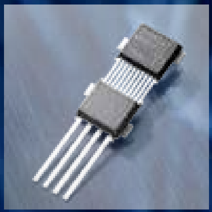
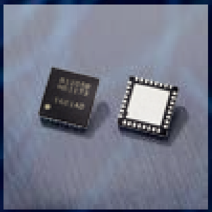
Melexis

INSPIRED ENGINEERING

ANNUAL REPORT **2016**



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1 LETTER TO THE SHAREHOLDERS

Dear Melexis Shareholder,

We are proud to present our annual report for 2016. In a year characterized by consolidations in the sector, Melexis succeeded in growing on an autonomous basis twice as fast as the automotive semiconductor market. This is based on the most recent market data from Strategy Analytics (Jan 2017).
All regions contributed to that result. We exceeded the forecast made at the beginning of the year with growth of 14% year-on-year, a gross margin close to 46% and an operating margin of 25%.
Driven by strong demand from various sectors, we saw good growth in the last year across all product families. The most important growth drivers continue to be our magnetic sensors, pressure sensors and fan drivers. Our portfolio of magnetic sensors has become very extensive. They are used to measure position, speed, current and commutation. Pressure sensors are used in, for example, vacuum brake boosters or in the powertrain to save energy and reduce emissions. Fan drivers are used in car seats, gaming and office equipment and drones.
Melexis' strong results are reflected in the evolution of our share price that ended the year at EUR 63.65, representing an increase of 27% over the entire year. The Board is proposing to the General Meeting of Shareholders the payment of a gross dividend amounting to EUR 2.00 on the results of the 2016; an increase of 5% with respect to the previous year.

An average of eight chips in each car

Our primary market is and remains the automotive sector, and each new car produced today, wherever in the world, contains an average of 8 Melexis chips.
A vast number of developments in the automotive industry would, moreover, not be possible without our technologies. Our sensors and actuators are nowadays vital components in every automobile design. They are essential in enabling car manufacturers to bring models on the market that are safer, more energy-efficient and more user-friendly.
The trend towards on the one hand more autonomous and on the other hand more hybrid and electric vehicles will only strengthen the demand for sensors. Sensors will play a crucial role in the transition to the fleet of tomorrow, since high-tech vehicles must be able to process a wide range of parametric data, such as speed, pressure, temperature, positioning and proximity detection.
This so-called 'intelligent observability and controllability' is a challenge that Melexis has taken on with professional know-how and enthusiasm.

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

In addition an evolution to more comfort creates further demand. Thus we are also seeing strong growth in our ambient lighting applications, which adapt the lighting in the car to the environment and personal preference of the driver.

We also remain alert to opportunities in other markets

Our strengths in the Automotive sector don't prevent us from looking further. Cross-pollination with adjacent markets offers us opportunities that allow us to continue to grow and innovate.

We are for example witnessing growth in the market for 'smartly integrated actuators'. Melexis has already proven itself in the domain of small motors with fans in game consoles or drones, and we expect demand to rise in the future.

To summarise, we are therefore continuing to play a leading role in the development of new products and categories and have a finger on the pulse of the rapidly evolving needs of the industry. The theme that runs through all our innovations remains the close cooperation with our customers and stakeholders.

A future-oriented brand

Last year we were also given recognition by the outside world.

Forbes magazine reviewed more than 1,100 stock-exchange quoted non-financial companies and placed Melexis in the top 50 of most reliable companies in Western Europe. According to the American business magazine, we warrant that ranking for our transparent accounting principles and solid company policy. We received the 'Vlerick Award 2016', as a company with both a rich legacy and a vision for the future.

With an eye on that future, we gave our brand a comprehensive upgrade in 2016. Company-wide consultations within all departments of the company resulted in a revamped identity. It reflects what we stand for today, strongly differentiates us within our sector and expresses our ambitions for the future.

Great people

We are pleased that this exercise resonated with our stakeholders, but we are especially happy about the enthusiastic responses from our employees.

At Melexis, commitment is not just an empty word. That is also clear from the results of a thorough internal consultation, which revealed that Melexis has made progress in all the categories compared with the previous survey. Involvement with the company especially shows a rising line. We can rightfully be proud of this splendid result, and we are grateful to our team for their trust. Because we never forget that in the first place, our success is thanks to our team. Last year we sought and found the people we needed. We equally established a new R&D center in Dresden.

Outlook 2017

We are looking forward with confidence at 2017: taking account of a EUR/USD exchange rate of 1.07, Melexis expects turnover growth for the entire year of 2017 to be between 11% and 15%, a gross margin around 45% and an operating margin around 25%.

We expect that our growth in turnover will be supported by many new and existing products in various product lines such as magnetic sensors, sensor interfaces, optical sensors, pressure sensors, fan drivers, BLDC and LIN. In order to support this growth, Melexis will continue to devote resources to research & development, sales & marketing, and automation. The planned investments in buildings, infrastructure and equipment for 2017 will amount to a total of approximately EUR 40 million.

As in everything we undertake, sustainability will be a cornerstone in 2017 in all our activities. Melexis remains an engineering company that is helping to build, in an optimistic and inspired manner, the best imaginable future.

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

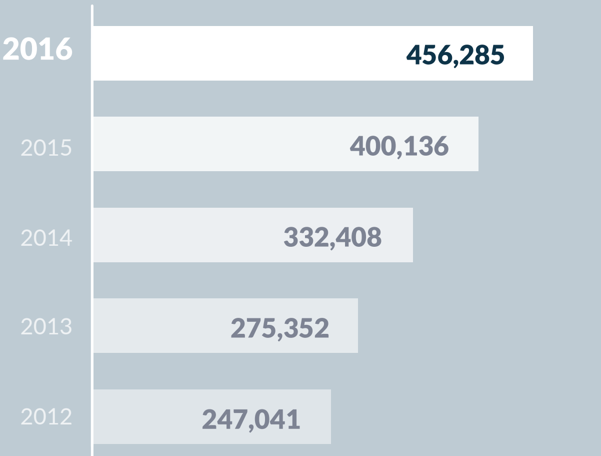
2 KEY FIGURES

In 1,000 Euro

Operating results	2012	2013	2014	2015	2016
Revenue	247,041	275,352	332,408	400,136	456,285
Gross profit	115,476	127,529	161,306	192,121	208,548
EBIT	55,856	63,713	89,175	107,604	114,369
EBITDA	71,066	79,222	108,951	130,414	140,240
Net income	51,529	55,214	84,994	99,071	96,257
Balance structure	**2012**	**2013**	**2014**	**2015**	**2016**
Shareholders' equity	129,277	157,639	201,361	242,511	262,465
Net indebtedness	11,732	(9,225)	(41,446)	(58,703)	(60,808)
Working capital	61,023	64,630	71,985	78,631	76,916
Cash flow and capital expenditure	**2012**	**2013**	**2014**	**2015**	**2016**
Net cash from operating activities	55,456	70,825	94,994	114,998	107,951
Depreciation + amortization	15,210	15,509	19,775	22,809	25,872
Capital expenditure	20,749	22,532	23,694	40,281	28,774
Ratios	**2012**	**2013**	**2014**	**2015**	**2016**
ROE	40%	35%	42%	41%	37%
Liquidity	1.8	3.4	4.2	3.7	2.8
Solvency	66%	73%	78%	79%	73%

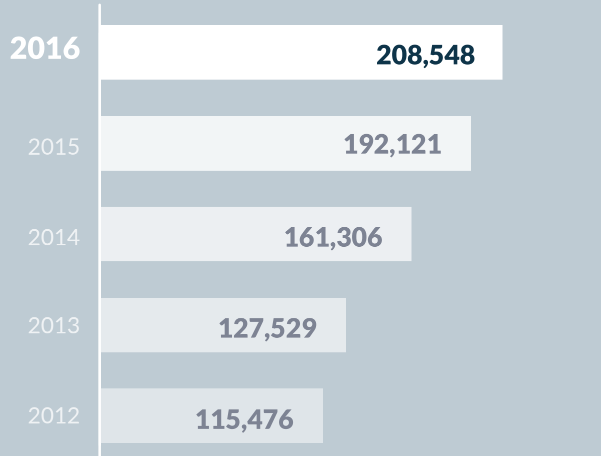
Revenue Evolution

IN 1,000 EURO



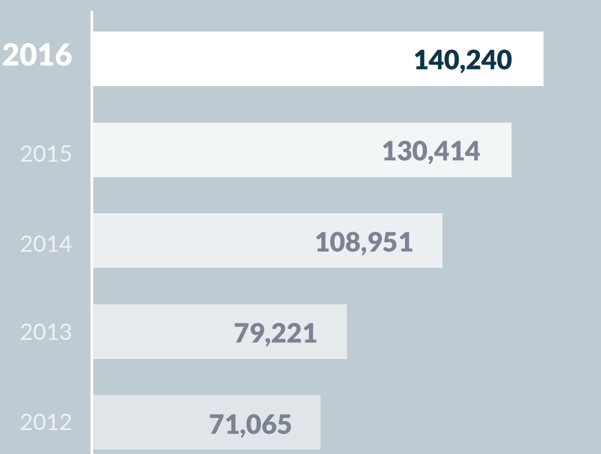
Gross Profit Evolution

IN 1,000 EURO



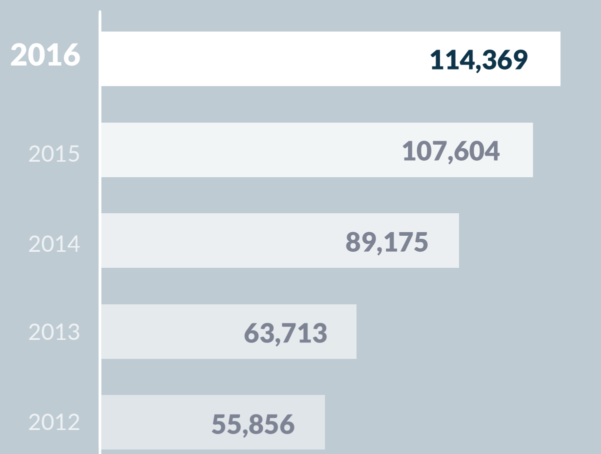
EBITDA Evolution

IN 1,000 EURO



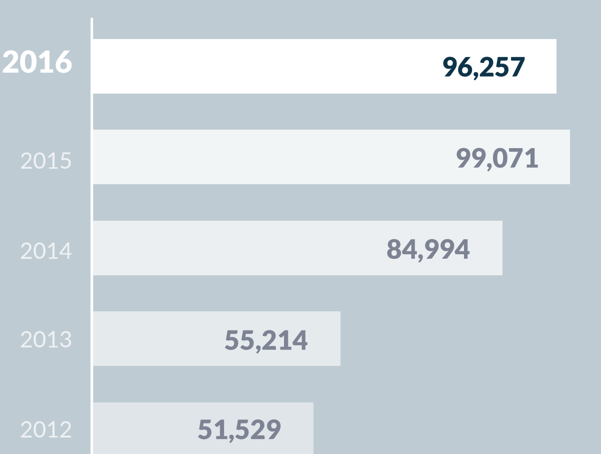
EBIT Evolution

IN 1,000 EURO



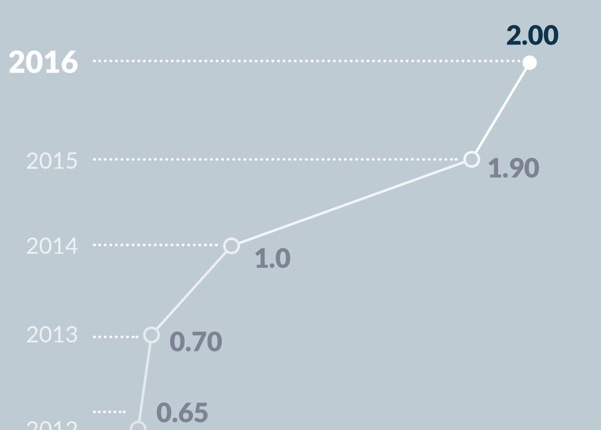
Net Income Evolution

IN 1,000 EURO



Dividend Evolution

IN EURO



3 RESPONSIBLE ENTREPRENEURSHIP

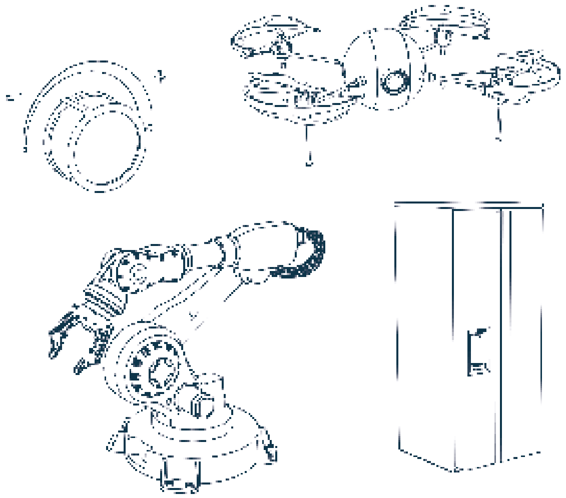
3.1 INSPIRED ENGINEERING

At Melexis, we are all about inspired engineering. Our passion for technology has propelled us to the top of our industry. Today, we are one of five world leaders in semiconductor sensors for the automotive sector. We are also trailblazers in the development, design, and application of integrated semiconductors for motors, car networking, and wired and wireless communication.

The automotive industry and far beyond

Automotive is our largest market, and today we are in the vanguard of technological advancement in the sector. We make cars, trucks and off-road equipment safer, more comfortable and more energy-efficient.

But our ambition is not limited to the automotive industry. Melexis is also active in smart appliances, home automation, and the industrial and medical sectors. We never develop technology for technology's sake. Rather, we create products that make a difference in someone's life, whether it is a body temperature sensor or an in-vehicle network solution.



Tomorrow's developments...

We see increasing concern for safety and sustainability in the world, two areas in which we have been active for many years. We are continuously working towards new, more sustainable and reliable vehicles through the development of magnetic sensors and sensor interfaces, from wireless to actuators.

There is great excitement in the automotive sector about the potential for self-driving cars, and these developments will play a major role in the future of Melexis.

World leader

We play a leading role in developing new products and categories and we keep a close eye on the rapidly-evolving needs of industry. For example, we are pioneers in 3D magnetic hall effect sensors, and we constantly improve production capabilities for sensor assemblies and modules.

Customer-driven innovation

Technological innovation cannot happen in isolation – we manage to stay leading edge through constant interactions with our customers. We talk to our customers to understand their needs and demands, and transform these into products. This radical customer focus is the key to our success. Our stakeholders directly inspire all our products.

MELEXIS BACKING FOR STEM

In 2016, Melexis announced its backing for the full STEM (Science, Technology, Engineering, Mathematics) academy network in Flanders, providing both financial support and volunteers. The STEM academies encourage children and young adults aged five to eighteen to take part in science and technology projects outside school hours and during school holidays. Melexis dedicated a team to planning and organizing a number of initiatives. We give our staff the opportunity to act as "technology mentors" – and of course, Santa brought STEM gifts to the children of Melexis employees this year. Melexis is committed to celebrate STEM education wherever and whenever possible.

In the picture on the left, Stephane Berghmans, Managing Director of Technopolis® and our CEO Françoise Chombar sign the agreement.

A NEW BRAND IDENTITY AND WEBSITE FOR MELEXIS

In 2016, Melexis was excited to launch a new brand identity and website. The new brand identity does not just express what our business stands for today. It reflects our ambitions for tomorrow: our engineering solutions help shape the best imaginable future.

The old brand colors, blue and yellow, made way for contemporary colors such as royal blue and, not accidentally, electric green. The new logo is accompanied by a new slogan, 'Inspired Engineering', which sums up what Melexis represents. "With our technology, we help our customers develop innovative, differentiated, safe and energy-efficient products," says CEO Françoise Chombar.
Melexis products were classified into three categories: 'Sense', 'Drive' and 'Communicate' – each represented by animals that have astonishing abilities paralleling the world of technology.

FOR MORE INFORMATION: www.melexis.com

... and future growth

Since founding the company in Belgium in 1988, we have grown into a business with more than 1,100 employees in 14 countries, all of whom are passionate about shaping the future.

This shared corporate vision is what enables our growth. Our people represent a vital link in the chain that connects outstanding people, outstanding teams and fantastic results.

3.2 SUSTAINABLE ENGINEERING

Pragmatic… No nonsense… We apply effective production and management techniques to quash inefficiencies. The Melexis 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 our aim:

> “Smart solutions that enable innovation and strengthen the confidence of our customers.”

The Melexis environmental policy strives to keep our environmental footprint as small as possible. We take our responsibility to both people and our planet very seriously.

Our environmental policy is based on four principles:

Sustainable development: The development of 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 ‘right first time’, 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.

Open contacts with all the stakeholders: Everything we do contributes to our corporate social responsibility, with team members playing an active part. This positive attitude helps to determine the financial and technological success of the company. We are proud of our daily efforts to produce less waste, improve efficiency and contribute to building a sustainable future.

3.3 'THE MELEXIS WAY'

We are on our customer's side

We are rooting for our customers' success. We do not 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 insights. Experiencing our customer's challenges and understanding their perspective allows us to peer over the horizon of our industry to build future-proof innovations.

NEW R&D CENTRE IN DRESDEN

In 2016, Melexis announced that it opened a new R&D center in Dresden, Germany. The new center initially employs 25 to 30 engineers and mainly focuses on the automotive sector. Dresden is a logical choice: the city can offer an abundance of engineering talent and enjoys an outstanding academic reputation. The new center is the tenth of its kind, following centers in Tessenderlo, Ypres, Sofia, Paris, Erfurt, Manila, Bevaix, Kyiv and Nashua.

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.

FORBES LISTS MELEXIS IN TOP 50 MOST TRUSTWORTHY COMPANIES IN WESTERN EUROPE

Forbes screened more than 1,100 listed non-financial companies and gave Melexis a place in the top 50, recognizing our consistently transparent accounting system and solid corporate policy.

"Melexis has adopted clear core values that have enabled us to grow commercially while maintaining a maximum of integrity. It's a great honor to have the professionalism of our corporate policy recognized by an organization respected across the world like Forbes. This recognition reflects our whole enterprise: from the vision of our management to the efforts of every individual employee. It is a tribute to the positive, strongly motivated corporate culture that we have developed over the past 27 years."

Forbes 2016
WESTERN EUROPE'S
MOST TRUSTWORTHY
COMPANIES

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.

MELEXIS SCOOPS RANDSTAD REGIONAL AWARD AND ACHIEVES SCORE FOR QUALITY TRAINING

Following the recognition by Randstad Belgium for our work in Limburg, we were again among the winners this year, this time for our work in West Flanders. Melexis was named one of the top three most attractive employers in West Flanders and won a Globe for the best score for high-quality training. “We are very happy to be recognized among the most attractive employers by Randstad Belgium. We follow one important rule: we try to put the right people in the right place. It is an approach that leads to intrinsic motivation and work satisfaction. Our track record of many years of growth, along with a high rate of staff retention, is evidence that our sustainable and innovative business culture works. The balance between people and profit is crucial for us”.

We understand the value of money

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

We enjoy the journey towards success

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

4 OUR STRATEGY

4.1 SIMPLY THE BEST INNOVATION MADE SAFE AT LAUNCH, ON TIME

Customer focus and a consistent strategic vision have been the basis of Melexis' growth for many years. Creating innovative products and bringing them into production in a timely and reliable way is essential to our success and that of our customers. A combination of team spirit, a shared set of core values and no-nonsense culture allows our staff to offer high-quality, leading technological solutions to customers. We will continue to build on our knowledge and experience, expanding our scope to include new applications, new sectors and new markets.

4.2 CONTINUING OPPORTUNITIES FOR GROWTH IN THE AUTOMOTIVE SECTOR

The market in semiconductors for cars has sound foundations. Despite modest growth in car sales, the amount of electronics built into vehicles is steadily increasing year on year. These electronics enable car manufacturers to differentiate themselves in areas such as safety, environmental impact, performance and comfort. Developing advanced integrated applications and solutions for this sector will certainly remain our core business. We have also observed interesting growth in new markets and sectors, including consumer electronics, wireless and industrial applications and personal healthcare. Melexis is uniquely placed to reap the benefits, thanks to the expertise we have built up in the automotive industry in fields such the development and testing of high-quality, integrated analog-digital applications for use in cars and trucks. We can see further scope for considerable growth and expansion of our business activities through a targeted selection of opportunities in the wider market.

4.3 FOCUS ON ASSPS AND ASICS

Melexis develops both ASICs (application-specific ICs) and ASSPs (application-specific standard products). The latter are Melexis solutions that lie within every customer's reach. ASICs and ASSPs are broad and generally accepted building blocks for all kinds of applications.

Our ASIC customers have good reason to trust Melexis for their mixed-signal ICs and sensor parts. Melexis makes a point of 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. Innovative, progressive solutions at the schematic level and throughout the lifecycle of the program make all the difference.

4.4 PARTNER OF CHOICE

We focus on a product's complete lifecycle. That is why we maintain close relationships with our customers and our suppliers. We aim for strong continuity in these collaborative activities, especially in the field of development, engineering and technical support. This allows us to go beyond developing a good product. It offers us crucial insight and the big-picture perspective needed to develop applications that anticipate future plans and needs, new trends and emerging markets.

4.5 LEADING THE WAY IN SENSOR AND ACTUATOR SOLUTIONS

Melexis has a well-matched team of experienced engineers. Their expertise in product definition, design and testing of integrated analogue-digital sensor and actuator solutions and sensor chips has given Melexis a leading position. To maintain and strengthen this position, Melexis is making substantial investments in R&D and in people.

4.6 FIRST FOR QUALITY AND ENVIRONMENTAL AWARENESS

Recognized standards are of crucial importance in the automotive industry, one of the most challenging sectors in the world, and are therefore 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 ISO/TS 16949 quality management system certificate demonstrates that we meet all these criteria.

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.

In 2016, Melexis passed all its certification audits for ISO/TS 16949 and ISO 11654 standards. All our certificates are therefore still current. Auditors from DQS (our certification body) were impressed by our consistent efforts for improvement to all our processes and at all our sites. They gave us some additional recommendations for improving the system even further so that we continue to meet the management system standards. Next year, we shall continue to work on these recommendations with the aim being further success in future audits.

The International Automotive Task Force (IATF) recently published IATF 16949:2016, which will replace ISO/TS 16949. The transitional period runs until 2018, by which time we expect to have obtained IATF 16949:2016 certification.

5 PRODUCT PORTFOLIO

5.1 INTRODUCTION

Smart electronic systems will continue to have a big impact on the automotive sector. In modern cars, many simple tasks have been taken out of the driver's hands. This improves the driving experience, increases comfort, is more energy-efficient and, above all, is safer. This development is only possible because of technologies that interact directly with the immediate environment. It is no longer necessary for the driver to make optimal decisions, such as running the engine to maximize fuel economy or activating the braking mechanism when travelling on slippery road surfaces. The latest generation of cars is equipped with new systems that help avoid lane departure, maintain a safe distance from the vehicle ahead and brake automatically in an emergency. On average, every new car produced worldwide contains no fewer than eight Melexis products.

These developments are no longer limited to the automotive sector. Everyday objects are also becoming more energy-efficient and safer through more intelligent functionalities and better communication. Thanks to Melexis' advanced semiconductor products, automotive systems and many other items of electronic equipment are becoming 'aware' of their environment. This allows our engineering teams to help customers around the world to create systems that are safer, cleaner and more intuitive to use, or even fully autonomous.

For systems to be able to detect/sense their environment in real time what is required is not just secure data communication with the right transfer speeds, but also precise control and remote actuation. The automotive industry has been addressing these aspects successfully for decades. Meanwhile, detecting, processing, actuating and communicating have become familiar concepts in every industry. These same principles apply to cars, refrigerators and mobile devices.

Melexis products stand out from those of rival manufacturers because of their intrinsic capacity to integrate detection, processing, activating and communicating into a single system. Smart integration is increasingly critical in the delivery of optimal solutions to simplify complex electronic designs.

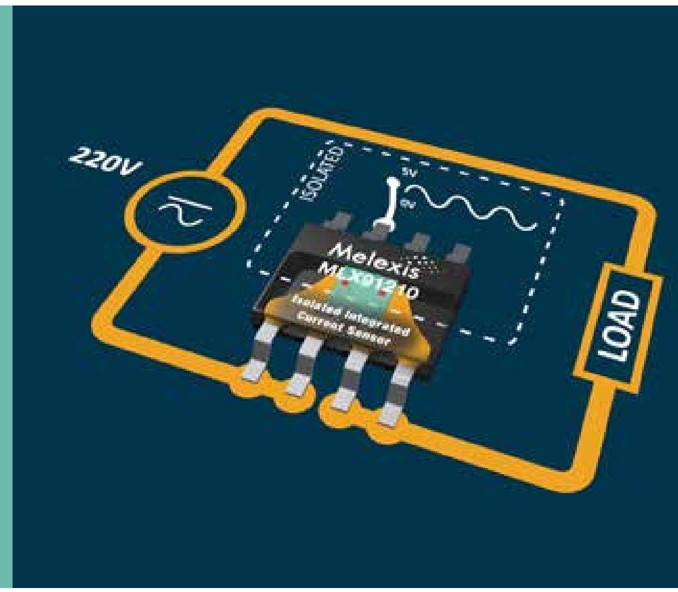
5.2 NO AUTOMATION WITHOUT SENSORS

Driven by the development of autonomous cars and cars with autonomous functionalities, awareness of their surroundings is becoming increasingly important. Cars with automated functionalities use sensors and actuators for tasks such as automated parking, highway autopilot, and the navigation through heavy traffic. Whether it is pressure, temperature, a change in position or a hand gesture, customers can detect all these things using Melexis' innovations in silicon-based sensor ICs.

Melexis is recognized as a world leader in magnetic sensing. For over a decade, the company has pushed the market forward with devices based on its patented Triaxis® Hall effect sensor technology, which continues to set new benchmarks for contactless magnetic position sensing. Typical uses for these sensor devices are for determining movement, position and speed, as well as current sensing. 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 multiple markets in both automotive and everyday applications. By taking mechanical tolerances out of the equation and simplifying the magnetic aspects of the design, Melexis' Triaxis® products are more cost effective to design into robust applications and are also considerably easier to manufacture.

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

In July 2016, Melexis announced the MLX91210 series, expanding our extensive portfolio of current sensing devices, based on the cutting-edge implementation of Hall effect technology. These compact ICs in the new series are fast, isolated and calibrated current sensors, providing a more effective alternative to traditional solutions with shunts.
The new series answers the growing demand for compact current and energy monitoring in both domestic and industrial environments. It also serves as a response to the new statutory measures put in place as a result of escalating energy costs. The devices have compact dimensions and combine a detection and isolation mechanism in just a few tens of square millimeters with very low insertion losses, very high thermal stability, and strong crosstalk immunity. They can therefore be applied in concentrated electronic systems and still deliver high levels of accuracy.

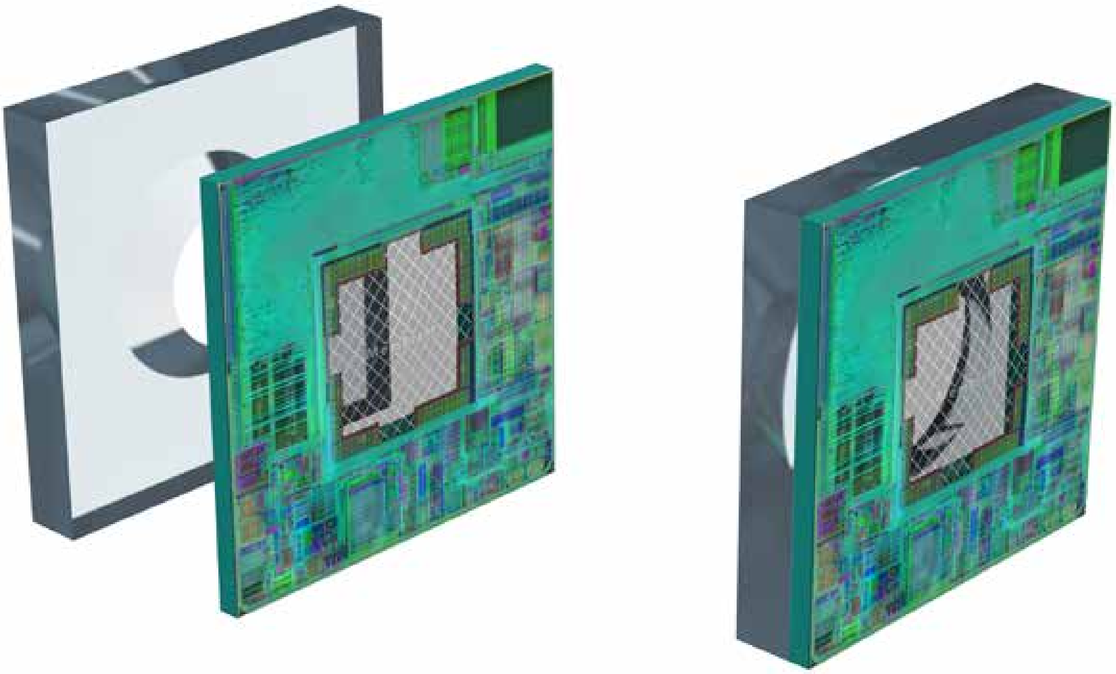


The Melexis range of magnetic sensors offers solutions for robust and reliable contactless switches, replacing traditional mechanical switches (which are large, expensive and unreliable) for applications such as seat-belt buckles and brake and clutch pedals. Thanks to the improved properties of programmable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

Sensors make many of the drive, comfort, and safety applications in modern vehicles possible. 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 has developed advanced pressure sensors, based on Micro-Electro-Mechanical System technology (MEMS) whereby the pressure causes a temporary and reversible distortion in a mechanical structure etched into the IC. Pressure is one of the most important parameters in almost every market segment. Pressure is measured using stand-alone sensors, for which Melexis also supplies the associated signal-processing interface ICs, or via full-integrated pressure sensors.

In 2015, Melexis took a significant step forward in magnetic sensor technology with the introduction of the MLX92292. This product was a real game changer, offering switch and lock functionalities, but in contrast to competitors' products, it can determine the presence of magnetic fields laterally and orthogonally. The MLX92292 is also unique in being the only latch/switch system on the market that also supports ASIL B safety integrity level in combination with the lowest power consumption.



In October 2016, Melexis announced its plan to pioneer the use of MEMS in mid-range pressure sensing applications. This is the MLX90819, a compact, micro-mechanical solution with accurate sensor functionality, integrated signal processing, and analog or SENT outputs, which will bring radical changes to the sector. Hitherto, there had been no adequate, fully integrated sensor solution.
This robust chip is ideal for both heavy industrial and automotive applications.

The chip is an attractive solution for engineering teams because the sensor technology means they spend less time and money on testing and assembly. It also demands lower component counts and less space. The streamlined shape of the MLX90819 greatly facilitates the sensor system's mechanical integration into customer modules, which offers considerable opportunities to shrink the size of the modules in which the chip is used.

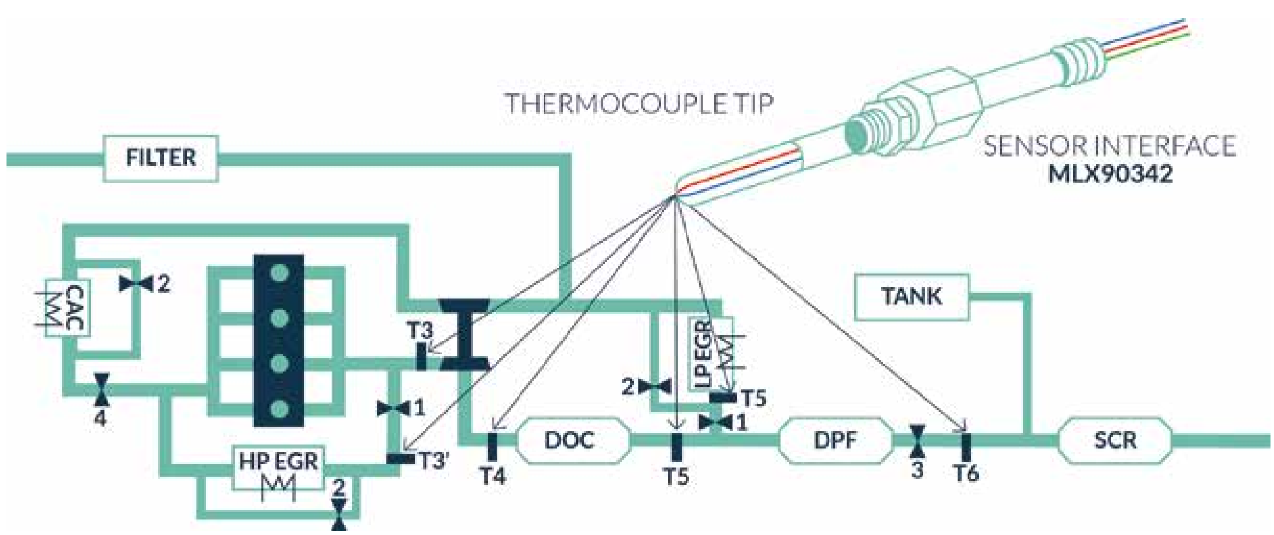
Integrated pressure sensors contain the measurement element and the conditioning electronics in one chip. This gives Melexis a greater scope of applications and enables us to help our customers address a wide range of challenging technical issues.

MEMS technology is also used in products such as Melexis' own far infrared 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, this sensor is used in microwave ovens to measure the temperature of heated food. In Internet of Things systems, they are suitable for numerous tasks in the field of temperature measurement and detection. Alongside its FIR array sensors, Melexis also supplies single-channel infra-red thermometers. Increased opportunities in the medical and consumer markets have created demand as well. Melexis FIR array sensors are also used in low-resolution visual thermometers for use in building automation, industry and the security and DIY sectors. They are also used in add-on modules for smartphones.

In November 2016, during the Electronica conference in Germany, Melexis announced two advanced sensing technologies for simplified integration of temperature measurement into applications that enhance safety, efficiency and comfort.

With a combination of high resolution and reliability in harsh environments, the MLX90640 infrared (IR) sensor array offers an economical alternative to more expensive high-end thermal cameras. With a resolution of 32x24 pixels, the device is suited to safety and comfort applications including fire prevention systems, intelligent buildings and lighting, IP/surveillance cameras, HVAC systems and vehicle seat occupancy detection.

The MLX90342 is an innovative, high-performance quadruple thermocouple interface that provides rapid response and very high levels of accuracy when measuring extreme temperatures. The device has been designed for designers in the automotive industry, allowing them to have greater control over engine and exhaust temperatures. This is necessary because of the higher temperatures associated with new, smaller and more efficient engine designs. Applications include turbo temperature control, exhaust gas recirculation (EGR), selective catalytic reduction (SCR), diesel oxidation catalyst (DOC) and diesel/gasoline particle filtering systems.

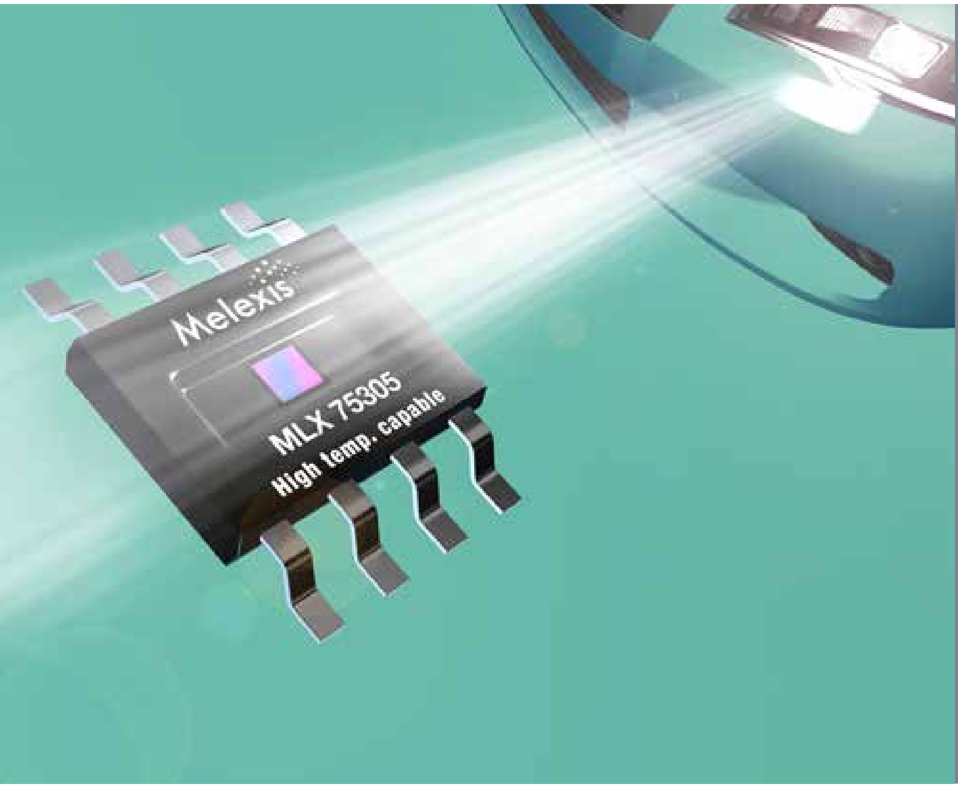


Awareness is not only about devices that can interact with the world around them. Portable devices, living spaces, and cars in particular must be unobtrusively aware of the user or occupant. For a full and enjoyable user experience, a more intuitive and natural interaction with the various systems is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

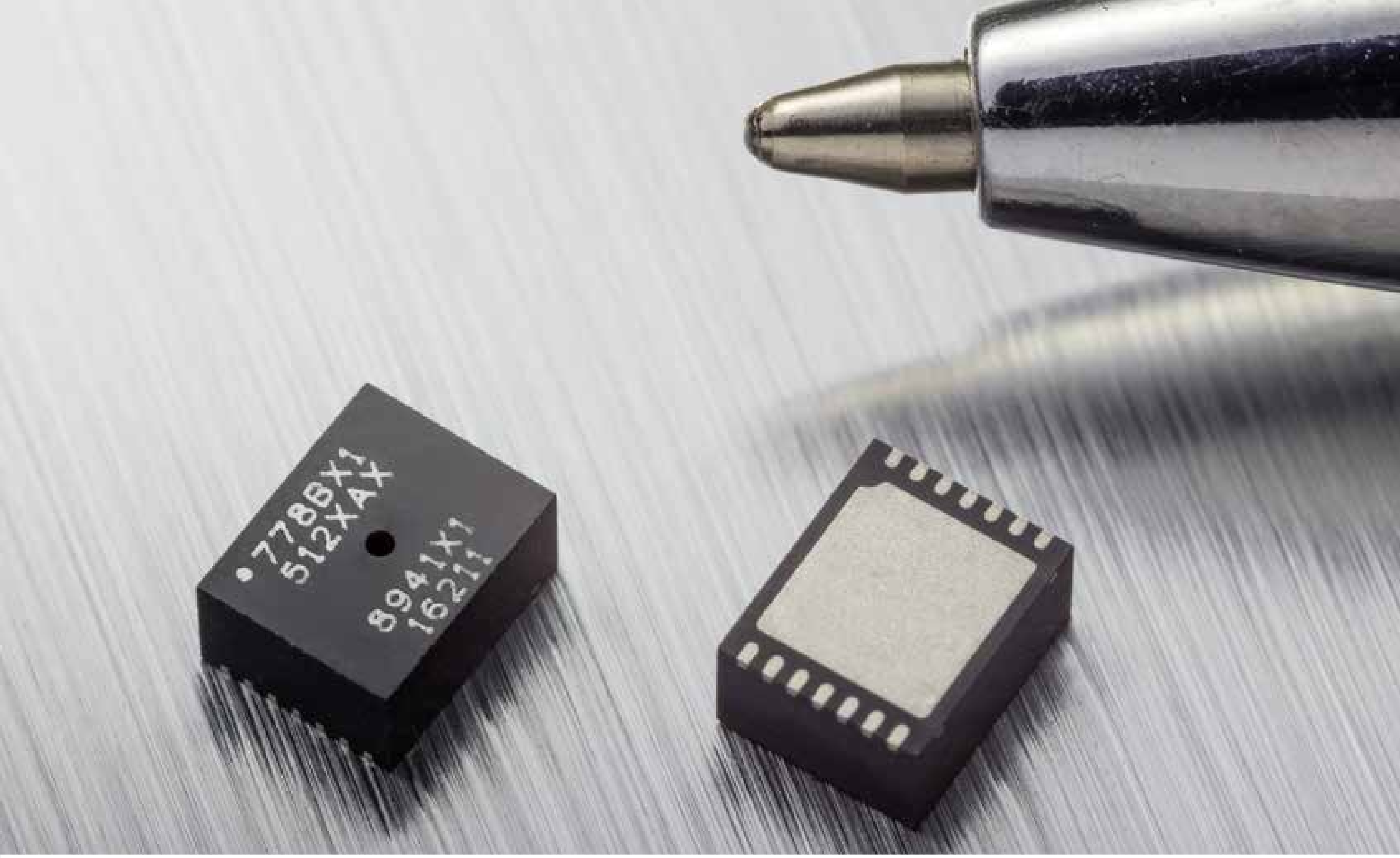
Melexis technologies, such as proximity sensors and Time-of-Flight (ToF) 3D-cameras are exactly what early users of Natural User Interfaces are looking to integrate. Melexis is ideally positioned to address this new trend and can meet exacting demands for high levels of robustness.

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

Given the continuing development of autonomous and semi-autonomous vehicles, control dependent on the driver's involvement throughout the journey is a major concern. ToF technology is crucially important to this application.



In June 2016, Melexis announced its MLX75305 series of advanced light sensor ICs in response to the emergence of laser-powered automotive front lighting systems. It provides engineers with a simple, one-chip solution for accurately monitoring headlamp output, requiring minimal external components and taking up very little space. Headlamps based on laser diodes will be used in a growing number of luxury vehicles in the near future. This technology substantially increases light intensity, which improves vision over longer distances while reducing power consumption. Laser-powered headlamps enable car manufacturers to improve safety for road users without adversely affecting fuel consumption. The greater light intensity also means that headlamps can be smaller, which improves the car both aesthetically and aerodynamically.



5.3 BUILDING BRIDGES BETWEEN COMPONENTS

Other products that improve the safety and comfort of cars can be found in our extensive range of wireless devices. Recently, products have been used in Tire Pressure Monitoring Systems (TPMS), Remote or Passive Keyless Entry (RKE/PKE), and in infotainment systems using Near Field Communication (NFC).

Melexis is a leading innovator in TPMS products as demonstrated by its third-generation IC, the MLX91804. The part is 60% smaller than existing solutions and integrates pressure, temperature, 2-axis acceleration and voltage sensing capabilities. A combination that means that the MLX91804 can substantially cut the size of the PCB. Moreover, the ultra-low energy consumption of the IC means that the battery can be minimized, resulting in a lighter, more compact sensor module.

With an increasing number of countries around the globe mandating TPMS systems, the market has expanded dramatically in recent years. The next anticipated growth region is China - legislation is imminent. Because Melexis offers the newest and most integrated, energy-efficient solution, it can certainly profit from this growth in demand. In addition to TPMS, wireless connectivity is a key technology in various areas of the automotive and industrial markets. In home and building automation, Melexis ICs are used worldwide in remote controls for garage doors, access control, intruder alarms and increasingly in the Internet of Things, for example smart meters (Automatic Meter Reading, AMR) or other smart devices.

Starting in the mid-1990s, previously stand-alone electronic modules in a vehicle were increasingly connected over the vehicle data bus. Nowadays, these modules communicate with each other. The flow of data between them constitutes the 'consciousness' of the vehicle. Almost all modules, from the engine controller and ambient lighting to the rear-view mirror, are now interconnected.

Most car manufacturers now base their vehicle architecture on a network of at least two tiers. LIN (Local Interconnect Network) is already widely used for low-speed bus applications, while in the future, CAN FD (Controller Area Network Flexible Data rate) will be the high-speed backbone of networks in the vehicle.

With its extensive portfolio of bus transceivers and integrated LIN node devices, Melexis products will provide the basis for these new electronic architectures. Melexis has gained a solid reputation as a one-stop shop for LIN. Everything is possible, from simple transceivers and basic ICs through to fully-integrated LIN system-on-chip (SoC) solutions with built-in microcontrollers.

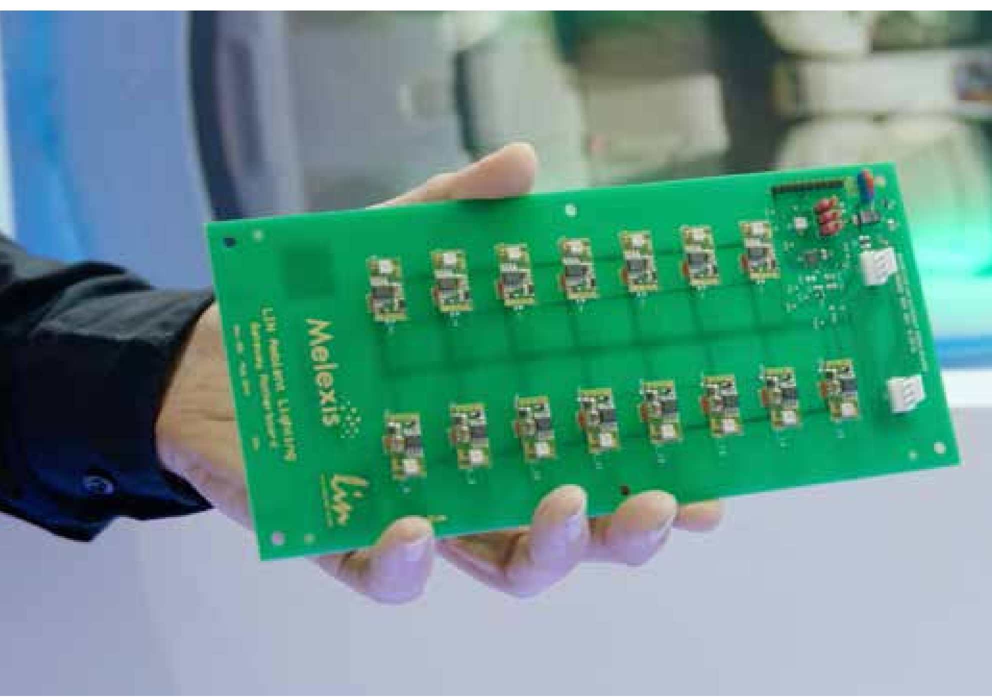
The Melexis LIN portfolio provides the building blocks for shrinking many applications, with the addition of just a few external components.

5.4 NO INTERACTION WITHOUT DRIVERS AND ACTUATORS

A vehicle's ability to gather information from its surroundings is not enough as such. True interaction only occurs in combination with driving and activating.

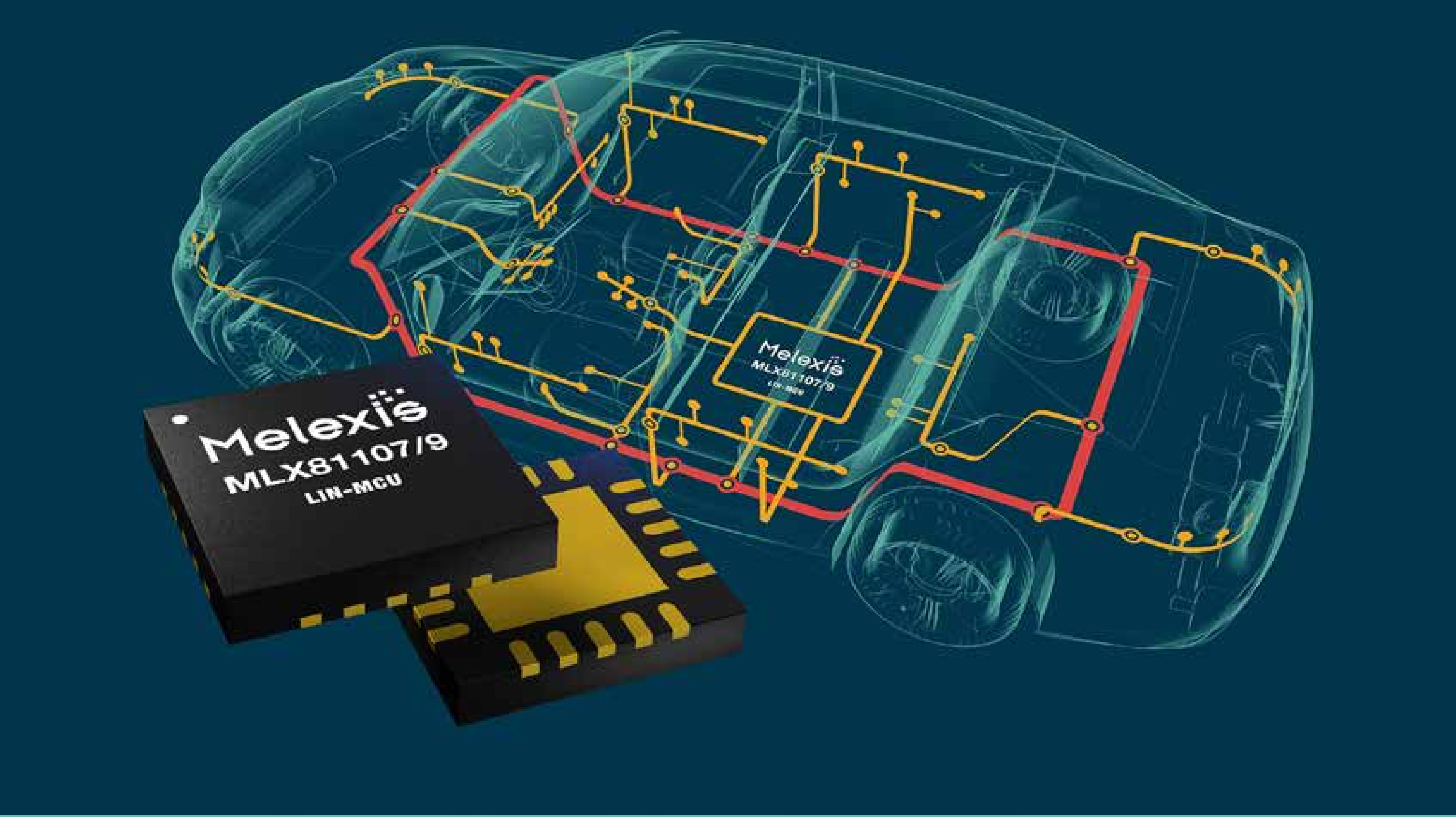
Smart motor drivers for water pumps, oil pumps and powerful fans contribute to more energy-efficient systems.

With its patented TruSense™ technology, Melexis has carried out pioneering work on smart motor drivers and it is now applying this expertise to bring outstandingly effective solutions to the market.



In December 2016, Melexis announced with the MLX81112, MLX81115 and MLX81120 a new generation of ultra-compact, single-chip solutions for interior car lighting, an expansion of its range of interior lighting products for cars. These new generation single chip LIN LED drivers are compact, strong ICs for designs that save space and reduce the number of passive components. Ambient lighting based on the new LED driver ICs can be adapted to the preferences of drivers or occupants, which increases driver concentration and improves the overall driving experience.

All the necessary components, such as a physical LIN transceiver, LIN controller, voltage regulator, and 16-bit micro-controller, along with support functions such as data conversion, current modulation and LED color, and ageing compensation are integrated into the chip.



In March 2016, Melexis expanded its extensive range of ICs and motherboard products for LIN (Local Interconnect Network) applications with the MLX81107/ MLX81109 series. The new range brings a whole new dimension to vehicle network infrastructures, opening the way for a new generation of LIN applications.

Engineers can benefit from the mix of very 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 at lower prices. BLDC motors can be found in pumps, blowers, fans and positioning actuators. However, not all actuator applications are so visible.

One of the biggest actuator markets in the automotive sector is for the micro actuators used in HVAC systems. These are used to divert airflow and make the vehicle more efficient and comfortable. The problem-free operation of these drive and actuation modules relies on a steady flow of data from the LIN network.

Another example of driver ICs in hidden applications is the integrated fan drivers produced by Melexis, which not only drive the fan directly but also integrate the magnetic sensor function in the smallest possible package. In addition to car seat ventilation, small fans are also used to cool the increasing number of in-vehicle processors, LCD displays and office equipment.

5.5 CONCLUSION

Melexis products allow systems to become more 'aware' and interact directly with their surroundings. The Melexis strategy is focused on innovation in both its new and established product ranges, allowing us to take advantage of beneficial market developments in sectors including automotive, industry, medical, and home and building automation. With our expertise in product definition, design, and testing for integrated analog or digital semiconductor solutions and sensor chips, the company is sure to maintain its commanding market position.

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7.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in Euro

December 31st		2016	2015
ASSETS			
Current assets:	Cash, and cash equivalents (Note 7.9.5.A)	75,789,465	73,837,757
	Current investments (Note 7.9.5.B)	158,170	49,451
	Accounts receivable –trade (Note 7.9.5.D)	66,297,897	51,243,338
	Accounts receivable –Related companies (Note 7.9.5.AC 2)	418,270	1,999,238
	Assets for current tax (Note 7.9.5.AA)	338,985	1,384,340
	Assets held for sale (Note 7.9.5.E)	-	289,419
	Inventories (Note 7.9.5.F)	76,879,871	64,098,815
	Other current assets (Note 7.9.5.G)	10,679,813	5,237,251
Total current assets		**230,562,471**	**198,139,609**
Non current assets:	Intangible assets (Note 7.9.5.H)	6,208,661	7,440,360
	Property, plant and equipment (Note 7.9.5.I)	97,411,365	90,299,601
	Financial assets (Note 7.9.5.J)	6,100	6,100
	Other non-current assets	7,150	7,830
	Deferred tax assets (Note 7.9.5.AA)	23,969,703	10,876,579
Total non current assets		**127,602,979**	**108,630,469**
TOTAL ASSETS		**358,165,449**	**306,770,078**

December 31st		2016	2015
LIABILITIES			
Current liabilities:	Derivative financial instruments (Note 7.9.5.C)	792,808	1,626,571
	Current portion of long-term debt (Note 7.9.5.N)	4,046,559	7,046,147
	Accounts payable – trade	19,555,027	15,247,382
	Accounts payable – related companies (Note 7.9.5.AC 2)	14,551,168	10,790,802
	Accrued expenses, payroll and related taxes (Note 7.9.5.K)	8,602,906	7,134,597
	Accrued taxes (Note 7.9.5.AA)	30,160,447	6,542,984
	Other current liabilities (Note 7.9.5.M)	2,566,914	3,258,489
	Deferred income (Note 7.9.5.L)	2,262,017	2,358,226
Total current liabilities		**82,537,847**	**54,005,199**
Non-current liabilities:	Long-term debt less current portion (Note 7.9.5.N)	11,093,119	8,138,440
	Other non-current liabilities (Note 7.9.5.O)	2,069,820	2,115,608
Total non-current liabilities		**13,162,939**	**10,254,048**
Equity:	Shareholders' capital	564.814	564.814
	Reserve treasury shares	(3,817,835)	(3,817,835)
	Revaluation reserve Hedge (Note 7.9.5.C)	(226,013)	(371,919)
	Legal reserve	56,520	56,520
	Retained earnings	272,534,270	252,379,719
	Cumulative translation adjustment	(6,657,562)	(6,310,937)
Equity attributable to company owners		**262,454,193**	**242,500,360**
	Non-controlling interest	10.471	10.471
Total equity (Note 7.9.5.P)		**262,464,664**	**242,510,832**
TOTAL LIABILITIES		**358,165,449**	**306,770,078**

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

7.2 CONSOLIDATED INCOME STATEMENT

in Euro

December 31st	2016	2015
Product sales (Note 7.9.5.Q)	455,623,619	398,924,799
Revenues from Research and Development (Note 7.9.5.Q)	661,370	1,211,136
Total revenue	456,284,990	400,135,935
Cost of sales (Note 7.9.5.S)	(247,736,799)	(208,014,543)
Gross margin	208,548,191	192,121,392
Research and development expenses (Note 7.9.5.T)	(63,989,373)	(56,737,053)
General and administrative expenses (Note 7.9.5.U)	(20,943,489)	(19,089,980)
Selling expenses (Note 7.9.5.V)	(9,557,105)	(8,689,985)
Other operating income (net) (Note 7.9.5.Y)	310,581	-
Income from operations (EBIT)	114,368,805	107,604,374
Financial income (Note 7.9.5.Z)	6,098,166	9,589,633
Financial charges (Note 7.9.5.Z)	(7,391,100)	(7,720,932)
Profit or loss before tax	113,075,871	109,473,076
Income tax (Note 7.9.5.AA)	(16,818,988)	(10,401,594)
Net profit or loss for the period	96,256,883	99,071,482
Earnings per share attributable to the ordinary equity holders of the parent		
Earnings per share non-diluted (Note 7.9.5.AE)	2.38	2.45
Earnings per share diluted	2.38	2.45

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

7.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in Euro

December 31st	2016	2015
Net profit or loss	96,256,883	99,071,482
Other comprehensive income		
Other non-recyclable items of profit or loss on comprehensive income		
Cumulative translation adjustment	(346,625)	(5,932,364)
Recyclable items of profit or loss		
Fair value adjustments to cashflow hedges	145,907	80,632
Total other comprehensive income for the period	**(200,719)**	**(5,851,732)**
Total comprehensive income (loss) for the period	**96,056,164**	**93,219,750**
Total comprehensive income attributable to:		
Owners of the parent	96,056,164	93,219,750

7.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in Euro

	Number of shares	Share capital	Legal reserve	Retainedearnings
December 31st, 2014	**40,400,000**	**564,814**	**56,520**	**205,378,253**
Net income	-	-	-	99,071,482
CTA movement	-	-	-	-
Hedge reserves (Note 7.9.5 C)	-	-	-	-
Other comprehensive income	-	-	-	-
Dividends	-	-	-	(52,070,017)
December 31st, 2015	**40,400,000**	**564,814**	**56,520**	**252,379,719**
Net income	-	-	-	96,256,883
CTA movement	-	-	-	-
Hedge reserves (Note 7.9.5 C)	-	-	-	-
Other comprehensive income	-	-	-	-
Dividends	-	-	-	(76,102,333)
December 31st, 2016	**40,400,000**	**564,814**	**56,520**	**272,534,270**

Reserve treasury shares	Hedge reserve	Fair value adjustment reserve	CTA	Non-controlling interest	Total equity
(3,817,835)	**(452,551)**	**-**	**(378,573)**	**10,471**	**201,361,099**
-	-	-	-	-	99,071,482
-	-	-	(5,932,364)	-	(5,932,364)
-	80,632	-	-	-	80,632
-	80,632	-	(5,932,364)	-	(5,851,732)
-	-	-	-	-	(52,070,017)
(3,817,835)	**(371,919)**	**-**	**(6,310,937)**	**10,471**	**242,510,832**
-	-	-	-	-	96,256,883
-	-	-	(346,625)	-	(346,625)
-	145,907	-	-	-	145,907
-	145,907	-	(346,625)	-	(200,719)
-	-	-	-	-	(76,102,333)
(3,817,835)	**(226,013)**	**-**	**(6,657,562)**	**10,471**	**262,464,664**

In 2015 and 2016, no purchases of own shares took place. At the end of 2016, 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.

7.5 CONSOLIDATED STATEMENT OF CASH FLOWS

in Euro

December 31st (indirect method)	2016	2015
Cash flows from operating activities		
Net profit	96,256,883	99,071,482
Adjustments for operating activities		
Deferred taxes (Note 7.9.5.AA)	(13,093,124)	2,367,928
Unrealized exchange results (Note 7.9.5 Z)	(452,347)	147,622
Government grants (Note 7.9.5 R)	895,978	805,920
Depreciation and amortization (Note 7.9.5 X)	25,871,601	22,809,389
Financial results (Note 7.9.5 Z)	1,298,222	(113,640)
Operating profit before working capital changes	110,777,212	125,088,702
Accounts receivable, net (Note 7.9.5 D)	(15,047,307)	(10,890,374)
Other current assets (Note 7.9.5 G)	(5,146,509)	(420,934)
Other non-current assets	680	956,120
Due to (from) related companies (Note 7.9.5 AC)	3,760,366	4,631,935
Due (to) from related companies (Note 7.9.5 AC)	1,580,968	(415,296)
Accounts payable	4,322,588	1,342,275
Accrued expenses (Note 7.9.5 K)	29,619,240	6,504,931
Other current liabilities (Note 7.9.5 M)	(633,479)	1,726,945
Other non-current liabilities (Note 7.9.5 O)	(975,759)	1,714,347
Inventories (Note 7.9.5 F)	(15,479,045)	(10,550,556)
Interest paid (Note 7.9.5 Z)	(294,104)	(382,689)
Income tax (Note 7.9.5 AA)	(4,533,468)	(4,306,953)
Net cash from operating activities	107,951,382	114,998,453
Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets (Note 7.9.5.I)	(28,774,011)	(40,280,566)
Interest received (Note 7.9.5 Z)	171,826	360,583
Investments, proceeds, from current investments	(108,719)	(32,846)
Net cash used in investing activities	(28,710,904)	(39,952,829)
Cash flows from financing activities		
Repayment from long-term debts (Note 7.9.5.N)	(46,006)	(3,010,338)

December 31st (indirect method)	2016	2015
Impact of exchange results on financing items	(1,135,176)	(5,737,939)
Dividend payment (Note 7.4)	(76,102,333)	(52,070,017)
Net cash used in financing activities	(77,283,515)	(60,818,294)
Effect of exchange rate changes on cash	(5,256)	67
(Decrease) increase in cash	1,951,708	14,227,396
Cash at beginning of the period	73,837,757	59,610,361
Cash at end of the period	75,789,465	73,837,757
Cash at end of the period minus cash at beginning of the period	1,951,708	14,227,396

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

7.6 RESULT OF OPERATIONS

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

Revenue

In 2016, total revenue increased by 14% compared to 2015, from EUR 400,135,935 in 2015 to EUR 456,284,990 in 2016. In 2015, EUR 1,211,136 in research and development costs were recharged to customers, compared to EUR 661,370 in 2016. Specific research and development activities were performed under contract for customers. Sales to automotive customers represented 89% of sales in 2016. ASSP sales represented 61% of all sales, i.e. 3% more than in 2015.

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 208,014,543 in 2015 and EUR 247,736,799 in 2016.
Expressed as a percentage of total revenue, the cost of sales increased from 52.0% in 2015 to 54.3% in 2016. This is mainly due to FX effects, a less favourable product mix and the higher than expected cost of yield

Gross margin

The gross margin, expressed as a percentage of total revenues decreased from 48.0% in 2015 to 45.7% in 2016.

Research and Development expenses

Research and Development expenses amounted to EUR 63,989,373 in 2016, representing 14% of total revenue, versus EUR 56,737,053 in 2015. Research and development activities were more focused on researching and developing Hall Effect Sensors, MEMS Sensors and Signal Conditioning Interface Sensors, LIN and motor Control IC's, Infrared and Optical Sensors and wireless IC's.

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 10% compared to 2015, which was less than sales growth.

Financial results

The net financial results amounted to EUR 1,292,934 loss in 2016 compared to EUR 1,868,702 profit in 2015. The (net) interest result amounted to a loss of EUR 271,378 in 2016 compared to a loss of EUR 103,665 in 2015. The net currency exchange gains (both realized and unrealized) in 2016 amounted to a loss of EUR 880,816, compared to a gain of EUR 2,283,313 in 2015.

Net income

The company recorded a net income for 2016 of EUR 96,256,883. The increase in revenue was offset by an increase in cost of sales and income tax, which led to a decrease in net income, in comparison with 2015.

7.7 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 75,789,465 as of December 31, 2016, compared to EUR 73,837,757 as of December 31, 2015.
In 2016, operating cash flow before working capital changes amounted to EUR 110,777,212. Working capital changes in 2016 mainly concerned inventories, accounts receivable and accrued expenses, resulting in a net operating cash flow of EUR 107,951,382.
The cash flow from investing activities was negative by an amount of EUR 28,710,904, mainly as a result of investments in fixed assets amounting to EUR 28,774,011 and proceeds from investments for an amount of EUR 108,719, compensated by interests received for an amount of EUR 171,826.
The cash flow from financing activities was negative by an amount of EUR 77,283,515. This was the result of the repayment of bank debts amounting to EUR 46,006, the impact of exchange rates on financing items amounting to EUR 1,135,176 and the interim and final dividend payment amounting to EUR 76,102,333.

7.8 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 March 6th, 2017 and were signed on its behalf by Françoise Chombar.

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

Françoise Chombar
Managing Director, Chief Executive Officer (CEO)

7.9 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7.9.1 General

Melexis NV is a limited liability company incorporated under Belgian law. The company has been operating since 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 January 1st, 2016 to December 31st, 2016.

The Melexis group of companies employed, on average 1,181 people in 2016 and 1,054 in 2015.

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

The consolidated results as included in the press release were authorized for issue by the Board of Directors subsequent to the meeting held on February 3rd, 2017.

7.9.2 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 December 31st, 2016 (collectively "IFRS"). Melexis did not apply any new IFRS requirements not yet effective in 2016.

7.9.3 Summary of significant accounting policies

The consolidated financial statements of Melexis NV were prepared according to IFRS as accepted by the EU on January 1st, 2016. 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 7.9.5 AA), useful lives of property, plant and equipment and intangible assets (Note 7.9.5 H and 7.9.5 I).

Deferred tax assets are recognized for deductible temporary differences, unused tax losses/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. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized. Other assumptions and estimates are disclosed in the respective notes relevant to the item where the assumptions or estimates were used for measurement (Note 7.9.5 AA).

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

Presentation currency

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

Foreign currency transactions

Each entity within the group translates its foreign currency transactions and balances into its functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the transaction. Exchange rate differences arising on the settlement of monetary items or on reporting monetary items at rates different from those at which they were initially recorded during the period or reported in previous financial statements are recognized in the statement of comprehensive income in the period in which they arise.

Foreign currency translation

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

Assets and liabilities of Melexis Inc., Melexis Ukraine, Melexis Bulgaria Ltd, Sentron AG, Melexis Technologies SA, Melexis Switzerland SA, Melexis Japan, Melexis Philippines, Melexis Hong Kong, Melexis Electronic Technology (Shanghai) Co. Ltd., Melexis Technologies (Malaysian) branch and Melexis (Malaysia) Sdn. Bhd. 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 3 branch offices being Melexis Philippines, Melexis France and Melexis Hong Kong. On the other hand, the subsidiaries being part of the consolidation scope are Melexis Ukraine, Melexis Nederland BV, Melexis Inc., Melexis GmbH, Melexis Bulgaria Ltd., Sentron AG, Melefin NV, Melexis Technologies NV, Melexis Technologies SA, Melexis Japan, Melexis Electronic Technology, Melexis Switzerland SA, Melexis (Malaysia) Sdn. Bhd., Melexis Technologies NV Malaysian branch. In July 2016, Melexis Dresden GmbH was founded. Melexis Dresden GmbH is a 100% subsidiary of Melexis NV.

Cash and cash equivalents

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

Hedging

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

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

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

Inventories

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

Property, plant and equipment

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

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

Melexis does capitalize the expenses for masks as tangible assets. A mask is a thin sheet of material from which a pattern has been cut, placed over a semiconductor chip so that an integrated circuit can be formed on the exposed areas. Masks can be used for the lifetime of the product. Therefore, masks are depreciated over the estimated useful lifetime of 5 years.
Expenditures, incurred after the fixed assets have been placed in operation, such as repairs and maintenance and overhaul costs, are included in the statement of comprehensive income, in the period in which the costs are incurred.
The useful life and depreciation methods are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern of economic benefits from items of property, plant and equipment.

Financial assets

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

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

This category comprises financial assets held for trading which have been acquired principally for the purpose of selling in the short term. Derivatives also fall within this category unless they are designated as hedges and the hedge is effective for accounting purposes. Assets in this category are classified as current.
The fair value of these assets is measured using quoted prices (Conform IFRS 7 – level 1) or inputs, other than quoted prices, that are observable for the asset either directly (as prices) or indirectly (derived from prices), both conform IFRS 7 – Level 2.

(b) Loans and receivables

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary asset. They are initially recognized at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortized cost using the effective interest rate method, less provision for impairment.
Impairment provisions are recognized when there is objective evidence (such as significant financial difficulties on the part of the counterparty or default or significant delay in payment) that the Group will be unable to collect all of the amounts due under the terms receivable, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For trade receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognized within administrative expenses in the consolidated statement of comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.
The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed

maturities that the group's management has the positive intention and ability to hold to maturity. They are included in non-current assets unless the investment is due to mature within 12 months of the balance sheet date or unless the investment is considered as very liquid.
The fair value of these assets is measured using quoted prices (Conform IFRS 7 – level 1) or inputs, other than quoted prices, that are observable for the asset either directly (as prices) or indirectly (derived from prices). This conform IFRS 7 – Level 2 or Level 3.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included in current or non-current assets. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership.
The fair value of these assets is measured using quoted prices (unadjusted) in active markets for identical assets or liabilities conform IFRS 7 – Level 1.
"Available-for-sale financial assets" and "financial assets at fair value through profit or loss" are subsequently carried at fair value. "Loans and receivables" and "held-to-maturity investments" are subsequently carried at amortized cost using the effective interest method. Realized and unrealized gains and losses arising from changes in the fair value of the "Financial assets at fair value through profit or loss" -category are included in the statement of comprehensive income in the period in which they arise. Unrealized gains and losses arising from changes in the fair value of non-monetary securities classified as available-for-sale are recognized in equity. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments are included in the statement of comprehensive income as gains and losses from investment securities.

Non-current assets held for sale

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

- They are available for immediate sale
- Management is committed to a plan to sell
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn
- An active 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, and
- A sale is expected to complete within 12 months from the date of classification.

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

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

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

Retirement benefits:

Defined contribution schemes

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

Intangible Assets

Intangible assets, externally purchased, are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. Intangible assets are amortized on a straight-line basis over the best estimate of their useful lives. The amortization period and the amortization method are reviewed annually at each financial year end. Amortization of intangible assets is shown as a separate line item in operating charges.
Amounts paid for licenses are capitalized and then amortized on a straight-line basis over the expected periods of benefit. The expected useful life of licenses is 5 years.

Business Combinations

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

Goodwill

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

Research and Development Costs

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

Equity

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

Treasury shares

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

Provisions

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

al, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Reserves

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

Non-controlling interests

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

Revenue recognition

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

Borrowing costs

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

Government Grants

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

Income taxes

The income tax charge is based on the result of the year and considers deferred taxation. Deferred taxes are calculated using the balance sheet liability method. Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Deferred tax assets and liabilities are measured using the tax rates expected to apply to taxable income in the years in which these temporary differences are expected to be recovered or settled, based on tax rates enacted or substantially enacted at the balance sheet date.
The measurement of deferred tax liabilities and deferred tax assets reflects the tax consequences that would follow from the manner in which the enterprise expects, at the balance sheet date, to recover or settle the carrying amount of its assets and liabilities.
Deferred tax assets and liabilities are recognized regardless of the moment when the timing difference is likely to reverse. Deferred tax assets are not discounted and are classified as non-current assets in the statement of financial position.
Deferred tax assets are recognized when it is probable that sufficient taxable profits will be available against which the deferred tax assets can be utilized. At each balance sheet date, the company reassesses unrecognized deferred tax 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 7.9.5 AB.

Contingencies

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

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

Subsequent events

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

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

Earnings per share

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

Financial liabilities

All movements in financial liabilities are accounted at trade date.

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

Trade and other payables

Trade payables and other short-term monetary liabilities are initially 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 7.9.5.C.

Adoption of new and revised standards

The consolidated financial statements of Melexis NV are prepared according to IFRS as accepted by the EU at January 1st, 2016.

New standards, interpretations and amendments adopted by the group.

During the current financial year, the Group has adopted all the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC) of the IASB, that are relevant to its operations and effective for the accounting year starting on January 1st, 2016. The Group has not applied any new IFRS requirements that are not yet effective as per December 31th, 2016.
The following new Standards, Interpretations and Amendments issued by the IASB and the IFRIC are effective for the current annual period:

1. Annual Improvements to IFRSs 2010-2012 Cycle (issued by the IASB in December 2013)
2. Annual Improvements to IFRSs 2012-2014 Cycle (issued by the IASB in September 2014)
3. IAS 1 Presentation of Financial Statements — Amendments resulting from the disclosure initiative (December 2014)
4. IAS 16 Property, Plant and Equipment — Amendments regarding the clarification of acceptable methods of depreciation and amortization (May 2014)
5. IAS 19 Employee Benefits — Amendments relating to Defined Benefit Plans: Employee Contributions (November 2013)

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

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

The Group elected not to early adopt the following new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per December 31th, 2016.

6. Annual Improvements to IFRSs 2014-2016 Cycle (December 2016) *
7. IFRS 2 Share-based Payment — Amendments to clarify the classification and measurement of share-based payment transactions (June 2016) *
8. IFRS 4 Insurance Contracts – Amendments regarding the interaction of IFRS 4 and IFRS 9 (September 2016) *
9. IFRS 7 Financial Instruments: Disclosures (Amendments December 2011) — Deferral of mandatory effective date of IFRS 9 and amendments to transition disclosures
10. IFRS 7 Financial Instruments: Disclosures (Amendment November 2013) — Additional hedge accounting disclosures (and consequential amendments) resulting from the introduction of the hedge accounting chapter in IFRS 9
11. IFRS 9 Financial Instruments — Classification and Measurement (Original issue July 2014, and subsequent amendments)
12. IFRS 10 Consolidated Financial Statements — Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (September 2014) *
13. IFRS 14 Regulatory Deferral Accounts (Original issue January 2014) **
14. IFRS 15 Revenue from Contracts with Customers (Original issue May 2014 and subsequent amendments)
15. IFRS 16 Leases (Original issue January 2016) *
16. IAS 7 Cash flow statement — Amendments as result of the Disclosure initiative (January 2016) *
17. IAS 12 Income taxes — Amendments regarding the

recognition of deferred tax assets for unrealized losses (January 2016) *

18. IAS 28 Investments in Associates and Joint Ventures — Amendments regarding the sale or contribution of assets between an investor and its associate or joint venture (September 2014) *
19. IAS 39 Financial Instruments: Recognition and Measurement — Amendments for continuation of hedge accounting (fair value hedge of interest rate exposure) when IFRS 9 is applied (November 2013)
20. IAS 40 Investment Property: Amendments to clarify transfers or property to, or from, investment property (December 2016) *
21. IFRIC 22 Foreign Currency Transactions and Advance Consideration (December 2016) *

* Not yet endorsed by the EU as of December 31th, 2016

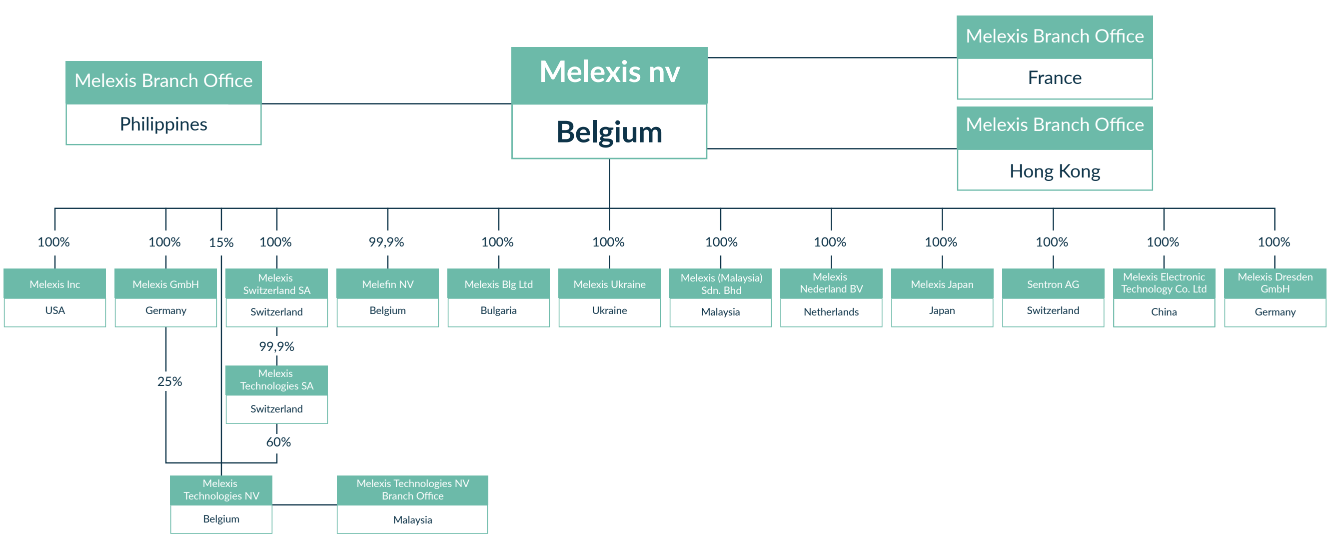
** The EC had decided not to launch the endorsement process of this interim standard and to wait for the final standard.

Management has analyzed the effect of IFRS 15 on the Group's future financial statements. Based on our first exercise of the expected effect resulting from the application of IFRS 15, Management believes the effect won't be significant.

The analysis of the other new standards is ongoing and the effect on the Group's future financial statements is not yet known.

7.9.4 Overview of Group structure

In July 2016, Melexis Dresden GmbH was incorporated. Melexis Dresden GmbH is a 100% subsidiary of Melexis NV.



7.9.5 Notes

A. CASH AND CASH EQUIVALENTS

in Euro

December 31st	2016	2015
Cash at bank and in hand	75,789,465	73,837,757
Total	**75,789,465**	**73,837,757**

B. CURRENT INVESTMENTS

in Euro

December 31st	2016	2015
Current Investments	158,170	49,451

In principle, Melexis' current investments are classified as assets available for sale. According to IAS 39, the difference between the purchase price and the fair value of current investments classified as available for sale is recognized directly into equity under 'Revaluation reserve fair value'. On December 31st, 2016 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 December 31st, 2016 the fair value of the financial derivatives recognized as an asset under current investments amounted to EUR 158,170. A detailed overview of the outstanding derivatives, categorized under current investments, is included in Note 7.9.5.C. On December 31st, 2016 Melexis had no assets in portfolio classified as investments held to maturity.

C. DERIVATIVES

Notional amounts

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

December 31st		2016	2015
Outstanding FX hedge contracts at December 31st, not exceeding 1 year	USD	25,000,000	19,000,000
	CHF	45,000,000	60,000,000
Outstanding Interest hedge contracts at December 31st, exceeding 1 year	EUR	15,000,000	15,000,000
Outstanding Inflation hedge contracts at December 31st, exceeding 1 year	EUR	10,000,000	15,000,000
Outstanding Inflation hedge contracts at December 31st, not exceeding 1 year	EUR	5,000,000	-

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:

December 31st	2016	2015
Assets	**Fair value EUR**	**Fair value EUR**
Outstanding FX swaps - IFRS 7-compliant - level 2	158,170	49,451
Total, classified under Current investment (see also Note 7.6.5.B)	**158,170**	**49,451**

These financial instruments are classified as financial assets at fair value through profit or loss. Refer to Note 7.9.5 Z 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:

December 31st	2016	2015
Liabilities	**Fair value EUR**	**Fair value EUR**
Outstanding FX swaps - IFRS 7-compliant - level 2	-	(185,088)
Outstanding Interest swaps (hedged) - IFRS 7-compliant - level 2	(342,392)	(563,429)
Outstanding Inflation swaps - IFRS 7-compliant - level 2	(450,416)	(878,054)
Total, classified under Derivative financial instruments	**(792,808)**	**(1,626,571)**

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

December 31st	2016	2015
Fair value of instruments through equity (hedge accounting IAS 39)		
Outstanding Interest hedge swaps at December 31st	(342,392)	(563,429)
Subtotal	(342,392)	(563,429)
Deferred tax asset	116,379	191,510
Total, classified under Revaluation reserve Hedge	**(226,013)**	**(371,919)**

D. TRADE RECEIVABLES

in Euro

December 31st	2016	2015
Trade accounts receivables	66,364,124	51,640,468
Allowance for doubtful accounts	(66,227)	(397,130)
Total	**66,297,897**	**51,243,338**

As of December 31st, 2016 trade receivables of EUR 11,821,569 were past due.
The aging analysis of these receivables including allowance for doubtful accounts is as follows:
in Euro

December 31st	2016	2015
Not due	54,476,328	45,884,054
<30 days	8,979,998	4,542,243
>30 <60 days	1,982,929	495,615
>60 days	858,642	321,425
Total	**66,297,897**	**51,243,338**

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

December 31st			2016
	accrual for doubtful debtors	**no accrual for doubtful debtors**	**total receivables**
Not due	-	54,476,328	**54,476,328**
<30 days	-	8,979,998	**8,979,998**
>30 <60 days	-	1,982,929	**1,982,929**
>60 days	66,227	858,642	**924,869**
Total	**66,227**	**66,297,897**	**66,364,124**

The credit control department reviews on a regular basis the outstanding balances of the customers.
When a customer is no longer able to fulfill the outstanding balance, an accrual for doubtful debtors is made.

E. ASSETS HELD FOR SALE

The Group disposed of an office building, as the company was no longer using this building for its core activities. Please refer to note 7.9.5 Y for the impact of the sale.

F. INVENTORIES

Inventory is written off when no sales are expected or when the goods contain defects. In 2016, EUR 2,697,962 of additional inventory was written off. EUR 2,962,918 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 264,956.

in Euro

December 31st	2016	2015
Raw materials and supplies, at cost	41,825,089	35,259,162
Work in progress, at cost	36,283,095	31,333,916
Finished goods, at cost	2,980,342	1,979,348
Reserve for obsolete stock	(4,208,655)	(4,473,611)
Net	**76,879,871**	**64,098,815**

G. OTHER CURRENT ASSETS

in Euro

December 31st	2016	2015
Other receivables	9,349,960	3,561,600
Prepaid expenses	1,329,852	1,675,651
Total	**10,679,813**	**5,237,251**

The other receivables mainly relate to VAT.

H. INTANGIBLE ASSETS

in Euro

December 31st	Licenses	IP	Total
Acquisition value			
Balance end of previous period	16,267,790	1,264,810	17,532,600
Additions of the period	896,051	-	896,051
Retirements (-)	(2,800)	-	(2,800)
CTA	699,002	-	699,002
Total	**17,860,043**	**1,264,810**	**19,124,853**
Depreciation			
Balance end of previous period	9,259,573	832,667	10,092,240
Additions of the period	1,481,006	126,481	1,607,487
Retirements (-)	(2,800)	-	(2,800)
CTA	1,219,266	-	1,219,266
Total	**11,957,045**	**959,148**	**12,916,193**
NET BOOK VALUE	**5,902,999**	**305,662**	**6,208,661**

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 amortizing expenses are included in the statement of comprehensive income mainly as cost of sales (Note 7.9.5 S) and research and development expenses (Note 7.9.5 T).

At the end of 2016, the IP has been amortized for 7 years and 7 months.

I. PROPERTY, PLANT AND EQUIPMENT

in Euro

December 31st	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
Cost					
Beginning of the period	39,514,500	188,750,731	10,939,635	6,258,149	245,463,015
Additions of the period	2,541,921	15,486,965	2,409,856	9,698,307	30,137,049
Retirements	(10,026)	(4,983,389)	(346,299)	-	(5,339,714)
Transfers	89	12,407,714	-	(12,407,803)	-
CTA	9,932	49,231	25,508	1,271	85,942
End of the period	**42,056,416**	**211,711,252**	**13,028,700**	**3,549,924**	**270,346,292**
Accumulated depreciation					
Beginning of the period	11,971,793	136,075,025	7,116,597	-	155,163,415
Additions of the period	1,785,298	18,184,593	1,605,986	-	21,575,877
Retirements	(7,125)	(3,789,868)	(303,306)	-	(4,100,299)
Transfers	89	(89)	-	-	-
CTA	13,295	256,252	26,388	-	295,935
End of the period	**13,763,350**	**150,725,913**	**8,445,665**	**-**	**172,934,928**
NET BOOK VALUE	**28,293,067**	**60,985,339**	**4,583,035**	**3,549,924**	**97,411,365**

Additions of the year mainly relate to test equipment. Retirements: no material amount of compensation from third parties which have been concluded in the consolidated statement of comprehensive income. Please refer to Note 7.9.5 N for secured loans on property, plant and equipment. Please refer to Note 7.9.5 E for the assets held for sale.

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

J. NON CURRENT FINANCIAL ASSETS

in Euro

December 31st	2016	2015
Non-current financial assets	6.100	6.100

As per December 31st, 2016, the total of non-current financial assets amounted to EUR 6,100.

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

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

in Euro

December 31st	2016	2015
Vacation pay bonuses and 13th month	6,106,945	6,145,362
Other social accruals	584,656	279,679
Remuneration	497,609	324,193
Social security	689,163	163,708
Direct and indirect taxes	724,534	221,656
Total	**8,602,906**	**7,134,597**

L. DEFERRED INCOME

in Euro

December 31st	2016	2015
Capital grants	408,738	501,576
Deferred income	1,853,280	1,856,651
Total	**2,262,017**	**2,358,226**

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

M. OTHER CURRENT LIABILITIES

in Euro

December 31st	2016	2015
Accrued real estate withholding tax	115,606	50,606
Accrued financial services	256,107	348,653
Accrued design services	633,373	515,640
Accrued management services	252,160	323,110
Accrued HR services	151,909	118,364
Accrued transport services	35,000	138,000
Accrued insurances	50,000	4,000
Accrued IT services	34,867	84,000
Accrued licenses and royalties	460,000	1,182,139
Other	577,891	493,977
Total	**2,566,914**	**3,258,489**

N. LONG AND SHORT TERM DEBTS

in Euro

December 31st	2016	2015
Secured loans		
Bank loan (in CHF) at floating interest rate; average rate for the year 2016 was 2.50% (1); maturing in 2019	139,678	184,587
Total secured loans	139,678	184,587
Unsecured loans		
Unsecured loan (in EUR) at floating interest rate; matured in 2016	-	3,000,000
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2016 was 1.09%; maturing in 2018	8,000,000	12,000,000
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2016 was 0.59%; maturing in 2022	7,000,000	-
Total unsecured loans	15,000,000	15,000,000
Total debt	15,139,678	15,184,587
Current maturities	4,046,559	7,046,147
Long-term portion of debts	11,093,119	8,138,440

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

As of December 31st, 2016 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 December 31st, 2016 Melexis is respecting all its financial covenants.

The repayment of debts as of December 31st, 2016 is scheduled as follows:

December 31st	
2017	4,046,559
2018	4,046,559
2019	46,559
2020	2,000,000
2021	2,000,000
Thereafter	3,000,000
Total	**15,139,678**

O. OTHER NON CURRENT LIABILITIES

in Euro

December 31st	2016	2015
Other non-current liability	2,069,820	2,115,608
Total	**2,069,820**	**2,115,608**

The other non-current liability mainly relates to an obligation of repayment for subsidies. Melexis GmbH received an investment grant for a planned investment project which ended at year end 2009. The allocation of subsidies is based on 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, there is a risk that Melexis GmbH will have to repay the grant. The repayment of the investment grant would take place at the earliest during the 2018 financial year. Because of the long-term nature of the liability, a non-current liability for the amount of EUR 2,068,020 has been recorded.

P. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

Shareholder's capital

As of December 31st, 2016 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 IAS 39, are recognized in a hedging reserve. For more details about the fair value of the hedging instruments through equity please refer to note 7.9.5 C.

Revaluation reserve Fair value: The difference between the purchase price and the fair value of current investments classified as available for sale is recognized directly into equity into 'Revaluation reserve fair value'. For more detail about the fair value of the current investments please refer to note 7.9.5 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.

Q. PRODUCT SALES AND RESEARCH AND DEVELOPMENT REVENUES

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

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

in Euro

December 31st	2016	2015
Product sales	455,623,619	398,924,799
Research and development revenues - product developments	661,370	1,211,136
Total	**456,284,990**	**400,135,935**

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

R. GOVERNMENT GRANTS

The government grants mentioned below consist of capital grants and operational grants. Capital grants are received for investments in buildings, machinery and equipment. The capital grants consist of a percentage of the purchase price of the building, machinery and equipment. Capital grants can be revoked if the expected investment threshold is not met. There is one subsidy that most probably needs to be repaid, this subsidy has been classified as an 'other non-current liability', please refer to note 7.9.5 O. Operational grants are received as an incentive for research and development expenses. Operational grants are paid after pre-defined milestones are met. Capital grants are recognized as cost of sales in relation to the depreciation period of the underlying assets. The operational grants are recognized as a reduction of research and development expenses when incurred.

in Euro

December 31st	2016	2015
Grants for research and development	836,300	913,831
Investment grants in building, machinery and employment grants	83,302	122,155
Total	**919,601**	**1,035,986**

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

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

S. COST OF SALES

Cost of sales includes the following expenses:

in Euro

December 31st	2016	2015
Purchases	192,359,115	158,542,346
Transportation costs	4,650,358	3,945,889
Salaries	20,767,866	17,888,917
Depreciation and amortization (*)	17,268,348	16,039,822
Other direct production costs	12,691,112	11,597,569
Total	**247,736,799**	**208,014,543**

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 2,697,962 and reversal of amounts written off in previous year for EUR 2,962,918. Inventory movement of 2016 (increase) for the amount of EUR 12,781,056 as part of the total cost of sales

T. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

in Euro

December 31st	2016	2015
Salaries	34,080,735	29,408,496
Depreciation and amortization	5,876,337	4,516,485
External services	11,444,562	11,160,784
Prototype wafers	2,150,340	1,982,954
Fees	3,268,553	3,237,190
Other	7,168,847	6,431,144
Total	**63,989,373**	**56,737,053**

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

U. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

in Euro

December 31st	2016	2015
Salaries	6,082,953	5,579,230
Depreciation and amortization	2,585,060	2,173,503
External services	4,011,486	3,836,459
Fees	1,465,159	1,295,523
Other	6,798,831	6,205,264
Total	**20,943,489**	**19,089,980**

V. SELLING EXPENSES

Selling expenses include the following expenses:

in Euro

December 31st	2016	2015
Salaries	5,204,686	5,029,911
Depreciation and amortization	141,856	79,579
Commissions	1,196,624	1,136,798
Other	3,013,939	2,443,697
Total	**9,557,105**	**8,689,985**

W. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

in Euro

December 31st	2016	2015
Wages and salaries	66,136,240	57,906,555
Total	**66,136,240**	**57,906,555**

The average number of employees was 1,181 in 2016 and 1,054 in 2015.

Key management personnel compensation

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

X. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

in Euro

December 31st	2016	2015
Cost of sales	17,268,348	16,039,822
Research and development	5,876,337	4,516,485
General and administration	2,585,060	2,173,503
Selling	141,856	79,579
Total	**25,871,601**	**22,809,389**

Y. OTHER OPERATING INCOME (NET)

in Euro

December 31st	2016	2015
Other operating income	310,581	-
Total	**310,581**	**-**

The Group disposed of one office building in 2016.
A gain of EUR 310,581 was recognized on the sale of the building.

Z. NET FINANCIAL RESULT

in Euro

December 31st	2016	2015
Financial income	**6,098,166**	**9,589,633**
Interest income	171,826	360,583
Exchange differences	5,204,682	8,753,939
Result on financial instruments excluding fair value adjustments	-	-
Fair value adjustment FX swaps	293,807	41,113
Fair value adjustment Inflation swaps	427,638	408,630
Dividends	-	-
Other	214	25,368
Financial charges	**(7,391,100)**	**(7,720,932)**
Interest charges	(443,203)	(464,247)
Bank charges	(116,541)	(115,014)
Exchange differences	(6,085,498)	(6,470,626)
Result on financial instruments excluding fair value adjustments	(687,810)	(591,566)
Fair value adjustment FX swaps	-	-
Fair value adjustment Inflation swaps	-	-
Other	(58,048)	(79,480)
Net financial results	**(1,292,934)**	**1,868,702**

AA. INCOME TAXES

The income tax expenses can be broken down as follows:

in Euro

December 31st	2016	2015
Current tax expenses	29,983,242	8,075,186
Deferred tax expenses	(13,164,254)	2,326,408
Total	**16,818,988**	**10,401,594**

Intra-group transactions resulted in intangible assets in the Melexis Technologies NV, Melexis Technologies SA and Melexis Bulgaria Ltd 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 12.8 million at year end 2016.

As Melexis during recent years became a more mature organization with a steady track record of successful development projects (resulting in successful products) the Board of Directors as from financial year 2016 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 10.1 million at year end 2016.

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 30.5 million at year end 2016.

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. Different from previous years, the Board of Directors in its judgement extended its horizon from 1 year to 3 years. Taking into account these considerations, the Board of Directors decided to recognize as per December 31st, 2016 a cumulative deferred tax asset of EUR 23,969,703. Accordingly, the unrecognized deferred tax asset amounts to approximately EUR 6.5 million at year end 2016.

Consolidated figures show a current tax receivable amounting to EUR 338,985 and a current tax liability amounting to EUR 30,160,447. The most important components of the current tax liability are the Belgian corporate income tax owed by Melexis Technologies NV for the financial year 2015 amounting to EUR 3.2 million and the estimated Belgian corporate income tax owed by Melexis NV and Melexis Technologies NV for the financial year 2016 amounting to EUR 23.3 million. Higher current tax is among others due to aforementioned capitalization of research and development efforts in standalone/tax accounts only as well as to the gradual decline in tax attributes carried forward.

Components of deferred tax assets are as follows:
in Euro

	Jan 1st, 2016	Charged to income statement	Charged to equity	Dec 31st, 2016
Tax amortization charges	9,470,000	12,500,450	-	21,970,450
Fair value adjustments to financial instruments	344,554	(245,219)	-	99,335
Tax losses carried forward	650,000	879,550	-	1,529,550
Fair value adjustments to hedge accounting	191,509	-	(75,130)	116,379
Miscellaneous	220,516	33,473	-	253,989
Total	**10,876,579**	**13,168,254**	**(75,130)**	**23,969,703**

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

December 31st	2016	2015
Income before taxes	113,075,871	109,473,076
Expected taxes at domestic rate	38,434,488	37,209,898
Effective taxes	16,818,988	10,401,594
Difference to be explained	(21,615,500)	(26,808,304)
Explanation of the difference		
Difference in foreign tax percentages and other tax regimes	(2,240,045)	(1,208,338)
Effect of IP amortization	2,622,859	(8,282,764)
Fair value adjustments to financial instruments	245,219	113,738
Tax effect of non-deductible items	352,862	232,967
Tax effect of non-taxable income	(320,732)	(192,893)
Tax effect of patent income deduction	(7,008,033)	(6,983,613)
Tax effect of notional interest deduction	(4,612,049)	(9,014,934)
Tax effect of investment deduction	(2,193,452)	(2,939,100)
Tax losses carried forward	(650,663)	(674,042)
Current tax adjustments relating to prior years	1,177,186	(510,995)
Miscellaneous	4,476,976	49,074
Unrecognized deferred tax assets for the current period	(52,154)	389,925
Change of recognition of deferred tax assets (decrease + / increase -)	(13,413,474)	2,212,671
Total	**(21,615,500)**	**(26,808,304)**
Difference	**0**	**(0)**

AB. 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 %

December 31st	2016	2015
Customer A	17	18
Customer B	8	7
Customer C	6	6
Customer D	5	4
Customer E	4	4
Customer F	3	3
Customer G	3	3
Customer H	3	3
Customer I	2	2
Customer J	2	2
Total	**52**	**53**

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 Euro

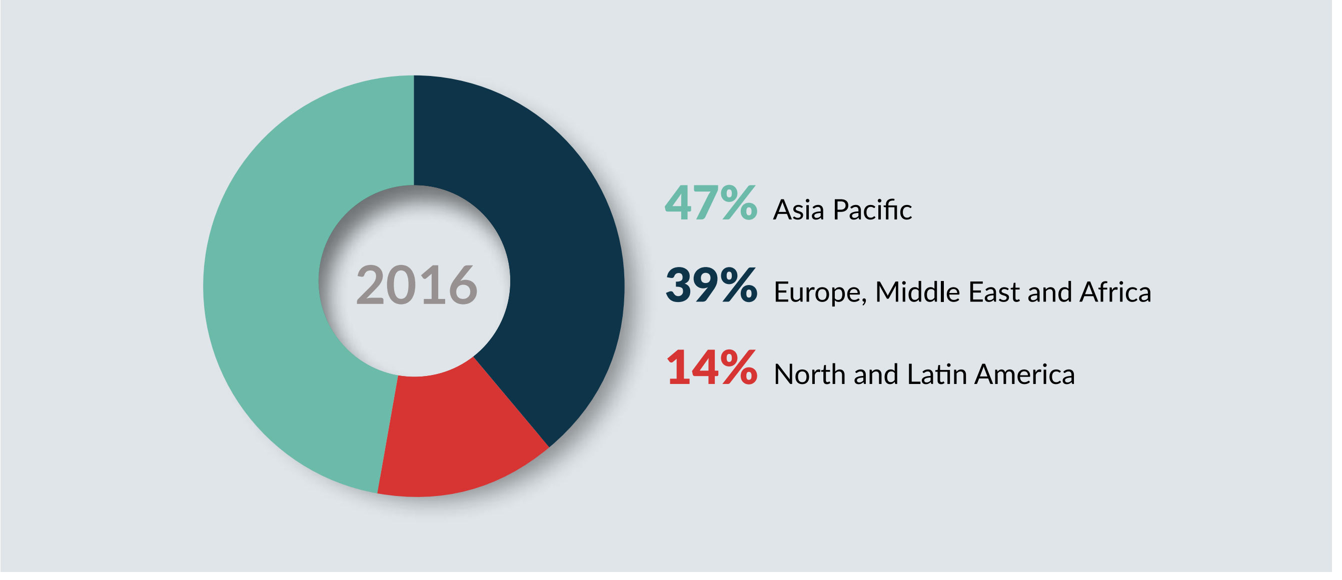
December 31st, 2016	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Revenue by origin	456,284,990	-	-	456,284,990
Non-current assets	119,317,943	280,019	8,005,017	127,602,979

in Euro

December 31st, 2015	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Revenue per origin	400,135,935	-	-	400,135,935
Non-current assets	101,688,661	312,000	6,629,808	108,630,469

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:



In Euro

December 31st	2016	2015
Europe, Middle East and Africa	**180,416,439**	**159,547,540**
Germany	80,002,845	70,991,866
France	12,628,813	11,571,558
United Kingdom	12,150,566	11,286,085
Poland	11,784,668	9,784,860
Switzerland	10,088,448	7,681,199
Ireland	4,302,896	4,599,118
Czech Republic	4,793,719	3,044,865
Austria	13,925,962	14,581,128
Netherlands	1,899,099	1,190,535
Romania	9,928,016	9,265,644
Bulgaria	3,054,849	2,466,749
Spain	852,691	941,897
South Africa	1,941,882	2,526,753
Hungary	5,832,591	4,654,359
Italy	3,729,811	2,512,624
Other	3,499,583	2,448,300
North and Latin America	**62,654,508**	**56,615,200**
United States	42,271,285	39,243,371
Canada	5,667,079	2,502,435
Mexico	14,614,993	14,754,797
Brazil	101,150	114,597
Asia Pacific	**213,214,043**	**183,973,196**
Japan	33,329,814	32,310,736
China	48,438,035	39,464,476
Hong Kong	29,656,221	19,644,124
Thailand	56,601,542	51,485,509
Korea	25,494,482	22,335,883
Philippines	5,457,649	5,278,672
Taiwan	7,391,617	7,988,090
India	1,532,883	1,338,940
Other	5,311,800	4,126,766
Total	**456,284,990**	**400,135,935**

AC. RELATED PARTIES

1. Shareholders' structure and identification of major related parties

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

Melexis Inc	US entity
Melexis GmbH	German entity
Melexis Bulgaria Ltd.	Bulgarian entity
Melexis BV	Dutch entity
Melexis Ukraine	Ukrainian entity
Melexis Technologies SA	Swiss entity
Melexis NV French branch	French branch
Sentron AG	Swiss entity
Melefin NV	Belgian entity
Melexis Technologies NV	Belgian entity
Melexis NV Philippine branch	Philippine branch
Melexis Japan	Japanese entity
Melexis NV Hong Kong	Chinese branch
Melexis Electronic Technology Co. Ltd	Chinese entity
Melexis Switzerland SA	Swiss entity
Melexis (Malaysia) Sdn. Bhd.	Malaysian entity
Melexis Technologies NV (Malaysian) branch	Malaysian branch
Melexis Dresden GmbH	German entity

The shareholders of Melexis NV are as follows:

- Xtrion NV owns 53.58% of the outstanding Melexis shares. The shares of Xtrion are controlled directly and/or indirectly by Mr. Roland Duchâtelet, Mr. Rudi De Winter and Mrs. Françoise Chombar who are all directors at Melexis NV.
- Elex NV is 99.9% owned by Mr. Roland Duchâtelet. One share is held by Mr. Roderick Duchâtelet.
- Xtrion NV owns 61.43% of the outstanding shares of X-FAB Silicon Foundries SE, producer of wafers, which are the main raw materials for the Melexis products. X-FAB Silicon Foundries SE sells the majority of its products also to third parties.
- Melexis, as in prior years, purchases part of its test equipment from the XPEQT Group. XPEQT Group develops, produces and sells test systems for the 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 90% of the outstanding shares of X-CelePrint Ltd.
- Xtrion NV owns 55% 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 share of Fremach Group
- Please refer to chapter 8.7 for potential conflicts of interest.

2. Outstanding balances at year-end

As of December 31st 2016 and 2015, the following balances were outstanding:

Receivables

December 31st		2016	2015
On	Elex	3,630	3,630
	Xtrion	4,598	4,598
	Fremach Group	33,563	16,380
	Xfab group	267,574	1,578,427
	Xpeqt group	16,283	30,305
	Anvo-Systems Dresden	92,622	365,898
	Total	**418,270**	**1,999,238**

Payables

December 31st		2016	2015
On	Elex	62	41,794
	Xtrion	157,073	65,665
	Fremach Group	(4)	(4)
	Xfab group	12,734,813	8,640,193
	Xpeqt group	1,661,315	1,958,423
	Anvo-Systems Dresden	(2,123)	33,536
	Other	32	51,196
	Total	**14,551,168**	**10,790,802**

3. Transactions during the year

Sales/ purchases of goods and equipment

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

December 31st	2016	2015
Sales to		
Fremach Group (mainly IC's)*	109,443	492,524
Xpeqt group	1,040	1,040

** IC's: Integrated Circuits*

December 31st	2016	2015
Purchases from		
Xfab group (mainly wafers)	156,908,894	122,896,023
Xpeqt group (mainly equipment and goods)	13,234,684	10,545,394
Xtrion (mainly IT infrastructure)	169,803	324,234
X-CelePrint	90,500	1,800,000
Anvo-Systems Dresden	2,614	-

Sales/purchases of services

December 31st	2016	2015
Sales to		
Elex (mainly R&D services and rent)	37,211	37,209
Xpeqt group (infrastructure office building)	186,176	172,047
Xtrion (infrastructure office building)	45,600	47,565
Xfab group	680,476	567,178
Anvo-Systems Dresden	132,369	139,874

December 31st	2016	2015
Purchases from		
Xtrion NV (mainly IT and related support)	1,132,270	1,046,902
Elex NV (mainly IT and related support)	144,157	165,188
Xpeqt group	2,327,791	1,808,179
Xfab group	2,804,698	2,315,922
Anvo-Systems Dresden	984,162	649,150
X-CelePrint	161,782	105,000

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

AD. REMUNERATION OF BOARD OF DIRECTORS

In accordance with the company's bylaws, directors can be remunerated for their mandate. The independent directors or entity that they represent, have received in total EUR 45,000 remuneration and EUR 12,960 expenses during 2016. The other directors are not remunerated.

AE. EARNINGS PER SHARE

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 96,256,883 in 2016 and EUR 99,071,482 in 2015 by the weighted average number of ordinary shares outstanding during the period (40,400,000 in 2016 and 40,400,000 in 2015).

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 February 3th, 2017 the Board of Directors agreed to propose at the Annual Shareholder meeting to pay out over the result of 2016 a total dividend of EUR 2.00 gross per share. This amount contains an interim dividend of EUR 1.30 per share which was paid in October 2016 and a final dividend of EUR 0.70 per share which will be payable after approval of the Annual Shareholder meeting.

AF. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of December 31st, 2016 the company had purchase commitments for tangible fixed assets amounting to EUR 1,811,611 mainly related to test equipment for the production sites.

AG. OPERATING LEASE ARRANGEMENTS

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

Payments recognized as an expense

December 31st	2016	2015
Company cars	121,650	111,600
Office equipment	23,300	22,080
Total	**144,950**	**133,680**

Operating lease commitments

December 31st	2016
< 1 year	147,700
>1 year <5 years	332,100
>5 years	-
Total	**479,800**

AH. BUSINESS COMBINATIONS

No business combinations in 2016.

AI. LITIGATION

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

appeal with the Higher Regional Court of Düsseldorf has been reopened. The hearing is expected in November 2017, the final verdict early 2018.

AJ. AUDITOR'S SERVICES

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

- Audit fees EUR 125,000;
- Other services EUR 14,000.

AK. RESERVES POST-RETIREMENT BENEFITS

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate. The contributions to defined contribution schemes amounted to EUR 627,704 in 2016 compared to EUR 658,209 in 2015.

The company's employees in Belgium participate in defined contribution plans, funded through a group insurance. The employer contributions paid to the group insurance are based on a fixed percentage of the salary. By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, currently equal to 3.75% on employee contributions and 3.25% on employer contributions. 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 at December 31, 2015 and 2016.

AL. SUBSEQUENT EVENTS

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

AM. LIST OF SUBSIDIARIES CONSOLIDATED

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

AN. RISK FACTORS

An investment in shares involves certain risks. Prior to making any investment decision, prospective purchasers of shares should consider carefully all of the information set forth in this annual report and, in particular, the risks described below. If any of the following risks actually occur, the company's business, results of operations and financial condition could be materially adversely affected. Except for the historical information in this annual report, the discussion contains certain forward-looking statements that involve risks and uncertainties such as statements regarding the company's plans, objectives, expectations and intentions. The cautionary statements made in this annual report should be read as being applicable to all forward-looking statements wherever they appear in this annual report.

a. Risks related to the company

Operating history; inability to forecast revenues accurately

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

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

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

Currency fluctuations

The company is subject to risks of currency fluctuations to the extent that its revenues are received in currencies other than the currencies of the company's related costs. Fluctuations in the value of the Euro against an investor's currency of investment may affect the market value of the shares expressed in an investor's currency. Such fluctuations may also affect the conversion into US dollars of cash dividends and other distributions paid in Euros on the shares.

Please refer to the foreign currency risk in chapter 7.9.5 AO of Melexis' Annual Report for more information about the impact of foreign currencies.

Credit risk on short term investments

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

Managing growth

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

Risk of potential future acquisitions

As a part of its growth strategy, the company regularly evaluates potential acquisitions of businesses, technologies and product lines. Announcements concerning potential acquisitions and investments could be made at any time.
Future acquisitions by the company may result in the use of significant amounts of cash, potentially dilutive issuing of

equity securities, incurrence of debt and amortization expenses related to goodwill and other intangible assets, each of which could materially and adversely affect the company's business, result of operation and financial condition or negatively affect the price of the shares. Should the company's future acquisitions operate at lower margins than those that exist for the company's present services and products, they may further limit the company's growth and place a significant strain on its business and financial resources. In addition, acquisitions involve numerous risks, including difficulties in the assimilation of the operations, technologies, products and personnel of the acquired company, the diversion of management's attention from other business concerns, risks of entering markets in which the company has no, or limited, direct prior experience and potential loss of key employees of the acquired company. While the company has had discussions with other companies, there are currently no commitments or agreements with respect to any potential acquisition. In the event that such an acquisition does occur, there can be no assurance that the company's business, result of operations and financial condition, and the market price of the shares, will not be materially adversely affected.

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 ASSP's have been generated via the representative and distribution network of Melexis. As the majority of the Melexis ASSP products are unique, the end customers are still dependent on Melexis and not on the representative or distributor that they are working with.

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

Protection and enforcement of intellectual property rights

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

The company has already obtained patent protections and expects to file additional patent applications when appropriate to protect certain of its proprietary technologies. The company also protects its proprietary information and know-how through the use of trade secrets, confidentiality agreements and other measures. The process of patent protection can be expensive and time consuming. There can be no assurance that patents will be issued 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 is currently involved in a court case with another company related to IP infringement. More information can be found in note 7.9.5 AI Litigation of Melexis' Annual Report.

Claims

Melexis receives on a regular basis claims from customers and competitors. The company uses all possible resources to limit the risk for the company. More information on the pending claims can be found in note 7.9.5 AI Litigation of Melexis' Annual Report.

The importance of significant customers

Melexis' biggest customer accounts for 17% of total sales. No other customers have sales over 10% of total sales. For the year ended December 31st, 2016, the 10 most important customers accounted for 52% of total sales (cfr. Note 7.9.5.AB).

Significant shareholders

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

For the required information with respect to the potential conflicts of interest please refer to the related parties in chapter 8.7 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, Atmel, AMS, Elmos, Honeywell, Infineon Technologies, TDK (Micronas), NXP, ST Microelectronics.

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

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 7), but sources also from 2 Asian wafer fabs to reduce the risk of dependency on one supplier. For the packaging services, Melexis sources from several Asian vendors.

c. Risks related to the trading on Euronext

Possible volatility of share price

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

AO. SENSITIVITY ANALYSIS ON FINANCIAL RISK

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

Foreign currency risk

The group has transactional currency exposures. Such exposure arises from sales or purchases by an operating unit in currencies other than the unit's functional currency, especially in USD. In 2016 approximately 60% of the group's sales are denominated in USD and approximately 55% 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 2016	Increase / Decrease in EUR/USD rate	Effect on profit or loss before taxes (in EUR)
Reference rate: 1.109 (average FY 2016)		
	+0.05 (1.159)	(3,609,923)
	-0.05 (1.059)	3,950,803

At December 31st, 2016, the following financial assets and liabilities were present, shown in USD and CHF:

	31 Dec 16 (USD)	31 Dec 16 (CHF)
Financial assets	**51,974,666**	**781,059**
Cash and cash equivalents	6,179,374	775,137
Trade and other receivables	45,795,291	5,922
Financial liabilities	**17,007,932**	**939,971**
Trade and other payables	17,007,932	789,971
Loans and borrowings	-	150,000

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.05) would have an impact on the balance sheet value of -1,500,554 EUR/ +1,649,908 EUR at 31 December 2016.

An increase/decrease of the EUR/CHF rate of +/- 500 base points (reference rate = 1.07) would have an impact on the balance sheet value of +6,595 EUR/ -7,239 EUR at 31 December 2016.

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 December 31st, 2016 approximately 100% of the group's borrowings are at a floating rate of interest. In order to hedge the interest rate risk, Melexis is using interest rate derivatives.

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 2016	**in base points**	**excluding derivatives**	**including derivatives**
	+15	(22.710)	(210)
	-15	22.710	210

AP. FINANCIAL INSTRUMENTS

Financial risk management

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

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

(1) Credit risks

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

(2) Interest rate risk

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

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

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

(3) Liquidity risk

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

(4) Foreign exchange risk

The currency risk of the group occurs due to the fact that the group operates and has sales in USD. The group uses derivative contracts to manage foreign exchange risks. The table with outstanding derivatives at year end is taken up in Note 7.9.5.C.

Fair value of Financial Instruments

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

The group's principal financial instruments not carried at fair value are cash and cash equivalents, trade receivables, other current assets, other 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 December 31st, 2016 was minimal since their deviation from their respective fair values was not significant.

8 CORPORATE GOVERNANCE STATEMENT

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

The English 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 8.11 of this Corporate Governance Statement

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8.1 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;

8.2 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.

8.3 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 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.

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 already takes into account the Act of July 28th, 2011 which requires that one third of its members has to be of a different gender as of January 1st, 2017.

The Directors of Melexis are:

Name	Age	Expiry mandate	Position
Roland Duchâtelet	70	2018	Chairman of the Board Non-executive director
Rudi De Winter	56	2018	Vice-chairman of the Board Non-executive director (*)
Françoise Chombar	54	2018	Managing director, CEO
Procexcel BVBA, represented by Ms. Jenny Claes	69	2017	Non-executive and independent director
Shiro Baba	67	2017	Non-executive and independent director
Martine Baelmans	52	2018	Non-executive and independent director

(*) Mr. Rudi De Winter has resigned as member of the Board of Directors as from March 2017.

Board of Directors

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

Mr. Roland Duchâtelet is private shareholder of the company since April 1994 and serves as a director ever since. Prior to that date, Mr. Duchâtelet served in various positions in production, product development and marketing functions for several large and small companies. He contributed in the start-up of two other semiconductor manufacturers: 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.

Mr. Rudi De Winter has been a private shareholder of the company since April 1994. Since January 2011, he has been the Chief Executive Officer of X-FAB, a main supplier and related party to Melexis. Between 1996 and 2010 he served as the Chief Executive Officer and Managing Director of Melexis. Prior to that date, Mr. De Winter served as a development engineer at Mietec Alcatel (Belgium) from 1984 to 1986 and as a development manager at Elmos GmbH (Germany) from 1986 to 1989. In 1990, Mr. De Winter became director together with Mr. Duchâtelet of Xtrion NV, the parent Company of Melexis NV. Mr. De Winter holds a degree in Electronic Engineering from the University of Ghent. Mr. De Winter is married to Ms. Chombar, the Chief Executive Officer and Managing Director.

Ms. Françoise Chombar has served as acting Chief Operating Officer since 1994. Prior to that date, she served as planning manager at Elmos GmbH (Germany) from 1986 to 1989. From 1989 she served as operations manager and director at several companies within the Elex group. Ms. Chombar became director in 1996. She holds a master's degree as Interpreter in Dutch, English and Spanish from the University of Gent. In 2004 Ms. Chombar was appointed co-Managing Director and Chief Executive Officer. After the resignation of Mr. Rudi De Winter, mid February 2011, as Managing Director and Chief Executive Officer, Ms. Chombar will continue these functions.

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

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

Ms. Martine Baelmans started her career at KU (Catholic University) Leuven in 1987 as assistant at the Division of Applied Mechanics and Energy Conversion. Since 2006 she is Full Professor at the Faculty of Engineering Sciences and until mid-2013 she was also vice-rector at this university. Ms. Baelmans holds a Master of Science in Mechanical Engineering and a PhD degree in Engineering Sciences from KU Leuven. Her research has been mainly focused on thermodynamics and heat transfer, particularly in applications for electronics cooling.

Appointment and replacement of directors

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

Directors are appointed for a term not exceeding four years by the General Meeting of Shareholders, who can also 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 propositions to the Board on the remuneration policy for directors and Executive Management.

Functioning of the Board

The internal regulation of the Board is part of the Corporate Governance Charter. The Board convened 9 times in 2016 and discussed, 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 a subsidiary in Dresden, Germany;
- Strategic review;
- Evaluation of certain transactions with related parties;
- Dividend policy;
- Budget for the financial year 2017;
- Start selection process of new statutory auditor in view of EU Regulation (nr. 537/2014), effective as from June 17th, 2016;
- Recommendations of the Audit Committee and the Nomination and Remuneration Committee;
- Management structure

Procexcel BVBA, represented by Ms. Jenny Claes could not attend one meeting of the board. Mr. Rudi De Winter and Mr. Roland Duchâtelet were represented by proxy during one meeting of the board. The other board members attended all meetings.

Evaluation of the Board and its Committees

The effectiveness of the Board of Directors and its Committees is monitored and reviewed every three years in order to achieve possible improvements in the management of Melexis. The last review has been performed in 2016.

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.

8.4 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. The Audit Committee also assists the Executive Management in its assessment and follow-up of the auditor's recommendations.

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

According to Article 526bis, §2 of the Belgian Companies Code the members of the Audit Committee as a whole have competence relevant to the sector in which Melexis is operating and at least one of its members have 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 and the external auditor are invited to the meetings of the Audit Committee to warrant the interaction between the Board of Directors and the Executive Management.

The Audit Committee met three times during 2016. All members attended the meetings.

In addition to the exercise of its legal powers and the tasks 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
- Rotation of audit firm
- Hedging policy of foreign currencies
- Reports of the statutory auditor and internal audit

Nomination and Remuneration Committee

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

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

The Nomination and Remuneration Committee met 3 times in 2016. All members attended the meetings.

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

- Remuneration and variable remuneration of Senior Management
- Assessment of the variable remuneration of the CEO
- Management structure

8.5 EXECUTIVE MANAGEMENT

Composition

The Executive Management is composed of the following members:

Name	Age	Position
Marc Biron	46	VP Development & Quality
Françoise Chombar	54	Chief Executive Officer
Kristof Coddens	46	VP Magnetic Sensors & Sensors Interfaces
Karen van Griensven	46	Chief Financial Officer
Vincent Hiligsmann	46	VP Corporate Strategy Core Markets
Veerle Lozie	43	VP Operations and IT
Damien Macq	50	VP Sensors
Sam Maddalena	40	VP Corporate Strategy Emerging Markets
Robert Remmers	47	VP Actuators
Heidi Stieglitz	57	VP Human Resources

As of September 2016 the team composition changed. This overview reflects the current team composition.

8.6 REMUNERATION REPORT

Remuneration policy

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

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

Remuneration of directors

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

Only the mandates of the independent directors are remunerated. Their compensation consists of a fixed annual remuneration of EUR 15,000 and reimbursement of costs to attend the board and/or committee meetings. The directors are expected to uphold the expenditure policy within Melexis and to submit suitable justification for their costs. In 2016 Melexis paid in total EUR 45,000 as remuneration to the independent directors and EUR 12,960 as reimbursement of costs as follows:

Name	Remuneration	Costs
Procexcel BVBA, represented by Jenny Claes	15,000	122
Shiro Baba	15,000	12,838
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

The compensation of the Executive Management members combines three integrated elements: base salary, variable pay and 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.

The base salaries remain in line with market average. Variable pay payments are dependent on the company's performance and the individual/team performance measured through the achievement of pre-established targets. They can vary up to 20% of the annual base salary, except for the CEO, who can potentially receive a variable pay up to 50% of the annual base salary. Variable pay is paid out in cash. No shares, options or other rights to acquire shares are granted as part of the compensation. The other benefits concern only a smaller part of the total compensation of the Executive Management.

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

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

CEO

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

The remuneration of the CEO is composed of a fixed amount and a variable pay. The variable pay of the CEO may vary up to 50% of the determined fixed compensation and will have the following multi-year payout period:

(i) 50% of the variable pay will be based on performance criteria measured over the performance year itself (ii) 25% of the variable pay will be based on performance criteria measured over two financial years and (iii) 25% of the variable pay will be based on performance criteria measured over three financial years. The funding levels for the annual variable pay are dependent on the company's performance against approved financial targets regarding revenue growth and EBIT growth.

In 2016 the CEO received a fixed remuneration amounting to EUR 249,996 and a variable pay of EUR 125,000.

Françoise Chombar	Remuneration 2016
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	10,716

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 1,596,740 in 2016. The total of the 2016 variable pay component payouts amounted to EUR 276,790.

Executive Managers	Remuneration 2016
Base remuneration	1,596,740
Variable remuneration	276,790
Pension	23,213
Extra legal arrangements	99,897
Reimbursement of costs	101,551

The Executive Management variable pay scheme does not include a multi-year payout horizon so far.

The annual 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 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.

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

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

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

8.7 POLICY ON CERTAIN TRANSACTIONS

Conflicts of interest in the Board of Directors

According to Article 523 of the Companies Code a member of the Board of Directors has to inform the other directors about any item on the agenda of the Board that will cause a direct or indirect conflict of interest of 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 2016 however there were no transactions between the company and its directors involving a conflict of interest.

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 2016 however there were no transactions between the company and its directors or executive managers involving a conflict of interest.

Insider trading

In compliance with the Belgian Corporate Governance Code 2009 and EU regulation on market abuse (EU No. 596/2014) the Melexis Insider Trading Policy was updated in 2016 and approved by the Board of Directors on July 25th, 2016. It is integrated as an Annex to the Melexis Corporate Governance Charter.

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 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 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.

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

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

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

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

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

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

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

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

The Board of Directors is authorized by the Extraordinary General Meeting of April 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 Companies Code, under following conditions:

- This authorization applies for a number of own shares hat 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 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 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 April 22, 2014 for the alienation of own shares held in accordance with article 622, §2, of the Companies Code and article 622, §2, 1° of the Companies Code;
- The number of own shares 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 December 31st, 2016, the Melexis Group was in the possession of 346,141 shares out of 40,400,000 shares in the registered capital of the company, or 0.86% of the total outstanding share capital. In accordance with art. 622 of the Companies Code, the voting rights on these shares are suspended.

Other elements

The company has not issued securities with special control rights.

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

8.10 AUDITOR

BDO Bedrijfsrevisoren Burg Ven CVBA, whose registered office is situated at 1930 Zaventem, Da Vincilaan 9/E6, listed in the Register for Legal Entities of Brussels with company number 431.088.289, was reappointed as statutory auditor of the company. Ms. Veerle Catry, auditor, whose registered office is situated at 9820 Merelbeke, Guldensporenpark 100, blok K, was appointed as the permanent representative of the auditor.

The annual fee for this mandate amounted consolidated to EUR 125,000 in audit fees, VAT excluded and is adjusted annually according to the consumer index. In 2016 the additional legal fees amounted to EUR 14,000 VAT excluded.

At the general meeting of shareholders, on April 20th, 2017, in view of EU Regulation (nr. 537/2014), upon recommendation of the Board of Directors, following the advice of the Audit Committee, a new statutory auditor will be appointed.

8.11 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 should not chair the Audit Committee. The Board of Directors of Melexis opts to have its advising committees presided by its Chairman to clarify the interests of the Company and the shareholders.

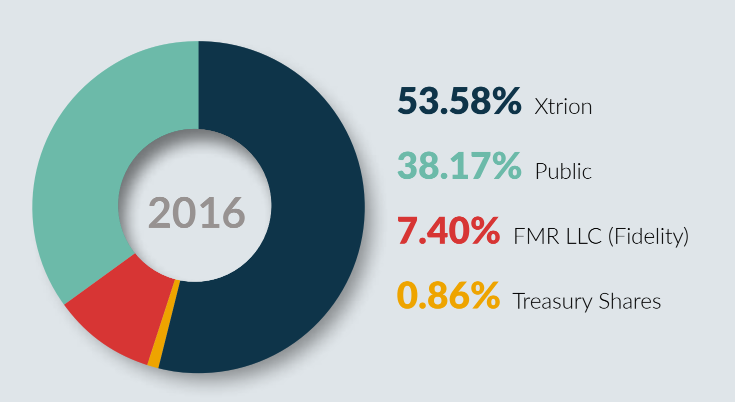
9 SHAREHOLDER INFORMATION

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

9.1 SHAREHOLDER STRUCTURE

Situation on December 31, 2016

Company	Number of Shares	Participation Rate
Xtrion	21,644,399	53.58%
FMR LLC (Fidelity)	2,987,640	7.40%
Treasury Shares	346,141	0.86%
Public	15,421,820	38.17%
Total	40,400,000	100.00%



9.2 SHARE INFORMATION

- **First day of listing** October 10th, 1997
- **Number of shares outstanding on December 31st, 2016** 40,400,000
- **Market capitalization on December 31st, 2016** EUR 2,571,460,000

(Euro)	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Earnings per share	2.38	2.45	2.10	1.37	1.25	1.06	1.12	(0.09)	0.52	0.86
Net cash from operating activities	2.67	2.85	2.35	1.75	1.41	1.35	1.04	0.46	0.62	0.77
Gross Dividend	2.00	1.90	1.00	0.70	0.65	0.60	0.30	0.00	0.60	0.60
Year end price	63.65	50.18	37.50	23.18	12.88	10.37	13.46	6.78	5.00	11.15
Year's high	65.88	59.47	37.54	24.44	13.40	13.84	13.80	7.44	11.87	15.00
Year's low	40.94	37.70	23.10	13.19	10.60	8.35	6.84	3.33	4.95	10.15
Average volume of shares traded/day	59.810	73.249	35.665	22.741	22.958	34.818	34.900	22.137	32.991	56.569

9.3 SHAREHOLDER CONTACT INFO

Investor Relations
Phone: +32 13 67 07 79
Fax: +32 13 67 21 34
Rozendaalstraat 12, B-8900 Ieper, Belgium
www.melexis.com/InvestorRelations.aspx

9.4 FINANCIAL CALENDAR 2017

April 20th, 2017
Annual Shareholder's Meeting

April 20th, 2017
Announcement of Q1 Results

August 2nd, 2017
Announcement of Half Year Results

October 25th, 2017
Announcement of Q3 Results

February 7th, 2018
Announcement of Full Year Results

9.5 DIVIDEND POLICY

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

Gross (interim-) dividend per share related to accounting year

1999: EUR 0.30 interim dividend
2002: EUR 0.50 interim dividend
2003: EUR 0.50 interim dividend
2004: EUR 0.2762 dividend and
EUR 0.7238 capital decrease
2005: EUR 0.50 interim dividend
2006: EUR 0.50 interim dividend
2007: EUR 0.60 interim dividend
2008: EUR 0.60 interim dividend
2009: no dividend
2010: EUR 0.30 interim dividend
2011: EUR 0.60 interim dividend
2012: EUR 0.65 interim dividend
2013: EUR 0.70 interim dividend
2014: EUR 1.00 interim dividend
2015: EUR 1.30 interim dividend
EUR 0.60 final dividend
2016: EUR 1.30 interim dividend
EUR 0.70 final dividend
(payable after approval of the Annual Shareholders meeting on April 20th, 2017)

10 EXCERPT FROM MELEXIS NV STATUTORY

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

It should be noted that only the consolidated financial statements as set forth in chapters 7 and 8 present a true and fair view of the financial position and performance of the Melexis group.

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

For this reason, the board of directors deemed it appropriate to publish only an abbreviated version of the non-consolidated balance sheet and income statement prepared in accordance with Belgian GAAP as at and for the year ended December 31st, 2016. Participations in affiliated companies are recognized at purchase price.

The statutory auditors' report is unqualified and certifies that the non-consolidated financial statements of Melexis NV prepared in accordance with Belgian GAAP for the year ended December 31st, 2016 give a true and fair view of the financial position and results of Melexis NV in accordance with all legal and regulatory dispositions.

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

Condensed non consolidated statement of financial position

in 1,000 Euro

ASSETS	2016	2015
FIXED ASSETS	**688,035**	**686,411**
II. Intangible assets	687	844
III. Tangible assets	32,003	30,283
A. Land and buildings	12,024	12,258
B. Plant machinery and equipment	18,715	16,691
C. Furniture and vehicles	959	894
F. Assets under construction and advanced payments	305	441
IV. Financial assets	655,344	655,283
A. Affiliated companies	655,278	655,253
1. Participations	655,278	655,253
B. Other enterprises linked by participating interests	6	6
1. Participations	6	6
C. Other financial assets	61	24
2. Receivables and caution money	61	24
CURRENT ASSETS	**2,487**	**2,278**
V. Amounts receivable after more than one year	3	3
1. Other receivables	3	3
VII. Amounts receivable within one year	382	295
A. Trade receivables	1	29
B. Other receivables	380	266
VIII. Cash investments	271	271
A. Own shares	21	21
B. Other investments and deposits	250	250
IX. Cash deposits	268	161
X. Deferred assets and accrued income	1,564	1,547
TOTAL ASSETS	**690,522**	**688,689**

Condensed non consolidated statement of financial position (Continued)

in 1,000 Euro

	2016	2015
SHAREHOLDERS' EQUITY	**286,454**	**361,630**
I. Capital	565	565
A. Outstanding Capital	565	565
IV. Reserves	88	84
A. Legal reserve	57	57
B. Reserves not available for distribution	31	28
1. In respect of own shares held	31	28
V. Retained earnings	285,428	360,585
VI. Investment grants	373	396
DEBTS	**404,068**	**327,059**
IX. Amounts payable within one year	402,567	325,502
B. Financial debts	-	-
1. Credit institutions	-	-
C. Trade debts	1,863	2,096
1. Trade payables	1,863	2,096
E. Taxes, remuneration and social security	4,189	2,082
1. Taxes	2,237	6
2. Remuneration and social security	1,952	2,076
F. Other amounts payable	396,515	321,324
X. Accrued charges and deferred income	1,501	1,557
TOTAL LIABILITIES	**690,522**	**688,689**

Condensed non consolidated statement of comprehensive income

in 1,000 Euro

	2016	2015
I. Operating income	47,147	44,235
A. Turnover	46,344	43,341
C. Other operating income	803	894
II. Operating charges	(34,995)	(31,938)
B. Services and other goods	14,417	13,110
C. Remuneration, social security charges and pensions	13,469	12,019
D. Depreciations	**6,975**	**6,709**
E. Amounts written off stocks, contracts in progress and trade receivables	-	-
G. Other operating charges	134	99
III. Operating result	12,152	12,297
IV. Financial income	49	49
B. Income from current assets	2	12
C. Other financial income	47	37
V. Financial charges	(4,323)	(4,308)
A. Debt charges	4,243	4,025
C. Other financial charges	81	283
VI. Result of the year before taxes	7,877	8,039
VII. Income taxes	(2,234)	(6)
A. Taxes	(2,234)	6
B. Regularization	-	(0)
VIII. Result of the year	5,643	8,033
IX. Profit of the year available for appropriation	**5,643**	**8,033**

Appropriation of the Result

in 1,000 Euro

	2016	2015
A. Result to be appropriated	366,228	437,345
1. Result of the period available for appropriation	5,643	8,033
2. Result carried forward	360,585	429,312
C. Transfers to capital and reserves	(4)	(3)
1. To other reserves	(4)	(3)
D. Result to be carried forward	285,428	360,585
1. Result to be carried forward	285,428	360,585
F. Distribution of profit	(80,796)	(76,757)
1. Dividends	(80,796)	(76,757)

11 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.

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Free translation

Statutory auditor's report to the general meeting of the company Melexis NV for the year ended 31 December 2016

As required by law, we report to you on the performance of our mandate of statutory auditor. This report includes our opinion on the consolidated financial statements, as well as the required additional statement. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the explanatory notes.

Report on the consolidated financial statements – unqualified opinion

We have audited the consolidated financial statements of the company Melexis NV for the year ended 31 December 2016, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, which show a consolidated statement of financial position total of 358.165.449 EUR and a consolidated income statement showing a consolidated profit for the year of 96.256.883 EUR.

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

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

Responsibility of the statutory auditor

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the statutory auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk

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assessments, the statutory auditor considers the company's internal control relevant to the preparation of consolidated financial statements that give a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the board of Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

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

Unqualified opinion

In our opinion, the consolidated financial statements of the company Melexis NV give a true and fair view of the group's equity and financial position as at 31 December 2016, and of its results and its cash flows for the year then ended, in accordance with the International Financial Reporting Standards as adopted by the European Union.

Report on other legal and regulatory requirements

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

In the context of our mandate and in accordance with the Belgian standard which is complementary to the International Standards on Auditing (ISAs) as applicable in Belgium, our responsibility is to verify, in all material respects, compliance with certain legal and regulatory requirements. On this basis, we make the following additional statement, which do not modify the scope of our opinion on the consolidated financial statements:

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

Zaventem, 15 March 2017

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

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