)	(261,972)	-	(261,972)
CTA	22,060	-	22,060
<b>Total</b>	<b>8,723,779</b>	<b>706,186</b>	<b>9,429,965</b>
<b>NET BOOK VALUE</b>	<b>4,164,680</b>	<b>558,624</b>	<b>4,723,304</b>

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

The licenses are being amortized over a period of 5 years, whereas the IP is amortized over 10 years because all intangible assets have finite useful lives. The yearly amortizing expenses are included in the statement of comprehensive income mainly as cost of sales (Note 7.9.5 S) and research and development expenses (Note 7.9.5 T).

At the end of 2014 the IP has been amortized for 5 years and 7 months.

## I. PROPERTY, PLANT AND EQUIPMENT

in Euro

December 31 <sup>st</sup>	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
<b>Cost</b>					
Beginning of the period	38,362,662	147,928,630	7,907,735	2,205,906	196,404,933
Additions of the year	814,809	18,172,465	1,582,186	3,122,859	23,692,319
Retirements	-	(2,861,237)	(544,133)	-	(3,405,370)
Transfer to assets held for sale	(4,576,121)	-	-	-	(4,576,121)
Transfers	-	422,526	-	(422,526)	-
CTA	(172,199)	(31,471)	57,969	863	(144,838)
<b>End of the period</b>	<b>34,429,151</b>	<b>163,630,913</b>	<b>9,003,757</b>	<b>4,907,102</b>	<b>211,970,923</b>
<b>Accumulated depreciation</b>					
Beginning of the period	10,210,280	114,483,385	5,387,320	-	130,080,985
Additions of the period	3,788,870	12,218,556	1,130,437	-	17,137,863
Retirements	-	(2,861,237)	(510,969)	-	(3,372,206)
Transfer to assets held for sale	(3,366,557)	-	-	-	(3,366,557)
CTA	(64,762)	(238,809)	61,658	-	(241,913)
<b>End of the period</b>	<b>10,567,831</b>	<b>123,601,895</b>	<b>6,068,446</b>	<b>-</b>	<b>140,238,172</b>
<b>NET BOOK VALUE</b>	<b>23,861,321</b>	<b>40,029,018</b>	<b>2,935,311</b>	<b>4,907,102</b>	<b>71,732,752</b>

Additions of the year mainly relate to test equipment.

Retirements: no material amount of compensation from third parties which have been concluded in the consolidated statement of comprehensive income. Please refer to Note 7.9.5 N for secured loans on property, plant and equipment. The transfer to assets held for sale includes an impairment

of EUR 2,339,678. Please refer to Note 7.9.5 E for the assets held for sale.

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

## J. NON CURRENT FINANCIAL ASSETS

in Euro

December 31 <sup>st</sup>	2014	2013
Non current financial assets	6,100	6,100

As per December 31<sup>st</sup>, 2014, the total of non current financial assets amounted to EUR 6,100.

This amount reflects the non-controlling interest taken in the course of 2010 in a company. The investments are recognized as investments, initially measured at transaction price (cost price).



## K. ACCRUED EXPENSES, ACCRUED CHARGES, PAYROLL AND RELATED TAXES

in Euro

December 31 <sup>st</sup>	2014	2013
Vacation pay bonuses and 13 <sup>th</sup> month	5,589,093	4,040,289
Other social accruals	258,491	428,250
Remuneration	264,009	264,912
Social security	160,573	219,234
Direct and indirect taxes	313,009	218,806
<b>Total</b>	<b>6,585,174</b>	<b>5,171,491</b>

## L. DEFERRED INCOME

in Euro

December 31 <sup>st</sup>	2014	2013
Capital grants	436,136	548,109
<b>Total</b>	<b>436,136</b>	<b>548,109</b>

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

## M. OTHER CURRENT LIABILITIES

in Euro

December 31 <sup>st</sup>	2014	2013
Accrued real estate withholding tax	25,000	25,000
Accrued financial services	235,458	234,892
Accrued design services	150,905	339,241
Accrued management services	249,013	199,273
Accrued interests		13,600
Accrued insurances	42,000	77,200
Accrued IT services	112,000	-
Accrued software license fees	40,000	-
Other	489,072	361,869
<b>Total</b>	<b>1,343,448</b>	<b>1,251,075</b>

## N. LONG AND SHORT TERM DEBTS

in Euro

December 31 <sup>st</sup>	2014	2013
<b>Secured loans</b>		
Bank loan (in CHF) at floating interest rate; average rate for the year 2014 was 2.50% (1); maturing in 2019	207,918	244,272
Bank loan (in EUR) at floating interest rate; average rate for the year 2014 was 1.56% (2); maturing in 2033	1,973,318	2,079,986
Total secured loans	2,181,236	2,324,258
<b>Unsecured loans</b>		
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2014 was 1.56%; maturing in 2018	16,000,000	20,000,000
Total unsecured loans	16,000,000	20,000,000
Total debt	18,181,236	22,324,258
Current maturities	4,148,252	4,147,398
Long-term portion of debts	14,032,984	18,176,860

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

(2) A secured loan was concluded for an amount of EUR 3,200,000 to finance the construction of an office building.

A mortgage of EUR 3,200,000 is given on the building project.

As of December 31<sup>st</sup>, 2014 there are engagements for the following financial covenants:

For Melexis NV consolidated:

- Net debt/EBITDA ratio  $\leq 2.5$
- Tangible net worth/total assets  $\geq 35\%$

As per December 31<sup>st</sup>, 2014 Melexis is respecting all its financial covenants.

Repayment of debts as of December 31<sup>st</sup>, 2014 is scheduled as follows:

December 31 <sup>st</sup>	2014
2015	4,148,252
2016	4,148,252
2017	4,148,252
2018	4,148,252
2019	148,252
Thereafter	1,439,978
<b>Total</b>	<b>18,181,236</b>

## O. OTHER NON CURRENT LIABILITIES

in Euro

December 31 <sup>st</sup>	2014	2013
Other non current liability	1,899,425	1,700,476
<b>Total</b>	<b>1,899,425</b>	<b>1,700,476</b>

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

## P. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

### Shareholder's capital

As of December 31st, 2014 the common stock consisted of 40,400,000 issued and outstanding ordinary shares without face value.

Each shareholder is entitled to one vote per share, without prejudice to specific restrictions on the shareholders' voting rights in the company's articles of association and Belgian company law, including restrictions for non-voting shares and the suspension or cancellation of voting rights for shares which have not been fully paid up at the request of the Board of Directors.

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

In the event of a liquidation of the company, the proceeds from the sale of assets remaining after payment of all debts, liquidation expenses and taxes are to be distributed propor-

tionally 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.

tionally to the shareholders, subject to liquidation preference rights of shares having preferred dissolution rights. The company currently has no plans to issue any shares having such preferred dissolution rights.

### Reserves

Reserve treasury shares: For own shares repurchased by the Company or entities belonging to 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 IAS 39, are recognized in a hedging reserve. For more detail about the fair value of the hedging instruments through equity please refer to note 7.9.5 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 7.9.5 B.

Legal reserve: The part of the retained earnings that can't 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.

#### Q. PRODUCT SALES AND RESEARCH AND DEVELOPMENT REVENUES

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

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

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Product sales	330,754,939	273,224,126
Research and development revenues-product developments	1,652,716	2,128,328
<b>Total</b>	<b>332,407,655</b>	<b>275,352,454</b>

For the revenue from product sales, please refer to the Operational Segments section in chapter 7.9.5 AB.

#### R. 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. There is one subsidy that most probably needs to be repaid, this subsidy has been classified as other non-current

liability, please refer to note 7.9.5 O. 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 Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Grants for research and development	567,677	1,022,361
Investments grants in building, machinery and employment grants	178,271	293,666
<b>Total</b>	<b>745,947</b>	<b>1,316,027</b>

Grants for research and development are recognized as other expenses included in total research and development expense, see Note 7.9.5 T.

Investment grants in building, machinery and employment grants are recognized as purchases included in total cost of sales, see Note 7.9.5 S.



## S. COST OF SALES

Cost of sales includes the following expenses:

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Purchases	128,821,276	112,061,348
Transportation costs	3,002,435	2,894,958
Salaries	15,400,842	14,312,666
Depreciation and amortization (*)	14,026,559	10,089,299
Other direct production costs	9,850,590	8,464,899
<b>Total</b>	<b>171,101,702</b>	<b>147,823,170</b>

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

(\*) Includes amounts written off on inventory for the amount of KEUR 3,078 and reversal of amounts written off previous year for KEUR 3,121. Inventory movement of 2014 (increase) for the amount of EUR 12,146,857 is part of total cost of sales

## T. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Salaries	24,965,630	22,774,397
Depreciation and amortization	3,741,010	3,479,572
External services	7,843,799	7,084,781
Prototype wafers	2,034,421	1,287,288
Fees	2,166,949	2,460,849
Other	4,681,817	4,286,400
<b>Total</b>	<b>45,433,627</b>	<b>41,373,287</b>

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

## U. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Salaries	4,362,548	4,068,914
Depreciation and amortization	1,936,650	1,873,922
External services	3,370,629	2,926,671
Fees	1,211,042	937,765
Other	5,500,596	5,117,575
<b>Total</b>	<b>16,381,465</b>	<b>14,924,846</b>

## V. SELLING EXPENSES

Selling expenses include the following expenses:

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Salaries	4,670,434	4,167,735
Depreciation and amortization	71,004	66,198
Commissions	1,024,111	986,756
Other	2,210,298	2,297,801
<b>Total</b>	<b>7,975,847</b>	<b>7,518,489</b>

## W. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Wages and salaries	49,399,454	45,323,711
<b>Total</b>	<b>49,399,454</b>	<b>45,323,711</b>

The average number of employees is 836 in 2013 and 915 in 2014.

### Key management personnel compensation

For more detail on compensation key management, see chapter 8.

## X. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Cost of sales	14,026,559	10,089,299
Research and development	3,741,010	3,479,572
General and administration	1,936,650	1,873,922
Selling	71,004	66,198
<b>Total</b>	<b>19,775,224</b>	<b>15,508,990</b>

## Y. OTHER OPERATING EXPENSES (NET)

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Other operating expenses	2,339,678	-
<b>Total</b>	<b>2,339,678</b>	<b>-</b>

The Group intends to dispose of two office buildings in the next 12 months. A search is underway for a buyer. An impairment loss of EUR 2,339,678 was recognized on reclassi-

fication of the buildings as held for sale. The impairment loss has been booked as other operating expense.

## Z. NET FINANCIAL RESULT

in Euro

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
<b>Financial income</b>	<b>7,148,506</b>	<b>5,223,695</b>
interest income	481,710	696,970
Exchange differences	4,825,155	3,320,395
Result on financial instruments excluding fair value adjustments	1,800,787	-
Fair value adjustment FX swaps	16,605	57,492
Fair value adjustment Interest swaps	-	60,859
Dividend	-	135,637
Other	24,250	952,342
<b>Financial charges</b>	<b>(4,240,903)</b>	<b>(5,718,199)</b>
interest charges	(482,991)	(592,683)
Bank charges	(119,228)	(99,319)
Exchange differences	(2,560,516)	(3,725,715)
Result on financial instruments excluding fair value adjustments	(335,636)	(525,851)
Fair value adjustment FX swaps	(117,061)	-
Fair value adjustment Inflation swaps	(536,019)	(696,411)
Other	(89,451)	(78,221)
<b>Net financial results</b>	<b>2,907,604</b>	<b>(494,504)</b>



## AA. INCOME TAXES

The income tax expenses can be detailed as follows:

*in Euro*

December 31 <sup>st</sup>	2014	2013
Current tax expenses	6,138,684	7,474,047
Deferred tax expenses	950,031	530,560
<b>Total</b>	<b>7,088,715</b>	<b>8,004,607</b>

Intra group transactions resulted in intangible assets in the Melexis Technologies NV and Melexis Technologies SA statutory financial statements. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of both companies. Deferred tax effects linked to these transactions could amount to approximately EUR 25.9 mio at year end 2014. Added to deferred tax effects linked to available tax offsets carried forward in the hands of 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 sums up to EUR 44.2 mio at year end 2014.

Consistent with prior years the company assessed to which extent it is probable that this positive tax effect will effectively be realized in the future. In this respect the Board of Directors in particular takes into account the uncertainties related to the rapid technological evolutions in the sector, the highly competitive market as well as the fact that the company only has short term contracts with its customers.

In line with prior year, in her judgment, the Board of Directors not only takes into account the profitability over the coming year but instead the average profitability over the coming three years. Such approach is found to be expedient in order to avoid unrealistic year on year fluctuations in estimated realization of the deferred tax asset. Taking into account these considerations the Board of Directors has decided to recognize as per December 31<sup>st</sup>, 2014 a cumulative deferred tax asset of EUR 13,244,506. Accordingly the unrecognized deferred tax asset amounts to approximately EUR 31.0 mio at year end 2014.

Consolidated figures show a current tax receivable amounting to EUR 977,505 and a current tax liability amounting to EUR 4,894,429. Most important component of the current tax liability is the Belgian corporate income tax due by Melexis NV for financial year 2013 amounting to EUR 2,3 mio and the Belgian corporate income tax due by Melexis Technologies NV for financial year 2014 amounting to EUR 2.1 mio.

Components of deferred tax assets are as follows:

*in Euro*

December 31 <sup>st</sup>	1 jan 2014	Charged to income statement	Charged to equity	31 dec 2014
Tax amortization charges	8,466,608	3,093,392	-	11,560,000
Fair value adjustments financial instruments	5,340,454	(4,122,163)	-	1,218,291
Fair value adjustments hedge accounting	134,229	-	98,799	233,028
Miscellaneous	154,447	78,740	-	233,187
<b>Total</b>	<b>14,095,738</b>	<b>(950,031)</b>	<b>98,799</b>	<b>13,244,506</b>

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

*in Euro*

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
Income before taxes	92,082,940	63,218,157
Expected taxes at domestic rate	31,298,991	21,487,852
Effective taxes	7,088,715	8,004,607
Difference to be explained	(24,210,276)	(13,483,245)
Explanation of the difference		
Difference foreign tax percentages and other tax regimes	904,786	1,989,681
Effect IP amortization	(6,036,240)	(6,044,816)
Fair value adjustments financial instruments	(216,337)	(196,483)
Tax effect non-deductible items	215,496	202,139
Tax effect non-taxable income	(839,675)	(673,668)
Tax effect patent income deduction	(10,767,228)	(8,567,376)
Tax effect notional interest deduction	(4,065,998)	(1,479,013)
Tax effect investment deduction	(3,175,681)	(1,418,325)
Tax losses carried forward	(3,800,937)	-
Current tax adjustments relating to prior years	(137,378)	705,571
Miscellaneous	1,549,679	(58,424)
Unrecognized deferred tax assets current period	914,129	1,229,045
Change of recognition of deferred tax assets (decrease + / increase -)	1,245,108	828,424
<b>Total</b>	<b>(24,210,276)</b>	<b>(13,483,245)</b>
<b>Difference</b>		<b>0</b>

The amount of unrecognized deferred tax assets comprises amounts of EUR 2,340,841 and EUR 2,805,223 with expiry dates December 31, 2017 respectively December 31, 2018.

## AB. OPERATING SEGMENTS

### Business 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 by the chief operating decision maker 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 for each individual product during a committee lead by the CEO, based on performance assessments.

### Information about transactions with major customers

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

### Information about geographical areas

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

*All amounts in 1,000 Euro*

December 31 <sup>st</sup> 2014	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Revenue by origin	332,408	-	-	332,408
Non current assets	88,147	271	2,253	90,671

*in %*

December 31 <sup>st</sup>	2014	2013
Customer A	18	17
Customer B	6	6
Customer C	6	5
Customer D	5	5
Customer E	4	4
Customer F	4	4
Customer G	3	3
Customer H	3	3
Customer I	2	2
Customer J	2	2
<b>Total</b>	<b>53</b>	<b>51</b>

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

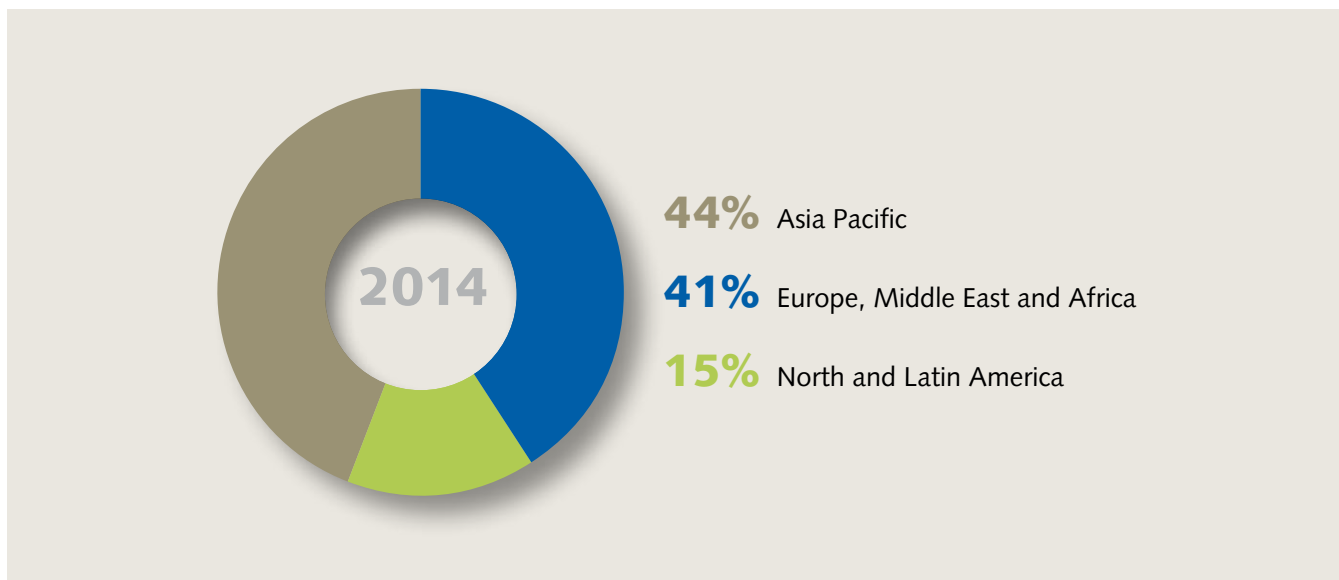
All amounts in 1,000 Euro

<b>December 31<sup>st</sup> 2013</b>	<b>Europe, Middle East and Africa</b>	<b>North and Latin America</b>	<b>Asia Pacific</b>	<b>Total</b>
Revenue by origin	275,352	-	-	275,352
Non current assets	84,305	264	2,061	86,630

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

mainly sales offices are located and therefore less assets are present.

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





in Euro

<b>December 31<sup>st</sup></b>	<b>2014</b>	<b>2013</b>
<b>Europe, Middle East and Africa</b>	<b>134,526,658</b>	<b>116,755,336</b>
Germany	60,373,101	53,470,929
France	8,249,812	7,068,026
United Kingdom	9,205,976	9,336,060
Poland	8,711,229	6,838,479
Switzerland	5,097,134	4,130,345
Ireland	4,845,221	5,082,778
Czech Republic	2,784,577	1,648,890
Austria	13,162,942	10,795,792
Netherlands	731,369	1,358,523
Romania	9,257,761	8,187,661
Bulgaria	1,823,428	1,263,495
Spain	1,855,834	1,744,252
South Africa	1,713,583	2,296,858
Hungary	3,658,803	929,613
Other	3,055,888	2,603,633
<b>North and Latin America</b>	<b>51,062,950</b>	<b>45,891,278</b>
United States	36,222,352	31,405,704
Canada	1,728,463	1,357,544
Mexico	13,018,351	13,055,084
Brazil	93,784	72,947
<b>Asia Pacific</b>	<b>146,818,047</b>	<b>112,705,839</b>
Japan	27,023,705	22,768,882
China	33,570,267	22,781,757
Hong Kong	14,789,724	9,695,257
Thailand	40,497,357	29,014,936
Korea	17,255,961	13,888,848
Philippines	3,168,059	1,997,625
Taiwan	6,281,007	5,500,818
India	1,266,587	2,355,088
Other	2,965,380	4,702,628
<b>Total</b>	<b>332,407,655</b>	<b>275,352,454</b>

## AC. RELATED PARTIES

### 1. Shareholders' structure and identification of major related parties

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

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

The shareholders of Melexis NV are as follows:

- Since January 1st, 2006, Xtrion NV is the main shareholder of Melexis NV, as a result of the partial split of Elex NV into Elex NV and Xtrion NV. Xtrion NV owns 53.58% of the outstanding Melexis shares. The shares of Xtrion NV are held directly and/or indirectly by Mr. Roland Duchâtelet, Mrs. Françoise Chombar and Mr. Rudi De Winter.
- Elex NV is 99.9% owned by Mr. Roland Duchâtelet. One share is held by Mr. Roderick Duchâtelet.
- Xtrion NV owns 59.77% of the outstanding shares of X-FAB Silicon Foundries SE, producer of wafers, which are the main raw materials for the Melexis products. X-FAB Silicon Foundries SE sells the majority of its products also to third parties.
- Melexis, as in prior years, purchases part of its test equipment from the XPEQT Group. XPEQT Group develops, produces and sells test systems for the semi-conductor industry. During 2014, Xtrion NV acquired the shares of XPEQT Group held by Mrs Françoise Chombar and Mr Roland Duchâtelet. As a consequence, XPEQT Group is now owned by Xtrion NV for 99.99%. One share is held by Mrs Françoise Chombar and one share is held by Mr Roland Duchâtelet.
- Please refer to chapter 8.6 for the potential conflicts.

## 2. Outstanding balances at year-end

As of December 31st 2014 and 2013, the following balances were outstanding:

### Receivables

December 31 <sup>st</sup>		2014	2013
On	Elex	3,630	4,455
	Xtrion	4,598	4,598
	Fremach Dieppe	147,723	52,650
	Epiq NV	-	1,815
	Xfab group	1,128,688	1,560,903
	Xpeqt group	15,631	12,071
	Anvo-Systems	283,437	-
	Other	236	-
	<b>Total</b>	<b>1,583,942</b>	<b>1,636,493</b>

### Payables

December 31 <sup>st</sup>		2014	2013
On	Elex	27,767	18,813
	Xtrion	50,410	287,906
	Epiq NV	(4)	(4)
	Xfab group	4,920,644	6,343,398
	Xpeqt group	1,160,685	810,877
	Anvo-Systems	(635)	-
	Other	-	370
	<b>Total</b>	<b>6,158,866</b>	<b>7,461,359</b>

### Long term receivable

December 31 <sup>st</sup>		2014	2013
<b>Long term receivable part of other non-current assets</b>			
	Xfab group	910,970	1,466,548

EUR 910,970 is outstanding for more than 1 year and EUR 643,160 is due within 1 year. The amount of 643,160 due within 1 year is part of the receivable amount on Xfab group of 1,128,688.

### 3. Transactions during the year

#### Sales/ purchases of goods and equipment

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

December 31 <sup>st</sup>	2014	2013
<b>Sales to</b>		
Fremach Dieppe (mainly IC's)*	1,153,388	1,197,183
Xpeq group	1,040	2,851

\* IC's: *Integrated Circuits*

December 31 <sup>st</sup>	2014	2013
<b>Purchases from</b>		
Xfab group (mainly wafers)	103,568,347	85,374,234
Xpeq group (mainly equipment and goods)	5,338,723	5,666,735
Xtrion (mainly IT infrastructure)	248,532	319,126

#### Sales/purchases of services

December 31 <sup>st</sup>	2014	2013
<b>Sales to</b>		
Elex (mainly R&D services and rent)	36,000	22,607
Xpeq group (infrastructure office building)	120,346	110,369
Epiq NV (infrastructure office building)	-	19,666
Xtrion (infrastructure office building)	45,600	45,600
Xfab group	553,837	448,031
Anvo-Systems	198,976	-

December 31 <sup>st</sup>	2014	2013
<b>Purchases from</b>		
Xtrion NV (mainly IT and related support)	1,028,224	1,229,668
Elex NV (mainly IT and related support)	80,286	100,581
Xpeq group	1,502,768	1,348,325
Xfab group	1,885,031	2,092,097
Anvo-Systems	679,384	515,989

The Board of Directors and the Audit Committee have reviewed and analyzed the major transactions and concluded these transactions are within the normal course of business

and that there are sufficient elements to conclude that the remuneration is based on arm's length principles.

## AD. REMUNERATION OF BOARD OF DIRECTORS

In accordance with the company's bylaws, directors can be remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 45,000 and 8,458 expenses during 2014. The other directors are not remunerated.

## AE. EARNINGS PER SHARE

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 84,994,225 in 2014 and EUR 55,213,550 in 2013 by the weighted average number of ordinary shares outstanding during the period (40,400,000 in 2014 and 40,400,000 in 2013).

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

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

The dividend paid out in 2013 amounted to EUR 0.70 per share and EUR 1.00 per share in 2014.

## AF. COMMITMENTS & ESTIMATED LIABILITIES

### Purchase commitments

As of December 31st, 2014 the company had purchase commitments for tangible fixed assets amounting to EUR 4,691,259 mainly related to test equipment for the production sites.

## AG. OPERATING LEASE ARRANGEMENTS

Operating leases relate to leases of company cars and office material with lease terms of 5 years. The group does not have an option to purchase the leased company cars and office material at the expiry of the lease periods.

### Payments recognized as an expense

December 31 <sup>st</sup>	2014	2013
Company cars	102,000	102,000
Office equipment	22,080	22,080
<b>Total</b>	<b>124,080</b>	<b>124,080</b>

## Operating lease commitments

December 31 <sup>st</sup>	2014
< 1 year	124,080
>1 year <5 years	204,520
>5 years	-
<b>Total</b>	<b>328,600</b>

## AH. BUSINESS COMBINATIONS

No business combinations in 2014.

## AI. LITIGATION

(1) Melexis is involved in a patent claim because austriamicrosystems is seeking compensation for IP related to a patent on magnetic angle sensing they acquired. The court in Düsseldorf (1st instance) has judged in favour of austriamicrosystems against which Melexis has lodged an appeal with the Higher Regional Court of Düsseldorf. Moreover, Melexis initiated in March 2010 on the basis of prior art, a claim against the austriamicrosystems patent with the Federal Patent Court in München, the only competent German court for judging patent validity. As a consequence, the appeal with the Higher Regional Court of Düsseldorf was postponed. On December 9, 2010 the Court rendered its verdict on this patent nullity case. In 1st instance, the Court declared all attacked patent claims as null and invalid based on the prior art submitted by Melexis. The invalidation of all relevant claims of the austriamicrosystems patent takes away the basis for the earlier judgment in the parallel patent infringement case judged in Düsseldorf. However, in May 2014, the patent nullity claim, against which austriamicrosystems lodged an appeal in the Federal Supreme Court of Karlsruhe was judged against Melexis. As a result, the claim in appeal with the Higher Regional Court of Düsseldorf has been reopened.

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



## AJ. AUDITOR'S SERVICES

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

- Audit fees EUR 120,000;
- Other services EUR 13,890.

## AK. RESERVES POST-RETIREMENT BENEFITS

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive -income in the year to which they relate. The contributions to defined contribution schemes amounted to EUR 469,102 in 2014 compared to 456,850 in 2013.

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, currently equal to 3.75% on employee contributions and 3.25% on employer contributions. Until 2016 the insurance company guarantees the minimal rate of return. Since the minimum guaranteed reserves were entirely covered by plan assets, no amounts were recognized in the statement of financial position at December 31, 2014 and 2013.

## AL. SUBSEQUENT EVENTS

There are no subsequent events.

## AM. LIST OF SUBSIDIARIES CONSOLIDATED

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

## AN. RISK FACTORS

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

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

## **a. Risks related to the company**

### **Operating history; inability to forecast revenues accurately**

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

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

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

### **Currency fluctuations**

The company is subject to risks of currency fluctuations to the extent that its revenues are received in currencies other than the currencies of the company's related costs. 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 chapter 8,6,5 AO of Melexis' Annual Report for more information about the impact of foreign currencies.

### **Credit risk on short term investments**

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

### **Managing growth**

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

### **Risk of potential future acquisitions**

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

Future acquisitions by the company may result in the use of significant amounts of cash, potentially dilutive issuing of equity securities, incurrence of debt and amortization expenses related to goodwill and other intangible assets, each of which could materially and adversely affect the company's business, result of operation and financial condition or negatively affect the price of the shares. Should the company's future acquisitions operate at lower margins than those that exist for the company's present services and products, they may further limit the company's growth and place a significant strain on its business and financial resources. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, products and personnel of the acquired company, the diversion of management's attention from other business concerns, risks of entering markets in which the company has no, or limited, direct prior experience and potential loss of key employees of the acquired company. While the company has had discussions with other 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 ASSP's have been generated via the representative and distribution network of Melexis. As the majority of the Melexis ASSP products are unique, the end customers are still dependent on Melexis and not on the representative or distributor that they are working with.

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

### **Protection and enforcement of intellectual property rights**

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

The company has already obtained patent protections and expects to file additional patent applications when appropriate to protect certain of its proprietary technologies. The company also protects its proprietary information and know-how through the use of trade secrets, confidentiality agreements and other measures. The process of patent protection can be expensive and time consuming. There can be no assurance that patents will be issued from applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted there under will provide meaningful protection or other commercial advantage to the company. Likewise, there can be no assurance that the company in the future will be able to preserve any of its other intellectual property rights. Melexis is currently involved in a court case with another company related to IP infringement. More information can be found in note 7,6,5 AI Litigation of Melexis' Annual Report.

#### **Claims**

Melexis receives on a regular basis claims from customers and competitors. The company uses all possible resources to limit the risk for the company. More information on the pending claims can be found in note 7,6,5 AI Litigation of Melexis' Annual Report.

#### **The importance of significant customers**

Melexis' biggest customer accounts for 18% of total sales. No other customers have sales over 10% of total sales. While at the moment of introduction of Melexis to the stock market in 1997, the top seven customers still accounted for 70% of sales, the top ten customers for the year ended December 31st, 2014, only accounted for 53% of sales. This decrease is mainly the result of the increased design of Application Specific Standard Products as opposed to customized products.

### **Significant shareholders**

The main shareholder holds 53.58% of the company's issued and outstanding ordinary shares. As a result, this shareholder, through the exercise of his voting rights, has the ability to significantly influence the company's management and affairs and all matters requiring shareholder approval, including the election of directors and approval of significant corporate transactions. In addition, some decisions concerning the company's operations or financial structure may present conflicts of interest between the company and this shareholder. For example, if the company is required to raise additional capital from public or private sources to finance its anticipated growth and contemplated capital expenditures, its interests might conflict with those of these shareholders with respect to the particular type of financing sought. In addition, the company may have an interest in pursuing acquisitions, divestitures, financings, or other transactions that, in management's judgment, could be beneficial to the company, even though the transactions might conflict with the interests of this shareholder. Likewise, this shareholder has contractual and other business relationships with the company from time to time. Although it is anticipated that any such transactions and agreements will be on terms no less favorable to the company than it could obtain in contracts with unrelated third parties, conflicts of interest could arise between the company and this shareholder in certain circumstances.

For the required information with respect to the potential conflict please refer to the related parties in chapter 8,6 of Melexis' Annual Report.

### **b. Risks related to the business**

#### **The semiconductor market**

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

#### **Intense competition**

The automotive semiconductor market is very different from other segments of the semiconductor market. In particular, technological requirements for automotive semiconductors differ significantly as automotive electronics must withstand extreme conditions, including very hot and cold temperatures, dry and humid weather conditions and an environment subject to dust, oil, salt and vibration. In

addition and unlike the situation in other segments of the semiconductor market, the supply voltage to automotive semiconductors originating from a car's battery will vary strongly in practice (between 6,5 and 24 volts). As a result these factors make automotive semiconductor product design and, in particular, testing, difficult when compared with other semiconductor markets.

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

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

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

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

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

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

### **Rapid technological change**

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

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

### **Purchasing**

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

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

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

Alternatively, the company may have to incur unexpected costs to expedite orders in order to meet unforecasted customer demand. The company typically does not have supply

contracts with its vendors that obligate the vendor to perform services and supply products for a specific period, in specific quantities, and at specific prices.

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

Melexis sources the majority of its wafers from a related party (cfr. also Related Parties in Chapter 8), but sources also from 2 Asian wafer fabs to reduce the risk of dependency on one supplier. For the packaging services, Melexis sources from several Asian vendors.

### **c. Risks related to the trading on euronext**

#### **Possible volatility of share price**

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



## AO. SENSITIVITY ANALYSIS ON FINANCIAL RISK

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

### Foreign currency risk

The group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit

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

FY 2014	Increase/Decrease in EUR/USD rate	Effect on result before taxes (in EUR)
Reference rate: 1.338 (average FY 2014)		
	+0,05 (1,388)	(2,798,224)
	-0,05 (1,288)	3,015,463

At December 31st, 2014, following financial assets and liabilities are denominated in USD and CHF:

	31 Dec 14 (USD)	31 Dec 14 (CHF)
<b>Financial assets</b>	<b>47,484,604</b>	<b>339,293</b>
Cash and cash equivalents	15,977,786	332,683
Trade and other receivables	31,506,818	6,610
<b>Financial liabilities</b>	<b>7,836,862</b>	<b>1,174,622</b>
Trade and other payables	7,836,862	924,622
Loans and borrowings	-	250,000

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.21) would have an impact on the balance sheet value of -1,300k EUR/ +1,412k EUR at 31 December 2014.

An increase/decrease of the EUR/CHF rate of +/- 500 base points (reference rate = 1.20) would have an impact on the balance sheet value of +28k EUR/ -30k EUR at 31 December 2014.

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

in currencies other than the unit's functional currency, especially in USD. In 2014, approximately 57% of the group's sales are denominated in USD and approximately 45% of the group's costs are denominated in USD.

### Interest rate risk

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

At December 31st, 2014 approximately 100% of the group's borrowings are at a floating rate of interest. In order to hedge the interest rate risk, Melexis is using interest rate derivatives.

### Interest rate risk table

The following table demonstrates the sensitivity of the group's financial result to a reasonably possible change in interest rates (through the impact on floating rate borrowings), with all other variables held constant.

The calculation is based on outstanding debt at year end and assumes an increase/decrease of the interest rate on the whole interest rate curve.

	Increase/Decrease	Effect on financial result (in EUR)	
FY 2014	in base points	excluding derivatives	including derivatives
	+15	(27,272)	(4,772)
	-15	27,272	4,772

## AP. FINANCIAL INSTRUMENTS

### Financial risk management

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

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

#### (1) Credit risks

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

#### (2) Interest rate risk

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

The schedule of long-term-debt repayments is disclosed in Note 7.9.5.N.

The table with outstanding derivatives at year end is disclosed in Note 7.9.5.C.

#### (3) Liquidity risk

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

#### (4) Foreign exchange risk

The currency risk of the group occurs due to the fact that the group operates and has sales in USD. The group uses derivative contracts to manage foreign exchange risks. The table with outstanding derivatives at year end is taken up in Note 7.9.5.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 noncurrent assets, trade and other payables, bank overdrafts and long term borrowings.

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

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

Management believes that the exposure to interest rate risk of financial assets and liabilities as of December 31st, 2014 was minimal since their deviation from their respective fair values was not significant.

# 8

## CORPORATE GOVERNANCE STATEMENT

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

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

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

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

An overview of the principles and guidelines where Melexis does not comply with the 2009 Belgian Code on Corporate Governance is given in Section 8,10 of this Corporate Governance Statement.

### 8.1 Management structure

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

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

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

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

## 8.2 Board of Directors

### Composition

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

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

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

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

### The Directors of Melexis are:

Name	Age	Expiry mandate	Position
Roland Duchâtelet	68	2018	Chairman of the Board and non-executive director
Rudi De Winter	54	2018	Vice-chairman of the Board and non-executive director
Françoise Chombar	52	2018	Managing director, CEO
Procexcel BVBA, represented by Jenny Claes	67	2017	Non-executive and independent director
Shiro Baba	65	2017	Non-executive and independent director
Martine Baelmans	50	2018	Non-executive and independent director

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

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

**Mr. Rudi De Winter** is private shareholder of the company since April 1994. Since January 2011, he is Chief Executive

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

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



#### Board of Directors

Roland Duchâtelet, Martine Baelmans, Rudi De Winter, Jenny Claes, Shiro Baba, Françoise Chombar.

resignation of Mr. Rudi De Winter, mid February 2011, as Managing Director and Chief Executive Officer, Ms. Chombar will continue these functions.

**Ms. Jenny Claes** has a long career in three different companies and was mainly active in the field of logistics. This included responsibilities for commercial planning, production planning, warehousing, transport, international sales administration, ICT and quality management. She participated in the start up of the European distribution centre of SKF in Tongeren and held the position of General Manager of SKF Logistics Services Belgium from the end of 2003 till the end of 2008. Ms. Claes held the position of Manager Quality and Business Excellence of SKF Logistics Services worldwide. Ms. Jenny Claes holds a Masters degree in International Trade.

**Mr. Shiro Baba** has 38 years professional and management experience in different fields related to the semiconductor business. He started his career in 1975 with the semiconductor division of Hitachi. Since 1999 he has held several general management positions within the Hitachi semiconductor division. From 2003 till 2009 Mr. Baba was employed by Renesas Technology Corp. amongst others as general manager of the Automotive Semiconductor Business Unit and later as Board Director and senior VP. His last mandate was President & CEO of Hitachi ULSI Systems Co. before retiring in 2013. Since April 2013 Mr. Baba has been appointed as independent director of Melexis. Mr. Baba obtained a Master's degree in Electrical and Physical Engineering from Tokyo Institute of Technology and in Electrical Engineering from Stanford University.

**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 is Full Professor at the Faculty of Engineering Sciences and until mid-2013 she was also vice-rector at this university. Ms. Baelmans holds a Master of Science in Mechanical Engineering and a PhD degree in Engineering Sciences from KU Leuven. Her research has been mainly focused on thermodynamics and heat transfer, particularly in applications for electronics cooling.

#### Appointment and replacement of directors

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

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

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

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



## Functioning of the Board

The internal regulation of the Board is part of the Corporate Governance Charter. The Board convened 6 times in 2014 and discussed, amongst others, the following topics:

- Financial results of the group;
- Financial risks to which the group is exposed;
- Strategic review;
- Transfer of intellectual property of Melexis Technologies NV in Tessenderlo to Melexis Technologies SA in Bevaix;
- Nomination new independent director Martine Baelmans;
- Re-nomination directors Roland Duchâtelet, Françoise Chombar and Rudi De Winter;
- Dividend and share buy back policy;
- Budget for the financial year 2015;

The board members attended all meetings.

## Evaluation of the Board and its Committees

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

In the evaluation special attention is paid to:

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

## 8.3 Committees

### Audit Committee

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

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

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

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

The Audit Committee met four times during 2014. All members attended the meetings.

### Nomination and Remuneration Committee

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

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

The Nomination and Remuneration Committee met five times in 2014. All members attended the meetings.

## 8.4 Executive Management

### Composition

The Executive Management is composed of the following members:

Name	Age	Position
Marc Biron	44	Global Development Manager
Françoise Chombar	52	Chief Executive Officer
Kristof Coddens	44	Business Unit Manager Magnetic Sensors and Sensor Interfaces
René Gouverneur	65	Global HR Manager
Karen van Griensven	44	Chief Financial Officer
Veerle Lozie	41	Global Operations and IT Manager
Damien Macq	48	Business Unit Manager Wireless
Sam Maddalena	38	Business Unit Manager Sensors
Gianluigi Morello	50	Global Sales Manager
Robert Remmers	46	Business Unit Manager Actuators
Ursula Saremski	59	Global Quality Manager

## 8.5 Remuneration report

### Remuneration policy

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

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

The Board of Directors approved the remuneration policy in its meeting of December 15th, 2014. The Remuneration Policy has been added to the Corporate Governance Charter of the company. The remuneration policy will most likely remain the same during the current and following financial year.

### Remuneration of directors

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

Only the mandates of the independent directors are remunerated. Their compensation consists of a fixed annual remuneration of EUR 15,000 and reimbursement of costs to attend the board and/or committee meetings. In 2014 Melexis paid in total EUR 45,000 as remuneration to the independent directors and EUR 8,458 as reimbursement of costs.

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

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

### Remuneration of Executive Management

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

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

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

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

### CEO

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

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

In 2014 the CEO received a fixed remuneration amounting to EUR 249,996 and a variable pay of EUR 109,375.

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

## Other Executive Managers

The total amount of the fixed remuneration of the other members of the Executive Management amounted to EUR 1,331,947 in 2014. The total of the 2014 variable pay component payouts amounted to EUR 170,025.

The Executive Management variable pay scheme does not include a multi year payout horizon. The annual variable pay opportunities which constitute up to 20% of the annual base remuneration, with the exception of one case with an opportunity of 30%, include (i) a global business performance measured through revenue growth and EBIT growth which represents a 40% opportunity of the total variable pay (ii) an assessment of individual performance measured through achievement of pre-established targets, which represents a 40% opportunity of the total variable pay and may be increased up to 60%, taking a discretionary element into consideration.

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

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

Some members of the Executive Management have concluded a service agreement with the company. The total amount of fixed remuneration paid for the services rendered during the financial year 2014 under such agreements amounted to EUR 604,990. The total of the 2014 variable pay component under these agreements amounted to EUR 77,498. These amounts are included in the total amount of the remuneration for the other members of the Executive Management mentioned above.

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

## 8.6 Policy on certain transactions

### Conflicts of interest in the Board of Directors

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

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

### Other transactions with directors and executive management

As determined by clause VII.2 of the Melexis Corporate Governance Charter, members of the Board of Directors and the Executive Management have to refrain from any action that could raise the impression to be in conflict with the interests of the company. Therefore any transaction between a director and the company has to be reported to the chairman of the Board of Directors.

In 2014 however there were no transactions between the company and its directors or executive managers which involved a conflict of interest.

### Insider trading

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

In compliance with clause 3,7 of the Belgian Corporate Governance Code 2009 the Melexis Insider Trading Policy was updated in 2011 and approved by the Board of Directors on February 7, 2012. It is integrated as an Annex to the Melexis Corporate Governance Charter.

## 8.7 Internal control and risk assessment procedures in relation to financial reporting

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

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

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

Melexis is validly represented by the sole signature of the CEO for all aspects of the daily management of the company. Specific powers are granted to members of the Executive Management to represent Melexis in matters that

relate to the business unit for which they are responsible. For actions that fall outside the scope of the daily management, the company is validly represented by two directors acting together.

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

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

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



## 8.8 Elements pertinent to a take-over bid

### Capital structure

The registered capital of Melexis NV amounts to EUR 564,814 and is represented by 40,400,000 equal shares without par value. The shares are in registered or non-material form.

### Restrictions on the transfer of securities

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

### Restrictions on the exercise of voting rights

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

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

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

### Agreements among shareholders

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

### Amendments to the Articles of Association

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

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

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

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

The Board of Directors is again authorized by the Extraordinary General Meeting of April 22, 2014 to acquire own shares of the Company, whether directly, whether by a person acting in his own name, but on behalf of the Company or by a direct Subsidiary in accordance with article 5, §2, 1°, 2° and 4°, of the Companies Code, under following conditions:

- This authorization applies for a number of own shares that is at most equal to the number of shares by which pursuant to its acquisition would have been achieved the limit of 20% as stipulated in article 620, §1, 1°, 2° of the Companies Code;
- The acquisition of a share under this authorization should be done at a price per share ranging between one euro (€1.00) and fifty euros (€50.00) on the regulated market on which they are listed;
- The nominal value of the number of own shares the Company desires to acquire, including the previously obtained own shares held by the Company, may not represent more than 20% of the registered capital of the Company;

- The remuneration for the acquisition of these own shares may not exceed the resources of the Company which are available for distribution in accordance with article 617 of the Companies Code;
- The acquisition of the shares under this authorization directly establishes a reserve unavailable for distribution “acquisition of own shares” in the same amount of the global acquisition amount of the acquired shares and by prior deduction of the available profit. The reserves the company has made unavailable for distribution is only obligatory, if and as long as the shares are being held;
- This authorization applies for a period of five (5) years from the date on which this resolution is approved.

The existing authorizations of the Board of Directors were awarded for an indefinite period by the resolutions of the Extraordinary General Meeting of April 20, 2009 for the alienation of own shares held in accordance with article 622, §2, of the Companies Code and article 622, §2, 1° of the Companies Code:

- The number of own shares that is disposed of may not exceed the number of shares of the company that a direct subsidiary of the company may hold as a legitimate cross-shareholding within the meaning of Article 631, § 1 of the Companies Code;
- The disposal of a share under this authority shall be made at the last closing price at which the shares were quoted on the Brussels stock exchange at the moment of disposal;
- The shares concerned may only be transferred to Melexis Technologies NV, with registered office at 3980 Tessenenderlo, Transportstraat 1, RPR Hasselt 0467,222,076, or to a company of which Melexis NV directly or indirectly holds more than 99% of the dividend entitled securities;
- The reserves the company has made unavailable for distribution due to the “acquisition of own shares” are transferred back to reserves available for distribution for an amount equal to the acquisition value of the disposed shares.

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

The Board of Directors is authorized by the Extraordinary General Meeting of April 20, 2012, to acquire own shares in accordance with Article 620, § 1, section 3 of the Companies

Code or to dispose of purchased own shares in accordance with Article 622, § 2, 2° of the Companies Code if required to prevent a threatened serious harm to the company. Such authority is granted for a period of three years starting as from the publishing date of the amendment of the Articles of Association in the Annexes to the Belgian State Gazette.

On 31 December 2014, the Melexis Group was in the possession of 346,141 shares out of 40,400,000 shares in the registered capital of the company, or 0.86% of the total outstanding share capital. In accordance with art. 622 of the Companies Code, the voting rights on these shares are suspended.

### Other elements

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

## 8.9 Auditor

At the annual General Meeting of April 22nd, 2013 BDO Bedrijfsrevisoren BV o.v.v.e. CVBA, with registered office in 1930 Zaventem, Da Vincilaan 9/E6, listed in the Register for Legal Entities of Brussels with company number 431,088,289, has been reappointed as statutory auditor of the company for a period of 3 years, which ends after the annual General Meeting of 2016 relating to the 2015 financial year. Ms. Veerle Catry, auditor, with office in 9820 Merelbeke, Guldensproenpark 100, blok K, is appointed as permanent representative of the auditor.

The annual fee for this mandate amounts for the entire Melexis group to EUR 120,000 audit fees, VAT excluded and is adjusted annually according to the consumer index. In 2014 the additional legal fees amount EUR 5,690, VAT excluded.

## 8.10 Compliance with the 2009 Belgian Code on Corporate Governance

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

### Principle 2,4./1, 2°, Appendix A, Independent directors

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

The mandate of Ms. Lina Sarro as independent director has expired and the Board has to contain based upon article 13 of the Statutes at least three independent directors. On advice of the nomination and remuneration committee the board of directors has decided on April, 22 nd 2014 to co-opt Martine Baelmans as new and independent director until the next general meeting of shareholders. .

### Principle 4,12 & 4,13, Board evaluation

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

The 2009 Belgian Code on Corporate Governance recommends a periodic evaluation of the contribution of each Director aimed at adapting the composition of the Board to take account of changing circumstances. When dealing with re-election, the Director's commitment and effectiveness should be evaluated in accordance with a pre-established and transparent procedure. Given the limited size of the Board of Directors, the effectiveness of the Board and its Committees will be monitored and reviewed collectively every three years in order to achieve possible improvements in the management of the company. The commitment and effectiveness of the independent Directors is evaluated with each re-election upon advise of the Nomination and Remuneration Committee. This approach reflects the shareholders structure of the company.

### **Principle 5, Appendix C, Audit Committee, 5,2/3 - 5,2/17 - 5,2/28**

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

# 9

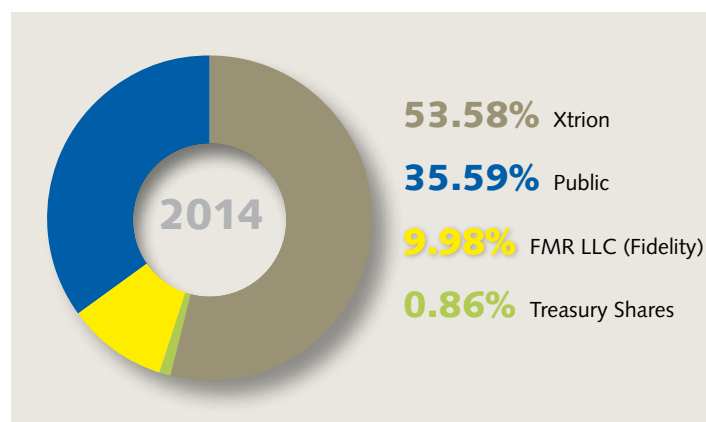
## SHAREHOLDER INFORMATION

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

### 9.1 Shareholder structure

Situation on December 31, 2014

Company	Number of Shares	Participation Rate
Xtrion	21,644,399	53.58%
FMR LLC (Fidelity)	4,032,132	9.98%
Treasury Shares	346,141	0.86%
Public	14,377,328	35.59%
Total	40,400,000	100.00%



### 9.2 Share information

- First day of listing October 10th, 1997
- Number of shares outstanding on December 31st, 2014 40,400,000
- Market capitalization on December 31st, 2014 EUR 1,515,000,000

(Euro)	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Earnings per share	2.10	1.37	1.25	1.06	1.12	(0.09)	0.52	0.86	0.80	0.65
Net cash from operating activities	2.35	1.75	1.41	1.35	1.04	0.46	0.62	0.77	0.86	0.78
Gross Dividend	1.00	0.70	0.65	0.60	0.30	0.00	0.60	0.60	0.50	0.50
Year end price	37.50	23.18	12.88	10.37	13.46	6.78	5.00	11.15	13.80	10.76
Year's high	37.54	24.44	13.40	13.84	13.80	7.44	11.87	15.00	14.38	11.20
Year's low	23.10	13.19	10.60	8.35	6.84	3.33	4.95	10.15	10.99	9.00
Average volume of shares traded/day	31,617	21,046	20,591	34,818	34,900	22,137	32,991	56,569	47,027	38,129

## 9.3 Shareholder contact info

### Investor Relations

Phone: +32 13 67 07 79

Fax: +32 13 67 21 34

Rozendaalstraat 12, B-8900 Ieper, Belgium

[www.melexis.com/InvestorRelations.aspx](http://www.melexis.com/InvestorRelations.aspx)

## 9.4 Financial calendar 2015

Annual Shareholder's Meeting	April 20th, 2015
Announcement of Q1 Results	April 23rd, 2015
Announcement of Half Year Results	July 29th, 2015
Announcement of Q3 Results	October 21st, 2015
Announcement of Full Year Results	February 10th, 2016

## 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 paid out per share in

1999:	EUR 0.30 interim dividend
2002:	EUR 0.50 interim dividend
2003:	EUR 0.50 interim dividend
2004:	EUR 0.2762 dividend and EUR 0.7238 capital decrease
2005:	EUR 0.50 interim dividend
2006:	EUR 0.50 interim dividend
2007:	EUR 0.60 interim dividend
2008:	EUR 0.60 interim dividend
2009:	no dividend
2010:	EUR 0.30 interim dividend
2011:	EUR 0.60 interim dividend
2012:	EUR 0.65 interim dividend
2013:	EUR 0.70 interim dividend
2014:	EUR 1.00 interim dividend



# 10

## EXCERPT FROM THE MELEXIS NV STATUTORY

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

It should be noted that only the consolidated financial statements as set forth in chapters 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 December 31<sup>st</sup>, 2014. Participations in affiliated companies are recognized at purchase price.

The statutory auditors' report is unqualified and certifies that the non-consolidated financial statements of Melexis NV prepared in accordance with Belgian GAAP for the year ended December 31<sup>st</sup>, 2014 give a true and fair view of the financial position and results of Melexis NV in accordance with all legal and regulatory dispositions.

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

## Condensed non consolidated statement of financial position

in 1,000 Euro

ASSETS	2014	2013
<b>FIXED ASSETS</b>	<b>683,973</b>	<b>679,956</b>
I. Formation expenses		
II. Intangible assets	601	342
III. Tangible assets	29,133	24,626
A. Land and buildings	10,403	10,700
B. Plant machinery and equipment	16,214	12,090
C. Furniture and vehicles	887	1,042
F. Assets under construction and advanced payments	1,628	793
IV. Financial assets	654,239	654,989
A. Affiliated companies	654,202	654,952
1. Participations	654,202	654,952
B. Other enterprises linked by participating interests	6	6
1. Participations	6	6
C. Other financial assets	31	30
2. Receivables and caution money	31	30
<b>CURRENT ASSETS</b>	<b>2,554</b>	<b>1,075</b>
V. Amounts receivable after more than one year	47	47
1. Other receivables	47	47
VII. Amounts receivable within one year	166	249
A. Trade receivables	71	99
B. Other receivables	95	150
VIII. Cash investments	271	271
A. Own shares	21	21
B. Other investments and deposits	250	250
IX. Cash deposits	205	176
X. Deferred assets and accrued income	1,865	332
<b>TOTAL ASSETS</b>	<b>686,527</b>	<b>681,031</b>

## Condensed non consolidated statement of financial position (Continued)

in 1,000 Euro

	2014	2013
<b>SHAREHOLDERS' EQUITY</b>	<b>430,232</b>	<b>465,094</b>
I. Capital	565	565
A. Outstanding Capital	565	565
IV. Reserves	81	79
A. Legal reserve	57	57
B. Reserves not available for distribution	24	22
1. In respect of own shares held	24	22
V. Retained earnings	429,312	464,177
VI. Investment grants	274	274
<b>DEBTS</b>	<b>256,295</b>	<b>215,937</b>
IX. Amounts payable within one year	254,876	214,519
B. Financial debts	-	6
1. Credit institutions	-	6
C. Trade debts	1,287	2,067
1. Trade payables	1,287	2,067
E. Taxes, remuneration and social security	4,174	3,693
1. Taxes	2,281	2,338
2. Remuneration and social security	1,893	1,355
F. Other amounts payable	249,415	208,753
X. Accrued charges and deferred income	1,420	1,418
<b>TOTAL LIABILITIES</b>	<b>686,527</b>	<b>681,031</b>

## Condensed non consolidated statement of comprehensive income

in 1,000 Euro

	2014	2013
I. Operating income	39,734	34,898
A. Turnover	38,805	34,045
C. Other operating income	929	852
II. Operating charges	(28,094)	(24,231)
B. Services and other goods	11,392	9,661
C. Remuneration, social security charges and pensions	10,422	9,673
D. Depreciations	<b>6,148</b>	<b>4,704</b>
E. Amounts written off stocks, contracts in progress and trade receivables	1	1
G. Other operating charges	132	193
III. Operating result	11,640	10,667
IV. Financial income	23	492
B. Income from current assets	2	181
C. Other financial income	21	311
V. Financial charges	(5,360)	(3,446)
A. Debt charges	3,968	3,424
C. Other financial charges	1,391	22
VI. Result of ordinary activities before taxes	6,303	7,712
VII. Extraordinary income	-	435,286
D. Gains on disposal of fixed assets	-	435,286
VIII. Extraordinary charges	(750)	(1,661)
D. Impairment on financial fixed assets	750	1,661
IX. Result of the year before taxes	5,553	441,337
X. Income taxes	(17)	(2,349)
A. Taxes	41	2,349
B. Regularization	(24)	-
XI. Result of the year	5,536	438,988
<b>XIII. Profit of the year available for appropriation</b>	<b>5,536</b>	<b>438,988</b>

## Appropriation of the Result

in 1,000 Euro

	2014	2013
A. Result to be appropriated	469,712	492,456
1. Result of the period available for appropriation	5,536	438,988
2. Result carried forward	464,176	53,468
C. Transfers to capital and reserves	(2)	(1)
1. To other reserves	(2)	(1)
D. Result to be carried forward	(429,312)	(464,176)
1. Result to be carried forward	(429,312)	(464,176)
F. Distribution of profit	(40,398)	(28,279)
1. Dividends	(40,398)	(28,279)







# GLOSSARY

## **Earnings per share**

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

## **Earnings per share diluted**

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

## **Revenue**

Product sales + Revenues from Research and Development.

## **EBIT (Earnings Before Interests and Taxes)**

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

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

EBIT + depreciation, amortization and impairment.

## **Shareholders' equity**

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

## **Net Indebtedness**

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

## **Working capital**

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

## **Net cash from operating activities**

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

## **Capital expenditure**

Investments in Property, Plant and Equipment.

## **ROE (Return On Equity)**

Net Income/Shareholders' equity.

## **Liquidity**

Current assets/current liabilities.

## **Solvency**

Shareholders' equity/total assets.



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**MELEXIS NV**

**Statutory auditor's report to the  
general meeting of the company  
for the year ended 31 December 2014**

## Statutory auditor's report to the general meeting of the company Melexis NV for the year ended 31 December 2014

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2014, the consolidated income statement, 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 the explanatory notes.

### Report on the consolidated financial statements - unqualified opinion

We have audited the consolidated financial statements of the company Melexis NV for the year ended 31 December 2014, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated statement of financial position total of 256.773.396 EUR and a consolidated income statement showing a consolidated profit for the year of 84.994.225 EUR.

### *Responsibility of the board of Directors for the preparation of the consolidated financial statements*

The board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the International Financial Reporting Standards, and for such internal control as the board of Directors determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

### *Responsibility of the statutory auditor*

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

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

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.

*Unqualified opinion*

In our opinion, the consolidated financial statements of the company Melexis NV give a true and fair view of the group's equity and financial position as at 31 December 2014, and of its results and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

**Report on other legal and regulatory requirements**

The board of Directors is responsible for the preparation and the content of the Directors' report on the consolidated financial statements.

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, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which do not modify the scope of our opinion on the consolidated financial statements:

- The Directors' report the consolidated financial statements includes the information required by law, is consistent with the consolidated financial statements and is free from material inconsistencies with the information that we became aware of during the performance of our mandate.

Zaventem, 16 March 2015



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





