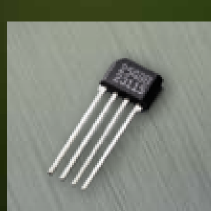
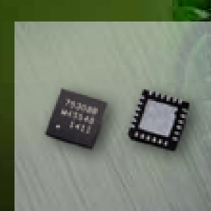
Melexis

INSPIRED ENGINEERING

ANNUAL REPORT 2018

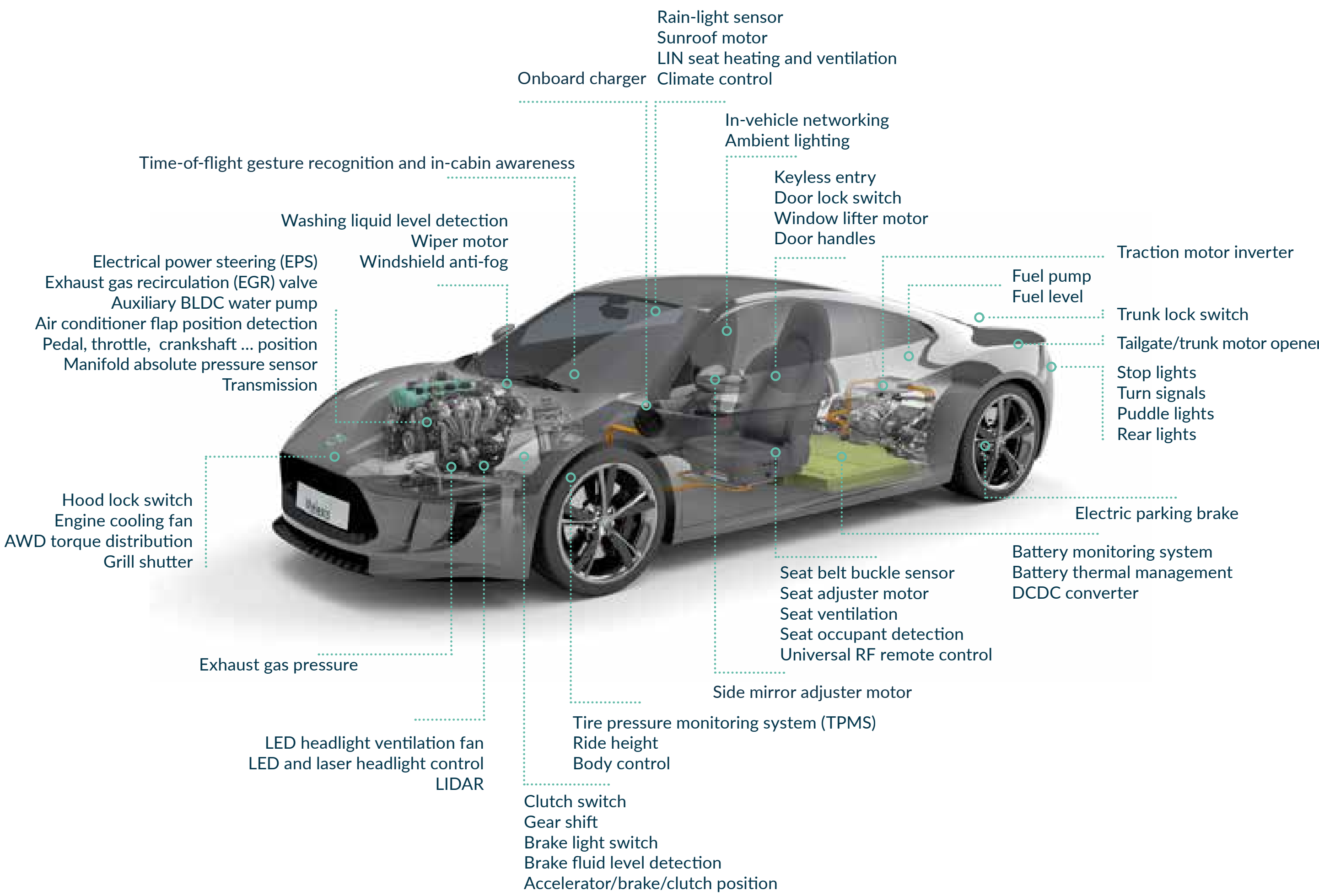




ON THE COVER: THE HUMMINGBIRD

Every Melexis chip or semiconductor, with all its abilities and possible applications, has a metaphor in nature. Each metaphor highlights a particular technological feature just by telling a story about how it is found and applied in nature. Enter the hummingbird! Thanks to its beating wings that flap at extremely high frequencies, typically around 50 times per second, it can fly at speeds exceeding 54 km/h, it can fly backwards and it can seemingly be suspended in the air in perfect balance. Such motor control capability matches this wonderful and useful little creature with our extensive and renowned smart motor drivers' family.

11 CHIPS IN EVERY NEW CAR



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

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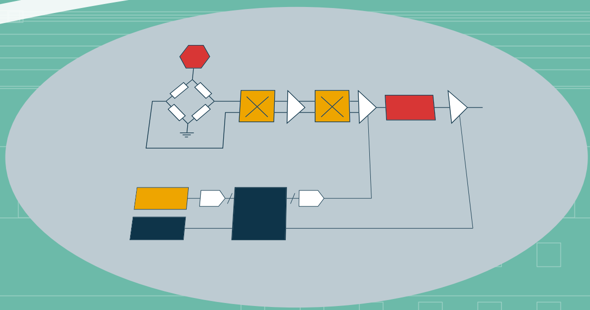
FROM CONCEPT TO CHIP

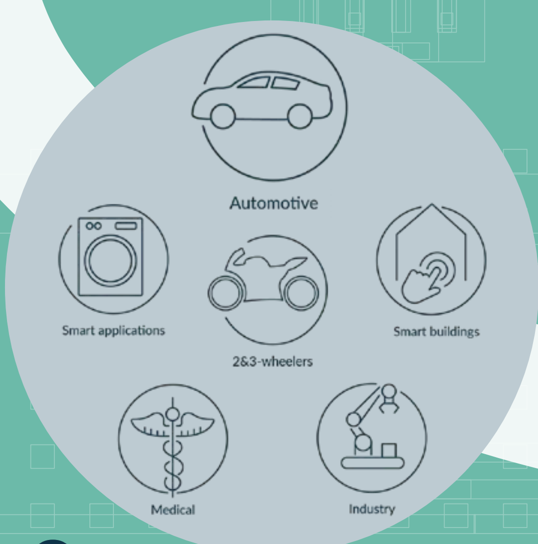
1. DEFINE THE CHIP

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

2. DESIGN THE CHIP

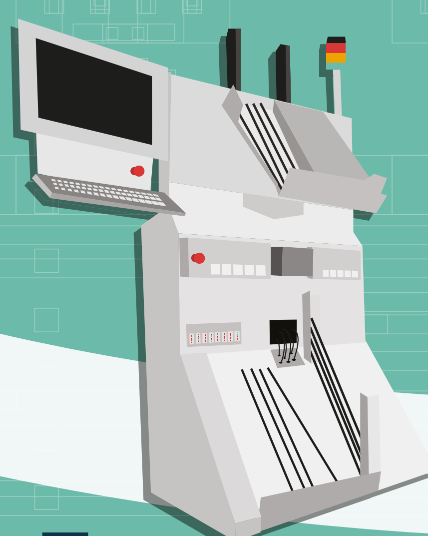
Our systems architects develop the plan. Blocks are then implemented by a design engineer, using basic elements (transistors, resistors) to build a virtual circuit, the correct functionality of which is verified using mathematical models. Then the individual blocks are combined, in order to minimize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





8. CHIPS ARE EVERYWHERE

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



7. TESTING OF THE CHIP

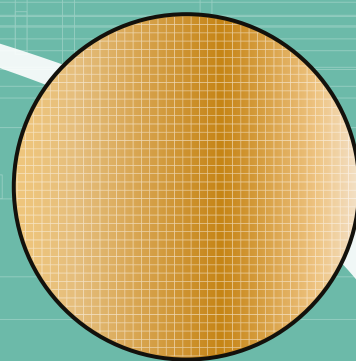
Each chip is tested with a similar testing regime as the wafer test (see step 5), but this time at three different temperatures: -40°C, 25°C and 135°C.

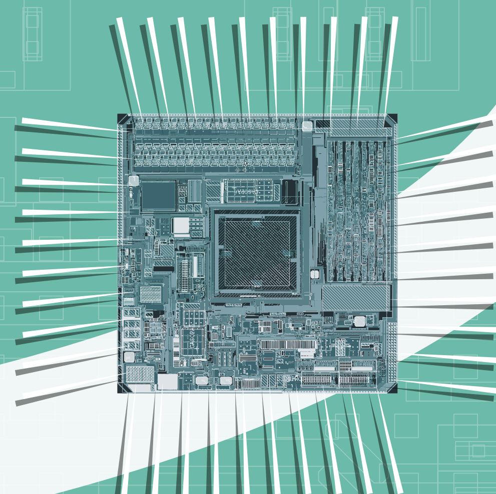
3. LAYOUT OF THE CHIP

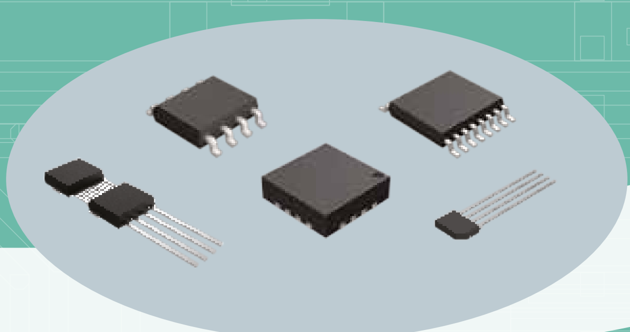
Our layout engineers arrange the conceptual standard blocks into their physical locations.

4. MANUFACTURING ON SILICON WAFERS

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







5. TESTING OF THE WAFERS

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

6. PACKAGING OF THE CHIP

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

Melexis
INSPIRED ENGINEERING

SUSTAINABILITY AT HEART

WE CARE ABOUT PEOPLE

Since 1988, Melexis has grown into a company with more than 1,500 colleagues on three continents. Our company combines exceptional people with a unique company culture, great products and a promising future. Melexis is committed to promoting gender equality throughout our entire organization. A shared corporate vision enables our growth and our people represent a vital link in the chain that connects motivated individuals, outstanding teams and great results.

on 3 continents

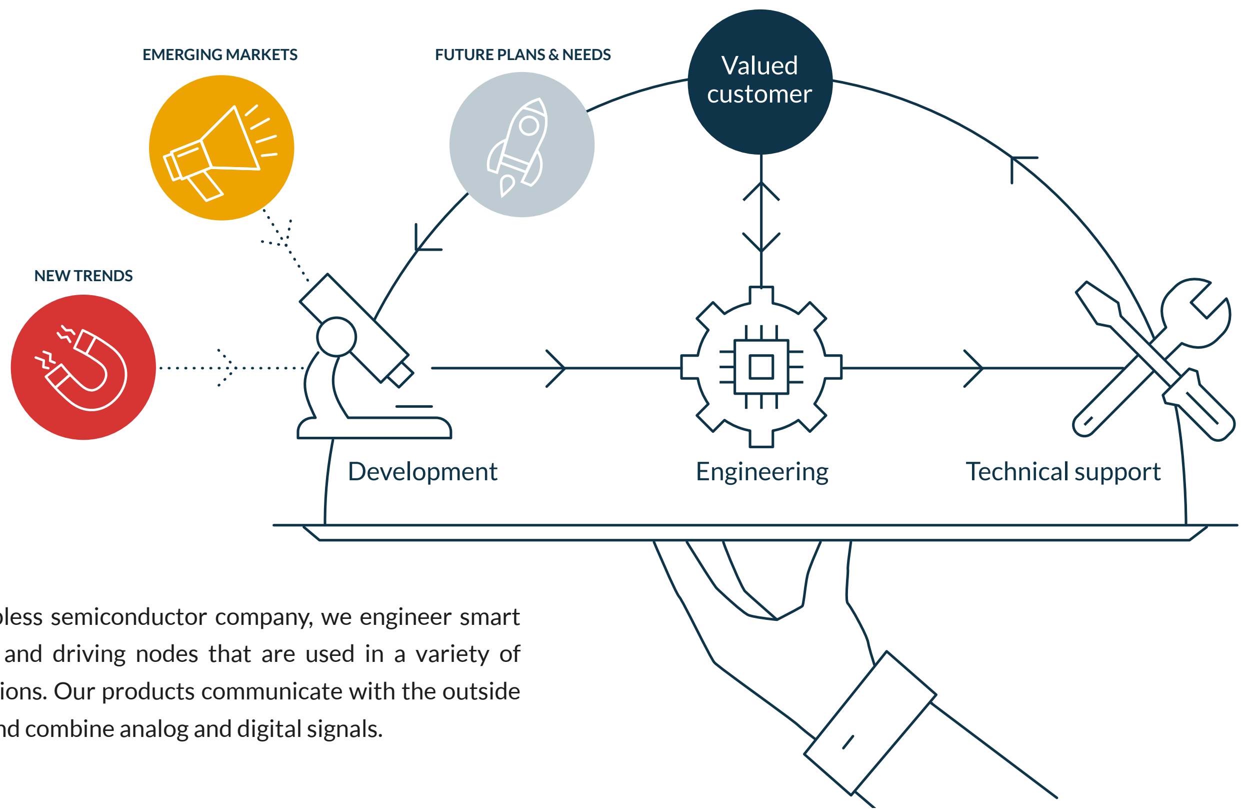
Gender balance

WE CARE ABOUT THE PLANET

Melexis is acutely aware of the increasing worldwide concern for safety and sustainability, two areas in which we have been active for many years. From sensors and sensor interfaces to embedded and smart drivers, we are constantly innovating to help create the most sustainable and reliable solutions possible. Our quality and environmental policy is the guiding principle throughout our organization and strives to keep our environmental footprint as small as possible.

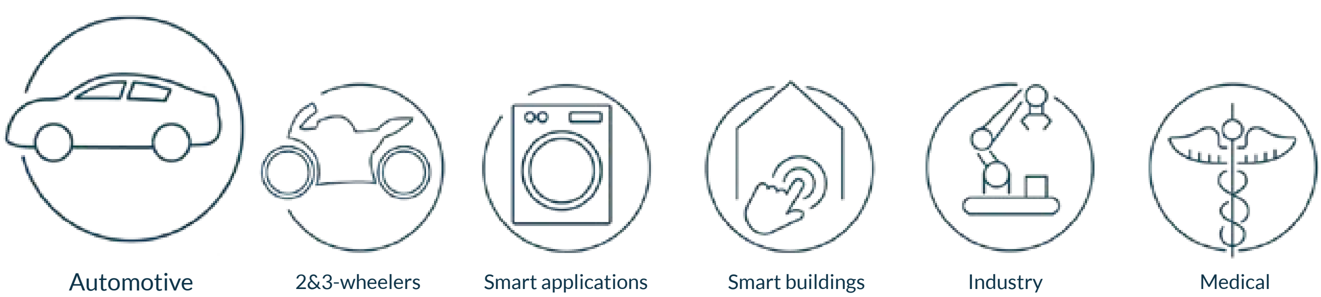
CUSTOMER-DRIVEN INNOVATION

WE ENABLE EDGE SENSING AND EDGE DRIVING



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

WE CATER TO DIFFERENT SECTORS



Melexis operates mainly in the semiconductor market for cars, a market that has a solid foundation and exciting growth opportunities. However, we continuously build on our knowledge and experience and are expanding our scope to include new applications, new markets and new sectors, including 2-wheelers, home and consumer electronics, industrial applications and healthcare.

1 LETTER TO OUR SHAREHOLDERS

Dear Melexis shareholder,

In 2018, Melexis continued its path towards the best imaginable future built on structural growth and driven by our small, smart sensing and driving nodes used in a variety of vehicle and other applications. Today, we can proudly state that on average every new car worldwide carries 11 Melexis chips inside.

Sales increased by 11% in 2018. At constant currency rates, sales growth came out above 14%, significantly above market growth. With a gross profit margin around 46% and an operating margin above 24%, Melexis profitability was in line with historical numbers. The main growth drivers in 2018 were the magnetic sensor family, temperature sensors, pressure sensors, embedded motor drivers and embedded lighting.

As the year progressed, though, the business environment shifted. While customer sentiment and order behavior till the end of the summer were optimistic and strong, dynamics were different for the remainder of the year. In October, we announced a reduced short-term visibility and signs of upcoming inventory corrections at our customers, mainly triggered by a more uncertain economic and geopolitical situation caused by global trade tensions, which dampened consumer and business confidence.

Structural growth drivers

Amidst all these uncertainties, Melexis stands strong. All next-generation and innovation programs at Melexis' customers continue as before. The secular trends which drive our future growth, being more electrification, assisted drive and personalization further gain traction. During our Analyst day in December, we provided insight into our growth opportunities, both in powertrain systems as well as in chassis, body and safety (CBS) applications in the car of the future. The weighted total addressable market for Melexis, expressed as the number of chips per car, increases from 94 opportunities today to 150 opportunities in five years. Based on the growing addressable market and the Melexis product portfolio, its developments and market position, Melexis' ambition is to increase its share on average towards 20 chips per new car in about five to six years' time.

> “Our ambition is to install **20 chips in every new car** in about five to six years’ time”

In 2018, Melexis launched again more than one new product a month. We released the next generation of Triaxis® 3D position sensors, new members to the latch and switch, TPMS and infrared product families, enhanced performance current sensors and cool new smart fan drivers, for both automotive and adjacent markets. In 2019, we plan to continue on this path.

Well resourced

Melexis is well resourced to further develop its fundamentals. In 2018, Melexis invested significantly in additional capacity to ensure future growth. In Sofia, Bulgaria, our efforts to double our manufacturing space and test capacity is well on its way. In parallel, Melexis has invested in a new wafer-probing site in Corbeil-Essonnes, France. Melexis installed a US sales office in San José, capital of Silicon Valley, one of the fastest growing markets in the world. Finally, in Ieper we completed an additional floor space investment on time and on budget.
As our fundamentals for growth remain strong, the Board of Directors approved on 1 February 2019 to propose to the Annual Shareholders meeting to pay out over the result of 2018 a total dividend of EUR 2.20 gross per share, or an increase of 5% compared to the previous year.

Financial outlook 2019

As a result of a slow start in 2019, Melexis expects its full year 2019 sales level to remain below the previous year. Our gross profit margin is expected to be around 43% taking into account a EUR/USD exchange rate of 1.15. Unless geopolitical tensions intensify, a renewed positive order trend is likely to occur in the second half of 2019. In 2019, we expect a CAPEX level around the level of EUR 45 million, significantly below the 2018 level of EUR 76 million.

Reaching every engineer worldwide

Boasting more than 150 participants, the Asian distributor summit held in May last year in Xi’An, China, was the biggest of its kind. Organizing summits like these allows Melexis to present its business to potential and existing distribution partners. We updated them on our wide range of industry solutions and provide in-depth information on supply chain and branding.

In June Melexis was present at Sensors Expo, North America’s premier event focusing exclusively on sensors and sensor-integrated systems. That same month we also joined the Hyundai-Kia Motors Corporation’s exhibition for semiconductors and IT in Korea demonstrating our wide range of solutions like the Triaxis® products, current sensors, time-of-flight, far infrared, LED driver solutions and brushless direct current technologies to more than 650 interested OEM engineers.

Closer to home, Melexis turned out to be an eye-catcher at the 2018 Electronica trade fair in the German town of Munich. Next to various interactive demonstrations of our sensing technology solutions, we featured a custom-made virtual reality automotive cabin, allowing our more than 1,500 visitors to discover hands-on how our sensors enhance modern cars. You can watch the video on our YouTube channel.
Last but not least, we organized several innovation days at our customers’ premises. All such events generate new interest, new ideas and new collaborations worldwide.

Intact fundamentals

There is no doubt in my mind that we will be able to continue our growth journey in the upcoming years despite the current short-term turbulence. Together with the entire Melexis team, whom I wish to explicitly thank for their continued engagement, I’m confident and positive about the different applications our innovations are able to support, today and in the future!

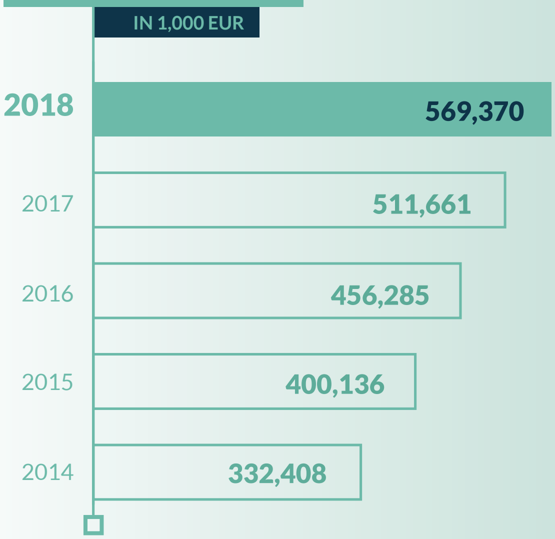
Yours sincerely,
Françoise Chombar
On behalf of the entire Melexis team

2 OUR KEY FIGURES

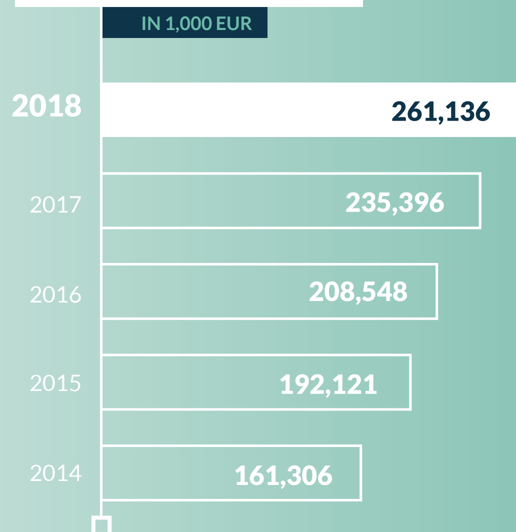
In 1,000 EUR

Operating results	2014	2015	2016	2017	2018
Revenue	332,408	400,136	456,285	511,661	569,370
Gross profit	161,306	192,121	208,548	235,396	261,136
EBIT	89,175	107,604	114,369	132,608	138,488
EBITDA	108,951	130,414	140,240	164,965	177,610
Net income	84,994	99,071	96,257	110,955	115,451
Balance structure	**2014**	**2015**	**2016**	**2017**	**2018**
Shareholders' equity	201,361	242,511	262,465	294,303	326,006
Net indebtedness	(41,446)	(58,703)	(60,808)	(60,798)	418
Working capital	71,985	78,631	76,916	84,633	139,128
Cash flow and capital expenditure	**2014**	**2015**	**2016**	**2017**	**2018**
Net cash from operating activities	94,994	114,998	107,951	113,306	99,079
Depreciation + amortization	19,775	22,809	25,872	32,357	39,122
Capital expenditure	23,694	40,281	28,774	46,417	76,296
Ratios	**2014**	**2015**	**2016**	**2017**	**2018**
ROE	42%	41%	37%	38%	35%
Liquidity	4.2	3.7	2.8	2.5	3.5
Solvency	78%	79%	73%	73%	76%

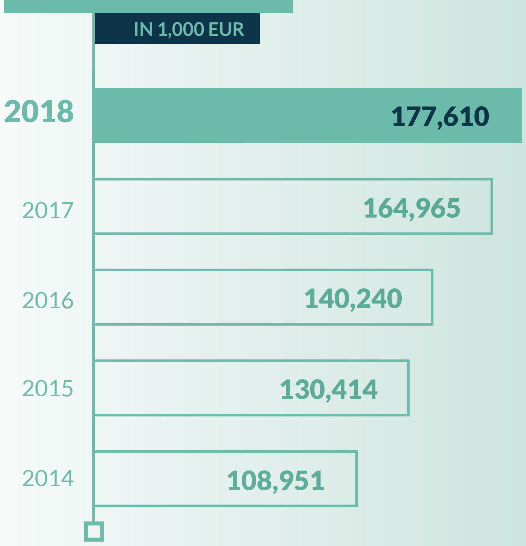
Revenue evolution



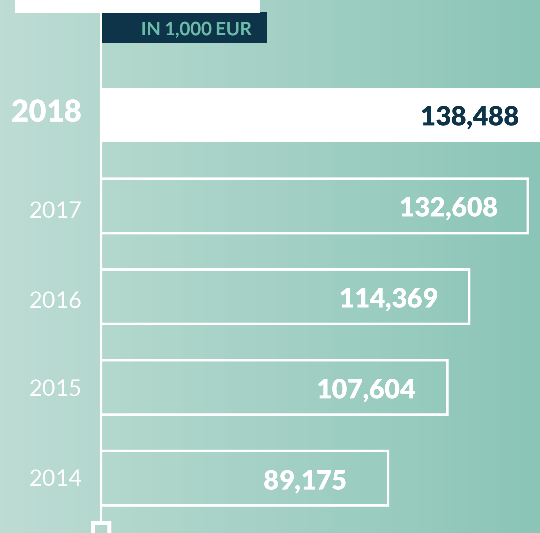
Gross profit evolution



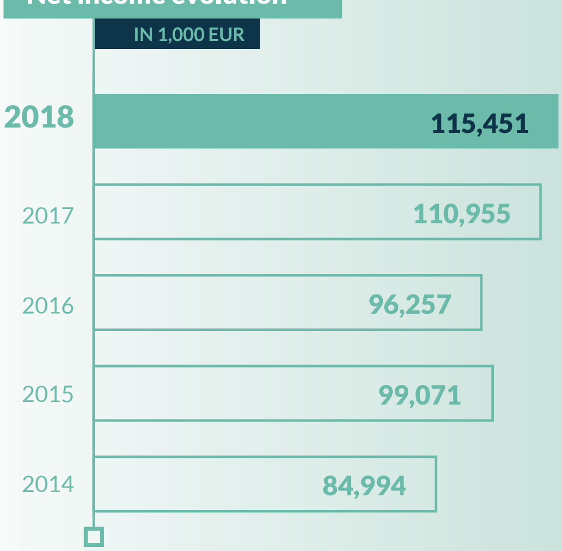
EBITDA evolution



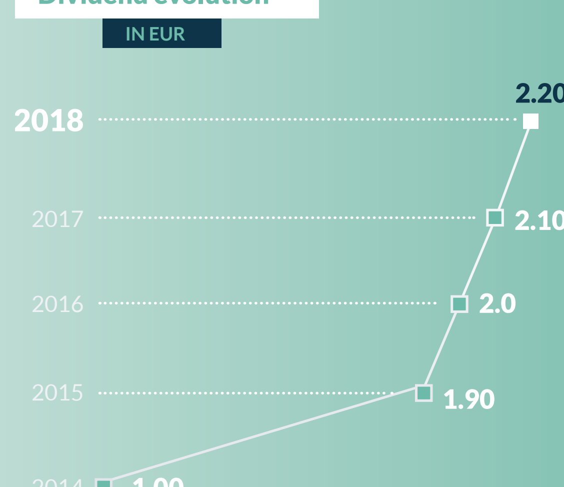
EBIT evolution



Net income evolution



Dividend evolution



3 OUR STRATEGY

Customer focus and a consistent strategic vision are the basis of Melexis' growth journey. Creating innovative and compelling products in response to OEM and consumer preferences combined with a timely and reliable production process is essential to our success and that of our customers.

A mix of team spirit, a shared set of core values and a no-nonsense culture empower our people to offer high-quality, leading technological solutions to customers. We continuously build on our knowledge and experience, expanding our scope to include new applications and new sectors.

WE ENABLE EDGE SENSING AND EDGE DRIVING

As a fabless semiconductor company, we engineer small, smart sensing and driving nodes that are used in a variety of vehicle applications. Today, every new car worldwide contains 11 Melexis chips on average.

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

Melexis has a well-matched team of experienced engineers. Their expertise in product definition, design and testing of integrated analog-digital sensor and driver solutions has given Melexis a leading position. To maintain and strengthen this position, Melexis is investing substantially in R&D and in people.

SUSTAINED INVESTING THROUGHOUT THE COMPANY

To ensure future growth, Melexis remains fully committed to executing its ambitious expansion plans. In 2018, accelerated investments were made not only in our operational sites but also in our R&D departments and sales offices all over the world. All these initiatives demonstrate our continued strategic investment in infrastructure, R&D and sales to the benefit of the structural growth drivers for our products.

- In **Sofia**, Bulgaria, Melexis is doubling its manufacturing space and test capacity. We are significantly extending our R&D and warehousing facilities and recruited more than 150 R&D and production staff in 2018 alone. To facilitate this, Melexis is investing EUR 75 million over a five-year course. The new Sofia building complies with best practices for energy efficiency and is based on contemporary office interior design concepts, with the goal of rendering our Sofia premises an attractive location for both Bulgarian and foreign specialist colleagues. Operations are expected to start by the end of 2019.
- In parallel, Melexis has invested in a brand new wafer-probing site in **Corbeil-Essonnes**, France. This site began operating in the third quarter of 2018 and will form a vital part of Melexis' supply chain. Melexis is projecting an initial EUR 30 million investment in production equipment over the next three to five years and 30 new hires will be recruited in the first instance.
- New R&D centers have been launched in **Grasse**, France and **Düsseldorf**, Germany. Both design centers focus on the automotive industry and want to strengthen their engineering assets. The Düsseldorf location facilitates the recruitment of experienced technically astute staff and enables Melexis to benefit from the proximity of regional universities and German OEMs. A complement of a dozen engineers is fully operational by the end of 2018. The same goes for Grasse: the site initially employs a dozen engineers. Yet, to expand into a full development team, Melexis will tap into the wealth of semiconductor engineering talent in its highly conducive technology park surroundings.
- Melexis installed a US sales office in **San José**, capital of Silicon Valley, one of the fastest growing markets in the world. As the region serves as a global center for high tech and innovation, it provides ample business opportunities. One regional sales manager, a business development manager and three field application engineers aim to successfully build up activity by providing technical support to both existing and new customers in the automotive, medical, industrial and consumer space. This should put Melexis in pole position to take advantage of the latest trends in these segments.

WE ASPIRE TO PUT 20 ICS IN EVERY NEW CAR WORLDWIDE

Melexis operates mainly in the semiconductor market for cars, a market that has a solid foundation and exciting growth opportunities. Despite a modest growth in car sales, the amount of electronics being integrated into vehicles is steadily increasing year-on-year.

Passenger cars have been filled with sensors to sense temperature, pressure, position and speed for years now. However, the need for sensors keeps increasing considerably. One of the reasons is the mix of engine technologies currently being used, such as internal combustion engines, hybrid and electric motors as well as advanced driver-assistance systems (ADAS) and upcoming autonomous driving requirements. Furthermore, gesture sensors and LED drivers are significantly on the rise as they improve in-cabin comfort experiences. In addition, smart seats, trunks and HVACs require an increasing electrification and motorization as more and more smaller motors are added to the car.

The clear transition to a low-carbon energy future is triggering a shift from cars with a classic combustion engine to hybrid and electric cars. Melexis concentrates on three trends: electrification, which targets zero emissions, ADAS, aiming for zero traffic fatalities, and personalization, improving the level of comfort for every individual in the vehicle.

Our engineers focus mainly on innovations for the powertrain and the chassis, body and safety systems. Developing advanced integrated applications and solutions for these areas is our core business.

SPARKING CUSTOMER INTEREST FROM KOREA TO MUNICH

To increase our visibility and remain top-of-mind in our customer base, Melexis frequently participates in high-tech conferences, exhibitions and fairs. Tech days like these clearly generate new interest, new ideas and new collaborations on both sides of the globe.

- In **Korea**, Melexis joined the Hyundai-Kia Motors Corporation's exhibition for semiconductors and IT in June. Devoted Melexians demonstrated our wide range of solutions like the Triaxis® products, current sensors, time-of-flight, far infrared, LED driver solutions and brushless direct current technologies to more than 650 interested OEM engineers while our regional marketing manager led an interesting technology seminar during the event.

- Our French colleagues organized a Melexis innovation day in **Paris**. More than 80 intrigued customers and captains of industry registered for a full day of Melexis presentations and innovations. Especially the Melexis seat drew a lot of admiration as the customized plane seat incorporated many innovative Melexis solutions into one single lounge chair.
- Once again, Melexis turned out to be an eye catcher at the 2018 Electronica trade fair in the German town of **Munich**. Next to various interactive demonstrations of our sensing technology solutions, the Melexis booth also featured a custom-made virtual reality automotive cabin, allowing our more than 1,500 visitors to discover hands-on how our sensors enhance modern cars. We also joined the booth of four of our key distributors, held more than 100 customer meetings and actively participated in the 'Electronica Experience' that was aimed at employer branding and recruiting young talent.

TOP-NOTCH PRESENTATION AT SWTW

The annual Semiconductor Wafer Test Workshop (SWTW) in California, United States, is the only conference focusing on all aspects associated with microelectronic wafer and die-level testing. The event combines top-level manufacturer and vendor presentations in a probe technology forum where attendees learn about new developments in the industry and exchange ideas. As an active and dedicated sponsor, Melexis received lots of interested participants at our exhibition booth. Better yet, our Melexis Probing Process Owner, Geert Gouwy, and Alessandro Antonioli from Technoprobe won the prize for "Best Overall Presentation" at this year's conference. Their excellent work on "Micro burn-in techniques at wafer-level test to implement cost-effective solutions" received the highest score among a lot of other strong submissions.

The shift to electric vehicles (EVs) also generates opportunities in cooling and heating systems, both for powertrain components like the battery as well as for HVAC systems. An EV does not generate heat on its own which requires a wide range of sensors and drivers to keep both the battery as well as individual passengers at an ideal temperature whilst using a minimal amount of energy.

We remain realistic, however, about the role of electric vehicles in today's global car fleet. EV ownership is growing quickly but pure EVs still make up less than 2% of the total number of registered cars in the European Union. There is some way to go before pure EVs will dominate the market. This means that the Melexis product families of today extended with innovative products will be serving both the more traditional applications and the new ones in the decades to come.

In addition, we are seeing an interesting growth in new markets and sectors, including 2-wheelers, consumer electronics, industrial applications and healthcare. Melexis is well-placed to reap the benefits, thanks to our long-standing expertise built up in the automotive industry in fields such as the development and testing of high-quality, integrated analog-digital applications for use in cars and trucks. We can envision further scope for considerable growth and expansion of our business activities through a targeted selection of opportunities in the wider market.

AUTOMOTIVE QUALITY IS KEY

Melexis is proud to have successfully passed the transition audit to IATF 16949:2016 at all our manufacturing and other relevant locations. The International Automotive Task Force 16949 is an ISO-technical specification that ensures our business is constantly and consistently applying the best practices throughout the whole supply chain. Vincent Vanzeveren, Global Quality Manager: "Melexis takes automotive quality very seriously and we have a long-term commitment to continuously strengthen our customer satisfaction and to implement process improvements. This certification recognizes the results of this commitment and encourages us to keep up our quality efforts for the ultimate benefit of our customers."

ZERO INCIDENT
M
WE CARE

WE FOCUS ON ASICs AND ASSPs

Two thirds of our developments stem from our own initiative and are created independently, from within Melexis. We call these our ASSPs or application-specific standard products and sell them to multiple customers. It is our intellectual property that we share to the benefit of our customers. As a consequence, we sell these products more widely to a variety of markets, such as the automotive, industrial and consumer markets. This approach is one of the key building blocks for our future growth. In addition, we work with a hybrid concept, in which we offer a basic chip comprising our technology but which the customer can then adapt to his specific needs and use flexibly.

When it comes to our ASICs or custom-made application-specific integrated circuits, customers have every reason to trust Melexis for their mixed-signal ICs and sensor parts. Melexis prides itself on offering more than just a finished and tested component based on the customer's block diagram. The responsible teams actively think of ways to design, develop and deliver customized ASIC solutions for our customers. It is those innovative, progressive solutions at the schematic level and throughout the lifecycle of the program that make all the difference to the customer.

RECORD ATTENDANCE AT OUR ASIAN DISTRIBUTOR SUMMIT

Boasting more than 150 participants, the Asian distributor summit in Xi'An, China, was the biggest of its kind. Organizing summits like these allows Melexis to present its business to potential and existing distributing partners. We update them on our wide range of industry solutions and provide in-depth information on export control, supply chain and branding. The occasion also lends itself perfectly to honor some of our best distributors. The Hyundai Mipo Dockyard Korea was awarded as the Best Distributor for its ability to follow our distributor guidelines to the fullest and for their strategy to grow the market year-on-year. Engineers working at AMOD, EIL and Sekorm were recognized as Best Distributor Field Application Engineers for their technical capability to support demand creation in the field.

WE WANT TO REMAIN OUR CUSTOMER'S PARTNER OF CHOICE

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

INVIGORATING OUR DISTRIBUTOR APPROACH

Like any other business, Melexis is continuously on the lookout for sales opportunities. Depending on the specificity of our solutions and the different markets in which we operate, we constantly weigh the best possible ways to reach the market. As our solutions become increasingly attractive on a global scale and each market has their own set of access regulations, Melexis is reinvigorating its relationship with an invaluable network of distributors, whether they are worldwide broadline, online catalogue or local distributors. As they are vital business partners, we carefully listen to our distributors' needs: what do they expect in terms of sales support, materials, training and portfolio management? Over the past few years and with Melexis increasingly aware of the added value of this symbiotic relationship, we keep stepping up efforts to diversify growth in different market segments with the esteemed help of our distributing partners.

4 OUR SOLUTIONS

Melexis products are usually hidden in the interior of an engine, an electric motor or other applications. Even though they are concealed and very small, they are essential to the proper functioning of a car and other devices. Our products ensure more energy-efficient, comfortable and safer systems through intelligent functionalities and better communication.

Melexis develops sensors and drivers for various car engines and applications. Our sensors measure currents in electric and hybrid cars. Our drivers are operating fuel pumps. As start-stop functions in new cars require an intelligent control of the fuel pump, petrol engines need the exact right amount of fuel supply. Electric engines need a stable ambient temperature (as their cooling systems need meticulous adjusting because the all-important driving range depends on it). Our inspired engineering ensures all that.

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

NO AUTOMATION WITHOUT SENSORS

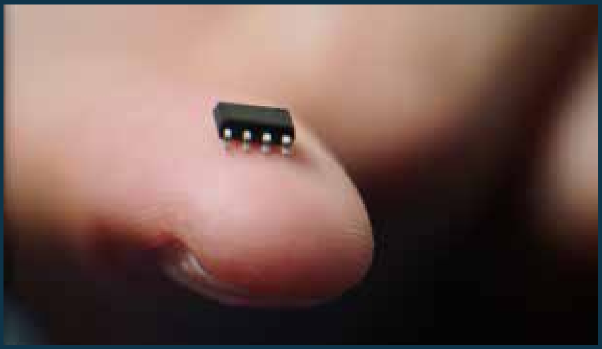
As cars with autonomous functionalities are being developed, awareness of their surroundings is becoming increasingly important. Cars with automated functionalities use sensors and drivers for tasks such as automated parking, highway autopilot and navigation through heavy traffic. A large number of 'under the hood' adaptations is effectively required to make a car function autonomously and Melexis actively contributes in areas like automatic transmission and throttle by wire.

Customers can detect pressure, temperature, a change in position or a hand gesture using Melexis' innovative solutions.

Melexis is a world leader in **magnetic sensing**. For over a decade now, our company has pushed the market forward with devices based on our patented Triaxis® Hall-effect sensor technology which continues to set new benchmarks for contactless magnetic position sensing. Typical uses for these sensor devices are to determine movement, position and speed as well as sense currents. As these magnetic sensors perform contactless measurements, they are immune to wear and tear, dust, dirt, humidity and vibration.

Furthermore, Triaxis® technology allows magnetic sensors to be deployed across many applications. By taking mechanical tolerances out of the equation and simplifying the magnetic aspects of the design, Melexis' Triaxis® products enable more robust applications and are considerably easier to manufacture than alternative technologies.

Melexis' Hall-effect ICs are used to detect pedal, throttle and steering wheel position as well as steering torque and gear selection. Triaxis® sensors are also used to monitor movement in engines and drivers and to measure current in electrical systems. Other high volume applications for these Hall-effect ICs include mobile devices, games consoles, computers and automation.



FULLY INTEGRATED, NEXT-GENERATION MAGNETIC POSITION SENSOR

Melexis was happy to launch a next-generation sensor that builds upon our long history of magnetic sensing and patented Triaxis® technology. As the automotive business strives to meet new challenges, the performance enhancements of our new offering will significantly contribute to key advancements in the sector. The new magnetic sensors, the **MLX90371** and **MLX90372**, provide robust absolute position sensing for applications including powertrain actuators, pedals and gear shifters. Both solutions consist of a Triaxis® Hall magnetic front-end, an analog-to-digital signal conditioner, an advanced digital signal processor and an output stage driver. Due to the integrated magnetic concentrator, they are sensitive to magnetic flux in three planes which facilitates the decoding of the absolute position of any moving magnet and enables the design of non-contact position sensors. A key feature is the robustness against stray fields that are increasingly present due to the electrification of modern vehicles, especially hybrid and fully electric vehicles. As they operate with a reduced magnetic field, smaller and lower-cost magnets can also be used making it an ideal solution for space- and cost-constrained automotive applications. Melexis also added the **MLX90378**, a new member to our hugely successful Triaxis® sensor family. It provides robust absolute 3D position sensing for demanding and safety-critical automotive applications such as transmission sensors and gear shifters.

NEW DESIGN OPTIONS FOR CURRENT SENSING IN AUTOMOTIVE APPLICATIONS

Melexis announced two new current sense ICs, firmly based on our extensive experience of our best-selling Hall-effect technology. The **MLX91217** implements conventional Hall technology while the **MLX91216** uses Melexis' proprietary integrated magnetic concentrator (IMC). Both devices are aimed at automotive applications, in particular inverter phase current monitoring and DC-link monitoring applications. They share the same high-performance CMOS core, are AEC-Q100 qualified and operate over a temperature range of -40°C to +150°C. Both devices offer significant performance enhancements and a rugged design, making them ideal for the challenging applications for the electrification of modern cars.

MLX91804 WINS DEVELOPING & INNOVATION AWARD

Melexis received the Developing & Innovation Award for our **MLX91804**, a tire pressure monitoring system (TPMS) integrated circuit, at the annual China Automobile & Parts Awards in September 2018. The third-generation TPMS was especially recognized for its stellar performance regarding low power design, radio frequency sensor interface, microelectromechanical systems (MEMS) as well as its high level of integration and compact integrated circuit package design. The MLX91804 is 60% smaller and draws three times lower power (in sleep mode) than any competing solution available today. It incorporates a sophisticated microcontroller and an advanced pressure and acceleration sensing element, as well as energy-efficient wireless transceivers for communication with the vehicle.

Our latest Hall-effect based **current measuring solutions** draw upon our extensive experience in this area, with millions of devices sold. Our products offer significant performance enhancements and a rugged design, making them ideal for the challenging applications found in the fast-growing market for the electrification of modern automobiles.

The Melexis range of magnetic sensors offers solutions for robust and reliable contactless switches, replacing traditional mechanical switches (which are large, expensive and unreliable) for applications such as seat belt buckles and brake and clutch pedals. Thanks to our unique programmable **latch and switch ICs**, our customers benefit from increased flexibility in both design and manufacture.

Sensors facilitate many of the drive, comfort and safety applications in modern vehicles. Air-conditioning, particulate traps, exhaust after-treatment systems and electronic stability control systems are just a few examples of applications that simply could not exist without the extensive use of sensor technology.

Melexis also develops advanced pressure sensors, based on micro-electromechanical system (MEMS) technology whereby the pressure causes a temporary and reversible distortion in a mechanical structure etched into the IC. Pressure is one of the most important sensors, for which Melexis also supplies the associated signal-processing interface ICs or via fully integrated pressure sensors.

Both drivers and passengers are surrounded by sensors and controls these days, from tire to seat pressure. In fact, our tire pressure sensors are the smallest in the world while still combining more and more functions onto one chip. Integrated pressure sensors contain the measurement function and conditioning electronics in one chip. This broadens our scope of applications and helps our customers address a wide range of challenging technical issues.

MEMS technology is also used in our own far infrared (FIR) thermal sensor array. In the automotive sector, array sensors are suitable for multi-zone air conditioning, passenger classification (for more effective airbag use) and driver monitoring (to prevent drivers from becoming distracted). In consumer electronics, array sensors are used in microwave ovens to measure the temperature of heated food. In the

Internet of things systems, they are used for numerous tasks in the field of temperature measurement and detection. But that is not all. Our FIR array sensors can also be found in low-resolution visual thermometers (for use in building automation and the industrial, security and do-it-yourself sectors).

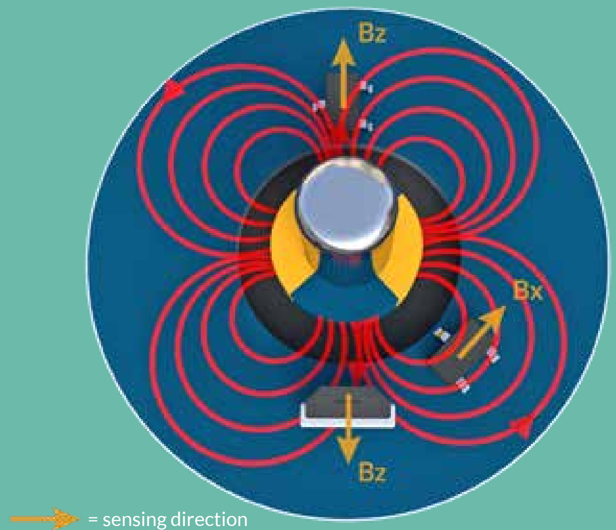
Awareness is not only about devices that can interact with the world around them. Portable devices, living spaces and cars in particular must be unobtrusively aware of the user or occupant. For a full and enjoyable user experience, a more intuitive and natural interaction with the various systems is needed.

Proximity sensors can be especially effective for detecting the presence or position of an external object in one or several zones, while **3D time-of-flight (TOF) detection** enables a fully contactless human-machine interface. Because our Melexis TOF sensors are extremely proficient at filtering backlight and sunlight, they can also be used to recognize 3D objects in difficult environments such as cars and factories.

Given the ongoing evolution towards autonomous and semi-autonomous vehicles, control dependent on the driver's involvement throughout the journey is a major concern. Our TOF technology is of crucial importance to this application.

Most electronic modules in a vehicle, from the engine controller and ambient lighting to the rear-view mirror, are interconnected over the vehicle's data bus. The flow of data between them constitutes the 'consciousness' of the vehicle.

Most car manufacturers now base their vehicle architecture on a network of at least two interconnected standards. The LIN (local interconnect network) protocol is already widely used in low-speed bus applications while CAN FD (controller area network with flexible data rate) will be the future high-speed backbone of networks in vehicles. The **Melexis LIN portfolio** allows to reduce the bill of materials of many applications. Engineers are benefiting from the mix of highly advanced technology, design flexibility and cost effectiveness in a single chip. The result is a streamlined, commercially attractive semiconductor platform that makes it possible to develop much smaller LIN modules with a reduced bill of materials.



LATERAL SENSING NOW AVAILABLE IN FULL MAGNETIC LATCH & SWITCH PORTFOLIO

Melexis is rolling out its integrated magnetic concentrator (IMC) technology to multiple devices within its latch & switch solutions range. IMC technology is fundamental to Melexis' magnetic sensing and allows our products to sense in ways that are simply not possible with alternative solutions. By extending its availability ever further we make designers' lives easier and deliver a whole new world of sensing possibilities. Here are just some examples: simple wheel speed sensing on motorcycles can now be performed using a single two-wire switch sensor with an integrated capacitor and a traditional magnet. Brush-less direct current motors, popular in blowers, cooling fans and pumps can now count on a more sophisticated control and surface mount sensing which simplifies the production process and reduces the space required. The ability to sense direction, crucial in windows and seat positioning can now be achieved with any magnet. With devices like transmission selectors (gear shifts) and human machine interfaces, the inclusion of an IMC allows the magnet to be placed beside the sensor, saving space and enabling new additional applications.

NO INTERACTION WITHOUT DRIVERS

A vehicle's ability to detect information from its surroundings is not enough in itself. True interaction only occurs in combination with driving and actuating. Smart motor drivers for water pumps, oil pumps and powerful fans contribute to more energy-efficient systems. With our patented TruSense™ technology, Melexis has brought major innovations to smart motor drivers and is now applying this expertise to bring differentiating, high-performance solutions to the market.

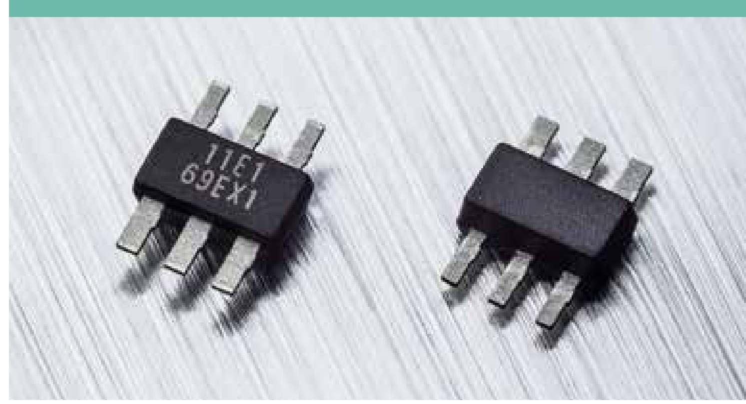
Brushless direct current (BLDC) motors can be found in pumps, blowers, fans and positioning actuators. However, not all actuator applications are as visible: one of the main actuator markets in the automotive sector deals with the micro-actuators used in HVAC systems. These are used to divert airflow and make the vehicle more efficient and comfortable. A smooth and hassle-free operation of these drive and actuation modules relies on a steady flow of data from the LIN.

NEW QVGA AND VGA TOF SENSORS

Melexis reinforced its global pioneering position for time-of-flight (TOF) sensors in automotive applications as it launched a major upgrade to its in-cabin monitoring TOF portfolio: the next-generation QVGA TOF sensor chipset and an upcoming VGA TOF sensor. The new sensors are AEC-Q100 qualified and suitable for a wide range of automotive applications including gesture recognition, driver monitoring and people and object detection. The new **MLX75024** QVGA TOF chipset offers significant performance advantages, particularly with respect to improved sensitivity, greater integration, extended functionality and reduced power consumption. As future applications will require ever higher resolution and greater integration, Melexis also developed a new, fully integrated, VGA sensor.

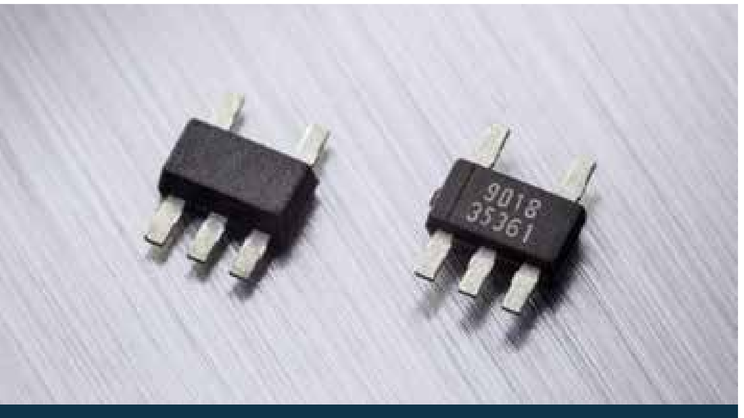
NEW FAN DRIVER ENSURES MAXIMUM TORQUE AND MINIMAL NOISE

Melexis has a long history in single-coil fan drivers for consumer computing applications. The new **MLX90411** extends our portfolio into household applications and provides a robust solution for automotive use. Its closed-loop speed control and adaptive commutation control deliver real benefits to designers. The MLX90411 will undoubtedly become the preferred solution for home appliances like air purifiers as well as white goods. In automotive applications, the device can be connected to the battery directly, without further protection, due to its ability to withstand load dump pulses up to 40 V. It is the world's first ASIL-ready fan driver. Multiple commutation options are available, encompassing both low EMI and low acoustic noise. A patent-pending adaptive control algorithm ensures maximum torque and the lowest reverse current across all operating conditions, with any design of motor. It features multiple integrated protection features which will certainly facilitate any due certifications and meet the most stringent automotive requirements.



MAINTAINING MARKET LEADERSHIP

Our Melexis solutions portfolio allows systems to become more ‘aware’ and interact directly with their surroundings. Our strategy focuses on bringing the right innovation and the right level of integration and solutions to the constantly growing need for sensors and drivers in different market segments of the automotive, industrial, medical, home and building automation sectors. With our long-standing expertise in product definition, design and testing for integrated analog and digital semiconductor solutions and sensor chips, our company is sure to maintain its leading market position.

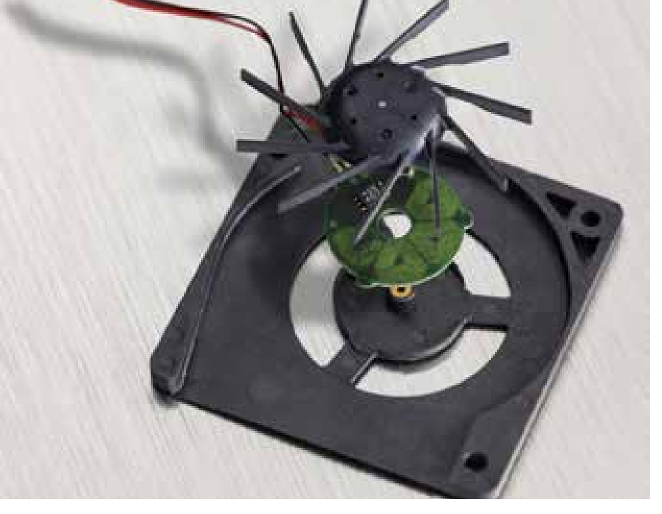


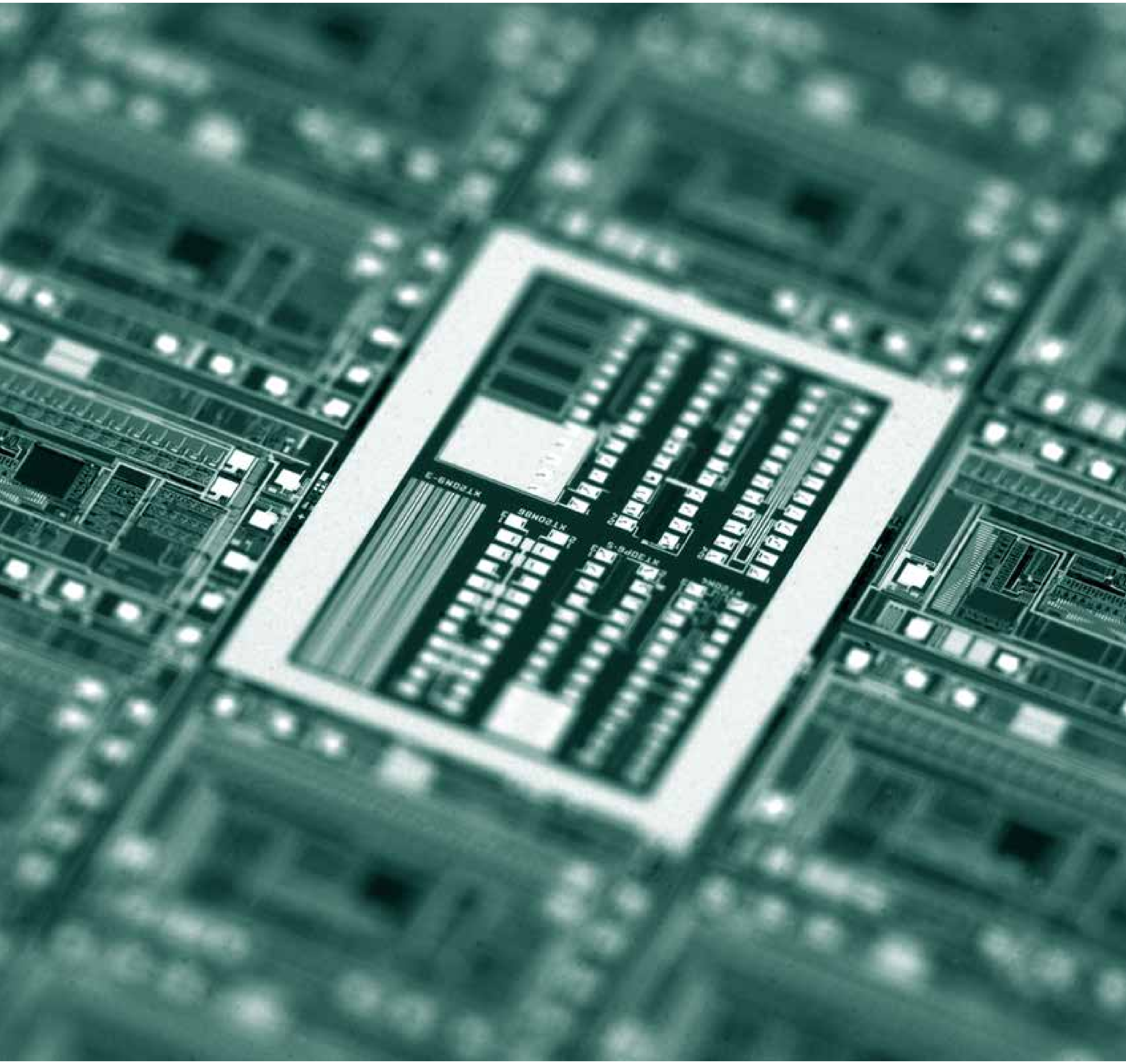
EXTENDED PACKAGE OPTIONS FOR POPULAR COIL FAN DRIVER

Melexis added a new small outline or SOT25 package variant for its popular and highly integrated US90A and US91A 2-coil fan drivers. With the recent introduction of the straight leads small outline package for the **MLX90411** latest generation 1-coil fan driver, these reference products have now been added in a low-cost surface mount device package. The fan market is moving gradually away from manually soldered system-in-packages and is embracing surface mount assembly more and more, in order to further improve quality levels. The SOT25 straight lead package provides an additional surface mount assembly solution to further support automated production lines.

NEW AUTOMOTIVE-GRADE FAN DRIVER ICS FOR ULTRA-SMALL APPLICATIONS

Cooling has always been an enabler for innovation and as more electronics are integrated into cars, there is a growing need for automotive fans. Melexis launched new fan driver ICs for both automotive and other applications where a highly reliable, ultra-small solution is needed. Our new drivers ensure that fans can be driven quietly and reliably, exactly what consumers expect from in-cabin applications. The **US168KLD** and **US169KLD** are automotive grade single-chip solutions for driving single-coil brushless DC fans and motors. As a result of their soft-switching characteristics, they ensure low levels of EMI and acoustic noise, As these automotive-grade devices are fully integrated with no external components required, it is now possible to use the benefits of soft-switching in even the smallest of fan applications, including amongst other cooling fans for wireless chargers, computing, audio and multimedia.





GRI STANDARDS: CORE OPTION

This chapter has been prepared in accordance with the Belgian law of 3 September 2017 detailing the publication of non-financial information and information regarding diversity by certain large companies and groups. To report on this information, Melexis has been inspired by the Global Reporting Initiative (GRI) Standards: Core option and is committed to report on our sustainability efforts consistently over the next years. You can find the GRI content index on pages 131-137.

5 OUR RESPONSIBLE ENTREPRENEURSHIP

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Since its founding in 1988, Melexis has grown into a company with more than 1,500 colleagues on three continents, all of whom are passionate about shaping the future and all of whom care deeply about people and planet.

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

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

This chapter outlines our main guiding principles and subsequently lists the results of our efforts to positively impact and care for various stakeholders, both on a social and an environmental level.

1 OUR GUIDING PRINCIPLES

THE MELEXIS WAY

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

We are on the customer's side

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

We always have a plan

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

We care

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

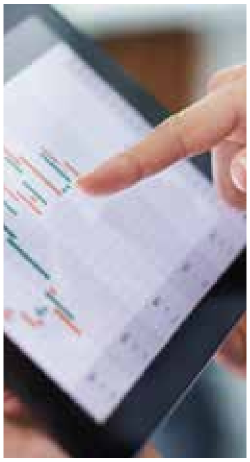
We understand the value of money

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

We enjoy the journey towards success

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




THE MELEXIS QUALITY AND ENVIRONMENTAL POLICY

The Melexis quality and environmental policy is the guiding principle throughout our organization. It provides a framework for our day-to-day operations and guides every decision and every action. Our quality mission statement sets out the aim: 'smart solutions that enable innovation and strengthen the confidence of our customers.' Our quality and environmental policy strives to keep our environmental footprint as small as possible because we take our responsibility to both people and planet very seriously. (Read more on page 44)

THE MELEXIS CODE OF CONDUCT

Melexis has outlined an ethical code of conduct to provide a clear and unambiguous reference for expected behavior during business activities. Melexis, our colleagues, the members of our Board and our executive management all follow this code of conduct as it sets out the responsibilities Melexis takes on in the workplace and in doing business with its partners. These responsibilities include rules on anti-corruption and anti-competitive behavior, on health and safety, on privacy and on many other crucial topics. (Read more on page 49)

2 OUR SUSTAINABILITY REPORT

In the following subchapters, various material topics with regards to sustainability will be covered including our stakeholders, human resources, social commitment, a healthy work environment, environmental responsibility, supply chain, our dedication to human rights, anti-corruption and bribery. Unless otherwise specified, the disclosed information refers to the 2018 fiscal year and is valid for the whole organization.

OUR STAKEHOLDER ENGAGEMENT

Melexis takes nothing for granted, be it our people, our partners and our customers, the planet or its resources. An open dialogue with various yet equally important stakeholders is essential in order to improve overall sustainability continuously. Our stakeholders, including customers, shareholders, suppliers, distributors, representatives and neighbors, deserve the utmost integrity, honesty and fairness in all their interactions with our company. The following table shows the different channels Melexis uses to communicate with its stakeholders regarding its activities.

OUR STAKEHOLDER GROUPS	WE COMMUNICATE THROUGH:
Our colleagues	Internal company newsletters Internal information meetings Employee values program Regular leadership communications People surveys Global employee performance excellence system Global intranet Social media and website
Our customers	Customer audits and business reviews Strategic technology roadmaps 24/7 technical support hotline Technical interface engineers Social media Press releases Events Letters Brochures and product sheets
Our investors	Annual shareholders meeting Quarterly reports Annual report Investor relations newsletters and press releases Yearly financial statements Social media
Our suppliers	Supplier audits and business reviews Social media Supplier assessment Letters
Our communities	Industry associations Corporate social responsibility activities Trade fairs Social media Press releases

OUR HUMAN RESOURCES

People are not the most important assets in our company, they ARE our company. Our HR policies build upon the principles of the self-determination theory: autonomy, relatedness and competence. These innate psychological needs are seen in humanity across time, gender and culture.

Our community statistics

By region and gender: employee statistics on 31.12.2018

	GENDER (female)		GENDER (male)		
Region	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Total Absolute #**
APAC	23	35.4%	42	64.6%	**65**
EMEA	474	32.8%	973	67.2%	**1,447**
Americas	4	12.1%	29	87.9%	**33**
Total	**501**	**32.4%**	**1044**	**67.6%**	**1,545**

SUPPORTING EQUAL FEMALE REPRESENTATION

Melexis strongly promotes the advancement of female entrepreneurship and female representation. This commitment is apparent in many ways. Our own Board of Directors has a 60/40 female/male representation. Our Executive team consists of 4 female and 6 male executives. Our CEO, Françoise Chombar, is an active advocate towards more gender balance in all walks of life, which is one of the reasons why in 2018, she was awarded the '2018 BNP Paribas Global Prize for Women Entrepreneurs' amongst a pool of 30 strong international candidates from four continents. The jury commended her for her exceptional accomplishment in the areas of economic performance, positive impact on society, disruptive innovation and the promotion of female entrepreneurship.

By employment type: employee statistics on 31.12.2018

	EMPLOYMENT TYPE					
	Full-time		Part-time		Currently inactive at Melexis (sabbatical, long-term leave)	
Region	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**	**Absolute #**	**Percentage**
APAC						
Female	23	100.0%		0.0%		0.0%
Male	42	100.0%		0.0%		0.0%
EMEA						
Female	409	86.3%	53	11.2%	12	2.5%
Male	952	97.8%	19	2%	2	0.2%
Americas						
Female	4	100.0%		0.0%		0.0%
Male	27	93.1%	2	6.9%		0.0%
Female count	**436**	**87.0%**	**53**	**10.6%**	12	2.4%
Male count	**1,021**	**97.8%**	**21**	**2.0%**	2	0.2%
Total	**1,457**	**94.3%**	**74**	**4.8%**	**14**	**0.9%**

By age: employee statistics on 31.12.2018

	AGE			
Region	**<35**	**35-55**	**>55**	**Total absolute #**
APAC				
Female	14	8	1	**23**
Male	11	29	2	**42**
EMEA				
Female	209	218	47	**474**
Male	468	435	70	**973**
Americas				
Female		2	2	**4**
Male	8	15	6	**29**
Female count	**223**	**228**	**50**	**501**
Male count	**487**	**479**	**78**	**1,044**
Total	**710**	**707**	**128**	**1,545**

By nationality: employee statistics on 31.12.2018

50 NATIONALITIES

Bangladesh, Belarus, Bosnia and Herzegovina, Belgium, Brazil, Bulgaria, China, Colombia, Egypt, Estonia, Finland, France, Greece, Hungary, India, Iran, Israel, Italy, Japan, Kazakhstan, Korea South, Lebanon, Lithuania, Macedonia, Malaysia, Netherlands, New Zealand, Norway, Pakistan, Philippines, Poland, Portugal, Romania, Russia, Serbia, South Africa, Switzerland, Syria, Tatarstan, Tunisia, Turkey, Ukraine, United Kingdom, United States, Venezuela, Vietnam, Zimbabwe

By new hires: employee statistics on 31.12.2018

	AGE			
Region	**<35**	**35-55**	**>55**	**Total absolute #**
APAC				
Female	7			**7**
Male	2	6		**8**
EMEA				
Female	63	53	6	**122**
Male	173	73	9	**255**
Americas				
Female		1		**1**
Male	1		1	**2**
Female count	**70**	**54**	**6**	**130**
Male count	**176**	**79**	**10**	**265**
Total	**246**	**133**	**16**	**395**

We welcomed almost 400 new Melexians in 2018 alone. Achieving this was made possible by upgrading our talent acquisition approach. A dedicated team of talent scouts is continuously scanning the labor market to hire for global key positions, including hard-to-fill positions. This global team collaborates seamlessly with the local HR teams, flexibly addressing hiring locations. The career section on our website was made more applicant-friendly and online tools like LinkedIn, Xing and Google Ads are actively used. Job fairs and university networking and collaboration activities have been continued, respectively strengthened.

By turnover: employee statistics on 31.12.2018

Melexis is often cited as an attractive employer. We aim to excel in the area of career opportunities, long-term job security, life balance, financial health, appealing job content, personal development and strong management. We strive for optimal working, environmental and social conditions and are privileged to work with people who bring enthusiasm and eagerness to the job.

Employee turnover (permanent employees only) in 2018, by region, age and gender				
	AGE			
Region	<35	35-55	>55	Total absolute #
APAC				
Female				
Male	1	2		**3**
EMEA				
Female	13	15	6	**34**
Male	56	24	10	**90**
Americas				
Female				
Male			1	**1**
Female count	**13**	**15**	**6**	**34**
Male count	**57**	**26**	**11**	**94**
Total	**70**	**41**	**17**	**128**

Employee benefits and parental leave

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

Our people development

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

We listen to our people

Every 5 years, a people survey is sent out to all Melexians to gather their feedback on different topics such as company image, development, performance management, remuneration, vision and strategy. The survey allows assessing Melexis as an employer in a structured, consistent and uniform way with the possibility to compare to other high-tech companies and to define areas of strength and areas which need to be improved to create the best imaginable future for our people. To ensure confidentiality, Melexis works with an external partner: Willis Towers Watson, world leader in creating and handling surveys for different clients. It is bound by European, US and global data protection laws governing the use and protection of personal information. In practical terms, this means that no individual data and responses can be revealed. Reports are made only for teams with at least ten respondents. Overall results are analyzed, shared with all Melexis colleagues and an action plan is created to improve challenge areas for Melexis overall, per site and per global function.

We develop and coach our people

The success of any company, and as such also Melexis, depends on identifying and developing individual strengths. Specific expertise requires solid knowledge and understanding of Melexis' internal procedures, processes and job-specific knowledge, which are included in the induction program for each new hire. Melexis is constantly improving its worldwide onboarding program, called '**Melexis OnBoard**', to ensure new Melexians are oriented, integrated and delivering results as efficiently, effectively and energetically as possible.

To ensure a global knowledge transfer and lifelong learning, we incorporate internal and external training sessions and Lunch & Learn sessions on various topics.

To strengthen our continuous focus on people development, our **Melexis University and its Melexis Learning management system** have been updated with several new features and new content. Melexis now provides a more personalized learning approach as the Learner Home platform offers suggestions and recommendations on different trainings, based on the employee's position, location and training history. Through machine-learning these suggestions will continuously improve, delivering a more engaging learning experience. Melexis 'University champions' take care of reviewing and uploading training content and act as learning ambassadors.

Leadership plays a central role in the success of any organization. New team leaders have access to the **Fundamental leadership program** in the Melexis University, bringing together different team leaders across sites during 'Leadership days'.

Another best practice in our people development initiatives is the **Melexis Coaching program**. In a rapidly changing and increasingly complex world, **a coaching culture** is key to how an organization engages, develops and interacts with its people and stakeholders in order to increase individual, team and organizational performance and shared value for all stakeholders.

All of the above clearly illustrates the lengths to which Melexis is willing to go to ensure a global knowledge transfer and a continuous development of all our colleagues. To this end, we invest heavily in learning opportunities. In 2018, Melexis expenditure on training sessions provided by external parties amounts to EUR 1,188,952.

Our remuneration policy

As a global company Melexis employs people in different locations around the world. To become an employer of choice, facilitate teamwork and cooperation, secure engineering excellence in product development and product quality, Melexis has defined a reward policy based on key fundamental principles as defined below.

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

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

Superior rewards will accompany superior achievements. Unless local plans are in place for a specific segment of the business or because of legislation constraints, the Melexis global Variable Pay program provides payouts for accomplishing pre-established goals at global, team and individual levels, as well as for recognizing outstanding performance through a discretionary element.

Our people increasingly value the Melexis attention towards life balance as part of their employment value proposition, such as flexible working time and teleworking.

Over the last years, increased focus is given to health and well-being programs, medical coverage plans, retirement and disability plans and accidents cover. Moreover, Melexis' pension scheme supports our colleagues monetarily after transition to retirement.

A HEALTHY AND SAFE WORKPLACE

Our colleagues' well-being

Melexis offers a workplace that cares about our colleagues' well-being. As an employer, Melexis promotes an internal culture of transparency and awareness around well-being by providing a comfortable, safe and secure work environment. We foster an open culture in which people feel free to speak openly. We provide development courses about well-being and have set up a network of internal persons of trust and external professionals who are available for phone or face-to-face counselling when required. We ensure that these options are properly promoted and regularly review people's perception of their state of well-being by continuously collecting feedback so that improvements can be made.

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

Melexis respects all local work-related legislation and abides by the local laws when it comes to social elections, worker representation, shift work, the company's handbook, timely notification of operational changes etc.

EUROPEAN COLLEAGUES BATTLE IT OUT DURING ANNUAL TRIATHLON

At Melexis we believe in 'work hard, play hard'. Throughout the year, many Melexis sites sponsor local sports initiatives for maintaining a healthy life balance. But once a year, they all come together beautifully in one European triathlon. 2018 marked the Tessenderlo volunteers' turn to organize the 22nd edition of the swimming, cycling and running competition. A record number of almost 100 colleagues from 7 countries rose to the occasion and gave it their all on a sun-lit day in September. The day's perfect weather conditions and the enthusiastic cheers of encouragement from colleagues along the track pushed individuals and teams to excel. During the following medal ceremony and celebratory meal, Melexians proved once more that they know how to enjoy themselves and that team spirit across nations is alive and kicking.

A GOOD PLACE TO WORK

- In 2018, our site in Tessenderlo, **Belgium**, launched the Optidesk survey. Optidesk is a self-assessment tool which provides insight into health risks at work and practical tips and tricks to improve the workplace. The purpose of the tool is to prevent, recognize and deal with health risks.
- In **Bulgaria**, Melexis won third place in the country's "Employer of the year 2018" contest in the category "Most socially responsible company in Bulgaria".
- In **Germany**, our Melexis site in Erfurt was re-certified as a family-friendly employer in 2018 for its focus on implementation of trusted work time and work from home, providing places in a kindergarten and ongoing regular sport courses.
- In **Ukraine**, Melexis is member of the Ukrainian Network of Integrity and Compliance (UNIC). The network promotes doing business according to integrity and compliance rules.
- In the **US**, a health advocate program is in place. The service offers a total well-being solution, including wellness coaching, health risk assessment, biometric screening and health discount programs. Participation in these programs is on a voluntary basis. Our colleagues can also benefit from a work-life employee assistance program. This program includes counseling for emotional health, parenting and child care education, senior caregiving services, tools for well-being and daily living, as well as free legal and financial consultations.

Safety in the workplace

A safe working environment begins with creating awareness. At Melexis, health and safety trainings as well as exercises (such as evacuation, fire prevention and first aid) are organized on a regular basis. Our Melexis sites comply with local regulations and ensure continuous improvement regarding their working environment. Injuries are tracked at all sites in accordance with local legislation. In 2018 no work-related fatalities or serious injuries have occurred.

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

OUR SOCIAL COMMITMENT

For Melexis, technology is about solving fundamental societal challenges. It is not without reason that one of our core values is that 'We care'. Melexis respects all its stakeholders. Our collective reputation as a corporation and as a collection of individuals representing the Melexis brand must meet the highest standards. This means that all our stakeholders, including customers, shareholders, suppliers, distributors, representatives and neighbors, deserve the utmost integrity, honesty and fairness in all their interactions with our company.

MELEXIS SUPPORTS STEM INITIATIVES

Melexis remains committed to backing Science, Technology, Engineering and Mathematics (STEM) initiatives worldwide. We strongly believe that children, young adults and students should be encouraged to take part in science and technology projects.

Our social responsibility

In many Melexis sites a social engagement team is set up to coordinate and implement Melexis' efforts to the benefit of the communities we operate in. Every year, a number of local initiatives are set up in our sites. These may include but are not limited to breast cancer awareness in Belgium, a toy collection for underprivileged children in Tessenderlo, a fresh graduate program in Sofia, a 'Women in engineering' network in Germany, car-free days, blood donations and a Science Day in Tessenderlo.

DISCOVERING THE WONDROUS WORLD OF MELEXIS AT SCIENCE DAY

At the annual Belgian Science Day, our Tessenderlo site opened its doors and invited the general public to come and discover how microelectronic chips and many other solutions are actually made, how they are omnipresent in our daily lives and how they create a safe, sustainable and comfortable future. Guests were able to take a guided tour around the site, marvel at the Melexis-sponsored VUB electric race car and participate in workshops. Children aged 7 to 13 were keen to take part in dedicated electronic experiments and LEGO®WeDo workshops. This hands-on STEM educational solution combines the iconic LEGO brick with classroom-friendly software. It is designed with collaboration in mind and introduces children to computational thinking and engineering principles in a fun and engaging way. Exactly what Melexis is aiming for through its many STEM initiatives.

MELEXIS NOVI SUPPORTS THE FORMULA HYBRID EVENT

For many years now, the US-based Dartmouth School of Engineering has been organizing the Formula Hybrid, a high-level tech event for college engineering students. Each year, the Formula Hybrid challenges students to design and build a fuel-efficient hybrid or fully electric vehicle to compete in judged events, timed racing events and an endurance race at the New Hampshire Motor Speedway, home to the legendary NASCAR races, among others. The event allows teams to learn the practical skills of project management, multi-disciplinary design team work along with real-world implementation and troubleshooting skills. As Melexis Novi wants to encourage future generations to come up with sustainable mobility solutions, it is proud to sponsor an event that has now even won the ABET Innovation Award, one of the most coveted prizes in engineering education.

Our educational responsibility

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

Our focal point of educational awareness and responsibility within Melexis, however, is all activities that are related to STEM. STEM stands for Science, Technology, Engineering and Mathematics and aims to foster inquiring minds, logical reasoning and collaboration skills.

Each of the four STEM domains is indispensable for today's and tomorrow's world. Their real strength, however, lies in where the domains meet, in how they complement and reinforce one another and, of course, in the cross pollination with other (social) sciences and domains. STEM concerns everyone, because it looks for answers to societal challenges: from energy to health and food security, from sustainable mobility to refining a care robot.

For several years now, Melexis has been firmly committed to bringing STEM to the forefront whenever possible. As a recognized STEM Ambassador, our company backs internal and external STEM initiatives worldwide and focuses on those initiatives that encourage children and young adults to take part in science and technology projects outside school hours and during school holidays. In 2018, Melexis organized several successful initiatives for children at our sites, such as the first 'bring your kids to work' day at our site in Erfurt, a Science Day in Tessenderlo and work experience internships at our site in Bevaix, Switzerland.

A wonderful example of collaborative cross-pollination started in 2016 and is picking up speed in 2018. Our colleagues in Kyiv have been working together with the local Museum of Popular Science and Technology to co-create exhibitions. Till today, Melexis Kyiv already helped create four expositions: 'Robotic hand', 'Interactive screen', 'Ferromagnetic liquid' and in 2018 'Protein', an interactive screen that displays the quaternary protein structure. The expos unveil the exciting world of electronics to children and may help them choose their future career field. The Museum receives 4,000 visitors a month and 'Protein' already belongs in the museum's top-5 most popular exhibits. Projects like these undoubtedly boost children's interest in the exact sciences and technology from a young age.

In Belgium, we cooperate closely with the STEM academy coordinated by Technopolis®. The STEM academy network is aimed at children and youngsters aged five to eighteen and supports initiatives that provide education in areas such as electronics, electricity and robotics. Melexis provides the STEM academy network with financial support via a 'technology bonus'. Our company also offers colleagues the chance to act - during working hours - as 'technology mentors' and share their knowledge at various academies in Belgium. Our CEO, Françoise Chombar, is also the Chair of the STEM platform, an independent group of experts who advise the STEM steering group and the Flemish government on STEM action plans.

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

STEM
SCIENCE TECHNOLOGY ENGINEERING MATHS

MELEXIS SPONSORS ELECTRIC RACING CAR

The Brussels-based VUB Racing team groups motivated students who took on the formidable challenge of designing and building an electric formula-style car with the ultimate goal of participating in the Formula Student competition. Europe's most established educational engineering competition, FS dares innovative young engineers to raise the bar and encourages young people to take up a career in engineering. Hundreds of university teams endeavor to get selected into one of the FS-races and successfully race their self-constructed vehicles. In its first year and with a relatively small team, the VUB Racing team has made significant steps towards its first prototype. Melexis was proud to help fund their research into future clean mobility, but that is not all. Through our partnership, the students have discovered Melexis' versatile semiconductors and voluntarily integrated our infrared thermometers and Hall sensors into their car as these allow to measure vital statistics and improve the overall performance of their electric prototype. Let's cheer them on as they get ready to compete in some of the FS-races next year!

OUR ENVIRONMENTAL RESPONSIBILITY

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

Our quality and environmental policy is based on four principles:

- **Sustainable development**: we develop products and processes that have a minimal impact on the environment, now and in the future
- **Prevention is better than cure**: we design products that are 'safe at launch' and 'first time right', maximizing the value of the effort and materials used
- **The total environmental impact counts**: production (including energy consumption), use and end-of-life disposal have as little effect as possible on the environment
- **An open dialogue with all stakeholders**: everything we do contributes to our corporate social responsibility, with team members playing an active part. This positive attitude helps determine the financial and technological success of our company. We are proud of our daily efforts to produce less waste, improve efficiency and contribute to building a sustainable future.

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

This means, amongst other, that we are continuously looking for ways to reduce emissions and energy by designing the right and 'green' products for our customers who are also increasingly looking to minimize their impact on the environment. We reduce our use of raw materials as much as possible and we are always looking for the most environmentally-friendly materials to use in our products. We design our packaging to facilitate its recycling and re-use. We look to reduce our CO_2 emission and use renewable energy as much as possible. We minimize waste by separating it efficiently to ensure recycling. And we apply the 5S strategy to ensure effective workflows and areas, travel and transportation as we encourage carpooling and streamline shipments and deliveries.

We monitor our environmental impact

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

This means that no chemical substances or hazardous substances are used in our production sites. We use nitrogen for low-temperature testing, electricity is the main source of energy for our operational processes and our water consumption is merely destined towards basic usage in our facilities, for example for showers, toilets and wash basins.

However, we practice a 'precautionary principle' by identifying, assessing, preventing and continuously improving risks related to environmental, quality, supply chain and sustainability aspects. Our internal requirements and targets are often more stringent than applicable guidelines, laws and standards. We do this not just to comply with legal requirements but because we, just like our customers, are genuinely concerned with any impact our solutions may have on their final end-user products.

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

Our environmental performance data of our manufacturing sites Erfurt, Sofia and Ieper on 31.12.2018

			UNITS	2018
Materials*	Materials used by weight	Total	tons	**90.96**
		material category 'Silicon' material category 'Copper' material category 'Gold' material category 'Silver' material category ' Silica' material category 'Tin' material category 'others	tons tons tons tons tons tons tons	4.80 36.48 0.24 1.34 39.73 1.59 6.76
Energy	Energy consumption within the organization	Total	megawatt hour	**27,008**
	Energy intensity	Total	megawatt hour per 1 million sold parts	**18.10**
Water	Water withdrawal	Total	cubic meter	**10,224**
Emissions	Energy indirect (Scope 2) GHG emissions	Total	tons CO2	**11,479**
	GHG emissions intensity	Total	tons CO2 per 1 million sold parts	**7.69**
Effluents and waste	Water discharge by quality and destination	Total	tons	**10,224**
	Waste	Total	tons	**256**
	Significant spills	Number of significant spills in 2018	number	0
Environmental compliance	Non-compliance with environmental laws and regulations	Number of non-compliances with environmental laws and regulations	number	0

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

We comply with environmental and industry standards

ISO 14001 certification sets the parameters for an environmental management system. It provides a framework for establishing effective energy-efficient processes and to limit waste, reducing environmental risks and supporting the development of energy-efficient solutions. We have passed all ISO 14001 audits in 2018. We comply with all locally relevant environmental legal requirements for our production sites.

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

ISO 26262 provides appropriate standardized requirements, processes and an automotive-specific risk-based approach to determine integrity levels, also known as Automotive Safety Integrity Levels or ASILs. ASILs are used to specify applicable requirements of the ISO 26262 standard so as to avoid unreasonable residual risk. The Melexis ASIL-ready Functional Safety Program has been designed and deployed to institutionalize these competencies and to realize functional safety as an organization-wide capability.

We involve all stakeholders

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

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

OUR SUPPLY CHAIN

With 91% business to the automotive market, our supplier management is adhering to the automotive industry standards with regards to supplier selection, evaluation, qualification and development. Developing long-term relationships with suppliers is essential for Melexis' success and growth. Melexis is therefore working closely with its suppliers in each step of its process.

How we select our suppliers

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

Supplier audit is a mandatory step for direct suppliers to get the status of preferred supplier. VDA6.3 is used to assess the supplier's ability to meet automotive and customer specific requirements from both quality and technical perspective. As the lifespan of products is several years, so are the relationships with our suppliers. During this period we conduct regular supplier evaluations according to the 'clover leaf'-method in which quality, technical, logistical and cost aspects are considered. The goal is to detect improvement possibilities at our supplier and define appropriate action.

How we monitor our supply chain

Melexis is committed to operate in a socially and environmentally responsible manner in all areas of its business.

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

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

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

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

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

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

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

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

CASE STUDY
"DISRUPTING GENDERED DICHOTOMIES: GENDER EQUALITY IN A HIGH-TECH BELGIAN COMPANY"

In June 2018 Professor Patrizia Zanoni (UHasselt) published a case study featuring Melexis, under the pseudonym SensorInc, as an example on how to overcome challenges to gender equality in the workplace. She describes Melexis as a high-tech company – in a predominantly 'male' sector – in which 30% of the leadership positions are women (e.g. management roles, as team leader or executive member) and which achieved gender equality throughout the organizational hierarchy.

The main data sources are 36 semi-structured fully anonymous and confidential interviews conducted in the Belgian headquarters with the CEO, all the members of the board and 30 employees, including eight men and eight women in management positions. To complement the interview data, the researchers collected relevant internal documents and publicly available year reports and media articles on the company.

The findings of the UHasselt were that Melexis "disrupts the dichotomies of gender equality through a strong narrative and practices of masculine and feminine competences as distinct, equally valuable and acquirable by all, innovative work as a collective achievement, and far-reaching work flexibility. Although these social practices are not part of a formal, designated gender policy but rather aim to enhance performance and innovation in a high-tech workplace, they foster gender equality."

HUMAN RIGHTS, ANTI-CORRUPTION, ANTI-BRIBERY AND ANTI-COMPETITIVE BEHAVIOR

Melexis outlined an ethical code of conduct to provide a clear and unambiguous reference to human rights and expected behavior during business activities. Melexis colleagues are made aware – continuously and through different channels - of the Melexis values, a strict adherence to the code of conduct and the avoidance of any activity that may lead to a disrespect for human rights, corruption, bribery or anti-competitive behavior.

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

Melexis strives to **fight corruption** and seeks to avoid conflicts of interest. Melexis wants to distinguish itself from its competitors through high quality products and excellent services. The slightest hint of corruption would conflict with this goal and with our values. The Melexis Code of Conduct provides directions and guidelines to prevent and deal with corruption. Melexis is also developing and refining anti-corruption training to further reduce any risk of unacceptable behavior.

Melexis has determined that the main risk of corruption stems from dealing with Melexis stakeholders such as customers and suppliers, more specifically the acceptance and giving of personal gifts or hospitality to and from Melexis stakeholders. Therefore, any agreement or understanding regarding **favors or benefits in exchange for gifts** will not be accepted by Melexis. Exceptions to this rule are only allowed for gifts of minimal value, given in the ordinary course of business. Melexis requires full disclosure of and prior relevant clearance for any gift that is not of minimal value.

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

Furthermore Melexis' general purchase conditions require suppliers to comply with the Melexis code of conduct and with all applicable laws, rules and regulations on (international) trade. Melexis also counts on all other business partners it engages with to also uphold respectable standards on anti-corruption.

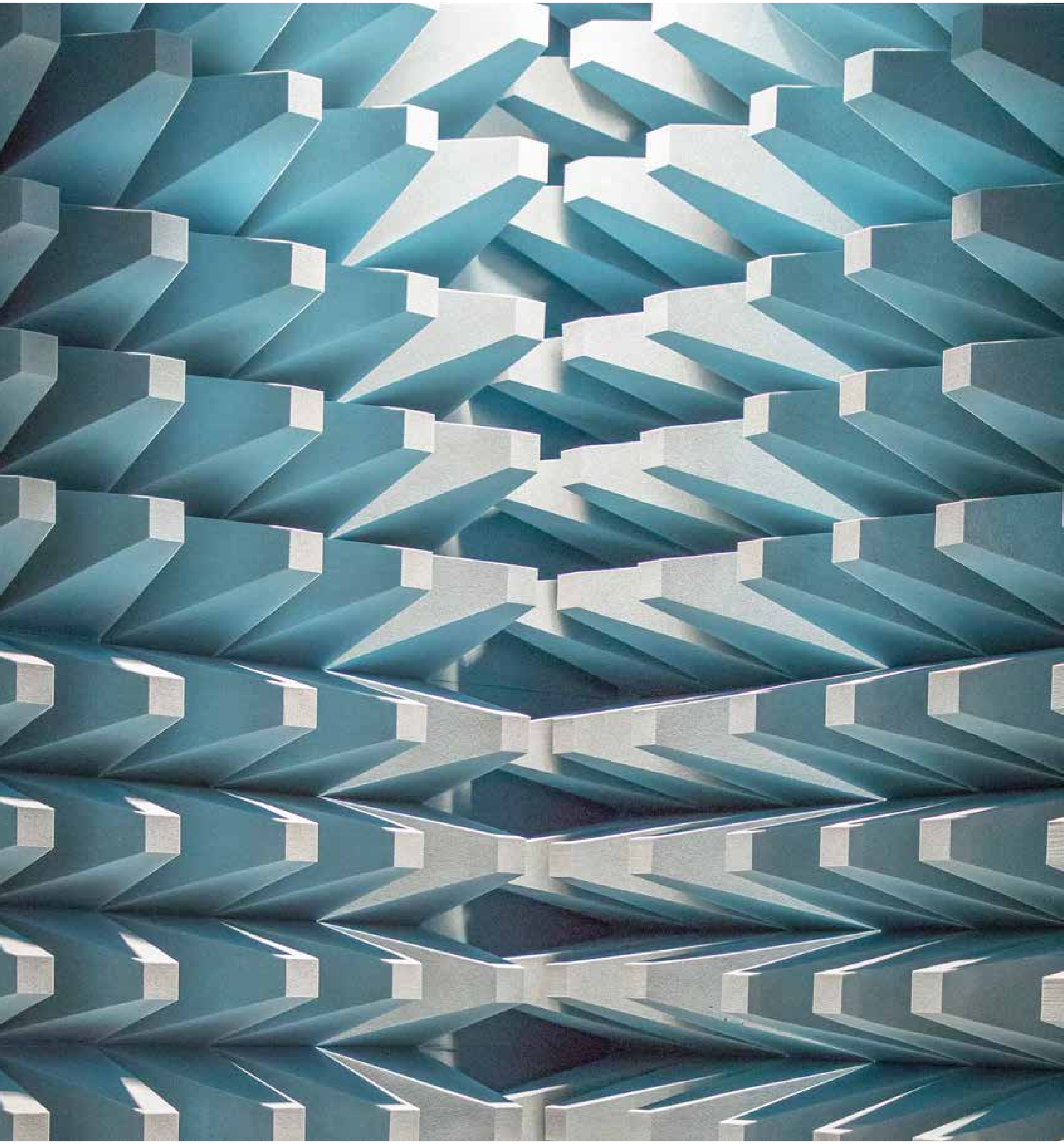
Key suppliers are equally required to sign a quality agreement that states, amongst others, that they ensure that all relevant laws and regulations are known, understood and implemented. The suppliers must respect the protection of internationally proclaimed human rights for all, including the basic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

Melexis has seen no incidents of corruption in the 2018 reporting period. Melexis remains vigilant, engaged and willing to deal with all significant risks that might present themselves.

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

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

The Melexis code of conduct is publicly available on our website.



6 FINANCIAL REPORT

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6.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in EUR

31 December		2018	2017
ASSETS			
Current assets:	Cash, and cash equivalents (Note 6.9.5.A)	34,521,923	75,477,538
	Current investments, derivatives (Note 6.9.5.B)	100,619	414,640
	Accounts receivable –trade (Note 6.9.5.D)	75,207,173	68,753,161
	Accounts receivable –related companies (Note 6.9.5.Z 2)	160,364	357,339
	Assets for current tax (Note 6.9.5.X)	1,241,214	1,589,146
	Inventories (Note 6.9.5.E)	120,567,959	97,625,417
	Other current assets (Note 6.9.5.F)	8,653,210	10,120,936
Total current assets		**240,452,461**	**254,338,177**
Non current assets:	Deferred tax assets (Note 6.9.5.X)	24,993,949	26,681,870
	Other non-current assets	4,000	5,200
	Property, plant and equipment (Note 6.9.5.H)	157,417,332	116,779,765
	Intangible assets (Note 6.9.5.G)	5,151,722	5,555,578
Total non current assets		**187,567,003**	**149,022,413**
TOTAL ASSETS		**428,019,465**	**403,360,590**

in EUR

31 December		2018	2017
LIABILITIES			
Current liabilities:	Derivative financial instruments (Note 6.9.5.C)	-	159,708
	Current portion of long-term debt (Note 6.9.5.L)	1,040,201	6,042,728
	Accounts payable – trade	20,785,292	22,262,141
	Accounts payable – related companies (Note 6.9.5.Z 2)	13,967,425	17,449,174
	Accrued expenses, payroll and related taxes (Note 6.9.5.I)	10,501,804	10,715,940
	Accrued taxes (Note 6.9.5.X)	15,684,357	36,434,023
	Other current liabilities (Note 6.9.5.K)	2,695,592	4,055,281
	Deferred income (Note 6.9.5.J)	3,067,556	2,896,171
Total current liabilities		**67,742,225**	**100,015,166**
Non-current liabilities:	Long-term debt less current portion (Note 6.9.5.L)	34,000,000	9,042,728
	Deferred tax liabilities (Note 6.9.5.Z)	270,962	-
Total non-current liabilities		**34,270,962**	**9,042,728**
Equity:	Shareholders' capital	564,814	564,814
	Reserve treasury shares	(3,817,835)	(3,817,835)
	Revaluation reserve hedge (Note 6.9.5.C)	-	(48,598)
	Legal reserve	56,520	56,520
	Retained earnings	334,719,404	303,381,229
	Cumulative translation adjustment	(5,527,096)	(5,843,905)
Equity attributable to company owners		**325,995,806**	**294,292,225**
	Non-controlling interest	10,471	10,471
Total equity (Note 6.9.5.O)		**326,006,277**	**294,302,696**
TOTAL LIABILITIES		**428,019,465**	**403,360,590**

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

6.2 CONSOLIDATED INCOME STATEMENT

in EUR

31 December	2018	2017
Product sales (Note 6.9.5.N)	568,144,316	510,672,335
Revenues from Research and development (Note 6.9.5.N)	1,225,599	989,111
Total revenue	**569,369,915**	**511,661,446**
Cost of sales (Note 6.9.5.P)	(308,233,858)	(276,265,050)
Gross margin	**261,136,058**	**235,396,396**
Research and development expenses (Note 6.9.5.Q)	(78,005,430)	(69,483,472)
General and administrative expenses (Note 6.9.5.R)	(30,065,122)	(23,835,206)
Selling expenses (Note 6.9.5.S)	(14,577,879)	(11,659,795)
Other operating income (net) (Note 6.9.5.V)		2,189,900
Income from operations (EBIT)	**138,487,626**	**132,607,823**
Financial income (Note 6.9.5.W)	6,130,418	6,711,010
Financial charges (Note 6.9.5.W)	(5,879,370)	(3,332,361)
Profit or loss before tax	138,738,674	135,986,471
Income tax (Note 6.9.5.X)	(23,287,396)	(25,031,794)
Net profit or loss for the period	**115,451,278**	**110,954,678**
Earnings per share attributable to the ordinary equity holders of the parent		
Earnings per share non-diluted (Note 6.9.5.AB)	2.86	2.75
Earnings per share diluted (Note 6.9.5.AB)	2.86	2.75

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

6.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in EUR

31 December	2018	2017
Net profit or loss	115,451,278	110,954,678
Other comprehensive income		
Recyclable items of profit or loss		
Fair value adjustments to cashflow hedges	48,598	177,415
Cumulative translation adjustment	316,809	813,657
Total other comprehensive income for the period	**365,407**	**991,072**
Total comprehensive income (loss) for the period	**115,816,685**	**111,945,750**
Total comprehensive income attributable to:		
Owners of the parent	115,816,685	111,945,750

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

6.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in EUR

	Number of shares	Share capital	Legal reserve	Retained earnings
31 December 2016	**40,400,000**	**564,814**	**56,520**	**272,534,270**
Net income	**-**	**-**	**-**	**110,954,678**
CTA movement	-	-	-	-
Hedge reserves (Note 6.9.5.C)	-	-	-	-
Dividends	-	-	-	(80,107,718)
31 December 2017	**40,400,000**	**564,814**	**56,520**	**303,381,229**
Net income	**-**	**-**	**-**	**115,451,278**
CTA movement	-	-	-	-
Hedge reserves (Note 6.9.5.C)	-	-	-	-
Dividends	-	-	-	(84,113,104)
31 December 2018	**40,400,000**	**564,814**	**56,520**	**334,719,404**

Reserve treasury shares	Hedge reserve	Fair value adjustment reserve	CTA	Non-controlling interest	Total equity
(3,817,835)	**(226,013)**	**-**	**(6,657,562)**	**10,471**	**262,464,664**
-	**-**	**-**	**-**	**-**	**110,954,678**
-	-	-	813,657	-	813,657
-	177,415	-	-	-	177,415
-	-	-	-	-	(80,107,718)
(3,817,835)	**(48,598)**	**-**	**(5,843,905)**	**10,471**	**294,302,696**
-	**-**	**-**	**-**	**-**	**115,451,278**
-	-	-	316,809	-	316,809
-	48,598	-	-	-	48,598
-	-	-	-	-	(84,113,104)
(3,817,835)	**-**	**-**	**(5,527,096)**	**10,471**	**326,006,277**

In 2017 and 2018, no purchases of own shares took place. At the end of 2018, 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.

6.5 CONSOLIDATED STATEMENT OF CASH FLOWS

in EUR

31 December (indirect method)	2018	2017
Cash flows from operating activities		
Net profit	115,451,278	110,954,678
Adjustments for operating activities		
Deferred taxes (Note 6.9.5.X)	1,687,921	(2,712,167)
Unrealized exchange results (Note 6.9.5.W)	(341,906)	(6,199,182)
Accrued income tax	17,882,145	23,499,712
Government grants (Note 6.9.5.O)	1,053,023	1,447,200
Depreciation and amortization (Note 6.9.5.U)	39,122,101	32,357,374
Financial results (Note 6.9.5.W)	1,470,551	(6,199,057)
Operating profit before working capital changes	**176,325,113**	**153,148,557**
Accounts receivable, net (Note 6.9.5.D)	(6,574,837)	(2,560,134)
Other current assets (Note 6.9.5.F)	816,246	(1,990,251)
Other non-current assets	1,200	1,950
Due to (from) related companies (Note 6.9.5.Z)	(3,481,748)	2,898,005
Due (to) from related companies (Note 6.9.5.Z)	196,975	60,932
Accounts payable	(1,512,303)	2,833,484
Accrued expenses (Note 6.9.5.I)	(214,137)	2,113,034
Other current liabilities (Note 6.9.5.K)	(1,410,609)	1,714,438
Other non-current liabilities	282,639	(2,068,767)
Inventories (Note 6.9.5.E)	(25,871,909)	(25,351,504)
Interest paid (Note 6.9.5.W)	(202,517)	(267,749)
Prepayment income tax	(38,631,812)	(17,226,135)
Net cash from operating activities	**99,722,301**	**113,305,860**
Cash flows from investing activities		
Financial fixed assets	-	6,100
Purchase of property, plant and equipment and intangible assets (Note 6.9.5.H and 6.9.5.G)	(76,295,862)	(46,417,296)
Interest received (Note 6.9.5.W)	6,786	101,876
Investments, proceeds, from current investments	314,021	(256,470)
Investments, proceeds, from non-current investments	-	2,189,900
Net cash used in investing activities	**(75,975,056)**	**(44,375,890)**

Cash flows from financing activities		
Repayment and proceeds from long-term debts (Note 6.9.5.L)	19,947,940	(50,391)
Impact of exchange results on financing items	(556,364)	11,152,985
Dividend payment (Note 6.4)	(84,113,104)	(80,107,718)
Net cash used in financing activities	**(64,721,528)**	**(69,005,124)**
Effect of exchange rate changes on cash	18,668	(236,772)
(Decrease) increase in cash	(40,955,615)	(311,927)
Cash at beginning of the period	75,477,538	75,789,465
Cash at end of the period	34,521,924	75,477,538
Cash at end of the period minus cash at beginning of the period	(40,955,615)	(311,927)

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

The movement in net debt is as follows:
in EUR

	1 January 2018	Cash flows	Non-cash changes	31 December 2018
			Foreign exchange movements	
Current portion of long-term debts	6,042,728	(5,000,000)	(2,527)	1,040,201
Long-term debts	9,042,728	24,947,940	9,332	34,000,000
Total debt	**15,085,456**	**19,947,940**	**6,805**	**35,040,201**

6.6 RESULT OF OPERATIONS

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

Revenue

In 2018, total revenue increased by 11% compared to 2017, from EUR 511,661,446 in 2017 to EUR 569,369,915 in 2018. In 2018, EUR 1,225,599 in research and development costs were recharged to customers, compared to EUR 989,111 in 2017. Specific research and development activities were performed under contract for customers. Sales to automotive customers represented 91% of sales in 2018. ASSP sales represented 66% of all sales, 3.8% more than in 2017.

Cost of sales

Cost of sales consists of materials (raw materials and semi-finished parts), subcontracting, labor, depreciation and other direct production expenses. The cost of sales amounted to EUR 308,233,858 in 2018 compared to EUR 276,265,050 in 2017. Expressed as a percentage of total revenue, the cost of sales increased from 54.0% in 2017 to 54.1% in 2018. This is mainly due to an increase in purchases, salaries and depreciation and amortization compared to 2017. (Note 6.9.5.P).

Gross margin

The gross margin, expressed as a percentage of total revenues decreased from 46.0% in 2017 to 45.9% in 2018.

Research and development expenses

Research and Development expenses amounted to EUR 78,005,430 in 2018, representing 13.7% of total revenue, versus EUR 69,483,472 in 2017. The main research and development activities focused on magnetic sensors, inductive sensors, pressure sensors, temperature sensors, optical sensors, tire monitoring sensors, sensor interfaces, embedded drivers, embedded lighting and smart drivers.

General, administrative and selling expenses

General, administrative and selling expenses mainly consisted of salaries and salary related expenses, office equipment and related expenses, commissions, travel and advertising expenses. The general, administrative and selling expenses increased by 26% compared to 2017, which was more than sales growth. The main reasons are an increase in salaries from EUR 13,197,832 in 2017 to EUR 16,452,636 in 2018 and in external services from EUR 5,977,459 in 2017 to EUR 7,799,436 in 2018 (Notes 6.9.5.R and 6.9.5.S).

Income from operations

The company recorded an operational income for 2018 of EUR 138,487,626 compared to EUR 132,607,823 in 2017. The increase in operating expenses was higher than sales growth, which led to a decrease in the operating margin from 25.9% in 2017 to 24.3% in 2018.

Financial result

The net financial result amounted to EUR 251,047 profit in 2018 compared to EUR 3,378,649 profit in 2017. The (net) interest result amounted to a loss of EUR 528,473 in 2018 compared to a loss of EUR 274,670 in 2017. The net currency exchange gains (both realized and unrealized) in 2018 amounted to a gain of EUR 450,463, compared to a gain of EUR 3,811,027 in 2017 (Note 6.9.5.W).

Net income

The company recorded a net income for 2018 of EUR 115,451,278, an increase of 4% compared with 2017. Net income growth was in line with operating income growth, as the decrease in financial results was offset by a decrease in income tax.

6.7 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 34,521,923 as of December 31, 2018, compared to EUR 75,477,538 as of December 31, 2017.

Working capital increased from EUR 84,633,269 in 2017 to EUR 139,127,894 in 2018, mainly due to changes in inventories, accounts receivable, (accruals for) income tax and accounts payable.

In 2018, operating cash flow before working capital changes amounted to EUR 176,325,113 compared to EUR 153,148,557 in 2017. Net operating cash flow including working capital changes amounted to EUR 99,722,301.

The cash flow from investing activities was negative by an amount of EUR 75,975,056, mainly as a result of investments in fixed assets amounting to EUR 76,295,862 compensated by proceeds from investments for an amount of EUR 314,021 and interests received for an amount of EUR 6,786.

The cash flow from financing activities was negative by an amount of EUR 64,721,528. This was mainly the net result of the repayment and proceeds of long term debts amounting to EUR 19,947,940 and the interim and final dividend payment amounting to EUR 84,113,104.

6.8 STATEMENT OF THE BOARD OF DIRECTORS

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

(a) the financial statements prepared in accordance with International Financial Reporting Standards give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the entities included in the consolidation as a whole, and,

(b) the management report includes a fair review of the development and performance of the business and the position of the company and the entities included in the consolidation as a whole, together with a description of the principal risks and uncertainties they face.

The consolidated statements were approved and authorized for issue by the Board of Directors on 4 March 2019 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)

6.9 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.9.1 General

Melexis NV is a limited liability company incorporated under Belgian law. The company has been operating since 1988. The company designs, develops, tests and markets advanced integrated semiconductor devices mainly for the automotive industry. The company sells its products to a wide customer base in the automotive industry in Europe, Asia and North America.

The accounting year covers the period from 1 January 2018 to 31 December 2018.

The Melexis group of companies employed, on average 1,421 people in 2018 and 1,180 in 2017.

The registered office of the group is located at Rozendaalstraat 12, 8900 Ieper, Belgium. The company is listed on Euronext.

The consolidated results as included in the press release were authorized for issue by the Board of Directors subsequent to the meeting held on 1 February 2019.

6.9.2 Statement of compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union until 31 December 2018 (collectively "IFRS"). Melexis did not apply any new IFRS requirements not yet effective in 2018.

6.9.3 Summary of significant accounting policies

The consolidated financial statements of Melexis NV were prepared according to IFRS as accepted by the EU on 1 January 2018. The principal accounting policies adopted when preparing the consolidated financial statements of Melexis NV were as follows:

Basis of preparation

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

Use of estimates and judgments

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

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

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

Assumptions and estimates are applied when recognizing and measuring provisions for tax and litigation risks, determining inventory write-downs, assessing the extent to which deferred tax assets will be realized (Note 6.9.5.X), useful lives of property, plant and equipment and intangible assets (Note 6.9.5.G and 6.9.5.H).

Deferred tax assets are recognized for deductible temporary differences, unused tax losses/tax attributes carried forward and fair value reserves entries only if it is probable that future taxable profits (based on Melexis' operational plans) are available to use those temporary differences and losses. This includes Management's best estimate based on all facts and circumstances. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized. Other assumptions and estimates are disclosed in the respective notes relevant to the item where the assumptions or estimates were used for measurement (Note 6.9.5.X).

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

Presentation currency

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

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

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

Principles of consolidation

Where the company has control over an investee, it is classified as a subsidiary. The company controls an investee if all three of the following elements are present: power over the investee, exposure to variable returns from the investee, and the ability of the investor to use its power to affect those variable returns. Control is 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. Inter-company transactions and balances between group companies are therefore eliminated in full.

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

control is obtained. They are deconsolidated from the date on which control ceases.
The consolidation scope includes on the one hand Melexis NV and its 2 branch offices being Melexis NV/BO Philippines, and Melexis NV/BO France. On the other hand, the subsidiaries being part of the consolidation scope are Melexis Ukraine, Melexis Inc., Melexis GmbH, Melexis Bulgaria EOOD., Sentron AG, Melefin NV, Melexis Technologies NV, Melexis Technologies SA, K.K. Melexis Japan Technical Research Center, Melexis Electronic Technology (Shanghai)Co Ltd, Melexis Switzerland SA, Melexis (Malaysia) Sdn. Bhd., Melexis Technologies NV/BO Malaysia, Melexis Dresden GmbH, Melexis France SAS and Melexis Korea Yuhan Hoesa.

Cash and cash equivalents

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

Hedging

The company can apply hedge accounting for a part of its financial instruments as defined under IFRS 9.
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The hedges whereby hedge accounting is applied are cash flow hedges. At inception of the hedge relationship, the group documents the economic relationship between hedging instruments and hedged items including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The group documents its risk management objective and strategy for undertaking its hedge transactions.
The table with outstanding derivatives at year end is disclosed in Note 6.9.5.C.

Inventories

Inventories, including work-in-progress, are comprised of material, labor and manufacturing overheads and are valued at the lower of cost (determined on FIFO basis) or net realizable value after reserve for obsolete items. Net realizable value is the selling price in the ordinary course of business, less the costs of completion, marketing and distribution. For processed inventories, cost includes the applicable allocation of fixed and variable overhead costs. Unrealizable inventory has been fully written off. Inventory is written off when no sales are expected in the next six months.

Property, plant and equipment

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

- Buildings 20-33 years
- Machinery, equipment and installations 5 years
- Furniture and vehicles 5 years
- Computer equipment 3-5 years
- Mask set 5 years

Melexis does capitalize the expenses for masks as tangible assets. A mask is a thin sheet of material from which a pattern has been cut, placed over a semiconductor chip so that an integrated circuit can be formed on the exposed areas. Masks can be used for the lifetime of the product. Therefore, masks are depreciated over the estimated useful lifetime of 5 years.
An item of property, plant and equipment is initially measured at its cost. Cost includes:

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

Expenditures, incurred after the fixed assets have been placed in operation, such as repairs and maintenance and overhaul costs, are included in the statement of comprehensive income, in the period in which the costs are incurred.
Depreciation starts when the asset is ready for use.
The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Investments and other financial assets

(a) Classification

From 1 January 2018, the group classifies its financial assets in the following measurement categories:

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

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

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

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

(b) Recognition and derecognition

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

(c) Measurement

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

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

Debt instruments

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

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

Equity instruments

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

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

(d) Impairment

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

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

(e) Accounting policies applied until 31 December 2017

The group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the group's previous accounting policy.

Classification

Until 31 December 2017, the group classified its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments
- Available-for-sale financial assets

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, re-evaluated this designation at the end of each reporting period.

Impairment

The group assessed at the end of each reporting period whether there was objective evidence that a financial asset or group of financial assets was impaired. A financial asset or a group of financial assets was impaired and impairment losses were incurred only if there was objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) had an impact on the estimated future cash flows of the financial asset or group of financial assets that could be reliably estimated. In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost was considered an indicator that the assets are impaired.

Non-current assets held for sale

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

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

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

Retirement benefits: defined contribution schemes

A defined contribution plan is a pension plan under which the group pays fixed contributions (percentage of annual gross salary). The scheme is funded through payments to the insurance company. Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

Intangible assets

Intangible assets, externally purchased, are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year end. Melexis doesn't have intangible assets with indefinite useful lives.

Amounts paid for licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful life of licenses is 5 years, IP is 10 years.

Business combinations

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

Goodwill

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

Research and development costs

According to IAS 38 Par. 54 development costs are capitalized, only if amongst other the technical & economic feasibility can be proven, the future economic benefits are probable and costs can be reliably measured.
Management has reviewed the development expenses based on the IFRS criteria and is of the opinion that the development expenses should be expensed as technical feasibility can only be proven in a late stage of the project cycle and economic benefits remain unpredictable throughout the full life cycle.

Equity

The shares of Melexis NV are listed without par value. Melexis' aim in managing its equity is to maintain a healthy financial structure with a minimal dependency on external financing as well as to create shareholders value. Melexis intends to pay out regular (interim-) dividends in order to maximize the return on equity for its shareholders.

Operating leases

Payments made under operating lease arrangements are charged to the income statement on a straightline basis over the period of the lease.

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

Melexis has one major revenue stream. The Group develops, manufactures and sells semiconductors. Sales are recognized when control over the product has transferred, being when the products are shipped to or delivered at the customer.

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

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

For development services revenue is recognised upon delivery of the finished products because development phase is not a separately identifiable performance obligation in the contracts with customers. Rather, the customer is purchasing the final goods (tailor made semiconductors) that those development activities create, combined with subsequent manufacturing. The revenue for this combined performance obligation is recognised at a point in time when control over the finished goods transfers to the customer. Fulfillment costs incurred during the development phase usually do not meet asset recognition criteria because of significant risks and uncertainties involved in the development process. They are recognised in the profit or loss as incurred. There are no contract assets and liabilities.

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

Borrowing costs

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

Government grants

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

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

Income taxes

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

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

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

Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the company reassesses unrecognized deferred tax assets and the carrying amount of deferred tax assets. The enterprise recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. The company conversely reduces the carrying amount of a deferred tax asset to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or that entire deferred tax asset to be utilized.

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

Impairment of assets

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

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

Segments

Melexis uses the management approach for determining its segment information. As of 2014 Melexis has only one operating segment. The available information that is evaluated regularly 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 6.9.5.Y.

Contingencies

Contingent liabilities are not recognized in the financial statements. They are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

Subsequent events

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

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

Earnings per share

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

Financial liabilities

All movements in financial liabilities are accounted at trade date.

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

Trade and other payables

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

Derivative financial instruments

If a forecast transaction is no longer considered highly probable but the forecast transaction is still expected to occur, the cumulative gain or loss recognized in other comprehensive income is frozen and recognized in profit or loss in accordance with the policy set out in the paragraph above. Subsequent changes in the fair value of the derivative are recognized in profit or loss. If the Group closes out its position before the transaction takes place (even though it is still expected to take place) the cumulative gain or loss on changes in fair value of the derivative is recognized in profit and loss. If, at any point, the hedged transaction is no longer expected to occur, the cumulative gain or loss is reclassified from the cash flow hedge reserve to profit or loss immediately.

The effective portion of gains and losses on derivatives used to manage cash flow interest rate risk (such as floating to fixed interest rate swaps) are also recognized in other comprehensive income and accumulated in the cash flow hedge reserve. However, if the Group closes out its position early, the cumulative gains and losses recognized in other comprehensive income are frozen and reclassified from the cash flow hedge reserve to profit or loss using the effective interest method. The ineffective portion of gains and losses on derivatives used to manage cash flow interest rate risk are recognized in profit or loss within finance expense or finance income.

Where derivatives are used to hedge the Group's exposure to fair value interest rate risk (such as fixed to floating rate swaps), the hedged item is 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 recognized in profit or loss. This offsets the gain or loss arising on the hedging instrument which is measured at fair value through profit or loss.

An overview of the derivative financial instruments with negative fair value can be found in Note 6.9.5.C.

Adoption of new and revised standards

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU at 1 January 2018.

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on 1 January 2018. The Group has not applied any new IFRS requirements that are not yet effective as per 31 December 2018.

The following amendments and annual improvements to standards are mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the European Union:

1. IFRS 9, 'Financial instruments' (effective 1 January 2018). This standard, which covers financial instruments on both the asset as well as the liability side, describes the criteria for recognition, classification and derecognition of such instruments, in addition to the allowed measurement methods.
2. IFRS 15, 'Revenue from contracts with customers' (effective 1 January 2018). The IASB and FASB have jointly published a standard regarding revenue from contracts with customers. the standard aims at better financial reporting and improving the comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018.
3. Amendments to IFRS 15, 'Revenue from contracts with customers' - Clarifications (effective 1 January 2018). These amendments compromise clarification guidance on identifying performance obligations, accounting for licences of intellectual property and the principle versus agent assessment. The amendment also includes more illustrative examples.

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

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2018 and have been endorsed by the European Union:

1. IFRS 16, 'Leases' (effective 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far-reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
2. IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2018 and have not been endorsed by the European Union:

1. Amendments to References to the Conceptual Framework in IFRS Standards (effective 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance—in particular the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.
2. Amendments to the definition of material in IAS 1 and IAS 8 (effective 1 January 2020). The amendments clarify the definition of material and make IFRS more consistent. The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole. The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need. The amendments are not expected to have a significant impact on the preparation of financial statements.
3. Annual improvements to IFRS Standards 2015-2017 cycle, applicable as of 1 January 2019 and containing the following amendments to IFRSs:
    - IAS 12 Income Taxes, the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
    - IAS 23 Borrowing Costs, the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group elected not to early adopt the new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per 31 December 2018.

Melexis has implemented IFRS 15 on the basis of the modified retrospective method, accounting for the aggregate amount of any transition effects by way of an adjustment to retained earnings as of January 1, 2018, and presenting the comparative period in line with previous accounting policies.
All of the established business models and revenue streams of the Group were examined in the course of the IFRS 15 implementation project. The previous assessment that the new standard did not materially affect the timing of revenue recognition for the transactions concerned or their components was confirmed.
Melexis has one revenue stream and revenue is recognised at a point in time when the control transfers to the customer. The Group develops, manufactures and sells semiconductors. Sales are recognized when control over the product has transferred, being when the products are shipped to or delivered at the customer.
The Group is involved in several consignment arrangements. Revenue is not recognized upon delivery of a product if the product is held on consignment, but when the control is transferred to the customer.
The Group doesn't have contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.
For development services revenue is recognised upon delivery of the finished products because development phase is not a separately identifiable performance obligation in the contracts with customers. Rather, the customer is purchasing the final goods (tailor made semiconductors) that those development activities create, combined with subsequent manufacturing. The revenue for this combined performance obligation is recognised at a point in time when control over the finished goods transfers to the customer. Fulfillment costs incurred during the development phase usually do not meet asset recognition criteria because of significant risks and uncertainties involved in the development process. They are recognised in the profit or loss as incurred. There are no contract assets and liabilities.
Variable consideration - some of the contracts contain commercial discounts and rebates. These incentives are included in the transaction price. A reduction of revenue is recognized as a liability when it is expected that the customer will achieve the expected volume to receive a discount, so it is highly probably that no significant reversal of revenue would take place in the future.
For the disaggregated revenue we refer to note 6.6.5 Y Operating segments

Melexis concluded that the implementation of IFRS 9 has no material impact. Melexis has only one type of financial derivatives, being FX hedge contracts. The business model applied, is the held to collect business model and no factoring is applied. The accounting policy for this hedge has not changed under the new model.

Trade receivables are subject to IFRS 9's credit loss model. The Group analysed its receivables against the requirements of the expected credit loss model and concluded that there is no significant difference between the previous model applied and the expected credit model that is applied under IFRS 9. Melexis is also not materially impacted by the new classification and measurement requirements of IFRS 9.

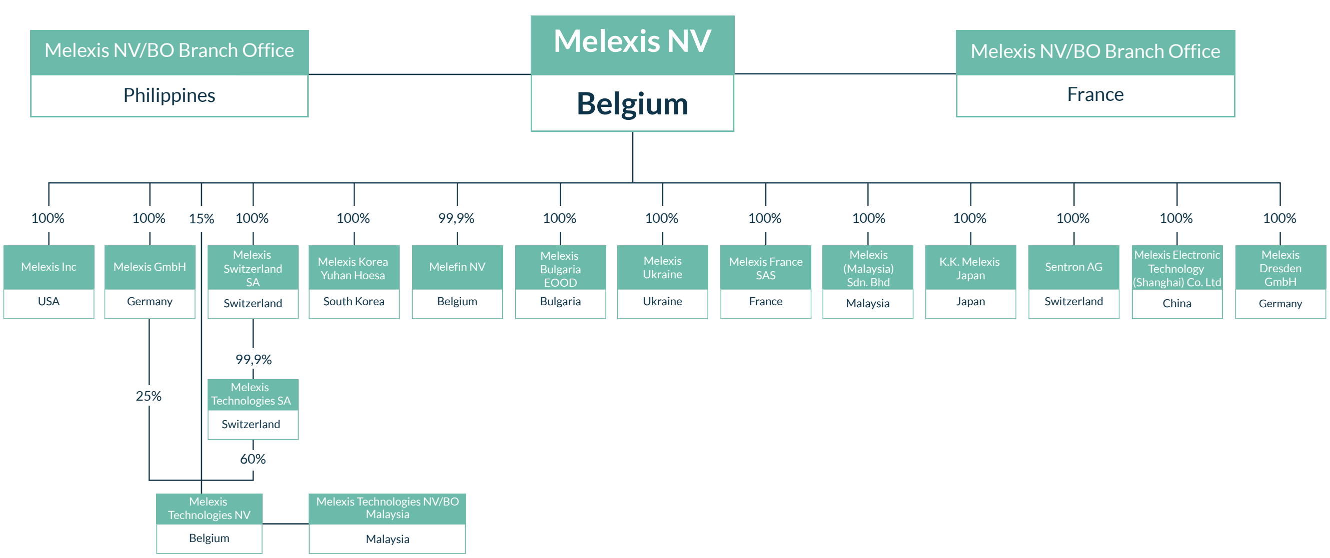
For the impact of the implementation of IFRS 16 we refer to 6.9.6 AD.

Melexis has assessed the risks related to Brexit. Melexis has some customers and suppliers in the United Kingdom. As the number of customers and suppliers is limited, the impact of Brexit will be minor. Actions that Melexis has taken to prepare for Brexit are, but not limited to:

- Remove consignment locations in the United Kingdom
- Increase production to be able to deliver before Brexit to UK customers
- Prepare change in work and residency permits for employees with a UK passport
- Investigate impact on trademarks and IP.

6.9.4 Overview of Group structure

In 2018 Melexis France SAS and Melexis Korea Yuhan Hoesa were incorporated. Melexis France SAS and Melexis Korea Yuhan Hoesa are both a 100% subsidiary of Melexis NV.



Please refer to chapter 8.1 for the shareholder structure.

6.9.5 Notes

A. CASH AND CASH EQUIVALENTS

in EUR

31 December	2018	2017
Cash at bank and in hand	34,521,923	75,477,538
Total	**34,521,923**	**75,477,538**

B. CURRENT INVESTMENTS, DERIVATIVES

in EUR

31 December	2018	2017
Current investments, derivatives	100,619	414,640

In principle, Melexis' current investments are classified as assets available for sale. On 31 December 2018 Melexis had no current investments in portfolio classified as assets available for sale. Melexis' financial derivatives with a positive market value are classified as assets at fair value through profit and loss. The fair value changes for derivatives where no hedge accounting is applicable are immediately recognized in the statement of comprehensive income. As of 31 December 2018 the fair value of the financial derivatives recognized as an asset under current investments amounted to EUR 100,619. A detailed overview of the outstanding derivatives, categorized under Current investments, is included in Note 6.9.5.C. On 31 December 2018 Melexis had no assets in portfolio classified as investments held to maturity.

C. DERIVATIVES

Notional amounts

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

31 December		2018	2017
Outstanding FX hedge contracts at 31 December not exceeding 1 year	USD	20,000,000	71,000,000
	CHF	-	24,000,000
Outstanding Interest hedge contracts at 31 December not exceeding 1 year	EUR	-	15,000,000
Outstanding Inflation hedge contracts at 31 December not exceeding 1 year	EUR	-	10,000,000

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:

31 December	2018	2017
Assets	**Fair value EUR**	**Fair value EUR**
Outstanding FX swaps - level 2	100,619	414,640
Total, classified under Current investment (see also Note 6.9.5.B)	**100,619**	**414,640**

These financial instruments are classified as financial assets at fair value through profit or loss. Refer to Note 6.9.5.W for the representation of the gains and losses relating to these assets.

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

31 December	2018	2017
Liabilities	**Fair value EUR**	**Fair value EUR**
Outstanding FX swaps - level 2	-	(86,024)
Outstanding Interest swaps (hedged) - level 2	-	(69,012)
Outstanding Inflation swaps - level 2	-	(4,672)
Total, classified under Derivative financial instruments	**-**	**(159,708)**

The following table presents an overview of the fair value of outstanding derivatives, for which hedge accounting is applied as defined under IFRS 9. Changes in the fair value of the hedging instrument are recognized in a hedging reserve, classified as a 'Revaluation reserve hedge'.

31 December	2018	2017
Fair value of instruments through equity (hedge accounting IFRS 9)		
Outstanding Interest hedge swaps at 31 December	-	(69,012)
Subtotal	-	(69,012)
Deferred tax asset	-	20,414
Total, classified under Revaluation reserve hedge	**-**	**(48,598)**

D. TRADE RECEIVABLES

in EUR

31 December	2018	2017
Trade accounts receivables	75,275,355	68,814,570
Allowance for doubtful accounts	(68,182)	(61,409)
Total	**75,207,173**	**68,753,161**

As of 31 December 2018 trade receivables of EUR 12,446,524 were past due.
The aging analysis of these receivables including allowance for doubtful accounts is as follows:
in EUR

31 December	2018	2017
Not due	62,760,649	57,012,485
<30 days	10,293,088	10,267,118
>30 <60 days	773,134	559,117
>60 days	1,380,302	914,442
Total	**75,207,173**	**68,753,161**

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

31 December			2018
	allowance for doubtful debtors	**no allowance for doubtful debtors**	**total receivables**
Not due	-	62,760,649	**62,760,649**
<30 days	-	10,293,088	**10,293,088**
>30 <60 days	-	773,134	**773,134**
>60 days	68,182	1,380,302	**1,448,485**
Total	**68,182**	**75,207,173**	**75,275,355**

The credit control department reviews on a regular basis the outstanding balances of the customers.
When there is a significant increase in the credit risk of a customer, an allowance for doubtful debtors is made. The analysis of the increased credit risk is performed according to the credit loss model of IFRS 9. The output of the analysis did not result in material amounts to be accounted for.

E. INVENTORIES

Inventory is written off when no sales are expected or when the goods contain defects. In 2018, EUR 2,929,549 of additional inventory was written off. EUR 3,564,506 of the inventory written off during the previous year was reversed because it had been scrapped or sold. As a result, the net effect is EUR 634,957.
Work in progress consists of material that is being worked on in probing, assembly and final test.

in EUR

31 December	2018	2017
Raw materials and supplies, at cost	14,478,203	13,718,995
Work in progress, at cost	95,373,107	78,909,720
Finished goods, at cost	15,661,388	10,576,398
Reserve for obsolete stock	(4,944,739)	(5,579,696)
Net	**120,567,959**	**97,625,417**

F. OTHER CURRENT ASSETS

in EUR

31 December	2018	2017
Other receivables	6,299,380	8,647,427
Prepaid expenses	2,353,831	1,473,509
Total	**8,653,210**	**10,120,936**

The other receivables mainly relate to VAT.

G. INTANGIBLE ASSETS

in EUR

31 December	Licenses	IP	Total
Acquisition value			
Balance end of previous period	16,816,684	1,264,810	18,081,494
Additions of the period	1,420,664	-	1,420,664
Retirements (-)	(85,253)	-	(85,253)
CTA	70,210	-	70,210
Total	**18,222,305**	**1,264,810**	**19,487,115**
Depreciation			
Balance end of previous period	11,440,286	1,085,629	12,525,915
Additions of the period	1,667,186	126,481	1,793,667
Retirements (-)	(6,949)	-	(6,949)
CTA	22,760	-	22,760
Total	**13,123,283**	**1,212,110**	**14,335,393**
NET BOOK VALUE	**5,099,022**	**52,700**	**5,151,722**

Licenses are being amortized over a period of 5 years. IP is amortized over 10 years. All intangible assets have finite useful lives. The yearly amortization expenses are included in the statement of comprehensive income mainly as cost of sales (Note 6.9.5.P) and research and development expenses (Note 6.9.5.Q).

At the end of 2018 the IP has been amortized for 9 years and 7 months.

H. PROPERTY, PLANT AND EQUIPMENT

in EUR

31 December	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
Cost					
Beginning of the period	43,829,479	249,548,950	15,078,579	4,800,261	313,257,270
Additions of the period	10,496,546	48,837,036	3,588,607	13,104,515	76,026,704
Retirements (-)	-	(2,655,366)	(650,449)	-	(3,305,815)
Transfers	-	2,653,898	-	(2,653,898)	-
CTA	173,097	885,447	62,769	3,282	1,124,595
End of the period	**54,499,122**	**299,269,965**	**18,079,506**	**15,254,159**	**387,102,753**
Accumulated depreciation					
Beginning of the period	15,495,714	171,146,112	9,835,679	-	196,477,505
Additions of the period	2,073,348	29,820,668	2,374,468	-	34,268,484
Retirements (-)	-	(1,252,558)	(497,292)	-	(1,749,850)
Transfers	-	-	-	-	-
CTA	79,064	550,014	60,204	-	689,282
End of the period	**17,648,126**	**200,264,236**	**11,773,059**	**-**	**229,685,421**
NET BOOK VALUE	**36,850,996**	**99,005,729**	**6,306,448**	**15,254,159**	**157,417,332**

Additions of the year mainly relate to test equipment and infrastructure under construction. Retirements: no material amount of compensation from third parties which have been included in the consolidated statement of comprehensive income. Please refer to Note 6.9.5.L for secured loans on property, plant and equipment. Fixed assets under construction: this mainly relates to the construction in progress of test equipment and infrastructure. The transfer to machinery and equipment relates to the finished construction of new test equipment.

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

in EUR

31 December	2018	2017
Holiday pay and year-end bonus	8,175,162	9,044,738
Other social accruals	729,532	604,285
Remuneration	714,055	498,094
Social security	664,396	200,332
Direct and indirect taxes	218,659	368,491
Total	**10,501,804**	**10,715,940**

J. DEFERRED INCOME

in EUR

31 December	2018	2017
Capital grants	490,224	707,714
Deferred income	2,577,332	2,188,457
Total	**3,067,556**	**2,896,171**

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

The deferred income relates to shipments that were not delivered at the customer before year end. As this performance obligation was not met, revenue was not recognized at year end but will be recognized when the shipment will be delivered to the customer. The performance obligation was met shortly after year end and revenue was recognized in January of the next year.

K. OTHER CURRENT LIABILITIES

in EUR

31 December	2018	2017
Accrued real estate withholding tax	102,000	35,000
Accrued financial services	311,945	169,486
Accrued design services	405,050	400,910
Accrued management services	454,526	219,000
Accrued HR services	94,939	80,000
Accrued transport services	133,000	444
Accrued insurances	90,680	67,000
Accrued IT services	142,798	177,533
Accrued grant	-	2,191,901
Accrued licenses and royalties	481,348	452,224
Other	479,306	261,782
Total	**2,695,592**	**4,055,281**

The accrued grant 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 the "Joint agreement for the improvement of regional economic structures (GA)" and according to the "European fund for regional development (EFRE)". Since not all agreed criteria were met at the end of the investment period, Melexis GmbH had to repay the grant. The repayment of the investment grant took place during the 2018 financial year.

L. LONG- AND SHORT-TERM DEBTS

in EUR

31 December	2018	2017
Secured loans		
Bank loan (in CHF) at floating interest rate; average rate for the year 2018 was 2.50% (1); maturing in 2019	40,201	85,455
Total secured loans	40,201	85,455
Unsecured loans		
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2018 was 1.02%; maturing in 2018	-	4,000,000
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2018 was 0.61%; maturing in 2022	7,500,000	11,000,000
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2018 was 0.85%; maturing in 2022	7,500,000	-
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2018 was 1.03%; maturing in 2028	10,000,000	-
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2018 was 0.98%; maturing in 2028	10,000,000	-
Total unsecured loans	35,000,000	15,000,000
Total debt	35,040,201	15,085,455
Current maturities	1,040,201	6,042,728
Long-term portion of debts	34,000,000	9,042,728

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

As of 31 December 2018 there are engagements for the following financial covenants:
For Melexis NV consolidated:

- Net debt/EBITDA ratio ≤ 2.5
- Tangible net worth/total assets ≥ 35%

As per 31 December 2018 Melexis is respecting all its financial covenants.

There are no major differences between the fair value and carrying amount of the debt.

The repayment of debts as of 31 December 2018 is scheduled as follows:

31 December	
2019	1,040,201
2020	4,000,000
2021	4,000,000
2022	6,000,000
2023	-
Thereafter	20,000,000
Total	**35,040,201**

M. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

Shareholder's capital

As of 31 December 2018 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 proportionally to the shareholders, subject to liquidation preference rights of shares having preferred dissolution rights. The company currently has no plans to issue any shares having such preferred dissolution rights.

Reserves

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

Revaluation reserve hedge: changes in the fair value of the hedging instrument, for which hedge accounting is applied as defined under IFRS 9, are recognized in a hedging reserve. For more details about the fair value of the hedging instruments through equity please refer to note 6.9.5.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 6.9.5.C.

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

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

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

N. 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 EUR

31 December	2018	2017
Product sales	568,144,316	510,672,335
Research and development revenues - product developments	1,225,599	989,111
Total	**569,369,915**	**511,661,446**

For the revenue from product sales, please refer to the Operating Segments section in chapter 6.9.5.Y.

O. GOVERNMENT GRANTS

The government grants mentioned below consist of capital grants and operational grants. Capital grants are received for investments in buildings, machinery and equipment. The capital grants consist of a percentage of the purchase price of the building, machinery and equipment. Capital grants can be revoked if the expected investment threshold is not met. Operational grants are received as an incentive for research and development expenses. Operational grants are paid after pre-defined milestones are met. Capital grants are recognized as cost of sales in relation to the depreciation period of the underlying assets. The operational grants are recognized as a reduction of research and development expenses when incurred.

in EUR

31 December	2018	2017
Grants for research and development	1,278,212	1,445,358
Investment grants in building, machinery and employment grants	148,534	226,541
Total	**1,426,746**	**1,671,899**

Grants for research and development are recognized as a reduction of other expenses included in total research and development expenses, see Note 6.9.5.Q.

Investment grants in building, machinery and employment grants are recognized as a reduction of purchases included in total cost of sales, see Note 6.9.5.P.

P. COST OF SALES

Cost of sales includes the following expenses:

in EUR

31 December	2018	2017
Purchases	226,224,891	210,607,491
Transportation costs	5,009,422	4,789,842
Salaries	31,962,790	24,039,276
Depreciation and amortization (*)	27,273,885	22,079,107
Maintenance	8,536,248	5,676,647
Utilities	3,598,319	3,063,112
Other direct production costs	5,628,303	6,009,575
Total	**308,233,858**	**276,265,050**

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 EUR 2,929,549 and reversal of amounts written off in previous year for EUR 3,564,506.

Q. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

in EUR

31 December	2018	2017
Salaries	44,085,970	39,824,396
Depreciation and amortization	7,859,368	6,963,033
External services	11,154,772	9,599,914
Fees	4,761,607	4,368,462
Prototype wafers	1,976,606	2,420,866
Rent and maintenance	1,431,294	1,010,476
Subsidies	(1,264,623)	(1,492,769)
Travel	2,660,209	2,551,011
Engineering purchases	5,340,228	4,238,083
Total	**78,005,430**	**69,483,472**

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

R. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

in EUR

31 December	2018	2017
Salaries	8,289,230	6,594,741
Depreciation and amortization	3,872,844	3,178,093
External services	5,680,043	4,343,796
Fees	2,024,021	1,484,510
Maintenance	2,655,173	2,256,639
Insurances	1,301,564	1,146,996
Utilities	2,045,176	1,782,533
Rent	919,630	569,289
Travel	914,498	720,928
Other	2,362,943	1,757,681
Total	**30,065,122**	**23,835,206**

S. SELLING EXPENSES

Selling expenses include the following expenses:

in EUR

31 December	2018	2017
Salaries	8,163,406	6,603,091
Depreciation and amortization	116,005	137,141
Commissions	1,253,638	1,217,391
External services	2,119,393	1,633,333
Travel	1,478,976	1,089,065
Other	1,446,462	979,774
Total	**14,577,879**	**11,659,795**

T. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

in EUR

31 December	2018	2017
Wages and salaries	92,501,395	77,061,504
Total	**92,501,395**	**77,061,504**

The average number of employees was 1,421 in 2018 and 1,180 in 2017.

Key management personnel compensation

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

U. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

in EUR

31 December	2018	2017
Cost of sales	27,273,885	22,079,107
Research and development	7,859,368	6,963,033
General and administration	3,872,844	3,178,093
Selling	116,005	137,141
Total	**39,122,101**	**32,357,374**

V. OTHER OPERATING INCOME (NET)

in EUR

31 December	2018	2017
Other operating income	-	2,189,900
Total	**-**	**2,189,900**

In 2017 the Group disposed of a non current financial asset, a gain of EUR 2,189,900 was recognized.

W. NET FINANCIAL RESULT

in EUR

31 December	2018	2017
Financial income	**6,130,418**	**6,711,010**
Interest income	6,786	101,876
Exchange differences	5,338,832	5,991,261
Fair value adjustment FX swaps	-	170,446
Fair value adjustment Inflation swaps	4,672	445,744
Other	780,128	1,683
Financial charges	**(5,879,370)**	**(3,332,361)**
Interest charges	(535,259)	(376,546)
Bank charges	(154,113)	(129,736)
Exchange differences	(4,888,368)	(2,180,234)
Result on financial instruments excluding fair value adjustments	(73,633)	(610,723)
Fair value adjustment FX swaps	(227,997)	-
Other	-	(35,122)
Net financial results	**251,047**	**3,378,649**

Other financial income contains the reversal of the accrual of the interest on the repayment of the subsidy that was done in 2018, we refer to note 6.9.5.K for the repayment of the subsidy.

X. INCOME TAXES

The income tax expenses can be broken down as follows:

in EUR

31 December	2018	2017
Current tax expenses	21,348,927	27,839,926
Deferred tax expenses	1,938,469	(2,808,132)
Total	**23,287,396**	**25,031,794**

Intra-group transactions resulted in intangible assets in the Melexis Technologies NV, Melexis Technologies SA and Melexis Bulgaria EOOD statutory (standalone) financial statements. These assets, although eliminated in consolidated figures, result in tax deductible amortization charges in the hands of these companies. Deferred tax effects linked to these transactions could amount to approximately EUR 4.1 million at year end 2018.

As from financial year 2016, the Board of Directors deemed it expedient to start capitalizing research and development efforts in Melexis Technologies NV's standalone/tax financial statements. Such approach is found to be a best practice approach from a Belgian accounting and tax perspective. Deferred tax effects linked thereto amount to approximately EUR 18.7 million at year end 2018.

Added to deferred tax effects linked to available tax offsets carried forward in the hands of Melexis Technologies NV and Melefin NV and deferred tax effects resulting from among others fair value adjustments related to financial instruments, the maximum amount of deferred tax assets to be recognized amounts to EUR 26.5 million at year end 2018.

As in previous years, the company assessed to what extent it is probable that this positive tax effect will effectively be realized in the future. In this respect, the Board of Directors in particular took into account the uncertainties related to the rapid technological evolutions in the sector, the highly competitive market as well as the fact that the company only has short-term contracts with its customers. Deferred tax amounts recognized in financial statements per 31 December 2018 are based on Management's best estimate covering expected business performance in the foreseeable future. Taking into account these considerations, the Board of Directors decided to recognize as per 31 December 2018 a cumulative deferred tax asset of EUR 24,993,949. Accordingly, the unrecognized deferred tax asset amounts to approximately EUR 1.5 million at year end 2018.

Further a deferred tax liability of EUR 270,962 was recognized at year end 2018 related to temporary differences in asset depreciation and FX recognition.

Consolidated figures show a current tax receivable amounting to EUR 1,241,214 and a current tax liability amounting to EUR 15,684,357. The most important component of the current tax liability is the Belgian corporate income tax owed by Melexis Technologies NV for the financial year 2017 amounting to EUR 11.0 million.

Components of deferred tax assets are as follows:
in EUR

	1 Jan 2018	Charged to income statement	Charged to equity	31 Dec 2018
Tax amortization charges	24,450,000	(2,000,000)	-	22,450,000
Fair value adjustments to financial instruments	(95,823)	66,060	-	(29,763)
Tax losses carried forward	2,020,000	270,000	-	2,290,000
Fair value adjustments to hedge accounting	20,414	-	(20,414)	-
Miscellaneous	287,279	(3,567)	-	283,712
Total	**26,681,870**	**(1,667,507)**	**(20,414)**	**24,993,949**

Components of deferred tax liabilities are as follows:
in EUR

	1 Jan 2018	Charged to income statement	31 Dec 2018
Miscellaneous	-	(270,962)	(270,962)
Total	**-**	**(270,962)**	**(270,962)**

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

31 December	2018	2017
Income before taxes	138,738,674	135,986,471
Expected taxes at domestic rate	41,038,900	46,221,802
Effective taxes	23,287,396	25,031,794
Difference to be explained	(17,751,504)	(21,190,008)
Explanation of the difference		
Difference in foreign tax percentages and other tax regimes	(4,462,800)	(4,582,204)
Effect of IP amortization	(1,576,255)	1,554,078
Fair value adjustments to financial instruments		-
Tax effect of non-deductible items	512,322	514,767
Tax effect of non-taxable income	(393,275)	(1,325,756)
Tax effect of patent/innovation income deduction	(7,765,735)	(8,710,219)
Tax effect of notional interest deduction	(142,498)	(499,955)

Tax effect of investment deduction	(3,332,470)	(2,889,993)
Tax losses carried forward	(1,024,863)	(1,085,349)
Current tax adjustments relating to prior years	(1,665,214)	(1,734,729)
Miscellaneous	94,755	572,642
Unrecognized deferred tax assets for the current period	-	-
Change of recognition of deferred tax assets (decrease + / increase -)	2,004,529	(3,003,290)
Total	**(17,751,504)**	**(21,190,008)**
Difference	**0**	**0**

Y. OPERATING SEGMENTS

Business segments

Melexis' products and production processes that are regularly evaluated by the chief operating decision maker have only one operating segment. 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 per customer for the 10 most important customers. It consists of the sales to end customers and not to subcontractors or distributors.

in %

31 December	2018	2017
Customer A	16	18
Customer B	6	7
Customer C	6	6
Customer D	6	6
Customer E	4	3
Customer F	3	3
Customer G	3	3
Customer H	2	2
Customer I	2	2
Customer J	2	2
Total	**51**	**52**

Information about geographical areas

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

in EUR

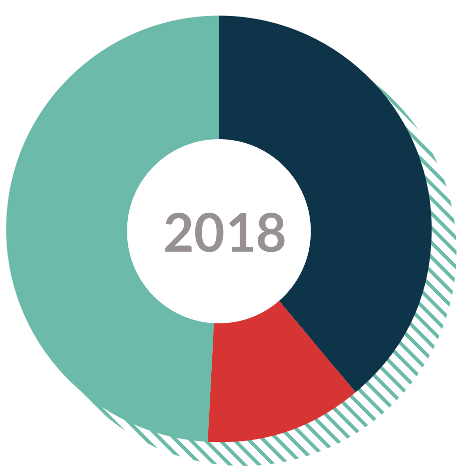
31 December 2018	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Revenue by origin	569,369,915	-	-	569,369,915
Non-current assets	173,930,334	1,557,444	12,079,226	187,567,003

in EUR

31 December 2017	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Revenue by origin	511,661,446	-	-	511,661,446
Non-current assets	139,212,572	285,771	9,524,070	149,022,413

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

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



49% Asia Pasific

39% Europe, Middle East and Africa

12% North and Latin America

In EUR

31 December	2018	2017
Europe, Middle East and Africa	**219,451,908**	**201,760,572**
Germany	103,118,626	92,401,270
France	12,180,228	11,284,325
United Kingdom	12,832,640	13,070,440
Poland	16,876,187	13,669,415
Switzerland	13,262,835	12,674,776
Ireland	4,474,582	4,076,447
Czech Republic	3,678,098	4,528,707
Austria	14,247,582	10,588,921
Netherlands	1,369,374	2,007,939
Romania	16,232,832	16,309,393
Bulgaria	4,868,481	3,917,499
Spain	1,454,041	1,153,580
South Africa	684,608	2,282,078
Hungary	3,928,993	5,034,919
Italy	4,796,155	4,606,895
Other	5,446,649	4,153,969
North and Latin America	**68,944,073**	**61,596,264**
United States	46,157,706	41,302,468
Canada	5,853,965	5,032,897
Mexico	16,790,298	15,136,666
Brazil	142,103	124,233
Asia Pacific	**280,973,934**	**248,304,610**
Japan	43,206,797	37,791,043
China (excluding Hong Kong)	66,809,833	60,143,416
Hong Kong	36,934,603	31,222,569
Thailand	60,986,798	60,443,757
South Korea	26,548,956	24,193,821
Philippines	10,612,264	6,752,654
Taiwan	14,637,653	11,166,059
India	2,788,116	2,443,324
Singapore	16,819,728	13,126,583
Other	1,629,186	1,021,384
Total	**569,369,915**	**511,661,446**

Z. RELATED PARTIES

1. Shareholders' structure and identification of major related parties

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

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

- Xtrion NV owns 53.58% of the outstanding Melexis shares. The shares of Xtrion NV are controlled directly and/ or indirectly by Mr. Roland Duchâtelet, Mr Rudi De Winter and Mrs. Françoise Chombar. Mr Duchâtelet and Mrs. Chombar are directors at Melexis NV.
- Elex NV is 99.9% owned by Mr. Roland Duchâtelet. One share is held by Mr. Roderick Duchâtelet.
- Xtrion NV owns 48.2% of the outstanding shares of X-FAB Silicon Foundries SE, producer of wafers, which are the main raw materials for the Melexis products. X-FAB Silicon Foundries SE sells the majority of its products also to third parties. X-FAB Silicon Foundries SE is listed on Euronext Paris since 2017.
- Melexis, as in prior years, purchases part of its test equipment from the Xpeqt Group. Xpeqt Group develops, produces and sells test systems for the semiconductor industry. Xpeqt Group is owned by Xtrion NV for 99.99%. One share is held by Mrs Françoise Chombar and one share is held by Mr Roland Duchâtelet.
- Xtrion NV owns 86% of the outstanding shares of X-CelePrint Ltd.
- Xtrion NV owns 58% of the outstanding shares of Microgen Systems Inc.
- Xtrion NV owns 24% of the outstanding shares of Anvo-Systems Dresden GmbH
- Elex NV owns 99.9% of the outstanding shares of Fremach International NV.

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

2. Outstanding balances at year end

As of 31 December 2018 and 2017, the following balances were outstanding:

Receivables

In EUR

31 December		2018	2017
On	Elex NV	2,033	2,033
	Xtrion NV	4,840	4,840
	Fremach Group	13,975	40,215
	X-FAB Group	114,462	222,497
	Xpeqt Group	25,054	13,233
	Anvo-Systems Dresden GmbH	-	74,521
	Total	**160,364**	**357,339**

Payables

In EUR

31 December		2018	2017
On	Elex NV	62	375
	Xtrion NV	507,129	127,149
	X-FAB Group	10,866,700	15,163,804
	Xpeqt Group	2,549,720	2,113,340
	Anvo-Systems Dresden GmbH	(185)	473
	X-Celeprint Ltd.	44,000	44,000
	Other	-	32
	Total	**13,967,425**	**17,449,174**

3. Transactions during the year

Sales/ purchases of goods and equipment

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

In EUR

31 December	2018	2017
Sales to		
Fremach Group (mainly ICs)*	31,460	74,383
Xpeqt Group	(543)	5,003

** ICs: Integrated circuits*

31 December	2018	2017
Purchases from		
X-FAB Group (mainly wafers)	190,845,313	180,345,880
Xpeqt Group (mainly equipment and goods)	19,876,066	11,404,800
Xtrion NV (mainly IT infrastructure)	613,321	190,952
X-CelePrint Ltd.	-	402,500
Anvo-Systems Dresden GmbH	(2,614)	40,119
Elex NV	-	185,215

Sales/purchases of services

31 December	2018	2017
Sales to		
Elex NV (infrastructure office building)	20,160	20,210
Xpeqt Group (infrastructure office building)	132,916	138,829
Xtrion NV (infrastructure office building)	48,000	48,000
X-FAB Group	612,707	702,881
Anvo-Systems Dresden GmbH	68,892	122,357

31 December	2018	2017
Purchases from		
Xtrion NV (mainly IT, R&D services and related support)	1,591,181	1,675,816
Elex NV (support services)	113,965	751,686
Xpeqt Group	4,922,671	2,421,369
X-FAB Group	2,633,742	2,348,900
Anvo-Systems Dresden GmbH	46,840	551,072
X-CelePrint Ltd.	32,828	9,020

The Board of Directors and the Audit Committee have reviewed and analyzed the major transactions and concluded that these transactions are within the normal course of business and that there are sufficient elements to conclude that the remuneration is based on arm's length principles.

AA. REMUNERATION OF BOARD OF DIRECTORS

In accordance with the company's bylaws, directors can be remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 45,000 remuneration and EUR 12,231 expenses during 2018. The other directors are not remunerated.

AB. EARNINGS PER SHARE

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 115,451,278 in 2018 and EUR 110,954,678 in 2017 by the weighted average number of ordinary shares outstanding during the period (40,400,000 in 2018 and 40,400,000 in 2017).

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

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

On 1 February 2019 the Board of Directors agreed to propose at the Annual Shareholder meeting to pay out over the result of 2018 a total dividend of EUR 2.20 gross per share. This amount contains an interim dividend of EUR 1.30 per share which was paid in October 2018 and a final dividend of EUR 0.90 per share which will be payable after approval of the Annual Shareholder meeting.

AC. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of 31 December 2018 the company had purchase commitments for tangible fixed assets amounting to EUR 5,421,002 mainly related to test equipment for the production sites.

AD. OPERATING LEASE ARRANGEMENTS

The group leases various properties, equipment and cars. Rental contracts are typically made for fixed periods of 1 to 9 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

Payments recognized as an expense

In EUR

31 December	2018	2017
Building	899,995	627,331
Company cars	135,361	126,300
Office equipment	27,500	27,500
Total	**1,062,856**	**781,131**

Operating lease commitments

In EUR

31 December	
< 1 year	1,853,634
>1 year <5 years	4,100,395
>5 years	42,948
Total	**5,996,977**

Melexis chooses to adopt the modified retroactive approach to apply IFRS 16 as from January 1st, 2019.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

The lease payments are discounted using the interest rate implicit in the lease, if that rate can be determined, or the group's incremental borrowing rate.

Right-of-use assets are measured at cost comprising the following:

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT-equipment and small items of office furniture.

On initial application of IFRS 16 on 1 January 2019 a total of 5.6 million EUR has been recognized as asset, 3.9 million EUR as long term liability and 1.7 million EUR as short term liability. In 2019 we expect a decrease of the rent expenses with 1.7 million EUR. The depreciations will increase with 1.7 million EUR, the interest expenses will increase with EUR 50 thousand.

AE. BUSINESS COMBINATIONS

No business combinations in 2018.

AF. LITIGATION

(1) Since 2009 Melexis has been involved in a patent case filed by ams AG concerning a patent on magnetic angle sensing. The court in Düsseldorf (1st instance) had ruled in favor of ams AG, against which Melexis lodged an appeal with the Higher Regional Court of Düsseldorf. In 2017, the Higher Regional Court of Düsseldorf has ruled in Melexis' favor by dismissing the complaint of ams AG.

AG. AUDITOR'S SERVICES

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

- Audit fees EUR 163,610
- Other services EUR 12,500

AH. RESERVES POST-RETIREMENT BENEFITS

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate. The contributions to defined contribution schemes amounted to EUR 1,012,549 in 2018 compared to EUR 784,074 in 2017 .

The company's employees in Belgium participate in defined contribution plans, funded through a group insurance. The employer contributions paid to the group insurance are based on a fixed percentage of the salary. By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, equal to 3.75% on employee contributions and 3.25% on employer contributions for contributions until 2015 and 1.75% on all contributions as from 2016. Since the minimum guaranteed reserves were entirely covered by plan assets by the insurance company, no amounts were recognized in the statement of financial position on 31 December 2018 and 2017.

AI. SUBSEQUENT EVENTS

There are no subsequent events that have a material effect on these financial statements.

AJ. LIST OF SUBSIDIARIES CONSOLIDATED

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

AK. 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 6.9.5.AL 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.

Dependance on key personnel; ability to recruit and retain qualified personnel

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

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

Products may contain defects

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

Evolving distribution channels

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

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

Protection and enforcement of intellectual property rights

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

The company has already obtained patent protections and expects to file additional patent applications when appropriate to protect certain of its proprietary technologies. The company also protects its proprietary information and know-how through the use of trade secrets, confidentiality agreements and other measures. The process of patent protection can be expensive and time consuming. There can be no assurance that patents will be issued for applications or that, if patents are issued, they will not be challenged, invalidated or circumvented, or that rights granted thereunder will provide meaningful protection or other commercial advantage to the company. Likewise, there can be no assurance that the company in the future will be able to preserve any of its other intellectual property rights. Melexis was involved in a court case with another company related to IP infringement. More information can be found in note 6.9.5.AF 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 6.9.5.AF Litigation of Melexis' Annual Report.

The importance of significant customers

Melexis' biggest customer accounts for 16% of total sales. No other customers have sales over 10% of total sales. For the year ended 31 December 2018, the 10 most important customers accounted for 51% of total sales (cfr. Note 6.9.5.Y).

Significant shareholders

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

For the required information with respect to the potential conflicts of interest please refer to the related parties in chapter 7.7 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, Microchip Technology, AMS, Elmos, Honeywell, Infineon Technologies, TDK (Micronas), NXP, ST Microelectronics, On Semi and Texas Instruments.

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

The company's current and potential competitors could have longer operating histories, greater brand recognition, access to larger customer bases and significantly greater financial, technical, marketing and other resources than the company. As a result they may be able to adapt more quickly to new or emerging technologies and changes in customer requirements or to devote greater resources to the promotion and sale of their products than the company.
There can be no assurance that the company will be able to compete successfully against current and future competition. 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 6), 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.

AL. SENSITIVITY ANALYSIS ON FINANCIAL RISK

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

Foreign currency risk

The group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, especially in USD. In 2018 approximately 48% of the group's sales are denominated in USD and approximately 54% of the group's costs are denominated in USD.

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

FY 2018	Increase / decrease in EUR/USD rate	Effect on profit or loss before taxes (in EUR)
Reference rate: 1.18 (average FY 2018)		
	+0.05 (1.23)	(1,584,165)
	-0.05 (1.13)	1,724,356

At 31 December 2018, the following financial assets and liabilities were present, shown in USD and CHF:

	31 Dec 2018 (in USD)	31 Dec 2018 (in CHF)
Financial assets	**49,945,551**	**297,919**
Cash and cash equivalents	12,317,799	291,997
Trade and other receivables	37,627,752	5,922
Financial liabilities	**21,448,623**	**545,326**
Trade and other payables	21,448,623	495,326
Loans and borrowings	-	50,000

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.15) would have an impact on the balance sheet value of -1,041,345 EUR/ +1,136,445 EUR at 31 December 2018.

An increase/decrease of the EUR/CHF rate of +/- 500 base points (reference rate = 1.13) would have an impact on the balance sheet value of +9,327 EUR/ -10,193 EUR at 31 December 2018.

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

Interest rate risk

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

At 31 December approximately 100% of the group's borrowings are at a floating rate of interest. Melexis is no longer using interest rate derivatives to hedge the interest rate risk.

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

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

	Increase / Decrease	Effect on financial result (in EUR)
FY 2018	**in base points**	
	+15	52,560
	-15	(52,560)

AM. 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

At year end the group does not longer use derivatives to manage interest rate risks of the outstanding bank debt.
The schedule of long-term-debt repayments is disclosed in Note 6.9.5.L.
The table with outstanding derivatives at year end is disclosed in Note 6.9.5.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 6.9.5.C.

(5) Inflation risk

The inflation risk of the group arises from the possibility that the salaries will increase due to inflation. At year end the group does not longer use derivative contracts to manage part of the inflation risk. The table with outstanding derivatives at year end is taken up in Note 6.9.5.C.

Fair value of Financial instruments

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

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

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

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

Management believes that the exposure to interest rate risk of financial assets and liabilities as of 31 December 2018 was minimal since their deviation from their respective fair values was not significant.

7 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 version 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: www.melexis.com/en/investors/corporate-governance/ board-of-directors

An overview of the principles and guidelines where Melexis does not comply with the 2009 Belgian Code on Corporate Governance is given in Section 7.11 of this Corporate Governance Statement.

7.1 SHAREHOLDERS

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

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

Furthermore, Melexis is committed to guaranteeing shareholder rights.

- Shareholders can submit questions to the company (at the latest six days) prior to the annual general meeting of shareholders in order to have those questions answered during the general meeting;
- At the latest 30 days prior to the general meeting, the agenda and other relevant documents are published on Melexis' website;
- Shareholders representing at least 3% of the share capital have the right to add items and/or resolution proposals to the agenda at the latest 22 days prior to the general meeting;
- During the general meeting, shareholders have the right to vote on each item on the agenda. In case they cannot attend the general meeting, they have the right to appoint a proxy holder;
- The minutes of the general meeting with the voting results will be published on Melexis' website after the general meeting;

The Directors of Melexis are:

Name	Age	Expiry mandate	Position
Roland Duchâtelet	72	2022	Chairman of the Board, Non-executive director
Françoise Chombar	56	2022	Managing director, CEO
Procexcel BVBA, represented by Ms. Jenny Claes	71	2021	Non-executive and independent director
Shiro Baba	69	2021	Non-executive and independent director
Martine Baelmans	54	2022	Non-executive and independent director

7.2 MANAGEMENT STRUCTURE

The Board of Directors determines the strategic direction of Melexis and supervises the state of affairs within Melexis.

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

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

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 identify and address these risks and opportunities.

7.3 BOARD OF DIRECTORS

Composition

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

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

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

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

The composition of the Board of Directors complies with the requirement of article 518bis of the Belgian Companies Code that at least one third of its members has to be of a different gender.

Mr. Roland Duchâtelet is a 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: Mietec Alcatel (Belgium) from 1983 to 1985 as business development/sales manager and Elmos GmbH (Germany) from 1985 to 1989 as marketing manager. Mr. Duchâtelet is the co-founder of the parent company of Melexis NV. He holds a degree as Electronics Engineer, Applied Economics and an MBA from the University of Leuven.

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 resignation of Mr. Rudi De Winter, mid February 2011, as Managing Director and Chief Executive Officer, Ms. Chombar has continued these functions. Ms. Chombar is currently member of the Board of Umicore, a global materials technology and recycling group. She is equally president of the STEM platform, an advisory board to the Flemish government, aiming to encourage young people to pursue a Science, Technology, Engineering or Mathematics education.

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.

Board of Directors
Martine Baelmans, Shiro Baba, Françoise Chombar, Roland Duchâtelet, Jenny Claes

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 currently also vice-rector for education policy, innovation and entrepreneurship 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 revoke their mandate at any time. An appointment or dismissal requires a simple majority of the votes cast.

If and when a position of a director prematurely becomes vacant within the Board, the remaining directors temporarily appoint a new director until the 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 recommendations to the Board on the remuneration policy for directors and Executive Management.

Functioning of the Board of Directors

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

In 2018 the Board convened nine (9) times and treated, amongst others, the following topics:

- Financial results of the group
- Financial and legal risks to which the group is exposed
- Sale and revaluation of real estate
- Possible acquisitions
- IP risk management
- Establishment of new legal entities
- Strategic review
- Evaluation of certain transactions with related parties
- Dividend policy
- Budget for the next financial year
- Recommendations of the Audit Committee and the Nomination and Remuneration Committee

On 18 April, Mr. Shiro Baba could not be present. On 15 May, Mr Roland Duchâtelet did not attend the meeting. On 15 May and 20 August, Ms. Françoise Chombar could not attend the Board of Directors meeting.

Evaluation of the Board and its Committees

The effectiveness of the Board of Directors and its Committees is monitored and reviewed every three years in order to achieve possible improvements in the management of Melexis. The last review has been performed in 2016 and in 2019 a new evaluation is planned under the lead of the Chairman.
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
- Quality of the information provided
- Individual contribution of each member of the Board

7.4 COMMITTEES

Audit Committee

The Audit Committee assists the Board of Directors in its supervisory duties with respect to the internal supervision in the broadest sense, including the financial reporting, as described in the Company's Corporate Governance Charter and article 526bis of the Belgian Companies Code. The Audit Committee also monitors the assessment and follow-up by the Executive Management of the auditor's recommendations.

The Audit Committee is composed of three non-executive members: Mr. Roland Duchâtelet, Chairman[1], 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, the members of the Audit Committee as a whole have competences relevant to the sector in which Melexis is operating and at least one of its members has a competence in auditing and accounting. Both Procexcel BVBA, represented by Ms. Jenny Claes, and Mr. Shiro Baba comply with this latest 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, the external and internal auditor are invited to the meetings of the Audit Committee to warrant the interaction between the Board of Directors and the Executive Management.

The Audit Committee met three (3) times during 2018. All members attended the meetings.

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

- Legal risks
- Risks concerning intellectual property
- Authority to sign for financial transactions
- Audit remote sites
- Statutory auditor fees
- Hedging policy of foreign currencies
- Reports of the statutory auditor and internal auditor

Nomination and Remuneration Committee

The Nomination and Remuneration Committee, which qualifies as a remuneration committee pursuant to article 526quater of the Belgian Companies Code, advises a.o. the Board of Directors concerning the way in which the company's strategic objectives may be promoted by adopting an appropriate nomination and remuneration program. This committee supervises the development of remuneration, allocation of variable remuneration and the general performance within Melexis.

The Nomination and Remuneration Committee is composed of three non-executive members of which a majority of independent directors, Mr. Roland Duchâtelet, Chairman[2], Procexcel BVBA, represented by Ms. Jenny Claes, independent director and Mr. Shiro Baba, independent director. The committee has the relevant expertise regarding remuneration policy.

The Nomination and Remuneration Committee met four (4) times in 2018. All members attended the meetings.

In addition to the exercise of its legal powers and the duties listed in the Melexis Corporate Governance Charter, the Nomination and Remuneration Committee reviewed during 2018 amongst others:

- Remuneration and variable remuneration of Executive Management
- Assessment of the variable remuneration of the CEO

[1] *As of 4 March 2019, Procexcel BVBA, represented by Ms. Jenny Claes, will chair the Audit Committee. The composition of the Audit Committee remains the same.*

[2] *As of 4 March 2019, the Nomination and Remuneration Committee is composed of three non-executive members of which a majority of independent directors: Mr. Roland Duchâtelet, Procexcel BVBA, represented by Ms. Jenny Claes, independent director and Ms. Martine Baelmans, independent director and henceforth also chair of this Committee*

7.5 EXECUTIVE MANAGEMENT

Composition

The Executive Management[3] is composed of the following members:

Name	Age	Position
Marc Biron	48	VP Sense & Drive
Françoise Chombar	56	Chief Executive Officer
Kristof Coddens	48	VP Artificial Intelligence
Karen van Griensven	48	Chief Financial Officer
Vincent Hiligsmann	48	VP Corporate Strategy – Global Sales, Brand & Communication
Veerle Lozie	45	VP Operations & IT
Damien Macq	52	VP Sense & Light
Sam Maddalena	42	VP Corporate Strategy – Global Product Marketing, OEM Business Development
Nicolas Simonne	44	VP Development & Quality
Heidi Stieglitz	59	VP Human Resources & Sites

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

[3] *Certain members are representatives of private companies with limited liability (BVBA/SPRL)*

Executive management

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

7.6 REMUNERATION REPORT

Remuneration policy

a) Procedure to develop the remuneration policy and determine individual remuneration

The Board of Directors determines, upon recommendation by the Nomination and Remuneration Committee the remuneration policy and individual remuneration of the Executive Management. The director's remuneration is approved by the shareholders' meeting.

The remuneration policy of Melexis is analysed 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.

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.

b) Remuneration of directors

Only independent directors receive a compensation. Such compensation consists of a fixed annual amount subject to the approval of the General Meeting. The directors are entitled to compensation of their costs, subject to the expenditure policy within Melexis and the submission of suitable justification.
The directors are not required to hold shares in the company. Nonetheless, the Chairman and the CEO are indirectly important shareholders of Melexis.

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c) Remuneration of the members of the Executive Management

The compensation of the CEO combines two integrated elements: (i) base remuneration, (ii) variable pay.

(i) The base remuneration remains in line with market average;
(ii) Variable remuneration consists of a cash bonus up to 50% of the annual base remuneration, the multi-year payment will be the following:
   a. For 50% based on performance criteria measured over the performance year itself, using the same matrix as the one we use to assign the corporate portion of the variable pay for the Executive Management team (see below)
   b. For 25% based on performance criteria measured over two financial years. Pay-out is based on the total over the past 2 years of the same matrix used to assign the corporate portion of the variable pay for the Executive Management team (see below)
   c. For 25% based on performance criteria measured over three financial years. Melexis' automotive top line growth over the past 3 years is to outperform the average automotive semiconductor market growth, the benchmark being a 3 years rolling average based on the market data provided by a selected market intelligence provider (Strategy Analytics);
(iii) No shares, options or other rights to acquire shares are granted as part of the compensation;

The compensation of the other members of the Executive Management combines three integrated elements: (i) base remuneration, (ii) variable pay and (iii) other benefits. The remuneration packages are granted with the purpose to attract and to retain the best team and management talent in each part of the world where Melexis is present.

(i) The base remunerations remain in line with market average;
(ii) The variable pay opportunities of the Executive Management, except for the CEO, constitute up to maximum 25% of the annual base remuneration, and include (i) a global business performance measured through revenue growth and EBIT growth which represents a 50% opportunity of the total variable pay (ii) an assessment of individual/team performance measured through achievement of pre-established targets, which represents a 50% opportunity of the total variable pay and may be increased up to 70%, taking a discretionary element into consideration;

(iii) The other benefits concern only a smaller part of the total compensation of the Executive Management. They can comprise extra-legal arrangements through a group insurance that is in effect in Executive Managers' respective home countries i.e. pension, life insurance, disability and medical insurance, all defined contribution schemes;

(iv) No shares, options or other rights to acquire shares are granted as part of the compensation.

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.

d) Outlook

The variable remuneration of the Executive Management for the evaluation period 2018 – 2020 will consist of a (i) short term cash bonus that varies from 20% up to 25% of the annual remuneration and (ii) a long term cash bonus of 10% of which 5% is to be earned in the first year following the performance year and 5% in the second year following the performance year.*

Performance criteria for the short term cash bonus are the following: (i) a global business performance measured through revenue growth and EBIT growth which represents a 50% opportunity of the short term variable pay (ii) an assessment of individual/team performance measured through achievement of pre-established targets, which represents a 50% opportunity of the short term variable pay and may be increased up to 70%, taking a discretionary element into consideration.

For the long term cash bonus the company's performance against approved financial targets regarding revenue growth and EBIT growth is taken into consideration. The considerations for the long term cash bonus are fixed for a three year period. Changes for a following period can be implemented after board approval.

** The short-term cash bonus, if any, under this regime will be paid in 2019. The first part of the long-term cash bonus, if any, will be paid in 2020.*

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. The directors are expected to uphold the expenditure policy within Melexis and to submit suitable justification for their costs. In 2018 Melexis paid in total EUR 45,000 as remuneration to the independent directors. Additionally, Melexis paid EUR 12,231.14 as reimbursement of costs as mentioned in below table. These costs can be justified as travel expenses:

Name	Remuneration	Costs
Procexcel BVBA, represented by Jenny Claes	15,000	-
Shiro Baba	15,000	12,231
Martine Baelmans	15,000	-

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

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.

In 2018 the CEO received a fixed remuneration amounting to EUR 249,996 and a variable pay of EUR 125,000.

Françoise Chombar	Remuneration 2018
Base remuneration	249,996
Short-term variable remuneration	62,500
Mid-term variable remuneration	31,250
Long-term variable remuneration	31,250
Pension	0
Extra legal arrangements	0
Reimbursement of costs	7,128

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 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 1,712,671 in 2018. The total of the 2018 variable pay component pay-outs amounted to EUR 325,696.

Executive Managers	Remuneration 2018
Base remuneration	1,712,671
Variable remuneration	325,696
Extra legal arrangements	8,344
Reimbursement of costs	108,371

The discretionary element has been taken into consideration in the variable pay-out in April 2018 as recognition for the extra efforts done within the scope of their respective roles in the Executive Management with exceptional positive results for the company.

In accordance with article 554, part 4 of the Belgian Companies Code and the recommendations of the Belgian Corporate Governance Code, the remuneration policy of Melexis determines that a compensation in case of normal termination of the contract of the Members of the Executive Management will be 3 months remuneration (fixed, calculated on the 12 months preceding the termination) upon advice from the Remuneration Committee. The Remuneration Committee points out that this severance payment is in line with market practices. The severance payment will be higher in case an executive manager's (except the CEO) contract is terminated due to a change of control in Melexis (see 7.9).

7.7 POLICY ON CERTAIN TRANSACTIONS

Conflicts of interest in the Board of Directors

According to article 523 of the Belgian 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 a financial nature to him/her. In this event the respective director may not participate in the deliberation and voting on this agenda item.

Pursuant to article 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.

In 2018, there was a conflict of interest for one topic on the agenda of the Board of Directors meeting of 15 May. It concerned the acquisition of a plot of land from Xpeqtis. Please find the full excerpt of the board minutes of 15 May on this subject below:

Conflict of interest

During the Board of Directors dated 20 April 2018, Roland Duchâtelet, director of the Company, declared to have an interest of a patrimonial nature which is conflicting with the decisions that fall within the scope of the powers of the Board of Directors, in respect of the purchase by Melexis of a plot of land owned by Xpeqtis (the "Purchase").

This conflict of interest results from the fact that Roland Duchâtelet has a patrimonial interest in Xpeqtis (via Elex NV). The Purchase will have financial consequences for Melexis as it will require Melexis to pay a purchase price for the plot of land to Xpeqtis. An independent valuation report has been shared with the board members prior to this meeting regarding the purchase price of the plot of land.

Legal framework

Article 523 of the Belgian Companies Code describes the procedure to be followed.

Roland Duchâtelet is excluded from taking part in the deliberations and refrains from voting on the decision regarding the Purchase.

The auditor of the Company, PWC Bedrijfsrevisoren CVBA, represented by Mrs. Sofie Van Grieken and Mr. Koen Vanstraelen, will be informed of the existence of the conflict of interest.

Furthermore, the relevant sections of the minutes of the Board of Directors deciding upon a transaction covered by article 523 will be entirely included in the annual report.

The transaction under review with a value of ca. EUR 3.9 million can be considered as relatively small, taking into account following financial data of Melexis: (i) Consolidated equity of Melexis as per 31 December 2017 amounts to rounded EUR 300 million (ii) The current Melexis market capitalization on Euronext Brussels amounts to EUR 3.4 billion.

Approval to purchase a plot of land from Xpeqtis in Bulgaria

The Board of Directors, excluding Roland Duchâtelet, took note of the information, including the independent valuation report as mentioned above.

Informed of the existence of a conflict of interest with respect to this purchase, the Board of Directors has concluded that the Purchase is in the interest of Melexis, given the following:

Melexis currently owns its infrastructure in Sofia, but is renting the land in use. Over the next five years however, Melexis plans to invest around EUR 75 million in equipment and infrastructure (new and refurbishment existing infrastructure) on the same plot of land. The *plot measures 35,670 m^2 and is situated in Gorubliyana, in the vicinity of Sofia airport. Melexis opts to purchase the land rather than to continue renting (in combination with the purchase of a right to build for the new infrastructure), even though depending on assumptions, the purchase would be 10-20% higher than the renting, for following reasons:*

- *Securing legal ownership & compliance risks with Bulgarian authorities, e.g. building permits (the value of the land is moreover also relatively low compared to the total investment)*
- *Compliance with the global policy of Melexis to own both land and buildings*
- *Avoidance of future conflict of interest transactions with Xpeqtis*
- *Any change of construction will bring additional cost in case we don't purchase the land (e.g. obtain new right to build)*
- *Current low borrowing costs.*

The current positive economic environment combined with low interest rates has led to a rise in land and property prices in Bulgaria over the last two years, however prices are still significantly below the peak seen in 2007-2009.

The Board of Directors therefore RESOLVED that the Purchase of the plot of land from Xpeqtis is approved for a total value of EUR 3,943,426, in line with the valuation report prepared by the independent valuator.

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 an impression of being 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 2018 however there were no transactions between the company and its directors or executive managers involving 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 sensitive information on share prices.

The purpose of the Melexis Insider Trading Policy is to prevent the abuse of information which could have a considerable effect on the share price, in particular during the periods prior to the publication of financial results, or decisions or events which can affect the share price. As determined in the Melexis Insider Trading Policy, it is prohibited to sell Melexis shares during such a closed period. This closed period includes at least the 21 days immediately preceding the announcement of the financial results.

Moreover, before trading any company shares, the members of the Board of Directors and the Executive Management have to receive the green light from the Compliance Office and have to report back once the transaction has been completed. Furthermore, in compliance with the same legislation, the members of the Board of Directors and the Executive Management have to notify all their transactions in Melexis shares to the Belgian Financial Services and Markets Authority, who will publish these notices on its website.

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

7.8 INTERNAL CONTROL AND RISK ASSESSMENT PROCEDURES IN RELATION TO FINANCIAL REPORTING

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

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

- Data on transactions or use of assets of the company are registered accurately and saved in an automated global enterprise resource planning (ERP) system by the different Melexis functions.
- Accounting transactions are registered in globally standardized operating charts of accounts.
- The financial information is prepared and reported in first instance by the accounting teams in the different legal entities of Melexis worldwide.
- 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.

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

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

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

- Risks that the company is confronted with are detected and monitored with the responsible persons of the different functions of the company.
- By using an automated ERP-system, the responsible persons of the functions have permanent access to the financial information with regard to their function for monitoring, controlling and directing purposes with regard to their business activities.
- Closing the accounts at the end of every month warrants that the financial consequences of the identified risks are monitored closely to be able to anticipate to possible adverse evolutions.
- The financial results are also monthly reviewed on a global level.
- A data protection system based on antivirus software, internal and external backup of data and the controlling of access rights to information, protects the company's information and guarantees the continuity of the financial reporting. The adequacy and integrity of these IT systems and procedures are reviewed regularly.
- In accordance with the 2009 Belgian Code on Corporate Governance Melexis has set up an internal audit function, whose resources and skills are adapted to assess the financial reporting and the risk management of the company. The Audit Committee receives a periodic summary of the internal audit activities.

7.9 ELEMENTS PERTINENT TO A TAKE-OVER BID

Capital structure

The registered capital of Melexis NV amounts to EUR 564,813.86 and is represented by 40,400,000 equal shares without par value. The shares are in registered or non-material form.

Restrictions on the transfer of securities

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

Restrictions on the exercise of voting rights

Each share entitles the holder to one vote. The Articles of Association contain no restrictions on the voting rights and each shareholder can exercise his voting rights provided 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 one can vote at the General Meeting using voting rights attached to securities that have not been reported in due time in accordance with the Articles of Association and with the law.

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

Agreements among shareholders

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

Amendments to the Articles of Association

The Articles of Association can be amended by an Extraordinary General Meeting in accordance with the Belgian 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 of Directors to issue, buy back or dispose of own shares

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

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

- This authorization applies for a number of own shares that is at most equal to that which, after acquisition, results in a total number of own shares held by the company equal to the set limit of 20% as stipulated in article 620, §1, 1 °, 2 ° of the Belgian Companies Code.
- Under this authorization a share should be acquired 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 that are available for distribution in accordance with article 617 of the Belgian Companies Code.
- The acquisition of shares under this authorization directly establishes an 'acquisition of own shares' reserve that is unavailable for distribution and equal to 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 are only obligatory as long as the shares are being held.
- This authorization applies for a period of five (5) years from the date at which this resolution was approved.
- The existing authorizations of the Board of Directors were awarded for an indefinite period by the resolutions of the Extraordinary General Meeting of 22 April 2014 for the alienation of own shares held in accordance with article 622, §2, of the Belgian Companies Code and article 622, §2, 1° of the Belgian Companies Code.

- The number of own shares disposed of may not exceed the number of shares in the company that a direct subsidiary of the company may hold as a legitimate cross-shareholding within the meaning of article 631, § 1 of the Companies Code.
- The disposal of a share under this authority shall take place at the last closing price at which the shares were quoted on the Brussels stock exchange at the moment of disposal.
- The shares concerned may only be transferred to Melexis Technologies NV, whose registered office is situated at 3980 Tessenderlo, Transportstraat 1, RPR Hasselt 0467.222.076, or to a company of which Melexis NV directly or indirectly holds more than 99% of the dividend entitled securities.
- The reserves the company has made unavailable for distribution due to the 'acquisition of own shares' are transferred back to reserves available for distribution for an amount equal to the acquisition value of the disposed shares.

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

On 31 December 2018, the Melexis Group was in the possession of 346,141 shares out of 40,400,000 shares in the registered capital of the company, or 0.86% of the total outstanding share capital. In accordance with article 622 of the Companies Code, the voting rights on these shares are suspended.

Termination of management agreements

All management agreements with the members of the Executive Management (except the CEO) provide for a severance payments equal to twelve months fixed remuneration if the management agreement is terminated due to a change of control.

Other elements

The company has not issued securities with special control rights.

No agreements have been concluded between the company and its directors or employees providing for a compensation if, as a result of a take-over bid, the directors resign or are made redundant without valid reason or if the employment of the employees is terminated.

7.10 AUDITOR

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

The annual fee for this mandate amounted consolidated to EUR 163,610 in audit fees, VAT excluded and is adjusted annually according to the consumer index. In 2018 the additional legal fees amounted to EUR 12,500 VAT excluded.

7.11 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 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 of Directors should not chair the Audit Committee. As per 4 March 2019, Procexcel BVBA, represented by Ms. Jenny Claes, will chair the Audit Committee.

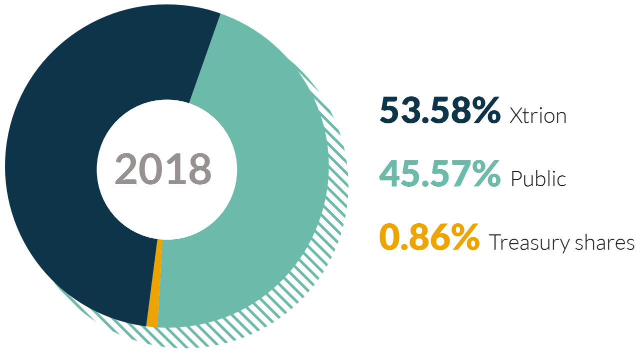
8 SHAREHOLDER INFORMATION

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

8.1 SHAREHOLDER STRUCTURE

Situation on 31 December 2018

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



8.2 SHARE INFORMATION

- **First day of listing** 10 October 1997
- **Number of shares outstanding on 31 December 2018** 40,400,000
- **Market capitalization on 31 December 2018** EUR 2,056,360,000

(EUR)	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Earnings per share	2.86	2.75	2.38	2.45	2.10	1.37	1.25	1.06	1.12	(0.09)
Net cash from operating activities	2.47	2.80	2.67	2.85	2.35	1.75	1.41	1.35	1.04	0.46
Gross dividend	2.20	2.10	2.00	1.90	1.00	0.70	0.65	0.60	0.30	0.00
Year end price	50.90	84.37	63.65	50.18	37.50	23.18	12.88	10.37	13.46	6.78
Year's high	92.83	87.37	65.88	59.47	37.54	24.44	13.40	13.84	13.80	7.44
Year's low	45.62	64.41	40.94	37.70	23.10	13.19	10.60	8.35	6.84	3.33
Average volume of shares traded/day	107,094	54,966	59,810	73,249	35,665	22,741	22,958	34,818	34,900	22,137

8.3 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

8.4 FINANCIAL CALENDAR 2019

23 April 2019
Annual Shareholder's Meeting

23 April 2019
Announcement of Q1 Results

31 July 2019
Announcement of Half Year Results

23 October 2019
Announcement of Q3 Results

5 February 2020
Announcement of Full Year Results

8.5 DIVIDEND POLICY

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

Gross (interim-) dividend per share related to accounting year:
2014: EUR 1.00 interim dividend
2015: EUR 1.30 interim dividend
EUR 0.60 final dividend
2016: EUR 1.30 interim dividend
EUR 0.70 final dividend
2017: EUR 1.30 interim dividend
EUR 0.80 final dividend
2018: EUR 1.30 interim dividend
EUR 0.90 final dividend
(payable after approval of the Annual Shareholders meeting on 23 April 2019)

9 EXCERPTS 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 6 and 7 present a true and fair view of the financial position and performance of the Melexis group.

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

For this reason, the Board of Directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended 31 December 2018. Participations in affiliated companies are recognized at purchase price.

The statutory auditors' report is unqualified and certifies that the non-consolidated financial statements of Melexis NV prepared in accordance with Belgian GAAP for the year ended 31 December 2018 give a true and fair view of the financial position and results of Melexis NV in accordance with all legal and regulatory dispositions.

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

Condensed non consolidated statement of financial position

in 1,000 EUR

ASSETS	2018	2017
FIXED ASSETS	**710,974**	**697,265**
II. Intangible assets	463	581
III. Tangible assets	52,458	41,356
A. Land and buildings	14,562	11,423
B. Plant machinery and equipment	33,315	28,191
C. Furniture and vehicles	1,689	1,035
F. Assets under construction and advanced payments	2,892	708
IV. Financial assets	658,053	655,327
A. Affiliated companies	657,974	655,278
1. Participations	657,974	655,278
B. Other enterprises linked by participating interests	-	-
1. Participations	-	-
C. Other financial assets	79	50
2. Receivables and caution money	79	50
CURRENT ASSETS	**2,368**	**3,791**
V. Amounts receivable after more than one year	3	3
1. Other receivables	3	3
VII. Amounts receivable within one year	188	398
A. Trade receivables	110	61
B. Other receivables	78	337
VIII. Cash investments	21	271
A. Own shares	21	21
B. Other investments and deposits	-	250
IX. Cash deposits	62	618
X. Deferred assets and accrued income	2094	2,501
TOTAL ASSETS	**713,342**	**701,056**

Condensed non consolidated statement of financial position (continued)

in 1,000 EUR

	2018	2017
SHAREHOLDERS' EQUITY	**128,732**	**210,973**
I. Capital	565	565
A. Outstanding capital	565	565
IV. Reserves	96	92
A. Legal reserve	57	57
B. Reserves not available for distribution	39	35
1. In respect of own shares held	39	35
V. Retained earnings	127,744	209,966
VI. Investment grants	327	350
DEBTS	**584,610**	**490,082**
VIII. Long-term debt	10,000	-
D. Banks	10,000	-
IX. Amounts payable within one year	571,322	488,311
A. Current portion of amounts payable after more than one year	-	4
C. Trade debts	5,749	6,091
1. Trade payables	5,749	6,091
E. Taxes, remuneration and social security	2,972	3,754
1. Taxes	178	1,329
2. Remuneration and social security	2,793	2,425
F. Other amounts payable	562,601	478,463
X. Accrued charges and deferred income	3,289	1,771
TOTAL LIABILITIES	**713,342**	**701,056**

Condensed non consolidated statement of comprehensive income

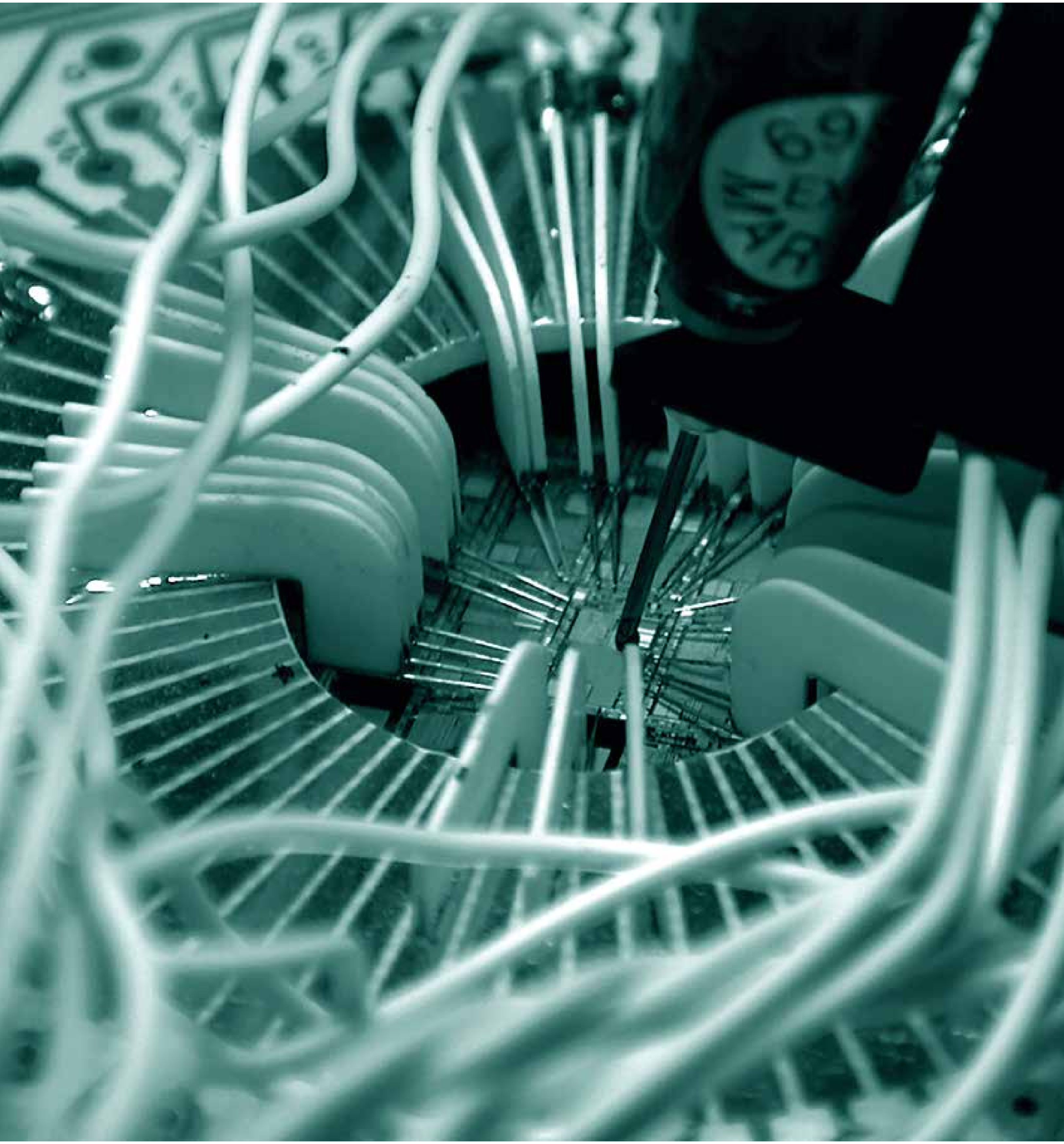
in 1,000 EUR

	2018	2017
I. Operating income	68,931	54,550
A. Turnover	67,218	53,506
C. Other operating income	1,712	1,044
II. Operating charges	(56,330)	(42,833)
B. Services and other goods	23,273	18,545
C. Remuneration, social security charges and pensions	21,094	15,432
D. Depreciations	11,775	8,576
E. Amounts written off stocks, contracts in progress and trade receivables	-	-
G. Other operating charges	188	280
III. Operating result	12,601	11,717
IV. Financial income	191	2,472
B. Income from current assets	1	2
C. Other financial income	190	2,470
V. Financial charges	(6,322)	(5,033)
A. Debt charges	6,153	4,974
C. Other financial charges	169	59
VI. Result of the year before taxes	6,470	9,156
VII. Income taxes	187	222
A. Taxes	26	120
B. Regularization	(213)	(342)
VIII. Result of the year	6,657	9,379
IX. Profit of the year available for appropriation	**6,657**	**9,379**

Appropriation of the result

in 1,000 EUR

	2018	2017
A. Result to be appropriated	216,624	294,806
1. Result of the period available for appropriation	6,657	9,379
2. Result carried forward	209,966	285,428
C. Transfers to capital and reserves	(4)	(4)
1. To other reserves	(4)	(4)
D. Result to be carried forward	127,744	209,966
1. Result to be carried forward	127,744	209,966
F. Distribution of profit	(88,876)	(84,836)
1. Dividends	(88,876)	(84,836)



10 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

Tangible net worth
Total assets – liabilities – intangible assets

11 LIST OF USED ACRONYMS

ADAS	Advanced driver-assistance system
AEC	Automotive electronics council
ASIC	Application-specific integrated circuit
ASIL	Automotive safety integrity level
ASSP	Application-specific standard product
BLDC	Brushless DC (direct current)
BOM	Bill of materials
CAN FD	Controller area network with flexible data rate
CEO	Chief executive officer
CFO	Chief financial officer
CMOS	Complementary metal oxide semiconductor
CTA	Cumulative translation adjustments
DC	Direct current
DRC	Democratic Republic of Congo
DSP	Digital signal processor
ECHA	European chemical agency
ELV/WEEE	End-of-life vehicles/Waste electrical and electronic equipment
EMI	Electromagnetic interference
ESP	Electronic stability program
EV	Electric vehicle
FAE	Field application engineers
FIR	Far infrared
FOV	Field of view
GHG	Greenhouse gases
GRI	Global reporting initiative
HVAC	Heating, ventilation and air conditioning
IATF	International automotive task force
IAS(B)	International accounting standards (board)
IC	Integrated circuit
ICE	Internal combustion engine
IFRS	International financial reporting standards

IMC	Integrated magnetic concentrator
IOT	Internet of things
IP	Intellectual property
ISO	International organization for standardization
ISO/TS	International organization for standardization/technical specification
KPI	Key performance indicator
LIN	Local interconnect network
MEMS	Micro-electromechanical system
OEM	Original equipment manufacturer
PBB	Polybrominated biphenyl
PBDE	Polybrominated diphenyl ether
QVGA	Quarter video graphics array
R&D	Research & development
REACH	Registration, evaluation, authorization and restriction of chemicals
RF	Radio frequency
RGB	Red, green and blue
ROHS	Restriction on the use of hazardous substances
ROM	Read-only memory
SIP	Single-in-line package
SOC	System-on-chip
SOT	Small outline transistor
STEM	Science, technology, engineering and mathematics
SVHC	Substances of very high concern
SWTW	Semiconductor wafer test workshop
TOF	Time-of-flight
TPMS	Tire pressure monitoring system
UNIC	Ukrainian network of integrity and compliance
VGA	Video graphics array

12 OUR INDUSTRY ASSOCIATIONS

Melexis participates in the following industry associations through which we get access to and learn from the industry's best practices.

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

13 GRI CONTENT INDEX

Melexis is inspired by the Global Reporting Initiative (GRI) framework to guide its sustainability reporting. Melexis will continue to work throughout the upcoming years to report its sustainability efforts in accordance with the GRI Standards: Core option. This is our GRI content index.

	GRI STANDARDS REFERENCE	DISCLOSURE	PAGE REF.
GENERAL	**GRI 102: General disclosures**		
	Organizational profile		
		102-1 Name of the organization	62, 140
		102-2 Activities, brands, products, and services	62, 90
		102-3 Location of headquarters	62, 140
		102-4 Location of operations	98, 138-139
		102-5 Ownership and legal form	62, 72
		102-6 Markets served	62, 92
		102-7 Scale of the organization	52, 62
		102-8 Information on employees and other workers	30-33
		102-9 Supply chain	47-48
		102-10 Significant changes to the organization and its supply chain	not reported
		102-11 Precautionary Principle or approach	44
		102-12 External initiatives	not reported
		102-13 Membership of associations	130
	Strategy		
		102-14 Statement from senior decision-maker	8
		102-15 Key impacts, risks, and opportunities	not reported
	Ethics and integrity		
		102-16 Values, principles, standards, and norms of behavior	26-27, 49
		102-17 Mechanisms for advice and concerns about ethics	27, 49
	Governance		
		102-18 Governance structure	not reported
		102-19 Delegating authority	not reported
		102-20 Executive-level responsibility for economic, environmental, and social topics	not reported
		102-21 Consulting stakeholders on economic, environmental, and social topics	not reported

GENERAL		102-22 Composition of the highest governance body and its committees	not reported
		102-23 Chair of the highest governance body	not reported
		102-24 Nominating and selecting the highest governance body	not reported
		102-25 Conflicts of interest	27, 49, 115
		102-26 Role of highest governance body in setting purpose, values and strategy	107
		102-27 Collective knowledge of highest governance body	107-109
		102-28 Evaluating the highest governance body's performance	110
		102-29 Identifying and managing economic, environmental, and social impacts	not reported
		102-30 Effectiveness of risk management processes	98-102, 107
		102-31 Review of economic, environmental, and social topics	not reported
		102-32 Highest governance body's role in sustainability reporting	not reported
		102-33 Communicating critical concerns	not reported
		102-34 Nature and total number of critical concerns	98-102
		102-35 Remuneration policies	36, 112-114
		102-36 Process for determining remuneration	36, 112-114
		102-37 Stakeholders' involvement in remuneration	not reported
		102-38 Annual total compensation ratio	113-114
		102-39 Percentage increase in annual total compensation ratio	113-114
	Stakeholder engagement		
		102-40 List of stakeholder groups	29, 46
		102-41 Collective bargaining agreements	not reported
		102-42 Identifying and selecting stakeholders	29, 46
		102-43 Approach to stakeholder engagement	29, 44, 46
		102-44 Key topics and concerns raised	not reported
	Reporting practice		
		102-45 Entities included in the consolidated financial statements	63, 93, 98
		102-46 Defining report content and topic Boundaries	not reported
		102-47 List of material topics	not reported
		102-48 Restatements of information	140
		102-49 Changes in reporting	140

GENERAL		102-50 Reporting period	140
		102-51 Date of most recent report	140
		102-52 Reporting cycle	140
		102-53 Contact point for questions regarding the report	140
		102-54 Claims of reporting in accordance with the GRI Standards	25, 131
		102-55 GRI content index	25, 131-137
		102-56 External assurance	not reported
	GRI 103: Management approach		
		103-1 Explanation of the material topic and its boundary	not reported
		103-2 The management approach and its components	not reported
		103-3 Evaluation of the management approach	not reported

ECONOMIC	**GRI 201: Economic performance**		
		201-1 Direct economic value generated and distributed	61
		201-2 Financial implications and other risks and opportunities due to climate change	not reported
		201-3 Defined benefit plan obligations and other retirement plans	66, 96
		201-4 Financial assistance received from government	68, 80, 83
	GRI 202: Market presence		
		202-1 Ratios of standard entry level wage by gender compared to local minimum wage	not reported
		202-2 Proportion of senior management hired from the local community	not reported
	GRI 203: Indirect economic impacts		
		203-1 Infrastructure investments and services supported	78
		203-2 Significant indirect economic impacts	not reported
	GRI 204: Procurement practices		
		204-1 Proportion of spending on local suppliers	not reported
	GRI 205: Anti-corruption		
		205-1 Operations assessed for risks related to corruption	27, 49
		205-2 Communication and training about anti-corruption policies	27, 49
		205-3 Confirmed incidents of corruption and actions taken	27, 49
	GRI 206: Anti-competitive behavior		
		206-1 Legal actions for anti-competitive behavior, antitrust and monopoly practices	49

ENVIRONMENTAL	**GRI 301: Materials**		
		301-1 Materials used by weight or volume	45
		301-2 Recycled input materials used	45
		301-3 Reclaimed products and their packaging materials	45
	GRI 302: Energy		
		302-1 Energy consumption within the organization	not reported
		302-2 Energy consumption outside of the organization	not reported
		302-3 Energy intensity	not reported
		302-4 Reduction of energy consumption	not reported
		302-5 Reductions in energy requirements of products and services	not reported
	GRI 303: Water		
		303-1 Water withdrawal by source	45
		303-2 Water sources significantly affected by withdrawal of water	not reported
		303-3 Water recycled and reused	not reported
	GRI 304: Biodiversity		
		304-1 Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside	not reported
		304-2 Significant impacts of activities, products, and services on biodiversity	not reported
		304-3 Habitats protected or restored	not reported
		304-4 IUCN Red List species and national conservation list species with habitats in areas affected by operations	not reported
	GRI 305: Emissions		
		305-1 Direct (Scope 1) GHG emissions	not reported
		305-2 Energy indirect (Scope 2) GHG emissions	45
		305-3 Other indirect (Scope 3) GHG emissions	not reported
		305-4 GHG emissions intensity	45
		305-5 Reduction of GHG emissions	not reported
		305-6 Emissions of ozone-depleting substances (ODS)	not reported
		305-7 Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	not reported
	GRI 306: Effluents and waste		
		306-1 Water discharge by quality and destination	45
		306-2 Waste by type and disposal method	45
		306-3 Significant spills	45
		306-4 Transport of hazardous waste	not reported
		306-5 Water bodies affected by water discharges and/or runoff	not reported

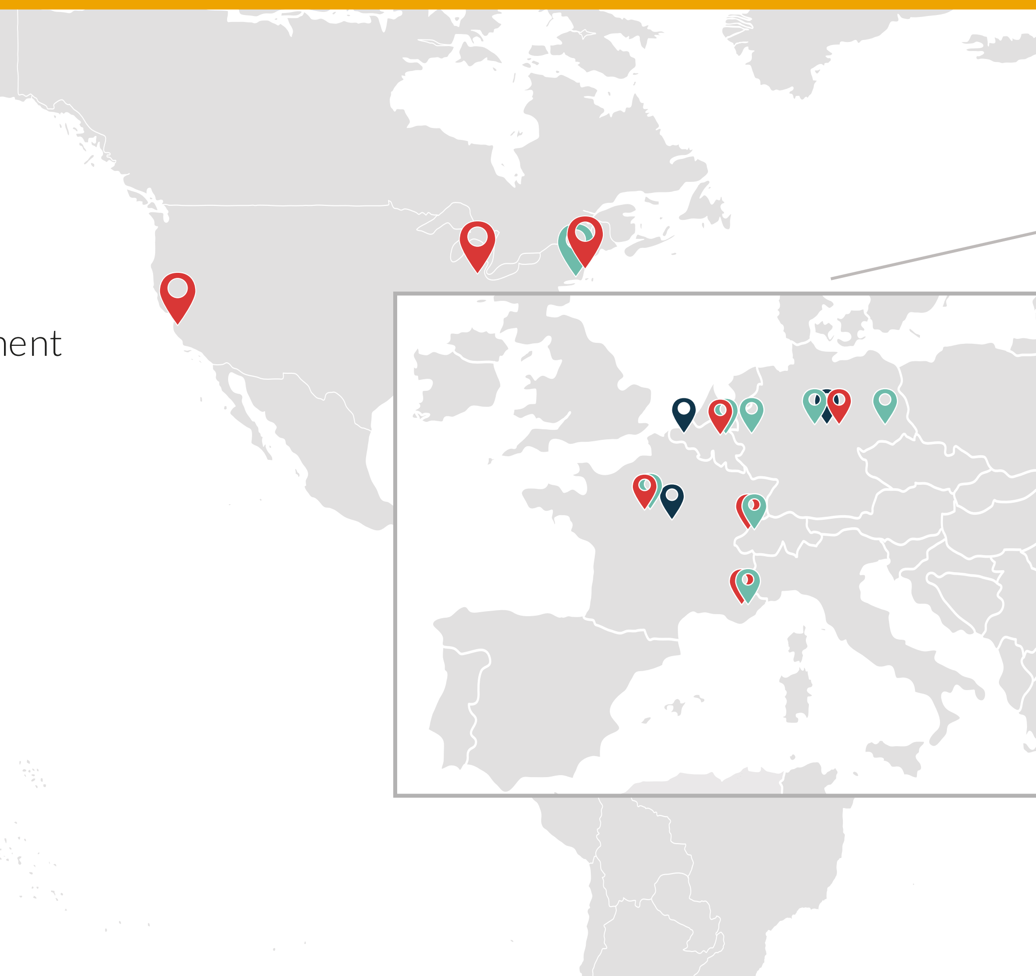
ENVIRONMENTAL	**GRI 307: Environmental compliance**		
		307-1 Non-compliance with environmental laws and regulations	45
	GRI 308: Supplier environmental assessment		
		308-1 New suppliers that were screened using environmental criteria	46
		308-2 Negative environmental impacts in the supply chain and actions taken	not reported

SOCIAL	**GRI 401: Employment**		
		401-1 New employee hires and employee turnover	32-33
		401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	34
		401-3 Parental leave	34
	GRI 402: Labor/management relations		
		402-1 Minimum notice periods regarding operational changes	37
	GRI 403: Occupational health and safety		
		403-1 Workers representation in formal joint management–worker health and safety committees	37, 39
		403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	39
		403-3 Workers with high incidence or high risk of diseases related to their occupation	not reported
		403-4 Health and safety topics covered in formal agreements with trade unions	not reported
	GRI 404: Training and education		
		404-1 Average hours of training per year per employee	35
		404-2 Programs for upgrading employee skills and transition assistance programs	35
		404-3 Percentage of employees receiving regular performance and career development reviews	not reported
	GRI 405: Diversity and equal opportunity		
		405-1 Diversity of governance bodies and employees	30, 111
		405-2 Ratio of basic salary and remuneration of women to men	not reported

SOCIAL	**GRI 406: Non-discrimination**		
		406-1 Incidents of discrimination and corrective actions taken	not reported
	GRI 407: Freedom of association and collective bargaining		
		407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	not reported
	GRI GRI 408: Child labor		
		408-1 Operations and suppliers at significant risk for incidents of child labor	49
	GRI 409: Forced or compulsory labor		
		409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labor	49
	GRI 410: Security practices		
		410-1 Security personnel trained in human rights policies or procedures	not reported
	GRI 411: Rights of indigenous peoples		
		411-1 Incidents of violations involving rights of indigenous peoples	not reported
	GRI 412: Human rights assessment		
		412-1 Operations that have been subject to human rights reviews or impact assessments	not reported
		412-2 Employee training on human rights policies or procedures	not reported
		412-3 Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	not reported
	GRI 413: Local communities		
		413-1 Operations with local community engagement, impact assessments, and development programs	not reported
		413-2 Operations with significant actual and potential negative impacts on local communities	not reported
	GRI 414: Supplier social assessment		
		414-1 New suppliers that were screened using social criteria	not reported
		414-2 Negative social impacts in the supply chain and actions taken	not reported

SOCIAL	**GRI 415: Public policy**		
		415-1 Political contributions	not reported
	GRI 416: Customer health safety		
		416-1 Assessment of the health and safety impacts of product and service categories	44
		416-2 Incidents of non-compliance concerning the health and safety impacts of products and services	not reported
	GRI 417: Marketing and labeling		
		417-1 Requirements for product and service information and labeling	not reported
		417-2 Incidents of non-compliance concerning product and service information and labeling	not reported
		417-3 Incidents of non-compliance concerning marketing communications	not reported
	GRI 418: Customer privacy		
		418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	not reported
	GRI 419: Socioeconomic compliance		
		419-1 Non-compliance with laws and regulations in the social and economic area	not reported

14 OUR SITES WORLDWIDE



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Annual report

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

This annual report covers the period 1 January – 31 December 2018. You can find the financial report as of page 51. However, the report has also been made compliant with the Belgian law of 3 September 2017 detailing the publication of non-financial information and information regarding diversity by certain large companies and groups. For this information, Melexis has been inspired by the Global Reporting Initiative Standards: Core option. We are committed to report on our sustainability efforts increasingly over the next few years. You can find the GRI content index on pages 131-137.

Design and layout

www.magelaan.be

MELEXIS NV

Statutory auditor's report to the general shareholders' meeting on the consolidated accounts for the year ended December 31, 2018

March 14, 2019

STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY MELEXIS NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

We have been appointed as statutory auditor by the general meeting *d.d.* April 20, 2017, following the proposal formulated by the board of directors and following the recommendation by the audit committee. Our mandate will expire on the date of the general meeting which will deliberate on the annual accounts for the year ended December 31, 2019. We have performed the statutory audit of the consolidated accounts of Melexis NV for 2 consecutive years.

Report on the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at December 31, 2018, the consolidated income statement and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 428.019.465 and a profit for the year of EUR 115.451.278.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at December 31, 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Belgium. Furthermore, we have applied the International Standards on Auditing (ISAs) as approved by the IAASB for the years ending as from December 31, 2018, which are not yet approved at the national level. Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts"* section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

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

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

Key audit matters

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

1) First key audit matter regarding fraud in revenue recognition

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

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

   How our audit addressed the key audit matter
   We assessed the Melexis revenue recognition policies and how they are applied, including the relevant controls, and tested controls over revenue recognition where appropriate. We discussed key contractual arrangements with management and obtained relevant documentation, including rebate arrangements. Where rebate arrangements exist, we obtained third-party confirmations or performed appropriate alternative procedures, including review of contracts and recalculation of rebates. We also performed an analysis over changes to prior period rebate estimates to challenge the assumptions made, including assessing the estimates for evidence of management bias.
   As part of our overall revenue recognition testing, we used data analysis tools to test the correlation of revenue transactions to cash receipts for the complete set of sales throughout the year. We performed cut-off and sales price testing for a sample of revenue transactions around the period end date to check whether they were accurately recognised and recorded in the appropriate period.

   Other audit procedures are specifically designed to address the risk of management override of controls included journal entry testing, applying particular focus to the existence and timing of revenue transactions. Having performed these procedures, we did not identify exceptions that are significant to the financial statements as a whole.

2) Second key audit matter regarding tax positions

Description of the key audit matter
The global nature of Melexis operations, of which an overview can be found in section 6.9.4 of the notes to the consolidated financial statements, results in complexities in the payment of and accounting for income taxes: the group operates across 14 countries and is subject to periodic challenges by local tax authorities on a range of income tax matters during the normal course of business. Income tax legislation is open to different interpretations and the income tax treatment of some items is uncertain. Income tax audits can require several years to conclude and transfer pricing judgements may impact the group's income tax liability. Management applies judgement in assessing these income tax exposures in each jurisdiction, many of which require interpretation of local income tax laws. Given the complexities and the level of judgement involved, we consider this point as a key audit matter.

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

3) Third key audit matter regarding claims and litigations

Description of the key audit matter
The semiconductor industry is characterized by claims alleging the infringement of patents and other intellectual property (IP) rights. The group might receive communications or claims from third parties asserting patents or other IP rights on certain technologies or processes used by the group. In the event any third party claim were to be valid, the group could be required to discontinue using certain processes or technologies or to cease the use and sale of infringing products, to pay damages and to acquire licenses to the allegedly infringed technology or develop non-infringing technologies.

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

How our audit addressed the key audit matter

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

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

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

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

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

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

In performing our audit, we comply with the legal, regulatory and normative framework applicable to the audit of the consolidated accounts in Belgium.

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

- Identify and assess the risks of material misstatement of the consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

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

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

Other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts, the non-financial information and the other information included in the annual report.

Statutory auditor's responsibilities

In the context of our mandate and in accordance with the Belgian standard (Revised in 2018) which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, the directors' report on the consolidated accounts, the non-financial information and the other information included in the annual report and to report on these matters.

Aspects related to the directors' report on the consolidated accounts and to the other information included in the annual report

In our opinion, after having performed specific procedures in relation to the directors' report on the consolidated accounts and to the other information included in the annual report, this report is consistent with the consolidated accounts for the year under audit, and it is prepared in accordance with article 119 of the Companies' Code.

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing:
- Letter to our shareholders
- Our 2018 key figures
- Our strategy
- Our Solutions
- Our responsible entrepreneurship
- Corporate governance statement
- Shareholder information
- Excerpts from the Melexis nv statutory
- Glossary

is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you.

The non-financial information required by virtue of article 119, §2 of the Companies' Code is included in the directors' report on the consolidated accounts. The Company has prepared the non-financial information, based on the Global Reporting Initiative (GRI) framework. However, we do not express an opinion as to whether the non-financial information has been prepared in accordance with the Global Reporting Initiative (GRI) framework as disclosed in the consolidated accounts.

Statement related to independence

- Our registered audit firm and our network did not provide services which are incompatible with the statutory audit of the consolidated accounts, and our registered audit firm remained independent of the Group in the course of our mandate.
- The fees for additional services which are compatible with the statutory audit of the consolidated accounts referred to in article 134 of the Companies' Code are correctly disclosed and itemized in the notes to the consolidated accounts.

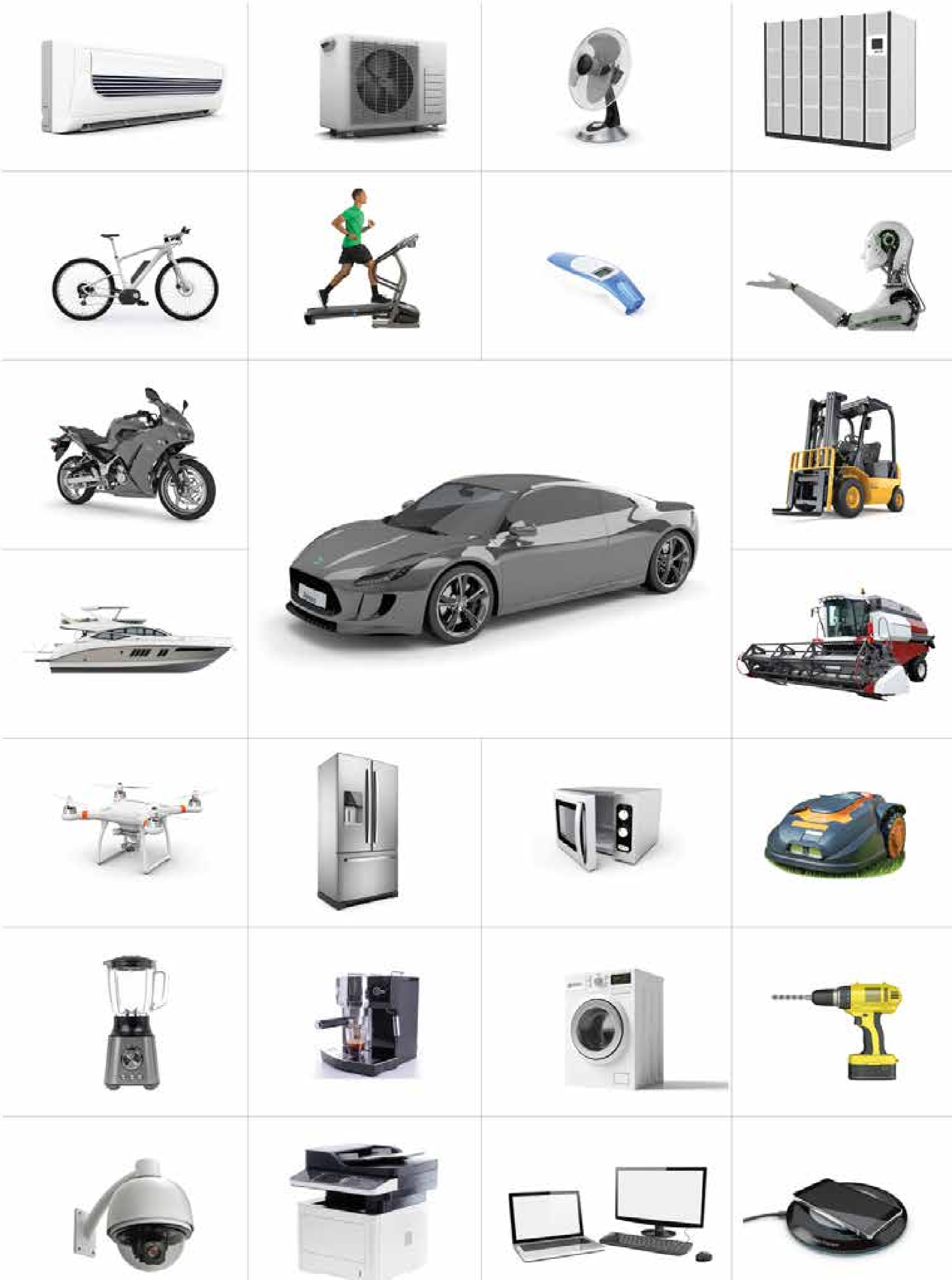
Other statements

- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Hasselt, March 14, 2019

The statutory auditor
PwC Bedrijfsrevisoren cvba
Represented by

Sofie Van Grieken	Koen Vanstraelen
Réviseur d'Entreprises / Bedrijfsrevisor	Réviseur d'Entreprises / Bedrijfsrevisor



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