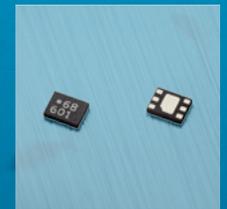
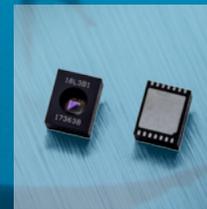
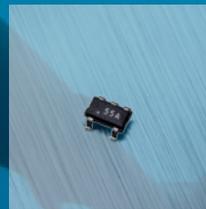
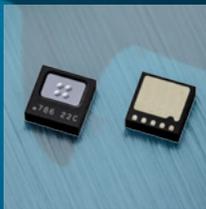
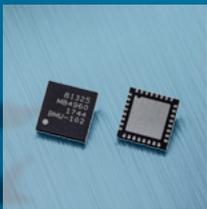


Melexis

INSPIRED ENGINEERING

ANNUAL REPORT 2017



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WHY THE HAMMERHEAD SHARK?

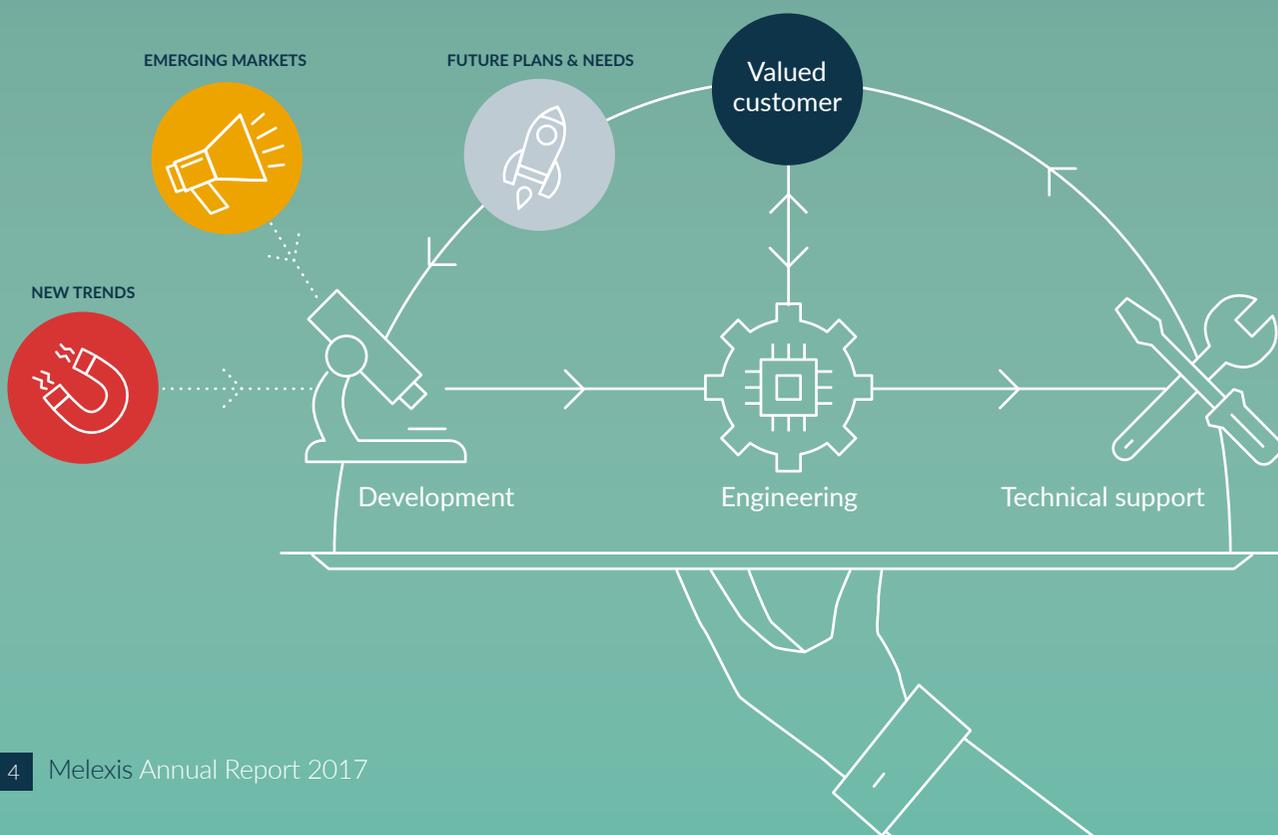
This god of the ocean represents our Sense products. Through its "hammer" shaped head it is capable of electrolocation to detect prey. The process uses specialized electroreceptors to detect and locate the source of an external electric field in its environment.

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GREAT PEOPLE, GREAT TEAM, GREAT RESULTS



CUSTOMER DRIVEN INNOVATION



THE MELEXIS PRODUCT RANGE



SENSE



DRIVE



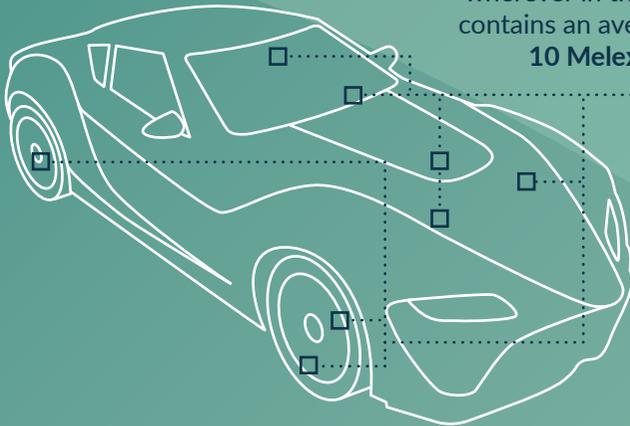
COMMUNICATE

We cater to **different sectors**



Automotive

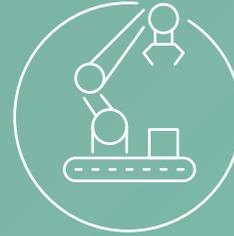
Each new car produced today, wherever in the world, contains an average of **10 Melexis chips**



Smart applications



Home automation



Industry



Medical

SUSTAINABILITY AT HEART

Our environmental policy is based on **four principles**

Sustainable development



Prevention is better than cure



Minimal environmental impact



Open contacts with all the stakeholders





Dear Melexis Shareholder,

Melexis continues to surf on impressive waves of progress. I'm truly proud about this company that combines exceptional people with a unique company culture, great products and a promising future.

Our 2017 sales growth, like in 2016, doubled the market growth. This is based on the most recent market data from Strategy Analytics (Jan 2018). Our steady and strong growth is also reflected in another milestone: every new car in the world now has on average 10 chips of Melexis inside.

We delivered a great set of 2017 results, in line with our forecast and despite more than anticipated currency headwinds at the end of the year. For the full year 2017, sales were 511.7 million EUR, an increase of 12% compared to the previous year. Our gross profit margin was at 46% of sales while our operating margin was close to 26% of sales. Compared with 2016, net income increased 15% to 111.0 million EUR.

Melexis' strong results are reflected in the evolution of our share price that ended the year at EUR 84.37, representing an increase of 33% over the entire year. The Board of Directors is proposing to the General Meeting of Shareholders the payment of a total gross dividend amounting to EUR 2.10 per share over the results of the year 2017, an increase of 5% compared to the previous year. This brings the total shareholder return, including dividend, at 36% over the year 2017.

Growth drivers

Our growth is driven by a broadly based demand as the vast majority of Melexis product lines contributed with double digit sales growth numbers. Melexis' expertise in developing feature-rich automotive sensors and drivers with high integration, high robustness and high accuracy matches the increased customer requirements as a consequence of the trends towards more electrification, ADAS and interior differentiation.

“ Customers are recognizing the value of **our inspired engineering.** ”



Our magnetic sensor product lines and motor drivers continue to flourish with upcoming new applications and new features, such as for thermal management in hybrid and electric vehicles. Also our current and pressure sensor product lines performed above average. More attention to enhancing the user experience in cars is addressed by our ambient light product portfolio and our 3D time-of-flight sensors. In adjacent markets, we highlight a solid performance in 2017 of our FIR array (Far Infrared) products, addressing applications in smart appliances and smart HVACs.

Financial outlook 2018

For the full year 2018, Melexis expects sales growth to be between 12% and 15%, a gross profit margin around 45% and an operating margin around 25%, all taking into account a EUR/USD exchange rate of 1.23. The 2018 CAPEX budget is estimated around the level of 75 million EUR.

Going strong in China

In November 2017 our growing Shanghai office launched a brand-new website to strengthen further our commitment to establish an appropriate Chinese offering for electronic products and to help improving the design capability of high-tech products. As China is becoming one of the world's largest automobile producer and consumer markets, the demand portion for semiconductors is increasing together with the automobile market trend. The market size of China's automotive semiconductor industry was 8.0 billion USD in 2017, a CAGR of 14% in the last 4 years. In the same period, Melexis outperformed with a CAGR of 24%.

Expansion in Europe

From a manufacturing perspective we are expanding extensively to enable future growth. After the recent expansion of the leper site and the set-up of a new R&D center in Grasse, we are expanding in two other European locations to help us meet our global growth plans in terms of R&D, logistics and manufacturing capacity for the medium-term future. Not only will these investments bring additional resource and capacity, but also they will ensure that we have a tightly coupled and consistent supply chain to serve our customers. Customers are recognizing the value of our inspired engineering. As a result, we are experiencing significant demand for our products which will continue to grow over the next few years.

More and more Melexians

This year we passed the landmark of 1200 Melexians. More than 100 newcomers joined our team and more will join in the months to come. This offers incredible opportunities for accelerated growth and innovations within our company. Everyone at Melexis is therefore very much committed to a speedy integration of these new colleagues within our midst. As such, our entire team continues its journey from Good to Great with determination, focus but also, by enjoying every minute of this amazing trip!

Yours sincerely,

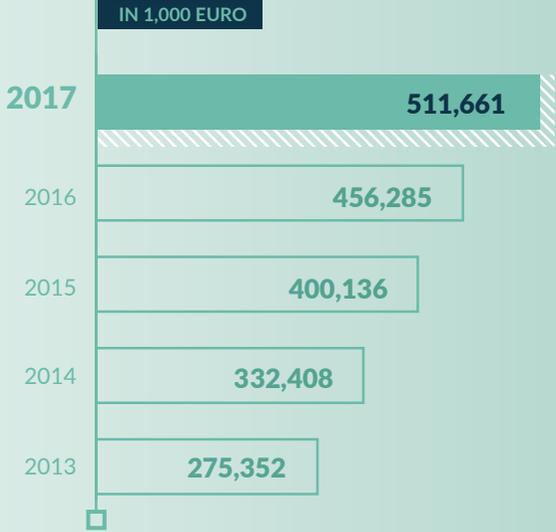
Françoise Chombar

On behalf of the entire Melexis team

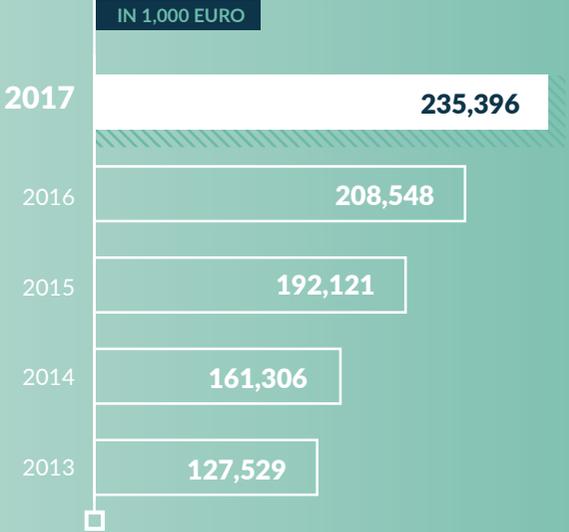
In 1,000 Euro

Operating results	2013	2014	2015	2016	2017
Revenue	275,352	332,408	400,136	456,285	511,661
Gross profit	127,529	161,306	192,121	208,548	235,396
EBIT	63,713	89,175	107,604	114,369	132,608
EBITDA	79,222	108,951	130,414	140,240	164,965
Net income	55,214	84,994	99,071	96,257	110,955
Balance structure	2013	2014	2015	2016	2017
Shareholders' equity	157,639	201,361	242,511	262,465	294,303
Net indebtedness	(9,225)	(41,446)	(58,703)	(60,808)	(60,798)
Working capital	64,630	71,985	78,631	76,916	84,642
Cash flow and capital expenditure	2013	2014	2015	2016	2017
Net cash from operating activities	70,825	94,994	114,998	107,951	113,306
Depreciation + amortization	15,509	19,775	22,809	25,872	32,357
Capital expenditure	22,532	23,694	40,281	28,774	46,417
Ratios	2013	2014	2015	2016	2017
ROE	35%	42%	41%	37%	38%
Liquidity	3.4	4.2	3.7	2.8	2.5
Solvency	73%	78%	79%	73%	73%

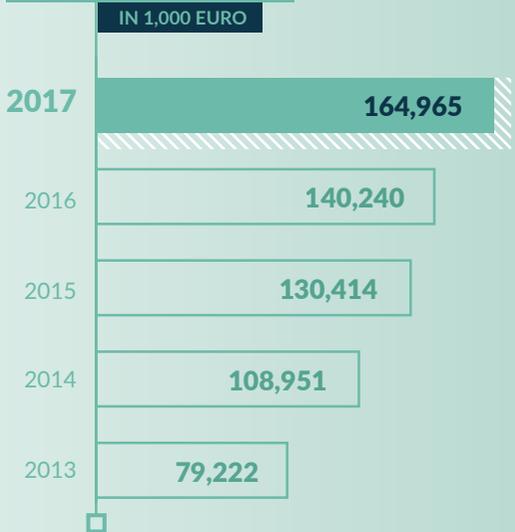
Revenue Evolution



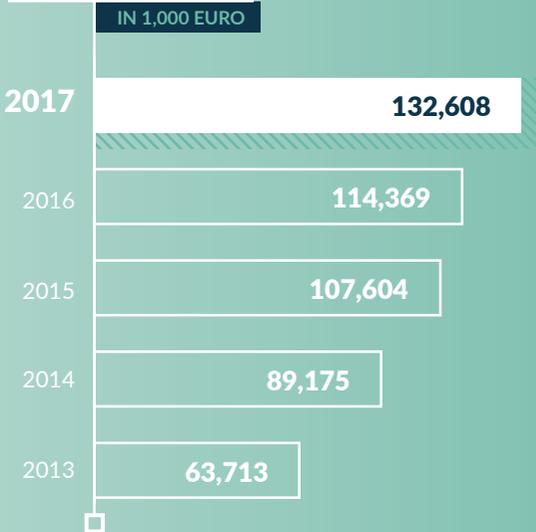
Gross Profit Evolution



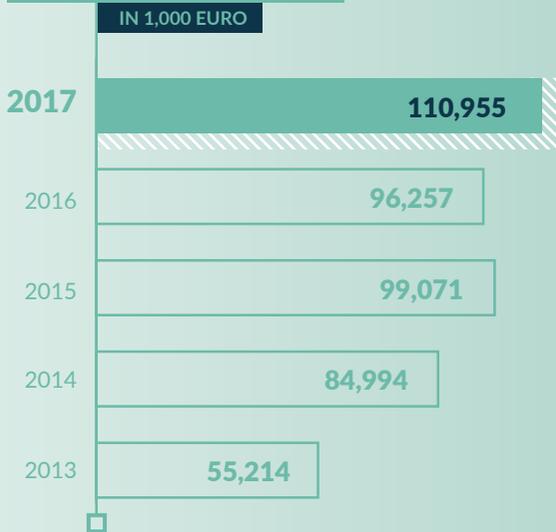
EBITDA Evolution



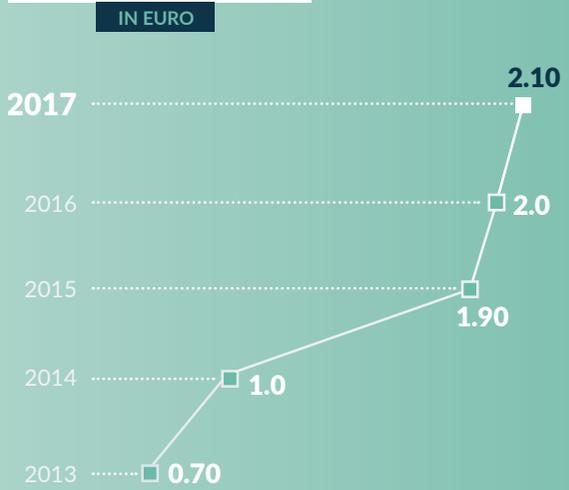
EBIT Evolution



Net Income Evolution



Dividend Evolution



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 the four world leaders in semi-conductor sensors for the automotive sector. We are also trailblazers in the development, design, and application of integrated semiconductors for motors, car networking, wired and wireless communication, ambient lighting and TPMS (Tyre Pressure Monitoring System).

The automotive industry and far beyond

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

Our ambition is not limited to the automotive industry, however. 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 a Tyre Pressure Monitoring System.



“ 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 the industry. For example, we are pioneers in 3D time-of-flight cameras, 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 customer focus is the key to our success. Our stakeholders directly inspire all our products.

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. From magnetic sensor and sensor interfaces, to wireless and drivers, we are constantly innovating to create more sustainable and more reliable vehicles.

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.



MELEXIS BACKING FOR STEM INITIATIVES

Melexis stays committed to our promise to back STEM (Science, Technology, Engineering, Mathematics) initiatives worldwide and focuses on initiatives which encourage children and young adults aged five to eighteen to take part in science and technology projects outside school hours and during school holidays. In 2017, Melexis moreover organized several successful initiatives for children of employees at our sites in Tessenlo, Ypres, Sofia and Kyiv. Melexis supports and celebrates STEM education wherever and whenever possible and is determined to follow this path for many years to come.





BRAND NEW CHINESE WEBSITE

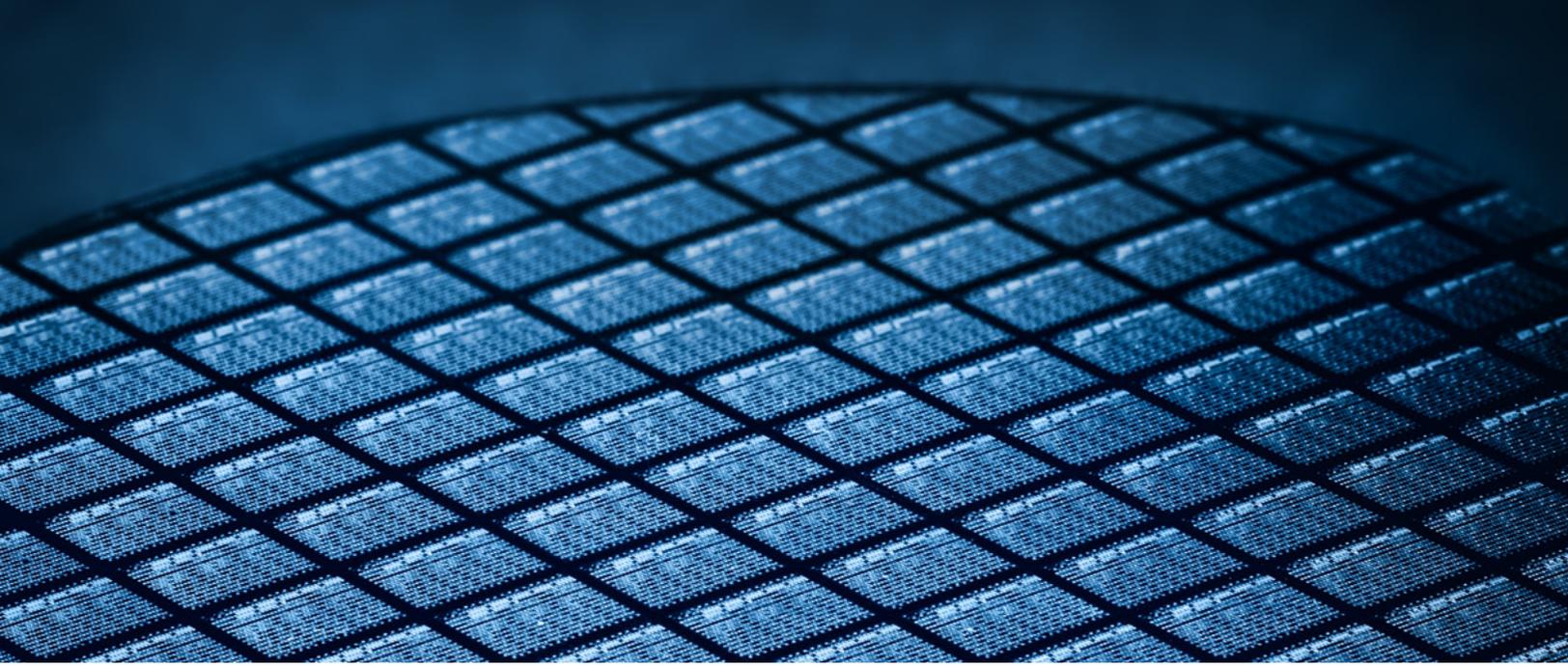
To support further our Chinese market in establishing an appropriate offering for electronic products, Melexis decided to launch its Chinese official website in November 2017. It is the company's latest step to further expand its footprint and increase business investment in China. As China is on its way to becoming one of the world's largest automobile producer and consumer markets, the demand portion for semiconductors is increasing with the automobile market trend.

... and future growth

Since founding the company in Belgium in 1988, we have grown into a business with more than 1,200 employees in 11 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 motivated individuals, outstanding teams and fantastic results.





3.2 SUSTAINABLE ENGINEERING

Pragmatic... No nonsense... We apply effective production and management techniques to remove inefficiencies. The Melexis quality and environmental policy is the guiding principle throughout our organization. It provides a framework for our day-to-day operations and guides every decision and every action. Our quality mission statement sets out our aim:

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

The Melexis quality and 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 quality and 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.

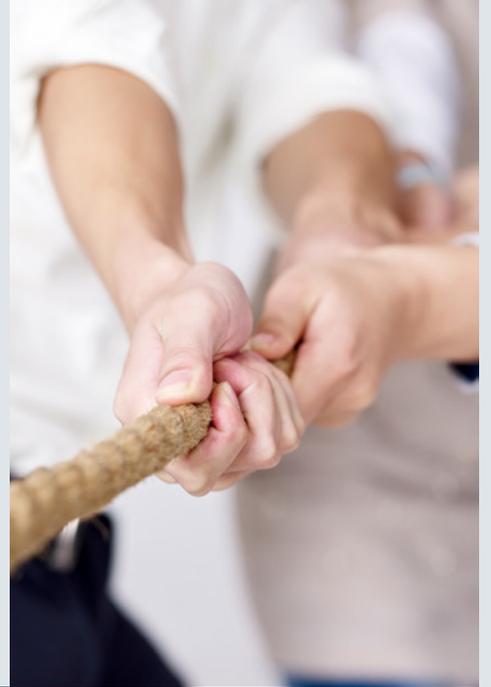
The total environmental impact counts: Production (including energy consumption), use and end-of-life disposal have as little effect as possible on the environment.

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.



EXPANSION OF YPRES MANUFACTURING FACILITY

In November 2017, Melexis announced a significant expansion of manufacturing space and people at its R&D and manufacturing facility in Ypres, Belgium. The 7,000 m² facility will now be further extended by 1,300 m² to create additional manufacturing space. The number of employees will increase from 250 to 300 through hiring additional operators, technicians and engineers.

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.

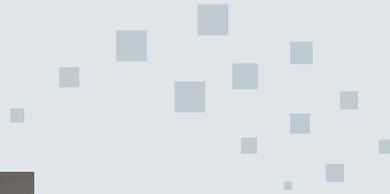
MELEXIS TPMS WINS THE EXCELLENCE IN PRODUCT DESIGN FOR AUTOMOTIVE CATEGORY AT 2017 ELEKTRA AWARDS

The Elektra Electronics Industry Awards are the high point of the year for the European electronics industry, where the finest new products, technology innovation and company performances of the year are showcased. Melexis entered the Excellence in design category with its MLX91804, the Tire Pressure Monitoring System (TPMS) integrated circuit. This third generation TPMS IC is 60% smaller and draws 3 times lower power (in sleep mode) than any competing solution available today. The jury described our entry as a "highly innovative example of compact electronic design" and a clear winner in this category.



We care

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



We understand the value of money

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

We enjoy the journey towards success

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

MELEXIS PLAYS LEADING ROLE IN 2017 ESSDERC AND ESSCIRC

In September, Melexis played a prominent role in the 47th European Solid-State Device Research Conference (ESSDERC) and the 43rd European Solid-State Circuits Conference (ESSCIRC) in Leuven, Belgium. The conferences provide an annual European forum for the presentation and discussion of recent advances in solid-state devices and circuits.



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 and new sectors.

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 as 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 ASICS AND ASSPS

Melexis develops both custom 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.

CHALKING OUT FOUR POSSIBLE WORLDS IMPACTING MOBILITY IN DIFFERENT WAYS

For the first time Melexis did an extensive scenario exercise on what the world and in particular mobility could look like in 2030. Our world is changing at an unprecedented speed, making direction indicators increasingly necessary to anticipate external changes as soon as possible. We interviewed a dozen executives from inside and outside our company, did an exhaustive literature study followed by internal workshops. This resulted in four possible scenarios including what each scenario means for mobility in 2030. You can find this document on www.melexis.com.



4.5 LEADING THE WAY IN SENSING AND DRIVING SOLUTIONS

Melexis has a well-matched team of experienced engineers. Their expertise in product definition, design and testing of integrated analog-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 2017, Melexis passed all its certification audits for ISO/ TS 16949 standards. All our certificates are therefore still valid. 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 successful in future audits.

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

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. Melexis will ensure IATF 16949 certification audits will be performed before the end of August 2018 on the relevant Melexis locations.

5.1 DESIGN WITH A PURPOSE

Smart electronic systems 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, improving the driving experience, increasing comfort and becoming more energy-efficient and safer. This development is only possible because of technologies that interact directly with the immediate environment. 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.

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.

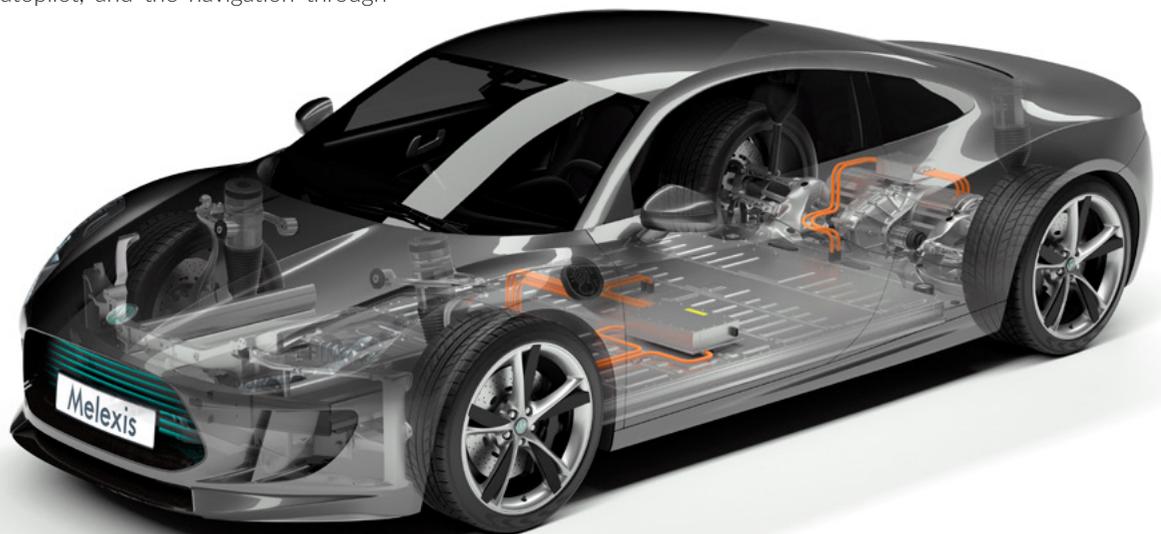
For systems to be able to detect/sense their environment in real time what is required is not just secure data communication with the right transfer speeds, but also precise control and remote actuation. Detecting, processing, driving and communicating have become familiar concepts in every industry.

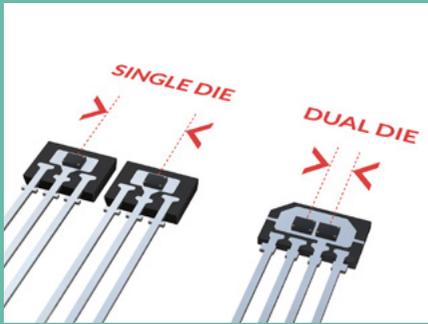
Melexis products stand out from those of rival manufacturers because of their intrinsic capacity to integrate detection, processing, activating and communicating into a single system. Smart integration is increasingly critical in the delivery of optimal solutions to simplify complex electronic designs.

5.2 NO AUTOMATION WITHOUT SENSORS

Driven amongst others by the development of cars with autonomous functionalities, awareness of their surroundings is becoming increasingly important. Cars with automated functionalities use sensors and drivers for tasks such as automated parking, highway autopilot, and 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.





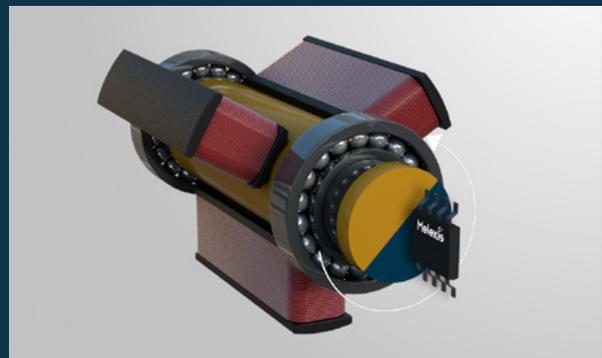
In June Melexis announced a range of new magnetic latch and switch sensors that are the first in the world to feature two silicon dice in the same package. The highly reliable devices, which are aimed at automotive applications including transmission, power steering, braking and locks/latches, represent a major advance in magnetic sensing technology. Melexis is the first to deliver dual die latch and switch technology to the market. While the standard and configurable products will satisfy most applications, we now have the ability to develop even more advanced customizations to solve the most demanding automotive design challenges.

Melexis is a world leader in magnetic sensing. For more than one 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 many applications. By taking mechanical tolerances out of the equation and simplifying the magnetic aspects of the design, Melexis' Triaxis® products enable more robust applications and are also considerably easier to manufacture than alternative technologies.

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

The Melexis range of magnetic sensors offers solutions for robust and reliable contactless switches, replacing traditional mechanical switches (which are large, expensive and unreliable) for applications such as seat belt buckles and brake and clutch pedals. Thanks to our unique programmable 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.



In November 2017, Melexis announced a new second-generation resolver motor position sensor based upon its proprietary Triaxis® Hall magnetic sensing technology. The new single IC solution MLX90380 is compatible with any brushless motor - including Permanent Magnet Synchronous Motors (PMSM) and Brushless DC Motors (BLDC) - thanks to its ability to measure the absolute angle. This makes it ideally suited to the ever-growing number of automotive applications arising as a result of the greater electrification of vehicles. This device represents a significant step forward, especially with regard to performance and mounting flexibility. As designers are challenged to work in small spaces in modern applications, especially automotive, this compact device offers many options allowing designers to deliver high-performance rotary measurement solutions.

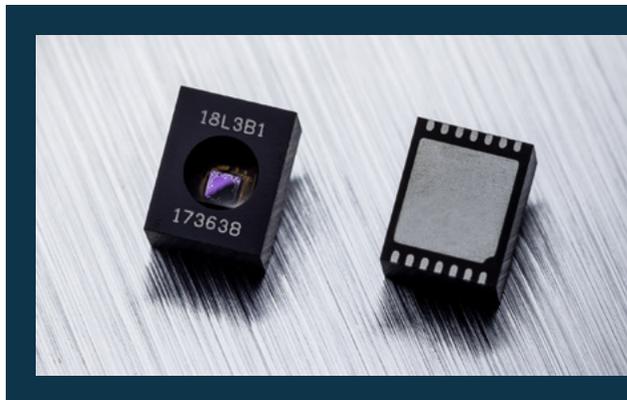
This year the shift to electric driving is clear and will only intensify in the years ahead. On the one hand our existing current sensor product portfolio is proven to be relevant for this growing market, on the other hand we are working on new technological developments which will strengthen further our commitment to support our customers to the full. We have moreover seen increasing design wins in hybridization and electrification applications for both the automotive and industrial markets, a sign the electrification uprise is a fact. Where electrification used to be an effort for the “happy few” in the past, today we see all OEMs bringing electric drive as an integral part of their offering.



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 sensors, for which Melexis also supplies the associated signal-processing interface ICs, or via full integrated pressure sensors.

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 infrared thermometers. Increased opportunities in the medical and consumer markets have created demand as well. Melexis FIR array sensors are used in low resolution visual thermometers for use in building automation, industry and the security and DIY (Do It Yourself) sectors. They are also used in add-on modules for smartphones.



In December Melexis announced a new highly accurate pressure sensor intended for harsh media applications, especially in the automotive sector. As the only component solution available without exposed corrodible metals, the MLX90818 offers the best harsh media compliance, especially against the harsh halogens found in high concentrations in modern engines that are both downsized and lighter.



In 2017 Melexis announced a new family of miniature far infrared (FIR) sensors for use in multiple applications. The MLX90632 can be used wherever it is important to accurately measure temperature, especially in thermally dynamic environments and when available space is limited. Potential applications can therefore be found in white and grey goods, room temperature monitoring in smart thermostats, server rooms or integration into portable electronics devices such as tablets and smartphones. Smart device manufacturers can differentiate their products through the inclusion of accurate temperature measurement. Melexis has integrated an optical lens into the device that reduces the field of view, thereby enabling a higher operating distance and greater measurement accuracy.

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 stringent 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 2017 Melexis announced a new Time-of-Flight (ToF) chipset and development kit that enables simple, modular and future proof design of 3D vision solutions. The MLX75023 ToF sensor offers the world's smallest pixel at QVGA resolution with 63 dB linear dynamic range and sunlight robustness, thanks to Melexis' advanced pixel technology. Typical applications for the chipset include gesture recognition, driver monitoring and occupant detection in automotive applications. The chipset is also ideal for other applications including industrial (conveyer belts, robotics, volume measurement) and smart cities (people counting, security, etc).



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 growth region is China - legislation is in place. Because Melexis offers the newest and most integrated, energy-efficient solution, it is certainly taking advantage from this growth in demand.

Before the mid-1990s, electronic modules in the vehicle were typically used stand-alone. Nowadays, these modules communicate with each other over the vehicle data bus. 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.

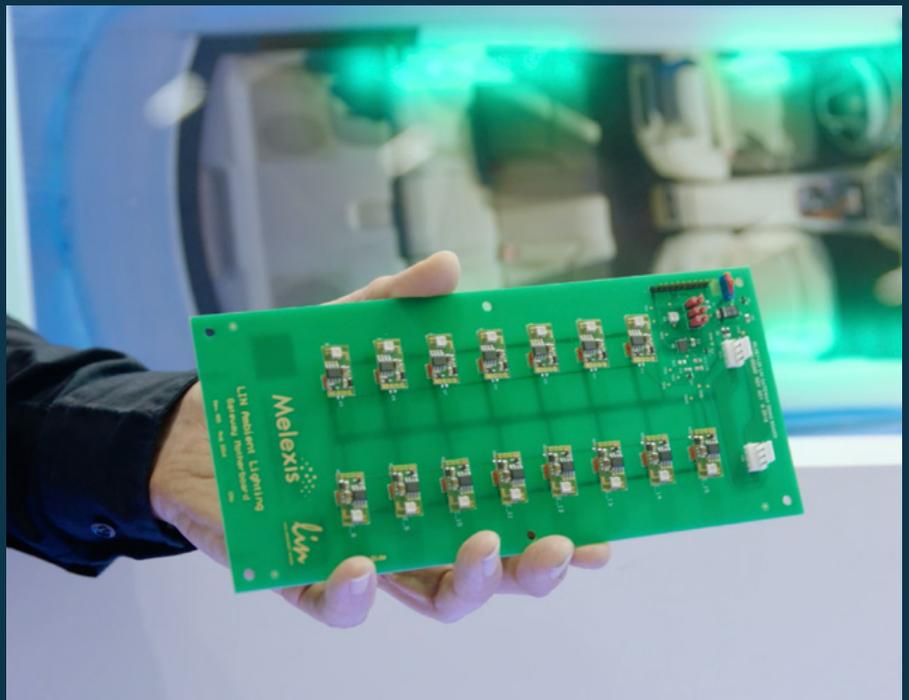
Most car manufacturers now base their vehicle architecture on a network of at least two interconnect standards. LIN (Local Interconnect Network) is already widely used for low-speed bus applications, while in the future, CAN FD (Controller Area Network Flexible Data rate) will be the high-speed backbone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

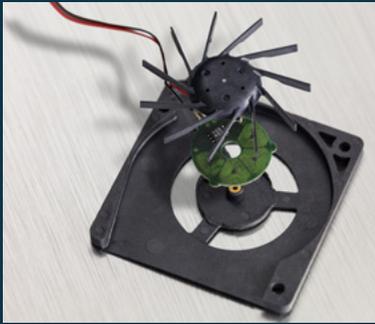
With its extensive portfolio of bus transceivers and integrated LIN node devices, Melexis products provide the basis for these new electronic interconnect architectures. Melexis has gained a solid reputation as a one-stop shop for LIN, from simple transceivers and basic ICs through to fully-integrated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

The Melexis LIN portfolio enables the reduction of the bill of material of many applications, with the addition of just a few external components.

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 with reduced bill of materials.

In July, Melexis launched a new LIN-to-LIN gateway that overcomes the limitation of just 16 devices on a typical LIN bus. Each MLX81120 connects as a LIN slave to the main LIN bus and is controlled directly from the vehicle's Body Control Module (BCM). The new device allows for up to 16 LIN RGB slave modules on a private LIN bus, thereby permitting up to 196 LED lighting devices to be connected to a single BCM via a LIN bus. This solution offers a simple way to overcome the architectural limits of the LIN bus. The new MLX81120 allows lighting bus segmentation and extension for future use cases.





At the end of 2017 we announced two new fan driver ICs for automotive and other applications where a highly reliable, ultra-small solution is needed. The US168KLD and the US169KLD are automotive grade single-chip solutions for driving single-coil brushless DC fans and motors. As a result of their soft-switching characteristics, they ensure low levels of EMI and acoustic noise, making them ideal for in-the-cabin automotive applications such as sensor fans as well as cooling fans for wireless chargers, computing, audio and multimedia. These new drivers from Melexis ensure that the fans can be driven quietly and reliably, which consumers expect for in-cabin applications.

5.3 NO INTERACTION WITHOUT DRIVERS

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

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.



In 2017 Melexis introduced a highly embedded sense and drive solution for automotive DC motor applications for automotive brushed DC motor applications such as window lift, sun roof, and seat adjustment. Faced with shorter time to market challenges, and the need to incorporate more smart features, the solution aids engineers to quickly develop a high performance, low bill-of-material DC motor drive and sense design with a dedicated application-optimized chipset. The two-IC combination consisting of two new products, the MLX81325 motor pre-driver, and the new MLX92255 Hall-effect latch, provides a cost-effective approach to designing a distributed motor drive control application using an automotive industry interface communication standard.

5.4 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.

6 NON-FINANCIAL INFORMATION



6.1 OVERVIEW

6.1.1 Introduction

This chapter has been prepared in accordance with the law of 3 September 2017 (Belgian Official Gazette 11 September 2017) on the publication of non-financial information and information regarding diversity by certain large companies and groups.

6.1.2 Scope and boundary

In this underlying chapter various topics with regards to sustainability will be touched upon, by covering human rights, social commitment, healthy work environment, environmental responsibility and supply chain. Unless otherwise specified, the disclosed information refers to the 2017 fiscal year and is valid for the whole corporate organization.

6.1.3 Stakeholder engagement

Melexis takes nothing for granted, be it its people, partners and customers, the planet or its resources. Good communication with different, equally important, stakeholders is essential in order to improve overall sustainability continuously. The following table shows the different channels Melexis uses to communicate with its stakeholders regarding its activities.

“ In 2015, Melexis was named as **most attractive employer** in Belgium by Randstad. ”

STAKEHOLDER GROUP	COMMUNICATION CHANNEL
Employees	Employee satisfaction surveys Company newsletters Employee values program Leadership communications on a regular basis Global employee performance management system Global intranet Social media and website
Customers	Customer audits and business reviews Strategic technology roadmaps (X+1/ X+3) 24/7 technical support hotline Technical interface engineers Social media Press releases Events Letters
Investors	Annual General Meeting Quarterly Reports Annual Report Investor relations newsletters and press releases Yearly financial statements Social media
Suppliers	Supplier audits and business reviews Social media Supplier assessment Letters
Communities	Industry associations Citizenship activities Trade fairs Social media Press releases

6.2 HUMAN RIGHTS AND HUMAN RESOURCES

6.2.1 Human rights

Melexis outlined an Ethical Code of Conduct to provide a clear and unambiguous reference for expected behavior during business activities. All employees are responsible for creating and maintaining an integer, honest and fair work environment, free from discrimination and harassment. Melexis recognizes that human rights should be considered fundamental and universal. Among those are: freedom from discrimination based on race, creed, color, nationality, ethnic origin, age, religion, gender, sexual orientation, marital status,

or disability, and freedom of thought, conscience and religion. Melexis employees are encouraged to speak up if they experience, witness, or learn of unlawful harassment or discrimination in the workplace. Any report of harassment will be investigated in a timely manner and followed up with the needed care and attention.

6.2.2 Employee statistics

Since the start of the company in 1988, Melexis has grown to 1,276 employees in 11 countries around the world. World-

wide, women represent about 30% of the employee population. In 2017, more than 100 new employees were hired.

Employee statistics 31.12.2017 by region and gender

Region	GENDER				Total Absolute #
					
	Absolute #	Percentage	Absolute #	Percentage	
APAC	15	28.9%	37	71.1%	52
EMEA	380	31.9%	812	68.1%	1,192
Americas	3	9.4%	29	90.6%	32
Total	398	31.2%	878	68.8%	1,276

Worldwide, 6.8% of the employee population is working part-time.

Employee statistics 31.12.2017 by region, gender and employment

Region	EMPLOYMENT TYPE			
	Full-time		Part-time	
	Absolute #	Percentage	Absolute #	Percentage
APAC				
Female	15	100.0%		0.0%
Male	37	100.0%		0.0%
EMEA				
Female	323	85.0%	57	15.0%
Male	784	96.5%	28	3.5%
Americas				
Female	3	100.0%		0.0%
Male	27	93.1%	2	6.9%
Female Count	341	85.7%	57	14.3%
Male Count	848	96.6%	30	3.4%
Grand Total	1189	93.2%	87	6.8%

45.77% of the employee population is younger than 35 years old.

Employee statistics 31.12.2017 by region, gender and age

Region	AGE						Total Absolute #
	<25	25-35	35-45	45-55	55-65	>65	
APAC							
Female	1	7	5	2			15
Male		11	15	9	2		37
EMEA							
Female	38	132	119	53	37	1	380
Male	79	307	233	134	57	2	812
Americas							
Female				1	1	1	3
Male		9	7	9	3	1	29
Female Count	39	139	124	56	38	2	398
Male Count	79	327	255	152	62	3	878
Grand Total	118	466	379	208	100	5	1276

Forty five nationalities are represented at Melexis.

In 2015, Melexis was named as most attractive employer in Belgium. Melexis achieved the first place in the area of career opportunities, long-term job security, life balance, financial health, appealing job content, personal development and strong management. Furthermore, Melexis ranked among the top three for working conditions and environmental and social conditions. We are privileged to work with people who bring enthusiasm and eagerness to the job, which is also reflected in the low turnover rate.

6.2.3 People survey

At Melexis, people are not taken for granted. Talent is attracted and cultivated in an environment that prizes learning, growth, collaboration and continuous improvement. Every 5 years, a people survey is sent out to all people working at Melexis to gather feedback about different topics such as company image, development, performance management, remuneration, vision and strategy. The survey allows the assessment of Melexis as employer in a structured, consistent and uniform way with the possibility to compare to other high-tech companies and to define areas of strength and areas which need to be improved to create the best imaginable future for the people working at Melexis.

To ensure confidentiality, Melexis works with an external partner: Willis Towers Watson. They are the world leader in creating and handling surveys for different clients. It is bound by European, US and global data protection laws governing the use and protection of personal information. In concrete terms, this means that no individual data and responses are being revealed. Reports are made only for teams with at least ten respondents. Overall results are analyzed, shared with all Melexis employees and an action plan is created to improve challenge areas for Melexis overall, per site and per global function.

The success of any company, therefore also for Melexis, depends on whether the employees are able to utilize their individual strengths which consequently have to be identified and developed further. Specific expertise requires solid knowledge and understanding of Melexis' internal procedures, processes and job specific knowledge. This is all included in the induction plan for each new hire. To ensure a global knowledge transfer and constant further development of all employees, internal workshops, internal and external training sessions, and Lunch and Learn sessions on various topics are incorporated into the daily work of every Melexis employee.

To strengthen our continuous focus on people development, the first steps have been taken for setting-up and implementing a cloud-based learning management system, the Melexis University. This Melexis University ensures a more structured, high-quality approach towards easy accessible learning content. First pilots have been successfully completed, and new training material will be added in the course of 2018.

Additionally, new hires are offered a chance to follow a structured program targeted in business skills development in the Melexis University, the Business Skills Induction Program. Trainers include experts from different departments, interacting on topics such as project management, planning & time management, effective communication with customers, problem solving, cultural differences and concentration skills.

Given the central role leadership plays in the success of any organization, leadership development is seen as a key factor

within Melexis. With this in mind, our new team leaders have access to the Fundamental Leadership Program in the Melexis University. This program will bring different team leaders from different sites together in our 'Leadership Days' to work dedicated and focused on specific topics.

Another best practice in our people development initiatives is the Melexis Coaching Program. In the rapidly changing and increasingly complex world, coaching is extremely important for fostering constant change in competencies and is seen as a strategic move towards a culture change focused on innovation. Melexis has been organizing the 'Coaching Essentials' training courses for team and technical leaders, which are the multipliers of the coaching culture. Monitoring is provided for all participants in the Coaching Essentials workshops in which the emphasis is on practicing in a safe environment, before transferring these learned skills to the day-to-day job.

Entity	Training cost in 2017 in EUR
Melexis NV	106,114
Melexis Technologies NV	297,289
Melexis GmbH	106,069
Melexis Technologies SA	89,160
Melexis Dresden GmbH	7,386
Melexis Bulgaria Ltd.	57,600
Melexis Ukraine	4,041
Melexis Inc	35,576
Melexis French branch	18,038
Melexis Philippine branch	6,788
Melexis (Malaysia) Sdn. Bhd	7,043
Grand Total	735,104

6.2.4 Rewarding efforts

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

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

One of the cornerstones of the reward policy is to attract, develop and retain talent needed for today and for the future. We want to drive team and individual contribution through providing people with financial rewards based on key fundamental principles, being fairness, transparency and differentiation.

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

Superior rewards will accompany superior achievements. A Variable Pay program has been introduced globally and puts a consistent approach in place; unless local plans have been developed for a specific segment of the business or because of legislation constraints, e.g. collective labor agreements. It includes payouts for accomplishing pre-established goals at global, team and individual levels, as well as for recognizing outstanding performance through a discretionary element.

Nowadays, the world demands a high degree in self-responsibility and flexibility, therefore, Melexis people increasingly value the efforts Melexis does to introduce programs that support better life balance as part of their employment value proposition, such as flexible working time models or individual working schedules, additional holidays due to private matters such as childbirth, marriage etc.

Over the last years the increased focus is given to health and wellbeing programs, medical coverage plans, retirement and disability plans and accidents cover. Moreover, Melexis' pension scheme supports its employees monetarily after transition to retirement.

6.3 SOCIAL COMMITMENT

For Melexis, technology is about solving fundamental societal challenges. Again, one of the Melexis' values is "We Care". Melexis shows respect to all stakeholders, internally and externally. Melexis' collective reputation as a corporation and as a collection of individuals representing the Melexis brand must meet the highest standards. Our stakeholders, including customers, shareholders, suppliers, distributors, representatives and neighbors, deserve the utmost integrity, honesty and fairness in all their interactions with our company.

6.3.1 Social awareness and responsibility

In every site a Social Engagement Team was set up to coordinate and implement the Melexis' efforts towards the communities we operate in. On a yearly basis a number of initiatives are set up such as, but not limited to, breast cancer awareness in Belgium, toys 'collection for underprivileged children in Tessenderlo, orphanage support in Sofia, local STEM activities, car free days and blood donations.

6.3.2 Educational awareness and responsibility

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

The focal point of educational awareness and responsibility within Melexis remains the activities concerning STEM. STEM stands for Science, Technology, Engineering and Mathematics. It includes among others educational programs developed to prepare primary and secondary students for college and graduate study in the fields of science, technology, engineering and mathematics. In addition, STEM aims to foster inquiring minds, logical reasoning and collaboration skills.

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

Melexis is committed to bringing STEM to the forefront whenever possible. Initiatives, both internally and externally, include:

- a cooperation with the STEM academy in Belgium coordinated by Technopolis®. The STEM academy network is aimed at children and young people from the age of five to eighteen and supports initiatives that provide education in areas such as woodwork technology, electronics and electricity and robotics. Melexis provides the STEM academy network, with financial support via a 'technology bonus'. During working hours, the company also offers its employees the chance to act as a 'technology mentor' and share their knowledge at the various academies in Flanders. Melexis' CEO Françoise Chombar is also the Chair of the STEM platform, an independent group of experts who advise the STEM steering group and the Flemish government on the STEM action plan.
- In October 2017, Melexis Tessenderlo and Melexis Ieper both organized a STEM workshop for the children of our colleagues. Melexis Sofia organized a 'Proud of my Parents' work' event as well as technological workshops in a Sofia school.
- Also the office in the Ukraine contributed by organizing several STEM-related activities: high-school pupils came to the Melexis Kyiv office, visited different departments and took part in interactive activities.

More STEM activities can be found on our website.

6.4 ANTI-CORRUPTION AND BRIBERY

In accordance with the Melexis Ethical Code of Conduct, Melexis employees are made constantly - and via different channels - aware of the Melexis values, the strict adherence to the regulations of such Code and must avoid activities that lead to a conflict of interest.

This includes, but is not limited to, acceptance and giving of personal gifts or hospitality to or from Melexis stakeholders, other than gifts of minimal value or reasonable hospitality given in the ordinary course of business.

Any agreement or understanding regarding favors or benefits in exchange for the gifts must be avoided. Gifts of other than minimal value may not be accepted without full disclosure to and prior relevant clearance from the employee's line manager.

Melexis and its employees will not pay or offer to pay bribes or illicit payments to government officials or candidates, or other parties, in order to obtain or retain business.

Melexis employees will not assist others to profit from opportunities that are discovered through their affiliation with Melexis and which should be served normally by Melexis.

Employees are not allowed to have any personal relationship with a customer, supplier or competitor, in which their personal interest conflicts or might appear to conflict with that of the company. In case of a family relationship, management must be informed to avoid any conflict of interest.

Melexis employees are encouraged to speak up in case of concerns about unethical behavior. An internal Speak-Up policy is currently under preparation to increase transparency and enhance the reporting of any concerns regarding unethical behavior or incidents.

6.5 HEALTHY WORK ENVIRONMENT

6.5.1 Employee's well-being

The well-being of the Melexis employees is key for the success of the company: employees feeling well contribute to the achievement of great results. In Erfurt, Melexis was rewarded as family friendly employer for the second time.

To achieve this, Melexis continuously invests in building renovations and office equipment to ensure optimal working conditions for its employees. In several locations, fresh fruit is offered to encourage a healthy lifestyle.

Next to a competitive remuneration package, employees are offered the possibility to have flexible working hours and to work from home. This allows for a better life balance, and a happier employee.

Absolutely key to the employee wellbeing is to continuously collect feedback and encourage people to speak up, so that improvements can be made. An example of this is the psycho-social survey that was organized in 2015 in Belgium. The outcome of the survey resulted in the installation of a person of trust for each site. In 2017 we made sure that for the site of Tessenderlo there was one male and one female person of trust.

In Ukraine, Melexis joined the Ukrainian Network of Integrity and Compliance (UNIC). The Network promotes doing business according to the integrity and compliance rules.

In the US, a Health Advocate program has been established. The service offers a total wellness solution, including wellness coaching, health risk assessment, biometric screening and health discount programs. Participation in these programs is on a voluntary basis. Employees can also benefit from a Work-Life Employee Assistance Program. This program includes counseling for emotional health, parenting and child care education, senior caregiving services, tools for wellness and daily living, as well as free legal and financial consultations.

6.5.2 Safety at working place

A safe working environment starts with creating awareness. At Melexis, health and safety trainings as well as exercises (e.g. evacuation, fire prevention and first aid) are organized on a regular basis. Different Melexis entities comply with their local regulations and ensure continuous improvement regarding the working environment by appointing a safety coordinator (Erfurt) or establishing a Committee of the Working Conditions (Bulgaria).

Unfortunately accidents can never be excluded completely, so that's why at all Melexis locations injuries are tracked in accordance with local legislation. To improve the company's standardization procedures, injuries that occurred in almost all operation departments are tracked comparably. In 2017 no work-related fatalities or serious injuries occurred.

In our clean rooms, rigorous hygiene concepts are put in place by establishing how often and the way they need to be cleaned. A strict dress code needs to be adhered to so that contamination is prevented. Thereby the employee's wellbeing is not disregarded. For instance, we provide hand lotion to employees if they have to wear gloves during an 8 hour shift.

Preventive maintenance of tools and equipment further contribute to the safety of the working place. Properly functioning tools and equipment can prevent unexpected downtime but also accidents. Preventive maintenance plans are defined for each equipment type, based on the expected wear and the age of the tools.

6.6 ENVIRONMENTAL RESPONSIBILITY

6.6.1 Environmental Program

In order to achieve its objective of sustainable development, Melexis continuously monitors and strives to improve its economic, social and environmental performance.

Melexis aims at using its technological expertise to improve the quality of people's lives, thereby striving to explore technologies that are in line with its Environmental Program. The program focuses on the following aspects:

- **Environmental Efficiency** - relevant for the life-cycle of our products and packing material
 - Reducing emission and energy consume by designing the right products for our customers' "green" challenges
 - Reducing waste by reducing usage of raw materials
 - Using environmental friendly material for our products and packing material to facilitate recycling and re-use
- **Environmental Effectiveness** - relevant for processes and work environment
 - CO2 – reduction by using renewable energy wherever possible and optimizing energy consumption
 - Reduction of Nitrogen consumption by optimizing test conditions
 - Minimizing waste by waste separation and recycling
- **Environmental social responsibility** - considering Melexis values and strategies
 - 5S strategy (effective workflows and working areas), travel and transportation (carpool, streamlining of shipments and deliveries)

6.6.2 Monitoring and measuring

Melexis employs a variety of mechanisms to monitor, measure and improve the effective implementation of its environmental management system; these include: follow-up on environmental Key Performance Indicators by maintaining Balance-Score-Cards, specific reporting (including details about waste, water, nitrogen, electricity ...) and regular internal audits in accordance with the Melexis global audit program. Next to that, external ISO 14001 surveillance audits are performed to verify the compliance with the standards of the Melexis Environmental Management System and renew the certification.

You can find more info on the Melexis environmental policy and environmental awareness and responsibility in section 3.2 and 4.6.

6.7 SUPPLY CHAIN

6.7.1 Supplier Management at Melexis

With its 89% business to the automotive market, the Melexis supplier management is adhering to the industry standards with regards to supplier selection, evaluation, qualification and development.

Developing long-term relationships with suppliers is essential for Melexis' success and growth. Melexis is therefore working closely with its suppliers in each step of its process.

Melexis strives for a balanced supplier portfolio in each product or service category. Preferred suppliers play a key role, but at the same time, we do not lose sight of the business continuity plan. Therefore, whenever deemed appropriate Melexis strives for a dual manufacturing approach. By distinguishing between short-, mid- and long-term, Melexis can secure its growth and can adapt to the demand of the customers.

For the selection of suppliers, a multifunctional team is assembled to make the supplier selection. This ensures that all aspects from cost to quality to innovation capabilities and supply chain robustness are considered.

Supplier audit is a mandatory step for direct suppliers in order to get the status of selected supplier. Suppliers are audited according to a supplier audit plan. VDA6.3 is used to assess supplier's ability to meet automotive and customer specific requirements from both quality and technical perspective. As the lifespan of a product is several years, so are the relationships with our suppliers. During this period we conduct regular supplier evaluation according to the "clover leaf"-method meaning that quality, technical, logistics and cost aspects are considered. The goal is to detect improvement possibilities at our supplier and define the appropriate action plans to continuously improve the way of working.

6.7.2 Melexis' responsibility towards customers and society

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

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

- Below 0.1 % for lead, mercury, hexavalent chromium, polybrominated biphenyls (PBB) and polybrominated diphenyl ethers (PBDE) for each homogenous material;
- Impurities of cadmium are less than 0.01 % for each homogenous material.

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

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

Melexis products are tested at every stage of development according to a Melexis global procedure for negative health and safety impacts. In addition, Melexis products are inspected annually by an external institute for hazardous substances. The company's customers are informed about the results by means of product declarations. Furthermore, safety data sheets are available for all Melexis products.

The product declarations and conformity to RoHS and REACH can be consulted on the Melexis website.

Melexis has committed itself to not produce any products for military use.

7 INTERNATIONAL LOCATIONS

-  Sales & Applications
-  Manufacturing
-  Research & Development

BELGIUM

 **Melexis NV**
Rozendaalstraat 12
8900 Ieper

 **Melexis Technologies NV**
Transportstraat 1
3980 Tessenderlo

BULGARIA

 **Melexis Bulgaria Ltd.**
2, Samokovsko Shosse
Gorublyane
1138 Sofia

CHINA

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

FRANCE

 **Melexis NV/BO France, Paris**
4 place des Vosges
92052 Paris La Defense Cedex

 **Melexis NV/BO France, Grasse**
7 avenue Michel Chevalier
Le Cube Business
06130 Grasse

GERMANY

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

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

JAPAN

 **K.K. Melexis Japan**
Technical Research Center
Yokohame Heiwa Bldg 9F
3-30-7, Honcho, Naka-ku
Yokohama, 231-0005



PHILIPPINES

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c/o Automated Technology (Phils.) Inc.
No. 1 Hologram St. corner Main Avenue
Light Industry and Science Park SEPZ -1
Cabuyao, Laguna 4025

SWITZERLAND

Melexis Technologies SA
Chemin de Buchaux 38
2022 Bevaix

UKRAINE

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4, Kotelnikova Street
03115 Kiev

USA

Melexis Inc., Nashua
15 Trafalgar Square
Suite 100
NH 03063 Nashua

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

MALAYSIA

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

Melexis Technologies NV (Malaysian) Branch
1, Silicon Drive
Sama Jaya Free Industrial Zone
93350 Kuching

8.1 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

in Euro

December 31 st		2017	2016
ASSETS			
Current assets:	Cash, and cash equivalents (Note 8.9.5.A)	75,477,538	75,789,465
	Current investments, derivatives (Note 8.9.5.B)	414,640	158,170
	Accounts receivable –trade (Note 8.9.5.D)	68,753,161	66,297,897
	Accounts receivable –Related companies (Note 8.9.5.AB 2)	357,339	418,270
	Assets for current tax (Note 8.9.5.Z)	1,589,146	338,985
	Inventories (Note 8.9.5.E)	97,625,417	76,879,871
	Other current assets (Note 8.9.5.F)	10,120,936	10,679,813
Total current assets		254,338,177	230,562,471
Non current assets:	Deferred tax assets (Note 8.9.5.Z)	26,681,870	23,969,703
	Other non-current assets	5,200	7,150
	Financial assets (Note 8.9.5.I)	-	6,100
	Property, plant and equipment (Note 8.9.5.H)	116,779,765	97,411,365
	Intangible assets (Note 8.9.5.G)	5,555,578	6,208,661
Total non current assets		149,022,413	127,602,979
TOTAL ASSETS		403,360,590	358,165,449

December 31 st		2017	2016
LIABILITIES			
Current liabilities:	Derivative financial instruments (Note 8.9.5.C)	159,708	792,808
	Current portion of long-term debt (Note 8.9.5.M)	6,042,728	4,046,559
	Accounts payable – trade	22,262,141	19,555,027
	Accounts payable – related companies (Note 8.9.5.AB 2)	17,449,174	14,551,168
	Accrued expenses, payroll and related taxes (Note 8.9.5.J)	10,715,940	8,602,906
	Accrued taxes (Note 8.9.5.Z)	36,434,023	30,160,447
	Other current liabilities (Note 8.9.5.L)	4,055,281	2,566,914
	Deferred income (Note 8.9.5.K)	2,896,171	2,262,017
Total current liabilities		100,015,166	82,537,847
Non-current liabilities:	Long-term debt less current portion (Note 8.9.5.M)	9,042,728	11,093,119
	Other non-current liabilities (Note 8.9.5.N)	-	2,069,820
Total non-current liabilities		9,042,728	13,162,939
Equity:	Shareholders' capital	564,814	564,814
	Reserve treasury shares	(3,817,835)	(3,817,835)
	Revaluation reserve Hedge (Note 8.9.5.C)	(48,598)	(226,013)
	Legal reserve	56,520	56,520
	Retained earnings	303,381,229	272,534,270
	Cumulative translation adjustment	(5,843,905)	(6,657,562)
Equity attributable to company owners		294,292,225	262,454,193
	Non-controlling interest	10,471	10,471
Total equity (Note 8.9.5.O)		294,302,696	262,464,664
TOTAL LIABILITIES		403,360,590	358,165,449

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

8.2 CONSOLIDATED INCOME STATEMENT

in Euro

December 31 st	2017	2016
Product sales (Note 8.9.5.P)	510,672,335	455,623,619
Revenues from Research and Development (Note 8.9.5.P)	989,111	661,370
Total revenue	511,661,446	456,284,990
Cost of sales (Note 8.9.5.R)	(276,265,050)	(247,736,799)
Gross margin	235,396,396	208,548,191
Research and development expenses (Note 8.9.5.S)	(69,483,472)	(63,989,373)
General and administrative expenses (Note 8.9.5.T)	(23,835,206)	(20,943,489)
Selling expenses (Note 8.9.5.U)	(11,659,795)	(9,557,105)
Other operating income (net) (Note 8.9.5.X)	2,189,900	310,581
Income from operations (EBIT)	132,607,823	114,368,805
Financial income (Note 8.9.5.Y)	6,711,010	6,098,166
Financial charges (Note 8.9.5.Y)	(3,332,361)	(7,391,100)
Profit or loss before tax	135,986,471	113,075,871
Income tax (Note 8.9.5.Z)	(25,031,794)	(16,818,988)
Net profit or loss for the period	110,954,678	96,256,883
Earnings per share attributable to the ordinary equity holders of the parent		
Earnings per share non-diluted (Note 8.9.5.AD)	2.75	2.38
Earnings per share diluted (Note 8.9.5.AD)	2.75	2.38

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

8.3 CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

in Euro

December 31 st	2017	2016
Net profit or loss	110,954,678	96,256,883
Other comprehensive income		
Recyclable items of profit or loss		
Fair value adjustments to cashflow hedges	177,415	145,907
Cumulative translation adjustment	813,657	(346,625)
Total other comprehensive income for the period	991,072	(200,719)
Total comprehensive income (loss) for the period	111,945,750	96,056,164
Total comprehensive income attributable to:		
Owners of the parent	111,945,750	96,056,164

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

8.4 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

in Euro

	Number of shares	Share capital	Legal reserve	Retained earnings
December 31st, 2015	40,400,000	564,814	56,520	252,379,719
Net income	-	-	-	96,256,883
CTA movement	-	-	-	-
Hedge reserves (Note 8.9.5.C)	-	-	-	-
Dividends	-	-	-	(76,102,333)
December 31st, 2016	40,400,000	564,814	56,520	272,534,270
Net income	-	-	-	110,954,678
CTA movement	-	-	-	-
Hedge reserves (Note 8.9.5.C)	-	-	-	-
Dividends	-	-	-	(80,107,718)
December 31st, 2017	40,400,000	564,814	56,520	303,381,229

Reserve treasury shares	Hedge reserve	Fair value adjustment reserve	CTA	Non-controlling interest	Total equity
(3,817,835)	(371,919)	-	(6,310,937)	10,471	242,510,832
-	-	-	-	-	96,256,883
-	-	-	(346,625)	-	(346,625)
-	145,907	-	-	-	145,907
-	-	-	-	-	(76,102,333)
(3,817,835)	(226,013)	-	(6,657,562)	10,471	262,464,664
-	-	-	-	-	110,954,678
-	-	-	813,657	-	813,657
-	177,415	-	-	-	177,415
-	-	-	-	-	(80,107,718)
(3,817,835)	(48,598)	-	(5,843,905)	10,471	294,302,696

In 2016 and 2017, no purchases of own shares took place. At the end of 2017, Melexis NV holds 1,785 own shares and Melexis Technologies NV holds 344,356 shares of Melexis NV, in total representing 0.86% of shares outstanding.

8.5 CONSOLIDATED STATEMENT OF CASH FLOWS

in Euro

December 31 st (indirect method)	2017	2016
Cash flows from operating activities		
Net profit	110,954,678	96,256,883
Adjustments for operating activities		
Deferred taxes (Note 8.9.5.Z)	(2,712,167)	(13,093,124)
Unrealized exchange results (Note 8.9.5.Y)	(6,199,182)	(452,347)
Government grants (Note 8.9.5.Q)	1,447,200	895,978
Depreciation and amortization (Note 8.9.5.W)	32,357,374	25,871,601
Financial results (Note 8.9.5.Y)	(6,199,057)	1,298,222
Operating profit before working capital changes	129,648,845	110,777,212
Accounts receivable, net (Note 8.9.5.D)	(2,560,134)	(15,047,307)
Other current assets (Note 8.9.5.F)	(1,990,251)	(5,146,509)
Other non-current assets	1,950	680
Due to (from) related companies (Note 8.9.5.AB)	2,898,005	3,760,366
Due (to) from related companies (Note 8.9.5.AB)	60,932	1,580,968
Accounts payable	2,833,484	4,322,588
Accrued expenses (Note 8.9.5.J)	25,612,746	29,619,240
Other current liabilities (Note 8.9.5.L)	1,714,438	(633,479)
Other non-current liabilities (Note 8.9.5.N)	(2,068,767)	(975,759)
Inventories (Note 8.9.5.E)	(25,351,504)	(15,479,045)
Interest paid (Note 8.9.5.Y)	(267,749)	(294,104)
Prepayment income tax	(17,226,135)	(4,533,468)
Net cash from operating activities	113,305,860	107,951,382
Cash flows from investing activities		
Financial fixed assets (Note 8.9.5.I)	6,100	-
Purchase of property, plant and equipment and intangible assets (Note 8.9.5.H)	(46,417,296)	(28,774,011)
Interest received (Note 8.9.5.Y)	101,876	171,826
Investments, proceeds, from current investments	(256,470)	(108,719)
Investments, proceeds, from non-current investments	2,189,900	-
Net cash used in investing activities	(44,375,890)	(28,710,904)

December 31st (indirect method)	2017	2016
Cash flows from financing activities		
Repayment from long-term debts (Note 8.9.5.M)	(50,391)	(46,006)
Impact of exchange results on financing items	11,152,985	(1,135,176)
Dividend payment (Note 8.4)	(80,107,718)	(76,102,333)
Net cash used in financing activities	(69,005,124)	(77,283,515)
Effect of exchange rate changes on cash	(236,772)	(5,256)
(Decrease) increase in cash	(311,927)	1,951,708
Cash at beginning of the period	75,789,465	73,837,757
Cash at end of the period	75,477,538	75,789,465
Cash at end of the period minus cash at beginning of the period	(311,927)	1,951,708

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

The movement in net debt is as follows:

in Euro

	Jan 1st, 2017	Cash flows	Non-cash changes	Dec 31st, 2017
			Foreign exchange movements	
Current portion of long-term debts	4,046,559	2,000,000	(3,831)	6,042,728
Long term debts	11,093,119	(2,050,391)	-	9,042,728
Total debt	15,139,678	(50,391)	(3,831)	15,085,456

8.6 RESULT OF OPERATIONS

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

Revenue

In 2017, total revenue increased by 12% compared to 2016, from EUR 456,284,990 in 2016 to EUR 511,661,446 in 2017. In 2017, EUR 989,111 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 2017. ASSP sales represented 62% of all sales, 0.4% more than in 2016.

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 247,736,799 in 2016 and EUR 276,265,050 in 2017. Expressed as a percentage of total revenue, the cost of sales decreased from 54.3% in 2016 to 54.0% in 2017. This is mainly due to an improvement in the cost of yield.

Gross margin

The gross margin, expressed as a percentage of total revenues increased from 45.7% in 2016 to 46.0% in 2017.

Research and Development expenses

Research and Development expenses amounted to EUR 69,483,472 in 2017, representing 13.6% of total revenue, versus EUR 63,989,373 in 2016. 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 16% compared to 2016, which was more than sales growth.

Income from operations

The company recorded an operational income for 2017 of EUR 132,607,823. The increase in operating expenses was slightly lower than sales growth, which led to an increase in the operating margin from EUR 114,368,805 in 2016 to EUR 132,607,823 in 2017.

Financial result

The net financial result amounted to EUR 3,378,649 profit in 2017 compared to EUR 1,292,934 loss in 2016. The (net) interest result amounted to a loss of EUR 274,670 in 2017 compared to a loss of EUR 271,378 in 2016. The net currency exchange gains (both realized and unrealized) in 2017 amounted to a gain of EUR 3,811,027, compared to a loss of EUR 880,816 in 2016.

Net income

The company recorded a net income for 2017 of EUR 110,954,678, an increase of 15% compared with 2016. Net income growth was in line with operating income growth, as the increase in financial results was offset by an increase in income tax.

8.7 LIQUIDITY, WORKING CAPITAL AND CAPITAL RESOURCES

Cash and cash deposits amounted to EUR 75,477,538 as of December 31, 2017, compared to EUR 75,789,465 as of December 31, 2016.

In 2017, operating cash flow before working capital changes amounted to EUR 129,648,845. Working capital changes in 2017 mainly concerned inventories, income tax and accrued expenses, resulting in a net operating cash flow of EUR 113,305,860.

The cash flow from investing activities was negative by an amount of EUR 44,375,890, mainly as a result of investments in fixed assets amounting to EUR 46,417,296 compensated by proceeds from investments for an amount of EUR 1,933,430 and interests received for an amount of EUR 101,876.

The cash flow from financing activities was negative by an amount of EUR 69,005,124. This was mainly the net result of the impact of exchange rates on financing items amounting to EUR 11,152,985 and the interim and final dividend payment amounting to EUR 80,107,718.

8.8 STATEMENT OF THE BOARD OF DIRECTORS

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

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

The consolidated statements were approved and authorized for issue by the Board of Directors on March 5th, 2018 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)

8.9 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8.9.1 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, 2017 to December 31st, 2017.

The Melexis group of companies employed, on average 1,180 people in 2017 and 1,026 in 2016.

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

The consolidated results as included in the press release were authorized for issue by the Board of Directors subsequent to the meeting held on February 2nd, 2018.

8.9.2 Statement of compliance

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board ("IASB") and in conformity with IFRS as adopted by the European Union until December 31st, 2017 (collectively "IFRS"). Melexis did not apply any new IFRS requirements not yet effective in 2017.

8.9.3 Summary of significant accounting policies

The consolidated financial statements of Melexis NV were prepared according to IFRS as accepted by the EU on January 1st, 2017. The principal accounting policies adopted when preparing the consolidated financial statements of Melexis NV were as follows:

Basis of preparation

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

Use of estimates and judgments

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

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

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

Assumptions and estimates are applied when recognizing and measuring provisions for tax and litigation risks, determining inventory write-downs, assessing the extent to which deferred tax assets will be realized (Note 8.9.5.Z), useful lives of property, plant and equipment and intangible assets (Note 8.9.5.G and 8.9.5.H).

Deferred tax assets are recognized for deductible temporary differences, unused tax losses/tax attributes carried forward and fair value reserves entries only if it is probable that future taxable profits (based on Melexis' operational plans) are available to use those temporary differences and losses. This includes Management's best estimate based on all facts and circumstances. The actual tax results in future periods may differ from the estimate made at the time the deferred taxes are recognized. Other assumptions and estimates are disclosed in the respective notes relevant to the item where the assumptions or estimates were used for measurement (Note 8.9.5.Z).

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 deter-

mined 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 the subsidiaries is as follows:

Melexis Inc	USD
Melexis GmbH	EUR
Melexis Bulgaria Ltd.	BGN
Melexis Ukraine	UAH
Melexis Technologies SA	CHF
Melexis NV French branch	EUR
Sentron AG	CHF
Melefin NV	EUR
Melexis Technologies NV	EUR
Melexis NV Philippine branch	PHP
Melexis Japan	JPY
Melexis NV Hong Kong branch	HKD
Melexis Electronic Technology Co. Ltd	CNY
Melexis Switzerland SA	CHF
Melexis (Malaysia) Sdn. Bhd.	MYR
Melexis Technologies NV (Malaysian)branch	MYR
Melexis Dresden GmbH	EUR

Assets and liabilities of Melexis Inc., Melexis Ukraine, Melexis Bulgaria Ltd, Sentron AG, Melexis Technologies SA, Melexis Switzerland SA, Melexis Japan, Melexis NV Philippine branch, Melexis NV Hong Kong branch, 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 con-

trol 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, Melexis NV, Melexis Technologies NV, Melexis Technologies SA, Melexis Japan, Melexis Electronic Technology, Melexis Switzerland SA, Melexis (Malaysia) Sdn. Bhd., Melexis Technologies NV Malaysian branch and Melexis Dresden GmbH. In December 2017 Melexis Nederland BV and Melexis NV Hong Kong Branch were closed.

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 8.9.5.C.

Inventories

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

Property, plant and equipment

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

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

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

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

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

Depreciation starts when the asset is ready for use.

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

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. Melexis doesn't have intangible assets with indefinite useful lives.

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

Business combinations

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

Goodwill

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

Research and development costs

According to IAS 38 Par. 54 development costs are capitalized, only if amongst other the technical & economic feasibility can be proven, the future economic benefits are probable and costs can be reliably measured.

Management has reviewed the development expenses based on the IFRS criteria and is of the opinion that the development expenses should be expensed as technical feasibility can only be proven in a late stage of the project cycle and economic benefits remain unpredictable throughout the full life cycle.

Equity

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

Operating leases

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

Treasury shares

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

Provisions

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

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

Reserves

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

Non-controlling interests

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

Revenue recognition

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 8.9.5.AA.

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 8.9.5.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, 2017.

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, 2017. The Group has not applied any new IFRS requirements that are not yet effective as per December 31st, 2017.

The following amendments and annual improvements to standards are mandatory for the first time for the financial

year beginning 1 January 2017 and have been endorsed by the European Union:

1. Amendments to IAS 7, Statement of cash flows. These amendments to IAS 7 introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
2. Amendments to IAS 12, 'Income taxes' on Recognition of deferred tax assets for unrealised losses. These amendments on the recognition of deferred tax assets for unrealised losses clarify how to account for deferred tax assets related to debt instruments measured at fair value.

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

The following new standards and amendments to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2017 and have been endorsed by the European Union:

1. IFRS 16 'Leases' (effective 1 January 2019). This standard replaces the current guidance in IAS 17 and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.
2. IFRS 9 'Financial instruments', effective for annual periods beginning on or after 1 January 2018. The standard addresses the classification, measurement, derecognition of financial assets and financial liabilities and general hedge accounting.
3. IFRS 15 'Revenue from contracts with customers'. The

standard will improve comparability of the top line in financial statements globally. Companies using IFRS will be required to apply the revenue standard for annual periods beginning on or after 1 January 2018.

4. Amendments to IFRS 15, 'Revenue from contracts with customers' - Clarifications (effective 1 January 2018). These amendments comprise clarification guidance on identifying performance obligations, accounting for licences of intellectual property and the principle versus agent assessment. The amendment also includes more illustrative examples.

The following new standards, amendments and interpretation to standards have been issued, but are not mandatory for the first time for the financial year beginning 1 January 2017 and have not been endorsed by the European Union:

1. IFRIC 22, 'Foreign currency transactions and advance consideration (effective 1 January 2018)': 'This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.
2. IFRIC 23, 'Uncertainty over income tax treatments' (effective 1 January 2019). This interpretation clarifies the accounting for uncertainties in income taxes. The interpretation is to be applied to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.
3. Annual improvements to IFRS Standards 2015-2017 cycle, applicable as of 1 January 2019 and containing the following amendments to IFRSs:
 - IAS 12 Income Taxes, the amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
 - IAS 23 Borrowing Costs, the amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The Group elected not to early adopt the new Standards, Interpretations and Amendments, which have been issued but are not yet effective as per December 31st, 2017.

The Group has undertaken an analysis of how IFRS 15 should be implemented. Management has reviewed the most significant contracts with customers.

Based on this analysis, we expect that adoption of IFRS 15 will not have a significant impact on the timing of recognition of revenue.

The Group sells mainly integrated circuits (IC's) to its customers. We have identified one important performance obligation; transfer of goods. The performance obligation is satisfied when the IC's are shipped to or delivered at the customer, depending on the delivery terms. Revenue is recognized based on transfer of control of the IC's.

Because of the high uncertainty of recoverability, contract costs are not capitalized.

There is no variable consideration, prices are fixed in the contract or on acceptance of the purchase order.

If applicable, pricing is adjusted to the price including reductions based on the expected volumes and the expected reductions are accrued.

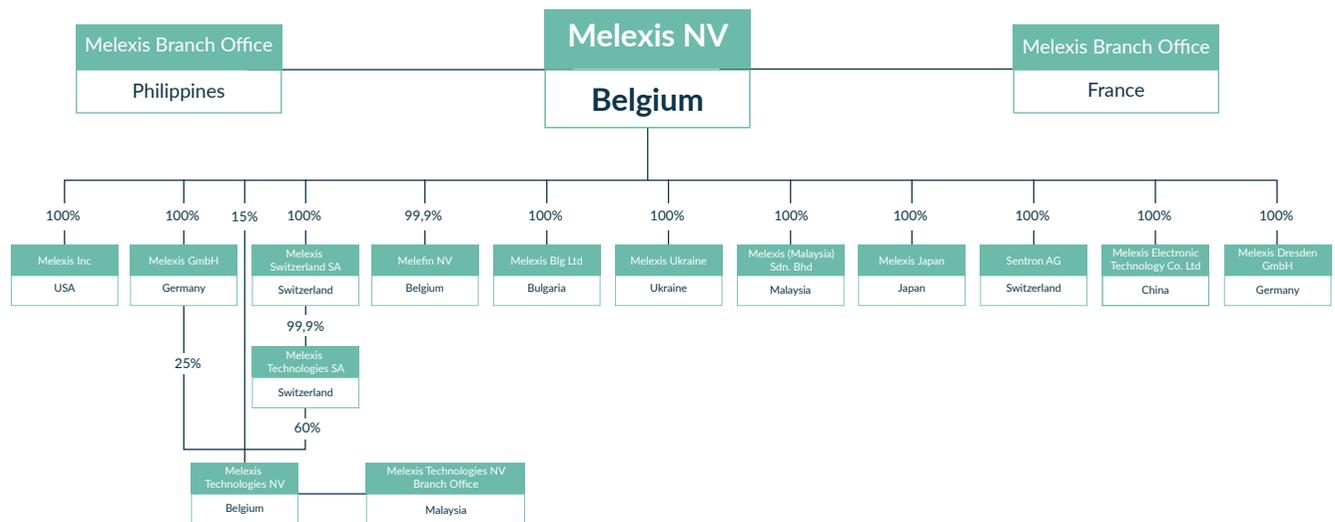
The outcome of this analysis is in line with the current accounting policy.

Management has implemented a project for analyzing the effect of IFRS 16 on the Group's future financial statements. The effect on the Group's future financial statements will be limited, we refer to note 8.9.5 AF for the long term commitments. The lease contracts consist of contracts for company cars and office equipment. The Group plans to use the modified retrospective method.

The impact of IFRS 9 on the derivatives and the credit loss model has been analyzed. Management doesn't expect any material impact in applying the new standard.

8.9.4 Overview of Group structure

In December 2017 Melexis Nederland BV and Melexis NV Hong Kong Branch were closed.



Please refer to chapter 10.1 for the shareholder structure.

8.9.5 Notes

A. CASH AND CASH EQUIVALENTS

in Euro

December 31 st	2017	2016
Cash at bank and in hand	75,477,538	75,789,465
Total	75,477,538	75,789,465

B. CURRENT INVESTMENTS, DERIVATIVES

in Euro

December 31 st	2017	2016
Current investments, derivatives	414,640	158,170

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, 2017 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, 2017 the fair value of the financial derivatives recognized as an asset under current investments amounted to EUR 414,640. A detailed overview of the outstanding derivatives, categorized under current investments, is included in Note 8.9.5.C. On December 31st, 2017 Melexis had no assets in portfolio classified as investments held to maturity.

C. DERIVATIVES

Notional amounts

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

December 31 st		2017	2016
Outstanding FX hedge contracts at December 31 st , not exceeding 1 year	USD	71,000,000	25,000,000
	CHF	24,000,000	45,000,000
Outstanding Interest hedge contracts at December 31 st , exceeding 1 year	EUR	-	15,000,000
Outstanding Interest hedge contracts at December 31 st , not exceeding 1 year	EUR	15,000,000	-
Outstanding Inflation hedge contracts at December 31 st , exceeding 1 year	EUR	-	10,000,000
Outstanding Inflation hedge contracts at December 31 st , not exceeding 1 year	EUR	10,000,000	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 31 st	2017	2016
Assets	Fair value EUR	Fair value EUR
Outstanding FX swaps - level 2	414,640	158,170
Total, classified under Current investment (see also Note 8.9.5.B)	414,640	158,170

These financial instruments are classified as financial assets at fair value through profit or loss. Refer to Note 8.9.5.Y 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 31 st	2017	2016
Liabilities	Fair value EUR	Fair value EUR
Outstanding FX swaps - level 2	(86,024)	-
Outstanding Interest swaps (hedged) - level 2	(69,012)	(342,392)
Outstanding Inflation swaps - level 2	(4,672)	(450,416)
Total, classified under Derivative financial instruments	(159,708)	(792,808)

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 31 st	2017	2016
Fair value of instruments through equity (hedge accounting IAS 39)		
Outstanding Interest hedge swaps at December 31 st	(69,012)	(342,392)
Subtotal	(69,012)	(342,392)
Deferred tax asset	20,414	116,379
Total, classified under Revaluation reserve Hedge	(48,598)	(226,013)

D. TRADE RECEIVABLES

in Euro

December 31 st	2017	2016
Trade accounts receivables	68,814,570	66,364,124
Allowance for doubtful accounts	(61,409)	(66,227)
Total	68,753,161	66,297,897

As of December 31st, 2017 trade receivables of EUR 11,740,677 were past due.

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

in Euro

December 31 st	2017	2016
Not due	57,012,485	54,476,328
<30 days	10,267,118	8,979,998
>30 <60 days	559,117	1,982,929
>60 days	914,442	858,642
Total	68,753,161	66,297,897

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

in Euro

December 31 st	2017		
	allowance for doubtful debtors	no allowance for doubtful debtors	total receivables
Not due	-	57,012,485	57,012,485
<30 days	-	10,267,118	10,267,118
>30 <60 days	-	559,117	559,117
>60 days	61,409	914,442	975,851
Total	61,409	68,753,161	68,814,570

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 allowance for doubtful debtors is made.

E. INVENTORIES

Inventory is written off when no sales are expected or when the goods contain defects. In 2017, EUR 4,604,751 of additional inventory was written off. EUR 3,233,710 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 1,371,041.

Work in progress consist of material that is being worked on in probing, assembly and final test.

in Euro

December 31st	2017	2016
Raw materials and supplies, at cost	13,718,995	7,103,720
Work in progress, at cost	78,909,720	60,612,919
Finished goods, at cost	10,576,398	13,371,887
Reserve for obsolete stock	(5,579,696)	(4,208,655)
Net	97,625,417	76,879,871

F. OTHER CURRENT ASSETS

in Euro

December 31st	2017	2016
Other receivables	8,647,427	9,349,960
Prepaid expenses	1,473,509	1,329,852
Total	10,120,936	10,679,813

The other receivables mainly relate to VAT.

G. INTANGIBLE ASSETS

in Euro

December 31 st	Licenses	IP	Total
Acquisition value			
Balance end of previous period	17,860,043	1,264,810	19,124,853
Additions of the period	1,435,117	-	1,435,117
Retirements (-)	(15,509)	-	(15,509)
CTA	(2,462,968)	-	(2,462,968)
Total	16,816,684	1,264,810	18,081,494
Depreciation			
Balance end of previous period	11,957,045	959,148	12,916,193
Additions of the period	1,331,118	126,481	1,457,599
Retirements (-)	(15,509)	-	(15,509)
CTA	(1,832,367)	-	(1,832,367)
Total	11,440,286	1,085,629	12,525,915
NET BOOK VALUE	5,376,397	179,181	5,555,578

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 8.9.5.R) and research and development expenses (Note 8.9.5.S).

At the end of 2017, the IP has been amortized for 8 years and 7 months.

H. PROPERTY, PLANT AND EQUIPMENT

in Euro

December 31 st	Land and building	Machinery and equipment	Furniture and vehicles	Fixed assets under construction	Total
Cost					
Beginning of the period	42,056,416	211,711,252	13,028,700	3,549,924	270,346,292
Additions of the period	2,140,809	39,374,064	2,607,899	2,031,216	46,153,987
Retirements	-	(172,577)	(408,651)	-	(581,228)
Transfers	-	778,120	-	(778,120)	-
CTA	(367,746)	(2,141,908)	(149,370)	(2,759)	(2,661,782)
End of the period	43,829,479	249,548,950	15,078,579	4,800,261	313,257,270
Accumulated depreciation					
Beginning of the period	13,763,350	150,725,913	8,445,665	-	172,934,928
Additions of the period	1,911,503	22,418,186	1,914,691	-	26,244,380
Retirements	-	(172,577)	(395,924)	-	(568,501)
Transfers	-	-	-	-	-
CTA	(179,139)	(1,825,410)	(128,753)	-	(2,133,302)
End of the period	15,495,714	171,146,112	9,835,679	-	196,477,505
NET BOOK VALUE	28,333,765	78,402,838	5,242,900	4,800,261	116,779,765

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 8.9.5.M for secured loans on property, plant and equipment. Fixed as-

sets 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.

I. NON CURRENT FINANCIAL ASSETS

in Euro

December 31 st	2017	2016
Non-current financial assets	-	6,100

As per December 31st, 2017, the total of non-current financial assets amounted to EUR 0.

The non-controlling interest taken in the course of 2010 in a company has been sold during 2017. We refer to Note 8.9.5.X for the impact on the consolidated income statement.

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

in Euro

December 31 st	2017	2016
Holiday pay bonuses and 13th month	9,044,738	6,106,945
Other social accruals	604,285	584,656
Remuneration	498,094	497,609
Social security	200,332	689,163
Direct and indirect taxes	368,491	724,534
Total	10,715,940	8,602,906

K. DEFERRED INCOME

in Euro

December 31 st	2017	2016
Capital grants	707,714	408,738
Deferred income	2,188,457	1,853,280
Total	2,896,171	2,262,017

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

L. OTHER CURRENT LIABILITIES

in Euro

December 31 st	2016	2015
Accrued real estate withholding tax	35,000	115,606
Accrued financial services	169,486	256,107
Accrued design services	400,910	633,373
Accrued management services	219,000	252,160
Accrued HR services	80,000	151,909
Accrued transport services	444	35,000
Accrued insurances	67,000	50,000
Accrued IT services	177,533	34,867
Accrued grant	2,191,901	-
Accrued licenses and royalties	452,224	460,000
Other	261,782	577,891
Total	4,055,281	2,566,914

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

ment (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.

M. LONG AND SHORT TERM DEBTS

in Euro

December 31 st	2017	2016
Secured loans		
Bank loan (in CHF) at floating interest rate; average rate for the year 2017 was 2.50% (1); maturing in 2019	85,455	139,678
Total secured loans	85,455	139,678
Unsecured loans		
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2017 was 1.02%; maturing in 2018	4,000,000	8,000,000
Unsecured loan (in EUR) at floating interest rate; average rate for the year 2017 was 0.52%; maturing in 2022	11,000,000	7,000,000
Total unsecured loans	15,000,000	15,000,000
Total debt	15,085,455	15,139,678
Current maturities	6,042,728	4,046,559
Long-term portion of debts	9,042,728	11,093,119

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

As of December 31st, 2017 there are engagements for the following financial covenants:

For Melexis NV consolidated:

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

As per December 31st, 2017 Melexis is respecting all its financial covenants.

The repayment of debts as of December 31st, 2017 is scheduled as follows:

December 31 st	
2018	6,042,728
2019	2,042,728
2020	2,000,000
2021	2,000,000
2022	3,000,000
Thereafter	-
Total	15,085,455

N. OTHER NON CURRENT LIABILITIES

in Euro

December 31 st	2017	2016
Other non-current liability	-	2,069,820
Total	-	2,069,820

The other non-current liability mainly relates to an obligation of repayment for grants. 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. As a result the amount has been reclassified to other current liabilities.

O. SHAREHOLDERS' EQUITY AND RIGHTS ATTACHED TO THE SHARES

Shareholder's capital

As of December 31st, 2017 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 8.9.5.C.

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

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

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

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

P. 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 31 st	2017	2016
Product sales	510,672,335	455,623,619
Research and development revenues - product developments	989,111	661,370
Total	511,661,446	456,284,990

For the revenue from product sales, please refer to the Operating Segments section in chapter 8.9.5.AA.

Q. 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 lia-

bility', please refer to note 8.9.5.N. 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 31 st	2017	2016
Grants for research and development	1,445,358	836,300
Investment grants in building, machinery and employment grants	226,541	83,302
Total	1,671,899	919,601

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

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

R. COST OF SALES

Cost of sales includes the following expenses:

in Euro

December 31st	2017	2016
Purchases	210,607,491	192,359,115
Transportation costs	4,789,842	4,650,358
Salaries	24,039,276	20,767,866
Depreciation and amortization (*)	22,079,107	17,268,348
Other direct production costs	14,749,334	12,691,112
Total	276,265,050	247,736,799

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 4,604,751 and reversal of amounts written off in previous year for EUR 3,233,710. Inventory movement of 2017 (increase) for the amount of EUR 20,745,546 as part of the total cost of sales

S. RESEARCH AND DEVELOPMENT EXPENSES

Research and development expenses include the following expenses:

in Euro

December 31st	2017	2016
Salaries	39,824,396	34,080,735
Depreciation and amortization	6,963,033	5,876,337
External services	9,599,914	11,444,562
Fees	4,368,462	3,268,553
Prototype wafers	2,420,866	2,150,340
Rent and maintenance	1,010,476	819,088
Subsidies	(1,492,769)	(812,648)
Travel	2,551,011	2,518,471
Engineering purchases	4,238,083	4,643,936
Total	69,483,472	63,989,373

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

T. GENERAL AND ADMINISTRATIVE EXPENSES

General and administration expenses include the following expenses:

in Euro

December 31st	2017	2016
Salaries	6,594,741	6,082,953
Depreciation and amortization	3,178,093	2,585,060
External services	4,343,796	4,011,486
Fees	1,484,510	1,465,159
Maintenance	2,256,639	1,668,043
Insurances	1,146,996	1,036,664
Other	4,830,431	4,094,124
Total	23,835,206	20,943,489

U. SELLING EXPENSES

Selling expenses include the following expenses:

in Euro

December 31st	2017	2016
Salaries	6,603,091	5,204,686
Depreciation and amortization	137,141	141,856
Commissions	1,217,391	1,196,624
External services	1,633,333	1,064,769
Other	2,068,839	1,949,170
Total	11,659,795	9,557,105

V. PERSONNEL EXPENSES AND AVERAGE NUMBER OF EMPLOYEES

in Euro

December 31st	2017	2016
Wages and salaries	77,061,504	66,136,240
Total	77,061,504	66,136,240

The average number of employees was 1,180 in 2017 and 1,026 in 2016.

Key management personnel compensation

For more detail on compensation of key management, see chapter 9.

W. DEPRECIATION AND AMORTIZATION EXPENSES

Depreciation and amortization include the following expenses:

in Euro

December 31st	2017	2016
Cost of sales	22,079,107	17,268,348
Research and development	6,963,033	5,876,337
General and administration	3,178,093	2,585,060
Selling	137,141	141,856
Total	32,357,374	25,871,601

X. OTHER OPERATING INCOME (NET)

in Euro

December 31st	2017	2016
Other operating income	2,189,900	310,581
Total	2,189,900	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. In 2017 the Group disposed of a non current financial asset, a gain of EUR 2,189,900 was recognized.

Y. NET FINANCIAL RESULT

in Euro

December 31 st	2017	2016
Financial income	6,711,010	6,098,166
Interest income	101,876	171,826
Exchange differences	5,991,261	5,204,682
Fair value adjustment FX swaps	170,446	293,807
Fair value adjustment Inflation swaps	445,744	427,638
Other	1,683	214
Financial charges	(3,332,361)	(7,391,100)
Interest charges	(376,546)	(443,203)
Bank charges	(129,736)	(116,541)
Exchange differences	(2,180,234)	(6,085,498)
Result on financial instruments excluding fair value adjustments	(610,723)	(687,810)
Other	(35,122)	(58,048)
Net financial results	3,378,649	(1,292,934)

Z. INCOME TAXES

The income tax expenses can be broken down as follows:

in Euro

December 31st	2017	2016
Current tax expenses	27,839,926	29,983,242
Deferred tax expenses	(2,808,132)	(13,164,254)
Total	25,031,794	16,818,988

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 8.1 million at year end 2017.

As from financial year 2016 the Board of Directors deemed it expedient to start capitalizing research and development efforts in Melexis Technologies NV's standalone/tax financial statements. Such approach is found to be a best practice approach from a Belgian accounting and tax perspective. Deferred tax effects linked thereto amount to approximately EUR 16.8 million at year end 2017.

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 29.8 million at year end 2017.

As in previous years, the company assessed to what extent it is probable that this positive tax effect will effectively be realized in the future. In this respect, the Board of Directors in particular took into account the uncertainties related to the rapid technological evolutions in the sector, the highly competitive market as well as the fact that the company only

has short-term contracts with its customers. Deferred tax amounts recognized in financial statements per 31 December 2017 are based on Management's best estimate covering expected business performance in the foreseeable future. Taking into account these considerations, the Board of Directors decided to recognize as per December 31st, 2017 a cumulative deferred tax asset of EUR 26,681,870. Accordingly, the unrecognized deferred tax asset amounts to approximately EUR 3.1 million at year end 2017.

The Belgian corporate tax reform dated 22 December 2017 provides for a decrease in the combined corporate income tax rate of 33.99% to 29.58% as from 2018 and to 25% as from 2020. The related remeasurement of the cumulative deferred tax asset resulted in a tax expense amounting to 2,898,850 euro.

Consolidated figures show a current tax receivable amounting to EUR 1,589,146 and a current tax liability amounting to EUR 36,434,023. The most important components of the current tax liability are the (estimated) Belgian corporate income tax owed by Melexis Technologies NV for the financial year 2014, 2015, 2016 and 2017 amounting to EUR 33.2 million and the estimated Belgian corporate income tax owed by Melexis NV for the financial year 2016 amounting to EUR 0.9 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, 2017	Charged to income statement	Charged to equity	Dec 31st, 2017
Tax amortization charges	21,970,450	2,479,550	-	24,450,000
Fair value adjustments to financial instruments	99,335	(195,158)	-	(95,823)
Tax losses carried forward	1,529,550	490,450	-	2,020,000
Fair value adjustments to hedge accounting	116,379	-	(95,965)	20,414
Miscellaneous	253,989	33,290	-	287,279
Total	23,969,703	2,808,132	(95,965)	26,681,870

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

in Euro

December 31 st	2017	2016
Income before taxes	135,986,471	113,075,871
Expected taxes at domestic rate	46,221,802	38,434,488
Effective taxes	25,031,794	16,818,988
Difference to be explained	(21,190,008)	(21,615,500)
Explanation of the difference		
Difference in foreign tax percentages and other tax regimes	(4,582,204)	(2,240,045)
Effect of IP amortization	1,554,078	2,622,859
Fair value adjustments to financial instruments	-	245,219
Tax effect of non-deductible items	514,767	352,862
Tax effect of non-taxable income	(1,325,756)	(320,732)
Tax effect of patent income deduction	(8,710,219)	(7,008,033)
Tax effect of notional interest deduction	(499,955)	(4,612,049)
Tax effect of investment deduction	(2,889,993)	(2,193,452)
Tax losses carried forward	(1,085,349)	(650,663)
Current tax adjustments relating to prior years	(1,734,729)	1,177,186
Miscellaneous	572,642	4,476,976
Unrecognized deferred tax assets for the current period	-	(52,154)
Change of recognition of deferred tax assets (decrease + / increase -)	(3,003,290)	(13,413,474)
Total	(21,190,008)	(21,615,500)
Difference	0	0

AA. 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 31 st	2017	2016
Customer A	18	17
Customer B	7	8
Customer C	6	6
Customer D	6	5
Customer E	3	4
Customer F	3	3
Customer G	3	3
Customer H	2	3
Customer I	2	2
Customer J	2	2
Total	52	52

Information about geographical areas

The Melexis group's activities are conducted predominantly in EMEA (Europe, Middle-East and Africa), APAC (Asia Pacific) and NALA (North and Latin America).

The origin of all revenue is in Belgium, as the invoicing entity is located in Belgium.

in Euro

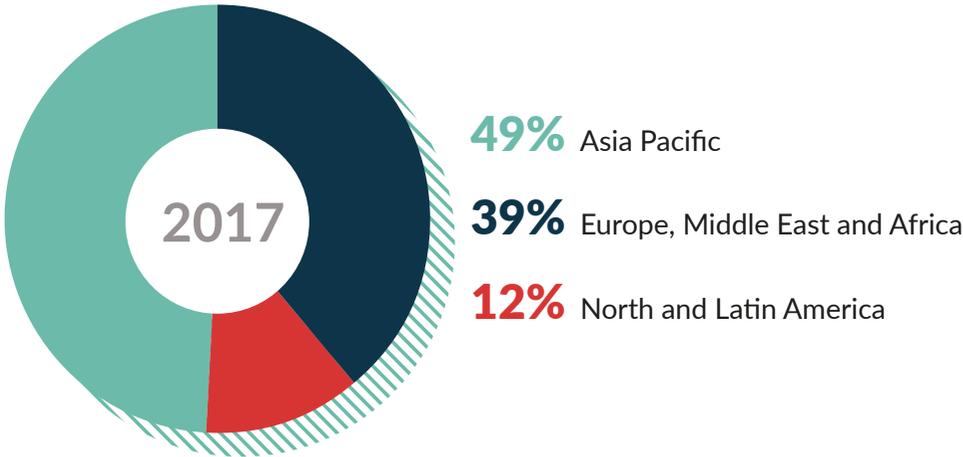
December 31 st , 2017	Europe, Middle East and Africa	North and Latin America	Asia Pacific	Total
Revenue by origin	511,661,446	-	-	511,661,446
Non-current assets	139,212,572	285,771	9,524,070	149,022,413

in Euro

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

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	2017	2016
Europe, Middle East and Africa	201,760,572	180,416,439
Germany	92,401,270	80,002,845
France	11,284,325	12,628,813
United Kingdom	13,070,440	12,150,566
Poland	13,669,415	11,784,668
Switzerland	12,674,776	10,088,448
Ireland	4,076,447	4,302,896
Czech Republic	4,528,707	4,793,719
Austria	10,588,921	13,925,962
Netherlands	2,007,939	1,899,099
Romania	16,309,393	9,928,016
Bulgaria	3,917,499	3,054,849
Spain	1,153,580	852,691
South Africa	2,282,078	1,941,882
Hungary	5,034,919	5,832,591
Italy	4,606,895	3,729,811
Other	4,153,969	3,499,583
North and Latin America	61,596,264	62,654,508
United States	41,302,468	42,271,285
Canada	5,032,897	5,667,079
Mexico	15,136,666	14,614,993
Brazil	124,233	101,150
Asia Pacific	248,304,610	213,214,043
Japan	37,791,043	33,329,814
China	60,143,416	48,438,035
Hong Kong	31,222,569	29,656,221
Thailand	60,443,757	56,601,542
South Korea	24,193,821	25,494,482
Philippines	6,752,654	5,457,649
Taiwan	11,166,059	7,391,617
India	2,443,324	1,532,883
Singapore	13,126,583	4,279,015
Other	1,021,384	1,032,784
Total	511,661,446	456,284,990

AB. 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 (closed in December 2017)
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 (closed in December 2017)
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. Mr Duchâtelet and Mrs. Chombar are directors at Melexis NV.
- Elex NV is 99.9% owned by Mr. Roland Duchâtelet. One share is held by Mr. Roderick Duchâtelet.
- Xtrion NV owns 47.2% of the outstanding shares of X-FAB Silicon Foundries SE, producer of wafers, which are the main raw materials for the Melexis products. X-FAB Silicon Foundries SE sells the majority of its products also to third parties. X-Fab Silicon Foundries SE is listed on Euronext Paris since 2017.
- Melexis, as in prior years, purchases part of its test equipment from the XPEQT Group. XPEQT Group develops, produces and sells test systems for the semiconductor industry. XPEQT Group is owned by Xtrion NV for 99.99%. One share is held by Mrs Françoise Chombar and one share is held by Mr Roland Duchâtelet.
- Xtrion NV owns 90% of the outstanding shares of X-Cel-ePrint Ltd.
- Xtrion NV owns 56% of the outstanding shares of Microgen Systems Inc.
- Xtrion NV owns 24% of the outstanding shares of Anvo-Systems Dresden GmbH
- Elex NV owns 99.9% of the outstanding shares of Fremach International NV.
- Please refer to chapter 9.7 for potential conflicts of interest.

2. Outstanding balances at year-end

As of December 31st 2017 and 2016, the following balances were outstanding:

Receivables

December 31 st		2017	2016
On	Elex	2,033	3,630
	Xtrion	4,840	4,598
	Fremach Group	40,215	33,563
	Xfab group	222,497	267,574
	Xpeqt group	13,233	16,283
	Anvo-Systems Dresden	74,521	92,622
	Total	357,339	418,270

Payables

December 31 st		2017	2016
On	Elex	375	62
	Xtrion	127,149	157,073
	Fremach Group	-	(4)
	Xfab group	15,163,804	12,734,813
	Xpeqt group	2,113,340	1,661,315
	Anvo-Systems Dresden	473	(2,123)
	X-Celeprint	44,000	-
	Other	32	32
	Total	17,449,174	14,551,168

3. Transactions during the year

Sales/ purchases of goods and equipment

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

December 31 st	2017	2016
Sales to		
Fremach Group (mainly IC's)*	74,383	109,443
Xpeqt group	5,003	1,040

* IC's: *Integrated Circuits*

December 31 st	2017	2016
Purchases from		
Xfab group (mainly wafers)	180,345,880	156,908,894
Xpeqt group (mainly equipment and goods)	11,404,800	13,234,684
Xtrion (mainly IT infrastructure)	190,952	169,803
X-CelePrint	402,500	90,500
Anvo-Systems Dresden	40,119	2,614
Elex	185,215	-

Sales/purchases of services

December 31 st	2017	2016
Sales to		
Elex (mainly R&D services and rent)	20,210	37,211
Xpeqt group (infrastructure office building)	138,829	186,176
Xtrion (infrastructure office building)	48,000	45,600
Xfab group	702,881	680,476
Anvo-Systems Dresden	122,357	132,369

December 31 st	2017	2016
Purchases from		
Xtrion NV (mainly IT and related support)	1,675,816	1,132,270
Elex NV (mainly IT and related support)	751,686	144,157
Xpeqt group	2,421,369	2,327,791
Xfab group	2,348,900	2,804,698
Anvo-Systems Dresden	551,072	984,162
X-CelePrint	9,020	161,782

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 busi-

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

AC. 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 15,606 expenses during 2017. The other directors are not remunerated.

AD. EARNINGS PER SHARE

Net earnings per share are calculated by dividing the net result for the period attributable to ordinary shareholders of EUR 110,954,678 in 2017 and EUR 96,256,883 in 2016 by the weighted average number of ordinary shares outstanding during the period (40,400,000 in 2017 and 40,400,000 in 2016).

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 2nd, 2018 the Board of Directors agreed to propose at the Annual Shareholder meeting to pay out over the result of 2017 a total dividend of EUR 2.10 gross per share. This amount contains an interim dividend of EUR 1.30 per share which was paid in October 2017 and a final dividend of EUR 0.80 per share which will be payable after approval of the Annual Shareholder meeting.

AE. COMMITMENTS & ESTIMATED LIABILITIES

Purchase commitments

As of December 31st, 2017 the company had purchase commitments for tangible fixed assets amounting to EUR 18,693,194 mainly related to test equipment for the production sites.

AF. OPERATING LEASE ARRANGEMENTS

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

Payments recognized as an expense

December 31 st	2017	2016
Company cars	126,300	121,650
Office equipment	27,500	23,300
Total	153,800	144,950

Operating lease commitments

December 31 st	2017
< 1 year	162,861
>1 year <5 years	225,425
>5 years	-
Total	388,286

AG. BUSINESS COMBINATIONS

No business combinations in 2017.

AH. LITIGATION

(1) Since 2009 Melexis has been involved in a patent case filed by ams AG concerning a patent on magnetic angle sensing. The court in Düsseldorf (1st instance) had ruled in favor of ams AG, against which Melexis lodged an appeal with the Higher Regional Court of Düsseldorf. On 20th December 2017, the Higher Regional Court of Düsseldorf has ruled in Melexis' favor by dismissing the complaint of ams AG.

AI. AUDITOR'S SERVICES

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

- Audit fees EUR 116,200;
- Other services EUR 2,500.

AJ. 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 784,074 in 2017 compared to EUR 627,704 in 2016.

The company's employees in Belgium participate in defined contribution plans, funded through a group insurance. The employer contributions paid to the group insurance are based on a fixed percentage of the salary. By law, employers are required to provide an average minimum guaranteed rate of return over the employee's career, equal to 3.75% on employee contributions and 3.25% on employer contributions for contributions until 2015 and 1.75% on all contributions

as from 2016. Since the minimum guaranteed reserves were entirely covered by plan assets by the insurance company, no amounts were recognized in the statement of financial position at December 31, 2016 and 2017.

AK. SUBSEQUENT EVENTS

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

AL. 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 (closed in December 2017)	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%

AM. 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 compa-

ny's planned expenditures would have an immediate adverse effect on the company's business, income from operations and financial condition. Further, in response to changes in the competitive environment, the company may from time to time make certain pricing, service or marketing decisions that could have a material adverse effect on the company's business, result of operations and financial condition.

Currency fluctuations

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

Please refer to the foreign currency risk in chapter 8.9.5.AN 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 de-

fects 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 was involved in a court case with another company related to IP infringement. More information can be found in note 8.9.5.AH 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 8.9.5.AH Litigation of Melexis' Annual Report.

The importance of significant customers

Melexis' biggest customer accounts for 18% of total sales. No other customers have sales over 10% of total sales. For the year ended December 31st, 2017, the 10 most important customers accounted for 52% of total sales (cfr. Note 8.9.5.AA).

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 9.7 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 com-

petition. Further, as a strategic response to changes in the competitive environment, the company may, from time to time, make certain pricing, service and marketing decisions or acquisitions that could have a material adverse effect on its business, results of operations and financial condition.

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

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

Rapid technological change

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

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

Purchasing

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

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

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

Alternatively, the company may have to incur unexpected costs to expedite orders in order to meet unforecasted customer demand. The company typically does not have supply contracts with its vendors that obligate the vendor to perform services and supply products for a specific period, in specific quantities, and at specific prices.

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

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

c. Risks related to the trading on Euronext

Possible volatility of share price

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

AN. 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 2017 approximately 58% of the group's sales are denominated in USD and approximately 56% 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 2017	Increase / Decrease in EUR/USD rate	Effect on profit or loss before taxes (in EUR)
Reference rate: 1.119 (average FY 2017)		
	+0.05 (1.169)	(3,715,158)
	-0.05 (1.069)	4,062,694

At December 31st, 2017, the following financial assets and liabilities were present, shown in USD and CHF:

	31 Dec 17 (USD)	31 Dec 17 (CHF)
Financial assets	47,151,565	262,472
Cash and cash equivalents	4,747,148	256,550
Trade and other receivables	42,404,417	5,922
Financial liabilities	22,788,488	610,395
Trade and other payables	22,788,488	510,395
Loans and borrowings	-	100,000

An increase/decrease of the EUR/USD rate of +/- 500 base points (reference rate = 1.20) would have an impact on the balance sheet value of -812,103 EUR/ +882,720 EUR at 31 December 2017.

An increase/decrease of the EUR/CHF rate of +/- 500 base points (reference rate = 1.17) would have an impact on the balance sheet value of +12,187 EUR/ -13,275 EUR at 31 December 2017.

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, 2017 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.

FY 2017	Increase / Decrease	Effect on financial result (in EUR)	
	in base points	excluding derivatives	including derivatives
	+15	(22,629)	(129)
	-15	22,629	129

AO. 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 8.9.5.M.

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

(5) Inflation risk

The inflation risk of the group arises from the possibility that the salaries will increase due to inflation. The group uses derivative contracts to manage part of the inflation risk. The table with outstanding derivatives at year end is taken up in Note 8.9.5.C.

Fair value of Financial Instruments

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

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

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

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

Management believes that the exposure to interest rate risk of financial assets and liabilities as of December 31st, 2017 was minimal since their deviation from their respective fair values was not significant.

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 web site 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 9.11 of this Corporate Governance Statement.

9.1 SHAREHOLDERS

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

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

Furthermore, Melexis is committed to guaranteeing shareholder rights.

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

The Directors of Melexis are:

Name	Age	Expiry mandate	Position
Roland Duchâtelet	71	2018	Chairman of the Board Non-executive director
Rudi De Winter	57	2018	Vice-chairman of the Board Non-executive director (*)
Françoise Chombar	55	2018	Managing director, CEO
Procexcel BVBA, represented by Ms. Jenny Claes	70	2021	Non-executive and independent director
Shiro Baba	68	2021	Non-executive and independent director
Martine Baelmans	53	2018	Non-executive and independent director

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

9.2 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.

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



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

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 1985 and as a development manager at Elmos GmbH (Germany) from 1985 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 di-

rector at several companies within the Elex group. Ms. Chombar became director in 1996. She holds a master's degree as Interpreter in Dutch, English and Spanish from the University of Gent. In 2004 Ms. Chombar was appointed co-Managing Director and Chief Executive Officer. After the resignation of Mr. Rudi De Winter, mid February 2011, as Managing Director and Chief Executive Officer, Ms. Chombar has continued these functions.

Ms. 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 independ-



Board of Directors

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

ent 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 currently also vice-rector for education policy, innovation and entrepreneurship at this university. Ms. Baelmans holds a Master of Science in Mechanical Engineering and a PhD degree in Engineering Sciences from KU Leuven. Her research has been mainly focused on thermodynamics and heat transfer, particularly in applications for electronics cooling.

Appointment and replacement of directors

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

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

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

The Nomination and Remuneration Committee submits a

reasoned recommendation to the Board on the nomination of directors and equally makes 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 twelve (12) times in 2017 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 legal entity in Corbeil, France;
- Strategic review;
- Evaluation of certain transactions with related parties;
- Dividend policy;
- Budget for the financial year 2018;
- New auditor tendering process;
- Recommendations of the Audit Committee and the Nomination and Remuneration Committee;
- Management structure

Ms. Martine Baelmans could not attend to the Board meeting of June 27, 2017 but send her input via email. On December 19, 2017 Mr. Shiro Baba could not be present and on December 20, 2017 both Ms. Martine Baelmans and Mr. Roland Duchâtelet were absent.

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.

9.4 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 competences relevant to the sector in which Melexis is operating and at least one of its members has a competence in auditing and accounting. Both Procexcel BVBA, represented by Ms. Jenny Claes, and Mr. Shiro Baba comply with this latest requirement through their relevant work experience. In this respect we like to refer to the short biographies of the abovementioned members in this chapter.

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

The Audit Committee met four (4) times during 2017. 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
- New auditor tendering process
- Hedging policy of foreign currencies
- Reports of the statutory auditor and internal auditor

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 three (3) times in 2017. 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

9.5 EXECUTIVE MANAGEMENT

Composition

The Executive Management is composed of the following members*:

Name	Age	Position
Marc Biron	47	VP Sense & Drive
Françoise Chombar	55	Chief Executive Officer
Kristof Coddens	47	VP Artificial Intelligence
Karen van Griensven	47	Chief Financial Officer
Vincent Hiligsmann	47	VP Corporate Strategy – Global Sales, Brand & Communication
Veerle Lozie	44	VP Operations and IT
Damien Macq	51	VP Sense & Light
Sam Maddalena	41	VP Corporate Strategy – Global Product Marketing, OEM Business Development
Nicolas Simonne	43	VP Development & Quality
Heidi Stieglitz	58	VP Human Resources

* This overview reflects the current composition of the management committee (2018).



Executive management

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

9.6 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 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 2017 Melexis paid in total EUR 45,000 as remuneration to the independent directors and EUR 15,606 as reimbursement of costs as follows:

Name	Remuneration	Costs
Procexcel BVBA, represented by Jenny Claes	15,000	66
Shiro Baba	15,000	15,540
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 25% 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 2017 the CEO received a fixed remuneration amounting to EUR 249,996 and a variable pay of EUR 78,125.

Françoise Chombar	Remuneration 2017
Base remuneration	249,996
Short-term variable remuneration	15,625
Mid-term variable remuneration	31,250
Long-term variable remuneration	31,250
Pension	0
Extra legal arrangements	0
Reimbursement of costs	9,829

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 1,577,525 in 2017. The total of the 2017 variable pay component payouts amounted to EUR 201,413.

Executive Managers	Remuneration 2017*
Base remuneration	1,577,525
Variable remuneration	201,413
Defined contribution plan	3,048
Extra legal arrangements	35,089
Reimbursement of costs	78,175

* Based on composition of the management committee January 2017 to December 2017.

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.

Some members of the Executive Management 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.

In accordance with article 554, part 4 of the Belgian Companies Code and the recommendations of the Belgian Corporate Governance Code, the remuneration policy of Melexis determines that a compensation in case of normal termination of the contract of the Members of the Executive Management will be 3 months remuneration (fixed, calculated on the 12 months preceding the termination) upon advice from the Remuneration Committee. The Remuneration Committee points out that this severance payment is in line with market practices. The severance payment will be higher in case an executive manager's (except the CEO) contract is terminated due to a change of control in Melexis (see 9.9).

9.7 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 2017 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 2017 however there were no transactions between the company and its directors or executive managers involving a conflict of interest.

Insider trading

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

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

Moreover, before trading any company shares, the members of the Board 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.

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

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

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

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

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

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

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

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

9.9 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 quo-

rum 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^o, 2^o and 4^o, of the Companies Code, under following conditions:

- This authorization applies for a number of own shares that is at most equal to that which, after acquisition, results in a total number of own shares held by the company equal to the set limit of 20% as stipulated in article 620, §1, 1^o, 2^o 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, 2017, 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.

Termination of management agreements

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

Other elements

The company has not issued securities with special control rights.

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

9.10 AUDITOR

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

The annual fee for this mandate amounted consolidated to EUR 113,000 in audit fees, VAT excluded and is adjusted annually according to the consumer index.

9.11 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.

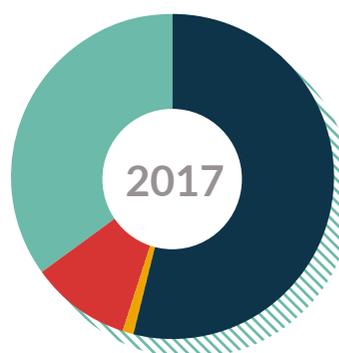
10 SHAREHOLDER INFORMATION

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

10.1 SHAREHOLDER STRUCTURE

Situation on December 31st, 2017

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%



- 53.58%** Xtrion
- 38.17%** Public
- 7.40%** FMR LLC (Fidelity)
- 0.86%** Treasury Shares

* in February 2018 FMR LLC (Fidelity) reduced its participation below the threshold of 5%

10.2 SHARE INFORMATION

- First day of listing October 10th, 1997
- Number of shares outstanding on December 31st, 2017 40,400,000
- Market capitalization on December 31st, 2017 EUR 3,408,548,000

(Euro)	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Earnings per share	2.75	2.38	2.45	2.10	1.37	1.25	1.06	1.12	(0.09)	0.52
Net cash from operating activities	2.80	2.67	2.85	2.35	1.75	1.41	1.35	1.04	0.46	0.62
Gross Dividend	2.10	2.00	1.90	1.00	0.70	0.65	0.60	0.30	0.00	0.60
Year end price	84.37	63.65	50.18	37.50	23.18	12.88	10.37	13.46	6.78	5.00
Year's high	87.37	65.88	59.47	37.54	24.44	13.40	13.84	13.80	7.44	11.87
Year's low	64.41	40.94	37.70	23.10	13.19	10.60	8.35	6.84	3.33	4.95
Average volume of shares traded/day	54,966	59,810	73,249	35,665	22,741	22,958	34,818	34,900	22,137	32,991

10.3 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

10.4 FINANCIAL CALENDAR 2018

April 20th, 2018

Annual Shareholder's Meeting

April 20th, 2018

Announcement of Q1 Results

August 1st, 2018

Announcement of Half Year Results

October 24th, 2018

Announcement of Q3 Results

February 6th, 2019

Announcement of Full Year Results

10.5 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

2017: EUR 1.30 interim dividend
EUR 0.80 final dividend

(payable after approval of the Annual Shareholders meeting on April 20th, 2018)

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 8 and 9 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, 2017. 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, 2017 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	2017	2016
FIXED ASSETS	697,265	688,035
II. Intangible assets	581	687
III. Tangible assets	41,356	32,003
A. Land and buildings	11,423	12,024
B. Plant machinery and equipment	28,191	18,715
C. Furniture and vehicles	1,035	959
F. Assets under construction and advanced payments	708	305
IV. Financial assets	655,327	655,344
A. Affiliated companies	655,278	655,278
1. Participations	655,278	655,278
B. Other enterprises linked by participating interests	-	6
1. Participations	-	6
C. Other financial assets	50	61
2. Receivables and caution money	50	61
CURRENT ASSETS	3,791	2,487
V. Amounts receivable after more than one year	3	3
1. Other receivables	3	3
VII. Amounts receivable within one year	398	382
A. Trade receivables	61	1
B. Other receivables	337	380
VIII. Cash investments	271	271
A. Own shares	21	21
B. Other investments and deposits	250	250
IX. Cash deposits	618	268
X. Deferred assets and accrued income	2,501	1,564
TOTAL ASSETS	701,056	690,522

Condensed non consolidated statement of financial position (Continued)

in 1,000 Euro

	2017	2016
SHAREHOLDERS' EQUITY	210,973	286,454
I. Capital	565	565
A. Outstanding Capital	565	565
IV. Reserves	92	88
A. Legal reserve	57	57
B. Reserves not available for distribution	35	31
1. In respect of own shares held	35	31
V. Retained earnings	209,966	285,428
VI. Investment grants	350	373
DEBTS	490,082	404,068
IX. Amounts payable within one year	488,311	402,567
A. Current portion of amounts payable after more than one year	4	-
C. Trade debts	6,091	1,863
1. Trade payables	6,091	1,863
E. Taxes, remuneration and social security	3,754	4,189
1. Taxes	1,329	2,237
2. Remuneration and social security	2,425	1,952
F. Other amounts payable	478,463	396,515
X. Accrued charges and deferred income	1,771	1,501
TOTAL LIABILITIES	701,056	690,522

Condensed non consolidated statement of comprehensive income

in 1,000 Euro

	2017	2016
I. Operating income	54,550	47,147
A. Turnover	53,506	46,344
C. Other operating income	1,044	803
II. Operating charges	(42,833)	(34,995)
B. Services and other goods	18,545	14,417
C. Remuneration, social security charges and pensions	15,432	13,469
D. Depreciations	8,576	6,975
E. Amounts written off stocks, contracts in progress and trade receivables	-	-
G. Other operating charges	280	134
III. Operating result	11,717	12,152
IV. Financial income	2,472	49
B. Income from current assets	2	2
C. Other financial income	2,470	47
V. Financial charges	(5,033)	(4,323)
A. Debt charges	4,974	4,243
C. Other financial charges	59	81
VI. Result of the year before taxes	9,156	7,877
VII. Income taxes	222	(2,234)
A. Taxes	120	2,234
B. Regularization	(342)	-
VIII. Result of the year	9,379	5,643
IX. Profit of the year available for appropriation	9,379	5,643

Appropriation of the Result

in 1,000 Euro

	2017	2016
A. Result to be appropriated	294,806	366,228
1. Result of the period available for appropriation	9,379	5,643
2. Result carried forward	285,428	360,585
C. Transfers to capital and reserves	(4)	(4)
1. To other reserves	(4)	(4)
D. Result to be carried forward	209,966	285,428
1. Result to be carried forward	209,966	285,428
F. Distribution of profit	(84,836)	(80,796)
1. Dividends	(84,836)	(80,796)

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.





MELEXIS NV

**Statutory auditor's report to the general
shareholders' meeting on the consolidated
accounts for the year ended December 31, 2017**

March 14, 2018



STATUTORY AUDITOR'S REPORT TO THE GENERAL SHAREHOLDERS' MEETING OF THE COMPANY MELEXIS NV ON THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED DECEMBER 31, 2017

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

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

Report on the audit of the consolidated accounts

Unqualified opinion

We have performed the statutory audit of the Group's consolidated accounts, which comprise the consolidated statement of financial position as at December 31, 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and which is characterised by a consolidated statement of financial position total of EUR 403.360.590 and a profit for the year of EUR 110.954.678.

In our opinion, the consolidated accounts give a true and fair view of the Group's net equity and consolidated financial position as at December 31, 2017, and of its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the European Union and with the legal and regulatory requirements applicable in Belgium.

Other matter

The annual accounts of the Company for the year ended December 31, 2016 were audited by another statutory auditor who expressed an unqualified opinion on those annual accounts in his report *d.d.* 15 March 2017.

Basis for unqualified opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "*Statutory auditor's responsibilities for the audit of the consolidated accounts*" section of our report. We have fulfilled our ethical responsibilities in accordance with the ethical requirements that are relevant to our audit of the consolidated accounts in Belgium, including the requirements related to independence.

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

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

Key audit matters

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

- 1) First key audit matter regarding fraud in revenue recognition

Description of the key audit matter

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

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

How our audit addressed the key audit matter

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

As part of our overall revenue recognition testing, we used data analysis tools to test the correlation of revenue transactions to cash receipts for the complete set of sales throughout the year. We performed cut-off and sales price testing for a sample of revenue transactions around the period end date to check whether they were accurately recognised and recorded in the appropriate period.

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

2) Second key audit matter regarding tax positions

Description of the key audit matter

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

How our audit addressed the key audit matter

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

3) Third key audit matter regarding claims and litigations

Description of the key audit matter

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

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

How our audit addressed the key audit matter

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

Responsibilities of the board of directors for the consolidated accounts

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

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

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

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

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

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

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

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

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

From the matters communicated with the board of directors, we determine those matters that were of most significance in the audit of the consolidated accounts of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Responsibilities of the board of directors

The board of directors is responsible for the preparation and the content of the directors' report on the consolidated accounts.

Statutory auditor's responsibilities

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

Aspects related to the directors' report on the consolidated accounts

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

In the context of our audit of the consolidated accounts, we are also responsible for considering, in particular based on the knowledge acquired resulting from the audit, whether the directors' report on the consolidated accounts and the other information included in the annual report on the consolidated accounts, containing:

- Letter to the shareholders
- Key figures
- Responsible entrepreneurship
- Our strategy
- Product portfolio
- International locations
- Corporate governance statements
- Shareholder information

is materially misstated or contains information which is inadequately disclosed or otherwise misleading. In light of the procedures we have performed, there are no material misstatements we have to report to you. We do not express any form of assurance conclusion on this annual report.

The non-financial information is included in a separate report which is part of section 6 of the annual report on the consolidated accounts. The report of non-financial information contains the information required by virtue of article 119, §2 of the Companies' Code, and agrees with the consolidated accounts for the same year. We do not express assurance on individual elements included in this non-financial information.

Statement related to independence

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

Other statements

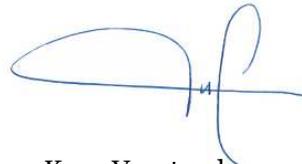
- This report is consistent with the additional report to the audit committee referred to in article 11 of the Regulation (EU) N° 537/2014.

Hasselt, March 14, 2018

The statutory auditor
PwC Bedrijfsrevisoren BCVBA
Represented by



Sofie Van Grieken
Réviseur d'Entreprises / Bedrijfsrevisor



Koen Vanstraelen
Réviseur d'Entreprises / Bedrijfsrevisor

Melexis



www.melexis.com